DATE: November 2, 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
Antidumping Duty Administrative Review: Certain Hot-Rolled
Steel Flat Products from the Republic of Korea; 2016-2017

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the
antidumping duty (AD) order on certain hot-rolled steel flat products (hot-rolled steel) from the
Republic of Korea (Korea) for the period of review (POR) March 22, 2016, through September
30, 2017. Commerce selected two respondents for individual examination, Hyundai Steel
Company (Hyundai) and POSCO. We preliminarily determine that POSCO/POSCO Daewoo
Corporation (PDW)\(^1\) (collectively, POSCO/PDW) and Hyundai made sales of the subject
merchandise at prices below normal value (NV) during the POR.

II. BACKGROUND

On October 3, 2016, Commerce published in the Federal Register the AD order on hot-rolled
steel from Korea.\(^2\) On October 4, 2017, Commerce published a notice of opportunity to request

\(^1\) This company was formerly known as formerly Daewoo International Corporation.
\(^2\) 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) (Order).
an administrative review of the Order.³ On October 26, 2017, POSCO/PDW requested an administrative review of its exports of subject merchandise to the United States pursuant to this proceeding.⁴ On October 27, 2017, Hyundai requested an administrative review of its exports for this proceeding.⁵ 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 an administrative review for this proceeding with respect to nine companies.⁶ On December 7, 2017, based on timely requests for administrative reviews, we initiated an administrative review of hot-rolled steel from Korea.⁷

On January 23, 2018, Commerce released U.S. Customs and Border Protection (CBP) data under administrative protective order (APO) to all interested parties having an APO and invited comments regarding CBP data and respondent selection.⁸ On January 30, 2018, Hyundai, POSCO/PDW, and the petitioners submitted comments on respondent selection.⁹ Pursuant to section 777A(c)(2)(B) of the Act, Commerce selected Hyundai and POSCO/PDW, which accounted for the largest volume of subject merchandise that can reasonably be examined.

On February 9, 2018, Commerce issued its initial AD questionnaire to Hyundai and POSCO/PDW, to which both Hyundai and POSCO/PDW responded in a timely manner.¹⁰ Hyundai responded to section A of the questionnaire on March 9, 2018, and sections B-D of the questionnaire on March 30, 2018.¹¹ POSCO/PDW responded to section A of the questionnaire

³ See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, 82 FR 46217 (October 4, 2017).
on March 9, 2018, and sections B-E of the questionnaire on March 30, 2018.\textsuperscript{12} Between March 30, 2018, and May 10, 2018, the petitioners submitted comments regarding Hyundai’s sections A-D questionnaire responses and POSCO/PDW’s sections A-E questionnaire responses.\textsuperscript{13} Hyundai and POSCO/PDW submitted rebuttal comments to the petitioners’ comments between April 6, 2018, and May 11, 2018.\textsuperscript{14} In addition, between April 10, 2018, and August 29, 2018, Commerce issued supplemental questionnaires to Hyundai and POSCO/PDW, to which both Hyundai and POSCO/PDW responded in a timely manner.\textsuperscript{15} Between April 12, 2018, and


September 12, 2018, Hyundai and POSCO/PDW responded to Commerce’s supplemental questionnaires. The petitioners submitted comments regarding Hyundai’s and POSCO/PDW’s supplemental questionnaire responses between May 16, 2018, and August 31, 2018.


and POSCO/PDW provided rebuttal comments to the petitioners’ comments regarding their supplemental questionnaire responses between May 24, 2018, and September 10, 2018.  

III. SCOPE OF THE ORDER

The products covered by this 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 makes the product covered by the

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Submitted in POSCO’s Supplemental Section A and B Questionnaire Response,” dated July 18, 2018; Petitioners’ Letter, “Hot-Rolled Steel Flat Products from Korea – Petitioner’s Comments in Response to Hyundai Steel’s Section B-D Supplemental Questionnaire Response,” dated August 9, 2018; Petitioners’ Letter, “Certain Hot-Rolled Steel Flat Products from Korea – Petitioner’s Submission of New Factual Information to Rebut, Clarify, or Correct Hyundai Steel’s August 6, 2018 Supplemental Section C Questionnaire Response,” dated August 16, 2018; Petitioners’ Letter, “Certain Hot-Rolled Steel Flat Products from the Republic of Korea – Petitioner’s Comments in Response to Hyundai Steel’s August 17, 2018 Letter,” dated August 21, 2018; and Petitioners’ Letter, “Certain Hot-Rolled Steel Flat Products from the Republic of Korea – Petitioner’s Comments in Response to Hyundai Steel’s August 6, 2018 Supplemental Section C Questionnaire Response,” dated August 31, 2018.

existing antidumping\textsuperscript{19} or countervailing duty\textsuperscript{20} 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 (\textit{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 this investigation 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. 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

\textsuperscript{19} 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).

\textsuperscript{20} 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).
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 investigation 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 this investigation unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of this investigation:

- 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;\(^\text{21}\)
- Ball bearing steels;\(^\text{22}\)
- Tool steels;\(^\text{23}\) and
- Silico-manganese steels;\(^\text{24}\)

The products subject to this investigation 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, 7208.39.0060, 7208.40.0090, 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, 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 investigation may also enter under the following HTSUS numbers: 7210.90.9000,

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\(^{21}\)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.

\(^{22}\)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.

\(^{23}\)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.

\(^{24}\)Silico-manganese steels are 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.
The HTSUS subheadings above are provided for convenience and U.S. Customs purposes only. The written description of the scope of the investigation is dispositive.

**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) 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.\(^{25}\) 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.\(^ {26}\) Section 19 CFR 351.401(f) states that the Secretary will treat two or more affiliated producers as a single entity where those producers have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities and the Secretary concludes that there is a significant potential for the manipulation of price or production.\(^ {27}\)

**POSCO/PDW**

POSCO/PDW and affiliated companies that are involved in the sale or further manufacture of subject merchandise include: PDW, POSCO Processing & Service (POSCO P&S), POSCO Daewoo America Corp. (PDA) (formerly Daewoo International (America) Corp.), POSCO America (POSAM), and USS-POSCO Industries (UPI). PDW acquired the steel business division of POSCO P&S in March 2017, at which point all sales related activity was transferred to PDW, and POSCO P&S continued to exist solely as an investment company.\(^ {28}\) Additionally, as explained in our POSCO/PDW Affiliation and Collapsing Memorandum, POSCO/PDW owns 95 percent of POSCO P&S, 60 percent of PDA, 99 percent of POSAM, and 50 percent of UPI.\(^ {29}\)

\(^ {25}\) 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).

\(^ {26}\) See also Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27297-98 (May 19, 1997).

\(^ {27}\) See 19 CFR 351.401(f).

\(^ {28}\) See POSCO’s Section A Questionnaire Response at A-1

\(^ {29}\) See Memorandum, “Certain Hot-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; see also POSCO’s March 9, 2018
Thus, in accordance with section 771(33)(E) of the Act and Commerce practice, and as determined in the Preliminary Determination of the less than fair value (LTFV) investigation of this review, we continue to find the companies to be affiliated pursuant to section 771(33)(E) of the Act.

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.

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). As explained above, we have sufficient information to preliminarily find that POSCO and PDW are affiliated. We further preliminarily find the production facilities available to either company are the same and substantial retooling of either manufacturing facility would not be required to restructure manufacturing priorities. Finally, we preliminarily find the record evidence demonstrates that there exists a 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.

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

submission at Exhibit 5.

30 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; see also section 771(33)(E) of the Act.

31 See Certain Hot-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 15228 (March 22, 2016) (Preliminary Determination) and accompanying PDM (March 14, 2016) unchanged in Certain Hot-Rolled Steel Flat Products from the Republic of Korea: the Final Determination of Sales at Less Than Fair Value, 81 FR 53419 (August 12, 2016), and accompanying Issues and Decision Memorandum.

32 For further discussion of this issue, see POSCO/PDW Preliminary Affiliation and Collapsing Memorandum.

33 See POSCO/PDW Preliminary Affiliation and Collapsing Memorandum.

34 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.

35 See Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Final Determination of Sales at Less Than Fair Value, 81 FR 53419 (August 12, 2016), and accompanying Issues and Decision Memorandum.

