

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced and sold by DC CHEM in the home market during the POI that fit the description in the "Scope of Investigation" section of this notice to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. In accordance with section 777A(d)(1)(A)(i) of the Act, we compared POI weighted-average CEPs to POI weighted-average NVs. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade.

In October 2002, DC CHEM, Kuraray, Marubeni, and the petitioners submitted comments on the model-matching criteria to be used by the Department.³ Based on these comments, we proposed to match products sold in the United States to products sold in the home market in the ordinary course of trade that were identical with respect to the following hierarchy of characteristics: molecular structure, hydrolysis, viscosity, degree of modification, particle size, tackifier, defoamer, ash, color, volatiles, and visual impurities. We invited interested parties to submit additional comments on these criteria prior to the preliminary determination. In December, the petitioners and Nippon Gohsei submitted additional model-matching comments.⁴

After analyzing these comments, we have reconsidered the model-matching hierarchy and revised it as follows: (1) We added as the most important criterion whether the product is a homo- or a co-polymer; (2) we placed hydrolysis and viscosity before molecular structure (*i.e.*, the type of copolymer); and (3) we allowed the reporting of hydrolysis, viscosity, and degree of modification in ranges.⁵ All other characteristics remain the same. For further discussion, see the memorandum entitled "Concurrence

Memorandum for the Preliminary Determination in the Investigation of Polyvinyl Alcohol from Korea," dated March 14, 2003, (Concurrence Memo), on file in room B-099 of the Department's Central Records Unit.

Constructed Export Price

In accordance with section 772(b) of the Act, we calculated the CEP for those sales where the merchandise was 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, or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter. In this case, we are treating all of DC CHEM's U.S. sales as CEP sales because they were made in the United States by DC CHEM's U.S. affiliate on behalf of DC CHEM, within the meaning of section 772(b) of the Act.

We based the CEP on the packed delivered prices to unaffiliated purchasers in the United States. We added duty drawback received on imported materials, where applicable, pursuant to section 772(c)(1)(B) of the Act. Where appropriate, we made adjustments for billing errors and discounts. 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 brokerage and handling, international freight, marine insurance, U.S. customs duties (including U.S. duties, harbor maintenance fees, and merchandise processing fees), U.S. customs brokerage charges, U.S. inland freight expenses (*i.e.*, freight from port to warehouse and freight from warehouse to the customer), and U.S. warehousing expenses. In accordance with section 772(d)(1) of the Act and 19 CFR 351.402(b), we deducted those selling expenses associated with economic activities occurring in the United States related to sales to an unaffiliated purchaser, including direct selling expenses (imputed credit costs and other direct selling expenses), and indirect selling expenses (including U.S. inventory carrying costs and other indirect selling expenses incurred in the United States).

Pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at the CEP. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by DC CHEM and its affiliates on their sales of the subject merchandise in the United States and the foreign like product in the home market and the profit associated with those sales.

Normal Value

A. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Because the respondent'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 the home market was viable for the respondent.

B. Affiliated-Party Transactions and Arm's-Length Test

DC CHEM reported sales of the foreign like product to affiliated end-users. To test whether these sales to affiliated customers were made at arm's length, we compared the prices of sales to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, and packing. Where the price to the affiliated party was, on average, 99.5 percent or more of the price to unaffiliated parties, we determined that sales made to the affiliated party were at arm's length. *See* 19 CFR 351.403(c). Based on this analysis, we found that 100 percent of DC CHEM's sales to affiliates in the home market were made at arm's length.

C. Cost of Production Analysis

Based on our analysis of an allegation contained in the petition, we found that there were reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below their cost of production (COP). Accordingly, pursuant to section 773(b) of the Act, we initiated a country-wide sales-below-cost investigation to determine whether sales were made at prices below their respective COPs. *See Initiation Notice*, 67 at FR 61594.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the cost of materials and fabrication for the foreign like product, plus an amount for general and administrative expenses (G&A), including interest expenses. *See* the "Test of Home Market Sales Prices" section below for treatment of home market selling expenses. We relied on

³ As noted in the "Case History" section of this notice, Kuraray and Marubeni submitted their comments for the record of the companion case on PVA from Japan. Because these comments are relevant in this proceeding, we have placed them on the record here as well.

⁴ These comments were only placed on the record for the companion case on PVA from Japan. Because they are relevant to this proceeding, we have placed them on the record here as well.

⁵ In the companion case of PVA from Japan, we also revised the particle size field to include PVA in standard, fine, pellet and liquid forms. Because DC CHEM sold PVA in only the two original size classifications, standard and fine, this revision is not relevant to this proceeding.