November 8, 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 the Preliminary Results of the Antidumping Duty Administrative Review: Certain Cold Rolled Steel Flat Products from the Republic of Korea; 2016-2017

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order on certain cold-rolled steel flat products (cold-rolled steel) from the Republic of Korea (Korea) for the period of review (POR) September 1, 2017 through August 31, 2018. This review covers four producers/exporters of the subject merchandise. Commerce selected two respondents for individual examination, Hyundai Steel Company (Hyundai) and POSCO/POSCO Daewoo Co., Ltd. (POSCO/PDW).¹ We preliminarily determine that Hyundai and POSCO/PDW did not make sales of the subject merchandise at prices below normal value (NV) during the POR.

¹ In the less-than-fair-value investigation, we collapsed Daewoo International Corporation (DWI) with POSCO. See Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination, 81 FR 11757 (March 7, 2016), and accompanying Preliminary Decision Memorandum (PDM) at 7-8, 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), and accompanying Issues and Decision Memorandum (IDM) at 1. Consistent with our practice, and because we have previously treated POSCO and DWI, now doing business as POSCO Daewoo Corporation (PDW), as a single entity in prior segments of this proceeding, we selected POSCO/PDW as a mandatory respondent. See POSCO/PDW’s Letter, “Cold-Rolled Steel Flat Products from the Republic of Korea; 2017-2018: POSCO’s Respondent Selection Comments,” dated December 6, 2018 (POSCO’s Respondent Selection Comments), at 2 (stating that DWI now does business as POSCO Daewoo Corporation).
II. BACKGROUND

On September 20, 2016, we published in the Federal Register the AD order on cold-rolled steel from Korea. On September 11, 2018, we published a notice of opportunity to request an administrative review of the Order. On September 21, 2018, we received a timely request from POSCO/PDW for an administrative review of itself. Additionally, on September 21, 2018, we received a timely request from Hyundai for an administrative review of itself. On September 28, 2018, the petitioners requested an administrative review of Hyundai and POSCO/PDW. On October 1, 2018, Dongbu Steel Co., Ltd. (Dongbu) and Dongbu Steel Incheon Steel Co., Ltd. (Dongbu Incheon) requested an administrative review of themselves. On November 15, 2018, Commerce initiated an administrative review of the Order covering the POR. The administrative review was initiated for the following four companies: 1) Hyundai, 2) POSCO/PDW, 3) Dongbu, and 4) Dongbu Incheon.

In the Initiation Notice, Commerce stated that if it limited the number of respondents for individual examination in this administrative review, it intended to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POR. Accordingly, on November 29, 2018, Commerce released the CBP data to all interested parties under an administrative protective order and requested comments regarding the data and respondent selection. On December 6, 2018, we received respondent selection comments from POSCO/PDW, Hyundai, and the petitioners. We received no other comments. On February 21, 2019, we selected, as mandatory respondents, the two producers or exporters accounting for

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2 See Certain Cold-Rolled Steel Flat Products from Brazil, India, the Republic of Korea, and the United Kingdom: Amended Final Affirmative Antidumping Determinations for Brazil and the United Kingdom and Antidumping Duty Orders, 81 FR 64432 (September 20, 2016) (Order).
3 See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, 83 FR 45888 (September 11, 2018).
6 The petitioners are ArcelorMittal USA LLC, AK Steel Corporation, Nucor Corporation, Steel Dynamics, Inc., and United States Steel Corporation (collectively, the petitioners).
10 Id. at 57413.
11 Id. at 57411.
the largest volume of subject merchandise during the POR (i.e., in alphabetical order, Hyundai and POSCO/PDW (collectively, the respondents)).

We issued AD questionnaires to Hyundai and POSCO/PDW on February 25, 2019. On March 26, 2019, Hyundai and POSCO/PDW timely submitted responses to section A of Commerce’s AD questionnaire (i.e., the section relating to general information). On April 10, 2019, POSCO/PDW submitted timely responses to sections B-E of Commerce’s AD questionnaire (i.e., the sections relating to home market sales, U.S. sales, cost of production (COP), and U.S. further manufacturing). On April 15, 2019, Hyundai submitted timely responses to sections B-E of Commerce’s AD questionnaire. Between July 10 and July 31, 2019, Commerce issued supplemental questionnaires to Hyundai and POSCO/PDW, to which we received timely responses.

Between August 15 and August 29, 2019, the petitioners filed timely allegations that a particular market situation (PMS) existed with respect to Hyundai’s and POSCO/PDW’s prices and COP of cold-rolled steel in Korea during the POR. On September 9, 2019, in accordance with 19 CFR 351.301(c)(2)(v), we accepted the petitioners’ PMS Allegations and determined that macro-level factors detailed in the PMS Allegations warrant further investigation and analysis of the prices and production costs of all producers of cold-rolled steel in Korea, and solicited comments from interested parties with respect to the PMS Allegations.20 On September 23, 2019, the

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15 See Hyundai’s Letter, “Cold-Rolled Steel Flat Products from the Republic of Korea: Hyundai Steel Company’s Initial Section A Response,” dated March 26, 2019 (Hyundai’s AQR); and POSCO/PDW’s Letter, “Second Administrative Review of Cold-Rolled Steel Flat Products from Korea: POSCO’s Section A Response,” dated March 26, 2019 (POSCO/PDW’s AQR).
19 See the Petitioners’ Letters, “Cold-Rolled Steel Flat Products from the Republic of Korea: Cost-Based Particular Market Situation Allegation,” dated August 15, 2019 (Cost-Based PMS Allegation); “Cold-Rolled Steel Flat Products from the Republic of Korea: Cost Adjustments and Price-Based Particular Market Situation Allegations for Hyundai,” dated August 15, 2019; and “Cold-Rolled Steel Flat Products from the Republic of Korea: Revised Price-Based Particular Market Situation Allegations for Hyundai,” dated August 29, 2019 (collectively, PMS Allegations).
petitioners submitted a clarification to the PMS Allegations. On October 8, 2019, Hyundai and POSCO/PDW submitted comments on the PMS Allegations.