36 See POSCO/PDW Preliminary Affiliation and Collapsing Memorandum.
IV. DISCUSSION OF THE METHODOLOGY

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 POSCO/PDW or Hyundai’s sales of subject merchandise from Korea to the United States were made at less than normal value, Commerce compared the export price (EP) or constructed export price (CEP), as appropriate, to the normal value as described in the “Export Price/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 dumping margins by comparing weighted-average normal values to weighted-average EPs (or CEPs) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, Commerce examines whether to compare weighted-average normal values 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, the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is analogous to the issue in antidumping investigations.37

In recent investigations, Commerce applied a “differential pricing” analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.38 Commerce finds that the differential pricing analysis used in those 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 weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs, (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. 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 differential pricing analysis

37 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 (CIT 2014).
38 See, e.g., Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, 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); or Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value, 80 FR 61362 (October 13, 2015).
used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. 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 code (i.e., zip codes or city and state names) 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 POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region and time period, that Commerce uses in making comparisons between EP (or CEP) and normal value 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

**POSCO/PDW**

For POSCO/PDW, based on the results of the differential pricing analysis, Commerce preliminarily finds that 68.79 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. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because the relative change in the weighted-average dumping margin between the average-to-average method and the appropriate alternative method (i.e., the average-to-transaction method) is 25 percent or greater. Thus, for this preliminary determination, Commerce finds that there is a meaningful difference between using the different comparison methods and is applying the average-to-transaction method to all U.S. sales to calculate the weighted-average dumping margin for POSCO/PDW.

**Hyundai**

For Hyundai, based on the results of the differential pricing analysis, Commerce preliminarily finds that 65.56 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. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because there is at least a 25 percent relative change between the

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39 *See* Memorandum to the File, “Preliminary Results Calculation for POSCO in the Antidumping Duty Investigation of Certain Hot-Rolled Steel Flat Products from the Republic of Korea,” dated November 2, 2018 (POSCO Preliminary Analysis Memorandum).

40 *See* Memorandum to the File, “Preliminary Results Calculation for Hyundai Steel Company in the Antidumping Duty Investigation of Certain Hot-Rolled Steel Flat Products from Republic of Korea,” dated November 2, 2018 (Hyundai Steel Preliminary Analysis Memorandum).
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. Thus, for this preliminary determination, 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.

Product Comparisons

In accordance with section 771(16) of the Act, Commerce considered all products produced and sold by the respondents in Korea as described in the “Scope of the Order” section of this memorandum, above, that were in the ordinary course of trade. Commerce 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, Commerce compared U.S. sales to sales of the most similar foreign like product made in the ordinary course of trade.

In making product comparisons, Commerce matched foreign like products based on the physical characteristics reported by the respondents in the following order of importance: whether the product is painted, minimum specified carbon content, quality, minimum specified yield strength, nominal thickness, nominal width, form, pickled, and patterns in relief. For Hyundai’s and POSCO/PDW’s respective sales of hot-rolled steel in the United States, the reported control number (CONNUM) identifies the characteristics of hot-rolled steel as it entered the United States.

Date of Sale

Section 351.401(i) of Commerce’s regulations states that, “in identifying the date of sale of the 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.” The regulation provides further that Commerce 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. Commerce has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.

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41 See 19 CFR 351.401(i); see also Allied Tube & Conduit Corp. v. United States, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)) (Allied Tube).
42 See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from Thailand, 69 FR 76918 (December 23, 2004), and accompanying Issues and Decision Memorandum at Comment 10; see also Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany, 67 FR 35497 (May 20, 2002), and accompanying Issues and Decision Memorandum at Comment 2.
POSCO/PDW

For its home market sales, whether made by POSCO/PDW or P&S/PDW, POSCO/PDW reported the earlier of shipping or invoice date as the date of sale.\(^{43}\) For the purposes of these preliminary results, we used the reported date of sale for POSCO/PDW’s home market sales, consistent with Commerce’s normal methodology regarding date of sale to use an earlier date if appropriate.

In accordance with 19 CFR 351.401(i),\(^{44}\) for these preliminary results Commerce is using POSCO/PDW’s reported date of sale for its U.S. market sales, because the material terms of sale (e.g., price and quantity) are still subject to change when orders are confirmed. For the U.S. market, POSCO/PDW reported the following date of sale, indicating that price and/or quantity is subject to change until that date: for sales identified in Channel 1 (EP- sales through unaffiliated trading companies), the date of sale is the earlier of the shipment date from POSCO/PDW’s factory (reported in field SHIPDATU) or POSCO/PDW’s invoice date to its customer; for sales in Channel 2, 3, and 3a (CEP back-to-back sales through POSAM, PDA, or PDA), the date of sale is reported as the earlier of the shipment date from Korea or the invoice date issued by POSAM or PDW to the unaffiliated customer; and for Channel 4 (CEP Further Manufactured through UPI), the date of sale is the earlier of the shipment date from UPI’s facility or UPI’s invoice date.\(^{45}\)

Hyundai

For its home market sales, Hyundai reported the earlier of shipment date (\textit{i.e.}, the date the merchandise leaves the factory or warehouse), or invoice date in the field SALEDATH.\(^{46}\) Hyundai normally recognizes a sale at the time of shipment from the factory.\(^{47}\) However, in some limited instances, customers requested that Hyundai delay shipments to a later date.\(^{48}\) Consequently, certain home market sales that were invoiced during the POR had not yet shipped from Hyundai’s factory. In these instances, because Hyundai had issued tax invoices for these sales, and ownership of the merchandise was transferred to the customer when the tax invoices were issued, Hyundai reported these sales in its sales database.\(^{49}\)

\(^{43}\) See POSCO’s Sections B-E Questionnaire Response at B-22.
\(^{44}\) See also 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 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 this preliminary determination, 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.”).
\(^{45}\) See POSCO’s Sections B-E Questionnaire Response at C-22.
\(^{46}\) See Hyundai’s Sections B-D Questionnaire Response at B-24.
\(^{47}\) Id.
\(^{48}\) Id.
\(^{49}\) Id.
For its U.S. sales to unaffiliated customers, Hyundai reported the earlier of shipment date (i.e., the date the merchandise leaves the factory or warehouse), or invoice date in the field SALEDATU. For its U.S. sales through Hyundai Corporation (USA) (HCUSA) to unaffiliated customers, Hyundai reported the date of shipment from HCUSA’s warehouse as the date of sale. For both home market and U.S. sales, Hyundai issued its commercial invoices (U.S. market) or tax invoices (home market) at or after the time of shipment. For these preliminary results, we used the shipment date or invoice date as the date of sale as indicated above for Hyundai’s home market and U.S. sales, consistent with Commerce’s normal methodology regarding date of sale because the material terms of sale (e.g., price and quantity) are still subject to change when orders are confirmed.

Export Price/Constructed Export Price

In accordance with section 772(a) of the Act, we calculated certain Hyundai and POSCO/PDW sales sold to the first unaffiliated purchaser in the United States prior to importation on an export price (EP) basis. In accordance with section 772(b) of the Act, for the remainder of Hyundai’s and POSCO/PDW’s U.S. sales, we used constructed export price (CEP) because the merchandise under consideration was sold in the United States by U.S. sellers affiliated with Hyundai and POSCO/PDW.

POSCO/PDW

POSCO/PDW reported EP sales by POSCO to unaffiliated Korean trading companies and by PDW to unaffiliated U.S. customers during the POR. Accordingly, we based EP 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.

POSCO/PDW also classified some of 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. In accordance with section 772(b) of the Act, CEP is the price at which 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. We calculated

50 See Hyundai’s Sections B-D Questionnaire Response at C-18.
51 See Hyundai’s Section A Questionnaire Response at Exhibit A-12 and Exhibit A-13.
52 See 19 CFR 351.401(i) and Allied Tube & Conduit Corp. v. United States.
53 See POSCO’s Section A Questionnaire Response at A-31.
54 Id. at 32. POSCO indicated it was aware of the destination of the merchandise sold to the Korean trading companies.
55 For additional reference to these certain additional U.S. movement expenses, about which some information on the record is proprietary, See POSCO Preliminary Analysis Memorandum.
56 See POSCO’s Section A Questionnaire Response at A-31.
CEP based on the packed prices to unaffiliated purchasers in the United States.\textsuperscript{57} 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.\textsuperscript{58} 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. 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{59}

**Hyundai**

We based Hyundai’s EP sales on a packed price to the first unaffiliated purchaser in the United States. Commerce also made adjustments for billing adjustments, and U.S. and Korean brokerage and handling charges, as appropriate. We made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate, foreign inland freight, marine insurance, foreign brokerage and handling, U.S. customs duties, U.S. brokerage and handling, international freight, and U.S. inland freight. In addition, Hyundai reported expenses associated with loading subject merchandise onto trucks for shipment in “other direct selling expenses.”\textsuperscript{60} We have included those expenses in Hyundai’s movement expenses.

