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March 6, 2018

MEMORANDUM TO: Gary Taverman
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the
Administrative Review of the Antidumping Duty Order on Light-
Walled Rectangular Pipe and Tube from Mexico; 2015-2016

I. SUMMARY

The Department of Commerce (Commerce) analyzed the comments submitted by the mandatory respondent, Productos Laminados Monterrey S.A. de C.V. (Productos Laminados) in this administrative review of the antidumping duty order on light-walled rectangular pipe and tube (LWRPT) from Mexico.¹ Following the *Preliminary Results*, and based on the analysis of the comments received, we did not make changes to Productos Laminados's margin calculation for the final results.² We recommend that you approve the positions described below in the "Discussion of Interested Party Comments" section of this Issues and Decision Memorandum.

II. LIST OF ISSUES

Comment 1: Revision of Control Numbers (CONNUMs)

Comment 2: Theoretical Weight

¹ See Prolamsa's Case Brief, "Case Brief of Productos Laminados de Monterrey S.A. de C.V., Aceros Cuatro Caminos S.A. de C.V., and Prolamsa, Inc.," dated October 6, 2017 (Prolamsa's Case Brief).

² See *Light-Walled Rectangular Pipe and Tube from Mexico: Preliminary Results of Antidumping Duty Administrative Review; 2015-2016*, 82 FR 42076 (September 6, 2017) (*Preliminary Results*) and accompanying Preliminary Decision Memorandum.

III. BACKGROUND

On September 6, 2017, Commerce published the *Preliminary Results* of the administrative review of the antidumping duty order on LWRPT from Mexico for the period August 1, 2015, through July 31, 2016. In the *Preliminary Results*, we preliminarily determined not to use Prolamsa's suggested model match criteria or Prolamsa's quantity field which utilizes Prolamsa's formulas for calculating theoretical weight. Instead we used the control number fields CONNUMH/U and the quantity fields QTY1H/U and PRODQTY_DOC. The review covers one producer/exporter of the subject merchandise: Prolamsa.³

On October 6, 2017, Prolamsa timely submitted a case brief commenting on the *Preliminary Results*.⁴ Petitioners did not submit case or rebuttal briefs. On December 19, 2017, Commerce extended the final results deadline until February 5, 2018.⁵ Subsequently, Commerce exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from January 20 through 22, 2018,⁶ moving the deadline to February 8, 2018.⁷ However, on January 31, 2018, Commerce extended the deadline for the final results to March 8, 2018.⁸

IV. SCOPE OF THE ORDER

The scope of this *Order* covers certain welded carbon-quality light-walled steel pipe and tube, of rectangular (including square) cross section, having a wall thickness of less than 4 mm.

The term carbon-quality steel includes both carbon steel and alloy steel which contains only small amounts of alloying elements. Specifically, the term carbon-quality includes products in which none of the elements listed below exceeds the quantity by weight respectively indicated; 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

³ Commerce collapsed and treated as a single entity, affiliates Productos Laminados de Monterrey S.A. de C.V. (Productos Laminados) and Aceros Cuatro Caminos S.A. de C.V. (A4C). For our analysis of the collapsing criteria, see Memorandum, "Analysis Memorandum for Productos Laminados de Monterrey S.A. de C.V. and Aceros Cuatro Caminos S.A. de C.V. in the Preliminary Results of the 2015/2016 Administrative Review of the Antidumping Duty order on Light-Walled Rectangular Pipe and Tube from Mexico," dated August 30, 2017.

⁴ See Prolamsa Case Brief, "Case Brief of Productos Laminados de Monterrey S.A. de C.V., Aceros Cuatro Caminos S.A. de C.V., and Prolamsa, Inc.," dated October 6, 2017 (Prolamsa's Case Brief).

⁵ See Letter, "Light-Walled Rectangular Pipe and Tube from Mexico: Extension of Deadline for Final Results of Antidumping Duty Administrative Review; 2015-2016," dated December 19, 2017.

⁶ If the new deadline falls on a non-business day, in accordance with Commerce's practice, the deadline will become the next business day.

⁷ See Memorandum for The Record from Christian Marsh, Deputy Assistant Secretary for Enforcement and Compliance, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Shutdown of the Federal Government" (Tolling Memorandum), dated January 23, 2018. All deadlines in this segment of the proceeding have been extended by 3 days. The new deadline falls on Sunday, February 4, 2018. The next business day is Monday February 5, 2018.

⁸ See Letter, "Light-Walled Rectangular Pipe and Tube from Mexico: Extension of Deadline for Final Results of Antidumping Duty Administrative Review; 2015-2016," dated January 31, 2018.

The description of carbon-quality is intended to identify carbon-quality products within the scope. The welded-carbon quality rectangular pipe and tube subject to the *Order* is currently classified under the Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7306.61.50.00 and 7306.61.70.60. This tariff classification is provided for convenience and Customs purposes; however, the written description of the scope of the *Order* is dispositive.

V. DISCUSSION OF THE ISSUES

Comment 1: Revision of Control Numbers (CONNUMs)

Prolamsa's Comments:

- Prolamsa reported CONNUM2H/U which includes adding further processing to the end of the model match hierarchy. Prolamsa argues that Commerce should use CONNUM2H/U, because it accounts for physical differences between LWPRT sold without further processing and parts made from LWRPT.⁹
- In the heavy walled rectangular welded carbon steel pipes and tubes (HWRT) from Mexico final determination, Commerce included further processing in the model-match criteria. Prolamsa argues that Commerce should do the same here, and include further processing in the model-match criteria.¹⁰

Commerce's Position:

We disagree with Prolamsa. Pursuant to section 773 of the Tariff Act of 1930, as amended (the Act), normal value is the adjusted home-market price of foreign like products.¹¹ Section 771(16) of the Act defines “foreign like product” in descending order of preference, beginning with: “Subject merchandise and other merchandise which is identical in physical characteristics with and was produced in the same country by the same person as, that merchandise.”¹² Because the statute is silent with respect to the methodology that Commerce must use to match subject merchandise with foreign like products, Commerce has considerable discretion in developing an appropriate model-match methodology.¹³ Notably, Commerce has interpreted the word “identical” in the statute to mean the same with minor differences in physical characteristics which are commercially insignificant.¹⁴

⁹ See Prolamsa's Case Brief at 2.

¹⁰ *Id.* at 3 (citing *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Mexico: Affirmative Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 81 FR 10587 (March 1, 2016) and accompanying Preliminary Decision Memorandum at 11, unchanged in *Heavy Walled Rectangular Welded Carbon Steel Pipes and Tubes from Mexico: Final Determination of Sales at Less Than Fair Value*, 81 FR 47352 (July 21, 2016)).

¹¹ See also Initial AD Questionnaire at Appendix I.

¹² *Id.*

¹³ See *Pesquera Mares Australes LTDA. v. United States*, 266 F.3d at 1372, 1384 (Fed. Cir. 2001).

¹⁴ *Id.*

Commerce's practice is not to alter a model-match methodology developed at an earlier stage of the proceeding unless a party provides compelling and convincing evidence demonstrating that: (1) the current model-match criteria are not reflective of the subject merchandise; (2) there have been industry-wide changes to the product that merit a modification; or (3) there is some other compelling reason to warrant a change.¹⁵ Compelling reasons that warrant a change to the model-match methodology may include, for example, greater accuracy in comparing the foreign like product to the single most similar U.S. model, in accordance with section 771(16)(B) of the Act, or a greater number of reasonable price-to-price comparisons in accordance with section 773(a)(1) of the Act.¹⁶ The burden is on the party requesting the change to the model-match methodology to provide evidence and demonstrate that such a change is warranted.¹⁷

