



A-580-878

Administrative Review

POR: 07/01/2018 – 06/30/2019

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May 21, 2021

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

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

SUBJECT: Certain Corrosion-Resistant Steel Products from the Republic of Korea: Issues and Decision Memorandum for the Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2018-2019

I. SUMMARY

The Department of Commerce (Commerce) analyzed the case and rebuttal briefs submitted by the interested parties in the administrative review of the antidumping duty order on corrosion-resistant steel products (CORE) from the Republic of Korea (Korea) covering the period of review (POR) July 1, 2018, through June 30, 2019. As a result of this analysis, we have made changes to the margin calculations for the mandatory respondents Dongbu Steel Co., Ltd (Dongbu) and Dongkuk Steel Mill Co., Ltd. (Dongkuk). We recommend that you approve the positions described in the “Discussion of Comments” section of this memorandum.

Below is the complete list of issues for which we received comments from the interested parties:

Dongbu

Comment 1: Home Market Packing Expenses

Dongkuk

Comment 2: Clad Material/Coating Metal (CMETALH/U) Coding

Comment 3: Changes to Calculations

Comment 4: General & Administrative (G&A) Expenses

Comment 5: Constructed Export Price (CEP) Offset

Comment 6: Cost of Production-Smoothing



II. BACKGROUND

On November 24, 2020, Commerce published the *Preliminary Results* of this review.¹ On January 11, 2021, ArcelorMittal USA LLC (ArcelorMittal), AK Steel Corporation, Nucor Corporation, Steel Dynamics, Inc., and United States Steel Corporation (collectively, the petitioners) filed case briefs regarding Dongbu and Dongkuk.² Also on that date, Dongkuk filed a case brief.³ On January 19, 2021, the petitioners⁴ and Dongkuk⁵ filed a rebuttal briefs.

On March 22, 2021, we extended the time limit for the final results of this review from 120 days to 168 days.⁶ On May 10, 2021, Commerce extended the deadline for the final results by an additional 10 days to May 21, 2021.⁷ The final results are due no later than May 21, 2021.

III. SCOPE OF THE ORDER

The products covered by this order are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. A full description of the scope of the order is contained in the attachment to this memorandum.

IV. CHANGES SINCE THE *PRELIMINARY RESULTS*

Based on our analysis of the comments received, we have made certain changes to Dongbu's and Dongkuk's calculations for these final results.

V. FINAL DETERMINATION OF NO SHIPMENTS

Since the *Preliminary Results*, Nippon Steel Sales Vietnam Co., Ltd. (NSSVC), Hoa Sen Group (HSG), and Ton Dong A Corporation (TDA) have provided questionnaire responses regarding

¹ See *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review; 2018-019*, 85 FR 74987 (November 24, 2020) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM).

² See Petitioners' Letters, "Corrosion-Resistant Steel Products from the Republic of Korea: Petitioners' Case Brief Regarding Dongbu Steel Co., Ltd.," dated January 11, 2021 (Petitioners' Case Brief re Dongbu); "Corrosion-Resistant Steel Products from the Republic of Korea: Petitioners' Case Brief Regarding Dongkuk Steel Mill Co., Ltd.," dated January 11, 2021 (Petitioners' Case Brief re Dongkuk).

³ See Dongkuk's Letter, "Certain Corrosion-Resistant Steel Products from the Republic of Korea: Case Brief," dated January 11, 2021 (Dongkuk's Case Brief).

⁴ See Petitioner's Letter "Corrosion-Resistant Steel Products from south Korea: Petitioners' Rebuttal Brief Regarding Dongkuk Steel Mill Co., Ltd.," dated January 19, 2021 (Petitioners' Rebuttal Brief re: Dongkuk).

⁵ See Dongkuk's Letter, "Certain Corrosion-Resistant Steel Products from the Republic of Korea: Rebuttal Brief," dated January 19, 2021.

⁶ See Memorandum, "Certain Corrosion-Resistant Steel Products from the Republic of Korea: Extension of Deadline for Final Results of Antidumping Duty Administrative Review," dated March 22, 2021.

⁷ See Memorandum, "Certain Corrosion-Resistant Steel Products from the Republic of Korea: Second Extension of Deadline for Final Results of Antidumping Duty Administrative Review," dated May 10, 2021.

CORE manufactured in Vietnam.⁸ The record contains no information that calls into question a finding of no shipments. In addition, we received no comments from interested parties on this issue. Therefore, we continue to find that NSSVC, HSG, and TDA had no shipments of subject merchandise during the POR. Thus, we will issue an instruction to U.S. Customs and Border Protection (CBP) based on these final results.

VI. DISCUSSION OF COMMENTS

Comment 1: Dongbu's Home Market Packing Expenses

Petitioners' Comments

- Commerce incorrectly deducted expenses twice by including certain packing variables (*i.e.*, PACKH, PACK1H, and PACK2H) in Dongbu's preliminary home market analysis program.⁹

Dongbu did not comment on this issue.

Commerce Position:

We have removed PACK1H and PACK2H from Dongbu's final home market analysis program.¹⁰

Comment 2: Dongkuk's Clad Material/Coating Metal (CMETALH/U) Coding

Dongkuk's Comments

- The initial questionnaire required Dongkuk to “{u}se additional number codes for each other clad material/coating metal” not already listed in the CMETALH/U field. Accordingly, Dongkuk used two additional number codes for metal coatings that incorporated magnesium: “062” for GIX Hot Dip Magnesium-Galvanized Coated Steel (GIX steel) and “067” for GLX Hot Dip Magnesium-Aluminum-Zinc Alloy Coated Steel (GLX steel).¹¹
- The record demonstrates that the additional metal coating types did not fit within the coding enumerated in the questionnaire and had significant differences compared with the coatings already listed.¹²

⁸ See NSSVC's Letter, “Corrosion-Resistant Steel Products from the Republic of Korea: NSSVC's Response to the Department's Administrative Review Questionnaire,” dated November 24, 2020; TDA's Letters, “Certain Corrosion-Resistant Steel Products from the Korea, 7/1/2018 – 6/30/2018 Administrative Review, Case No. A-580-878: Initial Questionnaire Response,” dated November 23, 2020 and “Certain Corrosion-Resistant Steel Products from the Republic of Korea, Case No. A-580-878: No Shipment letter,” dated October 9, 2019; and HSG's Letter, “Corrosion-Resistant Steel Products from the People's Republic of China-Response to Questionnaire,” dated March 11, 2020.

⁹ See Petitioners' Case Brief re Dongbu.

¹⁰ See Memorandum, “2018-2019 Antidumping Duty Administrative Review of Corrosion-Resistant Steel Products from the Republic of Korea, Final Calculation Memorandum for Dongbu Steel Co., Ltd (Dongbu),” dated May 21, 2021.

¹¹ See Dongkuk's Case Brief at 3.

¹² *Id.* at 1.

- To demonstrate the differences, Dongkuk issued separate product brochures for GLX and GIX steel products which described the physical differences between the two metal coatings and other coatings.¹³
- The additional clad material/coating metal (CMETALH/U) codes were not “new product characteristics.” Commerce made clear in the questionnaire when the reporting of permissible codes was or was not permissible. For example, the instruction for yield strength (CSTRENH/U) prohibited the use of additional codes: “Do not create any additional reporting codes for this field.”¹⁴
- Furthermore, the questionnaire specified 10 product characteristics in fields 3.1 to 3.10. Dongkuk did not propose additional “characteristics not specified in the questionnaire.” Rather, Dongkuk used two coating codes for the CMETALH/U product characteristic as required by the questionnaire.¹⁵

Petitioners’ Rebuttal Comments:

- Commerce’s questionnaire instructed Dongkuk “to Use additional number codes for each other clad material/coating metal and explain what differentiates each of those from the ones listed above.” Dongkuk did not demonstrate there are differences between the new codes from the existing reporting codes.¹⁶
- Dongkuk asserts that its proposed reporting code 062 captures its GIX steel products by presenting many comparisons of its GIX products with GI products, which Dongkuk asserts fall under reporting code “060.”
- However, the description of GI products in Dongkuk’s brochure indicates that they fall under CMETALH/U reporting code “020” for “Zinc (galvanized).”¹⁷
- Furthermore, Dongkuk asserts that its GIX products differ from GI products due to the addition of magnesium and aluminum;¹⁸ however, the coating of both “062” and “060” already contain aluminum.¹⁹
- Therefore, Dongkuk’s product brochures do not demonstrate that there is a significant difference between the existing reporting code “060” and its proposed reporting code “062.”²⁰ Accordingly, Commerce correctly revised Dongkuk’s CMETALH/U reporting code “062” to “060” in the *Preliminary Results*.
- Dongkuk also asserts that its proposed reporting code “067” developed from code “065” captures its GLX steel products. However, information in Dongkuk’s product brochures do not demonstrate a commercially significant difference between the existing reporting

¹³ *Id.* (citing Dongkuk’s Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Section A Questionnaire Response,” dated January 13, 2020 (Dongkuk AQR), at Appendixes A-4, A-5, and A-28).

¹⁴ *Id.* (citing Commerce’s Letter, “Dongkuk Steel Mill Co., Ltd. Initial Questionnaire,” dated December 12, 2019).

¹⁵ *Id.* at 8.

¹⁶ See Petitioners’ Rebuttal Brief re: Dongkuk at 2.

¹⁷ *Id.* (citing Dongkuk AQR at Appendix A-28 at PDF page 1599).

¹⁸ See Petitioners’ Rebuttal Brief re: Dongkuk (citing Dongkuk AQR at Appendix A-28).

¹⁹ *Id.* (citing Dongkuk’s Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Section B-D Questionnaire Response,” dated February 7, 2020 (Dongkuk BCDQR), at B-14 and at C-11 (the only difference between “062” coatings and “060” coatings is that “062” coatings add magnesium; the coatings of both reporting codes, however, contain aluminum)).

²⁰ *Id.* at 5-7.

code “065” for “Zinc/Aluminum coating metals and its proposed reporting code “067” coating metals.²¹

- Products within Dongkuk’s additional reporting code “067” have a coating metal chemical composition that is approximately the same as reporting code “065” for “Zinc/Aluminum.”²² Accordingly, Commerce correctly revised Dongkuk’s CMETALH/U reporting code “067” to “065” in the *Preliminary Results*.
- Commerce has a well-established practice of only allowing additional reporting codes if they differ significantly from existing reporting codes.²³
- Further, Commerce’s model match hierarchy need not account for all conceivable physical differences, but only for commercially significant physical differences.²⁴ Commerce may only accept Dongkuk’s proposed reporting codes “067” and “062” if substantial record evidence supports that those reporting codes have commercially significant differences from all existing coating metal characteristic reporting codes.²⁵ Dongkuk, however, failed to provide such record evidence.

Commerce Position:

We disagree with Dongkuk’s assertion that its addition of the new reporting codes to the coating metal characteristic was consistent with the questionnaire instructions. The initial questionnaire instructed Dongkuk “to use additional number codes for each other clad material/coating metal, and explain what differentiates each of those from the ones listed above.”²⁶ In its initial questionnaire responses, Dongkuk did not clearly differentiate the new codes from the existing reporting codes.²⁷ Dongkuk provided percentages of coating materials and explained that this is the only difference between the new codes and standard codes; however, it did not describe why

²¹ *Id.* (citing Dongkuk AQR at Appendix A-28).

²² *Id.* (citing Dongkuk BCDQR at B-14 and C-11).

²³ *Id.* (citing *Certain Cold-Rolled Steel Flat Products from the United Kingdom: Final Determination of Sales at Less Than Fair Value*, 81 FR 49929 (July 29, 2016), and accompanying Issues and Decision Memorandum (IDM) at 16; *Stainless Steel Wire Rods from India: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 68 FR 1040 (January 8, 2003) (“It is the Department’s practice not to create additional categories unless the physical characteristics are significantly different from an existing known category”), unchanged in *Stainless Steel Wire Rods from India: Notice of Amended Final Results and Partial Rescission of Antidumping Duty Administrative Review*, 68 FR 26288 (citing *Certain Cold-Rolled Carbon Steel Flat Products from Korea: Final Results of Antidumping Duty Administrative Review*, 63 FR 781 (January 7, 1998) at Comment 5 (“Union did not demonstrate how each of the proposed additional paint types possesses physical characteristics that are significantly different from those of the other proposed paint types, and how each paint type is intended for significantly different applications and uses. Therefore, we did not create additional paint categories for purposes of these final results.”)).

²⁴ *Id.* at 5; (citing *Fagersta Stainless AB v. United States*, 577 F. Supp. 2d 1270, 1277 (Ct. Int’l Trade 2008) (“Commerce may define products as ‘identical’ even if those products are not exactly the same”); *Pesquera Mares Australes, Ltda. v. United States*, 266 F.3d 1372, 1384 (Fed. Cir. 2001) (“... merchandise should be considered to be identical despite the existence of minor differences in physical characteristics, if those minor differences are not commercially significant”); *Certain Cold-Rolled Carbon Steel Flat Products from Germany: Final Results of Antidumping Duty Administrative Review*, 60 FR 65264, 65271 (December 19, 1995) (*CRS Germany*) at Comment 10; *Stainless Steel Bar from Japan: Final Results of Antidumping Administrative Review*, 64 FR. 36333, 36336-37 (July 6, 1999) (*SSB Japan*) at Comment 5).

²⁵ See Dongkuk BCDQR at B-14 and at C-10-11.

²⁶ See Commerce’s Letter “Initial Questionnaire for Dongkuk Steel Mill Co., Ltd.,” dated December 12, 2019.

²⁷ See Dongkuk BCDQR at B-14 and at C-10-11.

it believes that Commerce should use this information to define identical and similar merchandise.

Thus, consistent with Commerce's well-established practice, we will only consider adding reporting codes to a physical characteristic if the proposed new reporting codes differ significantly from existing reporting codes.²⁸ Commerce further does not deviate from the model-match hierarchy that it established at the early stages of a proceeding unless there are "compelling reasons" to do so.²⁹ Compelling reasons exist if a party proves by compelling and convincing evidence that the existing model-match criteria are not reflective of the merchandise in question, that there have been changes in the relevant industry, or that there is some other compelling reason present which requires a change.³⁰

Here, Dongkuk's comparison of GIX products (proposed reporting code 062) and its GI products do not establish a significant difference between reporting codes "062" and "060." At most, "062" and "060" have a coating content that is approximately the same and not significantly different.³¹ Moreover, the description of GI products in Dongkuk's brochure indicates that they fall under CMETALH/U reporting code "020" for "Zinc (galvanized)" and not under reporting code "060" for zinc/aluminum.³² Similarly, Dongkuk's addition of magnesium and silicon, and lowering of the zinc and aluminum content (proposed reporting code "067") are minor refinements and not significantly different from the existing reporting code "065." Indeed, the additional reporting codes proposed by Dongkuk have a coating metal chemical composition that is approximately the same composition as those contained in the existing reporting codes.³³

Therefore, Dongkuk has failed to demonstrate that there are compelling reasons to deviate from the model-match hierarchy and that there are commercially meaningful differences between its proposed reporting codes and all existing coating metal characteristic reporting codes.³⁴ Thus, we continue to reject Dongkuk's claims. Accordingly, in the final results, we will continue to change CMETALH/U reporting code "062" to "060" and CMETALH/U reporting code "067" to "065" in the sales and cost databases.

²⁸ See *Cold-Rolled Steel Flat Products from the United Kingdom: Final Determination of Sales at Less Than Fair Value*, 81 FR 49929 (July 29, 2016), and accompanying IDM at 16.

²⁹ See *Fagersta*, 577 F. Supp. 2d at 1277 ("Once Commerce has established a model-match methodology in an antidumping investigation, it will not modify that methodology in subsequent proceedings unless there are 'compelling reasons' to do so.").

³⁰ *Id.*

³¹ See Dongkuk BCDQR at B-14 and at C-10.

³² *Id.*

³³ See Dongkuk BCDQR at B-14 and at C-11.

³⁴ See Petitioners' Rebuttal at 5 (citing *Fagersta*, 577 F. Supp. 2d at 1277 ("Commerce may define products as 'identical' even if those products are not exactly the same"); *Pesquera Mares Australes, Ltda. v. United States*, 266 F.3d 1372, 1384 (Fed. Cir. 2001) ("... merchandise should be considered to be identical despite the existence of minor differences in physical characteristics, if those minor differences are not commercially significant"); *CRS Germany* at Comment 10; and *SSB Japan* at Comment 5).

Comment 3: Changes to the Calculations

Petitioners' Comments

- In the *Preliminary Results*, Commerce correctly revised Dongkuk's reported control number (CONNUM). Specifically, Commerce correctly reclassified Dongkuk's coating metal product characteristics, changing the coating material codes "062" and "067" to the standard codes "060" and "065," respectively, given that "the initial questionnaire instructed {Dongkuk} not to use new codes in the control numbers." Commerce therefore created new variables CONNUMH_REV, CONNUMU_REV, and CONNUM_REV for the revised CONNUM in the home market sales database, U.S. sales database, and cost of production database, respectively. Similarly, Commerce created new variables CMETALH_REV, CMETALU_REV, and CMETAL_REV for the revised coating metal characteristic in the home market sales database, U.S. sales database, and cost of production database, respectively.³⁵
- In the margin program, Commerce correctly specified the CONNUM using the new revised CONNUM variables. However, when specifying the list of physical characteristic variables, Commerce inadvertently used the outdated coating metal characteristic variables instead of the new revised variables in the home market program at lines 327 and 454; and in the margin program at lines 381 and 569.³⁶ Consequently, certain parts of the margin calculation used the unrevised and incorrect coating metal characteristic reporting codes.³⁷

Dongkuk did not comment on this issue.

Commerce Position: Commerce inadvertently used the outdated coating metal characteristics variables in lines 327 and 454 of the home market program, and in lines 381 and 569 of the margin program for the *Preliminary Results*.³⁸ We will correct this for the final results.³⁹

Comment 4: Dongkuk's G&A Expenses

Dongkuk's Comments

- In the *Preliminary Results*, Commerce erroneously adjusted Dongkuk's G&A expense rate calculation by including two expense items, explaining that its practice is to include expenses that relate to a company's operation as a whole.⁴⁰ However, evidence on the record demonstrates that the two G&A items (*i.e.*, asset disposition and outsourcing expenses) do not relate to the company's operation as a whole, but specifically relate to

³⁵ See Petitioners' Case Brief re: Dongkuk at 3.

³⁶ *Id.* at 3-4.

³⁷ *Id.* at 4.

³⁸ See *Preliminary Results* PDM; see also Memorandum, "Preliminary Margin Calculation for Dongkuk Steel Mill Co., Ltd.," dated November 17, 2020 (Dongkuk's Preliminary Analysis Memorandum), at Attachments 1 and 2.

³⁹ See Memorandum, "Final Margin Calculation for Dongkuk Steel Mill Co., Ltd.," dated concurrently with this memorandum (Dongkuk's Final Analysis Memorandum).

⁴⁰ See Dongkuk's Preliminary Analysis Memorandum at 5.

non-subject merchandise. Asset disposition expenses are related to the closure of the Pohang Plate Facility, which produced non-subject steel product.⁴¹

- Outsourcing expenses are related to the production of non-subject rebar product.⁴²
- Accordingly, Commerce should exclude these items from the G&A expense calculation in the results in accordance with its practice.
- With respect to the Pohang Plate Facility asset disposition expense, Commerce has consistently excluded from the G&A expense the expenses incurred due to permanent closure or sale of a production operation for the reasons explained in *Softwood Lumber from Canada*:⁴³
 - “It is Commerce’s practice to include gains or losses incurred on the routine disposition of fixed assets in the G&A expense ratio calculation.”⁴⁴
 - “From a cost perspective, it would not be reasonable to assign the gain or loss on the disposition of a facility to the per-unit cost of manufacturing of the products that are still being produced at the respondent’s other facilities, because the facility in question now has nothing to do with producing the respondent’s products.”⁴⁵
 - “Commerce disagrees with the petitioner that the permanent closure or sale of a production operation is routine and the type of transaction that should be picked up as part of G&A expense. The sale of an entire production facility is a significant transaction, both in form and value, and the resulting gain or loss generates nonrecurring income or losses that are not part of a company’s normal business operations, and are unrelated to the general operation of the company.”⁴⁶
 - “It is not reasonable to include gains or losses on the sale of an entire production facility as a product cost. Commerce has included such gains and losses in the past, in more recent cases, we have changed our practice and excluded the gains and losses associated with plant closures and sales.”⁴⁷
- Here, the evidence demonstrates that the asset disposition expense was for the closed Pohang Plate Facility and not Dongkuk’s general operations.⁴⁸
- Second, the accounting vouchers for this expense state that the losses related to the disposal of the Pohang Plate Facility.⁴⁹
- Third, Dongkuk’s company brochure lists all of its production facilities and the Pohang Plate Facility is not listed. The brochure indicates that Dongkuk produces plate only at

⁴¹ See Dongkuk’s Case Brief at 9-13 (citing Dongkuk’s Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Response to the Second Supplemental Questionnaire,” dated October 20, 2020 (Dongkuk SSQR), at Appendix SS-4.

⁴² *Id.* at 13-16.

⁴³ See Dongkuk’s Case Brief (citing *Certain Softwood Lumber Products from Canada: Final Results of Antidumping Duty Administrative Review*, 70 FR 73437 (December 12, 2005) (*Softwood Lumber from Canada*), and accompanying IDM at Comment 8).

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ See Dongkuk’s Case Brief at 12 (citing Dongkuk’s October 20, 2020 Response to the Second Supplemental Questionnaire (Dongkuk SSQR) at Appendix SS-4 at 72 and 79-84).

⁴⁹ See Dongkuk’s Case Brief at 84.

its Dangjin Plate Facility and Dongkuk's organization charts show that there was no production of steel plate at Pohang during the POR.⁵⁰

- The evidence also demonstrates that the outsourcing expense related to non-subject production and not to Dongkuk's general operations.⁵¹
- Specifically, Dongkuk submitted the general ledger line items showing that the outsourcing expense was for a plant related to production of non-subject products and not Dongkuk's general operations as a whole.⁵²
- Commerce explained in *Stainless Steel Sheet and Strip in Coils from Mexico*⁵³ that it does not require G&A expenses to relate only to the production of subject merchandise but rather considers those expenses related to the general operations as a whole.⁵⁴
- Indeed, Commerce emphasized that only expenses that relate to the general operations of the company are included in the G&A expense ratio: "The Department's established practice in calculating the G&A expense rate is to include only those items that relate to the general operations of the company as a whole."⁵⁵
- Furthermore, Commerce "separate{es} out any manufacturing expenses" when identifying the general expenses related to the operations of the company as a whole.⁵⁶ For example, in *Certain Lined Paper Products from India*,⁵⁷ Commerce excluded expenses recorded as G&A expenses from the G&A expense ratio, because they related to a non-subject product, rather than the company's general operations.
- In the *Preliminary Results*, Commerce did not explain why it considered expenses related to the production of non-subject products as relating to the "general operations of the company as a whole."⁵⁸
- After making the changes above, Commerce should apply the corrected G&A expense ratio in the results.⁵⁹

Petitioners' Rebuttal Comments:

- Commerce should continue to adjust Dongkuk's G&A expenses to include the two expenses.⁶⁰

⁵⁰ *Id.* at 13 (citing Dongkuk AQR at Appendix A-2(1)).

⁵¹ See Dongkuk's Case Brief at 13-16.

⁵² *Id.* at 16 (citing Appendix SS-4 at 75-78).

⁵³ See Dongkuk's Case Brief at 14 (citing *Stainless Steel Sheet and Strip in Coils from Mexico: Final Results of Antidumping Duty Administrative Review*, 68 FR. 6889 (February 11, 2003) (*Stainless Steel Sheet and Strip in Coils from Mexico*), and accompanying IDM at 41).

⁵⁴ See Dongkuk's Case Brief at 15 (citing *Silicomanganese Final Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances Determination*, 67 FR 15531 (April 2, 2002), and accompanying IDM).

⁵⁵ See Dongkuk's Case Brief at 14 (citing *Certain Steel Concrete Reinforcing Bars Final Results, Rescission of Antidumping Duty Administrative Review in Part, and Determination To Revoke in Part*, 70 FR 67665 (November 8, 2005), and accompanying IDM at 43).

⁵⁶ *Id.* at 15 (citing *Silicomanganese from India: Final Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances Determination*, 67 FR 15531 (April 2, 2002), and accompanying IDM at Comment 25).

⁵⁷ *Id.* at 15 (citing *Certain Lined Paper Products from India: Final Results of Antidumping Duty Administrative Review*, 74 FR 17149 (April 14, 2009), and accompanying IDM at 12).

⁵⁸ *Id.* at 15.

⁵⁹ *Id.* at 16.

⁶⁰ See Petitioners' Rebuttal at 7.

- The cases Dongkuk cited to support its argument, including *Softwood Lumber from Canada*, *Chlorinated Isocyanurates from Spain*, and *CTL Plate from Korea*, are inapposite, as each of these cases dealt with Commerce’s treatment of gains or losses on the sale or permanent closure of a production facility.⁶¹
- Here, Dongkuk’s expenses at the Pohang Plate Facility do not relate to either the sale or the permanent closure of a production facility.
- Dongkuk did not submit record evidence that it sold the Pohang Plate Facility during 2018.⁶² Furthermore, Dongkuk’s audited financial statements also confirm that it did not sell the Pohang Plate Facility in 2018. During 2018, Dongkuk did not dispose of any land, buildings, structures, or machinery and equipment comparable to the Pohang Plate Facility.⁶³
- Dongkuk did not submit record evidence that its closure of the Pohang Plate Facility is permanent. The record suggests that the Pohang Plate Facility closure was likely temporary.⁶⁴
- It is Commerce’s practice to include expenses in the G&A even if the expenses were involved only in the manufacture of non-subject merchandise.⁶⁵
- Commerce’s practice is to calculate G&A expenses using the operations of the company as a whole” and “any income or expense incurred through company’s disposition of fixed assets should be included in the G&A expense rate, regardless of whether they are used purely for the production of subject merchandise or non-subject merchandise.⁶⁶
- Commerce includes only expenses related to the general operations of a company in the G&A ratio. However, Dongkuk is wrong in claiming that expenses related specifically to non-subject merchandise are not related to the general operations of a company.⁶⁷
- Dongkuk claims that the outsourcing expense are production expenses, implying that such expenses are more appropriately incorporated in the cost of manufacture of the non-subject product than in Dongkuk’s G&A.
- However, Dongkuk did not classify the expense at issue within the “Cost of sales” line item. Instead Dongkuk classified the expense at issue as “Selling, general and administrative expenses” in its financial statements.⁶⁸

⁶¹ *Id.* at 12 (citing *Softwood Lumber from Canada*; *Chlorinated Isocyanurates From Spain: Notice of Final Determination of Sales at Less Than Fair Value*, 70 FR 24506 (May 10, 2005) (*Chlorinated Isocyanurates Spain*), and accompanying IDM at Comment 11; and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-To-Length Carbon-Quality Steel Plate Products from Korea*, 64 FR 73196 (December 29, 1999) (*CTL Plate from Korea*), and accompanying IDM at Comment 14).

⁶² See Petitioners’ Rebuttal at 13 (citing Dongkuk SSQR at App. SS-4 at page 72-84).

⁶³ *Id.* at page 83.

⁶⁴ See Petitioners’ Rebuttal at 14 (citing Dongkuk’s Case Brief at 8-13; Dongkuk SSQR at 5-6 and Appendix SS-4 at pages 72-84).

⁶⁵ *Id.* at 17 (citing Petitioners’ Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea – Petitioners’ Pre-Preliminary Comments Concerning Dongkuk Steel Mill Co., Ltd.,” dated October 28, 2020, at 10-11).

⁶⁶ *Id.* at 21 (citing *Notice of Final Determination of Sales at Less Than Fair Value: Stainless Steel Sheet and Strip in Coils from Japan*, 64 FR 30574 (June 8, 1999), and accompanying IDM at Comment 3).

⁶⁷ *Id.* at 18.

⁶⁸ *Id.* (citing Dongkuk AQR at Attachment A-2 at 2075).

- Based on Dongkuk’s accounting treatment thereof, Commerce should conclude that the expense at issue are general or administrative expenses, and not manufacturing expenses.⁶⁹
- Dongkuk’s audited financial statements demonstrate normal ongoing operations comprise the manufacture and sale of various steel products, including non-subject products.
- Therefore, any administrative or general expense that supports this activity is related to Dongkuk’s general operations and appropriately incorporated in Dongkuk’s G&A.⁷⁰
- Accordingly, in the final results, Commerce should continue to include certain outsourcing expenses in Dongkuk’s G&A.

Commerce’s Position:

We have continued to include Dongkuk’s asset disposition expenses in its G&A calculations for these final results. However, we have excluded certain outsourcing expenses from Dongkuk’s G&A calculations for the final results.

Dongkuk and the petitioners each concede that it is Commerce’s practice to exclude expenses incurred due to the permanent closure or sale of a production operation from its G&A calculations.⁷¹ In its October 20, 2020 supplemental response at Appendix SS-4, Dongkuk stated that its asset disposition expense related to the Pohang Plate facility “which was being shut down.” While the record demonstrates that the asset disposition expense is related to the Pohang Plate facility,⁷² Dongkuk’s contention that the Pohang Plate facility has been permanently closed⁷³ is not supported by record evidence.⁷⁴ We further note that brochures relied upon by Dongkuk to support its contention also do not indicate that the Pohang Plate facility has been sold, much less permanently closed.⁷⁵ Thus, consistent with Commerce’s practice, we have continued to include Dongkuk’s asset disposition in its G&A calculations for these final results. Finally, we note that the evidence demonstrates that the outsourcing expenses relate to the production of non-subject merchandise and not to Dongkuk’s general operations as a whole.⁷⁶ Accordingly, we excluded the outsourcing expense in Dongkuk’s G&A for these final results.⁷⁷

Comment 5: CEP Offset

Dongkuk’s Comments

- Commerce should reexamine the evidence and find that the home-market level of trade is more advanced than the CEP level of trade (LOT) and apply a CEP offset.⁷⁸

⁶⁹ *Id.* (citing *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Taiwan*, 67 FR 35484 (May 20, 2002) (*SSB Taiwan*), and accompanying IDM at Comment 3).

⁷⁰ See Petitioners’ Rebuttal at 2.

⁷¹ See *Softwood Lumber from Canada*; *Chlorinated Isocyanurates from Spain*; and *CTL Plate from Korea*.

⁷² See Cost Reconciliation and Dongkuk SSQR at Appendix SS-4.

⁷³ See Dongkuk SSQR at Appendix SS-4

⁷⁴ Information in Dongkuk SSQR at Appendix SS-4 at page 72 and 79-8 gives no indication that the facility at issue has been permanently sold or permanently closed.

⁷⁵ See Dongkuk AQR at Appendix A-5.

⁷⁶ See Dongkuk SSQR at Appendix SS-4.

⁷⁷ See Dongkuk’s Final Analysis Memorandum.

⁷⁸ See Dongkuk’s Case Brief at 16.

- The record evidence demonstrates that the home-market level of trade (LOT) was more advanced than the CEP level of trade. Commerce’s determination was solely based on the calculation of export market-specific indirect selling expense ratios. Moreover, in the *Preliminary Results* Commerce acknowledged home market selling activities were more intense than in the U.S. market.⁷⁹
- In addition, Dongkuk provided quantitative evidence that supports the substantial differences in the level of intensity between the home market sales and CEP sales.⁸⁰
- Dongkuk provided 31 selling functions to home-market customers that it did not provide to Dongkuk International, Inc. (DKA).⁸¹
- Dongkuk also submitted evidence supporting the provision of each of these selling functions.⁸²
- Specifically, Dongkuk provided only one new product design to DKA but provided more new designs for home market customers.⁸³ Thus, Dongkuk provided disproportionately more designs to home market customers than to DKA.⁸⁴
- Dongkuk also was required to issue invoices more frequently to home-market customers than to DKA.⁸⁵

As summarized above, the quantitative evidence of the intensity of the home market and CEP levels of trade sufficiently support the conclusion that the home market level of trade was more advanced than that for CEP sales. Accordingly, Commerce should grant a CEP offset in the final results.

Petitioners’ Rebuttal Comments

- Dongkuk’s analysis does not substantiate its claims that home market LOTs are at a more advanced stage of distribution than CEP LOT.⁸⁶
- First, Dongkuk neglects that Commerce has confirmed in many recent cases that it does not grant a CEP offset without a satisfactory quantitative analysis that corroborates the selling functions chart.⁸⁷

⁷⁹ See Dongkuk’s Case Brief at 17 (citing *Preliminary Results* PDM at 21)

⁸⁰ *Id.* at 18-19

⁸¹ *Id.* at 18 (citing Dongkuk’s Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Response to the Supplemental Questionnaire,” dated July 22, 2020 (Dongkuk SQR), at Appendix S-8.

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ See Petitioners’ Rebuttal at 23.

⁸⁷ *Id.* (citing *Certain Cold Rolled Steel Flat Products from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative Review; 2017-2018*, 84 FR 63607 (November 18, 2019), and accompanying PDM at 20-21 (not granting respondent Hyundai a CEP offset because the quantitative analysis was unsupported), unchanged in *Certain Cold Rolled Steel Flat Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2017-2018*, 85 FR 41955 (July 13, 2020); *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Mexico: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2017-2018*, 85 FR 41962 (July 13, 2020), and accompanying IDM at 27 (“Therefore, for these final results, Commerce finds that Prolamsa has not shown that it made sales in the home market at more than one LOT because it has not supported its LOT claims with quantitative evidence.”); *Magnesium from Israel: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures*, 84 FR 32712 (July 9, 2019), and accompanying PDM at 13

- Commerce’s instructions in the Section A questionnaire made clear that the quantitative analysis should support the selling functions chart: “Explain how the quantitative analysis provided in response to the requests for information above support the claimed levels of intensity for the selling activities reported in the selling functions chart.”⁸⁸
- Further, Commerce requires that the quantitative analysis be an analysis of expenses and price comparability: “Provide a quantitative analysis showing how the expenses assigned to POI/POR sales made at different claimed levels of trade impact price comparability.”⁸⁹
- Dongkuk’s claimed “quantitative” analysis indicated that there is no difference in expenses between the home market and export markets.
- Dongkuk’s assertion that its selling functions chart demonstrates “that it quantitatively provided more services to home-market customers than it did to DKA” is inadequate. In *PET Sheet from Korea*, Commerce explained that the selling functions chart is *not* quantitative when the respondent does not provide the calculations it made to support its assigned “1” to “10” level rankings.⁹⁰
- The quantitative evidence that Dongkuk refers to in its brief (*i.e.*, number of selling functions, frequencies of invoicing and new design support, *etc.*) are neither: (1) a separate piece of evidence from the selling functions chart; nor (2) an analysis of expenses or price comparability.⁹¹
- Commerce should continue to find that, without a supporting quantitative analysis, Dongkuk provided insufficient evidence to prove its entitlement to a CEP offset. Commerce should therefore continue to deny Dongkuk a CEP offset in its final results.

Commerce’s Position:

We disagree with Dongkuk that the quantitative evidence of the intensity of the home market and CEP levels of trade sufficiently supports the conclusion that the home market level of trade was more advanced than that for CEP sales. Dongkuk provided a selling function chart as evidence to assert that it performed 31 selling functions to home market customers that it did not provide to its CEP entity (*i.e.*, DKA).⁹² Dongkuk contends that the selling function chart demonstrates that it quantitatively provided more services to home market customers than it did to U.S. market⁹³ and that other quantitative evidence supports its entitlement to a CEP offset, such as the higher frequencies at which it performed invoicing and new design support selling activities to

(“Finally, in response to our request to provide a quantitative analysis showing how the expenses assigned to POI sales made at different claimed LOTs impact price comparability, DSM reported that there is no way to quantify a LOT adjustment and did not provide any quantification of expenses assigned to the POI sales at different LOTs. Thus, we preliminarily find that there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability.”); and *Utility Scale Wind Towers from Canada: Preliminary Affirmative Determination of Sales at Less-Than-Fair-Value, Preliminary Negative Determination of Critical Circumstances, and Postponement of Final Determination and Extension of Provisional Measures*, 85 FR 8562 (February 14, 2020), and accompanying PDM at 15-16).

⁸⁸ See Petitioners’ Rebuttal at 27 (citing Dongkuk AQR at A-25).

⁸⁹ *Id.* (citing Dongkuk AQR at A-24).

⁹⁰ See Petitioners’ Rebuttal at 27 (citing *Polyethylene Terephthalate Sheet from the Republic of Korea: Final Determination of Sales at Less Than Fair Value*, 85 FR 44276 (July 22, 2020) (*PET Sheet from Korea*), and accompanying IDM at 19-20).

⁹¹ *Id.* at 28.

⁹² See Dongkuk’s Case Brief at 18.

⁹³ *Id.* at 19.

home market customers as compared to U.S market customers.⁹⁴ However, Commerce has explained that the selling functions chart is not quantitative evidence.⁹⁵

Moreover, Dongkuk did not provide an explanation as to how its allocation methodology indicates that the selling activity for the U.S. market is less intense than the average of that for the export market.⁹⁶ As we stated in the *Preliminary Results*, “No record evidence would explain that (1) the number of orders is better than sales values on indicating the level of intensity; and (2) the selling activity for the U.S. market is less intense than the average of that for the export market. Under the primary purpose of making profit, a business allocates its expenses more likely base on sales values.”⁹⁷ For instance, as “the base for allocating the indirect selling expenses, the actual indirect labor expenses as a percentage of sales value indicates no difference between home market and export market. The finding is the same when the export market indirect selling expenses are allocated to U.S. market bases on U.S. sales value as a percentage of export sales value. Consequently, we found no quantitative analysis to support the claimed substantial difference in the level of intensity between the home market sales and U.S. sales.”⁹⁸

In addition, Dongkuk did not provide the calculations it made to support its assigned “1” to “10” level rankings, and therefore Dongkuk’s level rankings cannot be considered a “quantitative” analysis.⁹⁹ Further, Commerce requires that the quantitative analysis be an analysis of expenses and price comparability.¹⁰⁰ Dongkuk did not provide an analysis of expenses and price comparability. Therefore, we continue to find that CEP offset is not warranted.

Comment 6: Cost of Production

Petitioners’ Comments

- In the *Preliminary Results*, Commerce found that there are “apparent significant differences” in Dongkuk’s “other material cost (OTHDIRMAT) by type, clad material /coating metal, and metallic coating weight (CTYPE, CMETAL, CWEIGHT)” and in Dongkuk’s “costs of direct labor, variable overhead, and fixed overhead (DIRLAB, VOH, FOH) by type, reduction process, and metallic costing process (CTYPE, ROLL, and CPROCES).”¹⁰¹
- Commerce declined to adjust Dongkuk’s reported costs, because it determined that it “did not have sufficient time to analyze:”¹⁰²
 - (1) whether the differences in costs between CONNUM pairs are significant relative to the totality of the reported production, and (2) whether the record

⁹⁴ See Dongkuk’s Case Brief at 19.

⁹⁵ See *PET Sheet from Korea* IDM at 19-20.

⁹⁶ See Memorandum, “Prelim Margin Calculation for Dongkuk Steel Mill Co., Ltd.,” dated November 17, 2020, at 7-8.

⁹⁷ See *Preliminary Results* PDM at 21.

⁹⁸ *Id.*

⁹⁹ See *PET Sheet Korea* IDM at Comment 4.

¹⁰⁰ See Dongkuk AQR at A-24.

¹⁰¹ See Petitioners’ Case Brief at 7 (citing Dongkuk’s Preliminary Analysis Memorandum at 7).

¹⁰² *Id.*

evidence support that such differences are unrelated to physical characteristics; and

(2) whether the record evidence support that such differences are unrelated to physical characteristics.

- Pursuant to section 773(f)(1)(A) of the Tariff Act of 1930, as amended (the Act), “costs shall normally be calculated based on the records of the exporter or producer of the merchandise, if such records are kept in accordance with the generally accepted accounting principles of the exporting country (or the producing country, where appropriate) and reasonably reflect the costs associated with the production and sale of the merchandise.”
- As such, Commerce does not rely on a respondent’s normal books and records if the per-unit costs do not reasonably reflect the cost to produce and sell the subject merchandise.¹⁰³
- Dongkuk’s reported costs do not accurately reflect the cost to produce CORE.
- The facts of the instant case are different than those in *CTL Plate from Korea AR 18-19* cited by Commerce.¹⁰⁴ In that case, Commerce declined to smooth Dongkuk’s costs because it found that the CONNUMs that exhibited anomalous costs comprised only an insignificant portion of Dongkuk’s total production. Here, Commerce performed a similar analysis by analyzing cost variations within groups of similar CONNUMs in the *Preliminary Results*. The analysis shows that there are significant variations in OTHDIRMAT, DIRLAB, VOH, and FOH.¹⁰⁵
- The record evidence demonstrates that factors other than the CONNUM characteristics have a significant impact on Dongkuk’s reported costs.¹⁰⁶ For example, the chart provided by Dongkuk shows that despite the products having the same type, reduction process, clad material/coating metal, metallic coating weight, metallic coating process, quality, yield strength, nominal thickness, nominal width, and form characteristics, OTHDIRMAT, DIRLAB, VOH and FOH costs vary significantly.¹⁰⁷
- The analysis of Dongkuk’s reported costs show the costs to be driven, to a large extent, by factors unrelated to the physical characteristics, and, as shown in the tables provided with the petitioners’ case brief, those non-CONNUM factors cause significant cost variations.
- As a result, Dongkuk’s reported costs do not reasonably reflect the costs associated with the production and sale of subject merchandise.
- To mitigate the distortive nature of Dongkuk’s erroneous cost reporting, Commerce should smooth the other material cost variables OTHDIRMAT by CTYPE, CMETAL,

¹⁰³ *Id.* (citing *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2015-2016*, 82 FR. 42075 (September 6, 2017) (*CTL Plate Korea AR 15-16*), and accompanying IDM at Comment 3; *Circular Welded Non-Alloy Steel Pipe from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 37284 (July 1, 2014) (*CWP from Korea 2011-2012*), and accompanying IDM at Comment 1).

¹⁰⁴ See Petitioners’ Case Brief at 7 (citing *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2018-2019*, 85 FR 27362 (May 8, 2020) (*CTL Plate Korea AR 18-19*), and accompanying IDM).

¹⁰⁵ See Petitioners’ Case Brief at 7 (citing Dongkuk Preliminary Analysis Memorandum at Attachment 4).

¹⁰⁶ *Id.* (citing Dongkuk BCDQR at Appendix D-21 at 1748).

¹⁰⁷ *Id.*

CWEIGHT and smooth Dongkuk's DIRLAB, VOH, FOH by CTYPE, ROLL, and CPROCES.

Dongkuk's Rebuttal Comments

- Commerce follows the statutory requirement that “costs shall normally be calculated based on the records of the exporter or producer of the merchandise, if such records are kept in accordance with the generally accepted accounting principles of the exporting country.” The petitioner deviates from this requirement only if the quantity of CONNUMs that are “outliers” with significant variations in cost elements is significant in quantity “relative to the totality of the reported production.”¹⁰⁸
- The petitioners do not provide any discussion of the definition of what amounts to a “significant variation” or “outlier” in costs. Commerce will not adjust costs unless the quantity of the “outliers” relative to the total production quantity is “significant.”¹⁰⁹
- In *Stainless Steel Sheet from Mexico*, Commerce emphasized the role that an objective numeric threshold for determining what constitutes a significant cost change: “If the percentage difference exceeds 25 percent, we will normally consider the significant cost change threshold to be met.”¹¹⁰
- In addition, Commerce has acknowledged that there can be swings in costs during the investigation or review period, but these even out over the annual average period. “Commerce uses annual average costs in order to even out swings in the production costs

¹⁰⁸ See Dongkuk's Letter, “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Rebuttal Brief,” dated January 19, 2021 (Dongkuk Rebuttal) (citing 19 U.S.C. § 1677b(f)(1)(A); *CTL Plate Korea Final AR 18-19* IDM at Comment 4 (“Accordingly, pursuant to section 773(f)(1)(A) of the Act, we are instructed to rely on a company's normal books and records if two conditions are met: (1) the books are kept in accordance with the home country's GAAP; and (2) the books reasonably reflect the cost to produce and sell the merchandise. In the instant case, the unadjusted per-unit costs are derived from Dongkuk's normal books and records, which are kept in accordance with Korean GAAP”)).

¹⁰⁹ *Id.* (citing *CTL Plate Korea AR 18-19*).

¹¹⁰ *Id.* (citing *Stainless Steel Sheet and Strip in Coils from Mexico: Final Results of the Twelfth Administrative Review*, 75 FR 6627 (February 10, 2010) (*Stainless Steel Sheet from Mexico*), and accompanying IDM (“For purposes of determining the significance of the changes in cost for this ninth review, consistent with *Notice of Final Results of Antidumping Duty Administrative Review: Certain Steel Concrete Reinforcing Bars from Turkey*, 73 FR 66218 (November 7, 2008); *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Plate in Coils from Belgium*, 73 FR 75398 (December 11, 2008); *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Sheet and Strip in Coils from Mexico*, 74 FR 6365 (February 9, 2009); *Notice of Final Results of Antidumping Duty Administrative Review: Certain Welded Stainless Steel Pipe from the Republic of Korea*, 74 FR 31242 (June 30, 2009); and *Final Results of Redetermination Pursuant to Court Remand aff'd Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S. v.* (citing *Stainless Steel Sheet Mexico* IDM, where Commerce stated, “For purposes of determining the significance of the changes in cost for this ninth review, consistent with *Notice of Final Results of Antidumping Duty Administrative Review: Certain Steel Concrete Reinforcing Bars from Turkey*, 73 FR 66218 (November 7, 2008); *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Plate in Coils from Belgium*, 73 FR 75398 (December 11, 2008); *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Sheet and Strip in Coils from Mexico*, 74 FR 6365 (February 9, 2009); *Notice of Final Results of Antidumping Duty Administrative Review: Certain Welded Stainless Steel Pipe from the Republic of Korea*, 74 FR 31242 (June 30, 2009); and *Final Results of Redetermination Pursuant to Court Remand aff'd Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S. v. United States*, Slip Op. 09-133 (CIT November 23, 2009), we have set our significance threshold at the 25 percent rate. In the Decision Memoranda of these determinations, we have discussed and explained in detail how we developed this 25 percent significant cost change threshold and why the Department analyzes the change in costs on a product-specific basis....”) (emphasis added)).

experienced by the respondent over short periods of time. This way, we smooth out the effect of fluctuating raw material costs, erratic production levels, major repairs and maintenance, inefficient production runs, and seasonality.”¹¹¹

- Thus, Commerce’s practice accounts for fluctuations in costs by the annual average and adjusts costs only when there are significant variations (*i.e.*, “outliers”) in significant quantity relative to total production.
- As demonstrated in the table provided, the quantity of the CONNUMs with “significant variations” in direct material costs (*i.e.*, those of greater than 25 percent) was *less than 3.2 percent of total production quantity*.¹¹²
- Both total conversion costs and other direct materials remain within ranges that are below Commerce’s threshold for finding significant differences.¹¹³
- Furthermore, the petitioners do not acknowledge that when Commerce considers variations in cost over time, Commerce examines *quarterly costs*, not monthly costs.¹¹⁴ Thus, the petitioners’ argument is inconsistent with Commerce’s practice of examining differences in costs between quarters.
- Lastly, the petitioners do not consider the relative quantity of the “outliers.” For example, as shown in the graph provided, the per unit costs for other direct materials, which accounts for less than 2 percent of TOTCOM, show only one month for which the costs differed from the average by more than 25 percent. However, the quantity amounted to just 2 percent of the total production quantity for the product.¹¹⁵
- The petitioners have not demonstrated that there are “outliers” affecting production quantities that are “significant relative to the totality of the reported production.” Accordingly, Commerce should use Dongkuk’s reported costs without adjustment.

Commerce Position:

We disagree that we should smooth the costs for DIRMAT, but do agree that for OTHDIRMAT, DIRLAB, VOH, and FOH, smoothing is warranted. As stated in the PDM, we did not have sufficient time to analyze (1) whether the differences in costs between CONNUM pairs are significant relative to the totality of the reported production, and (2) whether the record evidence supports that such differences are unrelated to physical characteristics. We further stated that we intended to complete the analysis of the issues in the final results, consistent with our practice with respect to Dongkuk’s costs in *CTL Plate Korea AR 18-19*.¹¹⁶

Pursuant to section 773(f)(1)(A) of the Act, “costs shall normally be calculated based on the records of the exporter or producer of the merchandise, if such records are kept in accordance with the generally accepted accounting principles (GAAP) of the exporting country (or the producing country, where appropriate) and reasonably reflect the costs associated with the production and sale of the merchandise.” Accordingly, pursuant to section 773(f)(1)(A) of the

¹¹¹ *Id.* at 3 (citing *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes Final Determination of Sales at Less Than Fair Value*, 81 FR 47347 (July 21, 2016), and accompanying IDM at Comment 8).

¹¹² See Dongkuk’s Rebuttal at 4 and 6.

¹¹³ *Id.* at 6.

¹¹⁴ See Dongkuk’s Rebuttal (citing Petitioners’ Case Brief at 8-9).

¹¹⁵ *Id.* at 7.

¹¹⁶ See *CTL Plate Korea AR 18-19*.

Act, we are instructed to rely on a company's normal books and records if two conditions are met: (1) the books are kept in accordance with the home country's GAAP; and (2) the books reasonably reflect the cost to produce and sell the merchandise. In the instant case, the unadjusted per-unit costs are derived from Dongkuk's normal books and records, which are kept in accordance with Korean GAAP.¹¹⁷ Therefore, the question we are facing is whether the per-unit costs from Dongkuk's normal books reasonably reflect the costs to produce and sell the subject merchandise.

At the outset of a case, we identify the physical characteristics that are the most significant in differentiating products.¹¹⁸ These are the physical characteristics that define unique products, *i.e.*, the CONNUMs, for sales comparison purposes. The level of detail within each physical characteristic (*e.g.*, the multiple different grades or sizes of a product) reflects the importance, with price-to-price comparisons, that we place on establishing NV based on comparison market sales of the identical, or the most similar, foreign like product. Thus, under sections 773(f)(1)(A) and 773(a)(6)(C)(ii) and (iii) of the Act (difference-in-merchandise adjustment and circumstance of sales adjustments), a respondent's reported product costs should reflect meaningful cost differences attributable to these different physical characteristics. This ensures that the product-specific costs we use for the sales-below-cost test, CEP profit, constructed value, and the difference-in-merchandise adjustment, accurately reflect the distinct physical characteristics of the products whose sales prices are used in our dumping calculations. The physical characteristics identified in this case are whether or not the product is painted, rolled, coating, quality, yield strength, specification and grade, form, standard thickness, and standard width.¹¹⁹

We analyzed whether the differences in costs between CONNUMs with similar characteristics which are either made with the same inputs or go through the same production processes are (1) significant and (2) unrelated to physical characteristics. If the total production quantity of products deemed to have varied by significant amounts is significant in relation to the total of the reported production quantity, then "smoothing" or weight averaging of the specific costs analyzed may be appropriate. The analysis shows that there are not significant variations for net DIRMAT but that there were significant variations for OTHDIRMAT, DIRLAB, VOH, and FOH.¹²⁰ In addition, for OTHDIRMAT, DIRLAB, VOH, and FOH, there is no record evidence indicating that the cost differences were attributable to physical characteristics not selected for inclusion in this case, and instead the differences appear to relate to timing differences or production factors that are substitutable between individual products.

Dongkuk argues that the petitioners did not provide any discussion of the definition of what amounts to a "significant variation" or "outlier" in costs as was done in *Stainless Steel Sheet from Mexico*. Specifically, Dongkuk submitted charts demonstrating that the quantity of the CONNUMs with "significant variations" in direct material cost was less than 3.2 percent of total production quantity.¹²¹ However, Dongkuk's reliance on *Stainless Steel Sheet from Mexico* is

¹¹⁷ See Dongkuk AQRat Attachment A-1.

¹¹⁸ See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-To-Length Carbon-Quality Steel Plate Products from Korea*, 64 FR 73196 (December 29, 1999), and accompanying IDM.

¹¹⁹ See, *e.g.*, Commerce's initial questionnaire dated December 12, 2019; and Dongkuk BCDQR at B-13 through B-20.

¹²⁰ See Dongkuk's Final Analysis Memorandum at Attachment 3 (Cost Analysis).

¹²¹ See Dongkuk Rebuttal Brief at 4.

misplaced as it relates to how Commerce addresses changes in prices of significant material inputs from quarter-to-quarter and the use of a quarterly cost methodology. As such, it is not applicable to our determination whether or not to smooth costs. However, as noted above, we agree with Dongkuk that the variations between similar CONNUMs for net DIRMAT were not significant and thus we have not smoothed these costs.

In its comments, the petitioners flagged CONNUM pairs from Dongkuk's cost database alleging cost differences despite having the same type, reduction process, clad material/coating metal, metallic coating weight, metallic coating process, quality, yield strength, nominal thickness, nominal width, and form characteristics. In analyzing Dongkuk's cost database, for DIRMAT, we found that within groups of similar CONNUMs, the reported direct materials costs are reasonably consistent with the group average direct materials costs.¹²² While there are some outliers, these outliers are insignificant in relation to the totality of the reported production information.¹²³ Therefore, we consider it reasonable to rely on Dongkuk's reported product-specific material costs as recorded in its normal books and records for the final results of this review. We did however find that for OTHDIRMAT, DIRLAB, VOH, and FOH, unexplained significant variations between similar CONNUMs for costs were present. Therefore, we have smoothed or weight averaged these costs between groups of similar products.¹²⁴

VII. RECOMMENDATION

We recommend applying the above methodology for these final results.

☒

☐

Agree

Disagree

5/21/2021

X 

Signed by: CHRISTIAN MARSH

Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance

¹²² See Dongkuk's Final Analysis Memorandum at Attachment 3 (Cost Analysis).

¹²³ Additional information concerning this analysis may be found in the Dongkuk's Final Analysis Memorandum, because the cost information key to this discussion is business proprietary information.

¹²⁴ See Dongkuk's Final Analysis Memorandum at Attachment 3 (Cost Analysis).

Attachment

SCOPE OF THE ORDER

The products covered by this order are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a width of 12.7 mm or greater, regardless of form of coil (*e.g.*, in successively superimposed layers, spirally oscillating, *etc.*). The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.*, products which have been “worked after rolling” (*e.g.*, products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

- (1) where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and
- (2) where the width and thickness vary for a specific product (*e.g.*, the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, *etc.*), the measurement at its greatest width or thickness applies.

Steel products included in the scope of this order are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten (also called wolfram), or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels and high strength low alloy (HSLA) steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum.

Furthermore, this scope also includes Advanced High Strength Steels (AHSS) and Ultra High Strength Steels (UHSS), both of which are considered high tensile strength and high elongation steels.

Subject merchandise also includes corrosion-resistant steel that has been further processed in a third country, including but not limited to annealing, tempering, painting, varnishing, trimming, cutting, punching and/or slitting or any other processing that would not otherwise remove the merchandise from the scope of the order if performed in the country of manufacture of the in-scope corrosion resistant steel.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of this order unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of this order:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (terne plate), or both chromium and chromium oxides (tin free steel), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion resistant flat-rolled steel products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20%-60%-20% ratio.

The products subject to the order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000.

The products subject to the order may also enter under the following HTSUS item

numbers: 7210.90.1000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.91.0000, 7225.92.0000, 7225.99.0090, 7226.99.0110, 7226.99.0130, 7226.99.0180, 7228.60.6000, 7228.60.8000, and 7229.90.1000.

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