

For marine insurance we used price quotes obtained by the Department from a market-economy provider and used in the 2000–2001 antidumping duty administrative review of persulfates from the PRC. *See Persulfates*, 67 FR 50867.

Where appropriate, we adjusted the values to reflect inflation up to the POI using the wholesale price indices (WPI) or the purchase price indices published by the International Monetary Fund (IMF), as appropriate.

Normal Value

A. Surrogate Country

Section 773(c)(4) of the Act requires the Department to value an NME producer's factors of production, to the extent possible, in one or more market economy countries that: (1) Are at a level of economic development comparable to that of the NME country, and (2) are significant producers of comparable merchandise. The Department has determined that India, Pakistan, Indonesia, Sri Lanka, and the Philippines are countries comparable to the PRC in terms of overall economic development. *See* the October 30, 2002, memorandum from Jeffrey May to Louis Apple entitled "Antidumping Duty Investigation on Polyvinyl Alcohol from the People's Republic of China (PRC)."

According to the available information on the record, we have determined that India is a significant producer of merchandise comparable to PVA (*i.e.*, polyvinyl acetate, the precursor polymer of fully-hydrolyzed PVA). For purposes of the preliminary determination, we have selected India as the surrogate country, based on the quality and contemporaneity of the currently available data. Accordingly, we have calculated NV using Indian values for the PRC producer's factors of production. We have obtained and relied upon publicly available information wherever possible.

B. Self-Produced Inputs

In accordance with section 773(c) of the Act, we calculated NV based on factors of production reported by SVW for the POI. As the basis for NV, SVW reported factors of production information for each separate stage of production, including the factors used in the production of all self-produced material and energy inputs, and by-products.⁹

Our general policy, consistent with section 773(c)(1)(B) of the Act, is to value the factors of production that a respondent uses to produce the subject merchandise. *See Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 4986 (January 31, 2003).

If the NME respondent is an integrated producer, we take into account the factors utilized in each stage of the production process. For example, in the case of preserved canned mushrooms produced by a fully integrated firm, the Department valued the factors used to grow the mushrooms, the factors used to further process and preserve the mushrooms, and any additional factors used to can and package the mushrooms, including any used to manufacture the cans (if produced in-house). If, on the other hand, the firm was not integrated, but simply a processor that bought fresh mushrooms to preserve and can, the Department valued the purchased mushrooms and not the factors used to grow them. *See* the final results valuation memorandum for *Final Results of First New Shipper Review and First Antidumping Duty Administrative Review: Certain Preserved Mushrooms From the People's Republic of China*, 66 FR 31204 (June 11, 2001). This policy has been applied to both agricultural and industrial products. *See, e.g., Persulfates Final and Notice of Final Determinations of Sales at Less Than Fair Value: Brake Drums and Brake Rotors From the People's Republic of China*; 62 FR 9160 (February 28, 1997). Accordingly, our standard NME questionnaire asks respondents to report the factors used in the various stages of production.

There are, however, two limited exceptions to this general rule. First, in some cases a respondent may report factors used to produce an intermediate input that accounts for a small or insignificant share of total output. The Department recognizes that, in those cases, the increased accuracy in our overall calculations that would result from valuing (separately) each of those factors may be so small so as to not justify the burden of doing so. Therefore, in those situations, the

consumed during the POI, accordance with our practice. *See Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Ferrovanadium From the People's Republic of China*, 67 FR 45088, 45092 (July 8, 2002). For further discussion, see the Concurrence Memorandum.

Department would value the intermediate input directly.

Second, in certain circumstances, it is clear that attempting to value the factors used in a production process yielding an intermediate product would lead to an inaccurate result because a significant element of cost would not be adequately accounted for in the overall factors buildup. For example, in a recent case, we addressed whether we should value the respondent's factors used in extracting iron ore—an input to its wire rod factory. The Department determined that, if it were to use those factors, it would not sufficiently account for the capital costs associated with the iron ore mining operation given that the surrogate used for valuing production overhead did not have mining operations. Therefore, because ignoring this important cost element would distort the calculation, the Department declined to value the inputs used in mining iron ore and valued the iron ore instead. *See Notice of Final Determination of Sales at Less Than Fair Value: Carbon and Certain Alloy Steel Wire Rod From Ukraine*, 67 FR 55785 (August 30, 2002); *Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products From the People's Republic of China*; 66 FR 49632 (September 28, 2001); *Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China*; 62 FR 61964 (November 20, 1997); and *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*; 60 FR 22544 (May 8, 1995).

The petitioners have argued that the Department's policy is inappropriate in this investigation because the surrogate producer from which the financial ratios are derived is at a level of integration which differs significantly from SVW's own. Given these circumstances, the petitioners conclude that valuing each component would understate factory overhead, SG&A expenses, and profit; instead, the petitioners request that the Department begin its valuation at either the ultimate or penultimate stage of the production process.

After analyzing this issue, we find that the facts on the record do not warrant a departure from our normal practice, because we find that SVW and the surrogate producer in question are at similar levels of vertical integration. Therefore, we have valued the factors reported for each self-produced input for purposes of the preliminary determination. For further discussion, see the March 14, 2003, memorandum

⁹In addition to its own factors of production, SVW reported the factors of production used by a joint venture to produce acetic acid. However, we did not value those factors when calculating NV in this investigation. Rather, we have valued the acetic acid purchased from the joint venture and