Prolamsa argues that in the recent HWRT from Mexico investigation, Commerce added further processing as an additional model-match criterion, and that this demonstrates that Commerce's methodology in this proceeding should be changed.¹⁸ We disagree. As an initial matter, we note that in the 2006-2007 original investigation of this proceeding, in setting the model-match criteria, Prolamsa filed model-match comments and did not raise any concerns about further processing.¹⁹ Prior to this review, Prolamsa had not raised any issue with this determination for over ten years. More importantly, in this review, Prolamsa has not provided evidence or explanation demonstrating that: (1) the current model-match criteria are not reflective of the subject merchandise; (2) there have been industry-wide changes to the product that merit a modification; or (3) there is some other compelling reason to warrant a change.

Although Commerce has adopted alternative model-match criteria in a more recent investigation of similar products, any changes Commerce makes to the model-match criteria will be executed

¹⁵ See e.g., *Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2012–2013*, 79 FR 71980 (December 4, 2014) (*Sawblades PRC Prelim*), and accompanying Decision Memorandum at 4, unchanged in *Diamond Sawblades and Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2012–2013*, 80 FR 32344 (June 8, 2015) (*Sawblades PRC Final*); *Carbazole Violet Pigment 23 from India: Final Results of Antidumping Duty Administrative Review*, 75 FR 38076 (July 1, 2010) (*Pigment India Final*), and accompanying Issues and Decision Memorandum at 2; *Notice of Final Results of the Twelfth Administrative Review of the Antidumping Duty Order on Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea*, 72 FR 13086 (March 20, 2007) (*CORE Korea Final*), and accompanying Issues and Decision Memorandum at 1; *Certain Corrosion-Resistant Carbon Steel Flat Products from Canada: Final Results of Antidumping Duty Administrative Review*, 70 FR 13458 (March 21, 2005) (*CORE Canada Final*), and accompanying Issues and Decision Memorandum at 1; *Fagersta Stainless AB, v. United States*, 577 F. Supp. 2d at 1270, 1276-77 (CIT 2008).

¹⁶ See *Stainless Steel Wire Rod from Sweden: Preliminary Results of Antidumping Duty Administrative Review*, 71 FR 59082 (October 6, 2006); *Stainless Steel Wire Rod from Sweden: Final Results of Antidumping Duty Administrative Review*, 72 FR 17834 (April 10, 2007) (*Stainless Wire Rod Sweden*).

¹⁷ See *Welded ASTM A-312 Stainless Steel Pipe from the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2013–2014*, 81 FR 46648 (July 18, 2016) (*Stainless Pipe Korea*), and accompanying Issues and Decision Memorandum at 5.

¹⁸ See Prolamsa's Case Brief at 2-3.

¹⁹ See *Notice of Preliminary Determination of Sales at Less Than Fair Value: Light-Walled Rectangular Pipe and Tube from Mexico*, 73 FR 7710 (February 11, 2008) at 8-9 (citing Prolamsa's Letter, "Light-Walled Rectangular Pipe and Tube from Mexico," dated September 4, 2007) unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Light-Walled Rectangular Pipe and Tube from Mexico*, 73 FR 35679 (June 24, 2008).

on a case by case basis, in light of the record information. Prolamsa argues that this further processing characteristic should be added to account for the physical and commercial differences between parts and standard LWRPT.²⁰ As evidence, Prolamsa placed the verification report from the HWRT from Mexico investigation on our record.²¹ However, Commerce notes that, while the verification report provides detail about Prolamsa's production of HWRT parts, it does not discuss or explain the production of LWRPT parts. The verification report thus does not provide sufficient evidence for altering the model-match criteria relied on by Commerce in this separate proceeding. We thus find that the model-match criteria established in a recent investigation for different products do not demonstrate that the model-match criteria in this proceeding are no longer reflective of the subject merchandise, that there have been industry-wide changes warranting a modification, or that there is a "compelling" reason to warrant a change. Because Prolamsa does not provide additional argument concerning changes to the model-match criteria, we will rely on the same model-match criteria as in the *Preliminary Results*.

Comment 2: Theoretical Weight

Prolamsa's Comments:

- Prolamsa argues Commerce should use the theoretical weights calculated using Prolamsa's formulas in fields QTY4H/U in the home market and U.S. sales databases and in field PRODQTY in its cost database. Additionally, Prolamsa argues that Commerce should use the unit expenses reported in the sales database and unit costs reported in the cost database "as is."²²
- Prolamsa argues that the formulas for calculating theoretical weight requested by Commerce are inaccurate and should not be used for Prolamsa because they do not account for the curved edge of Prolamsa's parts made from LWRPT and products with a certain wall thickness.²³ Prolamsa argues that its products include parts, which can be produced with multiple pieces, and thus, the net weight per piece formula must account for the number of pieces used to produce the part.²⁴

Commerce's Position:

We disagree with Prolamsa. In its initial questionnaire, Commerce instructed Prolamsa to report quantity fields on a theoretical weight basis and to provide complete calculations to demonstrate how Prolamsa calculated the theoretical weight of home market and U.S. sales.²⁵ In its response, Prolamsa reported quantity fields on a theoretical weight basis, but failed to provide the calculations as requested. In a supplemental questionnaire, Commerce asked Prolamsa to (1) provide the formula used for calculating Prolamsa's theoretical weight and (2) to report an

²⁰ See Prolamsa's Case Brief at 3.

²¹ See Letter, "Antidumping Duty Administrative Review of Light Walled Rectangular Pipe and Tube from Mexico: Section A Response," dated December 16, 2016 (December 16, 2016 AQR) at Exhibit A-32.

²² See Prolamsa's Case Brief at 3-4.

²³ *Id.* at 4-5.

²⁴ *Id.*

²⁵ See Initial questionnaire at B-10 and D-37.

additional theoretical weight using a standard formula that Commerce has used across various pipe and tube cases to calculate theoretical weight for square and rectangular steel tubes.²⁶ Prolamsa reported the theoretical weight using the standard formula requested by Commerce in fields QTY1H, QTY1U, and DOC_PRODQTY and provided the formulas used to calculate Prolamsa's theoretical weight as follows:²⁷

For LWRPT with a wall thickness greater than or equal to a proprietary amount
Theoretical weight per piece = Coefficient * thickness * ((3 * thickness) * 3.14159) + 2 * (dimension A + dimension B - 8 * thickness) * length

For LWRPT with a wall thickness less than a proprietary amount
Theoretical weight per piece = Coefficient * (dimension A + dimension B - 8 * thickness)

In the *Preliminary Results*, Commerce used the theoretical weights derived from the formula to calculate the weight per piece and converted unit expenses using these theoretical weights. For the final results, Prolamsa argues that we should use its theoretical weights because its products include parts made from LWRPT, which can be produced with multiple pieces, and thus, the net weight per piece formula must account for the number of pieces used to produce the part.²⁸

The standard formula used across pipe cases does not directly account for the number of pieces used to produce a part, because the formula calculates the theoretical weight per piece. Similarly, Prolamsa's formulas also calculate the theoretical weight per piece and do not account for the number of pieces used to produce a part. Neither set of formulas directly take into account the number of pieces used to produce a part because both sets only calculate the theoretical weight per piece.

However, the standard formula used across pipe cases can be used to calculate the theoretical weight parts with multiple LWRPT pieces, by calculating the theoretical weight of each piece and summing the theoretical weights to derive the theoretical weight of the part. The standard formula calculates the weight of square and rectangular pipe and tubes by calculating the volume of LWRPT using its dimensions and multiplying it by the density of the square and rectangular pipe and tube (*i.e.*, 0.00785). Once the theoretical weight of each piece is calculated, then the theoretical weights can be summed to equal the total theoretical weight of the part. Therefore, the standard formula used across pipe cases is, in fact, able to account for the number of pieces used to produce a part. Moreover, because Prolamsa's formulas calculate the theoretical weight of one piece of LWRPT, its formulas would also require the calculation of theoretical weight for each piece of LWRPT and the sum of the theoretical weights would derive the total theoretical weight of a part.

²⁶ See Letter, "Light-Walled Rectangular Pipe and Tube from Mexico Antidumping Duty Administrative Review: First Supplemental Questionnaire for Sections A-C Questionnaire Response of Productos Laminados de Monterrey S.A. de C.V.," dated March 1, 2017 (March 1, 2017 Supplemental Questionnaire).

²⁷ See Letter, "Light Walled Rectangular Pipe and Tube from Mexico: Second Supplemental Sections A-D Questionnaire Response," dated April 28, 2017 (April 28, 2017 SQR) at 6.

²⁸ *Id.*

Additionally, Prolamsa argues that the theoretical weights used in the *Preliminary Results* are inaccurate because they fail to account for a curved inside edge for products with a wall thickness over the proprietary amount.²⁹ Prolamsa states that we should use their theoretical weights because their two formulas account for ASTM standards for tubes, where the radius of the outside corner for square and rectangular tubing cannot exceed three times the specified wall thickness.³⁰

Commerce recognizes that the standard formula does not take into account any inside edge curvature, but the difference in theoretical weight derived from this formula and one that accounts for a slightly curved inside edge is trivial. As discussed below, Prolamsa fails to demonstrate that its two formulas are a reasonable alternative to the standard formula used across pipe and tube cases. Therefore, Commerce continues to use the theoretical weight derived from the standard formula used across pipe cases.

Prolamsa alleges that, to account for curved corners, the radius of each outside corner for square and rectangular tubing cannot exceed three times the specified wall thickness according to ASTM international standards for tubes, and as a result, Prolamsa has added $(3 * \text{thickness}) * (3.14159)$ to the formula for products with a wall thickness greater than or equal to the proprietary amount.³¹ However, this assertion was unsupported. There is no explanation why this formula for wall thicknesses greater to or equal to a proprietary amount is different than for products with a wall thickness less than the same proprietary amount. Additionally, the wall thickness amount that determines which formula to use is proprietary, which leads us to believe that this is not a standard being applied consistently by the industry, and would not, in fact, be in an ASTM specification.

Furthermore, we are unable to verify that Prolamsa's theoretical weights have been applied correctly. Prolamsa's formulas utilize coefficients which are determined based on the specification and grade of the product.³² However, Prolamsa failed to provide the specification and grade in the home market and U.S. sales databases as requested in the initial questionnaire. Without this information, we are unable to determine the coefficient and are unable to verify that Prolamsa's theoretical weights are correct. Additionally, one of Prolamsa's formulas fails to account for the length of the product.³³ Without the correct coefficient and the ability to use Prolamsa's formulas, we are unable to determine whether Prolamsa's calculations have accounted for the length of the products and thus correctly calculated theoretical weight.

For the reasons explained above, we find that the record does not support the use of Prolamsa's theoretical weight using its formulas. Therefore, for these final results, we continue to use the theoretical weights based on the standard formula for square and rectangular steel pipes as requested by Commerce in fields QTY1H, QTY1U, and DOC_PRODQTY in the databases. Furthermore, we continue to convert unit expenses using these theoretical weights.

²⁹ See Prolamsa's Case Brief at 4-5.

³⁰ *Id.*

³¹ See April 28, 2017 SQR at 6.

³² *Id.* at 8.

³³ *Id.* at 6.

VI. RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting the positions set forth above. If this recommendation is accepted, we will publish the final results in the *Federal Register*.

Agree

Disagree

3/6/2018

X 

Signed by: GARY TAVERMAN

Gary Taverman

Deputy Assistant Secretary

for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance