

For our complete analysis of EP, see the Initiation Checklist

#### *Normal Value*

The petitioners based normal value ("NV") on third-country price quotes and offers for sale by Funai because they were unable to obtain price information for any Malaysian producer in the home market. During the course of our initiation, we obtained information which indicated that there is no viable home market for CTVs in Malaysia because all Malaysian-produced CTVs are exported. See the May 16, 2003, memorandum to the File from Irina Itkin, Elizabeth Eastwood, and Jim Nunno entitled "Telephone Conversation with Foreign Market Researcher." The petitioners focused on Funai when seeking a price quote for NV because this company is the largest CTV producer in Malaysia and a price quote from this company forms the basis for U.S. price.

In selecting the third-country market, the petitioners chose Japan because it is the largest third-country market for CTVs produced by Funai. Moreover, the product subject to the Japan price quote is comparable to the product exported to the United States which served as the basis for EP. After examining this evidence, we found the petitioners' selection of Japan as the comparison market to be reasonable.

The petitioners made adjustments for consumption tax, movement expenses, and third-country and U.S. credit expenses. The petitioners based the amounts for third country and U.S. interest rates on lending rates contained in *International Financial Statistics* published by the International Monetary Fund. The petitioners converted NV into U.S. dollars using the annual average 2002 yen/U.S. dollar exchange rate calculated based on the exchange rates posted on the Department's Web site. We revised the petitioners' calculation of NV to correct an error in the consumption tax and the calculation of the average exchange rate. See the Initiation Checklist.

Pursuant to section 773(b) of the Act, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales by Malaysian producers in the relevant foreign market were made at prices below the cost of production ("COP") and, accordingly, requested that the Department conduct a country-wide sales-below-COP investigation in connection with this investigation. The Statement of Administrative Action ("SAA"), submitted to the Congress in connection with the interpretation and application of the URAA, states that an

allegation of sales below COP need not be specific to individual exporters or producers. SAA, H.R. Doc. No. 103-316 at 833 (1994). The SAA, at 833, states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation."

Further, the SAA provides that section 773(b)(2)(A) of the Act retains the requirement that the Department have "reasonable grounds to believe or suspect" that below-cost sales have occurred before initiating such an investigation. Reasonable grounds exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices. *Id.*

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"); selling, general, and administrative expenses ("SG&A"); financial expenses; and packing expenses. The petitioners stated that they were unable to obtain information concerning Funai's actual CTV COP data. Therefore, the petitioners calculated COM based on the costs incurred by an Indian producer of CTVs with a production process similar to Funai's, adjusted for known differences between costs incurred to produce CTVs in India and Malaysia. To calculate SG&A and financial expenses, the petitioners relied upon amounts reported in the 2002 consolidated financial statements of Funai. The petitioners based packing costs on the Indian producer's experience.

Based on a comparison of the Japanese market prices for CTVs to the COP calculated in the petition, we find reasonable grounds to believe or suspect that sales of the foreign like product were made at prices below COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation relating to third-country sales to Japan. We note, however, that if we determine that the home market (*i.e.*, Malaysia) is viable, our initiation of a country-wide cost investigation with respect to sales to Japan will be rendered moot.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners also based NV for sales in the United States on CV. The petitioners calculated CV using the same COM, SG&A, and financial expense figures used to compute the Japanese third-country

market costs. Consistent with 773(e)(2) of the Act, the petitioners included in CV an amount for profit. For profit, the petitioners relied upon amounts reported in Funai's 2002 consolidated financial statements. The petitioners adjusted CV to make a circumstance-of-sale adjustment for credit expenses, in accordance with the Department's statutory EP calculation methodology. We revised the petitioners' calculation of CV to correct an error in the average exchange rate, as noted above. For our complete analysis of NV, see the Initiation Checklist.

The estimated dumping margin in the petition for Malaysia based on a comparison between EP and the third-country price is 30.89 percent. Our recalculation, as described above, resulted in a margin of 30.88 percent. The estimated price-to-CV margin in the petition is 47.76 percent. The adjusted price-to-CV comparison resulted in an estimated dumping margin of 47.02 percent.

#### **The PRC**

##### *Export Price*

The anticipated POI for the PRC is October 1, 2002, through March 31, 2003.

The petitioners based EP on price quotes within the POI for the sale of 27-inch curved and flat-screen CTVs produced in the PRC to an unaffiliated customer in the United States. The petitioners calculated net U.S. prices by deducting foreign brokerage and handling expenses, international freight expenses, U.S. customs duties, and U.S. inland freight expenses.

Because the petitioners provided price quotes for actual products and we determine that these price quotes are sufficient for initiation purposes, we did not use the average unit values calculated from U.S. import statistics that the petitioners provided as a second basis to estimate dumping margins. To the extent necessary, we will consider the appropriateness of the petitioners' alternative methodology during the course of this proceeding. For our complete analysis of EP, see the Initiation Checklist.

##### *Normal Value*

The petitioners allege that the PRC is an NME country, and that in all previous investigations the Department has determined that the PRC is an NME. See, *e.g.*, *Notice of Final Determination of Sales at Less Than Fair Value: Saccharin from the People's Republic of China*, 68 FR 27530 (May 20, 2003). In accordance with section 771(18)(C) of the Act, any determination that a foreign