

outside accountants made this adjustment merely for tax purposes. First, Greening Donald's audited financial statements, which were prepared in accordance with Canadian GAAP, include this adjustment. Moreover, Greening Donald provided no explanation as to why recognition of this adjustment distorts costs. Consistent with our normal practice, we rely on the respondent's normal books and records kept in accordance with the respondent's home country's generally accepted accounting principles. Thus, we have included this adjustment in the calculation of COP and CV.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of stainless steel round wire from Canada that are entered, or withdrawn from warehouse, for consumption on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the U.S. price, as indicated in the chart below. The suspension of liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/manufacturer	Weighted-average margin percentage
Central Wire	11.79
Greening Donald	11.18
All Others	11.64

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission ("ITC") of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or

after the effective date of the suspension of liquidation.

We are issuing and publishing this determination in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-583-829]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire from Taiwan

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Gabriel Adler or Kris Campbell at (202) 482-1442 or (202) 482-3813, respectively, Group 1, Office of AD/CVD Enforcement 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Taiwan is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. See *Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination*

of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea, 63 FR 64042 (November 18, 1998) (preliminary determination). Since the preliminary determination, the following events have occurred:

In January and February 1999, we conducted on-site verifications of the questionnaire responses submitted by respondent Tien Tai Electrode Co., Ltd. (Tien Tai) and its affiliate¹ Kuang Tai Metal Industry Co., Ltd. (Kuang Tai).²

The petitioners³, Tien Tai/Kuang Tai, and Rodex submitted case briefs on February 23, 1999, and rebuttal briefs on March 2, 1999. We held a public hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to each respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

¹ As explained in the preliminary determination, for purposes of this investigation we are treating Tien Tai and Kuang Tai as a single entity.

² Verification of respondent Rodex Fasteners Corp. (Rodex) was conducted in September and October 1998, prior to the issuance of the preliminary determination.

³ The petitioners are ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corporation, and Techalloy Company, Inc.

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Taiwan to the United States were made at LTFV, we compared the export price (EP) to the normal value. Our calculations followed the methodologies described in the preliminary determination, except as noted below and in company-specific analysis memoranda dated April 2, 1999, which have been placed in the file.

Export Price

We used the same methodology to calculate EP as that described in the preliminary determination.

Normal Value

We used the same methodology to calculate normal value as that described in the preliminary determination, except that for Tien Tai, we revised the reported credit expenses to correct an error in the credit period.

Cost of Production

We used the same methodology to calculate cost of production (COP) as that described in the preliminary determination, except in the following specific instances:

1. Rodex

We corrected two errors made in the preliminary determination with respect to a year-end auditor's adjustment to the reported labor and overhead costs. See Rodex comment 3.

2. Tien Tai

We made an adjustment for wire rod input costs. We included in general expenses (1) the value of stock bonuses made to employees and directors, (2) R&D expenses, (3) certain foreign exchange gains and losses, and excluded from general expenses certain non-operating income. Further, we reduced the cost of sales of the companies by the verified inter-company transactions. Finally, we eliminated the double-counting of packing expenses of Kuang Tai.

Unit of Weight for Tien Tai

We corrected a clerical error in the margin program for Tien Tai involving the unit of weight used to calculate the total amount of dumping.

Currency Conversions

As in the preliminary determination, we made currency conversions into U.S. dollars based on the exchange rates in effect on the dates of the U.S. sales, in accordance with section 773A of the Act. We relied on exchange rates certified by the Federal Reserve Bank.

Interested Party Comments

A. Tien Tai/Kuang Tai

Comment 1: Costs for Inter-Company Raw Material Purchases. The petitioners

argue that the extent of Tien Tai's purchases of wire rod from Kuang Tai was understated, and not disclosed until verification. The petitioners also contend that because Tien Tai and Kuang Tai are a single entity for purposes of this investigation, they should have reported their respective acquisition cost of the wire rod in question rather than the inter-company transfer price. Finally, the petitioners argue that there were also critical flaws in the reporting of costs for wire rod Kuang Tai obtained from Walsin, an affiliated supplier. Specifically, they argue that: (1) the reported costs of manufacturing of certain grades of rod supplied by Walsin were understated relative to the costs on Walsin's books; (2) Walsin's reported selling, selling, general and administrative (SG&A) expenses did not include miscellaneous general expenses and contained errors in the allocation of selling expenses, and (3) Walsin's reported interest expense did not include amounts for long-term interest expense. According to the petitioners, these omissions warrant the rejection of the submitted cost data in its entirety and the application of adverse facts available. In the alternative, the petitioners request application of partial facts available with respect to the COP and constructed value (CV) data.

