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I. ALLEGATION OF SALES AT LESS THAN FAIR VALUE

This petition seeks the imposition of antidumping duties on imports of NOES from Korea. As discussed below, Korean producers and exporters have sold, or offered for sale, NOES in the United States for less than fair value. Furthermore, there is a reasonable indication that sales of NOES in the Korean home market were made at prices below the fully-loaded cost of production. Accordingly, Petitioner based Normal Value on Constructed Value. Petitioner requests that the Department initiate an investigation into whether sales are made in the United States at less than fair value and also initiate a sales below cost investigation. General information required by Section 351.202 of the Department's regulations is provided in Volume I of this petition.

II. KOREAN PRODUCERS AND EXPORTERS OF NOES

A. Description Of The Korean Industry

NOES is manufactured in Korea by POSCO. The names and contact information for producers and exporters of NOES in Korea are listed in Volume I: General Issues And Injury at Exhibit I-2. The information provided in that exhibit is the information reasonably available to Petitioner. Petitioner believes that merchandise produced by these companies accounts for virtually all U.S. imports of NOES from Korea during the presumptive POI of July 1, 2012 through June 30, 2013.

B. Production Processes Of Korean Producers

POSCO is fully integrated. Its production of NOES begins with iron produced from the blast furnace method, converting the iron to steel in a basic oxygen furnace, and refining the steel prior to continuously casting steel slabs with the required high-silicon low-carbon chemistry used in NOES. The slabs are subsequently hot-rolled into steel coil, and then further cold-rolled. As with other NOES producers, the methods used in the cold-rolling process and controlled annealing processes result in products with the unique electrical characteristics of NOES. *See*

Exhibit V-1 for a description of POSCO's production process as available at <http://www.posco.com/homepage/docs/eng3/html/company/product/s91c5010090c.jsp>.

C. Known Importers Of Korean NOES

A complete list of known importers of Korean-manufactured NOES is contained in Volume I: General Issues And Injury at Exhibit I-3.

III. DUMPING MARGIN METHODOLOGY

A. Normal Value Based On Price

1. The Korean home market is viable

Petitioner does not have access to POSCO's market-specific sales volume of NOES products. Data, however, on sales of all electrical steels (including both oriented and non-oriented electrical steels) contained in POSCO's Form 20-F filed with the U.S. Securities and Exchange Commission indicate that the Korean home market is viable.¹

Sales (Billions of Won)	2010	2011	2012
Domestic	285	138	303
Exports	888	996	840
Total Sales	1,173	1,134	1,143
Domestic Sales % Of Total	24%	12%	27%

Given that total domestic electrical steel sales are as much as 27 percent of the Korean industry's total electrical steel sales, it is reasonable to assume that domestic sales of NOES will meet the Department's five percent threshold for market viability.

¹ See **Exhibit V-2** (containing excerpts from POSCO's 2012 Form 20-F).

2. Normal value based on home market prices

Petitioner first attempted to determine Normal Value based on domestic price quotes. Specifically, using a confidential source, Petitioner obtained prices for both home market and export sales to the United States for various grades of NOES from POSCO. **Exhibit V-3** contains a summary of the information found by the confidential source as well as the calculations of ex-factory prices.

a) POSCO's home market prices

The home market price quotations described in Exhibit V-3 were exclusive of value added tax ("VAT") and freight. Payment terms were not provided by POSCO for either market. Accordingly, Petitioner did not estimate credit expenses in either market.

Petitioner did not adjust for differences in packing costs because Petitioner has no basis for estimating such costs. Petitioner packages its domestic steel shipments with steel strapping, an outer paper wrap, inner ring protector, and a pallet. POSCO's Electrical Steel Product Brochure (page 33) contains pictures of its far more advanced packaging that one would expect for ocean-going transport. *See Exhibit V-4.* Export packaging has such additional features as protective blocking and anti-rust packaging paper. The fact that export shipments are packaged in more advanced protective casings than domestic shipments demonstrates that Petitioner understated the degree of dumping by omitting the additional packaging expenses for exports.

No adjustment was made for differences in physical characteristics of the products being compared, because pricing was obtained for identical products sold to both markets. The calculation of Normal Value for POSCO is included in Exhibit V-3. Home market prices were quoted in Won and converted to U.S. dollars using the Federal Reserve official exchange rate prevailing on the date of sale.

b) POSCO's home market prices are sold below the fully-loaded cost of production

Petitioner estimated the fully loaded costs of production in Korea for the identical products quoted by POSCO. A complete description of the methodologies used to estimate such costs is provided below. Petitioner then compared the estimated fully loaded cost of production to the home market ex-factory prices. **Exhibit V-14** contains the results of this calculation. The products manufactured by POSCO were sold below cost. Consequently, Petitioner did not base Normal Value on price-to-price comparisons, but rather on price-to-Constructed Value comparisons.

B. Normal Value Based On Constructed Value

Petitioner does not have access to POSCO's factor inputs or factor consumption rates in order to determine their costs in Korea. Accordingly, Petitioner relied on AK Steel's actual direct material consumption of raw material inputs, labor usage, and energy consumption as an estimate of POSCO's factors of production. Petitioner then valued those factor inputs using Korean import statistics and other information from Korea. *See Exhibit V-5*. 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 POSCO's non-consolidated financial statements. Interest expense is based upon the POSCO's consolidated financial statements. 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 Korea. *See Exhibit V-6*.

1. Direct materials and scrap

Petitioner calculated POSCO's cost of direct materials and scrap by using the average CIF import value of these materials at the Korean port, imported into Korea for the period July 2012 through June 2013. Consistent with Department practice, Petitioner excluded imports from non-market economies, countries with generally-available export subsidies, and unspecified countries. *See Exhibit V-7*. Petitioner added to this value the average Korean brokerage and

handling reported for importing goods into Korea in *Doing Business 2013: Korea*, published by the World Bank. See **Exhibit V-8**.

2. Labor

Petitioner valued labor using information published by the U.S. Bureau of Labor Statistics, *International Labor Comparisons: International Comparisons of Hourly Compensation Costs in Manufacturing Industries, by Industry, 2008-2012*. According to these data, in 2012, the Korean hourly compensation costs for the manufacture of basic metals (ISIC 24) was US\$ 26.94/hour. See **Exhibit V-9**. Petitioner calculated the Korean producers' cost of labor (wages and benefits) by applying this rate, and inflating this value to the POI using the Korean CPI. The resulting labor rate is US\$ 27.10/hour. See Exhibit V-9.

3. Energy and utilities

Petitioner relied upon publicly available information to value electricity and natural gas in Korea. The average rate for electricity for industrial uses, as reported in the latest available edition of *Energy Prices & Taxes*, published by the International Energy Agency ("IEA") for 2009, was 73,690 Won per 1,000 kilowatt-hour (or Won 73.69 per kilowatt hour or US\$ 0.0813 per kilowatt hour after converting to U.S. dollars). See **Exhibit V-10**. Petitioner used the same IEA publication to value natural gas. The most recent data from Korea was 70,322 Won per mWH GCV for the second and third quarter of 2012. Petitioner converted this amount to Won/mmBTU and then to US\$/mmBTU using universal conversion factors. Petitioner then adjusted this value to a POI value of US\$ 20.36/mmBTU. This calculation is also contained in Exhibit V-10.

4. Factory overhead, SG&A, and profit

Petitioner used POSCO's non-consolidated and consolidated financial statements for the year ending December 31, 2012 to calculate financial ratios. **Exhibit V-11** contains POSCO's non-consolidated financial statements and calculation worksheet illustrating the derivation of the

factory overhead, SG&A and profit ratios. **Exhibit V-12** contains POSCO's consolidated financial statements and calculation worksheet illustrating the derivation of the interest expense ratio.

5. Packing inputs

The packing costs reflected in the cost model are conservative in that they relate to domestic shipments. Petitioner valued the labor associated with packing using the Korean labor rate. There are a number of other small packing material inputs and supplies in the cost models that represent a very small portion of AK Steel's total actual costs. As discussed above with respect to adjustments to ex-factory prices, the packaging materials used by POSCO for exports are more elaborate and undoubtedly more costly than those used by AK Steel in its domestic shipments. To the extent that Korean packaging is more elaborate than AK Steel's, Constructed Value is understated.

IV. EXPORT PRICE

A. Export Price Based On Actual Price Quotes

Petitioner determined Normal Value based upon price quotes. As noted above, Petitioner obtained prices for both home market and export sales to the United States for various grades of NOES from POSCO. Exhibit V-3 contains a summary of the information found by the confidential source as well as the calculations of ex-factory prices for the export quotations to the United States.

Petitioner calculated ex-factory prices for the U.S. offers using the same methodologies used to calculate ex-factory prices for domestic sales. Petitioner also deducted brokerage and handling charges for exports. Petitioner estimated the foreign brokerage and handling costs using cost information published by the World Bank. Exhibit V-8 contains the calculation worksheet and excerpts from the World Bank Trading Across Borders publication.

B. Export Price Based On The Average POI Customs Value For NOES

As an additional indication of Export Price, Petitioner calculated the weighted-average POI Customs Value (i.e., FOB Foreign Port Value) for all NOES products entered from Korea during the POI. These data are calculated directly from the official U.S. import statistics and are contained in **Exhibit V-13**.

V. DUMPING MARGINS**A. Comparison Of Price To Constructed Value**

Using the FOP cost model discussed above, Petitioner calculated model-specific dumping margins for POSCO's NOES products ranging from 6.12 percent to 26.05 percent. *See Exhibit V-15*.

B. Comparison Of Average Customs Value For U.S. Imports Of Korean NOES To The Lowest Cost NOES Product Produced By AK Steel

Finally, Petitioner compared the weighted-average Customs Value for all U.S. imports of Korean-produced NOES during the POI to the calculated Constructed Value of the least costly AK Steel NOES product. NOES covers a range of products with widely differing sales prices. By calculating the least costly Constructed Value and using it as the comparison to the weighted average price of imports that would likely include many higher priced goods, Petitioner calculates a conservative measure of dumping. The Constructed Value calculations are contained in Exhibit V-9. Using the average U.S. import price results in a margin of 70.59%. *See Exhibit V-16*.

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

Petitioner alleges that imports of NOES from Korea 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, Korean producers and exporters are selling NOES for less than fair value in the United States. Accordingly, Petitioner requests that the Department initiate an antidumping duty investigation on NOES from Korea. Also, as demonstrated above, Korean producers are selling NOES products in the Korean market at prices that are less than the fully loaded cost of production. Accordingly, Petitioner requests that the Department initiate a sales below cost investigation.