Hot-Rolled Steel Products from China, India, Indonesia, Taiwan, Thailand, and Ukraine

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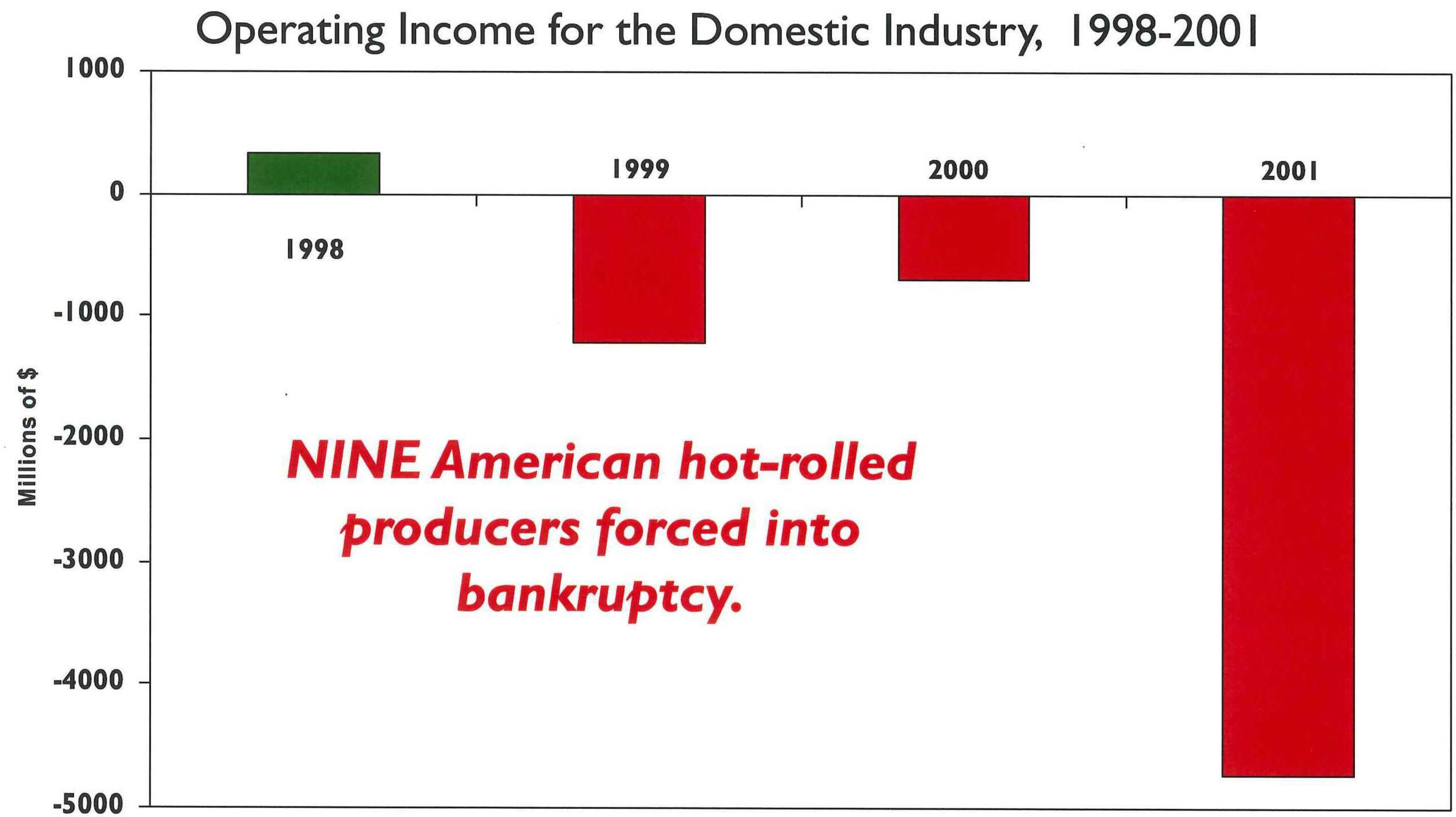
Key Points in this Litigation

- The vast majority of subject producers ***refused even to answer the Commission's questionnaire***;
- Imports from the subject countries helped cause ***one of the worst crises in the history of the domestic industry***;
- The domestic industry survived, ***but was hit by a severe economic crisis that began in 2008***; ***the industry has not fully recovered***;
- Meanwhile, China and the other subject producers have contributed ***to a massive global oversupply***;
- As a result of these facts, ***domestic producers have not been able to obtain a SUSTAINABLE rate of return***;
- If the orders are revoked, subject imports will flood into this market, ***threatening the very future of the industry***.

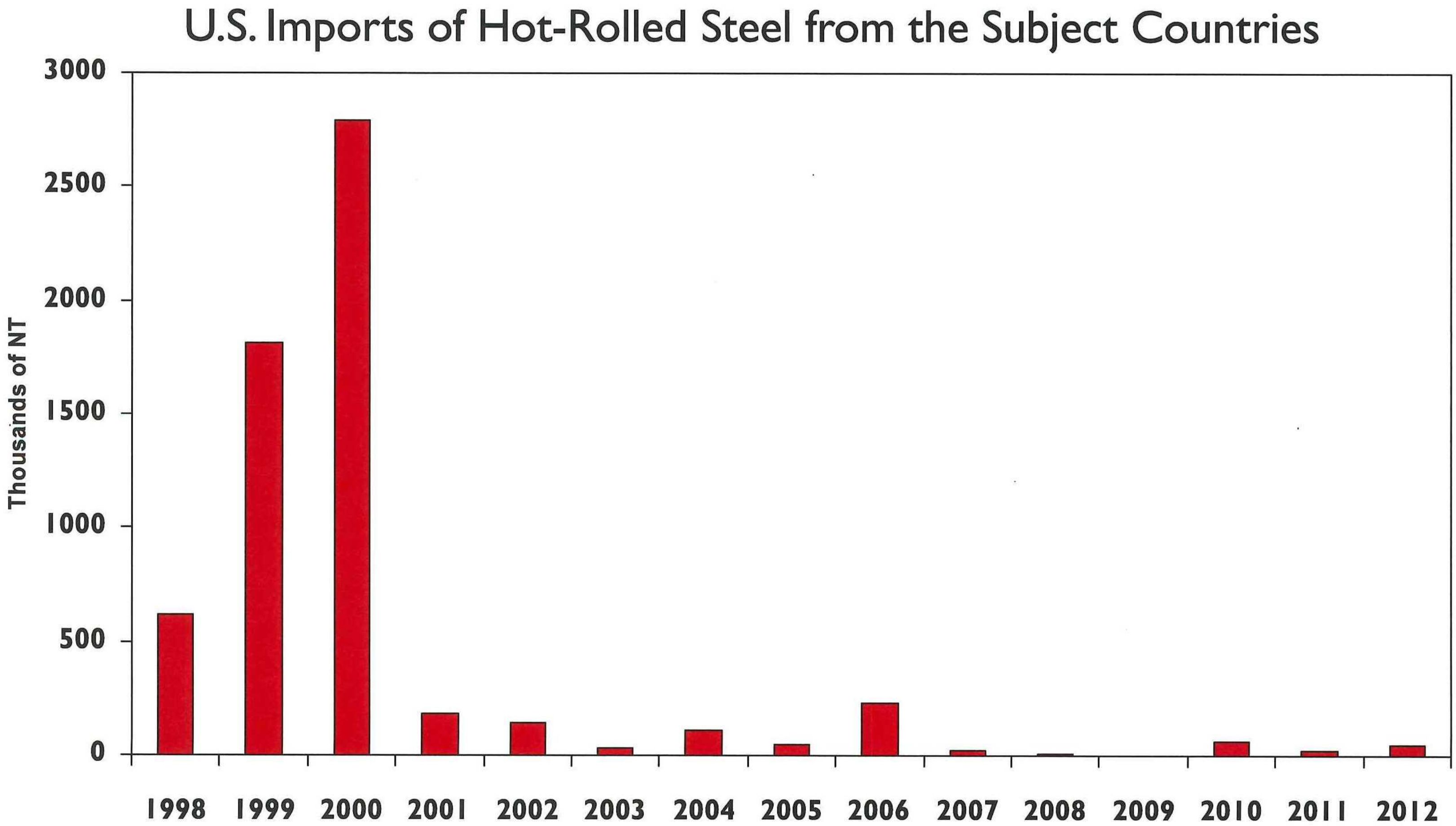
Unfairly-Traded Subject Imports Have Had Devastating Consequences in this Market



Source: Staff Report (Public Version) at I-10 and I-11.

Introduction

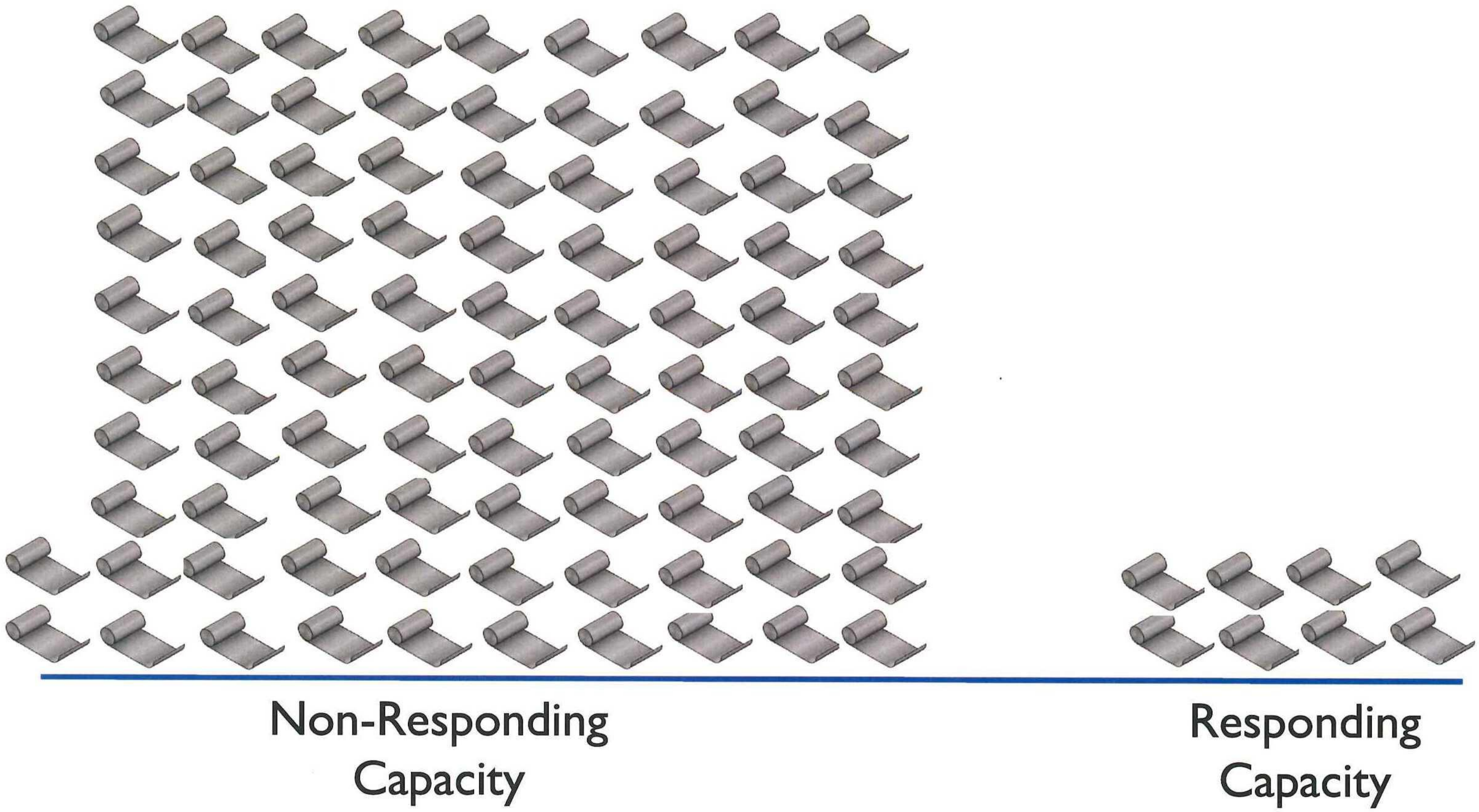
Subject Mills Cannot Make Significant Sales Here Without Cheating



Source: Staff Report (Public Version) at I-10 and I-11.

