I. SUMMARY

The Department of Commerce (Commerce) preliminarily determines that acetone from the Republic of Korea (Korea) is being, or is likely to be, sold in the United States at less than fair value (LTFV) as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The estimated weighted-average dumping margins are shown in the Preliminary Determination section of the accompanying Federal Register notice.

II. BACKGROUND

On February 19, 2019, Commerce received an antidumping duty (AD) petition concerning imports of acetone from Korea that was properly filed with Commerce by the Coalition for Acetone Fair Trade (the petitioner).1 On February 22, 2019, Commerce issued two supplemental questionnaires to the petitioner.2 On February 26, 2019, the petitioners filed supplemental questionnaire responses regarding the Petition.3 Also on March 4, 2019, the petitioner submitted

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certain revisions to the scope as requested by Commerce.\textsuperscript{4} Commerce initiated this investigation on March 11, 2019.\textsuperscript{5}

On April 11, 2019, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of acetone from Korea.\textsuperscript{6}

In the \textit{Initiation Notice}, Commerce stated that it intended to examine all known producers in the Korean investigation, as indicated by the supporting information included in the Petition.\textsuperscript{7} According to the Petition, Kumho P&B Chemicals, Inc. (KPB) and LG Chem, Ltd. (LG Chem) are the only producers of acetone in Korea and were the only respondents in this investigation.\textsuperscript{8} Commerce received no comments on its intent to examine all known producers.

Also in the \textit{Initiation Notice}, Commerce notified parties of an opportunity to comment on the scope of the investigation, as well as the appropriate physical characteristics of acetone to be reported in response to Commerce’s AD questionnaire.\textsuperscript{9} On April 8, 2019, Commerce received comments from the petitioner and Sasol South Africa Limited (Sasol) relating to the physical characteristics of acetone to be reported in response to the AD questionnaire.\textsuperscript{10} On April 22, 2019, Commerce received rebuttal comments from the petitioner and Sasol on the physical characteristics of acetone to be reported in the AD questionnaire.\textsuperscript{11}

On March 21, 2019, Commerce issued the Initial AD Questionnaires to KPB and LG Chem.\textsuperscript{12} On April 24, 2019, Commerce finalized the proposed physical characteristics of the merchandise under consideration, and other information related to the proposed model matching, for the LTFV investigations of acetone from Belgium, Korea, South Africa, and Spain.\textsuperscript{13}

\textsuperscript{5} See \textit{Acetone from Belgium, the Republic of Korea, the Kingdom of Saudi Arabia, Singapore, the Republic of South Africa, and Spain: Initiation of Less-Than-Fair-Value Investigations}, 84 FR 9755 (March 18, 2019) (\textit{Initiation Notice}).
\textsuperscript{6} See \textit{Acetone from Belgium, Korea, Saudi Arabia, Singapore, South Africa, and Spain; Investigation Nos. 731-TA-1435-1440 (Preliminary)}, 84 FR 14673 (April 11, 2019).
\textsuperscript{7} See \textit{Initiation Notice}, 84 FR at 9759.
\textsuperscript{8} See Petition, Volume I Exhibit I-2, at 57.
\textsuperscript{9} See \textit{Initiation Notice}, 84 FR at 9756-57.
\textsuperscript{12} See Commerce’s Letters, “Antidumping Duty Questionnaire, dated March 21, 2019 (Initial AD Questionnaire).
On April 25, 2019, LG Chem and KPB submitted responses to Section A of the Initial AD Questionnaires.\textsuperscript{14} On June 6, 2019, KPB and LG Chem submitted responses to Sections B, C, and D of the Initial AD Questionnaires.\textsuperscript{15} On June 19, 2019, the petitioner submitted their deficiency comments on LG Chem’s Sections A-D Questionnaire responses.\textsuperscript{16} We did not receive deficiency comments from the petitioner regarding KPB’s questionnaire responses.

