

776(b) of the Act, provides that the Department may use an inference adverse to the interests of a party that has failed to cooperate by not acting to the best of its ability to comply with the Department's request for information. The Department has determined that the use of an adverse inference is warranted in this case because Jinan Yipin did not act to the best of its ability in providing the necessary or accurate information on indirect selling expenses.

With respect to Jinan Yipin's failure to provide critical information for the calculation of U.S. indirect selling expenses, as adverse facts available we were able to rely on a primary source of information. Because we can rely on a primary source of information, section 776(c) of the Act regarding corroboration of the information we use as adverse facts available does not apply. We have identified payroll-related expenses in the other company's 2002 Income Statement and added this amount to American Yipin's indirect expenses and calculated an indirect selling expense factor which we have applied to all of American Yipin sales, thus accounting for the additional indirect selling expenses applicable to U.S. sales of the subject merchandise. Use of this information about indirect selling expenses is adverse to the interests of Jinan Yipin because, had it cooperated to the best of its ability, the amount of indirect selling expenses we would have deducted from the constructed export price would have been less. Moreover, the use of this data is inherently reliable and reasonable because it is based on actual selling expenses incurred in support of the respondent's sales of the subject merchandise during the current period of review. See section 776(c) of the Act. For a detailed discussion of the application of partial adverse facts available, please see the *Jinan Yipin Facts-Available Memorandum*.

### Export Price

In accordance with section 772(a) of the Act, we used the export-price methodology when the first sale to an unaffiliated purchaser was made outside the United States before importation of the merchandise into the United States. We calculated the export price based on prices from Shandong Heze and Trans-High to unaffiliated U.S. customers. We made deductions, where appropriate, from the gross unit price to account for movement expenses such as foreign inland freight, international freight, customs duties, and brokerage and handling. Because certain domestic charges, such as those for foreign inland freight, were provided by NME

companies, we valued those charges based on surrogate rates from India. See "Memorandum to the File" regarding the factors valuation for the preliminary results of the new shipper and administrative reviews (December 1, 2003) (*FOP Memorandum*).

### Constructed Export Price

In accordance with section 772(b) of the Act, we used constructed-export-price methodology when the first sale to an unaffiliated purchaser occurred after importation of the merchandise into the United States. We calculated the constructed export price based on prices from Jinan Yipin and Harmoni to unaffiliated U.S. customers. We made deductions, where appropriate, from the gross unit price to account for movement expenses such as foreign inland freight, international freight, customs duties, and brokerage and handling. Because some movement expenses were provided by NME companies, we valued those charges based on surrogate rates from India. See *FOP Memorandum*.

For a more detailed explanation of the company-specific adjustments that we made in the calculation of the dumping margins for these preliminary results, see the company-specific preliminary results analysis memoranda, dated December 1, 2003, on file in the CRU, Room B-099.

### Normal Value

#### 1. Surrogate Country

When investigating imports from an NME country, section 773(c)(1) of the Act directs the Department to base normal value, in most circumstances, on the NME producer's factors of production valued in a surrogate market-economy country or countries considered to be appropriate by the Department. In accordance with section 773(c)(4) of the Act, in valuing the factors of production, the Department shall use, to the extent practicable, the prices or costs of factors of production in one or more market-economy countries that are at a level of economic development comparable to the NME country and are significant producers of comparable merchandise. The sources of the surrogate factor values are discussed under the "Factor Valuations" section below.

The Department has determined that India, Pakistan, Indonesia, Sri Lanka, and the Philippines are countries comparable to the PRC in terms of economic development. See "Memorandum to Laurie Parkhill" regarding the request for a list of surrogate countries (May 30, 2003). In

addition to being among the countries comparable to the PRC in economic development, India is a significant producer of the subject merchandise. We have used India as the surrogate country and, accordingly, have calculated normal value using Indian prices to value the PRC producers' factors of production, when available and appropriate. We have obtained and relied upon publicly available information. See "Memorandum to the File" regarding the selection of a surrogate country (December 1, 2003).

In accordance with 19 CFR 351.301(c)(3)(ii), for the final results of an administrative review and a new shipper review, interested parties may submit publicly available information to value the factors of production until 20 days following the date of publication of these preliminary results.

#### 2. Factors of Production

Section 773(c)(1) of the Act provides that the Department shall determine the normal value using a factors-of-production methodology if (1) the merchandise is exported from an NME country and (2) the information does not permit the calculation of normal value using home-market prices, third-country prices, or constructed value under section 773(a) of the Act. Factors of production include the following elements: (1) hours of labor required, (2) quantities of raw materials employed, (3) amounts of energy and other utilities consumed, and (4) representative capital costs. We used factors of production reported by the respondents for materials, energy, labor, and packing. We valued all the input factors using publicly available, published information, as discussed in the "Surrogate Country" and "Factor Valuations" sections of this notice.

#### 3. Factor Valuations

In accordance with section 773(c) of the Act, we calculated normal value based on factors of production reported by the respondents for the period of review. To calculate normal value, we multiplied the reported per-unit factor quantities by publicly available surrogate values from India, with the exception of the surrogate value for ocean freight, which we obtained from an international freight company. In selecting the surrogate values, we considered the quality, specificity, and contemporaneity of the data. As appropriate, we adjusted input prices by including freight costs to make them delivered prices. We calculated these freight costs based on the shortest reported distance from the domestic supplier to the factory and Indian