Adverse Inferences

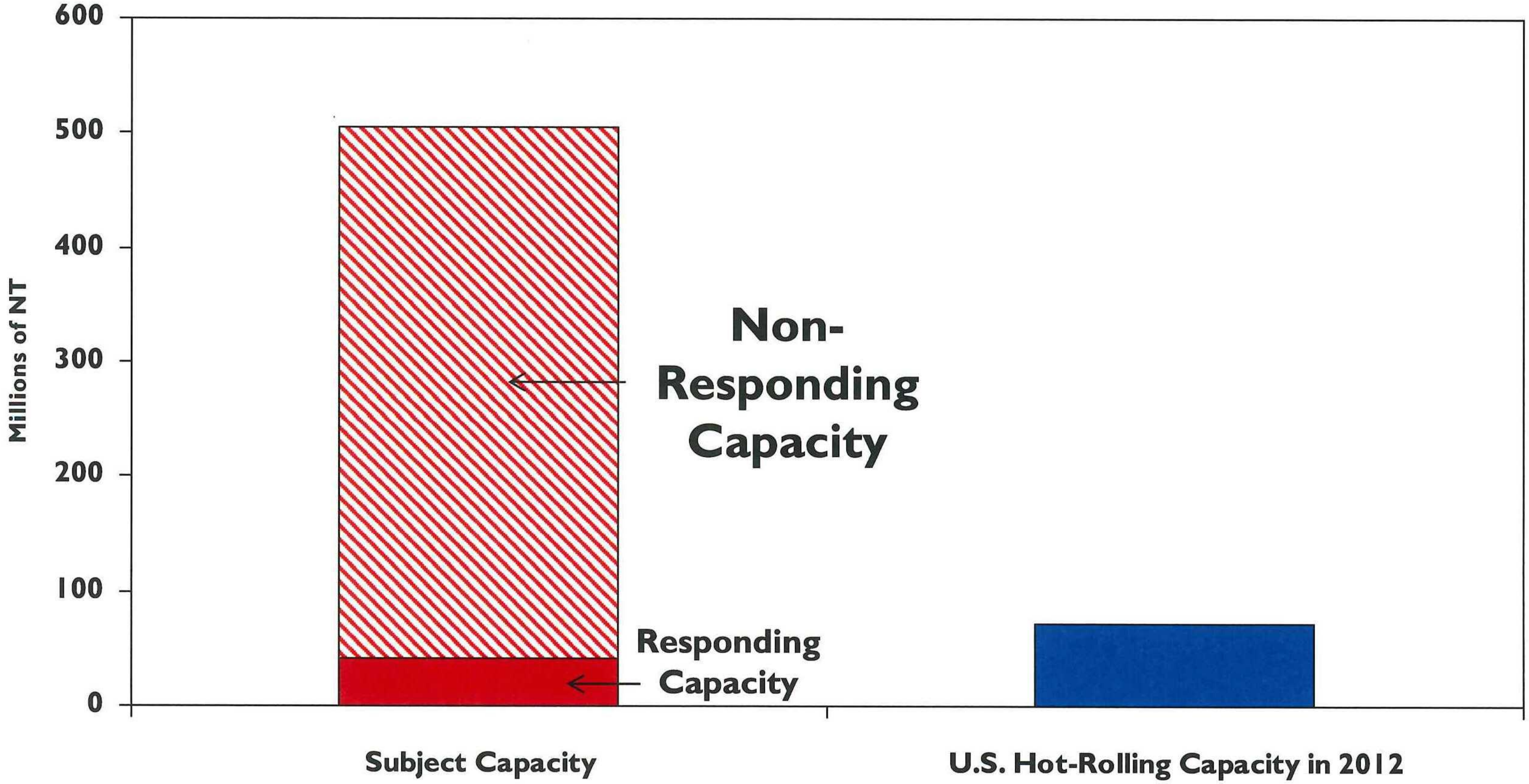
The Commission Has Questionnaire Data for Only about ***8.3 Percent*** of Subject Capacity



Source: For identity of responding mills, see Staff Report at IV-13, IV-15, IV-20, IV-22, IV-29, and IV-35 (Public Version); capacity data from CRU.

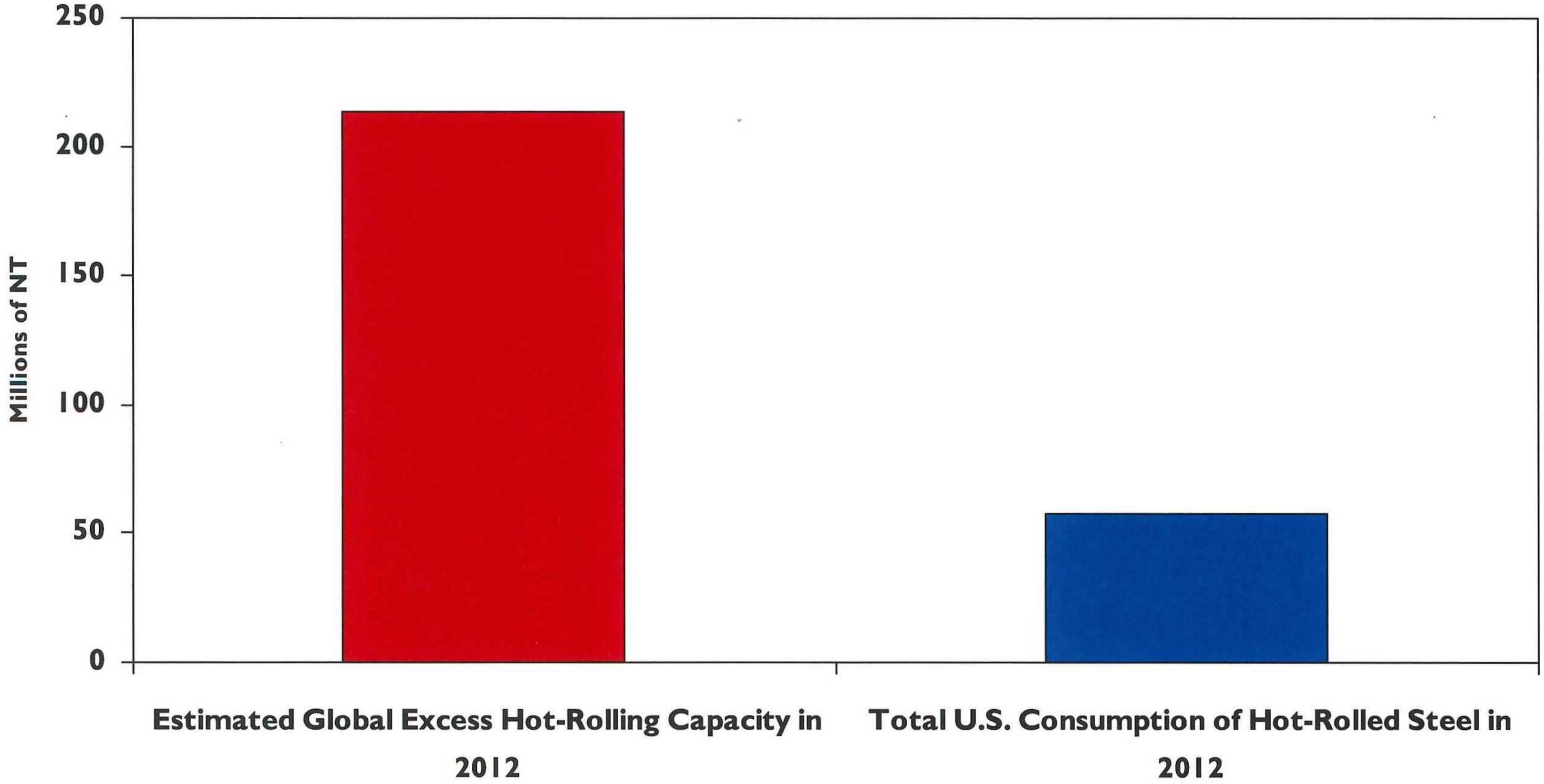
Adverse Inferences

Non-Responding Mills Have Approximately ***460 million NT*** of Capacity



Source: For identity of responding mills, see Staff Report at IV-13, IV-15, IV-20, IV-22, IV-29, and IV-35 (Public Version); capacity data from CRU. For U.S. hot-rolling capacity, see Staff Report at III-11 (Public Version).

CRU Estimates that in 2012, Total Excess Hot-Rolling Capacity Worldwide Was ***Over 213 Million NT***



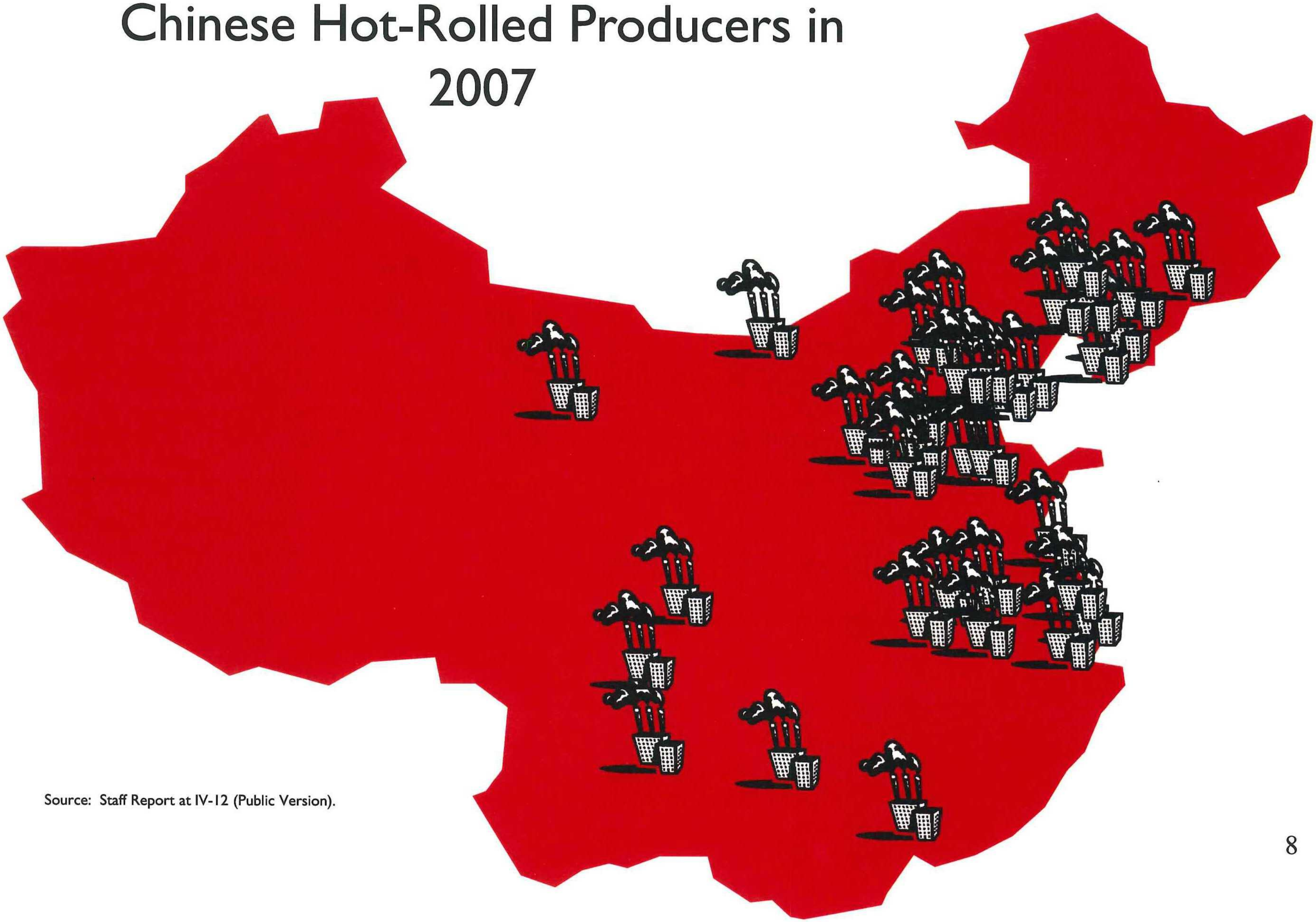
Source: Capacity data from CRU. For data regarding U.S. consumption, see Staff Report at I-9 (Public Version).

Likely Volume

Petitioners Identified **6** Chinese Hot-Rolled Producers in the Original Investigations

Source: *Hot-Rolled Steel Products from Argentina and South Africa*, Inv. No. 701-TA-404 (Final) and Inv. Nos. 731-TA-898 and 905 (Final), USITC Pub. 3446 (Aug. 2001) at IV-12.

Domestic Parties Identified ***35*** Chinese Hot-Rolled Producers in 2007

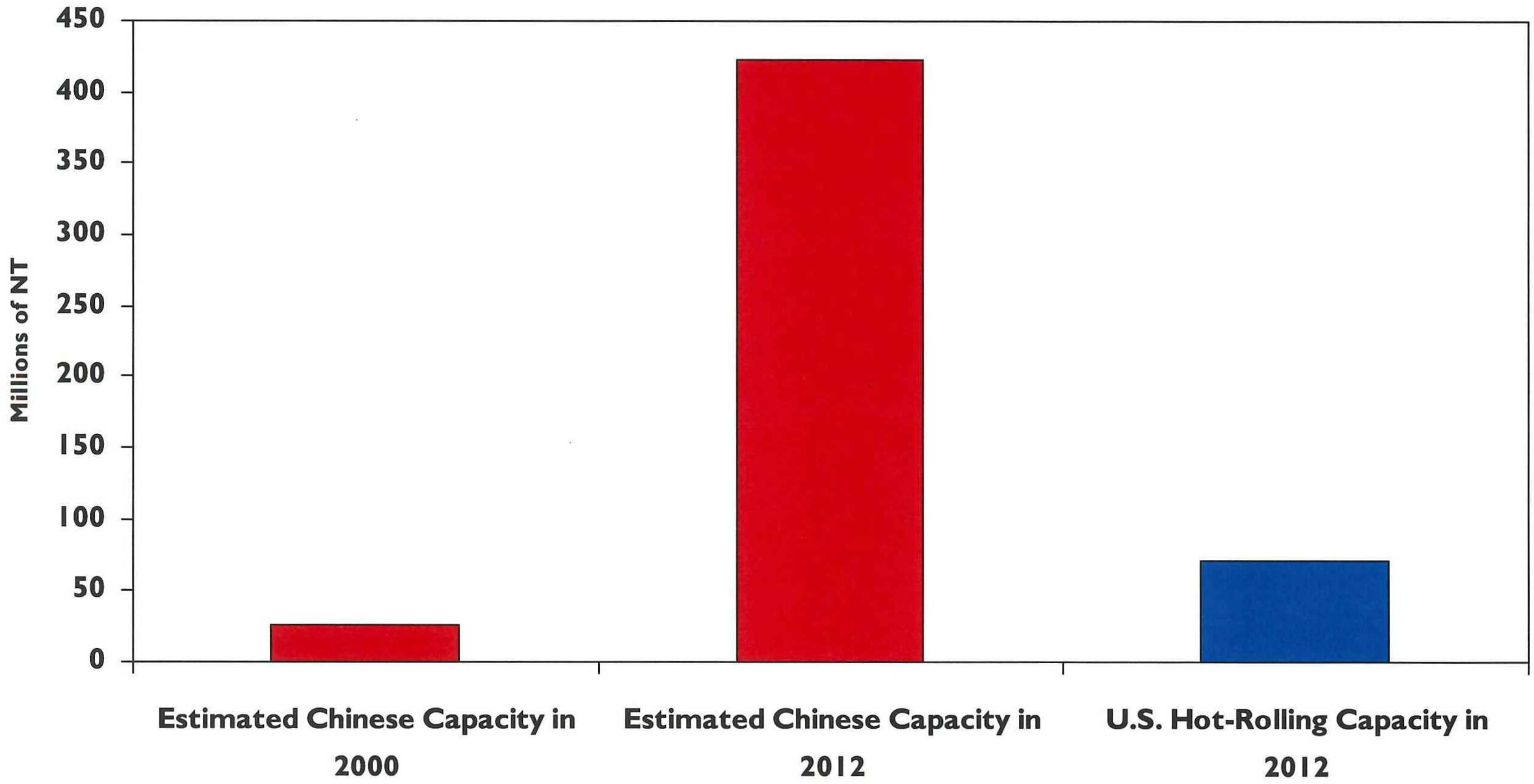


Source: Staff Report at IV-12 (Public Version).

Domestic Parties Identified ***More Than 160*** Chinese Producers in These Reviews

Source: Staff Report at IV-13 (Public Version).

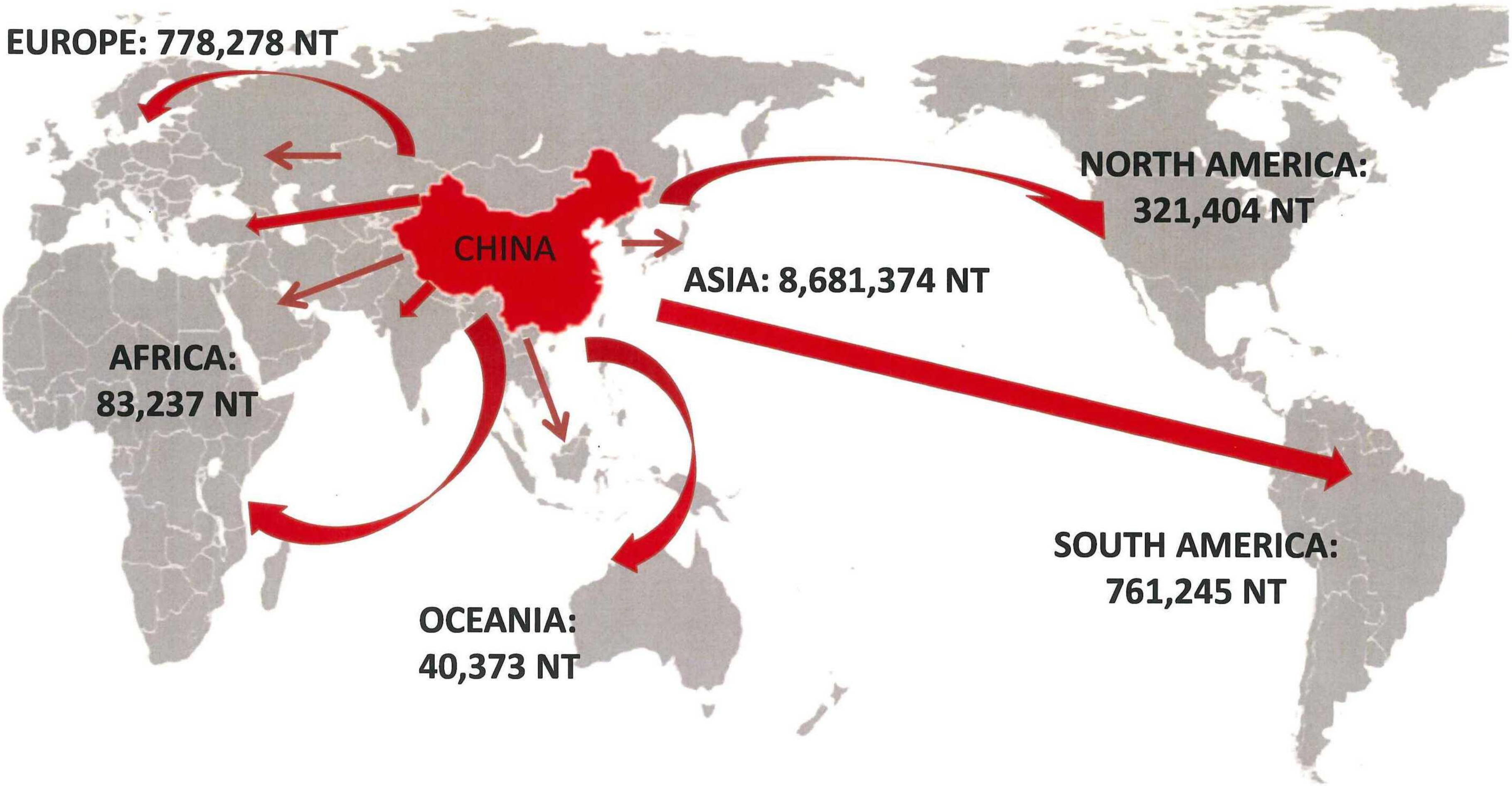
Since 2000, China Has Added Roughly ***400 million NT*** of Hot-Rolling Capacity



Source: Estimate for 2000 capacity based on data reported in 2001 Investigations at VII-3. Estimated Chinese capacity in 2012 from CRU. U.S. hot-rolling capacity in 2012 from Staff Report at III-11 (Public Version).

Chinese Mills Are Flooding Asian Markets, and Shipping Hot-Rolled Steel All Over the World

Likely Volume



Source: China 2012 export data taken from U. S. Steel Pre-Hearing Brief at Exhibit 50 (Public Version).

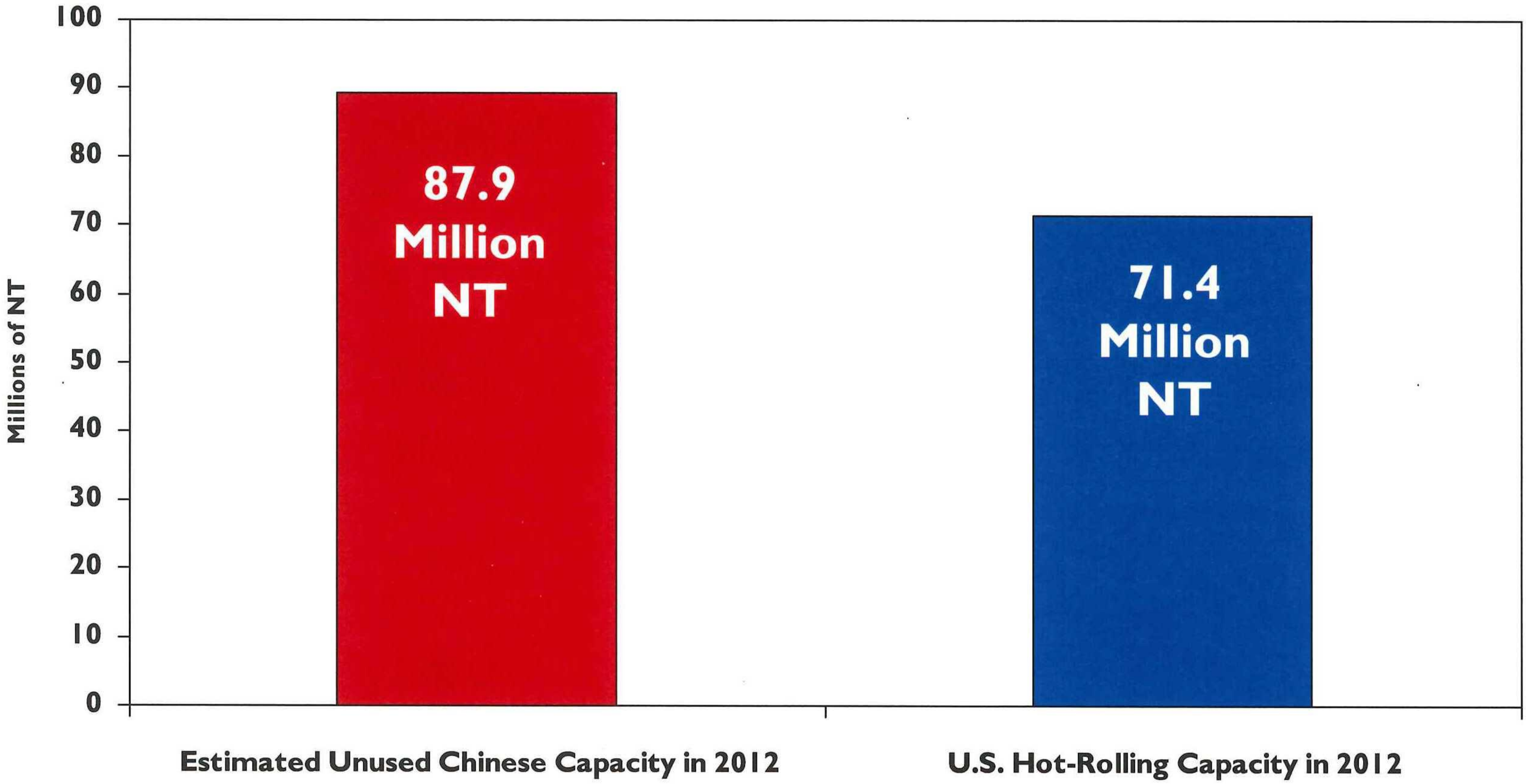
"Frightening Prospect" of Chinese Exports

"Reflecting the ***sizable oversupply and low domestic price for hot-rolled band*** *(which hit a low of $445 per tonne, ex-works excluding the 17 % VAT last September), the Chinese mills since the fall of 2012 have been low price takers on the export market . . . .* ***The Chinese steel mills will likely be active exporters of steel products for years to come, which is a frightening prospect for their competitors elsewhere in the world."***

-- World Steel Dynamics (Aug. 6, 2013)

Likely Volume

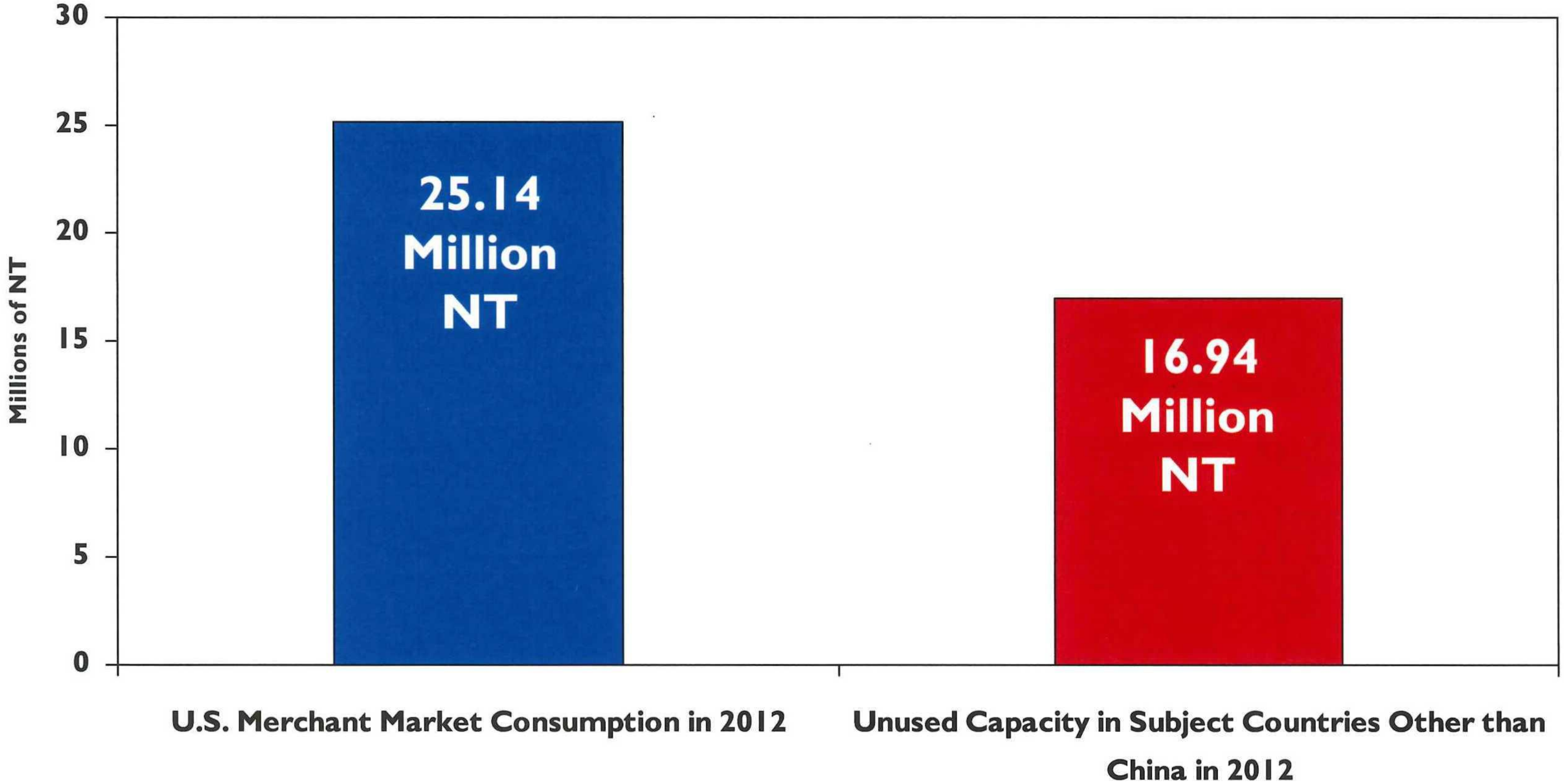
Despite Its Exports, in 2012 China Had More ***Unused*** Hot-Rolling Capacity than the ***Total*** Capacity of U.S. Mills



Source: Data regarding China's unused capacity from CRU; data regarding U.S. hot-rolling capacity from Staff Report at III-11 (Public Version).

Likely Volume

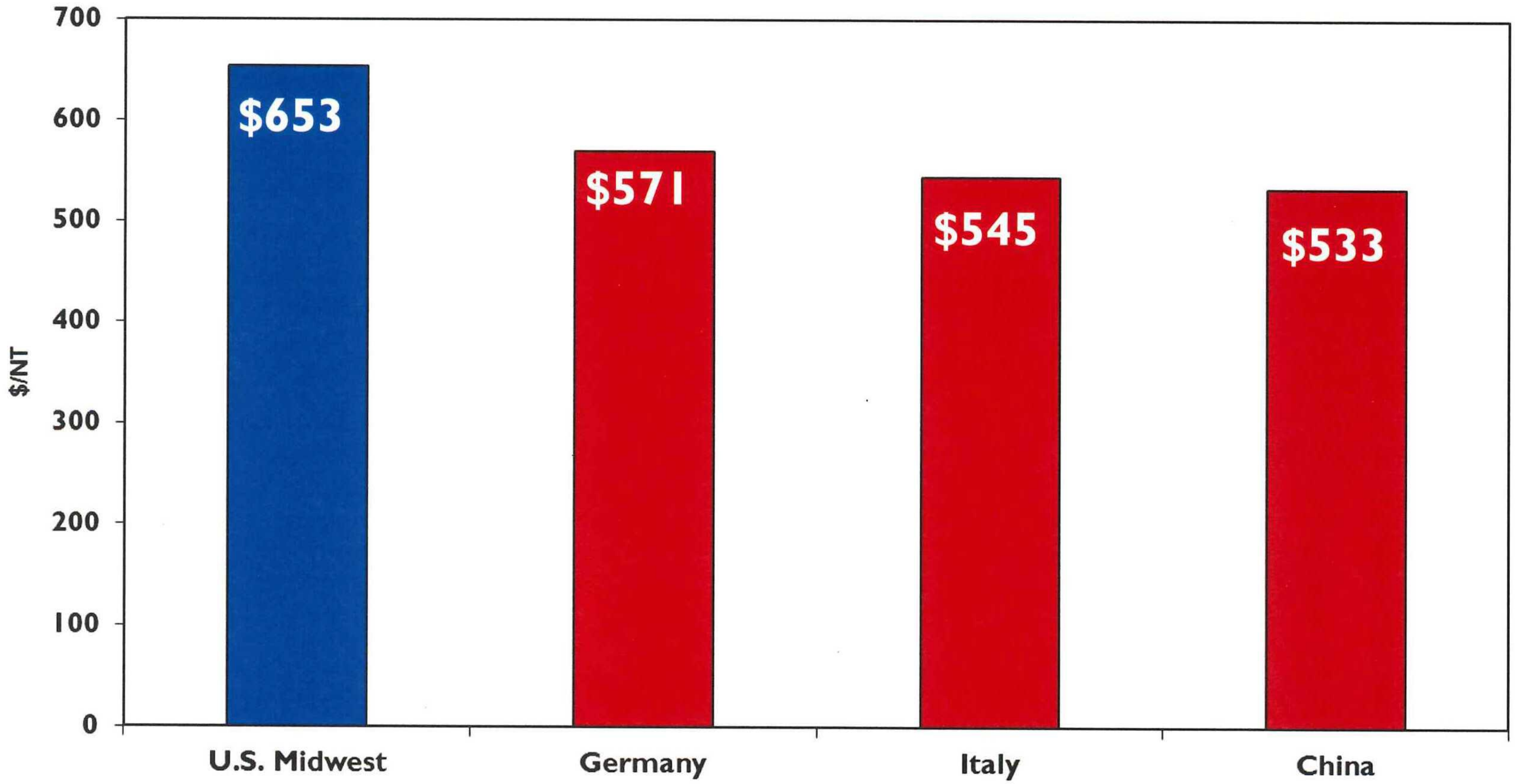
In 2012, Unused Capacity in Subject Countries Other than China Equaled ***67.4 Percent*** of U.S. Merchant Market Consumption



Source: Data regarding unused capacity in the subject countries from CRU; data regarding U.S. merchant market hot-rolling capacity from Staff Report at III-11 (Public Version).

Likely Volume

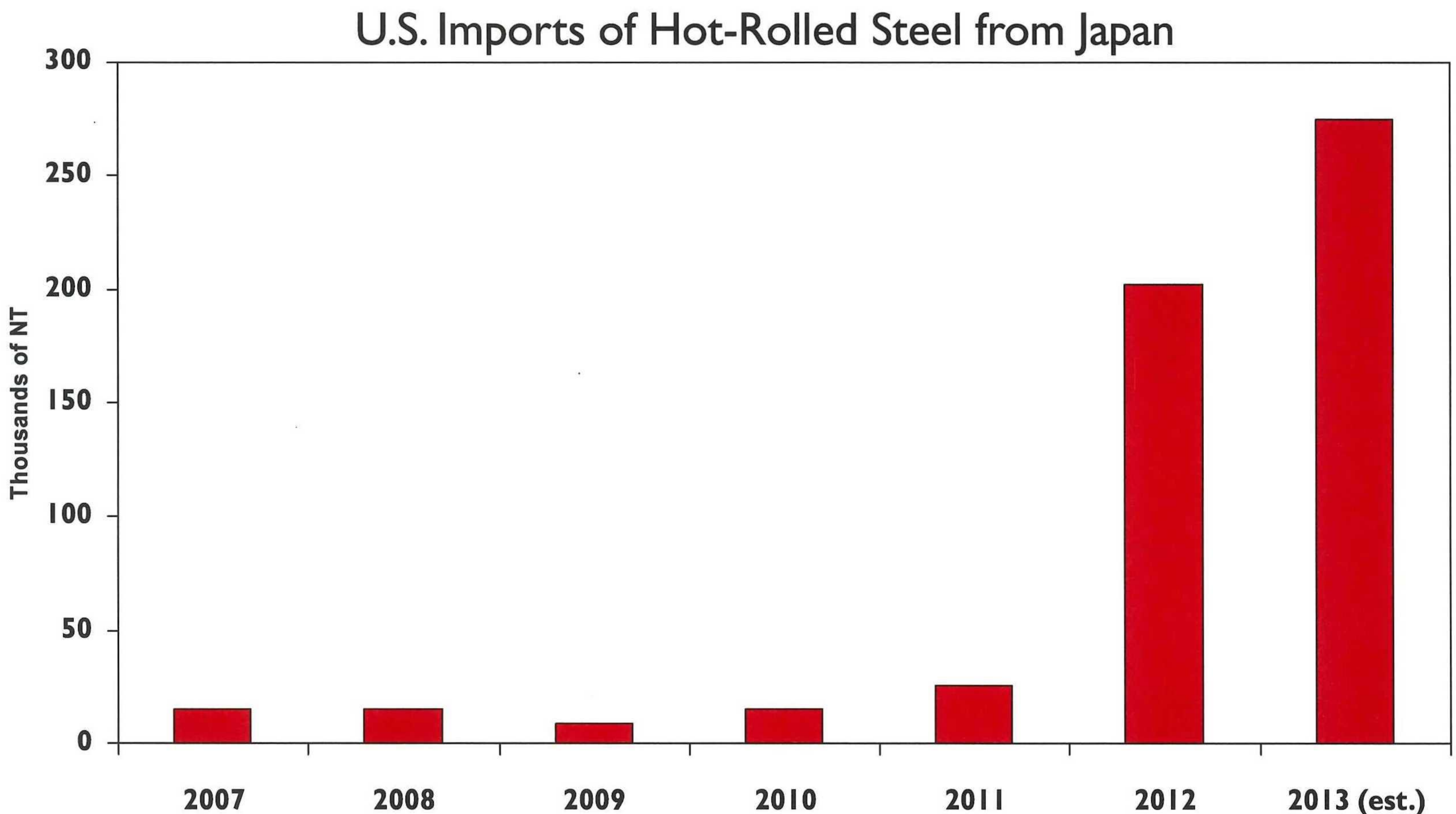
U.S. Prices Are Significantly More Attractive than Prices in Other Markets



Source: CRU Steel Sheet Products Weekly Update (Oct. 16, 2013).

Likely Volume

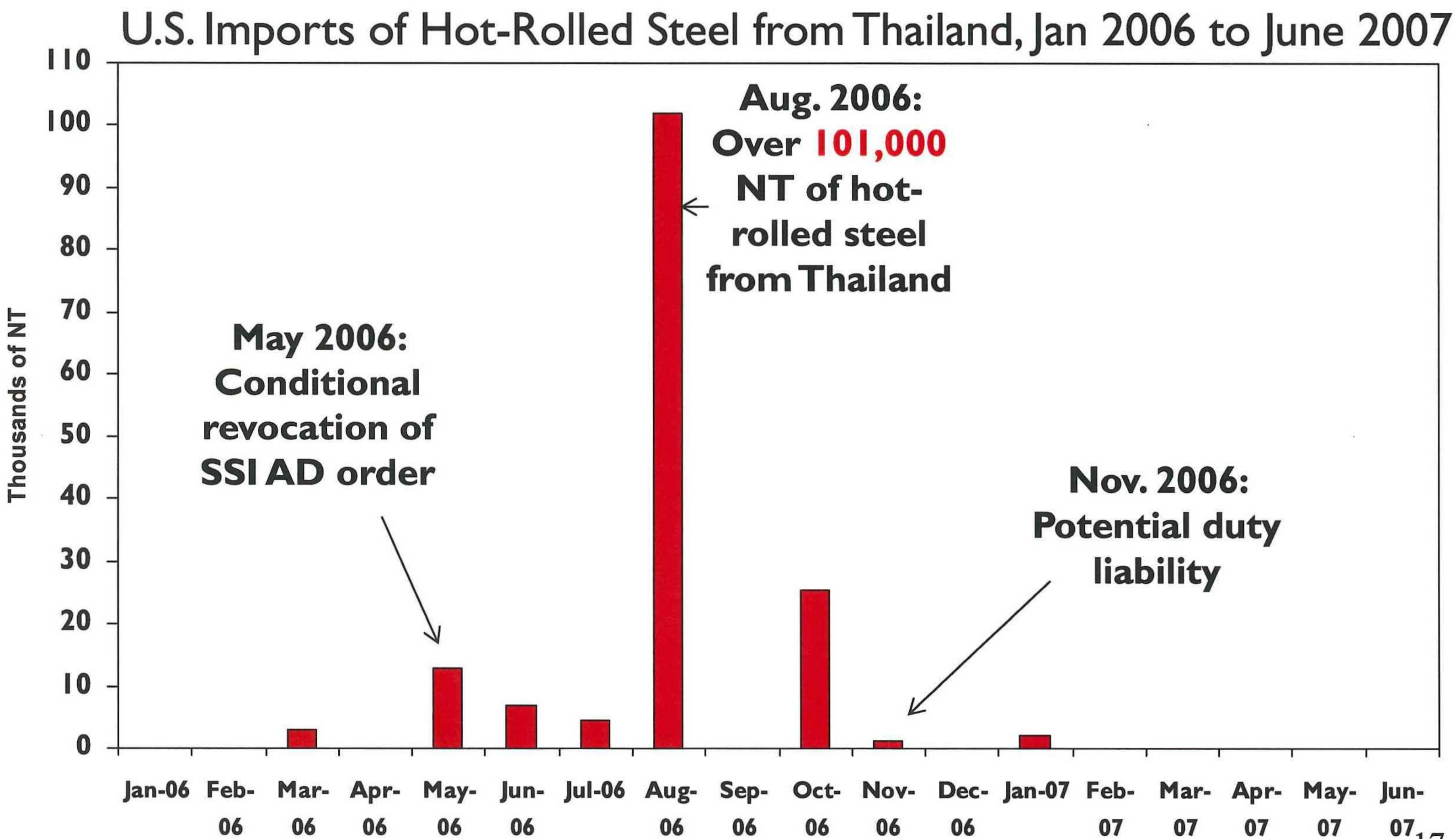
"The effect of revoking the antidumping duty order on hot-rolled steel from Japan will be modest to the point of insignificance." – Japanese Producers (March 2011)



Source: U.S. Census Bureau. Estimate for 2013 based on Jan-July data.

Likely Volume

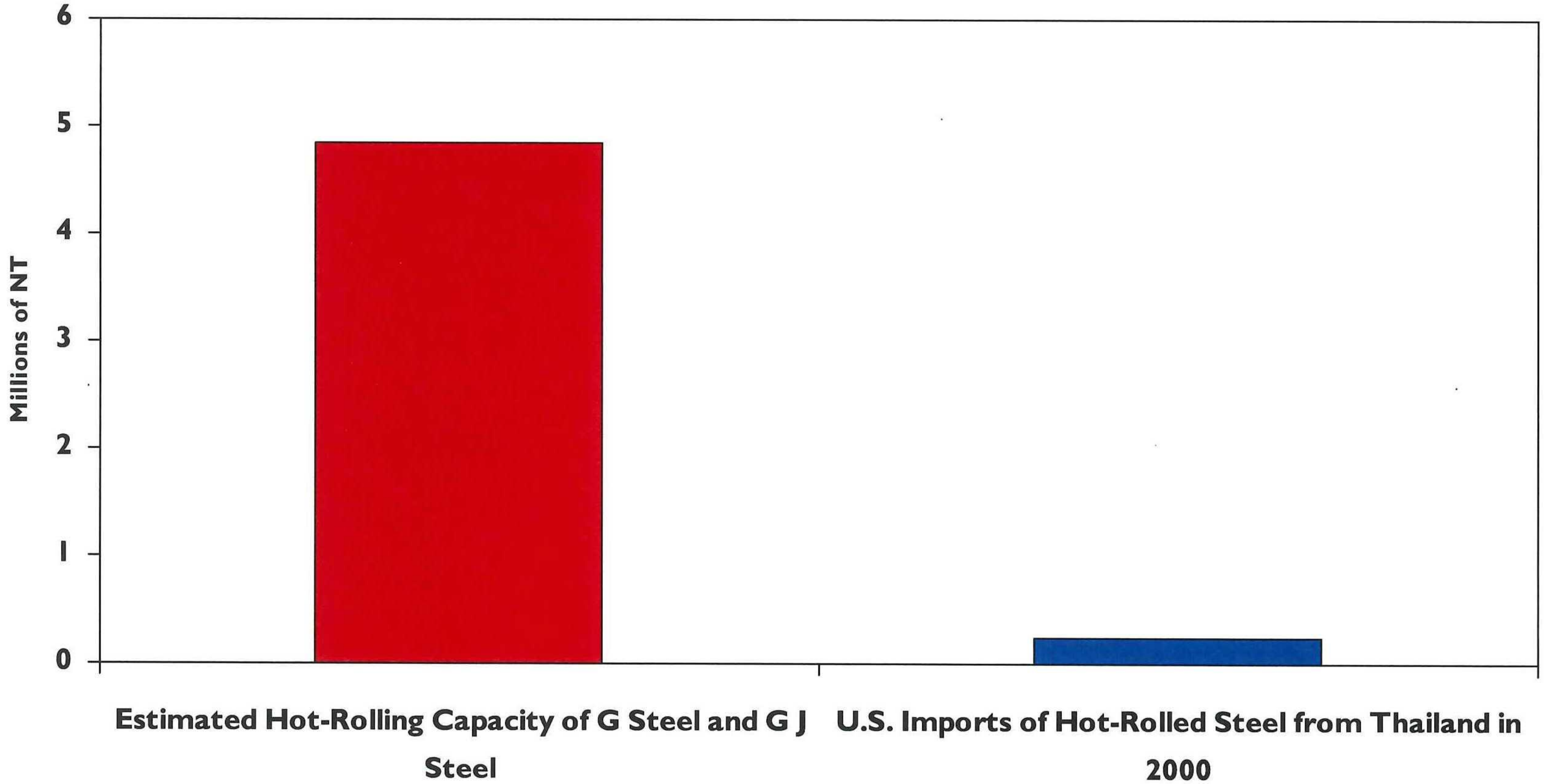
The Last Time a Thai Producer Had Unlimited Access to the U.S. Market, It ***Immediately*** Shipped Significant Volumes of Dumped Steel



Source: U. S. Steel Pre-Hearing Brief at Exhibit 104 (Public Version).

Likely Volume

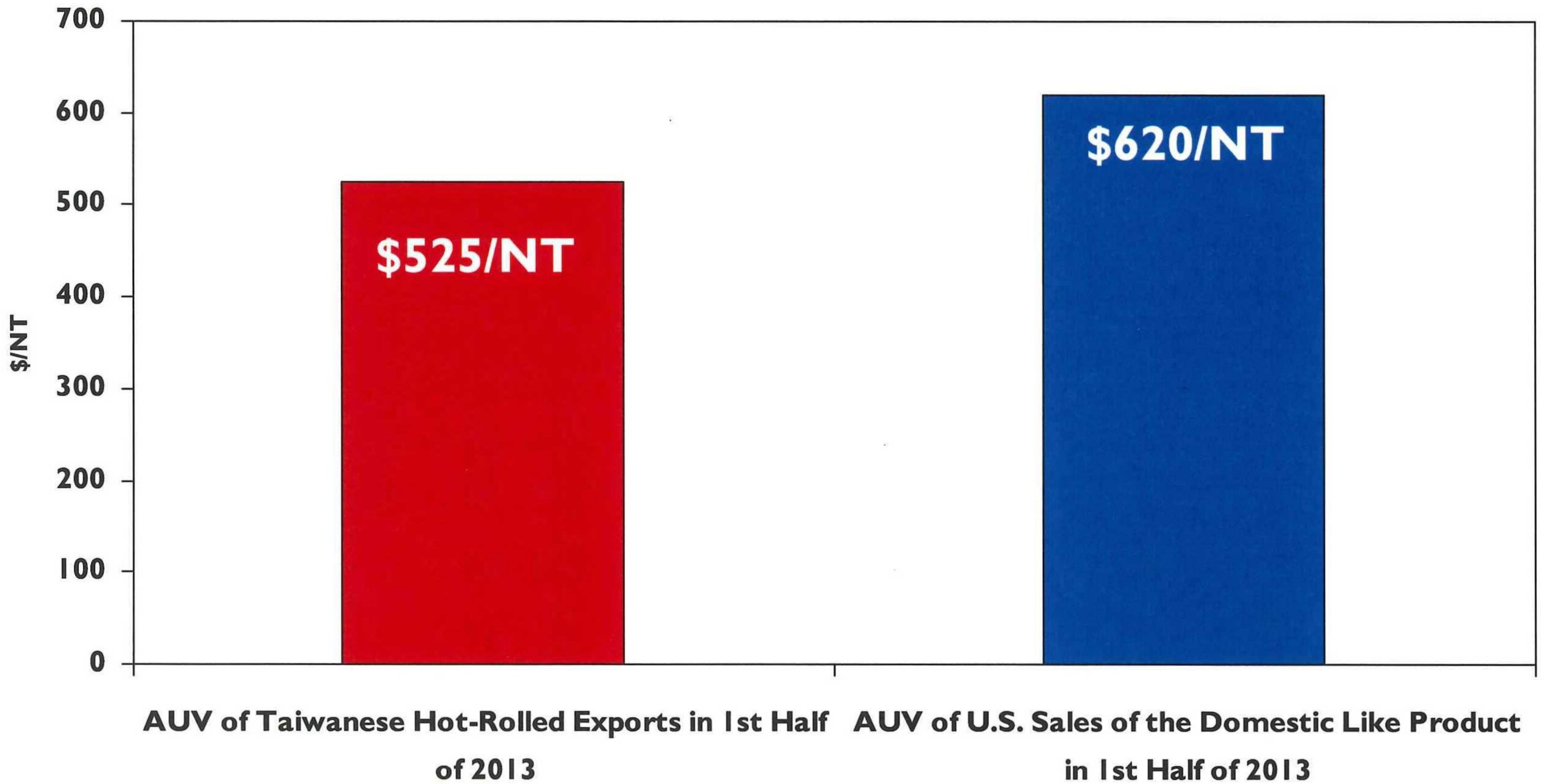
Together, G Steel and G J Steel Have ***Almost 5 Million NT of Hot-Rolling Capacity***



Source: Capacity data from CRU; data regarding U.S. imports from Thailand in 2000 from Staff Report at I-8 (Public Version).

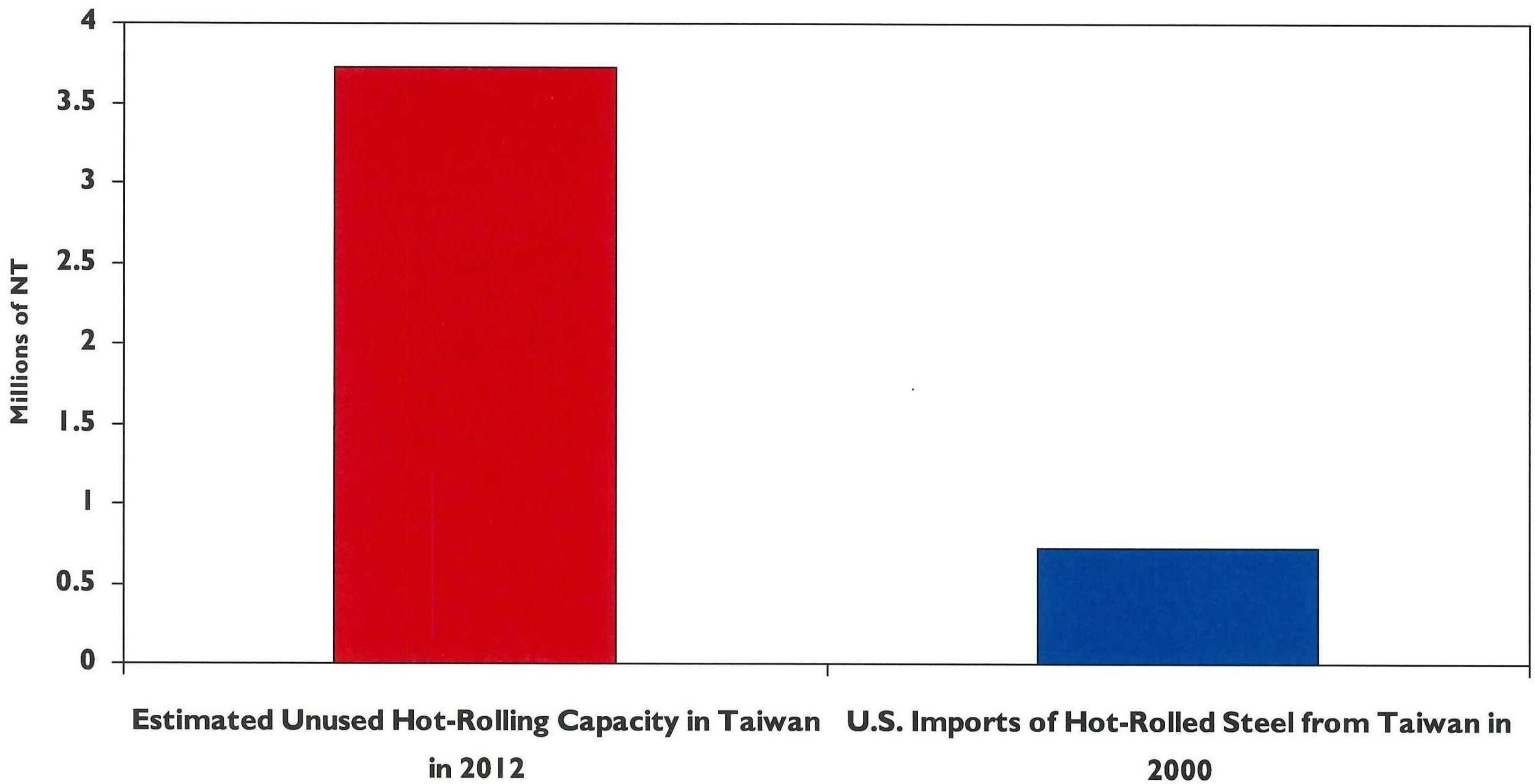
Likely Volume

Taiwanese Mills Are Exporting Millions of NT of Hot-Rolled Steel at ***Extremely Low Prices***



Source: Average unit value of Taiwanese exports from Staff Report at IV-27 (Public Version); average unit value of U.S. sales of the domestic like product from Staff Report at C-3 (Public Version).

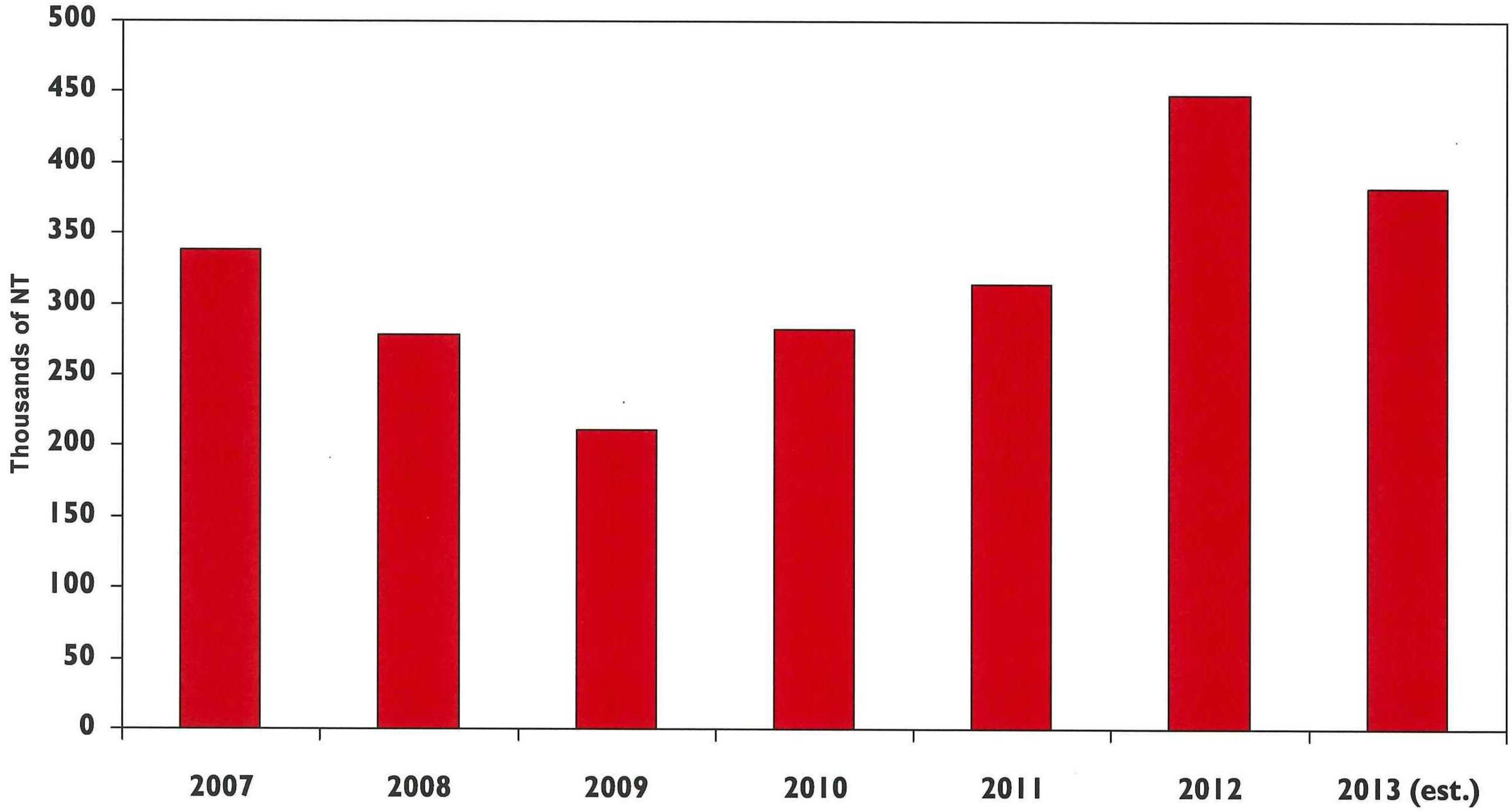
Independent Analysis Confirms that Taiwanese Mills Had ***Almost 4 Million NT of Unused Capacity*** Last Year



Source: Taiwanese capacity data from CRU. Data regarding U.S. imports of hot-rolled steel from Taiwan in 2000 from I-8 (Public Version).

