

Chia Far

For purposes of this review, Chia Far has classified all of its sales as CEP sales. We are using CEP as defined in section 772(a) of the Act for sales of subject merchandise that were sold, after importation, by Lucky Medsup, Chia Far's affiliated reseller, to an unaffiliated purchaser in the United States. We based CEP on the packed prices to the first unaffiliated purchaser in the United States. We made deductions for movement expenses including: Foreign inland freight from the plant to the port of exportation, international freight, marine and inland insurance, brokerage and handling, container handling charges, harbor construction fees, other U.S. transportation expenses and U.S. duty. Additionally, we added to the U.S. price an amount for duty drawback pursuant to section 772(c)(1)(B) of the Act. In accordance with section 772(d)(1) of the Act, we deducted selling expenses associated with economic activities occurring in the United States, including direct selling expenses and indirect selling expenses.

We deducted the profit allocated to expenses deducted under sections 772(d)(1) and (d)(2) in accordance with sections 772(d)(3) and 772(f) of the Act. In accordance with section 772(f) of the Act, we computed profit based on total revenues realized on sales in both the U.S. and home markets, less all expenses associated with those sales. We then allocated profit to expenses incurred with respect to U.S. economic activity, based on the ratio of total U.S. expenses to total expenses for both the U.S. and home market.

Normal Value

After testing home market viability and whether home market sales were at below-cost prices, we calculated NV as noted in the "Price-to-Price Comparisons" and "Price-to-Constructed Value" ("CV") Comparisons" sections of this notice.

1. Home Market Viability

In accordance with section 773(a)(1)(B) 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 normal value ("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 YUSCO's and Chia Far's volume of home market sales of the foreign like product to the volume of each of their U.S. sales of subject merchandise, we determined that sales

in the home market provide a viable basis for calculating NV. We therefore based NV on home market sales to unaffiliated purchasers made in the usual commercial quantities and the ordinary course of trade.

For NV, we used the prices at which the foreign like product was first sold for consumption in Taiwan, in the usual commercial quantities, in the ordinary course of trade, and, to the extent possible, at the same level of trade ("LOT") as the EP or CEP as appropriate. After testing home market viability and whether home market sales were at below-cost prices, we calculated NV as noted in the "Price-to-Price Comparisons" and "Price-to-Constructed Value ("CV") Price Comparisons" sections of this notice.

2. Arm's-Length Test

YUSCO reported that it made sales in the home market to affiliated and unaffiliated end users and distributors/retailers. Sales to affiliated customers in the home market not made at arm's length were excluded from our analysis. To test whether these sales were made at arm's length, we compared the starting prices of sales to affiliated and unaffiliated customers net of all movement charges, indirect selling expenses, and packing. Where prices to the affiliated party were on average 99.5 percent or more of the price to the unaffiliated party, we determined that sales made to the affiliated party were at arm's length. See 19 CFR 351.403(c); *Antidumping Duties, Countervailing Duties; Final Rule*, 62 FR 27295, 27355 (May 19, 1997).¹⁰ Where no affiliated customer ratio could be calculated because identical merchandise was not sold to unaffiliated customers, we were unable to determine that these sales were made at arm's length and, therefore, excluded them from our analysis. See e.g., *Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Carbon Steel Flat Products from Argentina*, 58 FR 37062, 37077 (July 9, 1993). Where the exclusion of such sales eliminated all sales of the most appropriate comparison product, we made comparisons to the next most similar model. Certain of YUSCO's affiliated home market customers did not pass the arm's length test. Therefore, we have considered the downstream sales from these customers to the first unaffiliated customer.

¹⁰ Because this review was initiated before November 23, 2002, the 99.5 percent test applies to this review. See *Antidumping Procedures: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69197 (November 15, 2002).

3. Cost of Production ("COP") Analysis

Because the Department determined that YUSCO and Chia Far made sales in the home market at prices below the cost of producing the subject merchandise in the previous administrative review and therefore excluded such sales from NV, the Department determined that there are reasonable grounds to believe or suspect that YUSCO and Chia Far made sales in the home market at prices below the cost of producing the merchandise in this administrative review. See section 773(b)(2)(A)(ii) of the Act. As a result, the Department initiated a cost of production inquiry for both YUSCO and Chia Far.

A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated a weighted-average COP based on the sum of YUSCO's and Chia Far's cost of materials and fabrication for the foreign like product, plus amounts for home market selling, general and administrative expenses ("SG&A"), including interest expenses, and packing costs. We relied on the COP data submitted by YUSCO in its original and supplemental cost questionnaire responses. For the purpose of these preliminary results of YUSCO, we made no changes to the COP information provided to conduct the cost test.

However, for the purpose of these preliminary results, we revised the COP information submitted by Chia Far as follows: We revised the total cost of manufacturing to reflect the variable and fixed costs of further processing after sale. See *Analysis Memorandum for the Preliminary Results of Review for Stainless Steel Strip in Coils From Taiwan-Chia Far Industrial Factory Co., Ltd.* (July 31, 2003) ("Chia Far Preliminary Analysis Memo").

B. Test of Home Market Prices

On a product-specific basis, we compared the weighted-average COP for YUSCO and Chia Far, adjusted where appropriate, to their 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 less than the COP, we examined whether such sales were made: (1) In substantial quantities within an extended period of time; and (2) such sales were made 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. We compared the