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MEMORANDUM TO: Christian Marsh
Deputy Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Results of the 2016-
2017 Administrative Review of the Antidumping Duty Order on
Welded Line Pipe from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on welded line pipe (WLP) from the Republic of Korea (Korea), in accordance with section 751(a) of the Tariff Act of 1930, as amended (the Act). The period of review (POR) is December 1, 2016, through November 30, 2017. The administrative review covers 32 producers/exporters of the subject merchandise. Commerce selected two respondents for individual examination, NEXTEEL Co., Ltd. (NEXTEEL), and SeAH Steel Corporation (SeAH). We preliminarily determine that sales of the subject merchandise have been made at prices below normal value (NV) during the POR.

II. BACKGROUND

In December 2015, Commerce published in the *Federal Register* an AD order on WLP from Korea.¹ On December 4, 2017, Commerce published in the *Federal Register* a notice of opportunity to request an administrative review of the AD order on WLP from Korea for the period December 1, 2016, through November 30, 2017.² Pursuant to section 751(a)(1) of the Act, and 19 CFR 351.213(b)(1), the following parties submitted requests to conduct an

¹ See *Welded Line Pipe from the Republic of Korea and the Republic of Turkey: Antidumping Duty Orders*, 80 FR 75056 (December 1, 2015).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 82 FR 57219 (December 4, 2017).

administrative review: the Domestic Interested Parties;³ SeAH; Hyundai Steel Company (Hyundai Steel); Husteel Co., Ltd. (Husteel); and NEXTEEL.⁴ On February 23, 2018, based on these timely requests for review, in accordance with 19 CFR 351.221(c)(1)(i), we initiated an administrative review on WLP from Korea.⁵

In the *Initiation Notice*, Commerce indicated that, in the event that we limit the respondents selected for individual examination, in accordance with section 777A(c)(2) of the Act, we would select mandatory respondents for individual examination based upon U.S. Customs and Border Protection (CBP) entry data.⁶ On February 23, 2018, Commerce released U.S. import data from CBP and provided an opportunity for interested parties to comment on these data.⁷ We did not receive any such comments.

In March 2018, after considering the large number of potential producers/exporters involved in this administrative review, and the resources available to Commerce, we determined that it was not practicable to examine all exporters/producers of subject merchandise for which a review was requested.⁸ As a result, pursuant to section 777A(c)(2)(B) of the Act, we determined that we could reasonably individually examine the two largest producers/exporters accounting for the largest volume of WLP from Korea during the POR (*i.e.*, NEXTEEL and SeAH).⁹ Accordingly, in March 2018 we issued the AD questionnaire to these companies.

Also in March 2018, Maverick, a domestic interested party, requested that Commerce conduct a duty absorption inquiry. As a result, in April 2018, Commerce issued duty absorption letters to NEXTEEL and SeAH.

From April to May 2018, NEXTEEL and SeAH submitted timely responses to Commerce's AD questionnaire.¹⁰ On May 10, 2018, we received a response from NEXTEEL to our duty

³ The Domestic Interested Parties are: California Steel Industries, TMK IPSCO, Welspun Tubular LLC USA, and Maverick Tube Corporation (Maverick).

⁴ See Letter from California Steel Industries, TMK IPSCO, and Welspun Tubular LLC USA, entitled, "Welded Line Pipe from the Republic of Korea: Request for Administrative Review," dated December 29, 2017; letter from Maverick, entitled, "Welded Line Pipe from the Republic of Korea: Request for Administrative Review," dated December 29, 2017; Letter from SeAH entitled, "Antidumping Investigation of Welded Line Pipe from Korea — Request for Administrative Review," dated December 29, 2017; Letter from Hyundai Steel entitled, "Welded Line Pipe from the Republic of Korea: Request for Administrative Review," dated December 28, 2017; Letter from Husteel entitled, "Welded Line Pipe from Korea, Case No. A-580-876: Request for Administrative Review," dated December 28, 2017; and Letter from NEXTEEL entitled, "Welded Line Pipe from the Republic of Korea: Request for Administrative Review," dated December 26, 2017.

⁵ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 83 FR 8058 (February 23, 2018) (*Initiation Notice*).

⁶ *Id.*, 83 FR at 8058.

⁷ See Memorandum, "2016-2017 Antidumping Duty Administrative Review: Welded Line Pipe from the Republic of Korea: Release of Customs Entry Data from U.S. Customs and Border Protection," dated February 23, 2018.

⁸ See Memorandum, "2016-2017 Antidumping Duty Administrative Review of Welded Line Pipe from the Republic of Korea: Respondent Selection," dated March 19, 2018.

⁹ *Id.*

¹⁰ See SeAH's April 16, 2018 Section A Questionnaire Response (SeAH AQR); NEXTEEL's April 17, 2018 Section A Questionnaire Response (NEXTEEL AQR); SeAH's May 14, 2018 Sections B through E Questionnaire Response; NEXTEEL's May 15, 2018 Section C Questionnaire Response; and NEXTEEL's May 15, 2018

absorption letter.¹¹ From June through November 2018, we issued supplemental questionnaires to both respondents. We received timely responses to these supplemental questionnaires from July through December 2018.¹²

In August 2018, we extended the preliminary results of this review to no later than January 3, 2019.¹³ Also in August 2018, the Domestic Interested Parties submitted factual information alleging that Commerce should find that a particular market situation (PMS) existed in Korea during the POR.¹⁴ On August 28, 2018, Commerce issued a letter inviting all interested parties to submit factual information and comments regarding the alleged PMS in this administrative review.¹⁵ On September 6 and 7, 2018, the Domestic Interested Parties, NEXTEEL, and SeAH, each submitted factual information and comments concerning the PMS allegation.¹⁶ Finally, on November 28, 2018, NEXTEEL and SeAH, each submitted rebuttal factual information on the Domestic Interested Parties' Regression Analysis Submission.¹⁷

From September to December 2018, we conducted verifications in Korea of NEXTEEL's and SeAH's cost of production (COP) and sales data, in accordance with section 782(i) of the Tariff Act of 1930, as amended (the Act).¹⁸

Section D Questionnaire Response.

¹¹ See NEXTEEL's Letter entitled, "Welded Line Pipe from the Republic of Korea: Submission of Evidence for Department's Duty Absorption Analysis," dated May 10, 2018 (NEXTEEL Duty Absorption Response).

¹² See NEXTEEL's July 3, 2018 Supplemental Section D Response; NEXTEEL's July 16, 2018 First Supplemental Sections A and C Response; NEXTEEL's July 16, 2018 Second Supplemental Sections A and C Response; NEXTEEL's August 3, 2018 Supplemental Section D Response (NEXTEEL SQRD2); SeAH's August 3, 2018 Supplemental Section D Response; POSCO Daewoo's September 12, 2018 Supplemental Section D Response; POSCO Daewoo's September 21, 2018 Section A Questionnaire Response (POSCO Daewoo AQR); SeAH's September 24, 2018 Supplemental Sections A and C Response; POSCO Daewoo's October 9, 2018, U.S. Sales Questionnaire Response; NEXTEEL's October 10, 2018 Consolidated Database Response; SeAH's October 11, 2018 Second Supplemental Sections A and C Response; and POSCO Daewoo's December 4, 2018 Supplemental Section C Response.

¹³ See Memorandum, "Welded Line Pipe from the Republic of Korea: Extension of Deadline for Preliminary Results of 2016-2017 Antidumping Duty Administrative Review," dated August 9, 2018.

¹⁴ See Letter from Domestic Interested Parties entitled, "Welded Line Pipe from the Republic of Korea: Particular Market Situation Allegation and Other Factual Information," dated August 6, 2018 (PMS Allegation).

¹⁵ See Letter to All Interested Parties, "2016-2017 Administrative Review of the Antidumping Duty Order on Welded Line Pipe from the Republic of Korea: Deadline for Submission of Factual Information Relating to Particular Market Situation Allegations," dated August 28, 2018 (PMS Letter).

¹⁶ See Letter from Domestic Interested Parties entitled, "Welded Line Pipe from the Republic of Korea: Other Factual Information," dated September 6, 2018 (Regression Analysis Submission); Letter from NEXTEEL entitled, "Welded Line Pipe from the Republic of Korea: NEXTEEL's Particular Market Situation Comments and Rebuttal Factual Information," dated September 7, 2018 (NEXTEEL PMS Comments); and Letter from SeAH entitled, "Welded Line Pipe from the Republic of Korea –Response to the Department's August 28 Request for Comments on 'Particular Market Situation Allegations'," dated September 7, 2018 (SeAH PMS Comments).

¹⁷ See Letter from NEXTEEL entitled, "Welded Line Pipe from the Republic of Korea: NEXTEEL's Rebuttal Comments to Domestic Interested Parties' Sept. 6, 2018, Submission," dated November 28, 2018 (NEXTEEL Regression Analysis Rebuttal); and Letter from SeAH entitled, "Welded Line Pipe from the Republic of Korea – Response to the Department's November 19 Request for Rebuttal Comments on Domestic Interested Parties' September 6 Submission," dated November 28, 2018 (SeAH Regression Analysis Rebuttal).

¹⁸ See Memoranda: "Verification of the Cost Response of NEXTEEL Co. Ltd. in the Antidumping Duty Investigation {sic} of Welded Line Pipe from South Korea - POSCO Cost Response," dated November 29, 2018 (POSCO COP Verification Report); "Verification of the Cost Response of NEXTEEL Co., Ltd in the Antidumping

Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018, through the resumption of operations on January 28, 2019.¹⁹ If the new deadline falls on a non-business day, in accordance with Commerce's practice, the deadline will become the next business day. The revised deadline for the preliminary results of this review is now February 12, 2019.

III. SCOPE OF THE ORDER

The merchandise covered by this order is circular welded carbon and alloy steel (other than stainless steel) pipe of a kind used for oil or gas pipelines (welded line pipe), not more than 24 inches in nominal outside diameter, regardless of wall thickness, length, surface finish, end finish, or stenciling. Welded line pipe is normally produced to the American Petroleum Institute (API) specification 5L, but can be produced to comparable foreign specifications, to proprietary grades, or can be non-graded material. All pipe meeting the physical description set forth above, including multiple-stenciled pipe with an API or comparable foreign specification line pipe stencil is covered by the scope of this order.

The welded line pipe that is subject to this order is currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under subheadings 7305.11.1030, 7305.11.5000, 7305.12.1030, 7305.12.5000, 7305.19.1030, 7305.19.5000, 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150. The subject merchandise may also enter in HTSUS 7305.11.1060 and 7305.12.1060. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

IV. PRELIMINARY DETERMINATION OF NO SHIPMENTS

In March 2018, HiSteel Co., Ltd. (HiSteel) submitted a letter to Commerce certifying that it had no exports, sales, or entries of subject merchandise to the United States during the POR.²⁰ Because we were unable to confirm HiSteel's no shipment claim with the CBP data, we requested CBP entry documentation for HiSteel which we placed on the record.²¹ Based on the evidence on the record, we preliminarily determine that HiSteel had no shipments of subject merchandise to the United States during the POR. Consistent with our practice, we are not

Duty Administrative Review of Welded Line Pipe from the Republic of Korea," dated December 11, 2018, (NEXTEEL COP Verification Report) "Verification of the Sales Response of SeAH Steel Corporation in the Antidumping Review of Welded Line Pipe from the Republic of Korea," dated December 19, 2018; and "Verification of the Sales Response of NEXTEEL Co. Ltd. (NEXTEEL) in the 2016-2017 Antidumping Duty Administrative Review of Certain Welded Line Pipe from the Republic of Korea," dated December 19, 2018 (NEXTEEL Sales Verification Report). The SeAH COP verification report will be issued after these preliminary results.

¹⁹ See Memorandum, "Deadlines Affected by the Partial Shutdown of the Federal Government," dated January 28, 2019. All deadlines in this segment of the proceeding have been extended by 40 days.

²⁰ See Letter from HiSteel entitled, "Administrative Review of the Antidumping Order on Welded Line Pipe from Korea for the 2016-17 Review Period – No Shipments Letter," dated March 26, 2018.

²¹ See Memorandum, "Placing U.S. Entry Documents on the Record," dated June 5, 2018.

preliminarily rescinding the review with respect to HiSteel. Instead, we will complete the review and issue appropriate instructions to CBP based on the final results of this review.²²

V. AFFILIATION

In accordance with section 771(33) of the Act, the following persons shall be considered affiliated: (A) members of a family, including brothers and sisters (whether by the whole or half-blood), spouse, ancestors, and lineal descendants; (B) any officer or director of an organization and such organization; (C) partners; (D) employer and employee; (E) any person directly or indirectly owning, controlling, controlled by, or holding with power to vote, five percent or more of the voting stock or shares of any organization and such organization; (F) two or more persons directly or indirectly controlling, controlled by, or under common control with, any person; and (G) any person who controls any other person and such other person. To find affiliation between two companies, at least one of the criteria above must be applicable. Section 771(33) of the Act further provides that, “{f}or purposes of this paragraph, a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the other person.” Commerce’s regulations at 19 CFR 351.102(b)(3) state that, in finding affiliation based on control, Commerce will consider, among other factors: (i) corporate or family groupings; (ii) franchise or joint venture agreements; (iii) debt financing, and (iv) close supplier relationships.

Control between persons may exist in close supplier relationships in which either party becomes reliant on one another.²³ With respect to close supplier relationships, Commerce has determined that the threshold issue is whether either the buyer or seller has, in fact, become reliant on the other. Only if such reliance exists does Commerce then determine whether one of the parties is in a position to exercise restraint or direction over the other.²⁴ Commerce will not, however, find affiliation on the basis of this factor unless the relationship has the potential to affect decisions concerning the production, pricing, or cost of the subject merchandise or foreign like product.²⁵

In the less-than-fair-value (LTFV) investigation of oil country tubular goods (OCTG) from Korea, Commerce found NEXTEEL and Korean steel supplier POSCO to be affiliated through a close supplier control relationship:

In establishing whether there is a close supplier relationship, we normally look to whether one of the parties has become reliant on the other. However, in this

²² See, e.g., *Certain Frozen Warmwater Shrimp from Thailand; Preliminary Results of Antidumping Duty Administrative Review, Partial Rescission of Review, Preliminary Determination of No Shipments; 2012-2013*, 79 FR 15951, 15952 (March 24, 2014), unchanged in *Certain Frozen Warmwater Shrimp from Thailand: Final Results of Antidumping Duty Administrative Review, Final Determination of No Shipments, and Partial Rescission of Review; 2012-2013*, 79 FR 51306, 51307 (August 28, 2014).

²³ See, e.g., Statement of Administrative Action Accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, vol. 1 (1994) (SAA) at 838.

²⁴ See, e.g., *Multilayered Wood Flooring from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 76 FR 64318 (October 18, 2011), and accompanying Issues and Decision Memorandum (IDM) at Comment 21.

²⁵ See 19 CFR 351.102(b)(3).

situation, the argument for affiliation goes beyond an allegation of a close supplier relationship. POSCO is involved in both the production and sales sides of NEXTEEL's operations involving subject merchandise. The combination of its involvement on both the production and sales sides creates a unique situation where POSCO is operationally in a position to exercise restraint or direction over NEXTEEL in a manner that affects the pricing, production, and sale of OCTG. The preamble to the Department's regulations states that section 771(33), which refers to a person being "in a position to exercise restraint or direction," properly focuses the Department on the ability to exercise "control" rather than the actuality of control over specific transactions. In this case, given POSCO's involvement as both a supplier and in the sales process, POSCO is in a rather unique position to exercise restraint or control over NEXTEEL.²⁶

Commerce also found NEXTEEL and POSCO to be affiliated through a control relationship in the subsequent administrative reviews of OCTG from Korea.²⁷

During the POR of this review NEXTEEL: 1) purchased the majority of its hot-rolled steel coil (HRC) inputs, which the company used to produce WLP, from POSCO;²⁸ and 2) sold WLP to the United States through a wholly-owned POSCO affiliate, POSCO Daewoo.²⁹ Both NEXTEEL and POSCO Daewoo argue that no affiliation exists between NEXTEEL and POSCO or POSCO Daewoo in this proceeding.³⁰

When presented with a similar fact pattern in *OCTG 2016-2017 Preliminary Results*, Commerce found a control relationship between NEXTEEL and POSCO.³¹ In both this proceeding and OCTG, POSCO is involved in both the production and sales of NEXTEEL's operations involving subject merchandise. Therefore, consistent with our findings in the OCTG proceedings, we find that the combination of POSCO's involvement on both the production and sales sides of NEXTEEL's operations creates a situation where POSCO is operationally in a position to exercise restraint or direction over NEXTEEL in a manner that affects the pricing, production, and sale of WLP.

²⁶ See *Certain Oil Country Tubular Goods from the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances*, 79 FR 41983 (July 18, 2014), and accompanying IDM at Comment 20.

²⁷ 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 Final Results*), and accompanying IDM at Comment 36; *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), and accompanying Preliminary Decision Memorandum (PDM) at 6-8, unchanged in *Certain Oil Country Tubular Goods From the Republic of Korea: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2015-2016*, 83 FR 17146 (*OCTG 2015-2016 Final Results*); and *Certain Oil Country Tubular Goods From the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review; 2016-2017*, 83 FR 51442 (October 11, 2018) (*OCTG 2016-2017 Preliminary Results*), and accompanying PDM at 8-10.

²⁸ See, e.g., NEXTEEL SQRD2 at 3.

²⁹ See, e.g., NEXTEEL SQRD2 at 4; and POSCO Daewoo AQR at A-3.

³⁰ See, e.g., NEXTEEL AQR at A-9, footnote 4; NEXTEEL SQRD2 at 2-3; and POSCO Daewoo AQR at A-1.

³¹ See *OCTG 2016-2017 Preliminary Results* PDM at 8-10.

The preamble to Commerce’s regulations states that section 771(33) of the Act, which refers to a person being “in a position to exercise restraint or direction,” properly focuses Commerce on the ability to exercise “control,” rather than the actuality of control over specific transactions. Given POSCO’s involvement in both NEXTEEL’s production and sales process, and consistent with our determination in the OCTG proceedings, we preliminarily find that POSCO is in a unique position to exercise restraint or direction over NEXTEEL. Thus, we preliminarily find that NEXTEEL is affiliated with POSCO, pursuant to section 771(33)(G) of the Act, with respect to sales through POSCO Daewoo. Further, we preliminarily find that NEXTEEL is affiliated with POSCO Daewoo, pursuant to section 771(33)(F) of the Act, because NEXTEEL and POSCO Daewoo are each subject to the operational control of POSCO.

VI. DISCUSSION OF THE METHODOLOGY

A. 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 NEXTEEL’s and SeAH’s sales of the subject merchandise from Korea to the United States were made at less than NV, Commerce compared the export price (EP) and constructed export price (CEP) to the NV as described in the “Export Price and Constructed Export Price” and “Normal Value” sections of this memorandum.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average 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 LTFV investigations, Commerce 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 Commerce’s examination of this question in the context of administrative reviews, Commerce nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in LTFV investigations.³²

In recent investigations, Commerce applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.³³ Commerce finds that

³² 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 IDM at Comment 1; see also *JBF RAK LLC v. United States*, 790 F.3d 1358, 1363-65 (Fed. Cir. 2015) (“{t}he fact that the statute is silent with regard to administrative reviews does not preclude Commerce from filling gaps in the statute to properly calculate and assign antidumping duties”) (citations omitted).

³³ See, e.g., *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce's additional experience with addressing the potential masking of dumping that can occur when Commerce uses the A-A method in calculating a respondent's weighted-average dumping margin.

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 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 period of review 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 Commerce 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 average-to-transaction 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 average-to-transaction 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, Commerce examines whether using only the A-A method can appropriately account for such differences. In considering this question, Commerce 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.

2. Results of the Differential Pricing Analysis

For NEXTEEL, based on the results of the differential pricing analysis, Commerce preliminarily finds that 91.71 percent of the value of U.S. sales pass the Cohen's *d* test,³⁴ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the A-A method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the A-T method to all U.S. sales. Thus, for these preliminary results, Commerce is applying the A-to-A method for all U.S. sales to calculate the weighted-average dumping margin for NEXTEEL.

Further, Commerce preliminarily determines that the A-A method cannot account for such differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the A-A method and the weighted-average dumping calculated using an alternative comparison method based on applying the A-T method to all U.S. sales. Thus, for

³⁴ See Memorandum, "Preliminary Results Margin Calculation for NEXTEEL Co., Ltd.," dated concurrently with this memorandum (NEXTEEL Preliminary Calculation Memorandum).

these preliminary results, Commerce is applying the A-T method to all U.S. sales to calculate the weighted-average dumping margin for NEXTEEL.

For SeAH, based on the results of the differential pricing analysis, Commerce preliminarily finds that 70.59 percent of the value of U.S. sales pass the Cohen's *d* test,³⁵ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the A-A method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the A-T method to all U.S. sales. Thus, for this preliminary determination, Commerce is applying the A-A method for all U.S. sales to calculate the weighted-average dumping margin for SeAH.

B. Product Comparisons

For NEXTEEL and SeAH, we made product comparisons using constructed value (CV) because during the POR neither respondent had: 1) a viable home market; or 2) a viable third country market.³⁶

C. Export Price and Constructed Export Price

In accordance with section 772(a) of the Act, we calculated EP for certain of NEXTEEL'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. For the remainder of NEXTEEL's sales (*i.e.*, sales through POSCO Daewoo), we used CEP because the merchandise under consideration was sold in the United States by U.S. sellers affiliated with NEXTEEL, in accordance with section 772(b) of the Act. For SeAH, we used CEP because the merchandise under consideration was sold in the United States by U.S. sellers affiliated with SeAH and EP, as defined by section 772(a) of the Act, was not otherwise warranted.

NEXTEEL

We based EP on packed prices to the first unaffiliated purchaser in the United States. We increased the starting price by the amount of billing adjustments, where appropriate, pursuant to 19 CFR 351.401(c). We made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate, foreign inland freight expenses, foreign brokerage and handling expenses, international freight expenses, marine insurance

³⁵ See Memorandum, "Preliminary Results Margin Calculation for SeAH," dated concurrently with this memorandum (SeAH Preliminary Calculation Memorandum).

³⁶ NEXTEEL reported having no viable third country market, while Commerce previously found that SeAH's sales to its only viable third country market, Canada, are dumped and thus not representative, in accordance with section 773(a)(1)(B)(ii)(I) of the Act. See 2015-2016 *Final Results* IDM at Comment 12.

expenses, U.S. inland freight expenses, U.S. brokerage and handling expenses, and U.S. harbor maintenance fees.

We calculated CEP based on packed prices to the first unaffiliated purchaser in the United States. We excluded from our margin calculation those U.S. sales of WLP with reported entry dates prior to May 22, 2015, the date on which suspension of liquidation began. We made deductions from the starting price for movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate, foreign inland freight expenses, foreign brokerage and handling expenses, international freight expenses, marine insurance expenses, U.S. inland freight expenses, U.S. brokerage and handling expenses, and U.S. duty expenses.

In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (*i.e.*, imputed credit expenses, bank charges, warranty expenses, and other direct selling expenses) and indirect selling expenses. Finally, we made an adjustment for CEP 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 NEXTEEL's CEP profit rate using its 2017 financial statements.³⁷

SeAH

We calculated CEP based on packed prices to the first unaffiliated purchaser in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments and early payment discounts. We made deductions for any movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, as appropriate, foreign inland freight expenses, foreign brokerage and handling expenses, international freight expenses, marine insurance expenses, U.S. inland freight from port to warehouse and between warehouse expenses, U.S. inland freight from warehouse to customer (offset by freight revenue) expenses, U.S. brokerage and handling expenses, and harbor maintenance fees. We capped freight revenue by the amount of U.S. inland freight expenses incurred on the subject merchandise, in accordance with our practice.³⁸ Regarding foreign inland freight, SeAH used an affiliated company to arrange for delivery of its merchandise to the port of exportation. Because SeAH's affiliate did not provide the same service to unaffiliated parties, nor did SeAH use unaffiliated companies to arrange for its deliveries, we were unable to test the arm's-length nature of the fees paid by SeAH. Therefore, we based these expenses on the affiliate's costs.³⁹

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 (*i.e.*, imputed credit expenses, warranty expenses, and bank charges) and indirect selling expenses. We also made an adjustment for CEP profit allocated to these selling expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of

³⁷ See NEXTEEL Preliminary Calculation Memorandum.

³⁸ See, *e.g.*, *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Final No Shipment Determination*, 77 FR 63291 (October 16, 2012), and accompanying IDM at Comment 6.

³⁹ See SeAH Preliminary Calculation Memorandum.

the Act, we calculated SeAH's CEP profit rate using its 2017 unconsolidated financial statements.⁴⁰ Finally, in accordance with section 772(d)(2) of the Act, we deducted further manufacturing expenses in calculating CEP.

D. Normal Value

1. Particular Market Situation

a. Background

In the previous administrative review of WLP from Korea, Commerce found that a PMS existed in Korea which distorted the COP of WLP, based on our consideration of the cumulative effects of: (1) Korean subsidies on HRC, the primary input for WLP; (2) Korean imports of HRC from the People's Republic of China (China); (3) strategic alliances between Korean HRC suppliers and Korean WLP producers; and (4) government involvement in the Korean electricity market.⁴¹ On August 6, 2018, the Domestic Interested Parties submitted factual information and a letter in which they argued that Commerce should find, based on these same four factors, that a PMS continues to exist in Korea in the instant POR, and that we should make corrective adjustments to the respondents' reported costs.⁴² On August 8, 2018, we issued a letter inviting all interested parties to submit factual information to rebut, clarify, or correct the factual information in the Particular Market Situation Allegation.⁴³ On September 6 and 7, 2018, the Domestic Interested Parties, NEXTEEL, and SeAH submitted factual information and comments concerning the Particular Market Situation Allegation.⁴⁴

b. Interested Parties' Arguments

The Domestic Interested Parties assert that the same four factors which led Commerce to find that a PMS existed in Korea in the prior administrative review of WLP from Korea are still present in the instant review. According to the Domestic Interested Parties, the record demonstrates that the Korean government heavily subsidizes HRC, which NEXTEEL and SeAH purchased from Korean producers, including POSCO; overcapacity in Chinese steel production has resulted in the Korean market being flooded with cheap Chinese steel products, which exerts downward pressure on Korean domestic steel prices; Korean HRC producers and WLP producers engage in strategic alliances; and the Korean government distorts electricity prices. The Domestic Interested Parties contend that during the POR, Korean companies continued to import significant volumes of Chinese HRC, and that the average unit value (AUV) of these imports was low compared to the AUV of imports from other countries into Korea and the AUV of Chinese HRC exports to other countries. In addition, the Domestic Interested Parties claim

⁴⁰ *Id.*

⁴¹ See *Welded Line Pipe from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2015–2016*, 83 FR 33919 (July 18, 2018) (*2015-2016 Final Results*), and accompanying IDM at Comment 1, unchanged in *Welded Line Pipe From the Republic of Korea: Amended Final Results of Antidumping Duty Administrative Review; 2015–2016*, 83 FR 39682 (August 10, 2018).

⁴² See PMS Allegation.

⁴³ See PMS Letter.

⁴⁴ See Regression Analysis Submission; NEXTEEL PMS Comments; and SeAH PMS Comments.

that competition from low-priced Chinese imports has caused Korean steel producers' prices, market share, and overall profitability to fall. The Domestic Interested Parties assert that in addition to strategic alliances, Korean pipe producers participate in price-fixing schemes among themselves, citing decisions by the Korean Fair Trade Commission concerning Korean Gas Corporation bids from 2003 through 2013, steel pipe prices in 1997 and 1998, and Korea Water Resources Corporation bids in 1996.⁴⁵

The Domestic Interested Parties assert that, as we did in the previous administrative review of this order and OCTG from Korea, we should continue to quantify the impact of the PMS on HRC by adjusting the respondents' costs using the countervailing duty (CVD) rates determined in *Hot-Rolled Steel from Korea*.⁴⁶ Further, the Domestic Interested Parties argue that we should make adjustments to account for the impact of HRC supplied by Chinese and Japanese suppliers, strategic alliances, and the Korean government's control of electricity. To account for the effect of Chinese overcapacity on the Korean steel market, the Domestic Interested Parties contend that we should increase Chinese and Japanese HRC costs to the level of Korean HRC costs after the latter are adjusted by the subsidy rates from *Hot-Rolled Steel from Korea*. Alternatively, they propose that we could: (1) adjust Chinese HRC costs based on the simple average of the subsidy rates from the European Union's CVD investigation of hot-rolled flat products from China or the subsidy rate from Commerce's CVD investigation of cold-rolled steel flat products from China; and (2) adjust Japanese HRC costs based on the rates from Commerce's AD investigation of hot-rolled steel flat products from Japan; the weighted average of the adjustments made to Korean and Chinese HRC purchases; or the percent difference between the average prices of Korean hot-rolled imports from Japan and all other non-Chinese or Japanese import regression analysis, suggesting that we could also make a regression-based PMS adjustment to HRC here.⁴⁷

NEXTEEL contends that the Domestic Interested Parties have not provided sufficient evidence to demonstrate that a PMS existed during the instant POR that distorted the production costs of WLP. Further, NEXTEEL argues that the Domestic Interested Parties failed to provide any evidence to show that NEXTEEL's HRC costs do not accurately reflect the COP in the ordinary course of trade; rather, record benchmark prices demonstrate that NEXTEEL's HRC costs are not outside the ordinary course of trade. NEXTEEL claims that the Domestic Interested Parties have not pointed to any evidence that Chinese HRC is flooding the Korean market. NEXTEEL argues that, with respect to the Korean steel market, normal market considerations of supply and demand are in operation because steel pricing data show that the Korean market, and NEXTEEL's HRC costs in particular, move in line with the global market. Thus, NEXTEEL maintains that there is nothing "particular" about the Korean market. Likewise, NEXTEEL asserts that Korean electricity prices are determined according to market principles, and Commerce has not found any countervailable subsidies concerning electricity. As a result, NEXTEEL contends that no PMS adjustments are warranted. In any event, NEXTEEL contends

⁴⁵ See PMS Allegation.

⁴⁶ See PMS Allegation at 4-5 (citing *2015-2016 Final Results*; and *Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Final Affirmative Determination*, 81 FR 53439 (August 12, 2016), as amended in *Certain Hot-Rolled Steel Flat Products from Brazil and the Republic of Korea: Amended Final Affirmative Countervailing Duty Determinations and Countervailing Duty Orders*, 81 FR 67960 (October 3, 2016) (collectively, *Hot-Rolled Steel from Korea*)).

⁴⁷ See Regression Analysis Submission.

that it is inappropriate to make an adjustment using the subsidy rates from *Hot-Rolled Steel from Korea* because the rates in that case were based on AFA, are outdated, and say nothing about NEXTEEL's actual costs. Finally, NEXTEEL argues that, regarding the regression analysis submitted by the Domestic Interested Parties, this analysis does not say anything about Korean domestic hot-rolled steel prices, it is not relevant to NEXTEEL, and it does not provide a statistically sound method for quantifying an adjustment to hot-rolled steel prices in a particular country for a PMS.⁴⁸

SeAH argues that, in the *OCTG 2014-2015 Final Results*, Commerce found that none of the four PMS allegations, when examined individually, supported the PMS finding.⁴⁹ SeAH asserts that the Domestic Interested Parties have not identified any linkage between the alleged distortions and SeAH's reported costs, nor have they provided any evidence that the prices SeAH paid for HRC were below the cost of production. Further, SeAH contends that there is no affiliation or strategic alliances between SeAH and Korean HRC producers, and Commerce has consistently found that there is no subsidization of electricity prices by the Korean government. Regarding the subsidy rate for POSCO from *Hot-Rolled Steel from Korea*, which was based entirely on AFA and is outdated, SeAH contends that Commerce conceded upon remand in the CVD investigation of cold-rolled steel from Korea that the use of AFA for POSCO was incorrect.⁵⁰ SeAH claims that, if we continue to make a PMS adjustment for subsidies on HRC provided by POSCO, we should base the adjustment on rates from the more recent CVD investigation of cut-to-length plate from Korea or on the first administrative review of the CVD order on hot-rolled steel from Korea. Finally, SeAH claims that the Domestic Interested Parties' regression analysis does not establish causation between alleged global excess capacity of HRC and a PMS for HRC in Korea.⁵¹

c. Analysis

Section 504 of the Trade Preferences Extension Act of 2015⁵² added the concept of the "particular market situation" to the definition of "ordinary course of trade," found at section 771(15) of the Act. This addition expanded Commerce's consideration of the existence of a PMS not only in the circumstances of determining NV under section 773(a)(1)(A), but also for purposes of CV under section 773(e) of the Act. Through section 773(e) of the Act, "particular market situation" also applies to COP under section 773(b)(3) of the Act. Section 773(e) of the Act 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 {COP} in the ordinary course of trade, {Commerce} may use another calculation methodology under this subtitle or any other calculation methodology."

In the instant review, the Domestic Interested Parties alleged that a PMS exists in Korea which distorts the COP of WLP based on the following four factors: (1) subsidization of Korean hot-

⁴⁸ See NEXTEEL Regression Analysis Submission.

⁴⁹ See SeAH PMS Comments at 2 (citing *OCTG 2014-2015 Final Results* IDM at Comment 3).

⁵⁰ *Id.*, at 3 (citing *Final Results of Redetermination Pursuant to Court Remand*, June 6, 2018, following *POSCO v. United States*, 296 F. Supp. 3d 1320 (CIT 2018)).

⁵¹ See SeAH Regression Analysis Rebuttal.

⁵² See *Trade Preferences Extension Act of 2015*, Pub. L. No. 114-27, 129 Stat. 362 (2015) (TPEA).

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 WLP producers; and (4) distortive government control over electricity prices in Korea. Section 773(e) of the Act does not specify whether to consider these allegations individually or collectively. In the *2015-2016 Final Results*, Maverick (one of the Domestic Interested Parties in the instant review) alleged that a PMS existed in Korea based on the same four factors and, upon analyzing the four allegations as a whole, Commerce found that a PMS existed in Korea during that POR.⁵³ For the current review, after analyzing the Domestic Interested Parties' allegation and the factual information and comments subsequently submitted by interested parties, we preliminarily determine that the circumstances present during the instant review remained largely unchanged from those in 2015-2016 POR which led to the finding of a PMS in Korea in the *2015-2016 Final Results*. These are the same circumstances which led to the finding of a PMS for OCTG in Korea, a product which is produced from HRC by many of the same companies that produce WLP during the same period of time.⁵⁴ Therefore, for these preliminary results, we find that a PMS exists in Korea which distorts the COP of WLP. This PMS results from the collective impact of Korean HRC subsidies, strategic alliances, government involvement in the Korean electricity market, and Korean imports of HRC from China.

In the current administrative review, as in *2015-2016 Final Results*, we considered the four PMS allegations as a whole, based on their cumulative effect on the Korean market for the inputs to produce WLP. Based on the totality of the conditions in the Korean market, we preliminarily find that the allegations represent facets of a single PMS. Record evidence shows that the Korean government provides subsidies on hot-rolled steel, which includes HRC, and that the mandatory respondents purchased HRC from POSCO, which received such subsidies.⁵⁵ Record evidence also shows that the subsidies received by Korean hot-rolled steel producers totaled almost 60 percent of the cost of hot-rolled steel, the primary input into WLP production.⁵⁶ Additionally, we note 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.⁵⁷ 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.⁵⁸ This situation, along with the domestic steel production being heavily subsidized by the Korean government, distorts the Korean market prices of HRC, the main input in Korean WLP production.

With respect to the Domestic Interested Parties' contention that certain Korean HRC suppliers and Korean WLP producers attempt to compete by engaging in strategic alliances, Commerce agrees that the record evidence supports that such strategic alliances exist in Korea,⁵⁹ and that

⁵³ See *2015-2016 Final Results*, IDM at Comment 1; unchanged in *Welded Line Pipe from the Republic of Korea: Amended Final Results of Antidumping Duty Administrative Review; 2015-2016*, 83 FR 39682 (August 10, 2018).

⁵⁴ See *OCTG 2015-2016 Final Results* IDM at Comment 1, and *OCTG 2016-2017 Preliminary Results* PDM at 19-21.

⁵⁵ See PMS Allegation at Exhibits 15 and 17. See also NEXTEEL SQRD2 at 3; and SeAH DQR at Exhibit D-4-A.

⁵⁶ *Id.*, at Exhibit 17.

⁵⁷ *Id.*, at Exhibits 19 and 20.

⁵⁸ *Id.*, at Exhibits 19 and 23.

⁵⁹ *Id.*, at Exhibit 25.

these strategic alliances may have affected prices in the period covered by the original LTFV investigation of WLP from Korea. Although the record does not contain specific evidence showing that strategic alliances directly created a distortion in HRC pricing in the current POR, we, nonetheless, find that these strategic alliances between certain Korean HRC suppliers and Korean WLP producers are relevant as an element of our analysis in that they may have created distortions in the prices of HRC in the past, and may continue to affect 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, consistent with the SAA, a PMS may exist where there is government control over prices to such an extent that home market prices cannot be considered to be competitively set. Moreover, electricity in Korea functions as a tool of the government's industrial policy. Furthermore, the largest electricity supplier, KEPCO, is a government-controlled entity.⁶⁰ To be clear, our determination of a PMS 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 is a contributing factor that, taken all together, lead us to conclude that a PMS exists in Korea.

These intertwined market conditions signify that the production costs of WLP, especially the acquisition prices of HRC in Korea, are distorted and, thus, demonstrate that the costs of HRC to Korean WLP producers are not in the ordinary course of trade. Thus, we preliminarily find that various market forces result in distortions which have an impact on the COP for WLP from Korea. Considered collectively, we preliminarily determine that the allegations support a finding that a PMS exists during the instant POR.

Having found that a PMS exists for the respondents' production costs for WLP, we then examined whether there was sufficient 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. In quantifying the impact of the particular market situation, we have preliminarily determined to make an upward adjustment to NEXTEEL's and SeAH's reported HRC costs based on the subsidy rates from *Hot-Rolled Steel from Korea*. We disagree with the respondents that it would not be appropriate to make a PMS adjustment based on the CVD rates from *Hot-Rolled Steel from Korea* because those rates were based on total AFA and do not overlap with the instant POR. With respect to the fact that the CVD rates in *Hot-Rolled Steel from Korea* were based on total AFA, we disagree that this alone should discredit their use in making a PMS adjustment. We find that the respondents in the CVD investigation on *Hot-Rolled Steel from Korea* could have chosen to act to the best of their ability in responding to Commerce's requests for information, but presumably did not do so because full cooperation might have resulted in higher CVD rates. As for the fact that the rates from the CVD investigation on *Hot-Rolled Steel from Korea* precede the instant POR in this proceeding, we note that these rates are still in effect for that proceeding because no administrative review has been completed to date.

In this administrative review, we preliminarily determine to make an upward adjustment to [the cost of](#) all HRC inputs purchased by NEXTEEL and SeAH during the POR based on the subsidy rates applied in *Hot-Rolled Steel from Korea*. Consistent with the approach adopted in our

⁶⁰ *Id.*, at Exhibit 24.

preliminary determinations in the LTFV investigations of large diameter welded pipe from Korea and Turkey,⁶¹ and applied in *OCTG 2016 -2017 Preliminary Results*,⁶² we have quantified this adjustment as the net domestic subsidization rate, namely, the CVD rate net of export subsidies.⁶³ Specifically, for HRC purchased from Korean producer POSCO, we have preliminarily based this adjustment on the subsidy rate found for POSCO in *Hot-Rolled Steel from Korea*, and for all other Korean and non-Korean producers of HRC, we have preliminarily based this adjustment on the all-others subsidy rate found in *Hot-Rolled Steel from Korea*. We find that the subsidy rates from *Hot-Rolled Steel from Korea* are more appropriate than the subsidy rates from Commerce's CVD investigation of cut-to-length plate from Korea, which SeAH proposes, because the former rates are for hot-rolled steel, the input used to make WLP. Regarding SeAH's suggestion that we could rely on the first administrative review of the CVD order on hot-rolled steel from Korea to make an adjustment, we note that the first administrative review is ongoing and, thus, there are no final calculated rates on which to rely.

Moreover, we find that the CVD rates from *Hot-Rolled Steel from Korea* provide a more appropriate basis to quantify the impact of the PMS in Korea than the various alternative methodologies the Domestic Interested Parties propose. With respect to their suggestion that we make an adjustment based on the subsidy rates from the European Union's CVD investigation of hot-rolled flat products from China, we find that it would not be appropriate to make an adjustment based on a subsidy determination by another administering authority from a third country. Additionally, we find that it would not be appropriate to make an adjustment based on Commerce's CVD final determination on cold-rolled steel from China, because cold-rolled steel is not an input used in WLP production. Furthermore, it would not be appropriate to make an adjustment using rates from Commerce's AD final determination on hot-rolled steel flat products from Japan because that proceeding involved company-specific comparisons of Japanese prices to U.S. prices. Regarding the Domestic Interested Parties' other suggestions for making a PMS adjustment (*i.e.*, increasing Chinese and Japanese HRC costs to the level of Korean HRC costs after the latter are adjusted by the *Hot-Rolled Steel from Korea* subsidy rates; or adjusting Japanese HRC costs based on the weighted average of the adjustments made to Korean and Chinese HRC purchases or the percent difference between the average price of Korean hot-rolled imports from Japan and the average price of all other non-Chinese or Japanese imports), we find that the subsidy rates from *Hot-Rolled Steel from Korea* provide a more appropriate basis for an adjustment in the instant review. In particular, the subsidy rates from *Hot-Rolled Steel from Korea* constitute an already-determined measure of countervailable subsidies provided to producers of HRC in Korea and, thus, are a measure of the adjustments that an exporter of HRC to the Korean market would have to make in order to sell its products there. Regarding the

⁶¹ See *Large Diameter Welded Pipe from the Republic of Korea: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 83 FR 43651 (August 27, 2018), and accompanying PDM at 16-17; and *Large Diameter Welded Pipe from the Republic of Turkey: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 83 FR 43646 (August 27, 2018), and accompanying PDM at 14-15.

⁶² See *OCTG 2016 -2017 Preliminary Results* PDM at 20-21.

⁶³ See Memorandum, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – NEXTEEL Co., Ltd.," dated February 12, 2019 (NEXTEEL Preliminary Cost Calculation Memorandum), at Attachment 2; and Memorandum, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Review – SeAH Steel Corporation," dated February 12, 2019 (SeAH Preliminary Cost Calculation Memorandum), at Attachments 2 and 3.

regression analysis proposed by the Domestic Interested Parties, we agree that a PMS adjustment is necessary to account for HRC price distortions in Korea. However, reasonable quantification of the price effect, including specification of the relevant economic variables and the relationships between them, is necessary to calculate an adjustment to account for the PMS. Thus, although we may agree with the Domestic Interested Parties' qualitative assessment of the PMS in the Korean steel market, the purpose of a regression analysis in this case is not to confirm correlations that are intuitively true and that can be explained easily in qualitative terms, but to reasonably *quantify* price effects for purposes of a PMS adjustment. It is not clear that the Domestic Interested Parties' regression analysis does that. Therefore, we made no quantitative PMS adjustment based on the Domestic Interested Parties' regression analysis in these preliminary results

While we have preliminarily determined that a PMS exists in Korea based on the collective impact of Korean HRC subsidies, Korean imports of HRC from China, strategic alliances, and government involvement in the Korean electricity market, the record does not contain sufficient information to make adjustments specifically relating to the strategic alliances and electricity allegations. We preliminarily find that strategic alliances could not be used to quantify the impact of the PMS because the limited data on the record of this review do not enable us to quantify the impact of such alliances on HRC costs in this particular POR, although such alliances tend to have an impact on the way that customer-supplier relationships are structured and contribute to the existence of a particular market situation. Similarly, we preliminarily find that we are unable to quantify the effect of the electricity market on the PMS because the information on the record is insufficient for determining the impact of government intervention with respect to electricity on the cost to produce WLP.

Commerce will continue to develop the concepts and types of analysis that are necessary to address PMS allegations under section 773(e) of the Act.

2. Home Market Viability and Selection of Comparison Market

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compared the volume of NEXTEEL's and SeAH's home market sales of the foreign like product to the volume of their U.S. sales of subject merchandise, in accordance with section 773(a) of the Act and 19 CFR 351.404.

For NEXTEEL and SeAH, based on this comparison, we determined that the aggregate volume of their respective home market sales of the foreign like product was insufficient to permit a proper comparison with U.S. sales of the subject merchandise, pursuant to 773(a)(1)(C)(ii) of the Act. We further determined that the aggregate quantity of the foreign like product sold by NEXTEEL in any third country market was less than five percent of the aggregate volume of their respective U.S. sales, and, therefore, NEXTEEL had no viable third country market.⁶⁴ Finally, while SeAH reported Canada as its only viable third country market, Commerce found Canada not to be an appropriate third country comparison market in the prior segment of this

⁶⁴ See NEXTEEL AQR at A-2 – A-3.

proceeding because: 1) the Canadian International Trade Tribunal found sales of Korean carbon and alloy steel line pipe in Canada to be dumped;⁶⁵ and 2) as a result, we found that SeAH's third country sales are not representative, within the meaning of 773(a)(1)(B)(ii) of the Act. Accordingly, for both NEXTEEL and SeAH, we used CV as the basis for calculating NV, in accordance with section 773(a)(4) of the Act.

3. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).⁶⁶ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.⁶⁷ 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).

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),⁶⁸ 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)(2) of the Act.⁶⁹

When Commerce 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, Commerce 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 adjustment is possible), Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.⁷⁰

In this administrative review, as discussed above, we based NV on CV for both respondents. When NV is based on CV, the NV LOT is that of the sales from which we derive SG&A

⁶⁵ See 2015-2016 Final Results IDM at Comment 12.

⁶⁶ See 19 CFR 351.412(c)(2).

⁶⁷ *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 IDM at Comment 7 (*OJ from Brazil*).

⁶⁸ 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).

⁶⁹ See *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

⁷⁰ See, *e.g.*, *OJ from Brazil* at Comment 7.

expenses and profit.⁷¹ In accordance with 19 CFR 351.412(d), Commerce will make its LOT determination under paragraph (d)(1) of this section on the basis of sales of the foreign like product by the producer or exporter. As discussed below in the “Calculation of NV Based on CV,” section, because we based NV on CV calculated using Hyundai Steel’s CV selling expenses and profit ratio from the previous segment of this proceeding, we compared Hyundai Steel’s home market level of trade (LOT) to NEXTEEL’s and SeAH’s U.S. sales LOTs. Specifically, in the *2015 – 2016 Preliminary Results*, we found that:

... Hyundai Steel performed sales and marketing, freight and delivery services, inventory maintenance and warehousing, and warranty and technical support for its reported sales in the home market. Because Hyundai Steel 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.⁷²

NEXTEEL

NEXTEEL reported that it made sales through four channels of distribution: 1) EP sales to unaffiliated trading companies in Korea for export to the United States (Channel 1); 2) EP sales made directly to unaffiliated customers in the United States (Channel 2); 3) CEP sales through POSCO Daewoo and POSCO Daewoo America (PDA) made directly to unaffiliated customers in the United States (Channel 3); and 4) CEP sales through POSCO Daewoo and PDA made from inventory in the United States to unaffiliated customers in the United States (Channel 4).

With respect to the U.S. LOT for Channel 1 and 2 sales, NEXTEEL reported that it performed the following selling functions in Korea for its sales through these channels: sales forecasting; strategic/economic planning; personnel training/exchange; advertising; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; commission payments, provide warranty service; and freight and delivery arrangement.⁷³

With respect to the U.S. LOT for Channel 3 and 4 sales, POSCO Daewoo 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; order input/processing; and direct sales personnel.⁷⁴

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 the selling function categories noted above, we

⁷¹ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp from Brazil*, 69 FR 47081 (August 4, 2004), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from Brazil*, 69 FR 76910 (December 23, 2004).

⁷² See *Welded Line Pipe from Korea: Preliminary Results of Antidumping Duty Administrative Review; 2015–2016*, 83 FR 1023 (January 9, 2018) (*2015-2016 Preliminary Results*), and accompanying PDM at 18; unchanged in *2015-2016 Final Results*.

⁷³ See NEXTEEL AQR at A-12 – A-14 and Exhibit A-7.

⁷⁴ See POSCO Daewoo AQR at A-10 – A1-13 and Exhibit A-11.

find that with respect to Channel 1 and 2 sales, NEXTEEL performed sales and marketing, freight and delivery services, inventory maintenance, and warranty and technical support for U.S. sales. Because NEXTEEL 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 (EP LOT). Based on the selling function categories noted above, we find that with respect to Channel 3 and 4 sales, POSCO Daewoo performed sales and marketing, freight and delivery services, and warranty and technical support for U.S. sales. Because POSCO Daewoo performed the same selling functions at the same relative level of intensity for its U.S. sales in Channels 3 and 4, we determine that U.S. sales in these channels are at the same LOT (CEP LOT).

We compared NEXTEEL's EP LOT to the Hyundai Steel LOT and found that the selling functions Hyundai Steel performed for its home market customers are virtually the same as those performed by NEXTEEL for its U.S. customers. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that the Hyundai Steel home market selling expenses were made at the same LOT as NEXTEEL's EP sales. Consequently, no LOT adjustment was warranted.

Finally, we compared NEXTEEL/POSCO Daewoo's CEP LOT to Hyundai Steel's home market LOT and found that the selling functions Hyundai Steel performed for its home market customers were at a more advanced stage of distribution than those performed by POSCO Daewoo for sales to its U.S. affiliate. That is, there is a broader range of selling functions performed for Hyundai Steel's home market sales than for POSCO Daewoo's CEP sales. Therefore, based on the totality of the facts and circumstances, we determine that Hyundai Steel's home market sales were made at a different LOT than POSCO Daewoo's U.S. sales. Because Hyundai Steel's home market LOT is at a more advanced stage of distribution than POSCO Daewoo's CEP LOT, and no LOT adjustment is possible, a CEP offset is warranted. Accordingly, we granted a CEP offset to NEXTEEL for POSCO Daewoo's CEP sales, pursuant to section 773(a)(7)(B) of the Act.

SeAH

SeAH reported that it made sales through three channels of distribution: 1) back-to-back sales through its U.S. affiliate PPA to unaffiliated U.S. customers; 2) sales to unaffiliated U.S. customers from State Pipe's U.S. warehouse of merchandise purchased from PPA; and 3) sales of further manufactured merchandise from PPA's inventory. For all three channels of distribution, SeAH reported that it performed the following selling functions for all sales to U.S. customers: order input/processing, inventory maintenance, packing, and provide freight and delivery.⁷⁵ Based on these selling function categories, we find that SeAH performed sales and marketing, freight and delivery services, and inventory maintenance and warehousing for its reported sales to customers in the United States. Because SeAH performed the same selling functions at the same relative level of intensity for all of its U.S. sales, we determine that all U.S. sales are at the same LOT.

⁷⁵ See SeAH AQR at Appendix A-5.

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

4. Cost of Production Analysis

Pursuant to the amendment of section 773(b)(2)(A) of the Act, Commerce required that respondents provide CV and COP information to determine if there were reasonable grounds to believe or suspect that sales of foreign like product had been made at prices that represented less than the COP of the product.

5. Calculation of NV Based on CV

As explained above, neither NEXTEEL nor SeAH had a viable home or third-country market, thus, for both NEXTEEL and SeAH, we used CV as the basis for calculating NV. In accordance with section 773(e) of the Act, we calculated CV based on the sum of the costs of materials and fabrication employed in producing the subject merchandise, plus amounts for general and administrative (G&A) expenses, interest, profit, selling expenses, and U.S. packing costs. We examined NEXTEEL's and SeAH's cost data and preliminarily determined that our quarterly cost methodology is not warranted for SeAH.⁷⁶ Therefore, SeAH's CV is based on the POR annual weighted-average cost. For NEXTEEL, because we did not find significant cost changes, we have continued to calculate an annual weighted-average CV.⁷⁷

NEXTEEL

We relied on the COP and CV data submitted by NEXTEEL except as follows:⁷⁸

- We adjusted NEXTEEL's reported transfer prices for hot-rolled coils purchased from affiliated parties to reflect the higher of transfer price, market price, or the affiliate's COP, in accordance with section 773(f)(3) of the Act.
- We adjusted NEXTEEL's reported hot-rolled coil costs to reflect the PMS.
- We revised the costs reported for non-prime WLP products that were not capable of being used in the same applications as prime WLP products to reflect their lower market values and allocated the difference to prime WLP products.

⁷⁶ See SeAH Preliminary Cost Calculation Memorandum.

⁷⁷ See NEXTEEL Preliminary Cost Calculation Memorandum.

⁷⁸ *Id.*

- We revised cost of goods sold to exclude the revenue offset of the coil scrap that were not produced by NEXTEEL.
- We revised NEXTEEL's G&A and financial expense ratios to reclassify certain shutdown losses related to the company as a whole from the COGS denominators to G&A expenses.

SeAH

We relied on the COP and CV data submitted by SeAH except as follows:⁷⁹

- We adjusted SeAH's reported hot-rolled coil costs to reflect the PMS.

In the absence of a comparison market, we are unable to calculate CV profit using the preferred method under section 773(e)(2)(A) of the Act (*i.e.*, based on the respondent's own home market or third country sales made in the ordinary course of trade). When the preferred method is unavailable, we must instead rely on one of the three alternatives outlined in sections 773(e)(2)(B)(i) through (iii) of the Act. Those alternatives are: (i) the use of the actual amounts incurred and realized by the specific exporter or producer in connection with the production and sale in the foreign country of merchandise that is in the same general category of products as the subject merchandise; (ii) the use of the weighted average of the actual amounts incurred and realized by exporters or producers (other than the respondent) in connection with the production and sale of the foreign like product, in the ordinary course of trade country, for consumption in the foreign country; or (iii) based on any other reasonable method, except that the amount for profit may not exceed the amount realized by exporters or producers (other than the respondent) in connection with the sale, for consumption in the foreign country, of merchandise that is in the same general category of products as the subject merchandise (*i.e.*, the "profit cap").

On May 30, 2018, we sent a letter to all interested parties providing an opportunity to comment and submit new factual information on CV profit and selling expenses.⁸⁰ On June 13 and 14, 2018, Domestic Interested Parties and NEXTEEL, respectively submitted comments and factual information.⁸¹ On June 20, 2018, NEXTEEL and Domestic Interested Parties submitted rebuttal comments and information.⁸²

Interested parties placed the financial statements of the following entities on the record as

⁷⁹ See SeAH Preliminary Cost Calculation Memorandum.

⁸⁰ See Letter to All Interested Parties, "Antidumping Duty Administrative Review of Welded Line Pipe from the Republic of Korea: Request for Constructed Value Profit and Selling Expense Comments and Information," dated May 30, 2018.

⁸¹ See, respectively, Letter from Domestic Interested Parties, "Welded Line Pipe from the Republic of Korea: Comments and Factual Information on Constructed Value Profit", dated June 13, 2018; and Letter from NEXTEEL, "Welded Line Pipe from the Republic of Korea: NEXTEEL's Submission of Factual Information and Comments for CV Profit and Selling Expenses," dated June 14, 2018.

⁸² See, respectively, Letter from NEXTEEL, "Welded Line Pipe from the Republic of Korea: NEXTEEL Rebuttal Comments and Information for CV Profit and Selling Expenses," dated June 20, 2018; and, Letter from Domestic Interested Parties, "Welded Line Pipe from the Republic of Korea: Rebuttal Comments and Factual Information on Constructed Value Profit," dated June 20, 2018.

potential sources for CV profit: Welspun Corp. (Welspun), Ltd; PAO TMK (TMK); Borusan Mannesmann Boru Sanayi ve Ticaret A.S (Borusan). In addition, interested parties also submitted the following information; NEXTEEL's calculated profit on the production of standard pipe in Korea during the POR; the CV profit calculated in the LTFV investigation of WLP from Korea for Hyundai HYSCO and SeAH Steel Corporation; and the CV profit calculated in the *2015-2016 Preliminary Results* for Hyundai Steel.

On July 19, 2018, we sent a letter to all interested parties providing an additional opportunity to comment and submit new factual information on CV profit and selling expenses.⁸³ On August 2, 2018, SeAH and Domestic Interested Parties submitted comments and factual information.⁸⁴ On August 9, 2018, NEXTEEL and Domestic Interested Parties submitted rebuttal comments and information.⁸⁵

For this request, interested parties placed the financial data of the following entities on the record as potential sources for CV profit: Hyundai Steel; Husteel Co., Ltd.; Nexteel; HiSteel; Miju Steel Manufacturing Co., Ltd; Steel Flower Co., Ltd.; Samkang M & T; Dong Yang Steel Pipe; EEW Korea; Daewoo International (POSCO Daewoo); Dongbu Incheon Steel; Keonwoo Metal; Kolon Global; Korea Cast Iron Pipe; MSTEEL Co., Ltd.; Poongsan Neotiss; Sing Sung Metal; Soon-Hong Trading; and TGS Pipe. In addition, interested parties also submitted the CV profit calculated for Hyundai Steel in the *2015-2016 Final Results*.

For these preliminary results, we have considered the options advocated by interested parties for CV profit in this administrative review, and find that, for various reasons, most of them are not viable sources for CV profit. For instance, some of the entities' financial statements were not complete (*e.g.*, Hyundai Steel; Husteel Co., Ltd.; Nexteel; HiSteel; Miju Steel Manufacturing Co., Ltd; Steel Flower Co., Ltd.; Samkang M & T; Dong Yang Steel Pipe; EEW Korea; Dongbu Incheon Steel; Korea Cast Iron Pipe; MSTEEL Co., Ltd.; Poongsan Neotiss; and TGS Pipe); financial statements were not complete and company is not a manufacturer but rather a trader of WLP (*e.g.*, Daewoo International (POSCO Daewoo); Keonwoo Metal; Kolon Global; Sing Sung Metal; Soon-Hong Trading); recalculated profit resulted in a loss after including the selling expenses in the calculation (*e.g.*, Nexteel's production of standard pipe); lack sufficient detail to determine the portion of total sales revenues which were WLP products and company is not a Korean producer (*e.g.*, Welspun, Borusan); and sales revenue of WLP is twenty five percent of the total sales and company is not a Korean producer (*e.g.*, TMK).

⁸³ See Letter to All Interested Parties, "Antidumping Duty Administrative Review of Welded Line Pipe from the Republic of Korea: Request for Constructed Value Profit and Selling Expense Comments and Information," dated July 19, 2018.

⁸⁴ See, respectively, Letter from Domestic Interested Parties, "Welded Line Pipe from the Republic of Korea: Comments and Factual Information on CV Profit and Selling Expenses for SeAH", dated August 2, 2018 (Domestic Interested Parties CV Profit Submission); and Letter from SeAH, "Administrative Review of the Antidumping Order on Welded Line Pipe from Korea for the 2016-17 Review Period – Response to Request for CV Profit and Selling Expense Comments and Information", dated August 2, 2018.

⁸⁵ See, respectively, Letter from SeAH, "Administrative Review of the Antidumping Order on Welded Line Pipe from Korea - Rebuttal CV Profit Comments," dated August 9, 2018; and, Letter from Domestic Interested Parties, "Welded Line Pipe from the Republic of Korea: Rebuttal Comments CV Profit and Selling Expenses for SeAH," dated August 9, 2018.

Out of the remaining potential sources for CV profit, we considered the CV profit from the result of the LTFV investigation (e.g., Hyundai HYSCO and SeAH Steel Corporation) or the *2015-2016 Final Results* (e.g., Hyundai Steel)⁸⁶ to be a viable source of CV profit. However, the results of the *2015-2016 Final Results* are more recent than those of the LTFV investigation. Therefore, we preliminarily find the CV profit rate determined in *2015-2016 Final Results* for Hyundai Steel to be the best source for determining CV profit in the instant review for both NEXTEEL and SeAH. Although we acknowledge that Hyundai Steel's CV profit is not contemporaneous with the current POR, on balance, it constitutes the best information for determining CV profit. Hyundai Steel's profit experience from *2015-2016 Final Results* reflects the profit of a Korean WLP producer, on comparison market sales of the merchandise under consideration, in the ordinary course of trade. In addition, when combined with Hyundai Steel's selling expenses from the *2015-2016 Final Results*, the resulting ratio is public information. Because there is no information on the record of the instant review concerning the profit on sales of WLP or products in the same general category in Korea, as facts available, we find that Hyundai Steel's calculated profit in *2015-2016 Final Results* is a reasonable proxy for the amount normally realized by exporters or producers in connection with the sale or consumption in the foreign country, of merchandise that is in the same general category of products as the subject merchandise, as provided in section 773(e)(2)(B)(ii) of the Act. Commerce's use of CV profit information from a respondent in a prior administrative review is consistent with past practice.⁸⁷

Based on the foregoing analysis, for these preliminary results, we calculated NEXTEEL's and SeAH's CV profit and selling expenses under section 773(e)(2)(B)(ii) of the Act using Hyundai Steel's combined CV profit and selling expenses from the *2015-2016 Final Results*. Hyundai Steel's combined selling expense and profit experience from the prior POR reflects the profit of a Korean WLP producer, on comparison market sales of the merchandise under consideration, in the ordinary course of trade. The combined CV profit and selling expense ratio is also public information. Thus, for these preliminary results, we based NEXTEEL's and SeAH's CV profit and selling expenses on the combined CV profit and selling expense rate of 19.48 percent determined for Hyundai Steel in the *2015-2016 Final Results*.⁸⁸

Finally, we made adjustments to CV for differences in circumstances of sale, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. For NEXTEEL, we incorporated certain changes to NEXTEEL's reported U.S. selling expense data based on our verification findings.⁸⁹ For both NEXTEEL and SeAH, we also 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 Hyundai Steel's home market indirect selling expenses or the U.S. indirect selling expenses deducted from the starting price in calculating CEP. For NEXTEEL, we also made a

⁸⁶ The Domestic Interested Parties initially submitted the CV profit from the *2015-2016 Preliminary Results*. Subsequently, they submitted the CV profit based on the *2015-2016 Final Results*.

⁸⁷ See, e.g., *Notice of Final Results of the Ninth Administrative Review of the Antidumping Duty Order on Certain Pasta from Italy*, 72 FR 7011 (February 14, 2007), and accompanying IDM at Comment 2, upheld in *Atar S.R.L. v. United States*, 730 F. 3d 1320 (CAFC 2013).

⁸⁸ See Domestic Interested Parties CV Profit Submission at Exhibit 1.

⁸⁹ See NEXTEEL Sales Verification Report at 2, 10, and 11, and verification exhibits 1, 11, and 14; and NEXTEEL Preliminary Calculation Memorandum.

commission offset, in accordance with 19 CFR 351.410(e), for Hyundai Steel's home market indirect selling expenses where commissions were granted on NEXTEEL's U.S. sales.

E. Currency Conversion

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

VII. DUTY ABSORPTION

On March 26, 2018, Maverick, a domestic interested party, requested that Commerce determine whether antidumping duties have been absorbed by NEXTEEL and SeAH during the POR.⁹⁰ Section 751(a)(4) of the Act provides that, if requested during an administrative review initiated two or four years after the publication of the order, Commerce will determine whether antidumping duties have been absorbed by a foreign producer or exporter, if the subject merchandise is sold in the United States through an affiliated importer. Because this review was initiated two years after the publication of the order,⁹¹ we are making a duty absorption determination in this segment of the proceeding within the meaning of 19 CFR 351.213(j).

In determining whether the antidumping duties have been absorbed by the respondents during the POR, we examine the antidumping duties calculated in the administrative review in which the absorption inquiry is requested. See 19 CFR 351.213(j)(3). Commerce presumes that the duties will be absorbed for those sales that have been made at less than NV. This presumption can be rebutted with evidence (*e.g.*, an enforceable agreement between the affiliated importer and unaffiliated purchaser) that the unaffiliated purchaser will pay the full duty ultimately assessed on the subject merchandise.⁹²

In April 2018, Commerce issued letters to NEXTEEL and SeAH, providing an opportunity for each respondent to submit on the record of this review proof that their respective unaffiliated purchasers will ultimately pay the antidumping duties to be assessed on entries during the instant POR.⁹³ NEXTEEL responded to this letter on May 10, 2018, stating that, because NEXTEEL was the importer of record for all of its shipments, a duty absorption inquiry for NEXTEEL is not warranted because Commerce is not authorized to conduct a duty absorption analysis under section 751(a)(4) of the Act.⁹⁴ Because NEXTEEL did not sell merchandise to the United States through an affiliated importer, within the meaning of section 751(a)(4) of the Act, we have not made a preliminary duty absorption finding for NEXTEEL. Regarding SeAH, it reported that all of its sales of the subject merchandise were sold through an affiliated importer;⁹⁵ however, SeAH

⁹⁰ See Maverick's Letter entitled, "Welded Line Pipe from the Republic of Korea: Request for Duty Absorption Review," dated March 26, 2018.

⁹¹ See *Initiation Notice*; and *Welded Line Pipe From the Republic of Korea and the Republic of Turkey Antidumping Duty Orders*, 80 FR 75056 (December 1, 2015).

⁹² See, *e.g.*, *Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan: Preliminary Results of Antidumping Duty Administrative Review and Notice of Intent to Rescind*, 70 FR 39735, 39737 (July 11, 2005).

⁹³ See Letters to NEXTEEL and SeAH, respectively, dated April 26, 2018.

⁹⁴ See NEXTEEL Duty Absorption Response at 2.

⁹⁵ See SeAH AQR at Appendix A-3.

did not provide any information in response to our duty absorption letter. Accordingly, we preliminarily find that duty absorption exists on all U.S. sales of subject merchandise that were exported by SeAH.

VIII. RECOMMENDATION

We recommend applying the above methodology for these preliminary results of review.



Agree



Disagree

2/7/2019

X



Signed by: CHRISTIAN MARSH

Christian Marsh

Deputy Assistant Secretary

for Enforcement and Compliance