



A-583-008

Administrative Review

POR: 05/01/2017- 04/30/2018

Public Document

E&C/OV: NM/HF

January 14, 2020

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the
2017-2018 Administrative Review of the Antidumping Duty Order
on Certain Circular Welded Carbon Steel Pipes and Tubes from
Taiwan

I. SUMMARY

The Department of Commerce (Commerce) analyzed the comments submitted by interested parties in the 2017-2018 administrative review of the antidumping duty (AD) order on certain circular welded carbon steel pipes and tubes (steel pipes and tubes) from Taiwan. This review covers one mandatory respondent, Shin Yang Steel Co., Ltd. (Shin Yang). Based upon our analysis of the comments received, we made changes to the margin calculation for Shin Yang for the final results. We recommend that you approve the positions described in the "Discussion of Issues" section of this memorandum. Below is the complete list of issues for which we received comments from interested parties:

- Comment 1: Whether to Conduct Verification of Shin Yang's Cost Responses
- Comment 2: Whether to Apply A Facts Available Adjustment to U.S. Price to Account for Section 232 Duties
- Comment 3: Whether to Adjust Shin Yang's Reported Costs for Affiliated Purchases in Accordance with the Major Input Rule
- Comment 4: Whether to Make an Adjustment to Shin Yang's Reported G&A Expenses Ratio Calculation
- Comment 5: Whether to Adjust Shin Yang's Cost of Manufacture for Non-Prime Products



II. BACKGROUND

On July 18, 2019, Commerce published the *Preliminary Results* of this administrative review.¹ We invited parties to comment on the *Preliminary Results*. On September 19, 2019, Commerce extended the deadline for the final results.² The deadline for issuing the final results is January 14, 2020.

Between September 23, 2019, and September 27, 2019, we conducted verification of Shin Yang's questionnaire responses.³ On October 31, 2019, we received a timely filed case brief on behalf of Independence Tube Corporation, a Nucor company, and Southland Tube, Incorporated (the petitioners).⁴ On November 5, 2019, we received a timely filed rebuttal brief on behalf of Shin Yang.⁵

III. 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.

IV. MARGIN CALCULATIONS

For the final results of this review, Commerce based the margin calculations for Shin Yang on Export Price (EP), where appropriate. We used the same methodology as stated in the *Preliminary Results*, with the exception of the following changes:

- Based on the review of Shin Yang's transactions with affiliated parties, in accordance with section 773(f)(2) of the Act (the transactions disregarded rule), we increased Shin Yang's reported costs to reflect arm's length prices, which included adjusting the market price of the input to incorporate certain expenses. *See* Comment 3.
- We adjusted Shin Yang's total cost to adjust for its non-prime merchandise. *See* Comment 5.

¹ *See Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2017-2018*, 84 FR 34337 (July 18, 2019) (*Preliminary Results*) and accompanying Preliminary Decision Memorandum (PDM).

² *See* Memorandum, "Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Extension of Deadline for Final Results of Antidumping Duty Administrative Review," dated September 19, 2019.

³ *See* Memorandum, "Verification of the Questionnaire Responses of Shin Yang Steel Co., Ltd.," dated October 23, 2019 (Verification Report).

⁴ *See* Petitioners' Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Case Brief," dated October 31, 2019 (Petitioners' Case Brief).

⁵ *See* Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Rebuttal Brief," dated November 5, 2019 (Shin Yang's Rebuttal Brief).

V. DISCUSSION OF THE ISSUES

Comment 1: Whether to Conduct Verification of Shin Yang's Cost Responses

Petitioners' Comments

- Failure to conduct a cost verification is arbitrary and contrary to the law, as the petitioners specifically requested a verification of Shin Yang. In the prior two administrative reviews, Commerce has not conducted a verification of any respondent.
- Pre-preliminary comments raised by the petitioners note significant cost issues that would have a material effect on the final margin.
- There is sufficient time for Commerce to conduct a cost verification.

Shin Yang's Rebuttal Comments

- Commerce has broad discretion to decide whether and how to verify the information submitted and use of investigative resources.
- The Court of International Trade (CIT) upheld in *Carpenter Technology Corp v. United States* that Commerce has the ability to decide whether or not to conduct a full verification of the information relevant to a respondent.⁶

Commerce's Position: Commerce continues to conclude that a cost verification is not warranted in this administrative review. On October 22, 2018, the petitioners timely requested that Commerce conduct a verification of Shin Yang's questionnaire response.⁷ In their request, the petitioners did not indicate that Commerce should specifically conduct a cost verification. On September 13, 2019, we released our verification agenda, which discussed the areas Commerce planned on verifying at Shin Yang.⁸ On September 20, 2019, the petitioners submitted pre-verification comments that urged Commerce to verify the following topics: total quantity and value for two U.S. sales invoices, section 232 duties, the extent of Shin Yang's knowledge of the date of entry and entered value of U.S. sales, product specifications in the home market and U.S. market, and a sales trace of specific sales in the home market.⁹ Except in the Petitioners' Case Brief,¹⁰ submitted on October 31, 2019, at no other point did the petitioners or any other interested party indicate on the record that Commerce should conduct a cost verification, including in the petitioners' initial request for verification.

In accordance with 19 CFR 351.307(b)(v)(A), we conducted a sales verification. We emphasize that Commerce readily accepts comments on our verification agenda, but that as outlined in 19 CFR 351.207(b)(v)(A) Commerce is granted the discretion to determine the type of verification deemed necessary for each case, in addition to the agenda set for each verification. Additionally, verification is a spot check, and Commerce has the discretion to decide what specific topics to

⁶ See *Carpenter Technology Corp v. United States*, 662 F. Supp. 2d 1337, 1347 (CIT 2009).

⁷ See Petitioners' Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Request for Verification," dated October 22, 2018.

⁸ See Commerce's Letter, "Administrative Review of the Antidumping Duty Order of Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Verification Agenda," dated September 13, 2019.

⁹ See Petitioners' Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Petitioners' Pre-Verification Comments," dated September 20, 2019.

¹⁰ See Petitioners' Case Brief.

verify. While cost-related issues raised by the petitioners were addressed in the *Preliminary Results*, in our verification agenda we sought clarity on sales related issues. Moreover, the concerns outlined in the pre-verification comments by the petitioners similarly centralized on sales concerns, and did not identify or otherwise suggest that Commerce include a cost verification. Because parties did not raise any cost-related concerns to Commerce after the issuance of the *Preliminary Results* and because Commerce did conduct a verification of the sales information it relied on to reach its final results, we find that no further verification is warranted.

Comment 2: Whether to Adjust U.S. Price to Account for Section 232 Duties

Petitioners' Comments

- Despite Shin Yang's claim of having no knowledge regarding the payment of section 232 duties for its sales of subject merchandise, apparent trends in Shin Yang's reported sales data for this POR, as well as the respondent's admission at verification to renegotiating prices for other products to account for section 232 duties, indicates that Shin Yang's reported prices did in fact account for section 232 duties.
- Shin Yang stated during verification that they adjusted prices for API pipe, non-subject merchandise, to account for section 232 duties.

Shin Yang's Comments

- No evidence on the record supports that Shin Yang's U.S. price accounted for section 232 duties.
- The petitioners further suggest that Shin Yang adjusted U.S. prices with respect to API pipe, a non-subject merchandise, and makes a speculative argument that prices were also adjusted for subject merchandise. Shin Yang sold the API pipe on a certain delivery term because this specific pipe has a higher economic value than the subject merchandise and higher selling prices.
- The two delivery terms under which subject merchandise was sold do not require Shin Yang to pay for U.S. import duties or section 232 duties.

Commerce's Position: In this case, there is no basis for Commerce to adjust Shin Yang's U.S. price for section 232 duties. In its supplemental questionnaire responses, Shin Yang consistently reported that,

Shin Yang (or any of its affiliates) is not the importer of record for its sales of subject merchandise made to the United States during the POR; thus, Shin Yang did not pay for import duties, including Section 232 duties, for its sales of subject merchandise to the United States during the POR. Nor did Shin Yang or its affiliates provide a refund of the Section 232 duties to Shin Yang's U.S. customers. The amount of the Section 232 duties which were paid on Shin Yang's sales of subject merchandise to the U.S. during the POR is unknown to Shin Yang.¹¹

¹¹ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section 232 Supplemental Response," dated March 19, 2019, at 1.

We reviewed Shin Yang's responses to the section 232 duties supplemental questionnaire at verification.¹² We noted at verification that Shin Yang was not the importer of record for its exports of subject merchandise, and thus not the party responsible for the payment of section 232 duties. Company officials explained at verification that they were not the importer of record, and thus did not receive the U.S. entry summaries and can only assume that the U.S. customer was the party who paid for the section 232 duties.¹³

Further, at verification we observed no inconsistencies with the information reported in the questionnaire responses for Shin Yang's delivery terms. Shin Yang officials reiterated that they were not the importer of record for exports to the U.S. of subject merchandise, and never received entry summaries for said merchandise.¹⁴ At verification, Shin Yang noted that before some non-subject merchandise entered the U.S. market, "section 232 duties had begun to be collected, so the company renegotiated the price with the customer to account for the additional duties."¹⁵ However, while we do find that Shin Yang adjusted its sales price for section 232 duties for non-subject merchandise, we found no such adjustment was made for subject merchandise during verification. Moreover, during verification, we confirmed that the delivery terms of the subject merchandise and non-subject merchandise were different.¹⁶ In addition, we conducted a live trace test on Shin Yang's U.S. Sales Manager's computer, where we asked him to do keyword searches in his email for "232" and specific delivery terms, and we observed that these searches did not populate any results, nor did we find evidence that Shin Yang was the importer of record.¹⁷

During verification, we also observed that, consistent with the record, all of Shin Yang's U.S. sales were export price (EP) sales.¹⁸ As explained in our initial questionnaire,

{g}enerally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated person occurs *before* the goods are imported into the United States... Commerce makes adjustments to the price to the first unaffiliated customer in calculating the export price or constructed export price. For both export price and constructed export price Commerce adds packing charges, if not already included in the price, rebated import duties, and, if applicable, certain countervailing duties. Also for both, Commerce deducts transportation costs and export taxes or duties. No other adjustments are made in calculating export price.¹⁹

¹² See Commerce's Letter, "Verification of the Questionnaire Responses of Shin Yang Steel Co., Ltd.," dated October 23, 2019 (Verification Report).

¹³ *Id.* at 5.

¹⁴ *Id.*

¹⁵ *Id.* at 7.

¹⁶ *Id.* at Exhibit 12 – Exhibit 22, *see also*, Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section A Response," dated October 30, 2018 at 16-17.

¹⁷ See Verification Report at 6.

¹⁸ *Id.* at 5.

¹⁹ See Commerce's Letter, "Initial Questionnaire," dated October 2, 2018, Appendix I at I-8.

Because the record is clear that Shin Yang is not the importer of record, and because all of its U.S. sales are EP sales, then the unaffiliated customer or unaffiliated importer would be the party responsible for paying the section 232 duties. Moreover, as explained above, normally such duties are not included in the exporter's sales price if the U.S. sales are EP, and thus would not need to be deducted in the exporter's margin calculation.²⁰ Therefore, because nothing on the record or in Commerce's methodology supports such an adjustment, we have continued to not adjust for section 232 duties from Shin Yang's reported U.S. price for these final results.

Comment 3: Whether to Adjust Shin Yang's Reported Costs for Affiliated Purchases in Accordance with the Major Input Rule

Petitioners' Comments

- In the *Preliminary Results*, Commerce adjusted Shin Yang's total cost pursuant to section 773(f)(2) of the Act (transactions disregarded rule) instead of section 773(f)(3) of the Act (major input rule), for its purchases of hot-rolled coils (HRC) from affiliated suppliers.
- The record shows that HRC is a major input, and for the final results, Commerce should apply the major input rule to Shin Yang's purchases of a major input from an affiliated supplier.
- The *Preliminary Results* analysis is flawed because Commerce commingled and compared all affiliated purchases to unaffiliated purchases. Commerce should compare the purchases from each affiliate separately, consistent with its normal practice.
- If Commerce applies the major input rule, it should make adjustments to the affiliates COP to include direct selling expenses, and should adjust the COGS denominator to exclude services.

Shin Yang's Comments

- Commerce should apply the major input rule adjustment to Shin Yang's COP. However, Commerce should not adjust its affiliates reported COP and COGS because adjusting the COP as suggested by the petitioner would be double counting and adjusting the COGS would lead to an understated value.

Commerce's Position: Consistent with our decision in the *Preliminary Results*, we continue to find that an adjustment of Shin Yang's HRC purchases from its affiliates is necessary and appropriate, pursuant to section 773(f)(2) of the Act (transactions disregarded rule). Since Shin Yang purchased HRC from its affiliated trading companies, but the HRC was not actually produced by an affiliated producer, the major input rule is not applicable.²¹ As such, the transactions disregarded rule applies to these transactions, and therefore the petitioners comments regarding adjustments pursuant to the major input rule are moot.

Commerce's established practice when the respondent purchases inputs from an affiliated reseller is to value the input based on the higher of the transfer price or the market price for the

²⁰ *Id.*

²¹ See Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances Determination: Bottom Mount Combination Refrigerator-Freezers from Mexico, 77 FR 17422 (March 26, 2012) and accompanying Issues and Decision Memorandum (IDM) at Comment 28.

input.²² For purposes of the transactions disregarded rule, when the respondent purchases inputs from an affiliated supplier, we test the transfer price between the affiliated supplier and the respondent with the available market prices for the input.²³ Available market prices may relate to a respondent's purchases of the same input directly from unaffiliated suppliers, and/or an affiliated reseller's average acquisition price plus the affiliated reseller's selling, general, and administrative (SG&A) expenses.²⁴ Further, our practice under the major input and transactions disregarded analyses is to compute such adjustments by supplier in accordance with sections 773(f)(3) and 773(f)(2) of the Act.²⁵

We increased Shin Yang's cost of HRCs purchased from its affiliates, in accordance with section 773(f)(2) of the Act (transactions disregarded). Our analysis shows that the transfer price paid by Shin Yang to its affiliated suppliers for HRC during the POR was less than the weighted-average market price. In this case, there are two available sources on the record to consider using for a market price: (1) the price Shin Yang's affiliated suppliers paid to its unaffiliated suppliers for the input, plus the affiliated suppliers' SG&A; and (2) the prices paid by Shin Yang directly to unaffiliated suppliers for HRC. Given that both market price options are a representative of market prices, for the final results, we calculated a weighted-average market price using both sources.²⁶ Consistent with the *Preliminary Results*, the weight-average per-unit market prices include Shin Yang's purchases from unaffiliated suppliers and the affiliated suppliers' acquisition cost of HRC, and for these final results, we also included SG&A expenses and financial expenses, if applicable.²⁷ Commerce continues to adjust the HRC purchased from Shin Yang's affiliated resellers in accordance with the transactions disregarded rule.

Comment 4: Whether to Make an Adjustment to Shin Yang's Reported G&A Expenses Ratio Calculation

Petitioners' Comments

- Shin Yang's general and administrative (G&A) expense ratio incorrectly includes and excludes various line items.
- Shin Yang included a certain offset in their reported costs as well as in their G&A

²² *Id.*

²³ See *Certain Carbon and Alloy Steel Cut-To-Length Plate from Belgium: Final Determination of Sales at Less Than Fair Value and Final Determination of Critical Circumstances, in Part*, 82 FR 16378 (April 4, 2017) and accompanying IDM Comment 6.

²⁴ See *Light-Walled Rectangular Pipe and Tube from Mexico: Final Results of Antidumping Duty Administrative Review; 2016-2017*, 84 FR 16646 (April 22, 2019) and accompanying IDM at Comment 5.

²⁵ See *Certain Welded Stainless Steel Pipes From the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 75 FR 27987 (May 19, 2010), and accompanying IDM at Comment 3; see also *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 54264 (September 11, 2014) and accompanying IDM at Comment 6.

²⁶ See Memorandum, "Antidumping Duty Administrative Review of Certain Circular Welded Carbon Steel Pipes and Tubes from Taiwan: Final Results Analysis Memorandum for Shin Yang Steel Co., Ltd.," dated January 14, 2020 (Final Calculation Memorandum). In the *Preliminary Results*, we did not incorporate the affiliated supplier's SG&A and financial expenses, as appropriate. We have revised our calculation of HRCs market price in line with our practice.

²⁷ *Id.* We did not include financial expenses in the calculation of the first affiliated supplier's total acquisition cost because these expenses are already captured in Shin Yang's reported costs as this first affiliated supplier and Shin Yang are both included in the first affiliated supplier's consolidated financial statements (*i.e.*, the basis for Shin Yang's reported financial expenses).

expense ratio thereby double counting this offset and inappropriately decreasing Shin Yang's reported costs.

- Commerce should also determine whether two period costs were properly included in Shin Yang's G&A expense ratio, and also consider whether to apply partial adverse facts available to Shin Yang's costs.
- The COGS denominator should be adjusted to exclude another line item that Shin Yang inappropriately reported as part of COGS.

Shin Yang's Comments

- Commerce should reject the petitioners' claims because none of the adjustments proposed are reasonable or supported by record evidence.
- The record supports Shin Yang's reporting methodology such that its G&A ratio does not need to be adjusted.

Commerce's Position: We have reviewed the record with respect to each of the offsetting items included by the petitioners in their suggested G&A expense ratio calculation for Shin Yang, and we find that Shin Yang has provided both a detailed and adequate justification for each item in both their reported cost of manufacture and their reported G&A expenses such that we are not making any adjustments to Shin Yang's reported costs.

Section 773(b)(3)(B) of the Act states that Commerce shall include "an amount for selling, general, and administrative expenses based on the actual data pertaining to the production and sales of the foreign like product by the exporter in question" for purposes of calculating the COP. However, the AD law does not prescribe a specific method for calculating the G&A or interest expense rates. When the statute is silent or ambiguous, the determination of a reasonable and appropriate method is left to the discretion of Commerce. Because there is no bright-line definition in the Act on how the G&A or interest expense rates should be calculated, Commerce has, over time, developed a consistent and predictable practice for calculating and allocating G&A and interest expenses.²⁸ This reasonable, consistent, and predictable method is to calculate the G&A and interest expense rates on a company-wide basis, and not on a divisional or product-specific basis.²⁹

As with many cost allocation issues that arise during the course of an AD proceeding, there may be more than one way to reasonably allocate the costs at issue. This is precisely why Commerce has developed a consistent and predictable approach to calculating and allocating G&A and financial costs. Commerce's normal practice of calculating the G&A and interest expense rates based on the COGS rather than COM affords consistency across cases and is not results driven. In certain instances, an unusual fact pattern may present itself where it may be appropriate to deviate from Commerce's normal practice. However, such a fact pattern does not exist in this

²⁸ See *Certain Steel Concrete Reinforcing Bars from Turkey: Final Results of Antidumping Duty Administrative Review in Part, and Determination to Revoke in Part*, 70 FR 67665 (November 8, 2005) (*Reinforcing Bars from Turkey Final*), and accompanying IDM at Comment 14.

²⁹ See *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 IDM at Comment 12.

case. Further, the COGS method recognizes the fact that G&A and financial expenses are incurred to support a range of activities within the company's overall operation. Thus, all COGS activities should be burdened with a proportional amount of G&A and financial expenses.³⁰ Shin Yang's activities indicated by the petitioners may not be directly related to the production of the merchandise under consideration. However, it is inevitable that these activities benefitted from general and financial expenditures supporting the company's overall operations during the POR. We also note that third party services were included in the cost of sales. Consequently, we have continued to use total COGS as the denominator in calculating Shin Yang's G&A and financial expense rate for the final results.

Regarding the specific adjustments requested by the petitioners, Commerce finds that no such adjustments are warranted because Shin Yang's reported costs reasonably reflect the cost to produce and sell merchandise under consideration.³¹

Comment 5: Whether to Adjust Shin Yang's COM for Non-Prime Products

Petitioners' Comments:

- Shin Yang values non-prime pipe the same as way as its prime pipe in its reported costs and includes the production of both in its calculation of the per-unit COP reported in their database.
- However, Shin Yang indicates that its non-prime products cannot be used for the same applications as the prime pipe.
- Shin Yang does not report the actual sales of non-prime or secondary merchandise in either their home market or U.S. sales databases, indicating such products are not considered merchandise under review.
- Commerce's normal practice in such cases is to allocate the difference between the sales value and COP for non-prime products to the COM for prime products.
- Commerce should increase Shin Yang's reported TOTCOM to account for the difference between the sales value and non-prime COP.

Shin Yang Rebuttal:

- Although Shin Yang's non-prime products do not meet the standard of prime quality, record evidence shows that Shin Yang's non-prime products are used as structural steel, which falls within the same general application of subject merchandise.
- Commerce should apply the same criteria used in *2016-2017 Welded Line Pipe from Korea Final* with respect to the decision of whether to make cost adjustments to prime and non-prime products.
- Shin Yang's non-prime products can be used in the same general applications as its prime subject merchandise, and Commerce should not make any adjustment to Shin Yang's prime subject merchandise costs.

Commerce's Position: Commerce finds that there is no evidence that Shin Yang's non-prime merchandise can be used for the same purpose (*i.e.*, end use) as its prime counterparts.

³⁰ See *Reinforcing Bars from Turkey Final* IDM at Comment 14.

³¹ See Final Calculation Memorandum for discussion of these proprietary adjustments.

Consequently, we are adjusting Shin Yang's reported costs to value the downgraded non-prime products at their sales price, while allocating the difference between the full production cost and market value of the non-prime products to the production costs of prime-quality steel pipes and tubes.

Commerce's practice with respect to non-prime products is to analyze the products sold as non-prime on a case-by-case basis to determine how such products are treated in the respondent's normal books and records, whether they remain in scope, and likewise whether they can still be used in the same application as the prime subject merchandise.³² Sometimes the downgrading is minor and the product remains within a product group, while at times the downgraded product differs so significantly that it no longer belongs to the same group and cannot be used for the same applications as the prime product. If the product is not capable of being used for the same applications, the product's market value is typically significantly impaired, often to a point where its full cost control cannot be recovered and assigning full costs to that product would not be reasonable. Instead of attempting to judge the relative values and qualities between grades, we have adopted the reasonable practice of looking at whether the downgraded product can still be used for the same end use applications as its prime counterparts. With this distinction in mind, we have reviewed the information on the record of this proceeding with regard to the non-prime merchandise.³³

In this proceeding, the pipes and tubes were downgraded to non-prime at various points of the production process.³⁴ Shin Yang explained that non-prime pipes and tubes do not meet the quality standards of subject merchandise, and thus cannot be deemed as prime merchandise.³⁵ As a practical matter, according to Shin Yang, customers do not attempt to use non-prime pipes and tubes which could potentially create liabilities and costs in the event of a pipe failure. Additionally, in the initial questionnaire, Shin Yang was requested to provide all of its sales of subject merchandise in the POR.³⁶ Shin Yang did not report its sales of non-prime merchandise, indicating it did not initially consider this merchandise to be subject merchandise.³⁷ Only when Commerce specifically requested these sales did Shin Yang report them.³⁸ Accordingly, we find

³² See, e.g., *Steel Concrete Reinforcing Bar from Mexico: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 82 FR 27233 (June 14, 2017), and accompanying IDM at Comment 3; *Welded Line Pipe from the Republic of Korea: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2016-2017*, 84 FR 27762 (June 14, 2019) (*Welded Line Pipe from Korea Final*), and accompanying IDM at Comment 9; and *Steel Concrete Reinforcing Bar from Turkey: Final Negative Determination of Sales at Less Than Fair Value and Final Determination of Critical Circumstances*, 79 FR 21986 (September 15, 2014) and accompanying IDM at Comment 15.

³³ See *Welded Line Pipe from Korea Final* IDM at Comment 9.

³⁴ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section A-C Supplemental Response," dated May 23, 2019 at 13.

³⁵ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section B-D Response," dated November 15, 2018, at 10.

³⁶ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section A Response," dated October 30, 2018.

³⁷ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section B-C Response," dated November 15, 2018, at Exhibit 4, 20, and 43.

³⁸ See Shin Yang's Letter, "Circular Welded Carbon Steel Pipes and Tubes from Taiwan; Section B-C Supplemental Response," dated February 11, 2019, at Exhibit 6.

there is no evidence that Shin Yang's non-prime merchandise can be used for the same end use applications as its prime counterparts.

Consequently, assigning full costs to these non-prime products does not reasonably reflect the costs associated with the production and sale of the merchandise. Therefore, for these final results, we have adjusted Shin Yang's reported costs to value the downgraded non-prime products at their sales price, while allocating the difference between the full production cost and market value of the non-prime products to the production costs of prime-quality pipes and tubes.³⁹

VI. RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions. If this recommendation is accepted, we will publish the final results of this administrative review in the *Federal Register*.



Agree

Disagree
1/14/2020

X 

Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

³⁹ See Final Calculation Memorandum for discussion of these proprietary adjustments.