BEFORE THE
INTERNATIONAL TRADE ADMINISTRATION
OF THE
U.S. DEPARTMENT OF COMMERCE
AND THE
U.S. INTERNATIONAL TRADE COMMISSION

ANTIDUMPING AND COUNTERVAILING DUTY PETITION
VOLUME I
GENERAL and INJURY SECTIONS

CERTAIN ALUMINUM FOIL
FROM THE PEOPLE’S REPUBLIC OF CHINA

PETITIONERS:
THE ALUMINUM ASSOCIATION TRADE ENFORCEMENT WORKING GROUP
AND ITS INDIVIDUAL MEMBERS

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PETITION FOR THE IMPOSITION OF ANTIDUMPING AND COUNTERVAILING DUTIES ON IMPORTS OF CERTAIN ALUMINUM FOIL FROM THE PEOPLE’S REPUBLIC OF CHINA

This petition is filed on behalf of the U.S. industry producing certain aluminum foil ("Aluminum Foil"). Specifically, this petition is filed on behalf of The Aluminum Association Trade Enforcement Working Group and the companies identified in the footnote below that individually support this petition (collectively, "Petitioners").¹ The Aluminum Association Trade Enforcement Working Group member companies and their employees that support this petition account for the majority of all production in the United States of Aluminum Foil and represent the U.S. industry producing Aluminum Foil within the meaning of sections 702(c)(4) and 732(c)(4) of the Tariff Act of 1930, as amended (the "Act"). See 19 U.S.C. §§ 1671a(c)(4), 1673a(c)(4).

Volume II of this petition presents evidence that Aluminum Foil from the People’s Republic of China ("China") is being, or is likely to be, sold in the United States at less than fair value within the meaning of section 731(1) of the Act. See 19 U.S.C. § 1673(1). In addition, Volume III of this petition presents evidence that the Government of China is providing countervailable subsidies with respect to the manufacture, production, and export of Aluminum Foil within the meaning of section 701(a)(1) of the Act. See 19 U.S.C. § 1671(a)(1). This petition demonstrates that the U.S. industry producing Aluminum Foil is being materially injured, and is threatened with further material injury, by reason of unfairly traded imports from China within the meaning of sections 701(a)(2) and 731(2) of the Act. See 19 U.S.C. §§ 1671(a)(2), 1673(2).

¹ Members of The Aluminum Association Trade Enforcement Working Group that support this petition include: [ ] Companies appended in Exhibit GEN-1B.
Petitioners, therefore, request that: (1) antidumping duties be imposed on Aluminum Foil from China in an amount equal to the amount by which the normal value exceeds the export price or constructed export price of the merchandise; and (2) countervailing duties be imposed on imports of Aluminum Foil from China in an amount equal to the net countervailable subsidy.

This petition sets forth the information reasonably available to the Petitioners and is filed in conformity with the requirements of section 351.202 of the regulations of the U.S. Department of Commerce ("Commerce" or "the Department") and section 207.11 of the regulations of the U.S. International Trade Commission ("ITC" or "Commission"). See 19 C.F.R. §§ 351.202 and 207.11.

I. GENERAL INFORMATION

This petition is filed on behalf of The Aluminum Association Trade Enforcement Working Group and its member companies identified above. Contact information for The Aluminum Association Trade Enforcement Working Group is as follows:

The Aluminum Association Trade Enforcement Working Group
1400 Crystal Drive, Suite 430
Arlington, VA 22202
Contact: Ryan Olsen, Vice President – Business Information & Statistics
Tel.: (703) 358-2984
Fax: (703) 894-4938
Website: http://www.aluminum.org/
E-mail: ROlsen@aluminum.org

Known domestic manufacturers of Aluminum Foil include:

* Aleris, Inc.
25825 Science Park Drive, Suite 400
Cleveland, OH 44122
Tel: (216) 910-3400
Fax: None
Website: http://www.aleris.com
E-mail: info.aleris@aleris.com
- **Alpha Aluminum**
  1300 Cunningham Ave.
  Winston-Salem, NC 27107
  Tel: (336) 777-5658
  Fax: None
  Website: http://www.alphaaluminum.net
  E-mail: dick.kerwin@alphaaluminum.net

- **Golden Aluminum**
  1405 14th Street
  Fort Lupton, CO 80621
  Tel: (800) 838-1004
  Fax: None
  Website: http://www.goldenaluminum.com

- **Gränges Americas Inc.**
  501 Corporate Centre, Suite 280
  Franklin, TN 37067
  Tel: (615) 778-5700
  Fax: None
  Website: http://www.granges.com

- **JW Aluminum Company**
  435 Old Mt. Holly Road
  Goose Creek, SC 29445
  Tel: (843) 572-1100
  Fax: (843) 572-1049
  Website: http://www.jwaluminum.com

- **Novelis Corporation**
  3560 Lenox Road, Suite 2000
  Atlanta, GA 30326
  Tel: (404) 760-4000
  Fax: (404) 760-0137
  Website: http://www.novelis.com

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2 Alpha Aluminum suspended production of Aluminum Foil at its Winston-Salem, NC facility in July 2016. See Exhibit GEN-1A. As such, Alpha Aluminum is no longer a U.S. producer of Aluminum Foil.
A. Description of the Domestic Industry and Industry Support

This petition is filed on behalf of the domestic industry producing Aluminum Foil as defined in the scope of this petition (section I.C.1, infra) and meets the statutory support requirements as described below and as set forth in Exhibit GEN-1A.

Sections 702 and 732 of the Act require that "the domestic producers or workers who support the petition account for at least 25 percent of the total production of the like product." 19 U.S.C. §§ 1671a(c)(4)(A)(i), 1673a(c)(4)(A)(i). In addition, the statute requires that "the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by the portion of the industry expressing support for or opposition to the petition." 19 U.S.C. §§ 1671a(c)(4)(A)(ii), 1673a(c)(4)(A)(ii).

3 On October 19, 2015, the assets of Republic Foil Inc. were acquired by Garmco (USA) Inc. Garmco (USA) Inc. is the U.S. sales subsidiary of the Bahrain-based aluminum producer Garmco. [Closure of facility] See Exhibit GEN-1A.
As shown in Table 1, the U.S. producers that are known to support the petition surpass both the 25 percent and 50 percent thresholds for industry support established in the statute. The volume of Aluminum Foil manufactured in 2016 by U.S. producers that support this petition was [ ] pounds. See Exhibit GEN-8. Based on the Declaration of Ryan Olsen, Vice President - Business Information & Statistics at The Aluminum Association, there were [ ] U.S. producers of Aluminum Foil in 2016 that [ ]

\[4 \text{ They are: [ ] companies} \]

See id. Based on Mr. Olsen’s estimates, the 2016 production of Aluminum Foil [ ] is estimated as follows: [ ]

\[\text{Production volumes} \]

See Exhibit GEN-1A. Thus, in the aggregate, Petitioners estimate the total U.S. production of these [ ] U.S. producers to be [ ] pounds in 2016.

As Table 1 shows, the estimated share of U.S. production in 2016 of Aluminum Foil accounted for by companies supporting these petitions accounted for [ ] percent of total U.S. production. Thus, the U.S. producers of Aluminum Foil that support these petitions surpass both the 25 percent and the 50 percent thresholds for industry support established in the statute.

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4 To the best of Petitioners’ knowledge, [ ] See Exhibit GEN-1A.
TABLE 1
SHARE OF DOMESTIC PRODUCTION BY U.S. PRODUCERS SUPPORTING PETITIONS

<table>
<thead>
<tr>
<th>Production of Entities Supporting Petitions</th>
<th>U.S. Production in 2016 (million pounds)</th>
<th>% Share of U.S. Production by Those Supporting Petition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production by Other U.S. Producers</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>of Aluminum Foil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total U.S. Aluminum Foil Production</td>
<td>900.00</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Petitioners’ production data, appended at Exhibits GEN-1A and GEN-8.

B. Related Proceedings

Petitioners have not filed previously for import relief pursuant to section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862), sections 201 or 301 of the Trade Act of 1974 ("the Trade Act") (19 U.S.C. §§ 2411 and 2251), sections 337, 702, and 732 of the Tariff Act of 1930, as amended, ("the Act") (19 U.S.C. §§ 1337, 1671a, and 1673a) with respect to the merchandise that is the subject of these petitions.