On January 28, 2019, Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018, through the resumption of operations on January 29, 2019. On July 5, 2019, we extended the deadline for the preliminary results of this review by 90 days. On October 4, 2019, we extended the deadline for the preliminary results of this review by an additional 29 days, resulting in a deadline of November 8, 2019, for these preliminary results.

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

III. **SCOPE OF THE ORDER**

The products covered by the Order are certain cold-rolled (cold-reduced), flat-rolled steel products, whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement (width) of 12.7 mm or greater, regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (e.g., in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (e.g., in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been “worked after rolling” (e.g., products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

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

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23 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.


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

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

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten (also called wolfram), or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

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

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

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

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of the Order unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of the Order:
- Ball bearing steels;\textsuperscript{26}
- Tool steels;\textsuperscript{27}
- Silico-manganese steel;\textsuperscript{28}
- Grain-oriented electrical steels (GOES) as defined in the final determination of the U.S. Department of Commerce in Grain-Oriented Electrical Steel from Germany, Japan, and Poland.\textsuperscript{29}
- Non-Oriented Electrical Steels (NOES), as defined in the antidumping orders issued by the U.S. Department of Commerce in Non-Oriented Electrical Steel from the People’s Republic of China, Germany, Japan, the Republic of Korea, Sweden, and Taiwan.\textsuperscript{30}

The products subject to the Order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7209.15.0000, 7209.16.0030, 7209.16.0060, 7209.16.0070, 7209.16.0091, 7209.17.0030, 7209.17.0060, 7209.17.0070, 7209.17.0091, 7209.18.1530, 7209.18.1560, 7209.18.2510, 7209.18.2520, 7209.18.2580, 7209.18.6020, 7209.18.6090, 7209.25.0000, 7209.26.0000, 7209.27.0000, 7209.28.0000, 7209.90.0000, 7210.70.3000, 7211.23.1500, 7211.23.2000, 7211.23.3000, 7211.23.4500, 7211.23.6030, 7211.23.6060, 7211.23.6090, 7211.29.2030, 7211.29.2090, 7211.29.4500, 7211.29.6030, 7211.29.6080, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7225.50.6000, 7225.50.8080, 7225.99.0090, 7226.92.5000, 7226.92.7050, and 7226.92.8050.

\textsuperscript{26} Ball bearing steels are defined as steels which contain, in addition to iron, each of the following elements by weight in the amount specified: (i) not less than 0.95 nor more than 1.13 percent of carbon; (ii) not less than 0.22 nor more than 0.48 percent of manganese; (iii) none, or not more than 0.03 percent of sulfur; (iv) none, or not more than 0.03 percent of phosphorus; (v) not less than 0.18 nor more than 0.37 percent of silicon; (vi) not less than 1.25 nor more than 1.65 percent of chromium; (vii) none, or not more than 0.28 percent of nickel; (viii) none, or not more than 0.38 percent of copper; and (ix) none, or not more than 0.09 percent of molybdenum.

\textsuperscript{27} Tool steels are defined as steels which contain the following combinations of elements in the quantity by weight respectively indicated: (i) more than 1.2 percent carbon and more than 10.5 percent chromium; or (ii) not less than 0.3 percent carbon and 1.25 percent or more but less than 10.5 percent chromium; or (iii) not less than 0.85 percent carbon and 1 percent to 1.8 percent, inclusive, manganese; or (iv) 0.9 percent to 1.2 percent, inclusive, chromium and 0.9 percent to 1.4 percent, inclusive, molybdenum; or (v) not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or (vi) not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

\textsuperscript{28} Silico-manganese steel is defined as steels containing by weight: (i) not more than 0.7 percent of carbon; (ii) 0.5 percent or more but not more than 1.9 percent of manganese, and (iii) 0.6 percent or more but not more than 2.3 percent of silicon.

\textsuperscript{29} See Grain-Oriented Electrical Steel from Germany, Japan, and Poland: Final Determinations of Sales at Less Than Fair Value and Certain Final Affirmative Determination of Critical Circumstances, 79 FR 42501, 42503 (July 22, 2014). This determination defines grain-oriented electrical steel as “a flat-rolled alloy steel product containing by weight at least 0.6 percent but not more than 6 percent of silicon, not more than 0.08 percent of carbon, not more than 1.0 percent of aluminum, and no other element in an amount that would give the steel the characteristics of another alloy steel, in coils or in straight lengths.”

\textsuperscript{30} See Non-Oriented Electrical Steel from the People’s Republic of China, Germany, Japan, the Republic of Korea, Sweden, and Taiwan: Antidumping Duty Orders, 79 FR 71741, 71741-42 (December 3, 2014). The orders define NOES as “cold-rolled, flat-rolled, alloy steel products, whether or not in coils, regardless of width, having an actual thickness of 0.20 mm or more, in which the core loss is substantially equal in any direction of magnetization in the plane of the material. The term ‘substantially equal’ means that the cross grain direction of core loss is no more than 1.5 times the straight grain direction (i.e., the rolling direction) of core loss. NOES has a magnetic permeability that does not exceed 1.65 Tesla when tested at a field of 800 A/m (equivalent to 10 Oersteds) along (i.e., parallel to) the rolling direction of the sheet (i.e., B800 value). NOES contains by weight more than 1.00 percent of silicon but less than 3.5 percent of silicon, not more than 0.08 percent of carbon, and not more than 1.5 percent of aluminum. NOES has a surface oxide coating, to which an insulation coating may be applied.”
The products subject to the Order may also enter under the following HTSUS numbers:
7210.90.9000, 7212.50.0000, 7215.10.0010, 7215.10.0080, 7215.50.0016, 7215.50.0018,
7215.50.0020, 7215.50.0061, 7215.50.0063, 7215.50.0065, 7215.50.0090, 7215.90.5000,
7217.10.1000, 7217.10.2000, 7217.10.3000, 7217.10.7000, 7217.90.1000, 7217.90.5030,
7217.90.5060, 7217.91.5090, 7225.19.0000, 7226.19.1000, 7226.19.9000, 7226.99.0180,
7228.50.5015, 7228.50.5040, 7228.50.5070, 7228.60.8000, and 7229.90.1000.

