

Carbon Steel Plate from Korea, 58 FR 37176, 37180 (July 9, 1993); *Certain Steel Concrete Reinforcing Bars From Turkey; Preliminary Results of Antidumping Duty Administrative Review*, 67 FR 21634, 21636 (May 1, 2002) (unchanged by the final results) (*Rebar 2000–2001 Review Prelim*); *Certain Steel Concrete Reinforcing Bars From Turkey; Final Results of Antidumping Duty Administrative Review*, 66 FR 56274 (Nov. 7, 2001) and accompanying decision memorandum at *Comment 1*.) We made adjustments to Habas' reported data based on our findings at verification. See the Habas Sales Calculation Memorandum.

B. Affiliated Party Transactions and Arm's Length Test

Colakoglu, Habas, and ICDAS made sales of rebar to affiliated parties in the home market during the POR. Consequently, we tested these sales to ensure that they were made at "arm's length" prices, in accordance with 19 CFR 351.403(c). To conduct this test, we compared the unit prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, and packing expenses. Where prices to the affiliated party were on average 99.5 percent or more of the price to the unaffiliated parties at the same level of trade (LOT), we determined that these sales were made at arm's length (see *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27295, 27355 (May 19, 1997)). In accordance with the Department's practice,² we only included in our margin analysis those sales to affiliated parties that were made at arm's length.

C. Cost of Production Analysis

Pursuant to section 773(b)(2)(A)(ii) of the Act, for Colakoglu, Habas, and ICDAS there were reasonable grounds to believe or suspect that these respondents had made home market sales at prices below their COPs in this review because the Department had disregarded sales that failed the cost test for these companies in the most recently completed segment of this proceeding in which these companies participated (i.e., the 2000–2001 administrative review for Colakoglu and Habas and the

1999–2000 administrative review for ICDAS). As a result, the Department initiated an investigation to determine whether these companies had made home market sales during the POR at prices below their COPs. See 2000–2001 Rebar Review, 67 FR at 66111. See also, *Certain Steel Concrete Reinforcing Bars From Turkey; Final Results of Antidumping Duty Administrative Review*, 66 FR 56274, 56275 (Nov. 7, 2001).

1. Calculation of COP

As noted above, we determined that the Turkish economy experienced significant inflation during the POR. Therefore, in order to avoid the distortive effect of inflation on our comparison of costs and prices, we requested that each respondent submit the product-specific cost of manufacturing (COM) incurred during each month of the reporting period. We calculated a period-average COM for each product after indexing the reported monthly costs during the reporting period to an equivalent currency level using the Turkish Wholesale Price Index from the *International Financial Statistics* published by the International Monetary Fund. We then restated the period-average COMs in the currency values of each respective month.

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the respondents' cost of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses (G&A), interest expenses, and home market packing costs. See the "Test of Comparison Market Sales Prices" section below for treatment of home market selling expenses.

In calculating COP, the Department recently implemented a change in practice regarding the treatment of foreign exchange gains or losses. See *Certain Preserved Mushrooms from India; Preliminary Results of Antidumping Duty Administrative Review*, 68 FR 11045 (Mar. 7, 2003) (*Mushrooms from India*). The Department's previous practice was to have respondents identify the source of all foreign exchange gains and losses (e.g., debt, accounts receivable, accounts payable, cash deposits) at both a consolidated and unconsolidated corporate level. At the consolidated level, the current portion of foreign exchange gains and losses generated by debt or cash deposits were included in the interest expense rate computation. At the unconsolidated producer level, foreign exchange gains and losses on accounts payable were either included in the G&A rate computation, or under

certain circumstances, in the cost of manufacturing. Gains and losses on accounts receivable at both the consolidated and unconsolidated producer levels were excluded from the COP and CV calculations. In addition, for Turkish high inflation cases, at the unconsolidated level, we excluded exchange gains and losses on raw material purchases due to the fact that our replacement cost methodology already accounted for the effect of high inflation on raw material purchases.

Under the Department's new methodology, instead of splitting apart the foreign exchange gains and losses as reported in an entity's financial statements, we will now normally include in the interest expense computation all foreign exchange gains and losses. In doing so, we will no longer include a portion of foreign exchange gains and losses from two different financial statements (i.e., consolidated and unconsolidated producer). Instead, we will only include the foreign exchange gains and losses reported in the financial statement of the same entity used to compute each respondent's net interest expense rate. This new approach recognizes that the key measure is not necessarily what generated the exchange gain or loss, but rather how well the entity as a whole was able to manage its foreign currency exposure in any currency. As such, with the exception of the unusual circumstances related to exchange gains and losses generated by purchased raw materials in Turkish high inflation cases, for these preliminary results, we included all other foreign exchange gains or losses in the interest expense rate computation.

We have followed in this preliminary determination the new policy announced in *Mushrooms from India*, but we have made some modifications to account for the fact that Turkey experienced high inflation during the POR. We note that in the instant case, with regard to foreign exchange gains and losses related to purchased raw materials, we have continued to exclude such amounts at the unconsolidated level due to the fact that these amounts have been accounted for through the Department's replacement cost methodology. In certain fact-specific situations, such as this case where high inflation in Turkey exists and constant currency financial statements are not prepared, it may be necessary for the Department to deviate slightly from its new general practice regarding the treatment of foreign exchange gains or losses. As noted in *Mushrooms from India*, we will address exceptions on a case-by-case basis.

² We note that the Department recently adopted a new arm's length test whereby sales to affiliates will be determined to be at arm's length if the prices are, on average, within a range of 98 percent to 102 percent of prices to unaffiliated customers. See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186 (Nov. 15, 2002). The Department's new arm's length test is only applicable to investigations and reviews initiated on or after November 23, 2002, which is subsequent to the initiation of this review.