C. Description of the Merchandise and Requested Scope of Investigation

1. Requested Scope of Investigation

The following language describes the imported merchandise that Petitioners intend to cover in these investigations:

The merchandise covered by this investigation is aluminum foil having a thickness of 0.2 mm (0.00787 inches) or less, in reels exceeding 25 pounds, that is not backed, etched for use in capacitors, or cut to shape. 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. The products under investigation are currently classifiable under Harmonized Tariff Schedule subheadings 7607.11.3000, 7607.11.6000, 7607.11.9030, 7607.11.9060, 7607.11.9090, and 7607.19.6000. Although the
HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

1. **Technical Characteristics, Production Process, and Uses**

Aluminum Foil is made from an aluminum alloy that contains between 92 and 99 percent aluminum. Usually between 0.00017 and 0.00787 inches thick, Aluminum Foil is produced in many widths and strengths for multiple applications. Aluminum Foil provides a complete barrier to light, oxygen, moisture, and bacteria. For this reason, Aluminum Foil is used extensively in food and pharmaceutical packaging. Aluminum Foil is also used to manufacture thermal insulation for the construction industry, fin stock for air conditioners, electrical coils for transformers, capacitors for radios and televisions, and insulation for storage tanks.

Aluminum Foil is primarily produced by a continuous casting method. This process involves a production line consisting of a melting furnace, a holding hearth to contain the molten metal, a transfer system, a casting unit, a combination unit consisting of pinch rolls, shear and bridle, and a rewind and coil car. The continuous casting method produces foil stock of thickness ranging from 0.125 to 0.250 inches and of various widths. After the foil stock is made, it must be reduced in thickness to make Aluminum Foil. This is accomplished in a rolling mill, where the material is passed several times through metal rolls called work rolls. As the foil stock passes through the rolls, it is squeezed thinner and extruded through the gap between the rolls. The work rolls are paired with heavier rolls called backup rolls, which apply pressure to help maintain the stability of the work rolls. This helps to hold the product dimensions within tolerances. The work and backup rolls rotate in opposite directions. Lubricants are added to facilitate the rolling process. During this rolling process, the aluminum occasionally must be annealed (heat-treated) to maintain its workability.
The reduction of the Aluminum Foil is controlled by adjusting the speed at which the rolls rotate and the viscosity (the resistance to flow), quantity, and temperature of the rolling lubricants. The roll gap determines both the thickness and length of the foil leaving the mill. This gap can be adjusted by raising or lowering the upper work roll. Rolling produces two natural finishes on the foil—bright and matte. The bright finish is produced when the Aluminum Foil comes in contact with the work roll surfaces. To produce the matte finish, two sheets must be placed on top of each other and rolled simultaneously. When Aluminum Foil is rolled in this manner, the sides that are touching each other end up with a matte finish. Other mechanical finishing methods, usually produced during converting operations, can be used to produce certain patterns.

As the Aluminum Foil comes through the rollers, it is trimmed and slitted with circular or razor-like knives installed on the roll mill. Trimming refers to cutting the edges of the foil, while slitting involves cutting the foil into sheets. These steps are used to produce narrow coil widths, to trim the edges of coated or laminated stock, and to produce rectangular pieces. For certain fabricating and converting operations, webs that have been broken during rolling must be joined back together, or spliced. Common types of splices for joining webs of plain foil include ultrasonic, heat-sealing tape, pressure-sealing tape, and electric welded. The ultrasonic splice uses a solid-state weld—made with an ultrasonic transducer—in the overlapped metal.

For certain applications, Aluminum Foil is used in combination with other materials. It can be coated with a wide range of materials, such as polymers and resins, for decorative, protective, or heat-sealing purposes. It can also be formed into any shape, printed, embossed, slit into strips, sheeted, etched, and anodized. Once the Aluminum Foil is in its final state, it is packaged and shipped to the customer.
2. **U.S. Tariff Classification**

Aluminum Foil is currently classifiable in the following HTSUS subheadings: 7607.11.3000, 7607.11.6000, 7607.11.9030, 7607.11.9060, 7607.11.9090, and 7607.19.6000. See Exhibit GEN-2.

D. **Country of Exportation**

The Aluminum Foil that is the subject of this petition is produced in and exported from China. Petitioners have no knowledge that the subject merchandise is currently being transshipped through any third country to the United States.

E. **Producers and Exporters of the Subject Merchandise**

Pursuant to the Department of Commerce’s regulations, 19 C.F.R. § 351.202(b)(7)(i)(A), a list of over 230 known producers and exporters of Aluminum Foil from China is included in Exhibit GEN-3.

F. **Volume and Value of Imports**

The volume and value of U.S. imports of Aluminum Foil from China for calendar years 2014, 2015, and 2016 are presented in Exhibit GEN-4, as required by the Department of Commerce’s regulations. See 19 C.F.R. § 351.202(b)(8).

G. **Names and Addresses of U.S. Importers**

Based on information reasonably available to Petitioners, a list of known and suspected U.S. importers of Aluminum Foil from China is included in Exhibit GEN-5, as required by the Department of Commerce’s regulations. See 19 C.F.R. § 351.202(b)(9).

II. **INFORMATION RELATED TO SALES AT LESS THAN FAIR VALUE**

Information related to allegations by U.S. producers supporting these petitions that Aluminum Foil from China is being sold in the United States at less than fair value is provided in Volume II of this petition.
III. INFORMATION RELATED TO COUNTERVAILABLE SUBSIDIES

Information related to countervailable subsidies provided by the Government of China with respect to the manufacture, production, and export of Aluminum Foil is provided in Volume III of this petition.

IV. THE U.S. ALUMINUM FOIL INDUSTRY HAS BEEN MATERIALLY INJURED BY REASON OF UNFAIRLY TRADED IMPORTS OF ALUMINUM FOIL FROM CHINA

A. The Domestic Like Product Is Co-Extensive With the Scope of the Petition and Consists of Aluminum Foil

The domestic like product in this case mirrors the scope of the petition and consists of Aluminum Foil. This domestic like product definition is consistent with the statute. All Aluminum Foil has similar physical characteristics and follows industry specifications for chemistry, thickness, and width, as detailed by the American Society for Testing and Materials (“ASTM”).

See Exhibit GEN-6. Aluminum Foil is used in consumer applications (e.g., packaging of foods, cosmetics, and chemical products) and industrial applications (e.g., thermal insulation, cables, and electronics) where the barrier properties and heat reflectivity of aluminum foil are required. Aluminum Foil conforms to the identified industry specifications and, as such, is interchangeable regardless of source. The majority of Aluminum Foil is sold in the same channel of distribution – direct to end users. In terms of production processes, equipment, and employees, Aluminum Foil is produced using the same basic manufacturing process, as described in Section I.C.2, as well as on the same equipment and by the same employees. Producers and customers perceive Aluminum Foil to be the same product and do not perceive other products to be substitutable for Aluminum Foil. With respect to price, Aluminum Foil is sold within a reasonable range of similar prices. Accordingly, the domestic like product in these investigations should be defined as Aluminum Foil, co-extensive with the scope of this case.
B. **The Domestic Industry Consists of All U.S. Producers of Aluminum Foil**

Section 771(4)(A) of the Act defines the relevant industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product." 19 U.S.C. § 1677(4)(A). Based on this definition, the domestic industry consists of all U.S. producers of Aluminum Foil as identified in Section I supra.

C. **Subject Imports Surpass the Statutory Negligibility Threshold**

Pursuant to section 771(24) of the Act, imports from any single country that account for less than three percent of the total import volume for subject merchandise in the most recent 12-month period for which data are available preceding the filing of the petition are considered negligible. See 19 U.S.C. § 1677(24)(A)(i). As indicated in Table 2, U.S. import volumes for Aluminum Foil from China for the most recent 12-month period for which import statistics are available (i.e., January 2016 through December 2016) indicate that imports of Aluminum Foil from China significantly exceed the statutory negligibility threshold. Specifically, for the 12-month period examined, imports from China accounted for 70.6 percent of total U.S. imports of Aluminum Foil.

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume (in 1,000 pounds)</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>303,315</td>
<td>70.6%</td>
</tr>
<tr>
<td>All Others</td>
<td>126,045</td>
<td>29.4%</td>
</tr>
<tr>
<td>Total</td>
<td>429,360</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce; see Exhibit GEN-7.

Accordingly, imports of Aluminum Foil from China are not negligible with the meaning of 19 U.S.C. § 1677(24)(A)(i).
D. **Aluminum Foil Imports from China Are Causing Material Injury to the Domestic Industry**

In determining whether the domestic industry has been injured by reason of the imports under investigation, the statute directs the Commission to consider:

1. **The Volume of Aluminum Foil Imports from China Is Significant and Increasing**

The volume of unfairly-priced Aluminum Foil imports from China is significant in absolute terms and has increased rapidly during the past three years. The absolute volume of imports from China is significant, with China being by far the largest source of Aluminum Foil imports into the U.S. market. **See Exhibit GEN-7.** In 2016, imports from China accounted for 70.6 percent of total U.S. imports. **See id.** Imports of Aluminum Foil from China have also surged into the U.S. market during the period of investigation ("POI"). Imports from China increased significantly from 218.6 million pounds in 2014 to 303.3 million pounds in 2016, representing an increase of 38.8 percent in absolute terms from 2014-16. **See id.** This increase in the volume of Aluminum Foil imports from China accounted for all of the total increase in U.S. imports of Aluminum Foil during the POI and grew faster than U.S. demand. **See id.**
The market share shifts that occurred from 2014 to 2016 provide compelling evidence of the causal nexus between subject import market penetration and declines in the U.S. industry’s shipments. Subject import market shares increased from [ ] percent in 2014 to [ ] percent in 2016 – a gain of [6.0] percentage points. Id. At the same time, the domestic industry’s market share fell from [ ] percent in 2014 to [ ] percent in 2016, a decline of [ ] percentage points. Id. Non-subject imports decreased by [2.0 Points] over the POI. Id. Thus, the entire [ ] percentage point decline in market share by the domestic industry was due to the increase of imports from China. Id.

2. Unfairly-Traded Aluminum Foil Imports from China Have Caused Significant Negative Price Effects on the Domestic Industry

Aluminum Foil is a price-sensitive product. The increasing volumes of low-priced, dumped, and subsidized Aluminum Foil imports from China have caused significant negative price effects on domestic producers of Aluminum Foil. Price underselling by unfairly-traded imports of Aluminum Foil from China has significantly depressed the prices at which domestic producers have sold Aluminum Foil during the POI.

a. Subject Imports Have Undersold Domestically-Produced Aluminum Foil by Substantial Margins, Causing the Domestic Industry Lost Sales, Lost Revenue, and Price Depression

Evidence reasonably available to Petitioners indicates that the surge in Aluminum Foil imports from China coincided with significant underselling by subject imports. As reflected in U.S. producers’ average unit values ("AUVs"), U.S. Aluminum Foil prices declined significantly over the POI due to widespread and significant underselling of U.S. producers’ prices. See Exhibit GEN-8.

Based on domestic producers’ examples of lost sales as set forth in Exhibit GEN-9, import prices from China show consistent, significant, and widespread underselling of U.S. producers’
prices. The underselling and declining prices of imports from China resulted in the depression of U.S. producer prices during the 2014-2016 period. See Exhibits GEN-8 and GEN-9. As U.S. producers were forced to reduce their prices to compete with low-priced subject imports, domestic producers’ prices fell over the period. The substantial price declines occurred as imports from China surged into the U.S. market and undersold the domestic producers’ prices. As discussed below, the price depression exerted by the subject imports on domestic producers’ prices has, in turn, led to a deterioration of U.S. producers’ profitability levels.

b. Identification of Aluminum Foil Products for Which Petitioners Request Collection of Pricing Data

Pursuant to section 207.11(b)(2)(iv) of the Commission’s regulations, 19 C.F.R. § 207.11(b)(2)(iv), Petitioners recommend that the Commission collect pricing data on the following Aluminum Foil products:

**Product 1**: Aluminum 1XXX, standard tempers, 0.00025-0.0003 inch thickness, width 30-70”, matte/bright.

**Product 2**: Aluminum 1XXX, standard tempers, 0.00031-0.0005 inch thickness, width 30-70”, matte/bright.

**Product 3**: Aluminum 8XXX, standard tempers, 0.0004-0.0014 inch thickness, width 12-18”, mill finish.

**Product 4**: Aluminum 8XXX, standard tempers, 0.002-0.0039 inch thickness, width 11” to 31.375”, mill finish.

**Product 5**: Aluminum 8XXX, standard tempers, 0.004-0.0078 inch thickness, width 11” to 31.375”, mill finish.

**Product 6**: Aluminum 3XXX, standard tempers, 0.002-0.0033 inch thickness, width 0.5-2”, mill finish.

**Product 7**: Aluminum 3XXX, standard tempers, 0.0034-0.0078 inch thickness, width 0.5-10”, mill finish.
These price descriptors account for a significant percentage of sales of Aluminum Foil made in the United States during the past three years and, accordingly, are the appropriate products for the Commission's analysis and comparison of U.S. producer and import prices.

3. **Unfairly Traded Aluminum Foil Imports from China Have Had A Significant Negative Impact on the Domestic Aluminum Foil Industry**

   In assessing whether the domestic industry is materially injured by reason of unfairly traded imports, the Commission considers relevant statutory factors reflecting the state of the domestic industry. See 19 U.S.C. § 1677(7)(c)(iii). The domestic Aluminum Foil industry has suffered material injury by reason of subject imports, as manifested in the market share lost to the unfairly traded imports, suppressed and depressed U.S. prices, and resultant weakness and deterioration of key U.S. industry trade and financial indicators. The significant volume of subject imports that has undersold domestically-produced Aluminum Foil has caused reductions in U.S. production and shipments. The reduction in domestic sales volume, as well as depression of U.S. prices by subject imports, has resulted in lost sales, decreased employment, and financial deterioration. These data, described in more detail below, provide evidence of a causal link between the rising volume of imports of dumped and subsidized Aluminum Foil from China and the material injury being suffered by the U.S. industry producing Aluminum Foil.

   a. **Decreasing U.S. Shipment and Production Trends and Low Capacity Utilization Rates for Aluminum Foil Demonstrate the Material Injury Caused by Subject Imports**

   The substantial increase in subject imports' share of the U.S. Aluminum Foil market has resulted in the domestic industry's loss of market share and sales volume, as well as production declines. Domestic production and shipments both decreased during the 2014-16 period. See

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5 The data in Exhibit GEN-8 represent actual performance information reported by U.S. producers of Aluminum Foil supporting these petitions during the past three years.
Exhibit GEN-8. The displacement of U.S. producer sales by unfairly-traded subject imports led to reductions in the domestic industry's capacity utilization. By 2016, the U.S. industry was utilizing only [ ] percent of its capacity. See id. The domestic industry has ample capacity to produce Aluminum Foil to supply customers' requirements, but has been unable to supply more Aluminum Foil to the market due to the loss of sales and market share to the high volume of lower-priced, dumped, and subsidized subject imports.

In addition, the loss of U.S. market share over the past three years has had a negative effect on domestic industry employment. Specifically, the hours worked by production and related workers ("PRWs") and wages paid to PRWs by U.S. producers supporting these petitions declined from 2014 to 2016. See id. The growth in the volume of unfairly-priced subject imports is directly affecting the livelihood of workers in the United States.

b. U.S. Producers' Low Operating Income Demonstrates the Injurious Impact of the Substantial Volumes of Low-Priced Aluminum Foil Imports from China

The financial performance of the domestic Aluminum Foil industry has experienced an extended deterioration as a result of unfairly traded imports from China. The domestic industry's net sales value declined significantly over the past three years, falling from [ ] in 2014 to [ ] in 2016, a decrease of [ 20 ] percent. See Exhibit GEN-8. This decline reflects both the decline in net sales quantity and the price depression experienced by the domestic industry. See id. The significant decline in the U.S. producers' unit net sales from [ ] per pound in 2014 to [ ] per pound in 2016 is evidence of such price depression. See id.

The increasing volumes of low-priced imports that continually undercut U.S. producers' prices resulted in declining operating profits for the U.S. industry. See id. The domestic producers'
operating profits declined from [ ] percent in 2014 to [ ] percent in 2015, then increased slightly to [ ] percent in 2016. See id. The poor financial condition throughout the POI of the domestic Aluminum Foil industry is directly related to declining sales and revenues resulting from increased volumes of unfairly-priced subject imports.

c. U.S. Producers Have Lost Sales and Revenues to Unfair Aluminum Foil Imports from China

The existence of a causal link between the rising volume and market share of imports of Aluminum Foil from China and U.S. producers' declining profits and market share is corroborated by the lost sales and lost revenue information collected and attached as Exhibit GEN-9. This exhibit identifies instances in which U.S. producers of Aluminum Foil supporting these petitions lost sales to unfairly traded Aluminum Foil imports from China, as well as transactions in which such domestic producers lost revenues as a result of being forced to lower their prices in response to competing bids from unfairly traded subject imports from China. See id. This evidence of lost sales and revenues ties the financial performance of the domestic industry to the injurious price and volume impact of dumped and subsidized subject imports.

4. Conclusion

All of the indicators of material injury are present in this case. The volume of subject imports was significant both absolutely and relatively; increased dramatically over the POI with imports from China surging from 2014 to 2016; and reached their highest levels of market penetration in 2016. The subject imports systematically undersold the domestic product, causing domestic prices to fall. The domestic industry [trends in financial Performance] from 2014 to 2016. Subject imports also adversely affected production, capacity utilization, and employment during the POI.
E. **Subject Imports Threaten Domestic Producers with Additional Material Injury**

In determining whether subject imports threaten a domestic industry with material injury, the Commission must consider a number of factors, including:

- A significant rate of increase of the volume or market penetration of imports of the subject merchandise;
- Price effects of the subject imports;
- The nature of any countervailable subsidies; and
- Existing unused production capacity or potential increases in production capacity in the exporting country.\(^6\)

All of these factors support a finding by the Commission that domestic producers of Aluminum Foil are vulnerable, and that the subject imports of Aluminum Foil from China threaten the domestic industry with further material injury.

1. **The Domestic Aluminum Foil Industry Is Vulnerable to Material Injury from Subject Imports**

   The starting point for the Commission’s assessment of threat is whether the domestic industry is vulnerable to material injury by reason of the subject imports.\(^7\) In assessing vulnerability, the Commission considers the various indicators of performance for the industry, with particular weight given to the industry’s performance at the end of the POI.\(^8\)

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\(^8\) Seamless Refined Copper and Tube from China and Mexico, USITC Pub. 4193 at 34.
Domestic producers of Aluminum Foil are extremely vulnerable to further material injury by reason of subject imports. As discussed above, U.S. producers [financial trends] Accordingly, the Commission should determine that the domestic Aluminum Foil industry is vulnerable to material injury by reason of subject imports.

2. **The Volume of Subject Imports Has Increased Rapidly**

The Act provides that “a significant rate of increase of the volume or market penetration of imports of the subject merchandise” shall be considered in determining whether the domestic industry is threatened with material injury from the subject imports. See 19 U.S.C. § 1677(7)(F)(i)(III). There have been dramatic increases in both the volume and market penetration of subject imports over the POI.

As discussed above, the volume of subject imports increased by 38.8 percent between 2014 and 2016. See Exhibit GEN-4. Moreover, subject imports have increased faster than the increase in demand for Aluminum Foil, an indicator of threat. Subject import volume rose by 38.8 percent from 2014 to 2016, while apparent domestic consumption grew by [ ] percent over the same period. See Exhibit GEN-7. This substantial increase in subject imports in the face of relatively stable demand is evidence of a threat of material injury.

Producers and exporters in China have also demonstrated the ability to rapidly increase their penetration of the U.S. Aluminum Foil market over the POI. Subject imports’ share of the U.S. market quickly rose from [ ] percent in 2014 to [ ] percent in 2016 – a gain of [60] percentage points. Id. At the same time, the domestic industry’s market share fell from [ ]

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9 See, e.g., Chlorinated Isocyanurates from China and Japan, Inv. Nos. 701-TA-501 and 731-TA-1226 (Final), USITC Pub. 4494 (Nov. 2014) at 35.
percent in 2014 to \[ \] percent in 2016, a decline of \[ 4.9 \] percentage points. Id. This rapid U.S. market penetration demonstrates how quickly subject imports have increased and displaced U.S. producers.

3. The Subject Imports Have Had Demonstrable Adverse Price Effects That Are Likely to Continue

The Act provides that in determining whether the domestic industry is threatened with material injury, the Commission shall consider “whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports.” See 19 U.S.C. § 1677(7)(F)(i)(IV). The discussion above demonstrates that subject imports have had such effects. In particular, the rise in the volume of low-priced subject imports - that accelerated in 2016 - led to a sharp decline in prices for the domestic product at the end of 2015 through 2016. With continued large (and increasing) volumes of subject imports, at prices substantially underselling the domestic like product, further declines in domestic prices likely will continue. Thus, this statutory factor also shows that the domestic industry is threatened with additional material injury from subject imports.

4. The Chinese Government Encourages Exportation of Subject Merchandise Through Countervailable Subsidies

As part of its threat analysis, the Commission must consider “if a countervailable subsidy is involved” and, in particular, “whether the countervailable subsidy is a subsidy described in Article 3 or 6.1” of the WTO Agreement on Subsidies and Countervailing Measures. See 19 U.S.C. § 1677(7)(F)(i)(I). Article 3 of the WTO Subsidies Agreement addresses subsidies that are prohibited because they are contingent on export performance or on the use of domestic over
imported goods.\textsuperscript{10} As demonstrated in Volume III of this petition, subject producers in China have received countervailable subsidies, including export subsidies and import substitution subsidies.

Among the more significant of these are:

- Export loans provided to Aluminum Foil producers at preferential rates by government authorities where receipt of the financing is contingent on export;
- Export assistance grants provided to Aluminum Foil producers to assist in the development of export markets or to recognize export performance; and
- Preferential income tax treatment for Aluminum Foil producers that upgrade their manufacturing operations with domestically-manufactured equipment.

See Petition Volume III at Section II.

a. \textbf{Subject Producers Have Massive New and Unused Capacity, Indicating the Likelihood of Substantially Increased Imports}

The Act provides that in making a threat determination, the Commission shall consider “any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports.” See 19 U.S.C. § 1677(7)(F)(i)(II). The Commission will also consider whether other export markets are available to the subject producers that could absorb excess production. Id. In this case, the availability of capacity for increased exports to the United States strongly supports an affirmative threat determination.\textsuperscript{11}

According to [\textit{Source}] Chinese entities currently have the capacity to produce approximately \textit{[]} pounds (or \textit{[]} metric tons) of Aluminum Foil. See Exhibit GEN-10. Moreover, Aluminum Foil producers in China are producing at levels well


\textsuperscript{11} \textit{See Chlorinated Isocyanurates from China and Japan}, USITC Pub. 4494 at 36; Polyethylene Retail Carrier Bags from Indonesia, Taiwan, and Vietnam, Inv. Nos. 701-TA-462 and 731-TA-1156-1158 (Final), USITC Pub. 4144 at 25-26 (Apr. 2010).
below their capacity. Table 3 shows the estimated production capacity of Aluminum Foil producers in China in 2016, along with their estimated production, amount of unused capacity, and excess capacity as a percentage of total capacity.

### TABLE 3

**PRODUCTION CAPACITY, PRODUCTION, AND EXCESS CAPACITY, 2016**

*(in million pounds)*

<table>
<thead>
<tr>
<th></th>
<th>Capacity</th>
<th>Production</th>
<th>Excess Capacity</th>
<th>Excess Capacity as a Share of Total Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>4,400</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [ ] (appended at Exhibit GEN-10).

As Table 3 shows, China’s excess capacity in 2016 was over [ ] pounds. Total exports to the United States in 2016 were 303.3 million pounds, or about [3.0] percent of total capacity. Notably, China’s excess capacity of nearly [ ] pounds was [ ] than U.S. consumption of approximately [ ] billion pounds in 2016. See id. and Exhibit GEN-8.

Thus, Chinese producers have the ability to increase exports of Aluminum Foil to the United States significantly without encountering any capacity constraints.

**b. Summary**

The domestic Aluminum Foil industry is currently experiencing material injury as a result of unfair imports from China. As difficult as the current situation is, if recent trends persist, the domestic industry is threatened with an even bleaker future. Chinese producers have demonstrated their ability to increase rapidly exports to the United States of extremely low-priced Aluminum Foil that undersells domestic producers by substantial margins. In light of the recent trends in pricing and volume of unfair imports, producers and exporters in China are likely to continue their
low-priced, high-volume assault on the U.S. market, absent the restraining effects of antidumping and countervailing duty orders.

V. CONCLUSION

For the reasons stated in these petitions, Petitioners request that the U.S. Department of Commerce and the U.S. International Trade Commission initiate antidumping and countervailing duty investigations of Aluminum Foil from China.

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VOLUME I EXHIBITS

Exhibit GEN-1A  Industry Support Data
Exhibit GEN-1B  Company Contact Information
Exhibit GEN-2  Excerpts from HTSUS Chapter 76
Exhibit GEN-3  Chinese Aluminum Foil Producers and Exporters
Exhibit GEN-4  Volume and Value of U.S. Imports
Exhibit GEN-5  List of U.S. Importers
Exhibit GEN-6  ASTM Specifications for Aluminum Foil
Exhibit GEN-7  Apparent Domestic Consumption and Market Share
Exhibit GEN-8  U.S. Aluminum Foil Producers' Trade and Financial Data
Exhibit GEN-9  Lost Sales and Lost Revenue Data
Exhibit GEN-10  Capacity and Production Data