

SUPPLEMENTARY INFORMATION:**Background**

On January 13, 2003, the Department published the preliminary results and rescission in part of the administrative review of the antidumping duty order on pencils from the PRC. *See Certain Cased Pencils from the People's Republic of China; Preliminary Results and Rescission in Part of Antidumping Duty Administrative Review*, 68 FR 1591 (January 13, 2003) (*Preliminary Results*). We invited parties to comment on our preliminary results of review.

Since the publication of the preliminary results, the following events have occurred. During the months of January and February 2003, we conducted verifications of the questionnaire responses of the exporter/manufacturer Tianjin Custom Wood Processing Co., Ltd. (CalCedar-Tianjin),¹ and the exporter Shandong Rongxin Import & Export Co., Ltd. (Rongxin). We also conducted a verification of Kaiyuan Group Corporation's (Kaiyuan) sales records for the purposes of determining whether to rescind this company's review. On May 7, 2003, the Department extended the time limit for completion of the final results until no later than July 12, 2003. *See Certain Cased Pencils from the People's Republic of China: Extension of Time Limit for Final Results of Antidumping Duty Administrative Review*, 68 FR 24434 (May 7, 2003). Interested parties submitted case briefs and rebuttal briefs on June 5 and June 12, 2003, respectively.

The Department has conducted this administrative review in accordance with section 751 of the Act.

Scope of Review

Imports covered by this review are shipments of certain cased pencils of any shape or dimension which are writing and/or drawing instruments that feature cores of graphite or other materials, encased in wood and/or man-made materials, whether or not decorated and whether or not tipped (e.g., with erasers, etc.) in any fashion, and either sharpened or unsharpened. The pencils subject to this order are classified under item number 9609.10.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Specifically excluded from the scope of

this order are mechanical pencils, cosmetic pencils, pens, non-cased crayons (wax), pastels, charcoals, chalks, and pencils produced under U.S. patent number 6,217,242, from paper infused with scents by the means covered in the above-referenced patent, thereby having odors distinct from those that may emanate from pencils lacking the scent infusion.

Although the HTSUS item number is provided for convenience and customs purposes, our written description of the scope of the order is dispositive.

Partial Rescission

We initiated a review on the following companies: China First Pencil Co. Ltd. (CFP), Orient International Holding Shanghai Foreign Trade Co., Ltd (SFTC), CalCedar-Tianjin, and Kaiyuan². In the *Preliminary Results*, the Department rescinded the review with respect to CFP, SFTC, and preliminarily rescinded the review with respect to Kaiyuan.

Subsequent to our initiation of the review, we learned that Kaiyuan and Rongxin are different companies which should have been listed separately in the initiation notice. Rongxin, which is owned in part by Kaiyuan, was the exporter of subject merchandise during the POR, while Kaiyuan did not purchase, manufacture or sell subject merchandise during the POR. For this reason, we preliminarily rescinded the review with respect to Kaiyuan.

Since the Department's preliminary results of this review, we verified Kaiyuan's sales records and established that this company did not export subject merchandise to the United States during the POR. Therefore, we are rescinding this review with respect to Kaiyuan in these final results.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this administrative review are addressed in the "Issues and Decision Memorandum" (*Decision Memorandum*) from Holly A. Kuga, Acting Deputy Assistant Secretary, Import Administration, to Jeffrey A. May, Acting Assistant Secretary for Import Administration, dated July 14, 2003, which is hereby adopted by this notice. A list of the issues which parties have raised and to which we have responded, all of which are in the *Decision Memorandum*, is attached to this notice as an Appendix. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in

this public memorandum, which is on file in the Central Record Unit, room B-099 of the main Department of Commerce building. In addition, a complete version of the Decision Memorandum can be accessed directly on the International Trade Administration's Web site at www.ia.ita.doc.gov. The paper copy and the electronic version of the *Decision Memorandum* are identical in content.

Changes Since the Preliminary Results

Based on our findings at verification, and our analysis of comments received, we made adjustments to the factors of production and surrogate values used to calculate margins in the preliminary results. We have also corrected certain programming and clerical errors in our preliminary results, where applicable. These adjustments are listed below and discussed in detail in the *Decision Memorandum*.

The Department has determined that South Korea, Thailand, Indonesia, and India maintain broadly available, non-industry specific export subsidies which may benefit all exporters to all export markets. Therefore, for the final results of this review, where applicable, we eliminated the quantities and values of imports from these countries from the import statistics used to calculate surrogate values. *See Final Determination of Sales at Less Than Fair Value: Certain Automotive Replacement Glass Windshields From the People's Republic of China*, 67 FR 6482 (February 12, 2002) and *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).

CalCedar-Tianjin

We adjusted the surrogate value for Chinese lindenwood slats to reflect the actual volumes of slat grades CalCedar-Tianjin used in production. *See Factors of Production Valuation Memorandum* dated July 14, 2003. We also accounted for yield loss based on CalCedar-Tianjin's actual loss incurred in cedar slat production. *See Decision Memorandum* at Comment 3. We made minor corrections to the company's data based on findings at verification. *See CalCedar-Tianjin's Calculation Memorandum*. We adjusted freight distances for certain material inputs in accordance with Department practice resulting from *Sigma Corp. V. United States*, 117 F.3d 1401 (Fed. Cir 1997). Finally, we made adjustments to the constructed export prices (CEP) to account for CEP profit, imputed credit

¹ Tianjin Custom Wood Processing Co., Ltd. is wholly-owned by California Cedar Products Company (CalCedar). CalCedar is a privately held U.S. company incorporated in the State of California. Hereinafter we have referred to the entity CalCedar, including its subsidiary Tianjin Custom Wood Processing Co., Ltd., as CalCedar-Tianjin.

² We initiated the review on Kaiyuan believing that the names Kaiyuan and Rongxin, refer to the same company.