

Gohsei made U.S. sales of comparable products at similar prices to the U.S. prices from the petition, thus corroborating the prices provided in the petition. For ocean freight expense, we likewise found that the petition contained the same expense for each of the two products and that sales by Nippon Gohsei with ocean freight in excess of these amounts of expenses were sufficient to corroborate the amounts provided in the petition. We were unable to corroborate the U.S. inland freight charges from the petition since no such charges were reported by Nippon Gohsei. The Department was provided with no useful information by the respondents or other interested parties and is aware of no other independent sources of information that would enable us to further corroborate the EP calculations in the petition. Specifically, we attempted to locate inland freight charges through publicly available sources, but we were unable to do so.

It is worth noting that the implementing regulation for section 776 of the Act states, "(t)he fact that corroboration may not be practicable in a given circumstance will not prevent the Secretary from applying an adverse inference as appropriate and using secondary information in question." See 19 CFR 351.308(d). Additionally, the SAA specifically states that where "corroboration may not be practicable in a given circumstance, the Department need not prove that the facts available are the best alternative information." See the SAA at 870. For further discussion, see the February 12, 2003, memorandum to the file from the team entitled "Corroboration of Data Contained in the Petition for Assigning Facts Available Rates" (Corroboration Memo).

Normal Value

The petitioners based NV on home market price quotes from Kuraray for PVA of a comparable grade to the products exported to the United States. These price quotes were contemporaneous with the U.S. price quotes used as the basis for EP. In addition, the petitioners alleged that sales of PVA products in the home market were made at prices below the fully absorbed cost of production (COP), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we found reasonable grounds to believe or suspect that sales of the foreign like

product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department initiated a country-wide cost investigation. Pursuant to section 773(b)(3) of the Act, COP consisted of the cost of manufacture (COM), selling, general and administrative (SG&A) expenses, and packing. The petitioners calculated COP based on the experience of a U.S. PVA producer during the 2001 fiscal year, adjusted for known differences between costs incurred to manufacture PVA in the United States and Japan.

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, the petitioners based NV for sales in Japan on constructed value (CV). The petitioners calculated CV using the same COM, SG&A and financial expense figures used to compute the COP. Consistent with section 773(e)(2) of the Act, the petitioners included in CV an amount for profit. For profit, the petitioners relied upon the amount reported in Kuraray's 2001 financial statements.

We found that Nippon Gohsei made sufficient home market sales at prices similar to the home market prices provided in the petition. One COP amount was provided in the petition for the two products sold by Kuraray. We were able to corroborate this amount, since the highest COP reported by Nippon Gohsei for a comparable product was similar to the COP provided in the petition. For further discussion, see the Corroboration Memo.

Therefore, based on our efforts, described above, to corroborate information contained in the petition, and in accordance with 776(c) of the Act, we consider the margins in the petition to be corroborated to the extent practicable for purposes of this preliminary determination.

Accordingly, in selecting AFA with respect to Denki Kagaku, Japan VAM & POVAL, and Kuraray, we have applied the margin rate of 144.16 percent, which is the highest estimated dumping margin set forth in the notice of initiation. See the *Initiation Notice*, 67 FR at 61593.

Fair Value Comparisons

To determine whether sales of PVA from Japan to the United States were made at less than fair value, we compared the EP to the NV, as described in the "Export Price" and "Normal Value" sections of this notice, below. In accordance with section 777A(d)(1)(A)(i) of the Act, we compared POI weighted-average EPs to weighted-average NVs.

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced and sold by Nippon Gohsei in the home market during the POI that fit the description in the "Scope of Investigation" section of this notice to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We compared U.S. sales to sales made in the home market, where appropriate. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade, based on the characteristics discussed below.

In October 2002, Kuraray, Marubeni, and the petitioners submitted comments on the model-matching criteria to be used by the Department. Based on these comments, we proposed to match products sold in the United States to products sold in the home market in the ordinary course of trade that were identical with respect to the following hierarchy of characteristics: molecular structure, hydrolysis, viscosity, degree of modification, particle size, tackifier, defoamer, ash, color, volatiles, and visual impurities. We invited interested parties to submit additional comments on these criteria prior to the preliminary determination.

In December 2002, the petitioners requested that the Department revise the proposed model-matching hierarchy to place hydrolysis and viscosity as the most important criteria.

Also in December 2002, Nippon Gohsei requested the Department revise the particle size field of the hierarchy to include PVA in standard, fine, pellet, and liquid forms. In addition, Nippon Gohsei requested that the Department add the field SOLH/U in order to distinguish between PVA sold in dry form versus liquid form. Finally, Nippon Gohsei requested that the Department allow respondents to report hydrolysis, viscosity, and degree of modification in ranges.

After analyzing these comments, we have reconsidered the model-matching hierarchy and revised it as follows: 1) we added as the most important criterion whether the product is a homo- or a co- polymer; 2) we placed hydrolysis and viscosity before molecular structure (*i.e.*, the type of copolymer); 3) we accepted the proposed changes to particle size field suggested by Nippon Gohsei; and 4) we allowed the reporting of hydrolysis, viscosity, and degree of modification in