The respondents argue that the application of adverse facts available is not warranted. According to the respondents, the Department has verified the correct quantity and value of transfers of wire rod among Tien Tai and Kuang Tai, as well as the wire rod obtained by Kuang Tai from Walsin, and has all the necessary data to value these inputs.

DOC Position: We disagree with the petitioners that the application of total facts available is warranted. While the Department found discrepancies between the questionnaire responses and the companies' records with respect to the transfers of stainless steel wire rod between Tien Tai and Kuang Tai, the discrepancies were minor.

With respect to the valuation of these inputs, we note that section 773(f) of the Act and section 351.407 of the Department's regulations provide that we will normally determine the value of a major input obtained from an affiliate based on the higher of transfer price, market price or cost of production. However, in cases where the transfer of inputs occurs between companies that the Department has collapsed (*i.e.*, has determined to treat as a single entity for purposes of an antidumping proceeding), the Department does not consider the transfer price or market

value in the valuation of the inputs. Rather, the valuation of transactions between the collapsed companies is based on the actual cost to the group as a whole. See *Certain Cold-Rolled and Corrosion-Resistant Carbon Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Reviews*, 62 FR 18404, 18429-18431 (April 15, 1997).⁴ Under the above standard, and because neither Tien Tai nor Kuang Tai is a producer of wire rod, the Department's preference in this case would have been to rely on the affiliate's acquisition cost of the wire rod inputs. Although we discovered at verification that the respondents had not submitted these costs, we also determined, by examining purchases of several different grades of wire rod, that the reported transfer price was consistently greater than or equal to the acquisition cost. See Tien Tai/Kuang Tai cost verification report, dated February 12, 1999, at exhibits 20, 22, 37, and 38. Therefore, as facts available, we have relied on the reported transfer price to value the inputs in question.

With respect to Walsin, we find that the omissions noted do not warrant the use of adverse facts available. These are relatively minor errors that are easily corrected based on verified data on the record. See memorandum from Peter Scholl to Neal Halper, dated April 2, 1999, which has been placed on the record.

Comment 2: Adjustments to G&A. The petitioners make the following arguments with respect to adjusting the respondents' general and administrative (G&A) expenses and G&A ratio.

First, the petitioners argue that Tien Tai has not established which foreign exchange gains were associated with manufacturing activities. According to the petitioners, the Department's practice is to disallow sales-related exchange rate gains from the calculation of G&A expenses when these are not shown to be related to manufacturing activities, and therefore the Department should disallow the exchange gains reported by the respondents. The petitioners add that Tien Tai's exchange losses, as well as Kuang Tai's exchange gains and losses, should be accounted for as part of total interest expenses.

Next, the petitioners contend that the Department should disallow various claimed offsets to G&A expenses. According to the petitioners: (1) an offset for repair income should be rejected because the income does not

⁴ We note that our determination was also upheld by the Court of International Trade. See *AK Steel Corp. v. United States*, Slip Op. 98-159, 1998 Ct. Intl. Trade LEXIS 182, at *28-32 (Ct. Intl Trade, Nov. 23, 1998).

stem from the company's core business; (2) Kuang Tai double counted the offset for scrap sales by reducing both the cost of manufacturing and G&A expenses by the same amount; and (3) miscellaneous other offsets are unrelated to production, and should be rejected.

The petitioners also argue that the respondents failed to include certain items in the reported G&A expenses, namely: (1) cash and stock bonuses to employees, directors and supervisors, (2) research and development (R&D) expenditures, and (3) bad debt. Further, the petitioners argue that the Department should reduce the cost of sales denominator in the G&A calculation to eliminate the effect of inter-company transactions. Finally, the petitioners argue that the Department should revise the cost of goods sold denominator used to calculate the G&A ratio to exclude any packing costs not otherwise included in the cost of manufacturing.

The respondents address some, but not all, of the petitioners' points regarding G&A. First, the respondents argue that their reporting of scrap revenue is correct, and that no adjustment is necessary to the G&A ratio in this regard. Next, the respondents claim that the Department verified all income offsets to G&A, and should not reject these offsets. The respondents also claim that bad debts are associated with third country sales, and should therefore not be allocated to subject merchandise. Further, the respondents claim that the Department verified the proper classification of reported G&A expenses, including R&D expenses.

