not acting to the best of its ability, section 776(b) authorizes the Department to use an inference adverse to the interests of that respondent in choosing FA. Section 776(b) also authorizes the Department to use as adverse FA information derived from the petition, the final determination in the investigation, a previous administrative review, or other information placed on the record. Information from prior segments of a proceeding constitutes secondary information. Section 776(c) of the Act provides that the Department shall, to the extent practicable, corroborate secondary information from independent sources reasonably at its disposal. The Statement of Administrative Action (SAA) (H. Doc. 316, 103d Cong., 2nd Sess. 870) provides that ''corroborate'' means that the Department will satisfy itself that the secondary information to be used has probative value. The SAA, at page 870, clarifies that the petition is ''secondary information.''

As noted above, various exporters, including Jinan, of certain cased pencils from the PRC failed to respond to our questionnaire (*see* ''Background'' section of this notice). Therefore, we considered these exporters to have failed to cooperate by not acting to the best of their ability to comply with the Department's requests for information. Therefore, we preliminarily decided to use adverse FA with respect to Jinan and all other non-responding exporters, in accordance with section 776(b) of the Act. *See* Memorandum from Pencils Team Analyst to Holly A. Kuga, Senior Director, AD/CVD Enforcement, Group II, July 18, 1998 (July 18, 1998 Memorandum) at 3. Further, these exporters, together with all other exporters that have not established they are entitled to a separate rate, are presumed to be under common government control and, therefore, receive a single PRC-wide rate. Consequently, we are basing the PRC-wide rate on adverse FA, in accordance with section 776(b) of the Act.

For the preliminary results of this review, we determine it appropriate to use, as adverse FA, the petition rate (which was the basis for the PRC-wide rate in the LTFV investigation), as amended by our August 1995 remand determination, of 53.65 percent. This is consistent with our decision in the amended final results of the first administrative review and the final results of the second administrative review of this order. *See Certain Cased Pencils From the People's Republic of China; Amended Final Results of Antidumping Duty Administrative Review*, 62 FR 36491 (July 8, 1997) *(Pencils Amended Final); see also Certain Cased Pencils From the People's Republic of China; Final Results of Antidumping Duty Administrative Review*, 63 FR 779 (January 7, 1998). Further, we determined this rate to be corroborated based on our analysis in the previous segment of the proceeding (*see Pencils Amended Final*, 62 FR at 36492). There is no new information in the record of the instant proceeding to lead us to re-examine this issue.

Accordingly, we are applying a single dumping rate—the PRC-wide rate established in the *Pencils Amended Final*—to all exporters in the PRC, except for China First and Guangdong, as discussed above, and Shanghai Foreign Trade Corporation, an exporter which was previously determined to be entitled to a separate rate and for which the petitioner did not request an administrative review.

The weighted-average dumping margin is as follows:

Manufacturer/producer/exporter	Weighted-average margin percentage
PRC-wide Rate	53.65

Parties to this proceeding may request disclosure within 5 days of the date of publication of this notice (*see* section 351.224(b) of the Department's regulations). In accordance with section 351.310(c) of the Department's regulations, any interested party may request a hearing within 30 days of publication of this notice. Any hearing, if requested, will be held 44 days after the publication of this notice, or the first workday thereafter. Interested parties may submit case briefs within 30 days of the date of publication of this notice. Rebuttal briefs, which must be limited to issues raised in the case briefs, may be filed not later than 35 days after the date of publication. *See* sections 351.309 and 351.310 of the Department's regulations. The Department will publish a notice of final results of this administrative review, which will include the results of its analysis of issues raised in any such comments, not later than 120 days after the date of publication of these preliminary results.

The Department shall determine, and Customs shall assess, antidumping duties on all appropriate entries. We intend to issue assessment instructions to Customs for the exporters subject to this review based on the dumping rate stated above. The Department will issue appraisement instructions directly to Customs. Further, the following deposit requirements will be effective upon publication of the final results of this administrative review for all shipments of certain cased pencils from the PRC entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided for by section 751(a)(1) of the Act: (1) the cash deposit rate for all Chinese exporters, except for China First, Guangdong, and SFTC, will be the rate established in the final results of this review; (2) for merchandise exported by SFTC, China First (with respect to merchandise produced by anyone other than China First), and Guangdong (with respect to merchandise produced by anyone other than Three Star), the cash deposit rate will continue to be the most recent rate published in the determination or final results for that firm; and (3) for non-PRC exporters of subject merchandise from the PRC, the cash deposit rate will be the rate of their suppliers. These deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

This notice serves as a preliminary reminder to importers of their responsibility under section 351.402(f) of the Department's regulations to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this POR. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. section 1675(a)(1)), section 777(i) of the Act (19 U.S.C. section 1677f(i)), and 19 CFR 351.221.

Dated: September 1, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–24487 Filed 9–10–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–201–817]

Oil Country Tubular Goods From Mexico: Preliminary Results of Antidumping Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of preliminary results of antidumping duty administrative review.

SUMMARY: In response to a request from respondents, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on oil country tubular goods (''OCTG'') from Mexico. The review covers two manufacturers/exporters of the subject merchandise to the United States and the period August 1, 1996 through July 31, 1997. We preliminarily determine that sales have not been made below normal value (''NV''). If these preliminary results are adopted in our final results of administrative review, we will instruct U.S. Customs to assess antidumping duties based on the difference between export price (''EP'') or constructed export price (''CEP'') and NV.

Interested parties are invited to comment on these preliminary results. Parties who submit argument in this proceeding are requested to submit with the argument (1) a statement of the issue and (2) a brief summary of the argument (no longer than five pages, including footnotes).

EFFECTIVE DATE: September 11, 1998.

FOR FURTHER INFORMATION CONTACT: John Drury, Nancy Decker or Linda Ludwig, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–3208 (Drury), (202) 482–0196 (Decker), (202) 482–3833 (Ludwig).

SUPPLEMENTARY INFORMATION:

Applicable Statute

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act) are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at 19 CFR Part 351 (62 FR 27296, May 19, 1997).

Background

The Department of Commerce published a final determination of sales at less than fair value for OCTG from Mexico on June 28, 1995 (60 FR 33567), and subsequently published the antidumping duty order on August 11, 1995 (60 FR 41056). The Department of Commerce published a notice of ''Opportunity To Request Administrative Review'' of the antidumping order for the 1996/1997 review period on August 4, 1997 (62 FR 41925). Upon receiving requests for administrative review from two respondents, Hylsa S.A. de C.V. (''Hylsa'') and Tubos de Acero de Mexico, S.A. (''TAMSA''), we initiated a review on September 25, 1997 (62 FR 50292).

Under Section 751(a)(3)(A) of the Act, the Department may extend the deadline for completion of an administrative review if it determines that it is not practicable to complete the review within the statutory time limit of 365 days. On March 19, 1998, the Department extended the time limits for these preliminary results to August 31, 1998. *See Oil Country Tubular Goods from Mexico; Extension of Time Limits for Antidumping Duty Administrative Review* (63 FR 14422, March 25, 1998).

Duty Absorption

On October 2, 1997, Maverick Tube Corporation, Lone Star Steel Company, and IPSCO Tubulars, Inc. requested that the Department determine, with respect to Hylsa, whether antidumping duties had been absorbed during the POR. On October 23, 1997, North Star Steel Ohio requested that the Department determine, with respect to TAMSA, whether antidumping duties had been absorbed during the POR. Section 751(a)(4) of the Act provides for the Department, if requested, to determine during an administrative review initiated two or four years after the publication of the order, whether antidumping duties have been absorbed by a foreign producer or exporter, if the subject merchandise is sold in the United States through an affiliated importer. Because this review was initiated two years after the publication of the order, we will make a duty absorption determination in this segment of the proceeding.

Since we have preliminarily determined that there are no dumping margins for the respondents with respect to its U.S. sales, we also preliminarily determine that there is no duty absorption. As our analysis of the dumping margin may be modified in our final results, if interested parties wish to submit evidence that the unaffiliated purchasers in the United States will pay any ultimately assessed duty charged to affiliated importers, they must do so no later than 15 days after publication of these preliminary results. This information would be considered by the Department if we determine in our final results that there are dumping margins on certain U.S. sales.

In this case, both TAMSA and Hylsa sold to the United States through importers that are affiliated within the meaning of section 751(a)(4) of the Act. We preliminarily determine that there is a no dumping margin for either TAMSA's sales or Hylsa's sales during the POR.

Scope of the Review

Imports covered by this review are oil country tubular goods, hollow steel products of circular cross-section, including oil well casing, tubing, and drill pipe, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished or unfinished (including green tubes and limited service OCTG products). This scope does not cover casing, tubing, or drill pipe containing 10.5 percent or more of chromium. The OCTG subject to this order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7304.20.10.10, 7304.20.10.20, 7304.20.10.30, 7304.20.10.40, 7304.20.10.50, 7304.20.10.60, 7304.20.10.80, 7304.20.20.10, 7304.20.20.20, 7304.20.20.30, 7304.20.20.40, 7304.20.20.50, 7304.20.20.60, 7304.20.20.80, 7304.20.30.10, 7304.20.30.20, 7304.20.30.30, 7304.20.30.40, 7304.20.30.50, 7304.20.30.60, 7304.20.30.80, 7304.20.40.10, 7304.20.40.20, 7304.20.40.30, 7304.20.40.40, 7304.20.40.50, 7304.20.40.60, 7304.20.40.80, 7304.20.50.15, 7304.20.50.30, 7304.20.50.45, 7304.20.50.60, 7304.20.50.75, 7304.20.60.15, 7304.20.60.30, 7304.20.60.45, 7304.20.60.60, 7304.20.60.75, 7304.20.70.00, 7304.20.80.30, 7304.20.80.45, 7304.20.80.60, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.20.10.30, 7306.20.10.90, 7306.20.20.00, 7306.20.30.00, 7306.20.40.00, 7306.20.60.10, 7306.20.60.50, 7306.20.80.10, and 7306.20.80.50.

Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

The Department has determined that couplings, and coupling stock, are not within the scope of the antidumping duty order on OCTG from Mexico. *See* Letter to Interested Parties; Final Affirmative Scope Decision, August 27, 1998.

Period of Review

The review covers the period August 1, 1996 through July 31, 1997. The Department is conducting this review in accordance within section 751 of the Act, as amended.

Verification

As provided in section 782(i) of the Act, we verified information provided by both Hylsa and TAMSA (sales and cost) using standard verification procedures, including on-site inspection of the manufacturer's facilities and the examination of the relevant sales and financial records.

Our verification results are outlined in the public versions of the verification reports.

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced by the respondents, covered by the description in the Scope of the Review section, above, and sold in the home market during the period of review (POR), to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to the most similar foreign like product on the basis of the characteristics listed in the Department's September 16, 1997 questionnaires or to constructed value (''CV'').

Fair Value Comparisons

To determine whether sales of the subject merchandise by TAMSA and Hylsa were made at less than fair value (''LTFV''), we compared the EP or CEP to the NV, as described in the EP, CEP, and NV sections of this notice, below. In accordance with section 777A(d)(1)(A)(i) of the Act, we compared EPs or CEPs to weight-averaged NVs.

Hylsa reported that it had no viable home market or third country sales during the POR. Therefore, for Hylsa we used CV for NV. See the NV section of this notice, below, for further discussion.

United States Price (USP)

TAMSA

In its response to the Department, TAMSA claimed that its sales to the United States were EP sales. After careful examination of the record, and based upon our analysis using the three-pronged test defined below, the Department has preliminarily determined to treat TAMSA's U.S. sales as CEP sales, as defined in section 772(b) of the Act. See Analysis Memorandum for TAMSA for a further discussion.

Pursuant to section 772(a) and (b) of the Act (19 U.S.C. § 1677a(a) and (b)), an EP sale is a sale of merchandise for export to the United States made prior to importation, and a CEP sale is a sale made in the United States before or after importation. In determining whether the sales activity of a U.S. subsidiary rises to such a level that a sale also involving the producer or exporter outside the United States will be considered a CEP sale, the Department has examined the following criteria: (1) Whether the merchandise was shipped directly from the manufacturer to the unaffiliated U.S. customer (rather than being introduced into the inventory of the U.S. affiliate), (2) whether this was a customary commercial channel between the parties involved; and (3) whether the function of the U.S. affiliate is limited to that of a ''processor of sales-related documentation'' and a ''communication link'' with the unaffiliated U.S. buyer. *See, e.g., Certain Corrosion-Resistant Carbon Steel Flat Products and Certain Cut-to-Length Carbon Steel Plate From Canada: Final Results of Antidumping Duty Administrative Review* (''*Canadian Steel*''), 63 Fed. Reg. 12725, 12738 (March 16, 1998).

In the *Canadian Steel* case, the Department clarified its interpretation of the third prong of this test, as follows. ''Where the factors indicate that the activities of the U.S. affiliate are ancillary to the sale (e.g., arranging transportation or customs clearance, invoicing), we treat the transactions as EP sales. Where the U.S. affiliate has more than an incidental involvement in making sales (e.g., solicits sales, negotiates contracts or prices) or providing customer support, we treat the transactions as CEP sales.'' *Id.*

Based on our examination of the record, TAMSA's U.S. affiliate (Siderca Corp.) has more than an incidental involvement in making sales or providing customer support. Siderca Corp. has an exclusive export agent agreement to distribute TAMSA merchandise in the U.S., Siderca Corp. solicits sales, and matches customer orders to TAMSA's production or inventory. Siderca Corp. invoices the U.S. customer, and receives payment. Siderca Corp pays for import charges as well as insurance for the merchandise. Conversely, TAMSA does not communicate directly with the customer. Only Siderca Corp. communicates with the customer. Based on these facts, it is clear that the U.S. affiliate has more than an incidental involvement in making these sales. Since the sales in question do not meet the third prong of the test for indirect EP sales described above, we need not consider the other two prongs. Based on our analysis, we are treating TAMSA's U.S. transactions as CEP sales.

We based CEP on the delivered price to affiliated customers in the United States. We made adjustments, where applicable, for movement expenses (U.S. inland freight, U.S. brokerage and handling expenses, and U.S. customs duties), credit expenses, and indirect selling expenses that were associated with economic activity in the United States. Finally, we made an adjustment for CEP profit in accordance with section 772(d)(3) of the Act.

Hylsa

We used EP in accordance with section 772(a) of the Act because the subject merchandise was sold to unaffiliated customers before importation and the CEP methodology was not indicated by the facts on the record. While Hylsa did sell the subject merchandise through a U.S. affiliate, we found the following fact pattern when applying the three-prong test. First, the merchandise was shipped directly from the manufacturer to the unaffiliated U.S. customer and was not introduced into the inventory of the U.S. affiliate. Concerning the second prong of the test, the Court of International Trade has recognized that if a majority of a company's sales are not warehoused by the U.S. affiliate, this indicates that the direct shipments of merchandise were a customary commercial channel of trade. *E.I. Du Pont de Nemours & Co., Inc.* v. *United States*, 841 F. Sup. 1237, 1248–50 (1993). The majority of Hylsa's sales are not warehoused by the United States affiliate. Finally, as to the third prong of the test, we found that the functions of Hylsa's U.S. affiliate are limited to that of ''processor of sales-related documentation'' in connection with the unaffiliated U.S. buyer. We found that Hylsa communicates directly with the unaffiliated customer, sets the price, and pays for all related expenses. The affiliate's role is confined to issuing an invoice and collecting payment. Therefore, we preliminarily conclude that Hylsa's sales of subject merchandise to the U.S. are EP sales.

We calculated EP based on packed, prepaid or delivered prices to customers in the United States. We made adjustments, where applicable, for movement expenses (U.S. inland freight, U.S. brokerage and handling expenses, and U.S. Customs duties).

Based on findings at verification, we have adjusted Hylsa's reported credit expense. We found that the rate used to calculate the credit expense had been understated due to the exclusion of a tax expense. We instead have used the weighted average of Hylsa's short-term borrowings for the POR plus an amount equal to the tax expense. *See* Analysis Memorandum for Hylsa for further details.

Normal Value

In order to determine whether there were sufficient sales of OCTG in the home market (''HM'') to serve as a viable basis for calculating NV, we compared the volume of home market sales of subject merchandise to the volume of subject merchandise sold in the United States, in accordance with section 773(a)(1)(C) of the Act.

TAMSA

TAMSA's aggregate volume of HM sales of the foreign like product was greater than five percent of its respective aggregate volume of U.S. sales of the subject merchandise. Therefore, for TAMSA, we have based NV on HM sales. We made adjustments to NV for HM inland freight, discounts, credit expenses, warehousing expenses, packing, and warranty expenses.

Based on our findings at verification, we made adjustments to the reported values for direct selling expenses. *See* Analysis Memorandum for further discussion.

Cost of Production Analysis

Because the Department found sales below cost for TAMSA in the comparison market during the last completed segment of the proceeding, we initiated a cost of production (''COP'') analysis. We conducted the COP analysis as described below.

A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated the weighted-average COP, by model, based on the sum of the cost of materials, fabrication and general expenses, and packing costs. We relied on the submitted COPs, except in the following specific instances where the submitted costs were not appropriately quantified or valued.

We made the following company-specific adjustments to the submitted costs. *See* Analysis Memorandum for a further discussion.

1. We revised TAMSA's depreciation expense to allocate the year end adjustment evenly throughout 1996. *See* Cost Verification Report from Theresa L. Caherty and Michael P. Harrison to Christian B. Marsh dated August 24, 1998.

2. For products which were not produced during the POR, we used the COP for the period in which the products were produced.

3. We calculated TAMSA's FOH 2 and FOH 3 expense allocation using a percentage of standard costs. *See* Analysis Memorandum for further discussion.

4. We revised TAMSA's general and administrative expense rate to include the mandatory employee profit sharing contribution.

5. We revised TAMSA's net financial expense to include the premium paid to retire its debentures and to allocate expenses between short-term and long-term liabilities.

B. Test of Home Market Prices

We used respondent's weighted-average COP for the period August 1, 1996 to July 31, 1997. We compared the weighted-average COP figures to home market sales of the foreign like product as required under section 773(b) of the Act. In determining whether to disregard home-market sales made at prices below the COP, we examined whether (1) within an extended period of time, such sales were made in substantial quantities, and (2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time. On a product-specific basis, we compared the COP to the home market prices, less any applicable movement charges, rebates, and discounts.

C. Results of COP Test

Pursuant to section 773(b)(2)(C), where less than 20 percent of TAMSA's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in ''substantial quantities.'' Where 20 percent or more of respondent's sales of a given product during the POR were at prices less than the COP, we determined such sales to have been made in ''substantial quantities'' within an extended period of time in accordance with section 773(b)(2)(B) of the Act. We also determined that such sales were also not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act; therefore, we disregarded the below-cost sales.

D. Calculation of CV

In accordance with section 773(e) of the Act, we calculated CV based on the sum of TAMSA's cost of materials, fabrication, SG&A, U.S. packing costs, and interest expenses as reported and a calculated profit. In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country. For selling expenses, we used the weighted-average home market selling expenses.

Hylsa. Hylsa reported that it had no viable home or third country market during the POR. Therefore, in accordance with section 773(a)(4) of the Act, we based NV for Hylsa on CV. In accordance with section 773(e)(1) of the Act, we calculated CV based on the sum of the costs of materials, labor, overhead, SG&A, profit, interest expenses, and U.S. packing costs. We adjusted SG&A, packing and cost of manufacture (''COM'') based on our findings at verification. See analysis memorandum for further information.

Section 773(e)(2)(A) states that SG&A and profit are to be based on the actual amounts incurred in connection with sales of a foreign like product. In the event such data is not available, section 773(e)(2)(B) of the Act sets forth three alternatives for computing profit and SG&A without establishing a hierarchy or preference among the alternative methods. The alternative methods are: (1) Calculate SG&A and profit incurred by the producer based on the sale of merchandise of the same general type as the exports in question; (2) average SG&A and profit of other producers of the foreign like product for sales in the home market; or (3) any other reasonable method, capped by the amount normally realized on sales in the foreign country of the general category of the products. In addition, the Statement of Administrative Action (''SAA'') states that, if the Department does not have the data to determine amounts for profit under alternatives one and two, or a profit cap under alternative three, it still may apply alternative three (without the cap) on the basis of the ''facts available.'' SAA at 841.

In this case, since Hylsa did not have a viable home market or third country market for this product, we based Hylsa's SG&A and profit values on the following methodology. For profit and SG&A expenses, we used data from Hylsa's financial statements. We based our profit calculations on the income statement of the tubular products division of Hylsa, and SG&A on Hylsa's consolidated financial statement. *See* Analysis Memorandum for further discussion.

There were no allegations of below-cost sales for Hylsa during this POR. Consequently, we did not initiate a COP analysis for Hylsa.

Price to CV Comparisons

Where we compared CV to EP for Hylsa, we increased CV by U.S. credit expenses pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR § 351.410(a)(c).

Level of Trade

In accordance with section 773(a)(1)(A) of the Act, and the SAA at pages 829–831, to the extent practicable, the Department will calculate NV based on sales at the same level of trade (LOT) as the U.S. sale (either EP or CEP). When there are no sales in the comparison market at the same LOT as the U.S. sale(s), the Department may compare sales in the U.S. and foreign markets at a different LOT, and adjust NV if appropriate. The NV LOT is that of the starting-price sales in the home market. When NV is based on CV, the level of trade is that of the sales from which we derive selling, general and administrative (''SG&A'') expenses and profit.

As the Department explained in *Gray Portland Cement and Clinker from Mexico: Final Results of Antidumping Duty Administrative Review* (Cement from Mexico), 62 FR 17156 (April 9, 1997), for both EP and CEP the relevant transaction for the LOT analysis is the sale from the exporter to the importer. While the starting price for CEP is that of a subsequent resale to an unaffiliated buyer, the construction of the CEP results in a price that would have been charged by the exporter to the importer if the importer had not been affiliated. We calculate the CEP by removing from the first resale to an unaffiliated U.S. customer the expenses referenced in section 772(d) of the Act and the profit associated with these expenses. These expenses represent activities undertaken by the affiliated importer in making the sale to the unaffiliated customers. Because the expenses deducted under section 772(d) of the Act are incurred for selling activities in the United States, the deduction of these expenses may yield a different LOT for the CEP than for the later resale (which we use for the starting price). Movement charges, duties, and taxes deducted under section 772(c) of the Act do not represent activities of the affiliated importer, and we do not remove them to obtain the price on which the CEP LOT is based.

To determine whether some or all home market sales are at a different LOT than U.S. sales, we apply a two-prong test. Customer categories such as distributors, retailers, or end-users are commonly used by respondents to describe LOTs, but, without substantiation, they are insufficient to establish that a claimed LOT is valid. An analysis of the chain of distribution and of the selling functions substantiates or invalidates the claimed LOTs.

In the first part of the test, we examine whether the home market sales are at different stages in the marketing process than the U.S. sales. The marketing process in both markets begins with goods being sold by the producer and extends to the sale to the final user. The chain of distribution between the producer and the final user may have many or few links, and each respondent's sales occur somewhere along this chain. In the United States the respondent's sales are generally to an importer, whether independent or affiliated. We review and compare the distribution systems in the home market and the United States, including selling functions, class of customer, and the extent and level of selling expenses for each claimed LOT. Unless the sales being compared are at different stages in the marketing process, the Department will not find that a difference in LOT exists, even if selling functions are different.

The second prong of the Department's LOT test concerns selling functions. If the claimed LOTs are different, the selling functions performed in selling to each level should also be different. Therefore, unless we find at a minimum that there are different selling functions and different stages in the marketing process for sales to the U.S. and HM sales, we will not determine that there are separate LOTs. Different LOTs necessarily involve differences in selling functions, but differences in selling functions, even substantial ones, are not alone sufficient to establish a difference in the LOTs. Differences in LOTs are characterized by purchasers at different stages of marketing or their equivalent which, in this case, are the different stages in the chain of distribution, and by sellers performing qualitatively different functions in selling to them.

When we compare U.S. sales to home market sales made at a different LOT, we make a LOT adjustment if the difference in LOTs affect price comparability. We determine any effect on price comparability by examining sales at different LOTs in a single market (the home market or the third-country market used to calculate NV when the aggregate volume of sales in the home market is less than five percent of the aggregate volume of U.S. sales). Any price effect must be manifested in a pattern of consistent price differences between home market (or third-country) sales used for comparison and sales at the equivalent LOT of the export transaction. *See, e.g. Granular Polytetrafluorethylene Resin from Italy; Preliminary Results of Antidumping Duty Administrative Review,* 62 FR 26285 (May 13, 1997), and *Cement from Mexico,* at 17148. To quantify the price differences, we calculate the difference in the average of the net prices of the same models sold at different LOTs. We use the average percentage difference between these net prices to adjust NV when the LOT of NV is different from that of the export sale. If there is no pattern of price differences, then the difference in LOTs does not have a price effect, and, therefore, no adjustment is necessary.

Section 773 of the Act also provides for an adjustment to NV when NV is based on a LOT different from that of the CEP if the NV is more remote from the factory than the CEP and, even though the respondent has acted to the best of its ability in providing data for this purpose, we are unable to determine whether the differences in LOT between CEP and NV affect the comparability of their prices. This latter situation might occur when there is no home market (or third-country) LOT equivalent to the U.S. sales level or where there is an equivalent home market (or third-country) level but the data are insufficient to support a conclusion on price effect. *See, e.g., Certain Corrosion Resistant Carbon Steel Flat Products and Cut-to-Length Carbon Steel Plate from Canada, Final Results of Antidumping Duty Administrative Reviews,* 62 FR 18466 (April 15, 1997). This adjustment, the CEP offset, is identified in section 773(a)(7)(B) of the Act and is the lesser of the following:

* The indirect selling expenses of the home market (or third-country) sale; or
* The indirect selling expenses deducted from the starting price used to calculate CEP.

The CEP offset is not automatic each time we use CEP. *See Mechanical Transfer Presses from Japan, Final Results of Antidumping Administrative Review* (62 FR 17156, October 9, 1996). The CEP offset is made only when the home market (or third-country) sale's LOT is more advanced than the LOT of the CEP sale and there is not an appropriate basis for determining whether there is an effect on price comparability. *See, e.g., Cement from Mexico* at 17156.

The Department's analysis of the LOT comparisons for the two respondents is as follows:

TAMSA. It is the Department's policy to match, whenever possible, U.S. sales to home market sales of identical merchandise. If there are identical matches, the Department then undertakes a LOT analysis as previously described. *See* Import Administration Policy Bulletin 92/1, ''Matching at Levels of Trade,'' July 29, 1992. Consistent with this policy, the Department determined that the U.S. sales made by TAMSA had matches in the home market of identical merchandise within the same month of the U.S. sale. The U.S. sales matched exclusively to home market sales made to PEMEX. We then sought to determine whether sales to PEMEX were at the same level of trade as TAMSA's sales to the United States. To determine whether TAMSA's CEP and NV sales were at the same LOT, we compared the CEP sales to the PEMEX HM sales in accordance with the methodology discussed above.

Our analysis of the stages in the marketing process indicates that the sales to the U.S. are made at a different point in the chain of distribution than sales to PEMEX. Whereas sales to PEMEX are to an end user, its U.S. sales are to a distributor (Siderca). Therefore, the Department analyzed the different selling functions and services which TAMSA provides to its customers.

We requested information concerning the selling functions associated with sales in each market for TAMSA. In addition to the standard selling functions that TAMSA provides to all home market customers, such as inventory maintenance, technical advice, and others, TAMSA provides other services on a just-in-time basis to PEMEX. Provision of these services requires staff dedicated to administering the just-in-time agreements, and entails certain expenses for TAMSA. Such expenses include provisions and expenditures for breach of contract, salaries and overhead for extra personnel to administer the just-in-time agreements, and other costs. These expenses and selling functions do not exist for TAMSA's sales to the U.S. *See* Analysis Memorandum for further discussion. Based on this analysis, we preliminarily determine that TAMSA's home market sales to PEMEX and its CEP sales are at different LOTs.

