



BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-580-878; C-580-879; A-583-856]

**Certain Corrosion-Resistant Steel Products from the Republic of Korea and Taiwan:
Initiation of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing
Duty Orders**

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: In response to requests from ArcelorMittal USA LLC, Nucor Corporation, United States Steel Corporation, Steel Dynamics, Inc. and California Steel Industries (collectively, the domestic producers), the Department of Commerce (Commerce) is initiating a country-wide anti-circumvention inquiries to determine whether imports of certain corrosion-resistant steel products (CORE), which are completed in the Socialist Republic of Vietnam (Vietnam) from hot-rolled steel (HRS) and/or cold-rolled steel (CRS) products (*i.e.*, substrate) produced in Taiwan and the Republic of Korea (Korea), are circumventing the antidumping duty (AD) and countervailing duty (CVD) orders on CORE from Korea and the AD order on CORE from Taiwan.

DATES: Applicable **[INSERT THE DATE OF THE PUBLICATION OF THE *FEDERAL REGISTER*]**.

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SUPPLEMENTARY INFORMATION:

Background

On June 3, 2015, the domestic producers filed petitions seeking the imposition of antidumping and countervailing duties on imports of CORE from Korea and Taiwan.¹ In response to these petitions, Commerce initiated AD and CVD investigations on June 23, 2015.² Following Commerce's final affirmative determinations of dumping and countervailable subsidies,³ and the U.S. International Trade Commission (ITC)'s finding of material injury,⁴ Commerce issued AD and CVD orders on imports of CORE from Korea and an AD order on imports of CORE from Taiwan (collectively, *Orders*).⁵

On June 12, 2018, pursuant to section 781(b) of the Tariff Act of 1930, as amended (the Act) and 19 CFR 351.225(h), the domestic producers submitted a request for Commerce to initiate anti-circumvention inquiries to determine whether entities in Vietnam are circumventing the *Orders* by exporting, to the United States, CORE which is completed or assembled in

¹ See the domestic producers' letter, "Petitions for the Imposition of Antidumping and Countervailing Duties: Certain Corrosion-Resistant Steel Products from the People's Republic of China, the Republic of Korea, India, Italy, and Taiwan," dated June 3, 2015 (collectively, petitions).

² See Certain Corrosion-Resistant Steel Products from Italy, India, the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations, 80 FR 37228 (June 30, 2015).

³ See *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 81 FR 35303 (June 2, 2016); see also *Certain Corrosion-Resistant Steel Products from India, Italy, Republic of Korea and the People's Republic of China: Countervailing Duty Order*, 81 FR 48387 (July 25, 2016); *Certain Corrosion-Resistant Steel Products from India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016); *Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from Taiwan: Final Negative Countervailing Duty Determination*, 81 FR 35299 (June 2, 2016).

⁴ See *Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan; Determinations*, 81 FR 47177 (July 20, 2016).

⁵ See *Certain Corrosion-Resistant Steel Products from India, Italy, the People's Republic of China, the Republic of Korea and Taiwan: Amended Final Affirmative Antidumping Determination for India and Taiwan, and Antidumping Duty Orders*, 81 FR 48390 (July 25, 2016); *Certain Corrosion-Resistant Steel Products from India, Italy, Republic of Korea and the People's Republic of China: Countervailing Duty Order*, 81 FR 48387 (July 25, 2016) (*Orders*).

Vietnam using HRS and/or CRS sourced from Korea and Taiwan.⁶ Further, pursuant to 19 CFR 351.225(f), the domestic producers request that Commerce initiate anti-circumvention inquiries and issue in conjunction with initiation of the inquiries a preliminary determination of circumvention of the *Orders* to suspend liquidation of imports of CORE from Vietnam.⁷

Scope of the *Orders*

The products covered by these orders are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a width of 12.7 mm or greater, regardless of form of coil (*e.g.*, in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.*, products which have been “worked after rolling” (*e.g.*, products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

⁶ See the domestic producers’ letters, “Certain Corrosion-Resistant Steel Products from Taiwan: Request for Circumvention Ruling,” dated June 12, 2018 (Anti-Circumvention Ruling Request – Taiwan); “Certain Corrosion-Resistant Steel Products from the Republic of Korea: Request for Circumvention Ruling Pursuant to Section 781(b) of the Tariff Act of 1930,” dated June 12, 2018 (Anti-Circumvention Ruling Request – Korea).

⁷ See Anti-Circumvention Ruling Request – Taiwan at 22; Anti-Circumvention Ruling Request – Korea at 25.

(1) Where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and

(2) where the width and thickness vary for a specific product (*e.g.*, the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

Steel products included in the scope of these orders are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten (also called wolfram), or

- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels and high strength low alloy (HSLA) steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum.

Furthermore, this scope also includes Advanced High Strength Steels (AHSS) and Ultra High Strength Steels (UHSS), both of which are considered high tensile strength and high elongation steels.

Subject merchandise also includes corrosion-resistant steel that has been further processed in a third country, including but not limited to annealing, tempering, painting, varnishing, trimming, cutting, punching and/or slitting or any other processing that would not otherwise remove the merchandise from the scope of the orders if performed in the country of manufacture of the in-scope corrosion resistant steel.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of

these orders unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these orders:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (“terne plate”), or both chromium and chromium oxides (“tin free steel”), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion-resistant flat-rolled steel products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20%-60%-20% ratio.

The products subject to these orders are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000.

The products subject to these orders may also enter under the following HTSUS item numbers: 7210.90.1000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.91.0000, 7225.92.0000, 7225.99.0090, 7226.99.0110, 7226.99.0130, 7226.99.0180, 7228.60.6000, 7228.60.8000, and 7229.90.1000.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of these orders is dispositive.

Merchandise Subject to the Anti-Circumvention Inquiries

These anti-circumvention inquiries cover imports of CORE exported from Vietnam manufactured from HRS and/or CRS inputs produced in Korea and Taiwan.

The domestic producers request that Commerce treat CORE imports from Vietnam as subject merchandise under the scope of the *Orders* and impose cash deposit requirements for estimated AD and CVD duties on all imports of CORE from Vietnam.⁸

Initiation of Anti-Circumvention Inquiries

Section 781(b)(1) of the Act provides that Commerce may find circumvention of an AD or CVD order when merchandise of the same class or kind subject to the order is completed or assembled in a foreign country other than the country to which the order applies. In conducting an anti-circumvention inquiry, under section 781(b)(1) of the Act, Commerce relies on the following criteria: (A) merchandise imported into the United States is of the same class or kind as any merchandise produced in a foreign country that is the subject of an antidumping or countervailing duty order or finding; (B) before importation into the United States, such imported merchandise is completed or assembled in another foreign country from merchandise which is subject to the order or merchandise which is produced in the foreign country that is subject to the order; (C) the process of assembly or completion in the foreign country referred to in section (B) is minor or insignificant; (D) the value of the merchandise produced in the foreign country to which the AD or CVD order applies is a significant portion of the total value of the merchandise exported to the United States; and (E) the administering authority determines that

⁸ See Anti-Circumvention Ruling Request – Korea at 3; Anti-Circumvention Ruling Request – Taiwan at 22.

action is appropriate to prevent evasion of such order or finding. As discussed below, domestic producers provided evidence with respect to these criteria.

A. *Merchandise of the Same Class or Kind*

The domestic producers claim that CORE exported to the United States is the same class or kind as that covered by the *Orders* in these inquiries.⁹ The domestic producers provided evidence to show that the merchandise from Vietnam enters the United States under the same tariff classification as subject merchandise.¹⁰

B. *Completion of Merchandise in a Foreign Country*

The domestic producers presented evidence demonstrating how CORE in Vietnam is produced from HRS or CRS produced and imported from Taiwan and Korea.¹¹ Further, the domestic producers provided evidence that Vietnam had no capacity to produce hot-rolled steel until very recently, May 2017.¹² The domestic producers claim that this mill is “still in the ramp-up phase,” and thus, “most CORE that is produced in Vietnam must still be made from imported substrate.”¹³

Regarding Taiwan, the domestic producers note that China Sumikin Vietnam (CSVC), one of Vietnam’s principle manufacturers and exporters of CORE, stated in a response to Commerce in the previously completed anti-circumvention inquiry with regard to Chinese substrate finished in Vietnam that it “produces its CORE only with hot-rolled steel from Japan

⁹ See Anti-Circumvention Ruling Request – Taiwan at 8; Anti-Circumvention Ruling Request – Korea at 8. See also sections 781(b)(1)(A)(i) and (iii) of the Act.

¹⁰ See Anti-Circumvention Ruling Request – Taiwan at Exhibit 4; Anti-Circumvention Ruling Request – Korea at Exhibit 1.

¹¹ See Anti-Circumvention Ruling Request – Taiwan at 4-5, 8-9; Anti-Circumvention Ruling Request – Korea at 9-10.

¹² See Anti-Circumvention Ruling Request – Taiwan at 9-10, Exhibits 5-7; Anti-Circumvention Ruling Request – Korea at 9, Exhibit 3.

¹³ See Anti-Circumvention Ruling Request – Taiwan at 9-10, Exhibits 6-8; Anti-Circumvention Ruling Request – Korea at 9, Exhibit 3.

and Taiwan.”¹⁴ The domestic producers assert that Commerce’s recent affirmative decision in *CORE China Circumvention Final* that Chinese HRS and CRS are used to produce CORE in Vietnam provides more incentive for Vietnamese CORE producers to shift to Taiwanese-produced inputs.¹⁵

As discussed above, the domestic producers assert that because Vietnam has little capacity to produce HRS domestically, Vietnamese CORE producers rely heavily on HRS imports. In support of this assertion, the domestic producers presented evidence showing increasing and substantial imports of Korean and Taiwanese HRS into Vietnam between 2015 and 2017.¹⁶ Specifically, the domestic producers contend that the surge in imports of HRS from Taiwan is evidence that, as Commerce began its anti-circumvention investigation of Vietnamese CORE produced from Chinese substrate, Taiwanese steel producers stepped in to fill that gap.¹⁷

As to the imports of HRS and CRS to Vietnam from Korea, the domestic producers provided information showing those shipments increased from 879,537 tons in 2014 to nearly 1.1 million tons in 2015, continued to grow in 2016, and remained substantial in 2017.¹⁸ Additionally, the domestic producers also provided information demonstrating that imports into the United States of CORE from Korea and Taiwan significantly decreased after the imposition of the *Orders*. Simultaneously, the domestic producers provided information demonstrating that

¹⁴ See Anti-Circumvention Ruling Request – Taiwan at 8, citing CSVC’s letter, “Certain Corrosion-Resistant Steel Products from China – Response to Petitioners’ Circumvention Allegations,” dated October 20, 2016.

¹⁵ See Anti-Circumvention Ruling Request – Taiwan at 8 (citing *Certain Corrosion-Resistant Steel Products from the People’s Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty and Countervailing Duty Orders*, 83 FR 23895 (May 23, 2018) (*CORE China Circumvention Final*) and accompanying Issues and Decision Memorandum (CORE China Circumvention IDM).

¹⁶ See Anti-Circumvention Ruling Request – Taiwan at 10-11, Exhibit 9; Anti-Circumvention Ruling Request – Korea at 8-10, Exhibits 2, 4.

¹⁷ See Anti-Circumvention Ruling Request – Taiwan at 10.

¹⁸ See Anti-Circumvention Ruling Request – Korea at 8-9; Exhibit 2.

imports into the United States of CORE from Vietnam increased more than ten-fold between 2015 and 2016.¹⁹

C. Minor or Insignificant Process

The domestic producers maintain that the process for completing CORE from HRS and CRS is minor or insignificant. Under section 781(b)(2) of the Act, Commerce considers five factors to determine whether the process of assembly or completion in the foreign country is minor or insignificant: (A) the level of investment in the foreign country in which the merchandise is completed or assembled; (B) the level of research and development in the foreign country in which the merchandise is completed or assembled; (C) the nature of the production process in the foreign country in which the merchandise is completed or assembled; (D) the extent of production facilities in the foreign country in which the merchandise is completed or assembled, and (E) whether the value of the processing performed in the foreign country in which the merchandise is completed or assembled represents a small proportion of the value of the merchandise imported into the United States.

(1) Level of Investment

The domestic producers contend that the level of investment necessary to complete CORE in Vietnam is less than the level of investment required to construct a factory that can produce HRS and CRS in Korea and Taiwan.²⁰ In support of their contention, the domestic producers compared the investment necessary to install a cold-rolling and coating facility with the investment necessary to produce HRS using a fully-integrated production process for melting

¹⁹ See Anti-Circumvention Ruling Request – Taiwan at 9-11, Exhibit 1; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

²⁰ See Anti-Circumvention Ruling Request – Taiwan at 11; Anti-Circumvention Ruling Request – Korea at 11-14.

iron and casting steel.²¹ The domestic producers rely on Commerce's level of investment findings in *CORE China Circumvention Final*, which found that Vietnamese CORE that uses Chinese substrate circumvents the Chinese CORE order.²² In that proceeding, Commerce pointed to record evidence showing the cost to build an integrated steel mill in China to produce HRS was in the range of 250 million to 10 billion U.S. dollars (USD) and that the cost to build a cold-rolling mill in Vietnam to produce CRS from HRS substrate was as low as 28 million USD.²³ Regarding Taiwan, the domestic producers also rely on Commerce's findings in *CORE China Circumvention Final* to explain that the cost of building a basic steel mill in Taiwan is as great as China, or much larger given Taiwan's higher level of development and GDP.²⁴ Specifically, the domestic producers explain that the property, plant, and equipment of China Steel Corporation (CSC), a Taiwanese steel manufacturer that owns 56 percent of Vietnamese CORE producer, CSVC, was valued at \$14 billion USD at the end of 2014.²⁵ Conversely, the domestic producers provide evidence to demonstrate that a smaller level of investment, ranging from \$70 million to \$1.15 billion USD, is needed to build a coating mill in Vietnam.²⁶ Relying on the cost of building an integrated steel mill in Korea – for example, Hyundai Steel invested 5 billion USD in 2010 for its integrated steel mill - the domestic producers claim that the level of investment required in Vietnam to complete the production of CORE by rolling and coating is

²¹ See Anti-Circumvention Ruling Request – Taiwan at 11-12, Exhibits 9-18; Anti-Circumvention Ruling Request – Korea at 11-14, Exhibits 9-11.

²² See Anti-Circumvention Ruling Request – Taiwan at 11-12, Exhibits 9-18; Anti-Circumvention Ruling Request – Korea at 11-14, Exhibits 9-11.

²³ See Anti-Circumvention Ruling Request – Taiwan at 12-13, citing *Certain Corrosion-Resistant Steel Products from the People's Republic of China: Affirmative Preliminary Determination of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders*, 82 FR 58170 (December 11, 2017) (*CORE China Circumvention Prelim*) and accompanying Preliminary Decision Memorandum (CORE China Circumvention PDM) at 17; see also CORE China Circumvention IDM at 32.

²⁴ See Anti-Circumvention Ruling Request – Taiwan at 13, Exhibits 10, 12, and 13.

²⁵ *Id.*

²⁶ See Anti-Circumvention Ruling Request – Taiwan at 14, Exhibits 14, 15; Anti-Circumvention Ruling Request – Korea at 11-14, Exhibits 9-11.

far less than the investment required to establish an integrated mill to produce the hot-rolled steel substrate.²⁷

Finally, the domestic producers provide evidence that the cost of building a coated steel sheet factory in Vietnam was a fraction of the amount of investment needed to build a basic steel mill.²⁸ The domestic producers therefore conclude that in comparison to the level of investment necessary to build an integrated steel mill in Korea and Taiwan, the level of investment to build a cold-rolling mill in Vietnam is insignificant.²⁹

(2) Level of Research and Development

The domestic producers assert that the level of research and development (R&D) needed to produce steel substrate, such as HRS, is greater than the R&D specifically needed to produce CORE from the substrate.³⁰ The domestic producers cite to Commerce's findings in *CORE China Circumvention Prelim*, where Commerce found that the evidence provided by Vietnamese CORE producers "did not support their claims that their R&D programs and level of expenditures are significant."³¹ The domestic producers contend that, rather than developing its own technology, the Vietnamese steel industry uses technology developed abroad.³² As an example of Vietnamese producers using technology developed abroad, the domestic producers provided evidence that Vietnamese producer Ton Dong A Corp installed European and Japanese equipment in its new CORE facility.³³ Furthermore, the domestic producers explain that CSVN,

²⁷ See Anti-Circumvention Ruling Request – Korea at 13-14, Exhibits 8-11.

²⁸ See Anti-Circumvention Ruling Request – Taiwan at 14 Exhibit 16.

²⁹ See Anti-Circumvention Ruling Request – Korea at 14, Exhibits 9-11.

³⁰ See Anti-Circumvention Ruling Request – Taiwan at 14.

³¹ *Id.* at 15, citing CORE China Anticircumvention PDM at 19.

³² See Anti-Circumvention Ruling Request – Taiwan at 15-16, Exhibits 5, 8, 14; Anti-Circumvention Ruling Request – Korea at 14-16 and Exhibits 10, 12-15.

³³ See Anti-Circumvention Ruling Request – Taiwan at 15, Exhibit 14; Anti-Circumvention Ruling Request – Korea at 14-16, Exhibits 10, 12-15. The domestic producers cited several other examples, including CSVN, Hoa Phat Group (HPG) and Thai Nguyen Iron and Steel Corporation (TISCO).

the sole mill in Vietnam with galvanneal (the process of galvanizing followed by annealing) capability needed for auto and appliance use, is a joint venture between Taiwanese and Japanese parent companies.³⁴ The domestic producers provide various evidence to support the contention that steel mills in Vietnam relied on foreign technology and cheap domestic labor.³⁵ Moreover, the domestic producers contend that, because there is greater focus in producing products for building construction in Vietnam, there is little incentive for Vietnamese CORE producers to invest in R&D for more advanced products.³⁶ In contrast, the domestic producers point to global R&D efforts on behalf of CSC, the largest steel company in Taiwan, including employing highly-skilled researchers and collaborating with Taiwan's leading universities.³⁷ Similarly, the domestic producers compare the R&D expenditures of POSCO Korea, the largest steel producer in Korea, and suggest that the level of R&D in Vietnam for CORE production is minimal to non-existent.³⁸

(3) Nature of Production Process

According to the domestic producers, the completion process undertaken by Vietnamese producers of CORE is less complex and significant than manufacturing the steel substrate in Taiwan and Korea.³⁹ Citing Commerce's finding in *CORE China Circumvention Final*, the domestic producers contend that while the process of galvanizing steel is not trivial, it is insignificant compared to the greater steel-making processes that include smelting iron, making,

³⁴ See Anti-Circumvention Ruling Request – Taiwan at 15, Exhibit 14; Anti-Circumvention Ruling Request – Korea at 14-16, Exhibits 10, 12-15.

³⁵ See Anti-Circumvention Ruling Request – Taiwan at Exhibit 4; Anti-Circumvention Ruling Request – Korea at 15 and Exhibit 13.

³⁶ See Anti-Circumvention Ruling Request – Taiwan at Exhibit 5.

³⁷ *Id.* at 16, Exhibits 15, 16.

³⁸ See Anti-Circumvention Ruling Request – Korea at 15-16, Exhibit 15.

³⁹ See Anti-Circumvention Ruling Request – Taiwan at 16-18; Anti-Circumvention Ruling Request – Korea at 16-21.

casting, and hot-rolling steel.⁴⁰ The galvanizing process is the end of the production line, and it adds a small part of the total value, requires little capital and a small proportion of input by weight and volume.⁴¹ Thus, the domestic producers explain that even relatively sophisticated galvanizing operations will involve less intensive processing than processing steel substrate.⁴²

(4) Extent of Production Facilities in Vietnam

Moreover, the domestic producers contend that more capital is required to build an integrated steel mill that includes blast furnace, casting, and hot rolling, as compared to building a cold-rolling and coating facility.⁴³ A larger amount of capital also represent larger production facilities, more equipment and workers. As an example, the domestic producers explain that CSVC employs 800 employees in Vietnam whereas its Taiwanese parent, CSC, has 7949 employees.⁴⁴

(5) Value of Processing in Vietnam

The domestic producers point to Commerce's finding in *CORE China Circumvention Prelim* to contend that "the value of the materials, labor, energy, overhead, and other items consumed in the production of CORE represents an insignificant value when compared to the value of the merchandise sold to the United States."⁴⁵ Moreover, the domestic producers maintain that Commerce's quantitative and qualitative finding that the finishing process in Vietnam adds only a small part of the total value of the CORE exported to the United States

⁴⁰ See Anti-Circumvention Ruling Request – Taiwan at 17; see also *CORE China Circumvention IDM* at 20-21.

⁴¹ See Anti-Circumvention Ruling Request – Taiwan at 17.

⁴² *Id.*

⁴³ See Anti-Circumvention Ruling Request – Taiwan at 17-18 (Taiwan); Anti-Circumvention Ruling Request – Korea at 17-20.

⁴⁴ See Anti-Circumvention Ruling Request – Taiwan at 18 and Exhibit 21.

⁴⁵ *Id.* at 18, citing *CORE China Circumvention PDM* at 21.

applies to Korean and Taiwanese substrate.⁴⁶ As the Korean and Taiwanese steel industries have more sophisticated and advanced technology than those in either China and Vietnam, the domestic producers assert that the percentage of value added in Vietnam to Taiwanese and Korean substrate is likely to be lower than it was in *CORE China Circumvention Final*.⁴⁷ Based on these assertions, the domestic producers contend that every statutory factor that Commerce has considered in making its affirmative finding in *CORE China Circumvention Final* similarly applies to both Korea and Taiwan.⁴⁸

Additionally, the domestic producers cite the recent ITC investigation of CORE from China, India, Italy, Korea and Taiwan, stating that the information contained therein demonstrates that the cost of Taiwanese and Korean HRS inputs accounts for 69 to 79 percent of the price of CORE.⁴⁹ Additionally, the domestic producers explain that the price of Taiwanese and Korean CRS inputs accounts for 84 to 90 percent of the price of CORE.⁵⁰

D. Additional Factors to Consider in Determining Whether Action Is Necessary

Section 781(b)(3) of the Act directs Commerce to consider additional factors in determining whether to include merchandise assembled or completed in a foreign country within the scope of the order, such as: “(A) the pattern of trade, including sourcing patterns, (B) whether the manufacturer or exporter of the merchandise ... is affiliated with the person who uses the merchandise... to assemble or complete in the foreign country the merchandise that is

⁴⁶ See Anti-Circumvention Ruling Request – Taiwan at 19, citing CORE China Circumvention PDM at 22 and CORE China Circumvention IDM at 23; Anti-Circumvention Ruling Request – Korea at 21-22, citing CORE China Circumvention IDM at 9 and CORE China Circumvention PDM at 21.

⁴⁷ See Anti-Circumvention Ruling Request – Taiwan at 20 and Exhibit 8; Anti-Circumvention Ruling Request – Korea at 22-24, Exhibits 14, 17.

⁴⁸ See Anti-Circumvention Ruling Request – Taiwan at 21; Anti-Circumvention Ruling Request – Korea at 24.

⁴⁹ See Anti-Circumvention Ruling Request – Taiwan at 20, Exhibit 1; Anti-Circumvention Ruling Request – Korea at 23-24.

⁵⁰ See Anti-Circumvention Ruling Request – Taiwan at 20, Exhibit 1; Anti-Circumvention Ruling Request – Korea at 23-24.

subsequently imported into the United States, and (C) whether imports into the foreign country of the merchandise ... have increased after the initiation of the investigation which resulted in the issuance of such order or finding.”

Regarding patterns of trade, the domestic producers contend that exports of CORE from Vietnam to the United States skyrocketed as exports from Korea and Taiwan declined in the period after the filing of the petition in the underlying investigations, as compared to the period before it.⁵¹ The domestic producers further explain that while recently exports of CORE from Vietnam to the United States have declined slightly, this decline is largely due to Commerce’s investigation of circumvention of the AD and CVD orders on CORE the China.⁵² The domestic producers also point to the fact that exports of HRS from Korea and Taiwan to Vietnam also increased after the underlying investigations commenced.⁵³ Finally, regarding affiliation, the domestic producers point out that major Vietnamese CORE producer CVSC is majority-owned by Taiwan’s largest steel manufacturer, CSC.⁵⁴ Similarly, the domestic producers assert that Korea’s largest steel manufacturer POSCO has 13 Vietnamese affiliates and offices, including POSCO VIETNAM, and has the capacity to produce 700,000 tons of cold-rolled steel.⁵⁵

Analysis of the Allegations

Based on our analysis of the domestic producer’s anti-circumvention allegations and the information provided therein, Commerce determines that anti-circumvention inquiries of the AD and CVD orders on CORE from Korea and Taiwan are warranted.

⁵¹ See Anti-Circumvention Ruling Request – Taiwan at 21; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

⁵² See Anti-Circumvention Ruling Request – Taiwan at 21; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

⁵³ See Anti-Circumvention Ruling Request – Taiwan at 21; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

⁵⁴ See Anti-Circumvention Ruling Request – Taiwan at 21; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

⁵⁵ See Anti-Circumvention Ruling Request – Korea at 24-25.

With regard to whether the merchandise from Vietnam is of the same class or kind as the merchandise produced in Korea and Taiwan, the domestic producers presented information to Commerce indicating that, pursuant to section 781(b)(1)(A) of the Act, the merchandise being produced in and/or exported from Vietnam is of the same class or kind as CORE produced in Korea and Taiwan, which is subject to the *Orders*.⁵⁶ Consequently, Commerce finds that the domestic producers provided sufficient information in their requests regarding the class or kind of merchandise to support the initiation of these anti-circumvention inquiries.

With regard to completion or assembly of merchandise in a foreign country, pursuant to section 781(b)(1)(B) of the Act, the domestic producers also presented information to Commerce indicating that the CORE exported from Vietnam to the United States is produced in Vietnam using HRS and CRS from Korea and Taiwan.⁵⁷ We find that the information presented by the domestic producers regarding this criterion supports its request to initiate these anti-circumvention inquiries.

Commerce finds that the domestic producers sufficiently addressed the factors described in sections 781(b)(1)(C) and 781(b)(2) of the Act regarding whether the process of assembly or completion of CORE in Vietnam is minor or insignificant. In particular, information in the domestic producers' submission indicates that: (1) the level of investment in coating facilities is minimal when compared with the level of investment for basic steel making facilities;⁵⁸ (2) there is little or no research and development taking place in Vietnam;⁵⁹ (3) the CORE production

⁵⁶ See Anti-Circumvention Ruling Request – Taiwan at 8-10, Exhibit 4; Anti-Circumvention Ruling Request – Korea at 8, Exhibit 1.

⁵⁷ See Anti-Circumvention Ruling Request – Taiwan at 20-21, Exhibits 1, 4, 9; Anti-Circumvention Ruling Request – Korea at 8-10, Exhibits 2-4.

⁵⁸ See Anti-Circumvention Ruling Request – Taiwan at 11-14; Anti-Circumvention Ruling Request – Korea at 10-11.

⁵⁹ See Anti-Circumvention Ruling Request – Taiwan at 14-16; Anti-Circumvention Ruling Request – Korea at 14-16.

processes involve the simple processing of HRS or CRS from a country subject to the *Orders*, (4) the CORE production facilities in Vietnam are more limited compared to HRS facilities in Korea and Taiwan;⁶⁰ and (5) the value of the processing performed in Vietnam is a small proportion of the value of the CORE imported into the United States.⁶¹

With respect to the value of the merchandise produced in Korea and Taiwan, pursuant to section 781(b)(1)(D) of the Act, the domestic producers relied on published sources, Commerce's prior conclusions in *CORE China Circumvention Final*, and information presented in the "minor or insignificant process" portion of their anti-circumvention allegations to indicate that the value of the substrate (HRS and CRS manufactured in Korea and Taiwan) is a significant portion of the total value of the CORE exported from Vietnam to the United States.⁶² We find that this information adequately meets the requirements of this factor, as discussed above, for the purposes of initiating these anti-circumvention inquiries.

Finally, with respect to the additional factors listed under section 781(b)(3) of the Act, we find that the domestic producers presented evidence indicating that shipments of CORE from Vietnam to the United States increased since the imposition of the *Orders*⁶³ and that shipments of HRS from Korea and Taiwan to Vietnam also increased since the *Orders* took effect.⁶⁴ Furthermore, we find that the domestic producers have presented evidence that the largest Korean manufacturer of CRS (POSCO) is affiliated with a company in Vietnam that completes

⁶⁰ See Anti-Circumvention Ruling Request – Taiwan at 16-18; Anti-Circumvention Ruling Request – Korea at 16-21.

⁶¹ See Anti-Circumvention Ruling Request – Taiwan at 18-21; Anti-Circumvention Ruling Request – Korea at 21-24.

⁶² See Anti-Circumvention Ruling Request – Taiwan at Exhibits 1, 4, and 9; Anti-Circumvention Ruling Request – Korea at Exhibits 14, 17.

⁶³ See Anti-Circumvention Ruling Request – Taiwan at 9-10, Exhibit 4; Anti-Circumvention Ruling Request – Korea at 24 and Exhibit 2.

⁶⁴ See Anti-Circumvention Ruling Request – Taiwan at 10-11, Exhibit 9; Anti-Circumvention Ruling Request – Korea at 24, Exhibit 2.

the merchandise.⁶⁵ We also find that the domestic producers provided sufficient evidence to demonstrate that a Taiwanese steel manufacturer, CSC, owns 56 percent of Vietnamese CORE producer, CSVC.⁶⁶ Accordingly, we are initiating formal anti-circumvention inquiries concerning the AD and CVD orders on CORE from Korea and the AD order on CORE from Taiwan, pursuant to section 781(b) of the Act.

As these inquiries are initiated on a country-wide basis (*i.e.*, not exclusive to the producers mentioned immediately above), Commerce intends to issue questionnaires to solicit information from the Vietnamese producers and exporters concerning their shipments of CORE to the United States and the origin of any imported HRS and CRS being processed into CORE. A company's failure to respond completely to Commerce's requests for information may result in the application of partial or total facts available, pursuant to section 776(a) of the Act, which may include adverse inferences, pursuant to section 776(b) of the Act.

While we believe sufficient factual information has been submitted by the domestic producers supporting their request for inquiries, we do not find that the record supports the simultaneous issuance of a preliminary ruling. Such inquiries are by their nature typically complicated and can require information regarding production in both the country subject to the order and the third country completing the product. As noted above, Commerce intends to request additional information regarding the statutory criteria to determine whether shipments of CORE from Vietnam are circumventing the AD and CVD orders on CORE from Korea and the AD order on CORE from Taiwan. Thus, with further development of the record required before a preliminary ruling can be issued, Commerce does not find it appropriate to issue a preliminary ruling at this time.

⁶⁵ See Anti-Circumvention Ruling Request – Korea at 24-25, Exhibit 19.

⁶⁶ See Anti-Circumvention Ruling Request – Taiwan at 11, Exhibit 10.

Notification to Interested Parties

In accordance with 19 CFR 351.225(e), Commerce finds that the issue of whether a product is included within the scope of an order cannot be determined based solely upon the application and the descriptions of the merchandise. Accordingly, Commerce will notify by mail all parties on Commerce's scope service list of the initiation of these anti-circumvention inquiries. In addition, in accordance with 19 CFR 351.225(f)(1)(i) and (ii), in this notice of initiation issued under 19 CFR 351.225(e), we have included a description of the product that is the subject of these anti-circumvention inquiries (*i.e.*, CORE that contains the characteristics as provided in the scope of the *Orders*) and an explanation of the reasons for Commerce's decision to initiate an anti-circumvention inquiry, as provided above.

In accordance with 19 CFR 351.225(l)(2), if Commerce issues a preliminary affirmative determination, we will then instruct U.S. Customs and Border Protection to suspend liquidation and require a cash deposit of estimated antidumping and countervailing duties, at the applicable rate, for each unliquidated entry of the merchandise at issue, entered or withdrawn from warehouse for consumption on or after the date of initiation of the inquiry. Commerce will establish a schedule for questionnaires and comments on the issues. In accordance with section 781(f) of the Act and 19 CFR 351.225(f)(5), Commerce intends to issue its final determination within 300 days of the date of publication of this initiation.

This notice is published in accordance with 19 CFR 351.225(f).

Dated: July 27, 2018.

Gary Taverman,

Deputy Assistant Secretary

*for Antidumping and Countervailing Duty Operations,
performing the non-exclusive functions and duties of the
Assistant Secretary for Enforcement and Compliance.*

