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Administrative Review
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DATE: August 30, 2013

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Import Administration

FROM: Gary Taverman 
Senior Advisor
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of Certain
Corrosion-Resistant Carbon Steel Flat Products from the Republic
of Korea

SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on corrosion resistant carbon steel flat products (CORE) from the Republic of Korea (Korea). The review covers two mandatory respondents, Hyundai HYSCO (HYSCO) and Dongbu Steel Co., Ltd., (Dongbu), and five non-selected exporters or producers of the subject merchandise.¹ The period of review (POR) is August 1, 2011, through February 14, 2012. We have preliminarily found that sales of the subject merchandise have been made at prices below normal value (NV) by Dongbu during the POR. We have also preliminarily found that sales of the subject merchandise have not been made at prices below NV by HYSCO during the POR.

BACKGROUND

On August 19, 1993, the Department published the AD order on CORE from Korea.² On August 1, 2012, the Department published in the *Federal Register* a notice of opportunity to request an administrative review of the AD order of CORE from Korea for the period August 1, 2011,

¹ Non-selected respondents are Dongkuk Industries Co., Ltd., Haewon MSC Co. Ltd., LG Chem., Ltd., LG Hausys, Ltd., and Union Steel Manufacturing Co., Ltd.

² See *Antidumping Duty Orders on Certain Cold-Rolled Carbon Steel Flat Products and Certain Corrosion-Resistant Carbon Steel Flat Products from Korea*, 58 FR 44159 (August 19, 1993) (*Orders*).



through July 31, 2012.³ In response to timely requests from interested parties pursuant to 19 CFR 351.213(b)(1) and (2) to conduct an administrative review of the U.S. sales of CORE by Korean exporters or producers, the Department published a notice of initiation of administrative review for seven companies.⁴

In the *Initiation Notice*, the Department indicated that, in the event that we would limit the respondents selected for individual examination in accordance with section 777A(c)(2) of the Tariff Act of 1930, as amended (the Act), we would select mandatory respondents for individual examination based upon U.S. Customs and Border Protection (CBP) entry data.⁵ On October 19, 2012, we received comments on the issue of respondent selection from HYSCO. In its comments, HYSCO requested that the Department accept it as a mandatory respondent in the instant case.

On November 19, 2012, after considering the large number of exporters or producers involved in this administrative review, and the resources available to the Department, we determined that it was not practicable to examine all exporters and producers of subject merchandise for which a review was requested.⁶ As a result, pursuant to section 777A(c)(2)(B) of the Act, we determined that we could reasonably individually examine only the two largest exporters or producers accounting for the largest volume of CORE imported from Korea during the POR (*i.e.*, Dongbu and HYSCO). Accordingly, on November 19, 2012, we issued the Department's AD questionnaire to these two companies.

On January 14, 2013 and January 19, 2013, we received responses from Dongbu and HYSCO, respectively, to section A (*i.e.*, the section related to general information) of the questionnaire. On February 8, 2013, we received responses from Dongbu and HYSCO to sections B, C and D (*i.e.*, the sections covering comparison market, U.S. market sales, and cost of production, respectively) of the questionnaire.

In April and July, 2013, we issued supplemental sales and cost questionnaires to Dongbu, and in February and March, 2013 for HYSCO. We received responses to these questionnaires in May, June and July, 2013 from Dongbu, and in February and March, 2013 from HYSCO. On March 25, 2013, petitioner submitted deficiency comments on Dongbu's initial questionnaire response.

³ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 77 FR 45580 (August 1, 2012).

⁴ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 77 FR 59168 (September 26, 2012) (*Initiation Notice*). We initiated a review of the following companies: Dongbu Steel Co., Ltd., Dongkuk Industries Co., Ltd., Haewon MSC Co., Ltd., Hyundai HYSCO, LG Chem Ltd., LG Hausys, Ltd., and Union Steel Manufacturing Co., Ltd.

⁵ *Id.*

⁶ See Memorandum to Melissa G. Skinner, Director, Office 3, AD/CVD Operations, from Christopher Hargett, Senior International Trade Compliance Analyst, Office 3, AD/CVD Operations entitled, "Corrosion-Resistant Carbon Steel Flat Products (CORE) from Korea 2011-2012 Antidumping Duty Administrative Review: Selection of Respondents for Individual Review," dated November 19, 2012.

On April 24, 2013, we extended the preliminary results in the current review to no later than September 3, 2013.⁷ As explained in the memorandum from the Assistant Secretary for Import Administration, the Department exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29, through October 30, 2012.⁸ Thus, all deadlines in this segment of the proceeding have been extended by two days.

PERIOD OF REVIEW

The POR covered by this review is August 1, 2011, through February 14, 2012. As a result of the determination by the International Trade Commission (ITC) that revocation of this AD order would not be likely to lead to continuation or recurrence of material injury to an industry in the United States, pursuant to section 751(d)(2) of the Act, the Department revoked the AD order on CORE from Korea.⁹ Pursuant to section 751(d)(2) of the Act and 19 CFR 351.222(i)(2)(i), the effective date of revocation is February 14, 2012 (*i.e.*, the fifth anniversary of the effective date of publication in the *Federal Register* of the previous continuation of these *Orders*¹⁰). As stated in the *Revocation Notice*, the Department will complete all pending or requested administrative reviews of the order covering entries prior to February 14, 2012.¹¹ Accordingly, the period covering the instant review is abbreviated from the typical administrative review period to reflect the effective date of revocation.

SCOPE OF THE ORDER

The order covers flat-rolled carbon steel products, of rectangular shape, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating, in coils (whether or not in successively superimposed layers) and of a width of 0.5 inch or greater, or in straight lengths which, if of a thickness less than 4.75 millimeters, are of a width of 0.5 inch or greater and which measures at least 10 times the thickness or if of a thickness of 4.75 millimeters or more are of a width which exceeds 150 millimeters and measures at least twice the thickness, as currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0090, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.1000, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000,

⁷ See Memorandum to Gary Taverman, Senior Advisor for Antidumping and Countervailing Duty Operations through Melissa Skinner, Office Director, AD/CVD Operations 8, from Stephanie Moore, Case Analyst, AD/CVD Operations 8, titled “Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Extension of Time Limit for the Preliminary Results of Antidumping Duty Administrative Review,” dated April 24, 2013.

⁸ See Memorandum to the Record from Paul Piquado, AS for Import Administration, regarding “Tolling of Administrative Deadlines As a Result of the Government Closure During the Recent Hurricane,” dated October 31, 2012.

⁹ See *Corrosion-Resistant Carbon Steel Flat Products From Germany and the Republic of Korea: Revocation of Antidumping and Countervailing Duty Orders*, 78 FR 16832 (March 19, 2013) (*Revocation Notice*).

¹⁰ See *Continuation Pursuant to Second Five-Year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders: Certain Corrosion-Resistant Carbon Steel Flat Products from Germany and Korea*, 72 FR 7009 (February 14, 2007).

¹¹ See *Revocation Notice*, 78 FR at 16832.

7212.60.0000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, and 7217.90.5090. Included in the order are flat-rolled products of non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process including products which have been beveled or rounded at the edges (*i.e.*, products which have been "worked after rolling"). Excluded from the order are flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (terne plate), or both chromium and chromium oxides (tin-free steel), whether or not painted, varnished or coated with plastics or other nonmetallic substances in addition to the metallic coating. Also excluded from the order are clad products in straight lengths of 0.1875 inch or more in composite thickness and of a width which exceeds 150 millimeters and measures at least twice the thickness. Also excluded from the order are certain clad stainless flat-rolled products, which are three-layered corrosion-resistant carbon steel flat-rolled products less than 4.75 millimeters in composite thickness that consist of a carbon steel flat-rolled product clad on both sides with stainless steel in a 20%-60%-20% ratio.

These HTSUS item numbers are provided for convenience and customs purposes. The written descriptions remain dispositive.

DISCUSSION OF THE METHODOLOGY

Date of Sale

Dongbu reported the earlier of invoice date or shipment date as the date of sale for its home market and U.S. market sales. HYSCO reported the earlier of shipment date or invoice date as the date of sale in the home market.¹² HYSCO further reported date of shipment as date of sale for its U.S. sales.¹³

As stated at 19 CFR 351.401(i), the Department will use the respondent's invoice date as the date of sale unless another date better reflects the date upon which the exporter or producer established the essential terms of sale. We find it appropriate to rely on the date of sale as reported by HYSCO and Dongbu in these preliminary results.

Product Comparisons

In accordance with section 771(16) of the Act, we compared the prices of products produced by Dongbu and HYSCO and sold in the U.S. market with the prices of comparison products sold in the home market. The comparison products were either identical or most similar in terms of the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are 1) type; 2) reduction process; 3) metallic coating process; 4) clad material/coating material; 5) quality; 6) yield strength; 7) metallic coating weight; 8) minimum thickness; 9) width; 10) form; 11) temper rolling; and 12) leveling.

¹² See HYSCO's Section B Questionnaire Response, February 8, 2013, at B – 22.

¹³ See HYSCO's Section C Questionnaire Response, February 8, 2013, at C – 15 and 16.

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d), we compared constructed export price (CEP) to NV, as described in the “Constructed Export Price,” and “Normal Value” sections of this decision memorandum, to determine whether sales of subject merchandise to the United States were made at less than NV.

A. 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 CEPs or export prices (EPs) (the average-to-average or A-to-A method), unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to use the average-to-transaction (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 under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in AD investigations.¹⁴ In recent investigations, the Department applied a “differential pricing” (DP) analysis for determining whether application of A-to-T comparisons is appropriate pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹⁵ The Department finds the DP analysis used in these preliminary results and other recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.¹⁶ The Department intends to 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 DP 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

¹⁴ See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Review*; 2010-2011, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.

¹⁵ See Memoranda to Paul Piquado, Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director of AD/CVD Operations Office 4, entitled “Less Than Fair Value Investigation of Xanthan Gum from Austria: Post-Preliminary Analysis and Calculation Memorandum,” “Less than Fair Value Investigation of Xanthan Gum from the People’s Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Neimenggu Fufeng Biotechnologies Co., Ltd, (aka Inner Mongolia Fufeng Biotechnologies Co., Ltd) and Shandong Fufeng Fermentation Co., Ltd,” and “Less than Fair Value Investigation of Xanthan Gum from the People’s Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Deosen Biochemical Ltd,” all dated March 4, 2013.

¹⁶ See, e.g., *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review and New Shipper Reviews*; 2011-2012, 78 FR 40692 (July 8, 2013); *Certain Activated Carbon From the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review*; 2011-2012, 78 FR 26748 (May 8, 2013); *Certain Steel Threaded Rod From the People’s Republic of China: Preliminary Results of Antidumping Duty Administrative Review*; 2011-2012, 78 FR 21101 (April 9, 2013) (*Steel Threaded Rod*); *Polyester Staple Fiber From Taiwan: Preliminary Results of Antidumping Duty Administrative Review*; 2011-2012, 78 FR 17637 (March 22, 2013) (*Polyester Staple Fiber*).

periods.¹⁷ If such a pattern is found, then the DP 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 DP 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. For Dongbu and HYSCO, the purchasers are based on the unconsolidated customer codes as reported. Regions are defined using the reported city and state for Dongbu and the reported state for HYSCO, which 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 CEP and NV for the individual dumping margins.

In the first stage of the DP 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* test is applied 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 calculated 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 thresholds, the large threshold (*i.e.*, 0.8) 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 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 accounts for 66 percent or more of the value of total sales, then the identified pattern of CEPs 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

¹⁷ As noted above, the DP analysis has been utilized in recent investigations to determine the appropriate comparison methodology. It has also been used in several recent AD administrative reviews. *See, e.g., Steel Threaded Rod; Circular Welded Carbon Steel Pipes and Tubes From Thailand: Preliminary Results of Antidumping Duty Administrative Review*; 2011-2012, 78 FR 21105 (April 9, 2013); *Polyvinyl Alcohol From Taiwan: Preliminary Results of Antidumping Duty Administrative Review*; 2010-2012, 78 FR 20890 (April 8, 2013); and *Polyester Staple Fiber*.

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 EPs (or CEPs) that differ significantly such that an alternative comparison method should be considered, then in the second stage of the DP 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 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 DP approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. Results of the DP Analysis

For HYSCO, based on the results of the DP analysis, the Department finds that 45.80 percent of the value of HYSCO's U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department determines that the A-to-A method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the A-to-A method and an alternative method based on the A-to-T method applied to the U.S. sales which pass the Cohen's *d* test. Accordingly, the Department has determined to use the A-to-A method for all U.S. sales to calculate the weighted-average dumping margin for HYSCO.¹⁸

For Donbgu, the Department finds that 75.26 percent of the value of Donbgu's U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. Further, the Department determines that the A-to-A method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the A-to-A method and an alternative method based on the A-to-T method applied to all U.S.

