

exercise control over Ta Chen. Therefore, the Department preliminarily determines that Ta Chen and PFP are not affiliated. However, the Department will continue to investigate whether Ta Chen and PFP are affiliated for purposes of this administrative review.

Fair Value Comparisons

To determine whether sales of subject merchandise by Ta Chen to the United States were made at prices below normal value ("NV"), we compared, where appropriate, the constructed export price ("CEP") to the NV, as described below. Pursuant to section 777A(d)(2) of the Act, we compared the CEPs of individual U.S. transactions to the monthly weight-averaged NV of the foreign like product.

Export Price/Constructed Export Price

Section 772(a) of the Act defines export price as "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 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. * * *" Section 772(b) of the Act defines constructed export price as "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. * * *"

Consistent with recent past reviews, all of the sales at issue are being considered CEP sales because the sale to the first unaffiliated customer was made between Ta Chen International (CA) Corp. ("TCI"), located in the United States, and the unaffiliated customer in the United States. *See Analysis Memorandum for Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan: Preliminary Results of the 2001-2002 Administrative Review of Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan* (June 30, 2003) ("Analysis Memo"); *see also* Ta Chen's February 25, 2003 submission at pages 4-5. TCI takes title to the subject merchandise, invoices the U.S. customer, and receives payment from the U.S. customer. In addition, TCI handles all communication with the U.S. customer, incurs risk of non-payment, relays orders and price requests from the U.S. customer to Ta Chen, and pays for U.S. Custom duties, brokerage charges, U.S. antidumping duties, ocean freight and U.S. inland freight. *See* Ta Chen's

January 28, 2003 Section A Supplemental Questionnaire Response at pages 14-15.

Having determined such sales are CEP, pursuant to section 772(b) of the Act, we calculated the price of Ta Chen's sales based on CEP. We calculated CEP based on FOB or delivered prices to unaffiliated purchasers in the United States and, where appropriate, we deducted discounts. In addition, in accordance with section 772(d)(1), the Department deducted commissions, direct selling expenses and indirect selling expenses, including inventory carrying costs, which related to commercial activity in the United States. With respect to inventory carrying costs, we note that certain of Ta Chen's sales do not enter TCI's inventory prior to shipment to U.S. customers, but are shipped directly to the end user. Therefore, we removed the cost of goods sold for those sales used in the calculation of Ta Chen's reported inventory turnover ratio. We also made deductions for movement expenses, which include foreign inland freight, foreign brokerage and handling, ocean freight, containerization expense, harbor construction tax, marine insurance, U.S. inland freight, U.S. brokerage and handling, and U.S. Customs duties. Finally, where appropriate, in accordance with sections 772(d)(3) and 772(f) of the Act, we deducted CEP profit.

Normal Value

After testing home market viability, as discussed below, we calculated NV as noted in the "Price-to-CV Comparisons" and "Price-to-Price Comparisons" sections of this notice.

1. Home Market Viability

In accordance with section 773(a)(1)(C) of the Act, to determine whether there was 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 greater than or equal to five percent of the aggregate volume of U.S. sales), we compared Ta Chen's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise. In addition, Ta Chen stated that the home market is viable since sales to the home market are more than five percent by quantity of sales in the United States. *See* Ta Chen's September 12, 2002 Section A questionnaire response at page 3. Because Ta Chen'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 preliminarily determine that the home market is viable. We, therefore, based NV on home market sales.

2. Cost of Production Analysis

Because we disregarded sales below the cost of production ("COP") in the most-recently completed segment of this proceeding,¹ we have reasonable grounds to believe or suspect that sales by Ta Chen in its home market were made at prices below the COP, pursuant to sections 773(b)(1) and 773(b)(2)(A)(ii) of the Act. Therefore, pursuant to section 773(b)(1) of the Act, we conducted a COP analysis of home market sales by Ta Chen.

A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weight-averaged COP based on the sum of Ta Chen's cost of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses ("G&A"), interest expenses, and packing costs. We relied on the COP data submitted by Ta Chen in its original and supplemental cost questionnaire responses. For these preliminary results, we did not make any adjustments to Ta Chen's submitted costs.

B. Test of Home Market Prices

We compared the weight-averaged COP for Ta Chen to home market sales of the foreign like product, as required under section 773(b) of the Act in order to determine whether these sales had been made at prices below the COP. In determining whether to disregard home market sales made at prices below the COP, we examined whether such sales were made within an extended period of time in substantial quantities, and were not at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(1)(A) and (B) of the Act. On a product-specific basis, we compared the COP to home market prices, less any movement charges, discounts, and direct and indirect selling expenses.

C. Results of COP Test

In accordance with section 773(b)(1) of the Act, when less than 20 percent of Ta Chen's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the

¹ See Notice of Final Results and Final Rescission in Part of Antidumping Duty Administrative Review: Stainless Steel Butt-Weld Pipe Fittings From Taiwan ("Final Results"), 67 FR 78417 (December 24, 2002).