July 10, 2019

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for Preliminary Results of the 2016-2018 Antidumping Duty Administrative Review: Certain Carbon and Alloy Steel Cut-To-Length Plate from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on certain carbon and alloy steel cut-to-length plate (CTL Plate) from the Republic of Korea (Korea). The period of review (POR) is November 14, 2016 through April 30, 2018. The administrative review covers 14 producers or exporters of the subject merchandise. Commerce selected one respondent for individual examination, POSCO/POSCO Daewoo Corporation. We preliminarily determine that the POSCO single entity\(^1\) made sales below normal value (NV) during this POR.

II. BACKGROUND

On May 25, 2017, Commerce published in the Federal Register an AD order on CTL plate from the Korea.\(^2\) In May 2018, Commerce published a notice of opportunity to request an

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\(^1\) For purposes of this administrative review, the “POSCO single entity” refers to POSCO, POSCO Daewoo Corporation (POSCO Daewoo), POSCO Processing and Services Co., Ltd. (POSCO P&S) and certain distributors and service centers, which we have preliminarily determined are affiliated and should be treated as a single entity. See “Affiliation and Collapsing” section. POSCO/POSCO Daewoo Corporation requested business proprietary treatment for the names of its affiliated distributors and service centers. Commerce is continuing to evaluate the request for proprietary treatment and intends to make a determination regarding the public disclosure of these entities’ names before the final results of this administrative review.

\(^2\) Certain Carbon and Alloy Steel Cut-To-Length Plate from Austria, Belgium, France, the Federal Republic of Germany, Italy, Japan, the Republic of Korea, and Taiwan: Amended Final Affirmative Antidumping
administrative review of the Order and ArcelorMittal USA LLC, Nucor Corporation, and SSAB Enterprises LLC (the petitioners) requested a review of 14 companies. Commerce also received a request to conduct an administrative review from POSCO. In July 2018, we initiated an administrative review of the Order for each of these companies. In the “Respondent Selection” section of the Initiation Notice, we stated that, if necessary, we intended to select respondents based on U.S. Customs and Border Protection (CBP) data for entries of CTL plate from Korea during the POR.

Accordingly, in September 2018, we released the CBP data to all interested parties under an administrative protective order and requested comments regarding the CBP entry data and respondent selection. We received comments on behalf of POSCO, requesting that Commerce consider it and its affiliate, POSCO Daewoo Corporation, to be a single collapsed entity for purposes of respondent selection, and select this entity as a mandatory respondent. We received no other comments.

In October 2018, we selected POSCO/POSCO Daewoo for individual examination as the mandatory respondent in this administrative review and we issued the initial AD questionnaire to POSCO/POSCO Daewoo. Between October and December 2018, POSCO/POSCO Daewoo submitted its responses to our initial questionnaire. From December 2018 to May 2019, we issued supplemental questionnaires to which POSCO/POSCO Daewoo timely responded.

In December 2018, we extended the preliminary results of this review to no later than May 1, 2019. Commerce exercised its discretion to toll all deadlines affected by the partial federal

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3 Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, FR 83 19047 (May 1, 2018).
5 See Initiation of Antidumping and Countervailing Duty Administration Reviews, 83 FR 32270 (July 12, 2018) (Initiation Notice); see also Initiation of Antidumping and Countervailing Duty Administration Reviews, 83 FR 39688 (August 10, 2018), wherein Commerce corrected the spelling of the name of one company for which an administrative review was initiated.
6 See Initiation Notice, 83 FR at 32271.
government closure from December 22, 2018, through the resumption of operations on January 29, 2019. In June 2019, we extended the preliminary results of this review to no later than July 10, 2019.

In May 2019 we received pre-preliminary comments from the petitioners and POSCO/POSCO Daewoo.

III. SCOPE OF THE ORDER

The products covered by this order are certain carbon and alloy steel hot-rolled or forged flat plate products not in coils, whether or not painted, varnished, or coated with plastics or other nonmetallic substances (cut-to-length plate). Subject merchandise includes plate that is produced by being cut-to-length from coils or from other discrete length plate and plate that is rolled or forged into a discrete length. The products covered include (1) Universal mill plates (i.e., flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, and of a thickness of not less than 4 mm, which are not in coils and without patterns in relief), and (2) hot-rolled or forged flat steel products of a thickness of 4.75 mm or more and of a width which exceeds 150 mm and measures at least twice the thickness, and which are not in coils, whether or not with patterns in relief. The covered products described above may be rectangular, square, circular or other shapes and include products of either rectangular or nonrectangular cross-section where such non-rectangular 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, the following rules apply:

(1) except where otherwise stated where the nominal and actual thickness or width measurements vary, a product from a given subject country 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 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.

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

Steel products included in the scope of this order are products in which: (1) iron predominates, by weight, over each of the other contained elements; and (2) the carbon content is 2 percent or less by weight.

Subject merchandise includes cut-to-length plate that has been further processed in the subject country or a third country, including but not limited to pickling, oiling, levelling, annealing, tempering, temper rolling, skin passing, painting, varnishing, trimming, cutting, punching, beveling, 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 cut-to-length plate. All products that meet the written physical description, are within the scope of this order unless specifically excluded or covered by the scope of an existing order. The following products are outside of, and/or specifically excluded from, the scope of this order:

(1) products clad, plated, or coated with metal, whether or not painted, varnished or coated with plastic or other non-metallic substances;

(2) military grade armor plate certified to one of the following specifications or to a specification that references and incorporates one of the following specifications:

• MIL-A-12560,
• MIL-DTL-12560H,
• MIL-DTL-12560J,
• MIL-DTL-12560K,
• MIL-DTL-32332,
• MIL-A-46100D,
• MIL-DTL-46100-E,
• MIL-46177C,
• MIL-S-16216K Grade HY80,
• MIL-S-16216K Grade HY100,
• MIL-S-24645A HSLA-80;
• MIL-S-24645A HSLA-100,
• T9074-BD-GiB-010/0300 Grade HY80,
• T9074-BD-GiB-010/0300 Grade HY100,
• T9074-BD-GiB-010/0300 Grade HSLA80,
• T9074-BD-GiB-010/0300 Grade HSLA100, and
• T9074-BD-GiB-010/0300 Mod. Grade HSLA115,

except that any cut-to-length plate certified to one of the above specifications, or to a military grade armor specification that references and incorporates one of the above specifications, will not be excluded from the scope if it is also dual- or multiple-certified to any other non-armor specification that otherwise would fall within the scope of this order;

(3) stainless steel plate, containing 10.5 percent or more of chromium by weight and not more than 1.2 percent of carbon by weight;
(4) CTL plate meeting the requirements of ASTM A-829, Grade E 4340 that are over 305 mm in actual thickness;

(5) Alloy forged and rolled CTL plate greater than or equal to 152.4 mm in actual thickness meeting each of the following requirements:

(a) Electric furnace melted, ladle refined & vacuum degassed and having a chemical composition (expressed in weight percentages):
- Carbon 0.23-0.28,
- Silicon 0.05-0.20,
- Manganese 1.20-1.60,
- Nickel not greater than 1.0,
- Sulfur not greater than 0.007,
- Phosphorus not greater than 0.020,
- Chromium 1.0-2.5,
- Molybdenum 0.35-0.80,
- Boron 0.002-0.004,
- Oxygen not greater than 20 ppm,
- Hydrogen not greater than 2 ppm, and
- Nitrogen not greater than 60 ppm;

(b) With a Brinell hardness measured in all parts of the product including mid thickness falling within one of the following ranges:
   (i) 270-300 HBW,
   (ii) 290-320 HBW, or
   (iii) 320-350HBW;

(c) Having cleanliness in accordance with ASTM E45 method A (Thin and Heavy): A not exceeding 1.5, B not exceeding 1.0, C not exceeding 0.5, D not exceeding 1.5; and (d) Conforming to ASTM A578-S9 ultrasonic testing requirements with acceptance criteria 2 mm flat bottom hole;

(6) Alloy forged and rolled steel CTL plate over 407 mm in actual thickness and meeting the following requirements:

(a) Made from Electric Arc Furnace melted, Ladle refined & vacuum degassed, alloy steel with the following chemical composition (expressed in weight percentages):
- Carbon 0.23-0.28,
- Silicon 0.05-0.15,
- Manganese 1.20-1.50,
- Nickel not greater than 0.4,
- Sulfur not greater than 0.010,
- Phosphorus not greater than 0.020,
- Chromium 1.20-1.50,
• Molybdenum 0.35-0.55,
• Boron 0.002-0.004,
• Oxygen not greater than 20 ppm,
• Hydrogen not greater than 2 ppm, and
• Nitrogen not greater than 60 ppm;

(b) Having cleanliness in accordance with ASTM E45 method A (Thin and Heavy): A not exceeding 1.5, B not exceeding 1.5, C not exceeding 1.0, D not exceeding 1.5;

(c) Having the following mechanical properties: (i) With a Brinell hardness not more than 237 HBW measured in all parts of the product including mid thickness; and having a Yield Strength of 75ksi min and UTS 95ksi or more, Elongation of 18% or more and Reduction of area 35% or more; having charpy V at -75 degrees F in the longitudinal direction equal or greater than 15 ft. lbs (single value) and equal or greater than 20 ft. lbs (average of 3 specimens) and conforming to the requirements of NACE MR01-75; or (ii) With a Brinell hardness not less than 240 HBW measured in all parts of the product including mid thickness; and having a Yield Strength of 90 ksi min and UTS 110 ksi or more, Elongation of 15% or more and Reduction of area 30% or more; having charpy V at -40 degrees F in the longitudinal direction equal or greater than 21 ft. lbs (single value) and equal or greater than 31 ft. lbs (average of 3 specimens);

(d) Conforming to ASTM A578-S9 ultrasonic testing requirements with acceptance criteria 3.2 mm flat bottom hole; and

(e) Conforming to magnetic particle inspection in accordance with AMS 2301;

(7) Alloy forged and rolled steel CTL plate over 407 mm in actual thickness and meeting the following requirements:

(a) Made from Electric Arc Furnace melted, ladle refined & vacuum degassed, alloy steel with the following chemical composition (expressed in weight percentages):
• Carbon 0.25-0.30,
• Silicon not greater than 0.25,
• Manganese not greater than 0.50,
• Nickel 3.0-3.5,
• Sulfur not greater than 0.010,
• Phosphorus not greater than 0.020,
• Chromium 1.0-1.5,
• Molybdenum 0.6-0.9,
• Vanadium 0.08 to 0.12
• Boron 0.002-0.004,
• Oxygen not greater than 20 ppm,
• Hydrogen not greater than 2 ppm, and
• Nitrogen not greater than 60 ppm.
(b) Having cleanliness in accordance with ASTM E45 method A (Thin and Heavy): A not exceeding 1.0(t) and 0.5(h), B not exceeding 1.5(t) and 1.0(h), C not exceeding 1.0(t) and 0.5(h), and D not exceeding 1.5(t) and 1.0(h);

(c) Having the following mechanical properties: A Brinell hardness not less than 350 HBW measured in all parts of the product including mid thickness; and having a Yield Strength of 145ksi or more and UTS 160ksi or more, Elongation of 15% or more and Reduction of area 35% or more; having charpy V at -40 degrees F in the transverse direction equal or greater than 20 ft. lbs (single value) and equal or greater than 25 ft. lbs (average of 3 specimens);

(d) Conforming to ASTM A578-S9 ultrasonic testing requirements with acceptance criteria 3.2 mm flat bottom hole; and

(e) Conforming to magnetic particle inspection in accordance with AMS 2301.

The products subject to the order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7208.40.3030, 7208.40.3060, 7208.51.0030, 7208.51.0045, 7208.51.0060, 7208.52.0000, 7211.13.0000, 7211.14.0030, 7211.14.0045, 7225.40.1110, 7225.40.1180, 7225.40.3005, 7225.40.3050, 7226.20.0000, and 7226.91.5000.

The products subject to the order may also enter under the following HTSUS item numbers: 7208.40.6060, 7208.53.0000, 7208.90.0000, 7210.70.3000, 7210.90.9000, 7211.19.1500, 7211.19.2000, 7211.19.4500, 7211.19.6000, 7211.19.7590, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7214.10.0000, 7214.30.0010, 7214.30.0080, 7214.91.0015, 7214.91.0060, 7214.91.0090, 7225.11.0000, 7225.19.0000, 7225.40.5110, 7225.40.5130, 7225.40.5160, 7225.40.7000, 7225.99.0010, 7225.99.0090, 7226.11.1000, 7226.11.9060, 7226.19.1000, 7226.19.9000, 7226.91.0500, 7226.91.1530, 7226.91.1560, 7226.91.2530, 7226.91.2560, 7226.91.7000, 7226.91.8000, and 7226.99.0180.

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

IV. COMPANIES NOT SELECTED FOR INDIVIDUAL EXAMINATION

Commerce did not select the following companies for individual examination: Buma Ce Co., Ltd., Dong Yang Steel Pipe Co., Ltd., Dongkuk Steel Mill Co., Ltd., Expeditors Korea Ltd., Haem Co., Ltd., Hyundai Glovis Co., Ltd., Hyundai Steel Company, J.I. Sea & Air Express Co., Ltd., Maxpeed Co., Ltd., Rames Logistics Co., Ltd., and Sumitomo Corp. Korea Ltd. None of these companies: (1) were selected as a mandatory respondent; (2) were the subject of a withdrawal of request for review; (3) requested to participate as a voluntary respondent; or (4) submitted a claim of no shipments. As such, these companies remain non-selected respondents that are subject to the review.
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 Tariff Act of 1930, as amended (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 review in an administrative review. Under section 735(c)(5)(A) of the Act, the all-others rate is normally “an amount equal to the weighted average of the estimated weighted-average dumping margins established for exporters and producers individually investigated, excluding any zero or de minimis margins, and any margins determined entirely {on the basis of facts available}.” Consistent with the Court of Appeals for the Federal Circuit’s decision in Albemarle Corp. v. United States,14 in this review, we preliminarily determine that a reasonable method for determining the rate for the non-selected companies is to use the dumping margin applied to the POSCO single entity in this administrative review.15 This is the only dumping margin determined in this review for an individual respondent, and thus, it is appropriate to apply this dumping margin to the non-selected companies under section 735(c)(5)(B) of the Act. Therefore, in this review, we have preliminarily calculated a weighted-average dumping margin for these companies using the calculated rate of the mandatory respondent, the POSCO single entity, which is not zero, de minimis, or determined entirely on the basis of facts available.16

V. AFFILIATION AND COLLAPSING

Due to the business proprietary nature of information relating to this analysis, a more detailed discussion of this matter can be found in the Affiliation and Collapsing Memorandum.17

To the extent that Commerce’s practice does not conflict with section 773(c) of the Act, Commerce has, in prior cases, treated certain exporters and producers as a single entity if the record facts of the case supported such treatment.18 Pursuant to 19 CFR 351.401(f)(1), Commerce will treat producers as a single entity, or “collapse” them, where: (1) those producers are affiliated; (2) the producers have production facilities for producing similar or identical

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14 See Albemarle Corp. v. United States, 821 F.3d 1345 (Fed. Cir. 2016).
16 See section 735(c)(5)(A) of the Act.
products that would not require substantial retooling of either facility in order to restructure manufacturing priorities; and (3) there is a significant potential for manipulation of price or production.\footnote{See, e.g., Gray Portland Cement and Clinker from Mexico: Final Results of Antidumping Duty Administrative Review, 63 FR 12764, 12774-12775 (March 16, 1998).} In determining whether a significant potential for manipulation exists, 19 CFR 351.401(f)(2) states that Commerce may consider various factors, including: (1) the level of common ownership; (2) the extent to which managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and (3) whether the operations of the affiliated firms are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.\footnote{See, e.g., Nihon Cement Co., Ltd. v. United States Slip Op. 93-80 (CIT May 25, 1993); see also, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails from Taiwan, 62 FR 51427, 51436 (October 1, 1997).}

“Collapsing” starts with a determination as to whether two or more companies are affiliated. Section 771(33)(F) of the Act defines affiliated persons to include “two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.” Section 771(33)(G) of the Act defines affiliated persons to include “any person who controls any other person and such other person.” Section 771(33) of the Act further provides 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.

In the less-than-fair-value investigation segment of this proceeding, Commerce treated POSCO and its affiliates as a single entity.\footnote{See Certain Carbon and Alloy Steel Cut-to-Length Plate from the Republic of Korea: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 81 FR 79441 (November 14, 2016), unchanged in Certain Carbon and Alloy Steel Cut-To-Length Plate from the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances Determination, 82 FR 16369 (April 4, 2017).} We find that record evidence continues to support treatment of these companies as a single entity in this administrative review. Specifically, for the reasons outlined in a separate business proprietary memorandum, Commerce preliminarily determines that POSCO, POSCO Daewoo, POSCO P&S, and certain distributors, and service centers (collectively, the POSCO single entity) are affiliated pursuant to section 771(33)(E) of the Act and should be treated as a single entity pursuant to 19 CFR 351.401(f).\footnote{See Affiliation and Collapsing Memorandum for a full discussion of the proprietary details of Commerce’s analysis.}

VI. DISCUSSION OF THE METHODOLOGY

We are conducting this administrative review of the order in accordance with section 751(a) of the Act, and 19 CFR 351.213.
A. Date of Sale

Section 351.401(i) of Commerce’s regulations states that, in identifying the date of sale of the merchandise under consideration or foreign like product, Commerce normally will use the date of invoice, as recorded in the exporter or producer’s records kept in the ordinary course of business. Additionally, under the regulation, Commerce may use a date other than the date of invoice if it is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale. Furthermore, 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.

The POSCO single entity reported the shipment date, which precedes the invoice date, from the factory as the date of sale for all of its home market and EP sales, as well as for its “back to back” CEP sales that were shipped directly from Korea to the unaffiliated customer. Nothing on the record suggests that a different date better reflects the date on which the material terms of sale are established. Thus, we are basing the date of sale on the shipment date for the POSCO single entity’s home market, EP, and “back to back” CEP sales.

For CEP sales made by the POSCO single entity out of inventory, the POSCO single entity reported the affiliate’s invoice date as the date of sale. Nothing on the record suggests that a different date better reflects the date on which the material terms of sale are established. Therefore, we preliminarily used the date of the commercial invoice for CEP sales made out of inventory, in accordance with our practice.

B. 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 the POSCO single entity’s sales of CTL Plate from Korea to the United States were made at less than NV, Commerce compared the export price (EP) or constructed export price (CEP) to the NV, as described in the “Export Price/Constructed Export Price,” and “Normal Value” sections of this memorandum.

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23 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)).

24 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) (Shrimp from Thailand), and accompanying Issues and Decision Memorandum (IDM) 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) (Steel Beams from Germany), and accompanying IDM at Comment 2.

25 See Carbon and Alloy Steel Cut-To-Length Plate from the Republic of Korea: POSCO’s Section A Questionnaire Response dated October 30, 2018 (POSCO Section A Response) at A-33 (home market sales) and Carbon and Alloy Steel Cut-To-Length Plate from the Republic of Korea: POSCO’s Section C Questionnaire Response dated December 6, 2018 (POSCO Section C Response) at C-24, C-25 (EP sales and “back to back” CEP sales).

26 See POSCO Section C Response, at C-24,25; see also POSCO Section A response at A-33 (CEP sales made out of inventory).
C. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates a weighted-average dumping margin by comparing weighted-average NVs to weighted-average EPs or CEPs (i.e., the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In a less-than-fair-value investigation, Commerce examines whether to compare weighted-average NVs with the EPs or CEPs of individual sales (i.e., the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce’s examination of this question in the context of administrative reviews, Commerce nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.27

In numerous AD investigations and reviews, 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.28 Commerce finds that the differential pricing analysis used in certain 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 EPs (or CEPs) 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 consolidated customer codes. Regions are defined using the reported destination code (i.e., zip code) and are

27 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 IDM at Comment 1; see also Apex Frozen Foods Private Ltd. v. United States, 37 F. Supp. 3d 1286 (Ct. Int’l Trade 2014); and JBF RAK LLC v. United States, 790 F. 3d 1358, 1363-65 (Fed. Cir. 2015) (“[t]he fact that the statute is silent with regard to administrative reviews does not preclude Commerce from filling gaps in the statute to properly calculate and assign antidumping duties”) (citations omitted).
28 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).
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 CEP and NV for the individual dumping margins.

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

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s $d$ test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s $d$ test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s $d$ test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the 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

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29 See POSCO Section C Response at C-40.
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.

D. Results of the Differential Pricing Analysis

For the POSCO single entity, based on the results of the differential pricing analysis, Commerce preliminarily finds that 79.46 percent of the value of U.S. sales pass the Cohen’s $d$ test,\(^{30}\) and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales.\(^{31}\) Thus, for these preliminary results, Commerce is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for the POSCO single entity, in accordance with 19 CFR 351.414(c)(1) and (d).

E. Product Comparisons

In accordance with section 771(16)(A) of the Act, we considered all products produced by the respondents covered by the description in the “Scope of the Order” section, above, and sold in the home market during the POR to be foreign like products for purposes of determining NV for the merchandise sold in the United States. Pursuant to 19 CFR 351.414(f), we compared the respondents’ U.S. sales of CTL plate to their sales of CTL plate made in the home market within the contemporaneous window period, which extends from three months prior to the month of the first U.S. sale until two months after the month of the last U.S. sale.

\(^{30}\) See Memorandum, “Preliminary Results Margin Calculation for POSCO; First Administrative Review of Carbon and Alloy Steel Cut-to-Length Plate from Korea” dated concurrently with this memorandum (Preliminary Results Calculation Memorandum).

\(^{31}\) Id.
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, according to section 771(16)(B) of the Act, we compared U.S. sales to sales of the most similar foreign like product as appropriate. In making the product comparisons, we matched foreign like products based on the physical characteristics to the product sold in the United States. In the order of importance, these physical characteristics are as follows: quality, minimum specified carbon content, minimum specified chromium content, minimum specified nickel content, minimum specified tungsten content, minimum specified cobalt content, minimum specified molybdenum content, minimum specified vanadium content, minimum specified yield strength, nominal thickness, heat treatment, nominal width, form, whether painted, the existence of patterns in relief, and descaling.

F. Export Price/Constructed Export Price

For all sales made by the POSCO single entity, we used the EP methodology, in accordance with section 772(a) of the Act, when the subject merchandise was first sold before the date of importation by the producer or exporter outside of the United States to the unaffiliated purchaser in the United States and the CEP methodology was not otherwise warranted. We used the CEP methodology, in accordance with section 772(b) of the Act, when the subject merchandise was first sold in the United States after the date of importation by a seller affiliated with the producer or exporter to a purchaser not affiliated with the producer or exporter and the EP methodology was not otherwise warranted. As discussed further below, we adjusted the POSCO single entity’s EP prices under section 772(c) of the Act, and CEP prices under sections 772(c) and (d) of the Act.

We calculated both EP and CEP based on prices to unaffiliated purchasers in the United States. We made deductions from the starting prices, where appropriate, for billing adjustments. We also made deductions, where appropriate, for movement expenses (e.g., foreign inland freight, international freight, marine insurance, U.S. brokerage and handling expenses, U.S. customs duties (including harbor maintenance fees), U.S. inland freight to the unaffiliated U.S. customer, and U.S. warehousing expenses) in accordance with section 772(c)(2)(A) of the Act.

For CEP transactions, in accordance with section 772(d)(1) of the Act, we also deducted selling expenses associated with economic activities occurring in the United States, which includes direct selling expenses (imputed credit expenses and shipment inspection fees), and indirect selling expenses (inventory carrying costs and other indirect selling expenses). Finally, we made an adjustment for profit allocated to these expenses, in accordance with section 772(d)(3) of the Act. In accordance with section 772(f) of the Act, we calculated the CEP profit rate using the expenses incurred by the POSCO single entity and its U.S. affiliate on their sales of the subject merchandise in the United States and the profit associated with those sales.  

32 See Preliminary Results Calculation Memorandum for a detailed description of the deductions made from both EP and CEP.
The POSCO single entity claimed a duty drawback adjustment to U.S. price.\textsuperscript{33} Section 772(c)(1)(B) of the Act states that EP and CEP shall be increased by “the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the export of the subject merchandise to the United States.” In determining whether an adjustment for duty drawback should be made, we look for a reasonable link between the duties imposed and those rebated or exempted. We do not require that the imported material be traced directly from importation through exportation. We do require, however, that the company meet our “two-pronged” test in order for the adjustment to be made to EP or CEP.\textsuperscript{34} The first element is that the import duty and its rebate or exemption be directly linked to, and dependent upon, one another; the second element is that the company must demonstrate that there were sufficient imports of the imported material to account for the duty drawback or exemption granted for the export of the manufactured product.\textsuperscript{35}

In this administrative review, we preliminarily granted a duty drawback adjustment to the POSCO single entity because it has satisfied the criteria described above for Korea’s duty drawback program.\textsuperscript{36} Also, consistent with the Department’s practice,\textsuperscript{37} we based the amount of the duty drawback adjustment on the amount reported by the POSCO single entity in its cost of production (COP) database.\textsuperscript{38}

G. Normal Value

1. Home Market Viability and Selection of Comparison Market

To determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, we compared the volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404. Based on this comparison, we determine that, pursuant to 19 CFR 351.404(b), the POSCO single entity had a viable home market during the POR because the volume of the POSCO single entity’s home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise. Consequently, pursuant to section 773(a)(1)(B)(i) of the Act and 19 CFR 351.404(c)(1)(i), we based NV on home market sales.

\textsuperscript{33} POSCO Section C Response, at C-41 and Exhibit C-17.
\textsuperscript{34} See Saha Thai Steel Pipe Public Co., v. United States, 635 F. 3d 1335, 1440-41 (Fed Cir. 2011) (Saha Thai).
\textsuperscript{35} Id.; see also, e.g., Notice of Final Results of the Eleventh Administrative Review of the Antidumping Duty Order on Certain Corrosion Resistant Carbon Steel Flat Products from the Republic of Korea, 71 FR 7513 (February 13, 2006), and accompanying IDM at Comment 2.
\textsuperscript{36} See POSCO Section C Response, at C-41 and Exhibit C-17.
\textsuperscript{37} See, e.g., Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value, 81 FR 47355 (July 21, 2016), and accompanying IDM at Comment 3.
\textsuperscript{38} See Preliminary Results Calculation Memorandum at 3.
2. Affiliated-Party Transactions and Arm’s-Length Test

During the POR, the POSCO single entity made sales of the foreign like product in the home market to affiliated parties, as defined in section 771(33) of the Act. However, because we collapsed the entities between which these sales were made and requested downstream sales information, we did not perform the arm’s-length test, as it no longer applied.

3. Level of Trade (LOT)

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales of the foreign like product at the same LOT as 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. To determine whether the comparison-market sales were at different stages in the marketing process than the U.S. sales, we review the distribution system in each market (i.e., the chain of distribution), including selling functions, 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., where NV is based on either home market or third country prices), 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.

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 sale, Commerce may compare the U.S. sales 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 sale and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (i.e., no LOT

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39 See 19 CFR 351.412(c)(2).
40 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) (OJ from Brazil), and accompanying IDM at Comment 7.
41 Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling expenses, general and administrative (G&A) expenses, and profit for CV, where possible. See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp from Brazil, 69 FR 47081, 47086 (August 4, 2004), unchanged in Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from Brazil, 69 FR 76910 (December 23, 2004).
42 See Micron Technology, Inc. v. United States, 243 F. 3d 1301, 1314 (Fed. Cir. 2001).
adjustment is possible), Commerce shall grant a CEP offset, as provided in section 773(a)(7)(B) of the Act\textsuperscript{43} and 19 CFR 351.412(f).

In this administrative review, we obtained information from the POSCO single entity regarding the marketing stages involved in making its reported home market and U.S. sales including a description of the selling activities performed for each channel of distribution.\textsuperscript{44}

During the POR, the POSCO single entity reported that it made sales in the home market through three channels of distribution: 1) sales to end-users (both affiliated and unaffiliated), 2) sales through affiliated resellers, and 3) “cyber transactions” to unaffiliated end-users which typically involve sales of overrun and “nonprime” merchandise.\textsuperscript{45} The POSCO single entity reported that it performed the following selling functions for sales to all home market customers for all three levels of distribution: sales forecasting; strategic/economic planning; personal training/exchange; advertising assistance to promote the POSCO single entity’s general brand; sales promotion; inventory maintenance; order input/processing; employment of direct sales personnel; sales/marketing support; market research; provision of technical assistance; warranty services; and freight and delivery.\textsuperscript{46}

Consistent with our practice in recent cases,\textsuperscript{47} in this review we grouped selling activities into four selling function categories for analysis: 1) sales and marketing; 2) freight and delivery; 3) inventory maintenance and warehousing; and 4) warranty and technical support. Based on these selling function categories, we find that the POSCO single entity performed sales and marketing, freight and delivery services, inventory maintenance and warehousing, and warranty and technical support for its home market sales. Because we find no significant differences among the three home market distribution channels with respect to the selling activities the POSCO single entity performed, we determine that there is one LOT in the home market.

With respect to sales to the U.S. market, the POSCO single entity reported that it made sales through three channels of distribution: 1) affiliated Korean trading companies (EP sales); 2) affiliated U.S. subsidiaries (CEP sales); and 3) unaffiliated Korean trading companies (EP sales).\textsuperscript{48} For each of these three channels, the POSCO single entity reported that it performed the following selling functions: strategic/economic planning; personnel training/exchange; advertising; sales promotion; inventory maintenance; order input/processing; direct sales

\textsuperscript{43} See, e.g., OJ from Brazil IDM at Comment 7.

\textsuperscript{44} See POSCO Section A Response at A-21 to A-25 and Exhibit A-8.

\textsuperscript{45} Id. at A-22 to A-23.

\textsuperscript{46} Id. at Exhibit A-8.

\textsuperscript{47} See, e.g., 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) (Korean Cold Rolled), and accompanying Preliminary Decision Memorandum (PDM) at 19, 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) (Korean Cold Rolled Final).

\textsuperscript{48} See POSCO Section A Response at A-23 through A-25
personnel; sales/marketing support; market research; technical assistance; warranty service; and freight and delivery. The POSCO single entity reported that all selling functions were performed at the same level of intensity for both distribution channels 1 and 2, while reporting only a minor difference in the level of intensity at which it performed some of the selling activities for sales through channel 3 (i.e., sales forecasting, economic Planning, and personnel training) as compared to the other two. As the difference in selling functions performed by the POSCO single entity among its three U.S. distribution channels is not significant, we determine that there is only one LOT in the U.S. market.

Finally, we compared the U.S. market LOT to the home market LOT and found that the selling functions the POSCO single entity performed for its home market customers are virtually the same as those performed for its U.S. customers. Therefore, 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 sales to the U.S. market. Consequently, we matched U.S. market sales to home market sales at the same LOT, and no LOT adjustment or CEP offset was warranted.

H. Cost of Production (COP) Analysis

Pursuant to the amendment of section 773(b)(2)(A)(ii) of the Act, Commerce required that respondents provide constructed value (CV) and cost of production (COP) information to determine if there were reasonable grounds to believe or suspect that sales of foreign like product had been made at prices that represented less than the COP of the product.

1. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated weighted-average COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative (G&A) expenses and interest expenses. We examined the POSCO single entity’s cost data and determined that our quarterly cost methodology is not warranted; therefore, we are applying our standard methodology of using annual costs based on the reported data.

We relied on the data submitted by the POSCO single entity except as follows:

- We weight-averaged the reported conversion costs for products (CONNUMs) that have identical physical characteristics associated with the conversion costs (i.e., thickness, heat, width and form).

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49 Id. at Exhibit A-8.
50 See Korean Cold Rolled PDM at 19, unchanged in Korean Cold Rolled Final.
• We adjusted the cost of inputs purchased by the POSCO single entity from affiliated suppliers to reflect the market prices of the inputs in accordance with section 773(f)(2) of the Tariff Act of 1930, as amended.

• We increased the reported COM to include certain costs excluded by the POSCO single entity.

• We disallowed an offset to the G&A expense for certain miscellaneous income.

2. 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 for the POSCO single entity to the home market sales prices of the foreign like product, in order to determine whether the sales prices were below the COPs within an extended period of time (i.e., normally a period of one year) in substantial quantities and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We compared the COP to the comparison market prices. 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.

3. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent’s comparison market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in “substantial quantities.” Where 20 percent or more of a respondent’s sales of a given product are at prices less than the COP, we disregard the below-cost sales when: 1) they were made within an extended period of time in “substantial quantities,” in accordance with sections 773(b)(2)(B) and (C) of the Act; and, 2) based on our comparison of prices to the weighted average COPs for the POR, they were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

We found that, for certain products, more than 20 percent of the POSCO single entity’s home market sales during the POI 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 as the basis for determining NV, in accordance with section 773(b)(1) of the Act.
F. Calculation of NV Based on Comparison Market Prices

We calculated NV based on delivered or ex-factory prices to unaffiliated customers. We made deductions, where appropriate, from the starting price for billing adjustments, in accordance with 19 CFR 351.401(c). We also made a deduction from the starting price for inland freight to the warehouse, warehousing expenses, and inland freight from the warehouse under section 773(a)(6)(B)(ii) of the Act. We offset these movement expenses with reported freight revenue, with the latter capped at no higher than the sum of movement expenses, in accordance with our normal practice. In determining NV, based on comparison-market prices, we used the first price from POSCO or its affiliated distributors to an unaffiliated customer in the home market.52

For comparisons to EP sales, we made adjustments under section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b) for differences in circumstances of sale. Specifically, we deducted direct selling expenses incurred for home market sales (i.e., credit expenses) and added U.S. direct selling expenses (i.e., credit expenses).

For comparisons to CEP sales, we deducted home market credit expenses pursuant to 773(a)(6)(C) of the Act.

When comparing U.S. sales with home market sales of similar, but not identical, 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 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise, using period-wide, weighted-average costs.53

VII. CURRENCY CONVERSION

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank.

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52 See the “Affiliation and Collapsing” section above.
53 See Cost Calculation Memorandum.
VIII. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☐ ☐

Agree Disagree
7/10/2019

Signed by: JEFFREY KESSLER
Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance