

DATE: March 10, 2008

MEMORANDUM TO: David M. Spooner
Assistant Secretary
for Import Administration

FROM: Stephen J. Claeys
Deputy Assistant Secretary
for Import Administration

SUBJECT: Issues and Decision Memorandum for the Final Results of the
Administrative Review of the Antidumping Duty Order on Oil
Country Tubular Goods, Other Than Drill Pipe, from Korea

Summary

We have analyzed the comments in the case and rebuttal briefs submitted by interested parties in this administrative review of oil country tubular goods, other than drill pipe (OCTG), from Korea. As a result of our analysis, we have made changes to the margin calculation for SeAH Steel Corporation (SeAH) and Husteel Co., Ltd. (Husteel). We have made no changes to the rate calculation for Nexteel Co. Ltd. We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is a complete list of the issues in this review for which we received comments from the parties:

- Comment 1: Husteel's Profit and Selling Expense Ratios for Constructed Value
- Comment 2: Adjustments to Husteel's G&A Expense Ratio
- Comment 3: SeAH's Further Manufacturing and Selling Expense Ratios

Background

On September 11, 2007, we published in the Federal Register the preliminary results of the administrative review for the period August 1, 2005 through July 25, 2006. See Oil Country Tubular Goods, Other Than Drill Pipe, from Korea: Preliminary Results of Antidumping Duty Administrative Review, 72 FR 51793 (September 11, 2007) (Preliminary Results). This review covers three manufacturers/exporters of OCTG, SeAH, Husteel, and Nexteel Co. Ltd. (Nexteel), collectively, Respondents. We invited parties to comment on our Preliminary Results. On October 11, 2007, we received case briefs from Husteel and the Petitioner in this case, U.S. Steel Corporation (Petitioner). On October 16, 2007, we received rebuttal briefs from Husteel, SeAH, and the Petitioner.

Discussion of the Issues

Comment 1: Adjustments to Husteel's Indirect Selling Expense and Profit Ratios

In its case brief, Petitioner argues that while Husteel's submitted calculation of its constructed value (CV) profit and selling expense ratios are appropriately based on SeAH's 2005 financial statements, the calculations based on those financial statements must be modified. Petitioner notes that Husteel calculated its direct and indirect selling expense ratios for CV based on a denominator that represents SeAH's cost of manufacturing, and Husteel calculated its CV profit ratio based on a denominator that represents SeAH's cost of production, which includes SeAH's cost of manufacturing, general and administrative expenses (G&A expenses), interest expenses, and direct and indirect selling expenses.¹ See Husteel's Response to the Department's Supplemental Antidumping Duty Questionnaire (May 2, 2007) at Exhibit D-17. However, Petitioner notes that in the Department's margin program, both the CV profit and selling expense ratios are applied to the average CV cost of production (AVGCOPCV), which is comprised of the cost of manufacturing, G&A expenses, and interest expense. Thus, the denominators used by Husteel to calculate the CV profit and selling expense ratios are not consistent with the values to which these ratios are applied in the margin program. In order to correct this mismatch, Petitioner argues that the CV profit and selling expense ratios must be recalculated using the margin program's definition of COP as the denominator (i.e., cost of manufacturing, including G&A expenses and interest expenses).

In its rebuttal brief, with regard to the selling expense ratios, Husteel agreed that there is a mismatch between the denominators used by Husteel to calculate the CV selling expense ratios and the values to which these ratios are applied in the margin program. However, Husteel disagrees with Petitioner's proposed correction to this mismatch. Husteel argues that its submitted CV indirect selling expense ratio was calculated in accordance with the 10th Administrative Review Issues and Decision Memo, and that it correctly used the data from SeAH's 2005 public audited financial statements. See Issues and Decision Memorandum for the Final Results of the Administrative Review of the Antidumping Duty Order on Oil Country Tubular Goods (OCTG), Other Than Drill Pipe, from Korea, February 27, 2007 (10th AR Issues Memo). Specifically, Husteel states that it based its calculations on the methodologies used by the Department in the 10th AR Issues Memo at comment 2. See Husteel's May 2 supplemental response at 5-6 and Exhibit D-17. Husteel argues that the Department should apply these ratios as it did in the 10th AR Issues Memo, which is to apply them to the average total cost of manufacturing (AVGTCOMU), rather than the AVGCOPCV, thus conforming the denominator used to calculate the selling expense ratios and the factor to which they were applied, basing both on the cost of manufacturing. Husteel argues that rather than recalculating Husteel's selling expense ratios as U.S. Steel has proposed, the better course is to apply to them a factor based on

¹ Because Husteel does not have a viable comparison market, the Department has used SeAH's financial statements for calculating Husteel's CV profit and selling expenses, in accordance with section 773(e)(2)(B)(ii) of the Act.

cost of manufacturing (i.e., AVGTCOMU), as in the 10th AR Issues Memo, thus making recalculation of the selling expense ratios unnecessary.

With regard to the CV profit ratio, Husteel argues that Petitioner is wrong in proposing a recalculation that uses a denominator excluding selling expenses. Husteel argues that the Department clearly stated in the 10th AR Issues Memo at Comment 2:

{T}he Department finds that freight and export overhead expenses {i.e., direct selling expenses} should not be excluded from Husteel's CV profit ratio, because the profit ratio is based on all selling activities, not merely indirect selling expenses. Because SeAH's freight and export overhead constitute selling activities, they should be included in Husteel's CV selling expense ratio. See section 351.402(d)(1) of the Department's regulations in regard to profit. Therefore the Department will continue to include freight and export overhead expenses in Husteel's CV profit ratio.

Husteel argues that, in the 10th administrative review, the Department used a CV profit ratio calculated using COP as the denominator and applied it to a factor based on cost of production that included selling expenses (i.e., AVGCOPCV). See 10th AR Issue Memo. As such, Husteel argues there is no need to recalculate Husteel's CV profit ratio in the instant review. Husteel recommends that the best course to correct the CV profit mismatch is to apply the factor to a calculation that is on the same basis as the CV profit ratio, by using a cost of production factor that includes selling expenses (i.e. AVGTCOMU), rather than AVGCOPCV, which does not.

Department's Position

The Department notes that Petitioner did not argue that there was an error in Husteel's calculation of its CV profit and selling expense ratios, but rather, that these ratios were not applied in the margin program to calculations on the same basis as they were calculated. In its rebuttal brief, Husteel agreed that this was the case. Moreover, the Department finds no reason to recalculate Husteel CV ratios, as they are appropriately based on SeAH's 2005 financial statements. Therefore, the issue before the Department is merely to determine how best to correctly apply Husteel's CV profit and selling expense ratios in the final results.

As the parties agreed, the denominator for the CV selling expense ratio is SeAH's cost of goods sold (which is calculated on the same basis as cost of manufacturing), and the denominator for Husteel's CV profit ratio is SeAH's cost of goods sold plus direct selling expenses, indirect selling expenses, G&A expense, and interest. In the Preliminary Results, the Department applied Husteel's CV selling expense ratio and CV profit ratio to AVGCOPCV. AVGCOPCV is inclusive of G&A expenses and financial expenses, and therefore inconsistent with the basis upon which cost of goods sold and cost of manufacturing are reported. Therefore, to correct this for the final results, the Department will apply Husteel's CV selling ratio to the average total cost of manufacturing (cost of manufacturing only) and the CV profit ratio to the CV average cost of production (cost of manufacturing, plus direct selling expenses, indirect selling expenses,

G&A expense, and interest). This ensures that the CV selling expense and CV profit ratios are applied to variables calculated using the same basis.

Comment 2: Adjustments to Husteel's G&A Expense Ratio

Petitioner argues that Husteel incorrectly calculated its G&A expense ratio. Petitioner notes that Husteel correctly based its calculation on its 2005 financial statements, and took as an offset to its G&A expense its gain on the disposal of fixed assets in 2005. However, Petitioner argues, the gain that Husteel excludes does not account for the entire gain on the sale of land it realized in 2005. Petitioner states that some of Husteel's gain on the sale of land is improperly included in its gain on the disposal of fixed assets that is applied as an offset to G&A expenses. Consequently, Petitioner argues, Husteel's G&A offset is overstated and its G&A expense ratio is understated. In the final results, Petitioner argues that the Department should recalculate Husteel's G&A expense ratio to properly exclude all of Husteel's gain on the sale of land in 2005.

Petitioner posits that in calculating its G&A expense ratio, Husteel included a "Gain {on} Disposal of Fixed Assets" in its net G&A expense. See Husteel's Sections C and D Response at Exhibit D-12, Column Entitled "Amount." Husteel then deducted a portion from the gain, describing the exclusion as a "Gain on Disposal of Land," to arrive at the reported net gain. See id. at Column Entitled "Net Amount." Husteel deducted this net gain as an offset to its net G&A expense. In other words, Petitioner argues, according to Husteel's G&A expense calculation, Husteel realized a gain on the disposal of fixed assets in 2005, in the form of a gain on the sale of land, that was much larger than it declared.

Petitioner points to the Department's preliminary results analysis memo for Husteel in the instant review, attached to which is the constructed export price (CEP) profit ratio calculation for the 10th administrative review, as evidence that Husteel's calculation of its gain on the sale of land cannot be correct. See Memorandum From Dara Iserson to the File Regarding Analysis of Husteel Co., Ltd. (Husteel) for the Preliminary Results of the Administrative Review of Oil Country Tubular Goods, Other Than Drill Pipe, from Korea, (Aug. 31, 2007). The CEP calculation from the 10th administrative review shows that Husteel realized a gain from the sale of land in the first half of 2005. See Husteel's Case Brief to the 8/01/04 – 7/31/05 administrative review (Oct. 2, 2006) at 12-13. Based on the foregoing, Petitioner argues it is indisputable that Husteel realized a gain on the sale of land in 2005 that was much larger than the amount that it excluded from the G&A expense ratio calculation in the instant review. Petitioner argues that excluding this additional gain on the sale of land would be consistent with the Department's treatment of gains on the sale of land in other reviews, including the 10th administrative review.²

Petitioner also points out that in the 10th Administrative review, the Department calculated Husteel's CEP ratio based on the figures for the period of review (i.e., August 1, 2005 to July 31,

² See, e.g., Issues and Decision Memorandum in OCTG from Korea 10AR, at Comment 3.

2006). There, Husteel argued that its 2005 gain on the sale of land was outside the ordinary course of business and should thus be excluded from the CEP ratio calculation. See Husteel's Case Brief to the 8/01/04 – 7/31/05 administrative review (Oct. 2, 2006) at 12-13. The Department agreed with Husteel and excluded the 2005 gain on the sale of land from the CEP ratio calculation. See 10th AR Issue Memo at Comment 3. Therefore, Petitioner argues, consistent with the Department's well-established practice, all gain on the sale of land realized by Husteel in 2005 must be excluded from the G&A expense calculation. Accordingly, the Department should recalculate Husteel's G&A expense ratio in the final results by excluding from the numerator the gain from the sale of land in the first half of 2005.

Husteel argues that it calculated its G&A expense ratio based on its Statement of Income from its 2005 audited financial statements, and in doing so excluded gains and losses on investment activity in accordance with the Department's determination in the 10th Administrative review, as well as gains on the disposal of land related to the closure of its Inchon factory as in the prior two reviews. See Husteel's Rebuttal Brief at 6. Further, Husteel argues that Petitioner had ample opportunity to raise its concerns about Husteel's calculation of its G&A expense ratio during the administrative review and did not do so. Husteel points out that the Department issued a supplemental questionnaire during this review on April 11, 2007, to which Husteel provided its response on May 2, 2007. Husteel notes that there were no questions in this supplemental questionnaire regarding the calculation of Husteel's G&A expense ratio, and that Petitioner provided no comments on Husteel's initial or supplemental questionnaire responses, nor gave any indication that it had questions as to the completeness or accuracy of any of Husteel's factual and data responses to the Department's information requests. Husteel argues that, according to 19 C.F.R. § 351.301(c)(1), Petitioner had the opportunity to "submit factual information to rebut, clarify, or correct factual information submitted by any other interested party . . . no later than 10 days after the date such factual information is served on the interested party" Since Husteel provided its G&A expense ratio calculation as part of its Section D response submitted on January 3, 2007, Husteel argues that the deadline for Petitioner to comment on, or to question the accuracy of, Husteel's G&A expense ratio has long since passed. Therefore, Husteel argues that the Department should reject U.S. Steel's allegation as untimely and base the final results on the factual record as submitted by Husteel.

Department's Position

With regard to Husteel's argument that Petitioner's comments regarding Husteel's calculation of its G&A expense ratio are untimely and should be rejected, the Department disagrees. At 19 C.F.R. § 351.309(c)(ii)(2) there is no requirement that an interested party comment on an issue prior to their case brief in order to comment on said issue. Further, while Petitioner's case brief includes a discussion regarding facts and calculations from a previous review period, this information had been placed on the record by the Department for its preliminary results. Therefore, the Department finds no cause to reject as untimely Petitioner's arguments regarding this issue.

With regard to Husteel's calculation of its G&A expense ratio, the Department continues to find that this ratio is correctly calculated. The calculation is correctly based on Husteel's 2005 financial statements. See Husteel's section D response as Exhibit D-12. Petitioner's argument that Husteel incorrectly calculated its gain on disposal of land is based solely on Petitioner's comparison to information related to the calculation of another ratio applicable to the prior review. See Petitioner's case brief at 6-9. However, we accept Husteel's calculation of its G&A expense ratio as reasonable. Based on the evidence on the record, the Department finds no reason to doubt that Husteel correctly reported its G&A expense ratio. Therefore, the Department will continue to use Husteel's reported G&A expense ratio for the final results.

Comment 3: SeAH's Further Manufacturing and Selling Expense Ratios

Petitioner argues that SeAH has incorrectly calculated its indirect selling expenses and G&A expenses associated with further manufacturing incurred in the United States by (i) splitting the total G&A expenses incurred by PPA between "expenses related to the selling operation" and "expenses related to further manufacturing" and (ii) applying the former to the calculation of indirect selling expenses and the latter to the calculation of further manufacturing. Petitioner argues that SeAH's calculation methodology (i) does not comport with the Department's calculation methodology in the 10 administrative review, (ii) does not reflect PPA's substantial involvement in the further manufacturing process, and (iii) creates an absurd result, whereby a substantial percentage of the G&A expenses reported in PPA's audited financial statements are treated as selling expenses, rather than G&A expenses, for purposes of calculating indirect selling expenses and further manufacturing costs. Therefore, Petitioner argues, for the final results, the Department should reject SeAH's calculation methodology and recalculate indirect selling expenses and further manufacturing consistent with its calculation methodology in the 10th administrative review.

Petitioner holds that SeAH has claimed that PPA "does not maintain records that directly identify the general expenses related to further manufacturing." See SeAH's Supplemental Response at 1. Further, Petitioner contends that SeAH has also acknowledged that PPA reports selling and G&A expenses separately in its audited financial statements. See id. Notwithstanding, Petitioner argues that SeAH has attempted to calculate PPA's general expenses related to further manufacturing and expenses related to the selling operation "on the basis of the sales value of the further processing . . . and the sales value of all sales." Id. Specifically, Petitioner states, SeAH has calculated its indirect selling expenses and further manufacturing by (i) isolating a significant portion of G&A expenses reported in PPA's books and records, treating them as selling expenses, and including such expenses in the calculation of indirect selling expenses and (ii) applying the remaining G&A expenses in the calculation of further manufacturing. Petitioner argues that this calculation methodology conflicts with the Department's methodology used in the previous review.

Petitioner argues that in the previous review, the Department found that "PPA's primary function {was} as a selling agent and that {PPA did} not perform any further processing in-house." See

SeAH's Supplemental Response at 1. Nevertheless, Petitioner points out, the Department found that because PPA "coordinate{d} the further processing performed by its outside contractors, including providing couplings and arranging transportation" and recorded selling and G&A expenses separately in its audited financial statements, "PPA's G&A activities typically support{ed} the general production activities of the company as a whole (i.e., in its income statement)." Id. Based on the foregoing, the Department determined that the total G&A expenses reported in PPA's audited financial statements reasonably reflected the costs associated with the further manufacture of subject merchandise and included the full G&A expenses reported in PPA's audited financial statements in the calculation of further manufacturing. Id. In addition, the Department included the full selling expenses reported in PPA's audited financial statements in the calculation of indirect selling expenses. Petitioner argues that the facts in the instant review have not changed from the facts in the 10th administrative review. Therefore, there is no basis for SeAH to use a different methodology for calculating further manufacturing and indirect selling expenses than that used by the Department in the 10th administrative review.

Further, Petitioner argues, given that the majority of subject merchandise sold in the United States by SeAH was further manufactured and that PPA was actively involved in the further manufacturing process, a substantial amount of PPA's reported G&A expenses would relate to its further manufacturing activities. Id. Thus, Petitioner argues that, as it did in the 10th administrative review, the Department should determine that PPA's total G&A expenses reported in its audited financial statements reasonably reflect the costs associated with the further manufacture of subject merchandise and should include the full G&A expenses in the calculation of further manufacturing.

Lastly, pursuant to section 772(d)(2) of the Act, Petitioner argues that the Department is required to deduct the "cost of any further manufacture or assembly" from the price used to establish CEP. Included in this "cost of any further manufacture or assembly" are G&A expenses incurred by respondents in support of their U.S. affiliates' further manufacturing activities. Specifically, in Section E of the Questionnaire, the Department instructs respondents to include in their "reported G&A expenses an amount for administrative services performed on {the U.S. affiliate's behalf} by its parent company or other affiliated party."³ Given this, Petitioner argues that the Department should include SeAH's G&A expenses incurred in support of PPA's further manufacturing processes in the United States in the calculation of further manufacturing.

SeAH argues that it has been a respondent in numerous antidumping proceedings, covering standard welded pipe, stainless steel pipe, and corrosion-resistant flat-rolled products. In each of these prior proceedings, SeAH explains, PPA has been involved in the sales of the merchandise in the United States, and SeAH has reported the total expenses incurred by PPA as selling expenses in accordance with the Department's long-standing practice that assumes all expenses of a U.S. sales subsidiary are selling expenses regardless of the classification on the financial

4 See Questionnaire at E-10.

statements. Of the products sold by PPA, SeAH argues that only OCTG involves further manufacturing.

SeAH maintains that, consistent with the approach accepted by the Department in these other cases, it reported all expenses incurred by PPA as selling expenses in this review. SeAH argues that the Department had agreed with this approach in all prior reviews through the publication of the preliminary results in the tenth review.⁴ SeAH argues that it was only in the final results of the tenth review that the Department announced a change in the calculation methodology and included general expenses in the further manufacturing cost. See 10th AR Issue Memo at Comment 10. SeAH explains that in implementing that decision, the Department relied solely on the classification of the expenses in the financial statements, which resulted in the allocation of all but a small portion of the expenses to further manufacturing. SeAH points out that since the decision to use the financial statement designation could not be submitted as a ministerial error (as there was no other information on the record at the time), SeAH had no opportunity to explain to the Department why that financial statement designation was unrepresentative of the expenses related to further manufacturing. The eleventh review, therefore, was SeAH's first opportunity to provide its calculation of the selling and general expenses in line with the Department's decision that further manufacturing should include only those general expenses related to the further manufacturing operation.⁵

SeAH argues that the approach used by the Department in the tenth review should be reexamined and that the distinction between selling and general expenses on the financial statements does not properly distinguish between selling and further manufacturing operations. Therefore, SeAH argues, the remaining question is whether or not SeAH's allocation methodology in the eleventh review is reasonable. SeAH notes that it split the total general expenses on the basis of the sales value of the further manufacturing to the sales value of the purchased products. SeAH explains that the amount allocated to further manufacturing, which measures a very small percentage of the total sales value (and therefore justifies the allocation of the same percentage of the total expenses to further manufacturing that Petitioner disputes), was then divided by the total further manufacturing cost, with the resultant ratio then applied to the further manufacturing.

SeAH argues that Petitioner's suggestion that the G&A expense ratio be calculated as a percentage of the total cost of sales, including the cost of all purchased products, and that the resulting ratio should be applied to the total cost of the imported product plus further manufacturing, is incorrect. SeAH argues that the value of the imported product cannot also be part of the further manufacturing cost that occurs after importation. SeAH argues it is therefore

⁴ See, e.g., Oil Country Tubular Goods, Other Than Drill Pipe, from Korea, 67 Fed. Reg. 57,570, 57,572 (Dep't Commerce Sept. 11, 2002) (preliminary results of antidumping duty administrative review)(indicating that the Department accepted SeAH's reported SG&A as selling expenses).

⁵ See SeAH's May 8, 2007 Supplemental Response at 1-3 (explaining the basis for the revised approach).

inappropriate to include the value of the imported product as part of the further manufacturing cost.

SeAH argues that the approach advocated by Petitioner (i.e., the classification of expenses on PPA's financial statements in determining the allocation of expenses between selling and general expenses), would lead to absurd results in cases in which no further manufacturing is involved. For example, SeAH states that if Petitioner's approach were applied in the standard pipe case, there would be virtually no deduction for selling expenses since the majority of expenses incurred by PPA would be classified as general expenses in line with their classification in PPA's financial statements. SeAH argues that this would occur despite the fact that there is no further manufacturing for the standard pipe that is sold by PPA. There would thus be minimal selling expenses included for the activities of the affiliated U.S. sales agent and the general expenses would be excluded because there was no further manufacturing. Therefore, SeAH argues, a selling expense and a general expense must be consistently treated as such in all cases regardless of whether further manufacturing is involved or not. In sum, SeAH argues it was justified in revising the allocation of the general expenses in this review and the Department was justified in accepting SeAH's methodology in the Preliminary Results. SeAH argues no changes are warranted in the final results.

Finally, SeAH argues that it is unnecessary and improper to include SeAH's general expenses in the further manufacturing cost. SeAH argues that its reported general expense ratio was calculated by dividing the total expenses on the unconsolidated financial statement by the unconsolidated cost of sales. The general expenses were then added to the cost of manufacture of the products produced by SeAH, including the manufacturing cost of the plain end pipe sold to PPA. The further manufacturing expenses incurred in the U.S. are not included in the cost of sales amount over which the ratio was calculated.⁶ Accordingly, it is a mismatch to apply SeAH's G&A expense ratio to PPA's further manufacturing cost. SeAH argues that the further manufacturing at issue is not performed by the U.S. subsidiary, and by Petitioner's own admission, the work involved with coordinating the further manufacturing is handled by PPA alone. SeAH argues that it was appropriate to base the general expense calculation on PPA's expenses.

Department's Position

Pursuant to section 772(d)(2) of the Act, the Department is required to deduct the cost of any further manufacture or assembly from the price used to establish CEP. It is the Department's long-standing practice to include all G&A expenses related to further manufacturing in the calculation of FURMANU. See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, From Germany 61 FR 38166 (July 23, 1996) where the Department stated "for the

⁶ See SeAH's January 3, 2007 Section D Response at Exhibit D-14 (providing the G&A expense ratio calculation that tracks directly to SeAH's financial statements).

final determination, we computed MRD's further manufacturing G&A expense rate based on the ratio of the reported G&A expenses to cost of sales"; see also Notice of the Preliminary Results of Antidumping Duty Administrative Review: Stainless Steel Bar from France, 70 FR 17411 (April 6, 2005) (unchanged in the final results) where the Department stated that "to calculate the cost of further manufacturing, we relied on UGITECH's reported cost of further manufacturing materials, labor, and overhead, plus amounts for further manufacturing G&A expenses and financial expenses." In both cases, the Department's practice has been to include G&A expense in calculating the respondent's further manufacturing costs. In addition, section E of the questionnaire states that "further manufacture or assembly (further manufacturing) costs include amounts incurred for direct materials, labor and overhead, plus amounts for G&A expenses, interest expenses, additional U.S. packing expenses, and all costs involved in moving the product from the U.S. port of entry to the further manufacturer."

We note, however, PPA's primary function is to act as a selling agent. It does not perform any further processing in house. PPA is required to coordinate the further processing performed by its outside contractors, including supplying the couplings used in further manufacturing and arranging transportation. See 10th AR Issue Memo. Further, the record shows that PPA "does not maintain records that directly identify the general expenses related to further manufacturing." See SeAH's Supplemental Response at 1.

In the final results of the 10th administrative review, the Department recalculated PPA's G&A expense ratio based on its unconsolidated financial statements consistent with the Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Carbon and Certain Alloy Steel Wire Rod from Canada, 67 FR 17389 (April 10, 2002) (determination unchanged in final), in which we stated that "we calculated Stelco's further manufacturing G&A expense rate based on the Stelco USA unconsolidated financial statements." See 10th AR Issue Memo. However, in the instant review, SeAH has allocated its reported G&A expenses based specifically on its experience in dealing with OCTG and the further manufacturing of OCTG. Specifically, SeAH isolated PPA's G&A expenses and allocated them based on the relevant sale value ratio (*i.e.*, the sales value of further manufactured products and the sales value of all other products). The Department finds that SeAH's experience with OCTG further manufacturing is a reasonable and accurate measure upon which to base the calculation. Therefore, we will continue to use SeAH's reported further manufacturing costs for the final results.

With regard to the inclusion of SeAH's G&A expenses related to further manufacturing, we agree with Petitioner that if such expenses exist, they should be included in the cost of further manufacturing. However, SeAH's explanation of the OCTG further manufacturing process indicates that SeAH is not in any way involved in the further manufacturing of OCTG. Therefore, the Department finds it is appropriate to continue to base the general expense related to further manufacturing calculation on only PPA's expenses.

Recommendation

Based on our analysis of the comments received, we recommend adopting the above positions. If the recommendations are accepted, we will publish the final weighted-average dumping margins and the final results of this administrative review in the Federal Register.

Agree

Disagree

David M. Spooner
Assistant Secretary
for Import Administration

Date