

Petroleum College ("Xian Report"), Xian, and on its own experience. Petitioner contends that consumption rates for the Chinese THFA industry are not reasonably available, and that FA is an intermediate product and feedstock in the production process for THFA. Therefore, petitioner used the factor values included in the *Xian Report* for the production of FA and its own experience as the basis of factor values for the production steps required to convert FA to THFA. As a result, petitioner contends that information provided in the *Xian Report*, and petitioner's own production experience, is the only information reasonably available to petitioner concerning THFA production in China. Thus, when information from the *Xian Report* was not available, petitioner assumed that producers in the PRC use the same inputs in the same quantities as the petitioner. Based on the information provided by the petitioner, we believe that the petitioner's FOP methodology represents information reasonably available to the petitioner and is appropriate for purposes of initiating this investigation.

The petitioner asserts that India is the most appropriate surrogate country for the PRC, claiming that India is: i) a market economy, and, ii) at a level of economic development comparable to the PRC in terms of per capita GNP. Petitioner asserts that China is the only other country known to produce THFA. Therefore, none of the potential surrogate countries, including India, are significant producers of the subject merchandise. Petitioners note however, that India is a significant producer of furfural and FA which are intermediate products and feedstocks in the production process for THFA and based on the information provided by the petitioner, we believe that the petitioner's use of India as a surrogate country is appropriate for the purpose of initiating this investigation.

In accordance with section 773(c)(4) of the Act, petitioner valued FOP, where possible, on reasonably available, public surrogate data from India. Petitioner valued furfural, hydrogen and nitrogen based on Indian import values, as published in the 2000 and 2001 *Monthly Statistics of Foreign Trade of India*, and inflated based on the Indian wholesale price index ("WPI"). Petitioner was not able to obtain publicly available data for the furfural-to-FA and the FA-to-THFA catalysts, and therefore, used imports into the United States from India for HTS 3815.90.30.00 (furfural-to-FA catalyst) and HTS 3815.11.00.00 (FA-to-THFA catalyst) as reported in the World Trade Atlas. The Department is not

using Indian import values into the United States because India maintains broadly available, non-industry specific export subsidies. It is the Department's policy, based on our earlier determinations and legislative history, to reject such factor input values, whether they are market economy purchases or import statistics into a surrogate country, on the basis that we have found that the existence of these subsidies provide sufficient reason to believe or suspect that export prices from those countries are distorted. Therefore, we set the surrogate values for these factors to zero. See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Ball Bearings and Parts Thereof from the People's Republic of China*, 68 FR 10685 (March 6, 2003) and accompanying Issues and Decision Memorandum. See Attachment IV of the *Initiation Checklist*.

Petitioner valued labor using the regression-based wage rate for the PRC provided by the Department, in accordance with section 351.408(c)(3) of the Department's regulations. Petitioner valued maintenance supplies based on its own experience. However, the Department has determined that maintenance expenses should be classified as and included in overhead expenses in the calculation of normal value based on the factors of production. See *Persulfates from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 64 FR 69494 (December 13, 1999). Therefore, in order to eliminate the possibility of double counting overhead expenses which are otherwise included in our analysis, we have set the value of maintenance supplies to zero. Petitioner valued steam produced from coal, water, electricity, factory overhead, SG&A and profit using the *Surrogate Values Memorandum I*. We revised petitioner's factor value calculation for water to take into account inflation from the time period of the original source documentation to the POI. The petitioner inflated these figures to the current POI using the WPI reported on the Indian Office of Economic Advisor website, www.eaindustry.nic.in, for chemicals and chemical products.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports of THFA from the PRC are being, or are likely to be, sold at less than fair value. As a result of a comparison of EP to NV, petitioner's calculated estimated dumping margins, as adjusted by the Department, range from 159.26 to 200.00 percent.

Allegations and Evidence of Material Injury and Causation

The petitioner alleges that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than fair value.

The petitioner contends that the industry's injured condition is evident in the declining trends in financial performance, production volume, capacity utilization rates, U.S. shipments, domestic prices, market share, reduced profitability, capital expenditures and research, and development expenditures. The allegations of injury and causation are supported by relevant evidence including affidavits of company officials, U.S. Census Bureau import statistics, lost sales, and pricing information. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See *Initiation Checklist*.

Initiation of Antidumping Investigation

Based upon our examination of the petition on THFA, we have found that it meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of THFA from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended pursuant to section 733(b)(1)(A) of the Act, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the government of the PRC. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as provided for under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine no later than August 7, 2003, whether there is a reasonable indication that imports of THFA from the PRC are