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

IV. RATES FOR NON-EXAMINED COMPANIES

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

In this review, we have preliminarily calculated weighted-average dumping margins for Hyundai
and POSCO/PDW that are zero. Accordingly, Commerce preliminarily has assigned to the
companies not individually examined a margin of 0.00 percent.

V. DUTY ABSORPTION

On December 14, 2018, the petitioners requested that Commerce conduct a duty absorption
inquiry.31 Section 751(a)(4) of the Act provides for Commerce, if requested, to determine during
an administrative review initiated two or four years after publication of the order whether
antidumping duties have been absorbed by the foreign producer or exporter if the subject
merchandise is sold in the United States through an affiliated importer. On September 27, 2019,
Commerce issued letters to Hyundai and POSCO/PDW, providing an opportunity for them to
submit on the record of this review proof that their respective unaffiliated purchasers will
ultimately pay the antidumping duties to be assessed on entries during the instant POR.32 The
deadline for Hyundai and POSCO/PDW to submit this information was October 10, 2019.
Neither company responded to Commerce’s requests for information with respect to duty
absorption. Accordingly, we cannot conclude that Hyundai’s and POSCO/PDW’s unaffiliated
purchasers in the United States ultimately will pay the full assessed duties. Because Hyundai
and POSCO/PDW did not rebut the duty absorption presumption with evidence that their

31 See the Petitioners’ Letter, “Cold-Rolled Steel Flat Products from the Republic of Korea: Request for Duty
Absorption Determination,” dated December 14, 2018.
September 27, 2019.
unaffiliated U.S. purchasers will pay the full duty ultimately assessed on the subject merchandise, we preliminarily find that antidumping duties have been absorbed by Hyundai and POSCO/PDW on all U.S. sales.

An affirmative finding of absorption in an administrative review initiated two years after the issuance of an order is intended to have a deterrent effect on continued absorption of duties by affiliated importers; if they engage in duty absorption, they will know that they will face an additional hurdle that will make it more difficult to obtain revocation or termination. If, in the four-year review, Commerce finds that absorption has taken place, it will take that into account in its determination regarding the dumping margins likely to prevail if an order were revoked.

Commerce intends to make a final determination as to whether Hyundai and POSCO/PDW absorbed duties during the instant POR in the final results of this review.

VI. DISCUSSION OF THE METHODOLOGY

A. Comparisons to Normal Value

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

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (i.e., the average-to-average method) unless Commerce determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average NVs with the EPs (or CEPs) of individual sales (i.e., the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce’s examination of this question in the context of administrative reviews, Commerce nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.33

In recent investigations, Commerce applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.34 Commerce finds that

33 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, 1293 (CIT 2014).
34 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,
the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce’s additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent’s weighted-average dumping margin.

The differential pricing analysis used in these preliminary results examines whether there exists a pattern of prices for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchaser, region and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the reported customer codes. Regions are defined using the reported destination code (i.e., zip, state) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the period of review based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region and time period, that Commerce uses in making comparisons between EP (or CEPs) and NV for the individual dumping margins.

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

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

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2014); and *Welded Line Pipe from the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015) (*Welded Line Pipe*).
of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s $d$ test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen’s $d$ test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen’s $d$ test. If 33 percent or less of the value of total sales passes the Cohen’s $d$ test, then the results of the Cohen’s $d$ test do not support consideration of an alternative to the average-to-average method.

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

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

2. Results of the Differential Pricing Analysis

For Hyundai, based on the results of the differential pricing analysis, Commerce preliminarily finds that 23.09 percent of the value of U.S. sales pass the Cohen’s $d$ test, and does not confirm the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Thus, the results of the Cohen’s $d$ and ratio tests do not support consideration of an alternative to the average-to-average method. Accordingly, Commerce preliminarily determines to apply the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Hyundai.

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35 For additional details, see Memorandum, “Second Administrative Review of Certain Cold Rolled Flat Products from the Republic of Korea—Analysis of Hyundai Steel Company,” dated concurrently with this memorandum (Hyundai Analysis Memorandum).
For POSCO, based on the results of the differential pricing analysis, Commerce preliminarily finds that 16.08 percent of the value of U.S. sales pass the Cohen’s $d$ test, and does not confirm the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods.\footnote{For additional details, see Memorandum, “Second Administrative Review of Certain Cold Rolled Flat Products from the Republic of Korea—Analysis of POSCO/PDW,” dated concurrently with this memorandum (POSCO/PDW Analysis Memorandum).} Thus, the results of the Cohen’s $d$ and ratio tests do not support consideration of an alternative to the average-to-average method. Accordingly, Commerce preliminarily determines to apply the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for POSCO.

**B. Product Comparisons**

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

In making product comparisons, we matched foreign like products based on the physical characteristics reported by the respondents\footnote{See, e.g., POSCO/PDW’s B-EQR; and Hyundai’s B-EQR.} in the following order of importance: painted, minimum specified carbon content, quality, minimum specified yield strength, nominal thickness, nominal width, form, and heat treatment. For Hyundai and POSCO/PDW’s respective sales of cold-rolled steel in the United States, the reported control number (CONNUM) identifies the characteristics of cold-rolled steel as it entered the United States.

**C. Date of Sale**

Section 351.401(i) of Commerce’s regulations states that, normally, we will use the date of invoice, as recorded in the producer’s or exporter’s records kept in the ordinary course of business, as the date of sale. Furthermore, if the shipment date precedes the invoice date, then Commerce will use the date of shipment as the date of sale. The regulation provides that we may use a date other than the date of the invoice if Commerce is satisfied that a different date better reflects the date on which the material terms of sale are established.\footnote{See 19 CFR 351.401(i); see also Allied Tube and Conduit Corp. v. United States, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001) (Allied Tube); and Yieh Phui Enterprise Co. v. United States, 791 F. Supp. 2d 1319 (CIT 2011) (affirming that Commerce may use invoice date unless a party demonstrates that the material terms of its sale were established on another date).}

**Hyundai**

For its home market sales, Hyundai reported the earlier of shipment date (i.e., the date the merchandise leaves the factory or warehouse), or invoice date in the field SALEDATH.
Hyundai normally recognizes a sale at the time of shipment from the factory. However, in some limited instances, customers requested that Hyundai delay shipments to a later date. Consequently, certain home market sales that were invoiced during the POR had not yet shipped from Hyundai’s factory. In these instances, because Hyundai has issued invoices for these sales, and ownership of the merchandise was transferred to the customer when the tax invoices were issued, Hyundai has reported these sales in its sales database. Hyundai also reported that for home market sales, all material terms of sale (e.g., quantity and value) can change up to the point of shipment. Therefore, for purposes of these preliminary results, we used the earlier of the shipment date or the invoice date as the date of sale to determine Hyundai’s home market date of sale. This is consistent with Commerce’s normal methodology regarding date of sale because the material terms of sale are still subject to change when orders are confirmed.

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

POSCO/PDW

For its home market sales, POSCO/PDW reported the date of the shipping invoice as the date of sale. POSCO/PDW stated that the shipping invoice is issued on the day of shipment from the factory. POSCO/PDW indicated the terms of sale of home market sales are finalized on that shipment date. For purposes of these preliminary results, we used the date of the shipment invoice as the date of sale for POSCO/PDW’s home market sales, consistent with Commerce’s normal methodology regarding date of sale to use an earlier date if appropriate.

For the U.S. market, POSCO/PDW reported the shipment date from the factory in Korea as the date of sale for the CEP sales which were made on a back-to-back basis and shipped directly to unaffiliated customers. For sales by POSCO/PDW’s U.S. affiliates from inventory, POSCO/PDW reported the date of the invoice from the U.S. affiliate to its unaffiliated U.S.

39 See Hyundai’s B-EQR at B-20.
40 Id.
41 See 19 CFR 351.401(i); Allied Tube, 132 F. Supp. 2d at 1090-92.
42 See Hyundai’s AQR at A-27.
43 Id.; see also 19 CFR 351.401(i); and Allied Tube, 132 F. Supp. 2d at 1090-92.
44 See POSCO/PDW’s B-EQR at B-25.
45 Id.
46 Id.
47 Id. at C-19.
customer as the date of sale. For these preliminary results, we are using the POSCO shipment date or the affiliate’s invoice date, as appropriate, as the date of sale for POSCO/PDW’s U.S. market sales, consistent with Commerce’s normal methodology regarding date of sale that the date of sale is normally the date of invoice (or the shipment date, if earlier) and because the material terms of sale are still subject to change when orders are confirmed. This is in accordance with 19 CFR 351.401(i), as noted above.

D. Export Price and Constructed Export Price

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

Hyundai

Hyundai reported that it made CEP sales through its affiliated reseller/processor HSA. We did not increase U.S. price for Hyundai because Hyundai did not make a claim for a duty drawback adjustment. We calculated CEP based on a packed price to customers in the United States. We made deductions from the starting price (adjusted for billing adjustments) for any movement expenses (e.g., foreign inland freight, foreign brokerage and handling, U.S. brokerage and handling, international freight, marine insurance, U.S. inland freight, and U.S. duty), in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which include direct selling expenses (imputed credit expenses and U.S. inventory carrying costs) and indirect selling expenses. In addition, pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at CEP. Finally, the record evidence shows that Hyundai demonstrated the adjustment to price

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48 Id.
49 See also, e.g., Non-Oriented Electrical Steel From the Republic of Korea: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances, and Postponement of Final Determination, 79 FR 29426 (May 22, 2014), and accompanying PDM at 15-16, unchanged in Non-Oriented Electrical Steel From the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances, 79 FR 61612 (October 14, 2014) (“As the information on the record indicates that the material terms of sale…could change until the date of shipment or invoice, where applicable, for both U.S. and comparison market sales, for purposes of these preliminary results, we used the date of shipment (if earlier than the date of invoice) or the date of invoice as the date of sale for POSCO’s reported U.S. and comparison market sales.”).
50 See Hyundai’s AQR at A-13.
51 See Hyundai’s B-EQR at C-46.
52 For additional details, see Hyundai Analysis Memorandum.
for the cost of any further manufacturing in the United States for sales used in the calculations, in accordance with section 772(d)(2) of the Act.

POSCO/PDW

POSCO/PDW classified its sales of merchandise under consideration to the United States as CEP sales because all such sales were invoiced and sold by U.S. affiliates, either as direct mill sales or from inventory maintained at U.S. warehouses.\(^{53}\) We calculated CEP based on the packed prices to unaffiliated purchasers in the United States. We adjusted these prices for movement expenses, including foreign inland freight, foreign brokerage and handling, international freight, marine insurance, U.S. brokerage and handling, U.S. customs duties, U.S. inland freight, and U.S. warehousing expenses, in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated CEP by deducting selling expenses associated with economic activities occurring in the United States, which included indirect selling expenses. We also made an adjustment to price for the cost of any further manufacturing or assembly (including repacking) for sales used in the calculations, in accordance with section 772(d)(2) of the Act. We also increased U.S. price for duty drawback, for the reasons and in the manner described below. In addition, pursuant to section 772(d)(3) of the Act, we further reduced the starting price by an amount for profit to arrive at CEP.\(^{54}\) POSCO/PDW reported CEP sales by POSCO to unaffiliated Korean trading companies and by PDW to unaffiliated U.S. customers during the POR.\(^{55}\) Accordingly, we based CEP on a packed price to the first unaffiliated purchaser, whether located in Korea or the United States. We made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act, which included, foreign inland freight, foreign brokerage and handling, international freight, marine insurance, and certain additional U.S. movement expenses, as appropriate.\(^{56}\)

We also increased U.S. price for duty drawback. Section 772(c)(1)(B) of the Act states that EP (or CEP) shall be increased by “the amount of any import duties imposed by the country of exportation . . . which have not been collected, by reason of the exportation of the subject merchandise to the United States.” In determining whether a respondent is entitled to duty drawback, Commerce traditionally uses (and the Courts have sustained)\(^{57}\) the following two-prong test: (1) the import duty paid and the rebate payment were directly linked to, and dependent upon, one another (or the exemption from import duties is linked to the exportation of subject merchandise); and (2) there were sufficient imports of the imported raw material to account for the drawback received upon the exports of the manufactured product. Commerce preliminarily determines that POSCO/PDW has provided information to satisfy each of the two prongs.\(^{58}\) Based on POSCO/PDW’s satisfaction of the two-prong test, (i.e., POSCO/PDW’s

\(^{53}\) See, e.g., POSCO/PDW’s B-EQR at C-16.

\(^{54}\) For additional details, see POSCO/PDW Analysis Memorandum.

\(^{55}\) See, e.g., POSCO/PDW’s AQR at A-22 through A-24.

\(^{56}\) For additional reference to these certain additional U.S. movement expenses, about which some information on the record is proprietary, see POSCO/PDW Analysis Memorandum.

\(^{57}\) See Saha Thai Steel Pipe (Public) Co. v. United States, 635 F. 3d 1335, 1340-41 (Fed. Cir. 2011) (Saha Thai).

\(^{58}\) See Antidumping Methodologies: Market Economy Inputs, Expected Non-Market Economy Wages, Duty Drawback; and Request for Comments, 71 FR 61716, 61723 (October 19, 2006).

\(^{59}\) See POSCO/PDW’s B-CDEQR at C-35 to 36 and Exhibit C-16.
imports were linked to the production of the subject merchandise and POSCO/PDW’s imports of
the production material was sufficiently high to account for the duty drawback received by
POSCO/PDW on the manufactured product) we preliminary determine to grant a duty drawback
adjustment to CEP pursuant to 772(c)(1)(B) of the Act.60

Commerce has normally taken the amount of the duty forgiven or rebated for the year and
divided it by the exports subject to the duty drawback for the year to arrive at an amount by
which to adjust EP or CEP. However, Commerce has realized that such a calculation results in
an imbalance in the dumping calculations.61 The imbalance results from the different bases used
on the NV side and the EP side, and from the fact that the full amount of any duty may not be in
the home market price. First, on the NV side of the dumping equation, the annual average cost
for an input is the average cost of all input purchases, including the foreign-sourced input, which
includes the duties; this is allocated over total production quantity. On the EP or CEP side, the
rebated duty is allocated only to the export sales. Adjusting EP/CEP for the full amount of duties
imposed which are rebated or not collected on export sales, over only export sales when the duty
cost is allocated over total production, results in a different adjustment to the EP/CEP than
reflected in the NV, creating an imbalance.

A duty drawback adjustment to EP and CEP is based on the principle that the “goods sold in the
exporter’s domestic market are subject to import duties while exported goods are not.”62 In other
words, home market sales prices and cost of production are import duty “inclusive,” while export
market sales prices are import duty “exclusive.” In Saha Thai, the Court of Appeals for the
Federal Circuit (CAFC) stated:

The purpose of the duty drawback adjustment is to account for the fact that the producers
remain subject to the import duty when they sell the subject merchandise domestically,
which increases home market sales prices and thereby increases NV. That is, when a
duty drawback is granted only for exported inputs, the cost of the duty is reflected in NV
but not in EP. The statute corrects this imbalance, which could otherwise lead to an
inaccurately high dumping margin, by increasing EP to the level it likely would be absent
the duty drawback.63

Thus, the CAFC recognized the duty drawback adjustment is intended to prevent dumping
margins from being created or affected by the rebate or exemption of import duties on inputs
used in the production of exported merchandise. However, Commerce has realized that in
certain situations, depending on how the duty drawback adjustment is calculated, a distortion in

60 See, e.g., Welded Line Pipe IDM at Comment 1; and Welded Carbon Steel Standard Pipe and Tube Products from
Turkey: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2013-
2014, 80 FR 76674 (December 10, 2015), and accompanying IDM at Comment 1.
61 See Certain Corrosion-Resistant Steel Products from India: Affirmative Preliminary Determination of Sales at
Less Than Fair Value and Postponement of Final Determination, 81 FR 63 (January 4, 2016), and accompanying
PDM at 14, unchanged in Certain Corrosion-Resistant Steel Products From India: Final Determination of Sales at
Less Than Fair Value and Final Negative Determination of Critical Circumstances, 81 FR 35329 (June 2, 2016),
and accompanying IDM at Comment 1.
62 See Saha Thai, 635 F. 3d at 1341.
63 Id. at 1338.
the dumping margin may result. In this case, on the NV side of the dumping equation, the duty paid on inputs was allocated over the total production quantity, while on the CEP side the reported duty drawback was calculated using only the export sales quantity. This resulted in a per unit duty drawback adjustment that is different from the per unit amount of duties imbedded in NV. Accordingly, in order to accurately determine an adjustment for “the amount of any import duties imposed . . . which have been rebated, or which have not been collected, by reason of the exportation of the subject merchandise to the United States,” for these preliminary results Commerce will make an upward adjustment to CEP for the per unit amount of import duty costs included in the reported COP. We have added the resulting per-unit amount to the U.S. price.

E. Particular Market Situation

Between August 15 and August 29, 2019, the petitioners alleged that Commerce should find that a cost-based and price-based PMS existed during the POR in Korea, which distorted the COP and sales prices of cold-rolled steel. Further, the petitioners submitted factual information in support of these allegations. On September 23, 2019, U.S. Steel provided additional factual information to clarify the PMS Allegations. On October 7, 2019, Hyundai Steel and POSCO timely filed comments and rebuttal factual information in response to the PMS Allegations and U.S. Steel’s Clarifying PMS Information.

