



C-489-817

Administrative Review

POR: 1/1/2015 - 12/31/2015

Public Document

E&C AD/CVD OI: Team

DATE: February 6, 2018

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
Countervailing Duty Administrative Review of Oil Country
Tubular Goods from the Republic of Turkey; 2015

I. Summary

The Department of Commerce (Commerce) has completed its administrative review of the countervailing duty (CVD) order of oil country tubular goods (OCTG) from the Republic of Turkey (Turkey) for the period of review (POR) January 1, 2015, through December 31, 2015. The mandatory respondent is Borusan Mannesmann Boru Sanayi ve Ticaret A.S. and Borusan Istikbal Ticaret (collectively, Borusan). After analyzing the only issue raised by Borusan in its brief, we determine that Borusan received a *de minimis* net countervailable subsidy rate during the POR.

II. Background

On October 6, 2017, Commerce published the *Preliminary Results* for this administrative review.¹ On October 10, 2017, Commerce received a timely response from the Government of Turkey (GOT) regarding a request for additional information issued prior to the *Preliminary*

¹ See *Oil Country Tubular Goods from the Republic of Turkey: Preliminary Results of Countervailing Duty Administrative Review and Rescission of Countervailing Duty Administrative Review, in Part*, 82 FR 46767 (October 6, 2017) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (Preliminary Decision Memorandum).



*Results.*² On November 6, 2017, Commerce received a case brief from Borusan.³ No other interested party submitted a case or rebuttal brief.

III. Comments Raised by the Parties

We analyzed the only comment submitted by the interested parties. Specifically, Borusan argued that the “exchange income variation” reported in its responses should be included in the sales denominator. *See* “Comment 1: Whether to Include Exchange Rate Income or Loss in the Sales Denominator,” under the “Analysis of Comment” section of this memorandum.

IV. Scope of the Order

The merchandise covered by the order is oil country tubular goods, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (*e.g.*, whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (“API”) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the order also covers OCTG coupling stock.

Excluded from the scope of the investigation are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to the order is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The merchandise subject to the order may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, 7304.59.80.80, 7305.31.40.00,

² *See* Commerce Letter re: Countervailing Duty Supplemental Questionnaire for GOT, dated September 7, 2017; and GOT’s October 10, 2017 Second Supplemental Questionnaire Response.

³ *See* Borusan’s Case Brief, “Certain Oil Tubular Goods from the Republic of Turkey, Case No. C-489-817: Case Brief,” dated November 6, 2017 (Borusan’s Case Brief).

7305.31.60.90, 7306.30.50.55, 7306.30.50.90, 7306.50.50.50, and 7306.50.50.70.

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

V. Subsidies Valuation Information

A. Period of Review

The period for which we are measuring countervailable subsidies, *i.e.*, POR, is January 1, 2015, through December 31, 2015.

B. Allocation Period

Commerce made no changes to, and interested parties raised no issues in their case briefs regarding, the allocation period or the allocation methodology used in the *Preliminary Results*. For a description of the allocation period and the methodology used for these final results, *see* the *Preliminary Results*.⁴

C. Attribution of Subsidies

Commerce made no changes to, and interested parties raised no issues in their case briefs regarding, the methodology for the attribution of subsidies used in the *Preliminary Results*. For a description of the attribution of subsidies and the methodology used for these final results, *see* the *Preliminary Results*.⁵

D. Denominators

Commerce made no changes to the denominators for total sales and export sales used in the *Preliminary Results*. For a discussion of our consideration of Borusan's argument regarding the sales denominators, *see* the "Analysis of Comment" section below.⁶

VI. BENCHMARK INTEREST RATES

Commerce made no changes to, and interested parties raised no issues in the case briefs regarding the benchmark interest rates used to measure the benefits from export loans used in the *Preliminary Results*. For a description of the short-term interest rate benchmark used in these final results, *see* the *Preliminary Results* and Borusan's Final Calculation Memorandum.⁷

⁴ *See* Preliminary Decision Memorandum at 4.

⁵ *See* Memorandum regarding: Borusan's Preliminary Calculation Memorandum, dated October 2, 2017 (Borusan's Preliminary Calculation Memorandum).

⁶ *Id.*

⁷ *Id.* at 7.

VII. Analysis of Programs

A. Programs Determined to be Countervailable

1. Deductions from Taxable Income for Export Revenue

No issues were raised by interested parties regarding this program and we made no changes to the *Preliminary Results*. For the description, analysis, and calculation methodology for this program, see the *Preliminary Results*.⁸ For these final results of review, we find the rate for Borusan to be 0.11 percent *ad valorem*.⁹

2. Inward Processing Certificate

No issues were raised by interested parties regarding this program and we made no changes to the *Preliminary Results*. For the description, analysis, and calculation methodology for this program, see the *Preliminary Results*.¹⁰ For these final results of review, we find the rate for Borusan to be 0.32 percent *ad valorem*.¹¹

3. Export Financing -- Rediscount Program (Short-Term Pre-Shipment Rediscount Program)

No issues were raised by interested parties regarding this program and we made no changes to the *Preliminary Results*. For the description, analysis, and calculation methodology for this program, see the *Preliminary Results*.¹² For these final results of review, we find the rate for Borusan to be 0.05 percent *ad valorem*.¹³

B. Program Determined to Confer Countervailable Subsidies that are Not Measurable

Provision of Hot-Rolled Steel for Less Than Adequate Remuneration

No issues were raised by interested parties regarding this program and we made no changes to the *Preliminary Results*. For the description, analysis, and calculation methodology for this program, see the *Preliminary Results*.¹⁴ For these final results of review, we continue to find that the net countervailable subsidy rate is less than 0.005 percent *ad valorem* for Borusan and, thus, the benefits are not measurable.¹⁵ Accordingly, we have not included this rate in the overall net countervailable subsidy rate for Borusan.

⁸ See *Preliminary Results*, and accompanying Preliminary Decision Memorandum at 7-9.

⁹ See Borusan's Preliminary Calculation Memorandum.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

C. Programs Determined To Be Not Used

We determine that Borusan did not apply for or receive benefits under these programs during the POR:

- a. Strategic Investment Incentives
 - i. Value Added Tax (VAT) and Customs Duty Exemptions
 - ii. Tax Reductions
 - iii. Income Tax Withholding
 - iv. Social Security and Interest Support
 - v. Land Allocation
- b. Large Scale Investment Incentives
 - i. VAT and Customs Duty Exemptions
 - ii. Tax Reductions
 - iii. Income Tax Withholdings
 - iv. Social Security and Interest Support
 - v. Land Allocation
- c. Export Insurance Provided by Turk Eximbank
- d. Preferential Tax Benefits for Turkish OCTG Producers Located in Free Zones
- e. Incentives for Research and Development (R&D) Activities
 - i. Product Development R&D Support-UFT
 - ii. Tax Breaks
- f. Provision of Steam Coal for Less Than Adequate Remuneration
- g. Investment Encouragement Program (IEP): Customs Duty and VAT Exemptions
- h. Provision of Electricity for LTAR/Law 5084: Energy Support
- i. Provision of Land for Less Than Adequate Remuneration
- j. Law 5084: Withholding of Income Tax on Wage and Salaries
- k. Exemption from Property Tax
- l. Law 5084: Incentive for Employers' Share in Insurance Premiums
- m. Law 6486: Regional Program for Employer's Share of Social Security Withholding
- n. Eximbank Working Capital Loan

VIII. Analysis of Comment

Comment: Whether to Include Exchange Rate Income or Loss in the Sales Denominator

Borusan argues that Commerce should include the company's reported "exchange income variation," *i.e.*, foreign exchange rate gains or losses, in its calculation of Borusan's total sales and total export sales values, which were used as the denominators to calculate the net countervailable subsidy rates of the various investigated subsidy programs.¹⁶ Borusan references information on the record to illustrate that the composition of the value of sales made during the POR includes exchange rate variation.¹⁷ Borusan explains that its invoices are denominated in a foreign currency and are first entered into Borusan's accounting system at the exchange rate

¹⁶ See Borusan's Case Brief at 1-4.

¹⁷ *Id.* at 1.

based on the invoice date. Subsequently, when the payment is made and converted at a later date, the actual amount of Turkish Lira received by Borusan will vary from the Turkish Lira amount initially recorded. The reconciliation of the invoice and the payment entry is the exchange rate gain or loss recorded in the company's accounting system and financial statements. Borusan argues that because the net gain or loss in Turkish Lira due to currency fluctuations is part of the real Turkish Lira revenue received by Borusan from its sales in foreign currency, this gain or loss should be included in Commerce's calculation of the sales denominators used in the subsidy calculations.¹⁸

Commerce's Position:

The countervailable subsidy rate Commerce calculated in the Preliminary Results is *de minimis*. If we were to accept Borusan's argument and include exchange rate variation in the sales denominator, for purposes of this administrative review, the denominator would be larger. Using a larger denominator would lower the already *de minimis* countervailable subsidy rate we calculated for the *Preliminary Results*. Thus, in this administrative review, our decision to include or not include the exchange rate gain or loss in the denominator used to calculate the countervailable subsidy rate would have no impact on the outcome of this administrative review. As such, there is no need to address this issue in this administrative review.

IX Recommendation

Based on our analysis of the comment 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

2/6/2018

X  _____

Signed by: GARY TAVERMAN