

### A. Home Market Viability

In determining that 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 is equal to or greater than five percent of the aggregate volume of U.S. sales), the Department 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)(C) of the Act. Since the respondent'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 for the subject merchandise, the Department determined that the home market was viable for SSI. Therefore, the Department has based NV on home market sales in the usual commercial quantities and in the ordinary course of trade.

On February 14, 2003, petitioners alleged that a particular market situation existed in Thailand during the POR that does not permit a proper comparison with the export price or constructed export price and, therefore, normal value should be calculated based on prices to a third country. On March 4, 2003, SSI responded to petitioners February 14, 2003, letter urging the Department to reject petitioners' claim of a particular market situation in Thailand during the POR. On March 17, 2003, petitioners responded to SSI's March 4, 2003, response. On March 20, 2003, the Department issued a supplemental questionnaire to SSI regarding the alleged particular market situation. SSI filed its supplemental response on March 28, 2003. On April 24, 2003, petitioners filed additional comments and requested that the Department obtain third country sales information from SSI for calculating normal value. On June 10, 2003, the Department issued a second supplemental questionnaire to SSI regarding the particular market situation. SSI filed its response on June 20, 2003. The Department issued a decision memorandum to interested parties stating that a particular market situation did not exist during the POR in Thailand (*see Memorandum For Barbara Tillman, Acting Deputy Assistant Secretary for Import Administration, Group III, From Richard O. Weible, Director, Office 8, August 22, 2003*). The Department concluded that there was insufficient information to suggest that a particular market situation exists, whereby prices for the domestic like product are not

competitively set. We have preliminary determined that there is not a particular market situation in Thailand that would prevent a proper comparison with the export price or constructed export price. Therefore, the Department did not request SSI to report sales to its largest third country market.

### B. Arm's Length Sales

SSI reported that during the POR, it made sales in the home market to affiliated and unaffiliated end users and distributors/retailers. SSI reported the downstream sales of its affiliated reseller of the foreign like product and SSI's sales to its affiliated customers who consumed the hot-rolled steel in the production of non-subject merchandise. If any sales to affiliated customers in the home market were not made at arm's length prices, we excluded those sales from our analysis because we considered them to be outside the ordinary course of trade. To test whether these sales were made at arm's-length prices, we compared on a model-specific basis the starting prices of sales to affiliated and unaffiliated customers, net of all billing adjustments, early payment discounts, movement charges, direct selling expenses, and home market packing. Where prices to the affiliated party fell, on average, between 98 percent and 102 percent, inclusive, of sale prices of the same or comparable merchandise sold by that exporter or producer to all unaffiliated customers, we determined that sales made to the related party were at arm's length. *See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186 (November 15, 2002). We performed the arm's length test on the sales to SSI's affiliated customers who consumed the hot-rolled steel. We excluded sales to those customers who failed the arm's length test. In our home market NV calculation, we have included SSI's reported downstream sales.

### C. Cost of Production Analysis

The Department initiated a sales below cost investigation to determine in fact whether the respondent made home market sales during the POR at prices below their cost of production (COP) within the meaning of section 773(b) of the Act. Based on the fact that the Department had disregarded sales in the less than fair value investigation because they were made below the COP, the Department has reasonable grounds, in accordance with section 773(b)(2)(A)(ii) of the Act, to believe or suspect that respondent made home market sales in this review at prices

below the cost of producing the merchandise.

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of SSI's cost of materials and fabrication for the foreign like product, plus an amount for home market SG&A, interest expenses, and the cost of all expenses incidental to placing the foreign like product in condition packed ready for shipment.

We used the information from SSI's section D questionnaire and supplemental questionnaire responses to calculate COP, except in the following adjustment. First, we revised the company's reported general and administrative ("G&A") expenses to exclude foreign exchange gains and losses. Second, we revised the company's reported financial expenses to include the total net consolidated foreign exchange gain. In addition, we revised the company's reported financial expenses to exclude gains from investments in affiliated parties. For further discussion of these adjustments, *see Memorandum to Neal Halper, from Mark Todd, regarding Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results*, dated December 1, 2003.

We compared the weighted-average COP to home market sales prices of the foreign like product, as required under section 773(b) of the Tariff Act. In determining whether to disregard home market sales made at prices less than the COP, we examined whether such sales were made (i) in substantial quantities over an extended period of time, and (ii) at prices which permitted the recovery of all costs within a reasonable period of time. On a product-specific basis, we compared COP to home market prices, less any applicable movement charges, billing adjustments, taxes, and discounts and rebates.

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than twenty percent of SSI's sales of a given product were at prices less than the COP, we did not disregard any below-cost sales of that product because we determined that the below-cost sales were not made in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product during the POR were at prices less than the COP, we determined such sales to have been made in substantial quantities, in accordance with section 773(b)(2)(C)(i) of the Act, within an extended period of time, in accordance with section 773(b)(2)(B) of the Act. In such cases, pursuant to section 773(b)(2)(D) of the Act, we also determined that such sales were not made at prices which would