

ranges. All other characteristics remained the same. For further discussion, see the memorandum entitled "Concurrence Memorandum for the Preliminary Determination in the Investigation of Polyvinyl Alcohol from Japan," dated February 12, 2003 (the Concurrence Memorandum), on file in room B-099 of the Department's Central Records Unit (CRU).

Export Price

In accordance with section 772(a) of the Act, we based our calculations on EP because the subject merchandise was sold by the producer or exporter directly to the first unaffiliated purchaser prior to importation. In cases where Nippon Gohsei sold pursuant to multiple-shipment sales agreements, we used the date of the sales agreement, where available, as the date of sale. Where the date of the sales agreement was not known, we used the date of shipment as the date of sale because this date preceded the date of invoice. For further discussion, see the Concurrence Memo.

We based EP on the packed delivered prices to unaffiliated purchasers in either Japan or the United States. Where appropriate, we made adjustments for billing errors. We also 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, loading expenses, international freight, and marine insurance.

Normal Value

A. 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.*, 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 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. Because 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, we determined that the home market was viable for the respondent.

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

Nippon Gohsei reported sales of the foreign like product to affiliated end-users. To test whether these sales to

affiliated customers were made at arm's length, where possible, we compared the prices of sales to affiliated and unaffiliated customers, net of all movement charges, direct selling expenses, and packing. Where the price to the affiliated party was, on average, 99.5 percent or more of the price to unaffiliated parties, we determined that sales made to the affiliated party were at arm's length. Consistent with section 351.403(c) of the Department's regulations, we excluded from our analysis those sales where the price to the affiliated parties was less than 99.5 percent of the price to the unaffiliated parties.

C. Cost of Production Analysis

Based on our analysis of an allegation contained in the petition, we found that there were reasonable grounds to believe or suspect that sales of PVA in the home market were made at prices below their COP. Accordingly, pursuant to section 773(b) of the Act, we initiated a country-wide sales-below-cost investigation to determine whether sales were made at prices below their respective COPs. See the *Initiation Notice*, 67 FR at 61594.

1. Calculation of 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), including interest expenses. See the "Test of Home Market Sales Prices" section below for treatment of home market selling expenses. We relied on the COP data submitted by Nippon Gohsei, except as noted below:

- We revised the reported costs for raw materials and utilities obtained from an affiliated party using facts available because Nippon Gohsei failed to report either the affiliate's costs and/or the market price for these inputs, as required by section 773(f)(3) of the Act (*i.e.*, the "major input" rule). Because Nippon Gohsei stated that it attempted to obtain the necessary cost data from its affiliate but was unable to compel its affiliate to provide this information, we have used "gap-filler" facts available for the affiliate's costs and/or a market price in accordance with our practice. See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Polyester Staple Fiber From the Republic of Korea*, 65 FR 16880 (Mar. 30, 2000) and accompanying Issues and Decision Memorandum at *Comment 6*. As "gap-filler" facts available, we derived a cost and/or a market price for these inputs using data contained in the

petition. We then used the higher of these costs, the market price, or the reported transfer prices, in accordance with section 773(f)(3) of the Act.

- We included the total amount of research and development expense incurred by Nippon Gohsei during the cost reporting period in the G&A rate calculation. We also included gain and loss on sale of fixed assets, and other operating incomes and expenses in the G&A rate calculation.

For further discussion, see the memorandum from Sheikh M. Hannan to Neal Halper, Director, Office of Accounting, entitled "Cost of Production and Constructed Value Adjustments for the Preliminary Determination," dated February 12, 2003.

2. Test of Home Market Sales Prices

On a product-specific basis, we compared the adjusted weighted-average COP to the home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether the sale prices were below the COP. The prices were adjusted for billing errors and were exclusive of any applicable movement charges, and direct and indirect selling expenses. We recalculated indirect selling expenses for certain sales made through affiliated parties to capture the additional layer of indirect selling expenses incurred by the affiliate. For further discussion, see the memorandum to the File from the Team Re: Calculations Performed for The Nippon Synthetic Chemical Industry Co., Ltd. for the Preliminary Determination in the 2001–2002 Antidumping Duty Investigation of Polyvinyl Alcohol from Japan, dated February 12, 2003, which is available in room B-099 of the Department's CRU. In determining whether to disregard home market sales made at prices less than their COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether such sales were made (1) within an extended period of time in substantial quantities, and (2) at prices which permitted the recovery of all costs within a reasonable period of time.

3. Results of the COP Test

Pursuant to section 773(b)(2)(C), where less than 20 percent of the respondent's sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product, because we determine that in such instances 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 POI are at prices less than the