Likely Volume

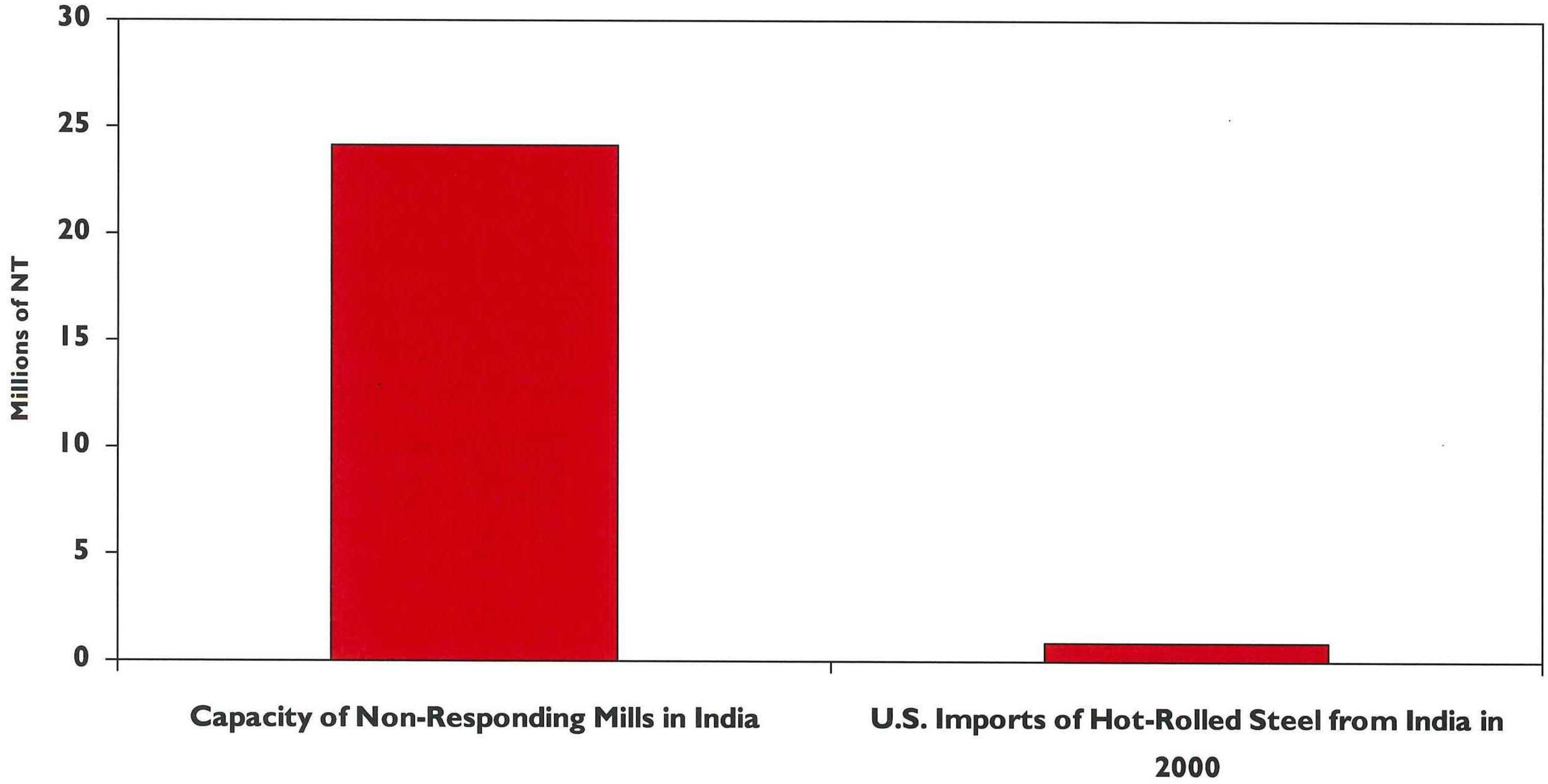
Taiwanese Mills Are Shipping Significant Volumes of Corrosion-Resistant Steel to the U.S. Market



Source: U. S. Steel Pre-Hearing Brief at Exhibit 56 (Public Version).

Likely Volume

The Capacity of the Non-Responding Indian Mills Is Roughly ***27 Times*** the Volume of Indian Imports in 2000



Source: Capacity data for non-responding Indian mills from CRU. Data regarding U.S. imports of hot-rolled steel from India in 2000 from Staff Report at I-8 (Public Version).

Indian Producers Want to Grow Exports

"Last year we exported 1.5 million {MT} of steel. This year we may cross four million {MT}. If one company does 200% more exports, I'm sure every other company will have similar stories to tell. ***I see 100% pick up in exports. I'm sure. There's no question.****"*

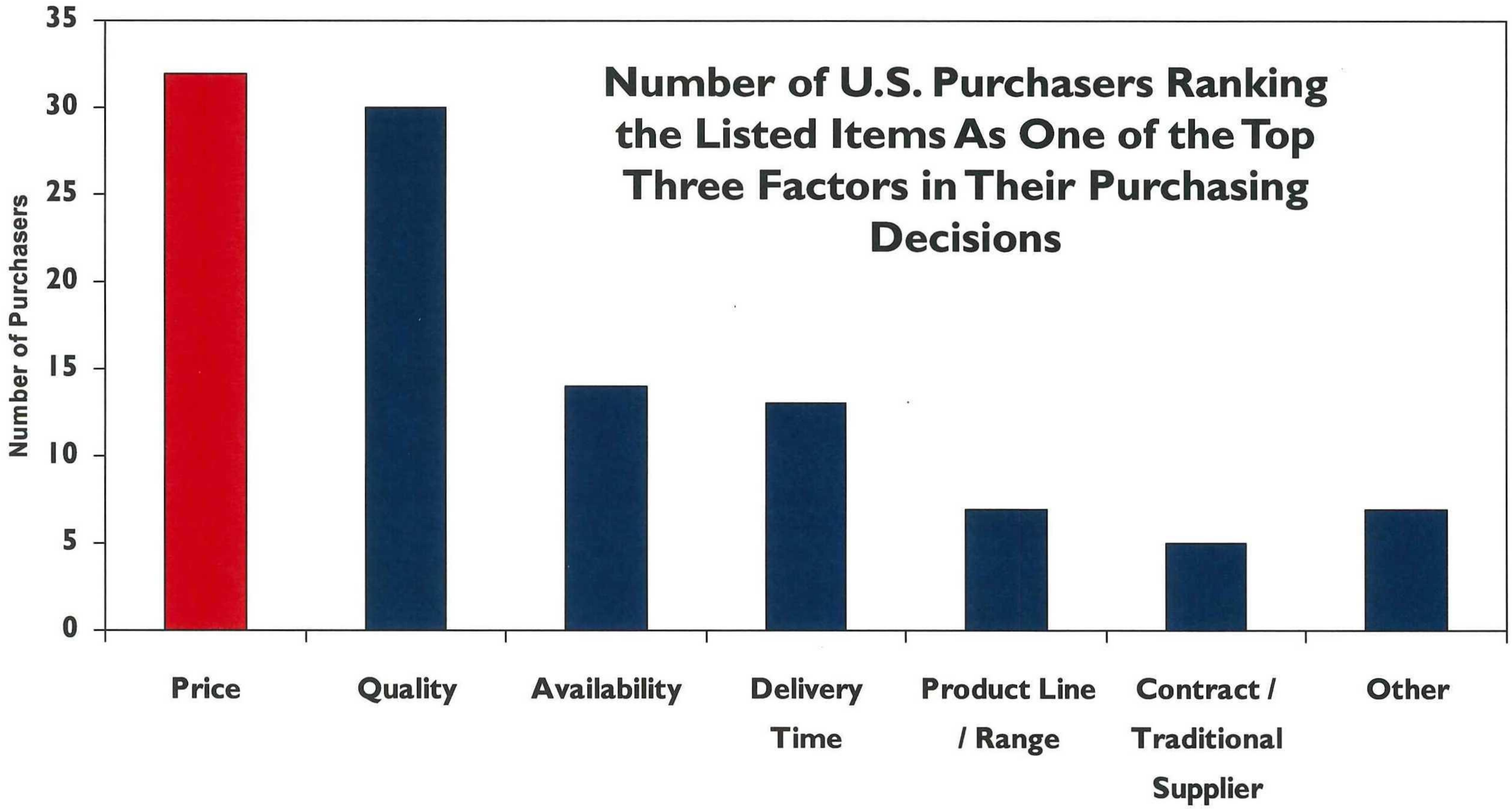
-- Sajjan Jindal, Chairman and Managing Director of JSW Steel (Sept. 2, 2013)

Subject Imports Are Interchangeable with the Domestic Like Product

"Based on available data, staff believes ***that overall there is a high degree of substitutability between domestically produced hot-rolled steel and hot-rolled steel imported from the subject countries.***"

-- Staff Report at II-23 (Public Version)

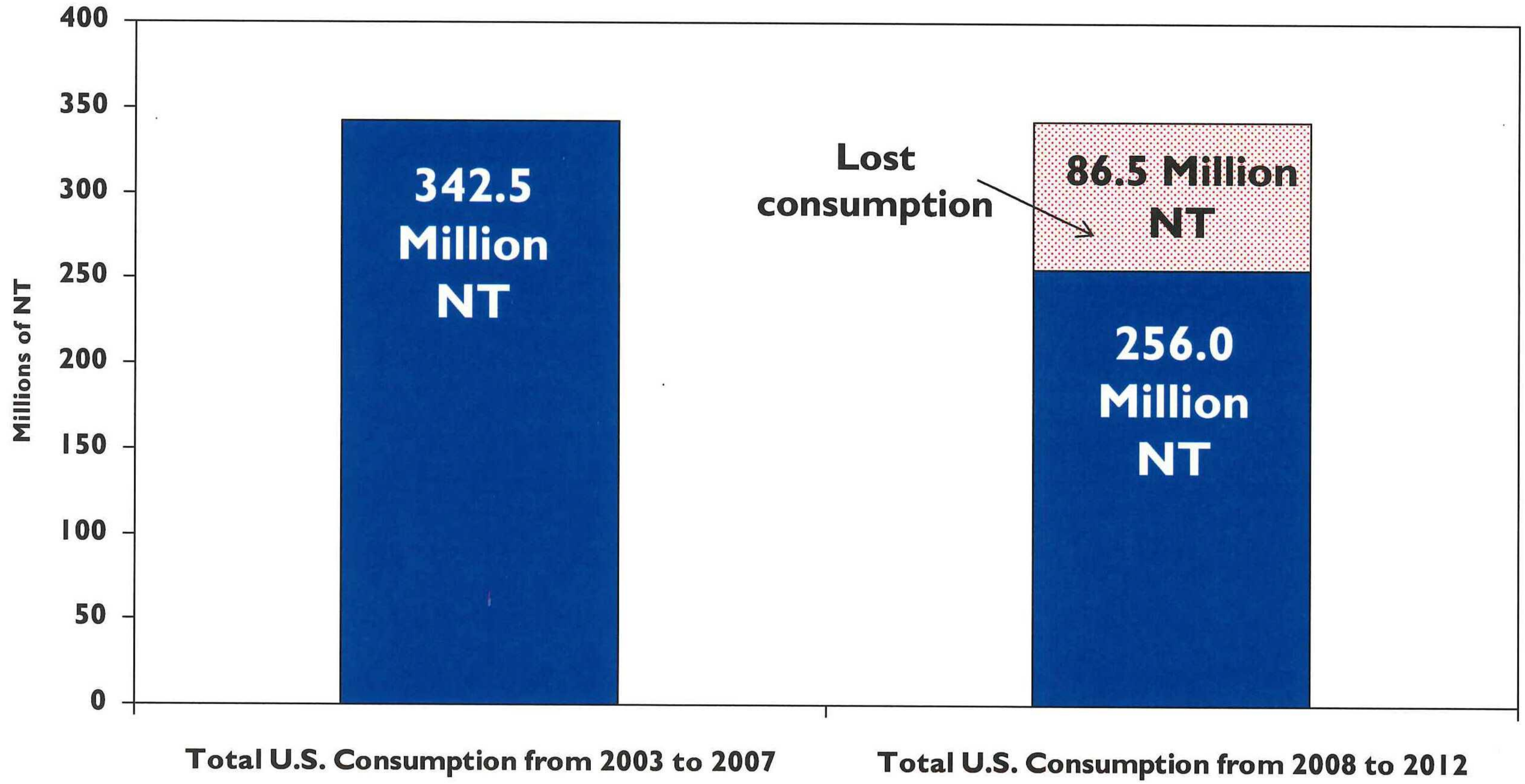
Price Is the Most Important Factor in Selling Hot-Rolled Steel



Source: Staff Report at II-26 (Public Version).

Likely Impact

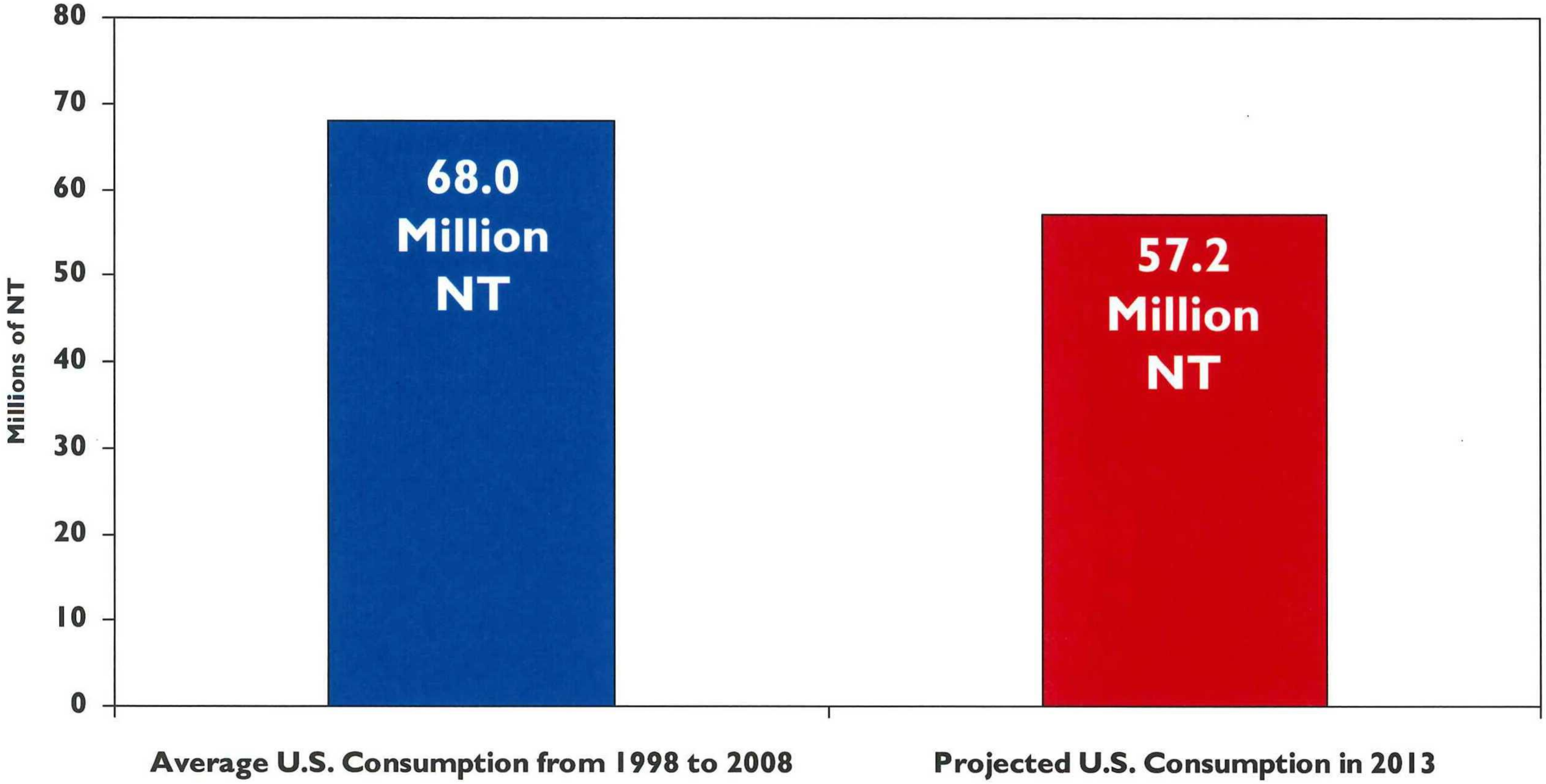
In Five Years from 2008 through 2012, U.S. Consumption Was Down ***86.5 million NT*** from the 2003-07 Period



Source: Staff Report at I-8 to I-9 (Public Version).

Likely Impact

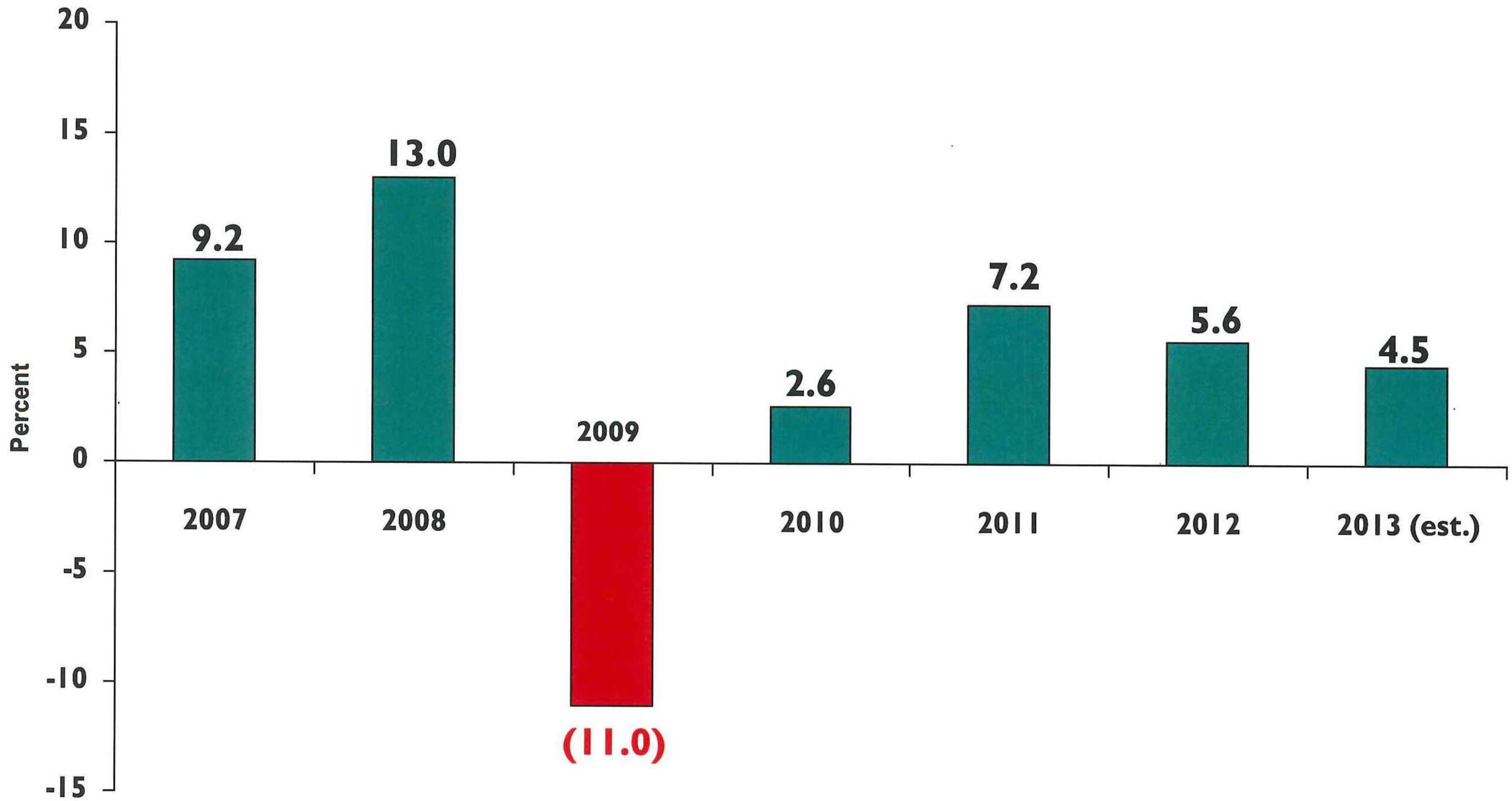
U.S. Consumption Remains Well Below Historic Levels



Source: Average U.S. consumption from 1998 to 2008 from data in Staff Report at I-8 to I-9 (Public Version). Projection of U.S. consumption in 2013 based on data for Jan-June 2013 found in Staff Report at I-51 (Public Version).

Likely Impact

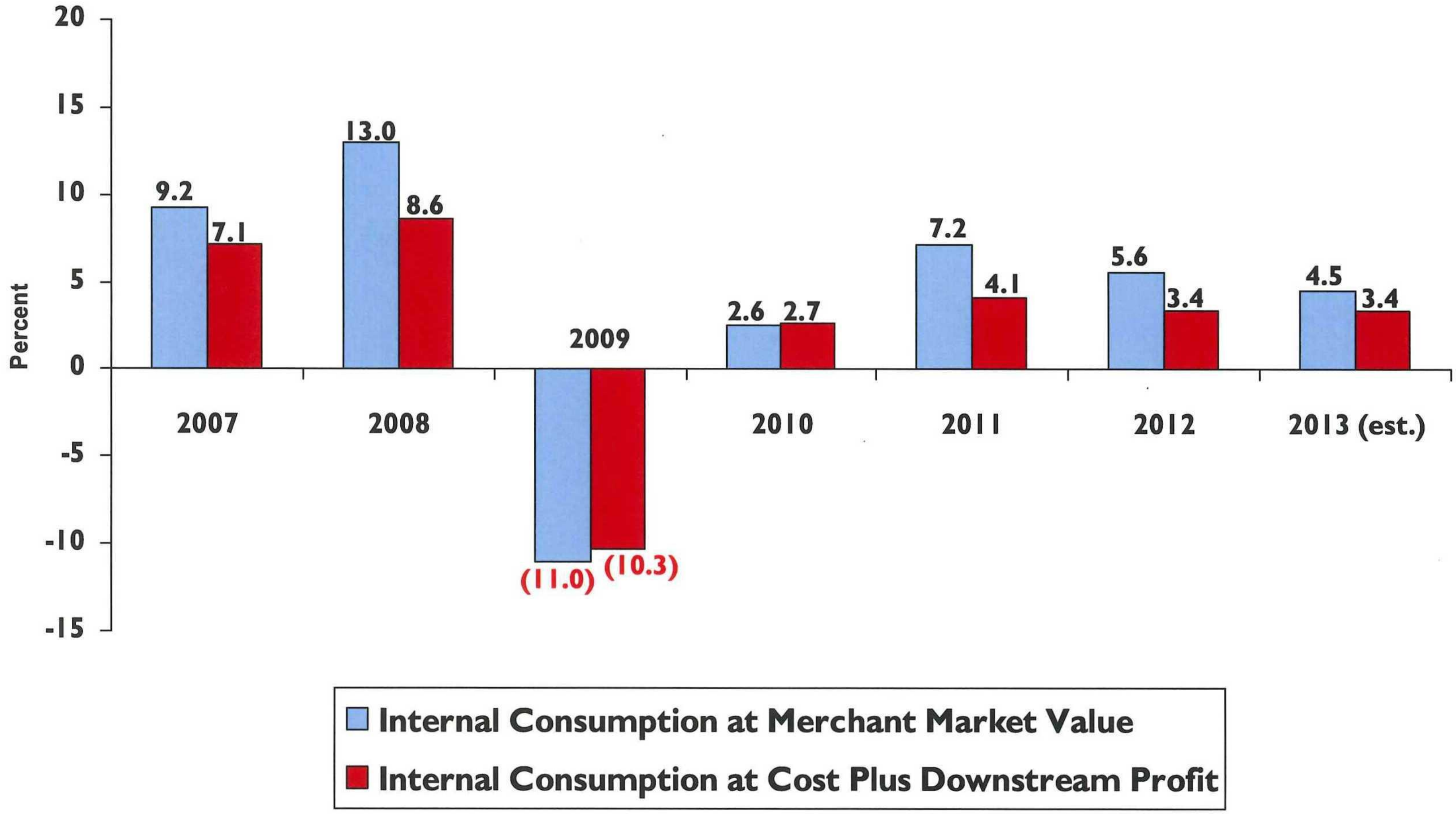
The Domestic Industry's Operating Margins Have Been Very Weak



Source: Staff Report at III-23 (Public Version).

Likely Impact

The Domestic Industry's Operating Margin Is Even Weaker When Internal Consumption Is Valued to Account for Downstream Profits



Source: U.S. operating margin with internal consumption at merchant market value from Staff Report at III-23 (Public Version); U.S. operating margin with internal consumption valued to account for downstream profits from Staff Report at E-4 (Public Version).

Measuring Profits of Internal Consumption

Likely Impact

Hot-Rolled	Cold-Rolled	Corrosion-Resistant	Profit to Entity:
Operating Profit: $100	Operating Profit: $70	Operating Profit: $50	100+70 + 50 = 220
			TOTAL PROFIT: $220

Method 1: Assign each ton an operating profit of $100

100 + 100 + 100 = 300

TOTAL HR PROFIT: $300

Method 2: Allocate a percentage of downstream profits to hot-rolled. If 50 percent, then

100 + 35 + 25 = 160

TOTAL HR PROFIT: $160

Likely Impact

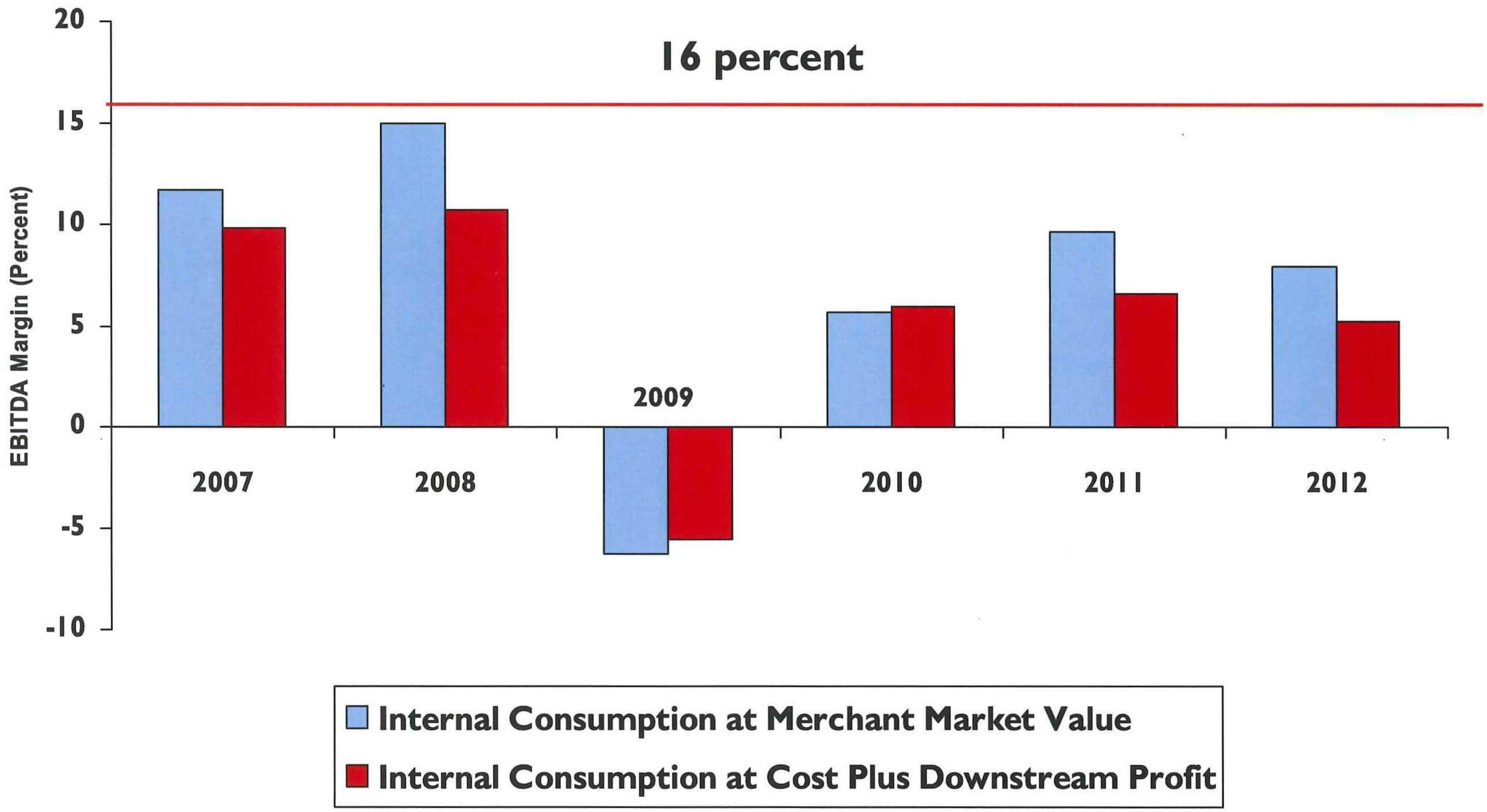
The ITC Should Also Consider the Industry's EBITDA Margin

"According to the consulting group McKinsey, ***the steel industry would require a 16 percent average EBITDA*** *{Earnings Before Interest, Taxes, Depreciation, and Amortization}* ***margin to be economically sustainable in the long run."***

-- Staff Report at III-42 n.19 (Public Version)

Likely Impact

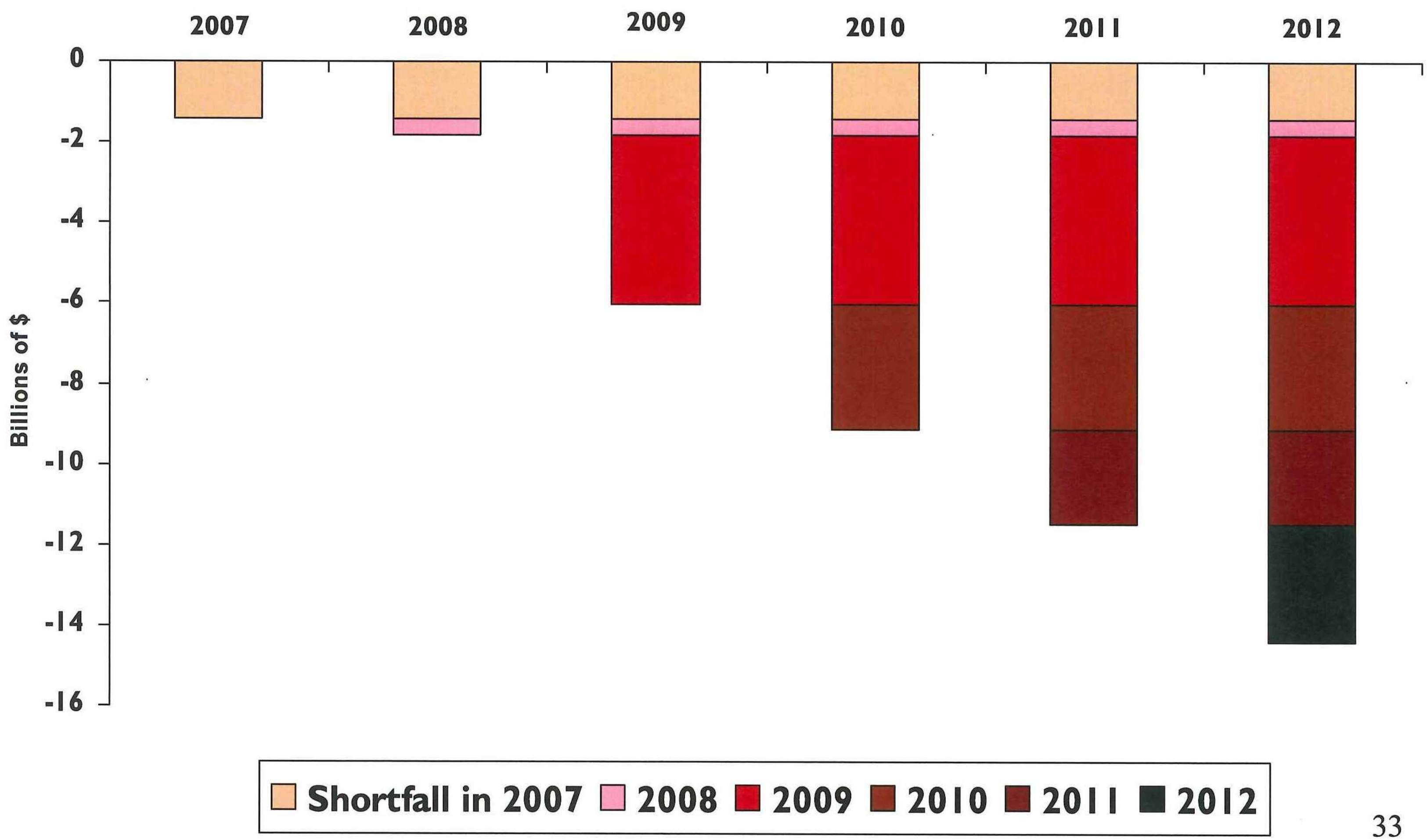
In ***No Year*** from 2007 to 2012 Did the Industry Have an EBITDA Margin of 16 Percent



Source: U. S. Steel Pre-Hearing Brief at Exhibit 117 (Public Version).

Likely Impact

By the Most Conservative Measure, from 2007-12 the Industry Was ***$14.4 Billion Short*** of a 16 percent Margin



Source: U. S. Steel Pre-Hearing Brief at 102 (Public Version).

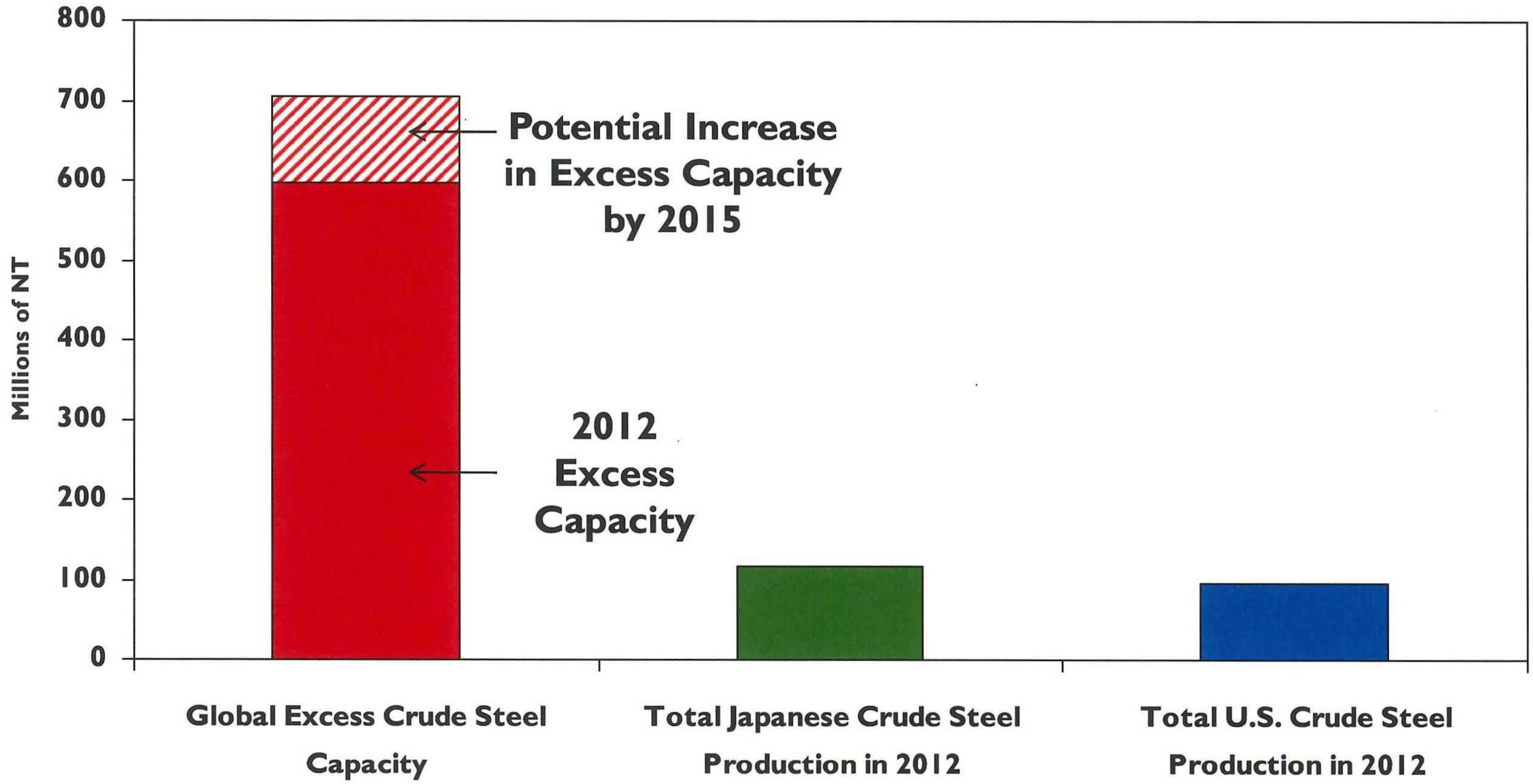
Likely Impact

By Almost Every Measure, Market Conditions Are **Worse Now than in 2007**

	2007	1st Half of 2013
U.S. Producers' Operating Margin (Merchant Market Basis)	9.2 %	4.5 %
U.S. Producers' Operating Margin (Cost Plus Downstream Basis)	7.1 %	3.4 %
U.S. Consumption	61.7 million NT	57.2 million NT (annualized)
Unit Costs of Goods Sold	$487/NT	$579/NT
Unit Operating Income	$50.42/NT	$27.82/NT
Production Workers	22,229	20,571
Unused hot-rolling capacity worldwide	81.3 million NT	213.7 million NT (2012)

Likely Impact

The OECD Estimates that in 2012, Total Excess Crude Steel Capacity Worldwide Was ***597 Million NT***



Source: Estimated global excess crude steel capacity in 2012 from "Steelmaking Capacity," DSTI/SU/SC (2013)10, 74th Steel Committee Meeting at 4, available at http://www.oecd.org (last visited Oct. 30, 2013). Potential unused steel capacity by 2015 taken from id. at 6 (based on IEA high-demand scenario). Data regarding Japanese and U.S. crude steel production from the World Steel Association.