



A-580-870
Administrative Review
POR: 9/1/2017-8/31/2018
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E&C/OVI: JG

November 8, 2019

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping/Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the 2017-2018 Administrative Review of the Antidumping Duty Order on Certain Oil Country Tubular Goods from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on certain oil country tubular goods (OCTG) from the Republic of Korea (Korea) for the period of review (POR) September 1, 2017 through August 31, 2018. This review covers 32 producers/exporters of the subject merchandise. Commerce selected two respondents for individual examination, Hyundai Steel Company (Hyundai Steel) and SeAH Steel Corporation (SeAH). We preliminarily determine that Hyundai Steel and SeAH made sales of the subject merchandise at prices below normal value (NV) during the POR.

II. BACKGROUND

On September 10, 2014, Commerce published in the *Federal Register* the AD order on OCTG from Korea.¹ On September 11, 2018, we published in the *Federal Register* a notice of opportunity to request an administrative review of the *Order*.² On September 28, 2018, United States Steel Corporation (U.S. Steel), Maverick Tube Corporation (Maverick), Tenaris Bay City,

¹ See *Certain Oil Country Tubular Goods from India, the Republic of Korea, Taiwan, the Republic of Turkey, and the Socialist Republic of Vietnam: Antidumping Duty Orders; and Certain Oil Country Tubular Goods from the Socialist Republic of Vietnam: Amended Final Determination of Sales at Less Than Fair Value*, 79 FR 53691 (September 10, 2014) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 83 FR 45888 (September 11, 2018).



Inc, TMK IPSCO, Vallourec Star, L.P., and Welded Tube USA (collectively, the Domestic Interested Parties (DIPs)) requested a review of 30 companies.³ Between September 21, 2018 and October 1, 2018, NEXTEEL Co., Ltd. (NEXTEEL),⁴ Husteel Co., Ltd. (Husteel),⁵ SeAH,⁶ AJU Besteel Co., Ltd.,⁷ Hyundai Steel,⁸ and Kumkang Kind Co., Ltd. (Kumkang),⁹ requested reviews of themselves. On November 15, 2018, based on timely requests for administrative reviews, we initiated an administrative review of OCTG from Korea.¹⁰

In the *Initiation Notice*, we stated that, in the event we limited the number of respondents selected for individual examination, we intended to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POR.¹¹ On December 7, 2018, Commerce released U.S. import data from CBP for the purpose of respondent selection and provided an opportunity for interested parties to comment on these data.¹² On December 14, 2018, Hyundai Steel submitted comments on respondent selection.¹³ No other interested parties submitted comments on the CBP data or respondent selection.

On February 15, 2019, we selected for individual examination the two exporters or producers accounting for the largest volume of the subject merchandise during the POR (*i.e.*, in alphabetical order, Hyundai Steel and SeAH).¹⁴ We issued antidumping questionnaires to Hyundai Steel and SeAH on February 27, 2019. On March 13, 2019, Hyundai Steel and SeAH submitted letters stating that their home market sales of the foreign like product during the POR constituted less than five percent by quantity of their total U.S. sales of subject merchandise during the POR, and that they did not have sales to an individual third-country market that constituted five percent or more, by quantity, of their total U.S. sales during the POR.¹⁵ On March 27, 2019, SeAH and Hyundai Steel submitted responses to section A of Commerce's AD

³ See DIPs' Letter, "Oil Country Tubular Goods from the Republic of Korea: Request for Administrative Review of Antidumping Duty Order," dated September 28, 2018.

⁴ See NEXTEEL's Letter, "Oil Country Tubular Goods from the Republic of Korea: Administrative Review Request," dated September 21, 2018.

⁵ See Husteel's Letter, "Oil Country Tubular Goods from the Republic of Korea. Case No. A-580- 870: Request for Administrative Review," dated September 26, 2018.

⁶ See SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea — Request for Administrative Review," dated October 1, 2018.

⁷ See AJU Besteel Co., Ltd.'s Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Request for Administrative Review," dated October 1, 2018.

⁸ See Hyundai Steel's Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Request for Administrative Review," dated October 1, 2018.

⁹ See Kumkang's Letter, "Oil Country Tubular Goods from the Republic of Korea: Administrative Review Request," dated October 1, 2018.

¹⁰ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 83 FR 57411 (November 15, 2018) (*Initiation Notice*).

¹¹ See *Initiation Notice*, 83 FR at 57411.

¹² See Commerce's Letter to All Interested Parties, dated December 7, 2018.

¹³ See Hyundai Steel's Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Respondent Selection Comments," dated December 14, 2018.

¹⁴ See Memorandum, "2017-2018 Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods from the Republic of Korea: Respondent Selection," dated February 15 2019.

¹⁵ See Hyundai Steel's Letter, "Oil Country Tubular Goods ("OCTG") from the Republic of Korea – Notification of No Viable Comparison Market," dated March 13, 2019; *see also* SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea – Initial Notifications Regarding Questionnaire Response," dated March 13, 2019.

questionnaire (*i.e.*, the section relating to general information).¹⁶ On April 17, 2019, SeAH submitted its response to sections C, D, and E of Commerce’s AD questionnaire (*i.e.*, the sections relating to U.S. sales, cost of production (COP), and U.S. further manufacturing).¹⁷ Also on April 17, 2019, Hyundai Steel submitted its response to sections C and D of Commerce’s AD questionnaire.¹⁸ Between June 2019 and September 2019, Commerce issued supplemental questionnaires to Hyundai Steel and SeAH. We received supplemental questionnaire responses from Hyundai Steel¹⁹ and SeAH²⁰ between June 2019 and September 2019.

On July 9, 2019, Commerce issued a request to interested parties for constructed value (CV) profit and selling expense comments and information.²¹ On July 26, 2019, the DIPs, Hyundai Steel, and SeAH timely submitted CV profit and selling expense information.²² On August 2, 2019, the DIPs, Hyundai Steel, and SeAH timely submitted rebuttal CV profit and selling expense information.²³

On August 6, 2019, the DIPs submitted factual information and a letter in which they alleged the existence of a particular market situation (PMS) in Korea over the POR that distorted the cost of

¹⁶ See, SeAH’s March 27, 2019 Section A Questionnaire Response (SeAH March 27, 2019 AQR); *see also* Hyundai Steel’s March 27, 2019 Section A Questionnaire Response (Hyundai Steel March 27, 2019 AQR).

¹⁷ See SeAH’s April 17, 2019 Sections C-E Questionnaire Responses (SeAH April 17, 2019 CQR, DQR, EQR, respectively).

¹⁸ See Hyundai Steel’s April 17, 2019 Sections C-D Questionnaire Responses (Hyundai Steel April 17, 2019 CQR and DQR, respectively).

¹⁹ See Hyundai Steel’s July 10, 2019 Supplemental Questionnaire Response (Hyundai Steel July 10, 2019 SQR); Hyundai Steel’s July 17, 2019 Supplemental Questionnaire Response (Hyundai Steel July 17, 2019 SQR); Hyundai Steel’s July 22, 2019 Supplemental Questionnaire Response (Hyundai Steel July 22, 2019 SQR); Hyundai Steel’s August 26, 2019 Supplemental Questionnaire Response (Hyundai Steel August 26, 2019 SQR); Hyundai Steel’s September 25, 2019 Supplemental Questionnaire Response (Hyundai Steel September 25, 2019 SQR); and Hyundai Steel’s September 27, 2019 Supplemental Questionnaire Response (Hyundai Steel September 27, 2019 SQR).

²⁰ See SeAH’s June 27, 2019 Supplemental Questionnaire Response (SeAH June 27, 2019 SQR); SeAH’s July 26, 2019 Supplemental Questionnaire Response (SeAH July 26, 2019 SQR); SeAH’s August 30, 2019 Supplemental Questionnaire Response (SeAH August 30, 2019 SQR); and SeAH’s September 23, 2019 Supplemental Questionnaire Response (SeAH September 23, 2019 SQR).

²¹ See Commerce’s Letter, “Antidumping Duty Administrative Review of Oil Country Tubular Goods from the Republic of Korea: Request for Constructed Value Profit and Selling Expense Comments and Information,” dated July 9, 2019 (CV Information Request).

²² See DIPs’ Letter, “Oil Country Tubular Goods from Korea: Constructed Value Profit and Selling Expense Comments and Information,” dated July 26, 2019 (DIPs’ CV Submission); *see also* Hyundai Steel’s Letter, “Oil Country Tubular Goods from the Republic of Korea: Submission of Factual Information and Comments Concerning CV Profit and Selling Expenses,” dated July 26, 2019 (Hyundai Steel’s CV Submission); and SeAH’s Letter, “Fourth Administrative Review of Oil Country Tubular Goods from the Republic of Korea – Response to Request for CV Profit and Selling Expense Information,” dated July 26, 2019 (SeAH’s CV Submission).

²³ See DIPs’ Letter, “Oil Country Tubular Goods from Korea: Constructed Value Profit and Selling Expense Rebuttal Comments,” dated August 2, 2019 (DIPs’ CV Rebuttal); *see also* Hyundai Steel’s Letter, “Oil Country Tubular Goods from the Republic of Korea: Submission of Rebuttal Factual Information and Comments Concerning CV Profit and Selling Expenses,” dated August 2, 2019 (Hyundai Steel’s CV Rebuttal); and SeAH’s Letter, “Administrative Review of the Antidumping Order on Oil Country Tubular Goods from Korea for the 2017-18 Review Period – Response to Domestic Interest Parties’ July 26 CV Profit and Selling Expense Submission,” dated August 2, 2019 (SeAH’s CV Rebuttal).

producing OCTG.²⁴ On August 27, 2019, Commerce issued a memorandum accepting the DIPs' PMS Allegation and invited interested parties to submit factual information to rebut, clarify, or correct the information contained in that submission.²⁵ On September 13, 2019, Hyundai Steel and SeAH filed factual information and rebuttal comments in response to the DIPs' August 6, 2019 submission of other factual information.²⁶ U.S. Steel also submitted comments on September 13, 2019, to "clarify" the PMS Allegation.²⁷ On October 9, Hyundai Steel and SeAH timely submitted factual information to rebut U.S. Steel's submission of clarifying information.²⁸

Between October 18, 2019 and October 25, 2019, U.S. Steel and Hyundai Steel submitted comments in advance of the preliminary results and rebuttal comments to the Pre-Prelim Comments, respectively.²⁹

On September 27, 2019, Commerce issued duty absorption letters to Hyundai Steel and SeAH,³⁰ following U.S. Steel's December 14, 2018 request that Commerce conduct a duty absorption inquiry.³¹

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 29, 2019.³²

²⁴ See DIPs' Letter, "Oil Country Tubular Goods from the Republic of Korea: Particular Market Situation Allegation," dated August 6, 2019 (PMS Allegation).

²⁵ See Memorandum, "2017-2018 Administrative Review of Antidumping Duty Order on Oil Country Tubular Goods from the Republic of Korea: Deadlines for Submission of Factual Information Pertaining to Particular Market Situation," dated August 27, 2019.

²⁶ See Hyundai Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Rebuttal Factual Information and Comments Relating to PMS Allegation," dated September 13, 2019 (Hyundai Steel's PMS Rebuttal); see also SeAH's Letter, "Antidumping Duty Administrative Review of OCTG from Korea – Submission of Factual Information Rebutting, Clarifying, or Correcting Petitioners' Allegation of a Particular Market Situation," dated September 13, 2019 (SeAH's PMS Rebuttal).

²⁷ See U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Factual Information to Clarify Aspects of DIPs' Particular Market Situation Allegation," dated September 13, 2019 (U.S. Steel's PMS Clarifying Information).

²⁸ See Hyundai Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Response to U.S. Steel's "Clarifying" New Factual Information Relating to "Particular Market Situation" Allegation," dated October 9, 2019 (Hyundai Steel's PMS Clarifying Information Rebuttal); see also SeAH's Letter, "Antidumping Duty Administrative Review of OCTG from Korea – Submission of Factual Information Rebutting, Clarifying, or Correcting Petitioners' Untimely Submission," dated October 9, 2019 (SeAH's PMS Clarifying Information Rebuttal).

²⁹ See U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: U. S. Steel's Comments in Advance of the Preliminary Results," dated October 18, 2019 (Pre-Prelim Comments); see also Hyundai Steel's Letters, "Oil Country Tubular Goods from the Republic of Korea: Response to Domestic Producers' Comments on CV Profit and Selling Expenses," dated October 25, 2019; Hyundai Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Response to U.S. Steel's Comments on Hyundai Steel-Specific Calculation Issues for the Upcoming Preliminary Results," dated October 25, 2019; and Hyundai Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Response to U.S. Steel's Pre-Preliminary Comments on the Alleged "Particular Market Situation"," dated October 25, 2019 (collectively, Hyundai Steel's Pre-Prelim Rebuttal Comments).

³⁰ See Commerce's Letters to Hyundai Steel and SeAH, "Oil Country Tubular Goods from the Republic of Korea: Duty Absorption," dated September 27, 2019.

³¹ See U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Request for Duty Absorption Determination," dated December 14, 2018.

³² See Memorandum to the Record from Gary Taverman, Deputy Assistant Secretary for Antidumping and

Between July 1, 2019 and October 31, 2019, Commerce extended the time limit for completing the preliminary results of this review.³³ The current extended deadline for completing the preliminary results of this review is November 8, 2019.³⁴

We are conducting this review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

III. SCOPE OF THE ORDER

The merchandise covered by the *Order* is OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.*, whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the *Order* also covers OCTG coupling stock.

Excluded from the scope of the *Order* are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to the order is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The merchandise subject to the order may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55,

Countervailing Duty Operations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance, “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.

³³ See Memoranda, “Certain Oil Country Tubular Goods from the Republic of Korea: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review” dated July 1, 2019; “Certain Oil Country Tubular Goods from the Republic of Korea: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review,” dated September 6, 2019; and “Certain Oil Country Tubular Goods from the Republic of Korea: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review,” dated October 31, 2019.

³⁴ See Memoranda, “Certain Oil Country Tubular Goods from the Republic of Korea: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review” dated July 1, 2019; and “Certain Oil Country Tubular Goods from the Republic of Korea: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review,” dated September 6, 2019.

7304.59.80.60, 7304.59.80.65, 7304.59.80.70, 7304.59.80.80, 7305.31.40.00, 7305.31.60.90, 7306.30.50.55, 7306.30.50.90, 7306.50.50.50, and 7306.50.50.70.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of the *Order* is dispositive.

IV. RATES FOR NON-EXAMINED COMPANIES

The statute and Commerce's regulations do not address the establishment of a rate to be applied to companies not selected for individual examination when Commerce limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, Commerce looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in a market economy investigation, for guidance when calculating the rate for companies which were not selected for individual examination in an administrative review. Under section 735(c)(5)(A) of the Act, the all-others rate is normally "an amount equal to the weighted average of the estimated weighted average dumping margins established for exporters and producers individually investigated, excluding any zero or *de minimis* margins, and any margins determined entirely {on the basis of facts available}."

In this review, we have preliminarily calculated weighted-average dumping margins for Hyundai Steel and SeAH that are not zero, *de minimis*, or determined entirely on the basis of facts available. Accordingly, Commerce preliminarily has assigned to the companies not individually examined a margin of 13.16 percent, which is the weighted average of Hyundai Steel's and SeAH's calculated weighted-average dumping margins.³⁵ See the Appendix for a full list of the companies not individually examined.

V. DUTY ABSORPTION

Section 751(a)(4) of the Act provides for Commerce, if requested, to determine during an administrative review initiated two or four years after publication of the order whether antidumping duties have been absorbed by the foreign producer or exporter if the subject merchandise is sold in the United States through an affiliated importer. On December 14, 2018, U.S. Steel requested that Commerce conduct a duty absorption inquiry.³⁶

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.³⁷ 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

³⁵ For more information regarding the calculation of this margin, see Memorandum, "Preliminary Results of the 2017-2018 Administrative Review of Certain Oil Country Tubular Goods from the Republic of Korea; Calculation of the Margin for Non-Examined Companies," dated concurrently with this memorandum. As the weighting factor, we relied on the publicly ranged sales data reported in Hyundai Steel's and SeAH's quantity and value charts.

³⁶ See U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Request for Duty Absorption Determination," dated December 14, 2018.

³⁷ See 19 CFR 351.213(j)(3).

purchaser) that the unaffiliated purchaser will pay the full duty ultimately assessed on the subject merchandise.³⁸

On September 27, 2019, Commerce issued letters to Hyundai Steel and SeAH, providing an opportunity for them 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.³⁹ Neither Hyundai Steel nor SeAH submitted any evidence in response to Commerce's request for information. Accordingly, despite an opportunity to submit evidence that their unaffiliated purchasers will ultimately pay the antidumping duties, the respondents submitted no such evidence. Based on the information on the record, we cannot conclude that Hyundai Steel's and SeAH's unaffiliated purchasers in the United States ultimately will pay the full assessed duties. Because Hyundai Steel and SeAH did not rebut the duty-absorption presumption with evidence that their unaffiliated U.S. purchasers will pay the full duty ultimately assessed on the subject merchandise, we preliminarily find that AD duties have been absorbed by Hyundai and SeAH.

VI. 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.⁴⁰ 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.⁴¹ Commerce will not, however, find

³⁸ 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).

³⁹ See Commerce's Letters to Hyundai Steel and SeAH, "Oil Country Tubular Goods from the Republic of Korea: Duty Absorption," dated September 27, 2019.

⁴⁰ See, e.g., Statement of Administrative Action Accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, vol 1 (1994) at 838 (SAA).

⁴¹ See, e.g., *Multilayered Wood Flooring from the People's Republic of China: Final Determination of Sales at Less*

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.⁴²

Commerce has found in previous segments of this proceeding that SeAH was affiliated with Pusan Pipe America, Inc. (PPA), a U.S. company that sells subject merchandise produced by SeAH.⁴³ SeAH reported that all of its U.S. sales of subject merchandise during the POR were made through PPA.⁴⁴ No new information was submitted that would call our prior affiliation determination into question. We continue to find that the record supports finding SeAH to be affiliated with PPA, pursuant to section 771(33)(E) of the Act.⁴⁵

Hyundai Steel reported that its U.S. sales of subject merchandise during the POR were made through Hyundai Steel USA (HSU), a wholly owned U.S. subsidiary of Hyundai Steel.⁴⁶ Hyundai Steel reported that, during the POR, it sold subject merchandise to HSU, which sold the merchandise to unaffiliated U.S. customers.⁴⁷ In addition, Hyundai Steel reported that it is affiliated with certain other companies that are involved in the production, sales, or distribution of the merchandise under review.⁴⁸ For these preliminary results, we find Hyundai Steel to be affiliated with HSU and certain other companies, pursuant to section 771(33)(E) of the Act.⁴⁹

VII. DISCUSSION OF THE METHODOLOGY

Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Hyundai Steel's and SeAH's sales of subject merchandise were made at less than NV, Commerce compared the export price (EP) or constructed export price (CEP), as appropriate, to the NV as described in the "Export Price and Constructed Export Price" and "Normal Value" sections of this memorandum.

Than Fair Value, 76 FR 64318 (October 18, 2011), and accompanying Issues and Decision Memorandum (IDM) at Comment 21.

⁴² See 19 CFR 351.102(b)(3).

⁴³ See, e.g., *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 12; 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 (April 18, 2018).

⁴⁴ See SeAH March 27, 2019 AQR 7.

⁴⁵ *Id.* at Appendix A-2-H.

⁴⁶ See Hyundai Steel March 27, 2019 AQR at A-1 and A-11.

⁴⁷ *Id.*

⁴⁸ See Hyundai Steel March 27, 2019 AQR at A-12 – A-15 and Exhibits A-4-A and A-4-B.

⁴⁹ See Memorandum, "Oil Country Tubular Goods from the Republic of Korea: Preliminary Affiliation Memorandum for Hyundai Steel Company," dated concurrently with this memorandum (Hyundai Steel Preliminary Affiliation Memorandum). Because the names and other relevant information about these affiliates is business proprietary information, these details are discussed in the Hyundai Steel Preliminary Affiliation Memorandum.

A. 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 method) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average NVs with the EPs (or CEPs) of individual sales (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not 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 less-than-fair-value investigations.⁵⁰

In numerous 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.⁵¹ Commerce finds that 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 average-to-average 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 average-to-average 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 customer codes. Regions are defined using the reported destination code (*i.e.*, zip, state) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For

⁵⁰ 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 *Apex Frozen Foods Private Ltd. v. United States*, 37 F. Supp. 3d 1286 (CIT 2014).

⁵¹ See, *e.g.*, *Polyethylene Terephthalate Resin from Taiwan: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures*, 83 FR 19696 (May 4, 2018), unchanged in *Polyethylene Terephthalate Resin from Taiwan: Final Determination of Sales at Less Than Fair Value, and Final Affirmative Determination of Critical Circumstances, in Part*, 83 FR 48287 (September 24, 2018); *Large Diameter Welded Pipe from Canada: Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures*, 83 FR 43649 (August 27, 2018), unchanged in *Large Diameter Welded Pipe from Canada: Final Affirmative Determination of Sales at Less Than Fair Value*, 84 FR 6378 (February 27, 2019); and *Cast Iron Soil Pipe from the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 83 FR 44567 (August 31, 2018), unchanged in *Cast Iron Soil Pipe from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 84 FR 6767 (February 28, 2019).

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 CEPs) 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 average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the average-to-average method.

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

For Hyundai Steel, based on the results of the differential pricing analysis, Commerce preliminarily finds that 73.24 percent of the value of U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, we preliminarily determine that the A-A method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated by applying the A-T method to all U.S. sales. Thus, for the preliminary results, we are applying the A-T method to all U.S. sales to calculate the weighted-average dumping margin for Hyundai Steel.

For SeAH, based on the results of the differential pricing analysis, Commerce preliminarily finds that 76.22 percent of the value of U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. However, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margins 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 because the relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method (*i.e.*, the average-to-transaction method) is less than 25 percent. Thus, for these preliminary results, Commerce is applying the average-to-average comparison method for all U.S. sales to calculate the weighted-average dumping margin for SeAH.

Product Comparisons

For Hyundai Steel and SeAH, we based NV on CV because neither respondent had a viable home market or third-country market during the POR.⁵² Therefore, for both Hyundai Steel and SeAH, no comparisons are made of EPs or CEPs with NVs based on home market or third-country market sales where it would be necessary to identify identical or similar merchandise. As discussed below, CV is based on each respondent's reported COPs, which are reported on the basis of product control number (CONNUM). CONNUMs are defined by the reported physical characteristics established by Commerce for OCTG, which are, in order of importance: welding,

⁵² See SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea – Initial Notifications Regarding Questionnaire Response," dated March 13, 2019; see also Hyundai Steel's Letter, "Oil Country Tubular Goods ("OCTG") from the Republic of Korea – Notification of No Viable Comparison Market," dated March 13, 2019.

type, grade, coupling, upset end, threading, nominal outside diameter, length, heat treatment, and nominal wall thickness.

Date of Sale

Section 351.401(i) of Commerce's regulations states that, normally, we will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. Furthermore, if the shipment date precedes the invoice date, then Commerce will use the date of shipment as the date of sale. The regulation provides that we may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.⁵³

Hyundai Steel

Hyundai Steel's sales consisted of sales through its wholly owned U.S. affiliate, HSU, for sale to unaffiliated U.S. customers.⁵⁴ Because we find that Hyundai Steel is affiliated with HSU, we have used HSU's sales to unaffiliated U.S. customers in our margin calculation. Hyundai Steel had two channels of distribution in the U.S. market, Channel 1 or back-to-back sales and Channel 2 or inventory sales. For Channel 1 or back-to-back sales, Hyundai Steel reported the date of shipment from Hyundai Steel's factory in Korea (which always precedes HSU's invoice date) as the date of sale. For Channel 2 or inventory sales, Hyundai Steel reported the earlier of the date of shipment from inventory or HSU's invoice date as the date of sale since HSU's invoices are issued to unaffiliated U.S. customers once the subject merchandise is shipped to the unaffiliated U.S. customer's designated place of delivery.⁵⁵

For these preliminary results, we relied on the dates of sale as reported by Hyundai Steel.

SeAH

SeAH's U.S. sales of OCTG were made by SeAH's U.S. affiliate, Pusan Pipe America, Inc. (PPA). For these sales, SeAH reported the date of the OCTG Division's shipment to the unaffiliated U.S. customer as the date of sale.⁵⁶ SeAH had two channels of distribution in the U.S. market, Channel 1 or back-to-back sales and Channel 2 or inventory sales. For Channel 1 or back-to-back sales, SeAH reported the bill-of-lading date (the date the merchandise was loaded onto the vessel for shipment from Korea) as the date of sale since the subject merchandise was produced to order and quantity and price were not fixed until the merchandise was actually shipped from SeAH Steel's plant and loaded onto the vessel for shipment to the U.S. For Channel 2 or inventory sales, SeAH reported the earlier of the date of the OCTG Division's

⁵³ See 19 CFR 351.401(i); see also *Allied Tube and Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001); and *Yieh Phui Enterprise Co. v. United States*, 791 F. Supp. 2d 1319 (CIT 2011) (affirming that the Department may use invoice date unless a party demonstrates that the material terms of its sale were established on another date).

⁵⁴ See Hyundai Steel March 27, 2019 AQR, at A-31.

⁵⁵ See Hyundai Steel March 27, 2019 AQR, at A-28 and Hyundai Steel April 17, 2019 CQR at C-9, 26-28.

⁵⁶ See SeAH March 27, 2019 AQR, at 7,11 and SeAH April 17, 2019 CQR, at 22.

shipment or the invoice date as the date of sale.⁵⁷ For these preliminary results, we relied on the dates of sale as reported by SeAH.

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).” 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 before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).” As explained below, we based the U.S. price on the CEP for SeAH and for Hyundai Steel.

Hyundai Steel

We based the price of Hyundai Steel’s U.S. sales of subject merchandise on CEP, as defined in section 772(b) of the Act, for the subject merchandise sold, before or after importation, by a U.S.-based seller affiliated with the producer to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, freight revenue (capped by the amount of the associated freight expenses), and early payment discounts. We made deductions for any movement expenses (Korean inland freight, Korean brokerage and handling, international freight, marine insurance, U.S. brokerage and handling, U.S. inland freight, U.S. warehousing, and U.S. duties), in accordance with section 772(c)(2)(A) of the Act and 19 CFR 351.401(e). In accordance with sections 772(d)(1) and (2) 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, indirect selling expenses, and expenses incurred to further manufacture the product in the United States. We also made an adjustment for CEP profit allocated to selling expenses deducted under sections 772(d)(1) and (2) of the Act, in accordance with section 772(d)(3) of the Act.⁵⁸

SeAH

We based the price of SeAH’s U.S. sales of subject merchandise on CEP, as defined in section 772(b) of the Act, for the subject merchandise sold, before or after importation, by a U.S.-based seller affiliated with the producer to unaffiliated purchasers in the United States. We made adjustments, where appropriate, from the starting price for billing adjustments, freight revenue (capped by the amount of the associated freight expenses), and early payment discounts. We made deductions for any movement expenses (Korean inland freight, Korean brokerage and handling, international freight, marine insurance, U.S. brokerage and handling, U.S. inland freight, U.S. warehousing, and U.S. duties), in accordance with section 772(c)(2)(A) of the Act

⁵⁷ See SeAH March 27, 2019 AQR, at A-25-27.

⁵⁸ See Memorandum, “Analysis of Data Submitted by Hyundai Steel Company for the Preliminary Results of the 2017-2018 Administrative Review of the Antidumping Duty Order on Certain Oil Country Tubular Goods from the Republic of Korea,” dated concurrently with this memorandum (Hyundai Steel Preliminary Analysis Memorandum).

and 19 CFR 351.401(e). In accordance with sections 772(d)(1) and (2) 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, indirect selling expenses, and expenses incurred to further manufacture the product in the United States. We also made an adjustment for CEP profit allocated to selling expenses deducted under sections 772(d)(1) and (2) of the Act, in accordance with section 772(d)(3) of the Act.⁵⁹

Particular Market Situation

On August 6, 2019, the DIPs alleged that Commerce should find that a cost-based particular market situation (PMS) existed during the period of review in Korea, which distorted the cost of production of OCTG.⁶⁰ Further, the DIPs submitted factual information in support of this allegation.⁶¹ On September 13, 2019, Hyundai Steel and SeAH filed factual information and rebuttal comments in response to the DIPs' PMS Allegation.⁶² Also on September 13, 2019, U.S. Steel submitted additional factual information to clarify the DIPs' PMS Allegation.⁶³ On October 9, 2019, the respondents timely submitted factual information to rebut U.S. Steel's PMS Clarifying Information.⁶⁴

The DIPs alleged that a series of factors affecting hot-rolled coil (HRC), the primary material input in the production of OCTG, render, individually or collectively, the costs of OCTG production in Korea as outside the ordinary course of trade.⁶⁵ The DIPs alleged that the existence of a cost-based PMS is supported by substantial evidence based on: (1) Korean imports of HRC from the People's Republic of China (China), specifically how global overcapacity of HRC affected Korean HRC imports from China; (2) resulting overcapacity in the Korean steel market; (3) Korean subsidies on HRC, the primary input for OCTG, as exhibited in Commerce's finding of continued HRC subsidization in *Hot-Rolled Steel from Korea CVD ARI*;⁶⁶ (4) strategic alliances between Korean HRC suppliers and Korean OCTG producers; (5) government involvement in the Korean electricity market; (6) distorted shipping rates for inputs in HRC production, and (7) distorted iron ore costs.⁶⁷ The DIPs argue that Commerce should make adjustments to the respondent's cost of production in order to remedy the alleged price distortions as it has done in recent administrative reviews of OCTG from Korea, as well as in *CWP from Turkey Preliminary Results* and *Pipe and Tube from India Preliminary Results*.⁶⁸

⁵⁹ See Memorandum, "Analysis of Data Submitted by SeAH Steel Corporation in Oil Country Tubular Goods from the Republic of Korea," dated concurrently with this memorandum (SeAH Preliminary Analysis Memorandum).

⁶⁰ See PMS Allegation.

⁶¹ See PMS Allegation.

⁶² See Hyundai Steel's PMS Rebuttal and SeAH's PMS Rebuttal.

⁶³ See U.S. Steel's PMS Clarifying Information.

⁶⁴ See Hyundai Steel's PMS Clarifying Information Rebuttal and SeAH's PMS Clarifying Information Rebuttal.

⁶⁵ See PMS Allegation at 5.

⁶⁶ *Id.* at 27, citing *Certain Hot-Rolled Steel Flat Products from Korea*, 84 FR 28461 (June 19, 2019) (*Hot-Rolled Steel from Korea CVD ARI*).

⁶⁷ *Id.*

⁶⁸ *Id.* at 5, citing *Oil Country Tubular Goods from the Republic of Korea*, 82 FR 18105 (April 17, 2017) (*2014-15 AD AR Final*), and accompanying IDM at Comment 3; *Oil Country Tubular Goods from the Republic of Korea*, 83 FR 17146 (April 18, 2018) (*2015-16 AD AR Final*), and accompanying IDM at Comment 1; *Oil Country Tubular Goods from the Republic of Korea*, 84 FR 24085 (May 24, 2019) (*2016-17 AD AR Final*), and accompanying IDM

For these preliminary results, Commerce considered the totality of circumstances on the record, including the DIPs' allegation as a whole. For the reasons more fully explained in the proprietary PMS memorandum, Commerce preliminarily finds that a cost-based PMS existed in Korea during the POR concerning the cost of HRC as a component of the COP for OCTG that Hyundai Steel and SeAH produced.⁶⁹

In addition to finding that a cost-based PMS existed in Korea during the POR with respect to the costs for HRC, Commerce has determined that there is sufficient evidence to quantify the impact of this PMS with respect to costs for HRC. In quantifying the impact, Commerce has determined to make an upward adjustment to costs for HRC. Specifically, the cost for all purchased input HRC will be increased by the adjustment factor derived in the Regression Analysis.⁷⁰ Commerce preliminarily finds that this rate appropriately quantifies the impact of the PMS concerning the distortion in cost of HRC that existed in Korea during the POR. Specifically, the Regression Analysis sufficiently quantifies the impact of the PMS on the material cost of HRC, and derives a corresponding adjustment factor that, when applied to the costs of HRC, accounts for the distortions induced by the observed PMS.

Normal Value

A. Home Market Viability and Comparison Market

To determine whether a sufficient volume of sales of OCTG exists in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we compared Hyundai Steel's and SeAH's volume of home market sales of the foreign like product to their respective volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act. When sales in the home market are not viable, section 773(a)(1)(B)(ii) of the Act provides that sales to a third-country market may be utilized if: (1) the prices in such market are representative; (2) the aggregate quantity of the foreign like product sold by the producer or exporter in the third-country market is five percent or more of the aggregate quantity of the subject merchandise sold in or to the United States; and (3) Commerce does not determine that a particular market situation in the third-country market prevents a proper comparison with the U.S. price.

Based on this comparison, we preliminarily determine that neither Hyundai Steel nor SeAH had

at Comments 1-A and 1-B; *see also* PMS Allegation, at 11, citing *Circular Welded Carbon Steel Standard Pipe and Tube Products From Turkey: Preliminary Results of Antidumping Duty Administrative Review and Preliminary Determination of No Shipments*, 84 FR 34345 (July 18, 2019) (*CWP from Turkey Preliminary Results*), and accompanying PDM; and *Welded Carbon Steel Standard Pipes and Tubes From India: Preliminary Results of Antidumping Duty Administrative Review; 2017–2018*, 84 FR 33916 (July 16, 2019) (*Pipe and Tube from India Preliminary Results*), and accompanying PDM.

⁶⁹ For a complete discussion, *see* Memorandum, “2017–2018 Administrative Review of Antidumping Duty Order on Oil Country Tubular Goods from the Republic of Korea: Decisions on Particular Market Situation Allegations,” dated concurrently with this memorandum.

⁷⁰ *Id.*

a viable home market during the POR. For both Hyundai Steel and SeAH, we find that the aggregate volume of their respective home market sales of the foreign like product was less than five percent of the aggregate volume of their respective U.S. sales, and, thus, Hyundai Steel's and SeAH's sales in the home market were not viable.⁷¹ We also preliminarily find that the aggregate quantity of the foreign like product sold by both Hyundai Steel and SeAH in any third-country market was less than five percent of the aggregate volume of their respective U.S. sales, and, therefore, neither Hyundai Steel nor SeAH had a viable third-country market.⁷² Accordingly, for both Hyundai Steel and SeAH, we used CV as the basis for calculating NV, in accordance with section 773(a)(4) of the Act.

B. Cost of Production Analysis

In accordance with section 773(b)(2)(A)(ii) of the Act, Commerce requested CV and COP information from Hyundai Steel and SeAH. We examined Hyundai Steel's and SeAH's cost data and determined that our quarterly cost methodology is not warranted. Therefore, we applied our standard methodology of using annual costs based on Hyundai Steel's and SeAH's reported data.

1. Normal Value Based on Constructed Value

As explained above, neither Hyundai Steel nor SeAH had a viable home or third-country market; thus, for both Hyundai Steel 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 calculated the cost of materials and fabrication, G&A expenses, and interest based on information submitted by Hyundai Steel and SeAH in their original and supplemental questionnaire responses, except in instances where we determined that the information was not valued correctly, as described below.

We relied on the COP and CV data submitted by Hyundai Steel except as follows:⁷³

- We adjusted Hyundai Steel's reported HRC costs to reflect the particular market situation.
- We revised the costs reported for non-prime products that were not capable of being used in the same applications as prime OCTG products to reflect their lower market values and allocated the difference to prime OCTG products.

⁷¹ See 19 CFR 351.404(b)(2); *see also* SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea – Initial Notifications Regarding Questionnaire Response," dated March 13, 2019 and Hyundai Steel's Letter, "Oil Country Tubular Goods ("OCTG") from the Republic of Korea – Notification of No Viable Comparison Market," dated March 13, 2019.

⁷² *Id.*

⁷³ See Hyundai Steel Preliminary Calculation Memorandum.

- We revised Hyundai Steel's G&A and financial expense ratios to exclude a business proprietary item from the COGS denominators.

We relied on the COP and CV data submitted by SeAH except as follows:⁷⁴

- We adjusted SeAH's reported HRC costs to reflect the particular market situation.
- We applied PPA's G&A expense ratio to the total cost of the further manufactured products, *i.e.*, the further manufacturing costs plus the cost of the imported OCTG that was further manufactured, as well as the production cost for all non-further manufactured OCTG products resold by PPA.
- We adjusted PPA's further manufacturing costs to include financial expenses.

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, 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 July 9, 2019, we sent a letter to all interested parties providing an opportunity to comment and submit new factual information on CV profit and selling expenses.⁷⁵ On July 26, 2019, Hyundai Steel, SeAH, and the DIPs submitted comments and factual information.⁷⁶ On August 2, 2019, Hyundai Steel, SeAH, and the DIPs submitted rebuttal comments and information.⁷⁷ Interested parties placed the financial statements of the following entities on the record as potential sources for CV profit: Tenaris S.A. (Tenaris),⁷⁸ Maharashtra Seamless Limited (Maharashtra);⁷⁹ PAO TMK (TMK);⁸⁰ Chung Hung Steel Corporation (Chung Hung);⁸¹ Borusan

⁷⁴ See SeAH Preliminary Analysis Memorandum.

⁷⁵ See CV Information Request.

⁷⁶ See, respectively, Hyundai Steel's CV Submission; SeAH's CV Submission; and the DIPs' CV Submission.

⁷⁷ See, respectively, Hyundai Steel's CV Rebuttal; SeAH's CV Rebuttal; and the DIPs' CV Rebuttal.

⁷⁸ See DIPs' CV Submission at Exhibit 14.

⁷⁹ *Id.* at Exhibit 16.

⁸⁰ See SeAH's CV Submission at Attachment 1; Hyundai Steel's CV Submission at Exhibit 6.

⁸¹ See SeAH's CV Submission at Attachment 2; Hyundai Steel's CV Submission at Exhibit 4.

Mannesmann Boru Sanayi ve Ticaret A.S. (Borusan);⁸² Welspun Corp. Limited (Welspun);⁸³ and Nippon Steel and Sumitomo Metal Corporation (NSSMC).⁸⁴ In addition, interested parties also submitted the following information: Hyundai Steel's loss on its POR non-prime OCTG sales in the Korean market; Hyundai Steel's profit on its POR line pipe sales in the Korean market; SeAH's profit on its POR OCTG sales to Canada; SeAH's profit on its POR OCTG sales to the Netherlands; SeAH's loss on its POR OCTG sales to Kuwait; and SeAH's combined CV profit and selling expense ratio from the 2014-2015 administrative review (POR1), which was based on SeAH's comparison market sales to Canada.

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 appear to reflect primarily the results of operations for products other than OCTG (*e.g.*, NSSMC, Chung Hung) or lack sufficient detail to determine what portion of total sales revenues were OCTG products (*e.g.*, Borusan, Maharashtra), while some options do not reflect a profit on the sales (*e.g.*, Hyundai non-prime OCTG sales, SeAH OCTG sales to Kuwait), reflect sales data from non-viable markets (*e.g.*, SeAH sales to Canada and the Netherlands), or reflect profit data for line pipe, which Commerce has previously determined not to be the same general category of merchandise as OCTG.⁸⁵ Further, we find that SeAH's CV profit and selling data from POR1 has become too removed in time to be considered a viable option for determining a CV profit rate for this POR.

Therefore, out of the potential sources for CV profit, we preliminarily find that a CV profit rate based on the 2018 financial statements for Tenaris and TMK to be the best source for determining CV profit in the instant review for both Hyundai Steel and SeAH. The information on the record demonstrates that Tenaris and TMK are significant producers of OCTG, and we find that the profit stated in their financial statements predominantly comes from sales of OCTG into a broad range of different geographic markets. Because there is no information on the record of the instant review concerning the profit on sales of OCTG or products in the same general category in Korea, as facts available, we find that the profit on the Tenaris and TMK 2018 financial statements 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)(iii) of the Act.

Because the Tenaris financial statements are not sufficiently detailed to remove movement expenses from selling expenses, we have relied solely on the TMK financial statements for calculating CV selling expenses.

⁸² See SeAH's CV Submission at Attachment 3; Hyundai Steel's CV Submission at Exhibit 3.

⁸³ See SeAH's CV Submission at Attachment 4.

⁸⁴ See Hyundai Steel's CV Submission at Exhibit 5.

⁸⁵ See *Final Determination* and accompanying Issues and Decision Memorandum at Comment 1. See also *Final Redetermination Pursuant to Court Remand in Husteel Co., Ltd., et al., v. United States*, Consol. Court No. 14-00215, dated February 22, 2016 (*Final Redetermination*), at 61-64, affirmed in *Husteel Co. v. United States*, 180 F. Supp. 3d 1330 (Ct. Int'l Trade 2016). The *Final Redetermination* is accessible at <http://enforcement.trade.gov/remands/15-100.pdf>.

Based on the foregoing, for these preliminary results, we have calculated Hyundai Steel's and SeAH's CV profit and selling expenses under section 773(e)(2)(B)(iii) using the Tenaris and TMK 2018 financial statements for CV profit and the TMK 2018 financial statements for CV selling expenses. Thus, for these preliminary results, we calculated a CV profit rate of 7.98 percent and a CV selling expense rate of 2.24 percent.⁸⁶

Finally, we are unable to calculate the amount realized by exporters or producers in connection with the sale, for consumption in the foreign country, of the merchandise in the same general category of products as the subject merchandise (*i.e.*, the "profit cap"), in accordance with section 773(e)(2)(B)(iii) of the Act, because the record does not contain any information for making such a calculation. However, the Statement of Administrative Action (SAA) makes clear that Commerce might have to apply alternative (iii) on the basis of facts available. In the instant review, neither Hyundai Steel nor SeAH had a viable home market during the POR, and none of the CV profit sources placed on the record by interested parties show "the amount realized by exporters or producers in connection with the sale, for consumption in the foreign country, of the merchandise in the same general category of products as the subject merchandise." Moreover, the record of this review does not contain any information regarding profits earned on Korean sales of products in the same category of merchandise as OCTG. Accordingly, we conclude that, as facts available, the profit calculated based on the Tenaris and TMK financial statements serves as a reasonable facts available profit cap for these preliminary results.

VIII. CURRENCY CONVERSION

Where appropriate, 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.

⁸⁶ See SeAH Preliminary Analysis Memorandum and Hyundai Steel Preliminary Calculation Memorandum.

IX. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



Agree



Disagree

11/8/2019

X 

Signed by: JEFFREY KESSLER
Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

Appendix

List of Companies Not Individually Examined

AJU Besteel Co., Ltd.
BDP International
Daewoo America
Daewoo International Corporation
Dong Yang Steel Pipe.
Dong-A Steel Co. Ltd.
Dongbu Incheon Steel.
DSEC.
Emdtebruecker Eisenwerk and Company
Hansol Metal.
Husteel Co., Ltd.
Hyundai RB
ILJIN Steel Corporation.
Jim And Freight Co., Ltd.
Kia Steel Co. Ltd.
KSP Steel Company
Kukje Steel
Kumkang Kind Co., Ltd.
Kurvers
NEXTEEL Co., Ltd.
POSCO Daewoo America
POSCO Daewoo Corporation
Samsung
Samsung C and T Corporation.
SeAH Besteel Corporation
Steel Canada
Sumintomo Corporation
TGS Pipe
Yonghyun Base Materials
ZEECO Asia