On June 24, 2019, Commerce issued its first section D supplemental questionnaire to LG Chem.\textsuperscript{17} KPB’s first section D supplemental questionnaire was issued on June 26, 2019.\textsuperscript{18} Commerce issued its supplemental questionnaire for sections A, B and C to LG Chem on July 1, 2019.\textsuperscript{19} On July 11, 2019, Commerce issued KPB its supplemental questionnaire for sections A, B and C.\textsuperscript{20}

On July 1, 2019, the petitioner requested that Commerce postpone the preliminary determination in this investigation.\textsuperscript{21} On July 15, 2019, Commerce postponed the deadline for the preliminary determination of this investigation.\textsuperscript{22} As a result, the revised deadline for the preliminary determination of this investigation is now September 17, 2019.

LG Chem submitted its response to LG Chem First SQR D on July 9, 2019.\textsuperscript{23} On July 10, 2019, KPB submitted its response to KPB First SQR D.\textsuperscript{24} LG Chem submitted its response to LG Chem SQR ABC on July 15, 2019.\textsuperscript{25} On July 26, 2019, KPB submitted its response to KPB SQR ABC.\textsuperscript{26}

\textsuperscript{14} See LG Chem’s April 25, 2019 Section A Questionnaire Response (LG Chem’s AQR); see also KPB’s April 25, 2019 Section A Questionnaire Response (KPB’s AQR).
\textsuperscript{15} See KPB’s June 6, 2019 Section B Questionnaire Response (KPB’s BQR), Section C Questionnaire Response (KPB’s CQR), and Section D Questionnaire Response (KPB’s DQR); see also LG Chem’s June 6, 2019 Section B Questionnaire Response (LG Chem’s BQR), Section C Questionnaire Response (LG Chem’s CQR), and Section D Questionnaire Response (LG Chem’s DQR).
\textsuperscript{22} See Acetone from Belgium, the Republic of Korea, and the Republic of South Africa: Postponement of Preliminary Determinations in the Less-Than-Fair-Value Investigations, 84 FR 33739 (July 15, 2019).
\textsuperscript{23} See LG Chem’s July 9, 2019 First Supplemental Section D Response (LG Chem First SQR D).
\textsuperscript{24} See KPB’s July 10, 2019 Response to Supplemental Section D Questionnaire (KPB First SQR D).
\textsuperscript{25} See LG Chem’s July 15, 2019 Supplemental Section A-C Response (LG Chem SQR ABC).
\textsuperscript{26} See KPB’s July 26, 2019 Response to Supplemental A-C Questionnaire (KPB SQR ABC).
On July 19, 2019, the petitioner submitted deficiency comments on LG Chem First SQR D. Additional deficiency comments on LG Chem SQR ABC were submitted by the petitioner on July 24, 2019.


III. PERIOD OF INVESTIGATION

The period of investigation (POI) is January 1, 2018 through December 31, 2018. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the Petition, which was February 2019.

IV. POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES

On August 22, 2019, the petitioner consented to a request, pursuant to 19 CFR 351.210(b)(2)(ii), that Commerce postpone the final determination in the event of an affirmative preliminary determination and such postponement is requested by exporters accounting for a significant proportion of exports of subject merchandise. On August 22, 2019, LG Chem requested, pursuant to 19 CFR 351.210(b)(2)(ii) and 19 CFR 351.210(e)(2), that, contingent upon an

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33 See KPB’s August 26, 2019 Second Supplemental Section D Response (KPB Second SQR D).
37 See 19 CFR 351.204(b)(1); see also Initiation Notice, 84 FR at 9756.
affirmative preliminary determination of sales at LTFV, Commerce postpone the final determination, and that provisional measures be extended to a period not to exceed six months.\textsuperscript{39} KPB made the same request to Commerce to postpone the final determination on August 26, 2019.\textsuperscript{40}

In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii), because: (1) the preliminary determination is affirmative; (2) the requesting exporters account for a significant proportion of exports of the subject merchandise; and (3) no compelling reasons for denial exist, Commerce is postponing the final determination and extending the provisional measures from a four-month period to a period not greater than six months. Accordingly, Commerce will make its final determination no later than 135 days after the date of publication of this preliminary determination.

V. SCOPE COMMENTS

In accordance with the Preamble to Commerce’s regulations,\textsuperscript{41} the Initiation Notice set aside a period of time for parties to raise issues regarding product coverage (\textit{i.e.}, scope).\textsuperscript{42} Certain interested parties from the companion acetone investigations commented on the scope of the acetone investigations, as published in the Initiation Notice. For a summary of the product coverage comments and rebuttal responses submitted to the record for this preliminary determination, as well as an accompanying discussion and analysis of all comments timely received, see the Preliminary Scope Decision Memorandum.\textsuperscript{43} On July 31, 2019, Commerce preliminarily modified the scope of the investigation to clarify certain provisions and to include a minimum acetone component of five percent by dry weight.\textsuperscript{44}

VI. SCOPE OF THE INVESTIGATION

For a full description of the scope of this investigation, as modified in the Preliminary Scope Decision Memorandum, see the accompanying Federal Register notice at Appendix I.

VII. AFFILIATION

In its initial questionnaire response, KPB reported Kumho Petrochemical Co., Ltd. (Kumho Petrochem) as the only affiliated party involved in the production, sale, or distribution of subject merchandise.\textsuperscript{45} LG Chem reported its affiliated parties involved in the production, sale, or distribution of subject merchandise, which include LG Chem America, Inc. (LGCAI) and SEETEC Co., Ltd. (SEETEC), both subsidiaries to LG Chem.\textsuperscript{46} LG Chem also reported the

\textsuperscript{40} See KPB’s Letter, “Request to Extend the Deadline for the Final Determination,” dated August 26, 2019.
\textsuperscript{41} See Antidumping Duties; Countervailing Duties; Final rule, 62 FR 27296, 27323 (May 19, 1997) (Preamble).
\textsuperscript{42} See Initiation Notice at 9756-57.
\textsuperscript{43} See Memorandum, “Acetone from Belgium, Korea, Singapore, South Africa, and Spain: Scope Comments Preliminary Decision Memorandum,” dated July 29, 2019 (Preliminary Scope Decision Memorandum).
\textsuperscript{44} Id.
\textsuperscript{45} See KPB’s AQR at A-7 to A-8.
\textsuperscript{46} See LG Chem AQR at 17.
following companies affiliated through its parent holding company, LG Group, which were involved in the production, sale, or distribution of subject merchandise: LG CNS Co., Ltd. (LG CNS), Pantos Logistics Co., Ltd. (Pantos), ServeOneCo., Ltd. (ServeOne), and, S&I Corporation (S&I Corp.).

Section 771(33) of the Act states, in pertinent part, that Commerce shall consider the following persons to be affiliated:

(A) Members of a family, including brothers and sisters (whether by whole or by half-blood), spouse, ancestors, and lineal descendants.
(B) Any officer or director of an organization and such organization.
(C) Partners.
(D) Employer and employee.
(E) Any person directly or indirectly owning, controlling, or holding with power to vote, 5 percent or more of the outstanding voting stock or shares of any organization and such organization.
(F) Two or more persons directly or indirectly controlling, controlled by, or under common control with, any person.
(G) Any person who controls any other person and such person.

Section 771(33) of the Act further states 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.” “Actual control...is not required by the statute... Rather, a person is considered to be in a position of control if he is legally in a position to exercise restraint or direction over the other person.”

“Person” is defined to include “any interested party as well as any other individual, enterprise, or entity, as appropriate.”

With regard to KPB’s reported affiliation with Kumho Petrochem, we find that Kumho Petrochem meets the definition of affiliated persons under section 771(33)(F) of the Act because KPB is a wholly-owned subsidiary of Kumho Petrochem.

As noted, LG Chem has reported its affiliation with companies involved in the production, sale, or distribution of subject merchandise, which include its wholly-owned subsidiary, LGCAI, and a 50 percent-owned affiliate, SEETEC. In addition, LG Chem has similarly reported its affiliation with those companies which, like LG Chem, fall under the umbrella of LG Group. We find that LGCAI, SEETEC, LG CNS, Pantos, ServeOne, and S&I Corp., meet the definition of affiliated persons under section 771(33)(F) of the Act because LG Group either directly or indirectly owns, holds or controls with the power to vote, between 24 to 100 percent or more of the outstanding voting stock of those companies.

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47 Id.
49 See 19 CFR 351.102(b).
50 See KPB’s Letter, “Addendum to Section A Questionnaire Response,” dated May 9, 2019, at 1 and Exhibit A-11-A.
51 See LG Chem’s AQR at Exhibit A-11.
52 Id. at Exhibit A-10.
53 See LG Chem AQR at 17 and Exhibit A-10.
VIII. DISCUSSION OF THE METHODOLOGY

A. Comparisons to Fair Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether sales of subject merchandise from Korea to the United States were made at LTFV, Commerce compared the export prices (EP) and constructed export prices (CEP) to the normal value (NV), as described in the “Export Price and Constructed Export Price” and “Normal Value” sections of this memorandum.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (i.e., the average-to-average or A-to-A method), unless the Secretary determines that another method is appropriate in a particular situation. In LTFV investigations, Commerce examines whether to compare weighted-average NVs with EPs (or CEPs) of individual sales (i.e., the average-to-transaction method or A-to-T method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In recent investigations, Commerce has applied a “differential pricing” (DP) analysis for determining whether application of the A-to-T method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.\(^5\) Commerce finds that the DP analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. 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 A-to-A method in calculating a respondent’s weighted-average dumping margin.

The DP analysis used in this preliminary determination examines whether there exists a pattern of export prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. The DP analysis used in this preliminary determination evaluates all purchasers, regions, and time periods to determine whether a pattern of significant price differences exists. If such a pattern is found, then the DP analysis evaluates whether such differences can be taken into account when using the A-to-A 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 reported by the respondents. Regions are defined using the reported destination codes (i.e., states) 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 POI being examined 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 any 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 DP 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 means (i.e., weighted-average price) of a test group and 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 a 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 (i.e., 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 means 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 accounts 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 A-to-T method to all sales as an alternative to the A-to-A 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 A-to-T method to those sales identified as passing the Cohen’s $d$ test as an alternative to the A-to-A method, and application of the A-to-A 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 A-to-A 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 DP analysis, Commerce examines whether using only the A-to-A method can appropriately account for such differences. In considering this question, Commerce considers whether using an alternative 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 A-to-A method only. If the difference between the two calculations is meaningful, then this demonstrates that the A-to-A method cannot account for differences such as those observed in this analysis, and, therefore, an alternative 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 margin between the A-to-A method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described DP approach used in this preliminary determination, including arguments for modifying the group definitions used in this proceeding.55

2. Results of the DP Analysis

For KPB, based on the results of the differential pricing analysis, Commerce preliminarily finds that 83.24 percent of the value of U.S. sales pass the Cohen's *d* test,56 and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the A-to-A method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the A-to-T method to all U.S. sales.57 Thus, for this preliminary determination, Commerce is applying the A-to-A method for all U.S. sales to calculate the weighted-average dumping margin for KPB.

For LG Chem, based on the results of the differential pricing analysis, Commerce preliminarily finds that 100.00 percent of the value of U.S. sales pass the Cohen's *d* test,58 and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the A-to-A method cannot account for such differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the A-to-A method and the weighted-average dumping calculated using an alternative comparison method based on applying the A-to-T method to all U.S. sales.59 Thus, for this preliminary determination, Commerce is applying the A-to-T method to all U.S. sales to calculate the weighted-average dumping margin for LG Chem.

55 The Court of Appeals for the Federal Circuit (CAFC) has affirmed much of Commerce’s differential pricing methodology. *See, e.g., Apex Frozen Foods v. United States*, 862 F.3d 1322 (Fed. Cir. 2017). We ask that interested parties present only arguments on issues which have not already been decided by the CAFC.

56 *See Memorandum, “Preliminary Determination in the Less-Than-Fair-Value Investigation of Acetone from the Republic of Korea: Kumho P&B Chemicals Analysis Memorandum” (KPB Preliminary Analysis Memorandum), dated concurrently with this memorandum.*

57 *Id.*

58 *See Memorandum, “Preliminary Determination in the Less-Than-Fair-Value Investigation of Acetone from the Republic of Korea: LG Chem Analysis Memorandum” (LG Chem Preliminary Analysis Memorandum), dated concurrently with this memorandum.*

59 *Id.*
IX. 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 will normally use the date of invoice, as recorded in the exporter or producer’s records kept in the ordinary course of business. Additionally, 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. Further, Commerce has a long-standing practice of finding that, where the shipment date precedes the invoice date, the shipment date better reflects the date on which the material terms of sale are established.

For home market sales, KPB and LG Chem both reported the date of sale as the tax invoice date, as material terms of sale are not set until that date. For U.S. sales, we used the actual invoice date as it appears on the commercial invoice for both KPB and LG Chem.

X. PRODUCT COMPARISONS

In accordance with section 771(16) of the Act, we considered all products produced and sold by the respondents in Korea during the POI that fit the description in the “Scope of Investigation” section of this notice to be foreign like products for purposes of determining normal value to be compared with U.S. sale prices.

In making price comparisons, we identified identical or similar foreign like products based on the physical characteristics reported by the respondents: purity, benzene presence, and alcohol content. For KPB’s and LG Chem’s sales of acetone in the United States, the reported control number is defined by the physical characteristics of acetone sold in the United States. KPB and LG Chem did not report sales of second-quality (i.e., non-prime) acetone to the United States.

XI. EXPORT PRICE AND CONSTRUCTED EXPORT PRICE

Section 772(a) of the Act defines EP as “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c).” Section 772(b) of the Act defines CEP as “the price at which the subject merchandise is first sold (or agreed to be

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60 See 19 CFR 351.401(i); see also Allied Tube & Conduit Corp. v. United States, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001) (“As elaborated by Department practice, a date other than invoice date ‘better reflects’ the date when ‘material terms of sales’ are established if the party shows that the ‘material terms of sale’ undergo no meaningful change (and are not subject to meaningful change) between the proposed date and the invoice date.”).
61 See, e.g., Certain Frozen Warmwater Shrimp from Thailand: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review, 72 FR 52065 (September 12, 2007), and accompanying Issues and Decision Memorandum (IDM) at Comment 11; 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 IDM at Comment 2.
62 See KPB’s SQR ABC at S2-11; see also LG Chem’s SQR ABC at 10.
63 See KPB’s CQR at C-13; see also LG Chem’s CQR at 13.
64 See KPB’s BQR at B-11 and CQR at C-9; see also LG Chem’s BQR at 13 and CQR at 9.
sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).”

In accordance with section 772(a) of the Act, we used EP as the basis of KPB’s price for its U.S. sales.65 Consistent with section 772(c) of the Act, we made adjustments, where appropriate, for price adjustments, discounts, Korean movement expenses (i.e., Korean warehousing expenses, Korean inland freight, Korean brokerage and handling), international and U.S. movement expenses (i.e., international freight, marine insurance, U.S. brokerage and handling, and U.S. duties), and bank charges. We granted an adjustment for Korean duty drawback received on imported materials, pursuant to section 772(c)(1)(B) of the Act, because KPB established that (1) the import duty paid and the rebate payment are directly linked to, and dependent upon, one another (or the exemption from import duties is linked to exportation); and (2) there were sufficient imports of the imported raw material to account for the drawback received upon the exports of the manufactured product.66

In accordance with section 772(a) of the Act, we used EP and CEP as the basis of LG Chem’s price for its U.S. sales.67 Consistent with section 772(c) of the Act, we made adjustments, where appropriate, for price adjustments, discounts, Korean movement expenses (i.e., Korean brokerage and handling), international and U.S. movement expenses (i.e., international freight, marine insurance, U.S. brokerage and handling, and U.S. duties), and bank charges.68 In accordance with section 772(d)(1) of the Act, for CEP we also made deductions for selling expenses associated with economic activities occurring in the United States, which includes direct and indirect selling expenses, along with a deduction for the profit allocated to those expenses consistent with section 772(d)(3) of the Act.69

**XII. NORMAL VALUE**

Section 773(a)(1)(B)(i) of the Act defines NV as “the price at which foreign like product is first sold (or, in the absence of a sale, offered for sale) for consumption in the exporting country, in the usual commercial quantities and in the ordinary course of trade and, to the extent practicable, at the same level of trade as {EP} or {CEP}.” Alternatively, section 773(a)(1)(B)(ii) of the Act provides that NV may be based on “the price at which the foreign like product is so sold (or offered for sale) for consumption in a country other than the exporting country or the United States.” Section 773(a)(4) of the Act provides that if Commerce determines that NV cannot be determined under section 773(a)(1)(B)(i), “then, notwithstanding section 773(a)(1)(B)(ii),” NV may be based on constructed value under section 773(e) of the Act.

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65 See KPB’s CQR at C-11.
66 See KPB’s SQ ABC at S2-15 and Exhibit S2-20.
67 See LG Chem’s CQR at 11.
68 See LG Chem Preliminary Analysis Memorandum.
69 Id.
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, we normally compare the respondent’s volume of home market sales of the foreign like product to the volume of U.S. sales of subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent’s sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

We have determined that the aggregate volume of each of KPB’s and LG Chem’s home market sales of acetone is greater than five percent of their respective aggregate volume of its U.S. sales of the merchandise under consideration. Therefore, we used home market sales for each respondent as the basis for NV for KPB and LG Chem in accordance with section 773(a)(1)(B) of the Act.

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.\(^\text{70}\) Commerce excludes home market sales to affiliated customers that are not made at arm’s-length prices from our margin analysis because Commerce considered them to be outside the ordinary course of trade. Consistent with 19 CFR 351.403(c) and (d) and our practice, “\{Commerce\} may calculate normal value based on sales to affiliates if satisfied that the transactions were made at arm’s length.”\(^\text{71}\)

During the POI, LG Chem reported that it made no sales to an affiliated party in its home market during the POI.\(^\text{72}\) KMB reported that it made sales of the foreign like product in the home market to two affiliated parties, as defined in section 771(33)(F) of the Act, that are end users that produce non-subject merchandise.\(^\text{73}\) In addition to comparing sales at the same level of trade, the test adjusts affiliated and unaffiliated party prices for numerous differences relating to the sales. The adjustments account for, among other things, differences in packing expenses, movement expenses from the original place of shipment, discounts and rebates, and selling expenses that relate directly to the sale at issue. While Commerce’s questionnaire specifically requests information pertaining to a number of adjustments, it also allows for responding companies to claim additional adjustments for other expenses relating to the sales at issue. Thus, providing that a respondent has accurately reported its claimed differences in circumstances of

\(^{70}\) See 19 CFR 351.403(c).
\(^{72}\) See LG Chem’s BQR at 15.
\(^{73}\) See KBP’s BQR at B-6.
sale, along with other expenses and price adjustments relating to the reported sales, the arm’s-length test will account for such differences between sales to affiliates and non-affiliates.

Pursuant to 19 CFR 351.403(c) and, in accordance with Commerce’s practice, as the price to that affiliated party was not, on average, within a range of 98-102 percent of the price of the same or comparable merchandise sold to the unaffiliated parties at the same level of trade, we determined that the sale made to the affiliated party was not at arm’s length. With respect to sales to affiliated resellers that failed the arm’s-length test, Commerce generally uses the reported downstream sales of the affiliates in our calculations for the preliminary determination. However, KPB reported that there was no downstream sale. Consequently, we excluded sales that failed the test from the normal value calculation because we considered the failed-test 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, we examine 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., NV based on either home market or third country prices), we consider the starting prices to be the gross unit prices less all discounts and rebates. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.

When Commerce is unable to match U.S. sales of the foreign like product in the comparison market to 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

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74 See section 771(15) of the Act and 19 CFR 351.102(b).
75 See KPB Preliminary Analysis Memorandum.
76 See section 773(a)(7)(A) of the Act.
77 See 19 CFR 351.412(c)(2).
78 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).
79 Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative (SG&A) expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).
80 See Micron Tech, Inc. v. United States, 243 F.3d 1301, 1314-16 (Fed. Cir. 2001).
advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (i.e., no LOT adjustment is possible), Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act. 81

In the home market, KPB reported that it made sales through a single channel of distribution (i.e., direct shipments to “distributors” or “end users”).82 KPB reported that it performed the following selling activities for sales to all home market customers: sales forecasting; strategic planning; advertising, sales promotion; personnel training; inventory maintenance; freight and delivery arrangements; order processing; direct sales; and warranty service.83 These selling activities can be generally grouped into four selling function categories for analysis: 1) sales support; 2) training; 3) logistical services; and 4) sales administration.84 Based on these selling function categories, we find that KPB performed all four of the selling function categories for its reported sales to unaffiliated customers in the home market. Accordingly, we find that KPB had a single LOT in the home market.

In the United States, KPB reported that it made EP sales through two channels of distribution (i.e., direct shipments to U.S. “end users or retailers,” and through unaffiliated Korean “trading companies”).85 KPB reported the same selling activities and selling function categories for its sales to U.S. customers as it did for its home market customers.86 Moreover, KPB performed selling functions in the same four categories of sales support, training, logistical services, and sales administration, through each of its two reported channels of distribution for its reported U.S. sales. Accordingly, we find that KPB had a single LOT in the U.S. market.

Based on the selling function categories noted above, we also find that KPB performed services in the same four selling functions categories for its U.S. market sales as it did for its home market sales. Therefore, based on the totality of the facts and circumstances, we preliminarily determine that KPB’s home market sales during the POI were made at the same LOT as its U.S. market sales.

In the home market, LG Chem reported it made sales through two channels of distribution (i.e., direct shipments to its “end users or retailers,” and “foreign trading company”).87 LG Chem reported that it performed the following selling activities for sales to all home market customers: sales forecasting; strategic planning; market research, inventory maintenance; freight and delivery arrangements; and, order processing.88 These selling activities can be generally grouped into three selling function categories for analysis: 1) sales support; 2) logistical services; and,

81 See, e.g., OJ from Brazil at Comment 7.
82 See KPB’s BQR at B-14 and AQR at Exhibit A-5.
83 See KPB’s AQR at Exhibit A-6-A.
84 Id.
85 See KPB’s CQR at C-12 to C-13.
86 See KPB’s AQR at Exhibit A-6-A.
87 See LG Chem’s BQR at 16.
88 See LG Chem’s AQR at Exhibit A-13(1).
3) sales administration. Based on these selling function categories, we find that LG Chem performed all three selling function categories for its reported sales to unaffiliated customers in the home market. Because LG Chem performed the same selling functions at the same relative level of intensity for all of its home market sales, we determine that all home market sales are at the same LOT.

Further, LG Chem reported that its sales in the home market are at a level of trade similar to those made directly to U.S. end users through Channel 1 (EP Sales) and through its U.S. affiliate LGCAI, to U.S. end users or distributors in Channel 2 (CEP sales). LG Chem reported the following selling activities for both its EP and CEP sales: sales forecasting; strategic planning; market research, inventory maintenance; and, order processing. Freight and delivery arrangements were the only selling activities that differed, as these activities were only reported for Channel 2 CEP sales through LG Chem’s U.S. affiliate, LGCAI. Accordingly, we find that three selling function categories were performed for both EP and CEP sales: sales support; logistical services; and, sales administration, and that these represent a single LOT in the U.S. market.

Based on the selling function categories noted above, we find that LG Chem performed services in all three of the same selling functions categories for both its U.S. market sales as it did for its home market sales. In addition, we preliminarily find that the actual selling activities performed at the same relative level of intensity by LG Chem at the U.S. LOT, to be similar with the intensity of the selling activities performed for the home market LOT with the only exception being that no freight and delivery arrangements were required for LG Chem’s EP sales.

Therefore, based on the totality of the facts and circumstances, we preliminarily determine that LG Chem’s home market sales during the POI were made at the same LOT as its EP and CEP sales. As a result, no LOT adjustment or CEP offset for either KPD or LG Chem is warranted.

D. Calculation of NV Based on Comparison Market Prices

For those comparison products for which there are comparison market sales in the ordinary course of trade, we based NV on comparison market prices. We calculated NV based on packed, delivered or ex-works prices to customers in the home market. We made a deduction from the starting price for movement expenses, including inland freight, 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 for circumstances of sale (e.g., 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.

When comparing U.S. sale prices with a normal value based on comparison market sale prices of merchandise similar to that sold in the U.S. market, we 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

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89 Id.
90 Id. at Exhibits A-13(1) and A-13(2).
91 Id. at A-13(2).
difference in the variable cost of manufacturing for the foreign like product and subject merchandise.92

E. Calculation of NV Based on Constructed Value

In accordance with section 773(e) of the Act, and where applicable, we calculated constructed value (CV) based on the sum of KPB’s and LG Chem’s material and fabrication costs, selling expenses, general and administrative (G&A) expenses, profit and U.S. packing costs, as adjusted. In accordance with section 773(e)(2)(A) of the Act, we based selling expenses and profit on the amounts incurred and realized by KPB and LG Chem in connection with the production and sale of the foreign like product at the most similar LOT as the U.S. sale, as discussed above, in the ordinary course of trade, for consumption in the comparison market. We made adjustments to CV for differences in the circumstances of sale, in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410.

F. Cost of Production (COP) Analysis

1. Calculation of COP

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

We relied on the COP data submitted by KPB except as follows:93

- We adjusted KPB’s reported value of an input purchased from an affiliated party to reflect the market price of that input.
- We adjusted KPB’s reported costs to include the amount of the bonuses paid to employees.

We relied on the COP data submitted by LG Chem except as follows:94

- We adjusted LG Chem’s joint cost allocation of production costs to acetone and phenol using the South East Asia prices as published by Independent Chemical Information Service (ICIS).
- We adjusted LG Chem’s reported value of electricity purchased from an affiliated party to reflect the market price of that input.
- We adjusted LG Chem’s reported general and administrative expense ratio to include costs associated with idle assets and certain non-operating expenses.

92 See 19 CFR 351.411(b).
1. **Test of Comparison Market Sales Prices**

On a product-specific basis, pursuant to section 773(a)(1)(B)(i) of the Act, we compared the adjusted weighted-average COPs to the home market sales prices of the foreign like product, in order to determine whether the sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, movement charges, actual direct and indirect selling expenses, and packing expenses.

2. **Results of 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 each respondent, more than 20 percent of sales of certain home market products during the POR were at prices less than the COP, and, in addition, such sales did not permit 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.95

**XIII. CURRENCY CONVERSION**

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

**XIV. VERIFICATION**

As provided in section 782(i) of the Act, we intend to verify KPB’s and LG Chem’s information in order to make our final determination.

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95 *See KPB Preliminary Analysis Memorandum; see also LG Chem Preliminary Analysis Memorandum.*
XV. CONCLUSION

We recommend applying the above methodology for this preliminary determination.

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Agree Disagree

Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance