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MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the
Administrative Review of the Antidumping Duty Order on Certain
Steel Nails from Malaysia; 2016-2017

I. SUMMARY

The Department of Commerce (Commerce) analyzed the comments submitted by interested parties in the 2016/2017 administrative review of the antidumping duty order on certain steel nails (steel nails) from Malaysia. Following the *Preliminary Results*¹ and based on our analysis of the comments received, we made changes to the margin calculations for Inmax Sdn. Bhd. (Inmax Sdn.) and Inmax Industries Sdn. Bhd. (Inmax Industries) (collectively, Inmax), and Region System Sdn. Bhd. (Region System) and Region International Co. Ltd. (Region International) (collectively, Region) for the final results of review. We recommend that you approve the positions described in the “Discussion of the Issues” section of this memorandum. Below is a list of the issues in this administrative review for which we received comments from interested parties:

¹ See *Certain Steel Nails from Malaysia: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review; 2016-2017*, 83 FR 39422 (August 9, 2018) and accompanying Preliminary Decision Memorandum (*Preliminary Results*).

II. LIST OF ISSUES

A. Inmax

Comment 1: Revision of General and Administrative Expenses

B. Region

Comment 2: Application of the Transactions Disregarded Analysis

- a) Heat Treatment
- b) Electroplating
- c) Clerical Errors

III. BACKGROUND

On August 9, 2018, we published the *Preliminary Results* of this administrative review.² On September 10, 2018, we received a request for a hearing from the petitioner, Mid Continent Steel & Wire, Inc. On February 26, 2019, the petitioner withdrew its request for a hearing.³ We conducted a verification of Inmax's sales information from September 17 through 21, 2018.

We invited interested parties to comment on the *Preliminary Results* and the verification report. For Region issues, we received case briefs from the petitioner and Region on December 14, 2018,⁴ and we received a rebuttal brief from Region on December 21, 2018.⁵ For Inmax issues, we received a case brief from the petitioner on February 14, 2019, and a rebuttal brief from Inmax on February 19, 2019.^{6, 7}

On November 8, 2018, we postponed the deadline for the final results of review.⁸ In addition, Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018, through the resumption of operations on January 29, 2019.⁹ If the new deadline falls on a non-business day, in accordance with Commerce's practice, the

² *Id.*

³ See Petitioner's Letter, "Certain Steel Nails from Malaysia: Withdrawal of Hearing Request," dated February 26, 2019.

⁴ See Petitioner's Letter, "Certain Steel Nails from Malaysia: Case Brief on Region.," dated December 14, 2018 (Petitioner Case Brief – Region); see also Region's Letter, "Certain Steel Nails from Malaysia: Case Brief," dated December 12, 2018 (Region Case Brief).

⁵ See Region's Letter, "Steel Nails from Malaysia: Rebuttal Brief," dated December 21, 2018 (Region's Rebuttal Brief).

⁶ See Letter, "Certain Steel Nails from Malaysia: Case Brief Inmax," dated February 14, 2018 (Petitioner Case Brief – Inmax).

⁷ See Letter, "Steel Nails from Malaysia – Rebuttal Brief," dated February 19, 2019 (Inmax Rebuttal Brief).

⁸ See Memorandum, "Certain Steel Nails from Malaysia: Extension of Deadline for the Final Results of Antidumping Duty Administrative Review; 2016-2017," dated November 8, 2018.

⁹ See memorandum to the Record from Gary Taverman, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Partial Shutdown of the Federal Government," dated January 28, 2019. All deadlines in this segment of the proceeding have been extended by 40 days.

deadline will become the next business day. Accordingly, the deadline for this final determination is March 13, 2018.

IV. SCOPE OF THE ORDER

The merchandise covered by the antidumping duty order is certain steel nails having a nominal shaft length not exceeding 12 inches.¹⁰ Certain steel nails include, but are not limited to, nails made from round wire and nails that are cut from flat-rolled steel. Certain steel nails may be of one piece construction or constructed of two or more pieces. Certain steel nails may be produced from any type of steel, and may have any type of surface finish, head type, shank, point type and shaft diameter. Finishes include, but are not limited to, coating in vinyl, zinc (galvanized, including but not limited to electroplating or hot dipping one or more times), phosphate, cement, and paint. Certain steel nails may have one or more surface finishes. Head styles include, but are not limited to, flat, projection, cupped, oval, brad, headless, double, countersunk, and sinker. Shank styles include, but are not limited to, smooth, barbed, screw threaded, ring shank and fluted. Screw-threaded nails subject to this proceeding are driven using direct force and not by turning the nail using a tool that engages with the head. Point styles include, but are not limited to, diamond, needle, chisel and blunt or no point. Certain steel nails may be sold in bulk, or they may be collated in any manner using any material.

Excluded from the scope of this order are certain steel nails packaged in combination with one or more non-subject articles, if the total number of nails of all types, in aggregate regardless of size, is less than 25. If packaged in combination with one or more non-subject articles, certain steel nails remain subject merchandise if the total number of nails of all types, in aggregate regardless of size, is equal to or greater than 25, unless otherwise excluded based on the other exclusions below.

Also excluded from the scope are certain steel nails with a nominal shaft length of one inch or less that are (a) a component of an unassembled article, (b) the total number of nails is sixty (60) or less, and (c) the imported unassembled article falls into one of the following eight groupings: 1) builders' joinery and carpentry of wood that are classifiable as windows, French-windows and their frames; 2) builders' joinery and carpentry of wood that are classifiable as doors and their frames and thresholds; 3) swivel seats with variable height adjustment; 4) seats that are convertible into beds (with the exception of those classifiable as garden seats or camping equipment); 5) seats of cane, osier, bamboo or similar materials; 6) other seats with wooden frames (with the exception of seats of a kind used for aircraft or motor vehicles); 7) furniture (other than seats) of wood (with the exception of i) medical, surgical, dental or veterinary furniture; and ii) barbers' chairs and similar chairs, having rotating as well as both reclining and elevating movements); or 8) furniture (other than seats) of materials other than wood, metal, or plastics (*e.g.*, furniture of cane, osier, bamboo or similar materials). The aforementioned imported unassembled articles are currently classified under the following Harmonized Tariff Schedule of the United States (HTSUS) subheadings: 4418.10, 4418.20, 9401.30, 9401.40, 9401.51, 9401.59, 9401.61, 9401.69, 9403.30, 9403.40, 9403.50, 9403.60, 9403.81 or 9403.89.

¹⁰ The shaft length of certain steel nails with flat heads or parallel shoulders under the head shall be measured from under the head or shoulder to the tip of the point. The shaft length of all other certain steel nails shall be measured overall.

Also excluded from the scope of this order are steel nails that meet the specifications of Type I, Style 20 nails as identified in Tables 29 through 33 of ASTM Standard F1667 (2013 revision).

Also excluded from the scope of this order are nails suitable for use in powder-actuated hand tools, whether or not threaded, which are currently classified under HTSUS subheadings 7317.00.20.00 and 7317.00.30.00.

Also excluded from the scope of this order are nails having a case hardness greater than or equal to 50 on the Rockwell Hardness C scale (HRC), a carbon content greater than or equal to 0.5 percent, a round head, a secondary reduced-diameter raised head section, a centered shank, and a smooth symmetrical point, suitable for use in gas-actuated hand tools.

Also excluded from the scope of this order are corrugated nails. A corrugated nail is made up of a small strip of corrugated steel with sharp points on one side.

Also excluded from the scope of this order are thumb tacks, which are currently classified under HTSUS subheading 7317.00.10.00.

Certain steel nails subject to this order are currently classified under HTSUS subheadings 7317.00.55.02, 7317.00.55.03, 7317.00.55.05, 7317.00.55.07, 7317.00.55.08, 7317.00.55.11, 7317.00.55.18, 7317.00.55.19, 7317.00.55.20, 7317.00.55.30, 7317.00.55.40, 7317.00.55.50, 7317.00.55.60, 7317.00.55.70, 7317.00.55.80, 7317.00.55.90, 7317.00.65.30, 7317.00.65.60 and 7317.00.75.00. Certain steel nails subject to this order also may be classified under HTSUS subheadings 7907.00.60.00, 7806.00.80.00, 7318.29.00.00, 8206.00.00.00 or other HTSUS subheadings.

While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

V. CHANGES SINCE THE PRELIMINARY RESULTS

Based on our analysis of the comments received from interested parties, and our findings at verification, we made certain changes to our margin calculations for Inmax and Region. Specifically, for Inmax:

- We revised the calculation of G&A expenses used in the calculation of the total cost of manufacturing for each control number (CONNUM).¹¹
- We changed the fumigation expenses reported for U.S. sales due to a minor correction presented at verification.¹²
- We recalculated the domestic indirect selling expenses incurred on U.S. sales due to a

¹¹ See Comment 1, below.

¹² See Memorandum, "Verification of the Sales Responses of Inmax Sdn. Bhd. and Inmax Industries Sdn. Bhd. in the 2016/2017 Administrative Review of the Antidumping Duty Order on Steel Nails from Malaysia," dated February 6, 2019 (Inmax Verification Report), 2-3.

- minor correction presented at verification.¹³
- We revised amounts for certain domestic inland freight expenses due to a minor correction presented at verification.¹⁴
- We entered the correct payment date for one home-market sale based on a finding at verification.¹⁵

Additionally, for Region:

- We made changes to the adjustments for electroplating expenses.¹⁶
- We revised the cost of manufacturing programming language to correct clerical errors related to the electroplating, heat treatment, and annealing expenses.¹⁷

VI. DISCUSSION OF THE ISSUES

A. Inmax-Specific Issues

Comment 1: Revision of G&A Expenses

*Petitioner's Comments*¹⁸

- Commerce should modify its normal cost “collapsing” methodology by calculating Inmax’s general and administrative (G&A) expense ratio at the consolidated level of its parent company, Inmax Holding Co., Ltd. (Inmax Holding), in addition to adjusting the wire rod costs as it did in the preliminary results of review, in order to minimize the effect of price or production manipulation by the Inmax companies. Under its normal methodology, the respondent must calculate the cost, including G&A expenses, of each “collapsed” entity separately and then weight average the costs of the entities by CONNUM into a single cost database. However, this methodology was exploited by Inmax in this review.
- Where there are two companies with substantially identical production capabilities, a respondent can manipulate the system by switching production and costs between the companies. The company with a lower cost of production (COP) can be dedicated to producing the CONNUMs that are important for the margin calculations (i.e., the products sold in the United States), while the company with a higher COP can be dedicated to producing CONNUMs that do not have a material impact in the margin calculations. Regarding the general expenses of the two companies, these expenses can be recorded in the books of the chosen entity.
- The overreaching objective of Commerce’s collapsing methodology is to eliminate the possibility of the manipulation of price or production. However, its methodology

¹³ *Id.*

¹⁴ *See* Inmax Verification Report at 2-3.

¹⁵ *Id.*

¹⁶ *See* Memorandum, “Analysis Memorandum for Region International Co., Ltd and Region System Sdn. Bhd. in the Preliminary Results of the 2016/2017 Administrative Review of the Antidumping Duty Order on Certain Steel Nails from Malaysia,” dated concurrently with this memorandum (Region Final Analysis Memorandum).

¹⁷ *Id.* at 1-2.

¹⁸ *See* Petitioner Case Brief – Inmax at 1-7.

continues to mask cost manipulation by the two Inmax companies and, as such, it should be modified in the current review because it dilutes the actual COPs incurred by these companies. Similar to the wire rod costs, the G&A expenses relate to Inmax's operations as a whole and, since there are no differences in the operating structures between Inmax Sdn. and Inmax Industries, there should be no significant differences in their G&A expense ratios. Thus, Commerce should depart from its normal methodology and calculate a G&A expense ratio at the consolidated level of Inmax Holding, since Inmax has stated that the parent company has no operations other than performing administrative functions for Inmax Sdn. and Inmax Industries.

*Inmax's Rebuttal Comments*¹⁹

- Commerce should continue to calculate Inmax's G&A expense ratios following its normal practice of weight-averaging costs for collapsed companies. The petitioner's suggestion to isolate certain costs and apply a different allocation methodology to these costs than to other costs and to ignore differences in price structure just because the process would result in higher dumping margins is "inappropriate," would unnecessarily burden Commerce, and would upset the inherent cohesion in Inmax's overall manufacturing and price structure.²⁰ The petitioner does not cite a single case where Commerce selectively "uncollapsed" entities and, also, Inmax is entitled to rely on Department policy and practice regarding total and objective collapsing.
- According to Commerce's instructions in the antidumping duty questionnaire, Inmax reported the G&A expenses of each Inmax company plus an allocated amount for the parent company, Inmax Holding, as it had done for the first two segments of this proceeding. Commerce accepted these calculations and successfully verified them in the less-than-fair-value investigation and in this current administrative review. In the past, Commerce has rejected attempts to calculate G&A expenses on a consolidated, divisional or product-specific basis to avoid distortions resulting from expenses being allocated disproportionately among divisions.²¹ Commerce has found its established approach to be consistent with Section 773(b)(3)(B) of the Tariff Act of 1930, as amended (the Act), which provides that, for purposes of calculating COP, Commerce shall include an amount for selling and G&A expenses based on actual data pertaining to the production and sales of the foreign like product by the exporter in question.²² Accordingly, Inmax's G&A expenses, used in the *Preliminary Results*, were calculated in accordance with Commerce's consistent approach to allocating these expenses.

¹⁹ See Inmax Rebuttal Brief at 1-6.

²⁰ In support of its argument, Inmax cites *Viraj Group v. United States*, 476 F.3d 1349, 1357 (Fed. Cir. 2007); *Certain Steel Nails from Malaysia: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review; 2014-2016*, 82 FR 36741 (August 7, 2017) and accompanying Issues and Decision Memorandum, Comments 14 and 16.

²¹ Inmax cites *Notice of Final Results of the Eighth Administrative Review of the Antidumping Duty Order on Certain Pasta from Italy and Determination to Revoke in Part*, 70 FR 71464 (November 29, 2005) and accompanying Issues and Decision Memorandum, Comment 5.

²² Inmax cites *Silicon Metal from Norway: Affirmative Final Determination of Sales at Less Than Fair Value, Final Determination of No Sales, and Final Negative Determination of Critical Circumstances*, 83 FR 9829 (March 8, 2018) and accompanying Issues and Decision Memorandum, Comment 3.

- If Commerce departs from its established methodology and relies on a consolidated G&A expense ratio, then it should calculate a weighted-average G&A expense ratio based on the expenses of Inmax Sdn. and Inmax Industries. Although the petitioner has argued that Commerce should apply a consolidated ratio for such expenses at the level of Inmax Holding, these expenses would be even farther removed from the actual G&A costs incurred by two producing companies and thereby less accurate. Where a parent company has acted solely as a holding company for a respondent producer and had no other function, Commerce has only allocated the expenses of the parent company in the calculation of the producing company's G&A expenses, as Inmax has done for the current and past segments of this proceeding.²³

Commerce's Position:

Section 773(f)(1)(a) of the Act states that Commerce will rely on a respondent's normal books and records where such records reasonably reflect the costs associated with the production and sale of the subject merchandise. In cases where the costs reported according to company's normal books are unreasonable (e.g., if cost differences among products do not represent differences in physical characteristics), Commerce may revise such costs.²⁴ Inmax reported a separate weighted-average cost of low carbon wire rod in each quarter for each of the two collapsed entities, Inmax Industries and Inmax Sdn. We noted that in certain quarters the cost of wire rod differed significantly between each entity. Further, we noted that this difference appeared to be related to the plant where a particular product was produced, rather than to differences in the physical characteristics between products. Therefore, for the preliminary results, we calculated one weighted-average low carbon wire rod cost for the collapsed entity in each quarter. We used this same weighted-average wire rod cost in the calculation of each company's cost of manufacturing.

With regard to the petitioner's argument that Commerce should continue to adjust Inmax's wire rod costs as in the preliminary results, we agree. The petitioner further argues that Commerce should also modify its collapsing methodology by ignoring the company-specific ratios reported by Inmax Industries and Inmax Sdn. and calculate G&A expenses at the consolidated level. Our normal practice is to calculate separate G&A ratios for each producer within a collapsed entity, and then apply the ratios to each company's respective CONNUM-specific costs of manufacturing.²⁵ G&A expenses are period costs related to supporting the general operations of a company. By calculating company-specific G&A ratios, we ensure that each company's G&A expenses are applied to the specific products it produced.

²³ Inmax cites *Certain Steel Nails from the Sultanate of Oman: Final Results of Antidumping Duty Administrative Review; 2014-2016*, 83 FR 4030 (January 29, 2018) and accompanying Issues and Decision Memorandum, Comment 13.

²⁴ See, e.g., *Final Results of Antidumping Duty Administrative Review and New Shipper Review: Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea 2014-2015*, 81 FR 62712 (September 12, 2016), and accompanying Issues and Decision Memorandum, Comment 1; see also *Welded Carbon Steel Standard Pipe and Tube Products from Turkey: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2015-2016*, 82 FR 49179, October 24, 2017, and accompanying Issues and Decision Memorandum, Comment 2.

²⁵ See, e.g., *Silicomanganese from Brazil: Final Results of Antidumping Duty Administrative Review*, 69 FR 13813 (March 24, 2004) and accompanying Issues and Decision Memorandum, Comment 11.

In this case, as discussed previously, we found for the preliminary results that it was necessary to recalculate Inmax's reported wire rod costs. Instead of relying on the company-specific wire rod costs reported by Inmax Sdn. and Inmax Industries, in an effort to mitigate the impact of cost differences which were related not to the physical characteristics of the merchandise but to where a particular CONNUM was produced, we calculated a single weighted-average wire rod cost for both entities. While our normal practice is to apply the company-specific G&A ratios for each producer within a collapsed entity to each company's own CONNUM-specific manufacturing costs, we do not find this approach to be appropriate in this particular case given the revisions that we made to the company's reported wire rod costs. The recalculated weighted-average wire rod costs are based on the experience of Inmax as a whole (*i.e.*, they are in essence the combined costs of Inmax Industries and Inmax Sdn.), and they reflect a significant portion of the total reported cost of manufacture. As such, the G&A expense rate that is applied to the revised cost of manufacturing (of which wire rod costs are the vast majority) likewise reflect the experience of Inmax as a whole. Therefore, in order to ensure consistency in this case between the G&A expense rates and the revised manufacturing costs to which they are applied, we are using a single G&A expense rate for Inmax for the final results.

B. Region-Specific Issues

Comment 2: Application of the Transactions Disregarded Analysis

Region's Comments

- Commerce inadvertently double counted the electroplating, heat treatment, and annealing service costs in its program language. Commerce should revise the program to remove the double counting for the final results.²⁶

Petitioner's Comments

- The transactions disregarded analysis for heat treatment services obtained from Yongshen should be based on Yongshen's COP, not on prices charged by Yongshen to its unaffiliated customers because those transactions were not made in the normal course of business. Specifically, the quantity of sales to unaffiliated customers were a small percentage of all sales and the price was not in the normal course of business.²⁷
- The transactions disregarded analysis for electroplating services obtained from Region Surface should be based on the actual market price Region System paid for the same service to unaffiliated processors, and not on Region Surface's estimated COP. Although the market price is based on a small quantity, the petitioner believes based on the price, that the purchases were made in the normal course of business.²⁸

²⁶ See Region Case Brief at 1-2.

²⁷ See Petitioner Case Brief - Region) at 7-9.

²⁸ *Id.* at 2-5.

- Additionally, the petitioner argues that, although Commerce should not rely on the COP of Region Surface for comparison to transfer price, Commerce’s calculation of Region Surface’s COP for electroplating nonetheless has methodological and clerical errors.²⁹

Region’s Rebuttal Comments

- Commerce should not use the market price to value the electroplating input received from Region Surface. On the same ground that the petitioner claims the heat treatment market price may not be in the normal course of business, Region argues the electroplating market price is based on an insufficient, *de minimis* quantity, and that the market price is near the cost of production, and therefore does not reflect the true or meaningful market price. Instead, Commerce should use the price charged by Region Surface to unaffiliated customers for non-nail products, because it is based on a substantial quantity, or Region Surface’s estimated COP for electroplating.³⁰

Commerce’s Position:

For the final results, Commerce finds that an adjustment of Region’s reported costs are necessary to reflect the market price of electroplating services provided by an affiliate. Further, we continue to find that heat treatment services provided by an affiliate to Region reflect the market values on the record, and therefore, Region’s costs do not need to be adjusted for heat treatment services. According to section 773(f)(2) of the Act, Commerce may disregard transactions between affiliated persons if those transactions do not fairly reflect the value in the market under consideration (*i.e.*, if they are not made on an arm’s-length basis). In applying the “transactions disregarded” provision of the statute, Commerce compares the average transfer price for an input or service paid to an affiliated supplier with the market price for that input or service.³¹ Where the transfer price of an input or service is below its market price, Commerce normally will adjust the respondent’s reported costs to reflect the market values on the record.

a) Heat Treatment

During the POR, all of Region System’s heat treatment services were performed by an affiliate. Region System did not obtain heat treatment services from an unaffiliated party.³² However, because the affiliated party performed heat treatment on steel nails for unaffiliated companies, Region reported a market value for heat treatment by the affiliated party based on the average price of heat treatment charges on nail products.³³

²⁹ *Id.* at 5-7.

³⁰ See Region’s Rebuttal Brief at 1-2.

³¹ Commerce’s preference for establishing a market value is a respondent’s own purchases of the input or service from unaffiliated suppliers, and when no such purchases are available, Commerce looks to the affiliated supplier’s sales to unaffiliated parties. See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Negative Critical Circumstances Determination: Bottom Mount Combination Refrigerator-Freezers from the Republic of Korea*, 77 FR 17413 (March 26, 2012) and accompanying Issues and Decision Memorandum (*Refrigerator-Freezers from Korea*), Comment 17.

³² See Region’s January 2, 2018 Section D Questionnaire Response, 4.

³³ See Region’s Letter, *Steel Nails from Malaysia*,” filed on March 29, 2018 (Region SQR1), Exhibit D1-5.a.

The petitioner argues that the quantity of steel nails the affiliated party processed for unaffiliated customers during the POR is not representative. Therefore, Commerce should instead compare the transfer price with the supplier's cost of providing the services.

As noted above, our normal practice in applying the "transactions disregarded" provision of the statute is to compare the average transfer price for an input or service paid to an affiliated supplier with the market price for that input or service. However, if a market price is not available, we may use the supplier's COP as a surrogate for market price. In this case, there is a suitable market price on the record. Although the quantity of heat treatment services performed for steel nail products for unaffiliated companies is small, the individual transactions with unaffiliated customers were at volumes that represent commercial quantities.³⁴ As such, we consider these transactions to be a reasonable reflection of market price in applying our transactions disregarded analysis. In accordance with section 773(f)(2) of the Act, we compared the affiliated transfer price with the market price for the heat treatment service to determine whether the transactions reflect arm's-length prices. Based on this analysis, we find that the affiliated transfer price for the heat treatment service reflects arm's length prices, and therefore, we have not adjusted Region's reported costs for heat treatment services.³⁵

b) Electroplating

During the POR, Region System received electroplating services from Region Surface, an affiliated party, and from an unaffiliated party.³⁶ Region System reported the total quantity and value of the electroplating services purchased from both Region Surface and unaffiliated suppliers. Therefore, we are able to calculate a market price based on the quantity and value of purchases of electroplating services from unaffiliated parties.

However, Region System argues that the quantity of steel nails the unaffiliated party processed for Region System during the POR is not representative and that Commerce should instead compare the transfer price with the market price reported by Region Surface for electroplating non-nail products or use the COP of Region Surface.

Although the quantity of electroplating services performed by unaffiliated companies is small, there is nothing on the record indicating that they are not suitable as a market price. In accordance with section 773(f)(2) of the Act, we compared the affiliated transfer price with the market price for the electroplating service to determine whether the transactions reflect arm's-length prices.³⁷ For these final results, we have not incorporated the supplier's COP for this service in our analysis, as Region suggests, because we have a suitable market price on the

³⁴ See *Stainless Steel Sheet and Strip in Coils from Mexico; Final Results of Antidumping Duty Administrative Review*, 73 FR 7710 (February 11, 2008), and accompanying Issues and Decision Memorandum, Comment 7 ("The critical question is whether the purchases are at quantities "usually reflected" in the market, *i.e.*, at commercial quantities."); see also *Id.* at Exhibit D1-5.b (list of all transactions during the POR).

³⁵ See Region Final Analysis Memorandum at 2.

³⁶ See Region SQR1 at Exhibit D1-4.a.

³⁷ As noted above, Commerce's preference for establishing a market value is a respondent's own purchases of the input or service from unaffiliated suppliers. See, *e.g.*, *Refrigerator-Freezers from Korea* at Comment 17.

record. Based on this analysis, we have adjusted Region's reported costs to reflect the market price of electroplating services from unaffiliated parties.³⁸ We do not address the petitioner's arguments regarding alleged errors in the calculation of Region Surface's estimated COP for electroplating services, as we are not relying on that value in our analysis.

c) *Clerical Errors*

We revised the cost of manufacturing programming language to correct those errors identified in Region's case brief.³⁹

VII. RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions. If this recommendation is accepted, we will publish the final results of this administrative review in the *Federal Register*.

Agree

Disagree

3/12/2019

X



Signed by: GARY TAVERMAN

Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

³⁸ See Region Final Analysis Memorandum at 1-2.

³⁹ See Region Final Analysis Memorandum at 1-2.