the market value of the input, we may value the input using the best evidence available, which may be the COP.

NSK provided no information regarding prices between unrelated parties for inputs it purchased from related suppliers. Therefore, in accordance with section 773(e)(2) of the Tariff Act, we required the actual COP of those inputs to determine whether the transfer prices between NSK and its related suppliers reflected the market value of the inputs. Where the transfer prices were less than the COP (i.e., market value), we used the COP as the best evidence available for valuing the input. Similarly, Koyo did not provide information regarding prices between unrelated parties for some inputs it purchased from related suppliers. In those instances we also required the actual COP of those inputs to determine whether the transfer prices reflected the market value of the inputs. Where the transfer prices were less than the COP, we used the COP as the best evidence available for valuing the input.

Under section 773(e)(3) of the Tariff Act, if the Department has reason to believe or suspect that the price paid to a related party for a major input is below the COP of that input, we may investigate whether the transfer price is in fact lower than the supplier's actual COP of that input even if the transfer price reflects the market value of the input. If the transfer price is below the related supplier's COP for that input, we may use the actual COP as the value for

that input.

We found in the previous review that both companies had purchased major inputs from related parties at prices below COP. Therefore, in accordance with normal practice, we determined that we had reasonable grounds to believe or suspect that both NSK and Koyo purchased major inputs from related suppliers at prices below the COP of those inputs during this review period. See AFBs III (at 39754).

Comment 7: NSK argues that the Department should use NSK's purchase price for parts purchased by NSK from each related supplier. NSK claims that, according to section 773(e)(2) of the Tariff Act, the Department should reject prices for parts purchased from related suppliers only when it appears that these prices have been manipulated and that "* * * the amount representing that element does not fairly reflect the amount usually reflected in sales in the home market under consideration. Given the discretionary language of section 773(e)(2), NSK contends that the Department should not reject every transaction that simply falls below an unrelated supplier's price, but instead

should accept all transactions between related parties when the business pattern demonstrates a competitive relationship.

Alternatively, if the Department concludes that it may determine the market value at which parts should be purchased from related suppliers simply on price-to-price comparisons, then NSK argues that it cannot be penalized to the extent that its related supplier costs exceed an unrelated supplier's price. Under section 773(e)(2) of the Tariff Act, the Department cannot require that a related supplier's price be above its COP if the fair market value established by an unrelated supplier's price is below the related supplier's COP. Therefore, under those circumstances in which both the related and unrelated suppliers' prices fall below the related supplier's costs, the Department should adjust the related party's price only to the extent it falls below fair market value measured by the

unrelated supplier's price.

NSK further argues that if the Department determines market value at which parts should be purchased from related suppliers on a price-to-cost comparison when price-to-price comparisons do not exist, then the Department should adjust NSK's costs for only those parts purchased at prices below the COP. In these instances, NSK claims that the Department's current adjustment is too broad and that the Department should use the related supplier's actual COP submitted to the Department. Finally, NSK contends that if the Department continues to disregard the related supplier's cost data, the Department should amend its adjustment to exclude finished bearings purchased from other suppliers from the

adjustment equation.

Department's Position: Under section 773(e)(2) of the Tariff Act, the Department is directed to disregard a transaction between related parties "if the amount representing an element of value, required to be considered in the calculation of CV, does not fairly reflect the amount usually reflected in sales in the market under consideration." Given this requirement, we disagree with NSK that we should not reject every transaction in which the prices from the related supplier do not reflect the amounts usually reflected in sales between unrelated parties. Although competitive factors may temporarily force related suppliers to sell below market value, this does not relieve us of our responsibility to capture the full market value usually reflected in sales of the input. Lacking information as to what the market value is, we rely on the related supplier's cost as a measure of

the commercial value of that input. In the case of major inputs, section 773(e)(3) of the Tariff Act requires the Department to use the COP of that input if such cost is greater than the amount that would be determined for such input under section 773(e)(2).

We agree with NSK that, under section 773(e)(2) of the Tariff Act, the Department should only adjust related suppliers' prices in situations in which there were no arm's-length prices available and the price-to-cost comparisons (in lieu of price-to-price comparisons) reveal that the suppliers' costs exceed its prices. NSK did not provide any comparable arm's-length prices. Therefore, for these final results, we have compared the reported transfer price of complete bearings and components purchased from related suppliers with the actual COP and used the higher of the two for CV.

Comment 8: Torrington alleges that NMB/Pelmec Singapore has not demonstrated that arm's-length prices were paid to Minebea Japan for the equipment used by NMB/Pelmec Singapore. Therefore, the Department should not use the prices reported by NMB/Pelmec for the final results.

NMB/Pelmec Singapore states that it reported in the supplemental Section D response that machinery manufactured by Minebea Japan is purchased at market value, and gave an example of how the price for one of the machines was determined. NMB/Pelmec Singapore claims that there is no reason to reject the prices paid by NMB/Pelmec Singapore for the machinery from Minebea Japan.

Department's Position: NMB/Pelmec Singapore was unable to provide prices between related parties for sales of identical equipment. As an alternative, it submitted with its response to the Department's Section D supplemental questionnaire copies of documents illustrating the COP and sales information on the transfer of five innerring raceway grinding machines to Pelmec Singapore. The information submitted indicates that the machines were transferred from Minebea Japan to NMB/Pelmec Singapore at a mark-up in addition to COP. Therefore, the Department has concluded that NMB/ Pelmec Singapore's related-party equipment purchases can be considered arm's-length transactions.

Comment 9: NMB/Pelmec Thailand states that the Department's conclusion that transfer prices for bearings components are below cost is based on numerous errors. The Department stated in its analysis memorandum for the preliminary results dated February 28, 1994, that, based on a sample of four