




A-580-809

Administrative Review  
POR 11/01/11-10/31/12  
Public Document  
Office 1: Team

December 18, 2013

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

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

SUBJECT: Decision Memorandum for the Preliminary Results of  
Antidumping Duty Administrative Review: Circular Welded Non-  
Alloy Steel Pipe from the Republic of Korea

## SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on circular welded non-alloy steel pipe (CWP) from the Republic of Korea (Korea). The review covers eight producers or exporters of the subject merchandise, of which Husteel Co., Ltd. (Husteel) and Hyundai HYSCO (HYSCO) were selected for examination. The period of review (POR) is November 1, 2011, through October 31, 2012. We are rescinding the review with respect to the six other companies. We preliminarily determine that HYSCO made sales of the subject merchandise at prices below normal value (NV) during this POR, and that Husteel did not. We are rescinding this review for the other six companies.

## BACKGROUND

On November 2, 1992, the Department published an AD order on CWP from Korea.<sup>1</sup> On November 30, 2012, Wheatland Tube Company (Wheatland), a domestic producer of circular welded pipe, requested a review of subject merchandise sales made by SeAH Steel Corporation (SeAH Steel), HYSCO, Husteel, Dongbu Steel Co., Ltd. (Dongbu Steel), and Union Steel Co., Ltd. On the same day, United States Steel Corporation (U.S. Steel) requested a review of sales of subject merchandise made by SeAH Steel, Dongbu Steel, HYSCO, Husteel, Nexteel Co., Ltd., Kumkang Industrial Co., Ltd., and A-JU Besteel Co., Ltd. Also on the same day, HYSCO and Husteel requested a review of their respective sales of subject merchandise.

<sup>1</sup> See Notice of Antidumping Duty Orders: Certain Circular Welded Non-Alloy Steel Pipe from Brazil, the Republic of Korea (Korea), Mexico, and Venezuela, and Amendment to Final Determination of Sales at Less Than Fair Value: Certain Circular Welded Non-Alloy Steel Pipe from Korea, 57 FR 49453 (November 2, 1992).



On December 31, 2012, we initiated this administrative review.<sup>2</sup> In our *Initiation Notice*, we indicated that we would select respondents for individual examination based upon U.S. Customs and Border Protection (CBP) data, and that we would limit the respondents selected for individual review in accordance with section 777A(c)(2) of the Tariff Act of 1930, as amended (the Act).<sup>3</sup> On January 8, 2013, we released CBP data for comment by interested parties regarding our selection of respondents for individual examination. On January 16, 2013, we received comments on the issue of respondent selection from HYSCO.

After considering the resources available to us and determining that it was not practicable to examine all producers and exporters of subject merchandise for which a review was requested, we selected the two largest producers or exporters of CWP from Korea during the POR for individual examination in this review pursuant to section 777A(c)(2)(B) of the Act. These mandatory respondents are Husteel and HYSCO.<sup>4</sup>

On March 27 and 29, 2013, U.S. Steel and Wheatland timely withdrew their requests for review of all companies for which they had requested a review except for Husteel and HYSCO. On April 10, 2013, Wheatland timely submitted a request for verification for Husteel and HYSCO.

On June 24, 2013, the Department extended the due date for the preliminary results of this review to December 2, 2013.<sup>5</sup> As explained in the memorandum from the Assistant Secretary for Enforcement and Compliance, the Department has exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 1, through October 16, 2013.<sup>6</sup> Therefore, all deadlines in this segment of the proceeding have been extended by 16 days. If the new deadline falls on a non-business day, in accordance with the Department's practice, the deadline will become the next business day. The revised deadline for the preliminary results of this review is now December 18, 2013.

The Department conducted a verification of HYSCO's sales questionnaire responses from September 23, 2013, to September 27, 2013, at HYSCO's office in Seoul, Korea and from November 21, 2013, to November 23, 2013, at Hyundai HYSCO U.S.A. (HHU), HYSCO's wholly-owned U.S. affiliate, in Houston, Texas. We also conducted a verification of HYSCO's and Husteel's respective cost questionnaire responses from November 4-8, 2013 and November 11-15, 2013, respectively in Seoul, Korea.<sup>7</sup>

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<sup>2</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 77 FR 77017 (December 31, 2012) (*Initiation Notice*).

<sup>3</sup> See *Initiation Notice*.

<sup>4</sup> See the January 31, 2013 memorandum to Susan H. Kuhbach entitled "Respondent Selection."

<sup>5</sup> The 120 day extension of time limit fell on November 30, 2013, which is a Saturday. It is the Department's long-standing practice to issue a determination the next business day when the statutory deadline falls on a weekend, a federal holiday, or any other day when the Department is closed. See *Notice of Clarification: Application of "Next Business Day" Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended*, 70 FR 24533 (May 10, 2005). Accordingly, the revised deadline for the preliminary results of this review was December 2, 2013. See the memorandum entitled "Administrative Review of the Antidumping Duty Order on Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Extension of Deadline for Preliminary Results" dated June 24, 2013.

<sup>6</sup> See Memorandum for the Record from Paul Piquado, Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Shutdown of the Federal Government" (October 18, 2013).

<sup>7</sup> See Memoranda to the File, re: Cost Verification Reports of Husteel and HYSCO, dated December 18, 2013.

## SCOPE OF ORDER

The merchandise subject to the order is circular welded non-alloy steel pipe and tube, of circular cross-section, not more than 406.4mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, galvanized, or painted), or end finish (plain end, beveled end, threaded, or threaded and coupled). These pipes and tubes are generally known as standard pipes and tubes and are intended for the low-pressure conveyance of water, steam, natural gas, air, and other liquids and gases in plumbing and heating systems, air-conditioning units, automatic sprinkler systems, and other related uses. Standard pipe may also be used for light load-bearing applications, such as for fence tubing, and as structural pipe tubing used for framing and as support members for reconstruction or load-bearing purposes in the construction, shipbuilding, trucking, farm equipment, and other related industries. Unfinished conduit pipe is also included in the order.

All carbon-steel pipes and tubes within the physical description outlined above are included within the scope of the order except line pipe, oil-country tubular goods, boiler tubing, mechanical tubing, pipe and tube hollows for redraws, finished scaffolding, and finished conduit.<sup>8</sup>

Imports of these products are currently classifiable under the following Harmonized Tariff Schedule of the United States (HTSUS) numbers: 7306.30.1000, 7306.30.5025, 7306.30.5032, 7306.30.5040, 7306.30.5055, 7306.30.5085, and 7306.30.5090. Although the HTSUS numbers are provided for convenience and customs purposes, our written description of the scope of the order is dispositive.

## DISCUSSION OF THE METHODOLOGY

### Comparisons to Normal Value

Pursuant to section 773(a)(1)(B)(ii) of the Act and 19 CFR 351.414(c)(1) and (d), we compared the constructed export price (CEP) to NV as described in the “Constructed Export Price” and “Normal Value” sections of this decision memorandum, to determine whether Husteel’s and HYSCO’s sales of CWP from Korea were made in the United States 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 prices (EPs) (the average-to-average 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-

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<sup>8</sup> See *Final Negative Determination of Scope Inquiry on Certain Circular Welded Non-Alloy Steel Pipe and Tube From Brazil, the Republic of Korea, Mexico, and Venezuela*, 61 FR 11608 (March 21, 1996). In accordance with this determination, pipe certified to the API 5L line-pipe specification and pipe certified to both the API 5L line-pipe specifications and the less-stringent ASTM A-53 standard-pipe specifications, which falls within the physical parameters as outlined above, and entered as line pipe of a kind used for oil and gas pipelines is outside of the scope of the AD order.

transaction method as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern 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.<sup>9</sup> In recent investigations, the Department applied a "differential pricing" analysis to determine whether application of average-to-transaction 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.<sup>10</sup> The Department finds that the differential pricing 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. 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 average-to-average 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 average-to-average 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 customer codes. Regions are defined using the reported zip codes 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 CEP (or EP) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* 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 has 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

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<sup>9</sup> 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.

