

Therefore, a LOT adjustment is not appropriate.

#### Currency Conversion

For purposes of the preliminary results, we made currency conversions in accordance with section 773A of the Act, based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank of New York. Section 773A(a) of the Act directs the Department to use the daily exchange rate in effect on the date of sale in order to convert foreign currencies into U.S. dollars, unless the daily rate involves a "fluctuation." In accordance with the Department's practice, we have determined as a general matter that a fluctuation exists when the daily exchange rate differs from a benchmark by 2.25 percent. *See, e.g., Certain Stainless Steel Wire Rods from France; Preliminary Results of Antidumping Duty Administrative Review*, 61 FR 8915, 8918 (March 6, 1998), and Policy Bulletin 96-1: Currency Conversions, 61 FR 9434 (March 8, 1996). The benchmark is defined as the rolling average of rates for the past 40 business days. When we determine a fluctuation exists, we substitute the benchmark for the daily rate.

#### Preliminary Results of Review

As a result of our review, we preliminarily determine that the following weighted-average dumping margin exists for the period June 8, 1999 through June 30, 2000:

#### STAINLESS STEEL SHEET AND STRIP IN COILS FROM TAIWAN

Manufacturer/exporter/reseller	MARGIN (percent)
YUSCO .....	0.00
Chia Far .....	34.95
Tung Mung .....	0.00

The Department will disclose calculations performed within five days of the date of publication of this notice to the parties to this proceeding in accordance with 19 CFR 351.224(b). An interested party may request a hearing within 30 days of publication of these preliminary results. *See* 19 CFR 351.310(c). 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 of these preliminary results of review. 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. Further, we would appreciate it if parties submitting written comments also provide the Department with an additional copy of those comments on diskette. The Department will issue the final results of this administrative review, which will include the results of its analysis of issues raised in any such comments, within 120 days of publication of these preliminary results.

#### Assessment

Upon issuance of the final results of this review, the Department shall determine, and the U.S. Customs Service shall assess, antidumping duties on all appropriate entries. Pursuant to 19 CFR 351.212(b), the Department calculated an assessment rate on all appropriate entries. We calculated importer-specific duty assessment rates on the basis of the ratio of the total amount of antidumping duties calculated for the examined sales to the total entered value, or entered quantity, as appropriate, of the examined sales for that importer. Upon completion of this review, where the assessment rate is above de minimis, we will instruct the U.S. Customs Service to assess duties on all entries of subject merchandise by that importer.

#### Cash Deposit

The following cash deposit requirements will be effective upon publication of these final results for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of these final results of administrative review, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for each of the reviewed companies will be the rate listed in the final results of review (except that if the rate for a particular product is de minimis, i.e., less than 0.5 percent, a cash deposit rate of zero will be required for that company); (2) for previously investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the original less than fair value ("LTFV") investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) the cash deposit rate for all other manufacturers or exporters will continue to be the "all others" rate of 12.61 percent, which is the all others rate established in the LTFV investigation. These deposit

requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

#### Notification to Interested Parties

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 the antidumping duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as a reminder to parties subject to administrative protective orders (APOs) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305, that continues to govern business proprietary information in this segment of the proceeding. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: July 31, 2001.

**Faryar Shirzad,**

*Assistant Secretary for Import Administration.*

[FR Doc. 01-19780 Filed 8-7-01; 8:45 am]

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-475-824]

#### Stainless Steel Sheet and Strip in Coils From Italy: 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 of stainless steel sheet and strip in coils from Italy

**SUMMARY:** The Department of Commerce ("the Department") is conducting an administrative review of the antidumping duty order on stainless steel sheet and strip in coils from Italy

in response to a request from respondent, Acciai Speciali Terni, S.p.A. ("AST"). This review covers imports of subject merchandise from AST. The period of review ("POR") is January 4, 1999 through June 30, 2000.

Our preliminary results of review indicate that respondent AST has sold subject merchandise at less than normal value during the POR. If these preliminary results are adopted in our final results of this administrative review, we will instruct the U.S. Customs Service to assess antidumping duties on suspended entries for AST.

We invite interested parties to comment on these preliminary results. Parties who submit arguments in this segment of the proceeding should also submit with each argument (1) a statement of the issue and (2) a brief summary of the argument.

**EFFECTIVE DATE:** August 8, 2001.

**FOR FURTHER INFORMATION CONTACT:**

Carrie Blozy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-0165.