With respect to the elimination of inter-company transactions from the cost of goods sold denominator used in the calculation of the G&A ratio, the respondents argue that the Department should eliminate the transactions based on the price paid by Tien Tai and Kuang Tai to unaffiliated suppliers for the inputs in question, rather than the resale price for those inputs charged by Tien Tai and Kuang Tai to each other.

DOC Position: We address the petitioners' various points in turn. First, we agree with the petitioners with respect to foreign exchange gains and losses. It is the Department's practice to distinguish between exchange gains and losses generated by sales transactions and those generated by loans payable and the purchases of production inputs. See *Notice of Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Welded Carbon Steel Pipe and Tube from Turkey*, 63 FR 35190, 35198 (June 29, 1998). The Department typically excludes from the COP and CV

calculation those foreign exchange gains and losses generated by sales transactions because we do not consider them to relate to the manufacturing activities of the company. See *Notice of Final Determination of Sales at Less Than Fair Value: Steel Wire Rod from Trinidad and Tobago*, 63 FR 9177, 9182 (February 24, 1998). Even though it was requested by the Department in its supplemental Section D questionnaire dated September 30, 1998, Tien Tai failed to segregate foreign exchange gains between those generated by sales transactions, purchase transactions, and loans payable. We have therefore excluded all of Tien Tai's foreign exchange gains from the calculation of COP and CV. We further agree that Tien Tai's foreign exchange losses and Kuang Tai's foreign exchange gains and losses should be included in the COP and CV calculations because none of these amounts were shown to relate to sales transactions.

We agree with the petitioners in part concerning their arguments on G&A. We agree that machinery repair income is not part of the general operations of the company and therefore should be excluded from the calculation of G&A expenses. We agree that Kuang Tai double counted the offset for scrap sales by both reducing the cost of manufacturing and G&A expenses by the same amount. Therefore, we have excluded scrap income from the G&A expense calculation. We disagree with the petitioners' argument regarding the other items listed as non-operating income and expense in the G&A expense calculation, because we find that they are related to the company's general operations. See *Final Results and Partial Rescission of Antidumping Duty Administrative Review: Certain Pasta from Italy*, 64 FR 6615, 6627 (February 10, 1999) ("G&A expenses are those expenses which relate to the general operations of the company as a whole rather than to the production process").

We agree with the petitioners that it is appropriate to include cash and stock bonuses to employees, directors and supervisors. The amounts distributed, whether in the form of stock or cash, represent compensation for services that the individual has provided to the company. Therefore, in accordance with section 773(f)(1)(A) of the Act, we have determined that it is appropriate to include these amounts in the calculation of COP and CV. We acknowledge that the respondents' treatment of these distributions as reductions to equity is in accordance with Taiwan GAAP. However, we find that this treatment is contrary to the

requirements of section 773(f)(1)(A) of the Act, as it does not reasonably reflect the respondents' cost of production because the stock transferred to employees in exchange for their labor is a cost to the company. See *Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909, 8921-8922 (February 23, 1998) ("amounts distributed * * * whether in the form of stock or cash, represent compensation for services which the individual has provided to the company").

Also, we agree with the petitioners that it is appropriate to include R&D expenditures in the COP. R&D are the planned efforts of a company to discover new information that will help create a new product, process or technique. The R&D projects listed by the respondents could benefit subject merchandise and are properly treated as period expenses since their future benefit is undetermined.

We do not agree with the petitioners that Tien Tai's bad debt expense should be included in the G&A expense calculation. Bad debt expense results from the inability to collect payment from customers for sales, and is appropriately accounted for as a selling expense. See *Final Results of Antidumping Duty Administrative Review: Porcelain-On-Steel Cookware from Mexico*, 63 FR 38373, 38381 (July 16, 1998).

We agree with the petitioners that it is correct to reduce the cost of sales denominator in the G&A calculation to eliminate the effect of inter-company transactions. It would be inappropriate to combine the cost of goods sold of Kuang Tai and Tien Tai without adjustment, because this would in effect double count cost of sales for those transactions between the two companies (i.e., inputs sold to one company which are used to produce another product would be included as cost of sales at the input level and at the level of the final product sold). For the final determination, we have eliminated from the cost of goods sold denominator the value of sales between Tien Tai and Kuang Tai based on the prices charged between the affiliates. See *Final Results of Antidumping Duty Administrative Review: Certain Cut-to-Length Carbon Steel Plate from Brazil*, 63 FR 12744, 12749 (March 16, 1998).

