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PUBLIC VERSION

BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
OF THE
U.S. DEPARTMENT OF COMMERCE
AND THE
U.S. INTERNATIONAL TRADE COMMISSION

ANTIDUMPING DUTY PETITION

VOLUME II
THE RUSSIAN FEDERATION AD

GRAIN-ORIENTED ELECTRICAL STEEL FROM THE PEOPLE'S REPUBLIC OF CHINA, THE CZECH REPUBLIC, THE FEDERAL REPUBLIC OF GERMANY, JAPAN, THE REPUBLIC OF KOREA, POLAND, AND THE RUSSIAN FEDERATION

PETITIONERS:
AK STEEL CORPORATION; ALLEGHENY LUDLUM, LLC; AND THE UNITED STEELWORKERS

ECONOMIC CONSULTANTS:

MICHAEL T. KERWIN
MICHAEL A. HUDAK
WILLIAM H. CROW II
BRAD HUDGENS
JULIE SANTOBONI
GEORGETOWN ECONOMIC SERVICES, LLC
3050 K Street, N.W.
Washington, DC 20007
(202) 945-6660

COUNSEL:

DAVID A. HARTQUIST
JEFFREY S. BECKINGTON
JOHN M. HERRMANN
DAVID C. SMITH
MARY T. STALEY
GRACE W. KIM
BENJAMIN BLASÉ CARYL
KATHERINE E. WANG
KELLEY DRYE & WARREN LLP
3050 K Street, N.W., Suite 400
Washington, DC 20007
(202) 342-8400

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I. GRAIN-ORIENTED ELECTRICAL STEEL FROM THE RUSSIAN FEDERATION IS BEING SOLD OR OFFERED FOR SALE AT LESS THAN FAIR VALUE

A. NLMK: Price-to-Price Margins

The price-to-price comparisons discussed below are based on sales and offers for sale of certain grain-oriented electrical steel ("GOES") products sold in both the United States and the Russian Federation ("Russia") that were manufactured and sold by Novolipetsk Steel ("NLMK"). A description of the company and its products is appended to this petition. See **AD Exhibit R-1.**

1. Price-to-Price Margin A

a. U.S. Price A

Petitioners obtained a U.S. price for an offer of GOES from Russia from a confidential source. See **AD Exhibit R-2A**. The U.S. sale at issue involved GOES with the following product characteristics: [ ] See id. An EP price was the basis for U.S. price.

The net U.S. price was calculated by subtracting from the [ ] U.S. price, U.S. inland freight (**AD Exhibit R-4**), U.S. inland insurance (**AD Exhibit R-5**), U.S. brokerage and handling (**AD Exhibit R-6**), ocean freight (**AD Exhibit R-7A**), marine insurance (**AD Exhibit R-7B**), foreign brokerage and handling (**AD Exhibit R-8**), foreign inland freight (**AD Exhibit R-9**), U.S. import duty (**Exhibit GENERAL-1** (excerpts from the Harmonized Tariff Schedule of the United States)), and U.S. merchandise processing and harbor maintenance fees, pursuant to 19 U.S.C. § 1677a(c)(2) (**Exhibit GENERAL-13** (19 C.F.R. §§ 24.23(b)(1)(A) and 24.24(a)). Imputed credit expenses were based on payment terms of [ ] days, consistent with the U.S. industry standard, and the average lending rate in the United States of 3.25 percent, as reported by the International Monetary Fund. See **AD Exhibit K-11**.

i. U.S. Inland Freight

Petitioners estimated U.S. inland freight charges from the port to the customer by calculating a distance, using Google Maps, from the closest most commonly used port for imports of GOES as reported by the Port Import-Export Reporting Service ("PIERS") to the U.S. customer's location. See **AD Exhibit R-4**. Petitioners calculated freight costs for that distance using the U.S. inland freight rate published by freightrateindex.com. See id. Petitioners deducted the U.S. inland freight charges from the quoted U.S. price. See **AD Exhibit R-12A**.

ii. U.S. Inland Insurance

Petitioners calculated U.S. inland insurance costs by using the steel-specific premium rate published by P.A.F. Cargo Insurance for goods shipped by land. See **AD Exhibit R-5**. Petitioners converted this to a charge per pound and deducted the U.S. inland insurance charges from the quoted U.S. price. See **AD Exhibit R-12A**.

