



A-580-870
Administrative Review
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January 15, 2021

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 2018-2019 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, 2018 through August 31, 2019. This review covers 53 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 did not make sales of the subject merchandise at prices below normal value (NV) during the POR. We preliminarily determine that SeAH made sales of the subject merchandise at prices below 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 3, 2019, we published in the *Federal Register* a notice of opportunity to request an administrative review of the *Order*.² On September 30, 2019, 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*, 84 FR 45949 (September 3, 2019).



Inc, TMK IPSCO, Vallourec Star, L.P., and Welded Tube USA (collectively, the Domestic Interested Parties (DIPs)) requested a review of 53 companies.³ Between September 25, 2019 and October 1, 2019, Husteel Co., Ltd. (Husteel),⁴ Hyundai Steel,⁵ SeAH,⁶ and AJU Besteel Co., Ltd. (AJU Besteel),⁷ requested reviews of themselves. On November 12, 2019, based on timely requests for administrative reviews, we initiated an administrative review of OCTG from Korea.⁸

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.⁹ On November 27, 2019, 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.¹⁰ On December 4, 2018, Hyundai Steel submitted comments on respondent selection.¹¹ No other interested parties submitted comments on the CBP data or respondent selection.

On December 23, 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).¹² We issued antidumping questionnaires to Hyundai Steel and SeAH on January 8, 2020. On January 17, 2020, Hyundai Steel submitted a letter stating that its home market sales of the foreign like product during the POR constituted less than five percent by quantity of its total U.S. sales of subject merchandise during the POR, and that it did not have sales to an individual third-country market that constituted five percent or more, by quantity, of its total U.S. sales during the POR.¹³ On January 22, 2020, SeAH submitted a letter stating that it did not have a viable home market for sales of the foreign like product during the POR, given that its sales in that market constituted less than five percent by quantity of total U.S. sales of subject merchandise during the POR. In that same letter, SeAH also stated that it made sales to a third country, Kuwait, in which the quantity of sales to that

³ See DIPs' Letter, "Oil Country Tubular Goods from the Republic of Korea: Request for Administrative Review of Antidumping Duty Order," dated September 30, 2019.

⁴ See Husteel's Letter, "Oil Country Tubular Goods from the Republic of Korea, Case No. A-580- 870: Request for Antidumping Administrative Review," dated September 26, 2019.

⁵ See Hyundai Steel's Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Request for Administrative Review," dated September 30, 2019.

⁶ See SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea – Request for Administrative Review," dated September 30, 2019.

⁷ See AJU Besteel's Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Request for Administrative Review," dated September 30, 2019.

⁸ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 61011 (November 12, 2019) (*Initiation Notice*).

⁹ *Id.*

¹⁰ See Commerce's Letter to All Interested Parties, dated November 27, 2019 (CBP Data Release Letter).

¹¹ See Hyundai Steel's Letter, "Certain Oil Country Tubular Goods from the Republic of Korea – Respondent Selection Comments," dated December 4, 2019.

¹² See Memorandum, "2018-2019 Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods from the Republic of Korea: Respondent Selection," dated December 23, 2019.

¹³ See Hyundai Steel's Letter, "Oil Country Tubular Goods ("OCTG") from the Republic of Korea – Notification of No Viable Comparison Market," dated January 17, 2020 (Hyundai Steel's No Viable Comparison Market Letter).

third country market constituted more than five percent of the total quantity of U.S. sales of subject merchandise during the POR.¹⁴

On February 5, 2020, SeAH and Hyundai Steel submitted responses to section A of Commerce's AD questionnaire (*i.e.*, the section relating to general information).¹⁵ On February 21, 2020, 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).¹⁶ Also, on February 4, 2020, Hyundai Steel submitted its response to sections C and E of Commerce's AD questionnaire.¹⁷ Hyundai Steel submitted its response to section D of Commerce's AD questionnaire on February 24, 2020.¹⁸ From May 1 to May 8, 2020, Commerce issued supplemental questionnaires to Hyundai Steel and SeAH. We issued additional supplemental questionnaires to SeAH on October 9, 2020¹⁹ and to Hyundai Steel on November 24, 2020 and December 2, 2020.²⁰ We received supplemental questionnaire responses from Hyundai Steel²¹ and SeAH²² between October 2020 and December 2020.

On October 23, 2020, Commerce issued a request to interested parties for constructed value (CV) profit and selling expense comments and information.²³ On November 5, 2020 and November 6, 2020, the DIPs, Hyundai Steel, and SeAH timely submitted CV profit and selling expense information.²⁴ On November 16, 2020 and November 17, 2020, Hyundai Steel, SeAH and the DIPs timely submitted rebuttal CV profit and selling expense information.²⁵

¹⁴ See SeAH's Letter, "Oil Country Tubular Goods from the Republic of Korea – Initial Notifications Regarding Questionnaire Response," dated January 22, 2020 (SeAH's Third Country Notification).

¹⁵ See SeAH's February 5, 2020 Section A Questionnaire Response (SeAH's AQR); *see also* Hyundai Steel's February 5, 2020 Section A Questionnaire Response (Hyundai Steel's AQR).

¹⁶ See SeAH's February 21, 2020 Sections C-E Questionnaire Responses (SeAH's Section CQR, DQR, EQR, respectively).

¹⁷ See Hyundai Steel's February 24, 2020 Section C and Section E Questionnaire Responses (Hyundai Steel's Section CQR and Hyundai Steel's Section EQR).

¹⁸ See Hyundai Steel's February 26, 2020 Section D Questionnaire Response.

¹⁹ See Commerce's Letter, "Oil Country Tubular Goods from the Republic of Korea: SeAH Steel Corporation Second Supplemental Section A-E Questionnaire," dated October 9, 2020.

²⁰ See Commerce's Letters, "Oil Country Tubular Goods from the Republic of Korea Supplemental Sections D-E Questionnaire," dated November 24, 2020, and "Oil Country Tubular Goods from the Republic of Korea: Hyundai Steel Company Second Supplemental Sections A and C Questionnaire," dated December 2, 2020.

²¹ See Hyundai Steel's December 9, 2020 Supplemental Response (Hyundai Steel's DSQR); Hyundai Steel's December 16, 2020 Supplemental Response (Hyundai Steel's 2nd ASQR and 2nd CSQR).

²² See SeAH's October 26, 2020 Supplemental Response (SeAH's A-DSQR).

²³ 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 October 23, 2020 (CV Profit Information Request).

²⁴ 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).

²⁵ See 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 November 16, 2020; SeAH's Letter, "Administrative Review of the Antidumping Order on Oil Country Tubular Goods from Korea for the 2018-19 Review Period – Response to Domestic Interest Parties' November 5 CV Profit and Selling Expense

On March 20, 2020, 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 producing OCTG.²⁶ On July 10, 2020, 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.²⁷ From July 31, 2020 through August 3, 2020, Hyundai Steel, SeAH and ILJIN timely submitted factual information and rebuttal comments in response to the DIPs' March 20, 2020 submission of the PMS allegation.²⁸ Also, on August 3, 2020, U.S. Steel timely submitted factual information to clarify aspects of its initial PMS allegation.²⁹ On September 24, 2020, Hyundai Steel and SeAH timely submitted factual information to rebut U.S. Steel's submission of clarifying information.³⁰ On December 30, 2020, we issued an additional request for PMS information to the DIPs.³¹ The DIPs submitted their response to this additional request for information on January 7, 2021.³²

Between November 24, 2020 and December 22, 2020, U.S. Steel and Hyundai Steel submitted comments in advance of the preliminary results and rebuttal comments to the Pre-Prelim Comments, respectively.³³

Submission," dated November 16, 2020; *see also* DIPs' Letter, "Oil Country Tubular Goods from Korea: Constructed Value Profit and Selling Expense Rebuttal Comments," dated November 17, 2020.

²⁶ *See* DIPs' Letter, "Oil Country Tubular Goods from the Republic of Korea: Particular Market Situation Allegation," dated March 20, 2020 (PMS Allegation).

²⁷ *See* Memorandum, "2018-2019 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 July 10, 2020.

²⁸ *See* Hyundai Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Rebuttal Factual Information and Comments Relating to PMS Allegation," dated August 3, 2020 (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 July 31, 2020 (SeAH's PMS Rebuttal). ILJIN's Rebuttal Factual Information and Comments on Petitioners' Particular Market Situation Allegation," dated July 31, 2020 (ILJIN's PMS Rebuttal).

²⁹ *See* U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Factual Information to Clarify Aspects of Domestic Interested Parties' Particular Market Situation Allegation," August 3, 2020 (U.S. Steel's PMS Clarifying Information).

³⁰ *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 September 24, 2020 (Hyundai Steel's PMS Clarification Rebuttal); *see also* SeAH's Letter, "Antidumping Duty Administrative Review of OCTG from Korea – Response to Domestic Interested Parties' Particular Market Situation "Clarifying" Factual Information Submission," September 24, 2020 (SeAH's PMS Clarification Rebuttal).

³¹ *See* Commerce's Letter, "Antidumping Duty Administrative Review of Oil Country Tubular Goods from the Republic of Korea: Particular Market Situation Request for Information," dated December 30, 2020.

³² *See* DIPs' Letter, "Oil Country Tubular Goods from the Republic of Korea: Response to Particular Market Situation Request for Information," dated January 7, 2021.

³³ *See* U.S. Steel's Letter, "Oil Country Tubular Goods from the Republic of Korea: Comments Concerning the Particular Market Situation in Korea in Advance of Commerce's Preliminary Determination" dated November 24, 2020 (U.S. Steel's Pre-Preliminary Comments); *see also* Hyundai Steel's 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 December 21, 2020 (Hyundai Steel's Response to Pre-Preliminary Comments).

On April 24, 2020, Commerce tolled all deadlines in administrative reviews by 50 days.³⁴ On June 30, 2020, Commerce extended the deadline of the preliminary results of review by 100 days, in accordance with 751(a)(3)(A) of the Act.³⁵ On July 21, 2020, Commerce tolled all deadlines in administrative reviews by an additional 60 days.³⁶ On November 25, 2020, in accordance with section 751(a)(3)(A) of the Act, Commerce extended the preliminary results of review by an additional 18 days, thereby extending the deadline for the preliminary results until January 15, 2021.³⁷

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,

³⁴ See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews,” dated April 24, 2020.

³⁵ See Memorandum, “Certain Oil Country Tubular Goods from the Republic of Korea, 2018-2019: Extension of Time Limit of Preliminary Results of Antidumping Duty Administrative Review,” dated June 30, 2020.

³⁶ See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews,” dated July 21, 2020.

³⁷ See Memorandum, “Certain Oil Country Tubular Goods from the Republic of Korea, 2018-2019: Extension of Time Limit of Preliminary Results of Antidumping Duty Administrative Review,” dated November 25, 2020.

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}."

For these preliminary results, we calculated a weighted-average dumping margin for SeAH that is not zero, *de minimis*, or determined entirely on the basis of facts available. Accordingly, Commerce has assigned to the companies not individually examined (*see* Appendix I for a full list of these companies) a margin of 1.07 percent, which is the weighted-average dumping margin calculated for SeAH for these preliminary results.

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 the other.³⁸ 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.³⁹ 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.⁴⁰

Hyundai Steel

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.⁴¹ Hyundai Steel reported that, during the POR, it sold subject merchandise to HSU, which sold the merchandise to unaffiliated U.S. customers.⁴² 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.⁴³ For a full explanation, *see* the Hyundai Affiliation Memorandum. 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.

SeAH

SeAH's ownership and corporate structure has changed since the last review.⁴⁴ SeAH reported that during the POR, SeAH Steel Holding Company, SeAH Steel USA, SeAH Steel International, and Pusan Pipe America Inc. (PPA) were involved in the sale, production, or distribution of subject merchandise.⁴⁵ For these preliminary results, we find SeAH to be affiliated with SeAH Steel Holding Company, SeAH Steel USA, SeAH Steel International, and PPA, pursuant to sections 771(33)E, 771(33)F of the Act, and 771(33)G of the Act.⁴⁶

³⁸ *See, e.g.*, Statement of Administrative Action Accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, vol 1 (1994) at 838 (SAA).

³⁹ *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.

⁴⁰ *See* 19 CFR 351.102(b)(3).

⁴¹ *See* Hyundai Steel February 5, 2020 AQR, at A-1 and A-11.

⁴² *Id.*

⁴³ *See* Hyundai Steel February 5, 2020 AQR, at A-12 – A-17 and Exhibits A-4-A and A-4-B. *See also* Memorandum, “Oil Country Tubular Goods from the Republic of Korea, 2018-19: Preliminary Affiliation Memorandum for Hyundai Steel Company,” dated January 15, 2021 (Hyundai Affiliation Memorandum).

⁴⁴ *See* SeAH's AQR at 10.

⁴⁵ *Id.* at 10-12.

⁴⁶ *See* Memorandum, “Oil Country Tubular Goods from the Republic of Korea: SeAH Steel Corporation Preliminary Affiliation Memorandum,” dated January 15, 2021.

VI. 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.

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.⁴⁷

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.⁴⁸ 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.

⁴⁷ 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).

⁴⁸ 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).

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 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 89.00 percent of the value of U.S. sales pass the Cohen's *d* test, and this confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, we preliminarily determine 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 Hyundai Steel.

For SeAH, based on the results of the differential pricing analysis, Commerce preliminarily finds that 86.41 percent of the value of U.S. sales pass the Cohen's *d* test, and this 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, we based NV on CV because it had neither a viable home market nor a third-country market during the POR.⁴⁹ Therefore, for Hyundai Steel, 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 Hyundai Steel'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, type, grade, coupling, upset end, threading, nominal outside diameter, length, heat treatment, and nominal wall thickness.

For SeAH, we preliminarily find that the aggregate quantity of the foreign like product sold by SeAH in Kuwait was greater than five percent of the aggregate quantity of their U.S. sales, and, therefore, SeAH did have a viable third-country market in this review period.⁵⁰ Accordingly, for SeAH, we used third-country sales to Kuwait as the basis for NV, in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

Date of Sale

In accordance with 19 CFR 351.401(i), 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.⁵¹

Hyundai Steel

Hyundai Steel's sales consisted of sales through its wholly owned U.S. affiliate, HSU, for sale to unaffiliated U.S. customers.⁵² 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 one channel of distribution in the U.S. market, back-to-back sales through HSU. For these 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.⁵³ For these preliminary results, we relied on the dates of sale as reported by Hyundai Steel.

⁴⁹ See Hyundai Steel's No Viable Comparison Market Letter, at 1; see also Hyundai Steel's AQR, at 4.

⁵⁰ See SeAH February 21, 2020 BQR, at Appendix B-1.

⁵¹ 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 Commerce may use invoice date unless a party demonstrates that the material terms of its sale were established on another date).

⁵² See Hyundai Steel February 5, 2020 AQR, at A-24-25.

⁵³ *Id.*

SeAH

SeAH's U.S. sales of OCTG were made by SeAH's U.S. affiliate, Pusan Pipe America, Inc. (PPA). SeAH Steel had one channel of distribution in the U.S. market, consisting of shipments from SeAH to PPA's OCTG division where the merchandise was stored in inventory prior to sale to an unaffiliated customer.⁵⁴ For these sales, SeAH reported the earlier of the date of PPA's OCTG Division shipment or invoice to the unaffiliated U.S. customer.⁵⁵ SeAH's Kuwait sales of OCTG were made through direct sales of OCTG to an unaffiliated trading company that had existing orders to resell the OCTG to an unaffiliated Kuwaiti customer.⁵⁶ For these sales, SeAH reported the bill of lading 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)."

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

⁵⁴ See SeAH February 5, 2020 AQR, at 23-24.

⁵⁵ See SeAH February 5, 2020 AQR, at 25-26, and SeAH February 21, 2020 CQR, at 22.

⁵⁶ See SeAH February 5, 2020 AQR, at 24.

⁵⁷ See SeAH February 21, 2020 BQR, at 16-17.

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 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 March 19, 2020, the DIPs alleged 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 Between July 30, 2020 and September 25, 2020, interested parties submitted information and arguments, along with new factual information to rebut, clarify or correct information submitted in the PMS Allegation.⁶²

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).

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 DIP's Letter, "Oil Country Tubular Goods from the Republic of Korea: Particular Market Situation Allegation," dated March 19, 2020 (PMS Allegation).

⁶¹ See Memorandum, "2018-2019 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 July 10, 2020.

⁶² See ILJIN's Letter, "Oil Country Tubular Goods from South Korea: ILJIN's Rebuttal Factual Information and Comments on Petitioner's Particular Market Situation Allegation," dated July 31, 2020 (ILJIN PMS Allegation Rebuttal); see also Hyundai's Letter, "Oil Country Tubular Goods from the Republic of Korea: Rebuttal Factual Information and Comments Relating to PMS Allegation," dated August 3, 2020 (Hyundai's PMS Allegation Rebuttal); SeAH's Letter, "Antidumping Duty Administrative Review of OCTG from Korea – Submission of Factual Information Rebutting, Clarifying, or Correcting Petitioner's Allegation of Particular Market Situation," dated July 31, 2020 (SeAH's PMS Allegation Rebuttal); Hyundai'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 September 24, 2020 (Hyundai's PMS Clarification Rebuttal); see also SeAH's Letter,

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.⁶³ The DIPs alleged that the existence of a cost-based PMS is supported by substantial evidence based on: (1) Chinese overcapacity that floods the Korean market, depressing steel prices, (2) overcapacity in the Korean steel market (3) Government of Korea (GOK) subsidization of domestic HRC production, (4) government involvement in the Korean electricity market, (5) distorted shipping rates for raw material inputs in HRC production, and (6) distorted iron ore costs.⁶⁴

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.⁶⁵

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 from the Regression Analysis.⁶⁶ 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 purchase price 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

"Antidumping Duty Administrative Review of OCTG from Korea – Response to Domestic Interested Parties' Particular Market Situation 'Clarifying' Factual Information Submission," dated September 24, 2020.

⁶³ See generally, PMS Allegation.

⁶⁴ See PMS Allegation at 5-6 and 7-8.

⁶⁵ For a complete discussion, see Memorandum, "Oil Country Tubular Goods from the Republic of Korea: Preliminary Particular Market Situation Memorandum," dated concurrently with this memorandum.

⁶⁶ *Id.*

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 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.⁶⁷ We also preliminarily find that the aggregate quantity of the foreign like product sold by Hyundai Steel in any third-country market was less than five percent of the aggregate volume of their respective U.S. sales, and, therefore, Hyundai Steel did not have a viable third-country market.⁶⁸ Accordingly, for Hyundai Steel, we used CV as the basis for calculating NV, in accordance with section 773(a)(4) of the Act.

For SeAH, we preliminarily find that the aggregate quantity of the foreign like product sold by SeAH in Kuwait was greater than five percent of the aggregate volume of their respective U.S. sales, and, therefore, SeAH did have a viable third-country market.⁶⁹ Accordingly, for SeAH, we used third-country sales to Kuwait as the basis for NV, in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

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 for Hyundai Steel

As explained above, Hyundai Steel did not have a viable home or third-country market; thus, for Hyundai Steel, 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 in its original and supplemental questionnaire responses, except in instances where we determined that the information was not valued correctly, as described below.

⁶⁷ See 19 CFR 351.404(b)(2); *see also* SeAH's Third Country Notification; and Hyundai Steel's No Viable Comparison Market Letter.

⁶⁸ *Id.*

⁶⁹ See SeAH February 21, 2020 BQR, at Appendix B-1.

We relied on the COP and CV data submitted by Hyundai Steel except as follows:⁷⁰

- We adjusted Hyundai Steel's reported hot-rolled coil costs to reflect the particular market situation.
- We adjusted Hyundai's reported cost of manufacturing for the difference between the transfer price and the facts available market price.
- 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.
- We applied Hyundai's consolidated financial expense rate to the further processing costs incurred by HSU in the United States.
- We revised Hyundai Steel's G&A and financial expense ratios to exclude a business proprietary item from the denominators for the cost of goods sold (COGS).
- We applied HSU's G&A expense ratio to the total cost of the further manufactured products as well as the production cost for all non-further manufactured OCTG products resold by HSU, removing the PMS adjustment from the cost of the imported OCTG before applying the G&A expense ratio.

During the POR, Hyundai did not have a viable home market or third-country market to serve as a basis for NV; thus, NV must be based on CV, in accordance with section 773(a)(4) of the Act. Likewise, in the absence of a comparison market, we are unable to calculate CV profit using the preferred method and 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 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.⁷¹ On July 26, 2019, Hyundai Steel, SeAH, and the DIPs submitted comments and factual information.⁷² On August 2, 2019, Hyundai Steel, SeAH, and the DIPs submitted rebuttal comments and

⁷⁰ See Hyundai Steel Preliminary Calculation Memorandum.

⁷¹ See CV Information Request.

⁷² See, respectively, Hyundai Steel's CV Submission; SeAH's CV Submission; and the DIPs' CV Submission.

information.⁷³ Interested parties placed the financial statements of the following entities on the record as potential sources for CV profit: Tenaris S.A. (Tenaris);⁷⁴ Maharashtra Seamless Limited (Maharashtra);⁷⁵ PAO TMK (TMK);⁷⁶ Chung Hung Steel Corporation (Chung Hung);⁷⁷ Borusan Mannesmann Boru Sanayi ve Ticaret A.S. (Borusan);⁷⁸ Welspun Corp. Limited (Welspun);⁷⁹ and Nippon Steel and Sumitomo Metal Corporation (NSSMC).⁸⁰ 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 the preliminary results, we have calculated Hyundai's CV profit and selling expenses under section 773(e)(2)(B)(iii) using SeAH's combined CV profit and selling expenses. SeAH's combined selling expense and profit experience reflects the profit of a Korean OCTG producer, on comparison market sales of the merchandise under consideration, in the ordinary course of trade. Because there is no information on the record concerning the profit from sales of OCTG or products in the same general category in Korea, as facts available, we preliminarily find that SeAH's profit from its sales of OCTG in its third-country market 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 subsection (B)(iii). Thus, for these preliminary results, we calculated a combined CV profit rate and CV selling expense rate of 0.08.⁸¹

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 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, the profit calculated based on SeAH's combined CV profit and selling expenses serves as a reasonable profit cap on a facts available basis for these preliminary results.

⁷³ See, respectively, Hyundai Steel's CV Rebuttal; SeAH's CV Rebuttal; and the DIPs' CV Rebuttal.

⁷⁴ See DIPs' CV Submission at Exhibit 14.

⁷⁵ *Id.* at Exhibit 16.

⁷⁶ See SeAH's CV Submission at Attachment 1; Hyundai Steel's CV Submission at Exhibit 6.

⁷⁷ See SeAH's CV Submission at Attachment 2; Hyundai Steel's CV Submission at Exhibit 4.

⁷⁸ See SeAH's CV Submission at Attachment 3; Hyundai Steel's CV Submission at Exhibit 3.

⁷⁹ See SeAH's CV Submission at Attachment 4.

⁸⁰ See Hyundai Steel's CV Submission at Exhibit 5.

⁸¹ See SeAH Preliminary Analysis Memorandum; *see also* Hyundai Steel Preliminary Analysis Memorandum.

2. Normal Value Based on Comparison Market for SeAH

As explained above, SeAH submitted notification that it did not have a viable home market for sales of the foreign like product during the POR, but that it made sales to a third country, Kuwait, in which the quantity of sales to that third country market constituted more than five percent of the total quantity of U.S. sales of subject merchandise during the POR.⁸² Therefore, for SeAH's margin analysis, we used third-country sales (*i.e.*, sales to Kuwait, its largest third-country market) as the basis for NV, in accordance with section 773(a)(1)(B)(ii) of the Act.⁸³ We relied on the COP data submitted by SeAH except as follows:⁸⁴

- We adjusted SeAH's reported hot-rolled coil costs to reflect the particular market situation.
- We applied PPA's G&A expense ratio to the total cost of further manufactured products, *i.e.*, the further manufacturing cost plus the cost of production of the imported oil country tubular goods. We applied the G&A ratio to the total cost of manufacturing because the denominator of the G&A ratio included these costs. Also, we allocated PPA's G&A expense to the cost of all non-further manufactured subject products resold by PPA through inventory.
- We applied the consolidated financial expense ratio to the further manufacturing costs.

Cost of Production

Section 773(b)(2)(A)(ii) of the Act requires Commerce to request cost information from respondent companies in all antidumping proceedings. Thus, we requested this information from SEAH, and it submitted timely responses. We examined SEAH's cost data and determined that our quarterly cost methodology was not warranted and, therefore, we applied our standard methodology of using annual costs based on the reported data.⁸⁵

1. Calculation of COP

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by SEAH in its questionnaire responses for the COP calculation, adjusted for the PMS we found to exist during the POR.

⁸² See SeAH's Third Country Notification.

⁸³ *Id.*; see also SeAH SAQR; and SeAH Analysis Memorandum.

⁸⁴ See SeAH Preliminary Calculation Memorandum.

⁸⁵ *Id.*

2. Test of Comparison Market Sales Prices

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

3. Results of the COP Test

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

Our cost tests for SEAH indicated that, for comparison market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we excluded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.⁸⁶

C. 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).⁸⁷ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.⁸⁸ 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, class of customer (customer category), and the level of selling expenses for each type of sale.

⁸⁶ See SeAH Analysis Memorandum, at 4.

⁸⁷ See 19 CFR 351.412(c)(2).

⁸⁸ *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, 51001 (August 18, 2010) (*Orange Juice from Brazil*), and accompanying IDM at Comment 7.

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),⁸⁹ we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.⁹⁰

When we are unable to match sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, we may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales, to 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), we will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.⁹¹

SeAH

In the third-country market, Kuwait, SeAH reported that it made sales through one channel of distribution (*i.e.*, direct sales of OCTG to an unaffiliated trading company that were shipped from SeAH's factory to Kuwait).⁹² SeAH reported that it performed the following selling functions for sales to Kuwait: sales forecasting, strategic/economic planning, sales negotiation, invoicing, receipt of customer payment, personnel training/exchange; sales promotion, packing, inventory maintenance; order input/processing, direct sales personnel, sales/marketing support, market research, providing guarantees to customers, and freight and delivery arrangements.⁹³ Based on our analysis of the distribution channel for sales made by SeAH's Pohang plant to Kuwait and the overall selling activities associated with those sales, we find that the third-country channel constitutes on level of trade (TC LOT).

With respect to the U.S. market, SeAH reported that it made sales through one channel of distribution, reflecting sales made from its Pohang plant in Korea to PPA, only.⁹⁴ In its selling-functions chart for U.S. sales, SeAH listed selling activities under two columns: (1) those performed for sales from SeAH to PPA, and (2) those performed by PPA on sales from inventory to the unaffiliated U.S. customer.⁹⁵

While SeAH's sales to the U.S. were made through SeAH's affiliated reseller, we find that SeAH's U.S. sales were made under two, rather than one, channels of distribution: SeAH sales to PPA (Channel 1) and PPA sales to the unaffiliated customer (Channel 2). SeAH reported the following selling activities performed through Channel 1: packing, inventory maintenance, order/input processing and freight and delivery services. SeAH reported the following selling

⁸⁹ 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 expenses, and profit for CV, where possible. *See* 19 CFR 351.412(c)(1).

⁹⁰ *See Micron Tech., Inc. v. United States*, 243 F. 3d 1301, 1314-16 (Fed. Cir. 2001).

⁹¹ *See, e.g., Orange Juice from Brazil*, and accompanying IDM at Comment 7.

⁹² *See* SeAH Section AQR, at 21 and 24.

⁹³ *Id.* at Exhibit Appendix A-5-B.

⁹⁴ *See* SeAH Section AQR, at 23.

⁹⁵ *Id.* at Exhibit Appendix A-5-A.

activities under Channel 2: sales forecasting, strategic/economic planning, sales negotiation, invoicing, receipt of customer payment, personnel training/exchange, sales promotion, inventory maintenance, warehouse operation, order input/processing, sales/marketing support, market research, warranty service, provide guarantees to customer, freight and delivery services.⁹⁶ We find that there exist significant differences in the level of selling activities between Channels 1 and 2, both with regard to the number of selling functions performed and in the level of intensity with respect to those selling functions between the two channels of distribution.

However, in the case of CEP, we identify the level of trade based on the price after the deduction of expenses and profit under section 772(d) of the Tariff Act. Therefore, while SeAH reported significant differences between U.S. sales under Channel 1 and Channel 2, we determine there exists only one level of trade in the U.S. market (U.S. LOT), *i.e.*, sales from SeAH's Pohang plant in Korea to PPA in the United States (Channel 1).

In comparing the U.S. LOT to the TC LOT, we find that there are significant differences between the selling activities associated with these two levels of trade. For instance, significant differences exist with respect to the sales-support category. In this category, SeAH performed selling functions such as sales forecasting, sales promotion, sales/marketing support, and sales negotiation for its TC LOT but, it did not perform any such selling activities in this category for its CEP LOT. Similarly, for the category of sales-related administrative activities, SeAH engaged in selling functions such as invoicing, receipt of customer payment, and direct sales personnel for the TC LOT; SeAH did not perform these activities in this category for the U.S. LOT. In comparing these two levels of trade, we find that SeAH performed only four selling functions for the U.S. LOT, *i.e.*, packing, inventory maintenance, order/input processing, and providing freight and delivery services. This differs significantly from selling functions performed for the TC LOT in which SeAH reported performing 15 selling functions.⁹⁷ For the reasons listed above, we find that the U.S. LOT differs significantly from the TC LOT. Consequently, we could not match sales at the same level of trade in the third-country market nor could we determine a level-of-trade adjustment in the TC based on SeAH's sales to Kuwait, as SeAH could not directly trace those selling functions to specific sales activities in either market for the merchandise under review.⁹⁸ Furthermore, we have no other information that provides an appropriate basis for determining a level-of-trade adjustment. Therefore, for these preliminary results of review, we have granted a CEP offset for comparison between the calculated normal value and the CEP sales.

D. Calculation of Normal Value Based on Comparison Market Prices

We calculated NV based on the prices SeAH reported for sales to unaffiliated Kuwaiti customers that we determined were made within the ordinary course of trade. We made deductions from the starting price, where appropriate, for movement expenses (Korean inland freight, Korean brokerage and handling, and international freight) and inventory costs (Korean imputed inventory costs) pursuant to section 773(a)(6)(B)(ii) of the Act. Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b), where appropriate, we made circumstance-

⁹⁶ *Id.*

⁹⁷ *Id.* at Appendix A-5-A and A-5-B.

⁹⁸ *See, e.g.*, SeAH's Section AQR, at 22 and Appendix A-5-A and A-5-B.

of-sale adjustments (bank charges and imputed credit expenses) and selling expense deductions (indirect selling expenses incurred in Korea for each sale to Kuwait). We deducted home market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act. When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based these adjustments on the difference in the variable cost of manufacturing for the foreign like product and the subject merchandise.⁹⁹ See Analysis Memorandum for further details.

E. Calculation of Normal Value Based on Constructed Value

For Hyundai Steel, *see* the “Normal Value” section, above. For SeAH, in accordance with 773(e) of the Act, and where necessary, we used CV as the basis for normal value for the U.S. sales for which we could not find comparison market sales of similar or identical merchandise. In accordance with section 773(e) of the Act, we calculated CV based on the sum of the cost of materials and fabrication, selling, general and administrative expenses, U.S packing expenses, and profit. We relied on information submitted by the respondent for materials and fabrication costs, selling general and administrative expenses, and U.S. packing costs. In accordance with 773(e)(2)(A) of the Act and 19 CFR 351.405(b)(1), we based selling expenses and profit on the amounts SeAH incurred and realized in connection with the production and sale of the foreign like product in the ordinary course of trade in the comparison market.¹⁰⁰

VII. 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.

VIII. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



Agree



Disagree

1/15/2021

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

⁹⁹ See 19 CFR 351.411(b).

¹⁰⁰ See SeAH Analysis Memorandum.

Appendix

List of Companies Not Individually Examined

AJU Besteel Co., Ltd.
Blue Sea Precision Tube Co., Ltd.
Bo Myung Metal Co., Ltd.
BUMA CE Co., Ltd.
Busung Steel Co., Ltd.
Chang Won Bending Co., Ltd.
Daeho P&C Co., Ltd.
Daou Precision Ind. Co.
Dongyang Steel Pipe Co., Ltd.
Dongbu Incheon Steel Co., Ltd.
Dongkuk Steel Mill Co., Ltd.
EEW Korea Co., Ltd.
Global Solutions Co., Ltd.
Hansol Metal Co., Ltd.
HiSteel Co., Ltd.
HPP Co., Ltd.
Husteel Co., Ltd.
Hyundai Group
Hyundai Corporation
Hyundai HYSCO
Hyundai RB Co., Ltd.
ILJIN Steel Corporation
Keonwoo Metals Co., Ltd.
K Steel Corporation
KF UBIS Co., Ltd.
Korea Steel Co., Ltd.
Kukje Steel Co., Ltd.
KPF Co., Ltd.
Kumkang Kind Co., Ltd.
Kumsoo Connecting Co., Ltd.
Master Steel Corporation
MCK Co., Ltd.
MS Pipe Co., Ltd.
Msteel Co., Ltd.
Nexen Corporation
NEXTEEL Co., Ltd.
Pneumatic Plus Korea Co., Ltd.
POSCO International Corporation
PSG Co., Ltd.
Pusan Fitting Corporation
SeAH FS Co., Ltd.
Sejong Ind. Co., Ltd.
Seokyoung Steel & Technology Co., Ltd.

SIC Tube Co., Ltd.
ST Tubular Inc.
Sungkwang Bend Co., Ltd.
TGS Pipe Co., Ltd.
TJ Glovsteel Co., Ltd.
TSP Corporation
Union Pipe MFG Co., Ltd.
WSG Co., Ltd.