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

**ANTIDUMPING AND COUNTERVAILING DUTY PETITIONS
ON BEHALF OF WEBB WHEEL PRODUCTS, INC.**

***CERTAIN BRAKE DRUMS FROM THE PEOPLE'S REPUBLIC OF CHINA AND
TÜRKIYE***

VOLUME I: GENERAL ISSUES AND INJURY

Jim Dougan
Michael MacGregor
ION ECONOMICS, LLC
2021 L Street, NW Suite
101 PMB 297
Washington, DC 20036
(202)-964-7344

Sydney H. Mintzer
Ravi Shah
Michelle Ng
Fabian Rivelis
Sr. International Trade
Advisor Valerie Denaburg
International Trade Analyst
MAYER BROWN LLP
1999 K Street, NW
Washington, DC 20006
(202) 263-3000

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*Counsel to Webb Wheel Products,
Inc.*

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I. INTRODUCTION

These petitions are submitted to the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (the “Commission” or “ITC”) pursuant to sections 701 and 731 of the Tariff Act of 1930, as amended (the “Act”)¹ by Webb Wheel Products, Inc. (“Webb” or “Petitioner”) for relief from dumped and subsidized imports of gray cast iron brake drums weighing more than 50 pounds with an actual or nominal inside diameter of 14.75 inches or more but not over 16.6 inches (“subject brake drums”) from the People’s Republic of China (“China”) and Türkiye (“Turkey”). As discussed below, Petitioner accounts for over 50 percent of subject brake drum production in the United States and, therefore, represents the U.S. industry within the meaning of sections 702(c)(4) and 732(c)(4) of the Act.²

Petitioner alleges that subject brake drums, which are described in detail in Section II.E, *infra*, from China and Turkey are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731(1) of the Act.³ Petitioner further alleges that the Governments of China and Turkey are providing countervailable subsidies with respect to the manufacture, production, and export of subject brake drums within the meaning of Section 701(a)(1) of the Act.⁴ Petitioner also alleges that the unfairly traded imports are a cause of material injury to the U.S. industry producing subject brake drums and threaten to cause further material injury if remedial action is not taken.

For the reasons detailed below and supported by evidence attached, Petitioner therefore requests that antidumping duties be imposed on imports of the subject merchandise from China and Turkey in an amount equal to the amount by which the normal value exceeds the export

¹ 19 U.S.C. §§ 1671a(c)(4), 1673a(c)(4).

² *Id.*

³ 19 U.S.C. § 1673.

⁴ 19 U.S.C. § 1671(a)(1).

price or constructed export price of the merchandise. Petitioner also requests that countervailing duties be imposed on imports of the subject merchandise from China and Turkey in an amount equal to the net countervailable subsidies.

These petitions set forth relevant information reasonably available to Petitioner and are filed in conformity with the requirements of section 351.202 of Commerce’s regulations and section 207.11 of the Commission’s regulations.⁵

II. GENERAL INFORMATION

A. Identification of Petitioner

This petition is filed on behalf of Webb Wheel Products, Inc. (“Webb”):

Webb Wheel Products, Inc.
2310 Industrial Drive SW
Cullman, AL 35055-6331
Contact: Johnathon Capps
Telephone: 256-775-7535
Email: jcapps@webbwheel.com

Webb is a U.S. manufacturer of brake drums, and therefore meets the definition of a “manufacturer, producer, or wholesaler in the United States of a domestic like product” within the meaning of section 771(9)(C) of the Tariff Action of 1930 (the “Act”). 19 U.S.C. § 1677(9)(C). Brake drums are also commonly used in an assembly, consisting of a hub and other minor parts (“drum-hub assemblies”), as explained below in subsection D.

B. U.S. Industry Support for Petition

Commerce shall determine that petitions have been filed by or on behalf of the domestic industry if (1) the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like product; and (2) the domestic producers or workers who support the petition account for more than 50 percent of the production of the

⁵ 19 C.F.R. §§ 351.202 and 207.11.

domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Webb is a domestic producer of gray cast iron brake drums weighing more than 50 pounds with an actual or nominal inside diameter of 14.75 inches or more but not over 16.6 inches, and accounts for over 50 percent of the total production of the domestic like product.

Exhibit I-1. To Petitioner’s knowledge, the only other U.S. producer of subject brake drums during 2023 (and currently) was Accuride Corporation, through its brand Gunite Wheel End Components. *See Exhibit I-7.* As such, Webb’s support of the petition satisfies both of the above statutory requirements within the meaning of 19 U.S.C. § 1673a (c)(4)(A).

C. Petitioner Has Not Sought Previous Import Relief for the Subject Merchandise

Webb has not filed for import relief pursuant to section 337 of the Act, 19 U.S.C. § 1337, or section 201 or 301 of the Trade Act of 1974, 19 U.S.C. §§ 2251 or 2411, or section 232 of the Trade Expansion Act of 1962, 19 U.S.C. § 1862, with respect to the subject merchandise. To Petitioner’s knowledge, the subject merchandise has not been subject to previous antidumping and/or countervailing duty investigations under sections 702 and 732 of the Trade Act of 1930, as amended (the “Act”) (19 U.S.C. §§ 1671a and 1673a). As such, currently, there are no antidumping or countervailing duty orders on the subject merchandise from China or Turkey.

D. Tariff Classification and Requested Scope Language

This petition covers certain brake drums, made of gray cast iron, weighing more than 50 pounds with an actual or nominal inside diameter of 14.75 inches or more but not over 16.6 inches for use in commercial vehicles. These brake drums are classified under the Harmonized Tariff Schedule of the United States (“HTSUS”) number 8708.30.5020 as “Brake Drums Of Vehicles Of Headings 8701 to 8705.” Because Headings 8701 to 8705 describe tractors, motor

vehicles for transport of more than ten people, passenger cars, motor vehicles for the transport of goods, and special purpose motor vehicles, HTSUS number 8708.30.5020 covers a broader range of merchandise than in-scope brake drums. Brake drums may enter under HTSUS number 8708.30.5020 or 8708.30.5090 when combined with a hub to form an assembly. These HTSUS numbers are provided for convenience purposes only. The written description of the scope is dispositive.

Based on the product description and production process described in the sections below, this petition requests the following scope language:

The merchandise covered by this investigation is certain brake drums made of gray cast iron, whether finished or unfinished, with an actual or nominal inside diameter of 14.75 inches or more but not over 16.6 inches, weighing more than 50 pounds. Unfinished brake drums are those which have undergone some turning or machining but are not ready for installation. Subject brake drums are included within the scope whether imported individually or with non-subject merchandise (for example, a hub), whether assembled or unassembled, or if joined with non-subject merchandise. When a subject drum is imported together with non-subject merchandise, such as, but not limited to, a drum-hub assembly, only the subject drum is covered by the scope.

Subject merchandise also includes finished and unfinished brake drums that are further processed in a third country or in the United States, including, but not limited to, assembly or any other processing that would not otherwise remove the merchandise from the scope of these investigations if performed in the country of manufacture of the subject brake drums. The inclusion, attachment, joining, or assembly of non-subject merchandise with subject drums either in the country of manufacture of the subject drum or in a third country does not remove the subject drum from the scope. The scope of this investigation does not include any products already covered by the AD and CVD Orders on certain chassis and subassemblies thereof from the People's Republic of China (A-570-135; C-570-136).

The scope also excludes composite brake drums that contain more than 40% steel by weight, while certain brake drums that meet the above criteria and that contain 40% or less steel by weight are within the scope.

E. Physical Characteristics

The subject brake drums are made of gray cast iron and have an actual or nominal inside diameter of at least 14.75 inches but not more than 16.60 inches and weigh more than 50 pounds. Brake drums are primarily manufactured for sale directly, or sometimes combined with a disc hub to create drum-hub assemblies, which are essentially a brake drum fastened to a disc hub using several nuts. Additional information on the physical characteristics of the subject brake drums is provided at **Exhibit I-2**.

F. Manufacturing Process

Webb has four manufacturing facilities located in Alabama, Arkansas, and Indiana that produce brake drums. The manufacturing process for subject brake drums begins with a casting. Castings are loaded into a de-palletizer machine. The machine stacks different brake drums on various input lines to match a specific brake drum stock keeping unit (“SKU”) number to a machine number. Next, the brake drums are guided to an automated paint booth that uses a machine to apply paint by certain specifications. Once painted, the brake drums travel down automated conveyor lines to the correct machining center. Machine fixturing for hundreds of brake drum SKU numbers is stored in a tooling room. Operators ensure the correct tooling/fixturing is delivered to each computer numerical control (“CNC”) machine based on a master sheet and production schedule. Operators also ensure the correct CNC program is loaded and check the part revision against the printed or digital blueprint located at each operator’s station. After verification, an initial batch of brake drums is machined and key control characteristics (“KCCs”) are verified before full production. The first step to the multi-step machining process is machining the outer diameter and overall height of the brake drum. Step two is machining the brake surface. In step three, the inside backface, pilot diameter, and outside

backface are machined. Finally, the bolt holes and wear indicator, if applicable, are machined. Once machining is complete, CNC machines measure and verify KCC dimensions.

Each machined brake drum is then treated with a rust preventative coating to the machined surfaces and dried before inspection. A certified inspector visually inspects each machined part for material defects. After the inspector clears the part, it is then distributed to the balancer, pen stamper, rework, or scrap as needed.

Balanced brake drums require a special machine to perform a 3-step operation to ensure brake drums are “balanced” according to industry specification. First, parts feed into a weigh station that measures the brake drum’s outer diameter, correctly identifies the part, and then measures the imbalance of the brake drum. Second, the part is transferred to a milling station that removes a specified amount of material from the outer diameter of the brake drum, inherently “balancing” the brake drum. Third, the brake drum is transferred to an audit station that again measures the drum to ensure it falls within industry specifications. Separately, drum-hub assemblies are manufactured by fastening a brake drum to a disc hub using several nuts.

Every brake drum receives a date stamp for serialization and traceability purposes. The date stamp can indicate: plant location, machining day and shift, machining cell location, and machining operator. Brake drums may also have a scannable barcode label on the inner machined surface for producers to organize drums by specifications. Brake drums are then labeled to the applicable product label and stored for sale. Attached at **Exhibit I-3** is a production diagram for subject brake drums and drum-hub assemblies.

G. End Uses and Customer Expectations

The subject brake drums are a component of the braking system for motor vehicles principally designed for the transport of persons or goods, including but not limited to short and

long-haul freight carriers, and a wide variety of trucks and trailers. These brake drums are used primarily, although not exclusively, on heavy-duty trucks and trailers. Customers use the subject brake drums on trucks and trailers, both as original equipment and replacement parts for the braking system. The brake drum rotates along with the wheel and axle. When brakes are applied, the slack adjuster turns the S-cam to force the brake shoes against the brake drum, which causes friction that slows down the motor vehicle.

H. Channels of Distribution

The subject brake drums are sold primarily in two channels of distribution: original equipment (“OE”) and aftermarket (“AFM”). OE manufacturers purchase subject brake drums as first-fit production parts to be installed on new trucks and trailers. AFM suppliers purchase subject brake drums to supply replacement drums to dealers, end-users, or independent warehouse distributors. Despite the two channels of distribution, subject brake drums are the same product manufactured with the same specifications, and, in fact, subject brake drums sold in the OE channel are also sold in the aftermarket. *See Exhibit I-4.*

I. Countries of Exportation

The brake drums subject to this petition are produced in China and Turkey.

J. Known Chinese and Turkish Producers and Exporters of Subject Merchandise

Based upon information reasonably available to Petitioner, lists of Chinese producers and exporters and Turkish producers and exporters of brake drums are included in **Exhibit I-5**.

Information reasonably available to Webb does not allow it to identify the proportion of total exports to the United States accounted for during the most recent 12-month period by the producers and exporters listed in **Exhibit I-5**. *See* 19 CFR § 351.202(b)(7)(i)(A).

K. Names and Addresses of the U.S. Importers

Based upon information reasonably available to Petitioner, a list of importers of Chinese and Turkish brake drums is included in **Exhibit I-6**.

III. THE U.S. INDUSTRY HAS BEEN MATERIALLY INJURED BY REASON OF DUMPED AND SUBSIDIZED IMPORTS FROM CHINA AND TURKEY

A. The Legal Standard

The Commission must determine whether a domestic industry is materially injured — or is threatened with material injury — by reason of dumped or subsidized (“unfairly traded”) imports.⁶ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁷ When assessing if a domestic industry is materially injured, or threatened with material injury, “by reason of” unfairly traded imports, the Commission examines the “significance” of the volume and price effects of such imports, and the impact of those imports on the condition of the domestic industry.⁸ In assessing the impact of unfairly traded imports on the state of the industry, the Commission must account for the prevailing conditions of competition in the United States for the subject imports and the domestic like product.⁹

Under the “by reason of” standard, the Commission must “ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between the subject imports and material injury.”¹⁰ At the same time,

the “by reason of” standard {does not} require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such

⁶ See 19 U.S.C. § 1673(2); 19 U.S.C. § 1671(a)(2).

⁷ 19 U.S.C. § 1677(7)(A).

⁸ See *id.* at § 1677(7)(B)(ii).

⁹ See *id.* at §1677(7)(C)(iii).

¹⁰ *Boltless Steel Shelving Units Prepackaged for Sale from China*, USITC Pub. 4565 at 10, Inv. Nos. 701-TA-523 and 731-TA-1259 (October 2015) (Final) (“*Boltless Steel Shelving Units*”) (citing *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008)).

as non-subject imports, which may be contributing to overall injury to an industry. It is clear that the existence of injury caused by other factors does not compel a negative determination.¹¹

As discussed below, the data presented in the petition show that the volume, increase in volume, and pricing of subject imports have been a significant cause of the decline in the domestic industry's performance during the period of investigation ("POI"). Subject imports were more than a minimal or tangential cause of injury and none of the material injury that Petitioner ascribes to subject imports was caused by "other factors."

B. The Domestic Like Product and the Domestic Industry

To determine whether an industry in the United States is materially injured or threatened with material injury by reason of subject imports, the Commission first defines the "domestic like product" and the "industry."¹² The statute defines the relevant domestic 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."¹³ In turn, the statute defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."¹⁴ The Commission applies the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis generally considering six non-dispositive factors: (1) physical characteristics and uses; (2) common manufacturing facilities, production processes, and production employees; (3) interchangeability; (4) channels of distribution; (5) customer and producer perceptions of the product; and, where appropriate (6) price.¹⁵ The

¹¹ *Id.* at 11-12.

¹² *See* 19 U.S.C. § 1677(4)(A).

¹³ *Id.*

¹⁴ *Id.* at § 1677(10).

¹⁵ *See Changzhou Trina Solar Energy Co., Ltd. v. U.S. International Trade Comm'n*, 100 F. Supp. 3d 1314, 1319-26 (Ct. Int'l Trade 2015), *aff'd on other grounds*, Ct. No. 2016-1053 (Fed. Cir. 2018); *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007).

Commission looks for clear dividing lines among possible domestic like products and disregards any minor variations.¹⁶

1. Brake Drums Constitute a Single Domestic Like Product

The starting point for the Commission's domestic like product inquiry is the imported merchandise within the scope of the investigation, as described above. The domestically manufactured products corresponding to the imported merchandise are subject brake drums, as defined above. All subject brake drums sold in the U.S. market, regardless of the country of manufacture, are interchangeable because all conform to the same manufacturing standards and meet the same industry standards. *See Exhibits I-2 and I-7.* For example, domestic brake drums and subject imports are interchangeable because the drums conform to certain specifications, like brake surface diameter, bolt hole size, pilot diameter, and flange thickness, among others. The subject brake drum, whether manufactured domestically or abroad, is not different, and serves as a key component in the braking system of heavy-duty vehicles, as described below.

Physical characteristics and end uses: The subject brake drums are made of gray cast iron and have an actual or nominal inside diameter of at least 14.75 inches but not more than 16.60 inches. The subject brake drums weigh more than 50 pounds. The subject brake drums are primarily manufactured for sale directly, or sometimes combined with a disc hub to create a drum-hub assembly, which is completed by fastening a brake drum to a disc hub using several fasteners. Subject brake drums are a component of the braking system for heavy duty trucks and trailers. Additional information on the physical characteristics of brake drums is provided at **Exhibit I-2.**

¹⁶ *See Nippon Steel Corp. v. United States*, 19 CIT 450, 455 & n.4 (1995); S. Rep. No. 96-249 at 90-91 (1979).

Manufacturing facilities, production processes, and production employees: Facilities and employees required to manufacture subject brake drums are identical regardless of the specific end use or channel of distribution.

The brake drum production process starts with castings, which are then de-palletized by machine. The machine stacks different brake drums on various input lines to match a specific brake drum SKU number to a machine number. Next, the brake drums are painted and sent to the correct machining center. Machine fixturing is stored in a tooling room. Operators ensure the correct tooling is delivered to each CNC machine and the correct CNC program is loaded at their respective stations. After verification, an initial batch of brake drums is machined and KCC are verified before full production. The first step to the multi-step machining process is machining outer diameter and overall height of the brake drum. Step two is machining the brake surface. In step three, the inside backface flat, pilot diameter, and outside brake backface are machined. Finally, the bolt holes and a patented wear indicator, if applicable, are machined. Once machining is complete, CNC machines use an automated probe to measure and verify KCC dimensions.

Each machined brake drum then receives a rust preventative coating to the machined surfaces. The parts are dried and then inspected for material defects. After the inspector clears the part, it is then distributed to the balancer, pen stamper, rework, or scrap as needed. This inspection process is standardized, and inspectors engage in a similar process to ensure drums are manufactured to industry specifications. This process is similar across the industry.

Balanced brake drums require an additional three-step process to ensure the drums are balanced according to industry specification: (i) the parts feed into a weigh station to measure the drum's outer diameter and measure the imbalance of the drum; (ii) the part is transferred to a

milling station to remove a specific amount of material from the drum to balance the drum; and, (iii) the part is transferred to an audit station to ensure the drum falls within industry specifications. Separately, drum-hub assemblies are manufactured industry-wide by fastening a brake drum to a disc hub using several nuts.

Finally, brake drums receive a date stamp for serialization and traceability, which can indicate plant location, machining day and shift, machining cell location, and machining operator. Brake drums may also have a scannable barcode label on the inner machined surface for producers to organize drums by specifications. Brake drums are then labeled to the applicable product label and stored for sale. *See Exhibit I-3.*

Interchangeability: All subject brake drums are used for the same application, as a component of the braking system for heavy duty trucks and trailers. Subject brake drums are used as new or replacement parts of the braking system because subject brake drums are sold in both OE and AFM channels of distribution, as explained below. Brake drums produced in the United States are interchangeable with those produced in China, Turkey, or anywhere else, because they are made to the same specifications, such as brake surface diameter, bolt hole size, pilot diameter, and flange thickness, among others. *See Exhibits I-2 and I-7.*

Channels of distribution: Subject brake drums are primarily sold in two channels of distribution: OE and aftermarket. OE manufacturers use subject brake drums as new parts installed on new trucks and trailers and aftermarket suppliers supply replacement brake drums to dealers, end-users, or independent warehouse distributors. Subject brake drums sold in OE and aftermarket channels are not distinct; rather, subject brake drums have the same specifications and meet the same industry standards. In fact, drums sold to OE manufacturers are also sold in the aftermarket. *See Exhibit I-4.*

Customer and distributor perceptions: Manufacturers, retailers, distributors, and customers alike consider subject brake drums to comprise the same product: brake drums for braking systems on trucks and trailers needing a drum. Manufacturers, retailers, distributors, and customers view subject imports to be a one-for-one replacement to the domestic like product.

Price: Subject brake drums are products made to a particular industry standard and specification. Thus all brake drums manufactured to the same standard and specifications are interchangeable and compete on the basis of price.

2. The Domestic Industry

The statute defines the domestic 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.”¹⁷ Accordingly, the domestic industry consists of domestic producers of subject brake drums described in Part I.D, above. To Petitioner’s knowledge, it represents the majority of domestic production of subject brake drums during the period of investigation.

C. Subject Imports Surpass the Negligibility Threshold

Pursuant to Section 771(24) of the Act, 19 U.S.C. § 1677(24)(A)(i), imports from any single country are generally considered “negligible” where they account for less than 3 percent of the total import volume of the merchandise under consideration in the most recent 12-month period for which data are available preceding the filing of the petition. Based on information reasonably available to Petitioner, both China and Turkey individually exceed 3 percent of import quantity during the most recent 12-month period. In fact, subject imports exceed 90 percent of total import quantity during the most recent 12-month period, on a cumulated basis.

¹⁷ 19 U.S.C. § 1677(4)(A).

For this purpose, Petitioner used data collected from third party data sources that seek to limit the data presented to the universe of brake drums for heavy duty vehicle applications. See **Exhibit I-8**, which contains the relevant table and dataset.

D. The Commission Should Assess the Volume of and Effect of Imports Cumulatively

Section 771(7)(G)(i) of the Act (19 U.S.C. § 1677(7)(g)(i)) requires the Commission to cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which petitions were filed under section 732(b) on the same day, if such imports compete with each other and with the domestic like product in the United States.¹⁸ The statutory factors mandating a cumulative analysis are met in this case. Specifically, petitions against subject brake drum imports from China and Turkey are being filed simultaneously. Further, none of the statutory exceptions to cumulation applies in this case.¹⁹ Thus, provided there is evidence of a reasonable overlap in competition, cumulation of subject imports is mandatory.

An examination of the factors traditionally considered by the Commission to determine whether a reasonable overlap of competition exists demonstrates that each factor is met in this case. Thus, the Commission should cumulate subject imports because such evidence shows reasonable overlap in competition.

1. Imports From All Subject Countries Are Fungible

Subject brake drum imports from China and Turkey are substitutable with each other and with the domestic like product. Imports from each of the subject countries are generally made by the same processes on similar equipment, and generally have the same basic components and

¹⁸ *Id.* at § 1677(7)(g)(i).

¹⁹ *Id.* at § 1677(7)(g)(ii).

physical properties as the domestic like product. Because brake drums from subject countries are identical and made to the same standards, they are fungible with each other and with the domestic like product. *See Exhibits I-2 and I-7.*

2. All Subject Imports Compete in the Same Geographic Markets

Imports from each of the subject countries compete with imports from the other subject country and with the domestic like product throughout the U.S. market. **Exhibit I-9** shows significant overlap among the subject countries with respect to the ports into which they entered the United States during the POI from 2021 to March 2024. For example, 30 ports featured imports from either China or Turkey, of which 21 featured imports from both China and Turkey. The 21 ports of entry where imports from both sources were present during this period accounted for approximately [] percent of total subject import volume during this period. Brake drums produced in the United States and imported from the subject countries are all currently sold nationwide. For these reasons, this factor supports cumulation of the subject imports.

3. Subject Imports Are Sold Through the Same Channels of Distribution

All subject brake drums, whether produced in the United States or imported, are either (i) sold to OE manufacturers, who supply new parts to manufacturers of trucks and trailers; or, (ii) sold to aftermarket suppliers, who sell replacement parts to dealers, end-users, or independent warehouse distributors. Moreover, the same brake drum sold in the OE channel is also sold in the aftermarket channel. *See Exhibits I-4 and I-7.* Thus, Chinese and Turkish brake drums compete against domestic brake drums and each other in the same channels of distribution. Indeed, as explained in detail below, Petitioner competes regularly against subject imports in both channels. Subject imports are capturing market share from the domestic industry, providing compelling evidence that some customers have switched their purchases from the domestic like product to subject imports. This factor also supports cumulation of the subject imports.

4. Subject Imports Are Simultaneously Present in the U.S. Market

Imports of brake drums from China and Turkey entered the United States in every period during the POI. *See Exhibits I-8 and I-9.* Domestically-produced brake drums also have been available in the U.S. market throughout the POI, in every month from January 2021 through March 2024. Thus, this factor supports cumulation because subject imports competed, and continue to compete, with each other and the domestic like product throughout the POI.

5. Conclusion

Both domestically-produced and subject brake drums, whether imported from China or Turkey, are fungible products that are produced to industry specifications and compete directly against one another. Imports from China and Turkey and the domestic product are sold through the same distribution channels, both OE and aftermarket, and are sold in the same geographic markets. Imports from each subject country and domestically-produced brake drums have been simultaneously present in the U.S. market throughout the POI.

These factors collectively support the conclusion that there is a reasonable overlap of competition between the subject imports and the domestic like product within the meaning of the statute. Accordingly, the Commission should cumulate imports of subject brake drums from China and Turkey in analyzing whether the subject imports have caused material injury to the domestic industry in this case.

E. Conditions of Competition

The conditions of competition in the subject brake drum market make the domestic industry particularly susceptible to injury from unfairly traded imports from China and Turkey. Domestic and subject brake drums are interchangeable and highly substitutable, and compete primarily on the basis of price. Domestic brake drums simply cannot compete because subject imports are sold at cut-rate prices and there are no domestic barriers to subject import surges, as

new entry is demonstrably easy. Moreover, there are no apparent limits to the supply of unfairly traded brake drum imports from the world's largest producer, China. Combined with unfairly traded imports from Turkey, there is no way for the domestic industry to avoid the injurious effect of current and future unfairly traded imports absent trade remedy protection.

1. Domestic and Subject Brake Drums are Interchangeable Products

Domestic and subject brake drums have similar manufacturing processes, the same end uses, and are sold to the same customers through the same channels of distribution. The drums are a crucial component of the braking system for heavy duty trucks and trailers. All brake drums must meet the same standard based on industry specifications, regardless of country of origin. These drums are manufactured to identical specifications for brake surface diameter, bolt hole size, pilot diameter, and flange thickness, among others, making domestic and imported brake drums highly substitutable. *See Exhibits I-2 and I-7.*

Because of a high degree of product interchangeability and economic substitutability, domestic and subject brake drums compete for sales and market share. Subject and domestic brake drums compete for direct sales to U.S. manufacturers, distributors, and retailers, and in turn end-users through sales to OE and AFM suppliers. The domestic industry faces fierce subject import competition. Moreover, as a consequence of the high degree of fungibility between domestic brake drums and subject imports, this competition is primarily on the basis of price.

2. Demand for Brake Drums is Highly Inelastic Making the Domestic Industry Especially Susceptible to Injury

Brake drums have no substitutes for their end uses. Currently, all motor vehicles that utilize subject brake drums require brake drums as a component for their braking system. When brakes are applied, friction between brake drums and other parts of the braking system slow

down the motor vehicle, making brake drums an essential component to the braking system. It is unlikely that brake drums will be replaced by a different product because existing motor vehicles will continue to purchase replacement drums as heavy-duty trucks and trailers remain on America's roadways. This means that each imported subject brake drum, which is interchangeable with a domestic drum, is a one-for-one replacement of domestic production. This is the predicate for the large negative impact of unfairly traded brake drum imports on domestic industry shipments, prices, and profits.

3. Unfairly Traded Subject Brake Drum Imports Face No Barriers to Entering the U.S. Market

The record over the POI shows that there were no barriers to the rapid and injurious increase in volumes of unfairly traded Chinese and Turkish brake drums. Even with Section 301 duties in place on brake drums from China, subject imports have successfully penetrated the domestic market. *See Table 1.* Using unfairly low pricing, manufacturers from subject countries have quickly cemented distribution networks and a large base of customers over the POI. Data show that the volume of subject imports from China and Turkey increased by nearly [] percent from 2021 to 2023. *Id.* The increase in unfairly traded volumes corresponds to a market share increase of [] percentage points from 2021 to 2023 at the expense of the domestic industry. A similar story is told by the increase in subject import volume of [] percent from the first quarter of 2023 to the first quarter of 2024. Thus, in addition to the high degree of economic substitutability of domestic and subject brake drums and its inelastic demand, the lack of barriers to Chinese and Turkish imports makes the domestic industry especially susceptible to unfairly traded imports. Subject imports' share of apparent U.S. consumption increased significantly from [] percent in 2021 to [] percent in 2023 and by a further [] percentage points from the first quarter of 2023 to the first quarter of 2024. *Id.*

4. China and Turkey are the Dominant Global Suppliers of Brake Drums Targeting the U.S. Market

China is among the largest suppliers of automotive parts in the world, and its automotive industry has experienced massive growth over the past two decades. *See Exhibit I-12* at 1 and *Exhibit I-13* at 2. As a result, a condition of competition in the U.S. brake drum market is the ever-present and unending availability of Chinese and Turkish brake drums. China has used its leverage to penetrate the U.S. market, claiming a [] percent market share in 2023. *See Table 1, supra*. Chinese capacity to produce brake drums increased throughout the POI, and, according to the Global Market Monitor, China’s brake disc and brake drum market was expected to reach \$2.253 billion in 2023. *See Exhibit I-14* at 1.

In Turkey, EKU is a producer that exports subject Turkish brake drums to “major American vehicle manufacturers, wholesale spare parts dealers, commercial vehicle manufacturers and major services.” *See Exhibit I-15* at 2. It is “the largest company exporting brake discs and drum brake systems to the USA.” *Id.* In 2022, 90 percent of EKU’s production was exported as it became a top 500 company in the Turkish Exporters’ Association. *See Exhibit I-16* at 3. Because of its success in exporting subject brake drums to the U.S. market, EKU has made significant investments set to be completed by 2024 that will “increase {its} production capacity by 200 percent.” *Id.* at 4. EKU’s trajectory for increased production capacity will likely cement Turkey as a top global supplier of subject brake drums.

Chinese and Turkish prices have a significant impact on the global and U.S. markets. As the evidence contained in this petition demonstrates, and as discussed in more detail below, the overwhelming availability of Chinese and Turkish brake drums at significantly low prices has materially injured the domestic industry and threatens it with further injury if trade remedy is not granted.

F. Subject Imports are a Cause of Material Injury to the Domestic Industry

Subject imports are a cause of material injury to the domestic industry for the reasons explained below. Two critical reasons are: (i) subject imports flooded the U.S. market in 2022, resulting in excess inventory in 2023; and, (ii) subject imports are being sold at prices that are below the domestic industry's cost of production. These conditions resulted in a cost-price squeeze for the domestic brake drum industry during the second half of the POI, causing negative trends in its financial, operation, and employment-related indicators. Without an AD/CVD order on subject imports, the domestic industry will continue to suffer material injury.

1. The Volume of Subject Imports is Significant and Increasing

During the POI, a surge of low-priced subject imports has eroded the domestic industry's market share (despite available capacity) and profitability. To demonstrate these trends, Petitioner has relied on import statistics collected from []. Official U.S. import statistics use classifications for brake drums that are broader than the subject merchandise. Therefore, to be as accurate as possible, Petitioner has culled through [] data for the POI in order to identify shipment volumes to consignees that are reasonably known to Petitioner to import and purchase subject brake drums. The [] dataset is provided at **Exhibits I-10 and I-11**. We have also relied on Webb's data as a proxy for the domestic industry; these data are provided in **Exhibit I-17**.

The volume of unfairly traded subject imports from China and Turkey reflected in **Table 1** is significant in absolute terms and has increased rapidly during the past three years.

Table 1						
		2021	2022	2023	Jan-Mar 2023	Jan-Mar 2024
Quantity in 1,000 Units						
U.S. Producers	[]
Imports from China	[]
Imports from Turkey	[]
China and Turkey Total	[3,502				1,031]
Imports from All Other Sources	[]
Apparent U.S. Consumption	[]
% Share of Quantity in Units						
U.S. Producers	[]
Imports from China	[]
Imports from Turkey	[]
China and Turkey Total	[]
Imports from All Other Sources	[]
Apparent U.S. Consumption	[]

Source: Exhibits I-10, I-11 and I-17.

In 2021, subject imports totaled [3,502 thousand] units. By 2023, subject imports had increased by [] percent, totaling [] units, despite the fact that apparent U.S. consumption fell by [] percent over that period. The trend continued between the interim periods, with subject imports increasing by [] percent to [1,031 thousand] units in the first quarter of 2024 from [] units in the first quarter of 2023.

Subject imports also increased significantly relative to U.S. consumption. Subject imports represented [] percent of the U.S. market in 2021, increasing to [] percent by 2023. Significantly, the sharp increase in subject import market share came at the expense of the U.S. industry, which saw its market share drop from [] percent in 2021 to only [] percent in 2023. This trend continued between the interim periods, with U.S. producers' share falling from [] percent in the first quarter of 2023 to only [] percent in the first quarter of 2024, while

subject import share increased from [] percent to [] percent over the same period. In sum, subject import volumes, and the increase of subject imports, are “significant” and evidence the adverse volume effects of subject imports during the POI.

2. Subject Imports Have Caused Significant Negative Price Effects on the Domestic Industry

a. Subject Imports Have Undersold the Domestic Like Product

Subject imports have consistently undersold U.S.-produced brake drums during the POI. By Q3 2023, subject imports began selling at prices that were below the domestic industry’s cost of production. *See Exhibit I-18.*

The available data from the U.S. Census Bureau also show that subject import average unit values (“AUVs”) from China and Turkey were far lower than the U.S. industry’s U.S. shipment AUVs throughout the POI, as summarized below:

Table 2					
Comparison of Subject Import AUVs vs. U.S. Producers' U.S. Shipments AUVs During POI (\$ per Unit)					
	2021	2022	2023	Jan-Mar 2023	Jan-Mar 2024
U.S. Producers' U.S. Shipments	[]	[]	[]	[]	[]
Imports from China	23.95	32.75	38.37	43.83	33.57
Margin of Underselling	[]%	[]%	[]%	[]%	[]%
Imports from Turkey	60.06	77.12	77.32	65.92	64.46
Margin of Underselling	[]%	[]%	[]%	[]%	[]%
<i>Sources: U.S. Census Bureau Imports for Consumption Data for HTS 8708.30.5020, values are landed, duty-paid; U.S. Producer AUVs based on Exhibit I-17.</i>					

Petitioner expects that pricing data collected by the Commission will provide more definitive evidence of subject import underselling. Petitioner suggests the following pricing products for purposes of the preliminary phase investigation:

Product 1: Value or Economy Brake Drum

Value or economy brake drums are brake drums designed with a 16.5 inch nominal braking surface for a 7 inch wide brake shoe, with an 8.78 inch nominal mounting pilot diameter,

and a final machined weight greater than or equal to 97 pounds and less than or equal to 106 pounds. Do not include drums sold or imported as part of an assembly or finished good.

Product 2: Standard Brake Drum

Standard brake drums are brake drums designed with a 16.5 inch nominal braking surface for a 7 inch wide brake shoe, with an 8.78 inch nominal mounting pilot diameter, and a final machined weight greater than 106 pounds but not greater than 113 pounds. Do not include drums sold or imported as part of an assembly or finished good.

Petitioner recommends that the Commission, in addition to collecting quarterly quantity and value data for shipments by U.S. importers, also collect direct import quantities and values by U.S. importers. Petitioner competes directly against foreign exporters for sales to U.S. importers. See **Exhibit I-19**, [

]; see also **Exhibit I-6**. In this context, collecting direct import quantities and values is consistent with other investigations where U.S. producers compete directly with foreign suppliers on sales to U.S. importer-users.²⁰ Prices should be reported FOB U.S. point-of-shipment, and quantities should be reported in units (*i.e.*, number of drums). Direct import costs should be reported as U.S.-landed duty-paid and quantities also in units. As discussed above, the significant underselling by Chinese and Turkish imports has caused great adverse effects on the prices of domestically-produced subject brake drums.

b. Subject Imports Have Suppressed U.S. Producer Prices to a Significant Degree

Large and increasing volumes of unfairly traded brake drums from China and Turkey have had a significant adverse effect on U.S. prices during the POI. Chinese and Turkish brake

²⁰ *Tool Chests and Cabinets from China*, USITC Pub. 4753 at 27, V-5 Inv. No. 701-TA-575 (January 2018) (Final); *Fine Denier Polyester Staple Fiber from China and India*, USITC Pub. 4765 at 23, V-11, Inv. Nos. 701-TA-579-580 (March 2018) (Final).

drum prices have remained far below U.S. prices throughout the POI, preventing domestic industry price increases that would otherwise have occurred. U.S. prices for brake drums were at an elevated level in 2022 due to increased charges for ocean freight and other logistics costs associated with COVID-driven supply chain issues, but collapsed beginning in 2023 as ocean freight costs normalized and importers from subject countries aggressively took advantage to slash prices and take market share from the domestic industry. This is reflected in **Exhibit I-18. Table 2** above also indicates that U.S. shipment AUVs declined precipitously between the first quarter of 2023 and the first quarter of 2024, from [] to [].

Table 3 Price Suppression During POI					
	2021	2022	2023	Q1 2023	Q1 2024
Net Sales (\$1,000)	[]	[]	[]	[]	[]
COGS (\$1,000)	[]	[]	[]	[]	[]
COGS/ Net Sales	[]%	[]%	[]%	[]%	[]%
<i>Source: Exhibit I-17.</i>					

In addition, subject imports have suppressed U.S. prices. As shown in **Table 3**, while the ratio of Petitioner’s cost of goods sold to net sales revenues declined from 2021 to 2022 (due to the logistics-related price increases discussed above), there has been an increase in the ratio from 2022 to 2023 and a [] percentage point increase during the interim periods. This trend reflects a “cost-price squeeze” that has prevented Petitioner from charging fair prices commensurate with its manufacturing costs, including increasing raw material costs between 2021 and 2023. *See Table 4.*²¹ Therefore, the unfairly traded Chinese and Turkish imports have had significant adverse price effects on the domestic industry.

²¹ Specifically, Petitioner’s raw material costs per unit were [] in 2021 and [] in 2023.

c. Lost Sales and Lost Revenue

Petitioner's completed "Lost Sales and Lost Revenue Allegations Submission Template Form" is included herein at **Exhibit I-19** in accordance with 19 C.F.R. § 207.11(b)(2)(v). These allegations show that imported subject brake drums are squeezing domestic producers out of the market because subject imports are underselling domestic drums. [

] *See Exhibit 18.* We understand that the Commission will issue a "Lost Sales / Lost Revenue Survey" to a broad cross-section of U.S. purchasers in order to evaluate the circumstances where domestic producers have lost sales volumes and/or reduced sales prices in response to subject import pricing during the POI. We are confident that the responses to these surveys will corroborate the allegations in **Exhibit I-19**.

3. The Domestic Industry is Materially Injured By Subject Imports

The adverse volume and price effects discussed above have resulted in material injury to the domestic industry during the POI, as shown in **Table 4** below:

	Table 4 Summary of Petitioner's Output and Financial Performance				
	2021	2022	2023	Q1 2023	Q1 2024
Average Production Capacity (in 1,000 units)	[]	[]	[]	[]	[]
Production (in 1,000 units)	[]	[]	[]	[]	[]
Capacity Utilization	[]%	[]%	[]%	[]%	[]%
Net Sales (\$1,000)	[]	[]	[]	[]	[]
Total Sales Quantities (in 1,000 units)	[]	[]	[]	[]	[]
Raw Materials (\$1,000)	[]	[]	[]	[]	[]
Cost of Goods Sold ("COGS") (\$1,000)	[]	[]	[]	[]	[]
COGS/Net Sales	[]%	[]%	[]%	[]%	[]%
Gross Profit (\$1,000)	[]	[]	[]	[]	[]
Operating Income (\$1,000)	[]	[]	[]	[]	[]
Operating Margins	[]%	[]%	[]%	[]%	[]%
	<i>Source: Exhibit I-17.</i>				

In broad terms, market conditions improved from 2021 to 2022 as the United States emerged from COVID. Prices increased and demand was strong. While imports have always supplied a portion of U.S. demand, in 2022 imports of subject brake drums overshot, shipping far too much product to the United States and leading to an increase in inventories carrying over into 2023. With that inventory overhang, and a return to more normal ocean freight rates, importers from subject countries acted aggressively in 2023 and Q1 2024, selling to customers at cut-rate prices that materially injured domestic producers. This is particularly evident from a comparison of the interim periods, which saw operating income fall by [] percent, operating margins fall

by [] percentage points, and a substantial decline in domestic production ([] percent) and U.S. sales quantity ([] percent), despite available capacity. This was directly attributable to subject imports which, as discussed *infra*, continued to increase over the interim periods, with subject import volume increasing by [] percent and subject import market share increasing by [] percentage points.

Notably, Petitioner’s capacity utilization has consistently declined year after year from [] percent in 2021 to [] percent in 2023, and from [] percent in Q1 2023 to [] percent in Q1 2024. In addition, Petitioner’s operating margins [] from [] percent in 2022 to [] percent in 2023, with a more significant decline evident during the interim period: from [] percent in Q1 2023 to [] percent in Q1 2024. This trend is [], and contrary to basic economic theory, occurred during a period when U.S. demand for subject brake drums was stable. In fact, as with the industry’s other indicators, employment as measured by production-related workers (“PRWs”) declined from an annual peak of [] in 2022 to [] in 2023 (or by [] percent), and from [] to [] (or by [] percent) between the first quarter of 2023 and the first quarter of 2024. *See Exhibit I-17*. Given that the most dramatic decline occurred between the interim periods (when demand was steady), this is another indicator that the domestic industry is suffering current material injury by reason of subject imports.

In short, the domestic brake drum industry experienced a cost-price squeeze and lost sales due to subject imports during the latter part of POI, causing a downward trend in its financial, operational, and employment-related indicators. There can be little doubt that subject imports caused material injury to U.S. producers of brake drums during the POI.

G. Subject Imports Pose an Ongoing Threat of Material Injury to the Domestic Industry

In addition to determining whether there is present material injury, Section 771(7)(F) of the Act requires the Commission to determine whether the domestic industry is threatened with material injury by reason of subject imports. Specifically, the Act directs the Commission to analyze whether “further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted.”²² In doing so, the Commission must examine certain factors, including: (1) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country;²³ (2) a significant rate of increase of the volume or market penetration of imports of the subject merchandise;²⁴ (3) whether subject imports are entering the domestic market 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;²⁵ (4) the actual and potential negative effects on the existing development and production efforts of the domestic industry;²⁶ and (5) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of the subject imports.²⁷ In its analysis, the Commission may not make a determination “on the basis of mere conjecture or supposition,” and must consider the factors “as a whole” in making its determination.²⁸ As described below, the critical factors

²² 19 U.S.C. § 1677(7)(F)(ii).

²³ *Id.* at § 1677(7)(F)(i)(II). In examining unused capacity or imminent, substantial increase in capacity, the Commission is required to take into account the availability of other export markets to absorb any additional exports.

²⁴ *Id.* at § 1677(7)(F)(i)(III).

²⁵ *Id.* at § 1677(7)(F)(i)(IV).

²⁶ *Id.* at § 1677(7)(F)(i)(VIII).

²⁷ *Id.* at § 1677(7)(F)(i)(IX).

²⁸ *Id.* at § 1677(7)(F)(ii).

analyzed by the Commission strongly indicate that the domestic industry is threatened with further material injury.

1. The Chinese and Turkish Brake Drum Industries are Severely Under-Utilized and their Home Markets are Too Small to Absorb Existing and Projected Production Levels

In China, the brake drum industry, which is part of the Chinese auto part industry, is plagued by overcapacity, an oversaturated domestic market, and, as directed by government policies and company initiatives, targets overseas markets especially the lucrative U.S. market.

As noted by an industry source,

{t}he {phenomenal growth} of China’s vehicle manufacturing {over the past two decades} has also enabled the parallel growth of the country’s auto parts industry. Chinese auto parts suppliers have *scaled up* to meet booming demand from domestic automakers. Now, these companies are globalizing through exports, overseas factories, mergers, and acquisitions.²⁹

Meanwhile, the significant expansion of Chinese auto part capacity was fueled by extensive government subsidies and hence divorced from market-based considerations, resulting in “massive” capacity greatly exceeding domestic demand in China. *See Exhibit I-13* at 2-5. The overcapacity and inadequate domestic demand have, in turn, caused Chinese auto part suppliers, including Chinese subject drum producers, to become increasingly more aggressive towards the export markets.

As reported, “{t}he Chinese government has made the auto industry a priority sector for globalization under its Made in China 2025 plan,” under which a wide range of subsidies such as “financial incentives and tax breaks” were provided to auto part suppliers. *Id.* The resulting Chinese capacity is massive – according to calculations based on industry reports, drum demand

²⁹ *Exhibit I-13* at 2 (emphasis added).

in the United States is around [] units,³⁰ while Longkou Haimeng Machinery Co., Ltd. states it can produce 20 million machined parts, including brake drums, *per year* and Laizhou Sanli Auto Replacement, another Chinese producer of heavy duty brake drums, exports most of its 8 million auto parts, including brake drums, to countries in North America, and elsewhere. *See Exhibit I-20* at 1; *Exhibit I-21* at 1.

Yet, Chinese capacity and production far outpaces home market demand and the Chinese industry's focus remains on exports to other countries, including the United States. Indeed, the rapid expansion of Chinese auto part capacity "has also led to intensified competition in the *entire* {Chinese} auto parts market, resulting in a decline in profits across the *entire* industry." *See Exhibit I-22* at 1 (emphasis added). Chinese suppliers have commented that "{t}he domestic market is basically saturated," and due to fierce competition in the Chinese domestic market, these suppliers are "going abroad in groups." *See Exhibit I-22* at 1; *Exhibit I-23* at 1. An industry source has reported, "{a}ccording to data from China Customs, in 2021, China's auto parts exports to the world will reach US\$75.577 billion, a year-on-year increase of 33.76%." *See Exhibit I-13* at 2. Consistently, the Chinese brake drum industry is an export-intensive industry based on all indications. *Id.* at 2-4; *Exhibit I-23* at 1. For example, Shandong Longji Machinery Co., Ltd boasts that it has "sold {products} to more than 50 countries and regions around the world"; Shandong Haoxin Co., Ltd promotes on its website that "{t}he company's products are exported to Europe, North America, Asia and other countries and regions"; Longkou Haimeng Machinery Co., Ltd., describes itself as having "exported to more than 30 countries and regions such as the United States and Europe"; Shandong Hongma Engineering claims it has "exported to Europe, America, Southeast Asia and other countries and regions worldwide"; and Shanxi

³⁰ [

]

Tang Rong Machinery MFG Co., states on its website that its “brake drums have been introduced to North America for more than 20 years” and that its “sales network also expands to Europe, Asia, Australia, Middle East and other regions nowadays.” See **Exhibit I-24** at 1, 4. The export-oriented nature of the Chinese subject industry reflects the severe issues that the Chinese subject producers face in their domestic market.

Brake drum capacity and utilization in Turkey tell the same story. In recent public statements, the CEO of a leading Turkish manufacturer of subject brake drums, EKU (self-described as “Europe’s Largest Drum Manufacturer”),³¹ touted his company’s “strong and modern facilities with robust production capacity” and reported that

{EKU} completed the capacity investment technical feasibility during the pandemic process. {The company} started {its} foundry and machining investment in the last quarter of 2022. With {this} investment to be completed in 2024, {EKU} will increase our production capacity by *200 percent*.³²

Turkish production levels are powered by a Turkish “policy of growth through exports.” **Exhibit I-16** at 1. EKU is similarly export-oriented, boasting that it has “secured its place among the top brake drum export companies with the highest sales abroad.” **Exhibit I-15** at 1. Thus, the doubling of the company’s drum production capacity this year targets export markets, especially the U.S. market, not the Turkish domestic market. **Exhibit I-15** at 2.³³

As discussed above, conditions in Chinese and Turkish markets cannot absorb current production and will not be able to absorb future production, leaving the U.S. market ripe for additional penetration absent relief in this case.

³¹ **Exhibit I-15** at 1.

³² **Exhibit I-16** at 4 (emphasis added).

³³ The company’s website has a section titled: “The campaign leader of the USA is EKU.”

2. The Chinese and Turkish Brake Drum Industries Are Export-Oriented and Unused Capacity Makes the U.S. Market Ripe for Further Penetration

As discussed above, faced with idle capacity and inadequate domestic market demand, both the Chinese and Turkish subject industries are export-oriented and specifically target the lucrative U.S. market to increase their sales and capacity utilization. The significant market penetration achieved by subject foreign producers during the POI speaks for itself. Specifically, U.S. imports of Chinese brake drums have increased significantly between 2021 and 2023, growing from [*3,502 thousand*] units in 2021 to [] units in 2023, and grew by another [] percent in Q1 2024 from Q1 2023. *See Exhibits I-10 and I-11.* U.S. imports of Turkish brake drums also increased between Q1 2023 and Q1 2024, a trend that can reasonably be expected to accelerate significantly once the significant new Turkish capacity comes on-line. *See Exhibit I-10 and I-11; Exhibit I-16 at 4.*

Furthermore, the United States is a large export market for Chinese and Turkish brake drums. The Global Trade Atlas (“GTA”) export data for China and Turkey for the period of 2021–2023 show that the United States has consistently been the largest export market for Chinese brake drum exports. *See Exhibit I-25.* In fact, the United States alone accounted for 33.8 percent of China’s total exports under HTS 8708.30 (in which subject drums are classified) in 2023. *Id.* Moreover, based on [] data, imports of Chinese brake drums into the United States comprised [*2,980 thousand*] units in 2021, which accounted for [] percent of U.S. apparent consumption in 2021 and was only [] percentage points less than the share of the domestic industry. *See Exhibits I-10 and I-11.* As discussed in Section III.E above, volumes of Chinese brake drums increased significantly over the POI, capturing at least [] percent of U.S. apparent consumption, and surpassing domestic industry market share, from 2022 forward.

With its export orientation and substantial unused capacity, Chinese brake drums could easily inundate the U.S. market, driving Petitioner out of the brake drums market.

Similarly, the United States was the second largest market for Turkish exports under HTS 8708.30 throughout that period, and experienced a significant increase by 146.5 percent from 2021 to 2023. In fact, the GTA export data for Turkey show that the United States is well positioned to overtake Germany as the leading market for Turkish exports under HTS 8708.30. *See Exhibit I-25.* With EKU's production capacity scheduled to double this year, Turkish brake drum exports to the United States would likely explode in the imminent future similar to what happened with respect to Chinese subject imports during the POI.

Other evidence also suggests that both foreign subject industries target the United States for their unused capacity. As discussed below, Chinese subject producers have been very aggressive towards the U.S. market and offer increasingly cut-rate prices [

]. *See Exhibit I-18.* Similarly, Turkish producers led by EKU are not shy about their intention with respect to the U.S. market. EKU's main webpage has a section dedicated to the U.S. market, boasting, among other things, that it targets the full range of potential US customers of subject drums:

The campaign leader of the USA is EKU!

The quality of EKU brake parts has already reached out of the borders of Europe, and has succeeded in attracting the attention of major American vehicle manufacturers, wholesale spare parts dealers, commercial vehicle manufacturers and major services. Today, EKU is the largest company exporting brake discs and drum brake systems to the USA. Thanks to its wide logistics network, EKU brings its products together with the manufacturers in a fast and flawless manner. EKU ensures that heavy tonnage vehicles travel around the world safely with the quality of EKU drums.³⁴

³⁴ *Exhibit I-15* at 2.

3. Chinese and Turkish Brake Drums Will Continue to Enter the U.S. Market at Very Low Prices That Will Increase Demand for Such Brake Drums

Imports of Chinese and Turkish brake drums are entering the U.S. market at aggressively low prices. Such low prices will only increase demand further for the subject imports. As an initial matter, the mere availability of Chinese and Turkish imports has had a significant impact on the domestic industry. But their availability at cut-rate prices creates a serious danger for domestic producers. [

]

The harm caused by low-priced Chinese and Turkish drums is evidenced in the domestic industry's financial performance, as shown in **Table 4**. In 2022, subject imports overshot U.S. consumption and flooded the market, thereby starting 2023 with excess inventory. In part because of this excess inventory, and because of the opportunity offered by reduced ocean freight rates, importers from subject countries aggressively sold brake drums at cut-rate prices in 2023 causing a grim result for the domestic industry where operating income fell by [] percent as compared to 2022, its operating margin fell by [] percentage points, domestic production declined by [] percent and U.S. sales quantities declined (by [] percent),

despite available capacity. See **Exhibit I-17**. Subject imports continued to increase over the interim periods, with volume increasing by [] percent and market share increasing by [] percentage points. This led to further declines in the domestic industry's performance between the interim periods, with production falling by [] percent, U.S shipments quantity falling by [] percent, operating income declining by [] percent, and operating margin falling by [] percentage points. *Id.*

With no indication of an end to current Chinese and Turkish market conditions, it is reasonable to expect Chinese and Turkish brake drum producers to continue to increase their exports and offer low priced subject merchandise into the U.S. market into the foreseeable future. Without an AD/CVD order, Chinese and Turkish brake drums will continue to enter the U.S. market at aggressively low prices, thus increasing the demand for subject imports and having substantial negative impacts on the domestic industry – threatening its very survival.

4. Unfairly Priced Subject Imports Will Essentially Eliminate the Domestic Industry

Without an AD/CVD order, the potential for negative effects on the domestic industry's efforts to compete and survive are stark. Unfairly priced subject brake drum imports are being sold at such low prices that the domestic industry cannot compete. [

]

In short, if subject imports continue to be unfairly traded in the U.S. market, the domestic industry’s business will no longer remain viable. This will result in a tremendous loss of domestic jobs and revenue, as U.S. producers will not have any revenue to continue operations, let alone invest in future production.

5. Current Trends Make the Domestic Industry Vulnerable to Unfairly Traded Brake Drum Imports

The domestic industry has experienced negative effects due to low-priced subject imports and faces further negative effects in the imminent future. Overall, the domestic industry has reached a vulnerable position, with a significant drop in its 2023 and interim 2024 financial results. As depicted in **Table 5** below, the 2023 and first quarter 2024 financial results show a substantial drop in the domestic industry’s operating margin. Moreover, as the price of imports from China and Turkey have continued to decline, the domestic industry has experienced a worsening cost-price squeeze since 2022.

Table 5					
Financial Results - Domestic Industry					
	2021	2022	2023	Q1 2023	Q1 2024
COGS/Net Sales	[]%	[]%	[]%	[]%	[]%
Operating Margin	[]%	[]%	[]%	[]%	[]%
<i>Source: Exhibit I-17</i>					

The domestic industry remains extremely vulnerable because subject imports have flooded the market with below-market prices causing the domestic industry to lose customers and market share over the POI. The threat to the domestic industry from subject imports is real and imminent because the domestic industry continues to lose ground to subject imports. Petitioner remains vulnerable to further erosion of its financial and operational condition. Only an AD/CVD order on subject imports can mitigate that threat.

Respectfully submitted,



Sydney H. Mintzer

Ravi Shah

Michelle Ng

Fabian Rivelis

Sr. International Trade Advisor

Valerie Denaburg

International Trade Analyst

MAYER BROWN LLP

1999 K Street, NW

Washington, DC 20006

(202) 263-3000

Counsel to Webb Wheel Products, Inc

Jim Dougan
Michael MacGregor
ION ECONOMICS, LLC
2021 L Street, NW
Suite 101 PMB 297
Washington, DC 20036
(202)-964-7344

Exhibit List

Ex. No.	Description	BPI/Public
I-1	Standing	BPI
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I-5	List of Known Chinese & Turkish Producers & Exporters	Public
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I-7	Affidavit of Jean Gregoire	BPI
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I-10	[] U.S. Import Data – Quarterly Data	BPI
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I-12	Felix Richter, <i>U.S. Car Industry Most Reliant on Chinese Parts</i> , Statista (Feb. 21, 2020)	Public
I-13	The Globalization of China’s Auto Parts Industry	Public
I-14	Global Market Monitor Report	Public
I-15	EKU Overview	Public
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I-20	Longkou Haimeng Machinery Co., Ltd. Website Excerpt	Public
I-21	Laizhou Sanli Auto Parts Co., Ltd. Website Excerpt	Public
I-22	Ling Zhenghe, <i>China Auto Parts is becoming the world’s “supermarket for cheap substitutes”</i> (Jan. 29, 2023)	Public
I-23	Lianyun Net, <i>As “neijuan” intensifies, is going abroad the next hot tide for auto parts?</i> (Mar. 15, 2023)	Public
I-24	Company Websites on Export Operations	Public
I-25	Global Trade Atlas Export Data	Public