

market prices to unaffiliated purchasers. We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act.

We made adjustments, where applicable, for movement expenses (*i.e.*, inland freight from plant to customer) in accordance with section 773(a)(6)(B) of the Act. We made circumstance-of-sale adjustments for credit and other discounts, where appropriate in accordance with section 773(a)(6)(C) of the Act. In accordance with section 773(a)(6) of the Act, we deducted home market packing costs and added U.S. packing costs. We also made adjustments, where applicable, for other discounts, indirect selling expenses and inventory carrying costs in accordance with section 773(a)(6)(C) of the Act. Finally, in accordance with section 773(a)(4) of the Act, where the Department was unable to determine NV on the basis of contemporaneous matches in accordance with 773(a)(1)(B)(i), we based NV on CV.

We made changes to the reported variable cost of manufacturing, total cost of manufacturing and home market inventory carrying costs to account for a change in grade that was reported as a minor correction to the home market database at the start of verification. See DSM Analysis Memorandum and DSM Verification Report at page 2.

INI

For those product comparisons for which there were sales at prices above the COP, we based NV on the home market prices to unaffiliated purchasers and those affiliated customer sales which passed the arm's length test. We made adjustments, where appropriate, for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act.

We made adjustments, where applicable, for movement expenses (*i.e.*, inland freight from plant to distribution warehouse, and inland freight from plant/distribution warehouse to customer) in accordance with section 773(a)(6)(B) of the Act. We made circumstance-of-sale adjustments for credit, warranty expense and interest revenue, where appropriate in accordance with section 773(a)(6)(C). In accordance with section 773(a)(6), we deducted home market packing costs and added U.S. packing costs. Where applicable, we modified the gross unit price based on billing adjustments. Finally, in accordance with section 773(a)(4) of the Act, where the Department was unable to determine NV on the basis of contemporaneous

matches in accordance with 773(a)(1)(B)(i), we based NV on CV.

For these preliminary results, we excluded certain home market sales from INI's reported home market sales data in the calculation of NV based on these sales being outside the ordinary course of trade. See *OCT Memorandum* and *INI Analysis Memorandum*. We also made certain changes to INI's packing expenses based on pre-verification corrections. See ("*INI Verification Report*")

Price-to-CV Comparisons

In accordance with section 773(a)(4) of the Act, we based NV on CV if we were unable to find a home market match of identical or similar merchandise. We calculated CV based on DSM's and INI's costs of materials and fabrication employed in producing the subject merchandise, SG&A including interest, and profit. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expense and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in Korea. For selling expenses, we used the actual weighted-average home market selling expenses. Where appropriate, we made adjustments to CV in accordance with section 773(a)(8) of the Act. We deducted from CV the weighted-average home market direct selling expenses.

Level of Trade

In accordance with section 773(a)(1)(B)(i) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade ("*LOT*") as the CEP transaction. The NV LOT is that of the starting-price sales in the comparison market or, when NV is based on CV, that of the sales from which we derive SG&A expenses and profit. For EP, the LOT is also the level of the starting price sale, which is usually from the exporter to the importer. For CEP, it is the level of the constructed sale from the exporter to the importer.

To determine whether NV sales are at a different LOT than EP or CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the customer. If the comparison market sales are at a different LOT, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the LOT of the export transaction, we make an LOT

adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the differences in the levels between NV and CEP sales affects price comparability, we adjust NV under section 773(A)(7)(B) of the Act (the CEP offset provision). See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Plate from South Africa*, 62 FR 61731 (November 19, 1997).

In implementing these principles in this administrative review, we obtained information from INI about the marketing stages involved in its reported U.S. and home market sales, including a description of the selling activities performed for each channel of distribution. In identifying levels of trade for CEP, we considered only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act. See *Micron Technology, Inc. v. United States*, 243 F.3d 1301, 1314–1315 (Fed. Cir. 2001). Generally, if the reported levels of trade are the same in the home and U.S. markets, the functions and activities of the seller should be similar. Conversely, if a party reports levels of trade that are different for different categories of sales, the functions and activities should be dissimilar.

DSM

In accordance with the principles discussed above, we examined information regarding DSM's distribution systems in both the United States and Korean markets, including selling functions, classes of customers, and selling expenses for DSM.

DSM claimed only one level of trade in the home market. See DSM's November 13, 2002 submission at page B–20. Additionally, DSM reported that it sold through two channels of distribution in the home market: directly to unaffiliated customers (distributors and end-users); and government entities. See DSM's November 13, 2002 submission at page B–9. DSM reported that it performs the following selling functions in the home market: market research, price negotiations, order processing, sales calls and demonstrations, customer interaction, inventory maintenance, warranty services, and freight and delivery arrangement. See DSM's November 4, 2002 submission at Exhibit 6. Because DSM performs the same selling functions for its two channels of distribution in the home market and identical selling functions are performed for all home market sales, we