The petitioners alleged that a series of factors affecting hot-rolled coil (HRC), the primary material input in the production of cold-rolled steel, render, individually or collectively, the costs of cold-rolled steel production in Korea outside the ordinary course of trade. The petitioners alleged that the existence of a PMS is supported by substantial evidence based on: (1) Chinese overcapacity; (2) subsidization of domestic HRC production by the Government of Korea (GOK); (3) strategic alliances among Korean steel producers; (4) the GOK’s near-monopoly presence in the domestic electricity market; (5) overcapacity in the Korean steel market; (6) distorted shipping rates for inputs in HRC production; and (7) distorted iron ore costs. The petitioners argue that Commerce should make adjustments to the respondents’ COP in order to remedy the alleged price distortions as it has done in recent reviews of oil country tubular goods from Korea, as well as in CWP from Turkey Preliminary Results and Pipe and Tube from India Preliminary Results. Further, the petitioners alleged that a price-based PMS existed during the

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64 See Section 772(c)(1)(B) of the Act.
65 See POSCO/PDW Analysis Memorandum.
66 See PMS Allegations.
67 See PMS Allegations.
70 See PMS Allegations.
71 See Cost-Based PMS Allegation at 5-6.
72 Id. at 5 (citing Certain Oil Country Tubular Goods from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2014-2015, 82 FR 18105 (April 17, 2017), and accompanying IDM at Comment 3; Certain Oil Country Tubular Goods from the Republic of Korea: Final Results of Antidumping Duty Administrative
POR which renders the home market prices of the foreign like product outside the ordinary course of trade. According to the petitioners, these distortions are caused by a deluge of imports from China that suppress and undercut the prices of CRS offered for sale in Korea.73

For these preliminary results, Commerce considered the totality of circumstances on the record, including the petitioners’ allegation as a whole. For the reasons more fully explained in the proprietary PMS Memorandum, Commerce preliminarily finds that a cost-based PMS existed in Korea during the POR concerning the cost of HRC as a component of the COP for the cold-rolled steel that Hyundai Steel and POSCO/PDW produced.74 While we preliminarily find that a PMS existed in Korea affecting the material costs for HRC, we do not find for these preliminary results that a PMS existed such that home market sale prices of cold-rolled steel are distorted, i.e., home market sale prices of cold-rolled steel are outside the ordinary course of trade.75

In addition to finding that a cost-based PMS existed in Korea during the POR, Commerce has determined that there is sufficient evidence to quantify the impact of this PMS with respect to the costs for HRC. In quantifying the impact, Commerce has determined to make an upward adjustment to costs for HRC. Specifically, the cost for all purchased input HRC will be increased by the adjustment factor derived in the Regression Analysis.76 Commerce preliminarily finds that this rate appropriately quantifies the impact of the PMS concerning the distortion in the cost of HRC that existed in Korea during the POR. Specifically, the Regression Analysis sufficiently quantifies the impact of the PMS on the material cost of HRC and derives a corresponding adjustment factor that, when applied to the costs of HRC, accounts for the distortions induced by the observed PMS.77

F. Normal Value

1. Comparison Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales), we

Review and Final Determination of No Shipments; 2015-2016, 83 FR 17146 (April 18, 2018), and accompanying IDM at Comment 1; Certain Oil Country Tubular Goods from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2016-2017, 84 FR 24085 (May 24, 2019), and accompanying IDM at Comments 1-A and 1-B; see also Cost-Based PMS Allegation at 11 (citing Circular Welded Carbon Steel Standard Pipe and Tube Products From Turkey: Preliminary Results of Antidumping Duty Administrative Review and Preliminary Determination of No Shipments, 84 FR 34345 (July 18, 2019) (CWP from Turkey Preliminary Results), and accompanying PDM; and Welded Carbon Steel Standard Pipes and Tubes From India: Preliminary Results of Antidumping Duty Administrative Review; 2017–2018, 84 FR 33916 (July 16, 2019) (Pipe and Tube from India Preliminary Results), and accompanying PDM).

73 See Cost-Based PMS Allegation at 7-18.

74 For a complete discussion, see memorandum, “2017-2018 Administrative Review of the Antidumping Duty Order on Cold-Rolled Steel from the Republic of Korea: Decisions on Particular Market Situation Allegations,” dated concurrently with this memorandum (PMS Memorandum).

75 For a complete discussion, see PMS Memorandum.

76 Id. Such an adjustment will not be made with respect to POSCO/PDW because the company did not purchase HRC during the POR.

77 See PMS Memorandum.
normally compare the respondent’s volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent’s sales of the foreign like product to a third country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

In this review, we determined that the aggregate volume of home market sales of the foreign like product for Hyundai and POSCO/PDW were greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise. Therefore, we used home market sales as the basis for NV for Hyundai and POSCO/PDW, in accordance with section 773(a)(1)(B) of the Act. Consistent with our practice, we also included Hyundai and POSCO/PDW’s home market sales to affiliated parties for purposes of determining home market viability.

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

Commerce may calculate NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, i.e., sales were made at arm’s-length prices.

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

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

Sales to affiliated customers in the home market that were not made at arm’s-length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.

78 See Hyundai’s AQR at Exhibit A-1; and POSCO/PDW’s AQR at Exhibit A-1.
79 See Certain Oil Country Tubular Goods from Saudi Arabia: Final Determination of Sales at Less Than Fair Value, 79 FR 41986 (July 18, 2014), and accompanying IDM at Comment 2 (use of affiliated party sales in viability determination).
80 See 19 CFR 351.403(c).
82 See Hyundai’s AQR at A-4; and POSCO/PDW’s AQR at Exhibit A-1.
83 See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade, 67 FR 69186, 69187 (November 15, 2002) (establishing that the overall ratio calculated for an affiliate must be between 98 percent and 102 percent in order for sales to be considered in the ordinary course of trade and used in the normal value calculation).
84 See 19 CFR 351.102(b)(35).
3. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent). 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 and class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales (i.e., NV based on either home market or third country prices), 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 sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, Commerce may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it possible, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability (i.e., no LOT adjustment is possible), Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.

