

Dongbang, and found that the selling functions performed by the collapsed respondent are sufficiently similar in the home market and the United States to consider the LOTs in the two markets to be the same LOT. Therefore, we preliminarily find that there is one LOT in the U.S. and comparison-market, and thus, no LOT adjustment is required for comparison of U.S. sales to comparison-market sales. Moreover, because there is one LOT in the U.S. and comparison market, we have denied the respondent's request for a CEP offset. For further details, see Memorandum regarding Level of Trade Analysis dated September 30, 2003 on file in the CRU.

Normal Value

After testing home market viability, whether sales to affiliates were at arm's-length prices, and whether home market sales failed the cost test, we calculated NV as noted in subsection 4, "Calculation of NV," below.

1. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, whether the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondents' volume of home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1) of the Act. Because the respondents' aggregate volume of home market sales of the foreign like product is greater than five percent of its aggregate volume of U.S. sales of subject merchandise, we determined that the home market is viable for the respondent.

2. Affiliated-Party Transactions and Arm's-Length Test

Sales to affiliated customers in the home market not made at arm's length prices were excluded from our analysis because the Department considered them to be outside the ordinary course of trade. See 19 CFR 351.102. To test whether these sales were made at arm's length prices, the Department compared, on a product-specific and quality-specific (*i.e.*, prime and non-prime quality) basis, the prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, and packing. Where, for the tested products, prices to the affiliated party were on average 99.5 percent or more of the price to unaffiliated parties, the Department determined that sales made to the

affiliated party were at arm's length. See 19 CFR 351.403(c). In instances where no price ratio could be constructed for an affiliated customer because identical merchandise was not sold to unaffiliated customers, the Department was unable to determine that these sales were made at arm's length prices and, therefore, excluded them from our analysis. See *Notice of 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, the Department made a comparison to the next most similar product.

3. Cost of Production (COP) Analysis

In the second administrative review of SSWR from Korea, the most recently completed segment of this proceeding, the Department disregarded POSCO/Changwon/Dongbang's sales that were found to have failed the cost test. Accordingly, the Department, pursuant to section 773(b) of the Act, initiated a COP investigation of the respondent for purposes of this administrative review. We conducted the COP analysis as described below.

A. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated the weighted-average COP, by model, for the POR based on the sum of materials and fabrication costs, general and administrative (G&A) expenses, and packing costs.

B. Test of Comparison-Market Sales Prices

As required under section 773(b) of the Act, we compared the weighted-average COPs to the comparison-market sales of the foreign like product, in order to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. On a product-specific basis, we compared the COP to the comparison-market prices, less any applicable movement charges and direct and indirect selling expenses.

C. Results of the COP Test

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of POSCO/Changwon/Dongbang's sales of a given product were made at prices below the COP, we did not disregard any below-cost sales of that product because the below-cost sales were not

made in "substantial quantities." Where 20 percent or more of POSCO/Changwon/Dongbang's sales of a given product were made at prices below the COP, we determined that such sales were made in substantial quantities within an extended period of time (*i.e.*, a period of one year). Further, because we compared prices to POR-average costs, we determined that the below-cost prices would not permit recovery of all costs within a reasonable time period, and thus, we disregarded the below-cost sales in accordance with sections 773(b)(1) and (2) of the Act.

We found that for certain products, POSCO/Changwon/Dongbang made home market sales at prices below the COP within an extended period of time in substantial quantities. Further, we found that these sale prices did not permit the recovery of costs within a reasonable period of time. We therefore excluded these sales from our analysis in accordance with section 773(b)(1) of the Act.

D. Calculation of CV

In accordance with section 773(e)(1) of the Act, we calculated POSCO/Changwon/Dongbang's CV based on the sum of POSCO/Changwon/Dongbang's cost of materials, fabrication, SG&A, including interest expenses, and profit. We calculated the COPs included in the calculation of CV as noted above in the "Calculation of COP" section of this notice. In accordance with section 773(e)(2)(A) of the Act, we based SG&A and profit on the amounts incurred and realized by POSCO/Changwon/Dongbang in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country.

4. Calculation of NV

We determined price-based NVs for POSCO/Changwon/Dongbang as follows: we calculated NV based on packed, delivered and ex-factory prices to home market customers. We increased the starting price for duty drawback revenue received from customers, where applicable, and for freight revenue. We made deductions from the starting price for foreign inland freight, where applicable, pursuant to section 773(a)(6)(B)(ii) of the Act. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(c), we made circumstance-of-sale (COS) adjustments to the starting price, where appropriate, for differences in credit and warranty.

We deducted home market packing costs from, and added U.S. packing costs to, the starting price, in accordance with section 773(a)(6)(A) and (B) of the Act. Where appropriate,