

based CEP on the packed prices charged to the first unaffiliated customer in the United States. Pursuant to section 772(c)(1)(B) we increased the starting price by the amounts reported by DSM for duty drawback. We made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act; these included, where appropriate, foreign inland freight, foreign brokerage and handling, international freight, marine insurance, U.S. customs duties, and U.S. brokerage and handling. In accordance with section 772(d)(1) of the Act, we deducted those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (credit costs and other direct selling expenses), and indirect selling expenses. We also made an adjustment for CEP profit in accordance with section 772(d)(3) of the Act. See Memorandum from Mark Manning, Senior Import Compliance Specialist, to Ronald Trentham, Acting Program Manager, "Calculation Memorandum of the Preliminary Results of Administrative Review," dated September 30, 2003 ("Preliminary Calculation Memorandum"), on file in the CRU.

#### Home Market

In order to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product was equal to or greater than five percent of the aggregate volume of U.S. sales), we compared the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1) of the Act. As DSM's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable. Therefore, we have based NV on home market sales in the usual commercial quantities and in the ordinary course of trade.

It is the Department's practice to remove from our analysis sales to affiliated customers for consumption in the home market which are determined not to be at arm's-length. To test whether these sales were made at arm's-length, we compared the prices of sales of comparison products to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, discounts, and packing. Pursuant to 19 CFR § 351.403(c), and in accordance with our practice, when the prices to the affiliated party are, on

average, less than 99.5 percent of the prices to unaffiliated parties, we determine that the sales made to the affiliated party are not at arm's-length. See 19 CFR § 351.403(c).<sup>2</sup> In the instant review, we found that all sales to the single affiliated home market customer passed the arm's-length test and, for this reason, were included in our analysis. See Preliminary Calculation Memorandum.

#### Cost of Production Analysis

The Department disregarded certain sales made by DSM in the investigation because these sales failed the cost test. See *Notice of Final Determination of Sales at Less Than Fair Value: Steel Concrete Reinforcing Bar from the Republic of Korea*, 66 FR 33526 (June 22, 2001); see also *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Steel Concrete Reinforcing Bars from the Republic of Korea*, 66 FR 8348, 8354 (January 30, 2001). Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that sales of rebar in the home market were made at prices below their cost of production ("COP") in the current review period. Accordingly, pursuant to section 773(b) of the Act, we initiated a cost investigation to determine whether sales made during the POR were at prices below their respective COP.

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the cost of materials and fabrication for the foreign like product, plus an amount for general and administrative expenses ("G&A") and interest expenses. We relied on the COP data submitted by DSM. See Preliminary Calculation Memorandum.

In accordance with section 773(b)(1) of the Act, in determining whether to disregard home market sales made at prices below COP, we examined whether such sales were made within an extended period of time in substantial quantities, and whether such sales were made at prices which would permit recovery of all costs within a reasonable period of time.

Pursuant to section 773(b)(2)(C) of the Act, where less than 20 percent of DSM's sales of a given model were at prices less than COP, we did not disregard any below-cost sales of that model because these below-cost sales were not made in substantial quantities. Where 20 percent or more of DSM's

home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because such sales were made: (1) in substantial quantities within the POR (*i.e.*, within an extended period of time) in accordance with section 773(b)(2)(B) of the Act, and (2) at prices which would not permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act (*i.e.*, the sales were made at prices below the weighted-average per-unit COP for the POR). We used the remaining sales as the basis for determining NV in accordance with section 773(b)(1) of the Act. We did not use the constructed value ("CV"), as all U.S. sales were matched to home market merchandise.

#### Normal Value

We calculated NV based on prices to unaffiliated customers or prices to affiliated customers that we determined to be at arm's length. We adjusted the starting price for the discount DSM provided to certain home market customers. We made deductions, where appropriate, for foreign inland freight and warehousing, pursuant to section 773(a)(6)(B) of the Act. In addition, when comparing sales of similar merchandise, we made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise pursuant to section 773(a)(6)(C)(ii) of the Act and 19 CFR § 351.411. We also adjusted the starting price for differences in circumstances of sale ("COS") in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR § 351.410. We made a COS adjustment for imputed credit expenses. See Preliminary Calculation Memorandum. We also made an adjustment for the CEP offset in accordance with section 773(a)(7)(B) of the Act. See "Level of Trade and CEP Offset" section below. Finally, we deducted home-market ("HM") packing costs and added U.S. packing costs in accordance with sections 773(a)(6)(A) and (B) of the Act.

#### Level of Trade and CEP Offset

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 selling, general and administrative ("SG&A") expenses and profit. For CEP, it is the level of the constructed sale from the exporter to the importer. Moreover, for CEP sales, we consider

<sup>2</sup> Because this review was initiated before November 23, 2002, the 99.5 percent test applies to this review. See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69197 (November 15, 2002).