**SUPPLEMENTARY INFORMATION:**

**The Applicable Statute and Regulations**

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 to the regulations codified at 19 CFR part 351 (2000).

**Background**

On July 20, 2000, the Department published in the **Federal Register** a notice of "Opportunity to Request Administrative Review" of the antidumping duty order on SSSS from Italy. See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 65 FR 45035 (July 20, 2000). On July 31, 2000, AST, a producer and exporter of subject merchandise during the period of review ("POR"), requested that the Department conduct an administrative review of the antidumping duty order. In September 2000, the Department initiated an administrative review of the antidumping duty order on SSSS from Italy with regard to AST. See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part*, 65 FR 58733 (October 2, 2000). On September

7, 2000, the Department issued its antidumping duty questionnaire.

On September 21, 2000, AST submitted a letter which requested certain exclusions to the data required by the Department's antidumping questionnaire. Also, on September 21, 2000, in a separate letter, AST submitted a request that the Department not require it to report downstream home market sales by its Italian affiliates. On September 22, 2000, AST requested that it not be required to submit transaction-specific data with respect to U.S. re-sales by Thyssen Copper & Brass Sales, Inc. ("CBS"), an affiliated downstream service center reseller. On October 24, 2000, petitioners filed a letter requesting that the Department deny AST's requested reporting exemptions. On October 25, 2000, the Department informed AST that, based on their representations, we were not requiring AST to report downstream sales data and were permitting AST to report cost data for finished products. However, we informed AST that we were denying their other exclusion requests.

On October 10, 2000, the Department received AST's response to Section A of the questionnaire. On November 6, 2000, we received AST's response to the remainder of the questionnaire. On December 22, 2000, the Department issued a supplemental questionnaire for Sections A, B, and C, and received AST's response on January 29, 2001. On February 21, 2001, the Department issued AST a supplemental questionnaire on Section D, and received AST's responses on March 22, 2001, and May 10, 2001. On March 28, 2001, and April 30, 2001, the Department issued Section E supplemental questionnaires for Ken-Mac Metals, Inc. ("Ken-Mac"), The Stainless Place ("TSP"), and TCT Stainless Steel ("TCT"). AST submitted its supplemental response for Ken-Mac on April 16, 2001 and their supplemental responses for TSP and TCT on May 25, 2001. The Department issued a second supplemental questionnaire for Sections A, B, and C on May 3, 2001, and received AST's response on May 29, 2001.

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. On January 2, 2001, the Department extended the time limit for the preliminary results in this review by 90 days. See *Notice of Extension of the Time Limit for Preliminary Results of Antidumping Duty Administrative*

*Review: Stainless Steel Sheet and Strip in Coils From Italy*, 66 FR 1310 (January 8, 2001). On May 9, 2001, the Department fully extended the time limit for the preliminary results in this review. See *Notice of Extension of the Time Limit for Preliminary Results of Antidumping Duty Administrative Review: Stainless Steel Sheet and Strip in Coils From Italy*, 66 FR 27066 (May 16, 2001).

The Department is conducting this administrative review in accordance with section 751 of the Act.

**Verification**

As provided in section 782(i) of the Act, we verified further manufacturing cost information, cost and sales information provided by AST, from May 9, 2001 through May 11, 2001, June 4, 2001, to June 8, 2001, and June 11, 2001, to June 14, 2001, respectively, using standard verification procedures, including an examination of relevant sales, cost, and financial records, and selection of original documentation containing relevant information. Our verification results are outlined in the public version of the verification report and are on file in the Central Records Unit ("CRU") located in room B-099 of the main Department of Commerce Building, 14th Street and Constitution Avenue, NW., Washington, DC.

**Period of Review**

The POR is January 4, 1999 through June 30, 2000.

**Scope of the Review**

For purposes of this review, the products covered are certain stainless steel sheet and strip in coils ("SSSS"). Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flat-rolled product in coils that is greater than 9.5 mm in width and less than 4.75 mm in thickness, and that is annealed or otherwise heat treated and pickled or otherwise descaled. The subject sheet and strip may also be further processed (e.g., cold-rolled, polished, aluminized, coated, etc.) provided that it maintains the specific dimensions of sheet and strip following such processing.

The merchandise subject to this review is currently classifiable in the Harmonized Tariff Schedule of the United States ("HTS") at subheadings: 7219.13.0031, 7219.13.0051, 7219.13.0071, 7219.1300.81<sup>1</sup>,

<sup>1</sup> Due to changes to the HTS numbers in 2001, 7219.13.0030, 7219.13.0050, 7219.13.0070, and

7219.14.0030, 7219.14.0065, 7219.14.0090, 7219.32.0005, 7219.32.0020, 7219.32.0025, 7219.32.0035, 7219.32.0036, 7219.32.0038, 7219.32.0042, 7219.32.0044, 7219.33.0005, 7219.33.0020, 7219.33.0025, 7219.33.0035, 7219.33.0036, 7219.33.0038, 7219.33.0042, 7219.33.0044, 7219.34.0005, 7219.34.0020, 7219.34.0025, 7219.34.0030, 7219.34.0035, 7219.35.0005, 7219.35.0015, 7219.35.0030, 7219.35.0035, 7219.90.0010, 7219.90.0020, 7219.90.0025, 7219.90.0060, 7219.90.0080, 7220.12.1000, 7220.12.5000, 7220.20.1010, 7220.20.1015, 7220.20.1060, 7220.20.1080, 7220.20.6005, 7220.20.6010, 7220.20.6015, 7220.20.6060, 7220.20.6080, 7220.20.7005, 7220.20.7010, 7220.20.7015, 7220.20.7060, 7220.20.7080, 7220.20.8000, 7220.20.9030, 7220.20.9060, 7220.90.0010, 7220.90.0015, 7220.90.0060, and 7220.90.0080. Although the HTS subheadings are provided for convenience and Customs purposes, the Department's written description of the merchandise under review is dispositive.

Excluded from the scope of this review are the following: (1) Sheet and strip that is not annealed or otherwise heat treated and pickled or otherwise descaled, (2) sheet and strip that is cut to length, (3) plate (i.e., flat-rolled stainless steel products of a thickness of 4.75 mm or more), (4) flat wire (i.e., cold-rolled sections, with a prepared edge, rectangular in shape, of a width of not more than 9.5 mm), and (5) razor blade steel. Razor blade steel is a flat-rolled product of stainless steel, not further worked than cold-rolled (cold-reduced), in coils, of a width of not more than 23 mm and a thickness of 0.266 mm or less, containing, by weight, 12.5 to 14.5 percent chromium, and certified at the time of entry to be used in the manufacture of razor blades. See Chapter 72 of the HTS, "Additional U.S. Note" 1(d).

Flapper valve steel is also excluded from the scope of this review. This product is defined as stainless steel strip in coils containing, by weight, between 0.37 and 0.43 percent carbon, between 1.15 and 1.35 percent molybdenum, and between 0.20 and 0.80 percent manganese. This steel also contains, by weight, phosphorus of 0.025 percent or less, silicon of between 0.20 and 0.50 percent, and sulfur of 0.020 percent or

less. The product is manufactured by means of vacuum arc remelting, with inclusion controls for sulphide of no more than 0.04 percent and for oxide of no more than 0.05 percent. Flapper valve steel has a tensile strength of between 210 and 300 ksi, yield strength of between 170 and 270 ksi, plus or minus 8 ksi, and a hardness (Hv) of between 460 and 590. Flapper valve steel is most commonly used to produce specialty flapper valves in compressors.

Also excluded is a product referred to as suspension foil, a specialty steel product used in the manufacture of suspension assemblies for computer disk drives. Suspension foil is described as 302/304 grade or 202 grade stainless steel of a thickness between 14 and 127 microns, with a thickness tolerance of plus-or-minus 2.01 microns, and surface glossiness of 200 to 700 percent Gs. Suspension foil must be supplied in coil widths of not more than 407 mm, and with a mass of 225 kg or less. Roll marks may only be visible on one side, with no scratches of measurable depth. The material must exhibit residual stresses of 2 mm maximum deflection, and flatness of 1.6 mm over 685 mm length.

Certain stainless steel foil for automotive catalytic converters is also excluded from the scope of this review. This stainless steel strip in coils is a specialty foil with a thickness of between 20 and 110 microns used to produce a metallic substrate with a honeycomb structure for use in automotive catalytic converters. The steel contains, by weight, carbon of no more than 0.030 percent, silicon of no more than 1.0 percent, manganese of no more than 1.0 percent, chromium of between 19 and 22 percent, aluminum of no less than 5.0 percent, phosphorus of no more than 0.045 percent, sulfur of no more than 0.03 percent, lanthanum of less than 0.002 or greater than 0.05 percent, and total rare earth elements of more than 0.06 percent, with the balance iron.

Permanent magnet iron-chromium-cobalt alloy stainless strip is also excluded from the scope of this order. This ductile stainless steel strip contains, by weight, 26 to 30 percent chromium, and 7 to 10 percent cobalt, with the remainder of iron, in widths 228.6 mm or less, and a thickness between 0.127 and 1.270 mm. It exhibits magnetic remanence between 9,000 and 12,000 gauss, and a coercivity of between 50 and 300 oersteds. This product is most commonly used in electronic sensors and is currently

available under proprietary trade names such as "Arnokrome III."<sup>2</sup>

Certain electrical resistance alloy steel is also excluded from the scope of this review. This product is defined as a non-magnetic stainless steel manufactured to American Society of Testing and Materials ("ASTM") specification B344 and containing, by weight, 36 percent nickel, 18 percent chromium, and 46 percent iron, and is most notable for its resistance to high temperature corrosion. It has a melting point of 1390 degrees Celsius and displays a creep rupture limit of 4 kilograms per square millimeter at 1000 degrees Celsius. This steel is most commonly used in the production of heating ribbons for circuit breakers and industrial furnaces, and in rheostats for railway locomotives. The product is currently available under proprietary trade names such as "Gilphy 36."<sup>3</sup>

Certain martensitic precipitation-hardenable stainless steel is also excluded from the scope of this order. This high-strength, ductile stainless steel product is designated under the Unified Numbering System ("UNS") as S45500-grade steel, and contains, by weight, 11 to 13 percent chromium, and 7 to 10 percent nickel. Carbon, manganese, silicon and molybdenum each comprise, by weight, 0.05 percent or less, with phosphorus and sulfur each comprising, by weight, 0.03 percent or less. This steel has copper, niobium, and titanium added to achieve aging, and will exhibit yield strengths as high as 1700 Mpa and ultimate tensile strengths as high as 1750 Mpa after aging, with elongation percentages of 3 percent or less in 50 mm. It is generally provided in thicknesses between 0.635 and 0.787 mm, and in widths of 25.4 mm. This product is most commonly used in the manufacture of television tubes and is currently available under proprietary trade names such as "Durphynox 17."<sup>4</sup>

Also excluded are three specialty stainless steels typically used in certain industrial blades and surgical and medical instruments. These include stainless steel strip in coils used in the production of textile cutting tools (e.g., carpet knives).<sup>5</sup> This steel is similar to AISI grade 420 but containing, by weight, 0.5 to 0.7 percent of molybdenum. The steel also contains, by weight, carbon of between 1.0 and 1.1 percent, sulfur of 0.020 percent or

<sup>2</sup> "Arnokrome III" is a trademark of the Arnold Engineering Company.

<sup>3</sup> "Gilphy 36" is a trademark of Imphy, S.A.

<sup>4</sup> "Durphynox 17" is a trademark of Imphy, S.A.

<sup>5</sup> This list of uses is illustrative and provided for descriptive purposes only.

7219.13.0080 are now 7219.13.0031, 7219.13.0051, 7219.13.0071, and 7219.13.0081, respectively.

less, and includes between 0.20 and 0.30 percent copper and between 0.20 and 0.50 percent cobalt. This steel is sold under proprietary names such as "GIN4 Mo."<sup>6</sup> The second excluded stainless steel strip in coils is similar to AISI 420-J2 and contains, by weight, carbon of between 0.62 and 0.70 percent, silicon of between 0.20 and 0.50 percent, manganese of between 0.45 and 0.80 percent, phosphorus of no more than 0.025 percent and sulfur of no more than 0.020 percent. This steel has a carbide density on average of 100 carbide particles per 100 square microns. An example of this product is "GIN5"<sup>7</sup> steel. The third specialty steel has a chemical composition similar to AISI 420 F, with carbon of between 0.37 and 0.43 percent, molybdenum of between 1.15 and 1.35 percent, but lower manganese of between 0.20 and 0.80 percent, phosphorus of no more than 0.025 percent, silicon of between 0.20 and 0.50 percent, and sulfur of no more than 0.020 percent. This product is supplied with a hardness of more than Hv 500 guaranteed after customer processing, and is supplied as, for example, "GIN6."<sup>8</sup>

### Normal Value Comparisons

To determine whether AST's sales of subject merchandise from Italy to the United States were made at less than fair value, we compared the constructed export price ("CEP") to the normal value ("NV"), as described in the "Constructed Export Price" and "Normal Value" sections of this notice, below. In accordance with section 777A(d)(2) of the Act, we calculated monthly weighted-average prices for NV and compared these to individual CEP transactions. We made corrections to reported home market sales and cost data based on the Department's findings at verification, as appropriate. See *Analysis Memorandum for AST for the Period January 4, 1999, through June 30, 2000*, dated July 31, 2001.

### Transactions Reviewed

#### A. Home Market Viability

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, we compared the respondent's volume of home market sales of the foreign like product to the volume of its U.S. sales of the subject merchandise. Pursuant to sections

773(a)(1)(B) and (C) of the Act, because AST's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales for the subject merchandise, we determined that sales in the home market provide a viable basis for calculating NV.

#### B. Arm's Length Test

During the POR AST sold SSSS in the home market to affiliated customers (resellers and end-users). To test whether these sales were made at arm's-length prices, we compared on a model-specific basis the starting prices of sales to affiliated and unaffiliated customers net of all billing adjustments, rebates, movement charges, direct selling expenses, and home market packing. Where, for the tested models of subject merchandise, prices to the affiliated party were on average 99.5 percent or more of the price to the unaffiliated parties, we determined that sales made to the affiliated party were at arm's-length. See 19 CFR 351.403(c); *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27355 (May 19, 1997).

### Product Comparisons

In accordance with section 771(16) of the Act, we considered all products covered by the Scope of the Review section above, which were produced and sold by AST in the home market during the POR, to be foreign like products for purposes of determining appropriate 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 next most similar foreign like product on the basis of the characteristics and reporting instructions listed in the Department's questionnaire.

### Constructed Export Price

In accordance with section 772(a) of the Act, export price ("EP") is the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c). In accordance with section 772(b) of the Act, CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or

exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).

For purposes of this review, AST classified its U.S. sales through channel one as EP sales and sales through channels two and three as CEP sales. However, based on the information on the record, we preliminarily find that all of AST's U.S. sales are appropriately classified as CEP sales.

Channel two sales are made from the inventory of Acciai Speciali Terni USA ("AST USA"), AST's affiliated U.S. based reseller. Channel three sales involve subject merchandise that is sold by AST to an affiliated U.S. reseller (*i.e.*, Ken-Mac, TSP, and TCT), who may or may not further manufacture the merchandise before reselling it to an unaffiliated customer. Therefore, because sales in channels two and three are sold from inventory of AST's affiliated U.S. resellers, it is appropriate to classify these sales as CEP sales. With respect to channel one sales, AST reported that these U.S. sales are shipped directly from the factory in Italy to the U.S. customer. AST USA serves as the principal point of contact for the U.S. customer. For these sales U.S. customers place their orders with AST USA, which then places the order with AST. Upon confirmation from AST, AST USA issues the invoice to the customer. AST USA is solely responsible for collecting payment from the U.S. customer. Because the contracts on which AST U.S. channel one sales were based were between AST USA and its unaffiliated U.S. customers and AST USA invoiced and received payment from the unaffiliated U.S. customer, the Department preliminarily determines that AST's channel one U.S. sales were made "in the United States" within the meaning of section 772(b) of the Act, and, thus, should be treated as CEP transactions. This is consistent with *AK Steel Corp. v. United States*, 226 F.3d 1361, 1374 (Fed. Cir. 2000).

We calculated CEP, in accordance with section 772(b) of the Act, based on the packed, CIF or FOB prices to the first unaffiliated customer in the United States. We made adjustments to the starting price for billing adjustments, where applicable. In addition, we made adjustments to the starting price by adding alloy surcharges, skid charges, and freight equalization charges, where appropriate. We also made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act; these included, where appropriate, foreign inland freight, foreign inland insurance, foreign brokerage and handling, marine insurance, international freight, U.S. customs

<sup>6</sup> "GIN4 Mo" is the proprietary grade of Hitachi Metals America, Ltd.

<sup>7</sup> "GIN5" is the proprietary grade of Hitachi Metals America, Ltd.

<sup>8</sup> "GIN6" is the proprietary grade of Hitachi Metals America, Ltd.

duties, U.S. inland freight, U.S. warehousing expenses, and brokerage and handling. In accordance with section 772(d)(1) of the Act, we deducted those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (credit costs, warranty expenses and technical selling expenses), inventory carrying costs, and indirect selling expenses. For products that were further manufactured after importation, we adjusted for all costs of further manufacturing in the United States in accordance with section 772(d)(2) of the Act. These costs consisted of the costs of the materials, packing, fabrication, and general expenses associated with further manufacturing in the United States. Pursuant to section 772(d)(3) of the Act, we also reduced the CEP by the amount of profit allocated to the expenses deducted under section 772(d)(1) and (2).

#### Normal Value

After testing home market viability and whether home market sales were at below-cost prices, we calculated NV as noted in the "Price-to-Price Comparisons."

#### Cost of Production ("COP") Analysis

Because the Department determined that AST made sales in the home market at prices below the cost of producing the subject merchandise in the investigation and therefore excluded such sales from normal value (see *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils from Italy*, 65 FR 15446 (June 8, 1999)), the Department determined that there are reasonable grounds to believe or suspect that AST made sales in the home market at prices below the cost of producing the merchandise in this review. See section 773(b)(2)(A)(ii) of the Act. As a result, the Department initiated a cost of production inquiry in this case on September 7, 2000, to determine whether AST made home market sales during the POR at prices below their respective COPs within the meaning of section 773(b) of the Act.

We conducted the COP analysis as described below.

##### A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of AST's cost of materials and fabrication for the foreign like product, plus amounts for home market selling, general and administrative expenses ("SG&A"), including interest expenses, and packing costs. AST requested that

the Department use quarterly cost data when performing the sales-below-cost test because of the extended time period of the review (18 months) and because of alleged significant fluctuations in the price of raw materials (e.g., nickel) during the POR. In support of its argument, AST submitted a chart showing the daily market price of nickel during the POR. Although the chart evidences that the price of nickel steadily increased for much of the POR, we cannot conclude based on fluctuations in the price of nickel alone that use of a single POR cost, which includes costs for other raw materials such as scrap, processing costs, and G&A expenses, would yield an inappropriate comparison. Therefore, the Department preliminarily determines that it is appropriate to calculate a single-weighted average cost for the POR. We used full-POR COP information provided by AST in its questionnaire responses, with the following exceptions:

1. At verification, we found that AST improperly applied the general and administrative ("G&A") expense ratio to total cost of manufacture. See *Memorandum to the File: First Administrative Review of Stainless Steel Sheet and Strip in Coils from Italy—Cost and Sales Verification Report for Acciai Speciali Terni S.p.A. ("Cost Verification Report")*, July 31, 2001. We recalculated G&A expenses by applying the G&A expense ratio to total variable cost of manufacture.

2. At verification we found that AST did not include foreign exchange rate losses in its calculation of G&A expenses for fiscal year 1999/2000. See *Cost Verification Report*. Therefore, we have recalculated the POR average G&A expense ratio.

3. During verification AST explained that they did not intend to claim an interest income offset to interest expenses for fiscal year 1999/2000 despite having included the offset in their reported interest expenses. See *Cost Verification Report*. Therefore, we have recalculated interest expenses for the preliminary results.

4. During verification, we found that AST made a clerical error in its calculation of the fixed overhead expense ratio. See *Cost Verification Report*. We have recalculated fixed overhead expenses for the preliminary results.

##### B. Test of Home Market Prices

We compared the weighted-average COP from January 1, 1999, through June 30, 2000 ("cost reporting period") for AST, adjusted where appropriate (see above), to its 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 less than 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.

##### C. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of a respondent's sales of a given product within an extended period of time are at prices less than the COP, we do not disregard any below-cost sales of that product because the below-cost sales are not made in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product during the extended period are at prices less than the COP, we determine such sales to have been made in "substantial quantities." See section 773(b)(2)(C)(i) of the Act. The extended period of time for this analysis is the POR. See section 773(b)(2)(B) of the Act. Because each individual price was compared against the weighted average COP for the cost reporting period, any sales that were below cost were also at prices which did not permit cost recovery within a reasonable period of time. See section 773(b)(2)(D). We compared the COP for subject merchandise to the reported home market prices less any applicable movement charges. Based on this test, we disregarded below-cost sales. Where all sales of a specific product were at prices below the COP, we disregarded all sales of that product.

##### Price-to-Price Comparisons

We based NV on the home market delivered prices to unaffiliated customers or prices to affiliated customers that we determined to be at arm's-length. We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act. We made adjustments for billing adjustments, rebates, and alloy surcharges, where appropriate. We made adjustments for foreign inland freight in accordance with section 773(a)(6)(B) of the Act. We made circumstance-of-sale adjustments for credit, warranty expense, interest revenue, and insurance revenue, where appropriate. In accordance with section 773(a)(6), we deducted home market packing costs and added U.S. packing costs.

### Level of Trade

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade ("LOT") as the EP or CEP transaction. The NV LOT is that of the starting-price sales in the comparison market or, when NV is based on CV, that of the sales from which we derive SG&A expenses and profit. For EP, the LOT is also the level of the starting-price sale, which is usually from the exporter to the importer. For CEP, it is the level of the constructed sale from the exporter to the affiliated importer. See 19 CFR 351.412(c)(1).

To determine whether NV sales are at a different LOT than EP or CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. Substantial differences in selling activities are a necessary, but not sufficient condition for determining that there is a difference in the stage of marketing. 19 CFR 351.412(c)(2). If the comparison market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the differences in the levels between NV and CEP sales affect price comparability, we adjust NV under section 773(A)(7)(B) of the Act (the CEP offset provision). See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

In the present review, AST requested a CEP offset. (As noted above, we have preliminarily determined that all of AST's U.S. sales are CEP sales.) To determine whether a CEP offset was necessary, in accordance with the principles discussed above, we examined information regarding the distribution systems in both the United States and Italian markets, including the selling functions, classes of customer, and selling expenses.

In the home market, AST reported one level of trade. AST sold through two channels of distribution in the home market: (1) directly from its mill to unaffiliated end-users/specialty end-users, white goods manufacturers and affiliated and unaffiliated service

centers; and (2) from its warehouse to industrial end-users, specialty end-users, and service centers/distributors. AST claimed two levels of trade in its U.S. market. AST sold through three channels of distribution in the U.S. market: (1) Directly from its mill through AST USA to unaffiliated end-users and distributors/service centers; (2) from the inventory of AST USA; and (3) from the mill through AST USA to its affiliated U.S. further manufacturers/reseller, which then sell to unaffiliated customers.

For sales in home market channel one, AST performed all sales-related activities, including arranging for freight and delivery; pre-sale and continuous technical assistance; trial lots; warranty services; price negotiation; sales calls and visits; after-sales service; and extending credit. The same selling functions were performed in home market channel two; however, unlike direct factory sales, these sales carry no guarantee or warranty. Also, AST, rather than the customer, typically initiates sales of these products by distributing a list of available products to potential customers. Because these selling functions are similar for both sales channels, we preliminarily determine that there is one LOT in the home market.

We reviewed the selling functions and services performed by AST in the U.S. market, as represented by AST in its responses. AST indicated that the selling functions performed by AST for CEP sales, regardless of channel of distribution, include the following: processing AST USA inquiries and purchase orders; invoicing AST USA; extending credit to AST USA; freight and delivery arrangements from AST's plant to the U.S. port (including the cost of transporting the goods to the European port, port handling, and ocean freight), and warranty services. Although AST characterizes its involvement in the CEP sales as low, for back-to-back U.S. sales shipped directly from AST's factory to the unaffiliated customer (*i.e.*, U.S. channel one), AST is more involved in the sales process (*e.g.*, collaborating with AST USA to determine the price) and provides a higher degree of freight and delivering arrangements (*i.e.*, low volume shipments to multiple customers located throughout the United States).

In addition to the above selling functions, based on information provided by AST, we find that AST made sales visits and provided pre-sale and technical assistance. Although AST indicated in its response that it did not make sales calls and visits for its CEP sales, AST did report that AST

representatives occasionally visit the United States and meet with AST USA officials. See AST's January 29, 2001 questionnaire response at SA-10. With respect to technical assistance, in both its U.S. and home market sales database AST reported as indirect selling expenses the costs associated with operating AST's Technical Services Department, which provides pre-sale and technical assistance. Therefore, it appears that AST offers pre-sale technical assistance for its CEP sales.

AST performs identical selling functions across all three U.S. channels of distribution and at the same degree with the exception of more intensive price negotiations and freight and delivery services for U.S. back-to-back sales. We find that the differences in the degree of selling functions performed to be relatively minor. Therefore, we preliminarily determine that there is one LOT in the U.S. market.

AST performed many of the same selling functions for both its CEP sales (*i.e.*, sales to AST USA) and home market sales such as processing customer orders; price negotiation (U.S. channel one and both home market channels); extending credit; freight and delivery arrangements; warranty services; and pre-sale technical assistance. In the home market AST performed the additional selling functions of offering prototypes and trial lots and price negotiation. Also, AST maintained that it performed some of the selling functions at a higher degree (*i.e.*, services such as warranty, extending credit, sales visits, freight and delivery arrangements).

Proprietary information submitted by AST indicates that selling activities associated with price negotiations and the provision of prototypes and trial lots by AST in the home market were not substantial. See *Analysis Memorandum*. Price negotiations are a subpart of the overall sales process, the expenses for which are captured in indirect selling expenses. The data submitted by AST indicate that AST's indirect selling expenses are comparable in both markets. Similarly, the data on the record indicate that the degree of difference in certain selling functions performed was not substantial. According to AST, all sales of prime merchandise carry a warranty regardless of market and it is AST which approves the claim and provides the reimbursement for the claim. Moreover, AST reported warranty claims in both the home and U.S. markets. Also, although AST extends credit to multiple customers in the home market, it also extends credit for CEP sales. The comparability of AST's indirect selling

expenses in each market also does not support a finding that other selling activities related to the sales process (e.g., sales visits, freight and delivery arrangements) are performed at a substantially higher degree in the home market than the U.S. market. Therefore, we find that AST's claims of additional and more advanced selling functions for home market sales in comparison to CEP sales are either unsubstantiated or insufficient to support a finding of different LOTs. See 19 CFR 412(c)(2). Accordingly, we preliminarily determine that sales in the home market and in the U.S. market were made at the same LOT and have not made a LOT adjustment or CEP offset.

### Preliminary Results of Review

As a result of our review, we preliminarily determine that the following weighted-average dumping margin exists for the period January 4, 1999 through June 30, 2000:

Manufacturer/exporter/reseller	Margin (percent)
AST .....	0.67

The Department will disclose calculations performed within five days of the date of publication of this notice to the parties to this proceeding in accordance with 19 CFR 351.224(b). An interested party may request a hearing within 30 days of publication of these preliminary results. See 19 CFR 351.310(c). 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 of these preliminary results of review. 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 issue the final results of this administrative review, which will include the results of its analysis of issues raised in any such comments, within 120 days of publication of these preliminary results.

### Assessment

Upon issuance of the final results of this review, the Department shall determine, and the U.S. Customs Service shall assess, antidumping duties on all appropriate entries. In accordance with 19 CFR 351.212(b), we have calculated exporter/importer-specific assessment rates. We divided the total dumping margins for the reviewed sales by the total entered value of those

reviewed sales for each importer. We will direct the U.S. Customs Service to assess the resulting percentage margin against the entered customs values for the subject merchandise on each of that importer's entries under the relevant order during the review period. Upon completion of this review, the Department will issue appraisement instructions directly to the Customs Service.

### Cash Deposit

The following cash deposit requirements will be effective upon publication of these final results for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of these final results of administrative review, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for the reviewed company will be the rate listed above (except that if the rate for a particular product is *de minimis*, i.e., less than 0.5 percent, a cash deposit rate of zero will be required for that company); (2) for previously investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the original less than fair value ("LTFV") investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) the cash deposit rate for all other manufacturers or exporters will continue to be the "all others" rate of 11.23 percent, which is the all others rate established in the LTFV investigation. These deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

### Notification to Interested Parties

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 the antidumping duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as a reminder to parties subject to administrative protective orders ("APOs") of their responsibility concerning the

disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305, that continues to govern business proprietary information in this segment of the proceeding. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: July 31, 2001.

**Faryar Shirzad,**

*Assistant Secretary for Import Administration.*

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## DEPARTMENT OF COMMERCE

### International Trade Administration

[A-201-822]

### Stainless Steel Sheet and Strip in Coils 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 by respondent Mexinox S.A. de C.V. (Mexinox) and Mexinox USA, Inc. (Mexinox USA) (collectively, Mexinox), the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on stainless steel sheet and strip in coils (S4 in coils) from Mexico (A-201-822). This review covers one manufacturer/exporter (Mexinox) of the subject merchandise to the United States during the period January 4, 1999 to June 30, 2000.

We preliminarily determine that sales of S4 in coils from Mexico have been made below the normal value (NV). If these preliminary results are adopted in our final results of administrative review, we will instruct the U.S. Customs Service to assess antidumping duties based on the difference between United States price and the NV. Interested parties are invited to comment on these preliminary results. Parties who submit argument in these proceedings are requested to submit with the argument (1) a statement of the issues and (2) a brief summary of the argument.