DATE: October 3, 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: Decision Memorandum for the Preliminary Results of the
Antidumping Duty Administrative Review: Certain Cold Rolled
Steel Flat Products from the Republic of Korea; 2016-2017

SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on certain cold rolled steel flat products (cold rolled steel) from the Republic of Korea (Korea) for the period of review (POR) March 7, 2016, through August 31, 2017. This review covers three producers/exporters of the subject merchandise. Commerce selected two respondents for individual examination, POSCO and POSCO Daewoo Co., Ltd. (PDW) (collectively POSCO/PDW) and Hyundai Steel Company (Hyundai). We preliminarily determine that POSCO/PDW and Hyundai made sales of the subject merchandise at prices below normal value (NV) during the POR.

BACKGROUND

On September 20, 2016, we published in the Federal Register the AD order on cold rolled steel from Korea.¹ On September 1, 2017, we published in the Federal Register a notice of

¹ See Certain Cold Rolled Steel Flat Products from Brazil, India, the Republic of Korea, and the United Kingdom: Amended Final Affirmative Antidumping Determinations for Brazil and the United Kingdom and Antidumping Duty Orders, 81 FR 64432 (September 20, 2016) (Order).
opportunity to request an administrative review of the Order. On September 27, 2017, and September 29, 2017, Hyundai and POSCO/PDW submitted requests for Commerce to conduct an administrative review. On October 2, 2017, the petitioners submitted a request for a review of various companies. On November 13, 2017, based on timely requests for administrative reviews, we initiated an administrative review of cold rolled steel from Korea.

On January 11, 2018, we released U.S. import data from U.S. Customs and Border Protection (CBP) for the purpose of respondent selection, and provided an opportunity for interested parties to comment on these data. On January 18, 2018, we received comments on respondent selection from Hyundai and POSCO/PDW. In the Initiation Notice, we stated that, in the event we limited the number of respondents selected for individual examination, we intended to select respondents based on CBP data for U.S. imports during the POR. On January 23, 2018, Commerce exercised its discretion to toll deadlines affected by the closure of the Federal Government from January 20 through January 22, 2018. On February 8, 2018, we selected, as mandatory respondents, the two producers or exporters accounting for the largest volume of subject merchandise during the POR (i.e., in alphabetical order, Hyundai and POSCO/PDW).

We issued questionnaires to Hyundai and POSCO/PDW on February 8, 2018. On March 8, 2018 Hyundai and POSCO/PDW timely submitted responses to section A of Commerce’s AD questionnaire (i.e., the section relating to general information). On March 30, 2018, Hyundai and POSCO/PDW submitted timely responses to sections C, D, and E of Commerce’s AD questionnaire (i.e., the sections relating to U.S. sales, cost of production (COP), and U.S. further

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2 See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review, 82 FR 41595 (September 1, 2017).
5 The petitioners are: Arcelor Mittal USA LLC, AK Steel Corporation, Nucor Corporation, Steel Dynamics, Inc., and United States Steel Corporation (U.S. Steel) (collectively, the petitioners).
10 See Initiation Notice, 82 FR at 52268.
13 See Letter from Hyundai, “Cold-Rolled Steel Flat Products from the Republic of Korea: Hyundai Steel Company’s Initial Section A Response,” dated March 9, 2018 (Hyundai Section A Response); see also Letter from POSCO, “First Administrative Review of Cold-Rolled Steel Flat Products from Korea: POSCO Section A Response,” dated March 9, 2018 (POSCO/PDW March 9, 2018 Section A Response).
manufacturing). In June 2018, Commerce issued supplemental questionnaires to Hyundai and POSCO/PDW. We received supplemental questionnaire responses from Hyundai and POSCO/PDW in July 2018.

On June 1, 2018, we extended the deadline for the preliminary results of this review by 91 days. On August 30, 2018, we extended the deadline for the preliminary results of this review by an additional 29 days, resulting in a deadline of October 3, 2018 for these preliminary results.

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

**SCOPE OF THE ORDER**

The products covered by the order are certain cold-rolled (cold-reduced), flat-rolled steel products, 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 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 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 covered also include products not in coils (e.g., in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice 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, and
2. where the width and thickness vary for a specific product (e.g., the thickness of certain

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15 See Letter from Hyundai, “Cold Rolled Steel Flat Products from the Republic of Korea: Response to the Department’s June 18, 2018 Supplemental Questionnaire;” dated July 11, 2018 (Hyundai Supplemental B-E Questionnaire Response); see also Letter from POSCO, “First Administrative Review of Cold-Rolled Steel Flat Products From Korea: Supplemental Sections A-E Questionnaire Responses;” dated July 18, 2018 (POSCO Supplemental B-E Questionnaire Response).

16 See Memorandum, “Certain Cold Rolled Steel Flat Products from the Republic of Korea Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review” dated June 1, 2018.

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 (also called wolfram), or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), 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, 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. Motor lamination steels contain 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.

Subject merchandise includes cold-rolled steel that has been further processed in a third country, including but not limited to annealing, tempering, 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 cold-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 this order unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of the order:
The products subject to the order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7209.15.0000, 7209.16.0030, 7209.16.0060, 7209.16.0070, 7209.17.0030, 7209.17.0060, 7209.17.0070, 7209.17.0091, 7209.18.1530, 7209.18.1560, 7209.18.2510, 7209.18.2520, 7209.18.2580, 7209.18.6020, 7209.18.6090, 7209.25.0000, 7209.26.0000, 7209.27.0000, 7209.28.0000, 7209.90.0000, 7210.70.3000, 7211.23.1500, 7211.23.2000, 7211.23.3000, 7211.23.4500, 7211.23.6030, 7211.23.6060, 7211.23.6090, 7211.29.2030, 7211.29.2090, 7211.29.4500, 7211.29.6030, 7211.29.6080, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7225.50.6000, 7225.50.8080.