iii. U.S. Brokerage

Petitioners determined U.S. brokerage expenses based on the costs incurred for document preparation, Customs clearance and technical control, and ports and terminal handling. See **AD Exhibit R-6**.

iv. Trading Company Mark-Up

When applicable, Petitioners calculated the trading company mark-up based on publicly available financial statements for Stemcor, an independent steel trader. The trading company mark-up is calculated as a percentage of sales. See **AD Exhibit R-10**.

v. Ocean Freight

Petitioners estimated ocean freight costs by deducting the cost of shipment for iron and steel products published by MAERSK, a major ocean freight carrier, for a full 40-foot container load of steel products. See **AD Exhibit R-7A.** Petitioners converted this to a charge per pound and deducted the international ocean freight charges from the quoted U.S. price. See **AD Exhibit R-12A.**

vi. Marine Insurance

Petitioners calculated marine insurance costs by using the steel-specific premium rate published by P.A.F. Cargo Insurance for goods shipped by ocean freight. See **AD Exhibit R-7B.** Petitioners converted this amount to a charge per pound and deducted the marine insurance charges from the quoted U.S. price. See **AD Exhibit R-12A.**

vii. U.S. Duties and Port Fees

Petitioners deducted port fees from the U.S. price. Imports of GOES enter the United States duty-free. See **Exhibit GENERAL-1** (excerpts from the Harmonized Tariff Schedule of the United States). Port fees included a 0.125 percent harbor maintenance fee and a 0.21 percent merchandise processing fee. See **Exhibit GENERAL-13** (19 C.F.R. §§ 24.23(b)(1)(A) and 24.24(a)). These fees were applied on an ad valorem basis to the U.S. dutiable value. Therefore, Petitioners calculated port fees based on the following formula: Duty and Customs Fees = (0.0 + 0.00335) * (Delivered Price – U.S. Freight – U.S. Insurance – U.S. Brokerage – Ocean Freight – Marine Insurance) / (1+ 0.0 +.00335).

Petitioners then deducted the customs fees, calculated on a per-pound basis, from the U.S. transaction price. See **AD Exhibit R-12A.**

viii. Foreign Inland Freight and Brokerage

Petitioners deducted foreign inland freight charges from the factory to the foreign port and also deducted foreign brokerage and handling charges at the foreign port. See **AD Exhibits R-8, R-9, and R-12A.**

b. Normal Value A

Petitioners used as the basis for normal value information obtained from a confidential source concerning the price of a home market sale made by NLMK to an unaffiliated customer in Russia. See **AD Exhibits R-13A and R-14A.** The total gross price reported is an [ ] price of [ ] per metric ton. See id. The home market sale at issue involved GOES with the following product characteristics: [ ] See id.

When applicable, Petitioners deducted movement charges for the sale based on average national truck freight charges reported by the World Bank. See **AD Exhibits R-9 and R-13A.** Petitioners also deducted imputed credit expenses from the reported home market price in accordance with 19 U.S.C. § 1677b(a)(6)(B). See **AD Exhibits R-14A and R-15A.** Imputed credit expenses were based on the payment terms of [ ] days for NLMK and the average lending rate in Russia of 6.96 percent, as reported by the International Monetary Fund. See **AD Exhibit R-11.**

c. Difference-In-Merchandise Adjustment

Because the [ ] Petitioners applied a difference-in-merchandise adjustment factor to the normal value. See **AD Exhibit R-15A.**

d. <u>Margin</u>

A comparison of the net home market price to the U.S. net selling price on a product-specific basis results in a dumping margin of **18.54** percent. The dumping margin calculation is provided at **AD Exhibit R-15A.**

2. <u>Price-to-Price Margin B</u>

a. <u>U.S. Price B</u>

Petitioners obtained a U.S. price for a sale of GOES from Russia from a confidential source. <u>See</u> **AD Exhibit R-2B.** The sale at issue involved GOES with the following product characteristics: [ ] <u>See id.</u> An EP price was the basis for U.S. price. The net U.S. price was calculated in the identical manner as described above with respect to U.S. Price A. <u>See</u> **AD Exhibit R-12B.**

b. <u>Normal Value B</u>

Petitioners used as the basis for normal value information obtained from a confidential source concerning the price of a home market sale made by NLMK to an unaffiliated customer in Russia. <u>See</u> **AD Exhibit R-13A.** The total gross price reported is an [ ] price of [ ] per metric ton. <u>See</u> **AD Exhibits R-13A and R-14B.** The home market sale at issue involved GOES with the following product characteristics: [ ] <u>See id.</u> Adjustments to normal value were calculated in the identical manner as described above for Normal Value A.

c. <u>Difference-In-Merchandise Adjustment</u>

Because the [ ] Petitioners applied a difference-in-merchandise adjustment factor to the normal value. <u>See</u> **AD Exhibit R-15B.**

d. **Margin B**

A comparison of the net home market price to the U.S. net selling price on a product-specific basis results in a dumping margin of **19.61** percent. The dumping margin calculation is provided at **AD Exhibit R-15B**.

B. **NLMK: Constructed Value Margin**

1. **U.S. Price A**

Petitioners obtained a U.S. price for a sale of GOES from Russia from a confidential source. See **AD Exhibit R-2A**. The U.S. sale at issue involved GOES with the following product characteristics: [ ] See id. An EP price was the basis for U.S. price. Petitioners calculated a net price as in section I.A.1.a, above.

2. **Normal Value**

Petitioners used as the basis for normal value information obtained from a confidential source concerning the price of a home market sale made by NLMK to an unaffiliated customer in Russia. See **AD Exhibits R-13A and R-14A**. The total gross price reported is an [ ] price of [ ] per metric ton. See id. The home market sale at issue involved GOES with the following product characteristics: [ ] See id. Petitioners made adjustments to normal value in accordance with section I.A.1.b, above.

a. **Reason to Believe or Suspect the Home Market Price Is Below Cost**

Based on a comparison of NLMK's home market sale and the production costs available to Petitioners, there is reason to believe or suspect that the GOES sold by NLMK was priced below its cost of production ("COP"). Accordingly, Petitioners consider the NLMK home market sale to be outside the ordinary course of trade and rely on constructed value to establish normal value. Petitioners hereby also request, pursuant to 19 U.S.C. § 1677b(b)(1), that the

Department investigate whether NLMK (or any other Russian respondent) sold subject merchandise at prices below COP.

Petitioners calculated each net price for comparison to COP using the net unpacked home market price.

b. Adjusting U.S. COP for Known Differences

Petitioners calculated COP based on U.S. producers' cost of producing GOES, adjusted for known differences between the Russian and U.S. industries. Petitioners based the cost of manufacturing ("COM") on domestic producers' direct material consumption of steel raw material inputs, labor usage, and energy consumption, adjusted for known differences for input costs in the Russian market. See **AD Exhibit R-16**.

Petitioners calculated NLMK's material costs during the period of investigation ("POI") by using the average import value of Russian inputs under the pertinent Harmonized Tariff Schedule ("HTS") codes. See **AD Exhibit R-17**.

Petitioners used public information from the International Labor Organization to calculate labor costs. See **AD Exhibit R-19**. Petitioners calculated NLMK's cost of labor (wages and benefits) as US$ 0.2177 per US$ 1 cost of U.S. producers during the POI. See **AD Exhibit R-21**.

Petitioners used information published by the Enerdata to calculate electricity costs and an article for EurActiv to calculate natural gas costs. See **AD Exhibit R-18 and AD Exhibit R-21**.

Petitioners used the 2012 financial statements of NLMK to calculate factory overhead as a percentage of direct material, labor, and energy, and applied the ratio to the sum of material, labor, and energy, above, resulting in the COM. See **AD Exhibits R-20 and R-21**.

c. Cost Test

Comparing NLMK's home market price in USD per metric ton (**AD Exhibit R-15**) to the cost of production in USD per metric ton (**AD Exhibit R-21**) indicates that the sales price for the foreign like product was significantly below the COP. See **AD Exhibit R-22**. For this reason, Petitioners relied on constructed value to determine normal value.

3. Constructed Value

The constructed value of the GOES product at issue was used as the basis for normal value. See **AD Exhibit R-21**.

4. Margin

The comparison of constructed value to the U.S. net selling price on a product-specific basis results in a dumping margin of **81.78** percent. The dumping margin calculation is provided at **AD Exhibit R-23**.