

TABLE OF CONTENTS

LIST OF EXHIBITS.....	ii
I. ALLEGATION OF SALES AT LESS THAN FAIR VALUE	1
II. CHINESE PRODUCERS AND EXPORTERS OF NOES	1
III. CHINA IS A NON-MARKET ECONOMY	1
IV. THAILAND IS AN APPROPRIATE SURROGATE COUNTRY FOR THIS PETITION.....	2
V. CALCULATION OF DUMPING MARGINS	3
A. U.S. Price	3
1. Chinese value added taxes (“VAT”).....	3
2. International freight and insurance costs	4
3. Foreign brokerage and handling and inland freight costs.....	4
B. Normal Value.....	4
1. Direct materials and scrap.....	4
2. Labor	5
3. Energy and utilities	5
4. Factory overhead, SG&A, and profit.....	6
5. Packing inputs.....	6
C. Dumping Margins	7
VI. MATERIAL INJURY AND THREAT OF MATERIAL INJURY TO THE DOMESTIC INDUSTRY	7
VII. CONCLUSION AND REQUEST FOR INVESTIGATION	7

LIST OF EXHIBITS

- EXHIBIT II-1:** Thai Exports Under HTS 7225.19.00, 7226.19.10 and 7226.19.90
- EXHIBIT II-2:** Declaration Regarding U.S. Price Offers
- EXHIBIT II-3:** U.S. Import Price For NOES
- EXHIBIT II-4:** Net U.S. Price and Margin Calculations
- EXHIBIT II-5:** Chinese VAT Information
- EXHIBIT II-6:** International Freight and Insurance
- EXHIBIT II-7:** Foreign Brokerage and Handling and Inland Freight
- EXHIBIT II-8:** Constructed Value Calculation
- EXHIBIT II-9:** Material Inputs
- EXHIBIT II-10:** Labor Rate
- EXHIBIT II-11:** Energy
- EXHIBIT II-12:** Overhead, SG&A and Profit
- EXHIBIT II-13:** Inflatons and Exchange Rates

I. ALLEGATION OF SALES AT LESS THAN FAIR VALUE

This petition seeks the imposition of antidumping duties on imports of NOES from China. As discussed below, application of the standard non-market economy (“NME”) antidumping methodology used by the Department demonstrates that producers and exporters in China have sold, or offered for sale, NOES in the United States for less than fair value. The general information required by Section 351.202 of the Department’s regulations is provided in Volume I of this petition.

II. CHINESE PRODUCERS AND EXPORTERS OF NOES

Petitioner has identified numerous Chinese producers or exporters believed to have sold, or offered for sale, NOES in the United States for less than fair value. The names and contact information for producers and exporters of NOES in China are listed in Volume I: General Issues And Injury at Exhibit I-2. The information provided in that exhibit represents the information reasonably available to Petitioner. Petitioner believes that merchandise produced by these companies accounts for virtually all U.S. imports of NOES from China during the presumptive POI of January 1, 2013 through June 30, 2013.

III. CHINA IS A NON-MARKET ECONOMY

The Department has a long-standing policy of treating China as a NME country for antidumping purposes.¹ The Department has not revoked China’s NME status as of the date of this petition.² Moreover, no recent changes to China’s economy require reconsideration of its NME status. Accordingly, Petitioner has calculated normal value (“NV”) using the NME methodology prescribed by the applicable statute and regulations. Petitioner has provided the

¹ See, e.g. *Certain Hot-Rolled Carbon Steel Flat Products from the People’s Republic of China*, 66 Fed. Reg. 49632 (Dep’t of Commerce Sept. 28, 2001) (LTFV final); *Certain Steel Nails from the People’s Republic of China*, 78 Fed. Reg. 56861 (Dep’t of Commerce Sept. 16, 2013) (preliminary results).

² See 19 U.S.C. § 1677(18)(C)(i).

factors of production (“FOP”) used in the manufacture of NOES and has valued these FOPs based on a market economy country selected as a surrogate.³

IV. THAILAND IS AN APPROPRIATE SURROGATE COUNTRY FOR THIS PETITION

For less than fair value investigations involving merchandise from a NME, the statute requires the Department to select a surrogate country based on certain criteria. According to the Department, the surrogate country must be (1) at a level of economic development comparable to that of the NME country subject to the investigation, *i.e.*, China in this case,⁴ and (2) a significant producer of comparable merchandise.⁵ The Department also considers whether the data for valuing the FOPs are available and reliable.⁶ Thailand satisfies these criteria. In recent proceedings involving China, the Department has identified Thailand as economically comparable to China,⁷ and it has used Thailand as the surrogate country for determining NV.⁸

Thailand is a significant producer of comparable merchandise. Based on data collected by the Government of Thailand and reported by the Thai Customs Department, Thailand exported over one million kilograms of NOES (*i.e.*, exports under the 8-digit HTS numbers

³ 19 U.S.C. § 1677b(c).

⁴ 19 U.S.C. § 1677b(c)(4)(A).

⁵ 19 U.S.C. § 1677b(c)(4)(B).

⁶ Policy Bulletin 04.1, *Non-Market Economy Surrogate Country Selection Process* (Mar. 1, 2004).

⁷ Based on data for 2011 reported in the World Bank’s World Development Indicators database, the Department has recently found Thailand (with a per capita GNI of \$4,490) to be economically comparable to China (with a per capita GNI of \$4,940). *See* Memorandum to Scot T. Fullerton, “Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Duty Order on Certain Polyester Staple Fiber (“PSF”) from the People’s Republic of China,” Aug. 15, 2013.

⁸ *See Xanthan Gum from the People's Republic of China*, 78 Fed. Reg. 33351 (June 4, 2013) (final results) at Comment 1 and *Galvanized Steel Wire From the People's Republic of China*, 78 Fed. Reg. 56861 (Sept. 16, 2013) (preliminary results).

7225.19.00, 7226.19.10, and 7226.19.90).⁹ Under Department practice, Thailand's large export quantities demonstrate that it is a significant producer of comparable merchandise. Also, as demonstrated below, the Thai data for valuing the FOPs for NOES are available and reliable. Thus, Thailand is an appropriate surrogate country for the purpose of this less than fair value petition and investigation.

V. CALCULATION OF DUMPING MARGINS

A. U.S. Price

Petitioner determined U.S. price using two sources: (1) price quotes obtained through confidential sources and (2) U.S. import statistics. Petitioner obtained U.S. price quotes for various NOES models from Baosteel Group. *See Exhibit II-2*. Petitioner also calculated a weighted-average POI import value using U.S. import statistics published by the International Trade Commission. *See Exhibit II-3*. In order to state these U.S. prices on an ex-factory basis, Petitioner calculated various price adjustments as explained below. The U.S. prices and applicable price adjustments are summarized in the margin calculations. *See Exhibit II-4*.

1. Chinese value added taxes ("VAT")

The U.S. price quotes were stated on a VAT inclusive basis. Petitioner estimated VAT amounts using the information stated in the Chinese Import and Export Tariff Schedule. *See Exhibit II-5*. As indicated, Chinese NOES products (*i.e.*, where tariff code equals 7226.1900) are subject to a 17 percent value added tax rate and a 13 percent VAT rebate rate. The net 4 percent VAT rate was used to calculate the amount of VAT that should be deducted from the U.S. price.

⁹ *See Exhibit II-1*. Petitioner provided data for the POI (January 1, 2013 – June 30, 2013).

2. International freight and insurance costs

The U.S. price quotes were stated on a [*non-numeric*] basis. Petitioner used U.S. import statistics (i.e., the difference between C.I.F. prices and customs value prices) to estimate the amount of international freight and insurance costs incurred on Chinese exports of NOES products. *See Exhibit II-6.*

3. Foreign brokerage and handling and inland freight costs

Petitioner estimated the foreign brokerage and handling and inland freight costs incurred from the Chinese factory to the foreign port using cost information published by the World Bank. **Exhibit II-7** contains the calculation worksheet, excerpts from the World Bank Trading Across Borders publication, and estimated shipping distance information.

B. Normal Value

Petitioner does not have access to the Chinese producer's factor inputs or factor consumption rates. Accordingly, Petitioner relied on the U.S. producer's direct consumption of raw material inputs, labor usage, and energy consumption as an estimate of the Chinese producers' factors of production. Petitioner then valued those factor inputs using surrogate value information from Thailand. *See Exhibit II-8.* This exhibit also contains a declaration by AK Steel's cost accountant as to the source of the data provided. Factory overhead, SG&A expenses, and profit are based on the financial results of a surrogate producer of NOES in India. Where it was necessary to rely on data from a period preceding the POI, Petitioner inflated such values to reflect current prices using price index data for Thailand. **Exhibit II-13** contains the Thai price index and exchange rate information as sourced from the International Financial Statistics publication of the International Monetary Fund.