Hyundai

In the home market, Hyundai reported that it made sales through two channels of distribution (i.e., sales to distributors and direct sales to end-users). Hyundai reported that it performed the following selling functions for sales to home market customers: sales forecasting; strategic economic planning and market research; advertising; sales/marketing support; personnel training/exchange; engineering services/technical assistance; inventory maintenance; post-sale warehousing; freight and delivery arrangements; and warranty service. Selling activities can be generally grouped into five selling function categories for analysis: (1) sales support; (2) training services; (3) technical support; (4) logistical services; and (5) sales related administrative activities. Hyundai reported one channel of distribution and reported that it performed the same

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85 See 19 CFR 351.412(c)(2).
86 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) (Orange Juice from Brazil), and accompanying IDM at Comment 7.
87 Where NV is based on CV, we determine the NV LOT based on the LOT of the sales from which we derive selling, general and administrative expenses, and profit for CV, where possible. See 19 CFR 351.412(c)(1).
88 See Micron Tech., Inc. v. United States, 243 F. 3d 1301, 1314-16 (Fed. Cir. 2001).
89 See, e.g., Orange Juice from Brazil IDM at Comment 7.
selling functions at the same relative level of intensity for all of its home market sales. However, as noted below, we are unable to rely on the data Hyundai provided with respect to the intensity of its selling functions.

With respect to the U.S. market, Hyundai reported that it made sales through two channels of distribution, CEP sales through its affiliate, HAS, to unaffiliated parties (Channel 1) and to affiliated parties which further processed the subject merchandise before sale (Channel 2). With respect to the U.S. LOT for both Channel 1 and Channel 2 sales, Hyundai reported that it performed the following selling functions for its sales to the United States: sales forecasting; strategic economic planning and market research; advertising; sales/marketing support; personnel training/exchange; engineering services/technical assistance; inventory maintenance; order input/processing; freight and delivery arrangements; and warranty service. Based on the selling function categories noted above, we find that, with respect to both Channels 1 and 2, Hyundai performed: (1) sales support; (2) training services; (3) technical support; (4) logistical services; and (5) sales related administrative activities. Hyundai maintained that it used a quantitative method using the number of employees to determine intensities of the different selling functions. For the home market and U.S. channels of trade, Hyundai reported the intensities at which these functions are performed on a scale of one to ten. However, a review of the exhibit in which these calculations are presented indicates that Hyundai provided numbers of employees within certain broad divisions of the company to calculate the intensity of the various selling functions, rather than indicating the hours spent performing these functions. Therefore, in a supplemental questionnaire, for each selling function performed, we requested that Hyundai provide the number of hours that employees spent on each of these activities. In response, Hyundai stated that it did not maintain such hourly activity information for each activity. We also asked that Hyundai provide the documents maintained in the ordinary course of business (e.g., expense ledgers maintained in the ordinary course of business, statements of company officials, etc.) used to report the different levels of intensity in the two markets and to explain how the source documents support Hyundai’s claims regarding the reported levels of intensity for each activity. In response, Hyundai reported that it does not maintain such documents for each activity. Because Hyundai did not provide the data or documents to support its quantitative analysis of the selling functions it performed, we have not relied on this data in the preliminary results. As such, we cannot

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91 Id. at A-20 and Exhibit A-13.
93 See Hyundai March 8, 2018 Section A Response at A-13.
94 See Hyundai’s AQR at Exhibit A-13-2.
95 See Hyundai’s AQR at Exhibit A-13-1.
97 See Hyundai’s SABCQR at 16-38.
98 See First Supp A-E Questionnaire.
99 See Hyundai’s SABCQR at 16-38.
determine if the home market sales and U.S. sale are made at different LOTs, and have made no LOT adjustment for these preliminary results. Accordingly, we have also not granted a CEP offset for Hyundai, pursuant to section 773(a)(7)(B) of the Act.

POSCO/PDW

In the home market, POSCO/PDW reported that it made sales through four channels of distribution: (1) sales to end-users; (2) sales to affiliated resellers; (3) direct shipments to unaffiliated customers in Korea; and (4) cyber transactions. POSCO/PDW reported that it performed the following selling functions for sales to all home market customers: sales forecasting; strategic economic planning; advertising; sales promotion; sales/marketing support; market research; personnel training/exchange; direct sales personnel; technical assistance; engineering services; packing and repacking; inventory maintenance; freight and delivery arrangement; order input/processing; and warranty services. Based on the selling function categories noted above, we find that with respect to all four channels, POSCO/PDW performed: (1) sales support; (2) training services; (3) technical support; (4) logistical services; and (5) sales related administrative activities. POSCO/PDW reported it performed the same selling functions at the same relative level of intensity, with the exception of sales support, for all of its home market sales. However, as with Hyundai, we are unable to rely on the data POSCO/PDW provided with respect to the intensity of its selling functions.

With respect to the U.S. market, POSCO/PDW reported that it made sales through two channels of distribution: CEP sales through PDW and POSCO Daewoo America Corp. (PDWA) (Channel 1), and CEP Sales through POSCO America (POSAM) and POSCO America Alabama Processing Center Co., Ltd. (AAPC) (Channel 2). With respect to the U.S. LOT for both Channel 1 and Channel 2 sales, POSCO/PDW reported that it performed the following selling functions for its sales to the United States: sales forecasting; strategic economic planning; sales/marketing support; market research; personnel training/exchange; direct sales personnel; technical assistance; packing; freight and delivery arrangement; order input/processing; and warranty services. Based on the selling function categories noted above, we find that with respect to both Channels 1 and 2, POSCO/PDW performed sales support, training services, technical support, logistical services, and sales related administrative activities for U.S. sales. POSCO/PDW reported it performed the same selling functions at the same relative level of intensity, with the exception of some logistical services, for its U.S. sales in Channel 1 and Channel 2. As discussed below, we are unable to rely on the data POSCO/PDW provided with respect to the intensity of its selling functions.

POSCO/PDW maintains that it used a quantitative method using the number of employees to determine intensities of the different selling functions. For the home market and U.S. channels of trade, POSCO/PDW reported the intensities at which these functions are performed on a scale

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100 See POSCO/PDW’s AQR at A-21 to A-22.
101 Id. at A-24 to A-28 and Exhibit A-7.
102 Id. at Exhibit A-7.
103 Id. at A-22 and Exhibit A-7.
104 Id.
of one to ten based on the hours worked by certain employees.\textsuperscript{105} However, a review of the exhibit in which these calculations are presented indicates that POSCO/PDW appears to have provided training brochures or power point slides, rather than accounting records or labor hours records.\textsuperscript{106} Therefore, in a supplemental questionnaire, for each selling function performed, we requested that POSCO/PDW provide the number of hours that employees spent on each of these activities.\textsuperscript{107} In response, POSCO/PDW stated that for each activity, that it did not maintain such hourly activity information.\textsuperscript{108} We also asked that POSCO/PDW provide the documents maintained in the ordinary course of business (\textit{e.g.}, expense ledgers maintained in the ordinary course of business, statements of company officials, \textit{etc.}) used to report the different levels of intensity in the two markets and to explain how the source documents support POSCO/PDW’s claims regarding the reported levels of intensity for each activity.\textsuperscript{109} In response, for each activity, POSCO/PDW reported that it relied on general information from sales personnel involved in the sales of subject merchandise to determine different levels of intensity with respect to each sales activity.\textsuperscript{110} Because POSCO/PDW did not provide the data or documents to support its quantitative analysis of the selling functions it performed, we have not relied on this data in the preliminary results. As such, we cannot determine if the home market sales and U.S. sale are made at different LOTs, and have made no LOT adjustment for these preliminary results. Accordingly, we have also not granted a CEP offset for POSCO/PDW, pursuant to section 773(a)(7)(B) of the Act.

4. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses, and interest expenses.\textsuperscript{111}

We relied on the COP data submitted by Hyundai and POSCO/PDW, as reported by Hyundai and POSCO/PDW in their section D responses except as noted below.\textsuperscript{112} We examined Hyundai’s and POSCO/PDW’s cost data and determined that our quarterly cost methodology is not warranted, therefore, we applied our standard methodology of using annual costs based on the reported data. We adjusted the cost of inputs purchased by POSCO/DWI from affiliated suppliers to reflect market price of the inputs in accordance with section 773(f)(2) of the Act. We increased Hyundai’s reported cost for HRC as a component of COP by specific adjustment applicable to the PMS that we found to exist in Korea concerning this input of production as discussed above.

\textsuperscript{105} \textit{Id.} at Exhibit A-7.
\textsuperscript{106} \textit{Id.} at Exhibit A-7.1.
\textsuperscript{108} \textit{See} POSCO/PDW’s SABCEQR at 9-30.
\textsuperscript{110} \textit{See} POSCO/PDW’s SABCEQR at 9-30.
\textsuperscript{111} \textit{See} “Test of Comparison Market Sales Prices” section for treatment of home market selling expenses.
\textsuperscript{112} \textit{See} Hyundai Analysis Memorandum; and POSCO/PDW Analysis Memorandum.
i. Test of Comparison Market Sales Prices

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

ii. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: (1) within an extended period of time, such sales were made in substantial quantities; and (2) such sales were not made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent’s comparison market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in “substantial quantities.” Where 20 percent or more of a respondent’s sales of a given product are at prices less than the COP, we disregard the below-cost sales when: (1) they were made within an extended period of time in “substantial quantities,” in accordance with sections 773(b)(2)(B) and (C) of the Act; and, (2) based on our comparison of prices to the weighted-average COPs for the 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 Hyundai’s and POSCO/PDW’s home market sales during the POR were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We therefore excluded these sales and used the remaining sales, if any, as the basis for determining NV, in accordance with section 773(b)(1) of the Act.\textsuperscript{113}

5. Calculation of NV Based on Comparison-Market Prices

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

When comparing U.S. sales with home market sales of similar merchandise, we also made adjustments for differences in costs attributable to differences in the physical characteristics of the merchandise, in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise.\textsuperscript{114}

\textsuperscript{113} See Hyundai Analysis Memorandum; and POSCO/PDW Analysis Memorandum.
\textsuperscript{114} See 19 CFR 351.411(b).
Hyundai

We calculated NV based on prices to customers on various sales terms.\textsuperscript{115} We made deductions, where appropriate, from the starting price for movement expenses, including inland freight and warehousing, under section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale, in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

POSCO/PDW

We calculated NV based on prices to customers on various sales terms.\textsuperscript{116} We made deductions, where appropriate, from the starting price for billing adjustments in accordance with 19 CFR 351.401(c). We also made deductions from the starting price for movement expenses, including inland freight, warehousing, and loading and unloading charges, in accordance with section 773(a)(6)(B)(ii) of the Act. We offset those movement expenses with reported freight revenue, with the latter capped at no higher than the sum of the movement expenses, in accordance with our normal practice. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act, and in circumstances of sale, in accordance with section 773(a)(6)(c)(iii) of the Act and 19 CFR 351.410.

VII. ADJUSTMENTS TO CASH DEPOSIT RATES FOR EXPORT SUBSIDIES IN COMPANION COUNTEVRVAILING DUTY REVIEW

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

VIII. CURRENCY CONVERSION

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

\textsuperscript{115} For additional detail, see Hyundai Analysis Memorandum.
\textsuperscript{116} For additional detail, see POSCO/PDW Analysis Memorandum.
IX. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.

☑ ☐

Agree Disagree
11/8/2019

Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance