



A-489-826

Administrative Review  
03/22/2016 – 09/30/2017

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Office VII: LW

**DATE:** November 1, 2018

**MEMORANDUM TO:** 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

**FROM:** Edward Yang  
Senior Director, Office VII  
Antidumping and Countervailing Duty Operations

**SUBJECT:** Decision Memorandum for the Preliminary Results of  
Antidumping Duty Administrative Review: Certain Hot-Rolled  
Steel Flat Products from the Republic of Turkey; 2016-2017

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## **I SUMMARY**

In response to requests from interested parties, the Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on hot-rolled steel flat products (hot-rolled steel) from Turkey, covering the period of review (POR) March 22, 2016, through September 30, 2017. The administrative review covers one producer/exporter of the subject merchandise, Colakoglu Metalurji A.S. and Colakoglu Dis Ticaret A.S. (collectively, Colakoglu).<sup>1</sup> We preliminarily determine that Colakoglu did not sell the subject merchandise at prices below normal value (NV).

## **II BACKGROUND**

On October 3, 2016, Commerce published the antidumping duty order on hot-rolled steel from Turkey.<sup>2</sup> On October 4, 2017, Commerce notified interested parties of the opportunity to request

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<sup>1</sup> In the underlying investigation, Commerce collapsed Colakoglu Metalurji, A.S. and its affiliated exporter Colakoglu Dis Ticaret A.S (COTA) (collectively, Colakoglu) into a single entity. *See Certain Hot-Rolled Steel Flat Products from the Republic of Turkey: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 15231 (March 22, 2016) and accompanying IDM at 6.

<sup>2</sup> *See Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Amended Final Affirmative Antidumping Determinations for Australia, the Republic of Korea, and the Republic of Turkey and Antidumping Duty Orders*, 81 FR 67962 (October 3, 2016).

an administrative review of the AD order on hot-rolled steel from Turkey.<sup>3</sup> On October 24, 2017, Colakoglu requested a review of itself.<sup>4</sup> On October 31, 2017, AK Steel Corporation, ArcelorMittal USA LLC, Nucor Corporation, SSAB Enterprises, LLC, Steel Dynamics, Inc., and United States Steel Corporation (collectively, the petitioners) requested reviews of eleven exporters.<sup>5</sup> On December 7, 2017, Commerce published a notice to initiate this review.<sup>6</sup>

In December 2017, Gazi Metal Mamulleri Sanayi Ve Ticaret A.S. (Gazi),<sup>7</sup> Toscelik Profile and Sheet Ind. Co. (a.k.a. Toscelik Profil ve Sac endustrisi A.S.) and Tosyali Holding A.S. (collectively, Toscelik), and Eregli Demir ve Celik Fabrikalari T.A.S. and Iskenderun Iron and Steel Works Ltd. (a.k.a. Iskenderun Demir ve Celik A.S.) (collectively, Erdemir)<sup>8</sup> each filed a no shipment certification.<sup>9</sup>

On December 20, 2017, Commerce placed on the record the U.S. Customs and Border Protection (CBP) entry data for U.S. imports of hot-rolled steel from Turkey during the POR.<sup>10</sup> On January 16, 2018, we issued a Respondent Selection Memorandum for this review, in which we selected Colakoglu as mandatory respondent.<sup>11</sup>

We issued Commerce's Initial Questionnaire to Colakoglu on January 19, 2018, and received responses in February and March 2018.<sup>12</sup> The petitioners commented on Colakoglu's

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<sup>3</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 82 FR 46217 (October 4, 2017).

<sup>4</sup> See Colakoglu's October 24, 2017 letter re: Colakoglu's Request for AD Administrative Review. In the underlying investigation, Commerce collapsed Colakoglu Metalurji, A.S. and its affiliated exporter Colakoglu Dis Ticaret A.S. (COTA) (collectively, Colakoglu) into a single entity. See *Certain Hot-Rolled Steel Flat Products from the Republic of Turkey: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 15231 (March 22, 2016) and accompanying IDM at 6.

<sup>5</sup> See the petitioners' October 31, 2017 letter re: Petitioners' Request for Administrative Review. The eleven exporters are: Agir Haddecilik A.S.; Colakoglu Dis Ticaret A.S.; Colakoglu Metalurji, A.S.; Eregli Demir ve Celik Fabrikalari T.A.S.; Gazi Metal Mamulleri Sanayi Ve Ticaret A.S.; Habas Industrial and Medical Gases Production Industries Inc.; Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi; Iskenderun Iron & Steel Works Co.; MMK Atakas Metalurji; Ozkan Iron and Steel Ind.; and Toscelik Profile and Sheet Ind. Co. Tosyali Holding.

<sup>6</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 82 FR 57705 (December 7, 2017) (*Initiation Notice*). In the Initiation Notice, Commerce inadvertently listed two incorrect names of Iskenderun Iron & Steel Works Co and Toscelik Profile and Sheet Ind. Co. and Tosyali Holding. The correct names are Iskenderun Iron and Steel Works Ltd. (a.k.a. Iskenderun Demir ve Celik A.S.) and Toscelik Profil ve Sac Endustrisi A.S. (a.k.a. Toscelik Profile and Sheet Ind. Co.) and Tosyali Holding A.S.

<sup>7</sup> See Gazi's December 11, 2017 letter re: Anti-Dumping Administrative Review (03/22/16 – 09/30/17) (Gazi No Shipments Letter).

<sup>8</sup> In the underlying investigation, Commerce collapsed Eregli Demir ve Celik Fabrikalari T.A.S. and Iskenderun Iron and Steel Works Ltd. (a.k.a. Iskenderun Demir ve Celik A.S.) See *Certain Hot-Rolled Steel Flat Products from the Republic of Turkey: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 15231 (March 22, 2016) and accompanying IDM at 6.

<sup>9</sup> See Toscelik's December 15, 2017 letter re: Toscelik no-shipments letter (Toscelik No Shipments Letter), and Erdemir's December 15, 2017 letters re: Erdemir no-shipments letter (Erdemir No Shipments Letter).

<sup>10</sup> See December 20, 2017 Memorandum re: Release of U.S. Customs Entry Data for Respondent Selection.

<sup>11</sup> See January 16, 2018 Memorandum re: Respondent Selection for the Administrative Review of the Antidumping Duty Order of Certain Hot-Rolled Steel Flat Products from Turkey.

<sup>12</sup> See Commerce's January 19, 2018 letter to Colakoglu, and February 20, 2018 Memorandum re: Clarification of Product Characteristics (collectively, Initial Questionnaire); Colakoglu's February 20, 2018 Section A response (AQR); Colakoglu's March 15, 2018 sections B-D responses (BQR, CQR, DQR).

responses.<sup>13</sup> Between June 2018 and August 2018, we issued supplemental questionnaires and received supplemental responses from Colakoglu.<sup>14</sup> On September 24, 2018, the petitioners filed pre-preliminary results comments.<sup>15</sup>

Commerce exercised its discretion to toll all deadlines affected by the closure of the Federal Government from January 20 through 22, 2018.<sup>16</sup> On June 18, 2018 and October 1, 2018, we extended the deadline for the preliminary results.<sup>17</sup> The revised deadline for the preliminary results is now November 2, 2018.

We are conducting this review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

### **III PERIOD OF REVIEW**

The POR is March 22, 2016, through September 30, 2017.

### **IV SCOPE OF THE ORDER**

The products covered by the order are certain hot-rolled, flat-rolled steel products, with or without patterns in relief, and whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement (“width”) of 12.7 mm or greater, regardless of thickness, and regardless of form of coil (*e.g.*, in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness of less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.*, products which have been “worked after rolling” (*e.g.*, products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

- (1) where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above unless the resulting measurement

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<sup>13</sup> See the petitioners’ March 13, 2018 letter re: Petitioners’ Comments on the Section A Response of Colakoglu, and the petitioners’ May 11, 2018 letter re: Petitioners’ Comments on the Sections B-D Response of Colakoglu.

<sup>14</sup> See Commerce’s June 28, 2018 letter and August 8, 2018 letter, Colakoglu’s July 31, 2018 response (ABCSQR) and August 29, 2018 response (DSQR).

<sup>15</sup> See the petitioners’ September 14, 2018 letter re: Comments on Preliminary Determination Calculations for Colakoglu.

<sup>16</sup> See January 23, 2018 Memorandum re: Deadlines Affected by the Shutdown of the Federal Government (Tolling Memorandum). All deadlines in this segment of the proceeding have been extended by three days.

<sup>17</sup> See June 18, 2018 and October 1, 2018 memorandums re: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review; 2016-2017.

makes the product covered by the existing antidumping<sup>18</sup> or countervailing duty<sup>19</sup> orders on Certain Cut-To-Length Carbon-Quality Steel Plate Products from the Republic of Korea (A-580-836; C-580-837), and

- (2) where the width and thickness vary for a specific product (*e.g.*, the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

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

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten, or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium, or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium.

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

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels, high strength low alloy (HSLA) steels, the substrate for motor lamination steels, Advanced High Strength Steels (AHSS), and Ultra High Strength Steels (UHSS). IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum. AHSS and UHSS are considered high tensile strength and high elongation steels, although AHSS and UHSS are covered whether or not they are high tensile strength or high elongation steels.

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<sup>18</sup> See Notice of Amendment of Final Determinations of Sales at Less Than Fair Value and Antidumping Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate Products from France, India, Indonesia, Italy, Japan and the Republic of Korea, 65 FR 6585 (February 10, 2000).

<sup>19</sup> See Notice of Amended Final Determinations: Certain Cut-to-Length Carbon-Quality Steel Plate from India and the Republic of Korea; and Notice of Countervailing Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate from France, India, Indonesia, Italy, and the Republic of Korea, 65 FR 6587 (February 10, 2000).

Subject merchandise includes hot-rolled steel that has been further processed in a third country, including but not limited to pickling, oiling, levelling, annealing, tempering, temper rolling, skin passing, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the order if performed in the country of manufacture of the hot-rolled steel.

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

- Universal mill plates (*i.e.*, hot-rolled, flat-rolled products not in coils that have been rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, of a thickness not less than 4.0 mm, and without patterns in relief);
- Products that have been cold-rolled (cold-reduced) after hot-rolling;<sup>20</sup>
- Ball bearing steels;<sup>21</sup>
- Tool steels;<sup>22</sup> and
- Silico-manganese steels;<sup>23</sup>

The products subject to the order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7210.70.3000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.11.0000, 7225.19.0000, 7225.30.3050, 7225.30.7000,

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<sup>20</sup> For purposes of this scope exclusion, rolling operations such as a skin pass, levelling, temper rolling or other minor rolling operations after the hot-rolling process for purposes of surface finish, flatness, shape control, or gauge control do not constitute cold-rolling sufficient to meet this exclusion.

<sup>21</sup> Ball bearing steels are defined as steels which contain, in addition to iron, each of the following elements by weight in the amount specified: (i) not less than 0.95 nor more than 1.13 percent of carbon; (ii) not less than 0.22 nor more than 0.48 percent of manganese; (iii) none, or not more than 0.03 percent of sulfur; (iv) none, or not more than 0.03 percent of phosphorus; (v) not less than 0.18 nor more than 0.37 percent of silicon; (vi) not less than 1.25 nor more than 1.65 percent of chromium; (vii) none, or not more than 0.28 percent of nickel; (viii) none, or not more than 0.38 percent of copper; and (ix) none, or not more than 0.09 percent of molybdenum.

<sup>22</sup> Tool steels are defined as steels which contain the following combinations of elements in the quantity by weight respectively indicated: (i) more than 1.2 percent carbon and more than 10.5 percent chromium; or (ii) not less than 0.3 percent carbon and 1.25 percent or more but less than 10.5 percent chromium; or (iii) not less than 0.85 percent carbon and 1 percent to 1.8 percent, inclusive, manganese; or (iv) 0.9 percent to 1.2 percent, inclusive, chromium and 0.9 percent to 1.4 percent, inclusive, molybdenum; or (v) not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or (vi) not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

<sup>23</sup> Silico-manganese steel is defined as steels containing by weight: (i) not more than 0.7 percent of carbon; (ii) 0.5 percent or more but not more than 1.9 percent of manganese, and (iii) 0.6 percent or more but not more than 2.3 percent of silicon.

7225.40.7000, 7225.99.0090, 7226.11.1000, 7226.11.9030, 7226.11.9060, 7226.19.1000, 7226.19.9000, 7226.91.5000, 7226.91.7000, and 7226.91.8000. The products subject to the order may also enter under the following HTSUS numbers: 7210.90.9000, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7214.91.0015, 7214.91.0060, 7214.91.0090, 7214.99.0060, 7214.99.0075, 7214.99.0090, 7215.90.5000, 7226.99.0180, and 7228.60.6000.

The HTSUS subheadings above are provided for convenience and U.S. Customs and Border Protection purposes only. The written description of the scope of the order is dispositive.

## **V PRELIMINARY DETERMINATION OF NO SHIPMENTS**

In December 2017, three companies named in the *Initiation Notice*, i.e., Gazi, Toscelik, and Erdemir submitted letters to Commerce certifying that they had no exports, sales, or entries of subject merchandise to the United States during the POR.<sup>24</sup> Consistent with our practice, Commerce issued “No Shipment Inquiries” to CBP to confirm that there is no evidence to contradict the claims of no entries of hot-rolled steel from Turkey exported by any of these companies during the POR.<sup>25</sup> We received no information from CBP that contradicted these companies’ claims of no shipments.

Because the evidence on the record indicates that these companies had no exports, sales, or entries of subject merchandise to the United States during the POR, we preliminarily determine that Gazi, Toscelik, and Erdemir had no shipments during the POR. Also, consistent with our practice, Commerce finds that it is not appropriate to rescind the review with respect to these companies, but, rather, to complete the review with respect to these companies, and to issue appropriate instructions to CBP based on the final results of this review.<sup>26</sup>

## **VI REVIEW-SPECIFIC RATE FOR NON-EXAMINED COMPANIES**

The statute and Commerce’s regulations do not address the establishment of a rate to be applied to companies not selected for individual examination when Commerce limits its examination in an administrative review pursuant to section 777A(c)(2) of the Act. Generally, Commerce looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in a market economy investigation, for guidance when calculating the rate for companies which were not selected for individual examination in an administrative review. Under section 735(c)(5)(A) of the Act, the all-others rate is normally “an amount equal to the weighted average of the estimated weighted average dumping margins established for exporters and producers individually investigated, excluding any zero or *de minimis* margins, and any margins determined entirely {on the basis of facts available}.” However, section 735(c)(5)(B) of the Act states that if the weighted average dumping margins for all individually examined exporters or producers are zero or *de minimis* or based entirely on facts available, then Commerce may use “any reasonable method” to establish the all-others rate, including averaging the dumping margins for the individually examined companies.

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<sup>24</sup> See Gazi No Shipments Letter, Toscelik No Shipments Letter, Erdemir No Shipments Letter.

<sup>25</sup> See Customs message numbers 8128305, 8128306, and 8129304.

<sup>26</sup> See *Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003) (*Assessment Policy Notice*).

Consistent with section 735(c)(5)(B) of the Act, we have preliminarily determined that a reasonable method for determining the margin for the non-selected companies is to use the margin applied to the sole mandatory respondent (*i.e.*, Colakoglu) in this administrative review. The zero percent margin calculated for Colakoglu is the only margin calculated in this review and, thus, has been applied to the non-selected companies in accordance with section 735(c)(5)(B) of the Act. Accordingly, we preliminarily assign to the non-selected companies a dumping margin of zero percent.

## VII DISCUSSION OF THE METHODOLOGY

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Colakoglu's sales of subject merchandise from Turkey to the United States were made at less than NV, Commerce compared the export price (EP) or constructed export price (CEP), as appropriate, to the NV, as described in the "Export Price/Constructed Export Price," and "Normal Value" sections of this memorandum.

### A. NORMAL VALUE COMPARISON

#### 1. 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 the Secretary 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>27</sup>

In recent investigations, Commerce has applied a "differential pricing" analysis for determining whether application of the average-to-average 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>28</sup> Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.

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<sup>27</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 Issues and Decision Memorandum 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); see also *JBF RAK LLC v. United States*, 790 F.3d 1358, 1363–65 (Fed. Cir. 2015) ("the 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>28</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).

Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce's additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent's weighted-average dumping margin.

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 purchasers, regions, and time periods 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 codes and are grouped into regions based upon standard definitions published by the U.S. Census Bureau.<sup>29</sup> 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 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 CEP) 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

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<sup>29</sup> See CQR at C-39.



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.

## 2. Results of the Differential Pricing Analysis

For Colakoglu, based on the results of the differential pricing analysis, Commerce preliminarily finds that 72.47 percent of the value of U.S. sales pass the Cohen's *d* test,<sup>30</sup> and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily finds that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for these preliminary results, Commerce is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Colakoglu.

### B. DATE OF SALE

Section 351.401(i) of Commerce's regulations states that, "in identifying the date of sale of subject merchandise or foreign like product, the Secretary normally will use the date of invoice, as recorded in the exporter or producer's records kept in the ordinary course of business."

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<sup>30</sup> See Preliminary Calculation Memorandum.

Additionally, the Secretary may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.<sup>31</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>32</sup> The date of sale is generally the date on which the parties establish the material terms of the sale,<sup>33</sup> which normally include the price, quantity, delivery terms and payment terms.<sup>34</sup>

For home market sales, Colakoglu reported the date of sale as the earlier of invoice date or shipment date. Information on the record shows that once a customer has been notified by Colakoglu that its order is complete, the customer completes an order form to specify the delivery details and the terms of sale.<sup>35</sup> The merchandise is then shipped and an invoice is issued either the same day as shipment or the next business day.<sup>36</sup> Our analysis of the evidence on the record from Colakoglu shows that the material terms of sale can, and in fact, do change between the order date and the invoice date.<sup>37</sup> Therefore, Commerce is using the earlier of invoice date or shipment date as the date of sale for the home market.

For the U.S. market, Colakoglu argued that its date of sale is the order date.<sup>38</sup> Our analysis of sample sales documentation indicates that a term of sale was unknown until the subject merchandise is produced. Therefore, we preliminarily find that not all material terms of sale are finalized on the order date.<sup>39</sup> Therefore, Commerce is using the earlier of invoice date or shipment date as the date of sale for the U.S. market.

### C. PRODUCT COMPARISONS

In accordance with section 771(16) of the Act, we considered all products produced and sold by the respondent, Colakoglu, in Turkey during the POR that fit the description in the “Scope of the Order” section of this notice to be foreign like products for purposes of determining appropriate product comparisons to base NV for U.S. sales. We compared U.S. sales to sales made in the home market, where appropriate. Where there were no sales of identical merchandise in the

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<sup>31</sup> See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-1092 (CIT 2001) (*Allied Tube & Conduit Corp.*) (“As elaborated by Department practice, a date other than invoice date ‘better reflects’ the date when ‘material terms of sales are established if the party shows that the ‘material terms of sale’ undergo no meaningful change (and are not subject to meaningful change) between the proposed date and the invoice date.”).

<sup>32</sup> See *Allied Tube & Conduit Corp.*, 132 F. Supp. 2d at 1090 (brackets and citation omitted).

<sup>33</sup> See 19 CFR 351.401(i).

<sup>34</sup> See *USEC Inc. v. United States*, 489 F. Supp. 2d 1337, 1055 (CIT 2007).

<sup>35</sup> See AQR at A-19.

<sup>36</sup> *Id.*

<sup>37</sup> See ABCSQR at Supp-1.

<sup>38</sup> See AQR at A-19.

<sup>39</sup> See ABCSQR at Supp-2 and Exhibit S1-3, and Preliminary Calculation Memorandum.

home market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade.

In making product comparisons, we matched foreign like products based on the physical characteristics reported by the respondents in the following order of importance: painted, minimum specified carbon content, quality, minimum specified yield strength, nominal thickness, nominal width, form, pickled, and patterns in relief.<sup>40</sup>

#### D. EXPORT PRICE AND CONSTRUCTED EXPORT PRICE

Section 772(a) of the Act defines that “export price” means the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c). Section 772(b) defines that “constructed export price” means 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 the subject merchandise, or by a seller affiliated with the producer or exporter, to an unaffiliated purchaser, as adjusted under subsections (c) and (d).

Colakoglu reported that it exported the subject merchandise through two channels of distribution during the POR.<sup>41</sup>

Colakoglu reported that its channel 1 sales were EP. COTAS, Colakoglu’s affiliated exporter located in Turkey, sold the subject merchandise directly to unaffiliated U.S. customers.<sup>42</sup> Colakoglu shipped the subject merchandise directly to unaffiliated U.S. customers and invoiced COTAS, who invoices the unaffiliated U.S. customer.<sup>43</sup> We based EP on COTAS’s packed price to the first unaffiliated purchaser. We then deducted movement expenses in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate, foreign inland freight, foreign brokerage and handling, international freight, marine insurance, and certain additional U.S. movement expenses, as appropriate.

Colakoglu reported that its channel 2 sales were CEP. Medtrade, Colakoglu’s affiliated U.S. reseller, sold the subject merchandise to unaffiliated U.S. customers before the date of importation.<sup>44</sup> Colakoglu shipped the subject merchandise directly to the unaffiliated U.S. customers and invoiced COTAS who invoiced Medtrade which then invoiced unaffiliated U.S. customers.<sup>45</sup>

We based CEP on Medtrade’s packed price to the first unaffiliated purchaser in the United States. We then deducted appropriate movement expenses (*e.g.*, foreign inland freight, foreign

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<sup>40</sup> See Initial Questionnaire.

<sup>41</sup> See CQR at C-21 and ABCSQR at Supp-6.

<sup>42</sup> See CQR at C-21 and ABC SQR at Supp-5.

<sup>43</sup> See ABC SQR at Supp-6.

<sup>44</sup> See AQR at A-19.

<sup>45</sup> See ABCSQR at Supp-6.

brokerage and handling, international freight, marine insurance, and certain additional U.S. movement expenses) according to section 772(c)(2)(A) of the Act and deducted selling expenses associated with economic activities occurring in the United States (*e.g.*, indirect selling expenses) according to section 772(d)(1) of the Act. Finally, according to section 772(d)(3) of the Act, we made an adjustment for profit allocated to these expenses, *i.e.*, CEP profit, which is calculated according to section 772(f) of the Act using the expenses incurred by Colakoglu and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.<sup>46</sup>

Colakoglu claimed a duty drawback adjustment to U.S. price.<sup>47</sup> Section 772(c)(1)(B) of the Act states that EP and CEP shall be increased by “the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the export of the subject merchandise to the United States.” In determining whether an adjustment for duty drawback should be made, we look for a reasonable link between the duties imposed and those rebated or exempted. We do not require that the imported material be traced directly from importation through exportation. We do require, however, that the company meet our “two-pronged” test in order for the adjustment to be made to EP or CEP.<sup>48</sup> The first element is that the import duty and its rebate or exemption be directly linked to, and dependent upon, one another; the second element is that the company must demonstrate that there were sufficient imports of the imported material to account for the duty drawback or exemption granted for the export of the manufactured product.<sup>49</sup>

In the instant review, we preliminarily granted a duty drawback adjustment to Colakoglu because it has satisfied the criteria described above for the Turkish duty drawback program.<sup>50</sup> Also, consistent with the Commerce’s practice,<sup>51</sup> we based the amount of the duty drawback adjustment on the amount reported by Colakoglu in its cost of production (COP) database.<sup>52</sup>

No other adjustments were claimed or applied.

## E. NORMAL VALUE

### 1. 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

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<sup>46</sup> See Preliminary Calculation Memorandum.

<sup>47</sup> See CQR at C-40.

<sup>48</sup> See *Saha Thai Steel Pipe (Public) Co. v. United States*, 635 F.3d 1335, 1340-41 (Fed. Cir. 2011).

<sup>49</sup> *Id.*; see also, *e.g.*, *Notice of Final Results of the Eleventh Administrative Review of the Antidumping Duty Order on Certain Corrosion Resistant Carbon Steel Flat Products from the Republic of Korea*, 71 FR 7513 (February 13, 2006), and accompanying Issues and Decision Memorandum at Comment 2.

<sup>50</sup> See CQR at C-40.

<sup>51</sup> See, *e.g.*, *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 81 FR 47355 (July 21, 2016), and accompanying Issues and Decision Memorandum at Comment 3.

<sup>52</sup> See Preliminary Calculation Memorandum.

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(b).

In the instant review, we determined that Colakoglu's respective aggregate volume of home market sales of the foreign like product was greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise. Therefore, we used home market sales as the basis for NV for Colakoglu, in accordance with section 773(a)(1)(B) of the Act.

## 2. Currency of Home Market Unit Price

For home market sales, Colakoglu reported gross unit price in in its sales database in United States Dollars (USD).<sup>53</sup> Colakoglu claimed that almost of its home market sales are denominated in USD while it makes a few home market sales denominated in Turkish Lira (TL).<sup>54</sup> However, while the price of certain home market sales appears to be negotiated in USD, the sales are invoiced in TL, Colakoglu invoices the sales in TL and receives payment in TL. Moreover, its sales ledgers, account receivables, and audited financial statements are recorded in TL.<sup>55</sup> Commerce has previously determined that the proper currency to use for a respondent's home market sales should be the currency received by the respondent from its customers.<sup>56</sup> In this case, all home market sales are paid in TL. Therefore, we are treating all Colakoglu's home market sales as having been made in TL.<sup>57</sup>

## 3. 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. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).<sup>58</sup> 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>59</sup> In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the

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<sup>53</sup> See BQR at B-26.

<sup>54</sup> *Id.*

<sup>55</sup> The CIT found that Commerce's refusal of Colakoglu's request to convert its accounting records from TL to USD before conducting analysis is reasonable and consistent with the statute that provides for cost calculations on the basis of the exporter's books and records. See *Eregli Demir ve Celik Fabrikalari T.A.S. vs. United States*, Slip Op.18-27 (CIT 2018) at 39-41.

<sup>56</sup> See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances: Certain Orange Juice from Brazil*, 71 FR 2183 (January 13, 2006), and accompanying Issues and Decisions Memorandum at Comment 16.

<sup>57</sup> See Preliminary Calculation Memorandum.

<sup>58</sup> See 19 CFR 351.412(c)(2).

<sup>59</sup> *Id.*; see also *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 7 (*OJ from Brazil*).

distribution system in each market (*i.e.*, the chain of distribution), including selling functions and class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales (*i.e.*, NV based on either home market or third country prices),<sup>60</sup> we consider the starting prices to be the gross unit prices less all discounts and rebates. 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.<sup>61</sup>

When Commerce is unable to match U.S. sales of subject merchandise to the foreign like product in the comparison market at the same LOT as the EP or CEP, Commerce may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it possible, we make a 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 LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (*i.e.*, no LOT adjustment is possible), Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>62</sup>

In the instant review, we obtained information from Colakoglu regarding the marketing stages involved in making its reported home market and U.S. sales, including a description of the selling activities performed for each channel of distribution.<sup>63</sup>

The selling activities that Colakoglu performed can be generally grouped into four selling function categories: (1) sales and marketing (sales forecasting, strategic/economic planning, personnel training/exchange, engineering services, advertising, packing, custom advise, product information, order input/processing, direct sales personnel, sales/marketing support, market research, cash discounts, commissions, and deferred payment options); (2) inventory maintenance (inventory maintenance and post-sale warehousing); (3) technical support (engineering services, technical assistance, and after-sales services); (4) delivery arrangement (freight and delivery, marine insurance, independent surveying, load port brokerage, U.S. Customs clearance, and U.S. Customs duties and charges).<sup>64</sup>

In the home market, Colakoglu reported that it made all sales through one channel of distribution.<sup>65</sup> Based on its reported selling function categories, we preliminarily find that Colakoglu performed sales and marketing, inventory maintenance, technical support and delivery arrangement for its home market sales. Because there was no difference in selling activities performed by Colakoglu in its sales to home market customers, we preliminarily determine that there is one LOT in the home market.

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<sup>60</sup> Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative (SG&A) expenses, and profit for CV, where possible. *See* 19 CFR 351.412(c)(1).

<sup>61</sup> *See Micron Tech., Inc. v. United States*, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

<sup>62</sup> *See, e.g., OJ from Brazil* at Comment 7.

<sup>63</sup> *See* AQR at A-15 through A-16 and ABCSQR at Supp-6 through Supp-8.

<sup>64</sup> *See* AQR at A-15 and Exhibit A-9, and ABCSQR at Supp-7 and Exhibit S1-5.

<sup>65</sup> *See* AQR at A-15.

In the U.S. market, Colakoglu made EP and CEP sales through channels 1 and 2.<sup>66</sup> Colakoglu did not report the level of trade in its U.S. sales database.<sup>67</sup> For both channels, we preliminarily find that Colakoglu performed virtually the same activities at the same or comparable intensity levels. Because the selling functions performed by Colakoglu in Turkey for U.S. sales do not differ significantly between channels, we preliminarily determine that there is one LOT in the U.S. market.

Finally, we compared the U.S. LOT to the home market LOT. Colakoglu claimed that its selling activities for U.S. sales were limited to processing purchase orders, packing, and arranging for delivery to the U.S. port.<sup>68</sup> It also claimed that home market sales require substantially more logistical support and technical services.<sup>69</sup> It argues that sales in the home market were all made at more advanced levels of trade than the CEP sales.

If Colakoglu's selling activities for U.S. sales are limited as described, its U.S. sales would have no sales forecasting, strategic planning, personal training, advertising, sales/marketing support, and market research, which we think is unlikely. While we acknowledge that certain selling functions performed for home market sales may have entailed additional activities, we disagree that these activities were substantial or so significant that they constitute a different marketing stage, because the selling functions of delivery management have entailed additional activities for U.S. sales. Further, the selling functions performed more frequently on home market sales, *i.e.*, order processing and invoicing are basic administrative functions. In contrast, international logistics performed for U.S. sales are specialized selling functions.

Consequently, when Colakoglu's selling activities are viewed as a whole, we preliminarily find that the difference between those activities performed for home market and U.S. sales do not rise to the level of a "substantial difference in selling activities," or that Colakoglu's U.S. and home market sales were at different stages of marketing (or other equivalent). The record shows that Colakoglu's home market selling functions may contain more activities but did not result in sales at a different marketing stage, as required by Commerce's regulations. Therefore, we preliminarily determine that sales to the home market during the POR were made at the same LOT as sales to the United States. Because Colakoglu's home market LOT is not at a more advanced stage of distribution than Colakoglu's U.S. LOT, a CEP offset is not warranted.<sup>70</sup>

#### 4. Overrun Sales

Section 773(a)(1)(B) of the Act provides that NV shall be based on the price at which the foreign like product is first sold, *inter alia*, in the ordinary course of trade. Section 771(15) of the Act defines "ordinary course of trade" as the "conditions and practices which, for a reasonable time

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<sup>66</sup> See CQR at C-21.

<sup>67</sup> *Id.* at C-30.

<sup>68</sup> See AQR at A-16.

<sup>69</sup> See AQR at A-18.

<sup>70</sup> See *e.g.*, *Sucocitricon Cultrale Ltda. v. United States*, Ct. No. 10-00261, 2012 WL 2317764, at \*6 (CIT June 1, 2012).

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.”

Colakoglu reported home market sales of “overrun” merchandise, which is excess production for any purchase order regarding both home market and export sales.<sup>71</sup> In past cases, we examined various factors to determine whether “overrun” sales are in the ordinary course of trade.<sup>72</sup> These factors include, 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 in the home market; (3) the average quantity of an overrun sale compared to the average quantity of a commercial sale; and (4) price and profit differentials in the home market.<sup>73</sup>

Based on our analysis of these factors and the terms of sale, we preliminarily determine that Colakoglu’s overrun sales are not within the ordinary course of trade. Because our analysis includes business proprietary information, the analysis is available in the Colakoglu Home Market Overruns Memorandum.<sup>74</sup>

## 5. Cost of Production Analysis

In accordance with section 773(b)(2)(A) of the Act, we requested cost information from Colakoglu in this review 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.<sup>75</sup>

### a. Cost Averaging Methodology

Commerce’s normal practice is to calculate an annual weighted-average cost for the POR. However, we recognize that possible distortions may result if we use our normal annual-average cost method during a time of significant cost changes. In determining whether to deviate from our normal methodology of calculating an annual weighted-average cost, we evaluate the case specific record evidence by examining two primary criteria: (1) the change in the cost of manufacturing (COM) recognized by the respondent during the POR must be deemed significant, and (2) the record evidence must indicate that sales during the shorter cost-averaging

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<sup>71</sup> See BQR at B-11.

<sup>72</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d. 1339, 1364-65 (CIT 2003); see also *Laclede Steel Co. v. United States*, 19 CIT 1076, 1078 (Aug. 11, 1995).

<sup>73</sup> See, e.g., *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Preliminary Results of Antidumping Duty Administrative and New Shipper Reviews and Rescission of Administrative Review, in Part; 2014-2015*, 81 FR 12870 (March 11, 2016), and accompanying Preliminary Decision Memorandum at 10, unchanged in *Certain Cut-to-Length Carbon-Quality Steel Plate Products from the Republic of Korea: Final Results of Antidumping Duty Administrative Review and New Shipper Review; 2014-2015*, 81 FR 62712 (September 12, 2016).

<sup>74</sup> See Memorandum re: Colakoglu’s Home Market Overruns Analysis, dated concurrently with this memorandum.

<sup>75</sup> See DQR.



periods could reasonably be linked with the COP or CV during the same shorter cost-averaging periods.<sup>76</sup>

### Significance of Cost Changes

In prior cases, we established 25 percent as the threshold (between the high- and low-quarter COM) during a period of 12 months for determining that the changes in COM are significant enough to warrant a departure from our standard annual-average cost approach.<sup>77</sup> In the instant case, record evidence shows that Colakoglu experienced significant cost changes (*i.e.*, changes that exceeded 37.5 percent over the 18 month period (25 percent/12 \* 18)) between the high and low quarterly COM during the POR.<sup>78</sup> This change in COM is attributable primarily to the price volatility for the primary input used in the production of hot-rolled steel.<sup>79</sup>

### Linkage Between Sales and Cost Information

Consistent with past precedent, because we found the changes in costs to be significant, we evaluated whether there is evidence of a linkage between the cost changes and the sales prices during the POR. Absent a surcharge or other pricing mechanism, Commerce may alternatively look for evidence of a pattern showing that changes in selling prices reasonably correlate to changes in unit costs. To determine whether a reasonable correlation existed between the sales prices and underlying costs during the POR, we compared weighted-average quarterly prices to the corresponding quarterly COM for the control numbers with the highest volume of sales in the comparison market. Our comparison revealed that sales and costs for Colakoglu showed reasonable correlation.

After reviewing this information and determining that changes in selling prices correlate reasonably to changes in unit costs, we preliminarily determine that there is linkage between Colakoglu's changing sales prices and costs during the POR.<sup>80</sup>

Thus, we preliminarily determine that a shorter cost period approach, based on a quarterly-average COP, is appropriate for Colakoglu because we found significant cost changes in COM as well as reasonable linkage between costs and sales prices.<sup>81</sup>

#### *b. Calculation of COP*

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the costs of materials and fabrication for the foreign like product, plus amounts for general and

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<sup>76</sup> See *Stainless Steel Sheet and Strip in Coils from Mexico: Final Results of Antidumping Duty Administrative Review*, 75 FR 6627 (February 10, 2010) (*SSSSC Mexico Final*) and accompanying Issues and Decision Memorandum (IDM) at Comment 6 and *Stainless-Steel Plate in Coils from Belgium: Final Results of Antidumping Duty Administrative Review*, 73 FR 75398 (December 11, 2008) (*SSPC Belgium Final*) and accompanying IDM at Comment 4.

<sup>77</sup> See *SSPC Belgium Final* and accompanying IDM at Comment 4.

<sup>78</sup> See DQR at Exhibit D-1.

<sup>79</sup> See Preliminary Calculation Memorandum.

<sup>80</sup> See DQR at Exhibit D-1 and Preliminary Calculation Memorandum.

<sup>81</sup> *Id.*

administrative (G&A) expenses and interest expenses. We relied on the quarterly COP data submitted by Colakoglu.

*c. COP Test*

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 within an extended period of time (*i.e.*, normally a period of one year) in substantial quantities and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. For the purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, discounts and rebates, where applicable, movement charges, actual direct and indirect selling expenses and packing expenses.

*d. 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 the respondent's comparison market sales of a given product are at prices less than the 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 when: (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 Colakoglu's home market sales for certain products were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We, therefore, excluded these sales and used the remaining sales, if any, as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

6. Calculation of NV Based on Comparison Market Prices

Commerce calculated NV based on home market prices to unaffiliated customers on various sales terms.<sup>82</sup> We made adjustments, where appropriate, from the starting price for billing adjustments and late payment fees in accordance with 19 CFR 351.401(c). We also made deductions from the starting price for movement expenses (*e.g.*, inland freight, port handling) in accordance with section 773(a)(6)(B)(ii) of the Act. In addition, we made circumstance-of-sale

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<sup>82</sup> For additional detail, *see* Preliminary Calculation Memorandum.

adjustments for home market direct selling expenses (*e.g.*, imputed credit expenses, inventory carrying costs, and commissions) in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(c). As discussed above, we have preliminarily found that Colakoglu makes its home market sales in TL. Because parties to this proceeding have not submitted TL-denominated interest rates on the record, we are relying on the Commercial Bank Prime Lending Rate published in The World Factbook by the United States Central Intelligence Agency to calculate imputed expenses in these preliminary results.<sup>83</sup>

We also made adjustments for indirect selling expenses incurred on home market or U.S. market sales where commissions were granted on sales in one market but not the other in accordance with 19 CFR 351.410(e), when applicable. Specifically, where commissions were granted in the U.S. market but not in the home market, we made a downward adjustment to NV for the lesser of (1) the amount of the commission paid in the U.S. market, and (2) the amount of indirect selling expenses incurred in the home market. If commissions were granted in the home market but not in the U.S. market, we made an upward adjustment to NV following the same method. We also deducted home market packing costs, added U.S. packing costs and made adjustments for differences in costs attributable to differences in physical characteristics of the merchandise in accordance with sections 773(a)(6)(A), (B) and (C)(ii) of the Act.<sup>84</sup>

## 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.

## IX CONCLUSION

We recommend applying the above methodology for this preliminary determination.

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Agree

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\_\_\_\_\_  
Disagree

11/1/2018

X

Signed by: JAMES MAEDER

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

<sup>83</sup> See Preliminary Calculation Memorandum.

<sup>84</sup> *Id.*