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Investigation
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February 3, 2021

MEMORANDUM TO: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

FROM: Dana Mermelstein
Director, Office VI
Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Affirmative
Determination in the Less-Than-Fair-Value Investigation of
Seamless Carbon and Alloy Steel Standard, Line, and Pressure
Pipe from the Republic of Korea

I. SUMMARY

The U.S. Department of Commerce (Commerce) preliminarily determines that seamless carbon and alloy steel standard, line, and pressure pipe (seamless pipe) from the Republic of Korea (Korea) is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated weighted-average dumping margins are shown in the “Preliminary Determination” section of the accompanying *Federal Register* notice.

II. BACKGROUND

On July 8, 2020, Commerce received an antidumping duty (AD) petition concerning imports of seamless pipe from Korea filed in proper form on behalf of Vallourec Star, LP (the petitioner), a domestic producer of seamless pipe.¹ On July 28, 2020, Commerce initiated the AD investigation on seamless pipe from Korea.²

¹ See Petitioner’s Letter, “Petitions for the Imposition of Antidumping and Countervailing Duties: Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, Russia, and Ukraine,” dated July 8, 2020 (Petitions).

² See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Initiation of Less-Than-Fair-Value Investigations*, 85 FR 47176 (August 4, 2020) (*Initiation Notice*).



On August 28, 2020, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of seamless pipe from Korea.³

In the *Initiation Notice*, Commerce notified the public that it intended to select respondents based on U.S. Customs and Border Protection (CBP) data for entries of seamless pipe from Korea made during the period of investigation (POI) under the Harmonized Tariff Schedule of the United States subheadings included in the scope of the *Initiation Notice*.⁴ On July 21, 2020, Commerce released the CBP data to all interested parties under an administrative protective order and requested comments regarding the data and respondent selection.⁵ On August 12, 2020, we selected ILJIN Steel Corporation (ILJIN) for individual examination in this investigation.⁶

In the *Initiation Notice*, Commerce notified parties of an opportunity to comment on the scope of the investigation, as well as on the appropriate physical characteristics of seamless pipe to be reported in response to Commerce's AD questionnaire.⁷ On August 17, 2020, we received timely-filed comments concerning the scope of the investigation from TMK Group.⁸ On August 27, 2020, we received timely-filed rebuttal scope comments from the petitioner.⁹ On January 13, 2021, we issued a preliminary scope decision memorandum.¹⁰

On August 17, 2020, we received timely-filed product characteristics comments from the petitioner.¹¹ On August 27, 2020, we received timely-filed rebuttal product characteristics

³ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Czechia, Korea, Russia, and Ukraine: Determinations*, Investigation Nos. 701-TA-654-655 and 731-TA-1529-1532 (Preliminary), 85 FR 53398 (August 28, 2020); see also ITC's Letter, Affirmative Preliminary Finding Notification, dated August 31, 2020.

⁴ *Id.*, 85 FR at 47178.

⁵ See Memorandum, "Antidumping Duty Petition on Seamless Pipe from Korea: Release of Customs Data from U.S. Customs and Border Protection," dated July 21, 2020.

⁶ See Memorandum, "Less-Than-Fair-Value Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Respondent Selection," dated August 12, 2020.

⁷ See *Initiation Notice*, 85 FR at 47176, 47177.

⁸ See TMK Group's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, Russia, and Ukraine: TMK Group's Scope Comments," dated August 17, 2020.

⁹ See Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Response to Scope Comments," dated August 27, 2020.

¹⁰ See Memorandum, "Antidumping and Countervailing Duty Investigations of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Preliminary Scope Decision Memorandum," dated January 13, 2021 (Preliminary Scope Decision Memorandum).

¹¹ See Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Comments on Product Characteristics," dated August 17, 2020.

comments from interested parties.¹² On September 17, 2020, Commerce determined the product characteristics applicable to this investigation.¹³

On August 14, 2020, we issued the AD questionnaire to ILJIN.¹⁴ ILJIN responded to the AD questionnaire in September and October of 2020.¹⁵ In response to our requests for additional information, ILJIN submitted its supplemental responses between October 2020 and January 2021.¹⁶

On November 19, 2020, Commerce postponed the preliminary determination of this investigation by 50 days, to February 3, 2021, pursuant to section 733(c)(1) of the Act and 19 CFR 351.205(b) and (e).¹⁷

On January 7, 2021, the petitioner requested that, contingent upon a negative preliminary determination, Commerce postpone its final determination.¹⁸ On January 8, 2021, ILJIN requested that, in the event of an affirmative preliminary determination in this investigation, Commerce postpone its final determination in accordance with 19 CFR 351.210(b)(2)(ii) and extend the provisional measures period in the LTFV investigation from four to not more than six months in accordance with 19 CFR 351.210(e)(2).¹⁹

III. PERIOD OF INVESTIGATION

The POI is July 1, 2019, through June 30, 2020. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, July 2020.²⁰

¹² See Liberty Ostrava A.S.'s Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Liberty Ostrava A. S.' Rebuttal Comments on Product Characteristics," dated August 27, 2020; and ILJIN Steel Corporation's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Rebuttal Model Match Comments," dated August 27, 2020.

