methodology used for reporting Section E data is in accordance with the U.S. GAAP, and thus, an appropriate method of valuation. This methodology was reviewed during the furthermanufacturing verification of NSK's Section E response and was found to be acceptable.

Comment 10: NSK contends that the Department should have based the dumping margin for imported parts "further manufactured" in the United States on the margin for imported finished bearings of the same class or kind. NSK states the imported content contained in the bearings sold in the United States does not justify requiring NSK to respond to Section E of the Department's questionnaire, nor does it support the Department's calculating margins for these imported parts.

NSK asserts that the Department's use of an arbitrary one-percent threshold for analyzing further manufactured products is unlawful rulemaking. The Department may only reduce ESP by the value of further-manufacturing performed in the United States if "the product ultimately sold to an unrelated purchaser contains a significant amount by quantity or value of the imported product." See S. Rep. No. 1298, 93d Cong. 2d Sess. 172-73, reprinted in 1974 U.S.C.C.A.N. 7185, 7310. In most cases, the imported content is a very small percentage of the total manufacturing cost, and thus NSK believes the imported portion of its U.S.-produced bearing is insignificant.

NSK maintains the Department has not provided guidance as to the standards that it follows when determining whether the imported content is significant in the context of further manufactured in-scope products. NSK claims that since the Department has not lawfully promulgated a rule codifying the "Roller Chain" principle, it must examine each factual situation on a case-by-case basis. NSK further argues that in this review the Department has not addressed any qualitative or quantitative factors to support its decision to compute margins on NSK's further-manufactured product.

NSK states that the Department should not perform a further-manufactured analysis of imported parts that are not subject to a process of further-manufacturing in the United States. Section 772(e)(3) of the Tariff Act (19 USC 1677a(e)(3)) only authorizes a further manufacturing analysis where "a process of manufacture or assembly is performed on the imported merchandise" in the United States. Many of the parts imported by NSK are merely "applied" or "attached" to finished parts and are not subject to a

process of further manufacturing in the United States. Therefore, NSK contends that the Department should use the weighted-average margin for complete imported bearings to determine the margin for these parts.

Torrington responds that the Administrative Procedure Act permits agencies to promulgate "interpretative rules" without formal rulemaking, citing 5 USC 553(b). Because the "Roller Chain" test is clearly an interpretative rule, there is no prohibition against applying the one-percent test on a case-by-case basis in this proceeding.

Department's Position: We disagree with NSK that the Department should not calculate dumping margins for merchandise further manufactured in the United States by NSK. As explained in previous reviews (see AFBs II at 28360 and AFBs III at 39737), the Department disregards antidumping duties on those parts and bearings that comprise less than one percent of the value of the finished product sold to the first unrelated customer in the United States. However, NSK's data indicate that the subject merchandise sold to its related party in the United States comprises more than one percent of the value of the finished good produced by the related party. Because this imported merchandise is subject to antidumping duties, the Department cannot disregard sales of this merchandise in its analysis or the adjustments to USP provided for in section 772(e)(3) of the Tariff Act. Thus, we reject NSK's claim that NSK's imported parts and bearings should not be subject to further-manufacturing analysis, or any analysis at all. We also disagree with NSK's argument that the one-percent threshold is arbitrary and that it represents unlawful rule-making. See Comment 1.

We further disagree with NSK's argument that the imported parts are not subject to a process of assembly or manufacture. Because the addition of a part to an otherwise unfinished bearing constitutes a process of assembly, we have adjusted ESP sales prices by the amount of value added, in accordance with section 772(e)(3) of the Tariff Act (19 USC 1677a(e)(3)).

Comment 11: NSK claims that the Department incorrectly classified its repacking material and labor costs as costs of U.S. manufacturing, a methodology which conflicts with the Department's previous rulings wherein movement and packing expenses have been classified separately from the cost of manufacture in determining the value added to a product in the United States. See, e.g., Final Determination of Sales at Less Than Fair Value: Certain Stainless Steel Wire Rods From France, 58 FR

68865 (December 29, 1993). Torrington argues that in the third review, NSK made the same claim, which the Department rejected because of lack of supporting evidence on the record. Torrington suggests that the Department should reject the claim now for the same reason.

Department's Position: Cost of manufacturing includes materials, labor, and overhead associated with producing the product in question. Repacking material and labor costs associated with packing or movement are not considered part of manufacturing costs. Therefore, we have not classified NSK's repacking expenses as a cost of manufacturing for the final results.

Comment 12: Torrington notes that changes to FAG-Germany's packing labor and material expense factors outlined in the analysis memo were not included in the margin program used to calculate the preliminary results. In addition, Torrington contends that the exchange rate factor was applied twice to the adjustment for marine insurance.

FAG-Germany contends that the preliminary computer program does contain the appropriate adjustment factors for FAG's U.S. packing labor and material expenses. Additionally, FAG-Germany notes that the double application of the exchange rate to the adjustment for marine insurance was necessary to correct a conversion error committed by FAG in its computer response.

Department's Position: We agree with FAG-Germany. We included in the margin program the necessary corrections to FAG-Germany's packing expenses. In addition, we intentionally applied the exchange rate to the marine insurance adjustment twice to compensate for an exchange rate error committed in FAG-Germany's submitted data.

## 9. Level of Trade

Comment 1: NTN and NTN-Germany argue that the Department incorrectly reallocated their reported U.S. selling expenses to all U.S. sales without regard to level of trade. NTN further argues that the Department's reallocation of HM selling expenses without regard to level of trade was erroneous. According to NTN and NTN-Germany, certain expenses that are incurred only for sales to specific customer categories are not applicable to all sales. As a result, NTN and NTN-Germany contend that the Department's reallocation of these expenses across all levels of trade improperly allocates certain expenses to sales for which NTN and NTN-Germany did not incur such expenses. Therefore, NTN and NTN-Germany request that the