18 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.

19 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.

20 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.

21 See Grain-Oriented Electrical Steel from Germany, Japan, and Poland: Final Determinations of Sales at Less Than Fair Value and Certain Final Affirmative Determination of Critical Circumstances, 79 FR 42501, 42501-42 (July 22, 2014). This determination defines grain-oriented electrical steel as “a flat-rolled alloy steel product containing by weight at least 0.6 percent but not more than 6 percent of silicon, not more than 0.08 percent of carbon, not more than 1.0 percent of aluminum, and no other element in an amount that would give the steel the characteristics of another alloy steel, in coils or in straight lengths.”

22 Non-Oriented Electrical Steel from the People's Republic of China, Germany, Japan, the Republic of Korea, Sweden, and Taiwan: Antidumping Duty Orders, 79 FR 71741, 71741-71742 (December 3, 2014). The orders define NOES as “cold-rolled, flat-rolled, alloy steel products, whether or not in coils, regardless of width, having an actual thickness of 0.20 mm or more, in which the core loss is substantially equal in any direction of magnetization in the plane of the material. The term 'substantially equal' means that the cross grain direction of core loss is no more than 1.5 times the straight grain direction (i.e., the rolling direction) of core loss. NOES has a magnetic permeability that does not exceed 1.65 Tesla when tested at a field of 800 A/m (equivalent to 10 Oersteds) along (i.e., parallel to) the rolling direction of the sheet (i.e., B800 value). NOES contains by weight more than 1.00 percent of silicon but less than 3.5 percent of silicon, not more than 0.08 percent of carbon, and not more than 1.5 percent of aluminum. NOES has a surface oxide coating, to which an insulation coating may be applied.”
Partial Recission of Administrative Review

Pursuant to 19 CFR 351.213(d)(1), Commerce will rescind an administrative review, in whole or in part, if the party that requested the review withdraws its request within 90 days of the date of publication of the Initiation Notice of the requested review. On October 2, 2017, the petitioners requested an administrative review of Ameri-Source Korea; Dongbu Steel Co., Ltd.; Dongkuk Steel Mill Co., Ltd.; Dongkuk Industries Co., Ltd.; GS Global Corp.; Hanawell Co., Ltd.; Hankum Co., Ltd.; Hyuk San Profile Co., Ltd.; Kindus Inc.; POSCO; Daewoo International Corporation; Samsung C&T Corp.; Steel N Future; Taihan Electric Wire Co., Ltd.; and Uin Global Co.23 Commerce subsequently initiated a review with respect to all such companies.24 On February 14, 2018, the petitioners withdrew their request for administrative review with respect to all companies in the Initiation Notice except POSCO, PDW, Hyundai, and Hyundai Glovis Co., Ltd.25 Because the petitioners timely withdrew their request for administrative reviews of these companies26 within 90 days of the date of publication of the Initiation Notice, and no other interested party requested a review of these companies, Commerce is rescinding this review with respect to these companies, in accordance with 19 CFR 351.213(d)(1). The review will continue with respect to the remaining companies: POSCO, PDW, Hyundai, and Hyundai Glovis Co., Ltd.

RATES 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

23 See Petitioner Review Request.
24 See Initiation Notice, 82 FR 52268.
estimated weighted average dumping margins established for exporters and producers individually investigated, excluding any zero and *de minimis* margins, and any margins determined entirely {on the basis of facts available}.”

In this review, we have preliminarily calculated weighted-average dumping margins for Hyundai and POSCO/PDW that are not zero, *de minimis*, or determined entirely on the basis of facts available. Accordingly, Commerce preliminarily has assigned to the companies not individually examined a margin of 11.68 percent, which is the weighted average of Hyundai’s and POSCO/PDW’s calculated weighted-average dumping margins.27

**AFFILIATION AND COLLAPSING**

Section 771(33)(E) of the Act, in pertinent part, identifies persons that shall be considered “affiliated” or “affiliated persons” as: any person directly or indirectly owning, controlling, or holding with power to vote, five percent or more of the outstanding voting stock or shares of any organization and such organization. Section 771(33)(F) of the Act further provides that persons shall be considered affiliated when there are two or more persons directly or indirectly controlling, controlled by, or under common control with, any person. Section 771(33) of the Act further stipulates that a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the other person. The Statement of Administrative Action accompanying the Uruguay Round Agreements Act (SAA) notes that control may be found to exist within corporate groupings.28 Commerce’s regulations at 19 CFR 351.102(b)(3) state that in determining whether control over another person exists within the meaning of section 771(33) of the Act, Commerce will not find that control exists unless the relationship has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise or foreign like product.29

**POSCO and PDW**

For the reasons set forth in the proprietary preliminary affiliation and collapsing memorandum, which we incorporate by reference, we preliminarily determine that POSCO and PDW are affiliated pursuant to section 771(33)(E) of the Act because PDW is majority-owned by POSCO.30

Commerce relies on the totality of the circumstances in deciding when to treat affiliated parties as a single entity pursuant to 19 CFR 351.401(f). In this case, we have sufficient information to

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27 For more information regarding the calculation of this margin, see Memorandum, “Calculation of the Margin for Non-Examined Companies,” dated concurrently with this memorandum. As the weighting factor, we relied on the publicly ranged sales data reported in Hyundai and POSCO’s quantity and value charts.

28 See SAA, H.R. Doc. No. 103-316, vol. 1 (1994) at 838 (stating that control may exist within the meaning of section 771(33) of the Act in the following types of relationships: (1) corporate or family groupings, (2) franchises or joint ventures, (3) debt financing, and (4) close supplier relationships in which either party becomes reliant upon the other).

29 See also Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27297-98 (May 19, 1997).

30 For further discussion of this issue, see Memorandum, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea, First Administrative Review: POSCO and PDW Affiliation and Collapsing Memorandum” (POSCO/PDW Preliminary Affiliation and Collapsing Memorandum), dated concurrently with this memorandum.
find that POSCO and PDW are affiliated. We further find the production facilities available to
either company are essentially the same and substantial retooling of either manufacturing facility
would not be required in order to restructure manufacturing priorities. Moreover, record evidence
demonstrates significant potential for manipulation of prices and production between POSCO
and PDW because of: (1) level of common ownership; (2) overlapping management; and (3)
intertwined operations.31

In accordance with 19 CFR 351.401(f) and Commerce practice,32 and consistent with the
position taken in the LTFV investigation of this case,33 we are treating POSCO and PDW as a
single entity for the purposes of these preliminary results.34

DISCUSSION OF THE METHODOLOGY

Use of Facts Available with an Adverse Inference

For the reasons discussed below, we preliminarily determine that the application of partial
adverse facts available (AFA) is appropriate with respect to Hyundai. Section 776(a) of the Act
provides that, subject to section 782(d) of the Act, Commerce shall apply “facts otherwise
available” if: (1) necessary information is not on the record; or (2) an interested party or any other
person (A) withholds information that has been requested, (B) fails to provide information within
the deadlines established, or in the form and manner requested by Commerce, subject to
subsections (c)(1) and (e) of section 782 of the Act, (C) significantly impedes a proceeding, or (D)
provides information that cannot be verified as provided by section 782(i) of the Act.

Where Commerce determines that a response to a request for information does not comply with
the request, section 782(d) of the Act provides that Commerce will so inform the party submitting the
response and will, to the extent practicable, provide that party an opportunity to remedy or explain
the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the
applicable time limits, subject to section 782(e) of the Act, Commerce may disregard all or part of
the original and subsequent responses, as appropriate.

Section 776(b) of the Act provides that Commerce may use an adverse inference in applying the
facts otherwise available when a party fails to cooperate by not acting to the best of its ability to
comply with a request for information. In doing so, and under the Trade Preferences Extension
Act of 2015 (TPEA), Commerce is not required to determine, or make any adjustments to, a

31 See POSCO/PDW Preliminary Affiliation and Collapsing Memorandum.
32 See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Coated Free Sheet Paper from
Indonesia, 72 FR 60636 (October 25, 2007), and accompanying Issues and Decision Memorandum Comment 2;
Certain Coated Paper Suitable for High-Quality Print Graphics Using Sheet-Fed Presses from Indonesia: Final
Determination of Sales at Less Than Fair Value, 75 FR 59223 (September 27, 2010) and accompanying Issues and
Decision Memorandum at Comment 8.
33 See Certain Cold Rolled Steel Flat Products from the Republic of Korea: Affirmative Preliminary Determination
of Sales at Less Than Fair Value and Postponement of Final Determination, 81 FR 11757 (March 7, 2016), and
accompanying Preliminary Decision Memorandum at 7-8 (Preliminary LTFV IDM) (unchanged in Certain Cold-
Rolled Steel Flat Products from the Republic of Korea: Final Determination of Sales at Less Than Fair Value, 81
FR 49953 (July 29, 2016) (LTFV Final Determination)).
34 See POSCO/PDW Preliminary Affiliation and Collapsing Memorandum.
weighted-average dumping margin based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information.  Further, section 776(b)(2) states that an adverse inference may include reliance on information derived from the petition, the final determination from the less than fair value (LTFV) investigation, a previous administrative review, or other information placed on the record.

Section 776(c) of the Act provides that, when Commerce relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise. Further, and under the TPEA, Commerce is not required to corroborate any dumping margin applied in a separate segment of the same proceeding.

Finally, under the new section 776(d) of the Act, Commerce may use any dumping margin from any segment of the proceeding under the applicable antidumping order when applying an adverse inference, including the highest of such margins. The TPEA also makes clear that when selecting an AFA margin, Commerce is not required to estimate what the dumping margin would have been if the interested party failing to cooperate had cooperated or to demonstrate that the dumping margin reflects an “alleged commercial reality” of the interested party.

Adverse Inference with Regards to Hyundai

For Hyundai, after examining the manner in which Hyundai reported the product specifications for certain CONNUMs in the United States and home market, we have determined that Hyundai reported inconsistent product specifications in its home market database which is otherwise contradicted by information in Hyundai’s U.S. sales database. After finding discrepancies with the reported information in Hyundai’s original questionnaire response, in our June 18, 2018 supplemental questionnaire, we instructed Hyundai to “please ensure that you have accurately reported all product specifications in your sales and cost reporting, including whether or not the merchandise is prime or non-prime. Revise your response as necessary.”

However, Hyundai failed to address this deficiency by reporting product specification information for some CONNUMs where the home market product specification differed from

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35 See section 776(b)(1)(B) of the Act; TPEA, section 502(1)(B).
36 See also 19 CFR 351.308(c).
37 See also 19 CFR 351.308(d).
38 See SAA at 870.
39 See section 776(c)(2) of the Act; TPEA, section 502(2).
40 See section 776(d)(1)-(2) of the Act; TPEA, section 502(3).
41 See section 776(d)(3) of the Act; TPEA, section 502(3).
42 See Letter from U.S. Steel, “Cold-Rolled Steel Flat Products from the Republic of Korea: U.S. Steel’s Pre-Preliminary Comments Concerning Hyundai,” dated September 10, 2018 (Petitioner Hyundai Pre-Prelim Comments).
that of the U.S. product specification.\textsuperscript{44} Furthermore, inconsistencies in Hyundai’s product specifications were raised in the investigation of this order.\textsuperscript{45} We, therefore, find that Hyundai withheld necessary information with respect to providing accurate and consistent descriptions of its product specifications for all CONNUMs and, thus, failed to cooperate to the best of its ability in responding to Commerce’s requests for information. Therefore, we find that the application of adverse facts available, pursuant to section 776(a)-(b) of the Act, is warranted with respect to those CONNUMs for which Hyundai reported contradictory product specification information with regards to its home market and U.S. sales.\textsuperscript{46}

Accordingly, for those sales for which Hyundai reported contradictory product specification information, as adverse facts available, we have assigned the highest calculated margin for any other reported sale for Hyundai to represent the margin on these transactions.\textsuperscript{47}

Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Hyundai and POSCO/PDW’s sales of subject merchandise 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 and Constructed Export Price” and “Normal Value” sections of this memorandum.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) \textit{(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 \textit{(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.\textsuperscript{48}
In recent investigations, Commerce applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act. 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. 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 purchaser, region and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer codes. Regions are defined using the reported destination code (i.e., zip, state) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the period of review 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 CEPs) and NV for the individual dumping margins.

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

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

If both tests in the first stage (i.e., the Cohen’s $d$ test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison method, based on the results of the Cohen’s $d$ and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if (1) there is a 25 percent relative change in the weighted-average dumping margins between the average-to-average method and the appropriate alternative method where both rates are above the de minimis threshold, or (2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the de minimis threshold.

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

B. Results of the Differential Pricing Analysis

For Hyundai, based on the results of the differential pricing analysis, Commerce preliminarily finds that 41.20 percent of the value of U.S. sales pass the Cohen’s $d$ test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. For POSCO/PDW, Commerce preliminarily finds that 35.90 percent of the value of U.S. sales pass the Cohen’s $d$ test, again confirming the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences for both Hyundai and POSCO/PDW because for both companies there is a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method.
and the weighted-average dumping calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen’s d test and the average-to-average method to those sales which did not pass the Cohen’s d test.50 Thus, for both Hyundai and POSCO/PDW, in these preliminary results, Commerce is applying the average-to-transaction method to those U.S. sales which passed the Cohen’s d test and the average-to-average method to those sales which did not pass the Cohen’s d test to calculate the weighted-average dumping margin for Hyundai and POSCO/PDW.

Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced and sold by the respondents in Korea 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 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 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 respondents51 in the following order of importance: painted, minimum specified carbon content, quality, minimum specified yield strength, nominal thickness, nominal width, form, and heat treatment. For Hyundai and POSCO/PDW’s respective sales of cold-rolled steel in the United States, the reported control number (CONNUM) identifies the characteristics of cold-rolled steel as it entered the United States.

Date of Sale

Section 351.401(i) of Commerce’s regulations states that, normally, we will use the date of invoice, as recorded in the producer’s or exporter’s records kept in the ordinary course of business, as the date of sale. Furthermore, if the shipment date precedes the invoice date, then Commerce will use the date of shipment as the date of sale. The regulation provides that we may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.52

52 See 19 CFR 351.401(i); see also Allied Tube and Conduit Corp. v. United States, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001); and Yieh Phui Enterprise Co. v. United States, 791 F. Supp. 2d 1319 (CIT 2011) (affirming that Commerce may use invoice date unless a party demonstrates that the material terms of its sale were established on another date).
Hyundai

For its home market sales, Hyundai reported the earlier of shipment date (i.e., the date the merchandise leaves the factory or warehouse), or invoice date in the field SALEDATH. Hyundai normally recognizes a sale at the time of shipment from the factory. However, in some limited instances, customers requested that Hyundai delay shipments to a later date. Consequently, certain home market sales that were invoiced during the POR had not yet shipped from Hyundai’s factory. In these instances, because Hyundai has issued invoices for these sales, and ownership of the merchandise was transferred to the customer when the tax invoices were issued, Hyundai has reported these sales in its sales database.53

For its U.S. sales, Hyundai reported the shipment date from Hyundai’s factory as the date of sale for its sales through unaffiliated distributors in Korea and those sales through Hyundai Corporation. For its U.S. sales through Hyundai Steel America (HSA) to unaffiliated processors, Hyundai reported the date of shipment from HSA’s warehouse as the date of sale. For U.S. sales through affiliated processors to unaffiliated processors, Hyundai reported the date of shipment from the affiliated processor’s facility as the date of sale. For both home market and U.S. sales, Hyundai issues its commercial invoices (U.S. market) or tax invoices (home market) at or after the time of shipment.54

Hyundai also reported that for home market sales, all material terms of sale (e.g., quantity and value) can change up to the point of shipment.55 For U.S. sales, Hyundai reported the shipment date from Hyundai’s factory as the date of sale, consistent with Commerce’s practice of using the earlier of shipment or invoice date as the date of sale.56 We used the U.S. shipment date to represent the U.S. date of sale.57 For home market sales, Hyundai indicated that the quantity shipped can change from the shipment date to the invoice date.58 Therefore, for purposes of these preliminary results, we used the earlier of the shipment date or the invoice date as the date of sale to determine Hyundai’s home market date of sale. This is consistent with Commerce’s normal methodology regarding date of sale because the material terms of sale (e.g., quantity) are still subject to change when orders are confirmed.59

POSCO/PDW

For its home market sales, all of which were made by POSCO, POSCO/PDW reported the date of POSCO’s shipping invoice as the date of sale.60 POSCO/PDW stated that the shipping invoice is issued on the day of shipment from the factory.61 POSCO/PDW indicated the terms of

56 See Hyundai March 30, 2018, section C Response at C-21.
57 Id.
58 See Hyundai March 30, 2018 section B Response at B-19.
60 See POSCO/PDW’s March 30, 2018, section B response at B-23.
61 Id.
sale of home market sales are finalized on that shipment date. For purposes of these preliminary results, we used the date of the shipment invoice as the date of sale for POSCO’s home market sales, consistent with Commerce’s normal methodology regarding date of sale to use an earlier date if appropriate.

For the U.S. market, POSCO/PDW indicates it is reporting shipment date from the factory in Korea as the date of sale for the following sales, indicating quantity is subject to change until shipment from the factory in Korea: POSCO’s U.S. sales to unaffiliated Korean trading companies (channel 1-1), and those channel 2 sales by POSCO’s U.S. affiliates involving merchandise POSCO ships directly to its U.S. affiliates’ customers (channels 2-1 and 2-3). For sales by POSCO’s U.S. affiliates from its inventory (channels 1-2 and 2-2), POSCO/PDW is reporting the date of the invoice from the U.S. affiliate to its unaffiliated U.S. customer as the date of sale. For those channel 1-2 and 2-2 sales, POSCO/PDW notes the invoice is typically issued on the same day as the shipment, and that the quantity is subject to change up until shipment/invoicing from the affiliate to its customer. For these preliminary results, we are using the POSCO shipment date or the affiliate’s invoice date, as appropriate, as the date of sale for POSCO/PDW’s U.S. market sales, consistent with Commerce’s normal methodology regarding date of sale that the date of sale is normally the date of invoice (or the shipment date, if earlier) and because the material terms of sale (e.g., quantity) are still subject to change when orders are confirmed. This is in accordance with 19 CFR 351.401(i), as noted above.

Export Price and Constructed Export Price

Section 772(a) of the Act defines EP as “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 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) of the Act defines CEP as “the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).” As explained below, we based the U.S. price on the CEP for both Hyundai and POSCO/PDW.

62 Id.
63 See POSCO/PDW’s March 30, 2018 section C response at C-16, C-18.
64 Id. at C-17.
65 See also, e.g., Non-Oriented Electrical Steel From the Republic of Korea: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination, 79 FR 29426 (May 22, 2014), and accompanying Decision Memorandum at 15-16 (unchanged at Non-Oriented Electrical Steel From the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances, 79 FR 61612 (October 14, 2014) (“As the information on the record indicates that the material terms of sale…could change until the date of shipment or invoice, where applicable, for both U.S. and comparison market sales, for purposes of these preliminary results, we used the date of shipment (if earlier than the date of invoice) or the date of invoice as the date of sale for POSCO’s reported U.S. and comparison market sales.”)).
Hyundai

In accordance with section 772(b) of the Act, CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise, or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter. Hyundai reported that it sold subject merchandise through its affiliated reseller/processor Hyundai Steel America (HSA). Hyundai also reported CEP sales made by its affiliate Hyundai Corporation USA (HCUSA) during the POI. We did not increase U.S. price for Hyundai because Hyundai did not make a claim for a duty drawback adjustment.

We calculated CEP based on a packed price to customers in the United States. We made deductions from the starting price (adjusted for billing adjustments) for any movement expenses (e.g., foreign inland freight, foreign brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. inland freight, and U.S. duty), in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit expenses and U.S. inventory carrying costs) and indirect selling expenses. In addition, pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at CEP. Finally, the record evidence shows that Hyundai demonstrated the adjustment to price for the cost of any further manufacturing in the United States for sales used in the calculations, in accordance with section 772(d)(2) of the Act.

POSCO/PDW

POSCO/PDW classified its sales of merchandise under consideration to the United States as CEP sales because all such sales were invoiced and sold by U.S. affiliates, either as direct mill sales or from inventory maintained at U.S. warehouses. In accordance with section 772(b) of the Act, CEP is the price at which the merchandise under consideration is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise, or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter. We calculated CEP based on the packed prices to unaffiliated purchasers in the United States. We adjusted these prices for movement expenses, including foreign inland freight, foreign brokerage and handling, international freight, marine insurance, U.S. brokerage and handling, U.S. customs duties, U.S. inland freight, and U.S. warehousing expenses, in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which included indirect selling expenses. We also made an adjustment to price for the cost of any further manufacturing or assembly (including repacking) for sales used in the calculations, in accordance with section 772(d)(2) of the Act. We also increased U.S. price for duty drawback, for the reasons and in the manner.

66 See Hyundai March 8, 2018 Section A response at A-18 to A-19 and March 30, 2018 Section C response at C-2.
67 For additional details, see Hyundai Preliminary Analysis Memorandum.
68 See, e.g., POSCO/PDW’s March 30, 2018 Section C Response at C-16.
described below. In addition, pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at CEP.\textsuperscript{69} POSCO/PDW reported CEP sales by POSCO to unaffiliated Korean trading companies and by PDW to unaffiliated U.S. customers during the POR.\textsuperscript{70} Accordingly, we based CEP on a packed price to the first unaffiliated purchaser, whether located in Korea or the United States. We made deductions for 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.\textsuperscript{71}

We also increased U.S. price for duty drawback. Section 772(c)(1)(B) of the Act states that EP (or CEP) shall be increased by “the amount of any import duties imposed by the country of exportation . . . which have not been collected, by reason of the exportation of the subject merchandise to the United States.” In determining whether a respondent is entitled to duty drawback, Commerce traditionally uses (and the Courts have sustained)\textsuperscript{72} the following two-prong test: (1) the import duty paid and the rebate payment were directly linked to, and dependent upon, one another (or the exemption from import duties is linked to the exportation of subject merchandise); and (2) there were sufficient imports of the imported raw material to account for the drawback received upon the exports of the manufactured product. Commerce preliminarily determines that POSCO/PDW has provided information to satisfy each of the two prongs.\textsuperscript{74} Based on POSCO/PDW’s satisfaction of the two-prong test, (i.e., POSCO/PDW imports were linked to the production of the subject merchandise and POSCO/PDW’s imports of the production material was sufficiently high to account for the duty drawback received by POSCO/PDW on the manufactured product) we preliminarily determine to grant a duty drawback adjustment to CEP pursuant to 772(c)(1)(B) of the Act.\textsuperscript{75}

Commerce has normally taken the amount of the duty forgiven or rebated for the year and divided it by the exports subject to the duty drawback for the year to arrive at an amount by which to adjust EP or CEP. However, Commerce has realized that such a calculation results in an imbalance in the dumping calculations.\textsuperscript{76} The imbalance results from the different bases used on the NV side and the EP side, and from the fact that the full amount of any duty may not be in the home market price. First, on the NV side of the dumping equation, the annual average cost

\footnotesize{\textsuperscript{69} For additional details, see Memorandum, “First Administrative Review of Certain Cold Rolled Flat Products from the Republic of Korea—Analysis of POSCO/PDW,” dated October 3, 2018 (POSCO/PDW Preliminary Analysis Memorandum).  
\textsuperscript{70} See, e.g., POSCO/PDW’s March 9, 2018 Section A response at A-22 through A-24.  
\textsuperscript{71} For additional reference to these certain additional U.S. movement expenses, about which some information on the record is proprietary, see POSCO/PDW Preliminary Analysis Memorandum.  
\textsuperscript{72} See Saha Thai Steel Pipe (Public) Co. v. United States, 635 F.3d 1335, 1340-41 (Fed. Cir. 2011) (Saha Thai).  
\textsuperscript{73} See Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments, 71 FR 61716, 61723 (October 19, 2006).  
\textsuperscript{74} See POSCO/PDW’s March 30, 2018 section C response at C-35 and Exhibit C-16.  
\textsuperscript{75} See, e.g., Welded Line Pipe IDM at Comment 1; and Welded Carbon Steel Standard Pipe and Tube Products from Turkey: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2013-2014, 80 FR 76674 (December 10, 2015), and accompanying Issues and Decision Memorandum at Comment 1.  
\textsuperscript{76} See Certain Corrosion-Resistant Steel Products from India: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 81 FR 63 (January 4, 2016), and accompanying Preliminary Decision Memorandum at 14.}
for an input is the average cost of all input purchases, including the foreign-sourced input, which includes the duties; this is allocated over total production quantity. On the EP or CEP side, the rebated duty is allocated only to the export sales. Adjusting EP/CEP for the full amount of duties imposed which are rebated or not collected on export sales, over only export sales when the duty cost is allocated over total production, results in a different adjustment to the EP/CEP than reflected in the NV, creating an imbalance.

A duty drawback adjustment to EP and CEP is based on the principle that the “goods sold in the exporter’s domestic market are subject to import duties while exported goods are not.” In other words, home market sales prices and cost of production are import duty “inclusive,” while export market sales prices are import duty “exclusive.” In Saha Thai, the CAFC stated:

The purpose of the duty drawback adjustment is to account for the fact that the producers remain subject to the import duty when they sell the subject merchandise domestically, which increases home market sales prices and thereby increases NV. That is, when a duty drawback is granted only for exported inputs, the cost of the duty is reflected in NV but not in EP. The statute corrects this imbalance, which could otherwise lead to an inaccurately high dumping margin, by increasing EP to the level it likely would be absent the duty drawback.

Thus, the CAFC recognized the duty drawback adjustment is intended to prevent dumping margins from being created or affected by the rebate or exemption of import duties on inputs used in the production of exported merchandise. However, Commerce has realized that in certain situations, depending on how the duty drawback adjustment is calculated, a distortion in the dumping margin may result. In this case, on the NV side of the dumping equation, the duty paid on inputs was allocated over the total production quantity, while on the CEP side the reported duty drawback was calculated using only the export sales quantity. This resulted in a per unit duty drawback adjustment that is different from the per unit amount of duties imbedded in NV. Accordingly, in order to accurately determine an adjustment for “the amount of any import duties imposed . . . which have been rebated, or which have not been collected, by reason of the exportation of the subject merchandise to the United States,” for these preliminary results the Department will make an upward adjustment to EP/CEP for the per unit amount of import duty costs included in the reported cost of production (COP). We have added the resulting per-unit amount to the U.S. price.

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77 See Saha Thai, 635 F.3d at 1341. As explained in Saha Thai, “The purpose of the duty drawback adjustment is to account for the fact that the producers remain subject to the import duty when they sell the subject merchandise domestically, which increases home market sales prices and thereby increases NV. That is, when a duty drawback is granted only for exported inputs, the cost of the duty is reflected in NV but not in EP. The statute corrects this imbalance, which could otherwise lead to an inaccurately high dumping margin, by increasing EP to the level it likely would be absent the duty drawback.” Id. at 1339.

78 Id. at 1338.

79 See Section 772(c)(1)(B) of the Act.

80 See POSCO/PDW Preliminary Analysis Memorandum.
Normal Value

A. Comparison Market Viability

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

In this review, we determined that the aggregate volume of home market sales of the foreign like product for Hyundai and POSCO/PDW were 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 Hyundai and POSCO/PDW, in accordance with section 773(a)(1)(B) of the Act. Consistent with our practice, we also included Hyundai and POSCO/PDW’s home market sales to affiliated parties for purposes of determining home market viability.

B. Affiliated Party Transactions and Arm’s-Length Test

Commerce may calculate NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, i.e., sales were made at arm’s-length prices. Commerce excludes home market sales to affiliated customers that are not made at arm’s-length prices from our margin analysis because Commerce considered them to be outside the ordinary course of trade. Consistent with 19 CFR 351.403(c) and (d) and our practice, “(Commerce) may calculate normal value based on sales to affiliates if the agency is satisfied that the transactions were made at arm’s length.”

Hyundai and POSCO/PDW reported they had sales of merchandise under consideration to affiliated parties in the home market during the POR. Pursuant to 19 CFR 351.403(c) and in accordance with Commerce’s practice, where the price to the affiliated party was, on average, within a range of 98 to 102 percent of the price of the same or comparable merchandise sold to

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81 See, e.g., Hyundai March 8, 2018 Section A Response at Exhibit A-1 and POSCO/PDW’s March 8, 2018 Section A Response at Exhibit A-1.
82 See Certain Oil Country Tubular Goods from Saudi Arabia: Final Determination of Sales at Less Than Fair Value, 79 FR 41986 (July 18, 2014), and accompanying Issues and Decision Memorandum at Comment 2 (use of affiliated party sales in viability determination).
83 See 19 CFR 351.403(c).
unaffiliated parties, we determined that sales made to the affiliated party were at arm’s length.\textsuperscript{86} Sales to affiliated customers in the home market that were not made at arm’s-length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.\textsuperscript{87}

C. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).\textsuperscript{88} Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.\textsuperscript{89} 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 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),\textsuperscript{90} we consider the starting prices before any adjustments. 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.\textsuperscript{91}

When Commerce is unable to match U.S. sales of 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.\textsuperscript{92}

\textsuperscript{86} See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade, 67 FR 69186, 69187 (November 15, 2002) (establishing that the overall ratio calculated for an affiliate must be between 98 percent and 102 percent in order for sales to be considered in the ordinary course of trade and used in the normal value calculation).

\textsuperscript{87} See 19 CFR 351.102(b)(35).

\textsuperscript{88} See 19 CFR 351.412(c)(2).

\textsuperscript{89} 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 (Orange Juice from Brazil).

\textsuperscript{90} 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 expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).

\textsuperscript{91} See Micron Tech., Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).

\textsuperscript{92} See, e.g., Orange Juice from Brazil, at Comment 7.
In the home market, Hyundai reported that it made sales through two channels of distribution (i.e., direct shipments to end-users or distributors). Hyundai reported that it performed the following selling functions for sales to all home market customers: sales forecasting, strategic economic planning, personnel training/exchange; engineering services; advertising; sales promotion; distributor/dealer training; procurement/sourcing services; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide rebates; provide cash discounts; pay commission; provide warranty services; provide guarantees; provide after sales services; perform repacking; freight and delivery arrangement; and post-sale warehousing.93

Selling activities can be generally grouped into four selling function categories for analysis: (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support.94 Based on these selling function categories, we find that Hyundai performed sales and marketing, freight and delivery services, and warranty and technical support for its reported sales to affiliated and unaffiliated customers in the home market. Because Hyundai performed the same selling functions at the same relative level of intensity for all of its home market sales, we preliminarily determine that all home market sales are at the same LOT.

With respect to the U.S. market, Hyundai reported that it made sales through two channels of distribution: CEP sales through its affiliates HSA, Hyundai Corporation, and HCUSA95 to unaffiliated processors which either underwent no further processing or small further manufacturing in the United States (Channel 1); and CEP sales through its affiliate HSA to unaffiliated processors and affiliated processors of merchandise that underwent further manufacturing (Channel 2).96

With respect to the U.S. LOT for both Channel 1 and Channel 2 sales (CEP sales to HCUSA, respectively), Hyundai reported that it performed the following selling functions for its sales to the United States: sales forecasting; strategic/economic planning; personnel training/exchange; advertising; sales promotion; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide warranty service; and freight and delivery arrangements.

93 See Hyundai March 8, 2018 Section A Response at A-19 to A-23 and at Exhibit A-13.
94 See, e.g., Preliminary LTFV IDM and accompanying Preliminary Decision Memorandum at 17-19 (unchanged in LTFV Final Determination).
95 See Hyundai March 8, 2018 section A response at A-21 to A-25 and exhibit A-13. Hyundai Steel and Hyundai Corporation are affiliated through familial relationship. During the POI Hyundai made some sales of subject merchandise to a U.S. customer through these companies.
96 Id. at A-20 and Exhibit A-13.
Based on the selling function categories noted above, we find that with respect to both Channels 1 and 2, Hyundai performed sales and marketing, freight and delivery services, technical services, and inventory management for U.S. sales.97 Because Hyundai performed the same selling functions at the same relative level of intensity (same or low/medium or medium/high) for its U.S. sales in Channel 1 and Channel 2 (with the exception of sales/marketing support, which is provided with different intensity in Channel 1 than Channel 2), we find the differences between Channel 1 and Channel 2 are too insignificant to warrant two different LOTs. Thus, we determine that Hyundai U.S. sales through Channel 1 and Channel 2 are made at the same LOT.98

We compared the LOT to the home market to the LOT for Hyundai’s U.S. customers and determined the LOT’s to be at the same relative level of intensity based on the relative amount of (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support discussed above. Based on the totality of the facts and circumstances, we preliminarily determine that sales to the home market during the POI were made at the same LOT as Hyundai’s CEP sales in the United States. Accordingly, we have not granted a CEP offset, for Hyundai pursuant to section 773(a)(7)(B) of the Act.

POSCO/PDW

In the home market, POSCO/PDW reported that it made sales through four channels of distribution: (1) sales to end-users; (2) sales to affiliated resellers; (3) direct shipments to unaffiliated customers in Korea; and (4) cyber transactions.99 POSCO/PDW reported that it performed the following selling functions for sales to all home market customers: sales forecasting, strategic economic planning, personnel training/exchange; engineering services; advertising; sales promotion; distributor/dealer training; procurement/sourcing services; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide rebates; provide cash discounts; pay commission; provide warranty services; provide guarantees; provide after sales services; perform repacking; freight and delivery arrangement; and post-sale warehousing.100

We based our LOT analysis on four general selling functions: (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support.101 Based on these selling function categories, we find that POSCO/PDW performed sales and marketing, freight and delivery services, and warranty and technical support for all four channels identified by POSCO/PDW in the home market.102 Because POSCO/PDW performed the same selling functions at the same relative level of intensity for all of its home market sales, we preliminarily determine that all home market sales are at the same LOT.

98 This is consistent with our finding in the LTFV investigation of this case. See Preliminary LTFV IDM and accompanying Preliminary Decision Memorandum at 17-19 (unchanged in LTFV Final Determination).
99 See POSCO/PDW March 8, 2018 Section A Response at A-20 to A-22.
100 Id. at A-26 and Exhibit A-7.
101 See, e.g., Preliminary LTFV IDM at 19 (unchanged in LTFV Final Determination).
102 See POSCO/PDW March 8, 2018 Section A Response at Exhibit A-7.
With respect to the U.S. market, POSCO/PDW reported that it made sales through two channels of distribution: CEP sales through PDW (Channel 1), and CEP Sales through POSCO America (POSAM) (Channel 2).103

With respect to the U.S. LOT for both Channel 1 and Channel 2 sales (CEP sales through POSCO/PDW and CEP sales through POSAM), POSCO/PDW reported that it performed the following selling functions for its sales to the United States: sales forecasting; strategic/economic planning; personnel training/exchange; advertising; sales promotion; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide warranty service; and freight and delivery arrangements.104

Based on the selling function categories noted above, we find that with respect to both Channels 1 and 2, POSCO/PDW performed sales and marketing, freight and delivery services, technical services, and inventory management for U.S. sales. Because POSCO/PDW performed the same selling functions at the same relative level of intensity (same or low/medium or medium/high) for its U.S. sales in Channel 1 and Channel 2, we find the differences between Channel 1 and Channel 2 are too insignificant to warrant two different LOTs. Thus, we determine that POSCO/PDW’s U.S. sales through Channel 1 and Channel 2 are made at the same LOT.105

Lastly, we compared the LOT to the home market to the LOT for POSCO/PDW’s U.S. customers and determined the LOT’s to be at the same relative level of intensity based on the relative amount of: (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support discussed above. Based on the totality of the facts and circumstances, we preliminarily determine that sales to the home market during the POR were made at the same LOT as POSCO/PDW’s CEP sales in the United States. Accordingly, we have not granted a CEP offset for POSCO/PDW, pursuant to section 773(a)(7)(B) of the Act.

D. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses (G&A) and interest expenses.106

We relied on the COP data submitted by Hyundai and POSCO/PDW, as reported by Hyundai and POSCO/PDW in their Section D Responses.107 We examined Hyundai’s and

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103 See POSCO/PDW March 8, 2018 Section A Response at A-22 and Exhibit A-7.
104 Id.
105 This is consistent with our finding in the LTFV investigation of this case. See Preliminary LTFV Decision Memorandum at 19-21, unchanged in LTFV Final Determination.
106 See “Test of Comparison Market Sales Prices” section for treatment of home market selling expenses.
107 See Hyundai March 30, 2018 Section D Response and Hyundai Preliminary Analysis Memorandum; see also POSCO/PDW March 30, 2018 Section D Response and POSCO/PDW Preliminary Analysis Memorandum.
POSCO/PDW’s cost data and determined that our quarterly cost methodology is not warranted, therefore, we applied our standard methodology of using annual costs based on the reported data.

1. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(b) of the Act, we compared the adjusted weighted-average COPs to the home market sales prices of the foreign like product in order to determine whether the sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, discounts and rebates, where applicable, movement charges, actual direct and indirect selling expenses, and packing expenses.

2. 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 not 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 POI, 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, for certain products, more than 20 percent of Hyundai’s and POSCO/PDW’s home market sales during the POR 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.\(^{108}\)

E. Calculation of NV Based on Comparison-Market Prices

For those comparison products for which there were appropriate sales at prices above the COP for Hyundai and POSCO/PDW, we based NV on comparison market prices. We calculated NV based on packed prices to customers in Korea.

When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of the merchandise, in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR

\(^{108}\) See Hyundai Preliminary Analysis Memorandum and POSCO/PDW Preliminary Analysis Memorandum.
We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise.\(^{109}\)

**Hyundai**

We calculated NV based on delivered or ex-works prices to unaffiliated customers. We made deductions, where appropriate, from the starting price for movement expenses, including inland freight and warehousing, under section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale (imputed credit expenses and other direct selling expenses), in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

**POSCO/PDW**

We calculated NV based on prices to customers on various sales terms.\(^{110}\) We made deductions, where appropriate, from the starting price for billing adjustments in accordance with 19 CFR 351.401(c). We also made deductions from the starting price for movement expenses, including inland freight, warehousing, and loading and unloading charges, in accordance with section 773(a)(6)(B)(ii) of the Act. We offset those movement expenses with reported freight revenue, with the latter capped at no higher than the sum of the movement expenses, in accordance with our normal practice. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale (imputed credit expenses and other direct selling expenses), in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

**ADJUSTMENTS TO CASH DEPOSIT RATES FOR EXPORT SUBSIDIES IN COMPANION COUNTERVAILING DUTY REVIEW**

Pursuant to section 772(c)(1)(C) of the Act, Commerce makes adjustments for countervailable export subsidies. In the final results, we will adjust the margins based upon the export subsidies calculated in the countervailing duty administrative review, as appropriate.

**CURRENCY CONVERSION**

Where appropriate, we made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

\(^{109}\) See 19 CFR 351.411(b).

\(^{110}\) For additional detail, see POSCO/PDW Preliminary Analysis Memorandum.
RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☐ ☐

Agree Disagree

10/3/2018

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