1. Direct materials and scrap

Petitioner calculated the Chinese producers' market economy value for direct materials and scrap by using the average CIF import value of these materials at the Thai port, imported

into Thailand for the period January 2013 to June 2013. Consistent with Department practice, Petitioner excluded imports from non-market economies, countries with generally-available export subsidies, and unspecified partner countries. See **Exhibit II-9**. Petitioner added to this value the average Thai brokerage and inland freight charges reported for importing goods into Thailand in *Doing Business 2013: Thailand*, published by the World Bank. See Exhibits II-7 and II-9. There are a number of other small material inputs and supplies in the cost models that represent a very small portion of Petitioner's total actual costs. As shown in our costs models, Petitioner conservatively valued these remaining inputs and supplies at zero.

2. Labor

Petitioner valued labor using information published by the Thailand National Statistics Office ("NSO"), 2007 Industrial Census. According to those data, in 2006, the most recent year for which data are available for Thailand, the Thai total compensation rate for "2710-- manufacture of basic iron and steel" per employee was reported as Baht 137,844.23 per year, equivalent to Baht 59.8282 per hour. Petitioner adjusted this value for inflation to Baht 72.216 per hour in the POI using the Thai CPI and, using the POI average exchange rate, calculated a POI labor rate of US\$2.41/hour. See **Exhibit II-10**. Petitioner calculated the Chinese producers' cost of labor (wages and benefits) by applying that rate to the labor hours expended by Petitioner to produce the relevant product. See Exhibit II-8.

3. Energy and utilities

Petitioner relied upon publicly available information to value electricity and natural gas in Thailand. The calculated simple average rate for electricity, as reported by the Electricity Generating Authority of Thailand, was Baht 3.284 per kilowatt-hour (or \$0.11 per kilowatt hour after adjusting for inflation and converting to U.S. dollars). See **Exhibit II-11**. Thailand's cost for natural gas for the period January to June 2013, as reflected in Thai import statistics published by the Global Trade Atlas, was US\$ 0.88 per kilogram of liquefied natural gas. Using

universal conversion factors, Petitioner converted that weight-based cost to a volume-based cost of \$17.02 per million Btu. of natural gas. See Exhibit II-11.

4. Factory overhead, SG&A, and profit

Petitioner used the 2012-2013 financial statements of Indian vertically integrated steel producer Tata to calculate surrogate financial ratios. Several factors support this approach. First, Petitioner has been unable to locate any publicly available financial statements for a vertically integrated steel producer in Thailand with operations comparable to Baosteel. Like Baosteel, Tata is a vertically integrated steel producer and, thus, its operations and experiences are an appropriate surrogate. Second, Tata's operations earned a profit in 2012-2013. While Petitioner was able to identify several Thai companies in the steel industry, these companies were neither vertically integrated nor profitable. Third, Tata has issued an unconsolidated financial statement that reflects almost exclusively its returns on steel manufacturing operations. Fourth, Tata's unconsolidated financial statement is prepared at a level of detail that permits recognition of energy costs to prevent double counting with other factors. For these reasons, Tata's 2012-2013 unconsolidated financial statements are the best available source to determine surrogate financial ratios in this investigation.

Petitioner calculated factory overhead as a percentage of direct material, labor, and energy. The overhead ratio, the SG&A ratio, and the profit ratio are based on the financial data from Tata's 2012 unconsolidated financial statements. See **Exhibit II-12** for the financial ratio calculation worksheet and a copy of Tata's audited unconsolidated financial statements as excerpted from its annual report. Tata's entire annual report for the period ending March 31, 2013 is available at www.tatasteel.com.

5. Packing inputs

The packing cost reflected in the cost model are conservative in that they relate to domestic shipments. Petitioner valued the labor associated with packing using the surrogate

labor rate, as described in the direct materials section, above. There are a number of other small packing material inputs and supplies in the cost models that represent a very small portion of Petitioner's total actual costs. As shown in the costs models, Petitioner conservatively valued these remaining packing inputs and supplies at zero.

C. Dumping Margins

Using the FOP cost model discussed above, Petitioner calculated dumping margins for Chinese NOES products ranging from 238.41 to 397.47 percent. *See* Exhibit II-4.

VI. MATERIAL INJURY AND THREAT OF MATERIAL INJURY TO THE DOMESTIC INDUSTRY

Petitioner alleges that imports of NOES from China sold at less than fair value are a cause of material injury and threaten to cause material injury to the domestic industry. The factual information in support of this allegation is provided to the Department and the Commission in Volume I of this petition.

VII. CONCLUSION AND REQUEST FOR INVESTIGATION

As demonstrated above, Chinese producers and exporters of NOES are selling this merchandise for less than fair value in the United States. Accordingly, Petitioner requests that the Department initiate an antidumping duty investigation of NOES from China.