¹³ See Memorandum, "Product Characteristics – Less Than Fair Value Investigations of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine," dated September 17, 2020 (Product Characteristics Memorandum).

¹⁴ See Commerce's Letter, Initial AD Questionnaire, dated August 14, 2020.

¹⁵ See ILJIN's Letters, "Section A Questionnaire Response," dated September 10, 2020 (ILJIN's Section A Response); "Sections B and C Questionnaire Response," dated October 16, 2020 (ILJIN's Sections BC Response); and "Section D Questionnaire Response," dated October 20, 2020 (ILJIN's Section D Response).

¹⁶ See ILJIN's Letters, "Supplemental Questionnaire Response," dated October 29, 2020; "Supplemental Sections B-D Questionnaire Response," dated December 14, 2020; and "Second Supplemental Section D Questionnaire Response," dated January 7, 2021.

¹⁷ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea, the Russian Federation, and Ukraine: Postponement of Preliminary Determinations in the Less-Than-Fair-Value Investigations*, 85 FR 73687 (November 19, 2020).

¹⁸ See Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea, Russia, and Ukraine: Request to Extend Final Determinations," dated January 7, 2021.

¹⁹ See ILJIN's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Request to Extend the Deadline for the Final Determination," dated January 8, 2021.

²⁰ See 19 CFR 351.204(b)(1).

IV. SCOPE OF INVESTIGATION

The products covered by this investigation are seamless pipe from Korea. Certain interested parties commented on the scope of the investigation as it appeared in the *Initiation Notice*.²¹ For a summary of the product coverage comments and rebuttal responses submitted to the record for this preliminary determination, and accompanying discussion and analysis of all comments timely received, *see* the Preliminary Scope Decision Memorandum.²² Commerce is preliminarily modifying the scope language as it appeared in the *Initiation Notice*. For a full description of the revised scope of the investigation, *see* the accompanying preliminary determination *Federal Register* notice at Appendix I.

V. PARTICULAR MARKET SITUATION ALLEGATION

On November 9, 2020, the petitioner submitted an allegation that a particular market situation (PMS) existed in the Korea during the POI.²³ In its PMS Allegation, the petitioner alleged that a PMS distorted the costs of steel billet in Korea such that the costs of production (COP) of seamless pipe in Korea do not reflect the COP in the ordinary course of trade. The petitioner supported the PMS Allegation with timely-filed new factual information,²⁴ and on January 7, 2021, Commerce found that the petitioner's allegation in this investigation warrants further analysis.²⁵ On January 21, 2021, interested parties filed factual information to rebut, clarify, or correct the petitioner's PMS Allegation.²⁶ We intend to address this allegation after the issuance of the preliminary determination.

VI. DISCUSSION OF THE METHODOLOGY

A. Comparison to Normal Value

To determine whether sales of seamless pipe from Korea to the United States were made at LTFV, we compared the export prices (EPs) to the normal value (NV), as described below in the "U.S. Price" and "Normal Value" sections of this memorandum.

²¹ *See Initiation Notice*.

²² *See Preliminary Scope Decision Memorandum*.

²³ *See* Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea: Particular Market Situation Allegation and Supporting Factual Information – Qualitative Submission," dated November 9, 2020 (Qualitative Submission); *see also* Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea: Particular Market Situation Allegation and Supporting Factual Information – Quantitative Submission," dated November 9, 2020 (Quantitative Submission) (collectively, PMS Allegation).

²⁴ *See* Qualitative Submission at 2; Quantitative Submission at 2.

²⁵ *See* Commerce's Memorandum, "The Petitioner's Allegation of a Particular Market Situation in the Less-Than-Fair-Value Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea," dated January 7, 2021.

²⁶ *See* ILJIN's Letter, "Seamless Carbon and alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Rebuttal Factual Information and Comments Relating to Particular Market Situation ("PMS") Allegation," dated January 21, 2021.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates a weighted-average dumping margin by comparing weighted-average NVs to weighted-average EPs or constructed export prices (CEPs), *i.e.*, the average-to-average method, unless the Secretary determines that another method is appropriate in a particular situation. In an LTFV investigation, 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.

In numerous investigations, Commerce has 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.²⁷ 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 investigation. 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 this preliminary determination examines whether there exists a pattern of prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchasers, regions, and time periods 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 consolidated customer codes. Regions are defined using the reported destination code, *i.e.*, zip code, and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POI based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region, and time period, that Commerce uses in making comparisons between EP or CEP and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean, *i.e.*, weighted-average price, of a test group and the mean, *i.e.*, weighted-average price, of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser,

²⁷ See, e.g., *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33351 (June 4, 2013); see also *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

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 this preliminary determination, including arguments for modifying the group definitions used in this proceeding.²⁸

2. Results of the Differential Pricing Analysis

We preliminarily find that 81.58 percent of the value of U.S. sales pass the Cohen's *d* test which confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for the preliminary determination, Commerce is applying the average-to-transaction method to all U.S. sales to calculate the weighted-average dumping margin for ILJIN.

B. Product Comparisons

As stated above, Commerce gave parties an opportunity to comment on the appropriate hierarchy of physical characteristics to be used to define each product and for model matching purposes.²⁹ After considering interested parties' comments, we established the following product characteristics for use in defining product control numbers for the seamless pipe subject to this LTFV investigation: (1) specifications/grade, (2) manufacturing process, (3) outside diameter, (4) wall thickness, (5) surface finish, and (6) end finish.³⁰ We instructed ILJIN to use these product characteristics in its response to the questionnaire.³¹

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

C. Date of Sale

Section 351.401(i) of Commerce's regulations states that Commerce normally will use invoice date, as recorded in the exporter or producer's records kept in the ordinary course of business, as the date of sale of the subject merchandise and foreign like product. However, Commerce may use a date other than the date of invoice as the date of sale if it is satisfied that a different date

²⁸ The Court of Appeals for the Federal Circuit (CAFC) in *Apex Frozen Foods v. United States*, 16-1789 (CAFC July 12, 2017) affirmed much of Commerce's differential pricing methodology. We ask interested parties to present only arguments on issues which have not already been decided by the CAFC.

²⁹ See *Initiation Notice*, 85 FR at 47177.

³⁰ See Product Characteristics Memorandum.

³¹ *Id.*

better reflects the date on which the exporter or producer established the material terms of sale.³² Additionally, Commerce has a long-standing practice of finding that, where the shipment date precedes the invoice date, the shipment date better reflects the date on which the material terms of sale were established.³³

For home market sales, ILJIN reported the date of sale as the earlier of the sales invoice date or the shipment date.³⁴ For U.S. sales, ILJIN reported that the date of sale is the date of shipment of subject merchandise from the factory, because shipment date precedes or is the same as invoice date.³⁵ Therefore, consistent with 19 CFR 351.401(i) and Commerce's practice, we used the earlier of ILJIN's shipment date or invoice date as the date of sale, as applicable.

D. 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 772(c) of the Act. Section 772(b) of the Act defines CEP as "the price at which the subject merchandise is first sold (or agreed to be sold) in the United States 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)." In accordance with section 772(a) of the Act, we calculated EP for ILJIN's U.S. sales because the subject merchandise was first sold to an unaffiliated purchaser in the United States prior to importation and there was no indication that CEP was warranted.

We calculated EP based on the packed prices that ILJIN charged to the first unaffiliated purchaser in the United States. We made deductions, where appropriate, from the starting price for movement expenses, *i.e.*, foreign inland freight, foreign brokerage and handling, international freight, inland and marine insurance, U.S. warehousing, U.S. inland freight, and other U.S. transportation expenses (*i.e.*, U.S. brokerage and handling, U.S. customs processing fees, and U.S. harbor maintenance fees), in accordance with section 772(c)(2)(A) of the Act.

E. Normal Value

1. Comparison Market Viability

We normally compare the volume of a respondent's POI comparison market sales of foreign like product to the volume of its POI U.S. sales of subject merchandise and find the comparison market sales sufficient to serve as a viable basis for calculating NV if the aggregate volume of

³² See 19 CFR 351.401(i); and *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)).

³³ See, *e.g.*, *Certain Polyester Staple Fiber from the Republic of Korea: Preliminary Results of the 2007/2008 Antidumping Duty Administrative Review*, 74 FR 27281, 27283 (June 9, 2009), unchanged in *Certain Polyester Staple Fiber from the Republic of Korea: Final Results of the 2007-2008 Antidumping Duty Administrative Review*, 74 FR 65517 (December 10, 2009).

³⁴ See ILJIN's Sections BC Response at B-20.

³⁵ See ILJIN's Sections BC Response at C-19.

those sales is equal to or greater than five percent of the aggregate volume of the U.S. sales. We preliminarily determine that the aggregate volume of ILJIN's home market sales of the foreign like product is more than five percent of the aggregate volume of its U.S. sales of subject merchandise. Therefore, we are preliminarily using the prices of ILJIN's POI sales of foreign like product in Korea as the basis for NV in accordance with section 773(a)(1)(A) and (B) of the Act.

2. 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).³⁶ Substantial differences in selling activities are a necessary, but not a sufficient, condition for determining that there is a difference between marketing stages.³⁷ In order to determine whether comparison market sales are at marketing stages that differ from those in the U.S. market, we examine the distribution system in each market, *i.e.*, the chain of distribution, including selling functions and class of customer (customer category), and the level of selling expenses for each type of sale. 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.³⁸

When Commerce is unable to match sales of the foreign like product in the comparison market at the same LOT as the U.S. sale, Commerce may compare the U.S. sale to sales at a different LOT in the comparison market and, where possible, make a LOT adjustment under section 773(a)(7)(A) of the Act. For CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability, *i.e.*, no LOT adjustment is possible, Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.³⁹

ILJIN reported that its selling activities during the POI are reflected either in the indirect selling expenses, movement expense, or direct selling expenses.⁴⁰ ILJIN reported that its indirect selling expenses did not vary by the different LOTs in the home and U.S. markets.⁴¹ ILJIN also stated that it is not claiming a LOT adjustment or a CEP offset in this investigation.⁴² For the preliminary determination, we did not make LOT adjustments for ILJIN.

F. Cost of Production Analysis

In accordance with section 773(b)(2)(A)(ii) of the Act, Commerce requested CV and COP information from ILJIN. We examined the cost data and determined that our quarterly cost

³⁶ See 19 CFR 351.412(c)(2).

³⁷ *Id.*; and *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010) (*OJ from Brazil*), and accompanying Issues and Decision Memorandum (IDM) at Comment 7.

³⁸ See *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

³⁹ See, e.g., *OJ from Brazil* IDM at Comment 7.

⁴⁰ See ILJIN's Section A Response at A-15.

⁴¹ *Id.*

⁴² *Id.*

methodology is not warranted for ILJIN, and, therefore, we are applying our standard methodology of using period-wide average costs based on ILJIN's reported data. We adjusted ILJIN G&A ratio to exclude certain offsets. We adjusted ILJIN material cost to account for uncovered costs related to defective pipe.⁴³

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses and financial expenses, as reported by the respondents.

2. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(b) of the Act, we compared the weighted-average COPs to the home market sale prices of the foreign like product, in order to determine whether the sale prices were below the COP of the foreign like product. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, discounts and rebates, where applicable, movement charges, actual direct and indirect selling expenses, and packing expenses.

3. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: (1) within an extended period of time, such sales were made in substantial quantities; and (2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's comparison market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: (1) they were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and (2) based on our comparison of prices to the weighted-average COPs for the POI, they were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

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

⁴³ See Memorandum, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – ILJIN Steel Corporation," dated concurrently with this memorandum.

G. Calculation of NV Based on Comparison Market Prices

We calculated NV for ILJIN based on home market sale prices made in the ordinary course of trade. We made deductions for movement expenses in accordance with section 773(a)(6)(B)(ii) of the Act, which included foreign inland freight. For comparison with EP sales, we made adjustments for differences in circumstance of sale pursuant to section 773(a)(6)(C)(iii) of the Act by deducting home market direct selling expenses (*i.e.*, imputed credit expenses) and adding U.S. direct selling expenses, (*i.e.*, imputed credit expenses), where appropriate.

When comparing U.S. sale prices with an NV based on HM sale prices of similar merchandise, we also made adjustments for differences in cost attributable to differences in the physical characteristics of the merchandise, in accordance with section 773(a)(6)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise.⁴⁴

We also deducted home market packing costs and added U.S. packing costs, in accordance with section 773(a)(6)(A) and (B) of the Act.

VII. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415(a), 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 this preliminary determination.

☒

☐

Agree

Disagree

2/3/2021

X

James Maeder

Signed by: JAMES MAEDER

James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

⁴⁴ See *Stainless Steel Bar from France: Final Results of Antidumping Duty Administrative Review*, 70 FR 46482 (August 10, 2005), and accompanying IDM at Comment 8.