Finally, we agree with the petitioners that it is appropriate to revise the cost of goods sold denominator used to calculate the G&A ratio to exclude any packing costs not otherwise included in the cost of manufacturing, to which the G&A ratio is applied. We have adjusted

the cost of goods sold determination accordingly.

Comment 3: Interest Expenses. The petitioners argue that the Department should make the following revisions to the submitted interest expense ratio: (1) reduce the cost of goods sold denominator by the amount of revenue on the sale of scrap, since the reported cost of manufacturing is also net of that revenue; (2) eliminate inter-company transactions; and (3) revise the cost of goods sold denominator to exclude any packing costs not otherwise included in the cost of manufacturing.

The respondents contend that no adjustment is appropriate with respect to scrap revenue. With respect to the elimination of inter-company transfers, the respondents argue that the Department should rely on the prices they paid for the inputs in question, rather than the transfer prices paid to each other. The respondents do not address the petitioners' argument with respect to packing costs.

DOC Position: We agree with the petitioners that the cost of goods sold denominator should be reduced by the amount of revenue on the sale of scrap, since the reported cost of manufacturing is also net of that revenue. With respect to the elimination of inter-company transactions, we also agree with the petitioners, and have eliminated the value of sales between Tien Tai and Kuang Tai based on the prices charged between the affiliates, for the same reasons explained with respect to the calculation of G&A expenses in comment 2 above. Finally, we agree with the petitioners that it is appropriate to revise the cost of goods sold denominator used to calculate the interest ratio to exclude any packing costs not otherwise included in the cost of manufacturing to which the interest expense ratio is applied. We have adjusted the cost of production denominator accordingly.

Comment 4: Product/Packing Form. The petitioners argue that the Department should incorporate the "product form" into the model matching hierarchy.⁵ According to the petitioners, the pricing data submitted by Tien Tai and Kuang Tai indicate significant price differences in otherwise identical products that are sold in different product forms. In particular, the petitioners cite instances of individual invoices with multiple transactions, where Tien Tai charges

consistently higher per-pound prices for small spools of a given product than for larger spools of the identical product. The petitioners further argue that, across the POI, comparison of weighted-average prices also show price differences according to variations in packing form and size. The petitioners contend that, given these price differences, the Department can only achieve "apples-to-apples" product comparisons by taking product form into consideration in its model matching.

The respondents argue that, with rare exceptions, the "product form" is generally not taken into consideration in the pricing of them, and should therefore not be incorporated as a criterion in the Department's model match. According to the respondents, the Department confirmed at verification through examination of numerous invoices that identical products packed in different forms and sizes had identical gross unit prices. The respondents further contend that it is not appropriate to infer a form/price relationship from a comparison of weighted-average prices since prices can be significantly affected by independent variables such as date of sale, customer, and quantity of sale.

DOC Position: Based on the record of this case, we disagree with the petitioners that it is appropriate to incorporate the "product form" into the model matching characteristics.

At the outset of this case, interested parties were provided with an opportunity to comment on significant product characteristics to be incorporated into model matching. Neither the petitioners nor the respondents made any mention of "product form" in their otherwise detailed comments. (Nor, for that matter, did the respondents in the companion investigations of round wire from Korea, India, or Canada make any reference of product form as a possible matching criterion.) Upon receipt and analysis of Tien Tai/Kuang Tai's sales data, the petitioners filed a submission noting that for certain U.S. sales of identical models on a given invoice there was an unexplained variance in unit price, and surmised that the price variance might be due to differences in product form. The petitioners did not provide any evidence that product form is a pricing consideration in the wire industry generally, instead focusing entirely on Tien Tai/Kuang Tai's data.

The Department has sought, through supplemental questionnaires to Tien Tai/Kuang Tai on this issue, as well as through extensive examination of randomly selected sales documentation

at verification, to determine whether there was a distinct correlation between product form and pricing contained in the sales data submitted by Tien Tai and Kuang Tai. With respect to the first two elements of product form (packing form and packing material), we have found no clear evidence of a correlation with price in either the U.S. or home market.⁶ With respect to packing size, we have found that, on some invoices for U.S. sales, Tien Tai charged its sole U.S. customer a premium for wire sold in small spools relative to wire sold in larger spools. However, Tien Tai/Kuang Tai has argued that this pricing pattern is unique to the transactions in question, and the record does not suggest otherwise. Indeed, counsel for the petitioners themselves conceded at the case hearing that there was no conclusive evidence of a relationship between packing form and pricing with respect to Tien Tai/Kuang Tai's home market sales. See Case Hearing Transcript at 132. Given the above, we do not believe the record supports the incorporation of product form as a matching criterion.

Comment 5: Reporting of Packing Costs. The petitioners allege that the respondents' claim for a home market packing adjustment should be denied because Tien Tai/Kuang Tai did not take into account that certain packing materials were reused, thus overstating packing costs. The petitioners further allege that there were several discrepancies in the reported home market and U.S. packing costs.

The respondents argue that their packing costs were correctly reported and verified, and should be relied upon in the final determination.

DOC Position: We disagree with the petitioners' assertion that the cost of reusable packing materials in the home market was overstated. As noted at verification, Kuang Tai recycled metal bobbins used in home market sales. See Tien Tai/Kuang Tai Cost Verification Report at 7 (referring to Kuang Tai's use of "metal spools", i.e., metal bobbins). Kuang Tai did not include any cost for the metal bobbins in the reporting of home market packing costs. See Sales Verification Exhibit KT-15. Thus, if anything, the cost of the Kuang Tai's recycled metal bobbins was conservatively understated by the respondents.

⁵ As the petitioners define it, the "product form" is composed of three elements: packing form (e.g., a spool or a coil); the packing material (e.g., in the case of a spool, metal or wood), and packing size (e.g., in the case of a spool, the weight of the spool plus wire).

⁶ The comparisons provided by the petitioners do not account for a number of factors, most notably differences in customers and time. Moreover, there are numerous examples on the record, including many found through random search at verification, of identical products packed in different forms/materials that have the same unit price.

With respect to the other miscellaneous discrepancies alleged by the petitioners, we note that at verification we found evidence of only a single error, which involved the over-reporting of home market packing costs for KW 25KG products. We have corrected this error for the final determination.

Comment 6: U.S. and Home Market Credit Expenses. The petitioners argue that the respondents misreported their U.S. and home market credit expenses. According to the petitioners, the Department should, as facts available, disregard Tien Tai/Kuang Tai's claim for a credit expense adjustment for its home market sales, and rely on the highest reported credit expense as facts available for the respondents' U.S. sales.

The respondents argue that there is no basis for applying facts available to their credit expenses. They contend that they revised their U.S. credit expenses in a timely manner at the outset of verification, and that the mistakes with respect to home market credit expenses were minor and correctable based on verification findings.

DOC Position: We disagree with the petitioners that the application of facts available is appropriate. The respondents identified an error with respect to U.S. credit expenses at the outset of verification, and provided verifiable corrections. An error with respect to home market credit expenses was identified at verification, but it can be easily corrected based on revised data obtained and examined during the verification. For a detailed explanation of the correction of these errors, see the Tien Tai/Kuang Tai sales analysis memo from Sanjay Mullick to Kris Campbell, dated April 2, 1999.

Comment 7: Double-Counting of Packing Costs. Kuang Tai argues that it inadvertently included packing costs in the pool of manufacturing costs allocated to all of its products, such that packing costs have been reported both in the cost of manufacturing and as a separate packing adjustment. According to the respondent, the error was not detected at the cost verification, but the exhibits taken during the verification establish that packing is in fact double counted. Kuang Tai requests that the Department remedy this double counting by removing packing from the cost of manufacturing.

The petitioners argue that the verification exhibits do not establish the error claimed by the respondent, and moreover, that any such error would call into question the general reliability of the submitted cost data. Further, the petitioners argue that Kuang Tai's claim reveals that the respondent did not

allocate any overhead to packing costs. According to the petitioners, the Department should reject the respondent's request, and apply total adverse facts available. In the alternative, the petitioners propose that the Department apply partial facts available with respect to packing overhead.

DOC Position: We agree with Kuang Tai that the verification record establishes that packing was double-counted. (For an explanation of our analysis of the record in this regard, please see the Tien Tai/Kuang Tai cost analysis memorandum, from Peter Scholl to Neal Halper, dated April 2, 1999). Therefore, we have eliminated packing expenses from Kuang Tai's reported cost of manufacturing. As for the petitioners' argument with respect to packing overhead, we note that Kuang Tai was unable to allocate any overhead specifically to packing, but did allocate total overhead to cost of manufacturing, such that the overhead expenses were nonetheless included in the reported costs.

B. Rodex

Comment 1: Facts Available. The petitioners argue that the Department should apply facts available for certain omissions and errors found at verification, namely (1) unreported U.S. and home market sales; (2) U.S. sales of wire for which no coating had been reported, but which were coated with Apex, a lubricant; (3) packing expenses, the reporting of which was found to contain errors; and (4) duty drawback, the calculation of which contained errors. The petitioners contend that the Department should not simply correct these errors by relying on data collected at verification, but rather apply adverse facts available.

Rodex argues that use of adverse facts available is unwarranted, as the omissions and errors cited by the petitioners were minor in nature and corrected at the preliminary determination through use of verified data on the record.

DOC Position: We agree with Rodex that the application of adverse facts available is not warranted. Unlike the cases cited by the petitioners in which the Department applied best information available (the precursor to facts available under the pre-URAA antidumping statute), the omissions and errors referenced by the petitioners in this case were, both individually and in the aggregate, minor in scope and immaterial. While the general purpose of verification is not to gather new information, but rather to verify the information already submitted, it is the

Department's practice to correct minor errors found at verification. See *Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors from Taiwan*, 63 FR 8909, 8929 (February 23, 1998). Moreover, to the extent that Rodex identified several of the minor errors in question at the outset of verification, it did so at the Department's specific instruction to identify any clerical errors at that point. See letter from the Department of Commerce to Rodex, dated November 15, 1998, (transmitting sales verification agenda), at 1.

With respect to the first point raised by the petitioners, the Department noted at verification that the respondent had not reported a relatively small number of sales, which had dates of sale in the POI but date of invoice after the POI.⁷ Because the sales in question were few in number, the Department collected and verified the sales data for these transactions. We have continued to rely on the sales data in question for this final determination.

The Department also found at verification that four U.S. sales reported as having no coating had in fact been coated with Apex. We verified that no other U.S. sales, and no home market sales, were coated with Apex. See Rodex Sales Verification Report at 4. Because the omission in question was minor and remedied through verified data, there is no need for the application of adverse facts available.

With respect to packing costs, we found at verification that a few home market sales had been shipped in reusable containers. In the preliminary determination, we set the packing cost for such sales to zero and increased the reallocated total packing costs to the other sales, which resulted in a small increase to packing costs. Again, to the limited extent that the error created any distortion in the margin calculation, that distortion was fully corrected.

As for duty drawback, the calculation errors in question were also very minor (accounting for a discrepancy of less than one-tenth of one percent), and were identified by the respondent at the outset of verification as a clerical error.

⁷The error was due to a misunderstanding arising from the Department's supplemental instruction to Rodex to change the basis for date of sale. In its first questionnaire response, Rodex based the date of sale on the date of invoice. After determining that the date of sales confirmation was a more appropriate basis for the date of sale, the Department instructed Rodex to revise its sales databases accordingly. Although Rodex complied with this request by reporting the date of sales confirmation for all previously reported sales, it did not additionally report certain sales with date of sales confirmation within the POI and invoice date outside of the POI.

We have therefore relied on the corrected duty drawback expense calculation provided by Rodex at verification.

Comment 2: Potential Reimbursement of Antidumping Duties. The petitioners contend that Rodex agreed to reimburse its customers for payment of potential antidumping duties. According to the petitioners, the Department should deduct the amount of calculated duties from the export price to determine the cash deposit rate to be applied to Rodex's entries.

Rodex argues that it has not to date reimbursed any customer for antidumping duties, since there has never been an antidumping duty order on round wire. Rodex contends that it was unaware of the Department's regulations at the time that it expressed a willingness to reimburse its customers for potential antidumping duties, and that in the event that an antidumping order is imposed, it will not reimburse any duties.

DOC Position: We disagree with the petitioners that the Department should adjust the export price for potential reimbursement of antidumping duties. Section 351.402(f)(1)(i)(B) of the Department's regulations provides that the Department will deduct the amount of any antidumping duty which the producer reimbursed to the importer. For that provision to be triggered, an antidumping duty order must have been imposed, and antidumping duties levied. Since neither of those events has occurred to date, the provision is not applicable in this case. In the event that an antidumping order is imposed pursuant to this final determination, and administrative reviews of that order are requested, the Department will closely examine whether Rodex has reimbursed, or agreed to reimburse, its customers for antidumping duties in the relevant period of review.

Comment 3: Year-End Auditor's Adjustment. Rodex argues that the Department made two errors in the allocation of net foreign exchange losses to wire products. First, Rodex alleges that the Department transposed the amounts to be allocated with respect to direct labor and overhead. Second, Rodex alleges that the Department inadvertently allocated the full amount of the losses to wire products, even though the company produced other products.

The petitioners do not dispute Rodex's allegation of a transposition error. However, the petitioners contend that since the auditor's adjustment had not been reported to the Department and was found at verification, the Department should make an adverse

inference and allocate the adjustment fully to wire products.

DOC Position: We agree with Rodex. We have corrected the transposition error, and, since the adjustment in question applies equally to all of Rodex's products, have reallocated the adjustment to both wire and Rodex's other product lines.

Comment 4: Net Foreign Exchange Losses.

Rodex argues that the Department incorrectly allocated net foreign exchange losses only to wire products, rather than to all of Rodex's products, which include fasteners. Rodex also argues that the Department erred by applying the amount of foreign exchange losses as an upward adjustment to raw material cost, rather to G&A expenses, since the expenses are classified as non-operating general expenses in the company's records.

The petitioners respond that the Department correctly adjusted for net foreign exchange losses, and that it is the Department's normal practice to include foreign exchange gains and losses relating to raw materials in the calculation of total raw material costs.

DOC Position: We agree with the petitioners. All of Rodex's products, including both wire and fasteners, are made from wire rod. Since Rodex suffered net foreign exchange losses in connection with purchases of rod, we allocated those net losses to all wire rod purchases, thus increasing equally the material costs of both wire and fasteners. With respect to the classification of these expenses, we note that the losses arise directly from purchases of materials, and it is the Department's practice to adjust material costs for exchange losses related to purchases of materials. *See, e.g., Circular Welded Non-Alloy Steel Pipe and Tube from Mexico: Final Results of Antidumping Duty Administrative Review*, 62 FR 37014, 37026 (July 10, 1997). Therefore, we have adjusted material costs, rather than G&A expenses, for the exchange losses.

Suspension of Liquidation

In accordance with section 735(c)(1)(C) of the Act, we are directing the Customs Service to suspend liquidation of all entries of stainless steel round wire from Taiwan produced and exported by Tien Tai/Kuang Tai that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final determination in the **Federal Register**. Also, in accordance with section 735(c)(1)(B) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of

stainless steel round wire from Taiwan from all other producers and exporters that are entered, or withdrawn from warehouse, on or after November 18, 1998, the date of publication of the preliminary determination in the **Federal Register**. The Customs Service shall require a cash deposit or the posting of a bond equal to the weighted-average amount by which the normal value exceeds the EP, as indicated in the chart below. These instructions suspending liquidation will remain in effect until further notice. The weighted-average dumping margins are as follows:

Exporter/Manufacturer	Weighted-average margin percentage
Rodex	3.94
Tien Tai/Kuang Tai	4.75
All Others	4.47

Section 735(c)(5)(A) of the Act directs the Department to exclude all zero and *de minimis* weighted-average dumping margins, as well as dumping margins determined entirely under facts available under section 776 of the Act, from the calculation of the "all others" rate. Since neither of the calculated margins in this investigation are zero, *de minimis*, or based entirely under facts available, we have included both margins in the calculation of the all others rate.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing the Customs Service to assess antidumping duties on all imports of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the effective date of the suspension of liquidation.

This determination is published pursuant to sections 735(d) and 777(i)(1) of the Act.

Dated: April 2, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A-580-830]

Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Round Wire from Korea

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

EFFECTIVE DATE: April 9, 1999.

FOR FURTHER INFORMATION CONTACT: Gabriel Adler or Kris Campbell at (202) 482-1442 or (202) 482-3813, respectively, Group 1, Office of AD/CVD Enforcement 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to Department of Commerce (Department) regulations refer to the regulations codified at 19 CFR Part 351 (April 1998).

Final Determination

We determine that stainless steel round wire from Korea is being sold, or is likely to be sold, in the United States at less than fair value (LTFV), as provided in section 735 of the Act. The estimated margins are shown in the *Suspension of Liquidation* section of this notice.

