



A-428-842
Investigation
POI: 7/1/2012 – 6/30/2013
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May 2, 2014

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

RE: Decision Memorandum for the Preliminary Determination of the
Antidumping Duty Investigation of Grain-Oriented Electrical Steel
from Germany

SUMMARY

The Department of Commerce (the Department) preliminarily determines that grain-oriented electrical steel (GOES) from Germany is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733 of the Tariff Act of 1930, as amended (the Act). The period of investigation (POI) is July 1, 2012, through June 30, 2013.

BACKGROUND

On September 18, 2013, the Department received an antidumping duty (AD) petition concerning imports of GOES from Germany and several other countries, filed in proper form by AK Steel Corporation, Allegheny Ludlum, LLC, and the United Steelworkers (collectively, the petitioners).¹ The Department initiated this investigation on October 24, 2013.² The Department

¹ See Antidumping Duty Petitions on 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, filed on September 18, 2013 (petition).

² See Grain-Oriented Electrical Steel from the People's Republic of China, the Czech Republic, Germany, Japan, the Republic of Korea, Poland, and the Russian Federation: Initiation of Antidumping Duty Investigations, 78 FR 65283 (Oct. 31, 2013) (Initiation Notice). As explained in the memorandum from the Assistant Secretary for Enforcement and Compliance, the Department exercised its discretion to toll deadlines for the duration of the partial closure of the Federal Government from October 1, through October 16, 2013. See Memorandum for the Record from Paul Piquado, Assistant Secretary for Enforcement and Compliance, "Deadlines Affected by the Shutdown of the Federal Government," dated October 18, 2013. Therefore, all deadlines in this segment of the proceeding have been extended by 16 days. If the new deadline falls on a non-business day, in accordance with the Department's practice, the deadline will become the next business day. See Notice of Clarification: Application of "Next



set aside a period of time for parties to raise issues regarding product coverage and invited parties to submit comments within 20 calendar days of publication of the Initiation Notice.³ The Department also selected as a mandatory respondent the only known producer/exporter of GOES in Germany, ThyssenKrupp Electrical Steel GmbH (TKES), and invited interested parties to comment on this issue.⁴

On November 20, 2013, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of GOES from Germany.⁵

On November 21, 2013, the Department issued section A of the AD questionnaire (i.e., the section relating to general information) to TKES, and on November 25, 2013, the Department issued the balance of the AD questionnaire to TKES.⁶ TKES did not submit a response to any of the Department's questionnaires.

On February 10, 2014, the petitioners made a timely request for a 50-day postponement of the preliminary determinations for this and the other concurrent AD investigations on GOES, pursuant to section 733(c)(1)(A) of the Act and 19 CFR 351.205(e).⁷ On February 20, 2014, we postponed the preliminary determinations by 50 days.⁸ As a result, the revised deadline for the preliminary determination of this investigation is now May 2, 2014.

Period of Investigation

The POI is July 1, 2012, through June 30, 2013. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, which was September 2013.⁹

Business Day” Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended, 70 FR 24533 (May 10, 2005).

³ Id., at 65284.

⁴ Id., at 65288.

⁵ See Grain-Oriented Electrical Steel from China, Czech Republic, Germany, Japan, Korea, Poland, and Russia: Determinations, 78 FR 70574 (November 26, 2013) (ITC Preliminary).

⁶ See section A of the Department's questionnaire issued to TKES on November 21, 2013; sections B through D of the Department's questionnaire issued to TKES on November 25, 2013.

⁷ See letter from the petitioners entitled, “Antidumping Investigations of Grain-Oriented Electrical Steel (“GOES”) from China, Czech Republic, Germany, Japan, South Korea, Poland, and Russia: Petitioners’ Request for Extension of the Preliminary Determination,” dated February 10, 2014.

⁸ See Grain-Oriented Electrical Steel From the People’s Republic of China, the Czech Republic, Germany, Japan, the Republic of Korea, Poland, and the Russian Federation: Postponement of Preliminary Determinations in the Antidumping Duty Investigations, 79 FR 11082 (February 27, 2014).

⁹ See 19 CFR 351.204(b)(1).

Scope of the Investigation

The scope of this investigation covers grain-oriented silicon electrical steel (GOES). GOES is a flat-rolled alloy steel product containing by weight at least 0.6 percent but not more than 6 percent of silicon, not more than 0.08 percent of carbon, not more than 1.0 percent of aluminum, and no other element in an amount that would give the steel the characteristics of another alloy steel, in coils or in straight lengths. The GOES that is subject to this investigation is currently classifiable under subheadings 7225.11.0000, 7226.11.1000, 7226.11.9030, and 7226.11.9060 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive. Excluded are flat-rolled products not in coils that, prior to importation into the United States, have been cut to a shape and undergone all punching, coating, or other operations necessary for classification in Chapter 85 of the HTSUS as a transformer part (i.e., laminations).

Scope Comments

In accordance with the preamble to the Department's regulations, we set aside a period for interested parties to raise issues regarding product coverage.¹⁰ The Department encouraged all interested parties to submit such comments within 20 calendar days of signature of the Initiation Notice – i.e., by November 13, 2013.¹¹

POSCO, a respondent in the concurrent AD investigation of GOES from the Republic of Korea, submitted comments on November 13, 2013, requesting that the Department clarify whether GOES that is further processed into shapes that are not square or rectangular, such as trapezoids, fall within the scope of the Department's investigation. The petitioners submitted rebuttal comments on December 11, 2013, stating such products should be within the scope of the investigation. ABB Inc., which identified itself as an interested party by virtue of it being a U.S. importer of GOES from Japan and the Russian Federation (Russia), submitted comments on December 19, 2013, claiming the petitioners' rebuttal comments represented an attempt to expand the scope beyond any product the petitioners can make.

On January 10, 2014, POSCO requested clarification regarding whether "laminations" and "cores" are covered by the scope. Specifically, POSCO stated that it believes those products are downstream products manufactured from GOES, noting "the physical and mechanical properties of the steel can be altered by any combination of the stamping or shearing, heat treatment, additional coating processes for laminations or stamping, molding, and stacking for cores, resulting in a new and different article with very different end uses." On January 24, 2014, the petitioners stated they do not wish relief on lamination products which have been: (1) cut-to-shape of the final design in which they will be incorporated into a stacked core; (2) subjected to additional post-processing heat treatment; and (3) potentially punched to create holes in their surface and subjected to additional coating processes.

¹⁰ See Antidumping Duties; Countervailing Duties, 62 FR 27296, 27323 (May 19, 1997) (Preamble); see also Initiation Notice, 78 FR at 65283-84.

¹¹ See Initiation Notice, 78 FR at 56284.

On January 28, 2014, POSCO submitted additional comments, and, alluding to certain “cut to shape” products described in other submissions that it had filed (the aforementioned November 13, 2013, submission; a November 20, 2013, submission involving model matching; and a January 21, 2014, submission involving its Section A response in the GOES from Korea AD investigation), indicated that such products for which it desires scope clarification may not have undergone heat treatment but may nevertheless be stacked into a stacked transformer core. In a memorandum to the file following a meeting between Department officials and counsel to POSCO, the Department noted that “if the products are in the ‘drop in’ condition and suitable for production of cores without any further cutting/shaping, then based on the petitioners’ January 24, 2014, letter, these products should not be reported as subject merchandise.”

In a letter dated April 1, 2014, Custom Materials, Inc. asked that the wording of the scope be changed to explicitly exclude what it terms “off-cuts,” which allegedly are pieces of GOES of no greater than three inches in width that are cut from wider coils. Custom Materials, Inc. claims to import such merchandise and states that they are “traditionally sold as waste or scrap for remelting and recovery purposes.” However, we have made no changes to the wording of the scope of the investigations to exclude so-called “off-cuts,” as these are strips of subject GOES in coils specifically covered by the investigation.

On April 29, 2014, the petitioners submitted revised scope language addressing POSCO’s request to exclude certain cut to shape products. We have incorporated that language in this preliminary determination.

Product Comparisons

In the Initiation Notice we set aside a period of time for parties to raise issues regarding product characteristics and model matching. On November 13, 2013, POSCO and the petitioners submitted comments on the product characteristics. OJSC Novolipetsk Steel (NLMK) (a respondent in the concurrent AD investigation of GOES from Russia) and Baoshan Iron & Steel Co., Ltd. (a respondent in the concurrent AD investigation of GOES from the People’s Republic of China) submitted comments on the product characteristics on November 18, 2013. POSCO, NLMK, and the petitioners submitted rebuttal comments on November 20, 2013.

We considered the comments that were submitted and established the appropriate product characteristics to use as a basis for defining models and, when necessary, for comparing similar models, for this AD investigation. The Department identified the following seven criteria for matching U.S. sales of subject merchandise to normal value (NV): maximum core loss, nominal thickness, permeability, domain refinement, coating, form, and nominal width. These criteria were included in the questionnaires issued to TKES, as well as the respondents in the concurrent GOES investigations.

In this investigation, we did not rely on the above-mentioned criteria to match U.S. sales of subject merchandise to comparison-market sales of the foreign like product because the mandatory respondent did not provide questionnaire responses. However, in the companion GOES investigations in which the Department applied the criteria in its price comparisons, the

Department incorporates by reference any determinations made on the criteria to this investigation.

Respondent Selection

As stated above, TKES is the sole mandatory respondent in this investigation. The Department set aside a period of time for parties to comment on this.¹² No parties submitted comments on the Department's decision to individually examine TKES as the mandatory respondent. Consequently, the Department has not changed its decision to individually examine TKES as a mandatory respondent.

Application of Facts Available and Use of Adverse Inference

As noted above, TKES received, but did not respond to, the Department's questionnaire and otherwise declined to participate in the proceeding. For the reasons stated below, we determine that the use of facts otherwise available with an adverse inference is appropriate for the preliminary determination with respect to TKES.

A. Application of Facts Available

Sections 776(a)(1) and 776(a)(2)(A)-(D) of the Act provide that, if necessary information is not available on the record, or an interested party withholds information requested by the Department; fails to provide such information by the deadlines for submission of the information, or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act; significantly impedes a proceeding; or provides such information but the information cannot be verified as provided in section 782(i) of the Act, the Department shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination. Section 782(c)(1) of the Act states that the Department shall consider the ability of an interested party to provide information upon a prompt notification by that party that it is unable to submit the information in the form and manner required, and that party also provides a full explanation for the difficulty and suggests an alternative form in which the party is able to provide the information. Section 782(e) of the Act states further that the Department shall not decline to consider submitted information if all of the following requirements are met: (1) the information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a reliable basis for reaching the applicable determination; (4) the interested party demonstrated that it acted to the best of its ability; and (5) the information can be used without undue difficulties.

In this case, TKES did not respond to our questionnaire or otherwise participate in the proceeding. As a consequence, we preliminarily find that necessary information is not available on the record, and TKES withheld information requested by the Department, failed to provide information by the specified deadlines, and significantly impeded the proceeding.¹³ Moreover, because TKES failed to provide any information, section 782(e) of the Act is inapplicable.

¹² See Initiation Notice, 78 FR at 65288.

¹³ See sections 776(a)(1) and 776(a)(2)(A), (B), and (C) of the Act.

Accordingly, pursuant to sections 776(a)(1) and 776(a)(2)(A), (B), and (C) of the Act, we are relying upon facts otherwise available for TKES's preliminary dumping margin.

B. Use of Adverse Inference

Section 776(b) of the Act provides that, if the Department finds that an interested party failed to cooperate by not acting to the best of its ability to comply with a request for information, the Department may use an inference adverse to the interests of that party in selecting the facts otherwise available.¹⁴ In addition, the Statement of Administrative Action accompanying the Uruguay Round Agreements Act (SAA), explains that the Department may employ an adverse inference "to ensure that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully."¹⁵ Furthermore, affirmative evidence of bad faith on the part of a respondent is not required before the Department may make an adverse inference.¹⁶ It is the Department's practice to consider, in employing adverse inferences, the extent to which a party may benefit from its own lack of cooperation.¹⁷

We preliminarily find that TKES has not acted to the best of its ability in providing requested information because TKES failed to respond to the Department's questionnaire or otherwise participate in the proceeding. Accordingly, the Department concludes that TKES failed to cooperate to the best of its ability to comply with a request for information by the Department, in accordance with section 776(b) of the Act and 19 CFR 351.308(a), and preliminarily determines to use an adverse inference when selecting from among the facts otherwise available.¹⁸

C. AFA Rate Assigned to TKES

Section 776(b) of the Act states that the Department, when employing an adverse inference, may rely upon information derived from the petition, the final determination from the LTFV investigation, a previous administrative review, or any other information placed on the record.¹⁹

¹⁴ See also 19 CFR 351.308(a); Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Bar from India, 70 FR 54023, 54025-26 (September 13, 2005); and Notice of Final Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances: Carbon and Certain Alloy Steel Wire Rod from Brazil, 67 FR 55792, 55794-96 (August 30, 2002).

¹⁵ See H.R. Doc. 103-316, Vol. 1 (1994) at 870; Certain Polyester Staple Fiber from Korea: Final Results of the 2005-2006 Antidumping Duty Administrative Review, 72 FR 69663, 69664 (December 10, 2007).

¹⁶ See, e.g., Nippon Steel Corp. v. United States, 337 F.3d 1373, 1382-83 (Fed. Cir. 2003); Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan, 65 FR 42985 (July 12, 2000); Preamble, 62 FR at 27340.

¹⁷ See, e.g., Steel Threaded Rod From Thailand: Preliminary Determination of Sales at Less Than Fair Value and Affirmative Preliminary Determination of Critical Circumstances, 78 FR 79670 (December 31, 2013), and accompanying Issues and Decision Memorandum at page 4, unchanged in Steel Threaded Rod From Thailand: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances, 79 FR 14476 (March 14, 2014).

¹⁸ See, e.g., Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan, 65 FR at 42985, 42986 (July 12, 2000) (where the Department applied total adverse facts available (AFA) when the respondent failed to respond to the antidumping questionnaire).

¹⁹ See also 19 CFR 351.308(c).

In selecting a rate based on AFA, the Department selects a rate that is sufficiently adverse to ensure that the uncooperative party does not obtain a more favorable result by failing to cooperate than if it had fully cooperated.²⁰ The Department's practice is to select, as an AFA rate, the higher of: (1) the highest dumping margin alleged in the petition, or (2) the highest calculated dumping margin of any respondent in the investigation.²¹ In this investigation, the highest petition dumping margin is 241.91 percent and there is no other mandatory respondent.²² Thus, consistent with our practice, we selected this rate as the AFA rate applicable to TKES.

Corroboration of Secondary Information

When using facts otherwise available, section 776(c) of the Act provides that, where the Department relies on secondary information (such as information in the petition) rather than information obtained in the course of an investigation, it must corroborate, to the extent practicable, information from independent sources that are reasonably at its disposal.²³ Secondary information is defined as "information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise."²⁴ Thus, because the 241.91 percent AFA rate applied to TKES is derived from the petition and, consequently, is based upon secondary information, the Department must corroborate it to the extent practicable.

The SAA clarifies that "corroborate" means that the Department will satisfy itself that the secondary information to be used has probative value.²⁵ The SAA and the Department's regulations explain that independent sources used to corroborate such evidence may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation.²⁶ To corroborate secondary information, the Department will, to the extent practicable, determine whether the information used has probative value by examining the reliability and relevance of the information.²⁷

²⁰ See SAA at 870.

²¹ See Certain Stilbenic Optical Brightening Agents From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 77 FR 17436, 17438 (March 26, 2012).

²² See e.g., Initiation Notice, 78 FR at 65287.

²³ See also 19 CFR 351.308(d).

²⁴ See SAA at 870; see also 19 CFR 351.308(c)(1).

²⁵ See SAA at 870; see also 19 CFR 351.308(d).

²⁶ See SAA at 870; see also 19 CFR 351.308(d).

²⁷ See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews, 61 FR 57391, 57392 (November 6, 1996), unchanged in Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Final Results of Antidumping Duty Administrative Reviews and Termination in Part, 62 FR 11825 (March 13, 1997).

We determined that the petition margin of 241.91 percent is reliable where, to the extent appropriate information was available, we reviewed the adequacy and accuracy of the information in the petition during our pre-initiation analysis and for purposes of this preliminary determination.²⁸

We examined evidence supporting the calculations in the petition to determine the probative value of the margins alleged in the petition for use as AFA for purposes of this preliminary determination. During our pre-initiation analysis, we examined the key elements of the constructed export price (CEP) and normal value (NV) calculations used in the petition to derive an estimated margin. During our pre-initiation analysis, we also examined information (to the extent that such information was reasonably available) from various independent sources provided either in the petition or, on our request, in the supplements to the petition that corroborates some of the elements of the CEP and NV calculations used in the petition to derive estimated margins.

Based on our examination of the information, as discussed in detail in the Initiation Checklist, we consider the petitioners' CEP and NV calculations to be reliable. Because we obtained no other information that would make us question the validity of the sources of information or the validity of information supporting the U.S. price or NV calculations provided in the petition, based on our examination of the aforementioned information, we preliminarily consider the CEP and NV calculations from the petition to be reliable. Because we confirmed the accuracy and validity of the information underlying the derivation of the margins in the petition by examining source documents and affidavits, as well as publicly available information, we preliminarily determine that the margins in the petition are reliable for the purposes of this investigation.

In making a determination as to the relevance aspect of corroboration, the Department will consider information reasonably at its disposal as to whether there are circumstances that would render a margin not relevant. The courts acknowledge that the consideration of the commercial behavior inherent in the industry is important in determining the relevance of the selected AFA rate to the uncooperative respondent by virtue of it belonging to the same industry.²⁹ No information has been placed on the record to indicate that the rates in the petition are not reflective of commercial practices of the GOES industry and, moreover, in this particular case the information contained in the petition is specific to TKES.³⁰ As such, we find these rates relevant to TKES. Furthermore, as there are no participating respondents in this investigation for which we are calculating a dumping margin, we relied upon the rates found in the petition, which is the only information regarding the GOES industry reasonably at the Department's disposal.

Accordingly, the Department corroborated the AFA rate of 241.91 percent to the extent practicable within the meaning of section 776(c) of the Act because the rate: 1) was determined

²⁸ See "AD INVESTIGATION INITIATION CHECKLIST: Grain-Oriented Electrical Steel from Germany," dated October 24, 2013 (Initiation Checklist).

²⁹ See, e.g., Ferro Union, Inc. v. United States, 44 F. Supp. 2d 1310, 1334 (CIT 1999).

³⁰ Specifically, we note that in this particular case the offer for sale quotes contained in the petition are from TKES. See Volume II of the petition for Germany at Exhibits G-2A and G-2B.

to be reliable in the pre-initiation stage of this investigation (and we have no information indicating otherwise); and 2) is relevant to the uncooperative respondent.³¹

All Others Rate

Section 735(c)(5)(A) of the Act provides that the estimated “all others” rate shall be an amount equal to the weighted average of the estimated weighted-average dumping margins established for exporters and producers individually investigated, excluding any zero or de minimis margins, and any margins determined entirely under section 776 of the Act. Pursuant to section 735(c)(5)(B) of the Act, if the estimated weighted-average dumping margins established for all exporters and producers individually examined are zero, de minimis or determined based entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated dumping margin for all other producers or exporters.

As noted above, TKES is the sole mandatory respondent in this proceeding, and its margin is determined entirely under section 776 of the Act. Consequently, the only available dumping margins for this preliminary determination are found in the petition. Pursuant to section 735(c)(5)(B) of the Act, the Department’s practice under these circumstances has been to calculate the all others rate as a simple average of these margins.³² In this investigation, a simple average of the margins established in the petition (*i.e.*, 38.54 percent, 120.66 percent, and 241.91 percent) yields a 133.70 percent margin for entities not individually examined.³³ Consequently, and consistent with its practice, the Department assigned an “all others” rate of 133.70 percent to entities not individually examined.

We will make our final determination no later than 75 days after the date of publication of this preliminary determination, pursuant to section 735(a)(1) of the Act.

³¹ See section 776(c) of the Act and 19 CFR 351.308(c) and (d); Final Determination of Sales at Less Than Fair Value and Affirmative Determination of Critical Circumstances, in Part: Light-Walled Rectangular Pipe and Tube from the People’s Republic of China, 73 FR 35652, 35653 (June 24, 2008), and accompanying Issues and Decision Memorandum at Comment 1.

³² See, *e.g.*, Notice of Preliminary Determination of Sales at Less Than Fair Value: Sodium Nitrite from the Federal Republic of Germany, 73 FR 21909, 21912 (April 23, 2008), unchanged in Notice of Final Determination of Sales at Less Than Fair Value: Sodium Nitrite from the Federal Republic of Germany, 73 FR 38986, 38987 (July 8, 2008), and accompanying Issues and Decision Memorandum at Comment 2.

³³ See, *e.g.*, Initiation Checklist at 12.

CONCLUSION

We recommend applying the above methodology for this preliminary determination.

✓
Agree

Disagree

Paul Piquado
Paul Piquado
Assistant Secretary
for Enforcement and Compliance

2 MAY 2014
(Date)