<sup>10</sup> See *Frontseating Service Valves From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011–2012*, 78 FR 27954 (May 13, 2013); see also *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).

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 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 passed the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

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

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of CEPs (or EPs) 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 average-to-average 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 average-to-average method only. If the difference between the two calculations is meaningful, this demonstrates that the average-to-average 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 average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or 2) the resulting weighted-average dumping 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.

#### B. Results of the Differential Pricing Analysis

For HYSCO, based on the results of the differential pricing analysis, the Department finds that 71.55 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 average-to-average method cannot appropriately account for such differences because the resulting weighted average dumping margins move across the *de minimis* threshold when calculated using the average-to-average method and the alternative method based on the average-to-transaction method applied to all U.S. sales. Accordingly, the Department has determined to use the average-to-transaction method for all U.S. sales to calculate the weighted-average dumping margin for HYSCO.

For Husteel, the Department find that 42.93 percent of the value of Husteel'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 average-to-average method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when calculated using the average-to-average method and an alternative method based on the average-to-transaction method applied to the U.S. sales which pass the Cohen's *d* test. Accordingly, the Department has determined to use the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Husteel.

#### Product Comparisons

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 above, that were in the ordinary course of trade, for purposes of determining appropriate product comparisons to U.S. sales.

In accordance with section 771(16) of the Act, we compared products produced by Husteel and HYSCO and sold in the U.S. and home markets on the basis of the comparison product which was 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) grade; 2) nominal pipe size; 3) wall thickness; 4) surface finish; and 5) end-finish.

#### Treatment of Grade as a Physical Characteristic

Consistent with past segments of this proceeding, we instructed parties to report product categories (*e.g.*, pressure ordinary, structural) rather than the actual industry specification and grade combinations (*e.g.*, ASTM A53, grade A) under the "grade" physical characteristic.<sup>11</sup> We note that parties in past segments of this proceeding have raised issues related to determining in which category a particular specification and grade combination should fall, with parties debating whether there are differences between the product in question and other specification and grade combinations in a particular product category. In the 2010-2011 review, U.S. Steel argued that the Department established physical characteristics with structural applications under a single product category, and that HYSCO provided no explanation as to why it had divided the structural pipe category into three separate product categories. Although we did not change how

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<sup>11</sup> See *Circular Welded Non-Alloy Steel Pipe from the Republic of Korea*, Section B questionnaire response at 9 and Section C questionnaire response at 6.

the “grade” physical characteristic should be reported in that review, we noted that we intended to address this issue in future reviews.

In many other circular welded pipe proceedings, the Department instructs parties to report the actual industrial specification and grade combinations for the “grade” physical characteristic rather than product categories. In the Department’s experience, products in different specification and grade combinations are often not identical, but they have differences (*e.g.*, in chemical and physical properties, production methods, testing requirements, *etc.*). We note that reporting the actual industrial specification and grade combination will allow us to take into consideration the differences between different specifications and grade combinations that is not possible if two specifications and grade combinations are in the same product category but are not absolutely identical.

Therefore, the Department is giving notice in these preliminary results that we intend to change the reporting of this physical characteristic for the next review, which is scheduled to be initiated in December 2013. Specifically, we intend to instruct parties to report the actual industry specification and grade combinations of pipe rather than product categories under the “grade” physical characteristic. In that review, we will solicit comments on the weightings of each specification and grade combination for use in determining the most appropriate comparison model for U.S. sales.

#### Level of Trade/CEP Offset

To the extent practicable, we determine NV for sales at the same level of trade as the U.S. sales.<sup>12</sup> When there are no sales at the same level of trade, we compare U.S. sales to comparison market sales at a different level of trade. The NV level of trade is that of the starting price sales in the comparison market. For CEP, the level of trade is that of the constructed sale from the exporter to the affiliated importer. To determine whether comparison market sales are at a different level of trade than U.S. sales for each of the selected respondents in this review, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

#### *Husteel*

Husteel reported two types of customers in the comparison market: distributors and end-users. The selling activities associated with the two types of customers did not differ. Therefore, we consider the two reported channels of distribution to constitute one level of trade. In the U.S. market, Husteel reported CEP sales to distributors only; therefore, we considered the CEP to constitute only one level of trade. We compared the selling activities reported by Husteel at the CEP level of trade with its selling activities at the comparison market level of trade. We found that sales at the CEP level involved no price negotiations or meetings with customers and less invoicing and personnel management compared to the sales in the comparison market. Therefore, we considered the comparison market sales to be at a different level of trade and at a more advanced stage of distribution than the CEP level of trade.

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<sup>12</sup> See section 773(a)(1)(B)(i) of the Act and 19 CFR 351.412.

Because the comparison market level of trade was different from the CEP level of trade, we could not match to sales at the same level of trade in the comparison market. Moreover, because the CEP level of trade did not exist in the comparison market, there is no basis for a level of trade adjustment. Therefore, for Husteel's CEP sales, we made a CEP offset adjustment in accordance with section 773(a)(7)(B) of the Act. The CEP offset adjustment to NV is subject to a cap, which is calculated as the sum of comparison market indirect selling expenses up to the amount of U.S. indirect selling expenses deducted from CEP.

### *HYSCO*

HYSCO also reported two types of customers in the comparison market: distributors and end-users. The selling activities associated with the two types of customers did not differ. Therefore, we consider the two reported channels of distribution to constitute one level of trade. In the U.S. market, HYSCO reported CEP sales through two channels of distribution: (1) sales to affiliate Hyundai HYSCO USA, Inc., which in turn sold the merchandise to unaffiliated customers in the United States; and (2) sales through another party to unaffiliated U.S. customers. The selling activities associated with these two channels did not differ. Therefore, we considered the CEP to constitute one level of trade. We compared the selling activities at the CEP level of trade with the selling activities at the comparison market level of trade and found, after deducting selling functions corresponding to economic activities in the United States, that sales at the CEP level involved no sales forecasting, strategic and economic planning, personnel training and exchange, advertising, sales promotion, sales and marketing support, market research, or technical assistance. Therefore, we considered the comparison market sales to be at a different level of trade and at a more advanced stage of distribution than the CEP level of trade.

Because the comparison market level of trade was different from the CEP level of trade, we could not match to sales at the same level of trade in the comparison market. Moreover, because the CEP level of trade did not exist in the home market, there is no basis for a level of trade adjustment. Therefore, for HYSCO's CEP sales, we made a CEP offset adjustment in accordance with section 773(a)(7)(B) of the Act. The CEP offset adjustment to NV is subject to a cap, which is calculated as the sum of home market indirect selling expenses up to the amount of U.S. indirect selling expenses deducted from CEP.

### Constructed Export Price

In accordance with section 772(b) of the Act, CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise, or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter.

### *Husteel*

For purposes of this review, Husteel classified all of its sales of CWP to the United States as CEP sales. During the POR, Husteel made sales in the United States through its U.S. affiliate, Husteel USA Inc., which then resold the merchandise to unaffiliated customers in the United States. We calculated CEP based on the packed, delivered prices to unaffiliated purchasers in



the United States. We adjusted these prices for movement expenses, including foreign inland freight, international freight, marine insurance, foreign and U.S. brokerage and handling, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(d)(1) of the Act, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including imputed credit expenses, warranty expenses, and indirect selling expenses. We also made an adjustment for profit in accordance with section 772(d)(3) of the Act.<sup>13</sup>

### *HYSCO*

For purposes of this review, HYSCO classified all of its sales of CWP to the United States as CEP sales. During the POR, HYSCO made sales in the United States through its U.S. subsidiary Hyundai HYSCO USA Inc. (HHU) and a second affiliated party, which then resold the merchandise to unaffiliated U.S. customers. We calculated CEP based on the packed, delivered price to unaffiliated purchasers in the United States. We adjusted these prices for movement expenses, including foreign and U.S. inland freight, international freight, marine insurance, foreign and U.S. brokerage and handling, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act. As a result of verification findings, we adjusted HHU's indirect selling expenses and credit expenses.<sup>14</sup>

In accordance with section 772(d)(1) of the Act, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including U.S. commissions, imputed credit expenses, and indirect selling expenses. We also made an adjustment for profit in accordance with section 772(d)(3) of the Act.<sup>15</sup>

### Date of Sale

The Department normally 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, but may use a date other than the invoice date if the Department is satisfied that a different date better reflects the date on which the material terms of sale are established.<sup>16</sup>

### *Husteel*

For its comparison market sales, Husteel has reported the date of shipment on its shipping invoice as the date of sale. Husteel explained that it issues the shipment invoice at the time of shipment and considers the shipment date as the date of sale. For its U.S. sales, Husteel reported the earlier of the date of shipment from Korea or the date of its U.S. affiliate Husteel USA's invoice to the unaffiliated U.S. customer as the date of sale. Husteel explained that the price and quantity are subject to change until invoicing and shipment of the merchandise. We are relying on the sale dates reported by Husteel for both the comparison and U.S. market sales.

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<sup>13</sup> See the Husteel preliminary calculation memorandum, dated concurrently with this memorandum.

<sup>14</sup> See the HYSCO preliminary analysis memorandum, dated concurrently with this memorandum.

<sup>15</sup> *Id.*

<sup>16</sup> See 19 CFR 351.401(i).

## HYSCO

For its comparison market sales, HYSCO reported the date of sale as the earlier of the date of shipment from HYSCO's factory or the date on which HYSCO issued its tax and commercial invoice. HYSCO noted that quantity can change up until shipment from HYSCO's factory and the negotiations may continue until HYSCO's issuance of its tax and commercial invoice.

For its U.S. sales, the record evidence shows that the material terms of sale can and do change up until shipment date. HYSCO has provided examples of changes to quantity between the purchase order date and the shipment date that were outside of the tolerance stated on HYSCO's offer sheet to its affiliates on a line-item basis. HYSCO has shown how it can and does change the quantity outside the tolerance for specific line items within the order. HYSCO has shown that when it codes each sale into its accounting system, it codes the quantity tolerance next to each line item. At verification, HYSCO also provided us with communication from the final customer giving approval for an overage on a purchase order. Because record evidence for HYSCO indicates that the quantity ordered was subject to change and, in some instances, did change beyond the specified line-item quantity tolerance between the purchase order date and the shipment date, and the shipment date precedes the sales invoice date, we find it appropriate to use the shipment date as the date of sale.

### Normal Value

#### A. Selection of Comparison Market

To determine whether there was a sufficient volume of sales in Korea to serve as a viable basis for calculating NV, we compared Husteel's and HYSCO's volume of home market sales of the foreign like product to each respondent's respective U.S. sales volumes, in accordance with section 773(a)(1)(B) of the Act. Because the volume of home market sales of the foreign like product exceeded five percent of each respondent's aggregate U.S. sales volumes of the subject merchandise, we preliminarily determine that the home market was viable for comparison purposes for each of these respondents.

#### B. Affiliated Party Transactions and Arm's Length Test

HYSCO reported sales of the foreign like product to affiliated and unaffiliated customers in the comparison market. The Department calculates 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 producer or exporter, *i.e.*, sales at "arm's length."<sup>17</sup> To test whether the sales to affiliates were made at arm's length prices, we compared on a model-specific basis, the starting prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, and packing. In accordance with the Department's current practice, if the prices charged to an affiliated party were, on average, between 98 and 102 percent of the prices charged to unaffiliated parties for merchandise identical or most similar to that sold to the affiliated party, we considered the sales to be at arm's length and included such

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<sup>17</sup> See 19 CFR 351.403(c).

sales in the calculation of NV.<sup>18</sup> Conversely, where sales to the affiliated party did not pass the arm's length test, all sales to that affiliated party were excluded from the NV calculation.<sup>19</sup>

### C. Cost of Production

The Department disregarded sales below the cost of production (COP) in the last completed reviews in which we examined Husteel and HYSCO individually.<sup>20</sup> Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Husteel and HYSCO both made sales of the subject merchandise in their comparison 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 sales by Husteel and HYSCO.

#### 1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for selling, general and administrative (SG&A) expenses, in accordance with section 773(b)(3) of the Act.

Except as noted below, we relied on the COP data submitted by Husteel and HYSCO in their questionnaire responses for the COP calculation.

We revised Husteel's general and administrative expense rate to incorporate the minor corrections submitted on the first day of the cost verification.<sup>21</sup> We adjusted HYSCO's reported total general and administrative expenses to include antitrust penalties levied as a result of litigation filed by the Korean Fair Trade Commission (KFTC).<sup>22</sup>

Based on our review of the record evidence, neither HYSCO nor Husteel appeared to experience significant changes in the cost of manufacturing during the POR. Therefore, we followed our normal methodology of calculating an annual weighted-average cost.

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<sup>18</sup> *Id.*

<sup>19</sup> See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69194 (November 15, 2002).

<sup>20</sup> See *Circular Welded Non-Alloy Steel Pipe From the Republic of Korea: Final Results of the Antidumping Duty Administrative Review*, 76 FR 36089 (June 11, 2011), and *Circular Welded Non-Alloy Steel Pipe From the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 77 FR 34344 (June 11, 2012), respectively.

<sup>21</sup> See the memorandum from Heidi K. Schriefer to Neal M. Halper entitled "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Husteel Co., Ltd.," dated concurrently with this memorandum.

<sup>22</sup> See the memorandum from Robert Greger to Neal M. Halper entitled "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Hyundai HYSCO," dated concurrently with this memorandum.

## 2. Test of Comparison Market Sales Prices

As required under section 773(b)(2) of the Act, we compared the weighted average of the COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We determined the net comparison market prices for the below cost test by subtracting from the gross unit price any applicable movement charges, discounts, rebates, billing adjustments, direct and indirect selling expenses, and packing 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 disregarded no below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a given model 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.

Our cost test for Husteel and HYSCO indicated that for comparison 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 have disregarded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.

### D. Constructed Value

In accordance with section 773(e) of the Act, we calculated CV based on the sum of Husteel's and HYSCO'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. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by the respondents in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the comparison market.

### E. Calculation of Normal Value Based on Comparison Market Prices

For those comparison products for which there were an appropriate number of sales at prices above the COP for Husteel and HYSCO, we based NV on comparison market prices. We calculated NV based on packed prices of sales to unaffiliated customers in Korea and prices of sales to affiliated customers which were determined to be at arm's length. See the "Affiliated Party Transactions and Arm's Length Test" section above. We adjusted the starting price for

billing adjustments (HYSCO only), interest revenue (HYSCO only), discounts (Husteel only), foreign inland freight, and warehousing (HYSCO only), pursuant to section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale (for imputed credit expenses and warranty expenses (HYSCO only)), in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise.<sup>23</sup>

#### Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

#### **RECOMMENDATION**

We recommend applying the above methodology for these preliminary results.

✓

\_\_\_\_\_  
Agree

\_\_\_\_\_  
Disagree

Ronald K. Lorentzen

Ronald K. Lorentzen  
Acting Assistant Secretary  
for Enforcement and Compliance

December 18, 2013

(Date)

<sup>23</sup> See 19 CFR 351.411(b).