



A-580-809  
Administrative Review  
POR 11/01/15-10/31/16  
Public Document  
Office I: Team

November 30, 2017

MEMORANDUM TO: Gary Taverman  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations,  
performing the non-exclusive functions and duties of the  
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder  
Senior Director  
for Antidumping and Countervailing Duty Operations  
performing the duties of Deputy Assistant Secretary

SUBJECT: Decision Memorandum for the Preliminary Results of  
Antidumping Duty Administrative Review: Circular Welded Non-  
Alloy Steel Pipe from the Republic of Korea: 2015-2016

---

## I. SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on circular welded non-alloy steel pipe (CWP) from the Republic of Korea (Korea) covering the period of review (POR) November 1, 2015, through October 31, 2016. We selected two companies for individual examination in this administrative review: Husteel Co., Ltd. (Husteel) and Hyundai Steel Company (Hyundai Steel). We preliminarily determine that Husteel and Hyundai Steel made sales of the subject merchandise at prices below normal value (NV).

## II. BACKGROUND

On November 2, 1992, we published in the *Federal Register* an AD order on CWP from Korea.<sup>1</sup> On November 30, 2016, the petitioner<sup>2</sup> timely requested a review of AJU Besteel, Husteel,

---

<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> The petitioner, Wheatland Tube Company (Wheatland), is a domestic producer of CWP.



Hyundai HYSCO,<sup>3</sup> NEXTEEL, and SeAH Steel Corporation (SeAH).<sup>4</sup> On November 30, 2015, Husteel, Hyundai Steel, and SeAH also requested an administrative review.<sup>5</sup>

On January 13, 2017, the Department initiated this administrative review.<sup>6</sup> On February 16, 2017, we released entry data we obtained from U.S. Customs and Border Protection (CBP) for comment by interested parties regarding our selection of respondents for the instant review.<sup>7</sup> On February 23, 2017, the petitioner and Hyundai Steel submitted comments.<sup>8</sup> On March 31, 2016, we selected Husteel and Hyundai Steel for individual examination in this review.<sup>9</sup>

On April 7, 2016, the Department issued the AD questionnaire to Husteel and Hyundai Steel.<sup>10</sup> Husteel and Hyundai Steel submitted timely questionnaire responses.<sup>11</sup> The petitioner submitted comments on the respondents' questionnaire responses.<sup>12</sup> The Department issued supplemental questionnaires to Husteel<sup>13</sup> and Hyundai Steel<sup>14</sup> and received timely responses.<sup>15</sup>

---

<sup>3</sup> In the initiation notice, we initiated reviews of both Hyundai HYSCO and Hyundai Steel Company. *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 82 FR 4294, 4296 (January 13, 2017) (*Initiation Notice*). We found that Hyundai Steel merged with Hyundai HYSCO on July 1, 2015, and, on that basis, determined that Hyundai Steel is the successor-in-interest to Hyundai HYSCO. *See Notice of Final Results of Antidumping Duty Changed Circumstances Review: Circular Welded Non-Alloy Steel Pipe from the Republic of Korea*, 81 FR 42653 (June 30, 2016).

<sup>4</sup> *See* Letter to the Department from Wheatland, "Certain Circular Welded Non-Alloy Steel Pipe from Korea: Request for Administrative Review," dated November 30, 2016.

<sup>5</sup> *See* Letter to the Department from Husteel, "Circular Welded Non-Alloy Steel Pipe from Korea, Case No. A-580-809: Request for Administrative Review," dated November 30, 2016; Letter to the Department from Hyundai Steel, "Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Request for Administrative Review," dated November 30, 2016; and Letter to the Department from SeAH, "Circular Welded Non-Alloy Steel Pipe from Korea — Request for Administrative Review," dated November 30, 2016.

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

<sup>7</sup> *See* Letter to All Interested Parties dated February 16, 2017.

<sup>8</sup> *See* Letter from Wheatland to the Department, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Wheatland's Comments on CBP Data and Respondent Selection," dated February 23, 2017, and Hyundai Steel's Letter to the Department, "Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Respondent Selection Comments," dated February 23, 2017.

<sup>9</sup> *See* Memorandum, "Antidumping Duty Administrative Review: Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea," dated March 8, 2017.

<sup>10</sup> *See* Letters to Husteel and Hyundai Steel dated March 9, 2017.

<sup>11</sup> *See* Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-580-809: Section A Questionnaire Response," dated April 6, 2017 (Husteel AQR); Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-580-809: Sections B-D Questionnaire Response," dated May 10, 2017 (Husteel BCDQR); Letter from Hyundai Steel, "Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company's Section A Questionnaire Response," dated April 6, 2017 (Hyundai Steel AQR); and Letter from Hyundai Steel, "Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company's Sections B-D Questionnaire Response," dated May 8, 2017 (Hyundai Steel BCDQR).

<sup>12</sup> *See* Letter from the petitioner, "Certain Circular Welded Non-Alloy Steel Pipe from Korea: Comments on Hyundai Responses," dated August 15, 2017; and Letter from the petitioner, "Certain Circular Welded Non-Alloy Steel Pipe from Korea: Comments on Husteel Questionnaire Responses," dated August 22, 2017.

<sup>13</sup> *See* Letters from the Department to Husteel dated June 13, 2017 (Husteel SQ1) and September 18, 2017 (Husteel SQ2).

<sup>14</sup> *See* Letters from the Department to Hyundai Steel dated June 5, 2017 (Hyundai Steel SQ1), July 7, 2017 (Hyundai Steel SQ2), and September 1, 2017 (Hyundai Steel SQ3).

<sup>15</sup> *See* Letter from Husteel, "Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Case No.

### III. 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>16</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.

---

A-580-809: Supplemental Sections A-D Questionnaire Response,” dated June 27, 2017 (Husteel SQR1); Letter from Husteel, “Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-580-809: 2nd Supplemental Sections A-D Questionnaire Response,” dated October 12, 2017 (Husteel SQR2); Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company’s Supplemental Sections A-D Questionnaire Response,” dated June 27, 2017 (Hyundai Steel SQR1A); Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company’s Supplemental Sections A-D Questionnaire Response (Questions 25 and 44),” dated July 3, 2017 (Hyundai Steel SQR1B); Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company’s Second Supplemental Sections B-D Questionnaire Response,” dated July 28, 2017 (Hyundai Steel SQR2); Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company’s Supplemental Sections A-C Questionnaire Response,” dated September 14, 2017 (Hyundai Steel SQR3); and Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Hyundai Steel Company’s Supplemental Section D Questionnaire Response,” dated October 4, 2017 (Hyundai Steel SQR4).

<sup>16</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.

#### IV. RATES FOR RESPONDENTS NOT SELECTED FOR INDIVIDUAL EXAMINATION

AJU Besteel, NEXTEEL, and SeAH were not selected for individual examination in this review. Generally, the Department looks to section 735(c)(5) of the Tariff Act of 1930, as amended (the Act), which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for respondents not selected for individual examination in an administrative review. Section 735(c)(5)(A) of the Act instructs that we are not to calculate an all-others rate using any zero or *de minimis* margins or any margins based on total facts available. Accordingly, our usual practice has been to average the rates for the selected companies excluding zero, *de minimis*, and rates based entirely on facts available.<sup>17</sup>

In these preliminary results, we found non-*de minimis* weighted-average margins for Husteel and Hyundai Steel. We cannot apply our normal methodology of calculating a weighted-average margin using the actual net U.S. sales values and antidumping duty amounts of Husteel and Hyundai Steel because doing so could indirectly disclose business-proprietary information to both of these companies. Alternatively, we have previously applied the simple average of the margins we determined for the selected companies.<sup>18</sup> In order to strike a balance between our duty to safeguard parties' business-proprietary information and our attempt to adhere to the guidance set forth in section 735(c)(5)(A) of the Act, we calculated a weighted-average margin for non-selected respondents using the publicly available, ranged total U.S. sales values of the selected respondents, compared the resulting public, weighted-average margin to the simple average of the antidumping duty margins, and used the amount which is closer to the actual weighted-average margin of the selected respondents as the margin for the non-selected respondents.<sup>19</sup> Accordingly, for the preliminary results of this review, we are assigning the simple average of these two companies' dumping margins.<sup>20</sup>

---

<sup>17</sup> See *Ball Bearings and Parts Thereof from France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and accompanying Issues and Decision Memorandum at Comment 16.

<sup>18</sup> See, e.g., *Ball Bearings and Parts Thereof from France, et al.: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008).

<sup>19</sup> See *Ball Bearings and Parts Thereof from France, et al.: Final Results of Antidumping Duty Administrative Reviews, Final Results of Changed-Circumstances Review, and Revocation of an Order in Part*, 75 FR 53661, 53662 (September 1, 2010), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>20</sup> See Memorandum to Alex Villanueva, "Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Calculation of the Margin for Respondents Not Selected for Individual Examination," dated concurrently with this memorandum.

## V. DISCUSSION OF THE METHODOLOGY

We are conducting this administrative review of the order in accordance with section 751(a) of the Act and 19 CFR 351.213.

### (1) Comparisons to Normal Value

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

#### A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) or CEPs (*i.e.*, the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, the Department examines whether to compare weighted-average NVs with the EPs or CEPs of individual sales (*i.e.*, the average-to-transaction (A-T) method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department's examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.<sup>21</sup>

In recent investigations and the last completed administrative and new shipper reviews of this order, the Department applied a "differential pricing" analysis for determining whether application of the A-T method is appropriate in a particular situation, pursuant to section 777A(d)(1)(B) of the Act and 19 CFR 351.414(c)(1) and 19 CFR 351.414(c)(1).<sup>22</sup> The Department finds that the differential pricing analysis used in recent investigations and reviews 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, and on the Department's additional

---

<sup>21</sup> See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010-2011*, 77 FR 73415 (December 10, 2012) and accompanying Issues and Decision Memorandum at Comment 1. See also *Apex Frozen Foods Private Ltd. v. United States*, 37 F. Supp. 3d 1286 (CIT 2014).

<sup>22</sup> See, *e.g.*, *Truck and Bus Tires from the People's Republic of China: Preliminary Affirmative Determinations of Sales at Less Than Fair Value and Critical Circumstances, and Postponement of Final Determination*, 81 FR 61186 (September 6, 2016), and accompanying Preliminary Decision Memorandum at 22, unchanged in *Truck and Bus Tires from the People's Republic of China: Final Affirmative Determinations of Sales at Less Than Fair Value and Critical Circumstances*, 82 FR 8599 (January 27, 2017), and *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative and New Shipper Reviews and Rescission of Administrative Review, in Part; 2014-2015*, 81 FR 12870 (March 11, 2016) (2014-15 Prelim), and Preliminary Decision Memorandum at 6, unchanged in *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review and New Shipper Review; 2014-2015*, 81 FR 62712 (September 12, 2016) (2014-15 Final).

experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating weighted-average dumping margins for respondents.

The differential pricing analysis used in these preliminary results examines whether there exists a pattern of EPs or CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchaser, region and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported consolidated customer codes. Regions are defined using the reported destination code (*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 based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. 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* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period 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 prices to the particular purchaser, region, or time period differ significantly from the 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 (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

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

passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the A-A method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of 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 A-A method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative comparison method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the A-A method only. If the difference between the two calculations is meaningful, then this demonstrates that the A-A method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison 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 margins between the A-A method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margins between the A-A method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

## B. Results of the Differential Pricing Analysis

### *Husteel*

For Husteel, based on the results of the differential pricing analysis, we preliminarily find that 67.68 percent of the value of U.S. sales pass the Cohen's *d* test,<sup>23</sup> confirming the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines that the average-to-average method cannot account for such differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for this preliminary determination, the Department is

---

<sup>23</sup> See "Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Analysis Memorandum for Husteel Co., Ltd.," dated concurrently with this memorandum (Husteel Preliminary Analysis Memorandum).

applying the average-to-transaction method for all U.S. sales to calculate the weighted-average dumping margin for Husteel.

### *Hyundai Steel*

For Hyundai Steel, based on the results of the differential pricing analysis, the Department preliminarily finds that 71.64 percent of the value of U.S. sales pass the Cohen's *d* test,<sup>24</sup> confirming the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for this preliminary determination, the Department is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Hyundai Steel.

## **VI. DATE OF SALE**

We normally 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 we are satisfied that a different date better reflects the date on which the material terms of sale are established.<sup>25</sup>

### *Husteel*

For its comparison market sales, Husteel has reported the shipment date as the date of sale, as it establishes the material terms of sale at the time of shipment.<sup>26</sup> For its U.S. CEP 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.<sup>27</sup> Likewise, for its few U.S. EP sales, Husteel reports the earlier of the shipment or invoice date.<sup>28</sup> Husteel explained that the price and quantity are subject to change until invoicing and shipment of the merchandise.<sup>29</sup> Therefore, we are relying on the sale dates reported by Husteel for both the comparison and U.S. market sales.<sup>30</sup>

---

<sup>24</sup> See "Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Analysis Memorandum for Hyundai Steel Company," dated concurrently with this memorandum (Hyundai Steel Preliminary Analysis Memorandum).

<sup>25</sup> See 19 CFR 351.401(i).

<sup>26</sup> See Husteel AQR at 16.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> See Husteel AQR at 17.

<sup>30</sup> This is consistent with our practice with respect to Husteel in prior reviews. See, e.g., *Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review; 2014-2015*, 81 FR 89059 (December 9, 2016) and accompanying Decision Memorandum at 6-7 (unchanged in final; 82 FR 26910, June 12, 2017).



## *Hyundai Steel*

For its comparison market sales, Hyundai Steel reported that quantity can change up until the date of shipment from Hyundai Steel's factory, and price can change up until the date Hyundai Steel issues its tax and commercial invoice; for U.S. sales. Hyundai Steel reported that quantity can change up until shipment from Hyundai Steel's factory, though the price is fixed at the time of order.<sup>31</sup> Therefore, we are relying on the earlier of shipment date or invoice date for home-market sales and we are relying on the shipment date for U.S. sales.

## **VII. PRODUCT COMPARISONS**

In accordance with section 771(16) of the Act, we considered all products meeting the physical description of merchandise covered by the "Scope of the Order" section above, produced and sold by the respondents in the comparison market during the POR, to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales of subject merchandise. We compared U.S. sales to sales made in the home market 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 order of importance, these physical characteristics are: 1) grade; 2) nominal pipe size; 3) wall thickness; 4) surface finish; and 5) end-finish.

## **VIII. EXPORT PRICE AND CONSTRUCTED EXPORT PRICE**

Section 772(a) of the Act defines EP as "the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c)" of section 772 of the Act.

For the purposes of this review, Husteel classified a small volume of sales to the United States as EP sales which were sold locally to an unaffiliated trading company in Korea who then sold the merchandise to its U.S. customer. We calculated EP for these preliminary results in accordance with subsections 772(a) and (c) of the Act, where the subject merchandise was first sold in the country of manufacture (*i.e.*, Korea) to an unaffiliated purchaser prior to importation and CEP was not otherwise warranted based on the facts of record. Therefore, with respect to Husteel's reported EP sales, we calculated EP based on the price to unaffiliated purchasers in the United States, taking into account the reported terms of delivery. We made adjustments for credit expenses, and certain direct and indirect selling expenses, as appropriate. We also made deductions for movement expenses including domestic inland freight, international freight, and domestic brokerage and handling, in accordance with section 772(c)(2)(A) of the Act.

Section 772(b) of the Act defines CEP as "the price at which the subject merchandise is first sold (or agreed to be sold) in the United States to an unaffiliated purchaser in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise

---

<sup>31</sup> See Hyundai Steel AQR at A-26.

or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d)” of section 772 of the Act.

For purposes of this review, Hyundai Steel classified all of its sales of CWP to the United States as CEP sales. Husteel classified most 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., and Hyundai Steel made sales in the United States through its affiliates, Hyundai Steel USA, Inc. and Hyundai Corporation USA. These U.S. affiliates 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 credit expenses, warranty expenses, and indirect selling expenses. For Hyundai Steel, we reclassified certain reported general and administrative expenses as indirect selling expenses incurred in Korea.<sup>32</sup> We also made an adjustment for profit, in accordance with section 772(d)(3) of the Act.

## **IX. NORMAL VALUE**

### **A. Particular Market Situation**

#### **1. Background**

On October 16, 2017, Wheatland submitted factual information and a letter in which it argued that the Department should find that a particular market situation exists in Korea in the instant POR.<sup>33</sup> Wheatland argued that a particular market situation existed in Korea, which distorted the COP of CWP, based on its consideration of the cumulative effects of: (1) Korean subsidies on hot-rolled coil (HRC), the primary input for CWP; (2) Korean imports of HRC from the People’s Republic of China (China); (3) strategic alliances between Korean HRC suppliers and Korean CWP producers; and (4) government involvement in the Korean electricity market.

On November 1, 2017, the Department issued a letter inviting all interested parties to submit factual information and comments regarding the alleged particular market situation in the instant review.<sup>34</sup> On November 13, 2017, Husteel, Hyundai Steel, and SeAH Steel Corporation (a non-examined Korean CWP producer) submitted factual information and comments concerning the

---

<sup>32</sup> See Hyundai Steel SQR at S-13 to S-14 and Exhibit S-16; see also Hyundai Steel BCDQR at Exhibit B-19.

<sup>33</sup> See Letter from Wheatland, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Allegation of a Particular Market Situation,” dated October 16, 2017 (PMS Allegation).

<sup>34</sup> See Letter to All Interested Parties, “2015-2016 Administrative Review of the Antidumping Duty Order on Circular Welded Non-Alloy Steel Pipe (CWP) from the Republic of Korea: Deadline for Submission of Factual Information Relating to Particular Market Situation Allegation,” dated November 1, 2017.

particular market situation allegations.<sup>35</sup> The petitioner submitted rebuttal comments and factual information on November 22, 2017.<sup>36</sup> However, we have had insufficient time to consider these arguments for the preliminary results of review and will consider them for the final results of review.

## 2. Analysis

Section 504 of the Trade Preferences Extension Act of 2015 (TPEA)<sup>37</sup> added the concept of “particular market situation” in the definition of the term “ordinary course of trade,” for purposes of CV under section 773(e), and through these provisions for purposes of the COP under section 773(b)(3). Section 773(e) states that “if a particular market situation exists such that the cost of materials and fabrication or other processing of any kind does not accurately reflect the cost of production in the ordinary course of trade, the administering authority may use another calculation methodology under this subtitle or any other calculation methodology.”

In this review, Wheatland alleged that a particular market situation exists in Korea which distorts CWP costs of production based on the following four factors: (1) subsidization of Korean hot-rolled steel products by the Korean government; (2) the distortive pricing of unfairly traded Chinese HRC; (3) strategic alliances between Korean HRC suppliers and Korean CWP producers; and (4) distortive government control over electricity prices in Korea. Section 504 of the TPEA does not specify whether to consider these allegations individually or collectively. In *OCTG 2014-2015* and *OCTG 2015-16*, the petitioner alleged that a particular market situation existed in Korea based on the same four factors and, upon analyzing the four allegations as a whole, the Department found that a particular market situation existed in Korea during the respective PORs.<sup>38</sup> Consistent with our determinations in the aforementioned reviews, we preliminarily find that a particular market situation exists in Korea which distorts the cost of production of CWP. This particular market situation results from the collective impact of Korean HRC subsidies, Korean imports of HRC from China, strategic alliances, and government involvement in the Korean electricity market.

In this administrative review, we considered the four particular market situation allegations as a whole, based on their cumulative effect on the Korean CWP market through the cost of

---

<sup>35</sup> See Letter from Husteel, “Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea, Case No. A-580-809: Particular Market Situation Allegation Comments,” dated November 13, 2017; Letter from Hyundai Steel, “Certain Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Particular Market Situation Allegation Comments,” dated November 13, 2017; and Letter from SeAH Steel Corporation, “Administrative Review of the Antidumping Order on Circular Welded Non-Alloy Steel Pipe from Korea – Response to the Department’s November 1 Request for Comments on ‘Particular Market Situation Allegations’” dated November 13, 2017.

<sup>36</sup> See Letter from Wheatland, “Certain Circular Welded Non-Alloy Steel Pipe from Korea: Particular Market Situation Rebuttal Submission,” dated November 22, 2017.

<sup>37</sup> See *Trade Preferences Extension Act of 2015*, Pub. L. No. 114-27, 129 Stat. 362 (2015) (TPEA).

<sup>38</sup> See *Certain Oil Country Tubular Goods from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 82 FR 18105 (April 17, 2017) (*OCTG 2014-2015*) and accompanying Issues and Decision Memorandum at Comment 3 and *Certain Oil Country Tubular Goods from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review; 2015-2016*, 82 FR 46963, October 10, 2017) (*OCTG 2015-16*) and accompanying Preliminary Decision Memorandum at 14-20 (final not yet issued).

production for CWP and its inputs. Based on the totality of the conditions in the Korean market, the Department finds that the allegations represent facets of a single particular market situation. The information on the record shows government assistance in the production of HRC by the Korean government and purchases of HRC by the mandatory respondents from POSCO, which received such assistance.<sup>39</sup> Record evidence also shows that the assistance received by Korean hot-rolled steel producers totaled almost 60 percent of the cost of hot-rolled steel, the primary input into OCTG production.<sup>40</sup> Additionally, the Department notes that HRC as an input of OCTG constitutes approximately 80 percent of the cost of OCTG production; thus, distortions in the HRC market have a significant impact on production costs for OCTG.<sup>41</sup> Further, as a result of significant overcapacity in Chinese steel production, which stems in part from the distortions and interventions prevalent in the Chinese economy, the Korean steel market has been flooded with imports of cheaper Chinese steel products, placing downward pressure on Korean domestic steel prices.<sup>42</sup> This, along with the Korean government heavily assisting the domestic steel production, distorts the Korean market prices of HRC, the main input in Korean OCTG production.

With respect to Wheatland's contention that certain Korean HRC suppliers and Korean CWP producers attempt to compete by engaging in strategic alliances, the Department agrees that the record evidence supports that such strategic alliances exist in Korea,<sup>43</sup> and that these strategic alliances may have affected prices in the period covered by the original less-than-fair value investigation. Although the petitioner provided a proprietary analysis which it claimed indicates that strategic alliances have directly created a distortion in HRC pricing in the current period of review, the information cited by the petitioner does not demonstrate that the price differences claimed were necessarily a result of the strategic alliances and that other factors were not also responsible.<sup>44</sup> The Department nonetheless finds that these strategic alliances between certain Korean HRC suppliers and Korean CWP producers are relevant as an element of the Department's analysis in that they may have created distortions in the prices of HRC in the past, and may continue to impact HRC pricing in a distortive manner during the instant POR and in the future.

With respect to the allegation of distortion present in the electricity market, a particular market situation may exist where there is government control over prices to such an extent that home

---

<sup>39</sup> See PMS Allegation at Attachment 13, Exhibit 12 (containing Letter from Maverick, "Oil Country Tubular Goods from South Korea: Particular Market Situation Case Brief," dated March 1, 2017, at 6 and footnote 18, and sources cited therein).

<sup>40</sup> *Id.* at Attachment 13, Exhibit 12 (containing Letter from Maverick, "Oil Country Tubular Goods from South Korea: Particular Market Situation Case Brief," dated March 1, 2017, at 6-7, citing *Hot-Rolled Steel from Korea*).

<sup>41</sup> *Id.* at Attachment 13, Exhibit 4 (containing Letter from Maverick, "Certain Oil Country Tubular Goods from the Republic of Korea: Information and Comments Requiring Immediate Action," dated November 25, 2015, at 3).

<sup>42</sup> *Id.* at Attachment 13, Exhibit 6 (containing Letter from Maverick, "Certain Oil Country Tubular Goods from the Republic of Korea: Particular Market Situations and Other Factual Information Submission," dated September 6, 2016, at Exhibit 4).

<sup>43</sup> *Id.* at Attachment 13, Exhibit 4 (containing Letter from Maverick, "Certain Oil Country Tubular Goods from the Republic of Korea: Information and Comments Requiring Immediate Action," dated November 25, 2015, at Attachment 4).

<sup>44</sup> *Id.* at 22-23.

market prices cannot be considered to be competitively set.<sup>45</sup> Moreover, we have previously found that electricity in Korea functions as a tool of the government's industrial policy.<sup>46</sup> Furthermore, the largest electricity supplier, KEPCO, is a government controlled entity.<sup>47</sup> To be clear, our determination of a particular market situation in this review is not based solely upon any support from the government of Korea for electricity. To the contrary, as we stated above, each of these allegations are contributing factors that, taken together, lead the Department to conclude a particular market situation exists in Korea.

These intertwined market conditions suggest that the production costs of CWP, especially the acquisition prices of HRC in Korea, may not be reflective of the ordinary course of trade. Furthermore, as noted above, we determined in *OCTG 2014-2015* and *OCTG 2015-16* that those conditions did, in fact, impact the acquisition prices of HRC in Korea. Thus, based on the Department's previous determinations and record evidence, we preliminarily find that various market forces result in distortions which impact the cost of production for CWP from Korea. Put another way, considered collectively, the Department preliminarily finds that the allegations support a finding that a particular market situation exists during the POR in this administrative review.

Having found that a particular market situation exists for the respondents' production costs for CWP, the Department examined whether there was sufficient record evidence to quantify the impact of the particular market situation in order to potentially employ an alternative calculation methodology, as contemplated by section 504 of the TPEA.

The Department has determined to make an upward adjustment to Husteel's and Hyundai Steel's reported costs for HRC because of the GOK's subsidization of hot rolled steel products. For HRC purchased from Korean producers, the Department preliminarily bases this adjustment on the subsidy rates found for POSCO and all other producers of HRC in the final determination in *Hot-Rolled Steel Flat Products from Korea*.<sup>48</sup> The Department has quantified this adjustment as the net domestic subsidization rate, namely the countervailing duty rate excluding all export subsidies.<sup>49</sup> In the Department's view, these rates appropriately quantify the impact of the GOK's assistance in the production of hot rolled steel products, which is integral to the particular market situation that the Department has preliminarily found to exist for these preliminary results.

We also find that there is insufficient record evidence that Japanese HRC prices are distorted such that they require an adjustment. Moreover, even if there were such evidence on the record of this review, because we are unable to quantify the effect of Chinese imports on Korean HRC,

---

<sup>45</sup> See *OCTG 2014-2015* and accompanying Issues and Decision Memorandum at 41.

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

<sup>47</sup> *Id.* at Attachment 13, Exhibit 5 (containing Letter from Maverick, "Certain Oil Country Tubular Goods from the Republic of Korea: Particular Market Situation Allegation on Electricity," dated February 3, 2016, at 13-14 and Exhibit 2, p. 50).

<sup>48</sup> While the Department has found for these final results that all four allegations are part of the Department's particular market situation finding, the record did not contain sufficient information to make adjustments specifically relating to the electricity and strategic alliances allegations. Therefore, in order to adjust for the particular market situation, the Department used record information relating to HRC.

<sup>49</sup> See Husteel Preliminary Analysis Memorandum and Hyundai Steel Preliminary Analysis Memorandum.

we likewise cannot quantify the effect of Chinese HRC prices on Japanese HRC that is in turn imported into Korea.

The Department finds that strategic alliances could not be used to quantify the impact of the particular market situation because the limited data on the record of this review does not enable to the Department to quantify the impact of such alliances on the costs of HRC in this particular period, although such alliances tend to impact the way customer-supplier relationships are structured and contribute to the existence of a particular market situation.

Further, the Department notes that excess steel-production capacity has created market distortions across the globe. Excess steel-production capacity causes serious market distortions and contributes to the downturn in global steel markets, including significant price suppression, displaced markets, unsustainable capacity utilization, negative financial performance, shutdowns, and lay-offs. The deterioration in steel demand, along with continued capacity expansions, are likely to place further pressure on country-specific steel markets and create incentives for government interventions which will further distort the production costs and prices for a wide range of steel products.

We also find that we are unable to quantify the effect of the electricity market on the cost of production of CWP. In particular, we find that the information on the record is insufficient for determining the impact of government intervention with respect to electricity on the cost to produce CWP. Accordingly, we have not made an adjustment for electricity.

Lastly, with respect to HRC purchased from Chinese suppliers, we have not made an adjustment for these preliminary results. At this time, the Department finds that the information on the record of this review does not permit us to quantify the effect of imports of Chinese HRC on Korean HRC inputs. While the petitioner has suggested using an equivalent of the surrogate-value methodology, it is not clear that it is appropriate to extend the use of that methodology as a proxy for measuring distortions in particular market situations. Moreover, the petitioner has not sufficiently explained why Mexico is an appropriate option for use as a “surrogate” country, especially given that the evidence placed on the record by the petitioner suggests that the allegedly distortive pricing of unfairly traded Chinese hot-rolled steel is a global phenomenon.<sup>50</sup> In addition, while the petitioner also suggested calculating an adjustment based on the current antidumping margins for hot-rolled steel from the PRC, we preliminarily determine that such an adjustment is not appropriate given that there is no evidence on the record indicating that the U.S. and Korean markets for hot-rolled steel are similar such that the antidumping margins for PRC exports to the United States are representative of what such margins might be if they were calculated for PRC exports to Korea. As noted above, we have not had time to consider all of the arguments on this issue for the preliminary results and will consider them for the final results. The Department will continue to develop the concepts and types of analysis that are necessary to address allegations of particular market situations under section 773(e) of the Act.

---

<sup>50</sup> See PMS Allegation at 33.

## B. Comparison Market Viability

To determine whether there was a sufficient volume of sales in Korea 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 administrative review, we preliminarily determine that both respondents' volume of home market sales of the foreign like product was greater than five percent of the aggregate volume of U.S. sales of subject merchandise. Therefore, we used home market sales as the basis for NV in accordance with section 773(a)(1)(B) of the Act.

## C. Affiliated Party Transactions and Arm's-Length Test

During the POR, Husteel reported that it neither made sales of the foreign like product to affiliated customers in the comparison market, as defined in section 771(33) of the Act, nor purchased raw material inputs from affiliated parties.<sup>51</sup> Therefore, we have not conducted the arm's-length test.<sup>52</sup>

Hyundai Steel obtained domestic inland freight from factory to warehouse (INLFTWH), domestic inland freight from factory/warehouse to customer (INLFTCH), domestic inland freight for U.S. sales from factory to port (DINLFTPU), international freight (INTNFRU), other freight services, and material inputs into production from affiliated companies.<sup>53</sup> Based on the information Hyundai Steel provided, we preliminarily determine that these expenses were all at arm's length with the exception of a certain inputs into production.<sup>54</sup> With respect to the certain inputs into production, see the "Calculation of Cost of Production," below.

We revalued certain of these expenses pursuant to section 773(f)(2) of the Act. In some cases (*e.g.*, steel scrap), Hyundai Steel reported adjustments to effectuate this at our request. For marine insurance, we have calculated an adjustment and applied it to Hyundai Steel's reported expenses. Because of the proprietary nature of our analysis, *see* Hyundai Steel Preliminary Analysis Memorandum for a complete description of our analysis and methodology.

---

<sup>51</sup> See Husteel's AQR at 2 (sales to unaffiliated customers in the home market) and 10 (unaffiliated purchases of raw material inputs).

<sup>52</sup> *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 Preliminary Decision Memorandum at 10.

<sup>53</sup> See Hyundai Steel BCDQR at B-32, B-34, C-28, and C-31.

<sup>54</sup> See Hyundai Steel SQR1B at Exhibit S-1 and Hyundai Steel BCDQR at Exhibit C-9.

#### D. Level of Trade/CEP Offset

To the extent practicable, we determine NV based on sales of the foreign like product at the same level of trade (LOT) as the EP or CEP sales.<sup>55</sup> Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).<sup>56</sup> Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.<sup>57</sup> In order to determine whether the home market sales were 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, class of consumer (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 LOT for EP or comparison market sales (*i.e.*, NV based on either home market or third country prices), we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

When we are unable to match NV at the same LOT as the EP or CEP, we may compare U.S. sales to comparison market sales at a different LOT. When this occurs and the difference in LOT is demonstrated to affect price comparability based on a pattern of consistent price differences between sales at a different LOT in the NV market under consideration, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP only, if the NV is established at a LOT which constitutes a more advanced stage of distribution than the LOT of the CEP, but there is no basis for determining whether the difference in the LOT between NV and CEP affects price comparability (*i.e.*, no LOT adjustment is possible), we grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.

#### *Husteel*

We examined the information obtained from Husteel regarding the marketing stages involved in making its reported home market and U.S. sales, including a description of the selling activities performed by Husteel for each channel of distribution.<sup>58</sup> Husteel reported two types of customers in the home market: distributors and end-users.<sup>59</sup> The selling activities associated with the two types of customers did not differ; therefore, we consider all home-market sales to constitute one LOT.<sup>60</sup> In the U.S. market, Husteel reported CEP sales primarily to distributors, with only a small volume of EP sales to trading companies. Husteel reported that, after adjusting for functions performed in the United States, the CEP and EP LOT would be less advanced than the home market LOT.<sup>61</sup>

---

<sup>55</sup> See section 773(a)(1)(B)(i) of the Act and 19 CFR 351.412.

<sup>56</sup> See 19 CFR 351.412(c)(2).

<sup>57</sup> *Id.*

<sup>58</sup> See Husteel AQR at 11-13, and Exhibit A-10 (Selling Functions Chart).

<sup>59</sup> *Id.* at 12.

<sup>60</sup> *Id.* at Exhibit A-10.

<sup>61</sup> *Id.* at 15.



We found that there were significant differences between the selling activities associated with the CEP and EP LOT and those associated with the home market LOT. Specifically, Husteel provides inventory maintenance, among other services, in the home market, but it does not provide these services in the U.S. market.<sup>62</sup> However, because Husteel did not make any home market sales of subject or non-subject merchandise during the POR at a LOT similar to the CEP or EP level of trade, pursuant to section 773(a)(1)(B)(i) of the Act, we could not make a LOT adjustment. Accordingly, 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 the offset 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.

### *Hyundai Steel*

We examined the differences in selling functions reported in Hyundai Steel's responses to our requests for information. Hyundai Steel reported two types of customers in the home market: end-users and distributors.<sup>63</sup> The selling activities associated with the two types of customers did not differ; therefore, we consider all home-market sales to constitute one LOT. In the U.S. market, Hyundai Steel reported CEP sales to unaffiliated distributors and unaffiliated trading companies.<sup>64</sup> The selling activities associated with the two types of customers did not differ; therefore, we preliminarily consider all U.S. sales to constitute one LOT. We compared the selling activities at the CEP LOT with the selling activities at the home market LOT and found, after deducting selling functions corresponding to economic activities in the United States, *i.e.*, those performed by Hyundai Steel's U.S. affiliates, that these levels were substantially dissimilar. Hyundai Steel's sales at the CEP level involve no or lower levels of, *e.g.*, sales forecasting, strategic/economic planning, advertising, inventory maintenance, personnel training/exchange, advertising, sales promotion, sales/marketing support, or market research relative to sales at the home market level.<sup>65</sup> Therefore, we preliminarily determine the home-market sales to be at a different LOT and at a more advanced stage of distribution than the CEP LOT.

Because there is only one LOT in the home market, we were unable to calculate a LOT adjustment based on Hyundai Steel's home market sales of the foreign like product and we have no other information that provides an appropriate basis for determining a LOT adjustment. Moreover, because the CEP LOT did not exist in the home market, there is no basis for a LOT adjustment. Accordingly, for the respondents' 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 the offset 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.

---

<sup>62</sup> See Husteel AQR at Exhibit A-10.

<sup>63</sup> See Hyundai Steel SQR1 at S-3.

<sup>64</sup> *Id.*

<sup>65</sup> See Hyundai Steel AQR at Exhibit A-8.

#### E. Overrun Sales

Section 773(a)(1)(B) of the Act provides that NV shall be based on the price at which the foreign like product is first sold, *inter alia*, in the ordinary course of trade. Section 771(15) of the Act defines “ordinary course of trade” as the “conditions and practices which, for a reasonable time prior to the exportation of the subject merchandise, have been normal in the trade under consideration with respect to merchandise of the same class or kind.”

Hyundai Steel reported home market sales of “overrun” merchandise, *i.e.*, sales of products that failed to meet the original customer’s order specifications because of differences in size, chemical components, and/or strength. In the past, we examined various factors to determine whether “overrun” sales are in the ordinary course of trade.<sup>66</sup> We have the discretion to choose how best to analyze the many factors involved in determining whether sales are made within the ordinary course of trade.<sup>67</sup> These factors include, but are not limited to, the following: (1) whether the merchandise is “off-quality” or produced according to unusual specifications; (2) the comparative volume of sales and the number of buyers in the home market; (3) the average quantity of an overrun sale compared to the average quantity of a commercial sale; and (4) price and profit differentials in the home market.<sup>68</sup>

Based on our analysis of these factors and the terms of sale, we preliminarily determine that Hyundai Steel’s overrun sales are within the ordinary course of trade. Because our analysis includes business proprietary information, the analysis is available in the Hyundai Steel Overruns Memorandum.<sup>69</sup>

#### F. Cost of Production Analysis

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), Public Law No. 114-27, which made numerous amendments to the AD and countervailing duty law, including amendments to section 773(b)(2)(A) of the Act.<sup>70</sup> The 2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments to section 771(7) of the Act, which relate to determinations of material injury by the International Trade Commission.<sup>71</sup> Section 773(b)(2)(A)(ii) of the Act controls all determinations in which the complete initial questionnaire

---

<sup>66</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d. 1339, 1364-65 (CIT 2003); see also, *e.g.*, 2014-15 Prelim and accompanying Preliminary Decision Memorandum at 10, unchanged in 2014-15 Final.

<sup>67</sup> See *Laclede Steel Co. v. United States*, 19 CIT 1076, 1078 (1995).

<sup>68</sup> See, *e.g.*, *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative and New Shipper Reviews and Rescission of Administrative Review, in Part; 2014-2015*, 81 FR 12870 (March 11, 2016), and accompanying Preliminary Decision Memorandum at 10, unchanged in final (81 FR 62712; September 12, 2016).

<sup>69</sup> See Memorandum, “Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Hyundai Steel Company’s Home Market Overruns,” dated concurrently with this memorandum.

<sup>70</sup> See TPEA, Pub. L. No. 114-27, 129 Stat. 362 (2015).

<sup>71</sup> See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015).

has not been issued as of August 6, 2015. It requires the Department to request cost information from respondent companies in all antidumping proceedings.<sup>72</sup> Because these amendments apply to this review, the Department requested cost information from Husteel and Hyundai Steel and they submitted timely responses.<sup>73</sup> We examined the 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 Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. Except as stated below, we relied on the COP data submitted by Husteel and Hyundai Steel in their questionnaire responses for the COP calculation.

For Husteel, we made the following changes: 1) if a model was galvanized but Husteel reported no zinc costs (either in-house or subcontracted), we used the highest reported in-house zinc cost; 2) we re-allocated zinc scrap equally among all galvanized models; 3) if a model was coupled but Husteel reported no coupling costs, we used the highest reported coupling cost; 4) we calculated a net hot-rolled input cost by subtracting hot-rolled scrap from total hot-rolled input costs, and then allocated the net hot-rolled input costs equally among all models with the same grade; 5) we recalculated the net direct materials costs to take into account the above revisions; 6) we allocated conversion costs by wall thickness, finish, and end finish; and 7) we recalculated general and administrative expenses and interest expenses to reflect the above revisions.

For Hyundai Steel, we converted Hyundai Steel's reported costs from an actual-weight basis to a theoretical-weight basis.<sup>74</sup>

### 2. Test of Comparison Market Sales Prices

As required under sections 773(b)(1) and (2) of the Act, we compared the weighted average of the COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We determined the net comparison market prices for the below cost test by subtracting from the gross unit price any applicable movement charges, discounts, billing adjustments, direct and indirect selling expenses, and packing expenses.

### 3. Results of the COP Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we did not disregard below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where

---

<sup>72</sup> *Id.* at 46794-95.

<sup>73</sup> See Husteel BCDQR and Hyundai Steel BCDQR.

<sup>74</sup> See Hyundai Steel BCDQR at D-32.

20 percent or more of a respondent's home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because (1) they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted average of the COPs, they were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

Our cost tests for both respondents indicated that, for home 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 excluded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.

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

For those comparison products for which there were sales at prices above the COP for the respondents, we based NV on home market prices. We calculated NV based on prices to unaffiliated customers in Korea and prices to affiliated customers which were determined to be at arm's length.<sup>75</sup> We adjusted the starting price for foreign inland freight pursuant to section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in circumstances of sale (for imputed credit expenses, warranty expenses, and other selling expenses) in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410. For Hyundai Steel, we reclassified certain reported general and administrative expenses as indirect selling expenses incurred in Korea.<sup>76</sup>

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise.<sup>77</sup>

### X. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A(a) of the Act based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. These exchange rates are available on the Enforcement and Compliance's website at <http://enforcement.trade.gov/exchange/index.html>.

---

<sup>75</sup> See the "Affiliated Party Transactions and Arm's-Length Test" section above.

<sup>76</sup> See Hyundai Steel SQR at S-13 to S-14 and Exhibit S-16; *see also* Hyundai Steel BCDQR at Exhibit B-19.

<sup>77</sup> See 19 CFR 351.411(b).

## XI. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



\_\_\_\_\_  
Agree



\_\_\_\_\_  
Disagree

11/30/2017

X

*Gary Taverman*

Signed by: GARY TAVERMAN

\_\_\_\_\_  
Gary Taverman  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations,  
performing the non-exclusive functions and duties of the  
Assistant Secretary for Enforcement and Compliance