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 CEP sales of the subject merchandise through its affiliate HCUSA during the POR.\textsuperscript{61}

We calculated CEP based on a packed price to customers in the United States. We made deductions from the starting price 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 the 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.

\textsuperscript{57} See POSCO Preliminary Analysis Memorandum.
\textsuperscript{58} Id.
\textsuperscript{59} For additional details, See POSCO Preliminary Analysis Memorandum.
\textsuperscript{60} See Hyundai’s Section B-D Questionnaire Response at C-43, Exhibit B-18 and Exhibit C-18.
\textsuperscript{61} See Hyundai’s Section B-D Questionnaire Response at C-1.
Normal Value

A. 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), Commerce normally compares 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 Commerce determines that no viable home market exists, Commerce 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, Commerce determined that the aggregate volume of home market sales of the foreign like product for each respondent was greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise. Therefore, Commerce used home market sales as the basis for NV for POSCO/PDW and Hyundai, in accordance with section 773(a)(1)(B) of the Act. 62

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. 63 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, “the Department may calculate normal value based on sales to affiliates if satisfied that the transactions were made at arm’s length.” 64

To test whether POSCO/PDW and Hyundai’s home market sales to affiliated customers were made at arm’s-length prices, Commerce compared these prices to the prices of sales of comparable merchandise to unaffiliated customers, net of all discounts and rebates, movement charges, direct selling expenses, and packing. Pursuant to 19 CFR 351.403(c) and in accordance with our practice, when the prices charged to an affiliated customer were, on average, between 98 and 102 percent of the prices charged to unaffiliated parties for merchandise comparable to that sold to the affiliated customer, Commerce determined that the sales to that affiliated

62 See Hyundai’s Section A Questionnaire Response at 2 and Exhibit A-1(1); and POSCO’s Section A Questionnaire Response at A-3 and Exhibit A-1.
63 See 19 CFR 351.403(c).
customer were at arm’s-length prices. In this review, Commerce excluded sales to affiliated customers in the home market that were not made at arm’s-length prices from our analysis because we considered these sales to be outside the ordinary course of trade.

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). Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing. In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, Commerce examined 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), Commerce considered the starting prices before any adjustments. For CEP sales, Commerce considered only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

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 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.

65 See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade, 67 FR 69186, 69187 (November 15, 2002).
66 See 19 CFR 351.102(b).
67 See 19 CFR 351.412(c)(2).
68 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”).
69 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).
70 See Micron Tech., Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).
71 See, e.g., OJ from Brazil, at Comment 7.
POSCO/PDW

POSCO/PDW states there is one level of trade in the home market, and that this level is more advanced than that for the various CEP channels of trade for its U.S. sales. POSCO/PDW reported that it performed the all of the selling activities undertaken in the domestic market. In the U.S. market, POSCO/PDW reported making sales through four main channels of distribution: EP sales to its affiliated trading company, PDW (Channel 1); CEP sales through its affiliate POSAM to unaffiliated end-users (Channel 2); CEP sales through PDW and PDA to unaffiliated customers in the U.S. (Channel 3a); CEP sales through PDW and PDA to a specific customer through a scheduling agreement (Channel 3b); and CEP sales of further-manufactured merchandise by UPI (Channel 4). Selling activities in the U.S. market are handled by POSCO, PDW, PDA, POSAM, and UPI. Although POSCO/PDW provided a list and brief descriptions of selling activities performed among each channel of distribution and customer category for both markets, along with a chart and description comparing the levels of trade, POSCO/PDW’s descriptions provide no basis for determining that there are any differences in the overall intensity of the selling activities performed in these markets. As such, we find that these functions are performed at the same LOT.

POSCO/PDW requests a CEP offset for its U.S. sales to reflect the alleged differences in selling functions performed for home market sales versus U.S. sales. However, we find that there is no basis for concluding that there are differences in levels of trade between the home market and the U.S. market, and therefore, we have not granted a CEP offset, pursuant to section 773(a)(7)(B) of the Act.

Hyundai Steel

Hyundai Steel states there is one level of trade in the home market, and that this level is more advanced than that for the various CEP channels of trade for its U.S. sales. Hyundai Steel 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; packing; inventory maintenance; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide cash discounts; provide warranty services; provide freight and delivery arrangement; and provide post-sale warehousing.

In the U.S. market, Hyundai Steel reported that it made sales through three main channels of distribution: EP sales to unaffiliated U.S. distributors and end-users (Channel 1); CEP sales through its affiliate HCUSA to unaffiliated U.S. distributors and end-users (Channel 2); and CEP sales through its affiliate HSA to unaffiliated end-users and affiliated end-users (Channel 3).

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72 See POSCO’s Section A Questionnaire Response at A-26.
73 Id. at A-28.
74 Id.
75 For further discussion of this issue, see POSCO Preliminary Analysis Memorandum.
76 See Hyundai’s Section A Questionnaire Response at 24.
77 See Hyundai’s Section A Questionnaire Response at Exhibit A-14.
78 See Hyundai’s Section A Supplemental Response at 13-14.
With respect to all LOT channels, Hyundai Steel reported these functions: sales forecasting; strategic/economic planning; personnel training/exchange; order input/processing; direct sales personnel; sales/marketing support; market research; technical assistance; provide warranty services; and freight and delivery arrangement. For advertising and sales promotion, all LOT channels reported these functions except Hyundai Steel Company-Channel 2. For packing and inventory maintenance, all LOT channels reported these functions except Hyundai Steel U.S. affiliates in Channel 2. For Engineering Services, Procurement/Sourcing Services and Post Sale Warehousing, only HSA Channel 3 provided these services.  

Based on the selling function categories noted above, we find that with respect to all Channels, Hyundai Steel performed sales and marketing, freight and delivery services, inventory maintenance and warehousing for its U.S. sales, and that Channel 3 sales included a few more (three out of 24) more sub-activities. Because Hyundai Steel 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 these channels (with the exception of sales/marketing support, which is provided with different intensity in Channel 1 and Channel 3), we find the differences between these channels are too insignificant to warrant three different LOTs. Thus, we determine that Hyundai’s U.S. sales through all its channels are made at the same LOT.

We compared the EP (Channel 1) and the CEP (Channels 2 and 3) LOT to the home market LOT and found that the selling functions Hyundai Steel performed for its home market customers are virtually the same as those performed for its U.S. customers at the same relative level of intensity. The only difference is that Hyundai Steel provides cash discounts and guarantees for home market customers and does not provide this service for EP/CEP sales.  

Because of 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 Hyundai Steel’s EP/CEP sales through all channels and determined no LOT adjustment was warranted.

D. Cost of Production Analysis

In accordance with section 773(b)(3) of the Act, we calculated cost of production (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.  

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79 See Hyundai’s Section A Questionnaire Response at Exhibit A-14.
80 Id.
81 See “Test of Comparison Market Sales Prices” section for treatment of home market selling expenses.
POSCO/PDW

We relied on the quarterly COP data submitted by POSCO/PDW, as reported by POSCO/PDW in its most recently submitted cost databases, with certain adjustments as described below, for the COP calculation.

Hyundai

We made certain adjustments to the general and administrative expenses (G&A) and interest expenses reported by Hyundai. However, we relied on all other COP data submitted by Hyundai, as reported in its most recently submitted cost databases for the COP calculation.82

1. 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. Based on the record evidence, we have used an alternative quarterly cost methodology for POSCO/PDW’s preliminary results. 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 periods could be reasonably aligned with the COP or CV during the same shorter cost-averaging periods.83

   a. 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.84 In the instant case, record evidence shows that POSCO/PDW experienced significant cost changes (i.e., changes that exceeded 37.5 percent over the 18 month period85) between the high and low quarterly COM during the POR.86 This change in COM is attributable primarily to the price volatility for the primary inputs used in the production of hot-rolled steel.87

83 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.
84 See SSPC Belgium Final IDM at Comment 4.
85 See POSCO Preliminary Analysis Memorandum.
86 See POSCO Section D Supplemental at Exhibit D-27.
87 Id.
b. 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 and in the United States. Our comparison revealed that sales and costs for POSCO/PDW 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 POSCO/PDW’s changing sales prices and costs during the POR. Thus, we preliminarily determine that a shorter cost period approach, based on a quarterly-average COP, is appropriate for POSCO/PDW because we found significant cost changes in COM as well as reasonable linkage between costs and sales prices.

2. 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 administrative expenses and interest expenses. As explained above, we examined the cost data and preliminarily determined that our quarterly cost methodology is warranted for POSCO/PDW. Therefore, POSCO/PDW’s COP is based on a quarterly average COP rather than an annual average COP. See the “Cost Averaging Methodology” section, above, for further discussion.

We relied on the quarterly COP data submitted by POSCO/PDW with some adjustments. Specifically, we:

- revised the calculation of the general and administrative (G&A) expense ratio by excluding income related to a prior period;
- revised the further manufacturing G&A expense ratio calculation by including certain excluded costs and disallowing an unsupported income offset. We also applied the further manufacturing G&A and financial expense ratios to a base that includes further manufacturing costs plus the COP of the merchandise that was further processed; and,

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88 See SSSSC Mexico Final IDM at Comment 6; and SSPC Belgium Final IDM at Comment 4.
89 See SSPC Belgium Final IDM at Comment 4.
90 See POSCO Preliminary Analysis Memorandum.
91 Id.; see also SSSSC Mexico Final IDM at Comment 6 and SSPC Belgium Final IDM at Comment 4.
92 See “Test of Comparison Market Sales Prices” section, below, for treatment of home market selling expenses.
93 See POSCO Preliminary Analysis Memorandum.
94 Id.
3. 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 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.

4. 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 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 specific products, more than 20 percent of POSCO/PDW and Hyundai Steel’s respective 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.95

E. Calculation of Normal Value Based on Comparison Market Prices

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

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, Commerce also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable COM for the foreign like product and subject merchandise.96

95 See Hyundai Steel Preliminary Analysis Memorandum; and POSCO Preliminary Analysis Memorandum.
96 See 19 CFR 351.411(b).
Commerce calculated NV based on prices to customers on various sales terms.\textsuperscript{97} 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.

Hyundai

Commerce calculated NV based on delivered or ex-works prices to unaffiliated customers.\textsuperscript{98} 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.

F. Calculation of Normal Value Based on Constructed Value

Section 773(a)(4) of the Act provides that where NV cannot be based on comparison market sales, NV may be based on CV. Accordingly, for those hot-rolled steel products for which we could not determine the NV based on comparison market sales because, as noted in the “Results of the COP Test” section above, all sales of the comparable products failed the COP test, we based NV on CV.

Sections 773(e)(1) and (2)(A) of the Act provide that CV shall be based on the sum of the cost of materials and fabrication for the imported merchandise, plus amounts for selling, general, and administrative (SG&A) expenses, profit, and U.S. packing costs. For each respondent, we calculated the cost of materials and fabrication based on the methodology described in the “Cost of Production Analysis” section, above. We based SG&A and profit for each respondent on the actual amounts incurred and realized by it in connection with the production and sale of the foreign like product in the ordinary course of trade for consumption in the comparison market, in accordance with section 773(e)(2)(A) of the Act.

\textsuperscript{97} For additional detail, See POSCO Preliminary Analysis Memorandum.
\textsuperscript{98} See Hyundai Steel Preliminary Analysis Memorandum.
POSOCO/PDW

For comparisons to POSOCO/PDW’s EP sales, we made circumstances-of-sale adjustments by deducting direct selling expenses incurred on comparison market sales from, and adding U.S. direct selling expenses, to CV, in accordance with section 773(a)(8) of the Act and 19 CFR 351.410.\(^{99}\)

For comparisons to POSOCO/PDW’s CEP sales, we deducted from CV direct selling expenses incurred on its comparison market sales, in accordance with section 773(a)(7)(ii)(B) of the Act.\(^{100}\)

Hyundai

For comparisons to Hyundai’s EP sales, we made circumstances-of-sale adjustments by deducting direct selling expenses incurred on comparison market sales from, and adding U.S. direct selling expenses, to CV, in accordance with section 773(a)(8) of the Act and 19 CFR 351.410.\(^{101}\)

For comparisons to Hyundai’s CEP sales, we deducted from CV direct selling expenses incurred on its comparison market sales, in accordance with section 773(a)(7)(ii)(B) of the Act.\(^{102}\)

V. 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.

VI. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A(a) of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank. The exchange rates are available on the Enforcement and Compliance website at [http://enforcement.trade.gov/exchange](http://enforcement.trade.gov/exchange).

\(^{99}\) See POSCO Preliminary Analysis Memorandum.

\(^{100}\) Id.

\(^{101}\) See Hyundai Steel Preliminary Analysis Memorandum.

\(^{102}\) Id.
VII. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☒ ☐

Agree Disagree 11/2/2018

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