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Administrative Review  
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November 28, 2014

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

FROM: Gary Taverman **AT**  
Associate Deputy Assistant Secretary  
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: 2012-2013

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## 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 or subject merchandise) 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, 2012, through October 31, 2013. We preliminarily determine that Husteel and HYSCO made sales of the subject merchandise at prices below normal value (NV) during this POR. Based on timely withdrawal of requests for review, we are rescinding this review for the six other companies.

## BACKGROUND

On November 2, 1992, the Department published an AD order on CWP from Korea.<sup>1</sup> HYSCO requested a review of its sales of subject merchandise.<sup>2</sup> Wheatland Tube Company (Wheatland), a domestic producer of CWP, timely 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.<sup>3</sup> United States Steel Corporation (U.S. Steel), a domestic producer of CWP also requested a review of sales of subject merchandise made by SeAH Steel,

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<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).

<sup>2</sup> See Letter to the Department, "Twenty-First Administrative Review of Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea Request for Administrative Review," (November 27, 2013).

<sup>3</sup> See Letter to the Department, "Circular Welded Non-Alloy Steel Pipe From the Republic of Korea Request for Administrative Review," (December 2, 2013).



Dongbu Steel, HYSCO, Husteel, Nexteel Co., Ltd., Kumkang Industrial Co., Ltd., and A-JU Besteel Co., Ltd.<sup>4</sup>

On December 30, 2013, the Department initiated this administrative review.<sup>5</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>6</sup> On January 9, 2014, we released CBP data for comment by interested parties regarding our selection of respondents for individual examination.<sup>7</sup> On January 22, 2014, we received comments regarding respondent selection from SeAH Steel, HYSCO, and Wheatland.

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 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>8</sup>

On January 29, 2014, Wheatland submitted a request for a duty absorption determination for a number of producers or exporters subject to this review, including Husteel and HYSCO.<sup>9</sup> The Court of Appeals for the Federal Circuit found that the Department lacks authority to conduct two-and four-year duty absorption inquiries for transitional orders (orders in effect before January 1, 1995).<sup>10</sup> Because the order on CWP from Korea was issued in 1992, we have not conducted a duty absorption inquiry in the context of this administrative review.

On March 31, 2014, 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.<sup>11</sup> On April 9, 2014, Wheatland timely submitted a request for verification for Husteel and HYSCO.<sup>12</sup>

On April 17, 2014, the Department sent initial questionnaires to both Husteel and HYSCO.<sup>13</sup> The respondents submitted timely initial questionnaire responses to Section A on May 22,

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<sup>4</sup> See Letter to the Department, “Circular Welded Non-Alloy Steel Pipe from Korea: Administrative Review Request,” (December 2, 2013).

<sup>5</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 79392 (December 30, 2013) (*Initiation Notice*).

<sup>6</sup> See *Initiation Notice* at 79392.

<sup>7</sup> The Department completed the release of CBP data on January 15, 2014. See Memorandum to the File, “Release of Customs and Border Protection (CBP) Data,” (January 15, 2014).

<sup>8</sup> See Memorandum to Thomas Gilgunn, Office Director, AD/CVD Operation, “Respondent Selection: Antidumping Duty Administrative Review: Circular Welded Non-Alloy Steel Pipe from the Republic of Korea,” (March 20, 2014) (Respondent Selection).

<sup>9</sup> See Letter from Wheatland, “Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Request for Duty Absorption Determination,” (January 29, 2014).

<sup>10</sup> See *FAG Italia S.p.A. v. United States*, 291 F.3d 806, 819 (Fed. Cir. 2002).

<sup>11</sup> See Letter from Wheatland, “Circular Welded Non-Alloy Steel Pipe from Republic of Korea/Partial Withdrawal of Request for Administrative Review,” (March 31, 2014); see also Letter from U.S. Steel, “Circular Welded Non-Alloy Steel Pipe from Korea,” (March 31, 2014).

<sup>12</sup> See “Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Request for Verification,” (April 9, 2014).

2014.<sup>14</sup> Husteel and HYSCO timely submitted initial questionnaire responses to Section B-D on June 24, 2014, and June 27, 2014, respectively.<sup>15</sup> Wheatland submitted factual information to rebut Husteel's IQR B-D and HYSCO's IQR B-D.<sup>16</sup> Wheatland submitted additional comments on Husteel's and HYSCO's questionnaire responses.<sup>17</sup> The Department sent Husteel supplemental questionnaires for Sections A-C and Section D and received timely responses on September 19, 2014, and October 14, 2014, respectively. Wheatland submitted comments and factual information to rebut Husteel's and HYSCO's supplemental questionnaire responses.<sup>18</sup> The Department sent Husteel a second supplemental questionnaire for Sections A-C and received a timely response on November 12, 2014.<sup>19</sup> The Department sent HYSCO second and third supplemental questionnaires for sections A-D and received timely responses on November 14, 2014. Wheatland submitted pre-preliminary comments on both Husteel and HYSCO.<sup>20</sup> HYSCO responded to Wheatland's comments.<sup>21</sup>

On July 11, 2014, the Department extended the due date for the preliminary results of this review to December 1, 2014. In the prior administrative review of this order, the Department gave notice of its intention to change the reporting of the physical characteristics for model matching purposes.<sup>22</sup> The initial questionnaire sent to respondents included this change and requested

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<sup>13</sup> See Letters from the Department to Husteel and HYSCO, "Initial Questionnaire" (April 17, 2014) (initial questionnaire).

<sup>14</sup> See Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-590-809: Section A Questionnaire Response," (May 22, 2014) (Husteel's IQR-A), and see Letter from HYSCO, "Twenty-First Administrative Review of Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Section A Questionnaire Response," (May 22, 2014) (HYSCO's IQR-A).

<sup>15</sup> See Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-590-809: Sections B-D Questionnaire Response," (June 24, 2014) (Husteel's IQR B-D) and see Letter from HYSCO, "Twenty-First Administrative Review of Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Sections B-D Questionnaire Response," (June 27, 2014) (HYSCO's IQR B-D).

<sup>16</sup> See Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Petitioner's Submission Of Rebuttal Factual Information," (July 8, 2014) (Petitioner Husteel B-D Factual Info) and see Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Petitioner's Submission Of Rebuttal Factual Information," (July 11, 2014) (Petitioner HYSCO B-D Factual Info).

<sup>17</sup> See Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Comments Regarding the Questionnaire Responses of Husteel," (August 8, 2014) (Petitioner Husteel IQR Comments); see also Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Comments Regarding the Questionnaire Responses of HYSCO," (August 18, 2014) (Petitioner HYSCO IQR Comments).

<sup>18</sup> See Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Petitioner's Comments On Husteel's Supplemental Section A-C Questionnaire Response And Submission of Rebuttal Factual Information," (September 22, 2014); see also Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Petitioner's Submission Of Factual Information To Clarify Responses Of Hyundai Steel and Hyundai HYSCO," (October 20, 2014) (Petitioner HYSCO Factual Info Comments).

<sup>19</sup> See Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-580-809: Response to Supplemental Questionnaire," (November 12, 2014) (Husteel SQR2).

<sup>20</sup> See Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Pre-Preliminary Comments Regarding Husteel," (October 31, 2014), see also Letter from Wheatland, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Pre-Preliminary Comments Regarding Hysco," (October 31, 2014).

<sup>21</sup> See Letter from HYSCO, "Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Response to Petitioner's October 31, 2014 Pre-Preliminary Comments," (November 13, 2014) (HYSCO Rebuttal Pre-Prelim Comments).

<sup>22</sup> See *Circular Welded Non-Alloy Steel Pipe From the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review; 2011- 2012*, 78 FR 78336 (December 26, 2013) and accompanying Preliminary Decision Memorandum at 6-7 (Prelim Results 2011-2012).

respondents report sales based on physical characteristics. Wheatland submitted comments regarding this reporting.<sup>23</sup> HYSCO and Husteel both submitted rebuttal comments.<sup>24</sup>

## 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 406.4 millimeters (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>25</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.

## RESCISSION OF REVIEW IN PART

In accordance with 19 CFR 351.213(d)(1), the Department will rescind an administrative review in part “if a party that requested a review withdraws the request within 90 days of the date of publication of notice of initiation of the requested review.” Subsequent to the initiation of the review, we received timely withdrawals of the requests we had received for the review of SeAH

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<sup>23</sup> See Letter from Wheatland, “Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Comments Regarding Model Matching,” (October 15, 2014) (Petitioner’s Model Matching Comments).

<sup>24</sup> See Letter from HYSCO, “Twenty-First Administrative Review of Circular Welded Non-Alloy Steel Pipe from Republic of Korea: Rebuttal Comments Regarding Model Matching,” (October 28, 2014) (HYSCO Rebuttal Model Matching Comments) *see also* Letter from Husteel, “Circular Welded Non-Alloy Steel Pipe from Republic of Korea: 11/1/2012-10/31/2013 Administrative Review, Case No. A-580-809: Rebuttal Comments Regarding Model Matching,” (October 29, 2014) (Husteel Rebuttal Model Matching Comments).

<sup>25</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.

Steel, Dongbu Steel, Union Steel, Nexteel, Kumkang, and Besteel.<sup>26</sup> Because all requests for review of these companies have been timely withdrawn, we are rescinding the review with respect to SeAH Steel, Dongbu Steel, Union Steel, Nexteel, Kumkang, and Besteel, in accordance with 19 CFR 351.213(d)(1).

## DISCUSSION OF THE METHODOLOGY

### Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), we compared the constructed export price (CEP) to Normal Value (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(b)(1) and (c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) (or CEPs) (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-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 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 analogous to the issue in antidumping duty investigations.<sup>27</sup> In recent investigations, pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act, the Department has applied a “differential pricing” analysis to determine whether application of average-to-transaction comparisons is appropriate in a particular situation.<sup>28</sup> The Department finds that the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, as well as 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.

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<sup>26</sup> See Letter from Wheatland, “Circular Welded Non-Alloy Steel Pipe from Republic of Korea/Partial Withdrawal of Request for Administrative Review,” (March 31, 2014); see also Letter from U.S. Steel, “Circular Welded Non-Alloy Steel Pipe from Korea,” (March 31, 2014).

<sup>27</sup> See *Ball Bearings and Parts Thereof From France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (Dec. 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>28</sup> See, e.g., *Xanthan Gum From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013), and the accompanying Issues and Decision Memorandum at Comment 3; and *Hardwood and Decorative Plywood From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (Sept. 23, 2013), and the accompanying Issues and Decision Memorandum at Comment 3.

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 destination codes (*i.e.*, 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 EP (or CEP) 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 have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the net prices to a particular purchaser, region or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these 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 threshold (*i.e.*, 0.8).

Next, the “ratio test” assesses the extent of the significance of the 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 prices that differ significantly supports 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 but less than 66 percent of the value of total sales, then the results support 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 the application of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, the Department examines 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 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 81.69 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 finds that 54.12 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 cannot appropriately account for such differences because there is 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 alternative 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

In 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. In the *Preliminary Results* of the previous administrative review,<sup>29</sup> the Department gave notice of its intention to change the reporting of physical characteristics in the following administrative review, specifically stating that we will instruct parties to report the actual industry specification and grade combinations of pipe rather than product categories under the “grade” physical characteristic.<sup>30</sup> Pursuant to the announced intention, in this administrative review we instructed parties to report, under the “grade” physical characteristic, the actual industry specification and grade combinations of pipe rather than the product categories.

Wheatland argues that the new reporting method for this administrative review is novel and random, and that the rejection of testing requirements will result in unmeaningful pipe distinctions that will invite manipulation for the model matching hierarchy.<sup>31</sup> Wheatland further argues that ASTM A53 Grades A and B should be treated as a single category, as the Department did in prior administrative reviews of this order.<sup>32</sup> Wheatland also argues that the Department did not offer an explanation for revising its methodology.<sup>33</sup>

HYSCO and Husteel disagree with Wheatland’s arguments.<sup>34</sup> HYSCO argues the new grade reporting requirements accurately capture the physical differences between pipe products of different grades. Both respondents state that parties have known since the nineteenth administrative review that the Department would address the classification of pipe in future reviews.<sup>35</sup> The respondents also contend that the new model matching results in a more meaningful differentiation among products and, therefore, increased accuracy in the margin

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<sup>29</sup> See *Circular Welded Non-Alloy Steel Pipe From the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*; 2011-2012, 78 FR 78336 (December 26, 2013) (*Preliminary Results*) and accompanying Preliminary Decision Memorandum.

<sup>30</sup> *Preliminary Results* and accompanying Preliminary Decision Memorandum at 6-7.

<sup>31</sup> See Wheatland’s Model Matching Comments.

<sup>32</sup> *Id* at 2, 4-10.

<sup>33</sup> *Id* at 10-13.

<sup>34</sup> See generally HYSCO Rebuttal Model Matching Comments; Husteel Rebuttal Model Matching Comments.

<sup>35</sup> See HYSCO Rebuttal Model Matching Comments at 1-3; Husteel Rebuttal Model Matching Comments at 2.



calculation. Husteel rebuts Wheatland's argument that ASTM A53 grades A and B should be collapsed.<sup>36</sup> HYSCO states the Department's grade reporting requirements are consistent with the grade reporting adopted in other circular welded steel pipe proceedings.<sup>37</sup> Husteel continues that Wheatland's model matching comments were submitted too late in the conduct of this administrative review to change the respondents' fundamental reporting requirements.<sup>38</sup> Finally, Husteel also rebuts Wheatland's argument that the Department's revised methodology ignores pipe testing requirements, stating that Wheatland offered no support and that the previous model match hierarchy did not treat pipe testing as a discrete requirement.<sup>39</sup>

We disagree with Wheatland's objections to our requested reporting of product characteristics. The Department announced its intent to make this change in the *Preliminary Results* of the prior review. The Department's revision using the "grade" physical characteristic distinguishes products based on differences in the required properties of the pipe specification/grade combinations, which include not only physical, mechanical, and chemical properties but also, to an extent, differences in testing requirements across specifications. Section 771(16)(A) of the Act requires that the Department base its model-match criteria on "physical characteristics,"<sup>40</sup> and numerous precedents confirm that differences in physical characteristics should be considered regardless of possible differences or similarities in costs.<sup>41</sup> Reporting the actual industrial specification and grade combination allows us to take into consideration the differences between different specifications and grade combinations that we would be unable to consider if two specifications and grade combinations are in the same product category but are

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<sup>36</sup> See *HYSCO Rebuttal Model Matching Comments* at 3; *Husteel Rebuttal Model Matching Comments* at 3-5. Husteel continues that the Department's methodology in this review is consistent with recent investigations and reviews of circular welded pipe and should be sustained in this review. See *id.*

<sup>37</sup> See *Husteel Rebuttal Model Matching Comments* at 3.

<sup>38</sup> See *Husteel Rebuttal Model Matching Comments* at 3.

<sup>39</sup> See *Husteel Rebuttal Model Matching Comments* at 5.

<sup>40</sup> See *NSK v. United States*, 217 F. Supp. 2d 1291, 1299-1300 (CIT 2002) ("Section 771(16) establishes a descending hierarchy of preferential modes that Commerce must select for matching purposes.").

<sup>41</sup> See, e.g., *Certain Hot-Rolled Lead and Bismuth Carbon Steel Flat Products From the United Kingdom; Final Results of Antidumping Duty Administrative Review*, 63 FR 18879 (April 16, 1998), at Comment 2 ("The creation of a product concordance inherently relies upon the matching of significant physical characteristics, not on cost groupings in a company's cost accounting system."); *Notice of Final Determination of Sales at Less Than Fair Value; Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products from Turkey*, 65 FR 15123 (March 21, 2000), and accompanying Issues and Decision Memorandum at Model Match Comment 1 ("...the Department focuses its selection of model match characteristics on unique measurable physical characteristics that the product can possess..." and "...differences in price or cost, standing alone, are not sufficient to warrant inclusion in the Department's model-match of characteristics which a respondent claims to be the cause of such differences..."); *Stainless Steel Wire Rod From Sweden: Final Results of Antidumping Duty Administrative Review*, 73 FR 12950 (March 11, 2008), and accompanying Issues and Decision Memorandum at Comment 1 ("cost variations are not the determining factor in assigning product characteristics for model-matching purposes."); and *Circular Welded Carbon-Quality Steel Pipe From the Sultanate of Oman: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 77 FR 32531, 32534 (June 1, 2012), unchanged at *Notice of Final Determination of Sales at Less Than Fair Value: Circular Welded Carbon-Quality Steel Pipe From the Sultanate of Oman*, 77 FR 64480 (October 22, 2012) ("*Circular Pipe from Oman*") ("The goal of the product characteristic hierarchy is to identify the best possible matches with respect to the characteristics of the merchandise. While variations in cost may suggest the existence of variation in product characteristics, such variations do not constitute differences in products in and of themselves. Furthermore, the magnitude of variations in cost may differ from company to company, and even for a given company over time, and therefore do not, in and of themselves, provide a reliable basis for identifying the relative importance of different product characteristics.").

not identical. Accordingly, this change provides greater precision and consistency in reporting of the products for model matching purposes.

For products to which we did not assign a specific grade code in the original questionnaire, the respondents provided a suggested grade code with product descriptions and specification information. As outlined in the calculation memoranda, we adjusted the grade codes for certain specifications/grades.<sup>42</sup> Parties are invited to comment on the grade codes we have assigned.

#### 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>43</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, unlike sales in the comparison market, involved no price negotiations or meetings with customers. Furthermore, we found that sales at the CEP level involved 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.

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.

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<sup>42</sup> See Memorandum to The File regarding, "2012-2013 Antidumping Duty Administrative Review of Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Results Calculation Memorandum for Hyundai HYSCO," (HYSCO Preliminary Calculation Memorandum) at 4-5; see also Memorandum to The File regarding, "2012-2013 Antidumping Duty Administrative Review of Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Results Calculation Memorandum for Husteel," (Husteel Preliminary Calculation Memorandum) at 3.

<sup>43</sup> See section 773(a)(1)(B)(i) of the Act and 19 CFR 351.412.

## *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. (HHU), which in turn sold the merchandise to unaffiliated customers in the United States; and (2) sales through another affiliated party to unaffiliated U.S. customers.<sup>44</sup> 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

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<sup>44</sup> HYSCO revealed this affiliated company as proprietary information. See HYSCO's IQR-A at A-1.

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>45</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 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.

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>46</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>47</sup>

### *Husteel*

For its comparison market sales, Husteel has reported the shipment invoice as the date of sale, as it issues the invoice at the time of shipment.. 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.

### *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 invoices. HYSCO also reported that quantity can change until shipment from HYSCO's factory and that 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 until shipment date. HYSCO has provided examples of changes in quantity between the

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<sup>45</sup> See Husteel Preliminary Calculation Memorandum at 1-2.

<sup>46</sup> *Id.*

<sup>47</sup> See 19 CFR 351.401(i).

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. 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>48</sup> To test whether the sales to affiliates were made at arm's-length prices, on a model-specific basis, we compared 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 sales in the calculation of NV.<sup>49</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>50</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>51</sup> Thus, in accordance with

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<sup>48</sup> See 19 CFR 351.403(c).

<sup>49</sup> See, generally, *id*; see also *Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 2011-2012, 78 FR 78336 (December 26, 2013) and accompanying Decision Memorandum at 10.

<sup>50</sup> See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69194 (November 15, 2002).

<sup>51</sup> See *Circular Welded Non-Alloy Steel Pipe From the Republic of Korea: Final Results of the Antidumping Duty*

section 773(b)(2)(A)(ii) of the Act, there is a reasonable basis 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.

### *HYSCO*

HYSCO reported that affiliated producers supply a portion of the hot-rolled coil (a primary input) used to produce the subject merchandise.<sup>52</sup> In a supplemental questionnaire, we requested that HYSCO provide “product specific per-unit cost of production producing {a} major input.” We asked that HYSCO provide detailed information related to common ownership including how it was unable to compel its affiliate to provide the requested cost information.<sup>53</sup> In its supplemental questionnaire response, HYSCO provided incomplete cost information.<sup>54</sup> HYSCO explained that it did not have access to its affiliate’s internal accounting data—in fact, HYSCO explained that its affiliate provided the incomplete data directly to HYSCO’s counsel. Specifically, HYSCO provided the affiliates’ costs for the two grades of hot-rolled coil accounting for the largest proportion of CWP production and transfer prices for the rest.

Although HYSCO reported that its affiliate was unable to provide full cost information as we requested, we intend to solicit further information following these preliminary results. For purposes of the preliminary results, we will use the information HYSCO has reported as fact available, pursuant to section 776(a)(1) of the Act.

#### 1. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated each respondent’s COPs based on the sum of materials and conversion for the foreign like product, plus amounts for G&A expenses and interest expenses (*see* “Test of Comparison Market Sales Prices” section, below, for treatment of home market selling expenses). We examined the reported cost data and determined that our quarterly cost methodology is not warranted. Therefore, we followed our normal methodology of calculating an annual weighted-average cost. To mitigate unreasonable cost differences, which are unrelated to the reported products’ physical characteristics, we have reallocated certain costs among products with common grade and surface finish.<sup>55</sup>

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*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>52</sup> See HYSCO Section D QR at D-5.

<sup>53</sup> See Letter from the Department to HYSCO, “Antidumping Duty Administrative Review of Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: First Section D Supplemental Questionnaire,” (September 12, 2014), at question 13.

<sup>54</sup> See HYSCO’s October 8, 2014, “Twenty-First Administrative Review of Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Response of Hyundai Steel to Question 13 of the Supplemental Section D Questionnaire to HSYCO,” at 1.

<sup>55</sup> See (HYSCO Preliminary Calculation Memorandum at 3-4; *see also* Memorandum to Neal M. Halper, “Antidumping Duty Administrative Review of Circular Welded Non-Alloy Steep Pipe from the Republic of Korea: Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results- Husteel Co., Ltd.,”(Husteel Preliminary Cost Calculation Memorandum) (December 1, 2014) at 1-2.

We relied on the COP data submitted by Husteel and HYSCO in their questionnaire responses for the COP calculation.

## 2. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(b) of the Act, we compared the adjusted weighted-average COP to the home market sales prices of the foreign like product in order to determine whether the sale prices were below the COP. For purposes of this comparison, we used COP exclusive of selling and packing expenses. The prices were exclusive of any applicable movement charges, discounts and rebates, billing adjustments, direct and indirect selling expenses, and packing expenses.

## 3. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's home market sales of a given product are at prices less than the COP, we disregard none of the below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) the sales were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and 2) based on our comparison of prices to the weighted-average COPs for the POR, the sales were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

Our cost tests 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 and used in our analysis 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 associated with those physical differences for the foreign like products and the subject merchandise.<sup>56</sup>

Currency Conversion

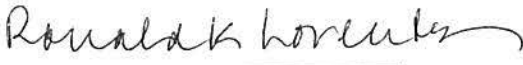
We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

**RECOMMENDATION**

We recommend applying the above methodology for these preliminary results.

✓  
\_\_\_\_\_  
Agree

\_\_\_\_\_  
Disagree

  
\_\_\_\_\_  
Ronald K. Lorentzen  
Acting Assistant Secretary  
for Enforcement and Compliance

November 28, 2014  
(Date)

<sup>56</sup> See 19 CFR 351.411(b).