Case History

The preliminary determination in this investigation was issued on November 12, 1998. *See Notice of Preliminary Determinations of Sales at Less Than Fair Value and Postponement of Final Determinations—Stainless Steel Round Wire From Canada, India, Japan, Spain, and Taiwan; Preliminary Determination of Sales at Not Less Than Fair Value and Postponement of Final Determination—Stainless Steel Round Wire From Korea*, 63 FR 64042 (November 18, 1998) (preliminary determination). Since the preliminary

determination, the following events have occurred:

In January and February 1999, we conducted on-site verifications of the questionnaire responses submitted by respondent Korea Sangsa Co., Ltd. (Korea Sangsa) and its affiliate Korea Sangsa America, Inc. (KOSA).

The petitioners¹ and the respondent submitted case briefs on February 26, 1999, and rebuttal briefs on March 5, 1999. We held a public hearing on March 11, 1999.

Scope of Investigation

The scope of this investigation covers stainless steel round wire (SSRW). SSRW is any cold-formed (*i.e.*, cold-drawn, cold-rolled) stainless steel product of a cylindrical contour, sold in coils or spools, and not over 0.703 inch (18 mm) in maximum solid cross-sectional dimension. SSRW is made of iron-based alloys containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Metallic coatings, such as nickel and copper coatings, may be applied.

The merchandise subject to this investigation is classifiable under subheadings 7223.00.1015, 7223.00.1030, 7223.00.1045, 7223.00.1060, and 7223.00.1075 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Period of Investigation

The period of the investigation (POI) is January 1, 1997, through December 31, 1997. This period corresponds to the respondent's four most recent fiscal quarters prior to the month of the filing of the petition (*i.e.*, March 1998).

Fair Value Comparisons

To determine whether sales of stainless steel round wire from Korea to the United States were made at LTFV, we compared the export price (EP) or constructed export price (CEP), as appropriate, to the normal value (NV). Our calculations followed the methodologies described in the preliminary determination, except as noted below and in the sales analysis memorandum from Valerie Ellis to Kris Campbell, dated April 2, 1999, which has been placed in the file.

¹ The petitioners are ACS Industries, Inc., Al Tech Specialty Steel Corp., Branford Wire & Manufacturing Company, Carpenter Technology Corp., Handy & Harman Specialty Wire Group, Industrial Alloys, Inc., Loos & Company, Inc., Sandvik Steel Company, Sumiden Wire Products Corporation, and Techalloy Company, Inc.

Export Price and Constructed Export Price

We used the same methodology to calculate EP and CEP as that described in the preliminary determination, except in the following specific instances:

1. We established two separate averaging periods to account for the precipitous drop of the Korean won at the end of the POI. *See* comment 1.

2. We reallocated indirect selling expenses incurred by Korea Sangsa's U.S. affiliate entirely to CEP sales. *See* comment 3.

3. We disallowed the CEP offset that was granted at the preliminary determination. *See* comment 4.

Normal Value

We used the same methodology to calculate normal value (NV) as that described in the preliminary determination, with the exception that we averaged normal value for two separate periods to account for the precipitous drop of the Korean won at the end of the POI. *See* comment 1.

Cost of Production

We used the same methodology to calculate cost of production (COP) as that described in the preliminary determination, except in the following specific instances:

1. We recalculated the G&A expense ratio to include expenses of affiliates involved in the production of subject merchandise, and to exclude certain non-operating income. *See* comment 11.

2. We reduced the cost of manufacturing by the sale of scrap. *See* comment 12.

3. We reduced the cost of manufacturing by the rental income. *See* comment 12.

4. The interest expense ratio was recalculated to create a combined ratio including all affiliates. *See* comment 13.

5. We recalculated the net cost of goods sold used in the G&A and interest expense ratio calculation to include the sales value of inter-company sales. *See* comment 13.

Currency Conversions

As explained in the preliminary determination, our analysis of Federal Reserve data on the U.S. dollar-Korean won exchange rate showed that the won declined rapidly at the end of 1997, losing over 40 percent of its value between the beginning of November and the end of December. The decline was, in both speed and magnitude, many times more severe than any change in the dollar-won exchange rate during the previous eight years. Had the won rebounded quickly enough to recover all or almost all of the initial loss, the Department might have considered the won's decline at the end of 1997 as nothing more than a sudden but only momentary drop, despite the magnitude