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Business Proprietary Information has been deleted from Exhibits VII-3-5, VII-14 and VII-16 of this volume.

BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
UNITED STATES DEPARTMENT OF COMMERCE
AND THE UNITED STATES INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF **NON-ORIENTED ELECTRICAL STEEL FROM CHINA, GERMANY, JAPAN, KOREA, SWEDEN, AND TAIWAN**	**PETITIONS FOR THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES** **VOLUME VII: TAIWAN DUMPING ALLEGATION**

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LIST OF EXHIBITS

I. ALLEGATION OF SALES AT LESS THAN FAIR VALUE

This petition seeks the imposition of antidumping duties on imports of NOES from Taiwan. As discussed below, the Taiwanese producer 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 Taiwanese home market were made at prices substantially 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.

The general information required by Section 351.202 of the Department's regulations is provided in Volume I of this petition.

II. TAIWANESE PRODUCERS AND EXPORTERS OF NOES

A. Description Of The Taiwanese Industry

NOES is manufactured in Taiwan by China Steel Corporation ("CSC"). The names and contact information for the producer and exporters of NOES in Taiwan 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 CSC accounts for virtually all U.S. imports of NOES from Taiwan during the presumptive POI of July 1, 2012 through June 30, 2013.

B. Production Processes Of Taiwanese Producers

CSC 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.[1]

C. Known Importers Of Taiwanese NOES

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

III. CALCULATION OF DUMPING MARGINS

A. Normal Value Based On Price

1. The Taiwanese home market is viable

Petitioner does not have access to CSC's sales volume in its home market compared to its export sales to the United States. A recent news article, however, states the CSC sells approximately 75 percent of its total steel production to its domestic market.[2] Accordingly, it is reasonable to assume that domestic sales of NOES will meet the Department's five percent threshold for market viability.

2. Normal value based on home market prices

Petitioner first attempted to determine Normal Value based on price quotes. Specifically, using a confidential source, Petitioner obtained prices in the home market for various grades of NOES from CSS. **Exhibit VII-3** contains a summary of the information found by the confidential source as well as the calculations of ex-factory prices.

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[1] See **Exhibit VII-1** for a description of CSC's production process. (http://www.csc.com.tw/csc_e/pd/prs.htm).

[2] See **Exhibit VII-2**,"China Steel Corporation: China Steel to Raise Domestic Prices for First Time in Six Months, August 30, 2013, 4-Traders Homepage at http://www.4-traders.com/CHINA-STEEL-CORPORATION-6492310/news/China-Steel-Corporation--has-been-approved-to-use-the-CNS-Mark-and-the-domestic-steel-product-quali-17070601/.

a) Normal Value based on price for CSC

The home market price quotations described in Exhibit VII-3 are ex-factory prices through Taiwanese domestic resellers. Because Petitioner has been unable to obtain information about the reseller's mark-up, Petitioner has conservatively set this cost to zero. 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. Petitioner believes that AK Steel's packing experience reasonably estimates CSC's domestic packing costs. The calculation of Normal Value for CSC is included in Exhibit VII-3.

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

Petitioner estimated the fully loaded cost of production in Taiwan for the identical products quoted by Taiwanese trading companies. 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 VII-4** contains the results of this calculation. The products manufactured by CSC were sold significantly below cost. Consequently, Petitioner did not base Normal Value in price-to-price comparisons, but rather in price-to-Constructed Value comparisons.

B. Normal Value Based On Constructed Value

Petitioner does not have access to the Taiwanese producer's factor inputs or factor consumption rates in order to determine its costs in Taiwan. Accordingly, Petitioner relied on AK Steel's actual direct material consumption of raw material inputs, labor usage, and energy consumption as an estimate of the Taiwanese producers' factors of production. Petitioner then valued those factor inputs using Taiwanese import statistics and other information from Taiwan. See **Exhibit VII-5**. This exhibit also contains a declaration by AK Steel's cost accountant as to the source of the data provided. Factory overhead is a hybrid estimate based partially on AK

Steel's production experience and partially on the Taiwanese producers' experience and is described more fully below. SG&A expenses and profit are based on the non-consolidated financial results of CSC. Interest expense is based on the consolidated financial results of CSC. 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 Taiwan. *See* **Exhibit VII-6**.

1. Direct materials and scrap

Petitioner calculated the Taiwanese producers' cost of direct materials and scrap by using the average CIF import value of these materials at the Taiwanese port, imported into Taiwan 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 VII-7**. Petitioner added to this value the average Taiwanese brokerage and handling reported for importing goods into Taiwan in *Doing Business 2013: Taiwan*, published by the World Bank. See **Exhibit VII-8**. There are a number of other small material inputs and supplies in the cost models that represent a very small portion of AK's total actual costs. Because the Taiwanese financial statements do not disaggregate energy from other factory costs and, therefore, Petitioner cannot determine actual Taiwanese factory costs with the exception of depreciation, the petition uses AK Steel's own costs as the best information reasonably available to Petitioner to value these overhead items.

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 Taiwanese hourly compensation costs for the manufacture of basic metals (ISIC 24) was US$10.88/hour. *See* **Exhibit VII-9**. Petitioner calculated the Taiwanese producer's cost of labor (wages and benefits) by applying this rate, and inflating this value to the

POI using the Taiwanese CPI. The resulting labor rate is US$10.89/hour. The calculations are also contained in Exhibit VII-9.

3. Energy and utilities

Petitioner relied upon publicly available information to value electricity and natural gas in Taiwan. The average rate for electricity for industrial uses was based upon an April 15, 2012 China Post article reporting a rate of NT$ 2.8988 per kilowatt-hour (or US$ 0.0985 per kilowatt-hour after deflating and converting to U.S. dollars). See **Exhibit VII-10**. Petitioner used information published by the U.S. Energy Information Administration to value natural gas. The latest available data from Taiwan, for the year 2010, was US$ 600.9 per ten million kilocalories GCV. Petitioner converted this amount to mmBTU using a universal conversion factor. Petitioner then adjusted this value to a POI value of US$ 15.76/mmBTU. The calculations are also contained in Exhibit VII-10.

4. Factory overhead, SG&A, and profit

Petitioner used CSC's non-consolidated and consolidated financial statements for the year ending December 31, 2012 to calculate financial ratios. As noted above, CSC's financial statements are not disaggregated to a level where factory overhead can be calculated as a percentage of direct material, labor, and energy. **Exhibit VII-11** contains CSC's non-consolidated financial statements and calculation worksheet illustrating the derivation of the depreciation, SG&A and profit ratios. **Exhibit VII-12** contains CSC'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 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 AK Steel's total actual costs.

IV. EXPORT PRICE

A. Export Price Based On A Comparison Of Ship Manifest Data And Official U.S. Import Statistics

U.S. Customs and Border Protection's Automated Manifest System ("AMS") contains detailed information regarding goods that arrive at U.S. ports. These data include the name of the shipper, consignee, date of arrival, port of departure, port of arrival, gross weight of the shipments, descriptions of the merchandise, and marks and numbers appearing on the outer packaging of the merchandise. Petitioner queried this data base to identify shipments of NOES entering the United States.

Official U.S. Customs Import Statistics do not identify these details in publicly available form. The data can, however, be disaggregated by country, HTS sub-classification, month of entry, district of unlading, and district of entry.

Petitioner determined whether individual entries of products could be matched so as to align the names of specific shippers, consignees, products, shipment quantities, and actual import prices for specific shipments. Petitioner was able to identify three shipments of NOES from Taiwan where the quantities of the shipments and port of unlading matched exactly. Petitioner then linked the names of the buyer and seller, a specific product, and the actual FOB Foreign Port price charged to the U.S. buyer. **Exhibit VII-13** contains a summary of the results and copies of the relevant data output from the data sets.

The shippers were CSC and Leicong Industrial Co., Ltd. ("Leicong"), a steel service center in Taiwan. Petitioner used the same methodologies employed in its calculations of ex-factory prices for Normal Value. Petitioner conservatively did not deduct inland freight from CSC to Leicong, dealer mark-up for goods sold by Leicong, nor any costs associated with any

further manufacturing that may have been performed by Leicong. Petitioner deducted brokerage and handling charges for exports. Petitioner estimated the foreign brokerage and handing costs using cost information published by the World Bank. Exhibit VII-8 contains the calculation worksheet and excerpts from the World Bank Trading Across Borders publication. The calculation of Export Price and a comparison to Constructed Value are contained in **Exhibit VII-14**.

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 U.S. Customs Value (i.e., FOB Foreign Port Value) for all NOES products entered from Taiwan during the POI. These data are calculated directly from the official U.S. import statistics and are contained in **Exhibit VII-15**.

V. DUMPING MARGINS

A. Comparison Of Ship Manifest And Official Import Data Analysis Derived Price To Constructed Value

Using the FOP cost model discussed above, compared to the pricing data derived from the ship manifest and official import data analysis, Petitioner calculated model-specific dumping margins for CSC's NOES ranging from 51.37 percent to 105.93 percent. These calculations are contained along with the ex-factory price calculation in Exhibit VII-14.

B. Comparison Of Average Customs Value For U.S. Imports Of Taiwanese 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 Taiwanese-produced NOES during the POI to the calculated Constructed Value of the least costly NOES product that AK Steel produces. 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 include many higher priced goods, Petitioner calculates an extremely conservative measure of dumping. The Constructed

Value calculations are contained in Exhibit VII-5 along with the other calculations of product-specific Constructed Values. **Exhibit VII-16** contains the resulting dumping comparison that results in a margin of 74.82 percent.

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

Petitioner alleges that imports of NOES from Taiwan 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, the Taiwanese producer 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 Taiwan. Also, as demonstrated above, the Taiwanese producer of NOES is selling this merchandise at home market prices for less than the fully loaded cost of production. Accordingly, Petitioner requests that the Department initiate a sales below cost investigation.