




UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

A-580-876
Investigation
Public Document
AD/CVDOps/II/KJ

DATE: May 14, 2015

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh 
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Determination in the
Antidumping Duty Investigation of Welded Line Pipe from the
Republic of Korea

I. SUMMARY

The Department of Commerce (the Department) preliminarily determines that welded line pipe from the Republic of Korea (Korea) is being, or is likely to be, sold in the United States at less-than-fair-value (LTFV), as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated weighted-average dumping margins are shown in the "Preliminary Determination" section of the accompanying Federal Register notice.

II. BACKGROUND

On October 16, 2014, the Department received an antidumping duty (AD) petition covering imports of welded line pipe from Korea,¹ which was filed in proper form by American Cast Iron Pipe Company (American), Energex (a division of JMC Steel Group), Maverick Tube Corporation (Maverick), Northwest Pipe Company (Northwest), Stupp Corporation (a division of Stupp Bros., Inc.) (Stupp), Tex-Tube Company (Tex-Tube), TMK IPSCO, and Welspun Tubular LLC USA (Welspun) (collectively, the petitioners). The Department initiated this investigation on November 5, 2014.²

¹ See Petitions for the Imposition of Antidumping and Countervailing Duties: Welded API Line Pipe from South Korea and Turkey, dated October 16, 2014 (the petition).

² See Welded Line Pipe from the Republic of Korea and the Republic of Turkey: Initiation of Less-Than-Fair-Value Investigations, 79 FR 68213 (November 14, 2014) (Initiation Notice).



In the Initiation Notice, the Department stated that it intended to select respondents based on U.S. Customs and Border Protection (CBP) data for certain of the Harmonized Tariff Schedule of the United States (HTSUS) subheadings listed in the scope of the investigation.³ Accordingly, on November 7, 2014, the Department released the CBP entry data to all interested parties under an administrative protective order, and requested comments regarding the data and respondent selection.

Also in the Initiation Notice, the Department notified parties of an opportunity to comment on the scope of the investigation, as well as the appropriate physical characteristics of welded line pipe to be reported in response to the Department's AD questionnaire.⁴ In November and December 2014, the petitioners, HYSCO, and Borusan Mannesmann Boru Sanayi ve Ticaret A.S. (Borusan Mannesman) and Borusan Istikbal Ticaret (Borusan Istikbal), respondents in the companion AD investigation on welded line pipe from the Republic of Turkey, submitted comments on the scope of this investigation. On December 2, 2014, the petitioners, American, Energex, Northwest, Stupp, Tex-Tube, TMK IPSCO, and Welspun, submitted rebuttal scope comments in response to Borusan Mannesman, Borusan Istikbal, and HYSCO. On December 5, 2014, the petitioner Maverick also submitted rebuttal scope comments. Also, in November and December 2014, the petitioners and HYSCO submitted comments to the Department regarding the physical characteristics of the merchandise under consideration to be used for reporting purposes.

In November 2014, Hyundai HYSCO (HYSCO), SeAH Steel Corporation (SeAH), and Husteel Co., Ltd. (Husteel) submitted comments in which they requested that the Department select them as either mandatory or voluntary respondents.⁵ On November 19, 2014, both SeAH and Husteel reiterated their requests to be selected for examination as either mandatory or voluntary respondents. On December 5, 2014, the Department limited the number of mandatory respondents selected for individual examination to the two largest publicly-identifiable producers/exporters of the subject merchandise by volume. Accordingly, we selected HYSCO and SeAH as mandatory respondents in this investigation.⁶

Also on December 5, 2014, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of welded line pipe from Korea.⁷

On December 8, 2014, the Department issued the AD questionnaire to HYSCO and SeAH. On January 14, 2015, HYSCO and SeAH submitted timely responses to section A of the Department's AD questionnaire (i.e., the section relating to general information), and on

³ See Initiation Notice, 79 FR at 68216.

⁴ See Initiation Notice, 79 FR at 68214.

⁵ See Letter from HYSCO, "Welded Line Pipe From the Republic of Korea: Respondent Selection Comments," dated November 18, 2014; Letter from SeAH, "Antidumping Investigation of Welded Line Pipe from Korea – Request for Voluntary Respondent Treatment," dated November 5, 2014; and Letter from Husteel, "Welded Line Pipe from Korea. Case No. A-580-876: Request for Voluntary Respondent Treatment," dated November 14, 2014.

⁶ See Memorandum to Gary Taverman, Associate Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, "Respondent Selection for the Antidumping Duty Investigation of Welded Line Pipe from the Republic of Korea," dated December 5, 2014, at 5-6.

⁷ See Certain Welded Line Pipe From Korea and Turkey, 79 FR 72202 (December 5, 2014).

February 2, 2015, these companies also responded to sections B and C (i.e., the sections relating to home market and U.S. sales, respectively). On these same dates, we also received unsolicited responses to sections A and B – C, respectively, of the initial AD questionnaire from Husteel.⁸ In both submissions, Husteel reiterated its earlier requests to be selected as a mandatory or voluntary respondent.

Between January and April 2015, we issued multiple supplemental questionnaires to HYSCO and SeAH. We received responses to these supplemental questionnaires between January and May 2015. During the same time frame, the petitioners submitted comments regarding HYSCO's and SeAH's questionnaire responses.

On February 9, 2015, the petitioners requested that the Department initiate cost investigations with respect to HYSCO's and SeAH's sales of welded line pipe in Korea. After reviewing the sales-below-cost allegations, we found that the petitioners provided a reasonable basis to believe or suspect that HYSCO and SeAH were selling welded line pipe at prices below their cost of production (COP). Accordingly, we initiated sales-below-cost investigations with respect to HYSCO's and SeAH's home market sales, and requested that they respond to section D of the Department's questionnaire (i.e., the section relating to COP and constructed value (CV)).⁹

On February 19, 2015, Maverick Tube Corporation, one of the petitioners, alleged that HYSCO did not have a sufficient number of home market sales to be considered a viable home market. See "Normal Value" section, below, for further discussion.

On February 24, 2015, the petitioners requested that the date for the issuance of the preliminary determination in this investigation be fully extended. On March 9, 2015, the Department published a postponement of the preliminary determination until no later than May 14, 2015.¹⁰

On February 27, 2015, the Department issued its determination regarding the selection of additional mandatory and voluntary respondents in this investigation. The Department determined that it was not practicable to select an additional mandatory respondent and that it would be unduly burdensome and inhibit the timely completion of the investigation to select a voluntary respondent.¹¹

⁸ See Letters from Husteel, "Welded Line Pipe from Korea, Case No. A-580-876: Section A Questionnaire Response" (January 12, 2015); and Welded Line Pipe from Korea, Case No. A-580-876: Sections B-C Questionnaire Response" (February 2, 2015).

⁹ See Memorandum to Irene Darzenta Tzafolias, Acting Director, Office II, "Petitioners' Allegation of Home Market Sales at Prices Below the Cost of Production for Hyundai HYSCO," dated February 26, 2015 (HYSCO COP Memo); and Memorandum to Irene Darzenta Tzafolias, Acting Director, Office II, "Petitioners' Allegation of Home Market Sales at Prices Below the Cost of Production for SeAH Steel Corporation," dated February 27, 2015 (SeAH COP Memo).

¹⁰ See Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Postponement of Preliminary Determinations of Antidumping Duty Investigations, 80 FR 12445 (March 9, 2015).

¹¹ See Memorandum to Gary Taverman, Associate Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, "Antidumping and Countervailing Duty Investigations of Welded Line Pipe from the Republic of Korea: Whether to Select Additional Mandatory and/or Voluntary Respondents," dated February 27, 2015, at 3-4.

In March 2015, both HYSCO and SeAH submitted timely responses to section D of the Department's AD questionnaire.¹² We issued section D supplemental questionnaires to both SeAH and HYSCO in April 2015 and received responses to these supplemental questionnaires in April and May 2015.

We are conducting this investigation in accordance with section 733(b) of the Act.

III. PERIOD OF INVESTIGATION

The period of investigation (POI) is October 1, 2013, through September 30, 2014. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, which was October 2014.¹³

IV. POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES

Pursuant to section 735(a)(2) of the Act, on April 23, 2015, certain of the petitioners requested that, in the event of a negative preliminary determination, the Department postpone its final determination to 135 days after the date of publication of the preliminary determination.¹⁴ In addition, on May 7 and 8, 2015, respectively, HYSCO and SeAH requested that the Department postpone the final determination, and that provisional measures be extended.¹⁵

In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii) and (e)(2), because 1) our preliminary determination is affirmative, 2) the requesting exporters account for a significant proportion of exports of the subject merchandise, and 3) no compelling reasons for denial exist, we are granting the respondents' request and are postponing the final determination until no later than 135 days after the publication of the preliminary determination notice in the Federal Register, and we are extending provisional measures from four months to a period not to exceed six months. Suspension of liquidation will be extended accordingly.

V. SCOPE COMMENTS

As noted in the Initiation Notice, we set aside a period of time for parties to raise issues regarding product coverage, and we stated that all such comments must be filed within 20 calendar days of publication of the Initiation Notice.¹⁶ On November 25, 2014, we received

¹² On March 27, 2015, we received an unsolicited response to section D from Husteel. See Letter from Husteel, "Welded Line Pipe from Korea, Case No. A-580-876: Section D Questionnaire Response," dated March 27, 2015. In its submission, Husteel reiterated its earlier requests to be selected as a mandatory or voluntary respondent.

¹³ See 19 CFR 351.204(b)(1).

¹⁴ See Letter from American Cast Iron Pipe Company, Energex Tube, a division of JMC Steel Group, Northwest Pipe Company, Stupp Corporation, a division of Stupp Bros., Inc., Tex-Tube Company, TMK IPSCO, and Welspun Tubular LLC USA, "Line Pipe From Korea: Contingent Request for Postponement of Final Determination," dated April 23, 2015.

¹⁵ See Letter from HYSCO, "Welded Line Pipe from Korea: Request to Postpone the Final Determination," dated May 7, 2015; and letter from SeAH, "Antidumping Investigation of Welded Line Pipe from Korea-Request to Extend Deadline for Final Determination," dated May 8, 2015.

¹⁶ See Initiation Notice; see also Antidumping Duties; Countervailing Duties; Final rule, 62 FR 27296, 27323 (May 19, 1997).

comments from Borusan Mannesman, Borusan Istikbal, and HYSCO, asking the Department to clarify whether the scope includes longitudinally submerged arc welded (LSAW) and helically submerged arc welded (HSAW) steel pipe.¹⁷ Borusan Mannesman, Borusan Istikbal, and HYSCO argue that LSAW and HSAW pipe differ from electric resistance welded (ERW) line pipe in raw materials, production process, and end uses. Borusan Mannesman and Borusan Istikbal further argue that LSAW and HSAW pipe are a distinct class or kind of merchandise from ERW pipe, and they claim that: 1) the AD petition makes clear that these investigations are not directed at LSAW and HSAW pipe; and 2) the petitioners have testified before the ITC that there is no U.S. production of LSAW/HSAW pipe of 24 inches or less in outside diameter.

On December 2, 2014, the petitioners, excluding Maverick, submitted rebuttal comments, stating that the scope as currently written covers all welded line pipe of not more than 24 inches nominal outside diameter, without regard to the process by which the line pipe was welded.¹⁸ The petitioners assert that they did not intend to limit the scope to line pipe produced by the ERW process, and they note that the scope language adopted by the Department includes HTSUS headings for line pipe produced by submerged arc welding. The petitioners assert further that, to the extent that any clarification is needed, the Department should clarify that the scope includes welded line pipe not exceeding 24 inches nominal outer diameter produced by the submerged arc welding process, whether the pipe is longitudinally or helically welded. On December 5, 2014, the petitioner Maverick also submitted rebuttal comments in which it further disagrees that LSAW and HSAW line pipe less than or equal to 24 inches in nominal outside diameter are a separate class or kind of merchandise from ERW line pipe, as they are made from similar raw materials (often by the same companies) via similar production processes, and are used for the same end-use of transporting oil and gas.¹⁹

We have considered the requests noted above, as well as the petitioners' responsive comments. While the Department does have the authority to define or clarify the scope of an investigation, the Department must exercise this authority in a manner which reflects the intent of the petition, and the Department generally should not use its authority to define the scope of an investigation in a manner that would thwart the statutory mandate to provide the relief requested in the petition.²⁰ Thus, absent an overarching reason to modify the scope in the petition, the Department accepts the scope as it is currently written.²¹ Consequently, we have made no

¹⁷ See Letter from Borusan, "Welded Line Pipe from Korea and Turkey, Case Nos. A-580-876, C-580-877, A-489-822, and C-489-823: Comments on Scope of Investigations," dated November 25, 2014; and Letter from HYSCO, "Welded Line Pipe From the Republic of Korea and the Republic of Turkey: Scope Clarification Request," dated November 25, 2014.

¹⁸ See Letter from American, Energex, Northwest, Stupp, Tex-Tube, TMK IPSCO, and Welspun, "Welded Line Pipe from the Republic of Korea and Turkey: Rebuttal Comments on Scope," dated December 2, 2014.

¹⁹ See Letter from Maverick, "Welded Line Pipe from Korea and Turkey: Rebuttal Scope Comments," dated December 5, 2014."

²⁰ See Notice of Final Determination of Sales at Less Than Fair Value: Certain Softwood Lumber Products From Canada, 67 FR 15539 (April 2, 2002), and accompanying Issues and Decision Memorandum under Scope Issues (after Comment 49).

²¹ Id.; see also Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 73 FR 51788, 51789 (September 5, 2008), unchanged in Circular Welded Austenitic Stainless Pressure Pipe from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 74 FR 4913 (January 28, 2009); Notice of Final Determination of Sales at Not Less Than Fair Value: Pure Magnesium from the Russian Federation, 66 FR 49347

change to the scope with respect to LSAW and HSAW pipe because: 1) these products are clearly within the scope; and 2) the petitioners intended that these products be covered. We further note that this determination is consistent with the definition of the domestic like product for the welded line pipe industry, which includes ERW, HSAW, and LSAW line pipe,²² as well as the Department's preliminary determination with respect to the same issue in the companion countervailing duty investigations of welded line pipe.²³

VI. DISCUSSION OF THE METHODOLOGY

To determine whether sales of welded line pipe from Korea to the United States were made at LTFV, in accordance with section 777A(d)(1)(A) of the Act, we compared the export price (EP) or constructed export price (CEP) to the normal value (NV), as described in the "Export Price and Constructed Export Price" and "Normal Value" sections of this memorandum below.

A) *Determination of the Comparison Method*

Pursuant to 19 CFR 351.414(c)(1), the Department calculates individual 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. The Department's regulations also provide that dumping margins may be calculated by comparing NVs, based on individual transactions, to the EPs or CEPs of individual transactions (transaction-to-transaction method) or, when certain conditions are satisfied, by comparing weighted-average NVs to the EPs or CEPs of individual transactions (average-to-transaction method).²⁴

In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of the average-to-average method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1).²⁵ The Department may determine that in particular circumstances, consistent with section 777A(d)(1)(B) of the Act, it is appropriate to use the average-to-transaction method. The Department will continue to develop its approach in this area based on comments received in this investigation and on the Department's additional experience with addressing the potential masking of dumping that can occur when the

(September 27, 2001), and accompanying Issues and Decision Memorandum at Comment 12; and Mitsubishi Heavy Industries, Ltd. v. U.S., 986 F. Supp. 1428 (CIT 1997).

²² See Certain Welded Line Pipe from Korea and Turkey: Inv. No. 701-TA-524-525 and 731-TA-1260-1261 (Preliminary) (December 2014) (ITC Preliminary Report) at 7 (finding a single domestic like product for welded line pipe) and I-13 (discussing the manufacturing process for welded line pipe, which includes ERW, HSAW, and LSAW).

²³ See Welded Line Pipe From the Republic of Korea: Preliminary Negative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination, 80 FR 14907 (March 20, 2015); and Welded Line Pipe From the Republic of Turkey: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination With Final Antidumping Duty Determination, 80 FR 14943 (March 20, 2015).

²⁴ See 19 CFR 351.414(b)(1) and (2).

²⁵ 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 accompanying Issues and Decision Memorandum at Comment 3.

Department uses the average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in this preliminary determination requires a finding of a pattern of EPs or CEPs for comparable merchandise that differ 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 in this preliminary determination evaluates all purchasers, regions, and time periods to determine whether a pattern of significant price differences exists. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the customer codes reported by SeAH and HYSCO. Regions are defined using the reported destination code (*i.e.*, zip code) 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 POI being examined based upon the reported date of sale. For purposes of analyzing sales transactions by customer, 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* test is applied when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is calculated to evaluate the extent to which the net prices to a particular purchaser, region, or time period differ significantly from the net prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test account for 66 percent or more of the value of total sales, then the identified pattern of CEPs and EPs 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 (i.e., the "mixed-alternative" method). 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 and 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 this preliminary determination, including arguments for modifying the group definitions used in this proceeding.

B) Results of the Differential Pricing Analysis

HYSCO

Based on the results of the differential pricing analysis, the Department finds that 77.11 percent (i.e., over 66 percent) of HYSCO's U.S. sales pass the Cohen's *d* test, which confirms the existence of a pattern of CEPs or EPs for comparable merchandise that differ significantly among purchasers, regions or time periods, and supports the consideration of an alternative to the average-to-average method for all sales. 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 calculated using the average-to-average method and an alternative method based on the average-to-transaction method applied to all U.S. sales. Specifically, the Department determines that the average-to-average method cannot appropriately account for such differences because the resulting weighted-average dumping margin moves across the de minimis threshold. Accordingly, the Department preliminarily determines to use the average-to-transaction method for all U.S. sales to calculate the weighted-average dumping margin for HYSCO.²⁶

²⁶ See Memorandum to the File entitled "Preliminary Determination Margin Calculation for HYSCO," dated May 14, 2015 (HYSCO Sales Calculation Memo) for further analysis and discussion of this adjustment.

SeAH

Based on the results of the differential pricing analysis, the Department finds that 40.61 percent (i.e., between 33 percent and 66 percent) of SeAH's U.S. sales pass the Cohen's *d* test, which confirms the existence of a pattern of CEPs for comparable merchandise that differ significantly among purchasers, regions or time periods, and supports the consideration of an alternative to the average-to-average method for those sales identified as passing the Cohen's *d* test. 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 the mixed-alternative method. Accordingly, the Department preliminarily determines to use the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for SeAH.²⁷

VII. Date of Sale

Section 351.401(i) of the Department's regulations states that, in identifying the date of sale of the merchandise under consideration or foreign like product, the Secretary normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business. Additionally, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.²⁸

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.²⁹ For all its U.S. sales, HYSCO reported the factory shipment date as the date of sale. Although the customer's purchase order indicates price and quantity, HYSCO reports that the quantity ordered is subject to change between purchase order date and factory shipment date.³⁰ These quantity changes may exceed the specified line-item quantity tolerance in the purchase order.³¹ Accordingly, for the preliminary determination, we are relying on the sale dates reported by HYSCO for both the comparison and U.S. market sales.

²⁷ See Memo to the File, "Preliminary Determination Margin Calculation for SeAH," dated May 14, 2015 (SeAH Sales Calculation Memo).

²⁸ See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-1092 (CIT 2001) (*Allied Tube & Conduit Corp.*) ("As elaborated by Department practice, a date other than invoice date 'better reflects' the date when 'material terms of sale' are established if the party shows that the 'material terms of sale' undergo no meaningful change (and are not subject to meaningful change) between the proposed date and the invoice date.").

²⁹ See section A questionnaire response from HYSCO, dated January 15, 2015 (HYSCO AQR), at A-28, and sections B and C response from HYSCO, dated February 2, 2015 (HYSCO BCQR) at B-16.

³⁰ See HYSCO AQR at A-28, and HYSCO BCQR at C-13.

³¹ See HYSCO BCQR at C-13; and supplemental sections B and C response Part 2 from HYSCO, dated March 31, 2015 (HYSCO BCSQR2) at Exhibits C-6 and C-7.

SeAH

For its comparison market sales, SeAH reported the date of the billing document, which is entered in SeAH's accounting system when the merchandise is ready for shipment, as the date of sale. While some of SeAH's home market sales are sold pursuant to annual requirements contracts, SeAH reports that the actual quantity of a sale is not fixed until the merchandise is ready for shipment.³² For U.S. sales shipped directly from the factory to an unaffiliated customer (direct shipment sales), SeAH reported the date of sale as the date the merchandise was loaded onto the vessel for shipment from Korea (*i.e.*, the bill-of-lading date). For U.S. sales of merchandise coated after importation, SeAH reported the date of the invoice prepared by its U.S. affiliate, Pusan Pipe America Inc. (PPA).³³

With respect to SeAH's direct shipment sales, the Department's practice is to rely on the factory shipment date as the date of sale if it precedes the bill-of-lading date.³⁴ In SeAH's supplemental sales questionnaire response,³⁵ SeAH reported the factory shipment date as well as the bill-of-lading date for its direct shipment sales. Our comparison of these dates indicates that the period between the factory shipment date and the bill-of-lading date can differ significantly, but the factory shipment date is either the same as or earlier than the bill-of-lading date.³⁶ Accordingly, for the preliminary determination and consistent with our practice, we used the factory shipment date as the date of sale for SeAH's direct shipment sales.³⁷ For all other sales in both markets, we relied on the sale dates reported by SeAH.

VIII. Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced and sold by the respondents in Korea during the POI that fit the description in the "Scope of Investigation" section of this notice to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales. We compared U.S. sales to sales made in the home market, where appropriate. Where there were no sales of identical merchandise in the home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade.

In making product comparisons, we matched foreign like products based on the physical characteristics reported by the respondents in the following order of importance: epoxy finish, grade, outside diameter, wall thickness, end finish, and surface finish. For SeAH's sales of coated products in the United States, the reported control number identifies the characteristics of the uncoated product as exported by SeAH to PPA.³⁸

³² See section A questionnaire response from SeAH, dated January 14, 2015 (SeAH AQR), at 28-32.

³³ *Id.* at 33-35.

³⁴ See, e.g., Lightweight Thermal Paper From Germany: Final Results of Antidumping Duty Administrative Review: 2011-2012, 79 FR 34719 (June 18, 2014), and accompanying Issues and Decision Memorandum at Comment 2.

³⁵ See supplemental sections B and C response from SeAH, dated April 10, 2015 (SeAH BCSQR).

³⁶ See SeAH Sales Calculation Memo.

³⁷ The U.S. sales listing includes direct shipment sales with either factory shipment dates or bill-of-lading dates within the POI. See supplemental section A response from SeAH, dated February 26, 2015 (SeAH ASQR) at 20, and the U.S. sales listing accompanying the SeAH BCSQR.

³⁸ See SeAH Sales Calculation Memo.

Neither HYSCO nor SeAH reported sales of non-prime welded line pipe to the United States, but HYSCO reported that it sold non-prime welded line pipe in the home market. According to HYSCO, although the non-prime welded line pipe does not meet the American Petroleum Institute (API) (or equivalent) specification stated in the scope, is sold without mill certificates or warranties, and may not be used for oil or gas pipelines, it may be used for structural purposes. HYSCO stated that sales of this pipe were properly included in the home market sales database because this pipe is non-graded material covered by the scope.³⁹ The petitioners state that, while the scope includes non-graded material to prevent circumvention by imports of welded line pipe that enter without line pipe specification and mill test certificates, the phrase “of a kind used for oil or gas pipelines” is determinative. Thus, the petitioners assert that the non-prime welded line pipe at issue is outside the scope of the investigation.⁴⁰ Based on these facts, we preliminarily find non-prime welded line pipe which is not capable of being used for oil or gas pipelines to be outside the scope of this investigation, and therefore, have not included sales of this merchandise in our product comparisons. We will examine the nature of this merchandise further at verification.

IX. Export Price and Constructed Export Price

In accordance with section 772(a) of the Act, we calculated EP for certain of HYSCO’s sales where the subject merchandise was sold to the first unaffiliated purchaser in the United States prior to importation and CEP methodology was not otherwise warranted based on the facts of the record. In accordance with section 772(b) of the Act, for the remainder of HYSCO’s and all of SeAH’s U.S. sales, we used CEP because the merchandise under consideration was sold in the United States by U.S. sellers affiliated with HYSCO and SeAH, and EP, as defined by section 772(a) of the Act, was not otherwise warranted.

HYSCO

We based EP on a packed price to the first unaffiliated purchaser in the United States. We made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate, foreign inland freight, foreign brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. inland freight, and U.S. duty.

We calculated the CEP based on a packed price to the first unaffiliated purchaser in the United States. We made deductions from the starting price for any movement expenses (e.g., foreign inland freight, foreign brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. inland freight, and U.S. duty), in accordance with section 772(c)(2)(A) of the Act. We adjusted HYSCO’s reported international freight expenses (charged by an affiliate) to reflect arm’s-length transactions.⁴¹

³⁹ See HYSCO’s April 29, 2015, Home Market Viability supplemental questionnaire response (HYSCO HM Viability Response) at 3-4, and HYSCO’s April 29, 2015, section D supplemental questionnaire response at 2-4.

⁴⁰ See the petitioners’ Common Issues submission, dated May 4, 2015, at 3-4.

⁴¹ See HYSCO Sales Calculation Memo for further analysis and discussion of this adjustment.

In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit expenses, bank charges, and other direct selling expenses) and indirect selling expenses. Finally, we made an adjustment for profit allocated to these expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by HYSCO and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.

SeAH

We calculated the CEP based on a packed price to the first unaffiliated purchaser in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments (as reported in the original U.S. sales database dated February 2, 2015).⁴² We made deductions for any movement expenses (e.g., foreign inland freight, foreign brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. inland freight, and harbor maintenance fees), in accordance with section 772(c)(2)(A) of the Act. We adjusted SeAH's foreign inland freight expenses (charged by an affiliate) to reflect arm's-length transactions.⁴³

In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit expenses, warranty expenses (as reported in the original U.S. sales database dated February 2, 2015),⁴⁴ and bank charges) and indirect selling expenses. With respect to back-to-back sales: (1) we calculated credit expenses based on the period between factory shipment date and payment date; and (2) we recalculated inventory carrying costs in the country of manufacture based on the inventory period from production to shipment.⁴⁵ For all U.S. sales, we applied the Korean won interest rate to the calculation of inventory carrying costs in the country of manufacture.⁴⁶ We also made an adjustment for profit allocated to these selling expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by SeAH and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.⁴⁷ We reclassified SeAH's reported coating fees (including financial expenses) paid to unaffiliated processors in the United States as further manufacturing expenses. In accordance with section 772(d)(2) of the Act, we deducted these further manufacturing expenses in calculating CEP.

⁴² See SeAH Sales Calculation Memo.

⁴³ See HYSCO Sales Calculation Memo for further analysis and discussion of this adjustment.

⁴⁴ See SeAH Sales Calculation Memo.

⁴⁵ Id.

⁴⁶ Id.

⁴⁷ Id.

X. Normal Value

A. Comparison Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we normally compare the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent's sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

In this investigation, we determined that HYSCO's and SeAH's aggregate volume of home market sales of the foreign like product was greater than five percent of the aggregate volume of U.S. sales of the subject merchandise. Therefore, we used home market sales as the basis for NV for HYSCO and SeAH, in accordance with section 773(a)(1)(B) of the Act.

HYSCO's reported home market sales include a significant quantity of "local sales" – sales made to customers in Korea that are likely to export the merchandise, either subsequent to further manufacturing or "as-is."⁴⁸ HYSCO claims for virtually all its local sales that, at the time of sale, it does not have knowledge of the final destination of its merchandise or whether the merchandise in specific sales will be further processed.⁴⁹ The Department has previously accepted the reporting of Korean "local sales" as home market sales in cases such as this one where the Korean respondent sells merchandise that will be further processed prior to export and/or does not know the ultimate destination of the merchandise.⁵⁰ For purposes of this preliminary determination, we have accepted as home market sales the local sales for which HYSCO reports it does not know the ultimate disposition of the merchandise, and included these sales in our determination of home market viability for HYSCO. Consistent with our practice, we also included HYSCO's sales to affiliated parties for purposes of determining home market viability.⁵¹ However, we excluded sales of non-prime welded line pipe which is not capable of being used for oil or gas pipelines from our home market viability determination. See "Product Comparison" section, above, for further discussion.

⁴⁸ See supplemental sections B and C Response Part 1 from HYSCO, dated March 24, 2015 (HYSCO BCSQR1) at 2-4; Supplemental Questionnaire Response from HYSCO, dated April 9, 2015, at 2-4; and HYSCO Home Market Viability Response, at 1 -3, and Exhibits 1 and 2.

⁴⁹ Id.

⁵⁰ See, e.g., Certain Polyester Staple Fiber from Korea: Final Results of the 2005-2006 Antidumping Duty Administrative Review, 72 FR 69663 (December 10, 2007), and accompanying Issues and Decision Memorandum at Comment 2 ; and Notice of Final Results of the Tenth Administrative Review and New Shipper Review of the Antidumping Duty Order on Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea, 70 FR 12443 (March 14, 2005), and accompanying Issues and Decision Memorandum at Comment 28.

⁵¹ See Certain Oil Country Tubular Goods From Saudi Arabia: Final Determination of Sales at Less Than Fair Value, 79 FR 41986 (July 18, 2014), and accompanying Issues and Decision Memorandum at Comment 2 (use of affiliated party sales in viability determination).

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

During the POI, HYSCO and SeAH made sales of welded line pipe in the home market to affiliated parties, as defined in section 771(33) of the Act.⁵² Consequently, we tested these sales to ensure that they were made at arm's-length prices, in accordance with 19 CFR 351.403(c). To test whether the sales to affiliates were made at arm's-length prices, we compared the unit prices of sales to affiliated and unaffiliated customers net of all direct selling and packing expenses. Pursuant to 19 CFR 351.403(c) and, in accordance with the Department's practice, where the price to that affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise sold to the unaffiliated parties at the same level of trade (LOT), we determined that the sales made to the affiliated party were at arm's length. Sales to affiliated customers in the home market that were not made at arm's-length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.⁵³

C. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department will calculate NV based on sales at the same LOT as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).⁵⁴ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.⁵⁵ In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the distribution system in each market (*i.e.*, the chain of distribution), including selling functions and class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales (*i.e.*, NV based on either home market or third country prices),⁵⁶ we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.⁵⁷

When the Department is unable to match U.S. sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, the Department may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it possible, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (*i.e.*, no LOT

⁵² See HYSCO AQR at A-17, HYSCO QRBC at B2-B5, and SEAH AQR at 2.

⁵³ See section 771(15) of the Act and 19 CFR 351.102(b).

⁵⁴ See 19 CFR 351.412(c)(2).

⁵⁵ *Id.*; see also Certain Orange Juice From Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (OJ from Brazil).

⁵⁶ Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative (SG&A) expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).

⁵⁷ See Micron Tech., Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

adjustment is possible), the Department will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.⁵⁸

In this investigation, we obtained information from HYSCO and SeAH regarding the marketing stages involved in making their reported home market and U.S. sales, including a description of the selling activities performed by each respondent for each channel of distribution.⁵⁹ Our LOT findings are summarized below.

HYSCO

In the home market, HYSCO reported that it made sales through one channel of distribution (*i.e.*, direct shipments to end-users or distributors). HYSCO reported that it performed the following selling functions for sales to all home market customers: sales forecasting; strategic/economic planning; personnel training/exchange; advertising; sales promotion; packing; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; warranty service; and freight and delivery arrangements.

Selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery services; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that HYSCO performed sales and marketing, freight and delivery services, and warranty and technical support for its reported sales to affiliated and unaffiliated customers in the home market. Because HYSCO performed the same selling functions at the same relative level of intensity for all of its home market sales, we determine that all home market sales are at the same LOT.

With respect to the U.S. market, HYSCO reported that it made sales through three channels of distribution (*i.e.*, CEP sales through its wholly-owned U.S. subsidiary, HYSCO USA Inc. (HHU) (Channel 1); CEP sales through an affiliate which sold subject merchandise to the United States through the affiliate's U.S. subsidiary (Channel 2); and EP sales through resellers (Channel 3).

With respect to the U.S. LOT for Channel 3 sales, HYSCO reported that it performed the following selling functions in Korea for sales to U.S. customers: sales forecasting; strategic/economic planning; personnel training/exchange; advertising; sales promotion; packing; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; and freight and delivery arrangements. Based on the selling function categories noted above, we find that HYSCO performed sales and marketing; freight and delivery; and warranty and technical support for EP sales. As there was only one channel of distribution for EP sales, we find that there is one LOT for EP sales (EP LOT).

With respect to the U.S. LOT for Channel 1 and 2 sales, HYSCO reported that it performed the following selling functions in Korea for sales through these channels: packing; order input/processing; direct sales personnel; and freight and delivery arrangement. Based on the

⁵⁸ See, e.g., OJ from Brazil at Comment 7.

⁵⁹ See HYSCO AQR at A-16 – A-21, and Exhibits A-6 – A-12; and SeAH AQR at A-21 – A-27, and Exhibits A-3, A-5, A-6.

selling function categories noted above, we find that with respect to Channels 1 and 2, HYSCO performed sales and marketing and freight and delivery services for U.S. sales. Because HYSCO performed the same selling functions at the same relative level of intensity for its U.S. sales in Channels 1 and 2, we determine that U.S. sales in these channels are at the same LOT (CEP LOT).

We compared the EP LOT to the home market LOT and found that the selling functions HYSCO performed for its home market customers are virtually the same as those performed for its U.S. customers. The only difference is that HYSCO provides warranty services for home market customers and does not provide this service for EP sales. This difference is not sufficient to determine that HYSCO's EP LOT is different from the home market LOT. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that sales to the home market during the POI were made at the same LOT as EP sales. Consequently, we matched EP sales to home market sales at the same LOT, and no LOT adjustment was warranted.

We also compared the CEP LOT to the home market LOT and found that the selling functions HYSCO performed for its home market customers are at a more advanced stage of distribution than those performed for its U.S. customers. That is, there is a broader range of selling functions performed for home market sales than for CEP sales, and these functions are performed at a higher level of intensity in the home market. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that home market sales during the POI were made at a different LOT than CEP sales. Because HYSCO's home market LOT is at a more advanced stage of distribution than its CEP LOT, and no LOT adjustment is possible, a CEP offset is warranted. Accordingly, we granted a CEP offset, pursuant to section 773(a)(7)(B) of the Act.

SeAH

In the home market, SeAH reported that it made sales through two channels of distribution (i.e., direct shipments to end-users or distributors (Channel 1), and sales of coated merchandise to home market customers (Channel 2)). SeAH reported that it performed the following selling functions for sales to all home market customers: sales forecasting; strategic/economic planning; sales negotiation; invoicing; receipt of customer payment; personnel training/exchange; sales promotion; packing; inventory maintenance; warehouse operation; order input/processing; sales/marketing support; market research; warranty service; guarantees to customer; and freight and delivery arrangements.

As noted above, selling activities can be generally grouped into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery services; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that SeAH performed sales and marketing, freight and delivery services, inventory maintenance and warehousing, and warranty and technical support for its reported sales to customers in the home market. Because SeAH performed the same selling functions at the same relative level of intensity for all of its home market sales, we determine that all home market sales are at the same LOT.

With respect to the U.S. market, SeAH reported that it made sales through two channels of distribution (i.e., direct shipments to an unaffiliated distributor in the United States (Channel 1), and shipments to PPA's Houston branch office, where the merchandise was subjected to further processing (epoxy coating) by an unaffiliated contractor, prior to delivery to an unaffiliated customer (Channel 2)). For both channels of distribution, SeAH reported that it performed the following selling functions in Korea for sales to U.S. customers: packing; order input/processing; and freight and delivery arrangements. Based on the selling function categories noted above, we find that SeAH performed sales and marketing and freight and delivery services for U.S. sales, and that these functions were performed at the same level of intensity in Channels 1 and 2. Because the selling functions performed by SeAH in Korea do not differ between these two channels, we preliminarily determine that there is one LOT in the U.S. market.

Finally, we compared the U.S. LOT to the home market LOT and found that the selling functions SeAH performed for its home market customers are at a more advanced stage of distribution than those performed for its U.S. customers. That is, there is a broader range of selling functions performed in the home market than in the U.S. market, and these functions are performed at a higher level of intensity in the home market than in the U.S. market. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that sales to the home market during the POI were made at a different LOT than sales to the United States. Additionally, because SeAH's home market LOT is at a more advanced stage of distribution than its U.S. LOT, and no LOT adjustment is possible, a CEP offset is warranted. Accordingly, we granted a CEP offset pursuant to section 773(a)(7)(B) of the Act.

D. Cost of Production Analysis

On February 9, 2015, the petitioners alleged that HYSCO and SeAH made sales in the home market during the POI that were below their respective COPs. Based on our analysis of the allegations made by the petitioners, we found that HYSCO's and SeAH's home market sales, which allegedly fell below the COP, were representative of the broader range of sales which may be used as a basis for NV. Therefore, we determined that there were reasonable grounds to believe or suspect that HYSCO's and SeAH's sales of welded line pipe in the home market were made at prices below the COP. Accordingly, pursuant to section 773(b) of the Act, we initiated sales-below-cost investigations to determine whether HYSCO's and/or SeAH's sales were made at prices below COP.⁶⁰ We examined both respondents' cost data and determined that our quarterly cost methodology is not warranted and, therefore, we applied our standard methodology of using annual costs based on the reported data.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the costs of materials and fabrication for the foreign like product, plus amounts for general and

⁶⁰ See Memorandum to Neal M. Halper, Director of Office of Accounting, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – Hyundai HYSCO Co. Ltd.," dated May 14, 2015 (HYSCO Preliminary Cost Calculation Memo), and Memorandum to Neal M. Halper, Director of Office of Accounting, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination - SeAH Steel Corporation," dated May 14, 2015 (SeAH Preliminary Cost Calculation Memo).

administrative (G&A) expenses and interest expenses.⁶¹

HYSCO

We relied on the COP data submitted by HYSCO, except as follows:⁶²

- We adjusted the cost for certain raw material inputs purchased from affiliated parties and services provided by affiliated parties in accordance with sections 773(f)(2) and 773(f)(3) of the Act.
- We revised the cost of the non-prime line pipe from HYSCO's normal books and records to reflect the non-prime line pipe net sales value. We then allocated the residual manufacturing costs (*i.e.*, non-prime line pipe manufacturing costs from the company's books less non-prime pipe net sales revenue) to prime-quality line pipe products.
- We revised the financial expense rate denominator to correct packing costs and to include scrap revenue to ensure both the calculated rate and what it is applied to are on the same basis.

SeAH

We relied on the COP data submitted by SeAH, except as follows:⁶³

- We adjusted the cost of raw materials purchased from an affiliated trading company to ensure that the reported costs reflect arm's-length transactions.
- We adjusted SeAH's G&A expense ratio to disallow a portion of miscellaneous gains for which no explanation was provided to support the inclusion of this gain in the ratio.
- We adjusted SeAH's financial expense ratio to include financial expense items which were excluded by the company and no explanation was provided to support the exclusion of these line items from the ratio.
- The petitioners argued that because SeAH purchases a majority of its raw materials from POSCO, SeAH and POSCO should be treated as affiliated companies for purposes of our major input analysis. For the preliminary determination, we did not treat POSCO as an affiliated supplier of SeAH. Due to the proprietary nature of the information used in our analysis, we addressed this issue in the SeAH Preliminary Cost Calculation Memo.
- We adjusted SeAH's further manufacturing cost database to include an amount for financial expenses.

2. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(a)(1)(B)(i) of the Act, we compared the adjusted weighted-average COPs to the home market sales prices of the foreign like product, in order to determine whether the sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were

⁶¹ See "Test of Comparison Market Sales Prices" section, below, for treatment of home market selling expenses.

⁶² See HYSCO Preliminary Cost Calculation Memo.

⁶³ See SeAH Preliminary Cost Calculation Memo.

exclusive of any applicable billing adjustments, movement charges, actual 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 comparison market sales of a given product are at prices less than the COP, we do not disregard any 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) 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 COPs for the POI, 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.

We found that, for certain products, more than 20 percent of HYSCO's and SeAH's home market sales were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We, therefore, excluded these sales and used the remaining sales, if any, as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

E. Calculation of NV Based on Comparison Market Prices

HYSCO

We calculated NV based on prices to unaffiliated customers. We increased, where appropriate, the starting price to account for late payment fees in accordance with 19 CFR 351.401(c). We also made a deduction from the starting price for inland freight, under section 773(a)(6)(B)(ii) of the Act. We recalculated the imputed credit expense incurred on sales to one home market customer for which HYSCO reported it had not received payment.⁶⁴

For comparisons made to EP sales, we made adjustments for differences in circumstances of sale (COS) pursuant to section 773(a)(6)(C)(iii) of the Act. We made COS adjustments by deducting direct selling expenses incurred for home-market sales (imputed credit) and adding U.S. direct selling expenses (imputed credit), where appropriate.

For comparisons to CEP sales, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410, we deducted from NV direct selling expenses (imputed credit). We made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the

⁶⁴ See HYSCO Sales Calculation Memo for further discussion of this adjustment.

CEP offset as the lesser of the indirect selling expenses on the home market sales or the indirect selling expenses deducted from the starting price in calculating CEP.

For comparisons to both EP and CEP sales, we deducted home-market packing costs and added U.S. packing costs, in accordance with sections 773(a)(6)(A) and (B) of the Act. When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of 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 product and subject merchandise.⁶⁵

SeAH

We calculated NV based on prices to unaffiliated customers. We made a deduction from the starting price for inland freight, under section 773(a)(6)(B)(ii) of the Act. We adjusted SeAH's inland freight expenses (charged by an affiliate) to reflect arm's-length transactions.⁶⁶

For comparisons to CEP sales, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410, we deducted from NV direct selling expenses, i.e., imputed credit. We calculated credit expenses to reflect negative credit expenses, where applicable.⁶⁷ We made a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f). We calculated the CEP offset as the lesser of the indirect selling expenses on the home market sales or the indirect selling expenses deducted from the starting price in calculating CEP.

Furthermore, when comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of 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 product and subject merchandise.⁶⁸ We also deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act.⁶⁹

XI. 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 date of the U.S. sales as certified by the Federal Reserve Bank.

⁶⁵ See 19 CFR 351.411(b).

⁶⁶ See SeAH Sales Calculation Memo.

⁶⁷ Id.

⁶⁸ See 19 CFR 351.411(b).

⁶⁹ See SeAH Sales Calculation Memo.

XII. Conclusion

We recommend applying the above methodology for this preliminary determination.

✓
Agree

Disagree

Pe Pj
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

14 MAY 2015
Date