



A-580-891  
Administrative Review  
05/01/2019 – 04/30/2020  
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July 29, 2021

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

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

**RE:** Decision Memorandum for the Preliminary Results of  
Antidumping Duty Administrative Review: Carbon and Alloy  
Steel Wire Rod from the Republic of Korea; 2019-2020

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## I. SUMMARY

The Department of Commerce (Commerce) is conducting the second administrative review of the antidumping duty (AD) order on carbon and alloy steel wire rod (wire rod) from the Republic of Korea (Korea). The period of review (POR) is May 1, 2019, through April 30, 2020. POSCO is the sole exporter and producer subject to the review. We preliminarily find that sales of subject merchandise were made at prices below normal value.

## II. BACKGROUND

On May 21, 2018, Commerce published in the *Federal Register* the *Order* on wire rod from Korea.<sup>1</sup> On April 8, 2019, Commerce revoked, in part, the *Order* with respect to grade 1078 and higher tire cord quality wire rod used in the production of tire cord wire.<sup>2</sup> On June 13, 2019, Commerce revoked, in part, the *Order* with respect to valve spring quality (VSQ) wire rod.<sup>3</sup>

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<sup>1</sup> See *Carbon and Alloy Steel Wire Rod from Italy, the Republic of Korea, Spain, the Republic of Turkey, and the United Kingdom: Antidumping Duty Orders and Amended Final Affirmative Antidumping Duty Determinations for Spain and the Republic of Turkey*, 83 FR 23417 (May 21, 2018) (*Order*).

<sup>2</sup> See *Carbon and Alloy Steel Wire Rod from the Republic of Korea and the United Kingdom: Notice of Final Results of Antidumping Duty Changed Circumstances Review*, 84 FR 13888 (April 8, 2019).

<sup>3</sup> See *Carbon and Alloy Steel Wire Rod from the Republic of Korea: Final Results of Antidumping Duty Changed Circumstances Review*, 84 FR 27582 (June 13, 2019).



On May 1, 2020, we published a notice of opportunity to request an administrative review of the *Order* pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act).<sup>4</sup> On May 29, 2020, POSCO requested a review of its entries of subject merchandise.<sup>5</sup> On June 1, 2020, the petitioners requested a review of POSCO.<sup>6</sup> On July 10, 2020, in accordance with 19 CFR 351.221(c)(1)(i), we initiated this review covering POSCO, the sole producer and exporter for which a review was requested.<sup>7</sup>

On July 17, 2020, we placed on the record the U.S. Customs and Border Protection (CBP) data for entries of subject merchandise made by POSCO during the POR.<sup>8</sup> On July 24, 2020, POSCO commented on the CBP data.<sup>9</sup> On September 4, 2020, we issued the initial questionnaire to POSCO.<sup>10</sup>

As aforementioned, Commerce revoked the *Order*, in part, with respect to VSQ wire rod on June 13, 2019. On September 9, 2020, in accordance with section 782(c)(1) of the Act and 19 CFR 351.301(c)(1)(iii), POSCO proposed a modified cost reporting period for VSQ wire rod to be May 1, 2019, through June 30, 2019,<sup>11</sup> to which we agreed on September 23, 2020.<sup>12</sup>

POSCO responded to the initial questionnaire on October 9, 2020 (AQR),<sup>13</sup> and November 3, 2020 (BQR, CQR, DQR, EQR).<sup>14</sup> The petitioners filed: (1) a request for verification on October 19, 2020;<sup>15</sup> (2) new factual information in response to POSCO's AQR;<sup>16</sup> and (3) comments on

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<sup>4</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 85 FR 25394 (May 1, 2020).

<sup>5</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Request for Administrative Review," dated May 25, 2020.

<sup>6</sup> The petitioners are: Charter Steel; Commercial Metals Company; Liberty Steel USA; Optimus Steel LLC; and Nucor Corporation. See Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Request for 2019/2020 Administrative Review," dated June 1, 2020.

<sup>7</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 85 FR 41540 (July 10, 2020) (*Initiation Notice*).

<sup>8</sup> See Memorandum, "Administrative Review of Antidumping Duty Order on Carbon and Alloy Steel Wire Rod from the Republic of Korea; 2019–2020: U.S. Customs Entry Data," dated July 17, 2020.

<sup>9</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea Carbon and Alloy Steel Wire Rod from the Republic of Korea—Respondent Selection Comments," dated July 24, 2020.

<sup>10</sup> See Commerce's Letter, Initial Questionnaire, dated September 4, 2020.

<sup>11</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Request to Clarify Cost Reporting Period," dated September 9, 2020.

<sup>12</sup> See Commerce's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Clarifying Cost Reporting Period," dated September 23, 2020.

<sup>13</sup> See POSCO's Letters, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Section A Questionnaire Response," dated October 9, 2020; see also "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Section A Questionnaire Response—Financial Statement Translations," dated October 27, 2020 (collectively, AQR).

<sup>14</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Sections B-E Questionnaire Responses," dated November 3, 2020 (BQR, CQR, DQR, EQR).

<sup>15</sup> See Petitioners' Letter, "2<sup>nd</sup> Administrative Review of the Antidumping Duty Order on Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioner's Request for Verification," dated October 19, 2020.

<sup>16</sup> See Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Submission of New Factual Information in Response to POSCO's Section A Questionnaire Response," dated October 23, 2020.

POSCO's DQR and CQR on November 24, 2020 and December 2, 2020, respectively.<sup>17</sup> On December 4, 2020, POSCO responded to the petitioners' comments on its DQR.<sup>18</sup>

We issued a supplemental questionnaire on March 30, 2021,<sup>19</sup> to which POSCO responded on May 5, 2021 (ACDSQR).<sup>20</sup> On May 21, 2021 the petitioners submitted comments on this supplemental response,<sup>21</sup> to which POSCO responded on May 28, 2021.<sup>22</sup> We issued another supplemental questionnaire on June 8, 2021,<sup>23</sup> to which POSCO responded on June 18, 2021.<sup>24</sup> On June 22, 2021, we again issued a supplemental questionnaire,<sup>25</sup> to which POSCO responded on June 28, 2021.<sup>26</sup>

On June 14, and July 6, 2021, the petitioners filed pre-preliminary comments.<sup>27</sup> On July 8, 2021, POSCO responded to those pre-preliminary comments.<sup>28</sup>

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<sup>17</sup> See Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Comments on POSCO's Section D Questionnaire Response," dated November 24, 2020; *see also* Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Errata to Petitioners' Comments on POSCO's Section D Questionnaire Response," dated November 24, 2020; and Petitioner's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Deficiency Comments Regarding POSCO's Section C Questionnaire Response," dated December 2, 2020.

<sup>18</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Response to Petitioners' Comments on POSCO's Section D Response," dated December 4, 2020.

<sup>19</sup> See Commerce's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Supplemental Questionnaire," dated March 30, 2020.

<sup>20</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Supplemental Sections A, C, and D Questionnaire Response," dated May 5, 2021.

<sup>21</sup> See Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Deficiency Comments Concerning POSCO's Supplemental Sections A, C and D Questionnaire Response," dated May 21, 2021.

<sup>22</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Response to Petitioners' Comments on POSCO's Supplemental Sections A, C, and D Response," dated May 28, 2021.

<sup>23</sup> See Commerce's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Supplemental Questionnaire," dated June 8, 2021.

<sup>24</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Second Supplemental Questionnaire Response," dated June 18, 2021.

<sup>25</sup> See Commerce's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Supplemental Questionnaire," dated June 22, 2021.

<sup>26</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—POSCO's Third Supplemental Questionnaire Response," dated June 28, 2021 (June 28, 2021 SQR).

<sup>27</sup> See Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Petitioners' Pre-Preliminary Comments," dated June 14, 2021; *see also* Petitioners' Letter, "Carbon and Alloy Steel Wire Rod from South Korea – Petitioners' Supplemental Comments in Advance of the Forthcoming Preliminary Results," dated July 6, 2021.

<sup>28</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea – Response to Petitioners' Pre-Preliminary Results Comments," dated July 8, 2021.

On July 21, 2020, Commerce tolled all preliminary and final results in administrative reviews by 60 days.<sup>29</sup> On March 11, 2021, and June 17, 2021, we extended the deadline for issuing these preliminary results until July 30, 2021.<sup>30</sup>

### III. SCOPE OF THE ORDER

The scope includes certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, less than 19.00 mm in actual solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high-nickel steel; (d) ball bearing steel; or (e) concrete reinforcing bars and rods. Also excluded are free cutting steel (also known as free machining steel) products (*i.e.*, products that contain by weight one or more of the following elements: 0.1 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorous, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium). All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.<sup>31</sup>

Excluded from the scope are grade 1078 and higher tire cord quality wire rod to be used in the production of tire cord wire.<sup>32</sup> Grade 1078 and higher tire cord quality wire rod refers to wire rod with not less than 0.78 percent of carbon and includes but is not limited to other high carbon grades of wire rod such as Grade 1078, 1080, 1085, 1086, 1090, and 1092.

Grade 1078 and higher tire cord quality rod is defined as: (i) Grade 1078 and higher tire cord quality wire rod measuring not more than 6.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no nondeformable inclusions greater than 20 microns and no deformable inclusions greater than 35 microns; (iv) having a carbon segregation per heat average of 3.0 or better; (v) having a surface quality with no surface defects of a length greater than 0.15 mm; (vi) capable of being drawn to a diameter of 0.405 mm or less, and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.006 percent or less of nitrogen, (5) not more than 0.6 percent silicon; and (6) not more than 0.55 percent in the aggregate, of copper, nickel, and chromium. For purposes of the grade 1078 and higher tire cord quality wire rod, an inclusion will be considered to be deformable if its ratio of length (measured along the axis—that is, the direction of rolling-of the rod) over thickness (measured on the same inclusion in a direction perpendicular to the axis of the rod) is equal to or greater than three. The size of an inclusion for purposes of the 20 microns and 35 microns

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<sup>29</sup> See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews,” dated July 21, 2020 (the deadline for the final results was actually tolled by 57 days because the tolling started three days before the publication date of the *Preliminary Results*).

<sup>30</sup> See Memorandum, “Carbon and Alloy Steel Wire Rod from the Republic of Korea—Extension of Deadline for Preliminary Results,” dated March 11, 2021; *see also* Memorandum, “Carbon and Alloy Steel Wire Rod from the Republic of Korea—Extension of Deadline for the Preliminary Results,” dated June 17, 2021.

<sup>31</sup> See *Order*.

<sup>32</sup> See *Carbon and Alloy Steel Wire Rod from the Republic of Korea and the United Kingdom: Notice of Final Results of Antidumping Duty Changed Circumstances Review*, 84 FR 13888 (April 8, 2019).

limitations is the measurement of the largest dimension observed on a longitudinal section measured in a direction perpendicular to the axis of the rod.

The designation of the products as “tire cord quality” indicates the acceptability of the product for use in the production of tire cord applications which require that the tire cord wire rod be drawn into wire with a diameter of 0.405 mm or less. These quality designations are presumed to indicate that these products are being used in tire cord applications, and such merchandise intended for the tire cord applications is not included in the scope. Importers of tire cord quality wire rod are required to file with CBP, at the time of the Entry Summary filing with CBP, a certification of end use that certifies that the Grade 1078 and above tire cord quality wire rod will be used only in the production of tire cord wire. In instances where the importer of record is not the end-user, the importer must provide written notice of the end-use requirement and an official of the end user must also sign a copy of the certification filed with CBP at the time of Entry Summary. Importers of record of tire cord wire rod are required to maintain a copy of the end-use certifications that were filed with the entry summaries with the CBP and to provide them at the request of CBP or Commerce.

Also, excluded from the scope are valve spring quality (VSQ) steel products, which is defined as wire rod:<sup>33</sup>

- (i) Measuring no more than 14 mm in cross-sectional diameter;
- (ii) Containing by weight the following elements in the proportions shown:
  - (1) 0.51 percent to 0.68 percent, inclusive, of carbon;
  - (2) Not more than 0.020 percent of phosphorus;
  - (3) Not more than 0.020 percent of sulfur;
  - (4) Not more than 0.05 percent of copper;
  - (5) Not more than 70 ppm of nitrogen;
  - (6) 0.5 percent to 0.8 percent, inclusive, of manganese;
  - (7) Not more than 0.1 percent of nickel;
  - (8) 1.3 percent to 1.6 percent, inclusive, of silicon;
  - (9) Not more than 0.002 percent of titanium;
  - (10) Not more than 0.15 percent of vanadium; and
  - (11) Not more than 20ppm of oxygen of product;
- (iii) Having non-metallic inclusions not greater than 15 microns and meeting all of the following specific inclusions requirements using the Max-T method:
  - (1) No sulfide inclusions greater than 5 microns;
  - (2) No alumina inclusions greater than 10 microns;
  - (3) No silicate inclusions greater than 5 microns; and
  - (4) No oxide inclusions greater than 10 microns.

The products under review are currently classifiable under subheadings 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093, 7213.91.4500, 7213.91.6000, 7213.99.0030,

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<sup>33</sup> See *Carbon and Alloy Steel Wire Rod from the Republic of Korea: Final Results of Antidumping Duty Changed Circumstances Review*, 84 FR 27582 (June 13, 2019).

7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, 7227.90.6030, and 7227.90.6035 of the HTSUS. Products entered under subheadings 7213.99.0090 and 7227.90.6090 of the HTSUS may also be included in this scope if they meet the physical description of subject merchandise above. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the *Order* is dispositive.

#### **IV. DISCUSSION OF THE METHODOLOGY**

##### Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether POSCO's sales of subject merchandise from Korea were made at less than normal value (NV), we compared the constructed export price (CEP), as appropriate, to the NV as described in the "Constructed Export Price" and "Normal Value" sections of this memorandum.

#### **V. PRODUCT COMPARISONS**

In accordance with section 771(16) of the Act, we considered all products produced and sold by POSCO in the home market in the ordinary course of trade during the POR that fit the description in the "Scope of the *Order*" section above to be foreign like products for purposes of determining appropriate NVs for comparisons to CEP.

If there were contemporaneous home market sales of foreign like product identical to subject merchandise, then we calculated NV based on the monthly weighted-average home market prices of all such sales.<sup>34</sup> If there were no contemporaneous home market sales of identical merchandise, then we identified home market sales of the most similar merchandise that were contemporaneous with the U.S. sales in accordance with 19 CFR 351.414(e), and calculated NV based on the monthly weighted-average home market prices of all such sales. Where there were no sales of identical or similar merchandise made in the ordinary course of trade in the home market, we calculated NV based on Constructed Value (CV).

In making product comparisons, we matched foreign like product to the subject merchandise based on prime versus non-prime merchandise, and the physical characteristics in the following order of importance: minimum specified carbon content, metallic coating, minimum specified chromium content, minimum specified nickel content, minimum specified vanadium content, maximum specified phosphorus and sulfur content, maximum allowable total depth of decarburization, minimum specified manganese content, minimum specified molybdenum content, minimum specified silicon content, minimum specified sulfur content, maximum specified nitrogen content, diameter range, heat treatment.<sup>35</sup>

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<sup>34</sup> See 19 CFR 351.414(b)(3)(e).

<sup>35</sup> See BQR at B-17 to B-23; see also CQR at C-13 to C-19.

POSCO sold only prime subject merchandise in the U.S. with no overruns.<sup>36</sup> In the home market, POSCO sold foreign like products that were prime, non-prime, or abnormal merchandise, including overruns.<sup>37</sup>

#### A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (*i.e.*, the average-to-average method) unless Commerce determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average NVs with the EPs (or CEPs) of individual sales (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce's examination of this question in the context of administrative reviews, Commerce nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.<sup>38</sup>

In numerous AD investigations and administrative reviews, Commerce applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.<sup>39</sup> Commerce finds that the differential pricing analysis is instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.

The differential pricing analysis used in these preliminary results 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 purchaser, region, and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported (consolidated) customer codes. Regions are defined using the reported destination code (*i.e.*, zip, state) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable

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<sup>36</sup> See CQR at C-11.

<sup>37</sup> See BQR at B-15; *see also* DQR at D-29; and ACDSQR at S-18.

<sup>38</sup> See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012), and accompanying IDM at Comment 1; *see also Apex Frozen Foods Private Ltd. v. United States*, 37 F. Supp. 3d 1286, 1322 (CIT 2014), *aff'd*, 862 F.3d 1337 (Fed. Cir. 2017); and *JBF RAK LLC v. United States*, 790 F.3d 1358, 1363-65 (Fed. Cir. 2015) (“{t}he fact that the statute is silent with regard to administrative reviews does not preclude Commerce from filling gaps in the statute to properly calculate and assign antidumping duties.”) (citations omitted).

<sup>39</sup> See, e.g., *Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region and time period, that Commerce uses in making comparisons between EP (or CEPs) and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the prices to the particular purchaser, region or time period differ significantly from the prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen’s *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison method, based on the results of the Cohen’s *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison method would be appropriate. A difference in the weighted-average dumping



margins is considered meaningful if: (1) there is a 25 percent relative change in the weighted-average dumping margins between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

## B. Results of the Differential Pricing Analysis

For POSCO, based on the results of the differential pricing analysis, Commerce preliminarily finds that 9.29 percent of the value of U.S. sales pass the Cohen's *d* test,<sup>40</sup> and does not confirm the existence of a pattern of prices that differ significantly among purchasers, regions or time periods. Thus, the results of the Cohen's *d* and ratio tests do not support consideration of an alternative to the average-to-average method. Accordingly, the Department preliminarily determines to apply the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for POSCO.

## V. DATE OF SALE

Section 351.401(i) of Commerce's regulations states that in identifying date of sale, we normally will use invoice date as recorded in the producer's or exporter's records kept in the ordinary course of business. The regulation also provides that Commerce may use a date other than the invoice date if it is satisfied that a different date better reflects the date on which the material terms of sale are established.<sup>41</sup> Further, Commerce has a longstanding practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.<sup>42</sup>

The Court of International Trade (CIT) has stated that a "party seeking to establish a date of sale other than invoice date bears the burden of producing sufficient evidence to 'satisfy' Commerce that a different date better reflects the date on which the producer or exporter establishes the material terms of sale,"<sup>43</sup> which normally include the price, quantity, delivery terms, and payment terms.<sup>44</sup>

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<sup>40</sup> See Memorandum, "Calculation Memorandum for the Preliminary Results of Antidumping Duty Administrative Review: Carbon and Alloy Steel Wire Rod from the Republic of Korea; 2019-2020," dated concurrently with this memorandum (Prelim Calc Memo).

<sup>41</sup> See 19 CFR 351.401(i).

<sup>42</sup> See *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany*, 67 FR 35497 (May 20, 2002), and accompanying IDM at Comment 2; see also *Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 72 FR 52065 (September 12, 2007), and accompanying IDM at Comment 11.

<sup>43</sup> See *Allied Tube & Conduit Corp.*, 132 F. Supp. 2d 1087, 1090 (CIT 2001).

<sup>44</sup> See *USEC Inc. v. United States*, 489 F. Supp. 2d 1337, 1055 (CIT 2007).

POSCO made home market sales to affiliated and unaffiliated customers, and through an affiliated reseller, POSCO International Corporation (POSCO International),<sup>45</sup> to unaffiliated customers. POSCO reported the shipment date from factory as the date of sale.<sup>46</sup>

POSCO made CEP sales in the U.S. market and reported the date of sale as: (1) shipment date from Korea for sales where the subject merchandise was shipped directly to the unaffiliated customer; or (2) the earlier of the shipment date from POSCO America Corporation's (POSAM)'s warehouse or POSAM's invoice date for sales which the subject merchandise was shipped from Korea to the U.S. warehouse to the unaffiliated customers; or (3) the earlier of the shipment date from POSCO America Alabama Processing Center, LLC (AAPC)'s facility or AAPC's invoice date for the sales of further processed merchandise.<sup>47</sup>

As nothing on the record suggests that a different date better reflects the date on which the material terms of sale are established, pursuant to 19 CFR 351.401(i) and consistent with our practice, we preliminarily used the date of sale as reported by POSCO for both home market and U.S. sales.

## **VI. CONSTRUCTED EXPORT PRICE**

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).”

POSCO reported that all U.S. sales were CEP sales as it sold the subject merchandise to POSAM.<sup>48</sup> We calculated CEP based on a packed price to customers in the United States. In accordance with section 772(c) of the Act, we made adjustments, where appropriate, for Korean movement expenses (*i.e.*, inland freight to port of exportation, brokerage and handling), international freight and marine insurance, and U.S. movement expenses (*i.e.*, U.S. duties, U.S. brokerage and handling, U.S. inland freight from port to warehouse, U.S. warehousing expense, and U.S. inland freight from warehouse to unaffiliated customer).

In accordance with section 772(d) of the Act, we adjusted: (1) direct and indirect selling expenses associated with economic activities occurring in the United States (*i.e.*, imputed credit expenses, late payment fee, indirect selling expenses incurred in Korea, indirect selling expenses incurred in the United States, inventory carrying costs incurred in the Korea, inventory carrying costs incurred in the United States); (2) the cost of further manufacture; and (3) the profit allocated to the expenses described in (1) and (2). In accordance with section 772(f) of the Act, we calculated the CEP profit ratio using total revenue and total cost and expenses.

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<sup>45</sup> See AQR at A-1, formerly “POSCO Daewoo Corporation.”

<sup>46</sup> See AQR at A-27; *see also* BQR at B-27.

<sup>47</sup> See AQR at A-28; *see also* CQR at C-22.

<sup>48</sup> See AQR at A-21.

## VII. NORMAL VALUE

### A. Home Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (*i.e.*, the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we normally compare the respondent's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent's sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

In this review, we determined that the aggregate volume of home market sales of the foreign like product for POSCO was greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise.<sup>49</sup> Therefore, we used home market sales as the basis for NV, in accordance with section 773(a)(1)(B) of the Act. Consistent with our practice, we also included POSCO's home market sales to affiliated parties for purposes of determining home market viability.<sup>50</sup>

### B. Affiliated Party Transactions and the Arm's Length Test

Commerce may calculate NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, *i.e.*, sales were made at arm's-length prices.<sup>51</sup> Commerce excludes home market sales to affiliated customers that are not made at arm's-length prices from our margin analysis because Commerce considered them to be outside the ordinary course of trade.<sup>52</sup>

POSCO reported home market sales of foreign like product to affiliated parties,<sup>53</sup> for which we conducted the arm's-length test and excluded sales that failed the test. In addition to comparing sales at the same level of trade, the test adjusts affiliated and unaffiliated party prices for numerous differences relating to the sales. The adjustments account for, among other things, differences in packing expenses, movement expenses from the original place of shipment, discounts and rebates, and selling expenses that relate directly to the sale at issue. Although Commerce's questionnaire specifically requests information pertaining to a number of adjustments, it also allows for responding companies to claim additional adjustments for other expenses relating to the sales at issue. Thus, provided that a respondent has accurately reported its claimed differences in circumstances of sale, along with other expenses and price adjustments

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<sup>49</sup> See 19 CFR 351.404(b)(2); *see also* POSCO AQR at A-4.

<sup>50</sup> See *Certain Oil Country Tubular Goods from Saudi Arabia: Final Determination of Sales at Less Than Fair Value*, 79 FR 41986 (July 18, 2014), and accompanying IDM at Comment 2 (use of affiliated party sales in viability determination).

<sup>51</sup> See 19 CFR 351.403(c).

<sup>52</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d 1339, 1365 (CIT 2003), *aff'd*, 306 F. Supp. 2d 1291 (CIT 2004).

<sup>53</sup> See AQR at A-35.

relating to the reported sales, the arm's-length test will account for such differences between sales to affiliates and nonaffiliates.

Pursuant to 19 CFR 351.403(c) and, in accordance with Commerce's practice, where the price to that affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise sold to the unaffiliated parties at the same level of trade, we preliminarily determined that the sales made to the affiliated party were at arm's length. For these preliminary results, we used the reported combined sales of POSCO and POSCO International, sales to affiliated customers in the home market that were not made at arm's-length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.<sup>54</sup>

### C. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. According to 19 CFR 351.412(c)(2), sales are made at different LOTs if they are made at different marketing stages (or their equivalent), and substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.<sup>55</sup> In order to determine whether the home market sales are at different marketing stages than the U.S. sales, we examine the distribution system in each market, including selling functions, customer categories, and the level of selling activities for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs, we consider the starting price before adjustments for EP and home market sales.<sup>56</sup> 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 for CEP sales.<sup>57</sup>

When Commerce is unable to match U.S. sales to sales of the foreign like product in the home market sales at the same LOT as the EP or CEP, we may compare the U.S. sale to home market sales at a different LOT in the home market. In comparing EP or CEP sales, to home market sales at a different LOT in the home market, where available data make it possible, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the CEP LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price

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<sup>54</sup> See section 771(15) of the Act; see also 19 CFR 351.102(b); and *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186 (November 15, 2002) (establishing that the overall ratio calculated for an affiliate must be between 98 percent and 102 percent in order for sales to be considered in the ordinary course of trade and used in the normal value calculation).

<sup>55</sup> See *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administration Review and Notice of Intent Not to Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010) (*OJ Brazil*), and accompanying IDM at Comment 7.

<sup>56</sup> Where NV is based on CV, we determine the NV LOT based on the level of trade of the sales from which we derive SG&A expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).

<sup>57</sup> See *Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

comparability (*i.e.*, no LOT adjustment is possible), we will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>58</sup>

Commerce is not bound by its determinations in a prior segment of a proceeding because each segment has its own unique factual record.<sup>59</sup> In other words, Commerce must examine each record on its own merits. The decision to grant a CEP offset is a fact-specific inquiry that must be made based on the record.

POSCO made all home market sales through four distribution channels: (1) direct sales to affiliated and unaffiliated end-users; (2) affiliated sales through POSCO International to unaffiliated end-users; (3) cyber sales made by POSCO to unaffiliated end-users; and (4) cyber sales made by POSCO International to unaffiliated end-users.<sup>60</sup> POSCO claimed twenty selling activities under five provisions.<sup>61</sup> Because the claimed selling functions do not differ among the distribution channels, we preliminarily find that there is one LOT for home market sales.

POSCO made all U.S. sales as CEP sales through POSAM to unaffiliated customers, or to AAPC who further processed the subject merchandise then sold the further processed merchandise to unaffiliated customers.<sup>62</sup> POSCO claimed four selling activities under four provisions.<sup>63</sup> Because all U.S. sales were made through POSAM, we preliminarily find that there is one LOT in the U.S. market.

We then compared the selling activities at the CEP LOT (*i.e.*, POSCO to POSAM) with the selling activities at the home market LOT and found that these activities were potentially more similar than POSCO has indicated.

The selling functions chart provided by POSCO lists five selling functions enumerated by Commerce as well as multiple subcategories added by POSCO for each. POSCO provided each activity's frequency and level of intensity.<sup>64</sup> POSCO also provided supporting documentation for each activity.<sup>65</sup> We find the following discrepancies with the selling functions chart provided by POSCO when analyzing the supporting documentation they provided on the record:

- The provision of sales support has seven activities (*i.e.*, advertising, exposition and symposiums, market research, monitoring on market demands, sales promotion, strategic/economic planning, and sales forecasting). We find that: (1) while POSCO reported that advertising, strategic/economic planning, and sales forecasting are performed only in the home market, supporting documentation shows that those activities were performed for all markets, and thus the chart is not an accurate reflection of POSCO's actual activities; and (2) the exposition and symposiums reported by POSCO in

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<sup>58</sup> See *OJ Brazil* IDM at Comment 7.

<sup>59</sup> See *Pakfood Public Co. v. United States*, 34 CIT 1122, 1138 (CIT 2010); see also *Alloy Piping Prod., Inc. v. United States*, 33 CIT 349, 358-59 (CIT 2009); and *Timken U.S. Corp. v. United States*, 434 F. 3d 1345 (Fed. Cir. 2006).

<sup>60</sup> See AQR at A-16.

<sup>61</sup> See AQR at A-17 to A-23 and Exhibit A-9.

<sup>62</sup> See AQR at A-16 to A-17, and A-27.

<sup>63</sup> See AQR at A-17 to A-23 and Exhibit A-9.

<sup>64</sup> See AQR at Exhibits A-9-A, A-9-B, and A-9-C.

<sup>65</sup> See AQR at Exhibit A-10.

its chart did not happen during the POR according to the supporting documentation.<sup>66</sup> Further supporting a finding that the provision of sales support by POSCO is not limited to the home market, the product brochures provided by POSCO in support of this provision are in English, suggesting that POSAM does not issue its own brochures. The brochures also present products using the standards from the American Iron and Steel Institute (AISI), and list sales offices around the world.<sup>67</sup>

- The provision of training services has two activities (*i.e.*, personnel training/exchange and customer invited educational meetings). We find that: (1) the personal training/exchange for the home market sales reported by POSCO in its chart was performed prior to the POR; (2) the limited training service provided for U.S. sales is reflected in supporting documentation but not in the chart;<sup>68</sup> and (3) the customer-invited educational meetings are performed to customers across markets, including the U.S. market, which is not reflected in the chart.<sup>69</sup>
- The provision of technical support has two activities (*i.e.*, process examination support for customers and technical assistance). We find that the process examination support for customers is performed at a higher frequency but unlikely at higher intensity for home market sales than for U.S. sales, because travel expenses are likely higher for U.S. sales.<sup>70</sup>
- The provision of logistical services has four activities (*i.e.*, logistics consultation, warehouse monitoring, freight and delivery, and inventory maintenance/warehousing). We find that: although freight and delivery is performed at a higher frequency it is unlikely at higher intensity for home market sales than for U.S. sales, because there are likely higher expenses associated with processing exporting documentation and arranging international freight.
- The performance of sales related administrative activities has five activities (*i.e.*, order input and processing, frequent outside activities (visiting), product quality consultation, response on customer's claim, and providing warranty service). We find that order input/processing is performed at a higher frequency but unlikely at higher intensity for home market sales than for U.S. sales, because multiple line items on a shipping invoice could come from the same sale.<sup>71</sup>

Due to the apparent discrepancies between the reported selling functions chart and the provided supporting documentation, we preliminary conclude that frequencies reported by POSCO for each activity are unsupported, thus POSCO's reported differences in selling activities are also unsupported, and that therefore each market has one level of trade.

Furthermore, Commerce's methodology requires a quantitative analysis showing how the expenses in each sales channel impact price comparability, and then requests that the respondent assign a level of intensity based on this quantitative analysis in a selling functions chart. POSCO provided a quantitative analysis that fell short of demonstrating a difference in price. For the

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<sup>66</sup> See AQR at Exhibit A-10-1.

<sup>67</sup> See AQR at Exhibits A-18, A-22, A-23, A-9-A, A-10-6.

<sup>68</sup> See AQR at Exhibit A-10-7.

<sup>69</sup> See AQR at Exhibit A-10-8.

<sup>70</sup> See AQR at Exhibit A-10-9.

<sup>71</sup> See AQR at Exhibit A-10-12.

reasons discussed below, we are therefore unable to conclude that the HM is at a higher level of trade than the US market.

To support its selling functions chart, POSCO provided a quantitative analysis,<sup>72</sup> in which it allocated total reported SG&A to indirect selling expenses of in-scope merchandise related to the selling activities performed for the home market or U.S. market.<sup>73</sup> Then POSCO used each market's share of the combined expenses of an activity to determine the level of intensity of that specific activity for each market.<sup>74</sup> POSCO then averaged the levels of intensity for all activities performed in each market to derive an intensity for each market.

Because additional specifics of POSCO's analysis are BPI, please refer to POSCO's calculation memorandum for a further discussion. The results show that the HM LOT is at much higher intensity than the CEP LOT. However, the difference in the level of intensity represents selling expenses associated with total sales, instead of "a sale" or each individual sale. This ignores the disparity in sales of in-scope merchandise between both markets. As the volume of sales (quantity, value, or number of invoices) is much higher for home market sales than for U.S. sales, the selling expenses per metric ton or per invoice is much lower for home market sales than for U.S. sales,<sup>75</sup> which provides no support to the claimed effect on price comparability, and thus no basis to establish that the home market LOT is at a more advanced stage of distribution than the CEP LOT.

Therefore, we preliminarily find that the CEP offset is not warranted. Additionally, because there is only one LOT in the home market, we are unable to calculate an LOT adjustment based on POSCO's home market sales of the foreign like product and we have no other information that provides an appropriate basis for determining an LOT adjustment.

#### D. Overrun Sales

Section 773(a)(1)(B)(i) of the Act states, in part, that NV is "the price at which the foreign like product is first sold (or, in absence of a sale, offered for sale) for consumption in the exporting country, in the usual commercial quantities and in the ordinary course of trade . . . ." The term "ordinary course of trade" is defined as "the conditions and practices which, for a reasonable time prior to the exportation of the subject merchandise, have been normal in the trade under consideration with respect to merchandise of the same class or kind."<sup>76</sup> The Statement of Administrative Action which accompanied the passage of the Uruguay Round Agreements Act of 1995 clarifies this portion of the statute when it states, "Commerce may consider other types of sales or transactions to be outside the ordinary course of trade when such sales or transactions have characteristics that are not ordinary as compared to sales or transactions generally made in the same market."<sup>77</sup> Thus, the statute and the SAA are clear that a determination of whether sales (other than those specifically addressed in section 771(15) of the Act, *i.e.*, below-cost sales

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<sup>72</sup> See AQR at Exhibit A-9-C.

<sup>73</sup> See AQR at A-25.

<sup>74</sup> *Id.*

<sup>75</sup> See Prelim Calc Memo.

<sup>76</sup> See section 771(15) of the Act.

<sup>77</sup> See Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Rep. No. 103-316 vol. I at 834 (1994) (SAA).

and sales between affiliates that are not at market prices) are in the ordinary course of trade must be based on an analysis comparing the sales in question with sales of merchandise of the same class or kind generally made in the home market. In other words, Commerce must consider whether home market sales of overruns are ordinary in comparison with home market sales of non-overruns.

The purpose of the ordinary-course-of-trade provision “is to prevent dumping margins from being based on sales which are not representative” of the home market.<sup>78</sup> By basing the determination of NV upon representative sales, the statutory provision ensures that the comparison between NV and sales to the United States is done on an “apples-to-apples” basis. Congress has not specified any criteria that the agency should use in determining the appropriate “conditions and practices.” Thus, Commerce, “in its discretion, chooses how best to analyze the many factors involved in a determination of whether sales are made within the ordinary course of trade.”<sup>79</sup>

In evaluating whether sales of overruns are outside the ordinary course of trade, Commerce has considered several non-dispositive factors including but are not limited to the following: (1) whether the merchandise is “off-quality” or produced according to unusual specifications; (2) the comparative volume of sales and the number of buyers; (3) the average quantity; (4) the price and profit differentials.<sup>80</sup>

POSCO reported home market sales of overrun merchandise, classified as the products rejected by the original customer due to quality issues (*e.g.*, exceeding the agreed quantity tolerance) and sold to another customer.<sup>81</sup> Our analysis shows that overrun sales are not ordinary in all four characteristics when compared to non-overrun sales. Thus, we find that POSCO’s home market sales of overruns were made outside the ordinary course of trade during the reporting period. Because our analysis includes business proprietary information, please see POSCO’s preliminary calculation memorandum<sup>82</sup>

#### E. Cost of Production Analysis

In accordance with section 773(b)(2)(A) of the Act, we requested cost information to determine if there were reasonable grounds to believe or suspect that sales of foreign like product had been made at prices less than the cost of production (COP) of the product.

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<sup>78</sup> See *Monsanto Co. v. United States*, 698 F. Supp. 275, 278 (CIT 1988).

<sup>79</sup> See *Laclede Steel Co. v. United States*, 19 CIT 1076, 1078 (1995).

<sup>80</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d. 1339, 1364-65 (CIT 2003); see also *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Preliminary Results and Rescission in Part of Antidumping Duty Administrative Review*, 70 FR 67428, 67430 (November 7, 2005), unchanged in *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 71 FR 13080 (March 14, 2006).

<sup>81</sup> See BQR at B-15.

<sup>82</sup> See Prelim Calc Memo.



## 1. Reporting Period of COP

On September 9, 2020, POSCO requested a modified cost reporting period for VSQ wire rod,<sup>83</sup> due to its exclusion from the *Order* on June 13, 2019. Commerce granted POSCO's request on September 23, 2020.<sup>84</sup> The modified cost reporting period for VSQ wire rod is May 1, 2019 through June 30, 2019.

## 2. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on material and fabrication costs of the foreign like product, plus general and administrative expenses (GNA) and interest expenses (INTEX) reported in poscocop02\_por, and made the following adjustments:<sup>85</sup>

- we increased the cost of manufacture to account for major inputs purchased from affiliated parties in accordance with sections 773(f)(2) and (3) of the Act; and
- we adjusted reported the GNA ratio to exclude bad debt expense/reverse of other allowance liabilities, insurance income, gain on disposal/valuation of emission rights,<sup>86</sup> and miscellaneous gain.

## 3. Test of Home Market Sales Prices

On a product-specific basis, pursuant to section 773(b) of the Act, we compared the adjusted weighted-average COPs to the home market prices of the foreign like product to determine whether the sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were net of billing adjustments, movement charges, direct and indirect selling expenses, and packing expenses, where appropriate.<sup>87</sup>

## 4. 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 a respondent's home market sales of a given product are at prices less than the

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<sup>83</sup> See POSCO's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Request to Clarify Cost Reporting Period," dated September 9, 2020.

<sup>84</sup> See Commerce's Letter, "Carbon and Alloy Steel Wire Rod from the Republic of Korea—Clarifying Cost Reporting Period," dated September 23, 2020.

<sup>85</sup> See Prelim Calc Memo.

<sup>86</sup> See AQR at Appendix, Separate Financial Statements December 31, 2019 and 2018, Notes to the Separate Financial Statements as of December 31, 2019, 3. Summary of Significant Accounting Policies; Emission Rights: "{g}reenhouse Gases Emission Right consists of emission allowances which are allocated from the government free of charge and those purchased from the market," and "{emission} rights held for short-swing profits are classified as current asset and are measured at fair value with any changes in fair value recognized as profit or loss in the respective reporting period."

<sup>87</sup> See Prelim Calc Memo.

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 because: (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 POR, 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 more than 20 percent of home market sales of certain foreign like products during the POR were at prices less than the COP, and such sales did not permit 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.<sup>88</sup>

#### F. Calculation of NV Based on Home Market Prices

For those comparison products for which there were sales at prices above the COP, we based NV on home market prices. We calculated NV based on the prices reported for home market sales to unaffiliated customers that we determined were made within the ordinary course of trade. We adjusted the starting price for billing adjustments, discounts, rebates, and late payment fees in accordance with 19 CFR 351.401(c). Also, we made (1) deductions from NV for movement expenses (*e.g.*, inland freight, port handling) in accordance with section 773(a)(6)(B)(ii) of the Act; and (2) adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act.

When comparing U.S. sales with home market sales of similar merchandise, we also made an adjustment for physical differences in merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411(b). We based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the subject merchandise.

### VIII. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the date of the U.S. sales as certified by the Federal Reserve Bank. The exchange rates are available on the Enforcement and Compliance web site at <http://enforcement.trade.gov/exchange/index.html>.

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<sup>88</sup> *Id.*

## IX. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



Agree

Disagree

7/29/2021

X



— Signed by: CHRISTIAN MARSH —

Christian Marsh

Acting Assistant Secretary  
for Enforcement and Compliance