Section 773(a)(7)(B) of the Act directs us to make an adjustment for differences in LOTs where such differences affect price comparability. Where such an adjustment is not feasible, and the home market LOT is more advanced than the CEP LOT, the Department must make a CEP offset. We examined the data for TAMSA and have determined that a LOT adjustment is not feasible. Specifically, we note that although TAMSA made sales to other customers which involved different sales functions, it made no sales in Mexico at the LOT of the U.S. sales which could be used to calculate the extent to which price comparability can be attributed to LOT. Thus, the Department is precluded from making a LOT adjustment.

Therefore, as indicated above, in accordance with Section 773(a)(7)(B) of the Act, a CEP offset is warranted where NV is established at a LOT which constitutes a more advanced stage of distribution (or the equivalent) than the LOT of the CEP sale. Because we have determined that TAMSA's home market LOT is different from the CEP LOT and is at a more advanced stage of distribution, as well as that a LOT adjustment is not feasible, we made a CEP offset pursuant to Section 773(a)(7)(B) of the Act.

Hylsa. Since NV for Hylsa is based on CV, the level of trade is that of the sales from which we derive SG&A expenses and profit used in the CV calculations. We derived profit and SG&A expenses from Hylsa's tubular products division financial sheets and submitted worksheets, which we examined at verification. Although Hylsa's U.S. sale involves ministerial functions performed by a U.S. affiliate, we consider this to be a sale which we categorized as an EP sale made indirectly by Hylsa to the unaffiliated end-user customer. We find that there is no evidence on the record to suggest that these sales to the U.S., when compared to the HM sales made by Hylsa's tubular products division, which were used in CV, are at a different level of trade. Therefore, a LOT adjustment is not appropriate for Hylsa's sales.

Preliminary Results of Review

We preliminarily determine that the following margins exist for the period August 1, 1996 through July 31, 1997:

Hylsa—0%
TAMSA—0%

Parties to this proceeding may request disclosure within five days of publication of this notice and any interested party may request a hearing within 30 days of publication. Any hearing, if requested, will be held 37 days after the date of publication, or the first working day thereafter. Interested parties may submit case briefs and/or written comments no later than 30 days after the date of publication. Rebuttal briefs and rebuttals to written comments, limited to issues raised in such briefs or comments, may be filed no later than 35 days after the date of publication. The Department will publish the final results of this administrative review, which will include the results of its analysis of issues raised in any such written comments or at a hearing, within 120 days after the publication of this notice.

The Department shall determine, and Customs shall assess, antidumping duties on all appropriate entries. The Department will issue appraisement instructions directly to Customs. The final results of this review shall be the basis for the assessment of antidumping duties on entries of merchandise covered by the determination and for future deposits of estimated duties. We will base the assessment of antidumping duties on the entered value of the covered merchandise.

Furthermore, the following deposit requirements will be effective upon completion of the final results of these administrative reviews for all shipments of OCTG from Mexico entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results of these administrative reviews, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for reviewed firms will be the rate established in the final results of administrative review, except if the rate is less than 0.50 percent, and therefore, *de minimis* within the meaning of 351.106(d)(1), in which case the cash deposit rate will be zero; (2) for merchandise exported by manufacturers or exporters not covered in this review but covered in the original less-than-fair-value (LTFV) investigation or a previous review, the cash deposit will continue to be the most recent rate published in the final determination or final results for which the manufacturer or exporter received a company-specific rate; (3) if the exporter is not a firm covered in this review, or the original investigation, but the manufacturer is, the cash deposit rate will be that established for the manufacturer of the merchandise in the final results of these reviews, or the LTFV investigation; and (4) if neither the exporter nor the manufacturer is a firm covered in this or any previous review or the original fair value investigation, the cash deposit rate will be 23.79%.

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675(a)(1)) and 19 CFR 351.201 and 351.221.

Dated: August 31, 1998.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 98–24488 Filed 9–10–98; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF DEFENSE

Office of the Secretary

[Transmittal No. 98–55]

36(b)(1) Arms Sales Notification

AGENCY: Defense Security Assistance Agency, Department of Defense.

ACTION: Notice.

SUMMARY: The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Pub. L. 104–164 dated July 21, 1996.

FOR FURTHER INFORMATION CONTACT: Ms. J. Hurd, DSAA/COMPT/RM, (703) 604–6575.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 98–55, with attached transmittal and policy justification.

Dated: September 4, 1998.

L.M. Bynum,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

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