¹⁸ In these preliminary results, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012). In particular, the Department compared monthly weighted-average CEPs with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

sales. Accordingly, the Department has determined to use the A-to-A method for all U.S. sales to calculate the weighted-average dumping margin for Donbgu.¹⁹

Constructed Export Price

HYSCO and Dongbu reported that each only made sales through their respective U.S. affiliates to unaffiliated customers in the United States. HYSCO's and Dongbu's respective affiliates in the United States (1) took title to the subject merchandise, and (2) invoiced and received payment from the unaffiliated U.S. customers for their sales of the subject merchandise to those U.S. customers.²⁰ Thus, the Department preliminarily determines that U.S. prices for these sales should be based on CEP under section 772(b) of the Act. Where appropriate, we made deductions from the starting price for foreign inland freight to the port, foreign brokerage, international freight, marine insurance, U.S. inland freight from the port to warehouse, U.S. warehouse expenses, U.S. inland freight from the warehouse to the unaffiliated customer, U.S. brokerage and handling expenses, U.S. customs duty, credit expenses, warranty expenses, commissions, inventory carrying costs incurred in the United States, and other indirect selling expenses in the United States associated with economic activity in the United States.²¹ Pursuant to section 772(d)(3) of the Act, we made an adjustment for CEP profit. Where appropriate, we added interest revenue to the gross unit price.

Normal Value

A. Home Market Viability as the Comparison Market

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, we compared the volume of Dongbu's and HYSCO's home market sales of the foreign like product to the volume of their U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.404(b), because the volumes of both Dongbu's and HYSCO's home market sales of the foreign like product were greater than five percent of their aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable for both companies. Consequently, we based NV on home market sales to unaffiliated purchasers made in the usual quantities in the ordinary course of trade and sales made to affiliated purchasers where we find the sales were made at arm's length, described in detail below.

B. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV based on sales at the same level of trade (LOT) as the EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).²² Substantial differences in selling activities are a necessary, but not sufficient, condition for

¹⁹ *Id.*

²⁰ See HYSCO's January 11, 2013, questionnaire response (QRA) at A – 23 and Exhibit 8; *see also* Dongbu's January 18, 2013, Section A Initial Questionnaire Response (Dongbu's IQR) at pages A-10 and A-23.

²¹ See sections 772(c)(2)(A) and 772(d)(1) of the Act.

²² See 19 CFR 351.412(c)(2).

determining that there is a difference in the stages of marketing.²³ In order to determine whether the comparison 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 (*i.e.*, customer category), and the level of selling expenses for each type of sale.

Pursuant to 19 CFR 351.412(c)(1), 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 CEP profit under section 772(d) of the Act.²⁴ Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general, and administrative (SG&A) expenses, and profit for CV, where possible.

When the Department is unable to match U.S. sales with sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, the Department may compare the U.S. sales to sales at a different LOT in the comparison market. In comparing EP or CEP sales with sales at a different LOT in the comparison market, where available data make it practicable, we make a 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 could be calculated), then the Department shall grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.²⁵

In this administrative review, we obtained information from the respondents, Dongbu and HYSCO, regarding the marketing stages involved in making the reported home market and U.S. sales, including a description of the selling activities performed by each respondent for each channel of distribution.

In the home market, Dongbu reported that it sold through two channels of distribution to unaffiliated distributors and end users, and that it provided the same selling services to all customer categories.²⁶ Since the level of selling activity was the same, we found that the home market channels of distribution constituted one LOT.

In the U.S. market, Dongbu made CEP sales through its U.S. affiliate, Dongbu USA, to unaffiliated U.S. customers, through one channel of distribution.²⁷ Dongbu provided a selling functions chart for both markets.²⁸

We compared the CEP LOT to the home market LOT and preliminarily find that the selling functions performed for sales in both markets are similar, with no significant variation across the broader categories of sales process/marketing support, inventory maintenance, and quality

²³ See *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*).

²⁴ See *Micron Technology Inc. v. United States*, 243 F.3d 1301, 1314-1315 (Fed. Cir. 2001).

²⁵ See *Plate from South Africa*, 62 FR at 61732-33.

²⁶ See Dongbu's IQR, at pages A-16 – A-20.

²⁷ *Id.*, at pages 15-21.

²⁸ *Id.*, at Exhibit A-7.

assurance/warranty services. Consequently, for Dongbu, we are matching the CEP sales to sales at the same LOT in the home market.

In the home market, HYSCO reported that it sold subject merchandise through one channel of distribution to unaffiliated distributors and both affiliated and unaffiliated end users, and provided the same selling services to all customer categories.²⁹ Since the level of selling activity was the same, we found that the home market channels of distribution constituted one LOT.

In the U.S. market, HYSCO made CEP sales through its U.S. affiliate, HHU, to unaffiliated U.S. distributors. According to HYSCO, its U.S. sales were made at one LOT.³⁰

For both Dongbu and HYSCO, we did not make an LOT adjustment under 19 CFR 351.412(e) because there was only one home market LOT for each respondent and we were unable to identify a pattern of consistent price differences attributable to differences in LOTs.³¹ NV sales for each company are at a more advanced LOT than the LOT for their respective U.S. CEP sales.³² Thus, pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f), we are preliminarily granting a CEP offset for Dongbu and HYSCO.

C. Cost of Production Analysis

For Dongbu and HYSCO, the Department disregarded certain home market sales priced below the cost of production (COP) in the last administrative review of the order completed prior to the initiation of this review.³³ Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Dongbu and HYSCO made sales of the subject merchandise in the home market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of below-cost sales by Dongbu and HYSCO.

D. 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 general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. We examined the 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 the reported data. We relied on the COP data submitted by HYSCO and Dongbu, and made no adjustments to the submitted cost data.

²⁹ See HYSCO's QRA at A-17 and 18 exhibits A-5 and A-6.

³⁰ See HYSCO's QRA at A-17 and A-18 and Exhibit A-6.

³¹ See 19 CFR 351.412(d).

³² For a detailed description of our LOT methodology and a summary of company-specific LOT findings for these preliminary results, see Memorandum from Christopher Hargett to the File titled "Sales Analysis Memorandum for the Preliminary Results – Hyundai HYSCO" (HYSCO Preliminary Results Sales Analysis Memorandum), at page 3; see also Memorandum from Stephanie Moore to the File titled "Sales Analysis Memorandum for the Preliminary Results – Dongbu Steel Ltd." (Dongbu Preliminary Results Sales Analysis Memorandum), at page 3, dated concurrently with this memorandum, and Dongbu's IQR at page A-22.

³³ See *Certain Corrosion-Resistant Carbon Steel Flat Products From the Republic of Korea: Notice of Final Results of the 2009–2010 Administrative Review and Revocation, in Part*, 77 FR 14501 (March 12, 2012).

E. Test of Home Market Prices

As required under 773(b)(2) of the Act, we compared the weighted-average of the COP for the POR to the per-unit price of the home 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 home market prices for the below cost test by subtracting from the gross unit price all applicable movement charges, direct and indirect selling expenses, and packing expenses.

F. Results of 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 the below-cost sales of that product because we determine 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 model are at prices less than the COP, we disregard the below cost sales because (1) they are 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 POR weighted average of their COP, they are 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-average cost test in these preliminary results, we have also applied our standard cost-recovery test with no adjustments.

Our cost test indicated that Dongbu and HYSCO had certain home market sales that were sold at prices below the COP within an extended period of time in substantial quantities and were at prices which would not permit the recovery of all costs within a reasonable period of time.³⁴ Thus, we have disregarded certain below-cost sales and used the remaining sales as the basis for NV, in accordance with section 773(b)(1) of the Act.

G. Calculation of Normal Value Based on Comparison Market Prices

We calculated the weighted-average NV based on prices to unaffiliated customers and those to affiliated customers that passed the arm's-length test. We also based NV on home market sales that passed the cost test. In our calculation of NV, we accounted for billing adjustments, discounts, and rebates, where appropriate. We also made deductions, where applicable, for inland freight, insurance, and handling, pursuant to section 773(a)(6)(B) of the Act. We also made adjustments for differences in circumstances of sale, in accordance with section 773(a)(6)(C)(iii) of the Act. In particular, we made circumstances-of-sale adjustments for home-market direct selling expenses, such as imputed credit expenses and warranty expenses, and certain U.S. direct selling expenses, including commissions and warranty expenses. For Dongbu and HYSCO, home-market warranty expenses are based on the reported expenses.³⁵ Finally, we

³⁴ See HYSCO Preliminary Sales Analysis Memo at 3, and Dongbu Preliminary Sales Analysis Memo at 3.

³⁵ See Dongbu's QRB at 47, and HYSCO Preliminary Sales Analysis Memo at 5.

deducted home market packing costs and added U.S. packing costs in accordance with sections 773(a)(6)(A) and (B) of the Act.³⁶

Currency Conversion

For purposes of these preliminary results, we made currency conversions in accordance with section 773A(a) of the Act, based on the official exchange rates published by the Federal Reserve Bank.³⁷

Recommendation

We recommend applying the above methodology for these preliminary results.

Agree ✓ Disagree

Paul Piquado
Paul Piquado
Assistant Secretary
for Import Administration

20 August 2013
(date)

³⁶ For more detailed information on the calculation of NV, *see* the "Normal Value" section of HYSCO Preliminary Sales Analysis Memo and Dongbu Preliminary Sales Analysis.

³⁷ *Id.*