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May 10, 2017

MEMORANDUM TO: Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance

FROM: Gary Taverman
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of Antidumping
Duty Administrative Review: Certain Circular Welded Carbon
Steel Pipes and Tubes from Taiwan; 2015-2016

Summary

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on certain circular welded carbon steel pipes and tubes from Taiwan. The review covers Shin Yang Steel Co., Ltd. (Shin Yang) and Yieh Hsing Enterprise Co., Ltd. (Yieh Hsing). The period of review (POR) is May 1, 2015, through April 30, 2016. We preliminarily find that sales of the subject merchandise were made at prices below normal value. The estimated weight-average dumping margins are shown in the “Preliminary Determination” section of the accompanying Federal Register notice.

Background

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b), Wheatland Tube Company, a domestic producer and interested party (Wheatland), requested an administrative review of the antidumping duty order on certain circular carbon steel pipes and tubes from Taiwan for Shin Yang and Yieh Hsing. On July 7, 2016, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review of the antidumping duty order on certain circular welded carbon steel pipes and tubes from Taiwan, covering Shin Yang and Yieh Hsing.¹

¹ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 81 FR 44260 (July 7, 2016).

On July 22, 2016, Yieh Hsing reported that it made no shipments of subject merchandise to the United States during the POR.² We issued the standard antidumping questionnaire to Shin Yang on August 7, 2016. Between November 2, 2016, and April 24, 2017, Shin Yang submitted timely responses to the Department's original and supplemental sections A, B, C, and D questionnaires.³

On January 30, 2017, we extended the deadline for the preliminary results to May 11, 2017.⁴

On April 13, 2017, we received pre-preliminary results comments from Wheatland.⁵

Scope of the Order

The merchandise subject to the order is certain circular welded carbon steel pipes and tubes from Taiwan, which are defined as: welded carbon steel pipes and tubes, of circular cross section, with walls not thinner than 0.065 inch, and 0.375 inch or more but not over 4.5 inches in outside diameter, currently classified under Harmonized Tariff Schedule of the United States (HTSUS) item numbers 7306.30.5025, 7306.30.5032, 7306.30.5040, and 7306.30.5055. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under review is dispositive.⁶

Preliminary Determination of No Shipments

On July 22, 2016, Yieh Hsing reported that it made no shipments of subject merchandise to the United States during the POR.⁷ To confirm Yieh Hsing's no shipment claim, the Department issued a no-shipment inquiry to CBP requesting that it review Yieh Hsing's no-shipment claim.⁸ CBP did not report that it had any information to contradict Yieh Hsing's claim of no shipments during the POR.

Given that Yieh Hsing certified that it made no shipments of subject merchandise to the United States during the POR and there is no information calling its claim into question, we

² See Letter to the Department from Yieh Hsing entitled "Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan; No Shipment Certification," dated July 22, 2016.

³ See Letter to the Department from Shin Yang entitled "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Section A Response," dated November 2, 2016; *see also* Letter to the Department from Shin Yang entitled "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Sections B-D Response," dated November 22, 2016; *see also* Letter to the Department from Shin Yang entitled "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: First Supplemental Response," dated March 23, 2017; and *see also* Letter to the Department from Shin Yang entitled "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Second Supplemental Response," dated April 24, 2017.

⁴ See Memorandum from Scott Hoefke to Gary Taverman, Subject: "Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review," dated January 31, 2017).

⁵ See Letter from Wheatland, dated April 13, 2017.

⁶ See *Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Antidumping Duty Order*, 49 FR 19369 (May 7, 1984).

⁷ See Letter to the Department from Yieh Hsing entitled "Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan; No Shipment Certification," dated July 22, 2016.

⁸ See No Shipments Inquiry for Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan Produced and/or Exported by Yieh Hsing (A-583-008-003), message number 6363307 (December 28, 2016).

preliminarily determine that Yieh Hsing did not have any reviewable transactions during the POR. Consistent with the Department's practice, we will not rescind the review with respect to Yieh Hsing but, rather, will complete the review and issue instructions to CBP based on the final results.⁹

Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1), to determine whether Shin Yang's sales of certain circular welded carbon steel pipes and tubes from Taiwan were made in the United States at less than normal value, we compared the export price (EP) to the normal value (NV) as described in the "Export Price" and "Normal Value" sections of this notice.

A. Product Comparisons

When making this comparison 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 memorandum above (*i.e.*, the foreign like product), that were in the ordinary course of trade for purposes of determining an appropriate normal value for comparison to the U.S. export price. In order to define products sold in the home and U.S. markets, we relied on five physical characteristics: specification/grade, nominal diameter, nominal wall thickness, coating, and end finish. If contemporaneous home market sales were reported of merchandise which was identical to subject merchandise sold in the U.S. market, then we calculated NV based on the monthly weighted-average home market prices of all such sales. If there were no contemporaneous home market sales of identical merchandise, then we identified home market sales of the most similar merchandise that were contemporaneous with the U.S. sales in accordance with 19 CFR 351.414(e), and calculated NV based on the monthly weighted-average home market prices of all such sales. Where there were no sales of identical or similar merchandise made in the ordinary course of trade in the comparison market, we calculated NV based on constructed value (CV).

B. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average export prices (EP) (or constructed export prices (CEPs)) (the average-to-average or A-to-A method) unless the Department determines that another method is appropriate in a particular situation. In antidumping duty investigations, the Department examines whether to compare weighted-average NVs with transaction-specific EPs (or CEPs) (the average-to-transaction or A-to-T 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 the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising

⁹ See, e.g., *Certain Frozen Warmwater Shrimp from Thailand; Preliminary Results of Antidumping Duty Administrative Review, Partial Rescission of Review, Preliminary Determination of No Shipments*; 2012-2013, 79 FR 15951, 15952 (March 24, 2014), unchanged in *Certain Frozen Warmwater Shrimp from Thailand: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments, and Partial Rescission of Review*; 2012-2013, 79 FR at 51306 (August 28, 2014).

under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping duty investigations.¹⁰

In recent investigations, the Department applied a “differential pricing” analysis for determining whether application of A-to-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹¹ The Department 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. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department’s additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-to-A method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-to-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported or consolidated customer codes. Regions are defined using the reported destination code (i.e., zip) 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 POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that the Department uses in making comparisons between EPs or CEPs and NVs 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* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data 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 net prices to a particular purchaser, region or time period differ significantly from the net 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. Of these

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.

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); *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and the sales in the test groups pass the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large threshold (*i.e.*, 0.8).

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 A-to-T method to all sales as an alternative to the A-to-A 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 A-to-T method to those sales identified as passing the Cohen's *d* test as an alternative to the A-to-A method, and application of the A-to-A 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 A-to-A 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, we examine whether using only the A-to-A method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative 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 A-to-A method only. If the difference between the two calculations is meaningful, then this demonstrates that the A-to-A method cannot account for differences such as those observed in this analysis, and, therefore, an alternative 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 margin between the A-to-A method and the appropriate alternative 6 method where both rates are above the *de minimis* threshold, or 2) the resulting weighted-average dumping margin moves 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.

C. Results of the Differential Pricing Analysis

For Shin Yang, based on the results of the differential pricing analysis, the Department finds that 77.26 percent of the value of U.S. sales pass the Cohen's *d* test,¹² and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further,

¹² See Memorandum to the File from Scott Hoefke, "Analysis for the Preliminary Results of the 2015-2016 Antidumping Duty Administrative Review of Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Shin Yang Steel Co., Ltd.," dated May 11, 2017 (Shin Yang Preliminary Analysis Memorandum).

the Department preliminarily determines that the A-to-A method cannot account for such differences, because the margin moves across the *de minimis* threshold between the weighted-average dumping margin calculated using the A-to-A method and the weighted-average dumping margin calculated using an alternative comparison method applying the A-to-T method to all U.S. sales. Thus, for these preliminary results, the Department is applying the A-to-T method to all U.S. sales to calculate the weighted-average dumping margin for Shin Yang.

Date of Sale

Section 351.401(i) of the Department's regulations states that, normally, the Department 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 further that the Department 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. Furthermore, consistent with the Department's practice, we use the shipment date as the date of sale where the shipment date occurs before the invoice date because the price and quantity are fixed at the time of shipment.¹³

For U.S. sales, Shin Yang noted terms of sale are subject to change after order contracts are issued, up until the time of shipment, and commercial invoices are issued at or about the time of shipment.¹⁴ Therefore, in accordance with our normal practice, in the absence of information indicating a different date of sale better reflects the date on which the material terms of sale are established, we are using invoice date as date of sale. For all U.S. sales, Shin Yang reported in the sale date field the earlier of invoice date and shipment date from the plant or distribution warehouse.¹⁵ This conforms to our long-standing practice of using as date of sale the earlier of the invoice date or the shipment date, if no other date is more appropriate as date of sale.¹⁶

For all home market sales, Shin Yang reported the Government Uniform Invoice (GUI) date as the date of sale.¹⁷ Shin Yang indicated the terms of sale are subject to change up until the issuance of the invoice, and that the quantity changed after initial negotiation of terms of sale for

¹³ See *Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 71 FR 18074, 18079-80 (Apr. 10, 2006), unchanged in *Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Final Results and Rescission of Antidumping Duty Administrative Review in Part*, 72 FR 4486 (Jan. 31, 2007), and the accompanying Issues and Decision Memorandum at Comments 4 and 5; see also *Seamless Refined Copper Pipe and Tube from Mexico: Preliminary Results of Antidumping Duty Administrative Review; 2010-2011*, 77 FR 73422 (December 10, 2012), and accompanying Preliminary Issues and Decision Memorandum at 7, unchanged in *Seamless Refined Copper Pipe and Tube from Mexico: Final Results of Antidumping Duty Administrative Review; 2010-2011*, 78 FR 35244 (June 12, 2013).

¹⁴ See Shin Yang's November 2, 2016, submission, at 14-17.

¹⁵ See Shin Yang's November 22, 2016, submission, at 64.

¹⁶ See, e.g., *Polyethylene Terephthalate Film, Sheet, and Strip from the United Arab Emirates: Final Determination of Sales at Less Than Fair Value*, 73 FR 55036 (September 24, 2008), and accompanying Issues and Decision Memorandum at Comment 1; and *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils from the Republic of Korea*, 64 FR 30664 (June 8, 1999), at Comment 5.

¹⁷ See Shin Yang's November 22, 2016, submission, at 22.

some domestic sales.¹⁸ Therefore, for this administrative review, and consistent with the presumption established in the Department's regulation, we have used Shin Yang's reported GUI date as the date of sale for all home market sales.¹⁹

Export Price

In accordance with section 772(a) of the Act, "the term 'export price' means the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c)." For Shin Yang, we based EP on the price at which merchandise under consideration was sold to the first unaffiliated purchaser in the United States. Where appropriate, we made deductions, consistent with section 772(c)(2)(A) of the Act, for the following movement expenses: domestic inland freight, domestic brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. duty, and other international movement expenses.

Normal Value

A. Home Market Viability as Comparison Market

To determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compare the volume of Shin Yang's home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(B) of the Act.²⁰ Based on this comparison, we determined that Shin Yang had a viable home market during the POR. Consequently, we based NV on home market sales to unaffiliated purchasers made in usual quantities in the ordinary course of trade.

B. Level of Trade

In accordance with section 773(a)(1)(B)(i) of the Act and the Statement of Administrative Action accompanying the Uruguay Round Agreements Act,²¹ to the extent practicable, the Department determines NV based on sales in the comparison market at the same level of trade as the EP. Pursuant to 19 CFR 351.412(c)(1)(iii), the NV level of trade is based on the starting price of the sales in the comparison market or, when NV is based on constructed value (CV), the starting price of the sales from which we derive the adjustments to CV for selling expenses and profit. For EP sales, pursuant to 19 CFR 351.412(c)(1)(i), the U.S. level of trade is based on the starting price of the sales in the U.S. market, which is usually from the exporter to the importer.

¹⁸ See Shin Yang's November 2, 2016, submission, at 14-17, *see also* Shin Yang's March 23, 2017, submission at Exhibit 2.

¹⁹ Unless the date of shipment preceded the GUI date, in which case, as explained above in this same section of the memorandum, we used shipment date for U.S. sales.

²⁰ See Shin Yang's November 2, 2016, submission at Exhibit 1.

²¹ See H.R. Doc. No. 316, 103d Cong., 2d Sess. 829-831 (1994).

To determine whether comparison market sales are at a different level of trade than EP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.²² 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 the 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.

Shin Yang noted that all of its sales in both markets are at a single level of trade.²³ It also stated that prices do not vary by channel of distribution.²⁴ Shin Yang's selling functions chart for its home market and U.S. sales indicates the selling functions performed for sales in both markets are virtually identical, with no significant variation across the broader categories of sales process/marketing support, freight and delivery, inventory and warehousing, and quality assurance/warranty services.²⁵ Therefore, we preliminarily determine that there is one level of trade for all sales in both the home market and the U.S. market and, consequently, no basis exists for a level-of-trade adjustment.

C. Affiliated Party Transactions and the Arm's-Length Test

The Department may calculate NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, *i.e.*, sales were made at arm's-length prices.²⁶ The Department excludes home market sales to affiliated customers that are not made at arm's-length prices from our margin analysis because the Department considered them to be outside the ordinary course of trade.²⁷

During the POR, Shing Yang made less than five percent of its sales of certain circular welded carbon steel pipes and tubes in the home market to affiliated parties.²⁸ Consequently, we tested these sales to ensure that they were made at arm's-length prices, in accordance with 19 CFR 351.403(c). In addition to comparing sales at the same level of trade, the test adjusts affiliated and unaffiliated party prices for numerous differences relating to the sales. The adjustments account for, among other things, differences in packing expenses, movement expenses from the original place of shipment, discounts and rebates, and selling expenses that relate directly to the sale at issue. While the Department's questionnaire specifically requests information pertaining to a number of adjustments, it also allows for responding companies to claim additional adjustments for other expenses relating to the sales at issue. Thus, provided that a respondent has accurately reported its claimed differences in circumstances of sale, along with other

²² See 19 CFR 351.412(c)(2).

²³ See Shin Yang's November 22, 2016, submission, at 74-75.

²⁴ See Shin Yang's November 2, 2016, submission, at 13.

²⁵ *Id.*, at Exhibit 8.

²⁶ See 19 CFR § 351.403(c).

²⁷ See *China Steel Corp. v. United States*, 264 F. Supp. 2d 1339, 1367 (CIT 2003), *aff'd*, 306 F. Supp. 2d 1291 (CIT 2004) (citing *Light-Walled Rectangular Pipe and Tube from Mexico: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 76 FR 55352, 55355 (September 7, 2011) ("*Mexican Pipe*").

²⁸ See Shin Yang's November 22, 2016, submission, at 3-4.

expenses and price adjustments relating to the reported sales, the arm's-length test will account for such differences between sales to affiliates and non-affiliates. Pursuant to 19 CFR 351.403(c) and, in accordance with the Department's practice, where the price to that affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise sold to the unaffiliated parties at the same level of trade, we determined that the sales made to the affiliated party were at arm's length. Sales to affiliated customers in the home market that were not made at arm's-length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.²⁹

D. Cost of Production Analysis

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and countervailing duty (CVD) law, including amendments to section 773(b)(2) of the Act.³⁰ Section 773(b)(2)(A)(ii) of the Act controls all determinations in which the complete initial questionnaire has not been issued as of August 6, 2015.³¹ It requires the Department to request CV and COP information from respondent companies in all AD proceedings.³²

Accordingly, the Department requested this information from Shin Yang. We examined Shin Yang's cost data and determined that our quarterly cost methodology is not warranted, and, therefore, we have applied our standard methodology of using annual costs based on Shin Yang's reported data.

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of Shin Yang's cost of materials and fabrication for the foreign like product, plus amounts for selling, general, and administrative (SG&A) expenses, interest expenses, and home market packing costs.

Based on our analysis of Shin Yang's questionnaire responses we have made no adjustments to Shin Yang's reported COP.

1. Calculation of Cost of Production

We calculated the COP on a product-specific basis, based on the sum of the respondent's costs of materials and fabrication for the foreign like product plus amounts for selling, general, and administrative expenses, interest expenses, and the costs of all expenses incidental to preparing the foreign like product for shipment in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by Shin Yang in its March 23, 2017, questionnaire response for the COP calculations.³³

²⁹ See section 771(15) of the Act and 19 CFR 351.102(b).

³⁰ See *Trade Preferences Extension Act of 2015*, Pub. L. No. 114-27, 129 Stat. 362 (2015) (TPEA).

³¹ See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015).

³² *Id.*, 80 FR at 46794-95.

³³ For further discussion, see Shin Yang's Preliminary Analysis Memorandum at 2-3.

2. Test of Comparison Market Sales Prices

On a product-specific basis, we compared the adjusted weighted-average COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales by the respondent had been made at prices below the COP. In particular, in determining whether to disregard home market sales made at prices below their COP, we examined whether such sales were made within an extended period of time in substantial quantities and at prices which permitted the recovery of all costs within a reasonable period of time, in accordance with sections 773(b)(2)(B), (C), and (D) of the Act. We determined the net comparison market prices for the below-cost test by adjusting the gross unit price for all applicable billing adjustments, discounts and rebates, movement charges, direct and indirect selling expenses, and packing expenses excluding all adjustments for imputed expenses.

3. Results of the COP Test

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 did not disregard 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 the respondent's home market sales of a given product were at prices less than the COP, we disregarded the below-cost sales because (1) they 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, they 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. Because we are applying our standard annual weighted-average cost methodology in these preliminary results, we have also applied our standard cost-recovery test with no adjustments.

Our cost test for Shin Yang 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 disregarded these below-cost sales in our analysis as outside of the ordinary course of trade and used the remaining sales to determine NV, as well as to calculate selling expenses and profit for CV.

E. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV based on the prices Shin Yang reported for home market sales to unaffiliated customers that we determined were made within the ordinary course of trade. As explained above, we also included home market sales to affiliated parties that were made at arm's-length prices. We adjusted the starting price, where appropriate, for billing adjustments, discounts and rebates in accordance with 19 CFR 351.401(c). We also made deductions from NV, consistent with section 773(a)(6)(B)(ii) of the Act, for movement expenses. In addition, we made adjustments for differences in circumstances of sale in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We made these adjustments, where appropriate, by deducting direct selling expenses incurred on home market sales and adding U.S. direct selling expenses to NV. Direct selling expenses consisted of credit expenses, warranty expenses, and factoring

expenses. We also made adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act.³⁴

When comparing U.S. sale prices with normal values based on comparison market sale prices of similar, but not identical, merchandise, we also made adjustments for physical differences in 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.³⁵

E. Calculation of Normal Value Based on Constructed Value

In accordance with section 773(e) of the Act, and where applicable, we calculated CV based on the sum of the respondent's material and fabrication costs, SG&A expenses, profit and U.S. packing costs. We calculated the COP component of CV as described above in the "Cost of Production" section of this memorandum. In accordance with section 773(e)(2)(A) of the Act, we based the adjustments for selling expenses and profit on the amounts incurred and realized by Shin Yang in connection with the production and sales of the foreign like product at the same level of trade as the U.S. sale, in the ordinary course of trade, for consumption in the comparison market.

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A(a) 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 web site at <http://enforcement.trade.gov/exchange/index.html>.

³⁴ See Shin Yang Preliminary Analysis Memorandum at 4 for further details.

³⁵ See 19 CFR § 351.411(b).

Recommendation

We recommend applying the above methodology for these preliminary results.



Agree



Disagree

5/10/2017

X *Ronald K. Lorentzen*

Signed by: RONALD LORENTZEN
Ronald K. Lorentzen
Acting Assistant Secretary
for Enforcement and Compliance