This determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: June 1, 1999.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–580–812]

Dynamic Random Access Memory Semiconductors of One Megabit or Above From the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Order in Part

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of preliminary results of antidumping duty administrative review and notice of intent not to revoke order in part.

SUMMARY: In response to requests from one manufacturer/exporter and one U.S. producer, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on dynamic random access memory semiconductors of one megabit or above (DRAMs) from the Republic of Korea (Korea). The review covers two manufacturers/exporters and one exporter of subject merchandise to the United States during the period of review (POR), May 1, 1997 through April 30, 1998. Based upon our analysis, the Department has preliminarily determined that dumping margins exist for both manufacturers/exporters and the exporter during the POR. If these preliminary results are adopted in our final results of administrative review, we will instruct the United States Customs Service (Customs) to assess antidumping duties as appropriate. Interested parties are invited to comment on these preliminary results. Parties who submit arguments in this proceeding are requested to submit with the argument (1) A statement of the issue, and (2) a brief summary of the argument.

EFFECTIVE DATE: June 8, 1999.

FOR FURTHER INFORMATION CONTACT: Alexander Amdur or John Conniff, AD/CVD Enforcement, Group II, Office 4, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC. 20230; telephone: (202) 482–5346 or (202) 482–1009, respectively.

SUPPLEMENTARY INFORMATION:

Applicable Statute and Regulations

Unless otherwise stated, all citations to the Tariff Act of 1930, as amended (the Act), are references to the provisions as of January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all references to the regulations of the Department are to 19 CFR part 351 (1998).

Background

On May 10, 1993, the Department published in the **Federal Register** (58 FR 27250) the antidumping duty order on DRAMs from Korea. On May 12, 1998, the Department published a notice of ''Opportunity to Request an Administrative Review'' of this antidumping duty order for the period May 1, 1997 through April 30, 1998 (63 FR 26143). We received timely requests for review from one manufacturer/exporter of subject merchandise to the United States; LG Semicon Co., Ltd. (LG). The petitioner, Micron Technology Inc., requested an administrative review of LG and Hyundai Electronics Industries, Co., Ltd. (Hyundai), also a Korean manufacturer of DRAMs, and The G5 Corporation (G5), a Korean exporter of DRAMs. Moreover, the petitioner requested a cost investigation of LG and Hyundai pursuant to section 773(b) of the Act. On June 29, 1998, the Department initiated a review of LG, Hyundai, and G5, including cost investigations of Hyundai and LG (63 FR 35188). The POR for all respondents is May 1, 1997 through April 30, 1998. The Department is conducting this review in accordance with section 751 of the Act.

On January 20, 1999, the Department published in the **Federal Register** (64 FR 3065) a notice extending the time for the preliminary results from January 30, 1999, until May 31, 1999.

Scope of the Review

Imports covered by the review are shipments of DRAMs from Korea. Included in the scope are assembled and unassembled DRAMs of one megabit and above. Assembled DRAMs include all package types. Unassembled DRAMs include processed wafers, uncut die, and cut die. Processed wafers produced in Korea, but packaged or assembled into memory modules in a third country, are included in the scope; wafers produced in a third country and assembled or packaged in Korea, are not included in the scope. The scope of this review includes memory modules. A memory module is a collection of DRAMs, the sole function of which is memory. Modules include single in-line processing modules (SIPs), single in-line memory modules (SIMMs), or other collections of DRAMs, whether unmounted or mounted on a circuit board. Modules that contain other parts that are needed to support the function of memory are covered. Only those modules which contain additional items which alter the function of the module to something other than memory, such as video graphics adapter (VGA) boards and cards, are not included in the scope. The scope of this review also includes video random access memory semiconductors (VRAMs), as well as any future packaging and assembling of DRAMs. The scope of this review also includes removable memory modules placed on motherboards, with or without a central processing unit (CPU), unless the importer of motherboards certifies with Customs that neither it, nor a party related to it or under contract to it, will remove the modules from the motherboards after importation. The scope of this review does not include DRAMs or memory modules that are reimported for repair or replacement. The DRAMs subject to this review are currently classifiable under subheadings 8542.11.0001, 8542.11.0024, 8542.11.0026, and 8542.11.0034 of the Harmonized Tariff Schedule of the United States (HTSUS). Also included in the scope are those removable Korean DRAMs contained on or within products classifiable under subheadings 8471.91.0000 and 8473.30.4000 of the HTSUS. Although the HTSUS subheadings are provided for convenience and Customs purposes, the written description of the scope of this review remains dispositive.

Intent Not To Revoke

LG submitted a request to revoke it from the order covering DRAMs from Korea pursuant to 19 CFR 351.222(b)(2). Under the Department's regulations, the Department may revoke an order, in part, if the Secretary concludes that, among other things: (1) ''[O]ne or more exporters or producers covered by the order have sold the merchandise at not less than normal value for a period of at least three consecutive years''; (2) ''[i]t is not likely that those persons will in the future sell the merchandise at less than normal value''; and (3) ''the producers or resellers agree in writing to the immediate reinstatement of the order, as long as any producer or reseller is subject to the order, if the

Secretary concludes that the producer or reseller, subsequent to the revocation, sold the merchandise at less than (normal) value.'' *See* 19 CFR 351.222(a)(2). In this case, LG does not meet the first criterion for revocation. In the previous segment of this proceeding the Department found that LG sold subject merchandise at less than normal value. *See Notice of Final Results of Antidumping Administrative Review: Dynamic Random Access Memory Semiconductors (DRAMs) of One Megabit or Above from the Republic of Korea,* 63 FR 50867, September 23, 1998) (*Final Results 1998*). Since LG has not met the first criterion for revocation, *i.e.*, zero or *de minimis* margins for three consecutive reviews, the Department need not reach a conclusion with respect to the second and third criteria. Therefore, on this basis, we have preliminarily determined not to revoke the Korean DRAM antidumping duty order with regard to LG.

Verification

As provided in section 782(i) of the Act, we verified information provided by LG and Hyundai. We used standard verification procedures, including on-site inspection of the respondents' facilities, examination of relevant sales, financial, and/or cost records, and selection of original documentation containing relevant information. G5 was not verified because the company refused to permit verification to take place.

Facts Available

Facts Available

1. Application of Facts Available

Section 776(a)(2) of the Act provides that if any interested party: (A) Withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested; (C) significantly impedes an antidumping investigation; or (D) provides such information but the information cannot be verified, the Department shall use facts otherwise available in making its determination.

Based on information obtained from Customs, we have determined that a number of sales that LG reported as third-country sales were actually sales to the United States. Moreover, the Department has determined that at the time LG made these sales, it knew, or should have known, that the DRAMs were destined for consumption in the United States. This is the same issue the Department addressed in the prior review period. *See* the May 27, 1999 Memorandum regarding '' Dynamic Random Access Memory Semiconductors of One Megabit or Above (DRAMs) from the Republic of Korea—Total Unreported Sales''. Thus, we have determined that LG withheld information we requested and significantly impeded the antidumping proceeding.

On July 15, 1998, the Department sent G5 a Section A questionnaire requesting that G5 provide information regarding any sales that it made to the United States during the POR. On August 10, 1998, G5 stated that it had not sold any of the subject merchandise to the United States during the POR. On December 1, 1998, the Department issued a supplemental questionnaire to G5 again requesting information regarding any sales that were made to the United States during the POR. Specifically, the Department requested that G5 examine the scope of the review and state whether it had any shipments, or knowledge, directly or indirectly, of sales to the United States of the subject merchandise during the POR. The Department also requested that G5 state whether they had any knowledge, directly or indirectly, of sales to business entities in third countries in which the final destination of the sale of the subject merchandise was the United States. In a December 17, 1998, letter, G5 stated that it has not sold or delivered DRAMs to the United States during the POR.

On January 20, 1999, the Department obtained information from Customs indicating that there were entries for consumption into the United States of Korean DRAMs shipped from G5 during the POR. In a March 3, 1999, letter, G5 acknowledged that it did have sales of LG DRAMs to the United States during the POR. Thus, we have determined that G5 withheld information we requested and significantly impeded the antidumping proceeding.

Because LG and G5 failed to respond in full to our questionnaire, pursuant to section 776(a) of the Act, we have applied facts otherwise available to calculate their dumping margins. Moreover, while we have preliminarily determined that certain sales should have been reported as sales to the United States, we will continue to examine Customs data as well as other data sources to determine whether there are any additional sales that have not been properly reported.

2. Selection of Adverse Facts Available

Section 776(b) of the Act provides that, in selecting from the facts available, adverse inferences may be used against a party that failed to cooperate by not acting to the best of its ability to comply with requests for information. *See also* Statement of Administrative Action (SAA) accompanying the URAA, H.R. Doc. No. 316, 103d Cong., 2d Sess. 870 (1994).

Section 776(b) states further that an adverse inference may include reliance on information derived from the petition, the final determination, the final results of prior reviews, or any other information placed on the record. *See also Id.* at 868.

LG's decision to report as third-country sales a substantial number of U.S. sales that it knew, or should have known, were U.S. sales, indicates that LG failed to cooperate to the best of its ability. Similarly, G5's failure to provide information on its U.S. sales or permit verification demonstrates that G5 has failed to cooperate to the best of its ability in this review. Therefore, the Department has determined that an adverse inference is warranted in selecting among the facts otherwise available for LG and G5, in accordance with section 776(b) of the Act. Consequently, we have based the margin for G5 on total adverse facts available and for LG on partial adverse facts available.

As partial adverse facts available for LG, we have calculated a dumping margin based on both LG's reported and unreported sales to the United States, the latter of which we were able to identify from Customs data. While LG disagrees with the Department's position, LG provided the selling expenses for the sales transactions obtained from Customs. However, because LG did not report these transactions as U.S. sales, we are not using the expenses. Furthermore, the Department did not verify these expenses as they related to unreported sales. Therefore, since LG did not report these as U.S. sales, we are using as adverse facts available the highest U.S. selling expenses from LG's reported transactions involving identical products. Where there were no reported transactions involving identical merchandise, we used the highest U.S. selling expenses from LG's reported transactions involving similar merchandise.

As total adverse facts available for G5, we have assigned the highest company-specific margin in the history of this proceeding, which is the rate calculated for Hyundai in the instant review.

Per Megabit Cash Deposit Rates for Certain Memory Modules

On February 4, 1999, Compaq requested that the Department establish per megabit cash deposit rates for imports of certain memory modules

containing DRAMs from Korea. Consistent with the practice established in the LFTV investigation of DRAMs from Korea, the Department is establishing per megabit cash deposit rates to be applied to memory modules containing subject and non-subject merchandise. For a detailed discussion, *see* memorandum regarding Calculation of Per Megabit Rate, May 28, 1999.

Duty Absorption

On July 27, 1998, the petitioner requested that the Department determine whether antidumping duties had been absorbed during the POR. Section 751(a)(4) of the Act provides for the Department, if requested, to determine during an administrative review initiated two or four years after the publication of the order, whether antidumping duties have been absorbed by a foreign producer or exporter, if the subject merchandise is sold in the United States through an affiliated importer. In this case, both Hyundai and LG sold to the United States through an importer that is affiliated within the meaning of section 751(a)(4) of the Act.

Section 351.213(j)(2) of the Department's regulations provides that for transition orders (i.e., orders in effect on January 1, 1995), the Department will conduct duty absorption reviews, if requested, for administrative reviews initiated in 1996 or 1998. Because the order underlying this review was issued prior to January 1, 1995, and this review was initiated in 1998, we will make a duty absorption determination in this segment of the proceeding.

On January 26, 1999, the Department requested evidence that unaffiliated purchasers will ultimately pay the antidumping duties to be assessed on entries during the review period. Neither Hyundai nor LG provided any evidence in response to the Department's request. Accordingly, based on the record, we cannot conclude that the unaffiliated purchaser in the United States will ultimately pay the assessed duty. Therefore, we find that antidumping duties have been absorbed by the producer or exporter during the POR.

Fair Value Comparisons

To determine whether sales of DRAMs from Korea to the United States were made at less than fair value (LTFV), we compared the constructed export price (CEP) to the normal value (NV), as described in the ''Constructed Export Price'' and ''Normal Value'' sections of this notice, below. When making comparisons in accordance with section 771(16) of the Act, we considered all products as described in the ''Scope of Review'' section of this notice, above, that were sold in the home market in the ordinary course of trade for purposes of determining appropriate product comparisons to U.S. sales. Where there were no sales of the identical or the most similar merchandise in the home market that were suitable for comparison, we compared U.S. sales to sales of the next most similar foreign like product, based on the characteristics listed in Section B and C of our antidumping questionnaire.

CEP

For LG and Hyundai, in calculating United States price, the Department used CEP, as defined in section 772(b) of the Act, because the merchandise was first sold to an unaffiliated U.S. purchaser after importation. We calculated CEP based on delivered prices to unaffiliated customers in the United States. We made deductions from the starting price, where appropriate, for discounts, rebates, foreign brokerage and handling, foreign inland insurance, air freight, air insurance, U.S. duties and direct and indirect selling expenses to the extent that they are associated with economic activity in the United States in accordance with sections 772(c)(2) and 772(d)(1) of the Act. These included credit expenses, commissions, as applicable, and inventory carrying costs incurred by the respondents' U.S. subsidiaries. We added duty drawback paid on imported materials in the home market, where applicable, pursuant to section 772(c)(1)(B) of the Act.

For Hyundai DRAMs that were further manufactured into memory modules after importation, we deducted all costs of further manufacturing in the United States, pursuant to section 772(b)(2) of the Act. These costs consisted of the costs of the materials, fabrication, and general expenses associated with further manufacturing in the United States. Pursuant to section 772(d)(3) of the Act, we also reduced the CEP by the amount of profit allocated to the expenses deducted under section 772(d)(1) and (2).

For Hyundai modules that were imported by U.S. affiliates of Hyundai and then further processed into computer workstations before being sold to unaffiliated parties in the United States, we determined that the special rule for merchandise with value added after importation under section 772(e) of the Act applied. Section 772(e) of the Act provides that, where the subject merchandise is imported by an affiliated person and the value added in the United States by the affiliated person is likely to exceed substantially the value of the subject merchandise, we shall determine the CEP for such merchandise using the price of identical or other subject merchandise sold in the United States if there is a sufficient quantity of sales to provide a reasonable basis for comparison. If there is not a sufficient quantity of such sales or if we determine that using the price of identical or other subject merchandise is not appropriate, we may use any other reasonable basis to determine the CEP.

To determine whether the value added is likely to exceed substantially the value of the subject merchandise, we estimated the value added based on the difference between the averages of the prices charged to the first unaffiliated purchaser for the merchandise as sold in the United States and the averages of the prices paid for the subject merchandise by the affiliated person. Based on this analysis, we determined that the estimated value added in the United States by Hyundai's U.S. affiliates accounted for at least 65 percent of the price charged to the first unaffiliated customer for the merchandise as sold in the United States. *See* 19 CFR 351.402 for an explanation of our practice on this issue. Therefore, we determined that the value added is likely to exceed substantially the value of the subject merchandise. We also determined that there was a sufficient quantity of sales available to provide a reasonable basis for comparison and that the use of such sales is appropriate in accordance with 772(e). Accordingly, for purposes of determining dumping margins for these sales, we have used the weighted-average dumping margins calculated on sales of identical or other subject merchandise sold to unaffiliated persons in the United States. For further discussion, *see* Memorandum on Whether to Determine the Constructed Export Price for Certain Further-Manufactured Sales Sold by Hyundai Electronics Industries Co., Ltd. in the United States During the Period of Review Under Section 772(e) of the Act dated June 1, 1999.

Level of Trade

In accordance with section 773(a)(1(B) of the Act, to the extent practical, we determined NV based on sales in the comparison market at the same level of trade as the CEP sales. The NV level of trade is that of the starting-price sales in the comparison market or, when NV is based on constructed value (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.

To determine whether NV sales are at a different level of trade than the CEP sales, we examined stages in the marketing process and selling activities along the chain of distribution between the producer and the unaffiliated customer. If the comparison-market sales are at a different level of trade, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison-market sales at the level of trade of the export transaction, we make a level of trade adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales, if the NV level is more remote from the factory than the CEP level and there is no basis for determining whether the difference in the levels between NV and CEP affects price comparability, we adjust NV under section 773(a)(7)(B) of the Act (the CEP offset provision). *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to Length Carbon Steel Plate from South Africa,* 62 FR 61731 (November 19, 1997).

We reviewed the questionnaire responses of Hyundai and LG to establish whether there were sales at different levels of trade based on the distribution system, selling activities, and services offered to each customer or customer category. For both respondents, we identified one level of trade in the home market with direct sales by the parent corporation to the domestic customer. These direct sales were made by both respondents to original equipment manufacturers (OEMs) and to distributors. In addition, all sales, whether made to OEM customers or to distributors, included the same selling functions. For the U.S. market, all sales for both respondents were reported as CEP sales. The level of trade of the U.S. sales is determined for the sale to the affiliated importer rather than the resale to the unaffiliated customer. We examined the selling functions performed by the Korean companies for U.S. CEP sales (as adjusted) and preliminarily determine that they are at a different level of trade from the Korean companies' home market sales because the companies' CEP transactions were at a less advanced stage of marketing. For instance, at the CEP level, the Korean companies did not engage in any general promotion activities, marketing functions, or price negotiations for U.S. sales. Because we compared CEP sales to home market sales at a more advanced level of trade, we examined whether a level of trade adjustment may be appropriate. In this case, both respondents only sold at one level of trade in the home market. Therefore, there is no basis upon which either respondent can demonstrate a pattern of consistent price differences between levels of trade. Further, we do not have information which would allow us to examine pricing patterns based on the respondents' sales of other products and there is no other record information on which such an analysis could be based. Because the data available do not provide an appropriate basis for making a level of trade adjustment and the level of trade in the home market is at a more advanced stage of distribution than the level of trade of the CEP sales, a CEP offset is appropriate. Both respondents claimed a CEP offset. We applied the CEP offset to adjusted home market prices or CV, as appropriate. The CEP offset consisted of an amount equal to the lesser of the weighted-average U.S. indirect selling expenses and U.S. commissions or home market indirect selling expenses. *See* the Memorandum on Level of Trade for LG, dated May 27, 1999 and Memorandum on Level of Trade for Hyundai, dated May 28, 1999.

NV

Home Market Viability

In order to determine whether there were a sufficient sales of DRAMs in the home market to serve as a viable basis for calculating NV, we compared the respondents' 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 aggregate volume of home market sales of the foreign like products for both Hyundai and LG was greater than five percent of the respective aggregate volume of U.S. sales of the subject merchandise, we determined that the home market provides a viable basis for calculating NV for all respondents.

Cost of Production (COP)

We disregarded Hyundai's and LG's sales found to have been made below the COP in the *Notice of Final Results of Antidumping Administrative Review: Dynamic Random Access Memory Semiconductors (DRAMs) of One Megabit or Above from the Republic of Korea,* 62 FR 39809, July 24, 1997), the most recent segment of this proceeding for which final results were available at the time of the initiation of this review. Accordingly, the Department, pursuant to section 773(b) of the Act, initiated COP investigations of both respondents for purposes of this administrative review.

We calculated the COP based on the sum of the costs of materials and fabrication employed in producing the foreign like product, SG&A expenses, and the cost of all expenses incidental to placing the foreign like product in condition, packed, ready for shipment, in accordance with section 773(b)(3) of the Act. We compared weighted-average quarterly COP figures for each respondent, adjusted where appropriate (see below), to home market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether these sales had been made at prices below the COP. In determining whether to disregard home market sales made at prices below the COP, we examined 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 in the normal course of trade, in accordance with sections 773(b)(1)(A) and (B) of the Act. In accordance with section 773(b)(2)(D) of the Act, we conducted the recovery of cost test using annual cost data.

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of home market sales of a given model were at prices less than the COP, we did not disregard any below-cost sales of that model because the below-cost sales were not made in ''substantial quantities''. Where 20 percent or more of home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because we determined that the below-cost sales were made in ''substantial quantities'' and at prices that would not permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

We found that for both respondents, more than 20 percent of their home market sales for certain products were made at prices that were less than the COP. Furthermore, the prices did not permit the recovery of costs within a reasonable period of time. We, therefore, disregarded the below-cost sales and used the remaining above-cost sales as the basis for determining NV, in accordance with section 773(b)(1). For those sales for which there were no comparable home market sales in the ordinary course of trade, we compared CEP to CV pursuant to section 773(a)(4) of the Act.

Adjustments to COP

Research & Development (R&D)

Consistent with our past practice in this case, the R&D element of COP was based on R&D expenses related to all

semiconductor products, not product-specific expenditures. *See* Memorandum Regarding Cross Fertilization of Research and Development in the Semiconductor Industry, dated May 29, 1999.

In addition, Hyundai and LG both changed their accounting methodologies for R&D expenses during this POR. Specifically, in 1997, both Hyundai and LG changed their accounting methodology from recognizing the R&D costs as expenses when incurred, to deferring such costs and amortizing them over five years using the straight-line method. Furthermore, in 1997, LG also began to completely defer certain R&D costs for long-term R&D projects until the relevant revenue is realized. While the Department did not become aware of this fact until the current POR, Hyundai began to completely defer certain R&D costs in the same manner in 1996. Both Hyundai and LG based the R&D expenses that they reported to the Department for this POR on the amount of R&D costs that they expensed in 1997.

Hyundai and LG have repeatedly changed their accounting methodologies for R&D expenses throughout the course of this proceeding. In their 1991 financial statements (which the Department used, in part, in the original investigation to calculate R&D expenses), both Hyundai and LG amortized R&D expenses. *See Final Determination of Sales at Less Than Fair Value: DRAMs from Korea,* 58 FR 15467 (March 23, 1993) (''*Final Determination*''); and *Micron Technology* v. *United States,* 893 F. Supp. 21, 28 (CIT 1995) (''*Micron I*''). In their 1993 financial statements, LG changed its accounting methodology for R&D expenses, and expensed R&D expenses in the year incurred. *See Notice of Final Results of Antidumping Administrative Review: Dynamic Random Access Memory Semiconductors of One Megabit or Above from the Republic of Korea,* 61 FR 20216 (May 6, 1996); and *Micron Technology* v. *United States and LG Semicon Co., Ltd., and LG Semicon America, Inc.* (Slip Op. 99–12, January 28, 1999) (*Micron II*). Hyundai changed its R&D accounting methodology, and also began to expense R&D expenses in the year incurred, sometime between 1991 and 1996. In 1997, as explained above, Hyundai and LG changed their accounting methodologies a second time, switching back to the amortizing methodology they previously used in 1991. Furthermore, in 1996 and 1997, Hyundai and LG, respectively, began to use a third type of accounting methodology by completely deferring certain R&D expenses until revenue is realized from the R&D project.

Section 773(f)(1)(A) of the Act states that costs ''shall normally be calculated based on the records of the exporter or producer of the merchandise, if such records are kept in accordance with the GAAP of the exporting country (or the producing country where appropriate) and reasonably reflect the costs associated with production and sale of the merchandise.'' The SAA states that, in determining whether a company's records reasonably reflect costs, Commerce will consider U.S. GAAP employed by the industry in question. *See* SAA at 834. Further, as explained in the SAA, ''[t]he exporter or producer will be expected to demonstrate that it has historically utilized such allocations, particularly with regard to the establishment of appropriate amortization and depreciation periods and allowances for capital expenditures and other development costs.'' *See Id. See* also *Final Results 1998,* 63 FR at 50871.

The Department has preliminarily determined that Hyundai's and LG's revised accounting methodologies for R&D expenses do not reasonably reflect the costs associated with the production of DRAMs. These revisions in accounting methodologies result in distortions in the costs attributed to the POR and are not consistent with U.S. GAAP. Furthermore, there is no information on the record to justify this change in accounting methodologies. Therefore, the Department has preliminary determined, consistent with Hyundai's and LG's historical R&D accounting methodology and U.S. GAAP, to expense all R&D expenses that Hyundai and LG incurred in 1997, and, consistent with *Micron II Remand,* to expense any R&D expenses that Hyundai expensed in 1997, which Hyundai had previously incurred but not previously expensed. For further discussion of this issue, *see* Memorandum on Whether to Accept the Reported Research & Development Expenses of Hyundai Electronics Industries Co., Ltd. and LG Semicon, Ltd., dated June 1, 1999.

We also note that a number of the projects that LG classified as R&D expenses apply to products which were being commercially produced in 1997. The Department will examine these projects further to determine whether they are more appropriately classified as part of COM.

Company-Specific Adjustments

Hyundai

1. We excluded certain non-operating expenses from Hyundai's R&D expenses.
2. We adjusted Hyundai's depreciation expenses to reflect the net effect of increasing depreciation, consistent with *Final Results 1998,* for special depreciation that would have been taken had the respondent continued to take special depreciation on certain equipment for the period of 1997 and the first half of 1998 and decreasing depreciation expenses to reflect the amount of special depreciation which the Department expensed in *Final Results 1998,* but which Hyundai expensed in its own books and records, and reported in its response, for the current POR.
3. We adjusted Hyundai's general and administrative (''G&A'') expense rate by excluding foreign currency transaction gains and losses related to account receivables.
4. We adjusted Hyundai's interest expense rate by excluding offsets of long-term interest income.

See Memorandum on Hyundai Electronics Industries Co., Ltd.: Calculations for the Preliminary Results, dated June 1, 1999.

LG

1. We included in COP certain costs for an operational new fabrication facility which LG excluded from its COM by recording them in a construction-in-progress account.
2. We adjusted LG's G&A expense rate by excluding foreign currency transaction gains and losses related to account receivables.
3. We adjusted LG's interest expense rate by including translation gains and losses and the amortized amounts of deferred foreign currency translation gains and losses, consistent with the Department's practice (*see Final Results 1998,* 63 FR at 50872). *See* Memorandum on LG Semicon Co., Ltd.,: Preliminary Results of Review Analysis Memorandum, dated June 1, 1999.

CV

In accordance with section 773(e) of the Act, we calculated CV based on the respondents' cost of materials and fabrication employed in producing the subject merchandise, SG&A expenses, the profit incurred and realized in connection with the production and sale of the foreign like product, and U.S. packing costs. We used the cost of materials, fabrication, and SG&A expenses as reported in the CV portion of the questionnaire response, adjusted as discussed in the COP section above.

We used the U.S. packing costs as reported in the U.S. sales portion of the respondents' questionnaire responses. For selling expenses, we used the average of the selling expenses reported for home market sales that survived the cost test, weighted by the total quantity of those sales. For actual profit, we first calculated the difference between the home market sales value and home market COP, and divided the difference by the home market COP. We then multiplied this percentage by the COP for each U.S. model to derive an actual profit.

Price Comparisons

For price-to-price comparisons, we based NV on the price at which the foreign like product is first sold for consumption in the exporting country, in the usual commercial quantities and in the ordinary course of trade, and to the extent practicable, at the same level of trade, in accordance with section 773(a)(1)(B)(i) of the Act. We compared the U.S. prices of individual transactions to the monthly weighted-average price of sales of the foreign like product. In the case of LG, we calculated NV based on delivered prices to unaffiliated customers and, where appropriate, to affiliated customers in the home market.

With respect to LG, we tested those sales that LG made in the home market to affiliated customers to determine whether they were made at arm's length and could be used in our analysis. *See* 19 CFR 351.102(b). To test whether these sales were made at arm's length prices, we compared, on a model-specific basis, prices of sales to affiliated and unaffiliated customers, net of discounts, all movement charges, direct selling expenses, and packing. For tested models of the subject merchandise, prices to an affiliated party were on average 99.5 percent or more of the price to unaffiliated parties and we determined that sales made to the affiliated party were at arm's length. *See* 19 CFR 351.403(c) and Preamble to the Department's regulations, 62 FR at 27355.

With respect to both CV and home market prices, we made adjustments, where appropriate, for inland freight, inland insurance, and discounts. We also reduced CV and home market prices by packing costs incurred in the home market, in accordance with section 773(a)(6)(B)(i) of the Act. In addition, we increased CV and home market prices for U.S. packing costs, in accordance with section 773(a)(6)(A) of the Act. We made further adjustments to home market prices, when applicable, to account for differences in physical characteristics of the merchandise in accordance with section 773(a)(6)(c)(ii) of the Act. Finally, pursuant to section 773(a)(6)(C)(iii) of the Act, we made an adjustment for differences in circumstances of sale by deducting home market direct selling expenses (credit expenses and bank charges) and adding any direct selling expenses associated with U.S. sales not deducted under the provisions of section 772(d)(1) of the Act. For Hyundai and LG, we recalculated the credit expense on home market sales using the interest rate of the currency in which the sales were made.

Preliminary Results of Review

As a result of this review, we preliminarily determine that the following weighted-average dumping margins exist for May 1, 1997 through April 30, 1998:

Manufacturer/exporter	Percent margin
The G5 Corporation	13.11
Hyundai Electronic Industries, Inc	13.11
LG Semicon Co., Ltd	10.67

Pursuant to 19 CFR 351.224(b), the Department will disclose to parties to the proceeding any calculations performed in connection with these preliminary results within 5 days of the date of publication of this notice. Any interested party may request a hearing within 30 days of the date of publication of this notice. Parties who submit arguments in this proceeding are requested to submit with each argument: (1) A statement of the issue and (2) a brief summary of the argument. All case briefs must be submitted within 30 days of the date of publication of this notice. Rebuttal briefs, which are limited to issues raised in the case briefs, may be filed not later than seven days after the case briefs are filed. A hearing, if requested, will be held two days after the date the rebuttal briefs are filed or the first business day thereafter.

The Department will publish a notice of the final results of this administrative review, which will include the results of its analysis of the issues raised in any written comments or at the hearing, within 120 days from the publication of these preliminary results.

The Department shall determine, and Customs shall assess, antidumping duties on all appropriate entries. The Department will issue appraisement instructions directly to Customs. The final results of this review shall be the basis for the assessment of antidumping duties on entries of merchandise covered by the determination and for future deposits of estimated duties. We have calculated importer-specific STD valorem duty assessment rates based on the ratio of the total amount of dumping margins calculated for the examined sales made during POR to the entered value of sales used to calculate those duties. These rates will be assessed uniformly on all entries of each particular importer made during the POR.

Furthermore, the following deposit requirements will be effective upon completion of the final results of these administrative reviews for all shipments of DRAMs from Korea entered, or withdrawn from warehouse, for consumption on or after publication date of the final results of these administrative reviews, as provided by section 751(a)(1) of the Act: (1) The cash deposit rate for the reviewed companies will be the rate established in the final results of this administrative review, except if the rate is less than 0.5 percent *STD valorem* and, therefore, *de minimis,* no cash deposit will be required; (2) for exporters not covered in this review, but covered in the original LTFV investigation or a previous review, the cash deposit rate will continue to be the company-specific rate published in the most recent period; (3) if the exporter is not a firm covered in this review, a previous review, or the original LTFV investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this or any previous reviews or the LTFV investigation, the cash deposit rate will be 3.85 percent, the ''all-others'' rate established in the LTFV investigation. These deposit requirements, when imposed, shall remain in effect until publication of the final results of the next administrative review.

This notice serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) of the Department's regulations to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties. This administrative review and this notice are in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: June 1, 1999.

Robert S. LaRussa,

Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–301–602]

Certain Fresh Cut Flowers From Colombia: Initiation and Preliminary Results of Changed Circumstances Antidumping Duty Administrative Review, and Intent To Revoke Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of initiation and preliminary results of changed circumstances antidumping duty administrative review, and intent to revoke order.

SUMMARY: In response to a request from Timothy Haley, the Floral Trade Council, and the FTC's Committees on Standard Carnations, Miniature Carnations, Standard Chrysanthemums, and Pompom Chrysanthemums (collectively ''the FTC and its Committees''), the Department of Commerce (the Department) is initiating a changed circumstances antidumping duty review and is issuing this notice of intent to revoke the antidumping duty order on certain fresh cut flowers from Colombia. The FTC and its Committees requested that the Department revoke the order on certain fresh cut flowers from Colombia retroactive to March 1, 1997, because they no longer have an interest in maintaining the order. The FTC represents a domestic interested party and was the petitioner in the less-than-fair-value (LTFV) investigation. We are initiating this changed circumstances administrative review and issuing this notice of our preliminary determination to revoke the order retroactive to March 1, 1997.

EFFECTIVE DATE: June 8, 1999.

FOR FURTHER INFORMATION CONTACT: Rosa Jeong or Marian Wells, Office of AD/CVD Enforcement, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone (202) 482–3853 or (202) 482–6309, respectively.

SUPPLEMENTARY INFORMATION:

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the Tariff Act of 1930, as amended (the Act), are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Act by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department's regulations are to the regulations codified at 19 CFR part 351 (1998).

Background

On May 21, 1999, the FTC and its Committees requested that the Department conduct a changed circumstances administrative review to revoke the antidumping duty order on certain fresh cut flowers from Colombia retroactive to March 1, 1997. The FTC and its Committees stated that circumstances have changed such that the FTC and its Committees no longer have an interest in maintaining the antidumping duty order.

The FTC and its Committees also requested that, due to the pendency of the ongoing administrative reviews of the order, the Department initiate and complete the changed circumstances review on an expedited basis.

Scope of Review

The products covered by this changed circumstances review are certain fresh cut flowers from Colombia including standard carnations, miniature (spray) carnations, standard chrysanthemums, and pompon chrysanthemums. These products are currently classifiable under item numbers 0603.10.30.00, 0603.10.70.10, 0603.10.70.20, and 0603.10.70.30 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS item numbers are provided for convenience and customs purposes, the Department's written description of the scope remains dispositive.

This changed circumstances review covers all producers and exporters of certain fresh cut flowers from Colombia.

Initiation and Preliminary Results of Changed Circumstances Antidumping Duty Administrative Review, and Intent to Revoke Order

Pursuant to section 751(d)(1) of the Act, the Department may revoke, in whole or in part, an antidumping duty order based on a review under section 751(b) of the Act (*i.e.*, a changed circumstances review). Section 751(b)(1) of the Act requires a changed circumstances administrative review to be conducted upon receipt of a request containing sufficient information concerning changed circumstances.

The Department's regulations at 19 CFR 351.216(d) require the Department to conduct a changed circumstances administrative review in accordance with 19 CFR 351.221 if it decides that changed circumstances sufficient to warrant a review exist. Section 782(h) of the Act and § 351.222(g)(1)(i) of the Department's regulations provide further that the Department may revoke an order, in whole or in part, if it concludes that the order under review is no longer of interest to domestic interested parties. In addition, in the event that the Department concludes that expedited action is warranted, § 351.221(c)(3)(ii) of the regulations permits the Department to combine the notices of initiation and preliminary results.

The FTC is a domestic interested party as defined by section 771(9)(E) of the Act and 19 CFR 351.102(b) and was the petitioner in the LTFV investigation of this proceeding. Therefore, based on the affirmative statement by the FTC and its Committees of no interest in the continued application of the antidumping duty order on certain fresh cut flowers from Colombia, we are initiating this changed circumstances review. Further, based on the request by the FTC and its Committees and their affirmative statement of no interest, we have determined that expedited action is warranted, and we are combining these notices of initiation and preliminary results. We have preliminarily determined that there are changed circumstances sufficient to warrant revocation of the order in whole. We are hereby notifying the public of our intent to revoke in whole the antidumping duty order on certain fresh cut flowers from Colombia retroactive to March 1, 1997.

In the event this revocation is made final, the Department will terminate the administrative reviews covering the following periods: March 1, 1997, through February 28, 1998 (initiated on April 21, 1998 (63 FR 19709)); March 1, 1998, through February 28, 1999 (initiated on April 30, 1999 (64 FR 23269)).

If final revocation of the order occurs, we intend to instruct the Customs Service to end the suspension of liquidation and to refund any estimated antidumping duties collected for all unliquidated entries of certain fresh cut flowers from Colombia on or after March 1, 1997, in accordance with 19 CFR 351.222(g)(4). We will also instruct the Customs Service to pay interest on such refunds in accordance with section 778 of the Act. The current requirement for a cash deposit of estimated antidumping duties will continue until