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International Trade Administration
Washington, D.C. 20230

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MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Stainless Steel Bar from Spain: Decision Memorandum for Preliminary Results of Antidumping Duty Administrative Review; 2017-2018

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on stainless steel bar (SSB) from Spain. The period of review (POR) is March 1, 2017, through August 8, 2017. The review covers one producer/exporter of the subject merchandise: Sidenor Aceros Especiales S.L. (Sidenor). We preliminarily find that sales of subject merchandise by the respondent were made at prices less than normal value (NV) during the POR. Interested parties are invited to comment on these preliminary results.

II. BACKGROUND

On March 2, 1995, we published in the *Federal Register* an antidumping duty order on SSB from Spain.[1] On March 5, 2018, we published in the *Federal Register* a notice of opportunity to request an administrative review of the *Order*.[2] On March 30, 2018, Sidenor requested Commerce to conduct a review of its exports during the POR.[3] On March 30, 2018, Carpenter

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[1] *See Amended Final Determination and Antidumping Duty Order: Stainless Steel Bar from Spain*, 60 FR 11656 (March 2, 1995) (*SSB Order*).
[2] *See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 83 FR 9284 (March 5, 2018).
[3] *See* Sidenor's Letter, "Stainless Steel Bar from Spain" dated March 30, 2018.

Technology Corporation, Electralloy, a Division of G.O. Carlson, Inc., Outokumpu Stainless USA, LLC, and Valbruna Slater Stainless, Inc. (collectively, the petitioners) filed a request for administrative review of sales made by Sidenor.[4] Pursuant to these requests, on May 2, 2018, Commerce published in the *Federal Register* the *Initiation Notice*.[5] On October 3, 2018, as a result of a five-year (sunset) review, Commerce revoked the AD order on imports of SSB from Spain, effective August 9, 2017.[6]

III. PERIOD OF REVIEW

The POR covered by this review was initially March 1, 2017, through February 28, 2018. As a result of the determination by the International Trade Commission, that revocation of this antidumping duty order would not likely lead to continuation or recurrence of material injury to an industry in the United States, Commerce revoked the *Order*, pursuant to section 751(d)(2) of the Tariff Act of 1930, as amended (the Act).[7] According to section 751(d)(2) of the Act and 19 CFR 351.222(i)(2)(i), the effective date of revocation is August 9, 2017, which is the fifth anniversary of the effective date of publication in the *Federal Register* of the previous continuation of the order on SSB from Spain.[8] Therefore, the POR for this administrative review was revised to March 1, 2017, through August 8, 2017, to correspond with the effective date of revocation.

IV. SCOPE OF THE ORDER

The merchandise subject to the *Order*is SSB. The term SSB with respect to the order means articles of stainless steel in straight lengths that have been either hot-rolled, forged, turned, cold-drawn, cold-rolled or otherwise cold-finished, or ground, having a uniform solid cross section along their whole length in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, hexagons, octagons or other convex polygons. SSB includes cold-finished SSBs that are turned or ground in straight lengths, whether produced from hot-rolled bar or from straightened and cut rod or wire, and reinforcing bars that have indentations, ribs, grooves, or other deformations produced during the rolling process.

Except as specified above, the term does not include stainless steel semi-finished products, cut length flat-rolled products (*i.e.*, cut length rolled products which if less than 4.75 mm in thickness have a width measuring at least 10 times the thickness, or if 4.75 mm or more in thickness having a width which exceeds 150 mm and measures at least twice the thickness), wire (*i.e.*, cold-formed products in coils, of any uniform solid cross section along their whole length, which do not conform to the definition of flat-rolled products), and angles, shapes and sections.

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[4] *See* Petitioner's Letter, "Stainless Steel Bar from Spain: Petitioners' Request for 2017/2018 Administrative Review" dated March 30, 2018.
[5] *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 83 FR 19215 (May 2, 2018) (*Initiation Notice*).
[6] *See Stainless Steel Bar from Brazil, India, Japan, and Spain: Continuation of Antidumping Duty Order (India) and Revocation of Antidumping Duty Orders (Brazil, Japan, and Spain)*, 83 FR 49910 (October 3, 2018).
[7] *Id.*
[8] *See Stainless Steel Bar from Brazil, India, Japan, and Spain: Continuation of Antidumping Duty Orders*, 77 FR 47595 (August 9, 2012).

The SSB subject to the *Order*is currently classifiable under subheadings 7222.10.00, 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the *Order*is dispositive.[9]

V. DISCUSSION OF THE METHODOLOGY

We are conducting this administrative review of the order in accordance with section 751(a) of the the Act and 19 CFR 351.213.

(1) <u>Comparisons to Normal Value</u>

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Sidenor's sales of the subject merchandise from Spain to the United States were made at less than NV, Commerce compared the Export Price (EP) to the NV as described in the "Export Price" and "Normal Value" sections of this memorandum.

A. <u>Determination of Comparison Method</u>

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs or CEPs (*i.e.*, the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average NVs with transaction-specific EPs or CEPs (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce's examination of this question in the context of administrative reviews, Commerce nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.[10]

In recent investigations, Commerce applied a "differential pricing" analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.[11] Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. Commerce will continue to develop its approach in this area based on comments received in this

[9] The HTSUS subheadings provided in the scope have changed since the publication of the order. *See SSB Order*.
[10] *See Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at comment 1; *see also Apex Frozen Foods Private Ltd. v. United States*, 37 F. Supp. 3d 1286, 1293 (CIT 2014).
[11] *See, e.g., Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); or *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value,* 80 FR 61362 (October 13, 2015).

and other proceedings, and on Commerce's additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent's weighted-average dumping margin.

The differential pricing analysis used in these preliminary results examines whether there exists a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchaser, region and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer codes. Regions are defined using the reported destination code (*i.e.*, zip code or city and state names) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the period of review based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region and time period, that Commerce uses in making comparisons between EP and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen's *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen's *d* coefficient is used to evaluate the extent to which the prices to the particular purchaser, region or time period differ significantly from the prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen's *d* test: small, medium or large (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the "ratio test" assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.,* the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margins between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. Results of the Differential Pricing Analysis

For Sidenor, based on the results of the differential pricing analysis, we preliminarily find that 38.9 percent of the value of U.S. sales pass the Cohen's *d* test.[12] This confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce determines that the average-to-average method cannot account for such differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test. Thus, for the preliminary results, we are applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for Sidenor.

[12] *See* Memorandum, "Antidumping Duty Administrative Review of Stainless Steel Bar from Spain: Preliminary Results Analysis Memorandum for Sidenor Aceros Especiales S.L.," dated concurrently with this memorandum (Preliminary Analysis Memorandum).

(2) Product Comparisons

For purposes of determining an appropriate product comparison to U.S. sales, in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the "Scope of the Order" section of this notice, above, that were in the ordinary course of trade. In making the product comparisons, we matched foreign like products to the products sold in the United States based on their physical characteristics. In order of importance, these physical characteristics are: (1) grade; (2) melt process; (4) cold reduction process; (5) final finishing operation; (5) size; (6) shape; (7) heat treatment; and, (8) surface treatment.

Pursuant to 19 CFR 351.414(f), we compared U.S. sales of SSB to home market sales of SSB within the contemporaneous window period, which extends from three months prior to the month of the first U.S. sale until two months after the month of the last U.S. sale. 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, according to section 771(16)(B) of the Act, we compared U.S. sales of SSB to the most similar foreign like product made in the ordinary course of trade.

(3) Date of Sale

Section 351.401(i) of Commerce's regulations states that, normally, we will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. The regulation provides that we may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.[13] Commerce has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.[14]

For both its home market and U.S. sales, Sidenor reported the invoice date as its date of sale.[15] Sidenor stated that it selected the invoice date as the date of sale because that is the point in the sales process at which the material terms of sale are no longer subject to change.[16] Accordingly, we preliminarily used the invoice date as the date sale in both the U.S. and home markets for these preliminary results.

(4) Level of Trade/CEP Offset

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales of foreign like products at the same level of trade (LOT) as the EP or CEP.

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[13] *See* 19 CFR 351.401(i); *see also Allied Tube & Conduit Corp.* v. *United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)) (*Allied Tube*).

[14] *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from Thailand*, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; *see also Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany, 67 FR 35497* (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.

[15] *See* Sidenor's June 11, 2018, Section A Questionnaire response (Sidenor AQR) at 17.

[16] *See* Sidenor's July 25, 2018, Supplemental Section A Questionnaire response (Sidenor July 25 SQR) at 9.

Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).[17] Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.[18] To determine whether the comparison-market sales were at different stages in the marketing process than the U.S. sales, we reviewed the distribution system in each market (*i.e.*, the chain of distribution), including selling functions, class of customer (customer category), and the level of selling expenses for each type of sale. To determine whether home market sales are at a different LOT than EP sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales, *i.e.*, NV based on either home market or third-country prices, we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.[19]

When Commerce is unable to match U.S. sales to sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, we may compare the U.S. sales to sales at a different LOT in the comparison market. When this occurs and the difference in LOT is demonstrated to affect price comparability based on a pattern of consistent price differences between sales at different LOTs in the market in which NV is determined, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (*i.e.*, no LOT adjustment was practicable), then we grant a CEP offset as provided in section 773(a)(7)(B) of the Act.[20]

In this review, we obtained information from Sidenor regarding the marketing stages involved in making reported home market and U.S. sales, including a description of the selling activities performed for each channel of distribution. Our LOT findings are summarized below.

In the home market, Sidenor reported that it sold subject merchandise to two categories of customers, distributors and forgers.[21] However, Sidenor reported that all of its sales were through one channel of distribution (*i.e.*, direct shipments by truck).[22]

[17] *See* 19 CFR 351.412(c)(2).
[18] *Id.*; *see also Certain Orange Juice from Brazil: Preliminary Results of Antidumping Duty Administrative Review and notice of Intent Not to Revoke Antidumping Duty Order in Part*, 76 FR 19315 (April 7, 2011) (*OJ from Brazil Prelim*) (unchanged in *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review, Determination Not To Revoke Antidumping Duty Order in part, and Final No Shipment Determination*, 76 FR 50176 (August 12, 2011) (*OJ from Brazil Final*)); *see also Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 61732 (November 19, 1997) (*Plate from South Africa*).
[19] *See Micron Technology, Inc. v. United States*, 243 F.3d 1301, 1314-15 (Fed. Cir. 2001).
[20] *See OJ from Brazil Prelim*, 76 FR at 19318-19 (unchanged in *OJ from Brazil Final*); *see also Plate from South Africa*, 62 FR at 61732-33.
[21] *See* Sidenor AQR at 15.
[22] *See* Sidenor's June 29, 2018, Section B and C Questionnaire response (Sidenor BCQR) at 25.

Selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery; 3) inventory maintenance and warehousing; and, 4) warranty and technical support. Based on these selling function categories, we find that Sidenor performed sales and marketing and freight and delivery services for its home market sales.[23] Because we find that there were no differences in selling activities performed by Sidenor to sell to its home market customers, we determine that there is one LOT in the home market for Sidenor.

With respect to the U.S. market, Sidenor reported that it sold subject merchandise to one category of customer, importer, and that the importer is a trading company.[24] Based on the selling function categories noted above, we find that Sidenor performed sales and marketing and freight and delivery services for all of its reported U.S. sales. Because Sidenor performed the same selling functions at the same level of intensity for all of its U.S. sales, we determine that all U.S. sales are at the same LOT.

Finally, we compared the U.S. LOT to the home market LOT, and found that the selling functions Sidenor performed for its U.S. and home market customers do not differ significantly.[25] Therefore, we preliminarily determine that sales to the United States and home market during the POR were made at the same LOT and, as a result, a LOT adjustment is not warranted.

(5) <u>Export Price</u>

For all sales reported by Sidenor, we used EP methodology, in accordance with section 772(a) of the Act, because the subject merchandise was first sold by the producer/exporter outside of the United States directly to the first unaffiliated purchaser in the United States prior to importation and because CEP methodology was not otherwise warranted.

We calculated EP for Sidenor based on packed prices to unaffiliated purchasers in the United States. We made deductions from the starting price, where appropriate, for movement expenses, *i.e.*, foreign inland freight, brokerage and handling incurred in the country of manufacture, international freight, insurance, U.S. brokerage and handling, and U.S. inland freight expenses in accordance with section 772(c)(2)(A) of the Act.[26]

(6) <u>Normal Value</u>

A. *Home Market Viability and Comparison Market*

To determine whether there was a sufficient volume of sales of SSB in Spain 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), Commerce

[23] *See* Sidenor AQR at Exhibit 4.
[24] *Id*. at 15.
[25] *Id*. at Exhibit 4.
[26] *See* Sidenor Prelim Analysis Memo at 4-7.

compared Sidenor's volume of home market sales of the foreign like product to their U.S. sales volume, in accordance with sections 773(a)(1)(B) and (C) of the Act. Because the volume of Sidenor's home market sales of the foreign like product exceeded five percent of their aggregate U.S. sales volume of the subject merchandise,[27] we preliminarily determine that Sidenor's home market is viable for comparison purposes.

B. *Cost of Production*

Section 773(b)(2)(A)(ii) of the Act requires Commerce to request cost of production (COP) information from respondent companies in all antidumping proceedings.[28] Thus, we requested this information from Sidenor and it submitted timely responses.[29] We examined Sidenor's cost data and determined that our quarterly cost methodology is not warranted and, therefore, we applied our standard methodology of using annual costs based on the reported data.

1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for selling, general and administrative expenses (SG&A), and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by Sidenor in its questionnaire responses for the COP calculation.

2. Test of Comparison Market Sales Prices

As required under sections 773(b)(2)(B), (C), and (D) of the Act, on a product-specific basis, we compared the weighted average of the COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP, within an extended period of time, in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We determined the net comparison market prices for the below cost test by subtracting from the gross unit price any applicable movement charges, direct and indirect selling expenses, and packing expenses.

3. Results of the COP Test

Section 773(b)(1) of the Act provides that, where sales made at less than the COP "have been made within an extended period of time in substantial quantities" and "were not at prices which permit recovery of all costs within a reasonable period of time," Commerce may disregard such sales when calculating normal value. Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we disregarded no below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a

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[27] *See* Sidenor's November 7, 2018, Second Supplemental Section B and C Questionnaire response and accompanying databases.
[28] *See Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46794-95 (August 6, 2015).
[29] *See* Sidenor's July 3, 2018, Section D Questionnaire response (Sidenor DQR).

given model were at prices less than the COP, we disregarded the below-cost sales because: (1) such sales were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act; and (2) based on our comparison of prices to the weighted average of the COPs, the sales were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

Our cost test for Sidenor indicated that, for home market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we excluded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.[30]

C. *Calculation of Normal Value Based on Comparison Market Prices*

We calculated normal value based on delivered prices to unaffiliated customers in the home market. We made adjustments, where appropriate, from the starting price for billing adjustments in accordance with 19 CFR 351.401(c). We also made deductions, where appropriate, from the starting price for certain movement expenses, i.e., inland freight, and for certain direct selling expenses, *i.e.*, credit expenses, pursuant to section 773(a)(6)(B)(ii) of the Act. For all sales, we then added U.S. direct selling expenses, *i.e.*, credit expenses. We also deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise.[31]

D. *Price-to-Constructed Value Comparison*

Where we were unable to find a home-market match of identical or similar merchandise, we based normal value on constructed value in accordance with section 773(a)(4) of the Act. Where appropriate, we made adjustments to constructed value in accordance with section 773(a)(8) of the Act.

In accordance with section 773(e) of the Act, we calculated constructed value based on the sum of the respondents' material and fabrication costs, SG&A expenses, profit, and U.S. packing costs. We calculated the COP component of constructed value as described above in the "Calculation of Cost of Production" section of this memorandum. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by the respondent in connection with the production and sale of the foreign like product

[30] *See* Preliminary Analysis Memorandum.
[31] *See* 19 CFR 351.411(b).

in the ordinary course of trade, for consumption in the foreign country. We relied on Sidenor's G&A and financial expense rates for fiscal year 2017.[32]

VI. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. The exchange rates are available on the Enforcement and Compliance website at *http://enforcement.trade.gov/exchange/index.htm*.

[32] *See* Preliminary Analysis Memorandum at 4-5.

VII. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☒	☐
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Agree	Disagree

12/3/2018

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Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance