

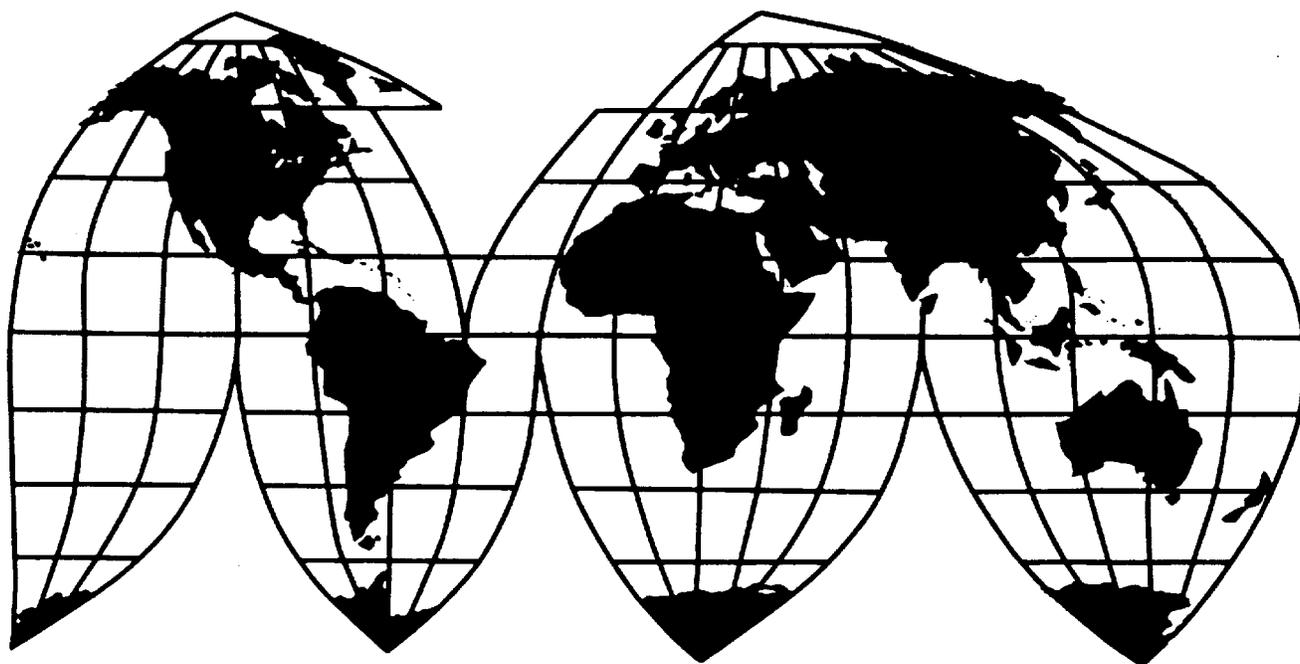
Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia

Investigations Nos.701-TA-384 and 731-TA-806-808 (Review)

Publication 3767

April 2005

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Andrew Rylyk, *Supervisory Statistician*

Douglas Corkran, *Supervisory Investigator*

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436

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Note.- Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

COMPANY GLOSSARY

AK Steel Corporation	AK
Beta Steel Corporation	Beta
Bethlehem Steel Corporation	Bethlehem
California Steel Industries	CSI
Companhia Siderúrgica de Tubarão	CST
Companhia Siderúrgica Nacional	CSN
Companhia Siderúrgica Paulista	COSIPA
Delta Metals, Incorporated	Delta
Duferco Farell Corporation	Duferco
Gallatin Steel Company	Gallatin
Gerdau Ameristeel	Gerdau
Geneva Steel Holdings	Geneva
Gulf States Steel	Gulf States
International Steel Group, Incorporated	ISG
IPSCO Incorporated	IPSCO
Ispat Inland Incorporated	Ispat Inland
JSC Severstal	Severstal
Kobe Steel Ltd.	Kobe
Leo Incorporated	Leo
Lone Star Technologies, Incorporated	Lone Star
LTV Corporation	LTV
Magnitogorsk Iron and Steel Works	MMK
Nakayama Steel Works	Nakayama
National Steel Corporation	National
Nippon Steel Corporation	Nippon
North Star Blue Scope Steel, LLC	North Star
Novolipetsk Iron and Steel Corporation	NLMK
NS Group, Incorporated	NSG
Nucor Corporation	Nucor
Olympic Steel	Olympic
Oregon Steel Mills	Oregon
Severstal, N.A.	Severstal
Steel Dynamics Incorporated	SDI
Sumitomo Corporation	Sumitomo
Timken Latrobe Steel Company	Timken
Tokyo Steel Manufacturing	Tokyo
Trico Steel Company, LLC	Trico
United States Steel Corporation	USS
Usinas Siderúrgicas De Minas Gerais S.A.	USIMINAS
USX Corporation	USX
WCI Steel, Incorporated	WCI
Weirton Steel Corporation	Weirton
Wheeling Pittsburgh Steel Corporation	WPS

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 701-TA-384 and 731-TA-806-808 (Review) *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia*

DETERMINATION

On the basis of the record¹ developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)) (the Act), that revocation of the antidumping duty and countervailing duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, and termination of the suspended antidumping duty investigation on imports of certain hot-rolled flat-rolled carbon-quality steel products from Russia, would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.²

BACKGROUND

The Commission instituted these reviews on May 3, 2004 (69 FR 24189) and determined on August 6, 2004 that it would conduct full reviews (69 FR 52525, August 26, 2004). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on September 9, 2004 (69 FR 54701). The hearing was held in Washington, DC, on March 2, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

¹ The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

² Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson dissenting.

VIEWS OF THE COMMISSION

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (the Act), that revocation of the countervailing duty order on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, and termination of the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.^{1 2}

I. SUMMARY

The period examined in the original investigations (1996-1998) was a time of strong market conditions in the United States. Apparent U.S. consumption of hot-rolled steel reached record levels in 1998. Despite these favorable conditions for the U.S. industry, 1997 and, especially, 1998 saw a flood of imports from Brazil, Japan, and Russia, due in part to the onset of the Asian financial crisis, in which several economies in southeast Asia collapsed and demand for steel plummeted. Subject imports grew from modest levels in 1996 to reach nearly 7 million tons in 1998, accounting for 21 percent of all merchant market shipments of hot-rolled steel in that year. The subject imports entered the United States at prices that increasingly undersold domestic prices for comparable products. As a result, even in a year of record consumption, domestic prices were severely depressed. From 1997 to 1998 the industry's operating income was cut in half, and the ratio of industry income to net sales was reduced to a modest 2.6 percent in 1998.

In 1999, an antidumping order was issued with respect to Japan, and suspension agreements were concluded with Brazil and Russia. As a result of these measures, subject imports declined substantially and domestic prices rose during 1999 and into 2000. However, these favorable conditions were short-lived as a second wave of unfairly traded imports from other countries entered the United States. Domestic prices again began to fall, and by mid-2001 had fallen below the injurious levels recorded during the investigation of Brazil, Japan, and Russia. In late 2001, antidumping and/or countervailing duty orders were issued with respect to imports from eleven additional countries, and these measures remain in effect today. Also, in 2001 the U.S. economy experienced a recession, which suppressed domestic demand for hot-rolled steel. The U.S. industry entered a crisis period in which numerous producers, including large, longstanding firms, filed for bankruptcy protection, and some shut down operations altogether. In 2002, following the Commission's safeguards investigation under section 202 of the Trade Act of 1974, the President imposed temporary duties on certain steel products, including hot-rolled steel, which remained in place until late 2003.

¹ Vice Chairman Okun and Commissioner Pearson dissenting. They join in sections II and III of the majority opinion. See Separate and Dissenting Views of Vice Chairman Deanna Tanner Okun and Commissioner Daniel R. Pearson.

² As discussed *infra*, the countervailing and antidumping duty orders on subject merchandise from Brazil replaced what were initially agreements stating terms under which the underlying investigations had been suspended by the U.S. Department of Commerce ("Commerce"). The antidumping duty order was issued in March 2001 when the agreement suspending the antidumping duty investigation was violated by Brazilian producers. The countervailing duty suspension agreement was terminated, and the countervailing duty order was issued, following a request by the Government of Brazil, in September 2004. Confidential Report ("CR") at I-3-I-4, Public Report ("PR") at I-3-I-4. The Confidential Report (Memorandum INV-CC-040, March 29, 2005) was amended by Memoranda INV-CC-045 and INV-CC-049, dated April 6, 2005, and April 12, 2005, respectively.

During the period of safeguard relief, the domestic industry made significant adjustment efforts, including company consolidations, the shedding of legacy pension and health care costs, and the conclusion of new labor agreements. While these steps made the industry stronger, the industry overall struggled since the imposition of the relief we are now reviewing. Capacity, production, and shipments all declined substantially from 1999 to 2001, and the industry posted operating losses in every year from 1999 through 2003. The industry's capital expenditures were well below levels recorded during the period examined in the original investigations.

It was only in 2004 that the industry was profitable due to global conditions that are not expected to continue, and have already begun to change. In 2004, in the face of high raw material costs and flat U.S. demand relative to 1999, U.S. prices rose sharply due to very strong demand in China which made global supply tight. However, by the end of 2004, China had become a net exporter of steel, and U.S. prices began to fall. This trend has continued into 2005 and is predicted to continue for the reasonably foreseeable future, with raw material costs expected to remain high or increase and global supply expected to outpace demand. The gap between prices and costs is thus likely to narrow, making it difficult for the industry to recover its costs and make the necessary capital expenditures, even with the orders and suspension agreement in place.

Without the restraining effect of the orders and agreement, the volume of subject imports is likely to increase significantly. Subject country producers have increased their capacity and production of hot-rolled steel since the original investigation, export a significant portion of their production, have a demonstrated ability to shift exports among various third-country markets, and are subject to import restraints in other countries. In addition, prices in the U.S. market are higher than those in most other export markets, making it an attractive market for the subject country producers.

Without the orders and suspension agreement, the subject imports are also likely to undersell the U.S. product and depress U.S. prices, as they did during the original investigations. Few price comparisons were available for the review period, due to the low level of subject imports in the U.S. market with the import restraints in effect. However, in 2004, when the U.S. price made the U.S. market attractive for the Russian producers, even under the suspension agreement, subject imports from Russia increased substantially and almost uniformly undersold the domestic like product. It is thus likely that, absent the orders and suspension agreement, there will be a significant volume of subject imports at prices likely to have adverse effects on U.S. prices. This will likely result in material injury to the domestic industry, given the domestic industry's performance and condition throughout the review period and the market conditions that are likely to prevail in the reasonably foreseeable future.

II. BACKGROUND

A. General Background

Hot-rolled steel consists of hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, within particular dimensions.³ Hot-rolled steel is used in general structural functional areas where surface finish and light weight are not crucial. Such steel is well suited for and extensively used in automotive applications such as body frames and wheels, pipes and tubes, and floor decks in steel construction. Hot-rolled steel also is used in transportation equipment (such as rail cars, ships, and barges), non-residential construction, appliances, heavy machinery, and machine parts.⁴ The majority of hot-rolled steel production is consumed internally or transferred to affiliates for downstream processing

³ CR at I-19-I-20, PR at I-15-I-16.

⁴ CR at I-22, PR at I-18.

into cold-rolled and/or galvanized or plated products, cut-to-length plate, or welded pipe. The remainder is sold commercially to end users and service centers.⁵

The original petitions were filed on behalf of twelve domestic producers of hot-rolled steel and two hot-rolled steel labor groups in 1998.⁶ In 2004, there were 18 firms known to be producing hot-rolled steel, all of which provided questionnaire responses to the Commission, compared to 24 firms in the original investigation that produced the vast majority of domestic hot-rolled steel.⁷ Reported U.S. production of hot-rolled steel is concentrated in Indiana (seven mills), Ohio (four mills), and Alabama (four mills). In addition, there are two mills in each of the following states: Illinois, Kentucky, Michigan, Pennsylvania, and West Virginia.⁸

Domestic production accounted for more than 90 percent of the U.S. market for hot-rolled steel over the period examined. The next largest source was imports from nonsubject countries.⁹

B. Original Determinations, Orders and Agreements, and These Reviews

In June of 1999, the Commission determined that an industry in the United States was being materially injured by reason of imports of certain hot-rolled flat-rolled carbon-quality steel products from Japan that were being sold in the United States at less than fair value (LTFV).¹⁰ Commerce issued an antidumping order with respect to those imports from Japan in June 1999.¹¹

In August 1999, the Commission determined that an industry in the United States was being materially injured by reason of subsidized and LTFV imports of certain hot-rolled flat-rolled carbon-quality steel products from Brazil.¹² Commerce had suspended the countervailing duty and antidumping duty investigation on such imports from Brazil in July 1999.¹³ Also in August 1999, the Commission determined that an industry in the United States was being materially injured by reason of LTFV imports of certain hot-rolled flat-rolled carbon-quality steel products from Russia.¹⁴ Commerce had suspended the antidumping duty investigation on such imports from Russia in July 1999.¹⁵

⁵ CR/PR at Table III-6; CR at I-22, PR at I-18.

⁶ CR at I-2, PR at I-2.

⁷ CR at I-29, PR at I-22.

⁸ CR at I-30, PR at I-22-I-23.

⁹ CR/PR at Table I-1.

¹⁰ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan, 64 Fed. Reg. 33514 (Jun. 23, 1999).

¹¹ Antidumping Duty Order: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan, 64 Fed. Reg. 34778 (Jun. 29, 1999). The antidumping duty order regarding hot-rolled steel from Japan was the subject of proceedings brought by Japan before the World Trade Organization. *See* United States - Anti-Dumping Measures on Certain Hot-Rolled Steel Products from Japan, WT/DS184/R (Feb. 28, 2001), and WT/DS 184/AB/R, AB 2001-2 (Jul. 24, 2001).

¹² Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil and Russia, 64 Fed. Reg. 46951 (Aug. 27, 1999).

¹³ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Suspension of Antidumping Duty Investigation, 64 Fed. Reg. 38792 (Jul. 19, 1999); Suspension of Countervailing Duty Investigation, 64 Fed. Reg. 38797 (Jul. 19, 1999).

¹⁴ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil and Russia, 64 Fed. Reg. 33514 (June 23, 1999).

¹⁵ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from the Russian Federation: Suspension of
(continued...)

Commerce terminated the suspension agreement with respect to the antidumping duty investigation of such merchandise from Brazil in February 2001, and issued an antidumping duty order in its place in March 2001.¹⁶ In September 2004, following a request by the Government of Brazil, Commerce terminated the suspension agreement with respect to the countervailing duty investigation of such merchandise from Brazil, and issued a countervailing duty order in its place.¹⁷

The Commission instituted the instant reviews on May 3, 2004, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),¹⁸ to determine whether revocation of the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, termination of the suspended antidumping duty investigation of certain hot-rolled steel from Russia, and what was then the suspended countervailing duty investigation of certain hot-rolled flat-rolled carbon-quality steel products from Brazil,¹⁹ would likely lead to continuation or recurrence of material injury to the domestic industry.²⁰

On August 6, 2004, the Commission determined that the domestic interested party group response to its notice of institution was adequate with respect to the three reviews and that the respondent interested party group responses for Russia were adequate. The Commission did not receive respondent party responses concerning subject imports from Brazil or Japan. The Commission further determined to conduct a full review concerning Russia based on the adequate responses, and to conduct full reviews concerning Brazil and Japan to promote administrative efficiency in light of its decision to conduct a full five-year review concerning Russia.^{21 22}

¹⁵ (...continued)

Antidumping Duty Investigation, 64 Fed. Reg. 38642 (July 19, 1999).

¹⁶ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Final Results of Antidumping Duty Administrative Review and Termination of the Suspension Agreement, 67 Fed. Reg. 6226 (Feb. 11, 2002); Notice of Antidumping Duty Order, 67 Fed. Reg. 11093 (Mar. 12, 2002).

¹⁷ Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Termination of Suspension Agreement and Notice of Countervailing Duty Order, 69 Fed. Reg. 56040 (Sept. 26, 2004).

¹⁸ 19 U.S.C. § 1675(c).

¹⁹ As noted above, the countervailing duty order on the merchandise from Brazil, which is included in these reviews, was issued by Commerce in the place of the suspension agreement following institution of these reviews. See 69 Fed. Reg. 56040 (Sept. 26, 2004).

²⁰ Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia, 69 Fed. Reg. 24189 (May 3, 2004)

²¹ Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia, 69 Fed. Reg. 52525 (Aug. 26, 2004); Explanation of Commission Determinations of Adequacy in Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia (Aug. 2004).

²² In five-year reviews, the Commission initially determines whether to conduct a full review (which would include a public hearing, the issuance of questionnaires, and other procedures) or an expedited review. In order to make this decision, the Commission first determines whether individual responses to the notice of institution are adequate. Next, based on those responses deemed individually adequate, the Commission determines, with respect to each order or agreement, whether the collective responses submitted by two groups of interested parties – domestic interested parties (such as producers, unions, trade associations, or worker groups) and respondent interested parties (such as importers, exporters, foreign producers, trade associations, or subject country governments) – demonstrate a sufficient willingness among each group to participate and provide information requested in a full review. If the Commission finds the responses from both groups of interested parties adequate, or if other circumstances warrant, it will determine to conduct a full review. See 19 C.F.R. § 207.62(a); 63 Fed. Reg. 30599, 30602-05 (June 5, 1998).

III. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. Domestic Like Product

In making its determination under section 751(c), the Commission defines the “domestic like product” and the “industry.”²³ The Act defines the “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 under this subtitle.”²⁴

In its final results of the expedited sunset reviews it conducted with respect to imports from the three subject countries, Commerce defined the imported merchandise within the scope of the orders and agreement, in terms virtually identically in each review, as follows:

certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal, and whether or not painted, varnished, or coated with plastics or other non-metallic substances, both in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm and of a thickness not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than 4.0 mm is not included within the scope of this order. Specifically included in the scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (“IF”)) steels, high strength low alloy (“HSLA”) steels, and the substrate for motor lamination steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contain micro-alloying levels of elements such as silicon and aluminum.

Steel products included in the scope of these investigations, regardless of definitions in the Harmonized Tariff Schedules of the United States (“HTSUS”), are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight, and; (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

1.80 percent of manganese, or
1.50 percent of silicon, or
1.00 percent of copper, or
0.50 percent of aluminum, or
1.25 percent of chromium, or
0.30 percent of cobalt, or
0.40 percent of lead, or

²³ 19 U.S.C. § 1677(4)(A).

²⁴ 19 U.S.C. § 1677(10). See Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

1.25 percent of nickel, or
0.30 percent of tungsten, or
0.012 percent of boron, or
0.10 percent of molybdenum, or
0.10 percent of niobium, or
0.41 percent of titanium, or
0.15 percent of vanadium, or
0.15 percent of zirconium.

All products that meet the written physical and chemical description provided above are within the scope unless otherwise excluded.²⁵

In its final determinations in the original investigations, the Commission, referring to its analysis in its preliminary determination, determined that there was a single domestic like product consisting of all hot-rolled carbon steel products co-extensive with the scope of the subject merchandise.²⁶ The Commission had considered two like product issues: (1) whether to define microalloyed steels as a like product separate from other hot-rolled steel products; and (2) if not, whether to expand the definition of the like product to include all alloy steels. The Commission declined to define microalloyed steels as a separate like product from conventional hot-rolled steel. The Commission reasoned that, although there were some differences in physical characteristics and uses, channels of distribution, and pricing between the two types of hot-rolled steel, these were not sufficiently pronounced to outweigh the similarities between the two types of steel in terms of producer and customer perceptions, common manufacturing facilities and employees, and interchangeability, or to establish a clear dividing line between the two types of steel. The Commission also declined to expand the definition of the like product beyond a definition coextensive with Commerce's scope (*i.e.*, certain hot-rolled steel products, including microalloyed steels) to include all alloy steels, given significant differences between hot-rolled steel and alloy steels in terms of all of the like product factors.²⁷

The domestic producers in these reviews argue that the Commission should again define a single domestic like product coextensive with the scope definition. Respondent interested parties did not suggest any alternative like product definition.

Reviewing the record and taking into account the parties' positions on this issue, we see no basis for departing from the domestic like product definition in the original investigations. There is no

²⁵ 69 Fed. Reg. 70655 (Dec. 7, 2004) (Brazil countervailing duty order), 69 Fed. Reg. 54630 (Sep. 9, 2004) (Brazil antidumping duty order), 69 Fed. Reg. 61792 (Oct. 21, 2004) (Japan antidumping duty order); 69 Fed. Reg. 54633 (Sep. 9, 2004) (Russia antidumping suspension agreement). The notices also identify various subheadings of the Harmonized Tariff Schedules of the United States (HTSUS) under which the subject merchandise is classified and indicate that, although the HTSUS subheadings are provided for convenience and U.S. Customs Service ("U.S. Customs") purposes, the written description of the merchandise under investigation is dispositive. *Id.* The notices also identified certain articles, by way of example, that are outside or specifically excluded from the scope of the reviews. *See* CR at I-20-I-21, PR at I-16-I-17.

²⁶ Certain Hot-Rolled Steel Products from Japan, Inv. Nos. 731-TA-807 (Final), USITC Pub. 3202 (June 1999) at 4-5; Certain Hot-Rolled Steel Products from Brazil and Russia, Inv. Nos. 701-TA-384 and 731-TA-806, 808 (Final), USITC Pub.3223 (Aug. 1999); Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808 (Preliminary), USITC Pub. 3142 (November 1998) at 5-7.

²⁷ Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808 (Preliminary), USITC Pub. 3142 (November 1998) at 5-7. The Commission also rejected arguments by one importer of subject merchandise from Japan that the domestic industry was neither materially injured nor threatened with material injury by reason of imports of two niche products that allegedly were not produced domestically. Preliminary Determination at 5 n.14.

evidence in the record of these reviews with respect to the factors the Commission examines in its domestic like product analysis that supports revisiting the definition of the domestic like product. Therefore, for the reasons stated in the original determinations, we continue to define a single domestic like product coextensive with the scope definition.

B. Domestic Industry and Related Parties

Section 771(4)(A) of the Act 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.”²⁸ We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers. Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each case.²⁹

The record indicates the following related party issues, based on domestic industry ownership interests of firms in the subject countries and imports or purchases of subject merchandise by the domestic producers.

1. Ownership Interests

CSI is *** owned by Companhia Vale do Rio Doce, a Brazilian firm, and *** owned by JFE Steel, a Japanese firm.³⁰ Although there is no indication that Companhia Vale do Rio Doce produces or exports subject merchandise, JFE is a producer and exporter of subject merchandise in Japan, meaning

²⁸ 19 U.S.C. § 1677(4)(A). In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States. See United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int’l Trade 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

²⁹ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-1332 (Ct. Int’l Trade 1989), aff’d without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, *e.g.*, Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), aff’d without opinion, 991 F.2d 809 (Fed. Cir. 1993); Allied Mineral Products, Inc. v. United States, Slip. Op. 04-139 at 4 (Ct. Int’l Trade Nov. 12, 2004). The Commission also has considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, *e.g.*, Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14 n.81.

³⁰ CR/PR at Tables I-2, I-3.

CSI would be a related party if JFE's *** ownership amounts to direct or indirect control. ***, CSI ***.³¹ ***.³² The record does not identify ***.

Gallatin is *** owned by Gerdau-Ameristeel, a Brazilian firm, and *** owned by Dofasco, a Canadian firm.³³ There is no indication on the record that Gerdau-Ameristeel is a producer or exporter of subject merchandise or, therefore, that Gallatin would be a related party based on Gerdau-Ameristeel's *** ownership interest.³⁴

Severstal N.A. became wholly owned by OAO Severstal, a Russian hot-rolled steel producer, in January 2004.³⁵ ***.³⁶ Severstal N.A. therefore is a related party.

We consider whether, assuming each of these producers is a related party, "appropriate circumstances" exist to exclude any of them from the domestic industry. CSI and Gallatin, and to a lesser extent Severstal N.A., each account for a *** percentage of domestic production;³⁷ thus, neither exclusion nor inclusion of their individual data would skew the industry data.

The performance of CSI and Gallatin on their hot-rolled steel operations was ***³⁸ *** the issue of whether they were or would likely be shielded from any injury from imports as a result of their potential related party status. However, there is no specific information regarding whether CSI or Gallatin derives any concrete benefits, or operates in a manner that is different from other domestic producers, as a result of its potential related party status. Severstal N.A. became a related party only in January 2004;³⁹ even in that year, however, Severstal N.A.'s performance was ***, suggesting that it did not derive any concrete benefits, or operate in a manner that was different from other domestic producers, as a result of its related party status.

***.⁴⁰ Therefore, the interests of *** appear to be primarily those of domestic producers.

We conclude that appropriate circumstances do not exist to exclude CSI, Gallatin, or Severstal N.A. from the domestic industry.

³¹ CR at III-17-III-18, PR at III-10.

³² The Commission has concluded that a domestic producer that does not itself import subject merchandise, or does not share a corporate affiliation with an importer, may nonetheless be deemed a related party if it controls large volumes of imports. The Commission has found such control to exist where the domestic producers were responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial. See, e.g., Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-392 and 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 10 n.50 (April 1997).

³³ CR/PR at Table I-2.

³⁴ CR at IV-11, PR at IV-9. (Gerdau-Ameristeel, e.g., is not among firms identified as producers/exporters of hot-rolled steel in Brazil).

³⁵ CR/PR at Tables I-2, I-3; CR at I-35, PR at I-27.

³⁶ CR/PR at Table III-8.

³⁷ CR/PR at Table I-2.

³⁸ CR/PR at Table III-17.

³⁹ CR at I-35, PR at I-27.

⁴⁰ CR at III-18 n.22, PR at III-10 n.22.

2. Imports and Purchases

*** imported *** short tons of subject merchandise from *** in 2000, *** short tons in 2002, and *** short tons in 2004.⁴¹ ***, thus, is a related party. However, *** accounted for only *** percent of U.S. production in 2004.⁴² Thus, neither exclusion nor inclusion of its individual data would skew the industry data. Moreover, *** interest appears to be primarily that of a domestic producer, in that it had no subject imports in 1999, 2001, or 2003, and its imports were equivalent to only *** percent of its production in 2000, *** in 2002, and *** percent in 2004.⁴³ *** imports subject merchandise “based on demand and product availability,”⁴⁴ and its financial performance over the period of review does not indicate that its use of subject merchandise resulted in financial benefits relative to other domestic producers.⁴⁵

In 2004, *** purchased a very small quantity of subject imports that had been imported from Japan.⁴⁶ The extremely small volume of *** purchases would not support a conclusion that *** is responsible for a predominant portion of any importer’s purchases. We consequently find that *** is not a related party producer on the basis of its purchasing activities. We also determine that, even if *** were a related party, appropriate circumstances do not exist to exclude it from the domestic industry. *** imported subject merchandise only in one year of the period for which information was gathered, and that volume was extremely small, both in absolute terms and relative to *** substantial production.⁴⁷ Its interest is clearly one of a producer, as further evidenced by its support for the orders and agreement.⁴⁸

Accordingly, we determine that appropriate circumstances do not exist to exclude either *** or, if it were a related party, *** from the domestic industry. Consequently, we define a single domestic industry consisting of all U.S. producers of the domestic like product.

IV. CUMULATION

A. Framework

Section 752(a) of the Act provides that:

the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that

⁴¹ CR/PR at Table III-8.

⁴² CR/PR at Table I-2.

⁴³ CR/PR at Table III-9.

⁴⁴ CR at III-16, PR at III-9.

⁴⁵ CR/PR at Table III-17.

⁴⁶ CR at III-18 n.23, PR at III-10 n.23.

⁴⁷ CR at III-18 n.23, PR at III-10 n.23.

⁴⁸ CR/PR at Table I-2.

such imports are likely to have no discernible adverse impact on the domestic industry.⁴⁹

Thus, cumulation is discretionary in five-year reviews. However, the Commission may exercise its discretion to cumulate only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.⁵⁰ We note that neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.⁵¹ With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.⁵²

In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied as Commerce initiated all the reviews on May 3, 2004.⁵³

The Commission generally has considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.⁵⁴ Only a “reasonable overlap” of competition is required.⁵⁵ In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists. Moreover, because of the prospective

⁴⁹ 19 U.S.C. § 1675a(a)(7).

⁵⁰ 19 U.S.C. § 1675a(a)(7).

⁵¹ SAA, H.R. Rep. No. 103-316, vol. I (1994).

⁵² For a discussion of the analytical framework of Chairman Koplan and Commissioners Hillman and Miller regarding the application of the “no discernible adverse impact” provision, see Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review) USITC Pub. 3274 (Feb. 2000). For a further discussion of Chairman Koplan’s analytical framework, see Iron Metal Construction Castings from India; Heavy Iron Construction Castings from Brazil; and Iron Construction Castings from Brazil, Canada, and China, Inv. Nos. 303-TA-13 (Review); 701-TA-249 (Review); and 731-TA-262, 263, and 265 (Review) USITC Pub. 3247 (Oct. 1999) (Views of Commissioner Stephen Koplan Regarding Cumulation).

⁵³ 69 Fed. Reg. 24118 (May 3, 2004).

⁵⁴ The four factors generally considered by the Commission in assessing whether subject imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (CIT 1989).

⁵⁵ See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (CIT 1996); Wieland Werke, AG, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”); United States Steel Group v. United States, 873 F. Supp. 673, 685 (CIT 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 (Preliminary) and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 15 (Feb. 1999), aff’d sub nom, Ranchers-Cattleman Action Legal Foundation v. United States, 74 F. Supp.2d 1353 (CIT 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-761-762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

nature of five-year reviews, we have examined not only the Commission's traditional competition factors, but also other significant conditions of competition that are likely to prevail if the orders are revoked and the suspended investigation is terminated. The Commission has considered factors in addition to its traditional competition factors in other contexts where cumulation is discretionary.⁵⁶

B. Likelihood of No Discernible Adverse Impact

No respondent parties argued in prehearing briefs or at the Commission's hearing that imports from any subject country would be likely to have no discernible adverse impact, although Brazilian producers and a Japanese industry association made such claims in posthearing comments.⁵⁷ As noted above, we generally consider the likely volume of subject imports and their impact within a reasonably foreseeable time if the orders are revoked or investigations terminated. We note that the statute refers to no "discernible" adverse impact, rather than to a "significant" adverse impact, which would be more appropriate to the ultimate analysis of whether the industry is likely to be materially injured upon revocation or termination. Because of this substantially lower threshold, the no discernible adverse impact analysis was not intended to be equivalent in scope to an analysis of likely material injury.⁵⁸ Although we include here a substantial analysis of the likely impact of imports from each of the three subject countries, we bear in mind that the threshold is whether the adverse impact will simply be "discernible."⁵⁹ Based on the record, we do not find that subject imports from any of the three subject countries would be likely to have no discernible adverse impact on the domestic industry if the orders were revoked and the suspended investigation were terminated.

1. Brazil

In the original investigations, subject imports from Brazil increased from 254,166 short tons in 1996 to 436,685 short tons in 1997 and 451,462 short tons in 1998, an increase of 77.6 percent from 1996 to 1998.⁶⁰ Subject imports from Brazil accounted for 0.4 percent of the U.S. market in 1996 and 0.6 percent in both 1997 and 1998.⁶¹ In the merchant market, the subject imports from Brazil accounted for 1.0 percent of the U.S. market in 1996, 1.5 percent in 1997, and 1.4 percent in 1998.⁶²

After the antidumping and countervailing duty suspension agreements were in place on Brazil in 1999, imports from Brazil declined substantially. The quantity of subject imports from Brazil was 49,809

⁵⁶ See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallwerken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (CIT 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (CIT 1988).

⁵⁷ Japan Iron & Steel Federation's ("JISF") posthearing comments at 13-14, Brazilian Producers' posthearing comments at 12-13.

⁵⁸ See, e.g., Usinor Industeel, S.A. v. United States, ___ F. Supp. 2d, Slip Op. 03-118 (Ct. Int'l Trade 2001), aff'd per curiam, 112 Fed. Appx. 59 (Fed. Cir. Nov. 8, 2004) (to require a greater effect than discernible adverse impact "would defeat the purpose of cumulation, i.e., to guard against the 'hammering' effect of imports which, in isolation, do not cause material injury.")

⁵⁹ We recognize that the length of analysis here renders the subsequent analysis of volume, price, and impact somewhat repetitive.

⁶⁰ USITC Pub. 3202 at Tables IV-2 and C-1.

⁶¹ Id. at Table C-1.

⁶² Id. at Table C-2.

short tons in 1999, 158,565 short tons in 2000, 2,587 short tons in 2001, 383 short tons in 2002, 53 short tons in 2003, and 2,978 short tons in 2004.⁶³ The record thus indicates that, while subject imports from Brazil have been present in the U.S. market in appreciable quantities during the period of review, they were present in far greater quantities prior to issuance of the suspension agreements and orders on subject imports from Brazil.

Three Brazilian producers of subject merchandise responded to the Commission's foreign producer questionnaire in the original investigations, while four producers responded to the questionnaire in these reviews.⁶⁴ Reported hot-rolled steel capacity in Brazil increased from 10.0 million short tons in 1999 to 12.9 million short tons in 2003. Brazilian capacity data for 2004 are incomplete; however, the available data suggests a further increase of Brazilian capacity in 2004.⁶⁵ Brazilian production of the subject merchandise similarly increased from 9.6 million short tons in 1999 to 12.1 million short tons in 2003, while capacity utilization declined in that period from 96.5 percent in 1999 to 93.4 percent in 2003. Incomplete data also indicates an increase in production in 2004.⁶⁶ Brazilian capacity is predicted to increase notably in a reasonably foreseeable time.^{67 68}

Brazilian producers' exports fluctuated over the review period between 400,000 short tons and 1.4 million short tons. Exports accounted for 11.6 percent of the producers' total shipments in 1999, 8.8 percent in 2000, 4.2 percent in 2001, 7.7 percent in 2002, 11.4 percent in 2003, and 10.0 percent in 2004.

⁶³ CR/PR at Table IV-1.

⁶⁴ CR at IV-11, PR at IV-9; USITC Pub. 3202 at VII-2. The three Brazilian producers identified in the original investigations, which continue to be producers, are Companhia Siderúrgica Nacional ("CSN"), Companhia Siderúrgica Paulista ("COSIPA"), and Usinas Siderúrgicas de Minas Gerais S.A. ("USIMINAS"). In addition to those three producers, Companhia Siderúrgica de Tubarão ("CST"), which began production at a new hot-strip mill in 2002, was identified as a Brazilian producer in these reviews. CR at IV-14, PR at IV-9.

⁶⁵ CR/PR at Table IV-7 (INV-CC-049 (Apr. 12, 2005)). Regarding Brazilian capacity, one Brazilian producer *** reported data for 2004 only through September of that year. Therefore, Brazilian production and capacity data for 2004 are understated. *** reported capacity and production each were approximately *** short tons lower in January to September 2004 than in full year 2003. *Id.* at n.1. Adding that *** short tons to the understated Brazilian capacity of 11,974,375 short tons in 2004 (CR/PR at Table IV-7), yields an increase in Brazilian capacity from 12.9 million short tons in 2003 to *** million short tons in 2004.

⁶⁶ Regarding Brazilian production, as noted above, *** reported data only through September 2004, resulting in an understatement of both capacity and production for that year. *** reported production was approximately *** short tons lower in January to September 2004 than in full year 2003. *Id.* at n.1. Adding that *** short tons to the understated Brazilian production of 11,866,791 short tons in 2004 (CR/PR at Table IV-7), yields an increase in Brazilian production from 12.1 million short tons in 2003 to *** million short tons in 2004. *Id.*

⁶⁷ The parties disagree as to the appropriate "reasonably foreseeable time" that the Commission should consider in evaluating likely material injury in this case. Domestic producer Nucor argues that the period can extend out 3 to 5 years, based on the existence of contract sales and extremely long-term capital investment decisions. Nucor Posthearing Brief at Exhibit 12. By contrast, the steel purchaser respondents claim that the period should be measured in "months, not years," because hot-rolled steel is essentially a commodity, sold in a fluid market, where market adjustment terms are short." Steel Consumers Posthearing Brief at 5. The Commission has traditionally avoided specifying a precise period given that doing so could itself be somewhat speculative and could involve arbitrary cutoffs. Nevertheless, in view of the nature of this industry and market, we have given significantly greater weight to developments likely to occur in 2005 and 2006 than to those pertaining to later dates, although we cite other information as appropriate.

⁶⁸ Press accounts indicate that CST plans to increase its production of hot-rolled coils by 15 percent in 2005, to 2.3 million tons, and that, with a planned addition of a furnace, CST will further increase its hot-rolled steel capacity, at least by June 2008. CR at IV-14 nn. 10, 11, 12, PR at IV-9 nn.10, 11, 12. Projects by companies other than the four current producers will expand Brazilian production of steel generally, including large increases to be realized as early as 2006 and 2007. CR at IV-14-IV-15, PR at IV-9, IV-12.

Those exports reflect significantly higher percentages of Brazilian producers' total open market shipments, given that less than half of total shipments were to the open market.⁶⁹ Hence, the Brazilian producers have at least a moderate export orientation.

Brazilian producers contend that current customer relationships and product differences among markets would limit their ability to shift sales to the U.S. market.⁷⁰ However, the producers have demonstrated over time an ability to compete in the United States at varying volume levels, to increase production, and to shift large volumes relatively quickly between their home market and export markets, and among export markets, including the U.S. market.⁷¹ Moreover, *** provides a ready outlet for *** exports to the United States; *** report that, if the orders are revoked, *** will export Brazilian hot-rolled steel coils to *** for use by *** in its U.S. production of downstream, cold-rolled and galvanized, steel products.⁷² ***⁷³

Capacity utilization in Brazil ranged between 100.7 percent and 89.4 percent over the period of review, was 93.4 percent in 2003, and is estimated at just over 99 percent in 2004.⁷⁴ Hence, there has been some excess capacity in Brazil over that period, notwithstanding respondents' arguments as to fairly high capacity utilization rates, including a likely rate in 2004 that is quite high.⁷⁵ We note that in the period examined in the original investigations, Brazil's capacity utilization was also greater than 90

⁶⁹ The Brazilian producers internally consumed a majority of their total shipments in each year of the period considered in this review, ranging from a high of 61.7 percent in 2001 to a low of 51.9 percent in 2004. Exports accounted for 28.9 percent of Brazilian producers' open market shipments (*i.e.*, total shipments less internal consumption) in 1999, 21.7 percent in 2000, 11.0 percent in 2001, 19.3 percent in 2002, 25.1 percent in 2003, and 20.8 percent in 2004. CR/PR at Table IV-7.

⁷⁰ CR at II-8-II-9, PR at II-6-II-7; see also responses to Commission's foreign producer questionnaire item III-8 (***).

⁷¹ E.g., CR/PR at Table IV-7 (broad fluctuations annually among export markets during the period considered in these reviews: exports to the United States ranged from zero to 159,479 short tons, to the EU ranged from 78,230 short tons to 428,115 short tons, to China ranged from zero to 406,839 short tons, and to other Asian countries ranged from *** short tons to 667,768 short tons); see also USITC Pub. 3202 at Table VII-1.

⁷² CR at D-13-D-16, D-23-D-24, PR at D-14, D-16, D-23-D-24. This arrangement would displace the current one under which ***. While ***, see CR at D-16, PR at D-16, we find that revocation of the orders would greatly facilitate such a switch.

Other purchasers and importers also indicate likely increases in import volumes. Id. at D-13-D-23. For instance, ***, a U.S. importer, reports that, if the orders were revoked and the suspended investigation terminated, it "would begin talking with both suppliers and customers about pricing and quality needs for delivery of material from Brazil, Japan, and Russia," (id. at D-13), that it "would anticipate [its] volume increasing from Russia and Brazil if the [revocation/termination] were to occur" (id. at D-16), and that revocation/termination would permit "geographic movement of steel to logical trading partners, *i.e.*—Brazil to U.S. vs. to China." Id. at D-18.

⁷³ CR at I-38, PR at I-30. Moreover, *** reports that it can produce slabs or hot-rolled coil on the same equipment, and *** indicate that they can switch production between hot-rolled and cold-rolled steel. CR at IV-15, PR at IV-12. Data on production of other products appear at CR/PR at Table IV-8. Shifting production between hot-rolled and cold-rolled steel products would also reflect the ability to shift between captive and open markets, selling hot-rolled steel in the domestic and export merchant markets rather than internally consuming it to produce the downstream, nonsubject cold-rolled product.

⁷⁴ CR/PR at Table IV-7. Capacity utilization for 2004 calculated on the basis of the derived production and capacity totals for 2004, supra.

⁷⁵ For instance, unused Brazilian capacity totaled 847,958 short tons in 2003 and is estimated at 100,000 short tons in 2004. CR/PR at Table IV-7 and id. n.1.

percent, yet its exports to the United States increased substantially as Brazilian producers shifted exports from other markets to the U.S. market.⁷⁶

The attractiveness of the U.S. market relative to many of the alternative markets because of its size, openness, and high prices would provide an incentive to shift to greater U.S. sales in the event of revocation. U.S. importers and service centers have shown themselves to be ready, willing, and able to source foreign steel, and in relatively short order. Home market prices for hot-rolled band were higher in the United States than in any of the subject countries or the world's other major home markets in 2004.⁷⁷ While in early 2005 the gap in price has narrowed between the U.S. market and some other markets, such as the EU and Japan, the gap appears significant in comparison with other important world markets.⁷⁸

During the original investigations, subject imports from Brazil undersold the domestic like product in 36 of 58 quarterly comparisons.⁷⁹ During the period examined in these reviews, subject imports from Brazil undersold the domestic like product in 7 of 30 quarterly comparisons.⁸⁰ Reduced underselling with antidumping or countervailing duty orders, or suspension agreements, in place is not unexpected.

In summary, subject imports from Brazil are currently present in the U.S. market in appreciable quantities and were present in far greater quantities prior to issuance of the suspension agreements, subsequently replaced with orders, on subject imports from Brazil. Capacity and production of subject producers in Brazil have increased since the original investigations and will likely increase further in a reasonably foreseeable time. Notwithstanding high capacity utilization, there has been some excess capacity in Brazil over the review period. Moreover, a substantial share of the Brazilian producers' open market sales are exports, and the producers have demonstrated an ability to shift shipment volumes quickly between captive and merchant markets, their home market and export markets and among export markets, including the U.S. market. The relative attractiveness of the U.S. market would provide an impetus for such a shift. A Brazilian producer intends to export hot-rolled steel to *** if the orders are revoked.

Hot-rolled steel from Brazil is subject to antidumping duties in Canada, ranging from 4.81 percent to 26.3 percent, and to an antidumping duty suspension agreement in Argentina.⁸¹ Moreover, as addressed more fully below, we find that imports from Brazil are good substitutes for the domestic like product, and that price is an important consideration in purchasing decisions.

In light of these factors, we do not find it likely that subject imports from Brazil will have no discernible adverse impact on the domestic industry if the antidumping and countervailing duty orders were revoked.

2. Japan

In the original investigations, the quantity of subject imports from Japan increased from 240,976 short tons in 1996 to 548,822 short tons in 1997, and then increased to 2.7 million short tons in 1998, an increase of 1,014 percent in 1998 compared with 1996.⁸² Subject imports from Japan accounted for 0.4

⁷⁶ USITC Pub. 3202 at Table VII-1.

⁷⁷ CR/PR at Table IV-13.

⁷⁸ CR/PR at Table IV-13; World Steel Dynamics, Global Steel Alert #26 (March 23, 2005) at 46.

⁷⁹ USITC Pub. 3202 at V-15.

⁸⁰ CR/PR at Tables V-1-V-6; CR at V-23, PR at V-15.

⁸¹ CR at IV-17, PR at IV-13-IV-14.

⁸² USITC Pub. 3202 at Tables IV-2 and C-1.

percent of the U.S. market in 1996, 0.8 percent in 1997, and 3.6 percent in 1998.⁸³ In the merchant market, the subject imports from Japan accounted for 0.9 percent of the U.S. market in 1996, 1.9 percent in 1997, and 8.1 percent in 1998.⁸⁴

After the antidumping duty order was in place on Japan in 1999, imports from Japan declined substantially. The volume of subject imports from Japan was 61,798 short tons in 1999, 17,109 short tons in 2000, 6,872 short tons in 2001, 6,372 short tons in 2002, 10,838 short tons in 2003, and 16,086 short tons in 2004.⁸⁵

Since the original investigations, former producers Kawasaki Steel and NKK Corporation merged to form JFE Steel.⁸⁶ JFE, which reportedly accounted for about *** percent of production of the subject merchandise in Japan in 2003,⁸⁷ is the only Japanese producer that responded to the Commission's foreign producer's questionnaire in these reviews. The five known non-responding Japanese producers of hot-rolled steel are Kobe Steel, Nippon Steel, Nisshin Steel, Sumitomo Metal Industries, and Tokyo Steel Manufacturing.⁸⁸

JFE reported that its capacity increased from *** short tons in 1999 to *** short tons in 2004, that its production increased from *** short tons in 1999 to *** short tons in 2004, and its capacity utilization increased from *** percent in 1999 to *** percent in 2004.⁸⁹ Publicly available information regarding the industry as a whole indicates that Japanese production of hot-rolled flat products increased from 56.6 million short tons in 1999 to 71.1 million short tons in 2003, an increase of more than 25 percent.⁹⁰

There are no comparable public figures regarding the capacity of the Japanese hot-rolled steel industry, which makes determining unused capacity in Japan more difficult. In the absence of direct information from Japanese producers, we have used a capacity utilization figure of 90.0 percent, which was the highest utilization rate reported by the Japanese industry during the original investigations.⁹¹ Based on this utilization rate, Japanese hot-rolled capacity increased from 53.8 million short tons in 1998 to an estimated 79.0 million short tons in 2003, with approximately 7.9 million tons of excess capacity.⁹²

⁸³ Id. at Table C-1.

⁸⁴ Id. at Table C-2.

⁸⁵ CR/PR at Table IV-1.

⁸⁶ CR at IV-17, PR at IV-14. Short of mergers, there have been significant formal cooperation and agreements for mutual support among the other Japanese hot-rolled steel producers. CR at IV-21, PR at IV-16-IV-17.

⁸⁷ CR at IV-17, PR at IV-14. JFE's reported production (CR at Table IV-10) would account for *** percent of total Japanese 2003 production as reported by the International Iron and Steel Institute (CR/PR at Table IV-9).

⁸⁸ CR at IV-17 n.18, IV-19, PR at IV-14 n.18, IV-15.

⁸⁹ CR/PR at Table IV-9.

⁹⁰ CR/PR at Table IV-18 (data from International Iron and Steel Institute).

⁹¹ USITC Pub. 3202 at VII-2. Such a rate was from 1997 and preceded the onset of the Asian financial crisis in 1998. Thus it takes into account the fact that current global conditions are much improved from the time of the Asian financial crisis. In the absence of data from the other Japanese producers themselves, we are not prepared to assume that the entire Japanese industry was operating at the *** percent rate reported for 2004 by JFE.

⁹² Assuming that Japanese production grew in 2004 by the average amount by which it grew from 1999 to 2003, 2004 capacity and excess capacity would be even higher.

More recent public information regarding unused capacity in Japan indicates that Tokyo Steel Manufacturing's production of 3.7 million short tons of all finished steel during its 2003-2004 fiscal year was well below its capacity of 4.6 million short tons. CR at IV-19, PR at IV-15.

While JFE reports no plans for significantly expanding its hot-rolled capacity,⁹³ the rest of the Japanese industry did not respond to the Commission's request for information on future capacity changes. Accordingly, the Commission has relied on other information, including press and government accounts, that pertain to both hot-rolled and raw steel production. These accounts indicate continued significant expansion of Japanese steel production. Sumitomo reportedly increased its blast furnace capacity at Kashima by 1.1 million short tons in September 2004,⁹⁴ and will shift its hot- and cold-rolling operations there from Wakayama by the end of 2005.⁹⁵ Nippon increased its blast furnace capacity by completing or restarting the two largest blast furnaces in the world, one at the Kimitsu works in May 2003, and the other at the Oita works in May 2004.⁹⁶

Japanese producers are also able to shift production from nonsubject to subject merchandise. JFE reports that ***.⁹⁷ In the original investigations, "[a]ll of the Japanese mills reported producing other merchandise, primarily cold-rolled, pipe, galvanized, or stainless products, on the same equipment used to producer certain hot-rolled steel products."⁹⁸

JFE also reports that nearly *** percent of its total shipments in 2004 were exports.⁹⁹ For the Japanese industry as a whole, Japanese government data show exports representing approximately 20 percent of Japanese production in 2002 and 2003.¹⁰⁰ This represents a substantial increase from an average of under 10 percent during the period examined in the original investigations.¹⁰¹ In 1998, during the original investigations, Japanese producers' exports to the United States were sizeable when their hot-rolled steel exports were only 11.2 percent of their shipments.¹⁰² *** shows an ability to quickly make significant shifts of hot-rolled steel volume among export markets over the period considered in these reviews.¹⁰³ Japanese industry data, regarding the hot-rolled industry as a whole, indicate an ability to shift exports among countries, e.g., by its reduced exports to the United States following issuance of the order, variable export volumes to the United States during this review period, and an increasing concentration of Japan's exports in Asian markets, including abrupt changes in the volume shipped to China.^{104 105} JFE

⁹³ CR at IV-25, PR at IV-18.

⁹⁴ CR at IV-19, PR at IV-15.

⁹⁵ CR at IV-20, PR at IV-16. Sumitomo's hot-rolled capacity will be temporarily reduced during this transition, and other producers have agreed to supply Sumitomo with hot-rolled steel in the interim. CR at IV-21, PR at IV-16.

⁹⁶ CR at IV-19, PR at IV-15. Increased Japanese production data from the Steel Statistical Yearbook, supra, presumably reflects production after May 2003 at Kimitsu, but, because it includes data only through 2003, would not include the full-year production of either the Kimitsu or Oita furnaces. Kobe Steel is scheduled to remove one blast furnace from operation for relining until March 2007, but in the process will increase that furnace's volume from 4,550 cubic meters to 5,400 cubic meters. CR at IV-18-IV-19, PR at IV-14-IV-15. We view Japan's crude steel capacity as relevant to its hot-rolled steel capacity in the absence of data specific to total hot-rolled steel capacity in Japan.

⁹⁷ CR at IV-25, PR at IV-18. This indicates that JFE ***, thus tempering JFE's general assertion that it ***. As already noted, the relative attractiveness of the U.S. market would provide an incentive to shift production in the event of revocation.

⁹⁸ USITC Pub. 3202 at VII-4.

⁹⁹ CR/PR at Table IV-10.

¹⁰⁰ Japanese Ministry of Finance data, cited in ISG Prehearing Brief at Exhibit 5; CR/PR at Table IV-9.

¹⁰¹ USITC Pub. 3202 at Table VII-2.

¹⁰² USITC Pub. 3202 at Table VII-2.

¹⁰³ CR/PR at Table IV-10.

¹⁰⁴ CR/PR at Tables IV-21-IV-22. In 2004, 90.1 percent of Japanese hot-rolled steel exports were to Asian
(continued...)

contends that ***.¹⁰⁶ However, as discussed more fully *infra*, recent demand growth in the Chinese market has weakened and Japan's exports to China have declined in the most recent 12-month period. The relative attractiveness of the U.S. market would provide an incentive to shift exports to the United States in the event of revocation.

Hot-rolled steel from Japan is currently subject to an antidumping duty finding in Thailand, with a margin of 36.25 percent.¹⁰⁷

The Japanese product undersold the domestic like product in 23 of 62 quarterly comparisons in the original investigations; however, the Commission noted that instances of underselling by the Japanese merchandise were more frequent toward the end of the period, in 1998, and there were fewer instances early in the period. The Japanese merchandise undersold the domestic like product in 2 of 4 quarterly comparisons in these reviews.¹⁰⁸

In summary, subject imports from Japan are currently present in the U.S. market in appreciable quantities and were present in far greater quantities prior to issuance of the antidumping duty order. The record also indicates that there have been large increases in the capacity and production of subject producers in Japan since the original investigations, that capacity likely will increase further in a reasonably foreseeable time, that there is excess capacity in Japan, and that Japanese producers would be able to increase production of subject merchandise by shifting production from nonsubject to subject merchandise. Moreover, a substantial share of the Japanese producers' sales are exports, much larger than in the original investigations, and the producers are able to shift shipment volumes quickly between their home market and export markets and among export markets, including the U.S. market. Moreover, the relative attractiveness of the U.S. market would provide an incentive to shift exports to the United States in the event of revocation.

Moreover, we find that imports from Japan are good substitutes for the domestic like product, and that price is an important consideration in purchasing decisions.

In light of these factors, we do not find it likely that subject imports from Japan will have no discernible adverse impact on the domestic industry if the antidumping duty order were revoked.

3. Russia

The quantity of subject imports from Russia surged during the period considered in the original investigations from 847,764 short tons in 1996 to 3.8 million short tons in 1998.¹⁰⁹ The volume of subject imports from Russia declined significantly following implementation of the suspension agreement, from 3.8 million short tons in 1998 to 14,612 short tons in 1999, then increased unevenly thereafter before

¹⁰⁴ (...continued)

countries, excluding China, compared with 81.9 percent in 1999. Exports to China had increased to 4.1 percent of Japan's exports in 2004 compared with 2.5 percent in 1999. CR at IV-22, PR at IV-17. Japanese hot-rolled steel exports to China then declined significantly during the period April 2004 to February 2005, decreasing by one-half compared to the same immediately prior period. During the same time, imports into Japan of hot-rolled steel from China increased markedly. See "China Makes Inroads in Japanese Flat-Roll Import Market, Logs 71% Gain," AMM, Apr. 6, 2005.

¹⁰⁵ Japanese Ministry of Finance data show significant year-to-year fluctuations in exports to particular markets. For example, Japanese exports to Korea increased by over 2 million tons from 1998 to 1999. ISG Prehearing Brief at Exhibit 5.

¹⁰⁶ CR at IV-26, PR at IV-18.

¹⁰⁷ CR at IV-22, PR at IV-17.

¹⁰⁸ USITC Pub. 3202 at V-15; CR/PR at Table V-3; and CR at V-23, PR at V-15.

¹⁰⁹ USITC Pub. 3202 at Table IV-2.

spiking to 904,101 short tons in 2004.¹¹⁰ Respondents Severstal, NLMK, and MMK reportedly account for nearly all Russian production of subject merchandise.¹¹¹ The Russian producers' capacity has increased from 20.9 million short tons in 1999 to 22.8 million short tons in 2004. Their production has increased from 16.1 million short tons in 1999 to 20.3 million short tons in 2004. Capacity utilization has increased from 77.4 percent in 1999 to 89.0 percent in 2004, which nonetheless leaves unused capacity of 2.5 million short tons.¹¹² While the Russian producers' exports as a share of total shipments decreased from 38.5 percent in 1999 to 30.8 percent in 2004, the 2004 export volume was nonetheless substantial, at 6.2 million short tons.¹¹³

The Russian producers report no plans to increase capacity.¹¹⁴ The Russian producers report that they use the same equipment used to produce subject merchandise to produce certain nonsubject articles (e.g., nonsubject carbon and alloy cut-to-length plate, and cold-rolled steel), and at least one producer indicates that it can shift between certain subject and nonsubject products.¹¹⁵

As noted, of Russian producers' total shipments in 2004, 30.8 percent were exported.¹¹⁶ The Russian producers' data indicate that they are able quickly to shift among export markets.¹¹⁷ Witnesses on behalf of the Russian producers stated that it is a normal pattern for Russian producers to shift exports to markets where they can obtain a more favorable price, and that the shift of exports to the United States in 2004 was in response to such price considerations.¹¹⁸ This situation appears to have continued in 2005; licenses for hot-rolled steel from Russia covered 101,184 metric tons in March 2005, 26.5 percent of total licenses issued in that month.¹¹⁹ The relative attractiveness of the U.S. market owing to higher prices, therefore, would provide an impetus for Russian producers to shift exports to the U.S. market.

¹¹⁰ CR/PR at Table IV-1.

¹¹¹ CR at IV-26, PR at IV-19.

¹¹² CR/PR at Table IV-11. The Russian producers argue that the available capacity reported in their questionnaire responses was the result of product mix changes and that they could not actually increase production above existing levels. Hearing Transcript at 305-307. We note that the Commission's questionnaires define capacity as follows: "The level of production that your establishment(s) could reasonably have expected to attain during the specified periods. Assume normal operating conditions (i.e., using equipment and machinery in place and ready to operate; normal operating levels (hours per week/weeks per year) and time for downtime, maintenance, repair, and cleanup; and a typical or representative product mix)." Thus, the Russian producers presumably reported as capacity the amount of hot-rolled steel that they could reasonably produce with their productive assets. In any event, we find that the Russian producers have the ability to substantially increase production, whether or not it could be increased to the full amount of capacity they reported.

¹¹³ CR/PR at Table IV-11.

¹¹⁴ We note that CRU Group forecasts a 14 percent increase in Russian hot-rolled steel production between 2004 and 2009, and a 19 percent increase in Russia's domestic hot-rolled steel consumption in that time frame. CR at IV-29, PR at IV-19 (citing materials in Russian Respondents Posthearing Brief at Exhibit 1). The Russian home market accounted for 69.2 percent of total Russian hot-rolled steel shipments in 2004 and exports accounted for 30.8 percent (CR/PR at Table IV-11), indicating that the increased capacity will permit expansion of both domestic and export shipments.

¹¹⁵ CR at IV-29-IV-30, PR at IV-19. *** indicates that it would switch sales markets before switching production. Id.

¹¹⁶ CR/PR at Table IV-11.

¹¹⁷ CR/PR at Table IV-11.

¹¹⁸ Hearing Transcript at 319-320; see also id. at 313-314. This testimony flatly contradicted the assertion in the Russian Respondents Prehearing Brief that long-term contracts make it difficult for the producers to shift product from other export markets to the United States. See Russian Respondents Prehearing Brief at 64-66.

¹¹⁹ CR at IV-5 n.4, PR at IV-3-IV-4 n.4.

Hot-rolled steel products from Russia are subject to a quota in the EU and antidumping duty orders in Argentina, Colombia, Egypt, Mexico, Peru, Thailand, and Venezuela.¹²⁰

During the original investigations, subject imports from Russia undersold the domestic like product in 63 of 72 quarterly comparisons, and during the period examined in these reviews, subject imports from Russia undersold the domestic like product in 42 of 78 quarterly comparisons, most notably in 2004 when import volume increased substantially.¹²¹

In summary, subject imports from Russia have been present in the U.S. market in appreciable quantities since issuance of the suspension agreement, increased steeply in 2004, and were present in even far greater quantities prior to issuance of the agreement. The record also indicates that the capacity and production of subject producers in Russia have increased since the original investigations, that there is excess capacity in Russia, and that one Russian producer would be able to increase production of subject merchandise to some extent by shifting production from nonsubject to subject merchandise. Moreover, a substantial share of the Russian producers' sales are exports, and the producers are able to shift shipment volumes quickly between their home market and export markets and among export markets, including the U.S. market, as demonstrated in 2004. The relative attractiveness of the U.S. market would provide an impetus for such a shift. Also, there exist significant barriers to Russian hot-rolled steel exports in several other markets.

Moreover, we find that imports from Russia are good substitutes for the domestic like product, that price is an important consideration in purchasing decisions, and that there was significant underselling in the original investigations and in these reviews, indicating that subject imports from Russia would likely be sold at prices likely to adversely affect domestic prices to a noticeable degree if the suspended investigation were terminated.

In light of these factors, we do not find that subject imports from Russia will have no discernible adverse impact on the domestic industry if the suspended investigation were terminated.

C. Likelihood of a Reasonable Overlap of Competition

Below we examine the four factors the Commission customarily considers in determining whether there will be a likely reasonable overlap of competition. We find a likely reasonable overlap of competition among subject imports from all sources and between these imports and the domestic like product if the orders were revoked and the suspended investigation terminated.

In the original investigations, the Commission cumulated subject imports from the three subject countries.¹²² The Commission found that subject imports from all three subject countries were fungible with both the domestic like product and with each other. This finding relied on market participants' reports that hot-rolled steel from the various sources was interchangeable. It also relied on the fact that, although some quality and product differences limited the Russian product's suitability for certain end uses, significant portions of the subject imports from all three countries and the domestic like product were fairly standardized, commodity grade products, generally manufactured to industry standards and suitable for a wide range of applications. Also, there was significant overlap within ASTM grades in the same thicknesses, and substantial portions of domestic and subject merchandise were sold without additional processing.¹²³

¹²⁰ CR at IV-31-IV-32, PR at IV-23.

¹²¹ USITC Pub. 3202 at V-15; CR/PR at Tables V-1-V-6; and CR at V-23, PR at V-15.

¹²² Certain Hot-Rolled Steel Products from Japan, Inv. Nos. 731-TA-807 (Final), USITC Pub. 3202 (June 1999) at 6-9.

¹²³ Id. at 8-9.

The Commission found geographic overlap based on sales of the domestic like product and subject imports from all three subject countries throughout the United States, the presence of subject imports from each of the three countries to some degree in each of the four geographic regions during the period examined, and, notwithstanding varying concentrations by country among the regions, entry of a majority of imports from both Japan and Russia, and more than 40 percent of imports from Brazil, in the Gulf Coast region, which the Commission found more than sufficient to support a finding of geographic overlap.¹²⁴ It also found simultaneous presence in the market in that subject imports from each country were present in all months of the period examined.¹²⁵

Finding the subject imports and domestic like product were generally sold in the same channels of distribution, the Commission noted in the original investigations that the domestic producers and subject importers sell hot-rolled steel to distributors, processors, or service centers, manufacturers of tubular products and other end users, although domestic producers also internally transfer significant amounts to make downstream products.¹²⁶

1. Fungibility

As previously discussed, the Commission found this factor satisfied in the original investigations. In these reviews, a majority of U.S. producers, importers, and purchasers reported that U.S.-produced hot-rolled steel products are always or frequently interchangeable with imports from each of the subject countries. For each possible subject country combination, a majority of U.S. producers and purchasers reported that imports from the subject countries were always or frequently interchangeable. A majority of importers similarly reported for the subject country combinations that imports from the subject countries were always or frequently interchangeable, except with respect to the comparison of the merchandise from Brazil and Russia, in which case all importers reported the merchandise was always (two importers), frequently (one importer), or sometimes (three importers) interchangeable.¹²⁷

Most notably, the quality of the Russian product, which the Commission found to be fungible in the original investigations with other subject imports and the domestic like product, appears to have improved since the original investigations. Whereas in the original investigations purchasers indicated some quality problems with the Russian product, in these reviews more than 70 percent of purchasers reported that the Russian product was comparable or superior to the domestic product in meeting industry standards.¹²⁸

2. Geographic Overlap

The Commission also found this factor satisfied in the original investigations. During the period examined in these reviews, four responding U.S. producers and six responding importers that sell subject merchandise from each subject country reported selling their product nationwide. The record also

¹²⁴ *Id.* at 7-8 n.29.

¹²⁵ *Id.* at 7 n. 27 and Table IV-6.

¹²⁶ *Id.* at 7 & 7 n.28.

¹²⁷ CR/PR at Table II-7. *See also* CR/PR at Table II-6 (purchasers reported significant comparability between and among imports from each subject country and U.S. product).

¹²⁸ *See* CR/PR at Table II-6; *compare* USITC Pub. 3202 at II-11 and Table II-6 *with* CR/PR at Tables II-4 and II-6.

indicates substantial overlap among the U.S. product and subject imports in both the broader and more specific geographic areas on which information was gathered.¹²⁹

3. Channels of Distribution

As discussed above, in the original investigations the Commission found that channels of distribution overlapped among the domestic like product and subject imports. The record indicates that significant shares of the domestic like product and subject imports from each of the subject countries were sold to distributors/service centers.¹³⁰ There is also significant overlap on sales to tubular products manufacturers and other end users, at least through 2001. A significant share of the domestic and Japanese product was also sold to other end users.¹³¹

4. Simultaneous Presence in Market

The Commission found this criterion satisfied in the original investigations. Subject imports from each of the three subject countries have been present during each year of the period of review. In 2004, subject imports from Brazil were present in 8 months, those from Japan in 12 months, and those from Russia in 10 months.¹³²

5. Conclusion

Information in the record thus indicates that subject imports from all subject sources are and are likely to be fungible with each other and with the domestic like product. The record indicates significant current geographic overlap and likely overlap. Subject imports from all subject sources have been simultaneously present in the U.S. market to varying degrees throughout the period of review.

Notwithstanding certain data limitations in these reviews,¹³³ there is, as in the original investigations, substantial presence by the domestically-produced product and subject imports from each subject country in the distributor/service center channel of distribution; there is also significant overlap in the tubular manufacturer and other end users channel.

Consequently, the conclusions the Commission reached in the original investigations concerning reasonable overlap of competition are also applicable to the issue of likely overlap of competition in these five year reviews. Accordingly, with respect to subject imports from each country, we find that there is a likely overlap of competition with the domestic like product and with the other subject imports.

We do not find any likely differences in the conditions of competition relevant to the merchandise from Brazil, Japan, and Russia, and the parties identify none, that would warrant our declining to exercise our discretion to cumulate. For these reasons, we exercise our discretion to cumulate subject imports from Brazil, Japan, and Russia.

¹²⁹ CR/PR at Table II-2.

¹³⁰ CR/PR at Table II-1.

¹³¹ Id.

¹³² CR/PR at Table IV-5.

¹³³ E.g., Brazil information on channels of distribution (CR/PR at Table II-1) was not provided for 2003 and 2004.

V. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE COUNTERVAILING DUTY ORDER AND ANTIDUMPING DUTY ORDERS ARE REVOKED AND THE SUSPENDED INVESTIGATION IS TERMINATED

A. Legal Standard In A Five-Year Review

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke an antidumping or countervailing duty order or terminate a suspended investigation unless: (1) it makes a determination that dumping is likely to continue or recur, and (2) the Commission makes a determination that revocation of the antidumping order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”¹³⁴ The SAA states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”¹³⁵ Thus, the likelihood standard is prospective in nature.¹³⁶

The U.S. Court of International Trade has found that “likely,” as used in the sunset review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.^{137 138}

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”¹³⁹ According to

¹³⁴ 19 U.S.C. § 1675a(a).

¹³⁵ SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

¹³⁶ While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

¹³⁷ See NMB Singapore Ltd. v. United States, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”); Nippon Steel Corp. v. United States, Slip Op. 02-153 at 7-8 (Ct. Int’l Trade Dec. 24, 2002) (same); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 4 n.3 & 5-6 n.6 (Ct. Int’l Trade Dec. 20, 2002) (“more likely than not” standard is “consistent with the court’s opinion”; “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); Indorama Chemicals (Thailand) Ltd. v. United States, Slip Op. 02-105 at 20 (Ct. Int’l Trade Sept. 4, 2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); Usinor v. United States, Slip Op. 02-70 at 43-44 (Ct. Int’l Trade July 19, 2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

¹³⁸ Commissioner Hillman interprets the statute as setting out a standard of whether it is “more likely than not” that material injury would continue or recur upon revocation. She assumes that this is the type of meaning of “probable” that the Court intended when the Court concluded that “likely” means “probable.” See Separate Views of Vice Chairman Jennifer A. Hillman Regarding the Interpretation of the Term “Likely”, in Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, the Netherlands, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom (Views on Remand), Invs. Nos. AA1921-197 (Review), 701-TA-231, 319-320, 322, 325-328, 340, 342, and 348-350 (Review), and 731-TA-573-576, 578, 582-587, 604, 607-608, 612, and 614-618 (Review) (Remand), USITC Pub. 3526 (July 2002) at 30-31.

¹³⁹ 19 U.S.C. § 1675a(a)(5).

the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis [in antidumping investigations].”^{140 141}

Although the standard in a five-year review is not the same as the standard applied in an original antidumping investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”¹⁴² It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).¹⁴³

In evaluating the likely volume of imports of subject merchandise if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.¹⁴⁴ In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.¹⁴⁵

In evaluating the likely price effects of subject imports if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to domestic like products and whether the subject

¹⁴⁰ SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

¹⁴¹ In analyzing what constitutes a reasonably foreseeable time, Chairman Koplan examines all the current and likely conditions of competition in the relevant industry. He defines “reasonably foreseeable time” as the length of time it is likely to take for the market to adjust to a revocation or termination. In making this assessment, he considers all factors that may accelerate or delay the market adjustment process including any lags in response by foreign producers, importers, consumers, domestic producers, or others due to: lead times; methods of contracting; the need to establish channels of distribution; product differentiation; and any other factors that may only manifest themselves in the longer term. In other words, this analysis seeks to define “reasonably foreseeable time” by reference to current and likely conditions of competition, but also seeks to avoid unwarranted speculation that may occur in predicting events into the more distant future.

¹⁴² 19 U.S.C. § 1675a(a)(1).

¹⁴³ 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

¹⁴⁴ 19 U.S.C. § 1675a(a)(2).

¹⁴⁵ 19 U.S.C. § 1675a(a)(2)(A-D).

imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.¹⁴⁶

In evaluating the likely impact of imports of subject merchandise if an order is revoked or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.¹⁴⁷ All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry.¹⁴⁸ As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the orders at issue and whether the industry is vulnerable to material injury if the orders are revoked.¹⁴⁹

B. Conditions of Competition

In evaluating the likely impact of the subject imports on the domestic industry, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”¹⁵⁰ The following conditions of competition in the hot-rolled steel market are relevant to our determination.

¹⁴⁶ 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.

¹⁴⁷ 19 U.S.C. § 1675a(a)(4).

¹⁴⁸ 19 U.S.C. § 1675a(a)(4). Section 752(a)(6) of the Act states that “the Commission may consider the magnitude of the margin of dumping” in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the “magnitude of the margin of dumping” to be used by the Commission in five-year reviews as “the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title.” 19 U.S.C. § 1677(35)(C)(iv). See also SAA at 887. In its final results of expedited sunset reviews, Commerce determined that revocation of the antidumping order with respect to Brazil would likely lead to weighted-average dumping margins of 41.27 percent for CSN, 43.40 percent for USIMINAS/COSIPA, and 42.12 percent for all others. With respect to the countervailing duty order on Brazil, it determined likely countervailing duty margins of 6.35 percent for CSN, 9.67 percent for USIMINAS/COSIPA, and 7.81 percent for all others. Commerce determined that revocation of the antidumping order with respect to Japan would likely lead to weighted-average dumping margins of 18.37 percent for Nippon, 17.70 percent for NKK, 40.26 percent for Kawasaki Steel, and 22.92 percent for all others. Commerce determined that termination of the suspended antidumping duty investigation with respect to Russia would likely lead to dumping at weighted-average margins of 73.59 percent for JSC Severstal, and 184.56 percent Russia-wide. CR at I-17-I-18, PR at I-14.

¹⁴⁹ The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission “considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

¹⁵⁰ 19 U.S.C. § 1675a(a)(4).

1. U.S. Market Supply

The U.S. market is supplied by domestic producers, subject country producers, and producers in nonsubject countries. During the period of review, U.S. production accounted for approximately 90 to 96 percent of the market, with most of the remainder supplied by nonsubject countries.¹⁵¹

After the subject orders and suspension agreements took effect in 1999, imports of hot-rolled steel from nonsubject countries began to increase their presence in the U.S. market, leading to further investigations. Countervailing duty orders on hot-rolled steel products from Argentina, India, Indonesia, South Africa, and Thailand, and antidumping duty orders on hot-rolled steel products from Argentina, China, India, Indonesia, Kazakhstan, the Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine, were issued in late 2001 and are still in effect.¹⁵² Also, as part of the global safeguard proceedings involving steel products, the President, by proclamation on March 5, 2002, imposed temporary import relief, effective March 20, 2002, on flat-rolled steel products, including hot-rolled steel products, consisting of an additional tariff of 30 percent ad valorem in the first year of relief, 24 percent in the second year, and 18 percent in the third year. The relief was terminated by the President on December 4, 2003.¹⁵³

The domestic industry consists of both integrated producers and nonintegrated, or “minimill,” producers. The integrated producers generally use a basic oxygen furnace (BOF) method of production, which uses molten steel as the primary input material, and generally also own facilities for production of downstream articles made from the hot-rolled steel and, thus, captively consume a significant portion of their hot-rolled steel production. Minimills use electric arc furnaces (EAF), which use scrap steel as the primary input material.¹⁵⁴

Several changes in the composition of the domestic industry have occurred since the original investigations as a result of bankruptcies, consolidations and reorganizations. AK Steel acquired Armco Incorporated in 1999. ISG acquired four companies out of bankruptcy: LTV and Acme Metals in 2002, Bethlehem Steel in 2003, and Weirton Steel in 2004. U.S. Steel acquired National Steel out of bankruptcy in 2003, and Nucor acquired Trico Steel out of bankruptcy in 2002. Nucor also acquired the former Corus mill in Tuscaloosa, Alabama in 2004.¹⁵⁵ Foreign entities have also acquired interests in U.S. producers.¹⁵⁶

The Pension Benefit Guarantee Corporation (PBGC) assumed the pension obligations of several steel producers in the course of their Chapter 11 bankruptcy proceedings.¹⁵⁷ With pension obligations removed, the cost structures of several of the companies improved dramatically. For instance, pension liabilities of Bethlehem and LTV were removed before ISG acquired them, as were those of National Steel before it was acquired by U.S. Steel.¹⁵⁸ As a result of the reorganization and consolidations, eighteen mills now account for nearly all domestic production of hot-rolled steel, whereas 24 firms accounted for 95 percent of production at the time of the original investigations.¹⁵⁹

¹⁵¹ CR/PR at Table C-1.

¹⁵² CR at I-9-I-10, PR at I-8.

¹⁵³ CR at I-12-I-14, PR at I-10-I-11.

¹⁵⁴ CR at I-24-I-27, PR at I-19-I-21. USITC Pub. 3202 at 11.

¹⁵⁵ CR at I-34-I-35, PR at I-27.

¹⁵⁶ CR at I-35, PR at I-27.

¹⁵⁷ CR at I-30, see also id. at nn. 93, 94, PR at I-23, see also id. at nn. 93, 94.

¹⁵⁸ CR at I-32, PR at I-23.

¹⁵⁹ CR at I-29, PR at I-22. The industry has experienced a net increase in capacity compared with the original
(continued...)

The restructuring and consolidations substantially altered the industry's ownership and management circumstances, removed a significant portion of the industry's pension/legacy costs, reduced its labor costs, and permitted greater efficiencies. However, the industry's restructuring between late 1999 and mid-2003¹⁶⁰ did not prevent the industry's continued poor performance in 2003 due to rising raw material costs, static demand, and other factors.¹⁶¹ The industry's greatly improved performance in 2004, by contrast, resulted mainly from highly favorable market conditions, including unprecedented increases in global demand, tight global supply, and sharply rising prices, despite continued raw material price increases. However, for the reasonably foreseeable future, global supply is projected to outpace demand, prices to moderate, and costs to continue to be high, as explained below.

The cost of raw materials, such as energy, scrap steel, pig iron, coal, and coke, as noted, increased over the review period, particularly in 2003 and 2004. Factors market participants identify as affecting cost increases are strong demand for raw materials in China, global steel production consolidation, and a tight supply in freight markets.¹⁶² Several producers report that they recently have included provisions for surcharges in their sales contracts to cover changes in raw material prices.¹⁶³

2. U.S. Demand

Demand for hot-rolled steel depends on demand in certain downstream industries, such as automotive, construction, cold rolled steel, and pipe and tube, all of which in turn are tied to some extent to overall economic activity.¹⁶⁴ Principal among these is cold-rolled steel production, largely by the domestic producers of hot-rolled steel and their affiliates, which captively consumed approximately three-

¹⁵⁹ (...continued)

investigations. Capacity increased from 73.5 million short tons in 1998, the end of the period examined in the original investigations, to 79.8 million short tons in 1999, then declining over the next three years to 78.6 million short tons in 2000, 75.7 million short tons in 2001, and 71.2 million short tons in 2002, before increasing to 78.5 million short tons in 2003 and to 79.1 million short tons in 2004, an end of period capacity somewhat below the 1999 peak. CR/PR at Table C-1.

¹⁶⁰ For instance, AK acquired Armco in September 1999; Geneva Steel shut down operations in December 2001 and Gulf States shut down operations in August 2000; ISG restarted operations with LTV's assets in May and June 2002, and with Acme's assets in December 2002; it acquired Bethlehem's operating assets in May 2003; Nucor restarted operations with Trico's assets in September 2002; and Wheeling Pittsburgh Steel emerged from bankruptcy in August 2003. CR at I-34-I-35, PR at I-25 - I-27.

¹⁶¹ CR/PR at Tables C-1, C-2. Accordingly, based on this record, we do not agree with the contention of the Russian respondents and the Steel Consumers that the restructuring was largely responsible for the industry's significantly improved performance in 2004 and will necessarily shield it from recurrence of material injury. See Russian Respondents Prehearing Brief at 85-88, Steel Consumers Prehearing Brief at 10-16; cf., e.g., U.S. Steel Posthearing Brief at 12.

¹⁶² CR at V-2-V-3, PR at V-1.

¹⁶³ CR at V-1, PR at V-1.

¹⁶⁴ CR at II-1, II-13, PR at II-1, II-9-II-10. We do not find a distinctive business cycle for the hot-rolled steel industry.

fifths of their domestic hot-rolled steel production in 2004.¹⁶⁵ Sales of the domestic like product and the subject imports are made to both service centers and end users.¹⁶⁶

Apparent U.S. consumption of hot-rolled steel fluctuated during the period of review. Consumption dropped sharply in 2001 as a result of the U.S. economic recession, rebounded somewhat in 2002 and 2003, and then increased in 2004 to a level approximately equal to consumption in 1999.¹⁶⁷ Consumption in 2004 was nevertheless approximately 2 million tons less than in 1998, the last year of the period examined in the original investigations. U.S. market growth in the next several years is expected to be moderate.¹⁶⁸

3. Global Conditions

On the global level, both production and consumption of hot-rolled steel, and steel generally, increased substantially over the period of review. World steel consumption grew by 25.8 percent between 1998 and 2003, reaching 854 million tons in 2003 compared with 679 tons in 1998. China accounted for about 70 percent of the 175 million ton increase. Asian steel users, particularly those in China, are forecast to consume 54 percent of all steel produced worldwide in 2005.¹⁶⁹

Various sources predict increased global demand for steel as far out as 2008, the OECD projects that increased global demand will be less than increases in global capacity through 2005, and industry forecasts show this disparity continuing through 2008.¹⁷⁰ China has accounted for a significant share of increased global demand for hot-rolled and other steel products in recent years. Supply in the United States and elsewhere was limited as China's increasing demand was met largely by imports.

China has since increased its steel-producing capacity and continues to do so, such that, as of the fourth quarter of 2004, China had become a net exporter rather than a net importer of steel.¹⁷¹ China continues to rapidly increase its steel capacity and is becoming less dependent on imported steel, particularly hot-rolled steel.¹⁷²

The resultant freeing up of global supply formerly directed to China is consistent with the export data provided by subject producers. Whereas Brazil exported no or low volumes of hot-rolled steel to China between 1999 and 2001, it exported 49,058 short tons to China in 2002, and increased its exports to China to a record 406,839 short tons in 2003 before reducing them to 92,307 short tons in 2004.¹⁷³ From

¹⁶⁵ CR at II-12, PR at II-19. The Commission does not apply the captive production provision in five-year reviews. Nevertheless, we note that the proportion of captive consumption by the domestic industry is a significant condition of competition and we consider the likely effects of revocation and termination with respect to both the merchant market and the total market, including captive shipments.

¹⁶⁶ CR/PR at Table II-1.

¹⁶⁷ CR/PR at Table I-1.

¹⁶⁸ E.g., CR at II-15-II-16 & id. nn. 21, 22, PR at II-10-II-11 & id. nn. 21, 22. Purchasers reporting an expected increase in demand appeared to connect that expectation in part to a continuation of the present rate of increase in demand in China (CR at II-16, PR at II-11), which, as discussed herein, has proven not to be the case. Moreover, e.g., derived demand for hot-rolled-steel relating to production of motor vehicles is expected to increase by a total of only five percent between 2004 and 2010. Id. at CR II-16 n.22, PR at II-11 n.22.

¹⁶⁹ CR at IV-35, PR at IV-25.

¹⁷⁰ CR at IV-34, PR at IV-25; Nucor Prehearing Brief at Exhibit 1 (OECD); ISG Prehearing Brief at Exhibit 7 (steel industries of North America).

¹⁷¹ CR at IV-37, PR at IV-27.

¹⁷² CR/PR at Table IV-14; CR at IV-35-IV-39, PR at IV-25-IV-28.

¹⁷³ CR/PR at Table IV-7.

April 2004 to February 2005, exports of hot-rolled steel from Japan to China fell sharply, decreasing by one-half compared to the same period a year earlier, while imports into Japan of Chinese hot-rolled steel surged, for an overall shift of approximately 380,000 tons.¹⁷⁴ Russian exports to China fluctuated below *** short tons from 1999 to 2001, then increased to 885,375 short tons in 2002, and to 987,977 short tons in 2003, before declining to *** 268,020 short tons in 2004.¹⁷⁵ Thus, as a result of increased production in China, exporters globally have to seek alternative markets for export volumes formerly directed to China.

As described above, capacity to produce hot-rolled steel has grown in all three countries, especially Japan, over the period of review. Whereas consumption has also grown in both Brazil and Russia above historical levels, growth in the Japanese market during the period of review represents recovery from a downturn in 1998 and 1999, rather than growth commensurate with the increases in Japanese capacity and production.¹⁷⁶ Moreover, while further growth is expected in the Brazilian and Russian markets, demand in Japan is slackening as economic performance is relatively stagnant.¹⁷⁷

4. Substitutability

There is a high degree of substitutability among the subject imports and domestic hot-rolled steel.¹⁷⁸ As noted above, purchasers have indicated that the quality of the Russian merchandise has improved since the original investigations, and that merchandise is now generally comparable to the other subject imports and the domestic like product.¹⁷⁹ Price, as well as quality, are the most important factors influencing purchasing decisions.¹⁸⁰

¹⁷⁴ “China Makes Inroads in Japanese Flat-Roll Import Market, Logs 71% Gain,” AMM, Apr. 6, 2005. The responding Japanese producer, JFE, reported *** exports to China from 1999 to 2002, but then *** short tons of hot-rolled steel products to China in 2003, declining to *** short tons in 2004. CR, PR at Table IV-10. See also ISG Prehearing Brief at Exhibit 5 (Japanese exports to China for calendar years 1999 to 2004).

¹⁷⁵ CR/PR at Table IV-11.

¹⁷⁶ See Steel Sheet Quarterly Industry and Market Outlook, CRU Group, January 2005, in the Prehearing Brief of U.S. Steel (public version) at Exhibit 1. According to CRU, production of finished hot-rolled steel sheet in Japan rose from 15,928,000 metric tons in 1999 to 20,879,000 metric tons in 2004 (estimated), an increase of 31.1 percent, or 4,951,000 metric tons. During the same period, consumption of finished hot-rolled steel sheet in Japan rose from 11,879,000 metric tons in 1999 to 14,816,000 metric tons in 2004 (estimated), an increase of 24.7 percent, or 2,937,000 metric tons. However, estimated 2004 consumption was still below consumption in 1995, 1996, and 1997. Id. at Table S.21.

¹⁷⁷ CRU estimated only 1 percent growth in Japanese steel sheet consumption in 2004 and forecasted just 2 percent growth in 2005 and 3 percent growth in 2006, as well as “subdued” export demand “primarily as a result of the slowdown in China.” Id. at ASIA-4. With respect to Russia (and the Commonwealth of Independent States generally), this source noted strong domestic demand for steel sheet in the oil and gas sector, but declining exports to China (offset in 2004 by increased exports to the United States). Id. at CIS-3. With respect to Brazil, this source expected continued growth in sheet consumption, albeit at less than the recent (high) growth rates (and with sharply reduced growth rates in smaller regional markets such as Argentina and Venezuela). Id. at LAT-2.

¹⁷⁸ CR at II-19-II-25, PR at II-12-II-16.

¹⁷⁹ For instance, although a majority of purchasers responding in the original investigations said they would not consider purchasing the Russian merchandise if they required any of six listed product characteristics, a majority of purchasers responding in these reviews said they would purchase the Russian product if they required any of seven specified characteristics. *Compare* CR/PR at Table II-4 and USITC Pub. 3202 at II-11 (“formability,” included among the listed characteristic in these reviews that was not included in the original investigations).

¹⁸⁰ CR/PR at Table II-3.

5. Pricing Methods

Most sales by domestic producers are on a spot basis or pursuant to short-term contracts of less than 12-months. Most sales are not based on single transaction agreements, but on ongoing commitments and relationships to buyers. Some domestic sales are made pursuant to multi-year or annual contracts.¹⁸¹ The vast majority of importer sales are made pursuant to spot sales or short-term contracts. A surcharge may be added to account for increases in energy or raw material costs. Surcharges were particularly common in 2004.¹⁸²

C. Likely Volume of Subject Imports

In the original investigations, the quantity of cumulated subject imports increased over the investigation period, more than doubling from 1996 to 1997 and more than doubling again from 1997 to 1998, for a volume of 7.0 million short tons in 1998. Subject import merchant market share increased from 5.0 percent in 1996 to 21.0 percent in 1998. Subject imports' total market share increased from 2.0 percent in 1996 to 9.3 percent in 1998.¹⁸³ During the same period, the share of U.S. consumption held by nonsubject imports was essentially flat, while the domestic industry's market share declined in the merchant market from 80.4 percent in 1996 to 65.6 percent in 1998, and in the total market from 92.3 percent in 1996 to 84.8 percent in 1998. The Commission found that both the volume and increase in the volume of subject imports were significant.¹⁸⁴

The quantity of cumulated subject imports declined to 126,219 short tons in 1999, the year the orders and agreements went into effect, fluctuated above and below that volume between 2000 and 2003, then increased to a review-period high of 923,164 short tons in 2004, compared with a volume of 43,376 short tons in 2003.¹⁸⁵ The increased volume of subject imports in 2004 is largely attributable to increased subject imports from Russia in response to higher U.S. prices.¹⁸⁶ That is, in 2004, because of tight supply and global demand factors, the U.S. spot price was higher than the reference price in Russia's suspension agreement, making it attractive for the Russian producers to increase their exports to the U.S. market. The cumulated subject imports captured 9.3 percent of the total market in 1998, fell to 0.2 percent in 1999 when the orders and agreements were issued, fluctuated between 0.0 percent and 0.5 percent of the market between 2000 and 2003, and accounted for 1.3 percent of apparent U.S. consumption in 2004.¹⁸⁷ Their share of the merchant market rose to 2.9 percent in 2004.¹⁸⁸

Several factors indicate that subject producers are likely to increase exports to the United States to a significant level if the orders are revoked and the suspended investigation is terminated. Capacity in the subject countries appears to have increased significantly since the original investigations. Brazilian hot-rolled steel capacity increased from 10.5 million short tons in 1998 to more than 13 million short tons

¹⁸¹ Contracts increasingly contain terms tying prices to spot market prices. CR at V-9, PR at V-6.

¹⁸² CR at V-7-V-8, PR at V-5-V-6.

¹⁸³ USITC Pub. 3202 at Table C-1.

¹⁸⁴ USITC Pub. 3202 at 12-13.

¹⁸⁵ CR/PR at Table IV-1.

¹⁸⁶ See id.; see also Hearing Transcript at 313, 314, 319, 320.

¹⁸⁷ CR/PR at Table I-1.

¹⁸⁸ CR/PR at Table C-2 (the subject imports accounted for 0.4 percent of the merchant market in 1999, 1.2 percent in 2000, 0.1 percent in 2001, 0.6 percent in 2002, 0.2 percent in 2003, and 2.9 percent in 2004).

in 2004,¹⁸⁹ Japanese hot-rolled capacity increased from 53.8 million short tons in 1998 to an estimated 79.0 million short tons in 2003,¹⁹⁰ and Russian capacity increased from 21.2 million short tons in 1998 to 22.8 million short tons in 2004.¹⁹¹ The cumulated capacity on this basis totals 114.8 million short tons in 2004, more than three and one-half times apparent U.S. consumption in the merchant market of 31.3 million short tons in 2004, and more than half again as large as apparent U.S. consumption of 73.2 million short tons in the total market in 2004.¹⁹² The additions of capacity in the subject countries since the original investigations total 29.3 million short tons, nearly equivalent to the entire U.S. merchant market in 2004, and more than 40 percent of the total market in that year.

Excess production capacity in the subject countries is estimated to have totaled 10.5 million short tons in 2004,¹⁹³ equivalent to 34 percent of the U.S. merchant market and 14 percent of the total U.S. market in 2004. Hot-rolled steel production is capital intensive and entails high fixed costs. The hot-rolled steel producers in the subject countries have a strong incentive to make full use of available capacity in order to spread those fixed costs over a greater quantity of sales.

Producers in the subject countries have plans to expand production further within a reasonably foreseeable time. Brazilian capacity is estimated to increase notably in a reasonably foreseeable time. For example, CST plans to increase its production of hot-rolled coils by 15 percent in 2005, to 2.3 million tons.¹⁹⁴ While JFE reports ***, the rest of the Japanese industry did not respond to the Commission's request for information on future capacity changes. Accordingly, the Commission has relied on other information, including press and government accounts, that pertain to both hot-rolled and raw steel production. These accounts indicate continued significant expansion of Japanese steel production. Sumitomo in Japan reportedly increased its blast furnace capacity at Kashima by 1.1 million short tons in September 2004,¹⁹⁵ and will shift its hot- and cold-rolling operations from Wakayama to Kashima by the end of 2005.¹⁹⁶ Nippon increased its blast furnace capacity by opening the two largest blast furnaces in the world, one at the Kimitsu works in May 2003, and the other at the Oita works in May 2004.¹⁹⁷ The

¹⁸⁹ CR/PR at Table IV-7, USITC Pub. 3202 at Table VII-1. Reported Brazilian capacity of 12.0 million short tons is believed to be understated by *** short tons in 2004. CR/PR at Table IV-7 n.1.

¹⁹⁰ See calculation supra, based on 2003 production information and the highest capacity utilization rate reported by the Japanese producers in the original investigations. See CR/PR at Table IV-9 & USITC Pub. 3202 at Table VII-2.

¹⁹¹ CR/PR at Table IV-11, USITC Pub. 3202 at Table VII-2.

¹⁹² CR/PR at Tables C-1, C-2.

¹⁹³ The countries' unused capacities are 0.1 million short tons for Brazil (CR/PR at Table IV-7), 7.9 million short tons for Japan (see production information and capacity calculation, supra), and 2.5 million short tons for Russia (CR/PR at Table IV-11).

¹⁹⁴ With a planned addition of a furnace, CST will further increase its hot-rolled steel capacity, at least by June 2008. CR at IV-14 & id., nn. 10, 11, 12, PR at IV-9, & id., nn. 10, 11, 12. Projects by companies other than the four current producers will expand Brazilian production of steel generally, including large increases to be realized as early as 2006 and 2007. CR at IV-14-IV-15, PR at IV-9, IV-12.

¹⁹⁵ CR at IV-19, PR at IV-15.

¹⁹⁶ CR at IV-20, PR at IV-15-IV-16. Sumitomo's hot-rolled capacity will be temporarily reduced during this transition, and other producers have agreed to supply Sumitomo with hot-rolled steel in the interim. CR at IV-21, PR at IV-16-IV-17.

¹⁹⁷ CR at IV-19, PR at IV-15. Increased Japanese production data from the Steel Statistical Yearbook, supra, presumably reflects production after May 2003 at Kimitsu, but, because it includes data only through 2003, would not include the full year production effect of either the Kimitsu or Oita furnaces. Kobe Steel is scheduled to remove one blast furnace from operation for relining until March 2007, but in the process will increase that furnace's volume

(continued...)

Russian producers report no plans to increase capacity, but report that investments already made will increase output in 2007 to 2008.¹⁹⁸ The Russian producers report that their ability to produce subject merchandise has been constrained by difficulties in obtaining raw materials and various production bottlenecks.¹⁹⁹ However, whatever restraints existed did not prevent the Russian industry from increasing production by over four million short tons from 1999 to 2004, and by over one million short tons from 2003 to 2004 alone.²⁰⁰

Several producers indicate that facilities currently used to produce other products can be used to produce subject merchandise. In Brazil, *** reports that it can produce slabs or hot-rolled coil on the same equipment, and *** indicate that they can switch production between hot-rolled and cold-rolled steel.²⁰¹ JFE in Japan reports that ***.²⁰² In the original investigations, “[a]ll of the Japanese mills reported producing other merchandise, primarily cold-rolled, pipe, galvanized, or stainless products, on the same equipment used to produce certain hot-rolled steel products.”²⁰³ The Russian producers report that they use the same equipment used to produce subject merchandise to produce certain nonsubject articles (e.g., nonsubject carbon and alloy cut-to-length plate, and cold-rolled steel), and at least one producer indicates that it can shift between certain subject and nonsubject products.²⁰⁴

Even without switching production from other products to hot-rolled steel, however, the industries in the subject countries are, overall, export oriented to a substantial degree, and have a demonstrated ability to shift exports quickly from their home markets to export markets and among export markets. In 2003, exports accounted for 20 percent of the shipments of the combined industries in the three subject countries.²⁰⁵ Their export orientation is similar to that in the original investigations.

¹⁹⁷ (...continued)

from 4,550 cubic meters to 5,400 cubic meters. CR at IV-18-IV-19, PR at IV-14-IV-15. We view Japan’s crude steel capacity as relevant to its hot-rolled steel capacity in the absence of data specific to total hot-rolled steel capacity in Japan.

¹⁹⁸ CR at IV-29, PR at IV-19 (citing materials at Exhibit 1 of the Russian Respondents Posthearing Brief). CRU Group forecasts a 14 percent increase in Russian hot-rolled steel production between 2004 and 2009, and a 19 percent increase in Russia’s domestic hot-rolled steel consumption in that time frame. CR at IV-29, PR at IV-19. The Russian home market accounted for 69.3 percent of total Russian hot-rolled steel shipments in 2004 and exports for 30.8 percent. CR/PR at Table IV-11.

¹⁹⁹ CR at IV-29, PR at IV-19.

²⁰⁰ CR/PR at Table IV-11.

²⁰¹ CR at IV-15, PR at IV-12. Data on production of other products appear at CR, PR at Table IV-8. Shifting production between hot-rolled and cold-rolled steel products would also reflect the ability to shift between captive and open markets, selling hot-rolled steel in the domestic and export merchant markets rather than internally consuming it to produce the downstream, nonsubject cold-rolled product.

²⁰² CR at IV-25, PR at IV-18. This indicates that JFE has the ability to shift production from nonsubject to subject merchandise to some extent, and tempering JFE’s general assertion that it ***.

²⁰³ USITC Pub. 3202 at VII-4.

²⁰⁴ CR at IV-29-IV-30, PR at IV-19. *** indicates that it would switch sales markets before switching production. Id.

²⁰⁵ Percentage based on total subject country shipments of 102.1 million short tons in 2003 and exports of 20.6 million short tons. Specifically, of Brazilian producers’ total shipments of 12.0 million short tons in 2003, 1.4 million short tons were exports. CR/PR at Table IV-7. Of Russian producers’ total shipments of 19.0 million short tons in 2003, 5.8 million short tons were exports. CR/PR at Table IV-11. Japanese Ministry of Finance data indicate Japanese hot-rolled export volume of 13.4 million short tons in 2003 (ISG Prehearing Brief at Exhibit 5), and Japanese 2003 hot-rolled steel shipments may be estimated as equivalent to Japanese hot-rolled steel production in 2003, at 71.1 million short tons (CR/PR at Table IV-9).

Brazilian producers' exports fluctuated over the period between 400,000 short tons and 1.4 million short tons. Exports accounted for 11.6 percent of the producers' total shipments in 1999, 8.8 percent in 2000, 4.2 percent in 2001, 7.7 percent in 2002, 11.4 percent in 2003, and 10.0 percent in 2004. Those exports reflect significantly higher percentages of Brazilian producers' total open market shipments, given that less than half of total shipments were to the open market.²⁰⁶ Hence, the Brazilian producers have at least a moderate export orientation. The Brazilian producers have demonstrated over time an ability to compete in the United States at varying volume levels, to increase production, and to shift large volumes relatively quickly between the captive and open markets, between their home market and export markets, and among export markets, including the U.S. market.²⁰⁷ Moreover, *** provides a ready outlet for *** exports to the United States. *** report that, if the orders are revoked, *** will export Brazilian hot-rolled steel coils to *** for use by *** in its U.S. production of downstream, cold-rolled and galvanized steel products.²⁰⁸ ***.²⁰⁹

JFE in Japan reports that about *** percent of its total shipments in 2004 were exports.²¹⁰ JFE's data for the period considered in these reviews indicates an ability to *** among export markets.²¹¹ Japanese data regarding the hot-rolled industry as a whole also indicate an ability to shift exports among countries, e.g., through the reduction of exports to the United States following issuance of the order, variable export volumes to the United States during this review period, and an increasing concentration of Japan's exports in Asian markets, including abrupt increases and decreases in the volume exported to

²⁰⁶ The Brazilian producers internally consumed a majority of their total shipments in each year of the period considered in these reviews, ranging from a high of 60.0 percent in 2002 to a low of 51.9 percent in 2004. CR/PR at Table IV-7.

²⁰⁷ E.g., CR/PR at Table IV-7 (broad fluctuations annually among export markets during the period considered in these reviews: exports to the United States ranged from zero to 159,479 short tons, to the EU ranged from 78,230 short tons to 428,115 short tons, to China ranged from zero to 406,839 short ton, to other Asian countries ranged from *** short tons to 667,768 short tons); see also USITC Pub. 3202 at Table VII-1.

²⁰⁸ CR at D-13-D-16, D-23-D-24, PR at D-13-D-14, D-16, D-23-D-24. This arrangement would displace the current one under which *** exports to *** steel slab, the upstream, nonsubject product, that *** then converts to hot-rolled coil for use in its production of cold-rolled and galvanized steel products. While *** indicates that it intends to substitute imports of hot-rolled steel for imports of slab whether or not the orders are revoked (CR at D-16), we find that revocation of the orders would greatly facilitate such a switch.

The domestic producers forecast substantial increases in subject imports, as well as significant adverse consequences for the industry, in the event of revocation/termination. CR at D-3-D-13, PR at D-3-D-13. Some importers and purchasers also describe likely increases in import volumes and price effects in the event of revocation/termination. *Id.* at D-13-D-23. For instance, ***, a U.S. importer, reports that, if the orders were revoked and the suspended investigation terminated, it "would begin talking with both suppliers and customers about pricing and quality needs for delivery of material from Brazil, Japan, and Russia" (*id.* at D-13), that it "would anticipate [its] volume increasing from Russia and Brazil if the [revocation/termination] were to occur" (*id.* at D-16), and that revocation/termination would permit "geographic movement of steel to logical trading partners, i.e.– Brazil to U.S. vs. To China." *Id.* at D-18.

²⁰⁹ CR at I-38, PR at I-30.

²¹⁰ CR/PR at Table IV-10.

²¹¹ CR/PR at Table IV-10.

China.^{212 213} The relative attractiveness of the U.S. market would provide an incentive to shift exports to the United States in the event of revocation.

Of Russian producers' total shipments in 2004, 30.8 percent are exported.²¹⁴ The Russian producers' export market data indicate that they are able quickly to shift among export markets.²¹⁵ Witnesses on behalf of the Russian producers testified that they increased exports to the United States in 2004 by shifting exports from other export markets to which they ship, a result of more favorable prices in the United States than in those markets and consistent with a normal pattern of Russian producers' shifting among markets in response to price considerations.²¹⁶ U.S. importers' inventories of hot-rolled steel from Russia more than doubled in 2004 from 2003.²¹⁷ U.S. importers' inventories of subject merchandise totaled 10,000 short tons at the end of 2004.²¹⁸

In addition, as described in conditions of competition, the subject countries increased their exports to China during the review period when demand in China exceeded supply. However, by the second half of 2004, China had already become a net exporter of steel. It is thus reasonable to conclude that producers in the subject countries will have to find other markets for their hot-rolled steel exports to China, and the United States would likely be an attractive market absent the orders and suspension agreement.

There are also impediments to the importation of the subject merchandise into certain third-country markets. Hot-rolled steel from Brazil is subject to antidumping duties in Canada, ranging from 4.81 percent to 26.3 percent, and to an antidumping duty suspension agreement in Argentina.²¹⁹ Hot-rolled steel from Japan is currently subject to an antidumping duty finding in Thailand, with a margin of 36.25 percent.²²⁰ Hot-rolled steel products from Russia are subject to a quota in the EU and antidumping duty orders in Argentina, Colombia, Egypt, Mexico, Peru, Thailand, and Venezuela.²²¹

Significantly, the United States is one of the most attractive markets because of its size, openness, and high prices. U.S. importers and service centers have shown themselves to be ready, willing and able to source foreign steel, and in relatively short order. Home market prices for hot-rolled band were higher in the United States than in any of the subject countries or the world's other major home markets in

²¹² CR/PR at Tables IV-10 and IV-22. In 2004, 90.1 percent of Japanese hot-rolled steel exports were to Asian countries, excluding China, compared with 81.9 percent in 1999. Exports to China had increased to 4.1 percent of Japan's exports in 2004 compared with 2.5 percent in 1999. CR/PR at IV-22. Japanese hot-rolled steel exports to China then declined significantly during the period April 2004 to February 2005, decreasing by one-half compared to the same immediately prior period. During the same time, imports into Japan of hot-rolled steel from China increased markedly. See "China Makes Inroads in Japanese Flat-Roll Import Market, Logs 71% Gain," AMM, Apr. 6, 2005.

²¹³ Japanese Ministry of Finance data show significant year-to-year fluctuations in exports to particular markets. For example, Japanese exports to Korea increased by over 2 million tons from 1998 to 1999. ISG Prehearing Brief at Exhibit 5.

²¹⁴ CR/PR at Table IV-27.

²¹⁵ CR/PR at Table IV-27.

²¹⁶ Hearing Transcript at 319-320; see also *id.* at 313-314.

²¹⁷ CR/PR at Table IV-2.

²¹⁸ CR/PR at Table IV-2.

²¹⁹ CR at IV-17, PR at IV-13-IV-14.

²²⁰ CR at IV-22, PR at IV-17.

²²¹ CR at IV-31, PR at IV-23.

2004.²²² As already noted, witnesses on behalf of the Russian producers explained that it was the price attractiveness of the U.S. market in 2004 that caused them to shift exports to the United States.²²³ While in early 2005 the gap in price has narrowed between the U.S. market and some other markets, such as the EU and Japan, the gap appears significant in comparison with other important world markets.²²⁴ This is evidenced by the fact that licenses for hot-rolled steel from Russia covered 101,184 metric tons in March 2005, 26.5 percent of total licenses issued in that month.²²⁵

In response to respondents' arguments, we have also considered exchange rate movements, which can impact the attractiveness of the U.S. market relative to other markets.²²⁶ While there has been some depreciation of the U.S. dollar relative to the currencies of each of the subject countries since mid-2002, over the entire period 1999 to 2004 the U.S. dollar has appreciated substantially against the Brazilian real and Russian ruble, and has ended up flat against the Japanese yen, in real terms.²²⁷ Thus, exchange rate movements have not made the U.S. market less attractive as compared to the situation at the end of the period examined in the original investigations.²²⁸

Respondents have argued that the global economic conditions that led to the surge in imports from the subject countries in the original investigations do not exist today and are unlikely to be repeated in the reasonably foreseeable future. We agree that the type of regional market collapse that occurred during the Asian financial crisis is unlikely to reoccur in the near term. However, such a calamitous event is not required in order for imports from the subject countries to grow to significant levels that would have negative effects on domestic sales and prices. While we would not necessarily expect imports to surge to pre-order levels of 7.0 million tons, a smaller increase in dumped and subsidized imports, 4.2 million short tons, was found sufficient to cause material injury to the hot-rolled steel industry in determinations in 2001 regarding a subsequent wave of unfairly traded imports.²²⁹ As described in this section, producers in the subject countries have the ability and incentive to send significant quantities of hot-rolled steel to the United States.

Accordingly, we conclude that the likely volume of imports of the subject merchandise, both in absolute terms and relative to consumption in the United States, would be significant absent the restraining effects of the orders and suspension agreement.

²²² CR/PR at Table IV-13.

²²³ Hearing Transcript at 319-320; see also id. at 313-314.

²²⁴ CR/PR at Table IV-13; CR at IV-32-33 n. 63, PR at IV-24 n. 63.

²²⁵ CR at IV-5 n.4, PR at IV-3 n.4.

²²⁶ See, e.g., Steel Consumers Prehearing Brief of U.S. at 52-54.

²²⁷ CR/PR at Figure V-3.

²²⁸ Several respondents assert that raw materials shortages and high transportation costs will make it more difficult or less attractive for subject producers to produce and ship more to the United States. Prices of some key raw materials such as scrap and blast furnace coke have increased, but have come down from peaks in mid-to-late 2004. CR/PR at Figures V-1, V-2. We note that Russian producers were able to increase their exports to the United States during a period of high raw material costs. While ocean shipping costs have apparently risen, due in large part to the strength of the Chinese economy, prices of hot-rolled steel have also risen, providing an incentive to sell increased quantities of hot-rolled steel. See also CR/PR at Table V-1 (showing mixed trends on transportation costs, as a share of the value of U.S. imports from subject countries accounted for by ocean transportation costs fluctuated from 1999 to 2004, ending higher for Japan and Russia but lower for Brazil).

²²⁹ See, e.g., Hot-Rolled Steel Products From Argentina and South Africa, Inv. No. 701-TA-404 (Final) and 731-TA-898 and 905 (Final), USITC Pub. 4336 (Aug. 2001) at Table IV-1 (cumulated subject imports from eleven countries increased from 1.4 million short tons to 4.2 million short tons).

D. Likely Price Effects of Subject Imports

In the original investigations, the Commission found that price was an important factor in purchasing decisions and that the subject imports were broadly substitutable, notwithstanding some quality differences with respect to Russian hot-rolled steel. The Commission observed that the most precipitous declines in the price of the domestic like product and subject imports occurred in the third and fourth quarter of 1998, when the subject imports were peaking. The Commission found a mixed pattern of underselling over the period, with overselling predominating in 1996, but underselling predominating in 1997 (underselling in 48 of 64 instances) and 1998 (45 of 67 instances). The Commission noted that the instances of underselling by the Japanese merchandise increased in 1998, when Japanese producers shifted to more commodity products. The Commission observed that the impact on mini-mills confirmed that the end of period declines in domestic prices resulted from causes other than competition within the domestic industry, and rejected respondents' contentions that domestic price declines were caused by a strike at General Motors. The Commission also found that prices declined at a greater rate than cost of goods sold, and concluded that the subject imports had significant price-depressing effects on domestic prices.²³⁰

In light of the improvements in quality of the Russian merchandise discussed, *supra*, we find that there is even broader interchangeability among the subject imports and the domestic like product than in the original investigations. This improved substitutability increases the ability of imports from Russia to have negative effects on U.S. prices. We also find, as in the original investigations, that price is one of the key factors in hot-rolled steel purchasing decisions.²³¹

U.S. prices of hot-rolled steel fluctuated over the period of review, ending sharply higher. Prices rose moderately during 1999 to mid-2000, then dropped to lower levels in early 2001 and remained there through the first quarter of 2002. Prices rose during the first part of 2002, dropped back somewhat in early 2003, then rose sharply during the first three quarters of 2004, to reach levels more than twice as high as at the beginning of 1999.²³² For two of the five pricing products, prices eased back somewhat in fourth quarter 2004. Record evidence indicates that prices have continued to trend lower in early 2005 and domestic producers' order books have softened.²³³ Total U.S. imports of hot-rolled steel nearly doubled from 2003 to 2004, and included a large increase from Russia. It is likely that these imports have

²³⁰ USITC Pub. 3202 at 14-16.

²³¹ Of 48 responding purchasers, 45 indicated that price was a very important and three indicated that it was a somewhat important purchasing factor. CR/PR at Table II-5. Price was the factor purchasers named second most frequently (after quality) as the most important factor in selecting a supplier; those purchasers that did not identify price as the most important factor frequently identified price as the second or third most important factor. CR/PR at Table II-3.

²³² CR/PR at Tables V-2-V-6.

²³³ U.S. prices for hot-rolled band are forecasted to decrease by \$*** per metric ton (\$*** per short ton) between the fourth quarter of 2004 and the third quarter of 2005, according to World Steel Dynamics. CR at IV-32-33 n.63, PR at IV-24 n.63. This is consistent with hearing testimony suggesting that order books are softening and domestic prices are weakening. Hearing transcript at 228-230 (Szymanski, Mohr, Nolan, Dailey, and DiMicco). The steel consumer respondents claim that steel supplies are tight and are subject to long lead times. *Id.* at 279 (Nelson), 281 (Gaskin), 289 (Keat). While this may have been the case through much of 2004, this situation appears to have changed during the end of 2004 and the beginning of 2005. Instances of customers on allocation appear to be low, lead times have been reduced, and plants have available production capacity. *Id.* at 211-214 (Surma, Moore, Nolan, Dailey, and Kruse).

played a role in the downward movement in prices in the most recent period. Forecasts indicate that U.S. prices will be declining further in a reasonably foreseeable time.²³⁴

The price comparison data in these reviews are limited owing to the substantial reduction in the volume of subject imports under the discipline of the orders/agreements. Overall, during the period of review there were fewer instances of underselling than in the original period examined.²³⁵ However, the pricing data also show that from the second through the fourth quarters of 2004, the subject imports undersold the U.S. product in all product categories and in all quarters except one, as imports from Russia increased substantially and U.S. prices leveled off or declined, in part as a result of the imports and inventories of the Russian merchandise.²³⁶

The adverse price effects of the increased volume of low-priced imports in the event of revocation/termination will be heightened by the substantial build up of inventories held by U.S. service centers. Service center inventories of all steel products, which traditionally include a substantial share of hot-rolled steel products, rose sharply in 2004 and reached a record 10 million tons at the end of 2004.²³⁷ The drawing down of these inventories will likely add to downward price pressures in the U.S. market.

Accordingly, we find that underselling would likely be significant in the event of revocation/termination given subject producers' pricing behavior during the original investigations, the importance of price, the substitutability of the products, and the fact that increased volumes for this product would likely be achieved through lower prices.²³⁸ Also, given the commodity nature of hot-rolled steel and the significance of price in purchasing decisions, the likely volume of subject imports in the event of revocation/termination will likely have significant price suppressing and depressing effects.²³⁹

E. Likely Impact of Subject Imports

In the original investigations, the Commission found that the cumulated subject imports gained market share at the expense of the domestic industry, at a time when the domestic industry was adding capacity commensurate with increased apparent consumption. Domestic producers' production and shipments declined from 1997 to 1998, and operating income declined by more than half in that time

²³⁴ CR at IV-32-IV-33 n.63, PR at IV-24 n.63; citing World Steel Dynamics.

²³⁵ CR/PR at Tables I-1, V-7. Underselling predominates when the volume of imports is considered. Id. (518,000 thousand short tons of the subject imports for which price comparison data was obtained undersold the domestic like product during the review period, whereas 159,000 short tons oversold the domestic like product). Under this analysis, the underselling is largely attributable to the increased volume of subject imports from Russia in 2004. Id.

²³⁶ CR/PR at Tables V-2-V-6. The Russian respondents claim that their 2004 imports were sold at prices above the reference price in the suspension agreement, and thus cannot be considered injurious. Hearing transcript at 433 (Georgi). Regardless, the recent U.S. price declines show the ability of hot-rolled imports, including imports from Russia, to have an effect on domestic prices, even with the current trade measures in effect.

²³⁷ CR/PR at Figure III-1; CR at III-15, PR at III-9.

²³⁸ The Brazilian producers also have demonstrated a willingness to sell at low prices in the U.S. market even when under the discipline of the agreement suspending the antidumping investigation of hot-rolled steel from Brazil. Commerce terminated the suspension agreement with the Brazilian producers and issued an antidumping duty order in its place when it determined that the producers had made sales below the reference price established by the agreement and at dumping margins in excess of 15 percent of the weighted average margin determined in the less than fair value investigation. 67 Fed. Reg. 6226 (Feb. 11, 2002).

²³⁹ Contracts with purchasers do not necessarily insulate the producers from spot market price declines during the contract term as they increasingly contain terms tying prices to the spot market. CR at V-9, PR at V-6. At the same time, some contracts apparently contain a term permitting the producer to add a surcharge to the hot-rolled steel price to cover increased raw materials costs. Id.

frame. The steep decline in the ratio of operating income to net sales was largely due to declines in the industry's shipments and sales in 1998. Moreover, a comparison of data for the first and second halves of 1998 indicated worsening performance in the second half, when the cumulated subject imports reached their highest levels in the period. Thus, the Commission found that the industry's performance was substantially poorer than would have been expected given record demand in 1998. While recognizing that other factors, especially increased intra-industry competition, contributed to the industry's poorer performance in 1998, the Commission concluded that the substantially increased volume of subject imports at declining prices had materially contributed to the industry's deteriorating performance, as reflected in nearly all economic indicators, and it concluded that the industry was materially injured by reason of the subject imports.²⁴⁰

Data for the period of review concerning the industry's vulnerability are mixed. Domestic industry capacity, production, U.S. shipments, and net sales quantities were all sharply lower in 2001 and 2002 as compared to 1999 and 2000, then recovered in 2003 and 2004 to end the period at levels relatively close to 1999 levels. Domestic employment decreased by 29.8 percent, while productivity rose substantially (by 48.1 percent).²⁴¹

During the review period, the industry made great strides in improving its efficiency and productivity through consolidation, restructuring, and reductions in labor and legacy costs. Despite these improvements made by the industry itself, and despite the orders/suspension agreement in effect on the subject countries, as well as several nonsubject countries, the industry lost money during most of the period and most recently in 2003, when its operating margin was a negative 8.9 percent overall and a negative 5.1 percent in the merchant market.²⁴² Raw material costs rose sharply in 2003 and 2004 owing to tight supply, and the industry's prices for hot-rolled steel were below its costs through the end of 2003.²⁴³ The industry thus has experienced five years of poor financial performance, 1999 to 2003, followed by strong performance in the final year of the period, 2004.²⁴⁴ The industry's capital

²⁴⁰ USITC Pub. 3202 at 16-21.

²⁴¹ CR/PR at Table C-1. We find that the domestic industry did benefit to some degree from the orders and suspension agreements resulting from the original investigations, as shown by rising prices during 1999 and first-half 2000. However, the industry was subsequently buffeted by other events, including a second wave of unfairly traded imports in 2000-2001, and the U.S. economic recession in 2001. CR at I-9-I-10, PR at I-7-I-8.

²⁴² CR/PR at Tables C-1 and C-2.

²⁴³ See, e.g., CR/PR at Table C-1 (unit cost of goods sold (COGS) plus unit general selling and administrative expenses (GS&A) in 2003 was \$326, while unit value of net sales was \$300); at Table C-2 (in the merchant market, unit COGS and GS&A totaled \$315 in 2003, while unit value of net sales was \$301).

²⁴⁴ The industry performed better in the merchant market than in the total market. As summarized below, it experienced a profit on merchant market operations in both 2002 and 2004, whereas on total operations it had a profit only in 2004.

The industry's capacity was 79.8 million short tons in 1999, 78.6 million short tons in 2000, 75.7 million short tons in 2001, 71.2 million short tons in 2002, 78.5 million short tons in 2003, and 79.1 million short tons in 2004. CR/PR at Table C-1.

Production was 67.1 million short tons in 1999, 67.4 million short tons in 2000, 60.8 million short tons in 2001, 63.3 million short tons in 2002, 65.2 million short tons in 2003, and 68.2 million short tons in 2004. Id.

Capacity utilization was 84.1 percent in 1999, 85.7 percent in 2000, 80.3 percent in 2001, 88.9 percent in 2002, 83.1 percent in 2003, and 86.2 percent in 2004. Id.

Domestic shipments in the total market were 66.8 million short tons in 1999, 66.8 million short tons in 2000, 60.3 million short tons in 2001, 62.6 million short tons in 2002, 64.0 million short tons in 2003, and 68.0 million short tons in 2004. Id.

Domestic shipments in the merchant market were 23.1 million short tons in 1999, 22.4 million short tons in 2000, 22.4 million short tons in 2001, 23.4 million short tons in 2002, 24.9 million short tons in 2003, and 26.1

(continued...)

expenditures over the review period have been below the level during the original investigation period, and were particularly low in 2002 and 2003. Domestic producers have made clear that poor market conditions caused them to defer a substantial amount of capital investment over the period of review.²⁴⁵ While capital expenditures have been higher in 2004 (in light of strong profits), this has not made up for the lower levels experienced over most of the period of review.²⁴⁶

In 2004, despite continued rising raw material costs, prices rose sharply, to reach their highest level of the review period in September 2004, and the industry was able to make a substantial profit. The rise in prices toward the end of the review period was due in large measure to strong demand in China, which outpaced that country's supply of hot-rolled steel and drew in exports from all over the globe, including the subject countries. Thus, despite relatively flat demand in the United States overall during the period of review (U.S. apparent consumption increased by 0.1 percent from 1999 through 2004), in 2004 global supply was tight and prices in the U.S. rose sharply relative to rising raw material costs. Industry reports showed U.S. spot prices peaking at approximately \$775 per metric ton in July-September 2004.²⁴⁷ We thus find that the principal factor that permitted the industry's greatly improved performance in 2004 was the significant, though temporary, increase in global demand over supply, associated largely with China's absorption of a significant share of global supply.²⁴⁸

²⁴⁴ (...continued)

million short tons in 2004. CR/PR at Table C-1.

Internal consumption and related party transfers were 42.1 million short tons in 1999, 42.3 million short tons in 2000, 36.5 million short tons in 2001, 37.9 million short tons in 2002, 37.7 million in 2003, and 40.3 million short tons in 2004. CR/PR at Table III-10.

The industry had operating losses of \$1.2 billion in 1999, \$821 million in 2000, \$3.7 billion in 2001, \$357 million in 2002, and \$1.7 billion in 2003, and it had an operating profit of \$7.5 billion in 2004. Operating losses as a percent of sales were 6.6 percent in 1999, 4.2 percent in 2000, 23.7 percent in 2001, 1.9 percent in 2002, and 8.9 percent in 2003. Operating profit as a percent of sales was 21.6 percent in 2004. CR/PR at Table C-1.

The industry had operating losses on merchant market sales of \$416 million in 1999, \$111 million in 2000, and \$1.2 billion in 2001. It had an operating profit in the merchant market of \$299 million in 2002, an operating loss of \$395 million in 2003, and an operating profit of \$3.1 billion in 2004. Operating losses in the merchant market as a percent of sales were 6.3 percent in 1999, 1.6 percent in 2000, and 20.0 percent in 2001. Operating profit in the merchant market as a percent of sales was 4.2 percent in 2002, the loss as a percent of sales was 5.1 percent in 2003, and the profit as a percent of merchant market sales was 22.1 percent in 2004. CR/PR at Table C-2.

The industry had operating losses on internal consumption and related company transfers of \$824,012 in 1999, \$709,740 in 2000, \$2.5 million in 2001, \$655,543 in 2002, and \$1.3 million in 2003, and it had operating income of \$4.5 million in 2004. Operating losses on internal consumption and transfers as a percent of net sales was 6.8 percent in 1999, 5.7 percent in 2000, 26.1 percent in 2001, 5.5 percent in 2002, and 11.6 percent in 2003, and the operating profit on internal consumption and transfers as a percentage of net sales was 21.2 percent in 2004. CR/PR at Table III-16.

Between 1999 and 2004, the number of production-related workers declined by 9,118, or 29.8 percent. Over the same period, hourly wages increased by 23.4 percent, productivity increased by 48.1 percent, and unit labor costs decreased by 16.6 percent. CR at III-19, PR at III-12; CR/PR at Table III-10.

²⁴⁵ See, e.g., ISG Prehearing Brief at 101-103, and U.S. Steel Prehearing Brief at 83-87.

²⁴⁶ In the original investigations, capital expenditures were \$1.7 billion in 1996, \$908 million in 1997, and \$715 million in 1998. USITC Pub. 3202 at Table VI-7. In the period of review, capital expenditures totaled \$487 million in 1999, \$772 million in 2000, \$434 million in 2001, \$254 million in 2002, \$263 million in 2003, and \$518 million in 2004. CR/PR at Table III-19.

²⁴⁷ Steel Sheet Quarterly, CRU International Limited, January 2005, in U.S. Steel Prehearing Brief at Appendix 1.

²⁴⁸ We note that 2004 was a transition year, as combined imports into China from the subject countries were still high in first quarter 2004 before declining sharply over the course of the year. See World Trade Atlas figures, at (continued...)

The record indicates, however, that the conditions that enabled the industry to realize a 21.6 percent profit margin in 2004 are not likely to continue in the foreseeable future and in fact have already begun to change. As discussed above, China has been adding capacity and reducing its dependence on imports such that, even by the fourth quarter of 2004 China had become a net exporter rather than a net importer of steel products.²⁴⁹ The OECD predicts that global steel capacity increases will be higher than demand increases in 2005 and industry sources indicate the trend will continue through 2008.²⁵⁰ Also, although U.S. prices were particularly strong in 2004 as a result of tight global supply, prices had already begun to decline in the fourth quarter of 2004, are continuing to decline in 2005, and are predicted to decline further.²⁵¹ World Steel Dynamics reports and forecasts U.S. spot market prices for hot-rolled band declining from the peak in September 2004 of \$*** per metric ton, to \$*** per metric ton in the fourth quarter of 2004, to \$*** per metric ton in the first quarter of 2005, to \$*** per metric ton in the second quarter of 2005, and to \$*** per metric ton in the third quarter of 2005.²⁵² There is also some indication on the record that these price declines are being realized ahead of schedule.²⁵³ Thus, while 2004 prices and even projected prices far exceed prices during the original investigation period and the beginning of the review period, it must be recognized that raw material costs were very high at the end of the review period and are forecast to continue to be high or rising for the reasonably foreseeable future.²⁵⁴ In this environment, the industry requires prices that are higher than historical averages in order to maintain profitability and make the capital expenditures needed for its meaningful recovery. However, declining prices mean that the gap between price and cost will likely narrow, even with the orders and suspended investigation in place. Higher costs also offset the effects of the industry's improved productivity, which would tend to lower the price level at which the industry would be expected to be profitable, all other things remaining equal.^{255 256} In short, the factors that enabled the domestic industry to achieve strong operating results in 2004 are not likely to continue. Thus, while we do not consider the

²⁴⁸ (...continued)

U.S. Steel Prehearing Brief at Attachment 8.

²⁴⁹ CR at IV-37, PR at IV-27. China's crude steel output increased from 128 million tons in 1998 to 232 million tons in 2003; its producers manufactured 48.4 million tons of hot-rolled coil in 2004. CR at IV-34, PR at IV-25.

²⁵⁰ CR at IV-34, PR at IV-25; Nucor Prehearing Brief at Exhibit 1 (OECD); ISG Prehearing Brief at Exhibit 7 (steel industries of North America). World Steel Dynamics predicts Chinese oversupply of hot-rolled steel starting in 2006. World Steel Dynamics, Global Steel Alert #26 at 11-12, 28.

²⁵¹ CR at IV-32-IV-33 and n. 63., PR at IV-24 and n. 63.

²⁵² World Steel Dynamics, Global Steel Alert #26 (Mar. 23, 2005) (*China: Not a Long-Term Threat*) at 1, 11, 12.

²⁵³ World Steel Dynamics, Global Steel Alert #26 at 10 (hot-rolled band spot price in mid-March 2005 in United States ranged from \$*** to \$*** per net ton, versus a brief high in the fall of 2004 of \$*** per net ton).

²⁵⁴ See ISG's Posthearing Brief at 7-9 and ISG's Final Comments (and documents cited therein) at 13-14. Industry representatives further note that, even though much hot-rolled steel is sold pursuant to contract, many of these contracts have price adjustment mechanisms and therefore contract prices are not insulated from spot price declines. CR at V-9, PR at V-6; see also ISG Posthearing Brief, Answers to Commission Questions at 26-28.

²⁵⁵ We do not agree with the respondent steel consumers' claim that consolidation in the U.S. hot-rolled steel industry has given U.S. producers substantial market power. Steel Consumers Prehearing Brief at 11-18. While consolidation has arguably improved the industry's position by increasing flexibility in allocating production among different facilities, the industry is not highly concentrated, and industry producers are still affected by the traditional forces of supply and demand.

²⁵⁶ We also note that the domestic industry has increased the share of its total shipments made to the merchant market from 34.4 percent in 1999 to 38.1 percent in 2004. CR/PR at Table III-6. Thus, the share of the industry's output that would be most directly impacted by subject import competition in the event of revocation or termination has grown.

domestic industry to be currently in a weakened condition, it is susceptible to the continuation or recurrence of material injury.

For the reasons discussed above, should the orders be revoked and the suspended investigation terminated, cumulated subject import volume from Brazil, Japan, and Russia will likely increase significantly. These subject imports will likely undersell the domestic like product at increasing frequency, and will likely have significant price-depressing effects. In light of the industry's susceptibility to material injury, additional amounts of LTFV imports will likely have significant adverse effects on the domestic industry.

CONCLUSION

For the foregoing reasons, we determine that revocation of the countervailing duty order on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, and termination of the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

SEPARATE AND DISSENTING VIEWS OF VICE CHAIRMAN DEANNA TANNER OKUN AND COMMISSIONER DANIEL R. PEARSON

I. INTRODUCTION

Section 751(d)(2) of the Tariff Act of 1930, as amended (“the Act”), requires that the U.S. Department of Commerce (“Commerce”) revoke a countervailing duty or an antidumping duty order or terminate a suspended investigation in a five-year review unless Commerce determines that dumping or a countervailable subsidy would be likely to continue or recur and the U.S. International Trade Commission (“Commission”) determines that material injury to a U.S. industry would be likely to continue or recur within a reasonably foreseeable time.¹ Based on the record in these first five-year reviews, we determine that material injury is not likely to continue or recur within a reasonably foreseeable time if the orders on subject imports of hot-rolled flat-rolled carbon-quality steel products (“hot-rolled steel”) from Brazil and Japan are revoked and the suspended investigation on hot-rolled steel from Russia is terminated.

We join our colleagues’ discussion regarding domestic like product and domestic industry. We write separately to discuss the legal standard governing five-year reviews, conditions of competition, cumulation, and to provide our analysis of the statutory factors.

II. SUMMARY

At the time of the Commission’s original investigations that are the subject of these reviews, the global steel market was impacted severely by what has come to be known as the Asian financial crisis. This crisis resulted in a decline in demand for many products, including hot-rolled steel, in the previously expanding Asian markets. In addition, the Russian economy was floundering. The disruption in the Asian markets particularly affected producers in countries such as Japan and Russia, both of which had significant exports to that region. At the same time, demand for hot-rolled steel in the United States was increasing, and consequently, the U.S. market served as a destination for steel imports from the subject countries. As a result, imports surged during the time of the original investigations.

The Commission’s original determination focused on the evidence that the domestic steel industry’s performance was poorer than what would have been expected given record levels of demand in 1998. The Commission also recognized that other economic factors – especially increased intra-industry competition – contributed to the industry’s poorer performance, but found that the substantially increased volumes of subject imports at declining prices materially contributed to the industry’s deteriorating performance.

Since the original determination the domestic hot-rolled steel industry received the protection of two additional groups of remedies: countervailing subsidy and antidumping duties on 11 countries in 2001, and tariffs under section 201 of the Tariff Act which were imposed in 2002 and lifted in late 2003. Notwithstanding the various antidumping and countervailing duties and section 201 tariffs, the domestic industry’s condition continued to deteriorate. The persistent losses in these years, coupled with the numerous trade remedies, resulted in significant restructuring of the domestic hot-rolled steel industry. Numerous producers filed for bankruptcy, and the pension obligations of a number of producers were assumed by the Pension Benefit Guaranty Corporation. Following the bankruptcies, and the consequent shedding of legacy costs, the industry underwent a period of consolidation. As a result of these consolidations, the 24 firms present during the original period of investigation had become 18 in 2004. Several producers were able to enter into new labor agreements. The industry emerged from this period stronger and fundamentally changed.

¹ 19 U.S.C. § 1675(d)(2).

The global steel market has also changed significantly since the original investigations. Since the end of the Asian financial crisis, worldwide steel consumption increased significantly, with much of that growth occurring in the traditional Asian markets, but also rapid growth in China. The rapid growth in demand has resulted in higher worldwide steel prices. The U.S. is no longer the haven that it was for imports, as pricing in major foreign markets is approaching parity with the U.S. market. Hot-rolled steel prices reached record levels during the latter part of the period of review pushed upward by high demand and high raw material costs. The restructured U.S. steel industry has benefitted from the changed market conditions and reported record profits during the last year of the period of review.

Although 2004 may have been the peak of the hot-rolled steel business cycle in the United States, the evidence on the record suggests that market conditions in the United States will remain positive in the reasonably foreseeable future. The evidence does not support a finding that the global steel conditions that existed at the time of the original investigations are likely to reoccur. Moreover, even increased subject imports into the United States will not have the same impact on the restructured domestic industry.

Therefore, based on the evidence collected in these reviews, we do not find that revocation of the orders on hot-rolled flat-rolled carbon quality steel products from Brazil and Japan and termination of the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon quality steel products from Russia would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

III. LIKELIHOOD OF CONTINUATION OR RECURRENCE OF MATERIAL INJURY IF THE ORDERS ARE REVOKED

A. Legal Standard

1. In General

In a five-year review conducted under section 751(c) of the Act, Commerce will revoke a countervailing or antidumping duty order or terminate a suspended investigation unless: (1) it makes a determination that dumping or a countervailable subsidy is likely to continue or recur, and (2) the Commission makes a determination that revocation of an order or termination of a suspended investigation “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”² The Statement of Administrative Action (SAA) states that “under the likelihood standard, the Commission will engage in a counter-factual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”³ Thus, the likelihood standard is prospective in nature.⁴ The statute states that “the Commission shall consider that

² 19 U.S.C. § 1675a(a).

³ SAA, H.R. Rep. No. 103-316, vol. I, at 883-84 (1994). The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” SAA at 883.

⁴ While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued [sic] prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”⁵ According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ time frame applicable in a threat of injury analysis in antidumping and countervailing duty investigations.”⁶

Although the standard in five-year reviews is not the same as the standard applied in original antidumping or countervailing duty investigations, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated.”⁷ It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).⁸

2. Facts Available

The statute authorizes the Commission to take adverse inferences in five-year reviews, but such authorization does not relieve the Commission of its obligation to consider the record evidence as a whole in making its determination.⁹ We generally give credence to the facts supplied by the participating parties and certified by them as true, but base our decision on the evidence as a whole, and do not automatically accept the participating parties’ suggested interpretation of the record evidence. Regardless of the level of participation and the interpretations urged by participating parties, the Commission is obligated to consider all evidence relating to each of the statutory factors and may not draw adverse inferences that render such analysis superfluous. In general, the Commission makes determinations by “weighing all of

⁵ 19 U.S.C. § 1675a(a)(5).

⁶ SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

⁷ 19 U.S.C. § 1675a(a)(1).

⁸ 19 U.S.C. § 1675a(a)(1). The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination. 19 U.S.C. § 1675a(a)(5). While the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886. We note that no duty absorption findings have been made by Commerce. Confidential Staff Report (INV-CC-040, March 29, 2005) at I-17 n.51 (hereinafter CR), Public Staff Report at I-14 n.51 (hereinafter PR).

⁹ 19 U.S.C. § 1675(c)(3)(B); 19 C.F.R. § 207.62(e). Section 751(c)(3) of the Act and the Commission’s regulations provide that in an expedited five-year review the Commission may issue a final determination “based on the facts available, in accordance with section 776 of the Act.” Section 776 of the Act, in turn, authorizes the Commission to “use the facts otherwise available” in reaching a determination when: (1) necessary information is not available on the record or (2) an interested party or any other person withholds information requested by the agency, fails to provide such information in the time or in the form or manner requested, significantly impedes a proceeding, or provides information that cannot be verified pursuant to section 782(I) of the Act. 19 U.S.C. § 1677e(a).

the available evidence regarding a multiplicity of factors relating to the domestic industry as a whole and by drawing reasonable inferences from the evidence it finds most persuasive.”¹⁰

3. The “Likely” Standard

The legal standard the Commission is to apply is whether revocation of an order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”¹¹ In reviewing the Commission’s application of the “likely” standard, the U.S. Court of International Trade has found that “likely,” as used in the sunset review provisions of the Act, means “probable,” and that a Commission affirmative determination in such a review would be deemed by the Court to be in error absent application of this standard.¹² The Court has stated that it views “likely” to equal a standard of “more likely than not.”¹³ We will apply the Court’s standard in these reviews and all subsequent reviews until either Congress clarifies the meaning or the U.S. Court of Appeals for the Federal Circuit addresses this issue.^{14 15}

B. Cumulation

1. Framework

Section 752(a) of the Act provides that:
the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.¹⁶

¹⁰ SAA at 869.

¹¹ 19 U.S.C. § 1675a(a).

¹² See NMB Singapore Ltd. V. United States, 288 F. Supp. 2d 1306, 1352 (2003) (“‘likely’ means probable within the context of 19 U.S.C. §§ 1675(c) and 1675a(a)”; Nippon Steel Corp., et al. v. United States, Slip Op. 02-153 at 7-8 (Dec. 24, 2002) (same) (Nippon); Usinor Industeel, S.A. v. United States, Slip Op. 02-152 at 6 n.6 (Dec. 20, 2002) (Usinor Industeel III); and Usinor v. United States, Slip Op. 02-70 at 43-44 (July 19, 2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”) (Usinor).

¹³ Usinor Industeel III, Slip. Op. 02-152 at 6 n.6.

¹⁴ See Additional Views of Vice Chairman Deanna Tanner Okun Concerning the “Likely” Standard in *Certain Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe from Argentina, Brazil, Germany, and Italy*, Inv. Nos. 701-TA-362 (Review) and 731-TA-707-710 (Remand).

¹⁵ While, for purposes of this review, Commissioner Pearson does not take a position on the correct interpretation of “likely,” he notes that he would have made a negative determination under any interpretation of “likely” other than that equating “likely” with merely “possible.”

¹⁶ 19 U.S.C. § 1675a(a)(7).

Thus, cumulation is discretionary in five-year reviews. However, the Commission may exercise its discretion to cumulate only if the reviews are initiated on the same day and the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market. The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.¹⁷ We note that neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.¹⁸ With respect to this provision, the Commission generally considers the likely volume of the subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked.

In these reviews, the statutory requirement for cumulation that all reviews be initiated on the same day is satisfied as Commerce initiated all the reviews on May 3, 2004.¹⁹

The Commission generally has considered four factors intended to provide a framework for determining whether the imports compete with each other and with the domestic like product.²⁰ Only a “reasonable overlap” of competition is required.²¹ In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists. Moreover, because of the prospective nature of five-year reviews, we have examined not only the Commission’s traditional competition factors, but also other significant conditions of competition that are likely to prevail if the orders are revoked and the suspended investigation is terminated. The Commission has considered factors in addition to its traditional competition factors in other contexts where cumulation is discretionary.²²

¹⁷ 19 U.S.C. § 1675a(a)(7).

¹⁸ SAA, H.R. Rep. No. 103-316, vol. I (1994).

¹⁹ 69 Fed. Reg. 24118 (May 3, 2004).

²⁰ The four factors generally considered by the Commission in assessing whether subject imports compete with each other and with the domestic like product are: (1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and (4) whether the imports are simultaneously present in the market. See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (CIT 1989).

²¹ See Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (CIT 1996); Wieland Werke, AG, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”); United States Steel Group v. United States, 873 F. Supp. 673, 685 (CIT 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. See, e.g., Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 (Preliminary) and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 15 (Feb. 1999), aff’d sub nom, Ranchers-Cattleman Action Legal Foundation v. United States, 74 F. Supp.2d 1353 (CIT 1999); Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-761-762 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

²² See, e.g., Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (CIT 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (CIT 1988).

2. The Likelihood of No Discernible Adverse Impact

No party argued in prehearing briefs or at the Commission's hearing that imports from any subject country would be likely to have no discernible adverse impact upon revocation, although respondents from Brazil and Japan made such claims in posthearing submissions.²³ Based on the record, we do not find that subject imports from any of the three subject countries would be likely to have no discernible adverse impact upon revocation.

Brazil. Capacity for hot-rolled steel production in Brazil increased by more than 2 million short tons between 1999 and 2004. Despite the additional capacity, the industry in Brazil operated at very high rates of capacity utilization throughout most of the period of review; only in 2001 did the rate dip below 90 percent, and in 2004 the industry's capacity utilization rate exceeded 99 percent.²⁴

The industry in Brazil is not particularly export-oriented, as exports accounted for less than 12 percent of shipments in every year of the period of review. The record also suggests that the high level of exports to China in 2003 was an aberration; exports to China in 2004 were significantly lower, but the industry's total exports and total shipments were little affected by this change.²⁵

Nor has the U.S. market been a particularly important market for hot-rolled steel producers in Brazil. Even in 1998, at the peak of the import surge of the original investigations, reported exports from Brazil to the U.S. market were only 425,536 short tons, accounting for less than five percent of total shipments by the industry in Brazil.²⁶

However, the industry had inventories approaching 300,000 short tons at the end of 2004; imports to the U.S. in 1996 were less than that. The record indicates that the industry in Brazil is expanding, though it seems likely that any additional capacity will become sufficiently productive to supply the U.S. market well after revocation.²⁷ Additionally, ***.²⁸ These factors all suggest that the volume of imports upon revocation would likely be discernible.

Hot-rolled steel from Brazil is rated by producers, importers, and purchasers as comparable to the domestic like product; purchasers in particular reported that imports from Brazil were comparable to the domestic like product in terms of meeting overall quality standards.²⁹ Price is an important factor in making purchasing decisions.³⁰ Though price is not the most important factor, the record suggests that even the modest additional volume of subject imports from Brazil likely upon revocation would compete with the domestic like product on terms of price. We therefore find that subject imports from Brazil would likely have a discernible adverse impact upon revocation.

²³ Posthearing brief of Instituto Brasileiro de Siderurgia *et al* at 1, 12-13; Posthearing brief of Japan Iron and Steel Federation at 13-4.

²⁴ CR/PR at Table IV-7.

²⁵ CR/PR at Table IV-7.

²⁶ *Certain Hot-Rolled Steel Products from Japan*, Inv. No. 731-TA-807 (Final), USITC Pub. 3202 (June 1999) at Table VII-1 (hereinafter USITC Pub. 3202).

²⁷ CR at IV-14-IV-15, PR at IV-9, IV-12.

²⁸ CR at D-16, PR at D-16.

²⁹ CR/PR at Tables II-6-II-8.

³⁰ CR/PR at Table II-3.

Japan. Publicly available data suggest that both crude steel production and hot-rolled steel production increased in Japan between 1999 and 2003.³¹ Japanese customs statistics suggest that most exports from Japan are directed to non-China Asian markets; exports to China in 2004 accounted for only 4.1 percent of exports.³²

Only one producer in Japan responded to the Commission's foreign producer questionnaire. That producer had operated at capacity utilization rates we would consider high since 2000, including a rate of *** percent in 2004. However, even that one producer maintained inventories at the end of 2004 in excess of *** short tons. The inventories of that one producer alone are *** to the import levels seen in 1996.³³ The record therefore suggests a discernible volume of imports likely upon revocation.

Hot-rolled steel from Japan is rated as comparable to the domestic like product by producers, importers, and purchasers.³⁴ Given this comparability, and the importance of price after quality in purchasing decisions, the record suggests that additional volumes of subject imports from Japan would compete with the domestic like product for sales on the basis of price. We therefore find that subject imports from Japan would likely have a discernible adverse impact upon revocation.

Russia. Production capacity in Russia also increased by approximately 2 million short tons between 1999 and 2004. Production increased even more significantly, rising from 16.1 million short tons in 1999 to 20.3 million short tons. As a result, capacity utilization rates neared or exceeded 90 percent in four of the five years between 2000 and 2004; in 2004, the industry operated at an 89 percent capacity utilization rate.³⁵

The industry from Russia differs from those in Brazil and Japan in its reliance on exports. Exports accounted for 30.8 percent of shipments in 2004, led by shipments to the European Union, non-China Asia markets, and, for the first time during the period of review, shipments to the U.S. market. In 2004 shipments to China dropped and shipments to the U.S. increased, while shipments to other markets remained in line with shipments during the remainder of the period of review.³⁶

However, the home market for producers in Russia expanded significantly, and internal consumption and home market shipments increased from 61.5 percent of total shipments in 1999 to 69.2 percent in 2004. Total exports in 2004 were essentially unchanged from 1999; those additional four million tons in new production were absorbed by the home market.³⁷

The industry in Russia maintained virtually no inventories throughout the period of review. Nonetheless, the industry had over a million tons of unused capacity and demonstrated an ability to direct additional shipments to the United States when market conditions were favorable, though 2004 imports remained far below 1997-1998 levels.³⁸ The record indicates that a discernible volume of imports is likely upon revocation.

³¹ CR/PR at Table IV-9.

³² CR at IV-21-IV-22, PR at IV-16-IV-17.

³³ CR/PR at Tables I-1 and IV-10.

³⁴ CR/PR at Tables II-6-II-7.

³⁵ CR/PR at Table IV-11.

³⁶ CR/PR at Table IV-11.

³⁷ CR/PR at Table IV-11.

³⁸ CR/PR at Table IV-11; USITC Pub. 3202 at Table VII-3.

The record suggests that subject imports from Russia are less comparable to the domestic like product, and purchasers are less likely to choose subject imports from Russia if they have particular quality needs.³⁹ But the record does suggest a fair degree of substitutability between subject imports from Russia and the domestic like product, and the increase in imports in 2004 suggest that, even with some quality concerns, subject imports from Russia are able to find willing purchasers in the U.S. market. Given some quality limitations, it seems likely that subject imports from Russia would attempt to gain sales through price competition. We therefore find that subject imports from Russia would likely have a discernible adverse impact upon revocation.

3. Reasonable Overlap of Competition

The record suggests a fair degree of fungibility among subject imports and between subject imports and the domestic like product.⁴⁰ As in the original investigations, purchasers were more likely to express reservations about the quality of subject imports from Russian than about other subject imports, and purchasers with particular quality needs were significantly less likely to purchase subject imports from Russia.⁴¹ However, the record suggests that the gap in quality between subject imports from Russia and other subject imports and the domestic like product has narrowed.

Both subject imports and the domestic like product were generally sold to distributors and service centers, though the domestic like product was significantly more likely to be sold directly to an end user than were subject imports.⁴² The domestic like product and subject imports were sold throughout the U.S. market, though importers of subject merchandise from Japan were more likely to be concentrated on the West Coast.⁴³ Even though subject import volume during the period of review was significantly reduced, subject imports from each of the three countries were present in the U.S. market throughout much of the period of review.

We find these conditions would likely continue upon revocation, and that a reasonable overlap of competition is likely upon revocation.

4. Other Factors

The imposition of the orders and suspension agreements operated similarly against imports from all three countries: subject import volumes diminished drastically and remained very low, with the exception of 2000 (for imports from Brazil) and 2004 (for imports from Russia).⁴⁴ Some differences exist between the industries: the industry in Russia remains far more dependent on exports; the industry in Russia also lags behind in quality terms.⁴⁵ For purposes of this determination, however, we do not find differences among the conditions of competition likely to face imports from each of these countries

³⁹ CR/PR at Tables II-4 and II-6-II-8.

⁴⁰ CR/PR at Tables II-6-II-8.

⁴¹ CR/PR at Table II-4.

⁴² CR/PR at Table II-1.

⁴³ CR/PR at Table II-2.

⁴⁴ CR/PR at Table I-1.

⁴⁵ CR/PR at Tables IV-11, II-4, and II-7.

sufficient to exercise our discretion. We therefore cumulate subject imports from Brazil, Japan, and Russia.

C. Conditions of Competition

In evaluating the impact of subject imports on the domestic industry if the order is revoked, the statute directs the Commission to evaluate all the relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁴⁶ Discussed below are the conditions of competition that weigh significantly in our determination.

We are mindful of the statutory requirement to take into consideration the Commission’s original determination. As the following shows, however, the original investigations were undertaken in the wake of an unusually turbulent period. The Asian financial crisis led to reductions in steel demand in what had been expanding markets. Those reductions in demand in turn disrupted the world market, with exports displaced from Asian markets ending up in other markets and causing significant price depression. In addition, the Russian economy was floundering in 1997-1998, with high inflation, rising unemployment, and falling exchange rates. Since those disturbances occurred, the U.S. market underwent three different investigations and three different sets of trade remedies, yet the condition of the domestic industry continued to deteriorate. In recent years, however, both the domestic industry and the wider steel market have undergone sweeping structural changes. For the reasons discussed below, we find that the conditions of competition that prevailed during the original investigations are not likely to prevail upon revocation.

1. The Domestic Industry

During the original period of investigation, the domestic industry consisted of 24 firms.⁴⁷ Measured by production, the three leading firms were ***, in that order; together those three firms accounted for *** percent of production.⁴⁸ ***.⁴⁹ In 1996, when subject imports from Brazil, Japan, and Russia accounted for only two percent of the total market, and all imports accounted for only 7.7 percent, the domestic industry’s operating income was equivalent to only two percent of sales. In 1997 the industry’s operating income was 5.5 percent of sales, but even in that year nine of the 24 firms reported operating losses on their merchant market sales.⁵⁰ By February of 1999, Acme Metals, Inc., had filed for bankruptcy protection, as had Geneva, and Caparo sold its steel production assets to Duferco after a year of “minimal” production in 1998.⁵¹

The Commission reached an affirmative determination in these investigations in the summer of 1999. In late 2000, the Commission instituted investigations on hot-rolled steel from Argentina, China,

⁴⁶ 19 U.S.C. § 1675a(a)(4)

⁴⁷ USITC Pub. 3202 at Table III-1.

⁴⁸ INV-W-113 (Confidential Staff Report, original determination) at Table III-1.

⁴⁹ INV-W-113 at Table III-1.

⁵⁰ USITC Pub. 3202 at Tables VI-1 and C-1.

⁵¹ USITC Pub. 3202 at Table III-1.

India, Indonesia, Kazakhstan, the Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine. In 2001, the Commission made affirmative determinations with respect to all countries involved.⁵²

Before the Commission had completed its determinations in the 2000-2001 hot-rolled steel investigations, it opened a safeguard investigation of a variety of steel products, including hot-rolled steel. In October 2001 the Commission made an affirmative determination as to flat-rolled steel, which included hot-rolled steel, as well as other upstream and downstream products, and in December 2001 the Commission recommended remedies for flat-rolled steel. On March 5, 2002, the President imposed temporary import relief for a period not to exceed three years and one day. The flat-rolled steel remedy consisted of an additional tariff of 30 percent *ad valorem* per year, falling to 24 percent in the second year and 18 percent in the third, although some products and some countries were excluded from the remedy. In 2003 the Commission undertook a midterm review of the 201 remedies, noting that the industry had consolidated and restructured labor agreements. On December 4, 2003, the President terminated most of the safeguard remedies.⁵³

Since the Commission's original determinations, this industry has seen the imposition of two additional groups of remedies: the additional countervailing subsidy and antidumping duties on 11 countries in 2001, and the 201 remedies in 2002. The presence of these three groups of tariffs did not prevent the industry's position from deteriorating after 1998. In fact, with the exception of 2004, the industry generally had poorer operating results than in 1998, the year when subject import volume from Brazil, Japan, and Russia peaked. In 2001 the industry's operating losses were equivalent to 23.7 percent of sales, though total imports had slipped to just 4.7 percent of total apparent U.S. consumption.⁵⁴

The persistent losses in these years led to significant restructuring. Acme and Geneva were in bankruptcy proceedings during the original investigations.⁵⁵ Geneva emerged from bankruptcy but then filed again in January 2002. Also filing for bankruptcy were Bethlehem, Gulf States, LTV, National Steel, Rouge, Trico, Weirton, and Wheeling-Pittsburgh. By 2004, ***.⁵⁶ The pension obligations of Acme, Bethlehem, Geneva, LTV, National, and Weirton, estimated at \$9 billion, were assumed by the Pension Benefit Guaranty Corporation.⁵⁷

These bankruptcies, and the shedding of legacy costs in bankruptcy, helped prompt a wave of consolidation. LTV's assets were purchased by a new corporation, ISG; ISG went on to acquire the assets of Acme, Bethlehem, and Weirton from bankruptcy, before agreeing to be acquired by Mittal Steel (which had already acquired Ispat).⁵⁸ U.S. Steel acquired National from bankruptcy. Nucor purchased Trico, which had been partially owned by the former LTV, and also purchased Tuscaloosa. AK acquired Armco. Rouge was acquired by Severstal, a subject producer in Russia.⁵⁹

⁵² CR at I-9-I-10, PR at I-7-I-8.

⁵³ CR at I-12-I-14, PR at I-9-I-11.

⁵⁴ CR/PR at Table C-1.

⁵⁵ USITC Pub. 3202 at Table III-1.

⁵⁶ CR at I-34-I-35, PR at I-25, I-27.

⁵⁷ CR at I-30 and n.94, I-32, PR at I-23 and n.94, I-23.

⁵⁸ CR at I-34-I-35 and Table I-3, PR at I-25, I-27 and Table I-3.

⁵⁹ Geneva and Gulf States closed; WCI, now part of Renco Steel, remains in bankruptcy. CR/PR at Table I-3; CR at I-34, PR at I-27.

As a result of these consolidations, the 24 firms of 1998 had become 18 in 2004. In terms of production, the top three firms were ***, in that order. Those three firms accounted for *** percent of production.⁶⁰ Domestic producers, including ISG and USS, were able to enter into new labor agreements. These new agreements were designed to improve productivity, reduce fixed costs, and promote flexibility, by reducing the number of job classifications, management layers, and health care expenses.⁶¹

The benefits of these changes could be seen in 2004. The industry's productivity in 2004 was 48.1 percent higher in 1999. The increase in productivity was not merely a result of greater production; even in 2001, when domestic production bottomed out at 60.8 million short tons, the industry's productivity was up 18 percent from 1999. Unit labor costs were down 16.6 percent from 1999, though hourly wages were up 23.4 percent. The industry's R&D expenditures remained high, especially when compared with 1999 levels. Overall the domestic industry had its best year by far in 2004, although apparent consumption was actually lower than in 1998-2000, and despite rapid and significant increases in raw material costs.⁶²

The depth and breadth of these changes all indicate that the condition of the domestic industry is much changed, and much improved, from the period of the original investigations. The industry's excellent performance in 2004 further supports this conclusion. It is unlikely, then, that revocation would affect the industry in the same way and to the same extent that subject imports affected the domestic industry during the original investigations.

2. The World Market for Steel

During the original investigations, the global market for steel was roiled by what has come to be known as the Asian financial crisis. The crisis began in 1997 with a severe devaluation of the Thai baht; subsequently other Asian currencies, including those of Indonesia and Korea, also experienced sharp devaluations.⁶³ These currency disruptions choked off demand for steel in what had been expanding markets. Imports that would normally have served these rising markets were displaced. A significant portion of those displaced imports entered the U.S. market.⁶⁴

The disruption in the Asian markets particularly affected producers in Japan and Russia, both of which had significant exports to that region.⁶⁵ But producers in Russia faced difficulties in their home markets as well. The Russian economy was floundering in 1997-1998, with high inflation, rising unemployment, and increased debt obligations; the exchange rate dropped sharply.⁶⁶ Producers in Russia were also dogged by quality issues, which limited hot-rolled steel from Russia to low-end, low-value applications.⁶⁷

⁶⁰ CR/PR at Table I-2.

⁶¹ CR at III-19-III-20, PR at III-25-III-27.

⁶² CR/PR at Tables III-19 and C-1.

⁶³ Prehearing brief of ArvinMeritor *et al* (February 22, 2005) at 5-6.

⁶⁴ CR/PR at Table I-1; CR at I-6-I-7, PR at I-5-I-6; Prehearing brief of ArvinMeritor at 6.

⁶⁵ USITC Pub. 3202 at VII-4; CR at IV-25-IV-26, IV-27, and Table IV-11, PR at IV-18-IV-19 and Table IV-11.

⁶⁶ Prehearing brief of Magnitogorsk *et al* (February 22, 2005) at 41.

⁶⁷ USITC Pub. 3202 at II-8.

The world market for steel has changed significantly since the original investigations. While the years 1997-1998 saw recession and contraction, more recent years brought growth to the world market, with steel consumption increasing by 25.8 percent between 1998 and 2003. Much of this growth occurred in Asian markets, and in China in particular. China alone is estimated to account for 70 percent of the 1998-2003 increase.⁶⁸ The rapid growth of demand in China both boosted overall demand and put upward pressure on prices for both raw materials and finished steel. Again, subject producers in Japan and Russia enjoyed particularly strong exports to China and to Asia in general, though in 2004 exports to China by subject producers in Japan and Russia had tapered off.⁶⁹

Other markets improved as well. Production of hot-rolled steel in Russia was 25.7 percent higher in 2004 than in 1999. But exports in 2004 were essentially unchanged from 1999. Virtually all of the additional production had been directed to Russian markets. Internal consumption increased by 30 percent; merchant market shipments within Russia more than doubled. Exports accounted for 30.8 percent of total shipments by producers in Russia in 2004, down from 38.5 percent in 1999.⁷⁰ The record suggests that purchasers are still less likely to opt for product from Russia if they have particular quality needs, but the record suggests that subject merchandise from Russia is better suited to compete on quality grounds than in 1998.⁷¹

The market in Brazil has undergone similar changes. The industry in Brazil was never particularly dependent on the U.S. market, as exports to the U.S. market never exceeded 4.5 percent of shipments during the original investigations.⁷² Production of hot-rolled steel in Brazil increased by nearly 2.3 million tons between 1999 and 2004. However, shipments to the domestic market accounted for 95 percent of that increase. Internal consumption increased by 7 percent, while shipments to the merchant market in Brazil increased by 65 percent. In 2004 exports accounted for a slightly lower share of total shipments than in 1999.⁷³

The original investigations occurred at a time of unusual volatility and disturbance in the world steel markets. The record suggests that the world market is much changed from 1997-1998, and the most recent conditions in the world market are likely to continue for the reasonably foreseeable future. The record also suggests that the industries in the subject countries themselves have changed, and the effect of revocation is not likely to lead to import volumes or effects similar to what occurred in 1997-1998.

3. Demand

The record suggests that worldwide demand, including demand in China, will continue to be strong in the foreseeable future. The OECD forecast projects that global steel consumption will increase between 3-5 percent in the reasonably foreseeable future.⁷⁴ The International Iron and Steel Institute

⁶⁸ CR at IV-35, PR at IV-25.

⁶⁹ CR/PR at Table IV-11; CR at IV-25 and n.49, PR at IV-18 and n.49.

⁷⁰ CR/PR at Table IV-11.

⁷¹ CR/PR at Tables II-4-II-8.

⁷² USITC Pub. 3202 at Table VII-1.

⁷³ CR/PR at Table IV-7.

⁷⁴ Posthearing brief of ISG at Answers, p. 41.

estimates that consumption in China will increase by 6.5-10.3 percent in the next few years.⁷⁵ CRU estimates that demand for hot-rolled steel in China will increase by *** percent between 2005 and 2007.⁷⁶

The record suggests demand in the U.S. market for the reasonably foreseeable future will be, at worst, unchanged from 2004 levels, with demand essentially flat in the auto, construction, and consumer appliances sectors.⁷⁷ Other forecasters are more optimistic: American Metals Market suggested that demand would improve after a sluggish first quarter of 2005,⁷⁸ investment services also expect continued strength in the U.S. market.⁷⁹ Even domestic producers, party to these reviews, have recently been optimistic about demand in the U.S. market in the near future.⁸⁰

Based on this record information, therefore, we find it likely that world demand for steel will continue to grow over the reasonably foreseeable future. We also find it likely that demand in the U.S. market will continue near the levels reached in 2004.

4. Other Conditions

In the original determination, the Commission found the captive production provision applicable, and thus placed its primary focus on the merchant market for hot-rolled steel.⁸¹ The captive production provision does not apply in five-year reviews.⁸² The domestic industry does continue to devote a substantial portion of its production to merchant market sales, while the majority of domestic production is internally consumed or transferred to related entities for additional processing, although the percentage of production captively consumed declined overall during the period of review.⁸³ As in the original investigations, steel that is internally consumed is devoted to the production of cold-rolled steel, cut-to-length plate, and pipe. Steel purchased on the merchant market is most likely to be sold to a distributor or service center rather than directly to an end user; during the period of review, though, shipments of the

⁷⁵ Posthearing brief of Japan Iron and Steel Foundation at 7-8.

⁷⁶ CR/PR at Table IV-14.

⁷⁷ Prehearing brief of ISG at 29-31.

⁷⁸ Posthearing brief of Nucor at Exh. 2G.

⁷⁹ Posthearing brief of ArvinMeritor *et al* at App., pp. 12-14.

⁸⁰ Posthearing brief of ArvinMeritor *et al* at App., pp. 10-11, *citing* statements by Mr. Szymanski and Mr. Surma.

⁸¹ USITC Pub. 3202 at 9-10.

⁸² 19 U.S.C. § 1675a(a)(4). The Commission has stated that the statutory captive production provision does not apply to five-year reviews. See, e.g., Stainless Steel Wire Rod from Italy, Japan, Korea, Spain, Sweden, and Taiwan, Inv. Nos. 731-TA-770-775 (Review), USITC Pub. 3707 (July 2004) at 20, n. 143; Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, the Netherlands, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom, Inv. Nos. AA1921-197 (Review), 701-TA-231, -319-20, -320, -322, -325-28, -340, -342, and -348-50 (Review), and 731-TA-573-76, -578, -582-87, -604, -607-08, -612, and -614-18 (Review), USITC Pub. 3364 (November 2000) at 40; Electrolytic Manganese Dioxide from Greece and Japan, Inv. Nos. 731-TA-406-08 (Review), USITC Pub. 3296 at 15 n.90 (May 2000).

⁸³ CR/PR at Table I-6.

domestic like product were more likely to be sold directly to an end user than were subject imports. Most hot-rolled steel ends up in pipe and tube, automotive, or construction applications.⁸⁴

Demand for steel in the U.S. market remained relatively stable after the Commission's original determinations, with total apparent domestic consumption at 73.1 million and 74.0 million short tons in 1999 and 2000 respectively. In 2001, however, demand fell by 14.4 percent to 63.3 million short tons. Apparent domestic consumption made a modest recovery in 2002 and 2003, at 67.3 million shorts and 66.8 million short tons respectively. Only in 2004 did total apparent U.S. consumption reach the levels seen in the early years of the period of review.⁸⁵ Shipments to both the merchant market and to downstream processing followed similar patterns, level in 1999-2000, a substantial contraction in 2001, modest recovery in 2002-2003, and significant improvement in 2004.⁸⁶ This recovery was accompanied by significant increases in raw material costs and even more notable increases in prices.

As we noted above, the U.S. steel market was subject to repeated limitations on hot-rolled steel imports throughout the period of review. The domestic industry dominated the U.S. market for steel, accounting for 90 percent or more of total apparent U.S. consumption in every year since 1999. Even in 2004, after the 201 tariff remedies were lifted, the domestic industry accounted for 92.9 percent of total apparent U.S. consumption and for 83.4 percent of commercial market shipments.⁸⁷

Subject imports remained well below the levels of the original investigations; between 1999 and 2003, subject imports never accounted for more than 0.5 percent of total U.S. consumption. Even in 2004, after subject imports from Russia increased significantly, cumulated subject imports accounted for only 1.3 percent of total U.S. consumption and remained far below the levels recorded in 1997 and 1998.⁸⁸

In 2001, the Commission made affirmative determinations regarding imports of hot-rolled steel from 11 countries, and additional orders were imposed.⁸⁹ After 2000, nonsubject imports dropped from a peak of 6.9 million short tons, recorded in 2000. In 2004, total nonsubject imports were 4.3 million short tons, or 5.8 percent of total U.S. consumption.⁹⁰

The record indicates a fair degree of substitutability between subject imports, nonsubject imports, and the domestic like product. Quality remains an important factor to purchasers; respondents ranked it first or second more frequently than any other factor.⁹¹ The record still suggests that quality limits the appeal of subject imports from Russia, though the quality gap appears narrower than in the original investigations.⁹²

In its original determination, the Commission noted that the domestic industry is divided between integrated producers, with basic oxygen furnaces that used molten iron, and minimill producers, with

⁸⁴ CR/PR at Table II-1; CR at II-12-II-13, PR at II-9.

⁸⁵ CR/PR at Table C-1.

⁸⁶ CR/PR at Tables C-1-C-2.

⁸⁷ CR/PR at Tables C-1-C-2.

⁸⁸ CR/PR at Table C-1; USITC Pub. 3202 at Table C-1.

⁸⁹ The review of these orders is scheduled to be instituted in 2006. CR at I-9-I-10, PR at I-8.

⁹⁰ CR/PR at Table C-1.

⁹¹ CR/PR at Table II-3.

⁹² CR/PR at Table II-4; CR at II-20-II-21, PR at II-13-II-14.

electric arc furnaces that relied on scrap as a primary raw material.⁹³ The Commission noted in its original investigations that minimills had lower costs and higher productivity rates, both of which constrained the non-minimill producers' ability to raise prices.⁹⁴ The industry remains so divided. However, the period of review saw significant run-ups in scrap prices, which lessened the cost advantages of minimills.⁹⁵ Additionally, the shedding of legacy costs through bankruptcy sales and new labor agreements improved the cost competitiveness of some integrated producers. The industry as a whole experienced significant productivity and cost gains.⁹⁶ We do not, therefore, find the existence of both minimill and integrated producers would likely be a significant condition of competition upon revocation.

D. Revocation of the Antidumping Duty Orders on Subject Imports from Brazil and Japan and Revocation of the Suspension Agreement with Russia Are Not Likely to Lead to a Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time

1. Likely Volume of Subject Imports

In the original investigations, the Commission cumulated imports from Brazil, Japan, and Russia. Because we have exercised our discretion to cumulate imports from all subject countries, we have taken into account the Commission's previous volume findings.

On a quantity basis, the volume of subject imports increased from 1.3 million short tons in 1996 to 3.0 million short tons in 1997, and increased again to 7.0 million short tons in 1998. Japan and Russia were chiefly responsible for the increase in subject imports in the Commission's original investigations. Imports from Japan increased 1,014 percent during that period; Russian imports increased 353 percent, and Brazilian imports increased 77.6 percent.⁹⁷ The greatest increase in subject imports, particularly for Japanese imports, was during 1998, coincident with the Asian financial crisis.⁹⁸ For the industry as a whole, the share held by subject imports increased from 2.0 percent of apparent U.S. consumption, as measured by volume sold in 1996, to 4.2 percent in 1997, and then increased again to 9.3 percent in 1998.⁹⁹ Market share of Brazilian imports ranged from 0.4 to 0.6 percent; Japanese imports ranged from 0.4 to 3.6 percent; and Russian imports ranged from 1.2 to 5.1 percent of the U.S. market during the original period of investigation.¹⁰⁰ During the period examined in these reviews, absolute import levels from the subject countries fluctuated, and were at the highest post-order level of 923,164 short tons in 2004, of which over 900,000 short tons comprised imports from Russia.¹⁰¹ Market share of subject

⁹³ USITC Pub. 3202 at 11.

⁹⁴ USITC Pub. 3202 at 15.

⁹⁵ CR at V-1, PR at V-1.

⁹⁶ CR/PR at Table C-1.

⁹⁷ USITC Pub. 3202 at C-3.

⁹⁸ CR/PR at Table I-1.

⁹⁹ USITC Pub. 3202 at 12.

¹⁰⁰ USITC Pub. 3202 at C-3.

¹⁰¹ CR/PR at Table I-1.

imports similarly fluctuated during the period of review, with the highest level of 1.3 percent observed in 2004, of which 1.2 percent comprised imports from Russia.¹⁰²

Given that the conditions of competition worldwide for hot-rolled steel have changed significantly since the original investigations, it is reasonable to conclude that while imports may increase somewhat upon revocation, no unexpected surges should occur which would cause material injury upon revocation to the domestic hot-rolled steel industry. The worldwide demand characteristics for hot-rolled steel are far different than they were at the time of the original investigations. U.S. demand fluctuated during the period of review, with 2004 levels being lower than 1998 levels. The record suggests demand in the U.S. market for the reasonably foreseeable future will, at worst, remain unchanged from 2004 levels, with demand essentially flat in the auto, construction, and consumer appliances sectors.¹⁰³ Other forecasts suggest future increases in demand: American Metals Market predicted that demand would improve after a sluggish first quarter of 2005,¹⁰⁴ investment services also expect continued strength in the U.S. market.¹⁰⁵ Even domestic producers have recently been optimistic about demand in the U.S. market in the near future.¹⁰⁶ Worldwide steel consumption grew by 25.8 percent between 1998 and 2003, according to the Organization for Economic Cooperation and Development (OECD), with China accounting for about 70 percent of the increase in demand.¹⁰⁷ In fact, the growth of demand in China caused it to be a net importer of hot-rolled steel during each year of the period of review. Although China continues to build new steel capacity, demand is projected to increase by 8 percent in 2005, in part because of preparations for the 2008 Olympics and the Expo 2010.¹⁰⁸ The record also indicates that there is increasing price parity between U.S. prices and other major world markets.¹⁰⁹ In short, the U.S. is not the safe haven for steel that it was during the original investigations.

Overall, the home market demand and export trends in the cumulated countries have changed considerably since the original investigations. While there are existing inventories and in some cases, available capacity, given the worldwide changes in demand, we cannot conclude that it is more likely than not that imports will increase to such an extent as to cause material injury to the domestic hot-rolled industry. The characteristics of each of the cumulated countries is discussed below.

Russia: While U.S. imports of Russian hot-rolled steel increased during the period of review, and Russian producers are export-oriented, the record suggests that there have also been changes in the demand for Russian steel since the original investigations. Although production of hot-rolled steel in Russia was 25.8 percent higher in 2004 than in 1999, exports were essentially unchanged. Virtually all of the additional production has been directed to the Russian home market, where domestic consumption increased by 30 percent. Exports accounted for 30.8 percent of total shipments in 2004, down from 38.5

¹⁰² CR/PR at Table C-1.

¹⁰³ Prehearing brief of ISG at 29-31.

¹⁰⁴ Posthearing brief of Nucor at Exh. 2G.

¹⁰⁵ Posthearing brief of ArvinMeritor *et al* at App., pp. 12-14.

¹⁰⁶ Posthearing brief of ArvinMeritor *et al* at App., pp. 10-11, *citing* statements by Mr. Szymanski and Mr. Surma.

¹⁰⁷ CR at IV-35, PR at IV-25.

¹⁰⁸ CR at IV-38, PR at IV-28.

¹⁰⁹ *E.g.*, CR at IV-33, PR at IV-24; Hearing Transcript at 231-232.

percent in 1999.¹¹⁰ Russian capacity utilization fluctuated during the period of review, and has been fairly stable (between 88.8 and 89.8 percent) in the last three years.¹¹¹ While there is some unused Russian capacity, it is significant that during the period of review Russian steel has found other markets in addition to increased domestic demand. Although exports to China declined in 2004 compared with 2003, sales of Russian steel remained strong in other world wide markets, including the EU and other Asian markets.¹¹² Further, during the original investigations, certain hot-rolled steel products exported from Russia were subject to antidumping findings in Canada, Chile, India, Indonesia, Mexico, and Thailand and were then the subject of antidumping investigations in Argentina, Canada, Mexico, Peru, the Philippines, South Africa, and Venezuela. Today, certain hot-rolled steel products exported from Russia are subject to a quota in the EU and antidumping duty orders in Argentina, Colombia, Egypt, Mexico, Peru, Thailand and Venezuela, but import restrictions on Russian steel have been reduced by the EU and lifted by Canada, India, Indonesia, Saudi Arabia, Turkey, and Taiwan. In June 2004 Canada revoked its antidumping order on Russia, and in February 2005, South Africa lifted its antidumping measures on hot-rolled steel from Russia.¹¹³ Thus, there are a greater number of markets for Russian hot-rolled steel that had previously been limited because of trade restrictions.

Brazil: Demand for Brazilian steel has undergone similar changes. Although production of hot-rolled steel in Brazil increased by nearly 2.3 million tons between 1999 and 2004, shipments to the domestic market accounted for over 95 percent of that increase.¹¹⁴ Despite the additional capacity, the Brazilian industry operated at very high rates of capacity utilization during the period of review; only in 2001 did the rate dip below 90 percent, and in 2004 capacity utilization was at 99.1 percent. Brazilian producers are not particularly export oriented, with exports ranging between 4.2 and 11.6 percent of production during the period of review. In 2004, exports accounted for a slightly lower share of total shipments than in 1999.¹¹⁵ After 2000, exports of hot-rolled steel from Brazil were shipped primarily to Asia, Europe, and Latin America.¹¹⁶ During the original investigations, certain hot-rolled steel products exported from Brazil were subject to an antidumping finding in Mexico, which ended in January 2001. Today, hot-rolled steel from Brazil is subject to an antidumping duty order in Canada, and a suspension agreement in Argentina.¹¹⁷ The U.S. market has not been a particularly important market for hot-rolled steel producers in Brazil. Even in 1998, at the peak of Brazilian imports during the original investigations, shipments to the U.S. never exceeded 452,000 short tons or accounted for as much as five percent of total shipments by the industry in Brazil.¹¹⁸ There is no suggestion that the U.S. market will become more important upon revocation.

¹¹⁰ CR/PR at Table IV-11.

¹¹¹ CR/PR at Table IV-11.

¹¹² CR at IV-11, PR at IV-9.

¹¹³ CR at IV-31-IV-32, PR at IV-22-IV-23.

¹¹⁴ CR/PR at Table IV-7.

¹¹⁵ CR/PR at Table IV-7.

¹¹⁶ CR at IV-16, PR at IV-13.

¹¹⁷ CR at IV-16-IV-17, PR at IV-13-IV-14.

¹¹⁸ USITC Pub. 3202, Table VII-1, p. VII-4-5; Table C-2.

Japan: Publicly available data indicate that both crude steel production and hot-rolled steel production increased in Japan between 1999 and 2003. Only one producer in Japan responded to the Commission's questionnaire.¹¹⁹ That producer reported high capacity utilization rates since 2000, including a rate of *** percent in 2004. That producer is somewhat export-oriented, with reported exports of *** percent of product in 2004. Reported markets include ***.¹²⁰

Although Japanese hot-rolled steel was always present in the U.S. market, the significant increase in Japanese imports during the original investigations was coincident with the Asian financial crisis. As the Commission found, imports of Japanese commodity product increased significantly in 1998, corresponding to the height of the crisis. Prior to that time, Japanese imports were generally not of the commodity type.¹²¹ In contrast to the original investigations, and notwithstanding an antidumping duty order on Japanese hot-rolled steel in Thailand, Japan's hot-rolled steel exports are sold predominantly to the Asian market. In 1999, 81.9 percent of hot-rolled steel exports from Japan were sold to Asian countries, excluding China. By 2004, this figure had increased to 90.1 percent. At the same time, exports of hot-rolled steel to China increased from 2.5 to 4.1 percent. This export growth to Asian consumers occurred while sales to the U.S. declined from 0.4 percent to 0.1 percent, sales to the EU declined from 0.5 percent to 0.4 percent, and sales to other markets decreased from 15.1 percent to 5.5 percent.¹²² The end of the Asian financial crisis led to a focus on that market by Japanese producers to the relative exclusion of most other export markets.¹²³ Given that the Asian financial crisis is over, and there have been significant changes in worldwide demand, there is nothing to suggest that the U.S. would become a major market for commodity product for Japanese producers in the event of revocation of the order.

It is for these aforementioned reasons that we find that revocation of the antidumping orders are not likely to lead to an increase in the volume of subject imports such that the likely volume of subject imports would be significant.

2. Likely Price Effects of Subject Imports

In performing our analysis, we have taken into account the Commission's price findings in the original investigations. The Commission found that domestically produced and subject product were broadly substitutable, but noted that there were some quality differences with respect to Russian hot-rolled steel, particularly for certain end uses, when compared to other subject imports and the domestic like product.¹²⁴ Prices for both the subject merchandise and the domestic like product showed a mixed trend through 1996 and mid-1997, then declined thereafter, both as measured by quarterly pricing data for the four pricing products for which data were collected and by average unit values.¹²⁵ The Commission also found that the quarterly pricing data indicated a mixed pattern of underselling by the subject imports.

¹¹⁹ The producer that responded to the Commission's questionnaire was ***. *** accounted for more than *** percent of Japanese production of hot-rolled steel in 2003 and about *** percent of such exports to the United States in 2004. CR at IV-17, PR at IV-14.

¹²⁰ CR/PR at Table IV-10. ***. Compare CR/PR at Table IV-10 with CR at IV-22, PR at IV-17.

¹²¹ USITC Pub. 3202 at 15.

¹²² CR at IV-22, PR at IV-17.

¹²³ CR at IV-21-IV-22, PR at IV-16-IV-17.

¹²⁴ USITC Pub. 3202 at 14.

¹²⁵ USITC Pub. 3202 at 14.

The Commission found that the frequency of underselling increased in 1997 and 1998, when compared to 1996. The Commission noted that in 1998, even the subject imports from Japan, which overall had fewer instances of underselling than the subject imports from Brazil and Russia, increasingly undersold the domestic product, which coincided with a shift by Japanese producers to the sale of more commodity grade products in 1998.¹²⁶ Japanese imports had previously oversold the domestic product.¹²⁷

In the current reviews, prices for U.S.-produced hot-rolled steel rose consistently beginning in the third quarter of 2003, and in 2004 have been substantially higher than in the previous five years.¹²⁸ The strength of the current hot-rolled market has enabled several producers to institute changes to provisions in their contract. ***. Several producers have also begun including surcharges in their contracts to deal with changes in raw material costs.¹²⁹

During the period of review, there is little reported price data for sales of hot-rolled steel products from Japan, and data from Brazil is generally only reported for the period 1999 to 2001. Prices for the Brazilian product fluctuated, and generally trended higher later in the reported period.¹³⁰ Trends in Russian prices generally were similar to domestic prices in that they were higher in 2004 relative to other periods. Price comparisons between U.S.-produced and imported hot-rolled steel were reported in 112 instances. In 51 of the 112 instances, the imported product was priced below the domestic product, while in 61 of the 112 instances, the imported product was priced above the domestic product.¹³¹ The greatest number of price comparisons were available for Russia, for which there were 42 instances of underselling and 36 instances of overselling.¹³² We note, however, that the existence of underselling by Russian imports in particular during the latter part of the period of review did not impact the domestic industry's ability to raise prices to unprecedented levels.

While there has been testimony that the prices of hot-rolled steel declined in the first quarter of 2005, we do not find this decline to be a sign of vulnerability of the domestic industry, but rather an indication that the unprecedented price levels reached were not sustainable in the long term. There has not been, however, any evidence presented that would indicate that prices will decline to an injurious level. We note that the domestic industry was able to continue to raise prices even with an increase in Russian and nonsubject imports.¹³³ In addition, some domestic producers were able to negotiate contract terms which enabled them to pass on increases in raw materials costs.¹³⁴ We do not expect modest increases in subject imports from these countries to lead to significant price declines. Nor do we expect these imports to capture increases in U.S. demand to the point that they would place downward pressure on U.S. prices. We note that the underselling during the original investigations was most prevalent in 1998, at the height of the Asian crisis, an event that is long passed and not likely to be repeated in the

¹²⁶ USITC Pub. 3202 at 15.

¹²⁷ USITC Pub. 3202 at V-15.

¹²⁸ CR at V-11, PR at V-7-V-8.

¹²⁹ CR at V-9, PR at V-6.

¹³⁰ CR at V-11, PR at V-7-V-8.

¹³¹ CR at V-21, PR at V-15.

¹³² CR at V-23, PR at V-15.

¹³³ CR/PR at Tables I-7-8.

¹³⁴ CR at V-9, PR at V-6.

reasonably foreseeable future. Consequently, despite some possibility of continued underselling upon revocation of the orders,¹³⁵ we find that any marginal increases in volume will not likely lead to significant price depression or suppression within a reasonably foreseeable time. Therefore, on balance, we find that revocation of the orders is not likely to lead to any significant price effects.

3. Likely Impact of Subject Imports

In the original investigations, the Commission found that the cumulated subject imports from Brazil, Japan, and Russia gained market share at the expense of the domestic industry. The subject imports captured nearly all of the growth in the market in 1998, thereby preventing the domestic industry from increasing its sales in response to increasing demand. Consequently, the Commission found in the original investigations that most domestic industry performance indicators reflected a sharp decline in 1998 at a time of record demand.¹³⁶ The ratio of operating income to sales during the original period fluctuated, from 2.0 percent in 1997; 5.5 percent in 1997; and 2.6 percent in 1998.¹³⁷

When cumulated subject imports declined immediately after imposition of the orders in 1999, the condition of the domestic industry continued to deteriorate.¹³⁸ The industry began experiencing losses in 1999. The losses were greatest in 2001, and declined after imposition of the temporary relief under section 201 of the Tariff Act. As discussed above, the persistent losses led to a number of bankruptcies and consolidations. The domestic industry emerged from this period of bankruptcy and consolidation stronger and fundamentally changed. Pension obligations estimated at \$9 billion were assumed by the Pension Benefit Guaranty Corporation, and in many cases, employment contracts were renegotiated. Productivity increased 48.1 percent in 2004 compared with 1999.¹³⁹ The domestic producers argue that the industry had been unable to fund necessary capital expenditures in the past.¹⁴⁰ The record indicates that capital expenditures were lower than during the original investigations, but increased 6.4 percent overall since 1999, and 96.6 percent in 2003-2004.¹⁴¹ The industry's R & D expenditures fluctuated during the period of review, but remained above 1999 levels, and were significantly higher than in the original investigations.¹⁴² This increased research and development will help ensure that the industry remains competitive.

Domestic production and shipments were higher in 2004 than in any time during the original investigations or other years of the review period.¹⁴³ The ratio of operating income as a percentage of

¹³⁵ CR/PR at Table V-7.

¹³⁶ USITC Pub. 3202 at 17.

¹³⁷ CR/PR at Table I-1.

¹³⁸ CR/PR at Table I-1.

¹³⁹ CR/PR at Table C-1.

¹⁴⁰ *See, e.g.*, U.S. Steel's Prehearing Brief at 83-84.

¹⁴¹ CR/PR at Table C-1.

¹⁴² *Compare* Original Report at Table VI-7 *with* CR/PR at Table III-19.

¹⁴³ CR/PR at Table I-1.

sales fluctuated during the period of review, and were at a low point of a loss of 23.7 percent in 2001.¹⁴⁴ However, by the last year of the period of review, the ratio of operating income as a percentage of net sales was 21.6 percent, even after the 2003 lifting of the tariffs imposed by the President in 2001 as a result of the safeguards investigation.¹⁴⁵ The domestic industry has argued that one year of profitability does not negate the overall performance of the industry as a whole during the period of review. However, as discussed above, the industry has undergone significant restructuring which included shedding of debt and legacy costs. While the record profits experienced by the industry in 2004 may not continue in the future, the restructuring that occurred makes the industry less vulnerable to the impact of imports in the future. In light of the fundamental changes that have occurred in the industry, including restructuring, shedding of debt, and increased profitability by the end of the period of review, we do not find the domestic hot-rolled industry to be vulnerable.

In conjunction with our findings regarding likely volume and price effects, we find that revocation is not likely to lead to a significant reduction in U.S. producers' output, sales, market share, profits, productivity, ability to raise capital, or return on investments within a reasonably foreseeable time. We therefore find that revocation of the orders on subject imports of hot-rolled carbon steel products from Brazil and Japan, and the revocation of the suspension agreement with Russia is not likely to lead to the continuation or recurrence of material injury to the domestic hot-rolled steel industry within a reasonably foreseeable time.

¹⁴⁴ CR/PR at Table C-1.

¹⁴⁵ CR/PR at Table C-1.

PART I: INTRODUCTION AND OVERVIEW

BACKGROUND

On May 3, 2004, the U.S. International Trade Commission (Commission or USITC) gave notice, pursuant to section 751(c) of the Tariff Act of 1930 (the Act), that it had instituted reviews to determine whether revocation of the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products (hot-rolled steel) from Brazil and Japan and termination of the suspended countervailing duty and antidumping duty investigations on hot-rolled steel from Brazil and Russia, respectively,¹ would likely lead to the continuation or recurrence of material injury to a domestic industry. Effective August 6, 2004, the Commission determined that it would conduct full reviews pursuant to section 751(c)(5) of the Act. Information relating to the background and schedule of these reviews is provided in the following tabulation.²

Effective date	Action
June 23, 1999	Commerce's antidumping duty order on Japan (64 FR 34778, June 29, 1999)
July 6, 1999	Commerce's suspension of the countervailing duty and antidumping duty investigations on Brazil (64 FR 38792 and 38797, July 19, 1999)
July 12, 1999	Commerce's suspension of the antidumping duty investigation on Russia (64 FR 38642, July 19, 1999)
February 11, 2002	Commerce's termination of the suspension agreement (67 FR 6226) and issuance of an antidumping duty order on Brazil (67 FR 11093, March 12, 2002)
May 3, 2004	Commission's institution of reviews (69 FR 24189)
August 6, 2004	Commission's decision to conduct full reviews (69 FR 52525, August 26, 2004)
September 1, 2004	Commission's scheduling of the reviews (69 FR 54701, September 9, 2004)
September 9, 2004	Commerce's final results of expedited reviews of the antidumping duty order on Brazil (69 FR 54630) and of the suspended antidumping investigation on Russia (69 FR 54633)
September 26, 2004	Commerce's termination of the suspension agreement and issuance of a countervailing duty order on Brazil (69 FR 56040, September 17, 2004)
October 21, 2004	Commerce's final results of expedited review of the antidumping duty order on Japan (69 FR 61792)

¹ The U.S. Department of Commerce (Commerce) terminated the suspension agreement covering the countervailing duty investigation on hot-rolled steel from Brazil as formally requested by the Government of Brazil on July 28, 2004. Commerce subsequently issued a countervailing duty order on hot-rolled steel from Brazil on September 26, 2004.

² The notices of Commerce's reviews appear in appendix A. Likewise, the Commission's notice of institution, notice to conduct full reviews, scheduling notice, and statement on adequacy appear in appendix A and may also be found at the Commission's web site (internet address www.usitc.gov). Commissioners' votes on whether to conduct expedited or full reviews may also be found at the web site. Appendix B contains a list of witnesses who appeared at the Commission's hearing on hot-rolled steel. Summary data for the total and merchant hot-rolled steel markets appear in appendix C. Comments by U.S. producers, importers, purchasers, and foreign producers regarding the effects of the orders and agreement and the likely effects of revocation appear in appendix D. Information detailing previous and related investigations appears in appendix E.

December 7, 2004	Commerce's final results of expedited review of the countervailing duty order on Brazil (69 FR 70655)
March 2, 2005	Commission's hearing (schedule revised at 70 FR 3729, January 26, 2005)
April 14, 2005	Commission's vote
April 28, 2005	Commission's determination transmitted to Commerce

The Original Investigations

On September 30, 1998, petitions were filed with Commerce and the Commission alleging that an industry in the United States was materially injured and threatened with material injury by reason of imports of certain hot-rolled flat-rolled carbon steel products from Brazil, Japan, and Russia.³ Sales of such products were allegedly subsidized with respect to Brazil and made at less than fair value (LTFV) with respect to Brazil, Japan, and Russia.

On May 6, 1999, Commerce made a final affirmative dumping determination with respect to Japan, with margins as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)⁴</u>
Nippon Steel Corporation	19.65
NKK Corporation	17.86
Kawasaki Steel Corporation	67.14
All Others	29.30

The Commission made its final affirmative injury determination on June 18, 1999,⁵ and Commerce issued an antidumping duty order on imports from Japan on June 29, 1999.⁶

³ The petitions were filed by Bethlehem Steel Corporation (Bethlehem, PA); USX Corporation (Pittsburgh, PA); Ispat Inland Incorporated ("Ispat Inland," East Chicago, IN); LTV Corporation ("LTV," Cleveland, OH); National Steel Corporation ("National," Mishawaka, IN; National was not a petitioner with respect to Japan); California Steel Industries ("CSI," Fontana, CA); Gallatin Steel Company ("Gallatin," Ghent, KY); Geneva Steel Holdings ("Geneva," Vineyard, UT); Gulf States Steel ("Gulf States," Gadsden, AL); IPSCO Incorporated (Muscatine, IA); Steel Dynamics Incorporated ("SDI," Butler, IN); Weirton Steel Corporation ("Weirton," Weirton, WV); The Independent Steelworkers Union ("ISU," Weirton, WV); and the United Steelworkers of America ("USWA," Pittsburgh, PA).

⁴ *Notice of Final Determination of Sales at Less than Fair Value: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan*, 64 FR 24329 (May 6, 1999).

⁵ *Certain Hot-Rolled Steel Products From Japan, Determination*, 64 FR 33514 (June 23, 1999).

⁶ *Antidumping Duty Order: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan*, 64 FR 34778 (June 29, 1999). The antidumping duty order regarding hot-rolled steel from Japan was the subject of proceedings brought by Japan before the World Trade Organization (WTO). See *United States - Anti-Dumping Measures on Certain Hot-Rolled Steel Products From Japan*, WT/DS184/R (February 28, 2001), and WT/DS184/AB/R, AB 2001-2 (July 24, 2001).

On July 19, 1999, Commerce made a final affirmative subsidy determination with respect to Brazil, with margins as follows:

<u>Manufacturer/producer/exporter</u>	<u>Net subsidy rate (percent)</u> ⁷
CSN	6.35
USIMINAS/COSIPA	9.67
All Others	7.81

Also on July 19, 1999, Commerce made a final affirmative dumping determination with respect to Brazil, with margins as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u> ⁸
CSN	41.27
USIMINAS/COSIPA	43.40
All Others	42.12

The Commission made its final affirmative injury determination with respect to subject imports from Brazil on August 24, 1999.⁹ On July 6, 1999, Commerce had signed an agreement with CSN, USIMINAS, and COSIPA (Brazilian hot-rolled steel producers) suspending the antidumping duty investigation. The agreement required that: (1) hot-rolled steel be sold at or above the established reference price; and (2) for each entry of each exporter, the amount by which the estimated normal value exceeded the export price (or constructed export price) would not exceed 15 percent of the weighted average amount by which the estimated normal value exceeded the export price (or constructed export price).¹⁰ Commerce conducted an administrative review of this agreement and determined that CSN and USIMINAS/COSIPA had violated its terms.¹¹ Because these violations were not inconsequential and frustrated the purposes of the agreement, it was terminated. Subsequent to the termination of the suspension agreement with respect to the antidumping duty investigation on imports of hot-rolled steel products from Brazil,¹² Commerce issued an antidumping duty order on such imports.¹³

Also on July 6, 1999, Commerce signed an agreement with the Government of Brazil suspending the countervailing duty investigation. The suspension agreement provided that: (1) the Government of Brazil would not provide any new or additional export or import substitution subsidies on the subject merchandise; and (2) the Brazilian government would restrict the volume of direct or indirect exports to the United States of subject merchandise from all Brazilian producers/exporters. No exports were permitted from the date of the agreement until September 30, 1999. Quota levels were established for the export limit periods beginning in October 1999. The quota level for each year through 2004 was set at

⁷ *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38742 (July 19, 1999).

⁸ *Notice of Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38756 (July 19, 1999).

⁹ *Certain Hot-Rolled Steel Products from Brazil and Russia*, 64 FR 46951 (August 27, 1999).

¹⁰ *Suspension of Antidumping Duty Investigation: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil*, 64 FR 38792 (July 19, 1999). *Suspension of Countervailing Duty Investigation*, 64 FR 38797 (July 19, 1999).

¹¹ *Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Products From Brazil: Final Results of Antidumping Duty Administrative Review and Termination of the Suspension Agreement*, 67 FR 6226 (February 11, 2002).

¹² *Ibid.*

¹³ *Antidumping Duty Order: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil*, 67 FR 11093 (March 12, 2002).

295,000 metric tons (325,248 short tons).¹⁴ On July 28, 2004, the Government of Brazil formally requested that the Department of Commerce terminate the agreement suspending the countervailing duty investigation on imports of hot-rolled steel products from Brazil. Subsequent to the termination of the suspension agreement, Commerce issued a countervailing duty order on such imports.¹⁵

On July 19, 1999, Commerce made a final affirmative dumping determination with respect to Russia with margins as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u> ¹⁶
JSC Severstal	73.59
Russia-Wide Rate	184.56

The Commission made its final affirmative injury determination on August 24, 1999.¹⁷ Effective July 12, 1999, Commerce had suspended the antidumping duty investigation on such imports from Russia.¹⁸ The suspension agreement implemented export quota levels and reference prices to restrict the volume of hot-rolled steel imports from Russia. The suspension agreement provided that no Russian shipments were permitted during a “moratorium period” from February 22, 1999 to December 31, 1999. The agreement specified export quota levels for the years 2000-03. Thereafter, the quota would be determined by a formula, taking into account the previous year’s export limit, apparent consumption in the United States, and the adoption of premium reference prices by the Ministry of Trade of the Russian Federation. The agreement set an initial reference price and stipulated that Commerce would issue reference prices for each quarter.¹⁹ In addition, the suspension agreement provided for up to 15 percent of the export limit (if not used) to be carried over to the subsequent export limit period and for up to 15 percent of the export limit for any period to be carried back to the last 60 days of the previous export limit period. The Russian government formally requested, and was granted on October 26, 2004, permission to carry back 15 percent of its 2005 export limit, or 122,192 metric tons, to 2004. Imports of hot-rolled steel from Russia to the United States filled 18.5 percent of the carry-back quantity; the remaining amount, or 99,637 metric tons, was carried forward to 2005.²⁰

Table I-1 presents a summary of data from the original investigations and from these reviews; figure I-1 shows U.S. imports of hot-rolled steel from Brazil, Japan, and Russia since 1996.

¹⁴ *Suspension of Countervailing Duty Investigation: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38797 (July 19, 1999).

¹⁵ *Agreement Suspending the Countervailing Duty Investigation on Hot-Rolled Flat-Rolled Carbon-Quality Steel From Brazil; Termination of Suspension Agreement and Notice of Countervailing Duty Order*, 69 FR 56040 (September 26, 2004).

¹⁶ *Notice of Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From the Russian Federation*, 64 FR 38626 (July 19, 1999).

¹⁷ *Certain Hot-Rolled Steel Products from Brazil and Russia*, 64 FR 46951 (August 27, 1999).

¹⁸ *Suspension of Antidumping Duty Investigation: Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From the Russian Federation*, 64 FR 38642 (July 19, 1999).

¹⁹ *Ibid.*

²⁰ Russian respondent interested parties’ posthearing brief, p. 23.

Table I-1

Hot-rolled steel: Comparative data of the U.S. market and industry from the original investigations and the current reviews, 1996-2004.

(Quantity = 1,000 short tons, value = 1,000 dollars, unit values = per short ton, shares/ratios in percent)

Item	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. consumption quantity:									
Amount	68,498,545	70,981,304	75,251,117	73,064,292	74,000,452	63,309,100	67,319,017	66,794,467	73,173,003
U.S. producers' share	92.3	90.8	84.8	91.5	90.2	95.3	93.0	95.9	92.9
U.S. importers' share:									
Brazil	0.4	0.6	0.6	0.1	0.2	0.0	0.0	0.0	0.0
Japan	0.4	0.8	3.6	0.1	0.0	0.0	0.0	0.0	0.0
Russia	1.2	2.8	5.1	0.0	0.2	0.0	0.2	0.0	1.2
Subtotal, subject imports	2.0	4.2	9.3	0.2	0.5	0.0	0.2	0.1	1.3
All other sources	5.7	5.0	5.9	8.4	9.3	4.7	6.8	4.1	5.8
Total imports	7.7	9.2	15.2	8.5	9.8	4.7	7.0	4.1	7.1
U.S. imports from:									
Brazil:									
Quantity	254,166	436,685	451,462	49,809	158,565	2,587	383	53	2,978
Value	83,585	140,581	133,442	11,442	51,679	972	268	32	1,393
Unit value	\$329	\$322	\$296	\$230	\$326	\$376	\$700	\$598	\$468
Japan:									
Quantity	240,976	548,822	2,684,756	61,798	17,109	6,872	6,372	10,838	16,086
Value	103,780	208,400	801,295	22,958	10,566	6,136	7,244	13,385	16,451
Unit value	\$431	\$380	\$298	\$371	\$618	\$893	\$1,137	\$1,235	\$1,023
Russia:									
Quantity	847,764	2,016,018	3,843,641	14,612	183,236	5,845	160,712	32,485	904,101
Value	222,710	564,866	923,303	3,096	54,130	1,670	52,268	10,951	477,902
Unit value	\$263	\$280	\$240	\$212	\$295	\$286	\$325	\$337	\$529
Subtotal, subject countries:									
Quantity	1,342,906	3,001,525	6,979,859	126,219	358,910	15,303	167,466	43,376	923,164
Value	410,075	913,847	1,858,040	37,496	116,376	8,779	59,779	24,368	495,746
Unit value	\$305	\$304	\$266	\$297	\$324	\$574	\$357	\$562	\$537
All other sources:									
Quantity ¹	3,905,460	3,519,507	4,428,038	6,107,058	6,884,190	2,988,797	4,555,184	2,707,705	4,270,579
Value ¹	1,342,387	1,223,035	1,411,701	1,628,159	2,072,340	818,356	1,411,112	903,410	2,178,142
Unit value	\$344	\$348	\$319	\$267	\$301	\$274	\$310	\$334	\$510
Total:									
Quantity	5,248,366	6,521,032	11,407,897	6,233,277	7,243,100	3,004,100	4,722,650	2,751,082	5,193,743
Value	1,752,462	2,136,882	3,269,741	1,665,654	2,188,717	827,134	1,470,891	927,778	2,673,888
Unit value	\$334	\$328	\$287	\$267	\$302	\$275	\$311	\$337	\$515

Table continued on next page.

Table I-1--Continued

Hot-rolled steel: Comparative data of the U.S. market and industry from the original investigations and the current reviews, 1996-2004.

(Quantity = 1,000 short tons, value = 1,000 dollars, unit values = per short ton, shares/ratios in percent)

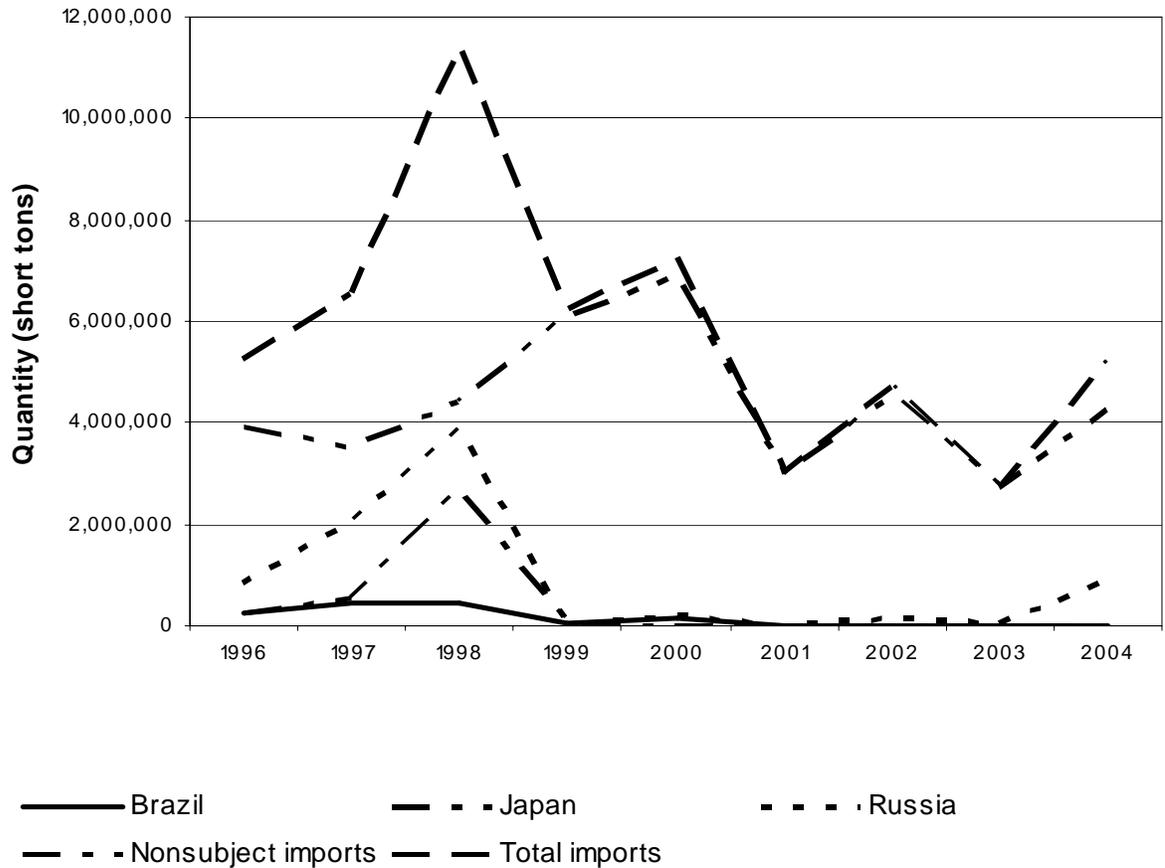
Item	1996	1997	1998	1999	2000	2001	2002	2003	2004
U.S. producers':²									
Capacity	67,334,504	70,028,075	73,544,818	79,753,478	78,628,005	75,720,188	71,225,171	78,490,049	79,113,331
Production	63,646,185	64,851,934	64,373,004	67,105,961	67,386,943	60,766,642	63,349,150	65,192,980	68,229,669
Capacity utilization	94.5	92.6	87.5	84.1	85.7	80.3	88.9	83.1	86.2
U.S. shipments:									
Quantity	63,250,179	64,460,272	63,843,220	66,831,015	66,757,352	60,305,000	62,596,367	64,043,385	67,979,260
Value	19,557,310	19,908,384	18,975,513	19,243,625	20,125,145	15,771,409	19,508,721	19,246,760	35,913,036
Unit value	\$309.21	\$308.85	\$297.22	\$287.94	\$301.47	\$261.53	\$311.66	\$300.53	\$528.29
Export shipments:									
Quantity	321,628	295,757	169,935	381,123	629,677	439,741	491,594	1,486,803	685,931
Value	98,392	100,419	56,663	127,527	210,190	132,840	166,699	433,613	374,873
Unit value	\$305.92	\$339.53	\$333.44	\$334.61	\$333.81	\$302.09	\$339.10	\$291.64	\$546.52
Production and related workers	33,965	33,518	32,885	30,598	30,052	25,403	22,837	22,863	21,480
Hours worked (1,000)	73,597	71,634	68,574	70,140	68,518	53,641	49,046	48,875	48,143
Hourly wage	\$23.04	\$24.13	\$24.46	\$24.52	\$25.08	\$25.12	\$25.92	\$29.07	\$30.26
Net sales (value)	21,790,830	22,619,412	21,341,169	18,686,036	19,615,006	15,497,237	19,072,702	19,102,195	34,823,477
Operating income or (loss) (value)	430,831	1,249,852	560,459	(1,239,928)	(821,171)	(3,673,406)	(356,843)	(1,703,054)	7,508,488
Ratio operating income or (loss)/sales	2.0	5.5	2.6	(6.6)	(4.2)	(23.7)	(1.9)	(8.9)	21.6

¹ The increase in imports of hot-rolled steel from other sources in 1999-2000 was primarily attributable to imports from China, India, Taiwan, and the Netherlands. Imports from these countries were subject to subsequent antidumping duty investigations.

² Domestic industry data from the original investigations and the current reviews are generally comparable. Complete comparability, however, is not possible, in light of the closures of Gulf States Steel, Geneva Steel, and Trico Steel. Data availability is discussed in greater detail in Part III of this report.

Source: Data for 1996-98 are compiled from *Certain Hot-Rolled Steel Products from Japan, Invs. Nos. 731-TA-807 (Final)*, USITC publication 3202, June 1999. Specifically, the data are derived from the following tables in that publication: table IV-9 (apparent U.S. consumption and market shares); table IV-7 (import volume); table III-2 (production and capacity); table IV-7 (shipments); table III-3 (exports); table III-5 (employment); and table VI-5 (financial performance). Data for 1999-2004 are compiled from responses to Commission questionnaires in the current reviews and from official Commerce statistics.

Figure I-1
Hot-rolled steel: U.S. imports from Brazil, Japan, Russia, and nonsubject sources, 1996-2004



Source: Official Commerce statistics, modified by responses to Commission questionnaires.

Previous and Related Title VII Investigations

The Commission has conducted several series of investigations on hot-rolled flat-rolled non-alloy steel products, including the investigations subject to the instant reviews, since 1980. Information regarding these investigations appears in appendix E. Many of the investigations in the early and mid-1980s were terminated when the domestic industry officially withdrew its petitions (see *Previous and Related Safeguard Investigations and Import Restraint Mechanisms*). An antidumping duty order on hot-rolled steel products imported from Brazil, issued in 1984, and a countervailing duty order on similar imports from Korea, issued in 1983, were both revoked by Commerce in 1985 due to a lack of interest by the domestic industry.²¹

²¹ *Certain Carbon Steel Products from Korea; Final Results of Changed Circumstances Administrative Review and Revocation of Countervailing Duty Order*, 50 FR 41373 (October 10, 1985).

Subsequent investigations of hot-rolled steel imports occurred in 1992-93, 1998-99 (as described previously), and in 2000-01. In July 1992, the Commission instituted countervailing duty investigations on hot-rolled sheet and strip from Belgium, Brazil, France, Germany, Italy, Korea, and New Zealand (Invs. Nos. 701-TA-329-335, respectively) and antidumping duty investigations on hot-rolled sheet and strip from Belgium, Brazil, Canada, France, Germany, Italy, Japan, Korea, and the Netherlands (Invs. Nos. 731-TA-588-596, respectively).²² The Commission made negative preliminary determinations with regard to countervailing duty investigations on imports from Italy and New Zealand and the antidumping investigation on imports from Italy.²³ On August 11, 1993, the Commission made negative final determinations with respect to imports of hot-rolled sheet and strip from the remaining countries subject to investigation.²⁴

On November 13, 2000, the Commission instituted countervailing duty investigations on hot-rolled steel products from Argentina, India, Indonesia, South Africa, and Thailand (Invs. Nos. 701-TA-404-408, respectively) and antidumping duty investigations on hot-rolled steel products from Argentina, China, India, Indonesia, Kazakhstan, the Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine (Invs. Nos. 731-TA-898-908, respectively).²⁵ The Commission made affirmative determinations with respect to all countries involved.²⁶ Countervailing and antidumping duty orders were issued in September,²⁷ November,²⁸ and December 2001.²⁹ The Commission is scheduled to review the antidumping and countervailing duty orders on hot-rolled steel products from Argentina, China, India, Indonesia, Kazakhstan, the Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine beginning in August 2006.³⁰

²² *Certain Flat-Rolled Carbon Steel Products*, 57 FR 30230-30231 (July 8, 1992).

²³ *Certain Flat-Rolled Carbon Steel Products*, 57 FR 38064 (August 21, 1992).

²⁴ *Certain Flat-Rolled Carbon Steel Products From Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, 58 FR 43905-43907 (August 18, 1993).

²⁵ *Hot-Rolled Steel Products From Argentina, China, India, Indonesia, Kazakhstan, Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine*, 65 FR 70364-70365 (November 22, 2000).

²⁶ *Hot-Rolled Steel Products From China, India, Indonesia, Kazakhstan, The Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine*, 66 FR 57482-57483 (November 15, 2001).

²⁷ *Notice of Antidumping Duty Orders: Certain Hot-Rolled Carbon Steel Flat Products From Argentina and the Republic of South Africa*, 66 FR 48242-48244 (September 19, 2001).

²⁸ *Antidumping Duty Order: Certain Hot-Rolled Carbon Steel Flat Products From Kazakhstan*, 66 FR 58435-58436 (November 21, 2001); *Notice of the Antidumping Duty Order: Certain Hot-Rolled Carbon Steel Flat Products From the People's Republic of China, Ukraine, Taiwan, the Netherlands, Thailand and Romania*, 66 FR 59559-59566 (November 29, 2001).

²⁹ *Antidumping Duty Order: Certain Hot-Rolled Carbon Steel Flat Products From Indonesia*, 66 FR 60192-60194 (December 3, 2001); *Notice of Amended Final Antidumping Duty Determination of Sales at Less Than Fair Value and Antidumping Duty Order: Certain Hot-Rolled Carbon Steel Flat Products From India*, 66 FR 60194-60195 (December 3, 2001).

³⁰ Antidumping and/or countervailing duty orders are also in effect on certain downstream products in which hot-rolled steel is a major input, including corrosion-resistant steel, tin- and chromium-coated steel sheet, welded pipe, and cut-to-length plate.

Previous and Related Safeguard Investigations and Import Restraint Mechanisms

Since 1980, hot-rolled flat-rolled steel products have been subject to two safeguard investigations. Other arrangements also were initiated that sought to limit imports of steel products, including the hot-rolled steel subject to the instant reviews.

During 1978-82, the U.S. Government implemented a trigger price mechanism (TPM), which established a set of reference prices and allowed for the immediate initiation of antidumping investigations on imports entering the United States at prices below the reference prices.³¹ The purpose was to limit the importation of less-than-fair-value steel mill products. The TPM was initiated in exchange for the agreement of U.S. steel companies to withdraw a number of antidumping petitions against Japanese and European Community (EC) steel exporters. In March 1980, however, U.S. steel producers filed antidumping petitions against producers in seven European countries, which resulted in immediate suspension of the TPM. In October 1980, the U.S. Government reached agreement with the U.S. steel industry, the petitions were withdrawn, and the TPM was subsequently modified and reinstated. During 1981, imports increased, and in January 1982, the domestic industry again filed numerous antidumping petitions. The U.S. Government immediately abolished the TPM system.

During 1982-84, the United States and the EC concluded a voluntary restraint agreement (VRA) limiting EC exports to the United States to fixed percentages of the U.S. market for the covered products.³² In exchange for this agreement, U.S. steel companies withdrew their petitions against the EC producers. During this period, imports from other nations increased.

In January 1984, the Commission conducted a safeguard investigation under section 201 of the Trade Act of 1974 (Inv. No. TA-201-51).³³ The investigation covered carbon and alloy steel products, including hot-rolled sheet and strip. In August 1984, the Commission made an affirmative determination in five of nine product areas, including an affirmative determination regarding sheet and strip.³⁴ However, the President determined that relief under section 201 was not in the national economic interest and elected to establish, under other authority, a nine-point policy to address the concerns of the U.S. industry.

The President directed the United States Trade Representative to negotiate VRAs to cover a 5-year period (from October 1, 1984 through September 30, 1989) with countries “whose exports to the United States had increased significantly in the previous years.”³⁵ During 1985-87, VRAs were concluded with 20 countries and regions.³⁶ These VRAs were retroactive to October 1, 1984. Hot-rolled steel sheet and strip were either specifically listed as categories in the VRAs or were included in an “other” category. To bring the agreements into effect, U.S. producers withdrew unfair trade petitions and the U.S. Government suspended antidumping and countervailing duty orders that were in effect on the steel products covered by the VRAs.

³¹ Information in this paragraph is from *U.S. Global Competitiveness: Steel Sheet and Strip Industry*, USITC Publication 2050, January 1988, pp. II-123 through II-127.

³² Information in this paragraph is derived from *U.S. Global Competitiveness: Steel Sheet and Strip Industry*, USITC Publication 2050, January 1988, pp. II-127 through II-129.

³³ *Carbon and Certain Alloy Steel Products*, 49 FR 5838-5840 (February 15, 1984).

³⁴ *Carbon and Certain Alloy Steel Products*, 49 FR 30307-30309 (August 1, 1984).

³⁵ *Memorandum of September 18, 1984, Steel Import Relief Determination, Memorandum for the United States Trade Representative*, 49 FR 3813-36814 (September 20, 1984).

³⁶ Countries or regions concluding VRAs with the United States included Australia, Austria, Brazil, Czechoslovakia, East Germany, the European Community, Finland, Hungary, Japan, Korea, Mexico, People's Republic of China, Poland, Portugal, Romania, South Africa, Spain, Trinidad and Tobago, Venezuela, and Yugoslavia. The VRAs with Portugal and Spain were included in the EC agreement which extended the VRAs through March 31, 1992.

On July 25, 1989, the President announced the Steel Trade Liberalization Program, under which the VRAs were extended by two and one-half years, terminating on March 31, 1992. On December 19, 1989, the United States Trade Representative announced that extensions had been agreed to by the European Community and 16 countries.³⁷ Additional increases in restraint levels were authorized for countries that entered into bilateral consensus agreements.³⁸

In 2001, the Commission conducted a safeguard investigation of steel products (Inv. No. TA-201-73) that included hot-rolled sheet and strip, as well as upstream semifinished steel that can be made into hot-rolled flat steel products (such as slab) and downstream products in which hot-rolled steel is used as an input (such as cold-rolled and corrosion-resistant flat steel, and certain pipe and tube). Following affirmative determinations of serious injury and remedy recommendations by the Commission, the President issued a proclamation on March 5, 2002, imposing temporary import relief, effective March 20, 2002, for a period not to exceed three years and one day, on imports from selected countries.³⁹ Import relief relating to hot-rolled flat-rolled steel consisted of an additional tariff of 30 percent *ad valorem* on imports in the first year, 24 percent in the second year, and 18 percent in the third year. However, a number of specific hot-rolled steel products were excluded from increased tariffs. The Administration continued to add product exclusions while the increased tariffs remained in effect. In connection with the steel safeguard measures, a steel import monitoring system was implemented effective February 1, 2003. The purpose of the import monitoring system was to provide steel producers, steel consumers, importers, and the general public with accurate and timely information on anticipated imports of certain steel products. The system required licenses for imports of certain steel products that were covered under the President's safeguard action.⁴⁰

On March 5, 2003, the Commission instituted a mid-term review of the President's section 203 import relief, as required by section 204(a)(2) of the Trade Act of 1974.⁴¹ The Commission issued its assessment of the relief on September 19, 2003.⁴² The Commission's review noted that since the safeguard measures were instituted, the U.S. industry producing certain carbon and alloy flat-rolled steel (which includes hot-rolled flat-rolled steel) had consolidated through mergers and acquisitions and that many of the large companies, in cooperation with their unions, had restructured labor agreements. Productivity for this industry segment had increased from 830.1 to 934.1 tons per 1,000 hours over the first year of relief. Industry financial performance improved in the first year of relief because unit revenues rose while unit costs declined and output increased, with an operating margin of 3.1 percent during that initial year. Both domestically produced and imported carbon and alloy flat-rolled steel rose

³⁷ The VRA with South Africa was not renewed because most steel imports produced therein were under embargo.

³⁸ Countries or regions with which the United States negotiated bilateral agreements were the European Community, Japan, Korea, Brazil, Mexico, Australia, Trinidad and Tobago, Austria, Finland, and Yugoslavia.

³⁹ *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products*, 67 FR 10553 (March 7, 2002). The safeguard measures were applied to imports of subject steel products from all countries except Canada, Israel, Jordan, and Mexico, and developing countries that are members of the World Trade Organization (WTO), whose share of total imports of a particular product did not exceed 3 percent (provided that imports that are the product of all such countries with less than 3 percent import share collectively accounted for not more than 9 percent of total imports of the product).

⁴⁰ *Steel Import Monitoring and Analysis System*, 70 FR 12133-12140 (March 11, 2005).

⁴¹ *Steel: Monitoring Developments in the Domestic Industry*, 68 FR 12380-12381 (March 14, 2003).

⁴² *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, USITC Publication 3632, September 2003.

in price after relief was instituted, although in a number of instances, imported steel products undersold the domestically produced product.⁴³

On December 4, 2003, President Bush terminated the steel safeguard tariffs.⁴⁴ However, the President directed Commerce to continue the monitoring system until the earlier of March 21, 2005, or such time as the Secretary of Commerce established a replacement program.⁴⁵ The President stated that over the 21 months the safeguards had been in place, the U.S. steel industry had consolidated and restructured, increased productivity, and lowered production costs, thus making the U.S. steel industry more competitive with foreign steel producers. New labor agreements allowing greater flexibility and increased job stability had been negotiated in the industry, and the Pension Benefit Guaranty Corporation, in guaranteeing the pensions of many steel workers and industry retirees, had relieved some companies from high pension costs. Because there were favorable economic conditions, the improving economy would further stimulate demand.⁴⁶

Previous and Related Section 332 Investigations

The Commission has conducted numerous investigations under section 332 of the Tariff Act of 1930. Many of these fact-finding reports focused on analysis of specific steel trade arrangements in effect during the 1990s, the U.S. steel industry's competitiveness, and monitoring of U.S. trade in steel products during the 1980s and 1990s.⁴⁷

On April 4, 2003, at the request of the Committee on Ways and Means of the House of Representatives, the Commission instituted a fact-finding investigation on the competitive conditions of steel consuming industries with respect to the steel safeguard measures.⁴⁸ This investigation occurred simultaneously with the Commission's mid-term review of the U.S. safeguard measures. The Commission's principal findings specifically noted that:

of the steel-consuming industries examined, the motor vehicle parts and steel fabrication industries reported adverse changes in competitive conditions and firm performance after the implementation of the safeguards more frequently than did other industries. These sectors reported expected negative results from continuation of the safeguard measures and positive results from termination of these measures more frequently than other sectors. Industries such as distributors or steel product producers generally reported that they expected no change or

⁴³ *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, Volume I, USITC Publication 3632, September 2003, p. xvii.

⁴⁴ *Presidential Proclamation 7741 of December 4, 2003, To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483 (December 8, 2003).

⁴⁵ On March 11, 2005, Commerce published interim final rules for its Steel Import Monitoring and Analysis System (SIMA), originally outlined in the President's March 5, 2002, Proclamation on Steel Safeguards. Modifications to SIMA are to be implemented on June 9, 2005. *Steel Import Monitoring and Analysis System*, 70 FR 12133-12140 (March 11, 2005).

⁴⁶ The White House, *President's Statement on Steel*, statement by the President, December 4, 2003, found at <http://www.whitehouse.gov/news/releases/2003/12/20031204-5.html>, retrieved February 1, 2005.

⁴⁷ A list of section 332 investigations that cover hot-rolled steel or the U.S. industry producing this product appears in appendix E.

⁴⁸ *Steel-Consuming Industries: Competitive Conditions with Respect to Steel Safeguard Measures*, 68 FR 17672-17673 (April 10, 2003).

positive results from continuation of the safeguards and no change or negative results from termination of the safeguard measures.⁴⁹

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Section 751(c) of the Act requires Commerce and the Commission to conduct a review no later than five years after the issuance of an antidumping or countervailing duty order or the suspension of an investigation to determine whether revocation of the order or termination of the suspended investigation “would be likely to lead to continuation or recurrence of dumping or a countervailable subsidy (as the case may be) and of material injury.”

Section 752(a) of the Act provides that in making its determination of likelihood of continuation or recurrence of material injury--

(1) IN GENERAL.-- . . . the Commission shall determine whether revocation of an order, or termination of a suspended investigation, would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. The Commission shall consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated. The Commission shall take into account--

(A) its prior injury determinations, including the volume, price effect, and impact of imports of the subject merchandise on the industry before the order was issued or the suspension agreement was accepted,

(B) whether any improvement in the state of the industry is related to the order or the suspension agreement,

(C) whether the industry is vulnerable to material injury if the order is revoked or the suspension agreement is terminated, and

(D) in an antidumping proceeding . . . , (Commerce’s findings) regarding duty absorption . . .

(2) VOLUME.--In evaluating the likely volume of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether the likely volume of imports of the subject merchandise would be significant if the order is revoked or the suspended investigation is terminated, either in absolute terms or relative to production or consumption in the United States. In so doing, the Commission shall consider all relevant economic factors, including--

(A) any likely increase in production capacity or existing unused production capacity in the exporting country,

(B) existing inventories of the subject merchandise, or likely increases in inventories,

(C) the existence of barriers to the importation of such merchandise into countries other than the United States, and

⁴⁹ *Steel-Consuming Industries: Competitive Conditions With Respect to Steel Safeguard Measures, Inv. No. 332-452, Volume III, USITC Publication 3632, September 2003, p. vii.* U.S. producers of hot-rolled steel were also consumers of semifinished steel products that were covered by the safeguard measures. In many instances, data on the operations of U.S. hot-rolled steel producers were combined with those of other flat-rolled steel products.

(D) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.

(3) PRICE.--In evaluating the likely price effects of imports of the subject merchandise if the order is revoked or the suspended investigation is terminated, the Commission shall consider whether--

(A) there is likely to be significant price underselling by imports of the subject merchandise as compared to domestic like products, and

(B) imports of the subject merchandise are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of domestic like products.

(4) IMPACT ON THE INDUSTRY.--In evaluating the likely impact of imports of the subject merchandise on the industry if the order is revoked or the suspended investigation is terminated, the Commission shall consider all relevant economic factors which are likely to have a bearing on the state of the industry in the United States, including, but not limited to--

(A) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(B) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, and

(C) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.

The Commission shall evaluate all such relevant economic factors . . . within the context of the business cycle and the conditions of competition that are distinctive to the affected industry.

Section 752(a)(6) of the Act states further that in making its determination, “the Commission may consider the magnitude of the margin of dumping or the magnitude of the net countervailable subsidy. If a countervailable subsidy is involved, the Commission shall consider information regarding the nature of the countervailable subsidy and whether the subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement.”

Information obtained during the course of these reviews that relates to the above factors is presented throughout this report. U.S. industry data are based on questionnaire responses of 18 current and one former producer that accounted for nearly all U.S. production of hot-rolled steel between 1999 and 2004. U.S. import data are based on official Commerce statistics and the questionnaire responses of 15 U.S. importers of hot-rolled steel.⁵⁰

⁵⁰ A summary of trade and financial data collected in these reviews appears in appendix C.

RESULTS OF COMMERCE'S REVIEWS⁵¹

Brazil

On September 9, 2004, Commerce found that revocation of the antidumping duty order on hot-rolled steel from Brazil would likely lead to continuation or recurrence of dumping as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u>
CSN	41.27
USIMINAS/COSIPA	43.40
All Others	42.12

On December 7, 2004, Commerce found that revocation of the countervailing duty order on hot-rolled steel from Brazil would likely lead to continuation or recurrence of subsidies as follows:

<u>Manufacturer/producer/exporter</u>	<u>Net countervailable subsidy (percent)</u>
CSN	6.35
USIMINAS/COSIPA	9.67
All Others	7.81

Japan

On October 21, 2004, Commerce found that revocation of the antidumping duty order on hot-rolled steel from Japan would likely lead to continuation or recurrence of dumping as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u>
Kawasaki Steel Corporation	40.26
Nippon Steel Corporation	18.37
NKK Corporation	17.70
All Others	22.92

Russia

On September 9, 2004, Commerce found that termination of the suspended antidumping duty investigation on hot-rolled steel from Russia would likely lead to continuation or recurrence of dumping as follows:

<u>Manufacturer/producer/exporter</u>	<u>Weighted-average margin (percent)</u>
JSC Severstal	73.59
Russia-Wide Rate	184.56

⁵¹ Commerce's notices are presented in appendix A. Commerce has not issued any findings regarding duty absorption involving the subject merchandise.

COMMERCE'S ADMINISTRATIVE REVIEWS

Brazil

Commerce conducted one administrative review of the antidumping duty suspension agreement on hot-rolled steel from Brazil. The period of review was July 19, 1999 to June 30, 2000 and the results were published in the *Federal Register* on February 11, 2002.⁵² Commerce determined that CSN and USIMINAS/COSIPA had violated the suspension agreement. Because these violations were not inconsequential and frustrated the purposes of the Agreement, the suspension agreement was terminated.

On September 27, 2004, Commerce received a request to conduct a new shipper review for Companhia Siderúrgica de Tubarão (CST), a producer and exporter of hot-rolled steel from Brazil. CST certified that it did not export subject merchandise to the United States during the period of investigation and that it has never been affiliated with any exporter or producer who exported subject merchandise during the period of investigation. The period of review for this new shipper review proceeding is from March 1, 2004 to August 31, 2004. Commerce will issue the preliminary results of this new shipper review not later than 180 days after initiation.⁵³

Japan

Commerce completed one administrative review of the antidumping duty order on hot-rolled steel from Japan. The period of review was February 2, 1999 to May 31, 2000 and the results were published in the *Federal Register* on January 17, 2002.⁵⁴ Commerce determined that the margin for Kawasaki's imports was 0.0 percent. The second and third administrative reviews were rescinded because there were no shipments of subject merchandise by respondent during either period of review. During the course of the order, Commerce has made one scope determination. On April 24, 2000, Commerce determined that cold-reduced steel sheets in coils from El Salvador processed from Japanese hot-rolled steel are outside the scope of the antidumping duty order.⁵⁵

Russia

Commerce has not conducted any administrative reviews of the suspended antidumping duty investigation on imports of hot-rolled steel from Russia.

THE SUBJECT MERCHANDISE

Commerce's Scope

The products subject to the countervailing duty order, antidumping duty orders, and suspension agreement under review, as defined by Commerce, are certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch (1.28 cm) or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic

⁵² *Certain Hot-Rolled Flat-Rolled Carbon Quality Steel Products From Brazil: Final Results of Antidumping Duty Administrative Review and Termination of the Suspension Agreement*, 67 FR 6226 (February 11, 2002).

⁵³ *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Notice of Initiation of Antidumping Duty New Shipper Review*, 69 FR 62866 (October 28, 2004).

⁵⁴ *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan: Final Results of Antidumping Duty Administrative Review*, 67 FR 2408 (January 17, 2002).

⁵⁵ *Notice of Scope Rulings*, 65 FR 41958 (July 7, 2000).

substances, in coils (whether or not in successively superimposed layers)⁵⁶ regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness.⁵⁷ Specifically included are vacuum degassed, fully stabilized (commonly referred to as interstitial-free or “IF”) steels, high strength low alloy (“HSLA”) steels, and the substrate for motor lamination steels.⁵⁸ Those steel products that are outside the traditional definitions of carbon steel will be referred to, collectively, as “microalloyed” steel in this report.^{59 60}

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

1.80 percent of manganese, or	1.25 percent of nickel, or
1.50 percent of silicon, or	0.30 percent of tungsten, or
1.00 percent of copper, or	0.012 percent of boron, or
0.50 percent of aluminum, or	0.10 percent of molybdenum, or
1.25 percent of chromium, or	0.10 percent of niobium, or
0.30 percent of cobalt, or	0.41 percent of titanium, or
0.40 percent of lead, or	0.15 percent of vanadium, or
	0.15 percent of zirconium.

All products that meet the physical and chemical description provided above are within the scope of these reviews unless otherwise excluded.⁶¹

⁵⁶ This language, “whether or not in successively superimposed layers,” deviates from the HTS definition of flat-rolled steel.

⁵⁷ Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) is not included within the scope of these reviews.

⁵⁸ IF steels are recognized as low-carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum.

⁵⁹ The Commission found these products to be part of the domestic like product during the original investigations.

⁶⁰ The Harmonized Tariff Schedule of the United States (HTSUS) subheadings appear in the section of this report entitled “Tariff Treatment.”

⁶¹ The following are excluded by Commerce (and not all goods are described in metric measures): alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including *e.g.*, ASTM specifications A543, A387, A514, A517, and A506); SAE/AISI grades of series 2300 and higher; ball bearing steels, as defined in the HTSUS; tool steels, as defined in the HTSUS; silicomanganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent; ASTM specifications A710 and A736; and USS abrasion-resistant steels (USS AR 400, USS AR 500). In addition, hot-rolled steel which meets the following chemical (in percent by weight), physical, and mechanical specifications also are excluded:

- Product (1): Carbon 0.10-0.14 percent, Manganese 0.90 percent maximum, Phosphorus 0.025 percent maximum, Sulphur 0.005 percent maximum, Silicon 0.30-0.50 percent, Chromium 0.50-0.70 percent, Copper 0.20-0.40 percent, Nickel 0.20 percent maximum, Width = 44.80 inches maximum; Thickness = 0.063-0.198 inches; Yield Strength = 50,000 psi minimum; and Tensile Strength = 70,000-88,000 psi.

- Product (2): Carbon 0.10-0.16 percent, Manganese 0.70-0.90 percent, Phosphorus 0.025 percent maximum, Sulphur 0.006 percent maximum, Silicon 0.30-0.50 percent, Chromium 0.50-0.70 percent, Copper 0.25 percent maximum, Nickel 0.20 percent maximum, Molybdenum 0.21 percent maximum, Width = 44.80 inches maximum;

(continued...)

Tariff Treatment

The subject merchandise is provided for in headings 7208, 7210, 7211, 7212, 7225, and 7226 of the HTSUS.⁶² U.S. tariffs on hot-rolled steel ranged as high as 4.8 percent *ad valorem* in 1999. As a result of the U.S. tariff concessions in the World Trade Organization (WTO), U.S. tariffs on hot-rolled steel were reduced in stages, beginning in 1995, and were eliminated beginning in 2004.

Description

Steel is generally defined as a combination of carbon and iron that is usefully malleable as first cast, and in which iron predominates, by weight, over each of the other contained elements and the carbon

⁶¹ (...continued)

Thickness = 0.350 inches maximum; Yield Strength = 80,000 psi minimum; and Tensile Strength = 105,000 psi.

●Product (3): Copper 0.10-0.14 percent, Manganese 1.30-1.80 percent, Phosphorus 0.025 percent maximum, Sulphur 0.005 percent maximum, Silicon 0.30-0.50 percent, Chromium 0.50-0.70 percent, Copper 0.20-0.40 percent, Nickel 0.20 percent maximum, Vanadium 0.10 maximum (wt), Cb 0.08 percent maximum, Width = 44.80 inches maximum; Thickness = 0.350 inches maximum; Yield Strength = 80,000 psi minimum; and Tensile Strength = 105,000 psi Aim.

●Product (4) Carbon 0.15 percent maximum, Manganese 1.40 percent maximum, Phosphorus 0.025 percent maximum, Sulphur 0.01 percent maximum, Silicon 0.50 percent maximum, Chromium 1.00 percent maximum, Copper 0.50 percent maximum, Nickel 0.50 percent maximum, Niobium 0.005 percent maximum, Aluminum 0.01-0.07 percent, Treated with Ca, Width = 39.37 inches; Thickness = 0.181 inches maximum; Yield Strength = 70,000 psi minimum for thicknesses less than or equal to 0.148 inches and 65,000 psi minimum for thicknesses > 0.148 inches; and Tensile Strength = 80,000 psi minimum.

●Product (5) Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, containing 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by either (i) tensile strength between 540 N/mm² and 640 N/mm² and an elongation percentage greater than or equal to 26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 690 N/mm² and an elongation percentage greater than or equal to 25 percent for thicknesses of 2mm and above.

●Product (6) Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

●Product (7) Grade ASTM A570-50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 inch nominal), mill edge and skin passed, with a minimum copper content of 0.20 percent.

⁶² Non-alloy hot-rolled steel is imported under the following statistical reporting numbers of the HTSUS: 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7210.70.3000, 7210.90.9000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7212.40.1000, 7212.40.5000, 7212.50.0000. Certain hot-rolled flat-rolled carbon-quality steel covered by this order, including vacuum degassed. Fully stabilized steel; high strength low alloy steel; and the substrate for motor lamination steel may also enter under the following HTSUS statistical reporting numbers: 7225.11.0000, 7225.19.0000, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7225.99.0090, 7226.11.1000, 7226.11.9030, 7226.11.9060, 7226.19.1000, 7226.19.9000, 7226.91.5000, 7226.91.7000, 7226.91.8000, and 7226.99.0000. Although the HTSUS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise under order is dispositive.

content is two percent or less, by weight.⁶³ Carbon steel includes most common grades of steel and is generally less expensive to produce than the various grades of alloy steels, due primarily to the cost of the alloying elements.

Applications

The majority of hot-rolled steel production is consumed internally or transferred to affiliates for downstream processing into cold-rolled and/or galvanized or plated products, cut-to-length plate, or welded pipe. The remainder is sold commercially to end users and service centers. Information summarizing the channels of distribution for hot-rolled steel is presented in Part II. Hot-rolled steel is used in general structural functional areas where surface finish and light weight are not crucial. Such steel is well suited for and extensively used in automotive applications such as body frames and wheels, pipes and tubes, and floor decks in steel construction. Hot-rolled steel also is used in transportation equipment (such as rail cars, ships, and barges), non-residential construction, appliances, heavy machinery, and machine parts. HSLA steels are used in structural applications for the construction, automotive, machinery, and equipment industries where strength and other attributes are important.⁶⁴ In such applications, steel may compete against other materials, such as aluminum, plastics, and advanced composites.⁶⁵ IF low-carbon steel is used because of its deep-drawing ability on stamping presses.

Manufacturing Processes

The manufacturing processes for certain hot-rolled steel products are summarized below. In general, the production of hot-rolled steel encompasses three distinct stages that include: (1) melting or refining raw steel, (2) casting raw steel into semi-finished forms, and (3) hot-rolling semi-finished forms into flat-rolled carbon steel mill products.⁶⁶ Each stage of steel production requires precision. During melting and refining, when steel is in a liquid state, thermodynamics and chemistry are critical. During casting, when steel is transformed into a solid state, chemistry and metallurgy are involved. Finally, during rolling, metallurgy is the steel maker's focus.⁶⁷ In the recent past there were no significant differences in the production processes for carbon steel between mills in the United States and those in the subject countries.⁶⁸ However, in September 2002, Nucor announced the commercialization of "strip casting" at the company's Castrip® facility in Crawfordsville, IN.⁶⁹ Strip casting involves the direct casting of molten steel into final shape and thickness without further hot or cold rolling. This seamless

⁶³ *Harmonized Tariff Schedule of the United States* (2005), chap. 72, note 1(d), Steel: Ferrous materials other than those of heading 7203 which (with the exception of certain types produced in the form of castings) are usefully malleable and which contain by weight 2 percent or less of carbon. However, chromium steels may contain higher proportions of carbon.

⁶⁴ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-9.

⁶⁵ Staff field trip report, ISG and U.S. Steel, December 17, 2004.

⁶⁶ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-7.

⁶⁷ Staff field trip report, ISG, December 17, 2004.

⁶⁸ Based on Richard Serjeantson (ed.), *Iron and Steel Works of the World* (Surrey, England: Metal Bulletin Books, Ltd., 12th ed., 1997).

⁶⁹ *Castrip Processing at Nucor*, [Metal Center News](http://www.metalcenternews.com/2002/September/MCN0209Min.htm), September 2002, found at <http://www.metalcenternews.com/2002/September/MCN0209Min.htm>, retrieved March 21, 2005.

process reportedly reduces investment and operating costs, mill size, energy consumption, and environmental impact.⁷⁰

Steel's major production inputs are coke, iron ore, limestone, and scrap. Coke is a refined carbon product produced by baking coal to drive off volatile matter, and is the principal fuel used to produce hot metal in blast furnaces. Iron ore is melted to produce liquid metal. Limestone is used to flux the liquid metal, thus purifying it. Scrap is used for a portion of the basic oxygen furnace charge; hot metal accounts for the remainder. In addition, scrap is a major input for electric arc furnace (EAF) production. Scrap contains non-ferrous tramp elements so production that uses a lower ratio of scrap to hot metal can generate the clean, pure steel often required for certain value-added applications.⁷¹

Melt Stage

Steel is produced by either integrated or nonintegrated processes. The nonintegrated, or scrap-based, process produces molten steel by melting scrap or scrap substitutes in an EAF.⁷² The integrated process typically smelts iron ore and coke in a blast furnace to produce molten iron, which is subsequently poured into a steelmaking furnace, generally a basic oxygen furnace (BOF), together with a small amount of scrap metal. This furnace converts iron into steel by injecting oxygen into a mixture of molten iron and scrap. The burning oxygen raises the temperature of the mix to approximately 3000°F. This rapid increase in temperature is required to convert the various ingredients into a chemically correct vessel of steel. During the oxygen blow, fluxing agents such as burnt lime, dolomitic lime, and spar are added to obtain the proper chemistry. These fluxing agents combine with impurities to form a floating layer of slag, which is later removed. The molten steel is poured or "tapped" from the furnace to a ladle to be transported to a ladle metallurgy station and then to casting.

Whether integrated or nonintegrated, steelmakers typically utilize a secondary steelmaking stage, also called a ladle metallurgy station. Shifting the final refining stages to the ladle metallurgy station allows shorter cycles in the primary steelmaking vessel, effectively raising steelmaking capacity. Special ladle treatments include ladle desulphurization and vacuum degassing, which improve steel cleanliness, formability, surface quality, chemistry, and strength. Steelmakers employ additional techniques to refine the product further into extra-clean or low-carbon steels. These refinements are needed to satisfy stringent surface or internal requirements or microcleanliness quality and mechanical properties.⁷³ Steelmakers may adjust the chemical content by adding alloying elements or by lowering the carbon content (decarburization), or adjusting the temperature of the steel for optimum casting. While carbon content may be reduced further by subsequent hydrogen annealing of the coiled steel, the steel's essential characteristics are established prior to the casting stage.⁷⁴

⁷⁰ *Nucor Locations; Nucor Steel-Indiana*, found at <http://www.nucor.com/indexinner.aspx?finpage=div&iwichone=0>, retrieved March 15, 2005.

⁷¹ Staff field trip report, ISG and U.S. Steel, December 17, 2004.

⁷² To control product quality further, newer thin-slab flat-rolled mills are using to various degrees scrap substitutes such as direct-reduced iron, hot-briquetted iron, and iron carbide.

⁷³ The goals of secondary steelmaking include controlling gases (e.g. decreasing the concentration of oxygen, hydrogen, and nitrogen, called degassing), reducing sulfur, removing undesirable nonmetallic inclusions such as oxides and sulphides, changing the composition and/or shape of oxides and sulphides that cannot be completely removed, and improving the mechanical properties of the finished steel. USS, *The Making, Shaping and Treating of Steel*, p. 671.

⁷⁴ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-7.

Slab Casting Stage

Following the production of molten steel with the desired properties, the steel is cast into a form that can enter the rolling process. The industry formerly used two principal methods of casting, ingot teeming⁷⁵ and continuous casting, but continuous slab casting is the preferred, lower cost method because it eliminates several steps of conventional ingot casting by casting the steel directly into semifinished shapes, called slabs, that are in the desired dimensions, profile, and length. The continuous casting method casts quickly into a semifinished shape, increases yield, improves product quality, and decreases energy consumption and environmental pollution. The vast majority of carbon sheet steels produced in the United States are continuously cast.⁷⁶ Continuous casters convert molten steel into slabs for rolling into finished product. The major processes used by most U.S. and foreign integrated producers of hot-rolled steel products are conventional continuous casters and thin-slab casters. The conventional process is used by most U.S. integrated producers, whereas most of the nonintegrated facilities use thin- or thinner-slab casting processes. Differences between thin-slab casting and conventional continuous-strand slab casting include the shape of the casting mold, the desired thickness of the slab, and the linkage of steel casting with direct hot rolling.⁷⁷ Thin strip casters are high quality casters that trade off surface quality and metallurgical characteristics in favor of higher casting speeds. Because the surface quality cannot be conditioned or improved, and because surface quality is critical for appliances and auto skins, a mill's ability to use thin slab casting depends on its ability to cast perfect slabs.⁷⁸ One benefit of thin slab casting is that it eliminates the need for a reheat furnace.

Rolling Stage

Most hot-rolled carbon steel flat products are produced on hot-strip mills. The hot-strip mill rolls slabs into steel coils called "hot bands," ranging in width and in thickness. Hot-strip mills consist of a scalebreaker, a roughing train, a finishing train, a runout table, and a coiling system. Prior to entering the roll-reduction sequence, a steel slab may be reheated in a reheat furnace. Then a scalebreaker removes scale on the slab. Most of the reduction in the thickness of the steel occurs in a "roughing train." The roughing train consists of several rolling stands (sets of rollers), typically four to five, that reduce the slab or a single reversing stand in which the slab is passed back and forth through the stand. The finishing train with an additional four to seven stands further reduces the thickness and imparts the desired surface finish to the steel. The steel then exits the finishing train onto a runout table where the product is subjected to a combination of water sprays, laminar jets, and/or air cooling to remove mill scale and reduce the temperature of the steel. The steel is then coiled at the end of the runout table. Hot-rolled steel destined for the sheet market can be either shipped as black band, or cleaned in an acid bath and sold as pickled band. These products are used in non-critical surface applications such as automotive frames and wheels, construction products, pipe, off-highway equipment, and guardrails.⁷⁹ Hot-rolled universal mill

⁷⁵ Ingot teeming involves pouring ingots from steel made in an open hearth furnace.

⁷⁶ Continuous slab casting bypasses several steps of the conventional ingot casting process by casting steel directly into semifinished shapes, called slabs, in the desired cross-sectional dimensions. The many benefits derived from this quicker casting method include increased yield, improved product quality, decreased energy consumption, and less pollution. USS, *The Making, Shaping and Treating of Steel*, p. 671.

⁷⁷ For a description of thin-slab casting processes, see "Thin-Slab Casting and Rolling," *Steel Times International*, July 1998, pp. 28-30.

⁷⁸ Staff field trip report, U.S. Steel, December 17, 2004.

⁷⁹ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807(Final)*, USITC Publication 3202, June 1999, p. I-8.

plate, of a thickness less than 4 mm, and thicker hot-rolled carbon steel products are typically produced on Steckel mills which share many common features with hot-strip mills.⁸⁰

Subsequent Operations

Hot-rolled steel may undergo a number of subsequent processes before being used internally by a steel producer or sold. Processing subsequent to hot-rolling can include a temper pass to improve surface finish, gauge tolerance, and coil tightness; pickling and light oil coating;⁸¹ and operations that level, slit, or shear hot-strip mill products to width or length. If the hot-rolled product is designated for cold-reduction and coating, it is first pickled. In the pickling process, the hot-rolled steel product is subjected to a series of acid baths that essentially remove the oxides on the surface that result from exposure to water and the atmosphere. Then the steel is treated with an oil that is compatible with the mill's cold-reduction mill, cold-reduced,⁸² annealed, and temper passed. It might then be coated with a metallic coating.⁸³ Pickling, oiling, tempering, leveling, slitting, or shearing can take place at the mill; alternatively, a mill can arrange for these operations to be performed at a nearby service center.⁸⁴

Marketing

Commercial sales of hot-rolled steel are made to all major steel-consuming markets as well as to third-party processors and service centers. Steel is sold to a wide range of consuming industries including automotive, construction, appliance, transportation, container, machinery, and equipment. Major U.S. mills work with steel consumers to develop steel that meets the customer's needs rather than independently developing steel and then seeking out a market.⁸⁵ Sales are also made to intermediate processors and service centers that typically act as intermediaries between the steel producers and the various end-user manufacturers that require further processing or inventory programs. The additional services performed by steel service centers and processors include pickling, galvanizing, cutting to length, slitting to size, leveling, blanking, shape correcting, edge rolling, shearing, and stamping.

Steel service centers serve as distributors of flat-rolled steel products. Many service centers maintain extensive inventories of a variety of steel products, providing availability and inventory management services for customers of all sizes, including those with smaller purchasing needs that must place low-volume orders. Some service centers perform value-added processing, such as uncoiling,

⁸⁰ The primary distinction lies in the placement of a heated coilbox on either side of a single stand reversing mill. For additional details on Steckel mills, see *Certain Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Invs. Nos. 731-TA-753-756 (Final)*, USITC Publication 3076, December 1997.

⁸¹ During the hot-rolling process, exposure to water and air results in the formation of oxides on the surface of the steel. Pickling involves passing the hot-rolled product through a series of acid baths to remove the oxides. The material is then dried and oiled to prevent reformation of oxides, and recoiled.

⁸² Cold-reduction rolling involves a fairly large reduction in the thickness of the hot-rolled material, typically ranging from 25 to 90 percent. The term "cold-rolling" refers to any process in which the product is fed into a rolling mill at ambient temperature. Cold-rolling can be performed for a variety of reasons, including a desired reduction in product thickness, a need to impart specific mechanical properties, or to impart a specific surface texture. A cold-rolling mill typically has five to seven roll stands. Staff field trip report, ISG and U.S. Steel, December 17, 2004.

⁸³ Flat-rolled steel products are coated with metals or nonmetallic substances to improve their aesthetics, reduce final product cost, improve corrosion resistance, and anticipate the requirements of downstream forming operations.

⁸⁴ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-8.

⁸⁵ Staff field trip report, ISG and U.S. Steel, December 17, 2004.

flattening, and cutting flat-rolled products to length or burning hundreds of intricate parts from a single sheet.⁸⁶

DOMESTIC LIKE PRODUCT ISSUES⁸⁷

In its original determination the Commission found there to be one domestic like product consisting of all hot-rolled steel, as defined in Commerce's scope.⁸⁸ In response to a question soliciting comments regarding the appropriate domestic like product in the Commission's notice of institution of these reviews, six domestic producers responded that they agreed with the definitions of the domestic like product contained in the notice of institution.⁸⁹ No other party addressed the like product issue in the initiation and adequacy phase of these reviews. In prehearing briefs three domestic producers reiterated their support for the Commission's original like product finding. No other domestic or respondent interested parties addressed this issue in prehearing briefs. This issue was not addressed in posthearing briefs by any interested parties.

U.S. MARKET PARTICIPANTS

U.S. Producers

During the original investigations, 24 firms, representing 95 percent of production of certain hot-rolled steel products in the United States, provided the Commission with data on their hot-rolled operations. In the current reviews, the Commission mailed questionnaires to 22 mills believed to produce certain hot-rolled steel products. Eighteen mills, representing nearly all production of hot-rolled steel in the United States, provided the Commission with data on their hot-rolled steel operations.⁹⁰ Seven firms, representing nearly *** percent of reported 2004 production, have filed notices of appearance in these reviews. Five firms, representing more than *** percent of reported 2004 production, have not filed notices of appearance, but support the continuation of the orders and agreement; and six firms, representing more than *** percent of reported 2004 production, take no position on the orders and agreement.

Reported U.S. production of hot-rolled steel is concentrated in Indiana (seven mills), Ohio (four mills), and Alabama (four mills). In addition, there are two mills in each of the following states: Illinois, Kentucky, Michigan, Pennsylvania, and West Virginia. Only one domestic producer, ***, reported that it produces hot-rolled steel in a foreign trade zone.⁹¹ Only one domestic producer, ***, reported that since

⁸⁶ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-9.

⁸⁷ The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and, where appropriate, (6) price.

⁸⁸ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. 5.

⁸⁹ Public version of the Domestic Producers' Response to the Notice of Institution of Five-Year Review, filed with the USITC Office of the Secretary on June 23, 2004, p. 35.

⁹⁰ Four firms reported that they do not produce the subject products (Gerdau Ameristeel, Leo Inc., Olympic Steel, and Timken Latrobe).

⁹¹ *** produces steel in the foreign trade zone of ***.

January 1, 1999, it has been involved in a toll agreement regarding the production of hot-rolled steel.⁹² Details regarding each firm's production location, type of melting furnace, share of 2004 mill production, parent company, and position on the orders and agreement are presented in table I-2.

The domestic steel industry has restructured dramatically since the original investigations. Bankruptcies, consolidations, and reorganizations have changed the composition of domestic production. Several domestic steel producers filed for bankruptcy. Some closed their operations permanently, while others were acquired out of bankruptcy and are operating today. Through the Chapter 11 bankruptcy process, the Pension Benefit Guaranty Corporation (PBGC)⁹³ assumed the pension obligations of several domestic steel producers.⁹⁴

As a result of the PBGC's assumption of pension obligations, several companies were able to dramatically improve their cost structures, thus making them more attractive acquisitions. Bethlehem and LTV were both acquired by ISG after the PBGC took on an estimated pension liability of \$3.7 billion and \$1.9 billion for the companies, respectively. National Steel was acquired by U.S. Steel after the PBGC assumed National's estimated pension liability of \$1.1 billion.^{95 96} Table I-3 illustrates the changes in company status that have occurred since the original investigations.

⁹² *** has been involved in a toll agreement with *** and ***.

⁹³ The Pension Benefit Guaranty Corporation, a U.S. government agency, was established by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) to protect employee pension benefits when a defined-benefit pension plan is terminated because of bankruptcy or for another reason. After a plan is terminated, PBGC becomes trustee of the plan and guarantees some benefits, the amount of which may differ from the original sponsor's plan. *Legal Info & FOIA*, found at <http://www.pbgc.gov/laws/default.htm>, retrieved March 15, 2005. *See also Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, Volume 1, USITC Publication 3632, September 2003, p. III-12.

⁹⁴ The following steel companies had pension obligations assumed by the PBGC during the period for which data were collected in these reviews: Acme (est. 3,725 participants), Bethlehem (est. 97,015 participants), Geneva Steel (est. 1,525 participants), LTV (est. 82,950 participants), National (est. 5,000 participants), and Weirton (est. 9,200 participants). *Trusted Plan Info*, found at <http://www.pbgc.gov/plans/Planlookup>, retrieved March 15, 2005.

⁹⁵ *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, Volume 1, USITC Publication 3632, September 2003, p. III-13.

⁹⁶ In response to Commissioner questions regarding the impact on the domestic industry of the reduction of legacy costs, John Surma, President and Chief Executive Officer of U.S. Steel, explained that the resolution of National's pension obligations in bankruptcy made the acquisition of National Steel an economic, but still expensive, investment for U.S. Steel. Hearing transcript, p. 163 (Surma).

Table I-2
Hot-rolled steel: U.S. mills, locations, furnace type, parent company, and position on the orders and agreement

Firm	Mill locations	Type of furnace	Share of production (percent)	Parent company	Position on orders and agreement
AK	Middletown, OH	BOF	***	AK (U.S.)	***
Beta	Portage, IN	EAF	***	***% Detail (Liechtenstein) ***% Neptunia (Liberia) ***% Transmar (Liberia)	***
CSI	Fontana, CA	(processes slab)	***	JFE Steel (Japan) Companhia Vale do Rio Doce (Brazil)	***
Duferco	Farrell, PA	EAF	***	Duferco (Switzerland)	***
Gallatin	Ghent, KY	EAF	***	***% Dofasco (Canada) ***% Gerdau-Ameristeel (Brazil)	***
IPSCO	Axis, AL Montpelier, IA	EAF	***	IPSCO (Canada)	***
ISG	Riverdale, IL Burns Harbor, IN East Chicago, IN Sparrows Point, MD Cleveland, OH Weirton, WV	BOF	***	ISG (U.S.)	***
Lone Star	Lone Star, TX	EAF	***	Lone Star Technologies (U.S.)	***
Ispat Inland	East Chicago, IN	BOF	***	Mittal Steel (Netherlands)	***
North Star	Delta, OH	EAF	***	***% NSS (U.S.) ***% BlueScope Steel (Australia)	***
NSG	Newport, KY	EAF	***	NSG (U.S.)	***
Nucor	Hickman, AK Decatur, AL Tuscaloosa, AL Crawfordsville, IN Berkley, SC	EAF	***	Nucor (U.S.)	***
Oregon	Portland, OR	EAF	***	Oregon (U.S.)	***
SDI	Butler, IN	EAF	***	SDI (U.S.)	***
Severstal	Dearborn, MI	BOF	***	OAO Severstal (Russia)	***

Table continued on next page.

Table I-2-- Continued

Hot-rolled steel: U.S. mills, locations, furnace type, parent company, and position on the orders and agreement

Firm	Mill locations	Type of furnace	Share of production (percent)	Parent company	Position on orders and agreement
USS	Fairfield, AL Granite City, IL Gary, IN Ecorse, MI Dravosburg, PA	BOF	***	USS (U.S.)	***
WCI	Warren, OH	BOF	***	Renco Steel (U.S.)	***
WPS	Wheeling, WV	BOF	***	WHX Corp. (U.S.)	***
Source: Compiled from data submitted in response to Commission questionnaires.					

Geneva and Gulf States both closed after filing for bankruptcy. Gulf States filed for bankruptcy in July 1999 and shut down its operations in August 2000.⁹⁷ Geneva filed for bankruptcy protection in February 1999 and again in January 2002, shutting down operations in December 2001.⁹⁸ WCI Steel filed for bankruptcy in September 2003 and is currently in bankruptcy proceedings.⁹⁹ Wheeling-Pittsburgh Steel entered bankruptcy in November 2000; after laying off 50 salaried employees and receiving \$400,000 from West Virginia state funds to complete a coil processing line, the company emerged from bankruptcy in August 2003 and is currently operating.¹⁰⁰

⁹⁷ New Steel, *Gulf States Shuts Down*, posted on the website September 2000, found at <http://www.newsteel.com/2000/NW000901.htm>, retrieved January 24, 2005.

⁹⁸ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. III-3; Geneva Steel, *Vineyard, Utah*, January 25, 2002, found at <http://www.geneva.com/news/newsarticle.php>, retrieved, January 19, 2005.

⁹⁹ Steel News, *WCI Steel Files for Chapter 11 Bankruptcy Protection*, posted September 23, 2003, found at <http://www.steelnews.com/companies/archives/wci/wcio3.htm>, retrieved February 10, 2005.

¹⁰⁰ Commission questionnaire response of WPS.

**Table I-3
Hot-rolled steel: Ownership status of U.S. mills in 1998 and 2004**

Firm	Parent company in 1998	Parent company in 2004
Acme	Acme (U.S.)	ISG (U.S.)
AK	AK (U.S.)	AK (U.S.)
Armco	Armco (U.S.)	AK (U.S.)
Beta	Beta (U.S.)	Detail Est. (Liechtenstein): ***% Neptunia Corp. (Liberia): ***% Transmar Corp. (Liberia): ***%
Bethlehem	Bethlehem (U.S.)	ISG (U.S.)
Caparo	Caparo (U.K.)	Duferco (Switzerland)
CSI	Kawasaki (Japan): ***%; CIA Vale do Rio Doce (Brazil): ***%	JFE Steel (Japan): ***%; CIA Vale do Rio Doce (Brazil): ***%
DSC	DSC (U.S.)	DSC (U.S.)
Gallatin	Co-Steel (Canada): ***%; Dofasco (Canada): ***%	Dofasco (Canada): ***%; Gerdau-Ameristeel (Brazil): ***%
Geneva	Geneva (U.S.)	Bankrupt- Closed December 2001
Gulf States	GSSI Holding Corp. (U.S.)	Bankrupt-Closed August 2000
IPSCO	IPSCO (Canada)	IPSCO (Canada)
Ispat Inland	Ispat International, N.V. (Netherlands)	Mittal Steel (Netherlands)
Lone Star	Lone Star (U.S.)	Lone Star (U.S.)
LTV	LTV (U.S.)	ISG (U.S.)
National	NKK (Japan): ***%; National (U.S.): ***%	U.S. Steel (U.S.)
Newport	NSG (U.S.)	NSG (U.S.)
North Star/BHP	NSS Ventures (U.S.): ***%; BHP Resource Holdings, Inc. (U.S.): ***%	NSS Ventures (U.S.): ***%; BlueScope Steel (Australia): ***%
Nucor	Nucor (U.S.)	Nucor (U.S.)
Oregon	Oregon (U.S.)	Oregon (U.S.)
Rouge	Rouge (U.S.)	OAO Severstal (Russia)
SDI	SDI (U.S. shareholders include Salzgitter A.G. (Germany): ***%)	SDI (U.S.)
TRICO	LTV (U.S.): ***%; Sumitomo Metals Industries, Ltd. (Japan): ***%; British Steel plc (U.K.): ***%	Nucor (U.S.)
Tuscaloosa	British Steel plc (U.K.)	Nucor (U.S.)
USS	USX (U.S.)	U.S. Steel (U.S.)
WCI	Renco Steel Holdings, Inc. (U.S.)	Renco Steel Holdings, Inc. (U.S.) (in bankruptcy)
Weirton	Weirton (U.S.)	ISG (U.S.)
WPS	WHX Corp. (U.S.)	WHX Corp. (U.S.)

Source: Compiled from data submitted in response to Commission questionnaires.

Four domestic steel companies, ISG, U.S. Steel, Nucor, and AK Steel, have been active in acquiring other steel producers or their assets since 1998. ISG acquired four steelmaking companies out of bankruptcy. Acme Metals filed for bankruptcy in September 1998 and shut down operations in October 2001. One year later, in October 2002, Acme's steelmaking and rolling assets were acquired by ISG and restarted in December 2002. Bethlehem Steel filed for bankruptcy in October 2001. Its operating assets were acquired by ISG in May 2003. Weirton Steel filed for bankruptcy in May 2003 and was acquired by ISG in May 2004. LTV Corp., a major integrated steel company, filed for bankruptcy in December 2000 and shut down its flat-rolled steel operations in December 2001. LTV's steelmaking assets were acquired by ISG in April 2002 and restarted in May and June 2002. ISG is now poised to become part of Mittal Steel, as announced early this year.¹⁰¹ This merger is expected to be completed by the end of the first quarter or early in the second quarter of 2005.¹⁰²

U.S. Steel acquired National Steel out of bankruptcy in May 2003. National, with locations in Indiana, Michigan, and Missouri, had entered bankruptcy in March 2002. Trico Steel, a minimill producer of flat-rolled products, filed for bankruptcy in March 2001 and was acquired by Nucor in July 2002. Nucor restarted the mill in September of that same year, and began ramping up production in 2003. In July 2004, Nucor also purchased the former Corus mill in Tuscaloosa, AL. AK Steel, a major integrated steel company, acquired Armco, Incorporated (a producer hot-rolled steel, stainless and silicon steel flat products and carbon steel pipe) in September 1999.¹⁰³

Changes in ownership have also occurred internationally.¹⁰⁴ In January 2004, the assets of Rouge Steel were acquired by Severstal North America through an auction supervised by the United States Bankruptcy Court. The new company, Severstal, continues to produce and sell flat-rolled steel products. In December 1998, Duferco Group, a Swiss company, purchased the former Caparo Steel Company located in Farrell, PA. Gerdau-Ameristeel, a Brazilian company, acquired a ***-percent stake in Gallatin Steel when it merged with Gallatin's owner, Canadian Co-Steel, in 2002.¹⁰⁵ Dofasco, a Canadian company, controls the remaining *** percent. In addition, Beta Steel reported that it is owned by three non-U.S. companies, ***.

One measure of the effect of the mill closures, reorganizations, rationalizations, and restarts over the past six years is the level of U.S. shipments of hot-rolled steel. Figure I-2 presents U.S. mill shipments and U.S. imports of hot-rolled steel, along with certain important events, between 1999 and 2004.

¹⁰¹ Mittal Steel itself is the product of a merger that took place in October 2004, between LNM Holdings and Ispat International. Mittal is headquartered in the Netherlands and has entered into an agreement under which ISG will become part of Mittal Steel.

¹⁰² Commission questionnaire response of ISG, p. 5.

¹⁰³ As discussed in greater detail in part III, several companies have announced or considered opening new steel mills to produce hot-rolled steel. These include California Coil Processors; Leo, Inc.; Nucor; and SteelCorr, Inc.

¹⁰⁴ In addition to the infusion of capital from outside of the United States, certain U.S. producers have been active in investing in foreign operations. U.S. Steel, for example, has acquired steelmaking subsidiaries in Kosice, Slovakia and in Sabac and Smederevo, Serbia. Corporate Profile, *United States Steel Corporation*, found at <http://www.ussteel.com/corp/about.htm>, retrieved February 2, 2005.

¹⁰⁵ New Steel, *Co-Steel Plans to Sell its Stake in Gallatin*, found at <http://www.newsteel.com/news/NW980601.htm>, retrieved February 4, 2005; Gerdau Ameristeel, *Company, Our History*, found at <http://www.gerdauameristeel.com/company/aboutga/oh/cfm>, retrieved February 4, 2005.

Figure I-2
Hot-rolled steel: Domestic merchant market mill shipments and imports, and events increasing or reducing supply, 1999-2004

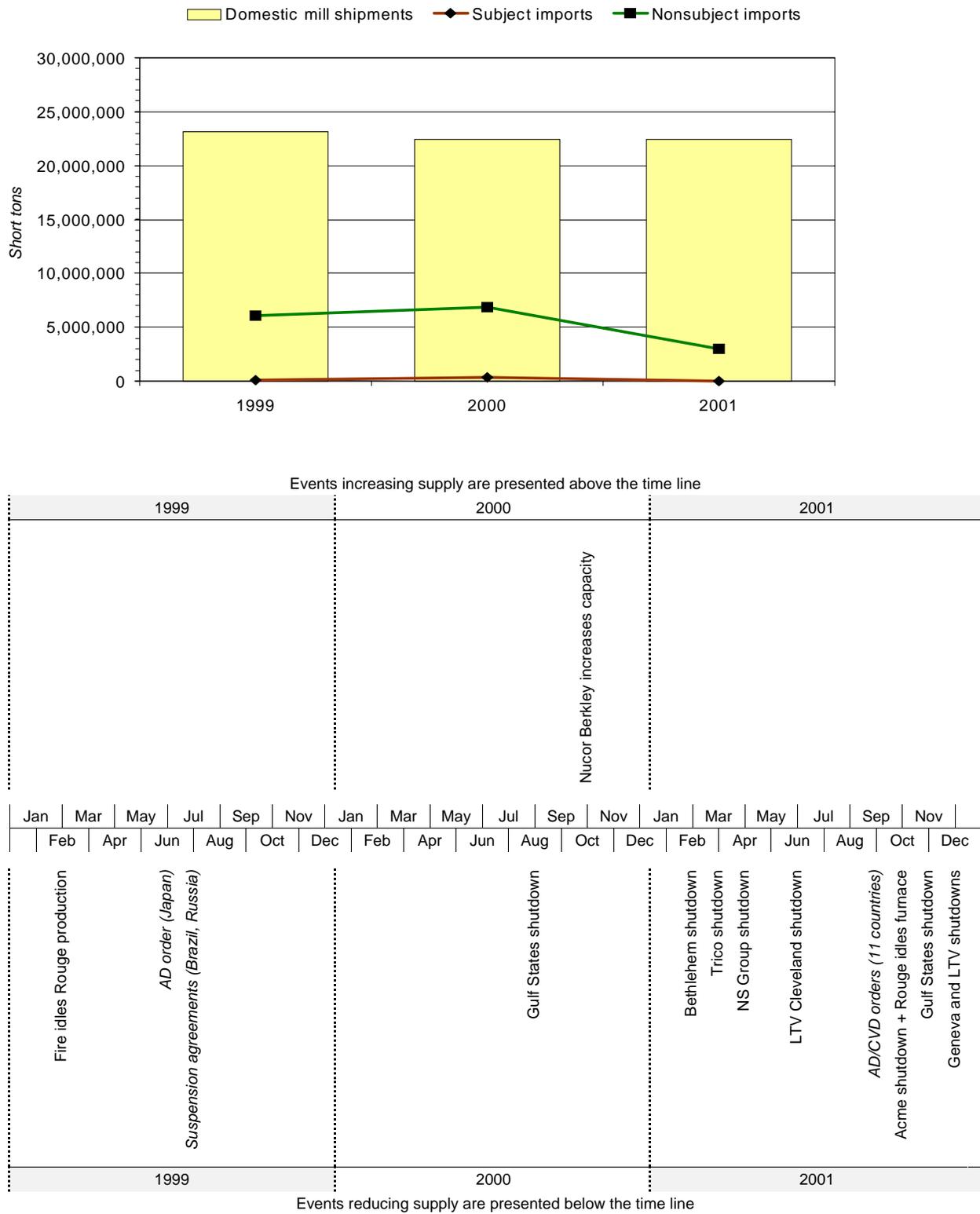
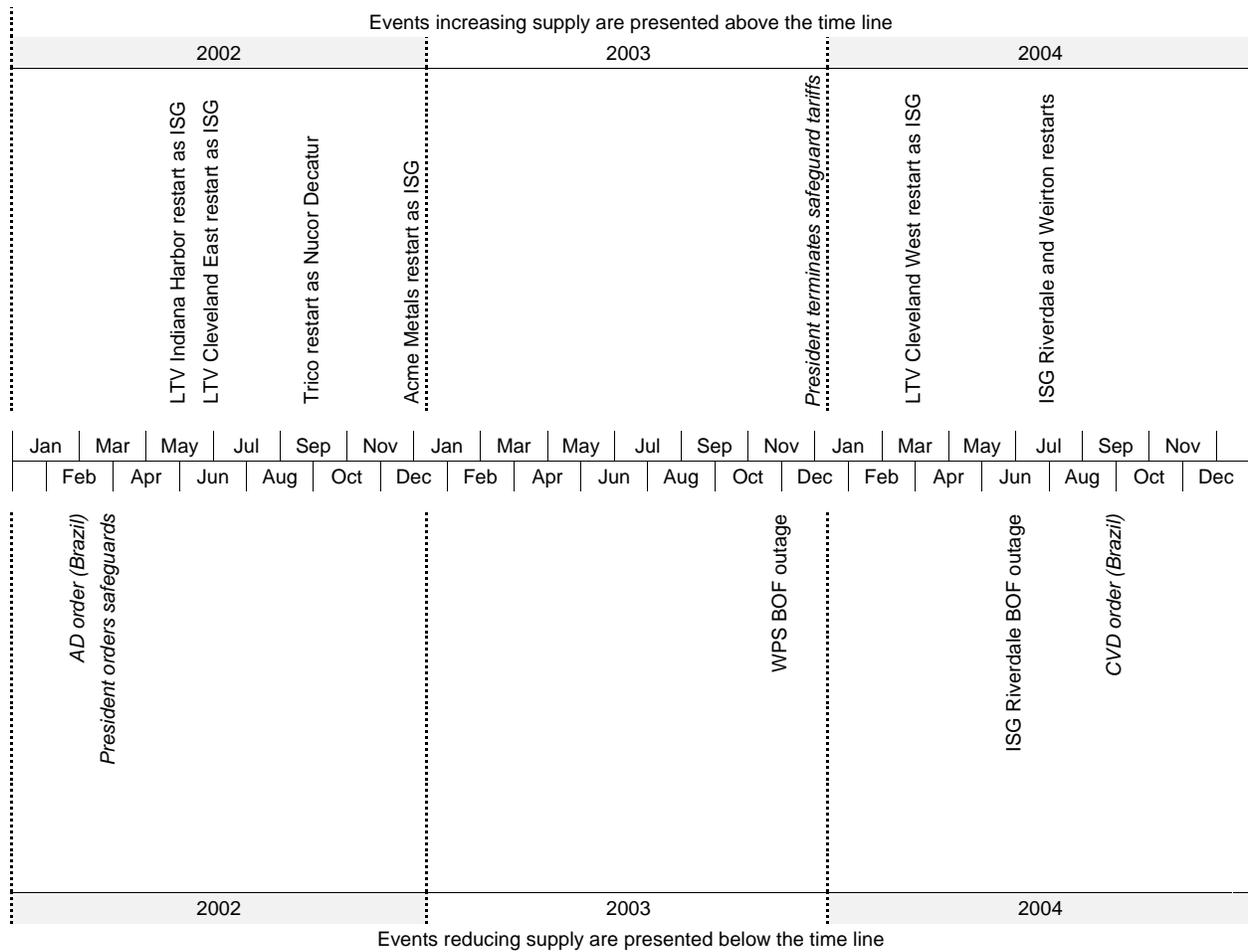
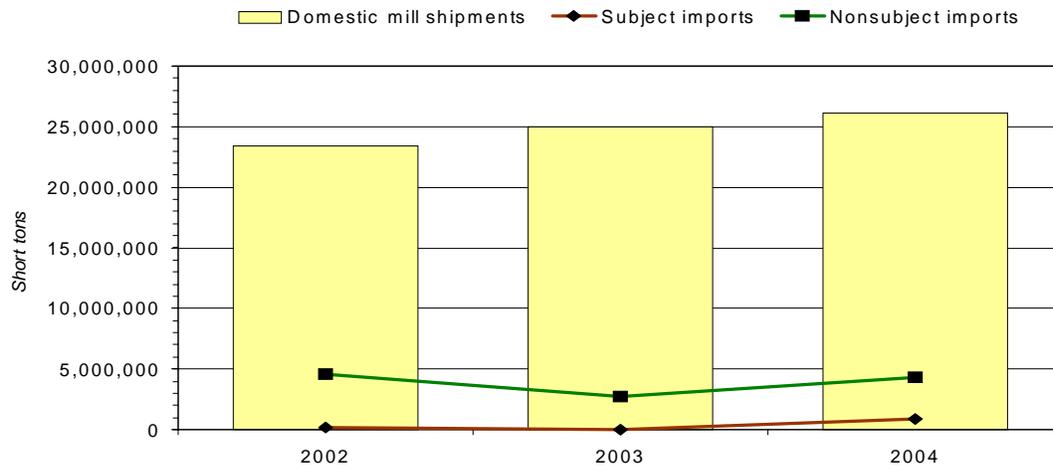


Figure I-2--Continued

Hot-rolled steel: Domestic merchant market mill shipments and imports, and events increasing or reducing supply, 1999-2004



Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce; USITC Publication 3632; and publicly available information.

U.S. Importers

The original investigation identified 52 firms that imported hot-rolled steel between January 1996 and December 1998. In response to Commission importers' questionnaires issued in these reviews, 15 firms supplied usable data and 18 firms indicated that they had not imported the product since 1999. Reported U.S. importers of certain hot-rolled steel products are concentrated in two major geographic areas. There are seven reported in the New York, New Jersey, and Connecticut area and six reported in the Illinois, Indiana, and Michigan area. The three remaining responding importers are located in California, Minnesota, and Texas. Table I-4 presents a summary of information regarding U.S. importers of hot-rolled steel.

There are several business affiliations between U.S. importers and foreign companies. *** is wholly owned by ***. The importer, ***, has a related firm in the United States, ***, that is ***¹⁰⁶. *** is wholly owned by ***, which in turn is owned by Japanese steel producer, ***. *** is also related to ***, which is ***-percent owned by ***. In addition, *** has a subsidiary in California, ***, that receives, inventories, holds, ships, or processes hot-rolled steel. *** is wholly owned by *** and has *** offices in the United States that import steel. In addition, *** parent company and affiliated companies in ***, all export nonsubject country steel to the United States. Importer *** is wholly owned by ***.

Table I-4
Hot-rolled steel: U.S. importers, source of imports, U.S. headquarters, and parent company

* * * * *

In addition to affiliations with the subject countries, several importers reported having business ties to nonsubject country companies. *** is owned by ***. *** is wholly owned by ***. *** is related to ***¹⁰⁷. *** is wholly owned by *** and is related to a domestic and a foreign steel producer that have some parental company control in common.¹⁰⁸ *** also shares a common parent company with ***, which engages in the exportation to or importation of both subject and nonsubject steel to the United States. *** is wholly owned by ***, a British company. Importer *** is related to ***. Importer *** is affiliated with steel producer, ***,¹⁰⁹ through a *** joint venture (which is ***-percent owned by ***).

U.S. Purchasers

In response to Commission purchaser questionnaires issued in these reviews, 46 purchasers supplied usable data and 3 reported that they had not purchased hot-rolled steel during the period for which data were collected in these reviews. Twenty-two individual companies that purchase hot-rolled steel and products made from hot-rolled steel have filed notices of appearance in these reviews.¹¹⁰ Additionally, three coalitions and trade groups representing steel purchasers and end users have also filed

¹⁰⁶ *Securities and Exchange Commission*, Form 20-F, Companhia Siderúrgica Nacional, 2003, p. 10-11, found at <http://www.cnsa0004.csn.com.br/pls/ebiz/docs>, retrieved March 29, 2005.

¹⁰⁷ *** parent owns *** percent of *** parent company, ***.

¹⁰⁸ *** is ***-percent owned by *** parent company, *** *** is ***-percent owned by ***.

¹⁰⁹ *** is ***-percent owned by *** and ***-percent owned by ***.

¹¹⁰ Purchasers that have filed individual notices of appearance in these reviews are: ArvinMeritor, Brose Chicago Inc., Brose Tuscaloosa, Inc., Continental Teves, Inc. Dana Corporation, Delphi Corporation, Dura Automotive Systems, Inc., E&E Manufacturing Co., Ford Motor Co., Hayes Lemmerz Int'l, Inc., Johnson Controls, Lear Corp., Magna Int'l Inc., Maytag Corp., Robert Bosch Corp, Teleflex Automotive Group, Tenneco Automotive Operating Co., Inc., TK Holdings, Inc., Tokico (USA) Inc., Tower Automotive, Inc., Toyota Motor N.A., and Whirlpool Corp.

notices of appearance in these reviews.¹¹¹ Table I-5 presents a summary of information regarding U.S. purchasers of hot-rolled steel.

Respondents were concentrated in the upper midwest and the Great Lakes area including Michigan, Ohio, Minnesota, Illinois, Indiana, Pennsylvania, and Wisconsin. Additionally, the Commission received purchaser responses from companies located in every region from Canada to Texas and from California to Connecticut. The geographic dispersion of hot-rolled steel purchasers reflects the variety of industries that rely on steel.

Purchasers of hot-rolled steel represent a variety of domestic industries but the predominant purchasers are in the automotive and construction industries. While larger companies may purchase steel directly from domestic mills, others rely on steel service centers for their supply. Steel service centers are businesses that inventory and distribute steel for industrial customers and perform first-stage processing.¹¹² It is generally accepted that service centers can purchase, process, and deliver steel to end users in a more efficient and cost-effective manner than the end user could achieve by dealing directly with the steel producer or with intermediate steel processors.¹¹³

Table I-5
Hot-rolled steel: U.S. purchasers, U.S. headquarters, source of purchases, type of firm, and end products produced using hot-rolled steel

* * * * *

The automotive industry is a major purchaser of hot-rolled steel and has driven the development of lighter, stronger steels. In automobiles, hot-rolled steel is used extensively for body frames and wheels, pipes, and tubes. In addition to automobiles, hot-rolled steel is used in other transportation equipment including rail cars, ships, and barges. The construction industry uses hot-rolled steel extensively in structural applications for non-residential buildings. Other industries that rely on steel purchases include producers of appliances, machinery, and machine parts.¹¹⁴

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Table I-6 presents U.S. shipments, imports, and apparent consumption of hot-rolled steel for the period for which data were collected in these reviews. Table I-7 presents U.S. open-market consumption and market shares for the same period, and table I-8 presents total U.S. consumption and market shares.

¹¹¹ Coalitions and groups of purchasers that have filed notices of appearance in these reviews are: the Consuming Industries Trade Action Coalition, the Motor & Equipment Manufacturers Association, and the Precision Metalforming Association.

¹¹² *Today's Metal Service Center Institute*, Metals Service Center Institute, found at <http://www.ssci.org/Description.aspx>, retrieved March 15, 2005.

¹¹³ Tom Stundza, *Signs of a Business Recovery*, *Purchasing Magazine Online*, found at <http://www.purchasing.com/index>, retrieved March 9, 2005, page 1.

¹¹⁴ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. I-9.

Table I-6
Hot-rolled steel: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
U.S. producers'--						
Open-market U.S. shipments	23,102,397	22,428,268	22,395,289	23,400,598	24,924,175	26,134,554
Captive U.S. shipments	43,728,618	44,329,084	37,909,711	39,195,769	39,119,210	41,844,706
Subtotal	66,831,015	66,757,352	60,305,000	62,596,367	64,043,385	67,979,260
U.S. imports from--						
Brazil	49,809	158,565	2,587	383	53	2,978
Japan	61,798	17,109	6,872	6,372	10,838	16,086
Russia	14,612	183,236	5,845	160,712	32,485	904,101
All subject countries	126,219	358,910	15,303	167,466	43,376	923,164
Nonsubject countries	6,107,058	6,884,190	2,988,797	4,555,184	2,707,705	4,270,579
All countries	6,233,277	7,243,100	3,004,100	4,722,650	2,751,082	5,193,743
Open-market U.S. consumption	29,335,674	29,671,368	25,399,389	28,123,248	27,675,257	31,328,297
Total U.S. consumption	73,064,292	74,000,452	63,309,100	67,319,017	66,794,467	73,173,003
Value (1,000 dollars)						
U.S. producers'--						
Open-market U.S. shipments	6,710,609	6,952,513	6,018,671	7,208,595	7,495,639	14,078,146
Captive U.S. shipments	12,533,016	13,172,632	9,752,738	12,300,126	11,751,121	21,834,889
Subtotal	19,243,625	20,125,145	15,771,409	19,508,721	19,246,760	35,913,036
U.S. imports from--						
Brazil	11,442	51,679	972	268	32	1,393
Japan	22,958	10,566	6,136	7,244	13,385	16,451
Russia	3,096	54,130	1,670	52,268	10,951	477,902
All subject countries	37,496	116,376	8,779	59,779	24,368	495,746
Nonsubject countries	1,628,159	2,072,340	818,356	1,411,112	903,410	2,178,142
All countries	1,665,654	2,188,717	827,134	1,470,891	927,778	2,673,888
Open-market U.S. consumption	8,376,263	9,141,230	6,845,805	8,679,486	8,423,417	16,752,035
Total U.S. consumption	20,909,279	22,313,862	16,598,543	20,979,612	20,174,538	38,586,924
Note.--Because of rounding, figures may not add to the totals shown.						
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

Table I-7
Hot-rolled steel: Open-market U.S. consumption and market shares, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
Open-market U.S. consumption ¹	29,335,674	29,671,368	25,399,389	28,123,248	27,675,257	31,328,297
Value (1,000 dollars)						
Open-market U.S. consumption ¹	8,376,263	9,141,230	6,845,805	8,679,486	8,423,417	16,752,035
Share of quantity (percent)						
U.S. producers' open-market U.S. shipments	78.8	75.6	88.2	83.2	90.1	83.4
U.S. imports from--						
Brazil	0.2	0.5	0.0	0.0	0.0	0.0
Japan	0.2	0.1	0.0	0.0	0.0	0.1
Russia	0.0	0.6	0.0	0.6	0.1	2.9
All subject countries	0.4	1.2	0.1	0.6	0.2	2.9
Nonsubject countries	20.8	23.2	11.8	16.2	9.8	13.6
All countries	21.2	24.4	11.8	16.8	9.9	16.6
Share of value (percent)						
U.S. producers' open-market U.S. shipments	80.1	76.1	87.9	83.1	89.0	84.0
U.S. imports from--						
Brazil	0.1	0.6	0.0	0.0	0.0	0.0
Japan	0.3	0.1	0.1	0.1	0.2	0.1
Russia	0.0	0.6	0.0	0.6	0.1	2.9
All subject countries	0.4	1.3	0.1	0.7	0.3	3.0
Nonsubject countries	19.4	22.7	12.0	16.3	10.7	13.0
All countries	19.9	23.9	12.1	16.9	11.0	16.0
¹ Does not include internally consumed (captive) shipments of domestic producers. Note.--Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

Table I-8
Hot-rolled steel: U.S. consumption and market shares, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
U.S. consumption	73,064,292	74,000,452	63,309,100	67,319,017	66,794,467	73,173,003
Value (1,000 dollars)						
U.S. consumption	20,909,279	22,313,862	16,598,543	20,979,612	20,174,538	38,586,924
Share of quantity (percent)						
U.S. producers' U.S. shipments	91.5	90.2	95.3	93.0	95.9	92.9
U.S. imports from--						
Brazil	0.1	0.2	0.0	0.0	0.0	0.0
Japan	0.1	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.2	0.0	0.2	0.0	1.2
All subject countries	0.2	0.5	0.0	0.2	0.1	1.3
Nonsubject countries	8.4	9.3	4.7	6.8	4.1	5.8
All countries	8.5	9.8	4.7	7.0	4.1	7.1
Share of value (percent)						
U.S. producers' U.S. shipments	92.0	90.2	95.0	93.0	95.4	93.1
U.S. imports from--						
Brazil	0.1	0.2	0.0	0.0	0.0	0.0
Japan	0.1	0.0	0.0	0.0	0.1	0.0
Russia	0.0	0.2	0.0	0.2	0.1	1.2
All subject countries	0.2	0.5	0.1	0.3	0.1	1.3
Nonsubject countries	7.8	9.3	4.9	6.7	4.5	5.6
All countries	8.0	9.8	5.0	7.0	4.6	6.9
Note.--Because of rounding, figures may not add to the totals shown.						
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

BUSINESS CYCLES

Industry participants generally agree that the hot-rolled steel industry experiences recurrent expansions and contractions. U.S. industry representatives have referred to the steel industry as being cyclical in nature.¹ In general, demand for hot-rolled steel tends to follow the broad demand trends in the U.S. economy.² U.S. purchasers were asked if the hot-rolled steel market was subject to business cycles or conditions of competition distinctive to the hot-rolled steel industry. Of the 45 responding firms, 27 reported no and 18 stated yes.

U.S. MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

The majority of domestically produced hot-rolled steel is used internally by U.S. producers for the production of cold-rolled steel, coated steel, cut-to-length plate, and welded pipe. Commercial shipments, however, account for more than one-third of U.S. hot-rolled steel production.

Hot-rolled steel is sold to distributors, processors, and service centers; pipe and tube producers; and other end users/manufacturers, including automobile assemblers and suppliers. More than half of all U.S. commercial shipments are made to service centers/distributors.³ With respect to subject imports, there were variations among the different countries (see table II-1). For example, while the vast majority of shipments of Brazilian product went to service centers/distributors, a large portion of Japanese imports were shipped to end users.

¹ Hearing transcript, pp. 80 (Stewart), 119 (Nelson), and 161 (Kaplan).

² Domestic interested parties report that they believe that the hot-rolled steel industry peaked in 1998 and that the most recent cycle ended sometime in 2004. (Hearing transcript, p. 161 (Kaplan)). *See also*, economic submission of domestic interested parties, contained in exh. 17 of prehearing brief of U.S. Steel. On the other hand, the U.S. steel consumers group indicated that it believes that 2002 is a better starting point for the current cycle. U.S. steel consumers state that the acquisitions that occurred starting in that year “constitute a level of investment consistent with behavior at the beginning of a cycle.” Posthearing brief of U.S. steel consumers, appendix, p. 14.

³ Service centers may serve the role of broker, distributor and/or processor. Service centers may process hot rolled steel by pickling, oiling, tempering, leveling, slitting, or shearing.

Table II-1

Hot-rolled steel: Channels of distribution for domestic product and subject imports sold in the U.S. market (as a percent of total shipments), by year and by country, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Share of quantity (percent)						
Domestic Industry:						
Shipments to distributors/service centers	54.3	52.3	54.3	53.9	55.4	52.6
Shipments to tubular products manufacturers	14.1	14.9	15.1	17.1	19.7	17.4
Shipments to other end users	31.6	32.9	30.6	28.9	24.9	30.1
Brazil:						
Shipments to distributors/service centers	87.6	84.6	85.0	***	-	-
Shipments to tubular products manufacturers	***	***	***	***	-	-
Shipments to other end users	***	***	***	***	-	-
Japan:						
Shipments to distributors/service centers	***	***	***	***	***	***
Shipments to tubular products manufacturers	***	***	***	***	***	***
Shipments to other end users	15.8	53.1	46.8	66.6	53.2	26.0
Russia:						
Shipments to distributors/service centers	48.0	29.1	31.8	17.1	85.0	66.3
Shipments to tubular products manufacturers	51.1	67.0	68.2	82.9	15.0	33.7
Shipments to other end users	0.9	3.9	0.0	0.0	0.0	0.0
Source: Compiled from data submitted in response to Commission questionnaires.						

Producers and importers were requested to provide information on both the broad general market areas served by their hot-rolled steel and specific geographic market areas served by their firm. Table II-2 presents information provided by U.S. producers and importers on the market areas in which they sell hot-rolled steel.

Table II-2

Hot-rolled steel: Geographic market areas in the United States served by domestic producers and importers of subject product

Region	Producers	Importers
General/Broad market area:		
National	4	6 ¹
East	5	1 ²
Gulf Coast	1	2 ³
Great Lakes	9	2 ⁴
West	2	4 ⁵
Specific market area:		
Mid-Atlantic	9	5
Northeast	4	3
Rocky Mountain	3	2
Southwest	6	4
Midwest	14	7
Northwest	5	4
Southeast	9	4
West Coast	6	9
¹ Importers that reported that they served a national market imported hot-rolled steel from Brazil, Japan, Russia, and other countries. ² *** ³ *** ⁴ *** ⁵ ***		
Note.--There were a total of 16 U.S. producers and 13 importers that responded to this question. Firms were not limited in the number of market areas that they could report and, in fact, many firms identified general and specific market areas.		
Source: Compiled from data submitted in response to Commission questionnaires.		

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, staff believes that U.S. hot-rolled steel producers are likely to respond to changes in demand with relatively small to moderate changes in shipments of U.S.-produced hot-rolled steel to the U.S. market. Factors contributing to this degree of responsiveness of supply are discussed below.

Industry capacity

U.S. producers' reported capacity utilization for hot-rolled steel fluctuated over the period for which data were collected. Capacity utilization for domestic hot-rolled producers was at its lowest level in 2001 (80.3 percent) and its highest level (88.9 percent) in 2002; at the end of the period in 2004, it was at 86.2 percent.⁴ This level of capacity utilization indicates that U.S. producers of hot-rolled steel do have some available capacity with which they could increase production of hot-rolled steel in the event of a price change. Hot-rolled steel capacity in the United States, however, has declined since 1999; indeed, despite increases in 2003 and 2004, U.S. capacity was more than one-half million short tons lower in 2004 than in 1999.⁵

Several purchasers reported in their questionnaire responses that supply of hot-rolled steel is tight.⁶ In addition, at the hearing, U.S. producers indicated that at times steel supplies were constrained and some delivery problems occurred in 2004. For example, U.S. Steel reported that there were periods in the summer of 2004 when supplies were somewhat tighter and while none of its customers went without steel, it sometimes took longer to get it to them.⁷ Likewise, ISG stated that while it does not currently have any customers on allocation, it did reserve capacity to support its contractual agreements and to protect those customers not under contract at their normal historical purchasing patterns.⁸ At the hearing, however, one U.S. producer, U.S. Steel, noted that its order book for hot-rolled steel started to slow in the fourth quarter of 2004.⁹

Purchasers also discussed the difficulty in obtaining hot-rolled steel during 2004. Purchasers reported that they experienced delayed deliveries, had contracts broken, and had to make purchases in the spot market at higher prices.¹⁰ Certain purchasers quantified the additional costs that these delivery problems caused. For example, Su-Dan Corp. stated that having to buy on the spot market to keep its production moving cost the company an extra \$1.5 million last year.¹¹ E&E Manufacturing also reported that, because of late deliveries caused by steel shortages, it has absorbed over \$250,000 in order to get steel delivered on time.¹²

⁴ In terms of raw steel capacity, however, U.S. producers' capacity utilization reached its highest level in six years in 2004.

⁵ As is discussed in Part I and Part III of this report, there has been consolidation in the domestic steel industry. While domestic producers, Russian respondent interested parties, and U.S. steel consumers all agree that consolidation has occurred, they differ in their views on the effect of this consolidation on the hot-rolled steel industry. For example, Nucor stated that the consolidation has made the U.S. industry a stronger player in the marketplace but it also noted that consolidation has also occurred globally and it has enhanced the position of a number of global players (hearing transcript, p. 145 (DiMicco)). Russian respondent interested parties stated that the consolidation into larger, stronger steel companies demonstrates "the health and vibrancy of the United States industry" (prehearing brief of Russian respondent interested parties, p. 9). Similarly, U.S. steel consumers reported that the consolidation has given the U.S. industry market power (hearing transcript, p. 267 (McConnell)).

⁶ See for example questionnaire responses of *** and ***.

⁷ Hearing transcript, p. 211 (Surma).

⁸ Ibid., p. 212 (Moore). See also hearing transcript, pp. 212 (Nolan), 212-213 (Dailey), and 213 (DiMicco).

⁹ Ibid., p. 214 (Szymanski).

¹⁰ Ibid., pp. 272 (Engle), 278 (Nelson), 289-90 (Keat), and 293 (Smith).

¹¹ Ibid., p. 289 (Keat).

¹² Ibid., p. 293 (Smith).

Alternative markets

Domestic producers' exports, as a percentage of total shipments, fluctuated during the period 1999 to 2004; exports accounted for between 0.6 and 2.3 percent of total shipments during this time. The relatively low level of exports during the period indicates that domestic hot-rolled steel producers are constrained in their ability to shift shipments between the United States and other markets in response to price changes. In their questionnaire responses, U.S. producers reported that they find it difficult to shift their shipments to markets outside of the United States. Most of the hot-rolled steel producers reported that they did not export steel. Those producers that did have exports of hot-rolled steel reported sales primarily to Canada and Mexico; two U.S. producers, however, reported some sales of hot-rolled steel to China. Several U.S. producers reported that their location on the Great Lakes or landlocked locations made transportation costs too expensive. Other producers cited tariff and non-tariff barriers in the EU, Japan, China, India, and Brazil as reasons why it would be difficult to shift sales to export markets. In addition, one U.S. producer cited the special infrastructure needed to export steel.

Inventory levels

U.S. producers' inventories, as a share of U.S. producers' total shipments, ranged between 2.9 and 3.9 percent during the period 1999 to 2004, and were consistently lower in 2002-04 than in 1999-2001. These relatively small levels of inventories suggest that U.S. producers are constrained in their ability to respond to changes in demand with relatively large changes in the quantity shipped.

Production alternatives

Most producers stated that they were unable to switch production from hot-rolled steel to other products. Several producers stated that they could switch their production from hot-rolled steel to cold-rolled steel, but not easily. One producer reported that the switch would require 3 to 5 weeks of time to modify production facilities, and would result in additional costs of about \$150 per short ton. Two producers reported that they could switch production from hot-rolled steel to carbon steel plate and to alloy coil with a minimal amount of cost.

Supply of Subject Imports to the U.S. Market

Based on available information, staff believes that subject hot-rolled steel producers are likely to respond to changes in demand with relatively large changes in shipments of hot-rolled steel to the U.S. market. Factors contributing to this degree of responsiveness of supply are discussed below.

One factor that has affected the supply of imports to the U.S. market during the period for which data were collected (i.e., 1999 to 2004) is the imposition of tariffs on hot-rolled steel due to the safeguard measures put in place in 2002. These measures placed additional tariffs on certain steel products, including hot-rolled steel, that entered the U.S. market. Participants in these reviews were asked to discuss supply factors that have affected the hot-rolled steel industry since 1999, including any effects of these safeguard measures. Producers and importers provided some comments with regard to supply changes that were related to the safeguard measures. Two U.S. producers mentioned the safeguard measures as a factor that affected supply of hot-rolled steel in the U.S. market. While one producer, ***, reported that "the 201 action reduced imports to the U.S. slightly," another producer, ***, noted that "a number of U.S. trade actions have affected the source, but not the availability of hot-rolled steel in the United States since 1999." Five responding importers noted that the safeguard measures (and antidumping orders) reduced import availability in the U.S. market. *** noted that "the 201 safeguard reduced import availability and prices increased in the U.S." *** reported that "safeguards and trade cases have hurt end user ability to compete with their global competition." Foreign producers were mixed

in their responses on whether or not changes in supply, including safeguard measures affected the availability of Brazilian, Japanese, or Russian imports of hot-rolled steel. In general, *** reported that there have not been any changes in factors affecting supply (including the safeguard measure) that affected the availability of subjects imports of hot-rolled steel. *** stated that “the safeguard measures on steel that were imposed in the United States in March 2002 negatively impacted the global steel trade. They caused concern outside the United States that steel trade flows destined for the North American market might be diverted to other markets.”

Subject Imports from Brazil

Based on available information, suppliers of hot-rolled steel from Brazil are likely to respond to changes in demand with small to moderate changes in the quantity shipped to the U.S. market. Supply responsiveness is increased by the existence of a strong home market and non-U.S. export markets; however, limited excess capacity and somewhat limited inventories constrain Brazil’s ability to increase exports to the U.S. market.

Industry capacity

Reported Brazilian capacity increased between 1999 to 2004 from 10.0 million short tons in 1999 to 12.0 million short tons in 2004. During this period, capacity utilization of Brazilian hot-rolled steel producers ranged from a low of 89.4 percent in 2001 to a high of 100.7 percent in 2000. As noted in Part IV of this report, capacity utilization was 99.1 percent in 2004 (including the capacity reported for internal consumption for downstream products by the Brazilian producers).

Inventory levels

Available data indicate that Brazilian hot-rolled steel producers’ inventories as a percentage of shipments ranged between 2.3 and 3.7 percent during the period 1999-2004. These data indicate that Brazilian producers are likely to be constrained in their ability to use inventories as a means to increase shipments to the U.S. market.

Alternative markets

The majority of Brazilian producers’ shipments of hot-rolled steel went to the Brazilian home market during 1999-2004. During this period, internal consumption and transfers to related companies accounted for between 51.9 and 61.7 percent of Brazilian shipments during 1999-2004. Brazilian producers of hot-rolled steel also reported shipping product to the European Union, China, and other Asian markets.¹³ These data indicate that Brazilian hot-rolled steel producers have a strong home market and other non-U.S. export markets from which they could shift shipments to the United States in the event of a price change in the U.S. market.

The ability of Brazilian producers to shift sales from their home market or from non-U.S. export markets to the U.S. market may be moderated by existing relationships with current customers and differences in the products. Foreign producers were asked to describe how easily they could shift sales of hot-rolled steel between the U.S. market and alternate country markets. Three of the four responding

¹³ Brazilian producers reported limited subject exports of hot-rolled steel to the United States since 2000.

Brazilian producers provided information.¹⁴ *** reported that it is not easy to shift sales between the U.S. market and alternate country markets because its production is fully committed to customers for the foreseeable future. *** further stated that it “would have to abandon existing customers to sell to the U.S. and this would come at a high cost.” *** would be required to make some adjustments and adaptations to the standards in order to shift sales made to other markets to the United States.¹⁵ *** further noted that “while it is theoretically possible to shift sales to the U.S. from other markets, our ability to do so is severely limited by virtue of the fact that we have developed customers in both Brazil and in third countries.” *** stated that, since it has no significant excess capacity, in order to sell to the U.S. market, it would have to abandon existing customers and that would be both difficult and costly. Finally, *** reported that *** percent of its hot-rolled production is sold to the domestic market where demand is increasing by 5 percent annually; the balance of *** production is sold in the EU and Latin America. Because of contractual relationships, it would be difficult to increase exports to the United States.

Subject Imports from Japan

Based on available information, the one responding supplier of hot-rolled steel from Japan (JFE) is likely to respond to changes in demand with relatively large changes in the quantity shipped to the U.S. market.¹⁶ Supply responsiveness is increased by the existence of a strong home market and non-U.S. export markets; however, limited excess capacity and low levels of inventories of JFE constrain Japan’s ability to increase exports to the U.S. market.

Industry capacity

Reported Japanese capacity by JFE to produce hot-rolled steel increased between 1999 and 2004 from *** short tons in 1999 to *** short tons in 2004. During this period, capacity utilization ranged from *** percent to *** percent. In 2004, capacity utilization was *** percent; these data indicate that there is *** unused capacity which JFE could use to increase production of hot-rolled steel in the event of a price increase.

Inventory levels

Available data indicate that JFE’s inventories, as a percentage of shipments, ranged between *** and *** percent during the period 1999-2004. These data indicate that JFE is constrained in its ability to use inventories as a means to increase shipments to the U.S. market.

Alternative markets

The majority of JFE’s shipments of hot-rolled steel went to the Japanese home market during 1999-2004. During this period, internal consumption and transfers to related companies accounted for between *** and *** percent of total shipments. Shipments to the Japanese home market accounted for between *** and *** percent of total shipments during 1999-2004. JFE also reported shipping product to other (non-U.S.) markets and shipments to these markets accounted for between *** and *** percent of

¹⁴ The fourth Brazilian producer, ***, reported that it was unable to evaluate any shift from the U.S. market to other markets because “it has no access to the U.S. hot-rolled steel market.”

¹⁵ *** stated that there are particular requirements and characteristics in the U.S. market, especially in relation to the specifications of the products (such as the use of imperial unit of measurement for the dimension of the product).

¹⁶ Only one Japanese producer of hot-rolled steel responded to the Commission questionnaire. Therefore, information in this section is based on data from that producer.

total shipments during 1999-2004. Based on these data, it is likely that JFE has the ability to shift shipments from its home market and other non-U.S. export markets to the United States in the event of a price change in the U.S. market.

The ability of JFE to shift sales from its home market or from non-U.S. export markets to the U.S. market may be moderated by ***. ***. ***.

Subject Imports from Russia

Based on available information, suppliers of hot-rolled steel from Russia are likely to respond to changes in demand with relatively large changes in the quantity shipped to the U.S. market. Supply responsiveness is increased by the existence of a strong home market and non-U.S. export markets; however, somewhat low levels of excess capacity and very low levels of inventories constrain Russian producers' ability to increase exports of hot-rolled steel to the U.S. market.

Industry capacity

Reported Russian capacity to produce hot-rolled steel increased from 20.9 million short tons in 1999 to 22.8 million short tons in 2004. Capacity utilization data for Russian hot-rolled steel producers ranged from a low of 77.4 percent (in 1999) to a high of 90.4 percent (2000). In 2004, Russian producers' capacity utilization was 89.0 percent; these data indicate that there is little, but some, unused capacity which Russian producers could use to increase production of hot-rolled steel in the event of a price increase.

Inventory levels

Available data indicate that Russian hot-rolled steel producers' inventories, as a percentage of shipments, ranged between 0.0 and 0.1 percent during the period 1999-2004. These data indicate that Russian producers are not able to use inventories as a means to increase shipments to the U.S. market.

Alternative markets

The majority of Russian producers' shipments of hot-rolled steel went to the Russian home market during 1999-2004. During this period, internal consumption and transfers to related companies accounted for between 50.6 and 54.8 percent of total shipments. Shipments to the Russian home market accounted for between 8.6 and 14.9 percent of total shipments during 1999-2004. Russian producers of hot-rolled steel also reported shipping significant amounts of hot-rolled steel to the European Union (between 5.8 and 7.7 percent of total shipments), China (between *** and 5.2 percent), other Asian markets (between 10.8 and 17.4 percent), and all other non-U.S. markets (between 6.1 and 12.2 percent).¹⁷ Based on these data, it is likely that Russian hot-rolled steel producers have the ability to shift shipments from their home market and other non-U.S. export markets to the United States in the event of a price change in the U.S. market.

The ability of Russian producers to shift sales from their home market or from non-U.S. export markets to the U.S. market may be moderated by existing relationships with current customers. ***

¹⁷ Available data indicate that Russian producers shipped little (ie., *** percent of total shipments) or no hot-rolled steel to the United States during 1999-2003. However, in 2004, Russian producers' shipments to the U.S. market accounted for 5.2 percent of total shipments.

Russian producers that provided information on this issue, ***, reported that they ***.¹⁸ The remaining firm, *** stated that it is extremely difficult to shift sales between markets because of the ***.

U.S. Demand

Based on available information, hot-rolled steel consumers are likely to respond to changes in the price of hot-rolled steel with relatively small changes in their purchases of hot-rolled steel. The main contributing factors to the low responsiveness of demand are the low cost share and the lack of commercially viable substitute products.

Demand Characteristics

In 2004, approximately three-fifths of total domestic shipments of certain hot-rolled steel was either consumed internally within domestic mills or transferred to affiliated companies for further processing. The primary use for these intra-company transfers is in the production of cold-rolled steel. Hot-rolled steel is the only product that can be used in the cold-reduction process and substitution with other products is not possible.

U.S. demand for hot-rolled steel depends on the level of demand for downstream products using hot-rolled steel products. Some of the hot-rolled steel is sold to service centers who may further process the hot-rolled steel to customer specifications. Hot-rolled steel is used in many industries such as in automobiles, auto parts, appliances, and construction. Various importers and producers reported hot-rolled steel being used for pipes, tubes, shelving racks, agricultural equipment, gas cylinders, water heater tanks, and rail cars. Hot-rolled steel purchasers also noted using hot-rolled steel in products such as air brake actuators, park brake assemblies, side impact door beams, shock absorbers, window regulators, steering brackets, sprinklers, axle shafts, bumpers, radiators, and seat frames. While most importers and producers reported that they did not anticipate changes in the end uses of hot-rolled steel, a few firms reported that they saw continued evolution and development of the end uses such as the consumption of more light gauge hot-rolled steel and the replacement of some downstream products such as cold-rolled steel in door manufacturing.

Available data indicate that apparent U.S. consumption of hot-rolled steel increased slightly (i.e., approximately 1 percent) from 1999 to 2000, then declined irregularly through 2003 before rising by approximately 10 percent from 2003 to 2004. Overall, apparent U.S. consumption in 2004 was 0.1 percent higher than in 1999.

Producers, importers, and purchasers were asked to discuss trends in demand in the United States during the period 1999 to 2004. Many U.S. producers (7 of 17) reported that demand for hot-rolled steel was varied over the period 1999-2004, showing both increases and decreases. *** stated that demand for hot-rolled steel is cyclical and over any 5-year period there are typically examples of both increases and decreases in demand. *** noted that the demand for hot-rolled steel has tracked the ups and downs of the U.S. economy and *** also noted the cyclic nature of the hot-rolled steel market as it stated that it is subject to fluctuations as a result of macroeconomic changes in the economy. Three producers reported that demand for hot-rolled steel had increased during that period, while three producers stated that it had declined, and one reported that demand was unchanged. One of the producers noting a decline, ***, reported that demand for hot-rolled steel rose from 1990 to 2000, then fell; *** stated that while demand for hot-rolled steel began to increase in 2003, it is still below its 2000 peak.

¹⁸ Both of these firms reported that *** of their sales are made on a contract basis and that the length of these contracts is one year.

Of the responding importers, most reported that demand was relatively unchanged over the period 1999-2004. Seven of the responding importers stated that demand for hot-rolled steel had not changed during that period, while three reported that it had declined and one indicated that demand increased.

Of the 44 purchasers responding to this question, 25 reported that demand for hot-rolled steel increased from 1999 to 2004 while 14 stated that demand has declined in that period. The remaining five purchasers reported that demand for hot-rolled steel remained unchanged from 1999 to 2004. Purchasers that reported that demand had increased cited reasons such as a decrease in the number of steel mills producing hot-rolled steel; improvement in general economic conditions; increase in world demand for steel; oil and gas prices; production of more items using hot-rolled steel; and increase in housing starts. One purchaser, ***, reported that while passenger autos demand remained relatively flat, there has been a substantial increase in Class 8 heavy truck production which has resulted in increased demand. *** further noted that the market for these trucks in the United States has doubled in 2004 (as compared to 2003) which has increased the demand for brakes, axles, and other components which in turn has increased the demand for hot-rolled steel. Most purchasers that reported that demand for hot-rolled steel had decreased did not provide further explanation; however, a couple firms gave reasons such as reduced manufacturing activity in the United States and a change in the value of the U.S. dollar.

Producers, importers, and purchasers were asked if demand for hot-rolled steel outside the United States had changed during the period 1999 to 2004.¹⁹ The vast majority of U.S. producers reported that demand outside the U.S. market increased during that period. Several producers noted the growth in Chinese consumption as a factor in the increase in worldwide demand for hot-rolled steel. *** stated that “by far the most important cause of the increase in demand for hot-rolled steel outside the United States was the explosive growth of the Chinese economy.” ***, however, also stated that “China added an enormous amount of steelmaking capacity during the period 1999-2004 and continues to build more capacity. As a consequence, China has begun to export hot-rolled and other flat-rolled steel products.” Two U.S. producers reported that demand outside the United States had fluctuated over the period 1999-2004 and one producer reported that demand remained unchanged.

Of those importers providing information, all eight reported that demand for hot-rolled steel outside the United States increased. Of those eight firms, seven noted that the increase in demand in Asia (particularly China) was a factor in the increase in world demand for hot-rolled steel.

The vast majority of responding purchasers (32 of 35) reported that demand for hot-rolled steel increased while the remaining three firms said that it declined. Purchasers were also asked to list the factors affecting the change in demand. Reasons given include general economic conditions in offshore markets and increased demand in China and India.²⁰ By far, the most commonly cited reason was growth in demand in Asian markets, in particular in China.

When asked whether or not they anticipate any future changes in hot-rolled steel demand in the United States and, if known, the rest of the world, nine producers, six importers, and 26 purchasers reported yes. Several purchasers described these anticipated changes. Many purchasers reported that they expected increases in demand for hot-rolled steel based on expectations that demand in China (and

¹⁹ A substantial amount of information has been presented at the hearing and in pre- and posthearing briefs on the issue of changes in worldwide demand and, in particular, demand in China. This section summarizes the information submitted by producers, importers, and purchasers in questionnaire responses. Additional information on the Chinese market is presented in Part IV of this report.

²⁰ *** reported that “China has a tremendous demand for automotive type steel that is currently exported from other countries.” This firm also noted that new automotive plants in South America and India, as well as other countries in the Asia/Pacific region have come on line and this has also increased the demand for hot-rolled steel. Additionally, this firm noted that, as a result of this increased demand, hot-rolled production in Brazil, Canada, Mexico, Japan, Korea, and the European Union is all sold out.

India) will increase.²¹ Four producers, 5 importers, and 17 purchasers reported that they did not anticipate any future changes in the demand for hot-rolled steel.²²

Substitute Products

Seven U.S. producers and nine importers reported that some substitute products exist for hot-rolled steel, however, this substitution depends on the end use for which the hot-rolled steel will be used. Producers listed aluminum, concrete, cold-rolled steel galvanized sheet, and plastics as products that could substitute for hot-rolled steel in some end uses. Importers reported aluminum, light gauge hot-rolled plate, concrete, plastic, cold-rolled steel, and wood as possible substitute products. Aluminum was one product mentioned by a number of both U.S. producers and importers. Producer *** noted that aluminum can be substituted for hot-rolled steel in auto wheels and flat bed truck frames and while aluminum is generally more expensive than hot-rolled steel, there are instances where aluminum's lighter weight outweighs the difference in price. *** stated, however, that as a practical matter, the markets in which aluminum is actually substituted for hot-rolled steel are small relative to the overall size of the market for hot-rolled steel. With regard to the substitution of further downstream steel products, such as cold-rolled and galvanized steel, *** noted that while these other steel products can be used in place of hot-rolled steel, they are usually substantially more expensive than hot-rolled steel. Therefore, according to ***, designers and manufacturers will not use them if hot-rolled steel is adequate for the application under consideration.

Purchasers were also asked to list any products that they considered to be substitutes for hot-rolled steel. Of those firms that responded, several cited cold-rolled steel, coated steel, plastics, and aluminum as possible substitutes. However, a number of purchasers indicated that there were no substitutes for hot-rolled steel. Examples of applications in which other products could be substituted for hot-rolled steel include stampings and stamped components (plastics, cold-rolled steel), sprinklers and fences (plastics), wheels (aluminum), pipes for oil and gas transmission (plastic), and appliances (plastic).

When asked if changes in the prices of these products affected the price for hot-rolled steel, most producers, importers, and purchasers reported no. Of the 14 responding producers, 12 stated no and of the eight responding importers, seven reported no. Similarly, 27 of the 34 responding purchasers reported that the prices of these substitute products had not affected the price for hot-rolled steel. The remaining seven purchasers reported that prices of substitute products have affected the price of hot-rolled steel. Some firms noted that steel products (e.g., hot-rolled, cold-rolled, and coated) all tend to move up or down together as hot-rolled is the basic component of cold-rolled and coated steel. Some producers provided additional comments on the effect of the prices of substitutes on the price of hot-rolled steel. Producer *** stated that concrete prices can affect hot-rolled steel prices; however, due to capital investments of the manufacturers, the time lag for substitution can be 6 to 12 months. *** also noted that for aluminum, there is no impact because those firms using aluminum are too heavily invested in its use to switch due to price. With regard to substitution between hot-rolled and cold-rolled steel, *** stated that if the price spread between hot-rolled and cold-rolled steel becomes less than \$100 per ton, the

²¹ One purchaser, ***, stated that they believe that steel demand in the United States will show moderate growth (i.e., 1 to 2 percent) over the next 5 years while overall world growth is forecast to increase by about 3 to 4 percent. This firm further noted demand in China is expected to grow by about 5 to 7 percent. *** noted that these forecasts are based on information from *World Steel Dynamics*.

²² In a posthearing submission, the U.S. steel consumers provided information on U.S. light vehicle production forecasts and the resulting demand for hot-rolled steel based on those forecasts. According to these data, total car and truck production is estimated to increase from 11,590,000 in 2004 to 12,194,000 in 2010 (i.e., around 5.2 percent increase). The demand for hot-rolled steel for use in vehicle production is estimated to increase from 4,346,250 tons in 2004 to 4,572,750 tons in 2010 (Posthearing submission of U.S. steel consumers, appendix, pp. 19-21, and attachment 2.)

customer will look at substituting cold-rolled steel for hot-rolled steel. *** added that the time lag is relatively short (2 to 4 weeks) but this substitution does vary by end use and depends on the changes required in set-up by the end user.

Purchasers were also asked if there have been any changes in the number or types of products that can be substituted for hot-rolled steel since 1999. The majority of responding purchasers (39 of 43) reported that there had not been any such change, while the remaining four firms reported that there had been. One purchaser, ***, reported that in some products molded plastic can now be used, while one other purchaser, ***, reported the availability of magnesium and the development of plastic-carbons and aluminum alloys. Most of these responding purchasers (36 of 44) further stated that they did not anticipate any changes in terms of the substitutability of other products for hot-rolled steel in the future.

Cost Share

Price changes for hot-rolled steel will likely have only a small to moderate effect on consumption because hot-rolled steel accounts for a relatively small to moderate percentage of the total cost of the end products in which hot-rolled steel is used. Producers and importers were asked to estimate the percentage of the total cost of the end product accounted for by the cost of the hot-rolled steel. Producers reported cost share estimates that ranged from 15 percent (for auto parts) to about 80 to 85 percent (for plate and pipe and tube). Importers reported cost share estimates that ranged from 30 to 90 percent (for pipe). Purchasers were also asked to provide information on the cost share of hot-rolled steel relative to the end products in which it is used. The range of cost estimates varied widely among purchasers. For example, some purchasers reported that the cost of hot-rolled steel accounted for a very small percentage (i.e., less than 5 percent); the end-use applications for which hot-rolled steel reportedly accounts for this small percentage include appliances (refrigerators, washers, dryers), engine bearings, automotive radiators, and oil filters. On the other hand, several purchasers reported very high cost shares (i.e., greater than 80 percent); these end-use applications include air brake actuators, galvanized steel, pipe, bumpers (for heavy trucks), and certain automotive components.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchasing Decisions

Purchasers were asked to identify the three major factors considered by their firm in deciding from whom to purchase hot-rolled steel (table II-3). Quality was reported by the largest number of purchasers (19 firms) as the number one factor that they consider when choosing a supplier of hot-rolled steel. Price was the second most frequently listed number one factor with 16 firms ranking it first. Quality was also the most frequently cited number two factor considered; 21 firms listed quality as the second most important factor in deciding from whom to purchase hot-rolled steel. Price was also listed frequently as the second-most-important factor with 10 purchasers ranking it second. In addition, price and delivery time were the two most frequently listed number three factors. Availability was also listed by a number of firms as being one of the most important factors in making purchasing decisions; 24 firms listed it in the top three, with 8 in each category. Other factors reported by more than one firm were reliability, leadtimes, technical support, and service.

Table II-3
Hot-rolled steel: Most important factors in selecting a supplier, as reported by purchasers

Factor	First	Second	Third
Quality ¹	19	21	2
Price	16	10	14
Availability	8	8	8
Delivery time	1	2	13
Reliability	-	-	4
Service	-	-	1
Other	3	3	3

¹ Quality includes factors such as: surface quality, chemistry and process control, gauge control, formability, cleanliness, shape, thickness, product consistency, and tolerances.

Note.--“Other” include contracts, leadtimes, and technical support.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked to identify the factors that determine the quality of hot-rolled steel. Responding companies cited a number of factors, including surface quality, chemistry and process control, gauge control, formability, cleanliness, shape, thickness, and tolerances. Purchasers were also asked to report whether they require certain listed product characteristics in the hot-rolled steel that they purchase and, if so, whether they would consider purchasing hot-rolled steel from the United States and the subject countries based on these characteristics.²³ As shown in table II-4, the majority of responding purchasers found that hot-rolled steel from the United States, Brazil, and Japan tend to have these characteristics. In the case of Russia, a number of purchasers reported that, if the listed factor was important to them, they would not buy the Russian product.

Purchasers were also asked if they specifically ordered hot-rolled steel from one country in particular over other sources of supply. Purchasers were mixed in their response to this question with 19 firms reporting yes and 25 reporting no. Firms that reported that they specifically ordered hot-rolled steel from one country in particular over other sources of supply noted customer requirement/request and quality as reasons. In addition, purchasers were also asked to discuss whether or not certain grades/types/sizes of hot-rolled steel were available from only one source (either domestic or foreign). In general, most purchasers did not find this to be the case as seven purchasers reported yes while 35 firms reported no. Those firms that stated that certain grades/sizes/types of hot-rolled steel were only available from one source provided additional comments. Purchasers cited such reasons as fine surface quality products ***; hot-rolled products over 76 inches wide ***; a modified C1022 grade hot-rolled flat-rolled steel *** that is used to make tubing for the manufacture of pipe and conduit couplings; silicon killed hot-rolled steel ***; and high-strength low-alloy steel.

²³ Those characteristics include surface quality, tight gauge control, steel cleanliness, coil-to-coil and batch-to-batch consistency, cut-edge, tight chemistry tolerances, and formability.

Table II-4
Hot-rolled steel: Information on certain quality factors required by U.S. purchasers, by factor and by source¹

Quality factor is required?	Yes	No	If so, would you purchase from:							
			U.S.		Brazil		Japan		Russia	
			Y	N	Y	N	Y	N	Y	N
Coil-to-coil and batch-to-batch consistency	29	1	43	0	29	1	32	0	20	6
Steel cleanliness	28	1	44	1	34	1	36	0	20	8
Formability	26	1	40	1	28	1	32	0	17	6
Surface quality (i.e. skin passed)	25	4	40	1	28	3	31	1	15	10
Tight chemistry tolerances (carbon or other elements)	24	3	39	2	24	4	30	2	15	9
Tight gauge control	22	6	39	1	25	3	30	1	15	8
Cut-edge	17	9	31	4	24	4	25	4	14	6

¹ Purchasers were asked whether they require any of the listed product characteristics in the hot-rolled steel that they purchase and, if so, whether they would consider purchasing hot-rolled steel from the countries listed (taking into account that factor). Data in the table represent the number of purchasers for each factor.

Source: Compiled from data submitted in response to Commission questionnaires.

Purchasers were asked if they always, usually, sometimes, or never purchased the lowest priced hot-rolled steel. Generally, most responding purchasers indicated that they usually or sometimes buy the least expensive hot-rolled steel. Three purchasers reported always purchasing the lowest priced product; 29 firms usually purchased the lowest priced product; 13 firms sometimes purchased the lowest priced product; and two purchasers reported that they never purchased the lowest priced product. Firms were asked to explain why price is not a controlling factor in those situations. Nineteen purchasers provided some comments, with 12 firms citing quality as an overriding factor; several firms also noted availability as another factor that can be more important than price.

Purchasers were also asked if they purchased hot-rolled steel from one source although a comparable product was available at a lower price from another source. Thirty-six purchasers responded and provided reasons why they purchased from a source that might be more expensive. Reasons provided included availability, quality, willingness to make a longer supply commitment, supply consistency, leadtime, faster delivery, reliability of supply, customer preference, minimum order quantity, and contractual obligations.

Purchasers were asked to rate the importance of 18 factors in their purchasing decisions (table II-5). The factors listed as most important were availability (45 firms), price (45 firms), reliability of supply (45 firms), overall quality meets industry standards (44 firms), product consistency (44 firms), and delivery time (40 firms). Other factors with a large number of purchasers reporting the factor as a most important one include contract with supplier (23 firms), delivery terms (27 firms), overall quality exceeds industry standards (22 firms), technical support/service (25 firms), and U.S. transportation costs (25 firms). There were a few factors that had a significant number of purchasers reporting the factor as not important; these include extension of credit (15 firms), minimum quantity requirements (12 firms), and traditional supplier (12 firms).

Table II-5**Hot-rolled steel: Importance of purchase factors, as reported by purchasers**

Factor	Very important	Somewhat important	Not important
	<i>Number of firms responding</i>		
Availability	45	3	0
Contract with supplier	23	19	6
Delivery terms	27	18	2
Delivery time	40	7	0
Discounts offered	15	25	8
Extension of credit	12	21	15
Minimum quantity requirements	11	25	12
Overall quality meets industry standards	44	3	0
Overall quality exceeds industry standards	22	21	5
Packaging	14	27	7
Price	45	3	0
Product consistency	44	4	0
Product range	10	35	3
Proximity of supplying mill	12	29	7
Reliability of supply	45	2	1
Technical support/service	25	20	3
Traditional supplier	3	33	12
U.S. transportation costs	24	21	2
Note.--Not all purchasers responded for each factor.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Purchasers were asked for a country-by-country comparison on the same 15 factors (table II-6). For the U.S. product compared to the Brazilian product, the most frequently reported difference in the factors was that the U.S. product was superior to the Brazilian product with regard to availability, contract with supplier, delivery terms, delivery time, proximity of supplying mill, reliability of supply, technical support/service, traditional supplier, and lower U.S. transportation costs. A majority of responding purchasers reported that the U.S. and Brazilian products were comparable with respect to discounts offered, minimum quantity requirements, overall quality meets industry standards, packaging, product consistency, and product range. For the U.S. product compared to the Japanese product, the most frequently reported difference in the factors was that the U.S. product was superior to the Japanese product with regard to availability, delivery time, proximity of supplying mill, reliability of supply, traditional supplier, and lower transportation costs. A majority of responding purchasers reported that the domestic and the Japanese products were comparable with regard to delivery terms, discounts offered, low price, overall quality meets industry standards, overall quality exceeds industry standards, packaging, product consistency, and product range. For the U.S. product compared to the Russian product, the most frequently reported difference in the factors was that the U.S. product was superior to the Russian product with regard to availability, delivery time, proximity of supplying mill, reliability of supply, technical support, and traditional supplier. A majority of responding purchasers reported that the domestic and the Russian products were comparable with regard to delivery terms, discounts offered, extension of credit, minimum quantity requirements, and overall quality meets industry standards. Finally, more than one half of the responding purchasers reported that the Russian product had a lower price than the domestic product.

Purchasers were asked a number of questions about whether their purchasing patterns for hot-rolled steel from subject and nonsubject sources had changed since 1999. Only 11 of the 47 responding purchasers reported that they had purchased hot-rolled steel from Brazil, Japan, or Russia before 1999. Of the 11 firms reporting purchasing from the subject countries before 1999, three reported no change in their pattern of purchasing from these countries. Three firms reported that they discontinued purchases from Brazil because of the AD and CVD orders, two firms discontinued purchases from Japan due to the AD order, and four discontinued purchases from Russia because of the suspension agreement. One firm reduced purchases from Brazil and Japan because of the orders and two firms reduced purchases from Russia because of the suspension agreement. Three firms reported that they changed the pattern of purchases from Japan for other reasons and three firms reported changing the pattern of purchases from Russia for other reasons; no firms reported changing their purchasing pattern from Brazil for other reasons.

When asked about purchases from nonsubject countries, seven purchasers reported that they did not purchase from nonsubject countries before or after the orders or suspension agreement; 25 reported that their purchases from nonsubject countries were essentially unchanged; four increased their purchases from nonsubject countries because of the orders; and 12 increased their purchases from nonsubject countries for reasons other than the orders.

Table II-6

Hot-rolled steel: Comparisons of product by source country, as reported by purchasers

Factor	U.S. vs Brazil			U.S. vs Japan			U.S. vs Russia		
	S	C	I	S	C	I	S	C	I
	<i>Number of firms responding</i>								
Availability	6	1	0	6	3	0	10	1	0
Contract with supplier	5	2	0	4	3	1	4	4	1
Delivery terms	5	2	0	3	5	1	5	6	0
Delivery time	7	0	0	6	2	1	10	0	1
Discounts offered	2	5	0	0	6	1	4	5	2
Extension of credit	4	3	0	3	4	1	3	8	0
Low price	1	3	2	1	5	1	0	4	5
Minimum quantity requirements	2	5	0	3	3	1	4	7	0
Overall quality meets industry standards	1	6	0	1	8	0	3	7	1
Overall quality exceeds industry standards	3	2	2	2	6	1	4	4	3
Packaging	1	4	2	0	9	0	1	7	1
Product consistency	1	4	2	0	7	2	2	8	1
Product range	3	4	0	1	7	1	4	5	2
Proximity of supplying mill	7	0	0	7	0	1	8	0	3
Reliability of supply	5	2	0	6	2	0	7	3	1
Technical support/service	6	0	1	4	4	1	8	0	1
Traditional supplier	6	0	0	5	2	1	6	1	1
Lower U.S. transportation costs	5	2	0	5	3	1	6	4	1
<p>Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior.</p> <p>Note.--Not all companies gave responses for all factors.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>									

Purchasers were also asked if they require their suppliers to become certified or pre-qualified for the hot-rolled steel that they purchase. Sixteen purchasers reported that they have certification or qualification procedures for their suppliers of hot-rolled steel. Twenty-seven of the responding purchasers reported that they did not have such procedures or said that zero percent of their purchases required certification or qualification. Of those purchasers that reported having qualification or certification procedures, 10 stated they required it for all of their purchases in 2004. Purchasers were also asked to briefly describe any additional factors that they consider when qualifying a new supplier. Purchasers reported that they consider such factors as quality, capacity, delivery, price, availability, product range, proximity, financial health, technical knowledge, and relationship with competitors. The time to qualify a new supplier ranged from a low of one shipment to a high of one year; most purchasers generally reported that it took about three to six months to qualify a new supplier.

Purchasers were also asked if, since 1999, any domestic or foreign producers failed in their attempts to certify or qualify their hot-rolled steel with their firm or if any producers lost their approved status. Thirty-five of the 44 purchasers that responded to this question indicated that no domestic or foreign producer had failed in its attempts to certify or qualify hot-rolled steel nor had any producers lost their approved status. Nine firms did, however, report in the affirmative. *** reported that ***. According to this purchaser, *** could not meet the specifications and *** told this purchaser that it was not interested in developing the capability to do so. *** also reported that ***. Another purchaser, ***, reported that ***. One additional purchaser reported that ***.

Purchasers were asked how frequently they and their customers purchased hot-rolled steel from specific producers and from specific countries. The following tabulation summarizes the responses.

<u>Purchaser / Customer Decision</u>	<u>Always</u>	<u>Usually</u>	<u>Sometimes</u>	<u>Never</u>
Purchaser makes decision based on producer	11	11	15	9
Purchaser's customer makes decision based on producer ..	2	6	19	17
Purchaser makes decision based on country	4	4	16	21
Purchaser's customer makes decision based on country	1	3	15	23

Based on the available information presented above, purchasers and to a lesser extent, their customers more frequently make purchasing decisions based on the producer of the hot-rolled steel product, not necessarily the country of origin. Of those purchasers that reported that they always make decisions based on the manufacturer, many noted that quality issues drive this. For example, one purchaser noted that extensive testing has to be conducted to assure product conformance and this generally takes three to six months.

Lead Times

Most U.S. producers and importers reported that the vast majority (and in many cases all) of their sales are produced to order rather than from inventory. All 13 responding producers reported that 95 percent or more of their sales were of product made-to-order. Similarly for importers, 11 of the 13 responding firms reported that 90 percent or more of their sales were of product made-to-order. Lead times for the U.S. producers ranged from about 21 to 105 days; for those limited number of firms that reported sales from inventories, lead times ranged from 18 to 56 days. Importers reported lead times that ranged from about 75 to 120 days. Producers and importers were also asked to report if lead times had increased, decreased, or stayed the same. Most producers (8 of 12) and importers (9 of 11) reported that lead times had generally remained unchanged since 1999. Three U.S. producers and one importer reported that lead times had increased while one producer and one importer stated that they decreased.

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

Producers, importers, and purchasers were asked to report how frequently hot-rolled steel from different countries was used in the same applications (table II-7). With regard to the interchangeability between domestic and subject imported hot-rolled steel products, almost all responding U.S. producers reported that the domestic and imported products are always or frequently used in the same applications; three of the 13 responding firms, however, reported that the Russian product is only sometimes interchangeable with the domestic product. Importers were more mixed in their responses, with two firms reporting that the domestic and subject imported products were always interchangeable, three to four firms reporting that they were frequently interchangeable, and two or three reporting they were sometimes interchangeable. In general, most purchasers (18 of 24 for Brazil and 28 of 30 for Japan) stated that hot-rolled steel from the United States was always or frequently interchangeable with subject imports from Brazil and from Japan. With regard to the interchangeability between domestic and Russian hot-rolled steel, while 15 of 29 reported they were always or frequently interchangeable, 11 firms reported sometimes, and 3 reported never.

Producers, importers, and purchasers also provided information on the degree of interchangeability between hot-rolled steel products from the different subject countries (table II-7). The responses were somewhat similar to those discussed above. Most producers reported that imports from the subject countries were always or frequently interchangeable with one another. However, a few producers (2 of 11) noted that imports from Brazil were only sometimes interchangeable with those from Russia, and a few (3 of 12) reported sometimes for Japanese imports vis-a-vis Russian imports. Importers were mixed in their assessment of the interchangeability between imports from the three subject countries. In general, there was a fairly even number of importers reporting always, frequently, and sometimes. Purchasers were also mixed in their assessment of the degree of interchangeability between imports from the various subject countries. While many reported that the subject imports were always or frequently interchangeable with one another, several reported that interchangeability between Brazilian and Russian imports (6 of 17 firms) and between Japanese and Russian imports (8 of 19 firms) was only sometimes or never possible.

Table II-7

Hot-rolled steel: U.S. firms' perceived degree of interchangeability of products produced in the United States and other countries¹

Country comparison	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. Brazil	7	5	0	0	2	3	3	0	6	12	5	1
U.S. vs. Japan	8	5	0	0	2	4	2	0	14	14	2	0
U.S. vs. Russia	7	3	3	0	2	4	2	0	3	12	11	3
Brazil vs. Japan	6	5	0	0	2	2	2	0	5	10	3	2
Brazil vs. Russia	6	3	2	0	2	1	3	0	3	8	6	0
Japan vs. Russia	5	4	3	0	2	2	3	0	3	8	6	2
U.S. vs. Nonsubject	6	4	2	0	2	2	3	0	6	14	11	0
Brazil vs. Nonsubject	6	2	2	0	2	0	2	0	4	4	5	0
Japan vs. Nonsubject	5	4	2	0	2	1	2	0	4	5	5	0
Russia vs. Nonsubject	6	2	3	0	2	1	2	0	4	3	6	2

¹ Producers, importers, and purchasers were asked if hot-rolled steel produced in the United States and in other countries is used interchangeably.

Note.--"A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Producers and importers provided some comments on factors that limit or preclude interchangeable use. Four U.S. producers provided information with three of these citing quality issues with the Russian product. One producer noted that the Russian product tends to have a high content of sulfur which makes the steel less desirable for applications that require a cleaner product. One other producer stated that the quality issues with the Russian product are usually surface quality, consistency of physical properties, and packaging. Four importers commented with all noting quality as a reason; one importer specifically noted that tolerances of the Russian product are not as good as they are from the United States, Brazil, and Japan.

Producers, importers, and purchasers also provided information on the degree of interchangeability between hot-rolled steel products from the United States, the subject countries, and nonsubject countries (table II-7). While U.S. producers generally reported that domestic and nonsubject imports were always or frequently interchangeable with nonsubject imports, there were some that reported sometimes. Importers were also split with about one half of the responding firms reporting always and half reporting sometimes. Most purchasers reported that the domestic product was frequently or sometimes interchangeable with nonsubject imports and were fairly evenly divided (between always, frequently, and sometimes) with regard to subject imports compared to nonsubject imports.

Producers and importers were asked to assess how often differences other than price were significant in sales of hot-rolled steel from the United States, subject countries, or nonsubject countries (table II-8). Questionnaire data indicate that most U.S. producers believe that differences between hot-rolled steel produced in the United States and in other countries were never or sometimes a significant factor in their sales of the products; in all country pairings, the majority of U.S. producers reported never. The majority of responding importers reported that differences between hot-rolled steel produced in the

United States and in other countries were sometimes a significant factor in their sales of the products.

Producers and importers were asked to provide additional information on any factors other than price that were significant. Two U.S. producers noted inferior quality and technical support of Russian suppliers as factors. One additional producer, ***, stated that “in the past, Russian imports had a poor reputation for quality and delivery. It is *** experience that the Russian producers and exporters have largely remedied these deficiencies.” Three importers provided comments, noting differences in quality and technical support. One importer stated that Brazil does not offer the technical support that the United States and Japan do and that Russia does not offer the technical support or quality control that the United States and Japan do.

Table II-8

Hot-rolled steel: U.S. firms’ perceived significance of differences other than price between hot-rolled steel produced in the United States and hot-rolled steel produced in other countries¹

Country comparison	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. Brazil	0	1	3	8	1	0	5	3
U.S. vs. Japan	0	1	3	9	1	2	3	2
U.S. vs. Russia	0	4	1	8	2	2	3	1
Brazil vs. Japan	0	0	4	6	1	0	3	1
Brazil vs. Russia	0	3	1	6	2	1	2	0
Japan vs. Russia	0	3	1	6	2	2	2	0
U.S. vs. Nonsubject	0	2	3	7	1	2	4	1
Brazil vs. Nonsubject	0	2	2	6	1	0	3	0
Japan vs. Nonsubject	0	2	2	6	1	1	3	0
Russia vs. Nonsubject	0	0	4	6	1	1	2	1

¹ Producers and importers were asked if differences other than price between hot-rolled steel produced in the United States and in other countries were a significant factor in their sales of the products.

Note.--“A” = Always, “F” = Frequently, “S” = Sometimes, “N” = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Parties were requested to provide comments in their prehearing briefs; no comments were received.

U.S. Supply Elasticity²⁴

The domestic supply elasticity for hot-rolled steel measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of hot-rolled steel. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced hot-rolled steel. Earlier analysis of these factors indicates that the U.S. industry has a small to moderate ability to increase or decrease shipments to the U.S. market; an estimate in the range of 1 to 3 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for hot-rolled steel measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of hot-rolled steel. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of hot-rolled steel in the production of any downstream products. Based on the available information, the aggregate demand for hot-rolled steel is likely to be in a range of 0.75 to 1.0. Purchasers would not likely be very sensitive to changes in the price of hot-rolled steel and would continue to demand fairly constant quantities over a considerably wide range of prices.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.²⁵ Product differentiation, in turn, depends upon such factors as quality and conditions of sale. Based on available information, the elasticity of substitution between domestic and subject hot-rolled steel is likely to be moderate and in the range of 3 to 5.

²⁴ A supply function is not defined in the case of a non-competitive market.

²⁵ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: U.S. PRODUCERS' OPERATIONS

GENERAL

Information in this section is based on the questionnaire responses of 18 current and one former producer that accounted for virtually all of U.S. production during the period for which data were collected in these reviews.¹ Data regarding U.S. steel producers' raw steel capacity, production, and capacity utilization are presented in table III-1. The information presented below is drawn from public sources and includes raw steel capacity for companies that produce products other than hot-rolled steel. As such the data substantially overstate the raw steel capacity of U.S. hot-rolled steel producers. However, the trend in capacity utilization, which increased to relatively high levels in 2002 and 2004, is generally consistent with hot-rolled steel producers' responses shown in table III-2, reflecting the changing structure of the hot-rolled steel industry discussed in Part I of this report.

Table III-1
Raw steel: U.S. steel producers' total capacity, production, and capacity utilization, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Raw steel:						
Capacity (<i>net tons</i>)	128,200,000	130,300,000	125,500,000	113,700,000	121,600,000	116,100,000
Production (<i>net tons</i>)	107,395,000	112,242,000	99,321,000	100,958,000	103,261,000	109,069,000
Capacity utilization (<i>percent</i>)	83.8	86.1	79.2	88.8	84.9	93.8
Source: American Iron and Steel Institute, AISI 2003 ASR, p. 77 and AISI 2004 ASR table 25 (publication pending); permission for use granted.						

The Commission requested information on raw steel capacity and production from hot-rolled steel producers. Their data on raw steel capacity, production, and capacity utilization are presented in table III-2. The data provided in questionnaire responses are understated because not all firms provided the requested information, and the data do not fully reflect capacity-reducing closures that occurred during the period for which data were collected. Nonetheless, as with the broader raw steel measure, capacity utilization reached relatively high levels in 2002 and 2004 (as well as in 2000).

¹ Coverage in 1999 and 2002-04 is largely complete, although the Commission lacks data from Gulf States Steel (closed). Coverage in 2000-01 is moderately lower, as data for Geneva (closed) and Trico (closed and subsequently re-opened) are unavailable for portions of this period. Therefore, caution should be exercised when comparing data for 2000-01 with other annual periods.

Table III-2
Raw steel: U.S. hot-rolled steel producers' total capacity, production, and capacity utilization, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Raw steel:						
Capacity (<i>short tons</i>)	76,834,570	77,557,570	75,811,820	73,634,923	78,823,570	79,086,570
Production (<i>short tons</i>)	66,135,716	69,111,364	63,281,527	64,946,687	66,904,454	70,272,858
Capacity utilization (<i>percent</i>)	86.1	89.1	83.5	88.2	84.9	88.9
¹ These figures are somewhat understated because the Commission received partial or no data from ***.						
Source: Compiled from data submitted in response to Commission questionnaires.						

U.S. PRODUCERS' CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Existing Operations, 1999-2004

Data on U.S. producers' capacity, production, and capacity utilization for hot-rolled steel are presented in table III-3. As shown in table III-3, U.S. producers' hot-rolled steel capacity decreased from 1999 to 2002 by nearly 11 percent, then largely recovered between 2002 and 2004. Overall, however, U.S. hot-rolled steel capacity was still more than one half million short tons lower in 2004 than in 1999. Production of hot-rolled steel decreased sharply from 2000 to 2001 but increased steadily thereafter, eventually exceeding 1999 production by more than one million short tons in 2004. Capacity utilization was at its highest, 88.9 percent, in 2002 and its lowest, 80.3 percent, in 2001.

Table III-3
Hot-rolled steel: U.S. capacity, production, and capacity utilization, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Capacity (<i>short tons</i>) ¹	79,753,478	78,628,005	75,720,188	71,225,171	78,490,049	79,113,331
Production (<i>short tons</i>)	67,105,961	67,386,943	60,766,642	63,349,150	65,192,980	68,229,669
Capacity utilization (<i>percent</i>)	84.1	85.7	80.3	88.9	83.1	86.2
¹ On average, U.S. producers reported capacity based on 157 hours per week, 51 weeks per year.						
Source: Compiled from data submitted in response to Commission questionnaires.						

IPSCO reported that in the fourth quarter of 2001, the company's steel mill in Alabama ramped up to commercial production. Nucor's acquisition of, and investment in, the former Corus mill in Tuscaloosa, AL, also increased capacity. Other mills, however, fared less well. In addition to the permanent closures of Gulf States and Geneva, other domestic respondents reported factors and circumstances that limited their production of hot-rolled steel during the period. NS Group shut down its melt shop in April 2001, discontinuing the manufacture of hot-rolled coils. The furnace and related equipment were later sold. WCI Steel entered Chapter 11 bankruptcy in September 2003 and remains in

bankruptcy.² Wheeling-Pittsburgh Steel (WPS) reported that it entered Chapter 11 bankruptcy in November 2000 and exited in August 2003.

In addition to routinely scheduled maintenance shutdowns, several firms reported operational changes that altered production between 1999 and 2004. Beta Steel ***³ and experienced *** due to a ***. Ispat Inland reported that it *** when the company ***. Gallatin reported ***.

ISG described the capacity losses experienced by the four mills that it acquired, Acme, Bethlehem, LTV, and Weirton. Acme Steel shut down operations in October 2001. One year later, ISG purchased Acme's assets, restarting the mill in December 2002. Bethlehem Steel permanently closed its slab mill and ingot making facility in Burns Harbor, IN, in the first quarter of 2001. This closure eliminated annual capability of *** of steel. In June 2001, LTV shut down the West Side Cleveland facility, resulting in a loss of *** of capacity, primarily hot-rolled steel. In December 2001, LTV shut down all production. ISG restarted the bulk of LTV's idled assets in May 2002, although it did close and dismantle a 40-year old hot-strip mill in Cleveland. In March 2004, ISG announced its intention to restart a continuous caster and a basic oxygen furnace shop on the West Side of its Cleveland Works. At full production, the caster will add *** tons of steel slabs per month to ISG's production. Weirton reported ***. Weirton also reported ***. However, there were operating turns available that made it possible for Weirton to make up the lost production. During 2000 and the first half of 2001, ***.

Severstal N.A. described several circumstances that limited production at its Rouge steel facility. On February 1, 1999, an explosion and fire at the Rouge Complex Powerhouse interrupted the supply of electricity, steam, mill water, and turbo air to the facilities of Severstal N.A.'s predecessor, Rouge Steel. Primary operations were idled completely from February 1 to ***, and Rouge lost approximately *** tons of liquid steel production. ***. During the last quarter of 2001, Rouge Steel *** to balance production with what Severstal N.A. described as ***. During the first quarter of 2004, Severstal N.A. reported ***.

U.S. Steel (USS) identified several events that limited its operations, including ***. This furnace ***. Similarly, ***.⁴ Finally, ***. As a result, U.S. Steel's crude steel production was reduced by *** net tons. USS used ***.

Additional and Downstream Production

The Commission asked domestic producers to report production of other or downstream products on the same equipment and machinery, and/or using the same production and related workers employed to produce hot-rolled steel. Six domestic producers responded that they do not produce other products on the same equipment and machinery used to make hot-rolled steel.⁵ The remaining companies do produce other products on their hot-rolled steel equipment and machinery. Data on domestic producers' capacity, production, and capacity utilization for alternative steel products are presented in table III-4.

² *WCI Steel Files for Chapter 11 Bankruptcy Protection*, *AIST Steel News*, found at <http://www.steelnews.com/companies/archives/wci/wci03.htm>, retrieved March 21, 2005.

³ Beta attributed this event to recessionary conditions experienced by the domestic steel industry as a result of low-priced imports.

⁴ USS attributed both *** to unfairly traded imports of hot-rolled steel that reportedly reduced the mill's order volumes. USS also attributed the *** at its Minntac Taconite operation to low order book levels caused by dumped and subsidized imports. This operation mines and processes iron-bearing taconite rock pellets for use in steel making. The *** represented *** of Minntac's annual production.

⁵ Companies responding no to this question are ***.

**Table III-4
U.S. hot-rolled steel producers' capacity, production, and capacity utilization for alternative products, by products, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Cold-rolled steel sheet and strip:						
Capacity (<i>short tons</i>)	28,052,875	29,163,775	31,356,775	31,273,775	31,043,775	32,023,775
Production (<i>short tons</i>)	23,942,285	24,183,816	22,603,527	25,526,241	24,823,043	26,504,042
Capacity utilization (<i>percent</i>)	85.3	82.9	72.1	81.6	80.0	82.8
Coated steel sheet and strip:						
Capacity (<i>short tons</i>)	13,708,690	13,764,830	13,261,410	13,317,130	13,313,530	13,414,490
Production (<i>short tons</i>)	10,737,336	10,833,238	9,823,880	11,254,545	10,808,460	11,603,811
Capacity utilization (<i>percent</i>)	78.3	78.7	74.1	84.5	81.2	86.5
Cut-to-length plate:						
Capacity (<i>short tons</i>)	2,879,942	2,868,537	3,026,500	3,607,500	3,607,500	2,543,500
Production (<i>short tons</i>)	1,452,732	1,748,735	1,920,076	2,012,865	2,013,833	1,904,311
Capacity utilization (<i>percent</i>)	50.4	61.0	63.4	55.8	55.8	74.9
Alloy and other nonsubject hot-rolled steel:						
Capacity (<i>short tons</i>)	***	***	***	***	***	***
Production (<i>short tons</i>)	***	***	***	***	***	***
Capacity utilization (<i>percent</i>)	***	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.						

Capacity, production, and capacity utilization for all four steel products fluctuated over the period for which data were collected in these reviews. Production of cold-rolled sheet and strip and coated steel sheet and strip tracked the same upward and downward trends for the period, both reaching their period highs in 2004. The most steady, but incremental, increase in production was for cut-to-length plate; between 1999 and 2003 production of this product increased by 561,101 short tons. However, in 2004, production of cut-to-length plate fell by 109,522 tons, or by over five percent. The most dramatic change in production occurred for alloy and other nonsubject steel. While capacity to produce these products remained *** short tons per year, actual production declined and capacity utilization fell from a high in 2003 of *** percent to a low of *** percent in 2004. *** and *** were the only domestic companies that produce cold-rolled steel sheet and strip, coated steel sheet and strip, and cut-to-length plate on the same equipment used to produce hot-rolled steel. The other companies reported producing one or two other forms of flat-rolled steel on the same equipment. In total, six companies reported producing cold-rolled sheet and strip on the same equipment used to make hot-rolled steel. Four companies reported producing coated steel sheet and strip on the same equipment and three companies reported producing cut-to-length plate on the same equipment. *** was the only company that reported producing alloy hot-rolled steel on the same equipment. *** production of this product, ***, was relatively small, approximately *** tons over the most recent five years.

Maintenance and Outages

In response to a question posed at the Commission's hearing, domestic producers reported on their maintenance schedules for 2004 and 2005. Table III-5 lists outages taken in 2004, those planned for 2005, and their impact on production. *** and *** both scaled back their production in 2004 by taking maintenance outages earlier than planned. In contrast, *** reported that it opted to forgo some scheduled maintenance in the spring of 2004 when order levels were high and postponed these outages until order books softened in mid-2004. In 2005 several steel producers have taken their maintenance outages earlier than planned. AK Steel took maintenance outages at two facilities. The Mansfield outage was originally planned to occur in the second quarter 2005.⁶ Ispat Inland publicly announced that it was moving up maintenance outages to the first quarter of 2005 "to prepare the line for greater production later in the year when demand is expected to be stronger."⁷ *** is also ***.

Table III-5

Hot-rolled steel: U.S. producers' production outages taken in 2004 and planned for 2005

* * * * *

Anticipated Changes in Existing Operations

The Commission asked domestic producers to report anticipated changes in their operations. Seven domestic producers reported that they do not anticipate any operational changes.⁸ The other domestic producers provided a variety of responses. *** responded that while it does not anticipate an increase in its capacity to produce hot-rolled steel, its melt-shop capacity has increased. As a result, the mill will use more internally generated slabs in lieu of purchasing slabs. CSI reportedly has launched a feasibility study to determine if it should install an additional reheat furnace. Preliminary cost estimates are \$50-60 million; if approved, the project is expected to take 18 to 24 months to complete.⁹

Both ISG and Ispat Inland described the upcoming acquisition of ISG by Mittal Steel, Ispat's parent company. The companies ***. *** both stated that they do not have plans to construct new hot-rolling facilities because they are cautious about the potential return on such investments. However, *** did describe its investments to improve current facilities and its pursuit of new technologies to decrease the cost of hot-rolled steel production. Specifically, ***. Nucor operates a Castrip® pilot facility at the Crawfordsville, IN sheet mill and has announced plans to build a second Castrip® facility in the United States by the end of this year. Potential locations reportedly include the West Coast and the south-central states of Arkansas or Alabama.¹⁰

*** both expect to increase capacity. According to ***, its coil business in 2004 was approximately *** tons. Based on current market conditions the company projects 2005 growth to be

⁶ Stephen Schurr, *Stand by the lifeboats as steel's run nears its end*, The Financial Times, March 15, 2005, p. 10.

⁷ Ibid.

⁸ The producers that reported no anticipated operational changes are ***.

⁹ CSI is waiting for approval from its owners, Japanese steelmaker JFE Steel Corporation and Brazilian natural resources company Vale do Rio Doce. Frank Haflich, *CSI awaiting reheat furnace installation 'go,'* American Metal Market, found at <http://www.amm.com/subscrib/2005/jan/week4/0127tp05.htm>, retrieved March 8, 2005, and *Hot rollers are placing wagers as crap shoot begins,* American Metal Market, found at <http://www.amm.com/subscrib/2005/feb/week1/0204ed01.htm>, retrieved March 8, 2005.

¹⁰ Scott Robertson, *Nucor building up Castrip; second plant eyed,* American Metal Market, found at <http://www.amm.com/subscrib/2005/jan/week4/0131tp02.htm>, retrieved March 7, 2005.

*** tons and 2006 growth to be *** tons. Beginning in 2005, *** intends to utilize the open capacity of its hot-rolling operations by purchasing slabs and rolling them at the hot-strip mill. This additional production will be dedicated to hot-rolled steel. *** expects this measure to increase production to *** tons, with hot-rolled steel accounting for *** tons of total production in 2005 and 2006. *** anticipates that the completion of an electric arc furnace, commissioned in November 2004, will reduce the company's internal steelmaking constraint. While *** reported that this will not increase hot-rolling capacity, it will enable *** to increase commercial shipments of hot-rolled steel by approximately *** in 2005 and 2006.

Potential New Operations

There are three potential new members of the domestic hot-rolled steel industry: California Coil Processors, Leo Inc., and SteelCorr. California Coil Processors has received local permits to build an 800,000-to-1-million-tons-per-year slab-fed hot-rolled operation. This project represents a \$150-million investment and is due to begin by mid-April 2005, with completion expected in eighteen months.¹¹ Leo Inc. has been developing plans to construct a steel mill along the banks of the Ohio river since the mid-1990s.¹² Financing-related delays have prevented the company from moving forward.¹³ Leo plans to build a 1.2 million-ton-per-year combined carbon and hot-rolled steel slab conversion facility in Kentucky.¹⁴ In July 2004 the Kentucky Economic Development Finance Authority gave preliminary approval of up to \$16 million in state tax credits over 10 years for the Leo project. Leo must proceed to final approval within a year or this approval will expire.¹⁵ Finally, SteelCorr plans to build a 1.5-million-tons-per-year flat-rolled mini-mill in the southern United States to serve the automotive industry. The company is considering locations in Arkansas, Louisiana, and Mississippi. The Mississippi House of Representatives approved an economic development package in February 2005 that would provide a \$25-million grant and up to \$85 million in loans to SteelCorr if it locates there. SteelCorr expects to announce a final decision on a location by late March or early April 2005 and to begin construction immediately thereafter.¹⁶

¹¹ Frank Haflich, *California processor eyes move into hot roll*, American Metal Market, January 19, 2005, found at <http://www.amm.com/subscrib/2005/jan/week3/0119tp02.htm>, retrieved March 8, 2005, and Frank Haflich, *CSI awaiting reheat furnace installation 'go,'* American Metal Market, January 27, 2005, found at <http://www.amm.com/subscrib/2005/jan/week4/0127tp05.htm>, retrieved March 8, 2005.

¹² John E. Sacco, *Steel exec hopes this Leo roars like lion*, American Metal Market, January 26, 2001, found at <http://www.amm.com/subscrib/2001/jan/inside4/0126st04.htm>, retrieved March 16, 2005.

¹³ Jim Leonard, *Leo needs more time to line up Louisville funding*, American Metal Market, December 27, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1227tp04.htm>, retrieved March 16, 2005.

¹⁴ John E. Sacco, *Tax breaks pave the way for new steel mill*, American Metal Market, March 29, 2002, found at <http://www.amm.com/subscrib/2002/mar/inside4/0329st06.htm>, retrieved March 16, 2005.

¹⁵ *Leo's Ky. plan lifts investment level to \$374M*, American Metal Market, July 30, 2004, found at <http://www.amm.com/subscrib/2004/jul/week4/0730st04.htm>, retrieved March 16, 2005.

¹⁶ Scott Robertson, *The challenge of building it could pale in comparison to finding feed for its furnaces*, American Metal Market, August 20, 2004, found at <http://www.amm.com/subscrib/2004/aug/week3/08-20cv05.htm>, retrieved March 7, 2005, and Scott Robertson, *Carrot to lure SteelCorr to Miss. gets its 1st bite*, American Metal Market, February 23, 2005, found at <http://www.amm.com/subscrib/2005/feb/week4/0223tp01.htm>, retrieved March 7, 2005.

U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

Data on domestic producers' shipments of hot-rolled steel are presented in table III-6. Between 1999 and 2001, the quantity of the industry's U.S. commercial shipments declined, then rose steadily from 2001 through 2004. Commercial shipment values fluctuated somewhat between 1999 and 2004 but nearly doubled in 2004 owing to higher unit values that year. Unit values of the U.S. industry's commercial shipments fluctuated between 1999 and 2003, but varied at most by \$41 per short ton. In 2004, however, the unit value of commercial shipments increased by 79 percent from \$301 to \$539 per short ton.

Internal consumption fluctuated over the period, but overall experienced a decrease of more than three million short tons. During the period for which data were examined in these reviews internal consumption reached its highest level in 2000, the second lowest year for commercial shipments.

Export shipments by the U.S. industry increased both absolutely and relatively during the period for which data were collected in these reviews. Exports peaked in 2003 at nearly 1.5 million short tons and even after decreasing the following year, remained nearly 80 percent higher in 2004 than in 1999. In 1999 exports were 0.6 percent of total shipments; in 2004, exports were nearly 1 percent of total shipments. The 2003 ratio of exports to total shipments reached 2.3 percent. The unit values of export shipments were higher than the unit values for U.S. commercial shipments in every year except 2003, when export values were \$9 lower.

U.S. PRODUCERS' INVENTORIES

Data collected in these reviews on domestic producers' end-of-period inventories of hot-rolled steel are presented in table III-7. The domestic industry's inventories of hot-rolled steel increased between 1999 and 2001, then remained at lower levels for the remainder of the period. Industry inventories relative to production peaked in 2001, at 3.9 percent, then gradually decreased in 2002 and 2003, before rising slightly in 2004 to 2.7 percent. This trend was mirrored in the ratios of inventories relative to U.S. shipments and total shipments of hot-rolled steel.

Table III-6
Hot-rolled steel: U.S. producers' shipments, by types, 1999-2004

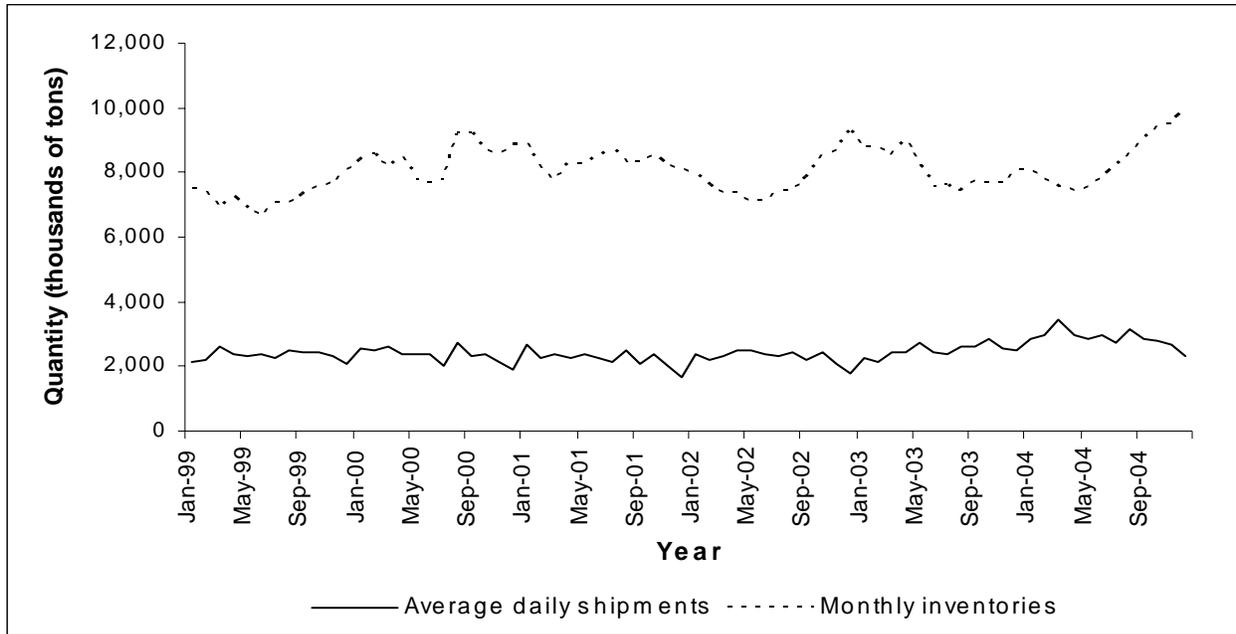
Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
Commercial shipments	23,102,397	22,428,268	22,395,289	23,400,598	24,924,175	26,134,554
Internal consumption	41,893,117	42,563,227	35,495,189	37,040,510	36,458,979	38,887,520
Transfers to related firms	1,835,501	1,765,857	2,414,522	2,155,259	2,660,231	2,957,186
U.S. shipments	66,831,015	66,757,352	60,305,000	62,596,367	64,043,385	67,979,260
Export shipments	381,123	629,677	439,741	491,594	1,486,803	685,931
Total	67,212,138	67,387,029	60,744,741	63,087,961	65,530,188	68,665,191
Value (1,000 dollars)						
Commercial shipments	6,710,609	6,952,513	6,018,671	7,208,595	7,495,639	14,078,146
Internal consumption	12,039,520	12,663,183	9,032,339	11,595,512	10,903,322	20,327,284
Transfers to related firms	493,496	509,449	720,399	704,614	847,799	1,507,605
U.S. shipments	19,243,625	20,125,145	15,771,409	19,508,721	19,246,760	35,913,036
Export shipments	127,527	210,190	132,840	166,699	433,613	374,873
Total	19,371,152	20,335,335	15,904,249	19,675,420	19,680,373	36,287,909
Unit value (per short ton)						
Commercial shipments	\$290	\$310	\$269	\$308	\$301	\$539
Internal consumption	287	298	254	313	299	523
Transfers to related firms	269	288	298	327	319	510
U.S. shipments	288	301	262	312	301	528
Export shipments	335	334	302	339	292	547
Average	288	302	262	312	300	528
Source: Compiled from data submitted in response to Commission questionnaires.						

Table III-7
Hot-rolled steel: U.S. producers' end-of-period inventories, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Inventories (short tons)	2,171,160	2,200,050	2,377,183	1,857,701	1,668,456	1,846,384
Ratio of inventories to production (percent)	3.2	3.3	3.9	2.9	2.6	2.7
Ratio of inventories to U.S. shipments (percent)	3.2	3.3	3.9	3.0	2.6	2.7
Ratio of inventories to total shipments (percent)	3.2	3.3	3.9	2.9	2.5	2.7
Source: Compiled from data submitted in response to Commission questionnaires.						

Steel inventories are held by numerous market participants, including producers, end users, importers, and service centers.¹⁷ Steel service centers inventory and distribute steel for industrial customers.¹⁸ Figure III-1 illustrates the trends in steel service center shipments and inventories of flat-rolled steel (including, but not limited to, hot-rolled steel) that have taken place over the period for which data were collected in these reviews.

Figure III-1
Carbon steel flat-rolled product (excluding plate): Steel service center's daily shipments and monthly inventories, January 1999-December 2004



Source: Compiled from Metal Service Center Institute data.

Steel service center shipments reached their highest period volume in March 2004 of 3.4 million tons shipped per day. The period low was 1.7 million tons shipped per day in December 2001. Inventories reached a period high of more than 10.0 million tons in December 2004 in contrast to a period low of 6.6 million tons in June 1999.

¹⁷ Public data on inventory holdings are available for those inventories held in storage or at service centers. According to the Metal Service Center Institute, in December 2004, more than 10 million tons of carbon flat-rolled products, excluding plate, were held in inventory in the United States. This figure is somewhat higher than the 2004 annual average inventory of 8.4 million tons in inventory. Compiled from data obtained from the Metal Service Center Institute, *Data on shipments and inventories of carbon flat-rolled products (excluding plate)*, found at www.ssci.org/Reports.aspx, retrieved February 2, 2005.

¹⁸ *Today's Metal Service Center Institute*, Metals Service Center Institute, found at <http://www.ssci.org/Description.aspx>, retrieved March 15, 2005.

U.S. PRODUCERS' IMPORTS AND PURCHASES OF SUBJECT MERCHANDISE

Data concerning U.S. producers' direct imports of hot-rolled steel are shown in table III-8. Two U.S. producers reported importing hot-rolled steel from subject countries during the period for which data were collected. *** and *** imported hot-rolled steel from *** during the period. *** imports occurred in ***. The company's imports peaked at *** short tons in 2004, equivalent to *** percent of its production in that year. *** stated that its imports from *** have been guided by the ***. *** also reported that it imported steel from *** based on market demand and product availability. ***, imported *** short tons of hot-rolled steel from *** in 2004. *** stated that its single importation of steel from *** was on a trial basis from ***, and was part of the company's efforts to develop, commercialize, and expand its *** steel deliveries to domestic and foreign markets.¹⁹

Table III-8
Hot-rolled steel: U.S. producers' direct imports, by sources, 1999-2004

* * * * *

The Commission asked domestic producers to report purchases, other than direct imports, of hot-rolled steel since 1999. Data concerning U.S. producers' purchases of hot-rolled steel are shown in table III-9. Eight domestic producers reported no purchases of hot-rolled steel during the period for which data were collected in these reviews.²⁰ Nine domestic producers reported purchasing hot-rolled steel.²¹ Table III-9 summarizes the quantity and value of the producers' purchases, by source.

Only two U.S. producers of hot-rolled steel purchased the product from a country subject to these reviews. In 1999, ***, which is ***, purchased *** short tons of hot-rolled steel that had been imported from Japan²². *** has a joint venture with *** that operates steel-finishing facilities. In 2004, *** purchased *** quantities of steel from Japan for use by this joint venture.²³ Other domestic producers also purchased hot-rolled steel for use in downstream processing. For example, *** purchased hot-rolled steel to supplement its downstream production capacity. Because ***, it became a purchaser of the product. *** used this purchased steel to produce tubular products. During 2001-04, *** made hot-rolled steel purchases from *** in order to feed *** operation.²⁴

In addition to use in downstream processing, domestic producers gave several reasons for purchasing steel. Two firms reported purchasing hot-rolled steel when unscheduled outages curtailed their steel production.²⁵ *** purchased steel that was difficult to produce internally. Only *** reported purchasing steel for resale. These purchases were made in connection with a steel distributor, ***, that *** operated until closing in ***. In 2000, *** also purchased steel from *** to evaluate its quality.

¹⁹ Questionnaire responses of ***, ***.

²⁰ The producers that reported no hot-rolled steel purchases are ***.

²¹ The producers that reported purchasing hot-rolled steel since 1999 are ***. Values may be slightly understated because one purchaser, ***, did not provide purchase values.

²² In 1999 *** hot-rolled steel production was *** short tons. *** purchase of *** short tons of hot-rolled steel that had been imported from Japan was equivalent to *** percent of 1999 production.

²³ In 2004 *** hot-rolled steel production was *** short tons. This purchase of *** short tons of hot-rolled steel that had been imported from Japan was equivalent to *** percent of 2004 production.

²⁴ ***.

²⁵ Because of a *** that resulted in a ***, *** purchased steel to meet customer orders. *** experienced a *** in ***, and purchased slabs to compensate for lost production.

Table III-9
Hot-rolled steel: U.S. producers' purchases, by sources, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Purchases from U.S. importers of hot-rolled steel from:						
Brazil:						
Quantity (<i>short tons</i>)	0	0	0	0	0	0
Value (\$1,000)	0	0	0	0	0	0
Japan:						
Quantity (<i>short tons</i>)	***	0	0	0	0	***
Value (\$1,000)	***	0	0	0	0	***
Russia:						
Quantity (<i>short tons</i>)	0	0	0	0	0	0
Value (\$1,000)	0	0	0	0	0	0
All other countries:						
Quantity (<i>short tons</i>)	14,058	21,313	24,819	34,290	0	0
Value (\$1,000)	4,077	6,088	6,081	11,306	0	0
Purchases from domestic producers:						
Quantity (<i>short tons</i>)	179,015	27,653	574,038	567,736	903,346	572,888
Value (\$1,000)	54,193	10,552	148,532	164,596	266,420	243,381
Purchases from other sources:						
Quantity (<i>short tons</i>)	0	***	***	0	0	0
Value (\$1,000)	0	***	***	0	0	0
Source: Compiled from data submitted in response to Commission questionnaires.						

U.S. PRODUCERS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for hot-rolled steel are presented in table III-10. The number of production-related workers (PRWs) employed by U.S. hot-rolled steel producers declined between 1999 and 2004 from 30,598 to 21,480. Over this period, hourly wages increased by 23.4 percent, productivity increased by 48.1 percent, and unit labor costs decreased by 16.6 percent.

Table III-10**Hot-rolled steel: U.S. producers' employment-related indicators, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Production and related workers (PRWs)	30,598	30,052	25,403	22,837	22,863	21,480
Hours worked by PRWs (1,000 hours)	70,140	68,518	53,641	49,046	48,875	48,143
Wages paid to PRWs (1,000 dollars)	1,719,492	1,718,745	1,347,716	1,271,385	1,420,795	1,456,957
Hourly wages	\$24.52	\$25.08	\$25.12	\$25.92	\$29.07	\$30.26
Productivity (short tons produced per 1,000 hours)	930.7	954.8	1,102.8	1,249.8	1,297.1	1,378.2
Unit labor costs (per short ton)	\$26.34	\$26.27	\$22.78	\$20.74	\$22.41	\$21.96

Source: Compiled from data submitted in response to Commission questionnaires.

Since 2002, steel producers and the United Steelworkers of America (USWA), the principal union representing steelworkers in the United States, have negotiated progressive collective bargaining agreements. In September 2002, the USWA adopted a new set of bargaining principles that it has used successfully in subsequent labor negotiations. These principles were designed to reduce fixed costs, improve productivity, and protect retiree welfare. These principles were applied to labor agreements reached with ISG, USS, and Wheeling-Pittsburgh Steel (WPS).²⁶ Both ISG and USS reported major changes to their labor agreements with the USWA. ISG's new labor agreement is characterized by flexibility and the use of incentive-driven compensation to boost productivity. This agreement reduced the number of job classifications from 30 to 5, broadened job descriptions, and helped ISG operate with less corporate staff and fewer layers of management.²⁷ In May 2003, USS and the USWA finalized a progressive labor contract covering the USWA-represented plants of USS and the former National Steel. The new agreement creates a more competitive and flexible cost structure, gives USWA members more opportunity to share in the company's profits, and reduces U.S. Steel's health care expenses.

Domestic steel producers have made commitments to fund some retiree health care, based on profit levels, through voluntary employees' beneficiary associations (VEBA) type pension funds. These funds will guarantee health care, prescription drug benefits, and supplemental Medicare for current and future retirees.²⁸ USS reportedly has placed approximately \$160 million of its profits into a number of VEBA plans designed to deal with retiree health care, particularly for the former National employees.²⁹ ISG reportedly has placed \$100 million into its plan, which covers the former Bethlehem, Acme, and others. WPS reportedly has placed corporate stock currently worth \$126 million into its VEBA plan.³⁰

²⁶ *Steel: Monitoring Developments in the Domestic Industry, Inv. No. TA-204-9*, Vol. 1: USITC Publication 3632, September 2003, p. vi.

²⁷ For example, with regard to incentives, workers in the cold-rolling facility have a weekly incentive for their pay if the facility as a whole meets tonnage and quality goals. Previously, incentives were established for divisions separately; today incentives are based on overall mill performance. Staff field trip report, ISG, December 17, 2004.

²⁸ Hearing transcript, p. 134 (Conway).

²⁹ Hearing transcript, p. 163 (Surma).

³⁰ Hearing transcript, p. 134 (Conway).

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

Eighteen current and former producers of hot-rolled steel products provided financial data.³¹ A substantial share (approximately 60.4 percent in terms of sales value) of production of hot-rolled steel in 2004 was internally consumed (56.1 percent) and/or transferred (4.2 percent) to related companies for production of downstream products. Responding U.S. producers are believed to account for more than 95 percent of the domestic industry's net sales during the period for which data were collected.³²

Operations on Hot-rolled Steel Products (Commercial Sales Only)

The results of the responding U.S. producers' hot-rolled steel commercial sales are presented in table III-11. Net sales quantity, value, and operating income fluctuated between 1999 and 2004. However, net sales value as well as operating income increased noticeably from 2003 to 2004, while sales quantity for the same period increased modestly, due mainly to a substantial increase in per-short-ton selling price (from \$301 to \$525 per short ton). An operating loss in 2003 changed to operating income in 2004 and per-unit profitability increased substantially for the same period. The ratio of the domestic industry's operating income to net sales in 2004 was greater than 22 percent, while its operating loss ratio in 2003 was more than 5 percent. Per-short-ton net sales values increased in 2004 (by \$224) from 2003, while per-unit total costs also increased by \$93, resulting in an operating income of \$116 per short ton in 2004 compared to an operating loss of \$15 in 2003, a net increase of \$131 per short ton.

³¹ The producers with fiscal year ends other than December 31 are ***.

³² Geneva ceased its operations in 2001 and no financial data after FY 2000 were available. Geneva's data for 1999 and 2000 were based on its response for the previous hot-rolled steel products investigations (Invs. Nos. 701-TA-404-408 (Final) and 731-TA-898-908 (Final)). Nucor purchased substantially all of the assets of Trico (now called Nucor/Decatur) in July 2002 and ramped up production in 2003. Nucor submitted Nucor/Decatur's data for 2003 and 2004. Trico's data for 1999 were based on its response for the previous hot-rolled steel products investigations (Invs. Nos. 701-TA-404-408 (Preliminary) and 731-TA-898-908 (Preliminary)). Therefore, Nucor/Decatur's data between 2000 and the closure of Trico facility in 2001 were unavailable. *** data were not used because its response was significantly incomplete. *** has not provided financial data and *** did not provide financial data for internal consumption for these reviews.

Table III-11
Hot-rolled steel: Results of operations of U.S. producers, commercial sales only, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Quantity (short tons)					
Net sales	22,880,021	22,781,901	22,611,931	23,509,586	26,025,513	26,308,253
	Value (\$1,000)					
Net sales	6,627,317	7,066,449	6,122,962	7,124,820	7,825,029	13,804,000
COGS	6,661,106	6,823,619	6,792,765	6,295,678	7,638,210	10,125,599
Gross profit (loss)	(33,789)	242,830	(669,803)	829,142	186,819	3,678,401
SG&A expenses	382,127	354,261	553,391	530,443	582,191	625,355
Operating income(loss)	(415,916)	(111,431)	(1,223,194)	298,699	(395,372)	3,053,046
Interest expense	180,546	166,899	208,621	159,861	133,690	124,835
Other expense	21,953	20,631	81,627	94,339	47,764	112,247
CDSOA funds received	0	0	58	422	2,321	7,273
Other income items	76,463	68,286	76,705	41,995	30,453	45,854
Net income (loss)	(541,952)	(230,675)	(1,436,679)	86,916	(544,052)	2,869,091
Depreciation	432,366	412,030	380,537	320,775	325,057	306,395
Cash flow	(109,586)	181,355	(1,056,142)	407,691	(218,995)	3,175,486
	Value (per short ton)					
Net sales	\$290	\$310	\$271	\$303	\$301	\$525
COGS	291	300	300	268	293	385
Gross profit (loss)	(1)	11	(30)	35	7	140
SG&A expenses	17	16	24	23	22	24
Operating income	(18)	(5)	(54)	13	(15)	116
	Ratio to net sales (percent)					
COGS	100.5	96.6	110.9	88.4	97.6	73.4
Gross profit (loss)	(0.5)	3.4	(10.9)	11.6	2.4	26.6
SG&A expenses	5.8	5.0	9.0	7.4	7.4	4.5
Operating income	(6.3)	(1.6)	(20.0)	4.2	(5.1)	22.1
	Number of firms reporting					
Operating losses	14	7	13	4	12	1
Data	18	17	16	16	17	17
Source: Compiled from data submitted in response to Commission questionnaires.						

The results of operations by firm are presented in table III-12. Two producers, ***, had operating income for all periods while one producer, ***, had an operating loss for all periods. Except for ***,³³ *** producers experienced double digit operating income ratios in 2004.

Table III-12

Hot-rolled steel: Results of operations of U.S. producers (by firm), commercial sales only, fiscal years 1999-2004

* * * * *

Selected cost data of the producers on their operations for the subject products are presented in table III-13. Total unit cost increased substantially (by \$93 per short ton) from 2003 to 2004, due primarily to an increase of raw materials cost of \$87 per short ton. Unit factory overhead and unit selling, general, and administrative (SG&A) expenses increased somewhat during the same period.

Table III-13

Hot-rolled steel: Operating costs of U.S. producers, commercial sales only, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
COGS:	<i>Value (per short ton)</i>					
Raw materials	\$138	\$146	\$145	\$139	\$158	\$245
Direct labor	33	33	37	28	30	30
Factory overhead	120	121	118	101	106	110
Total COGS	291	300	300	268	293	385
SG&A expenses:						
Selling expenses	3	3	5	4	4	5
G&A expenses	14	13	20	18	19	19
Total SG&A expenses	17	16	24	23	22	24
Total cost	308	315	325	290	316	409

Source: Compiled from data submitted in response to Commission questionnaires.

A variance analysis showing the effects of prices and volume on the producers' net trade sales of hot-rolled steel products, and of costs and volume on their total cost, is shown in table III-14. The analysis is summarized at the bottom of the table. Operating income increased by nearly \$3.5 billion between 1999 and 2004. The increase in operating income between 1999 and 2004 resulted mainly from higher average prices (\$6.2 billion) which was partially offset by the negative effect of increasing costs/expenses (\$2.7 billion).

³³ Based on *** Form 8-K submitted to the Securities and Exchange Commission (SEC) for twelve months ended December 31, 2004, *** experienced an operating loss on its entire operations. Per *** Form 10-Q to SEC for nine months ended September 30, 2004, its operations on hot-rolled steel products represented only *** percent (in terms of steel shipment tons) compared to its entire operations.

Table III-14

Hot-rolled steel: Variance analysis of operations of U.S. producers, commercial sales only, between fiscal years 1999-2004

Item	Between fiscal years					
	1999-2004	1999-2000	2000-01	2001-02	2002-03	2003-04
	Value (\$1,000)					
Net sales:						
Price variance	6,183,678	467,553	(890,766)	758,787	(62,268)	5,893,960
Volume variance	993,005	(28,421)	(52,721)	243,071	762,477	85,011
Total net sales variance	7,176,683	439,132	(943,487)	1,001,858	700,209	5,978,971
Cost of sales:						
Cost variance	(2,466,425)	(191,079)	(20,055)	766,748	(668,787)	(2,404,408)
Volume variance	(998,068)	28,566	50,909	(269,661)	(673,745)	(82,981)
Total cost variance	(3,464,493)	(162,513)	30,854	497,087	(1,342,532)	(2,487,389)
Gross profit variance	3,712,190	276,619	(912,633)	1,498,945	(642,323)	3,491,582
SG&A expenses:						
Expense variance	(185,972)	26,227	(201,773)	44,917	5,018	(36,839)
Volume variance	(57,256)	1,639	2,643	(21,969)	(56,766)	(6,325)
Total SG&A variance	(243,228)	27,866	(199,130)	22,948	(51,748)	(43,164)
Operating income variance	3,468,962	304,485	(1,111,763)	1,521,893	(694,071)	3,448,418
Summarized as:						
Price variance	6,183,678	467,553	(890,766)	758,787	(62,268)	5,893,960
Net cost/expense variance	(2,652,397)	(164,852)	(221,828)	811,665	(663,769)	(2,441,247)
Net volume variance	(62,319)	1,784	831	(48,559)	31,966	(4,295)
Note.--Unfavorable variances are shown in parentheses; all others are favorable.						
Source: Compiled from data submitted in response to Commission questionnaires.						

Operations on Hot-rolled Steel Products (Commercial Sales, Internal Consumption, and Transfers)

The results of the U.S. producers' commercial sales, internal consumption, and related company transfers for hot-rolled steel operations are presented in table III-15 and internal consumption and related company transfers only are presented in table III-16. A substantial share (approximately 60.4 percent in terms of sales value) of production of hot-rolled steel products in 2004 was internally consumed (56.1 percent) and/or transferred (4.2 percent) to related companies for production of downstream products.

Producers were requested to value transfers at fair market value, or to estimate the per-unit sales value, cost of goods sold (COGS), and SG&A expenses of the transfers based on the commercial sales data unless there were actual differences in the per-unit COGS between the commercial sales and transfers. If there were actual differences in the per-unit COGS between the commercial sales and transfers, due to differences in product mix, physical characteristics, or quality, producers were requested to adjust the per-unit value of the transfers using these actual COGS differences based on the per-unit value of commercial sales. SG&A expenses were allocated to these combined commercial and transfer sales proportionally, i.e., using the same per-ton expense for transfers as for commercial sales.

Aggregate results of overall combined operations (including internal consumption and related company transfers) generally followed the same pattern as the results of commercial sales. Net sales quantity, value, and operating income all fluctuated between 1999 and 2004. However, net sales value as well as operating income increased markedly from 2003 to 2004, while sales quantity for the same period increased more modestly, due mainly to a substantial increase in per-short-ton selling price (from \$300 per short ton to \$523 per short ton). The operating loss in 2003 changed to operating income in 2004 and per-unit profitability increased noticeably for the same period. The domestic industry's operating income ratio to net sales in 2004 was more than 21 percent while its operating loss ratio in 2003 was almost 9 percent. Per-short-ton net sales value increased in 2004 (by \$223) from 2003, while per-unit total cost also increased by \$84, resulting in operating income (\$113 per short ton) in 2004 compared to an operating loss of \$27 in 2003, an increase of \$139 per short ton.

Table III-15

Hot-rolled steel: Results of operations of U.S. producers (commercial sales, internal consumption, and transfers), fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Quantity (short tons)					
Commercial sales	22,880,021	22,781,901	22,611,931	23,509,586	26,025,513	26,308,253
Internal consumption	40,296,120	40,516,850	34,110,686	35,792,410	35,081,845	37,372,863
Related company transfers	1,835,255	1,766,104	2,414,522	2,155,259	2,660,231	2,957,186
Total sales	65,011,396	65,064,855	59,137,139	61,457,255	63,767,589	66,638,302
	Value (\$1,000)					
Commercial sales	6,627,317	7,066,449	6,122,963	7,124,821	7,825,029	13,804,000
Internal consumption	11,566,170	12,040,380	8,661,512	11,243,984	10,446,791	19,548,127
Related company transfers	492,549	508,177	712,762	703,897	830,375	1,471,350
Total sales	18,686,036	19,615,006	15,497,237	19,072,702	19,102,195	34,823,477
COGS	18,874,219	19,370,550	17,727,263	17,936,959	19,352,199	25,428,123
Gross profit (loss)	(188,183)	244,456	(2,230,026)	1,135,743	(250,004)	9,395,354
SG&A expenses	1,051,745	1,065,627	1,443,380	1,492,586	1,453,050	1,886,866
Operating income (loss)	(1,239,928)	(821,171)	(3,673,406)	(356,843)	(1,703,054)	7,508,488
	Value (per short ton)					
Net sales	\$287	\$301	\$262	\$310	\$300	\$523
COGS	290	298	300	292	303	382
Gross profit (loss)	(3)	4	(38)	18	(4)	141
SG&A expenses	16	16	24	24	23	28
Operating income (loss)	(19)	(13)	(62)	(6)	(27)	113
	Ratio to net sales (percent)					
COGS	101.0	98.8	114.4	94.0	101.3	73.0
Gross profit (loss)	(1.0)	1.2	(14.4)	6.0	(1.3)	27.0
SG&A expenses	5.6	5.4	9.3	7.8	7.6	5.4
Operating income (loss)	(6.6)	(4.2)	(23.7)	(1.9)	(8.9)	21.6
	Number of firms reporting					
Operating losses	14	8	13	5	12	1
Data	18	17	16	16	17	17

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-16
Hot-rolled steel: Results of operations of U.S. producers (internal consumption and transfers only), fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Quantity (short tons)					
Internal consumption	40,296,120	40,516,850	34,110,686	35,792,410	35,081,845	37,372,863
Related company transfers	1,835,255	1,766,104	2,414,522	2,155,259	2,660,231	2,957,186
Total	3,670,510	3,532,208	4,829,044	4,310,518	5,320,462	5,914,372
	Value (\$1,000)					
Internal consumption	11,566,170	12,040,380	8,661,512	11,243,984	10,446,791	19,548,127
Related company transfers	492,549	508,177	712,762	703,897	830,375	1,471,350
Total	12,058,719	12,548,557	9,374,274	11,947,881	11,277,166	21,019,477
COGS	12,213,113	12,546,931	10,934,498	11,641,281	11,713,989	15,302,524
Gross profit (loss)	(154,394)	1,626	(1,560,224)	306,600	(436,823)	5,716,953
SG&A expenses	669,618	711,366	889,989	962,143	870,859	1,261,511
Operating income (loss)	(824,012)	(709,740)	(2,450,213)	(655,543)	(1,307,682)	4,455,442
	Value (per short ton)					
Internal consumption	\$287	\$297	\$254	\$314	\$298	\$523
Related company transfers	268	288	295	327	312	498
Total	286	297	257	315	299	521
COGS	290	297	299	307	310	379
Gross profit (loss)	(4)	0	(43)	8	(12)	142
SG&A expenses	16	17	24	25	23	31
Operating income (loss)	(20)	(17)	(67)	(17)	(35)	110
	Ratio to net sales (percent)					
COGS	101.3	100.0	116.6	97.4	103.9	72.8
Gross profit (loss)	(1.3)	0.0	(16.6)	2.6	(3.9)	27.2
SG&A expenses	5.6	5.7	9.5	8.1	7.7	6.0
Operating income (loss)	(6.8)	(5.7)	(26.1)	(5.5)	(11.6)	21.2
Source: Compiled from data submitted in response to Commission questionnaires.						

The results of combined operations on commercial and transfer sales by firm are presented in table III-17. Two producers, ***, had operating losses and two producers, ***, had operating income for all periods.

Table III-17

Hot-rolled steel: Results of operations of U.S. producers, by firm (commercial sales, internal consumption, and transfers), fiscal years 1999-2004

* * * * *

Table III-18 presents a comparison of per-unit net sales values, per-unit operating income/(loss), and operating margins between commercial sales, internal consumption, and related company transfers.³⁴

Table III-18

Hot-rolled steel: Comparison of per-unit net sales values, per-unit operating income (loss), and operating margin of operations of U.S. producers, for commercial sales, internal consumption, and transfers, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
Per-ton net sales value:	Value (per short ton)					
Commercial sales	\$290	\$310	\$271	\$303	\$301	\$525
Internal consumption (IC)	287	297	254	314	298	523
Related transfers	268	288	295	327	312	498
Average	287	301	262	310	300	523
Per-ton op. income (loss):						
Commercial sales	(18)	(5)	(54)	13	(15)	116
IC/transfers	(20)	(17)	(67)	(17)	(35)	110
Average	(19)	(13)	(62)	(6)	(27)	113
Operating margin:	Ratio to net sales (percent)					
Commercial sales	(6.3)	(1.6)	(20.0)	4.2	(5.1)	22.1
IC/transfers	(6.8)	(5.7)	(26.1)	(5.5)	(11.6)	21.2
Average	(6.6)	(4.2)	(23.7)	(1.9)	(8.9)	21.6
Source: Compiled from data submitted in response to Commission questionnaires.						

³⁴ Commission staff requested explanations from five producers, ***, regarding differences in per-short-ton profitability between commercial sales and combined sales (commercial sales, internal consumption, and related transfers), primarily but not exclusively in 2002. Two producers, ***, provided some explanations, while the remaining three producers submitted revised financial data which narrowed the differences overall. There are many reasons for differences in the aggregated data. For example, ***.

Capital Expenditures and Research and Development Expenses

The U.S. producers' capital expenditures and research and development (R&D) expenses are presented in table III-19. Capital expenditures increased from 1999 to 2000 and then continuously decreased from 2000 through 2002 until they increased again in 2003 and 2004. R&D expenses increased from 1999 to 2001 and decreased continuously from 2001 to 2004. Capital expenditures by individual firms are presented in table III-20. Six producers³⁵ made substantial capital investments during the period for which data were collected.

Table III-19

Hot-rolled steel: Capital expenditures and R&D expenses by U.S. producers, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Value (\$1,000)					
Capital expenditures	486,548	771,588	434,026	254,276	263,449	517,851
R&D expenses	4,706	11,226	82,262	55,925	50,688	44,984

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-20

Hot-rolled steel: Capital expenditures by U.S. producers, by firm, fiscal years 1999-2004

* * * * *

Assets and Return on Investment

U.S. producers were requested to provide data on their assets used in the production and sales of hot-rolled steel products during the period for which data were collected to assess their return on investments (ROI). Although ROI can be computed in different ways, a commonly used method is income earned during the period divided by the total assets utilized for the operations. Therefore, staff calculated ROI as operating income divided by total assets used in the production and sale of hot-rolled steel products. Data on the U.S. producers' total assets and their ROI are presented in table III-21.

Total assets utilized by the U.S. producers in their operations generally decreased between 1999 and 2003,³⁶ due mainly to many plant closings/shutdowns, and then increased in 2004. Since the U.S. producers' operating income increased considerably from 2003 to 2004, their ROI increased from a loss ratio of 20.2 percent in 2003 to a positive ratio of 68.9 percent in 2004.

³⁵ These firms were ***.

³⁶ ***.

Table III-21

Hot-rolled steel: Value of assets and return on investment of U.S. producers, fiscal years 1999-2004

Item	Fiscal year					
	1999	2000	2001	2002	2003	2004
	Value (\$1,000)					
Current assets:						
A. Cash and equivalents	137,394	162,849	172,287	129,640	112,309	573,743
B. Trade receivables (net)	754,510	675,597	649,965	960,641	1,025,084	2,197,378
C. Inventory	1,413,880	1,428,452	1,154,182	1,436,632	1,415,022	2,202,973
D. All other current	102,216	141,613	60,423	85,563	111,647	139,573
Total current	2,408,000	2,408,511	2,036,857	2,612,476	2,664,062	5,113,667
Non-current assets:						
A. Productive facilities ¹	14,177,063	14,248,179	13,691,251	14,195,203	10,276,304	9,789,343
B. Productive facilities (net) ²	7,877,976	7,390,064	6,810,803	6,671,029	5,454,005	5,356,779
C. Other non-current	1,410,215	1,441,922	758,976	546,167	327,219	429,270
Total non-current	9,288,191	8,831,986	7,569,779	7,217,196	5,781,224	5,786,049
Total assets	11,696,191	11,240,497	9,606,636	9,829,672	8,445,286	10,899,716
	Value (\$1,000)					
Operating income (loss)	(1,239,928)	(821,171)	(3,673,406)	(356,843)	(1,703,054)	7,508,488
	Ratio of operating income to total assets (percent)					
Return on investment	(10.6)	(7.3)	(38.2)	(3.6)	(20.2)	68.9
¹ Original cost of property, plant, and equipment (PPE). ² Net book value of PPE (original cost less accumulated depreciation).						
Source: Compiled from data submitted in response to Commission questionnaires.						

PART IV: U.S. IMPORTS AND THE FOREIGN INDUSTRY

U.S. IMPORTS

The Commission sent questionnaires to 57 firms believed to have imported hot-rolled steel between January 1999 and July 2004, and received usable data from 15 of the firms.¹ Based on official Commerce statistics for imports of certain hot-rolled steel products, firms responding to the Commission's questionnaire accounted for 67 percent of the subject imports from Brazil, 21 percent of the subject imports from Japan, and 60 percent of the subject imports from Russia. Import data in this report are derived from official Commerce statistics for non-alloy hot-rolled steel, as adjusted by questionnaire responses to include imports of micro-alloy steel and deduct imports of hot-rolled steel that have been excluded from Commerce's scope.

No importers reported entering or withdrawing hot-rolled steel from foreign trade zones or bonded warehouses. In addition, no importers reported imports of hot-rolled steel under the temporary importation under bond program.

Imports of hot-rolled steel from each of the subject countries and from all nonsubject countries for the period 1999-2004 appear in table IV-1. The combined quantity of imports from the subject countries nearly tripled in 2000, then declined in 2001 by more than 95 percent. Subject imports increased again in 2002, decreased in 2003, then rose to their highest period level in 2004 as a result of a substantial increase in imports of hot-rolled steel from Russia.

Table IV-1
Hot-rolled steel: U.S. imports, by sources, 1999-2004

Source	Calendar year					
	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
Brazil	49,809	158,565	2,587	383	53	2,978
Japan	61,798	17,109	6,872	6,372	10,838	16,086
Russia	14,612	183,236	5,845	160,712	32,485	904,101
Subtotal	126,219	358,910	15,303	167,466	43,376	923,164
Other sources	6,107,058	6,884,190	2,988,797	4,555,184	2,707,705	4,270,579
Total	6,233,277	7,243,100	3,004,100	4,722,650	2,751,082	5,193,743
Value (1,000 dollars)¹						
Brazil	11,442	51,679	972	268	32	1,393
Japan	22,958	10,566	6,136	7,244	13,385	16,451
Russia	3,096	54,130	1,670	52,268	10,951	477,902
Subtotal	37,496	116,376	8,779	59,779	24,368	495,746
Other sources	1,628,159	2,072,340	818,356	1,411,112	903,410	2,178,142
Total	1,665,654	2,188,717	827,134	1,470,891	927,778	2,673,888

Table continued on next page.

¹ Eighteen of the firms reported that they did not import certain hot-rolled steel products during the period for which data were collected, 9 firms requested return delivery of the questionnaire, and 16 firms did not respond to the Commission's questionnaires.

Table IV-1--Continued
Hot-rolled steel: U.S. imports, by sources, 1999-2004

Source	Calendar year					
	1999	2000	2001	2002	2003	2004
Unit value (per short ton)						
Brazil	\$230	\$326	\$376	\$700	\$598	\$468
Japan	371	618	893	1,137	1,235	1,023
Russia	212	295	286	325	337	529
Average	297	324	574	357	562	537
Other sources	267	301	274	310	334	510
Average	267	302	275	311	337	515
Share of quantity (percent)						
Brazil	0.8	2.2	0.1	0.0	0.0	0.1
Japan	1.0	0.2	0.2	0.1	0.4	0.3
Russia	0.2	2.5	0.2	3.4	1.2	17.4
Subtotal	2.0	5.0	0.5	3.5	1.6	17.8
Other sources	98.0	95.0	99.5	96.5	98.4	82.2
Total	100.0	100.00	100.0	100.0	100.0	100.0
Share of value (percent)						
Brazil	0.7	2.4	0.1	0.0	0.0	0.1
Japan	1.4	0.5	0.7	0.5	1.4	0.6
Russia	0.2	2.5	0.2	3.6	1.2	17.9
Subtotal	2.3	5.3	1.1	4.1	2.6	18.5
Other sources	97.7	94.7	98.9	95.9	97.4	81.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Ratio of import quantity to U.S. production (percent)						
Brazil	0.1	0.2	0.0	0.0	0.0	0.0
Japan	0.1	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.3	0.0	0.3	0.0	1.3
Subtotal	0.2	0.5	0.0	0.3	0.1	1.4
Other sources	9.1	10.2	4.9	7.2	4.2	6.3
Total	9.3	10.7	4.9	7.5	4.2	7.6
¹ Landed, duty-paid. ² Less than 0.05 percent.						
Note. –Because of rounding, figures may not add to the totals shown.						
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.						

Overall, the total quantity of hot-rolled steel imports from all sources decreased irregularly from 1999 to 2004 by nearly 16.7 percent, reaching its nadir in 2003.² Between 1999 and 2003, subject imports accounted for 0.5 percent to 5.0 percent of total U.S. imports. In 2004, this share increased to 17.8 percent, reflecting primarily a substantial increase in the quantity of subject imports from Russia.

The average unit values of U.S. imports of hot-rolled steel increased overall from 1999 to 2004 for both subject and nonsubject countries. Average unit values for both groups were comparable with the exception of 2001 and 2003, when the average unit values of subject imports exceeded the average unit values of nonsubject imports by \$300 and \$228, respectively. If Japan is excluded from the averages for those years, however, the gap in values was only \$39 in 2001 and \$4 in 2003. This reflects the steady increase in the average unit values of subject imports from Japan, which increased from \$371 per short ton in 1999 to \$1,235 by 2003.

The ratio of U.S. imports of hot-rolled steel from the three subject countries to U.S. production of hot-rolled steel did not exceed 1.4 percent during the period for which data were collected in these reviews. The ratio of subject country imports to U.S. production, however, did increase during the period from 0.2 percent to 1.4 percent. In contrast, the ratio of nonsubject imports to U.S. production decreased from 9.1 percent to 6.3 percent during the period.

Several importers reported arrangements for the importation of hot-rolled steel from Japan and Russia for delivery after December 31, 2004. No importer reported having arrangements for the importation of hot-rolled steel from Brazil for delivery after December 31, 2004. One importer has arranged for *** each from Japan to be delivered between January and June 2005. Five importers have arranged for import orders from Russia, totaling 91,664 short tons, for the period January 1 through March 31, 2005, and 18,140 short tons for the period April 1 through June 30, 2005. One importer, ***, that was unable to provide a completed questionnaire response reported that since January 1, 2005 it has placed orders for a total of *** short tons of hot-rolled steel from Russia.³ These reported import orders parallel the official Commerce statistics for January 2005. During January 2005 there were no imports of hot-rolled steel from Brazil, 1,560 short tons from Japan, and 6,928 short tons from Russia.⁴

U.S. IMPORTERS' INVENTORIES

Inventories of subject imports increased irregularly between 1999 and 2004 while inventories of nonsubject imports decreased irregularly. Data relating to U.S. importers' inventories of hot-rolled steel are presented in table IV-2. Information summarizing the inventory levels of U.S. producers and steel service centers is presented in Part III.

² See Part I of this report for a description of the U.S. safeguard measure in effect in 2003.

³ E-mail from ***, March 21, 2005.

⁴ Official Commerce statistics for U.S. imports for consumption of hot-rolled steel in January 2005. In addition, monitoring data for U.S. imports compiled by Commerce, although covering a more expansive definition of hot-rolled steel, are also consistent with questionnaire responses. These data indicate that import licenses for hot-rolled steel from Brazil fluctuated from 37 metric tons in January 2005 to 1,453 metric tons in February 2005 and to 2 metric tons in March 2005. Import licenses for hot-rolled steel from Japan decreased from 4,327 metric tons in January 2005 to 4,269 metric tons in February 2005 and to 3,485 metric tons in March 2005. Import licenses for hot-rolled steel from Russia increased from 6,289 metric tons in January 2005 to 18,114 metric tons in February 2005 and to 101,184 metric tons in March 2005 (26.5 percent of total licenses issued in March 2005). *License Data: U.S. Imports of Monitored Steel Products: Hot-Rolled Sheet from All Countries*, modified on March 29, 2005, found at <http://ia.ita.doc.gov/steel/license/expandedsurge/monitor/license/LicMtHrs.htm>, retrieved April 6, 2005.

Table IV-2
Hot-rolled steel: U.S. importers' end-of-period inventories of imports, by source, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Imports from Brazil:						
Inventories (short tons)	***	***	***	0	0	0
Ratio to imports (percent)	***	***	***	0.0	0.0	0.0
Ratio to U.S. shipments of imports (percent)	***	***	***	0.0	0.0	0.0
Imports from Japan:						
Inventories (short tons)	***	***	***	0	0	0
Ratio to imports (percent)	***	***	***	0.0	0.0	0.0
Ratio to U.S. shipments of imports (percent)	***	***	***	0.0	0.0	0.0
Imports from Russia:						
Inventories (short tons)	***	***	***	31,826	3,939	10,084
Ratio to imports (percent)	***	***	***	30.3	(¹)	2.2
Ratio to U.S. shipments of imports (percent)	***	***	***	43.3	14.1	2.2
Imports from subject sources:						
Inventories (short tons)	400	4,825	167	31,826	3,939	10,084
Ratio to imports (percent)	0.2	3.3	0.4	29.4	235.6	2.1
Ratio to U.S. shipments of imports (percent)	0.2	3.4	0.3	41.5	13.3	2.2
Imports from all other sources:						
Inventories (short tons)	39,844	54,001	12,616	75,027	268	15,983
Ratio to imports (percent)	4.1	6.4	3.8	12.6	0.2	2.4
Ratio to U.S. shipments of imports (percent)	4.3	6.5	3.4	14.1	0.1	2.4
Imports from all sources:						
Inventories (short tons)	40,244	58,826	12,783	106,853	4,207	26,067
Ratio to imports (percent)	3.6	5.9	3.4	15.2	3.5	2.3
Ratio to U.S. shipments of imports (percent)	3.6	6.0	3.0	17.5	2.0	2.3
¹ Not applicable.						
Source: Compiled from data submitted in response to Commission questionnaires.						

Relative to import quantity, inventories of subject imports ranged from 0.2 percent to 235.6 percent of imports between 1999 and 2004. As a ratio to U.S. shipments of imports, inventories of subject imports in this period ranged from 0.2 percent to 41.5 percent. Over the period, inventories of subject steel fluctuated widely from a low of 167 short tons in 2001 to a high of 31,826 short tons in 2002. Total import inventories increased by 21,860 short tons in 2004. Inventories of hot-rolled steel from Russia held by U.S. importers more than doubled in 2004. In recent years, all inventories of subject

imports have been of Russian origin. Domestic interested parties attributed this sizeable inventory increase to panic buying on the part of domestic purchasers who reacted to rising raw material and hot-rolled steel prices with increased purchases. In addition, domestic interested parties argue that the increase in import purchases led to an inventory build-up lower in the distribution chain.⁵ During the Commission's hearing the domestic interested parties expressed their opinion that most of the steel that was imported during the summer of 2004 went directly into inventories.⁶

CUMULATION CONSIDERATIONS

In assessing whether subject imports are likely to compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) the degree of fungibility, including specific customer requirements and other quality-related questions; (2) presence of sales or offers to sell in the same geographic markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in Part II of this report. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

Fungibility

U.S. producers and importers of hot-rolled steel were asked to provide data concerning their U.S. (commercial) shipments of hot-rolled steel by grade, thickness, surface finish, and edge finish. These data are presented in tables IV-3 and IV-4.

Geographic Markets

As noted previously, hot-rolled carbon steel products produced in the United States are shipped nationwide. Information summarizing the regional shipment of hot-rolled steel is presented in Part II.

Presence in the Market

Hot-rolled carbon steel products, produced in the countries subject to these reviews, were present throughout the period for which data were collected. Based on Commerce statistics, imports of hot-rolled steel from Brazil entered the United States in 38 months between January 1999 and December 2004, while imports from Japan entered in 72 months and imports from Russia entered in 37 months. Table IV-5 presents U.S. imports of hot-rolled carbon steel products, by country, according to the number of months in each period in which they entered. Table IV-6 presents quarterly data on the quantity of U.S. imports of hot-rolled carbon steel products, by source, during 1999-2004.

⁵ Hearing transcript, p. 207 (Blume), p. 106 (DiMicco), p. 121-122 (Syzmanski). Service center inventories appear in Part III of this report.

⁶ Hearing transcript, p. 207 (Syzmanski).

Table IV-3
Hot-rolled steel: Shares of commercial shipments/imports, by thickness and grade, 2004

Share of quantity (percent)

Grade	Thickness		
	≤ 0.080"	> 0.080" but ≤0.187"	> 0.187"
U.S. producers' commercial shipments:			
ASTM A-1011 CS, A-1018 CS or (A-569) ¹	5.2	20.9	7.3
ASTM A-1011 SS, A-1018 SS or (A-570) ¹	1.5	4.0	3.9
ASTM A-1011 HSLA, A-1018 HSLA or (A-607) ¹	2.4	6.6	5.0
All other grades	5.6	23.8	13.8
U.S. imports from Brazil:			
ASTM A-1011 CS, A-1018 CS or (A-569) ¹	***	***	***
ASTM A-1011 SS, A-1018 SS or (A-570) ¹	0.0	0.0	0.0
ASTM A-1011 HSLA, A-1018 HSLA or (A-607) ¹	0.0	0.0	0.0
All other grades	***	***	***
U.S. imports from Japan:			
ASTM A-1011 CS, A-1018 CS or (A-569) ¹	***	***	***
ASTM A-1011 SS, A-1018 SS or (A-570) ¹	0.0	0.0	0.0
ASTM A-1011 HSLA, A-1018 HSLA or (A-607) ¹	0.0	0.0	0.0
All other grades	***	***	***
U.S. imports from Russia:			
ASTM A-1011 CS, A-1018 CS or (A-569) ¹	3.9	58.6	9.6
ASTM A-1011 SS, A-1018 SS or (A-570) ¹	0.0	0.0	1.3
ASTM A-1011 HSLA, A-1018 HSLA or (A-607) ¹	0.2	0.3	7.3
All other grades	3.7	5.7	9.4
U.S. imports from all other sources:			
ASTM A-1011 CS, A-1018 CS or (A-569) ¹	9.0	39.3	15.0
ASTM A-1011 SS, A-1018 SS or (A-570) ¹	3.9	4.1	2.1
ASTM A-1011 HSLA, A-1018 HSLA or (A-607) ¹	11.0	8.5	0.2
All other grades	2.3	2.5	2.1
¹ Or equivalent.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Table IV-4**Hot-rolled steel: Shares of U.S. producers' commercial shipments and U.S. imports, by additional processing, 2004**

Share of quantity (percent)					
Additional process	U.S. producers' shipments	Imports from - -			
		Brazil	Japan	Russia	All other
Pickling and oiling:					
Neither pickled nor oiled	78.5	***	***	98.8	76.5
Pickled and/or oiled	21.5	***	***	1.2	23.5
Total	100.0	100.0	100.0	100.0	100.0
Temper rolling:					
Not temper rolled or skin	91.8	***	***	97.4	67.1
Temper rolled or skin passed	8.2	***	***	2.6	32.9
Total	100.0	100.0	100.0	100.0	100.0
Edge trim:					
Mill edge (as rolled)	81.3	***	***	99.9	91.6
Trimmed	18.7	***	***	0.1	8.4
Total	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires.					

Table IV-5**Hot-rolled steel: U.S. imports, monthly entries into the United States, by sources, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Brazil	8	11	6	3	2	8
Japan	12	12	12	12	12	12
Russia	5	10	3	6	3	10
All others	12	12	12	12	12	12
Source: Compiled from official statistics of Commerce.						

Table IV-6
Hot-rolled steel: U.S. imports, quarterly, by sources, 1999-2004

Quantity (short tons)					
Source	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Total
1999:					
Brazil	41,851	30	7,929	0	49,810
Japan	31,752	13,674	6,794	8,161	60,381
Russia	10,630	0	3,981	0	14,611
All other	1,129,157	1,296,900	1,735,904	1,946,254	6,108,215
2000:					
Brazil	23,225	76,735	48,080	10,523	158,563
Japan	7,747	4,722	1,014	1,220	14,703
Russia	8,823	50,364	77,392	46,657	183,236
All other	1,954,304	2,206,535	1,656,380	1,066,479	6,883,698
2001:					
Brazil	1,986	28	351	221	2,586
Japan	1,339	2,220	1,769	1,545	6,873
Russia	5,845	0	0	0	5,845
All other	832,097	848,390	519,814	787,692	2,987,993
2002:					
Brazil	0	20	21	341	382
Japan	934	647	1,603	3,188	6,372
Russia	11,179	0	9,639	139,893	160,711
All other	848,158	833,285	1,423,033	1,452,816	4,557,292
2003:					
Brazil	0	6	47	0	53
Japan	3,304	2,895	2,860	1,780	10,839
Russia	31,816	669	0	0	32,485
All other	922,547	652,385	617,412	515,363	2,707,707
2004:					
Brazil	136	1,745	1,054	42	2,977
Japan	3,822	4,676	3,360	3,785	15,643
Russia	28	227,003	476,185	200,347	903,563
All other	763,106	941,475	1,224,215	1,344,586	4,273,382
Source: Compiled from official statistics of Commerce.					

THE INDUSTRY IN BRAZIL

Data on Brazil's hot-rolled steel capacity, production, inventories, and shipments are presented in table IV-7. In their responses to the Commission's notice of institution in the current five-year reviews, the domestic interested parties identified five firms believed to currently produce the subject merchandise in Brazil.⁷ The Commission issued questionnaires to each of these companies as well as to two potential producers/exporters identified through further research.⁸ Counsel on behalf of four Brazilian respondents provided complete data. Mangels Industria e Comércio Ltda. responded that it has not produced or exported hot-rolled steel since January 1, 1999. No response was obtained from Acesita and Cia Siderúrgica Belgo-Mineira. In the original investigation counsel for Acesita filed a statement of no exports of subject merchandise to the United States during the period examined.⁹ Accordingly, the data presented in table IV-7 are for Companhia Siderúrgica de Tubarão ("CST"), Companhia Siderúrgica Nacional ("CSN"), Companhia Siderúrgica Paulista ("COSIPA"), and Usinas Siderúrgica de Minas Gerais S.A. ("USIMINAS").

During the period for which data were collected in these reviews, Brazilian hot-rolled steel capacity and production increased by 20.3 and 23.4 percent, respectively. Capacity utilization increased over the period by 2.6 percentage points. In response to the Commission's question on changes in capacity, *** reported the start-up of a new hot-strip mill with a capacity of *** tons per year in August 2002. *** reported that since 1999, it has implemented significant production changes in the areas of thickness and width control, complete rolling automation, and automatic cooling control. None of the Brazilian producers reported having plans to increase capacity. CST's company website does describe its installation of a new blast furnace, stating that "the new blast furnace will have an annual installed capacity of 2.8 million tons of pig iron and is part of CST's expansion project to increase its current capacity from 5 million to 7.5 million tons of steel per year, slabs and hot coils, as from the second half of 2006. This investment is part of a larger project, reportedly valued at approximately \$1 billion, that includes several new facilities and pieces of major equipment."¹⁰ Reportedly these new facilities will only be capable of producing slab, and CST will not have any new facilities to produce hot-rolled steel until June 2008.¹¹ Nonetheless, CST's president stated that the company's production of hot-rolled coils will likely grow 15 percent to 2.3 million tons in 2005.¹²

⁷ The Brazilian producers are Acesita S/A, Companhia Siderúrgica Nacional, Companhia Siderúrgica de Tubarão, Companhia Siderúrgica Paulista, and Usinas Siderúrgica de Minas Gerais.

⁸ Cia Siderúrgica Belgo-Mineira and Mangels Indústria e Comércio Ltda.

⁹ *Certain Hot-Rolled Steel Products from Japan, Inv. No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. VII-2.

¹⁰ *Concreting of the Number 3 Blast Furnace's main foundations concluded*, Companhia Siderúrgica de Tubarão- Investor Relations- News, November 24, 2004, found at <http://www.cst.com.br/in/relacoes/noticias/br/noticias>, retrieved February 21, 2005.

¹¹ Posthearing brief of Brazilian respondent interested parties, p. 6.

¹² *CST seen investing in hot-rolled coils expansion*, Business News Americas, September 1, 2004, as found in domestic interested party, U.S. Steel's prehearing brief, attachment 2.

Table IV-7
Hot-rolled steel: Brazil's capacity, production, inventories, and shipments, 1999-2004

Item	1999	2000	2001	2002	2003	2004 ¹
Quantity (short tons)						
Capacity	9,957,784	10,474,964	10,732,667	11,282,817	12,915,884	11,974,375
Production	9,612,884	10,550,613	9,592,529	10,582,804	12,067,926	11,866,791
End-of-period inventories	263,279	379,932	321,429	254,479	276,322	291,566
Shipments:						
Internal consumption/transfers	5,692,233	6,084,146	5,874,347	6,320,449	6,545,594	6,109,754
Home market	2,713,192	3,293,231	3,242,873	3,401,729	4,049,318	4,485,454
Exports to:						
United States	32,689	159,479	***	0	0	***
European Union	145,756	124,037	78,230	120,156	305,390	428,115
China	11,218	0	0	49,058	406,839	92,307
Other Asia	667,768	96,121	***	140,591	254,919	***
All other markets	245,920	530,588	312,924	503,091	390,017	538,177
Total exports	1,103,351	910,225	400,092	812,896	1,357,165	1,177,399
Total shipments	9,508,776	10,287,602	9,517,312	10,535,074	11,952,077	11,772,607
Ratio and shares (percent)						
Capacity utilization ¹	96.5	100.7	89.4	93.8	93.4	99.1
Inventories/production	2.7	3.6	3.4	2.4	2.3	2.5
Inventories/shipments	2.8	3.7	3.4	2.4	2.3	2.5
Share of total shipments:						
Internal consumption/transfers	59.9	59.1	61.7	60.0	54.8	51.9
Home market	28.5	32.0	34.1	32.3	33.9	38.1
Exports to:						
United States	0.3	1.6	***	0.0	0.0	***
European Union	1.5	1.2	0.8	1.1	2.6	3.6
China	0.1	0.0	0.0	0.5	3.4	0.8
Other Asia	7.0	0.9	***	1.3	2.1	***
All other markets	2.6	5.2	3.3	4.8	3.3	4.6
Total exports	11.6	8.8	4.2	7.7	11.4	10.0

Table continued on next page.

Table IV-7--Continued
Hot-rolled steel: Brazil's capacity, production, inventories, and shipments, 1999-2004

Item	1999	2000	2001	2002	2003	2004 ¹
Value (\$1,000)						
Commercial shipments:						
Home market	640,740	856,382	791,173	851,055	1,560,120	2,335,668
Exports to:						
United States	7,235	45,703	***	0	0	***
European Union	26,507	31,032	14,475	26,060	86,381	201,698
China	1,745	0	0	9,716	110,169	30,691
Other Asia	103,989	22,194	***	29,458	72,068	***
All other markets	72,335	127,892	74,309	108,169	83,868	201,014
Total exports	211,811	226,821	90,773	173,403	352,486	479,469
Total commercial shipments	852,551	1,083,203	881,946	1,024,458	1,912,606	2,815,137
Unit value (per short ton)						
Commercial shipments:						
Home market	\$236	\$260	\$244	\$250	\$385	\$521
Exports to:						
United States	221	287	***	(²)	(²)	***
European Union	182	250	185	217	283	471
China	156	(²)	(²)	198	271	332
Other Asia	156	231	***	210	283	***
All other markets	294	241	237	215	215	374
Total exports	192	249	227	213	260	407
Total commercial shipments	223	258	242	243	354	497
¹ *** reported data for January-September 2004; accordingly data for the Brazilian industry for calendar year 2004 are understated. *** average production capacity and production were approximately *** tons lower in January- September 2004 than in full year 2003. ² Not applicable.						
Note.--Because of rounding, figures may not add to the totals shown. Ratios and shares are calculated from unrounded figures. Source: Compiled from data submitted in response to Commission questionnaires.						

Capacity expansion is being undertaken by companies not currently producing steel in Brazil. For example, Baosteel Shanghai Group of China is partnering with Brazilian mining company, Cia Vale do Rio Doce, to build a \$1.5 billion steel mill in São Luis, a northeastern coastal city. This plant is expected to produce about 3.5 million metric tons of steel a year by 2007.¹³

The Brazilian National Bank of Economic and Social Development recently signed a letter of intent to offer \$110 million in financing for a steel slab plant to be built in the state of Ceará. The government has guaranteed natural gas supplies for the mill in an effort to attract foreign investors. This plant is expected to produce 1.5 million tons of steel for export by the middle of 2006.¹⁴ Overall, investments in Brazil's steel sector are currently estimated to reach \$12.7 billion through 2010 according to Luiz Andre Rico Vicente, vice president of the Brazilian Steel Institute. According to Vicente, companies will invest \$2.5 billion in 2005 and \$3.6 billion in expansion projects.¹⁵

In response to the Commission's question on producer ability to switch production, *** responded that it cannot switch production, while *** can produce slabs or hot-rolled coils and *** can switch production between hot-rolled and cold-rolled steel, including cold-rolled steel for the production of galvanized steel. Data regarding Brazilian hot-rolled steel producers' raw steel capacity and production, as well as their capacity and production of other forms of flat-rolled steel, are presented in table IV-8.

Sales of hot-rolled steel accounted for between one-fifth and one-half of total sales by responding Brazilian producers. In the most recent fiscal year, *** had the highest percentage of hot-rolled sales with *** percent, followed by *** with *** percent, *** with *** percent, and *** with *** percent. During the period for which data were collected, the Brazilian industry's internal consumption and home market shipments of hot-rolled steel increased by 7 and 65 percent, respectively. Also during this period, exports increased by nearly 7 percent. In 2004, exports accounted for 10 percent of the Brazilian industry's total hot-rolled steel shipments.

¹³ Todd Benson, *Brazil forges future as top steel maker*, International Herald Tribune, May 21, 2004, found at <http://www.iht.com> as contained in domestic interested party, U.S. Steel's, prehearing brief, attachment 12.

¹⁴ Todd Benson, *Brazil forges future as top steel maker*, International Herald Tribune, May 21, 2004, found at <http://www.iht.com> as contained in domestic interested party, U.S. Steel's, prehearing brief, attachment 12.

¹⁵ *Steel industry to boost production to 46 Mt/y by 2010-Brazil*, Business News Americas, January 14, 2005, found at <http://www.bnamericas.com>, retrieved February 21, 2005.

Table IV-8
Brazilian hot-rolled steel producers' capacity, production, and capacity utilization for total raw steel and alternative products, by products, 1999-2004

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Raw steel:						
Capacity (<i>short tons</i>)	16,671,568	17,795,050	17,222,497	20,887,233	20,797,493	21,347,081
Production (<i>short tons</i>)	16,253,045	18,146,281	17,222,572	20,092,623	20,449,497	21,274,958
Capacity utilization (<i>percent</i>)	97.5	102.0	100.0	96.2	98.3	99.7
Cold-rolled steel sheet and strip:						
Capacity (<i>short tons</i>)	3,129,520	3,498,262	4,025,012	3,842,202	4,025,137	4,004,538
Production (<i>short tons</i>)	3,037,472	3,422,415	3,349,686	3,586,648	3,935,181	4,136,829
Capacity utilization (<i>percent</i>)	97.1	97.8	83.2	93.3	97.8	103.3
Coated steel sheet and strip:						
Capacity (<i>short tons</i>)	***	***	***	***	***	***
Production (<i>short tons</i>)	***	***	***	***	***	***
Capacity utilization (<i>percent</i>)	***	***	***	***	***	***
Cut-to-length plate:						
Capacity (<i>short tons</i>)	2,183,251	2,324,573	2,311,296	2,211,703	2,189,591	2,158,395
Production (<i>short tons</i>)	1,800,889	1,784,519	1,850,487	1,877,790	2,031,335	2,092,618
Capacity utilization (<i>percent</i>)	82.5	76.8	80.1	84.9	92.8	97.0
Alloy and other nonsubject hot-rolled steel:						
Capacity (<i>short tons</i>)	***	***	***	***	***	***
Production (<i>short tons</i>)	***	***	***	***	***	***
Capacity utilization (<i>percent</i>)	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

After 2000, exports of hot-rolled steel from Brazil were shipped primarily to markets other than the United States. These markets include Asia, Europe (Portugal was specifically identified),¹⁶ and Latin America (Colombia and Mexico were specifically identified).

During the original investigation, certain hot-rolled steel products exported from Brazil were subject to an antidumping finding in Mexico. This finding ended in January 2001 and since February 2001 there have been, and currently are, no antidumping or other restrictions on imports of hot-rolled steel from Brazil into Mexico.¹⁷ Today, hot-rolled steel from Brazil is subject to an antidumping duty order of 4.81 percent to 26.3 percent in Canada (since August 2001, revised in 2003) and a suspension agreement for antidumping duties in Argentina (since 1999). The suspension agreement imposes

¹⁶ ***.

¹⁷ E-mail from Christopher Dunn of Willkie Farr & Gallagher LLP, counsel to respondent interested parties Companhia Siderúrgica Nacional; Companhia Siderúrgica Paulista; Companhia Siderúrgica de Tubarão; and, Usinas Siderúrgica de Minas Gerais, S.A., March 28, 2005.

exclusions, quotas and minimum prices, although some producers are only subject to the price requirements. Hot-rolled steel from Brazil was subject to increased tariffs, resulting from the safeguard action in the United States, from March 20, 2002 until December 4, 2003. Although the increased tariffs were terminated in December 2003, imports of hot-rolled steel from Brazil remain subject to monitoring.

THE INDUSTRY IN JAPAN

In their responses to the Commission's notice of institution in the current five-year reviews, the domestic interested parties identified six firms believed to currently produce the subject merchandise in Japan.¹⁸ The Commission issued questionnaires to each of these companies as well as to one potential producer/exporter identified through further research. The number of Japanese producers has decreased since the original investigation, as two producers, Kawasaki Steel and NKK, merged to form JFE Steel Corp. (JFE) in 2002. Counsel on behalf of JFE provided complete data for JFE, which reportedly accounted for more than *** percent of Japanese production of hot-rolled steel in 2003 and about *** percent of such exports to the United States in 2004. Takasago Tekko, K.K. responded that it has not produced or exported hot-rolled steel since January 1, 1999. The Japan Iron & Steel Federation (JISF), representing Japanese steel producers,¹⁹ filed posthearing comments explaining the lack of participation on the part of Japanese producers in these reviews. According to JISF, the Japanese producers, with the exception of JFE, have declined to participate because they do not view the U.S. market as an attractive market in the short or long term. Therefore, they cannot justify the expense of participating. In addition, the Japanese producers believe that the case for termination of the antidumping duty order on hot-rolled steel from Japan is so compelling that their participation is unnecessary. Accordingly, publicly available data for the Japanese industry are presented below in table IV-9 while the data presented in table IV-10 are based solely on JFE's questionnaire response.

Table IV-9
Crude steel and hot-rolled steel flat products: Japanese production, 1999-2003

Item	1999	2000	2001	2002	2003
Quantity (short tons)					
Crude steel production	103,829,000	117,334,000	113,390,000	118,768,000	121,817,000
Hot-rolled flat products	56,561,000	66,588,000	67,674,000	67,931,000	71,110,000
Source: International Iron and Steel Institute, <i>Steel Statistical Yearbook 2004</i> , pp. 12 and 56.					

During the period for which data were collected in these reviews, both Japanese crude steel and hot-rolled steel production increased overall. Japan's production of crude steel rose in 2000, declined in 2001, and then increased again in 2002 and marginally in 2003, as shown in table IV-9. Production of hot-rolled steel products, however, rose continuously during 1999-2003, albeit with a plateau in production during 2000-02. The Japanese government's Ministry of Economy, Trade and Industry

¹⁸ The Japanese producers are Kawasaki Steel Corporation; Kobe Steel, Limited; Nippon Steel Corporation; Nisshin Steel Company; NKK Corporation; and Sumitomo Metal Industries, Limited.

¹⁹ The Japan Iron & Steel Federation's (JISF) members are: JFE Steel, Kobe Steel, Nippon Steel, Nisshin Steel, and Sumitomo Metal Industries.

reported that in 2004 crude steel capacity was 133,143,673 short tons and that crude steel production was 124,247,121 short tons, resulting in capacity utilization of 93.3 percent.²⁰

Several companies in Japan have experienced changes in their steel production capacity. Kobe Steel (“Kobe”) has three blast furnaces at its Kakogawa works, one of which was shut down in 1996. In September 2004, Kobe Steel announced that it would reline one blast furnace. This maintenance will remove the furnace from operation until March 2007 but it will increase the furnace’s volume from 4,550 cubic meters to 5,400 cubic meters.²¹

Nippon operates hot-rolling mills in five locations.²² The company expanded its blast furnace volume to increase the efficiencies of its domestic mills.²³ This increased usage of blast furnaces has the additional benefit of reducing the company’s scrap costs. Nippon operates the world’s two largest blast furnaces. The first, located at the Oita works, was restarted in May 2004. The second, located at the Kimitsu works, was completed in May 2003.²⁴

Sumitomo Corporation (“Sumitomo”) has expanded the capacity of its Kashima works. In September 2004, Sumitomo began operating a new blast furnace, which, at 5,370 cubic meters, makes it the fourth largest by volume in the world.²⁵ The furnace was expected to increase steel production by 1.1 million short tons for a total of 8.8 million short tons of crude steel production at Kashima.²⁶

Tokyo Steel Manufacturing (“Tokyo”) is Japan’s largest electric arc furnace steel producer, has a hot-rolled steel sheet mill at its Okayama Plant, and produces bar and structural steel products at other plants.²⁷ During its fiscal year April 1, 2003 to March 31, 2004, the company produced 3.7 million short tons of finished steel products. This figure is well below reported capacity of 4.6 million short tons. The low production level was attributed to rising scrap prices, a temporary overstock of steel products in China, and the appreciation of the Japanese yen relative to the U.S. dollar.²⁸

Several major steel producers in Japan reportedly have shifted their production to higher value-added steel products. For example, Kobe has invested in value-added steels. Between September 2003 and October 2004, Kobe installed new vacuum degassing and desulfurization equipment for high-strength steel and specialty steel products.²⁹ Since mid-2003, Nippon’s strategy has been to expand sales of high value-added products in growing markets and to invest in downstream production facilities, especially in

²⁰ *2004 Steel Production Statistics, Japan, Yearbook of Iron and Steel, Non-Ferrous Metals, and Fabricated Metals Statistics*, Japanese Ministry of Economy, Trade and Industry, 2004.

²¹ Kobe Steel Ltd., “Kobe Steel to make capital investments in steelmaking facilities,” September 10, 2004, found at http://www.kobelco.co.jp/english/new/2004/09/1173076_1021.html, retrieved March 8, 2005.

²² Nippon’s five steel works are the Yawata, Hirochata, Nagoya, Kimitsu, and Oita works.

²³ Nippon Steel Corp., “Management Goals and Medium-Term Strategies/Business Plan,” June 2003, found at http://www.nsc.co.jp/shinnihon_english/investor/index.html, retrieved March 13, 2005, p. 3.

²⁴ Nippon Steel Corp., *Annual Report 2004*, found at http://www.nsc.co.jp/shinnihon_english/investor/pdf/2004e.pdf, retrieved March 13, 2005.

²⁵ Dialog Newsroom, JiJi, “Sumitomo Metal Kindles 46-B-Yen Blast Furnace,” September 29, 2004, found at <http://www.dialog.com/newsedge>, retrieved March 13, 2005.

²⁶ Sumitomo Metal Industries, Ltd., “Kashima Steel Works to build a new hot-dip galvanizing line and continuous pickling line,” news release, November 30, 2004, found at <http://www.sumitomometals.co.jp/e/news/news2004-11-30.html>, retrieved March 12, 2005.

²⁷ Metal Bulletin Directories, *Iron & Steel Works of the World, Directory 2005*, 16th edition, p. 121, as found in domestic interested party, Nucor’s prehearing brief, exhibit 14.

²⁸ Tokyo Steel Manufacturing Co., Ltd., *Annual Report 2004*, found at <http://www.tokyosteel.co.jp/finance/pdf/annual2004.pdf>, p. 4.

²⁹ Kobe Steel, Ltd., “Kobe Steel to increase capital investments 17% in fiscal 2004,” April 27, 2004, found at http://www.kobelco.co.jp/english/topics/2004/04/1172704_909.html, retrieved March 8, 2005.

China.³⁰ In April 2001, Sumitomo announced a plan to focus on improving its steel sheet, plate, and seamless pipe business.³¹ Sumitomo's business plan for fiscal year 2003 through 2006 calls for shutting down the hot-rolling and tandem cold-rolling mill at Wakayama by the end of fiscal year 2005 and concentrating production of steel sheets at Kashima.³² The Wakayama works will produce high-end steel sheet products and slabs for China Steel Corporation of Taiwan. Tokyo has also shifted its production from construction steel, citing competition from China and reduced infrastructure spending in Japan. In February 2005, Tokyo began producing steel for use in automobiles and is building a steel plate line for shipbuilding that will be operational by January 2007.³³ Nisshin Steel was already focused on producing coated, stainless, and special steels but does operate one wide strip mill at its Kure works.³⁴

Japanese steel makers have been active in strengthening business relationships between producers. In November 2002, Kobe increased its collaboration and cross share holding with Nippon and Sumitomo Metal Industries.³⁵ Kobe tied up with Nippon to cooperate in steelmaking operations and mutual cost reductions.³⁶ Kobe agreed to supply hot-rolled steel sheet to Sumitomo to assist with an anticipated shortage when Sumitomo closes its hot-rolling facilities at its Wakayama Works.³⁷ In December 2001, Sumitomo and Nippon began studying tie-up measures between the two companies.³⁸ In February 2002, the companies formalized an agreement that included mutual support in iron and steelmaking and downstream products, collaboration in stainless steel flat products, and mutual

³⁰ Nippon Steel Corp., "Management Goals and Medium-Term Strategies/Business Plan," June 2003, found at http://www0.nsc.co.jp/shinnihon_english/investor/index.html, retrieved March 13, 2005, p. 3.

³¹ Sumitomo Metal Industries, Ltd., "SMI's Management Plan for "Revolution and Rebirth" with the aim of becoming a value-creating company," news release, April 26, 2001, found at <http://www.sumitomometals.co.jp/e/news/news2001-04-26.html>, retrieved March 13, 2005.

³² Sumitomo Metal Industries, Ltd., "Medium-Term Business Plan (Fiscal Years 2003-2006)," news release, November 14, 2002, found at <http://www.sumitomometals.co.jp/e/news/news2002-11-04.html>, retrieved March 13, 2005, and "Presentation for the First Half of Fiscal Year 2005 (ending March 31, 2005), November 14, 2004, found at <http://www.sumitomometals.co.jp/e/shareholders-and-investors/2005-3-presentation.pdf>, p. 24, retrieved March 12, 2005.

³³ Bloomberg.com, "Tokyo Steel to Invest in Production of Ship Steel (Update1)," March 2, 2005, found at <http://www.bloomberg.com>, retrieved March 12, 2005.

³⁴ Metal Bulletin Directories, *Iron & Steel Works of the World, Directory 2005*, 16th edition, p. 118, as found in domestic interested party, Nucor's prehearing brief, exhibit 14.

³⁵ Kobe Steel, Ltd., "November 14, 2002-Establishment of Joint Study Committee among Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., and Kobe Steel, Ltd." November 14, 2002, found at <http://www.kobelco.co.jp/column/topics-e/messages/167.html>, retrieved March 13, 2005.

³⁶ Kobe Steel, Ltd., "November 14, 2002-Signing of the Agreement Concerning Further Strengthening of Collaboration and Cross Share Holding between Nippon Steel Corporation and Kobe Steel, Ltd.," November 14, 2002, found at <http://www.kobelco.co.jp/column/topics-e/messages/165.html>, retrieved March 13, 2005.

³⁷ Kobe Steel, Ltd., "November 14, 2002-Signing of the Agreement Concerning Cooperation in Hot Rolled Steel Sheet, Tie-up Arrangements, and Mutual Capital Subscriptions between Sumitomo Metal Industries and Kobe Steel," November 14, 2002, found at <http://www.kobelco.co.jp/column/topics-e/messages/166.html>, retrieved March 13, 2005.

³⁸ Sumitomo Metal Industries, Ltd., "Commencement of study on the tie-up measures between Sumitomo Metal Industries, Ltd., and Nippon Steel Corporation," news release, December 11, 2001, found at <http://www.sumitomometals.co.jp/e/news/news2001-12-11.html>, retrieved March 13, 2005.

cooperation in cutting costs.³⁹ Nippon also agreed to supply Sumitomo with hot-rolled steel sheet when Sumitomo shifts its hot-rolled production from Wakayama to Kashima by March 2005.⁴⁰

Japan's hot-rolled steel exports are sold predominantly to the Asian market. In 1999, 81.9 percent of hot-rolled steel exports from Japan were sold to Asian countries, excluding China. By 2004 this figure had increased to 90.1 percent. At the same time exports of hot-rolled steel to China increased from 2.5 percent to 4.1 percent. This export growth to Asian consumers occurred while sales to the United States declined from 0.4 percent to 0.1 percent, sales to the EU declined from 0.5 percent to 0.4 percent, and sales to other markets decreased from 15.1 percent to 5.5 percent.⁴¹

During the original investigations, Japanese hot-rolled steel was not subject to antidumping findings in any country. Japanese hot-rolled steel is currently subject to an antidumping finding in Thailand with a margin of 36.25 percent.⁴² Hot-rolled steel from Japan was subject to increased tariffs, resulting from the safeguard action in the United States, from March 20, 2002 until December 4, 2003. Although the increased tariffs were terminated in December 2003, imports of hot-rolled steel from Japan remain subject to monitoring.

Data on JFE's hot-rolled steel capacity, production, inventories, and shipments are presented in table IV-10.

Table IV-10
Hot-rolled steel: JFE's capacity, production, inventories, and shipments, 1999-2004

* * * * *

JFE has one hot-rolled steel mill at its West Japan Works (Kurashiki), and two at its East Japan Works (one in Keihin and the other at Chiba).⁴³ During the period for which data were collected in these reviews, JFE's hot-rolled steel capacity and production increased by ***. Capacity utilization increased over the period by *** percentage points. At the same time, internal consumption and home market shipments increased by ***. Also during this period, exports increased by *** percent. In 2004, exports accounted for *** percent of JFE's total steel production.

The company owns *** percent of the stock of California Steel Industries, Incorporated (CSI), a U.S. producer of hot-rolled and other flat-rolled steel products, located in Fontana, CA. JFE also has a ***-percent share of a joint venture, DJ Galvanizing Corporation, located in Ontario, Canada, in conjunction with Dofasco, Inc., a Canadian producer of steel.

In response to the Commission's question on changes in capacity, JFE reported that after the 2003 merger that formed JFE Steel, the new company ***. To optimize production, JFE's goals through March 2006 have been to consolidate steel production facilities and JFE group steel-related companies.⁴⁴ By late 2003, many of the planned consolidations were completed, ***, closures of cold rolling mills,

³⁹ Sumitomo Metal Industries, Ltd., "Alliance between Nippon Steel and Sumitomo Metals," news release, February 27, 2002, found at <http://www.sumitomometals.co.jp/e/news/news2002-02-27.html>, retrieved March 13, 2005.

⁴⁰ Ibid., p. 32.

⁴¹ *Carbon Flat-Rolled Exports*, Japanese Customs Statistics, 2004 as found in JISF's posthearing comments, exhibit 2.

⁴² This antidumping duty order has exclusions for certain amounts of hot-rolled steel for cold rolling: ***.

⁴³ Nucor prehearing brief, exhibit 14, Metal Bulletin Directories, *Iron & Steel Works of the World, Directory 2005*, 16th edition, p. 115.

⁴⁴ JFE Holdings Inc., "Announcement of JFE Group's First Medium Term Business Plan," press release, January 28, 2003, found at <http://www.jfe-holdings.co.jp/en/release/2003/030128-1.pdf>, retrieved March 13, 2005.

coated products lines, long products lines, and welded pipe product lines.⁴⁵ In addition, two blast furnaces were upgraded.⁴⁶ In April 2004, JFE Steel publicly announced its plan to upgrade a blast furnace at its facility in Fukuyama.⁴⁷ JFE reported that its production bottleneck occurs at the *** stage but that it ***.

In response to the Commission's question on the producer's ability to make other merchandise on the same equipment used to produce hot-rolled steel, JFE reported that it produces ***. In response to the Commission's question on producer's ability to switch production, JFE responded that it ***. JFE did not report its raw steel capacity and production, or its capacity and production of other forms of flat-rolled steel.

JFE reported that approximately *** percent of its total sales in its most recent fiscal year was represented by sales of hot-rolled steel. JFE's major markets for hot-rolled steel are in ***. For example, *** producers have expanded capacity and require Japanese hot-rolled steel for production.⁴⁸ Steel consumption in China has grown rapidly since 2000, as Chinese manufacturing activity has increased. Japanese hot-rolled steel has been exported to this growing market.⁴⁹ Official Japanese Customs Statistics confirm that in 1999 more than 80 percent and in 2004 more than 90 percent of hot-rolled steel exports were to Asia, excluding China.⁵⁰ In the U.S. market, JFE supplies steel to ***'s specifications (*** is the importer).⁵¹ JFE contends that it ***.⁵² Further, JFE contends that ***. JFE reports having a shortage of approximately *** metric tons of annual production capacity of sheet products relative to demand by traditional customers in the Japanese and Asian markets.⁵³ JFE foresees that Japanese producers of hot-rolled steel will shift production to more high-end products, such as ***, rather than commercial grades of hot-rolled steel flat products, because of strong demand for such products in the Asian market, particularly in China, and the limited number of suppliers of these products in the Asian market.⁵⁴

⁴⁵ JFE Steel Corp., "JFE Steel Makes Progress in Optimizing Production Structure and Consolidating Facilities," found at <http://jfe-steel.co.jp/en/release/2003/031120.html>, retrieved March 13, 2005.

⁴⁶ JFE Steel Corp., "No. 5 Blast Furnace at East Japan Works (Chiba) Closed Down," news release, June 30, 2004, found at <http://www.jfe-steel.co.jp/en/release/2004/040630.html>, retrieved March 13, 2005; JFE Steel Corp., "No. 2 Blast Furnace at East Japan Works (Keihin) Blown In," news release, March 24, 2004, found at <http://www.jfe-steel.co.jp/en/release/2004/040324.html>, retrieved March 13, 2005; and JFE Steel Corp., "Blowing-in for 4th campaign of No. 2 Blast Furnace at West Japan Works (Kurashiki)," news release, November 30, 2003, found at <http://www.jfe-steel.co.jp/en/release/2003/031113.html>, retrieved March 13, 2005.

⁴⁷ JFE Steel Corp., "No. 5 Blast Furnace at West Japan Works (Fukuyama) to Be Revamped," news release, April 6, 2004, found at <http://www.jfe-steel.co.jp/en/release/2004/040406.html>, retrieved March 13, 2005; and JFE Holdings Inc., "Announcement of JFE Group's First Medium Term Business Plan," press release, January 28, 2003, found at <http://www.jfe-holdings.co.jp/en/release/2003/030128-1.pdf>, retrieved March 13, 2005.

⁴⁸ JFE's foreign producer questionnaire response, question II-12.

⁴⁹ JFE's foreign producer questionnaire response, question III-6. *But see*, "China makes inroads in Japanese flat-*roll import mart, logs 71% gain*," American Metal Market online, April 4, 2005, found at <http://www.amm.com/news-2005-04-04>, retrieved April 5, 2005; Staff telephone interview with ***, April 6, 2005.

⁵⁰ *2004 Steel Production Statistics, Japan, Yearbook of Iron and Steel, Non-Ferrous Metals, and Fabricated Metals Statistics*, Japanese Ministry of Economy, Trade and Industry, 2004.

⁵¹ JFE's foreign producer questionnaire response, questions III-8 and I-3.

⁵² JFE's foreign producer questionnaire response, question III-8.

⁵³ JFE's foreign producer questionnaire response, questions III-8 and II-13.

⁵⁴ JFE's foreign producer questionnaire response, question III-10.

THE INDUSTRY IN RUSSIA

Data on Russia's hot-rolled steel capacity, production, inventories, and shipments are presented in table IV-11. In their responses to the Commission's notice of institution in the current five-year reviews, all interested parties identified only the three Russian producers that are participating in these current five-year reviews.⁵⁵ In addition, the Russian interested parties stated in their response that they account for "nearly 100 percent" of Russia's production of the subject merchandise. The Commission issued questionnaires to each of these companies as well as to two potential producers/exporters identified through further research.⁵⁶ Counsel on behalf of the Russian respondents provided complete data for three companies, believed to account for virtually all Russian certain hot-rolled steel production and, consequently, all such exports to the United States. Accordingly, the data presented in tables IV-11 and IV-12 are for JSC Severstal ("Severstal"), Novolipetsk Iron and Steel Corp. ("NLMK"), and Magnitogorsk Iron and Steel Works ("MMK").

During the period for which data were collected in these reviews, Russian hot-rolled steel capacity and production increased by 9.4 and 25.7 percent, respectively. Capacity utilization increased over the period by 11.6 percentage points. None of the Russian producers reported having plans to increase production capacity. However, they did report, in a joint submission, that the investments that have already been made in steel production facilities are not expected to result in output increases until 2007 to 2008. The CRU Group forecasts that Russia's hot-rolled steel production will grow by 14 percent between 2004 and 2009.⁵⁷ The Russian producers stated that their steel production has been limited by their ability to secure raw materials that are currently in short supply worldwide, such as coke, iron ore, pig iron, and scrap. All responding firms reported experiencing bottlenecks in their production process. The *** mill reported that its *** accounted for *** percent of its bottlenecks in production. In 2004 the mill started using imported *** that it expects to increase production. Also, in 2004 the product mix changed *** and this is expected to lead to more production growth. In 2000, *** operated with *** furnaces out of ***. In 2001-02 it operated with *** furnaces. Since 2003 the mill has been operating with *** furnaces. *** reported that its *** are a bottleneck in its production of hot-rolled steel but that it plans to ***. For ***, bottlenecks occur in the capacity of its ***. The mills are reportedly working at *** percent utilization because of the range of orders which require time to position the mill to exact product dimensions.

In response to the Commission's question on producer ability to make other merchandise on the same equipment used to produce hot-rolled steel, the Russian producers reported that they also use this equipment to produce: cut-to-length sheets in thicknesses of more than 4.75 mm, cold-rolled steel, and carbon and other alloy hot-rolled flat products including cut-to-length plate and hot-rolled steel for re-rolling. In response to the Commission's question on whether the producers can switch production, two Russian producers responded no, and *** responded that it can switch production between ***. However, *** stated that while it is possible to do this, it is unlikely because it would ***. Data regarding Russian hot-rolled steel producers' raw steel capacity and production, as well as their capacity and production of other forms of flat-rolled steel, are presented in table IV-12.

⁵⁵ The Russian producers are MMK, NLMK, and Severstal.

⁵⁶ Chusovskoi Iron and Steel Works (OMK Group) and Volgograd Steel Works (Red October).

⁵⁷ Russian respondent interested parties' posthearing brief, exhibit 1, p. 11 (citing *Steel Sheet Quarterly Statistical Review*, The CRU Group, January 2005, at S6 and S14).

Table IV-11

Hot-rolled steel: Russia's capacity, production, inventories, and shipments, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Quantity (short tons)						
Capacity	20,852,958	20,398,815	21,164,503	21,175,880	21,058,576	22,811,580
Production	16,136,298	18,434,372	17,448,524	18,801,198	18,905,684	20,291,670
End-of-period inventories	0	3,870	8,766	21,361	16,903	16,103
Shipments:						
Internal consumption/transfers	8,546,890	9,325,814	9,560,154	9,760,677	10,378,832	11,111,832
Home market	1,382,544	2,387,996	2,508,413	2,608,236	2,825,057	2,935,279
Exports to:						
United States	***	181,861	***	193,372	0	1,048,188
European Union	999,378	1,151,895	1,343,632	1,098,584	1,177,495	1,280,115
China	***	595,712	***	885,375	987,977	268,020
Other Asia	2,807,617	2,530,662	1,884,878	2,463,070	2,358,094	2,402,547
All other markets	1,814,676	2,256,872	1,808,765	1,781,287	1,289,120	1,247,837
Total exports	6,227,934	6,717,002	5,375,062	6,421,688	5,812,686	6,246,707
Total shipments	16,157,368	18,430,812	17,443,629	18,790,601	19,016,575	20,293,818
Ratio and shares (percent)						
Capacity utilization	77.4	90.4	82.4	88.8	89.8	89.0
Inventories/production	0.0	(¹)	0.1	0.1	0.1	0.1
Inventories/shipments	0.0	(¹)	0.1	0.1	0.1	0.1
Share of total shipments:						
Internal consumption/transfers	52.9	50.6	54.8	51.9	54.6	54.8
Home market	8.6	13.0	14.4	13.9	14.9	14.5
Exports to:						
United States	***	1.0	***	1.0	0.0	5.2
European Union	6.2	6.2	7.7	5.8	6.2	6.3
China	***	3.2	***	4.7	5.2	1.3
Other Asia	17.4	13.7	10.8	13.1	12.4	11.8
All other markets	11.2	12.2	10.4	9.5	6.8	6.1
Total exports	38.5	36.4	30.8	34.2	30.6	30.8

Continued on next page.

Table IV-11--Continued
Hot-rolled steel: Russia's capacity, production, inventories, and shipments, 1999-2004

Item	1999	2000	2001	2002	2003	2004
Value (\$1,000)						
Commercial shipments:						
Home market	95,827	253,101	275,772	297,346	489,572	797,553
Exports to:						
United States	***	74,726	***	40,060	0	421,938
European Union	137,242	205,373	181,913	182,251	240,840	499,457
China	***	80,500	***	130,737	197,995	72,235
Other Asia	356,056	395,812	215,150	378,840	453,611	838,015
All other markets	224,544	341,969	222,931	322,806	269,506	488,513
Total exports	782,140	1,098,380	657,319	1,054,694	1,161,953	2,320,158
Total commercial shipments	877,967	1,351,481	933,091	1,352,040	1,651,525	3,117,711
Unit value (per short ton)						
Commercial shipments:						
Home market	\$109	\$164	\$162	\$162	\$255	\$395
Exports to:						
United States	***	411	***	207	(²)	403
European Union	137	178	135	166	205	390
China	***	135	***	148	200	270
Other Asia	127	156	114	154	192	349
All other markets	124	152	123	181	209	391
Total exports	126	164	122	164	200	371
Total commercial shipments	124	164	132	164	214	377
¹ Less than 0.05 percent. ² Not applicable.						
Note.--Because of rounding, figures may not add to the totals shown. Ratios and shares are calculated from unrounded figures.						
Source: Compiled from data submitted in response to Commission questionnaires.						

Table IV-12**Russian hot-rolled steel producers' capacity, production, and capacity utilization for total raw steel and alternative products, by products, 1999-2004**

Item	Calendar year					
	1999	2000	2001	2002	2003	2004
Raw steel:						
Capacity (<i>short tons</i>)	20,493,421	20,493,421	20,493,421	21,494,421	22,046,421	22,376,421
Production (<i>short tons</i>)	16,932,073	19,217,736	18,690,060	19,786,030	20,590,634	21,526,939
Capacity utilization (<i>percent</i>)	80.8	91.8	89.2	92.1	93.4	96.2
Cold-rolled steel sheet and strip:						
Capacity (<i>short tons</i>)	5,756,009	5,756,009	5,866,009	5,865,009	5,865,009	6,008,009
Production (<i>short tons</i>)	3,879,430	4,683,930	4,473,847	5,063,693	5,563,751	5,633,835
Capacity utilization (<i>percent</i>)	67.4	81.4	76.3	86.3	94.9	93.8
Coated steel sheet and strip:						
Capacity (<i>short tons</i>)	551,155	551,155	551,155	551,155	551,155	551,155
Production (<i>short tons</i>)	517,114	516,142	507,069	531,253	531,383	544,423
Capacity utilization (<i>percent</i>)	93.8	93.6	92.0	96.4	96.4	98.8
Cut-to-length plate:						
Capacity (<i>short tons</i>)	2,323,070	2,419,463	2,419,463	2,419,463	2,419,463	2,419,463
Production (<i>short tons</i>)	688,529	1,032,879	1,157,887	1,143,201	1,322,116	1,259,380
Capacity utilization (<i>percent</i>)	30.8	42.7	47.9	47.3	54.6	52.1
Alloy and other nonsubject hot-rolled steel:						
Capacity (<i>short tons</i>)	1,118,938	1,174,596	1,372,100	1,140,261	1,638,722	1,123,655
Production (<i>short tons</i>)	921,597	1,052,677	1,124,771	977,733	1,480,503	1,045,359
Capacity utilization (<i>percent</i>)	82.4	89.6	82.0	85.7	90.3	93.0
Source: Compiled from data submitted in response to Commission questionnaires.						

Russian producers reported that certain hot-rolled steel products accounted for the following percentages of their firms' total sales in their most recent fiscal year: MMK, *** percent, NLMK, *** percent, and Severstal, *** percent. During the period for which data were collected in these reviews, internal consumption and home market shipments increased by 30 and 112 percent, respectively. In a joint submission with their questionnaires, the Russian producers reported that they have made investments in the growing Russian downstream steel sector. They report that since 1999, Russian market demand has increased for downstream steel products such as cold-rolled steel, galvanized and coated steel, and pipe and tube. This home market consumption has been driven by growth each year in Russia's industrial production, machinery building, metal processing, and construction industries between

1999 and 2004.⁵⁸ The CRU Group forecasts that Russia's hot-rolled steel consumption will grow by 19 percent between 2004 and 2009.⁵⁹

During 1999-2004, exports of hot-rolled steel increased slightly, by 0.3 percent. In 2004, exports accounted for 30.7 percent of Russia's total hot-rolled steel production. Of these exports, 16.8 percent were exported to the United States, a slightly smaller market than the European Union with 20.5 percent for the year. The Russian mills reportedly market their certain hot-rolled steel products to China, France, India, Iran, Italy, Latvia, Mexico, Spain, and Turkey. They stated that high freight rates make their neighboring markets a less expensive option than the United States.

During the original investigation, certain hot-rolled steel products exported from Russia were subject to antidumping findings in Canada, Chile, India, Indonesia, Mexico, and Thailand and were then the subject of antidumping investigations in Argentina, Canada, Mexico, Peru, the Philippines, South Africa, and Venezuela. Today, certain hot-rolled steel products exported from Russia are subject to a quota in the European Union and antidumping duty orders in Argentina, Colombia, Egypt, Mexico, Peru, Thailand, and Venezuela. Import restrictions on Russian steel have been reduced by the EU and lifted by Canada, India, Indonesia, Iran, Saudi Arabia, Turkey, and Taiwan. In June 2004 Canada revoked its antidumping duty order on certain hot-rolled steel imports from Russia.⁶⁰ Most recently, in February 2005, South Africa lifted its antidumping measures on hot-rolled steel from Russia.

On July 12, 1999, a Comprehensive Agreement on Certain Steel Products between the United States and Russia went into effect. For five years, until its expiration in July 2004, this bilateral agreement limited the importation of steel products (other than hot-rolled steel) from Russia. The Comprehensive Agreement established export limits, and in most cases, licensing requirements, for 15 (later amended to 16) categories of steel products from Russia.⁶¹ Finally, hot-rolled steel from Russia was subject to increased tariffs, resulting from a safeguard action in the United States, from March 20, 2002 until December 4, 2003. Although the increased tariffs were terminated in December 2003, imports of hot-rolled steel from Russia remain subject to monitoring.

MAJOR MARKETS

In response to Commission questionnaires, many market participants identified China as an important producer and consumer of hot-rolled steel.⁶² Accordingly, this section focuses on China in

⁵⁸ Official Russian statistics, Russian Ministry for Economic Development and Trade, available at <http://www.economy.gov.ru>.

⁵⁹ Russian respondent interested parties' posthearing brief, exhibit 1, p. 11 (citing *Steel Sheet Quarterly Statistical Review*, *The CRU Group*, January 2005, at S6 and S14).

⁶⁰ Since removal of the order, Russian imports increased from July 2004 to December 2004, hovering around 20,000 metric tons per month, but remained lower than their pre-order, 1998 levels of nearly 120,000 metric tons per month, Official Import Statistics of Canada, available at <http://www.statcan.ca>, as found in respondent interested party Russian producer's posthearing brief, public version, exhibit 11.

⁶¹ Trade Compliance Center, *Russia Agreement Concerning Trade In Certain Steel Products*, found at <http://www.tcc.mac.doc.gov/cgi-bin/doiit.cgi>, retrieved March 8, 2005. Trade Compliance Center, *Addendum to the Agreement Concerning Trade in Certain Steel Products from the Russian Federation*, found at <http://www.tcc.mac.doc.gov/cgi-bin/doiit.cgi>, retrieved March 8, 2005.

⁶² In party briefs several parties also identified India as an important, growing, steel producer. CRU forecasts that India's production of finished hot-rolled steel sheet will increase by 4.8 percent next year and 6.2 percent in 2007. At the same time, India's apparent consumption of finished hot-rolled steel sheet will increase by 4 percent next year and 4.5 percent in 2007. *Steel Sheet, Steel Sheet Quarterly Industry and Market Outlook*, *CRU Group*, January 2005, at S8 and S16, as found in domestic interested party Nucor's posthearing brief, exhibit 11, and Russian respondent interested parties' posthearing brief, public version, exhibit 15.

relation to the world steel market. World Steel Dynamics has calculated prices in the Chinese home market and other hot-rolled steel markets.⁶³ These prices appear in table IV-13.

Table IV-13
Hot-rolled band: Pricing in global markets, quarterly 2002-04

Hot-rolled band prices (dollars per metric ton)												
	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
HRB prices												
World export (tier 1 mills)	220	280	295	306	323	251	275	316	451	532	596	592
Brazil home market	254	210	210	263	284	210	210	330	400	460	485	558
China home market	247	265	292	306	322	269	278	316	469	415	457	484
EU home market	250	245	280	295	327	350	322	365	450	549	582	679
India home market	256	275	298	317	324	270	357	375	450	441	464	491
Japan home market	244	282	277	270	377	371	408	443	495	582	613	707
Russia home market	175	199	222	215	260	230	246	265	435	488	543	548
South Korea home market	227	266	276	286	303	303	316	308	347	416	452	495
Taiwan home market	230	270	280	306	315	323	337	345	368	421	444	480
USA home market	308	377	396	338	316	288	321	397	520	604	767	711
Indexed HRB prices												
World export (tier 1 mills)	72	74	75	91	102	87	86	80	87	88	78	83
Brazil home market	82	56	53	78	90	73	65	83	77	76	63	78
China home market	80	70	74	91	102	93	87	80	90	69	60	68
EU home market	81	65	71	87	104	122	100	92	86	91	76	95
India home market	83	73	75	94	103	94	111	94	87	73	60	69
Japan home market	79	75	70	80	119	129	127	112	95	96	80	99
Russia home market	57	53	56	64	82	80	77	67	84	81	71	77
South Korea home market	74	71	70	85	96	105	98	77	67	69	59	70
Taiwan home market	75	71	71	91	100	112	105	87	71	70	58	67
USA home market = 100	100	100	100	100	100	100	100	100	100	100	100	100
Source: "Global Steel Alert," World Steel Dynamics, January 6, 2005, p. 2 as found in domestic interested party U.S. Steel's posthearing brief, public version, attachment 15, and U.S. steel consumer's prehearing brief, public version, table 8A.												

⁶³ This source also generated a "most-likely" forecast for hot-rolled band prices in which U.S. f.o.b. mill prices would ***; EU home market prices would ***; and Chinese home market prices would ***. The forecasted ***, however, would not necessarily be *** and were not expected ***. World Steel Dynamics, *Global Steel Alert #26: China: Not a long-term threat*, March 23, 2005, pp. 1, 11, and 12.

According to the Organization for Economic Cooperation and Development (OECD), projected steel capacity increases are higher than projected demand increases globally.⁶⁴ Capacity forecasts are necessarily speculative because they cannot account for potential financing problems, regulatory issues, or raw material constraints. While there is a general consensus that demand will continue to grow, the rate of growth varies by source. The OECD has estimated that current global steelmaking capacity is 1.128 billion MT and that global capacity will be 1.4 billion MT by 2008. World Steel Dynamics expects global steel demand to grow by 5 percent in 2005 and 2006.⁶⁵ The *Economist* projects that demand will grow by about 3.7 percent per year through 2008.⁶⁶ The major variable in this supply and demand equation is Asia, particularly China.

The OECD has projected that Asia, as a region including China, will account for 49 percent of all crude steel production, 31 percent of all global steel exports, and 46 percent of all steel imports in 2005.⁶⁷ According to OECD data, between 1998 and 2003, world raw steel production grew by 24 percent to 964 million tons from 777 million tons, largely due to increased production in Asia and especially China, where output rose to 232 million tons in 2003 from 128 million tons in 1998.⁶⁸ According to the China Iron and Steel Association (CISA), steelmakers in China produced 48.4 million tons of hot-rolled coil in 2004.⁶⁹ The *Financial Times* reported that China's largest producers are currently running their mills at full capacity.⁷⁰ Steel producers in China, however, are increasing their capacity. World Steel Dynamics estimates that in the period from 2002 to 2007, China will increase steel capacity by *** tons.⁷¹

China is not only a major steel producer, it is also a major consumer. World steel consumption grew by 25.8 percent between 1998 and 2003, according to the OECD, reaching 854 million tons in 2003 compared with 679 million tons in 1998. China accounted for about 70 percent of the 175 million ton increase.⁷² Asian steel users, in particular those in China, will consume 54 percent of all steel produced worldwide next year, according to a forecast by the steel committee of the OECD.⁷³ Table IV-14 summarizes forecasts of the trends in steel supply and demand in China in the coming years. The forecasts made by CRU demonstrate a historical trend of China's hot-rolled steel sheet consumption

⁶⁴ *Capacity Expansion in the Global Steel Industry*, OECD Special Meeting at High-Level on Steel Issues, Directorate for Science, Technology and Industry, 2005, p. 4.

⁶⁵ *Bright Outlook for Steel Industry in 2005-2006 Forecast at OECD/IISI Conference*, Organisation for Economic Co-operation and Development, January 17, 2005, available online at http://www.oecd.org/document/27/0,2340,en_2649_34221_342823331_1_1_1_1,0.html and *Many Questions - More Answers*, *World Steel Dynamics*, 52, 2004.

⁶⁶ *World Economy: Commodities- steel market forecasts*, *The Economist*, October 5, 2004.

⁶⁷ *Asia to eat 54% of steel poured in 2005: OECD*, December 29, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1229tpo4.htm>, retrieved December 30, 2004.

⁶⁸ *Asia to eat 54% of steel poured in 2005: OECD*, December 29, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1229tpo4.htm>, retrieved December 30, 2004.

⁶⁹ *China's steel production to hit 300 million tonnes in 2005*, found at http://www.metalbulletin.com/story_2003.asp?storycode=1216872, retrieved February 9, 2005.

⁷⁰ *Rising US demand makes China a net exporter of steel*, Richard McGregor, *Financial Times*, November 1, 2004, p. 6.

⁷¹ *Steel Thermometer #20*, World Steel Dynamics, January 21, 2005, p. 3.

⁷² *Asia to eat 54% of steel poured in 2005: OECD*, December 29, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1229tpo4.htm>, retrieved December 30, 2004.

⁷³ *Asia to eat 54% of steel poured in 2005: OECD*, December 29, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1229tpo4.htm>, retrieved December 30, 2004.

exceeding production in every year from 1999-2009 except in 2006 when production is expected to exceed demand by 82,000.⁷⁴

Table IV-14
Forecasted steel supply and demand in China

Forecast	Source
Supply	
<ul style="list-style-type: none"> •2005 production of 37.409 million tons of hot-rolled sheet. •2006 production of 40.943 million tons of hot-rolled sheet. •2007 production of 45.104 million tons of hot-rolled sheet. 	<ul style="list-style-type: none"> •CRU Analysis, <i>Steel Sheet Quarterly</i>, January 2005.
<ul style="list-style-type: none"> •2005 production of 300 million metric tons of steel. 	<ul style="list-style-type: none"> •<i>China's Steel Output Headed for 300M Tonnes, American Metal Market</i>, February 3, 2005.
<ul style="list-style-type: none"> •2005 production of 305 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China's Steel Threat May be Excess, Not Shortage, The Wall Street Journal</i>, December 30, 2004.
<ul style="list-style-type: none"> •2005 production of *** million metric tons of steel. 	<ul style="list-style-type: none"> •World Steel Dynamics, <i>Global Steel Alert #25: 2005 Outlook</i>, January 6, 2005.
<ul style="list-style-type: none"> •2005 production of 350 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China Acts to Boost Steel Output, Financial Times</i>, December 6, 2004.
<ul style="list-style-type: none"> • From 2002 to 2006, capacity will increase by at least 22% each year. 	<ul style="list-style-type: none"> • <i>Global Steel Alert #25</i>, World Steel Dynamics, January 6, 2005, at 29.
<ul style="list-style-type: none"> • From 2002 to 2007 capacity will increase by 95 million tons. 	<ul style="list-style-type: none"> • <i>Steel Thermometer</i>, World Steel Dynamics, #20, January 21, 2005, at 3.
<ul style="list-style-type: none"> • Government approved 3 new mills with total capacity of 16.5 million metric tons/year. 	<ul style="list-style-type: none"> • <i>China acts to boost steel output, Financial Times</i>, December 6, 2004.
<ul style="list-style-type: none"> • Government approval of a \$2.5 billion plant expansion for Maanshan Iron & Steel Co. 	<ul style="list-style-type: none"> • <i>China's Steel Threat May be Excess, Not Shortage, The Wall Street Journal</i>, December 30, 2004.
Demand	
<ul style="list-style-type: none"> •2005 consumption of 37.88 million tons of hot-rolled sheet. •2006 consumption of 40.861 million tons of hot-rolled sheet. •2007 consumption of 45.232 million tons of hot-rolled sheet. 	<ul style="list-style-type: none"> •CRU Analysis, <i>Steel Sheet Quarterly</i>, January 2005.
<ul style="list-style-type: none"> • 2005 consumption of 340 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China's Steel Consumption to Reach 340M Tones, Metal Bulletin</i>, February 14, 2005.
<ul style="list-style-type: none"> • 2005 consumption of 340 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China's steel use pegged at 340M tonnes in '05, American Metal Market</i>, February 7, 2005.
<ul style="list-style-type: none"> • 2005 consumption of 340 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China Acts to Boost Steel Output, Financial Times</i>, December 6, 2004.

Continued on next page.

⁷⁴ CRU Analysis, *Steel Sheet Quarterly*, January 2005, as found in Russian respondent interested parties' posthearing brief, public version, exhibit 15.

Table IV-14--Continued
Forecasted steel supply and demand in China

Forecast	Source
Demand	
<ul style="list-style-type: none"> • 2005 consumption of 351.2 million metric tons of steel. 	<ul style="list-style-type: none"> • <i>China's Steel Consumption to Continue Driving High Prices</i>, <u>Xinhua Financial Network</u>, February, 16, 2005.
<ul style="list-style-type: none"> • 2005 demand will rise 8%, driven by auto production and Olympic preparation. 	<ul style="list-style-type: none"> • <i>China may achieve a soft landing, sustaining steel, car demand</i>, <u>China Economic Net</u>, January 10, 2005.
<ul style="list-style-type: none"> • China will consume 54% of steel produced worldwide in 2005. 	<ul style="list-style-type: none"> • <i>Asia to eat 54% of steel poured in 2005</i>, <u>OECD</u>, December 29, 2004.

Between 1998 and 2003, China's total steel imports increased by an estimated 30 million tons. However, in 2003, China's volume of total steel imports fell by about 21 percent.⁷⁵ In September 2004, China became a net exporter of steel. This was the first month in nearly a decade, since July 1995, that China had been a net exporter of steel.⁷⁶ In 2004, Chinese exports of steel products reached 14.2 million tons, up 7.3 million tons or 104.6 percent from 2003.⁷⁷

The future of China's steel supply has been the subject of much speculation. Forecasted Chinese steel production in 2005 ranges from a low of 300 million metric tons,⁷⁸ to a high of 350 million metric tons.⁷⁹ World Steel Dynamics forecasts that China's 2005 steel production will be well within this range at 318.8 million metric tons.⁸⁰ CRU forecasts that China's hot-rolled steel sheet production will increase from 2004 to 2005 by 4.065 million tons and from 2005 to 2006 by 3.534 million short tons.

Specifically, supply increases are expected to come from a government- approved \$2.5 billion plant expansion by Maanshan Iron & Steel Company, the country's fifth largest steel producer. This plant will produce steel for cars and home appliances.⁸¹ A Baosteel Group subsidiary, Shanghai Meishan Steelworks, is adding new iron making, casting, and rolling facilities that will increase the mill's hot-rolling capacity to 5 million tons per year in 2008. Currently the mill operates three blast furnaces.⁸² Liuzhou Steel, the largest steel producer in Guangxi province, is scheduled to increase capacity from 3.1

⁷⁵ *Asia to eat 54% of steel poured in 2005: OECD*, December 29, 2004, found at <http://www.amm.com/subscrib/2004/dec/week5/1229tpo4.htm>, retrieved December 30, 2004.

⁷⁶ *Rising US demand makes China a net exporter of steel*, Richard McGregor, Financial Times, November 1, 2004, p. 6.

⁷⁷ Bruno Bolfo, chairman and owner of Duferco, the world's largest independent steel trader believes that in 2005 China will experience reduced internal consumption. He stated that China is likely to be a net exporter of 5 million tons of steel in 2005 and that these exports will reduce the world price for steel. Found in, Peter Marsh, "Steel price set to fall as demand in China slows," Financial Times, March 7, 2005, p. 17.

⁷⁸ Li Hongmei, *China's Steel Output Headed for 300M Tonnes*, American Metal Market, February 3, 2005, at <http://www.amm.com/subscrib/2005/feb/week2/0207st01.htm>, retrieved February 8, 2005.

⁷⁹ *China Acts to Boost Steel Output*, Financial Times, December 6, 2004.

⁸⁰ World Steel Dynamics, *Global Steel Alert #25: 2005 Outlook*, January 6, 2005, p. 4.

⁸¹ *China's Steel Threat May Be Excess, Not Shortage*, The Wall Street Journal, December 30, 2004, p. 1.

⁸² *Baosteel to add 2m tpy of new capacity at Meishan*, Metal Bulletin, March 8, 2005, found at http://www.metalbulletin.com/story_2003.asp, retrieved March 11, 2005.

million tons at present to around 6 million tons by the end of 2006.⁸³ In addition, in December 2004, the Chinese government approved the construction of three new steel mills with a combined capacity of 16.5 million metric tons per year.⁸⁴ Overall, World Steel Dynamics predicts that capital outlays by steel mills in China will be about *** in 2005.⁸⁵

There are two potential mergers for major steel producers in China. Angang Iron and Steel Group has said it is close to merging with Bengang Group. If this merger is carried out, the resulting company will have an estimated annual capacity of some 30 million tons, surpassing the 20 million tons of industry leader Baosteel Group.⁸⁶ The proposed merger of Anshan Iron and Steel Group and Benxi Steel would result in a single producer with annual capacity of more than 20 million tons.⁸⁷

The future of China's steel demand has also been the subject of much speculation. Forecasted Chinese steel consumption in 2005 ranges from a low of 340 million metric tons⁸⁸ to a high of 351.2 million metric tons.⁸⁹ The latest estimate from the Development Research Center of China's State Council is that China's consumption of steel products will reach 340 million tons in 2005.⁹⁰ Specifically, this demand is predicted to rise 8 percent in 2005 because of preparations for the 2008 Beijing Olympics, the Expo 2010 in Shanghai, and an increase in auto production.⁹¹ Both General Motors and Volkswagen plan to double their output of Chinese cars by 2007.⁹²

⁸³ *SE China Mulls 70m tonnes/year of new capacity*, Steel Business Briefing, March 10, 2005, available online at <http://www.steelbb.com>.

⁸⁴ J. Kynge, *China acts to boost steel output*, Financial Times, December 6, 2004.

⁸⁵ World Steel Dynamics, *Global Steel Alert #25: 2005 Outlook*, January 6, 2005, p. 19.

⁸⁶ *China steel merger could create industry leader*, Reuters, Yahoo! Asia News, found at <http://www.asia.news.yahoo.com/050308/3/1xhzd.html>, retrieved March 8, 2005.

⁸⁷ *China to Create 2nd Largest Steel Producer Via Anshan Merger*, Asia Pulse, found at <http://www.au.news.yahoo.com/o50314/3/tht2.html>, retrieved March 14, 2005.

⁸⁸ *China's Steel Consumption to Reach 340M Tones*, Metal Bulletin, February 14, 2005.

⁸⁹ *China's Steel Consumption to Continue Driving High Prices*, Xinhua Financial Network, February, 16, 2005.

⁹⁰ Li Hongmei, *China's steel use pegged at 340M tonnes in '05*, American Metal Market, February 7, 2005, at <http://www.amm.com/subscrib/2005/feb/week2/0207st01.htm>, retrieved February 8, 2005.

⁹¹ *China May Achieve Soft Landing, Sustaining Steel, Car Demand*, China Economic Net, January 10, 2005, and *China Planned Steel Capacity Totals 106.31 MLN Over Next Four Years, 47.8% Higher Than 2003*, Interfax China Business News, March 17, 2004.

⁹² *Asian Scavengers Feed China's Hunger for Steel*, New York Times, June 11, 2004.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Prices of hot-rolled steel purchased by U.S. users depend on the quality and properties of the steel and the type of end use for it. Important pricing factors include the carbon content of the hot-rolled steel and its levels of alloy elements; the metallurgical properties of the hot-rolled steel, such as the purity and grain structure of the steel; and surface and edge qualities. These elements are typically measured in terms of AISI and SAE grades, which generally rate the steel's chemical grade, and ASTM specifications, which rate the steel for mechanical and physical properties. Prices also depend on additional processing such as pickling and oiling, temper rolling, edge trimming, cutting to size and weight, and packaging. Finally, prices typically reflect the nature of the purchase agreement, including the quantity purchased and whether the agreement is a spot sale or a longer term contract.

Raw Material Costs

The primary raw materials for hot-rolled steel are scrap steel, iron, and coke. Between 1999 and 2004, the price of heavy melt scrap steel on a monthly basis varied from a low of \$73 per short ton in June 2001 to a high of \$255 in March of 2004 (see figure V-1).¹ In general, prices of scrap steel have been high since late 2003. Nucor, one of the largest purchasers of scrap globally, reported that the increase in scrap prices occurred in global markets as well as in the United States. Nucor also noted that scrap prices have moderated in the last few months; however, scrap purchases are a month-to-month transaction and are not bought on a long-term contract basis. Thus, according to Nucor, prices paid by purchasers of scrap can change up to \$100 in a month.² Several producers reported that they have recently included surcharges in their sales contracts for hot-rolled steel to cover changes in the prices of raw materials.³

Certain of the larger integrated producers own iron mining operations, and therefore use an internal price for iron ore. Coke is used to charge the blast furnaces. Several integrated steel producers manufacture their own coke from coal stocks, and even sell coke to other steel companies, while others import coke. As seen in figure V-2, c.i.f. import unit values of coke were relatively stable until mid 2004 when they increased significantly.

A number of factors have driven up the cost of raw materials, particularly in 2003 and 2004. Market participants identified strong demand in China for raw materials, global steel production consolidation, and a tight supply in freight markets as factors that have affected global markets for raw materials such as energy, scrap steel, pig iron, coal, and coke. Moreover, Russian respondents reported that "by 2010, the demand for metallurgical coke in China, India, and other Asian countries is expected to be about double the volume currently taken up by China. In both coal and coke, the supply conditions are tighter than in iron ore."⁴

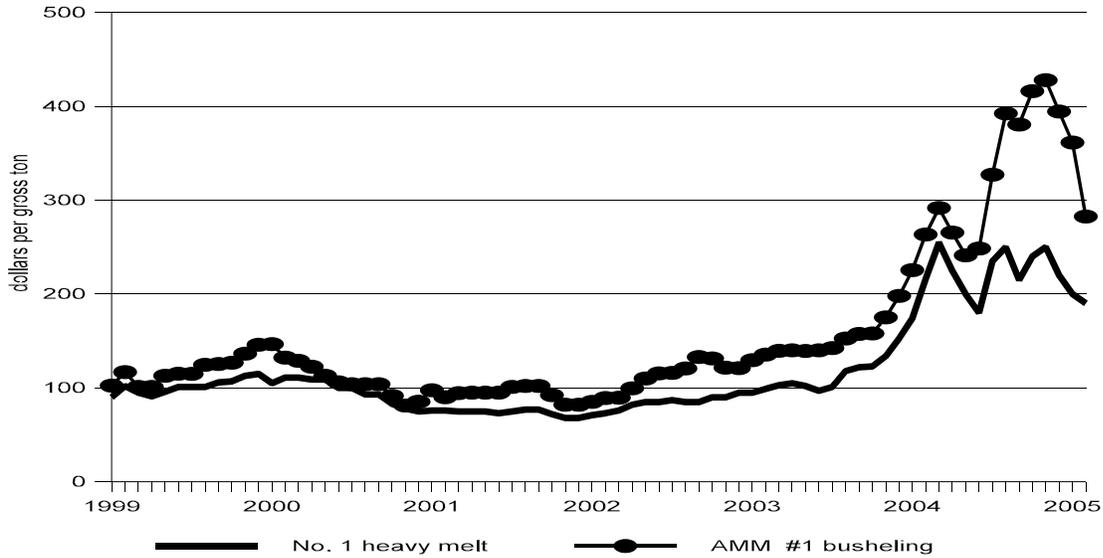
¹ *Purchasing Magazine Steel Transaction Price Report*, PUR Scrap steel: No. 1 heavy melt: Chicago.

² Hearing transcript, pp. 233-234 (DiMicco).

³ *Ibid.*, p. 256 (DiMicco), pp. 258-259 (Nelson), and p. 260 (Nolan).

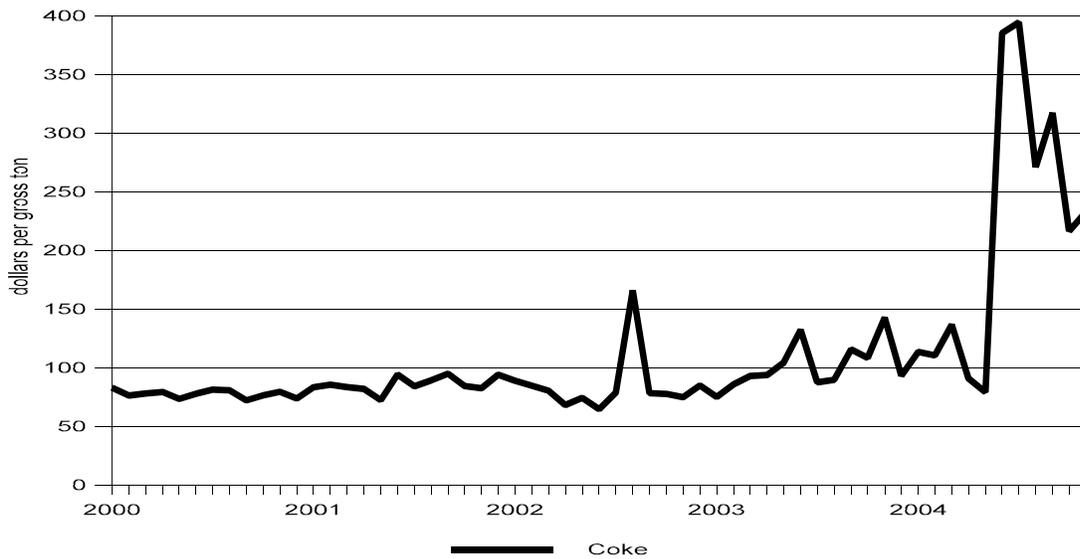
⁴ Additional information provided by Russian respondents (submitted with questionnaire responses).

Figure V-1
Scrap steel: Prices of No. 1 heavy melt (Chicago) and American Metal Market #1 busheling
(consumer buying price)



Source: *Purchasing Magazine Steel Transaction Price Report* and *American Metal Market*

Figure V-2
Coke: Unit values of imports of coke for blast furnaces (on a cif basis)



Source: Compiled from official Commerce statistics.

Energy Costs

Energy costs are an important factor in steel production, especially for minimills. Electricity and natural gas prices have been higher in 2003 and 2004 than in 2001-02.⁵ Available data indicate that annual average industrial prices of electricity (per kilowatt hour) increased from \$4.43 in 1999 to \$5.04 in 2001, fell slightly to \$4.88 in 2002, and then rose to \$5.13 in 2003 and to \$5.14 in 2004. Natural gas prices (per thousand cubic feet) showed a similar trend. These prices rose from \$3.12 in 1999 to \$5.25 in 2001, then fell to \$4.02 in 2002 and rose to \$5.81 in 2003 and \$6.40 in 2004.

Transportation Costs to the U.S. Market

Transportation costs for hot-rolled steel from subject countries to the United States (excluding U.S. inland costs) are presented in table V-1. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value. Shortages of vessels, rail, trucks, and barges, combined with rising oil prices, reportedly have driven up transportation costs. Indeed, some steel producers report that the cost of ocean freight increased as much as threefold in the past year.⁶

Table V-1
Hot-rolled steel: Transportation costs to the U.S. market, by country, 1999-2004

Country	1999	2000	2001	2002	2003	2004
	<i>Share of customs value (percent)</i>					
Brazil	10.8	16.2	13.7	26.8	14.8	3.6
Japan	11.5	10.9	8.2	12.0	11.5	19.6
Russia	4.3	8.6	9.0	12.9	5.8	10.0
Source: Compiled from official statistics of Commerce.						

U.S. Inland Transportation Costs

Questionnaire responses indicate that U.S.-inland transportation costs for hot-rolled steel ranged up to 8 percent for U.S. producers and between 2 and 15 percent for U.S. importers. Producers and importers were also asked to estimate the percentage of their sales that occurred within 100 miles of their storage or production facility. Nine of 14 producers and six of 13 importers reported that 40 percent or more of their shipments were made within 100 miles. Eight of 14 producers and two of 14 importers reported that 40 percent of their sales were shipped between 101 and 1,000 miles to their customers.

⁵ <http://tonto.eia.doe.gov/dnav/ng/hist/n3035us3a.htm> and http://eia.doe.gov/cneaf/electricity/page/at_a_glance/sales_tabs.html, retrieved March 16, 2005.

⁶ Based on producer questionnaire responses.

Exchange Rates

Quarterly real and nominal exchange rates reported by the IMF for the currencies of Brazil, Japan, and Russia against the U.S. dollar during the period January 1999 to December 2004 are shown in figure V-3.

Figure V-3
Exchange rates: Indices of the nominal and real exchange rates between the currencies of Brazil, Japan, and Russia vis-a-vis the U.S. dollar, by quarters, January 1999-December 2004

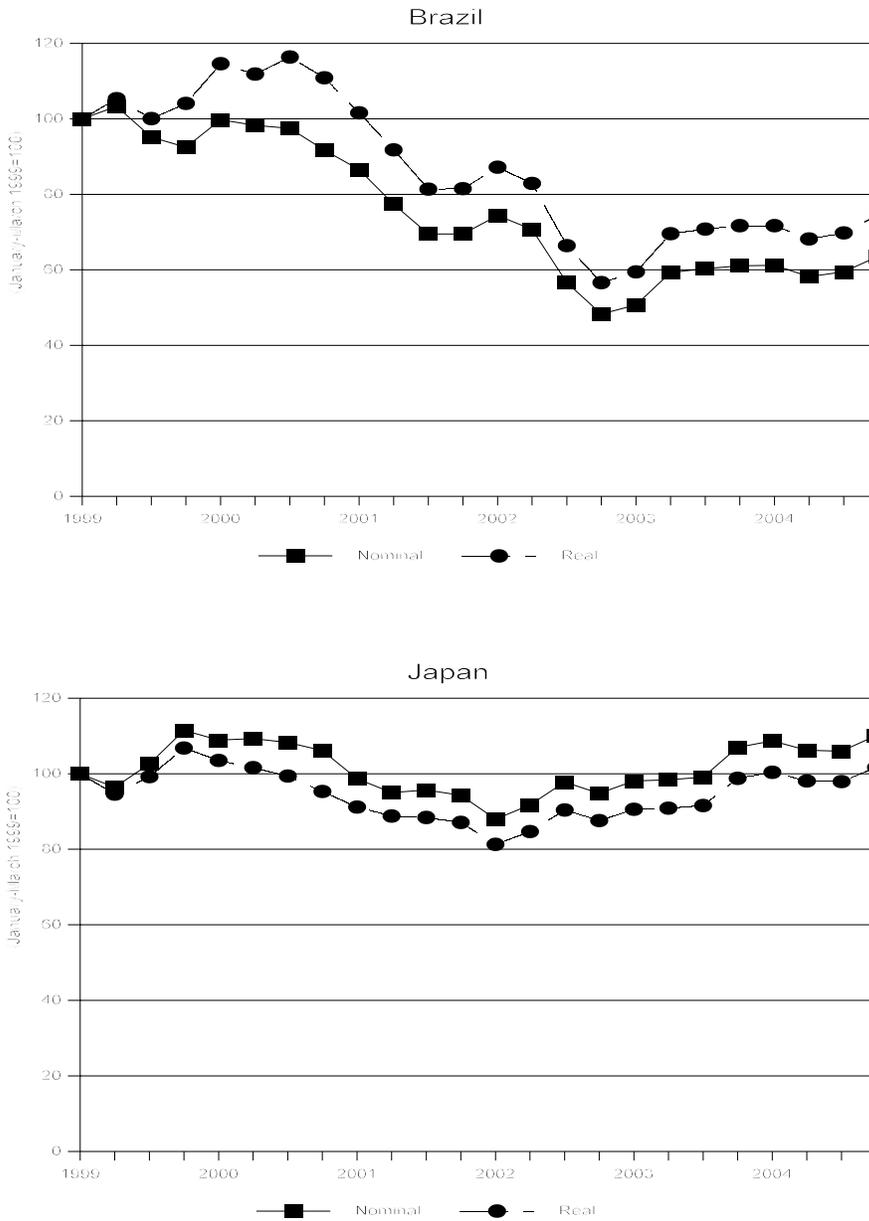
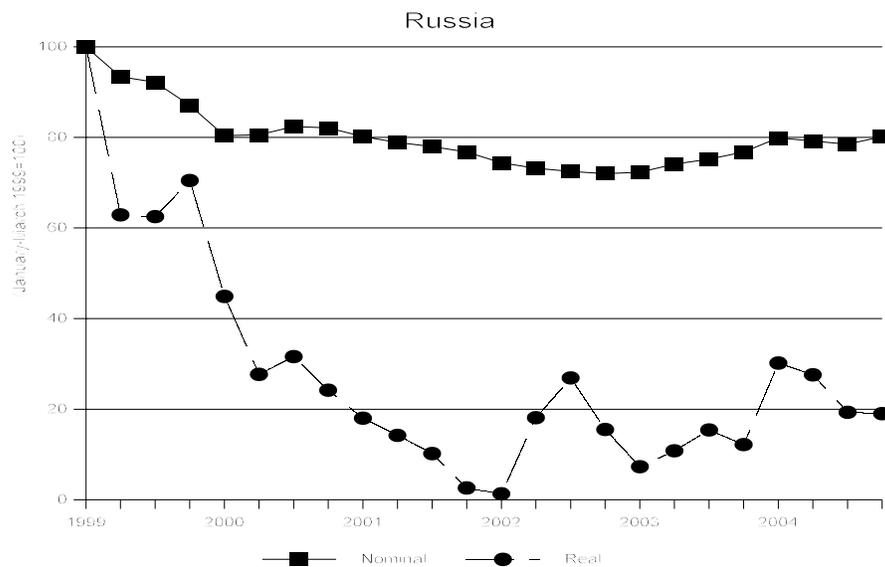


Figure continued on next page.

Figure V-3-Continued

Exchange rates: Indices of the nominal and real exchange rates between the currencies of Brazil, Japan, and Russia vis-a-vis the U.S. dollar, by quarters, January 1999-December 2004



Source: International Monetary Fund, *International Financial Statistics* online, <http://ifs.apdi.net/imf>, retrieved March 21, 2005.

PRICING PRACTICES

Some U.S. producers publish official price lists, but prices are more often negotiated and depend on market conditions and terms. Sales of hot-rolled steel are done on both a spot and a contract basis. Contracts vary both with regard to the terms of the contract (e.g., meet-or-release clauses, raw material surcharges, etc.) and in the length of time of the contract. Depending on market conditions, however, even spot contracts may take 2 to 5 months for delivery.

Pricing Methods

Hot-rolled steel producers have several pricing methods. Many reported that they negotiate multi-year and annual contracts while others stated that they negotiate quarterly agreements. Finally, other producers reported that they have spot agreements which are based on published prices.⁷ Sales managers study competitive market data from sales representatives, trade magazines, industry reports, and on the volume and price of imports. Some producers publish monthly internal price lists for their customers including “extras” for picking, oiling, sizing, etc. A surcharge may be added to account for energy and scrap costs. Surcharges were particularly common in the past year as energy and raw material costs rose. The surcharges are often invoiced separately from the price of the steel. Most sales are not based on single transaction agreements, but on ongoing commitments and relationships with buyers. The price may be influenced by whether the purchase is a single transaction or a contract for multiple shipments. Often prices on the spot market are determined by current market forces. One producer reported that it no longer published price lists because importers were using the list to undercut their prices.⁸

⁷ Compiled from producer and importer responses to Commission questionnaires.

⁸ Compiled from producer and importer responses to Commission questionnaires.

Producers and importers were asked to estimate the percentage of their firm's sales of hot-rolled steel in 2004 that were on a long-term contract basis, short-term contract basis, and spot sales basis.⁹ Responses by both producers and importers were mixed. Of the responding producers, only one firm reported that over 50 percent of its sales were on a long-term contract basis; three U.S. producers reported that at least 40 percent of their sales were on a short-term contract basis. Most U.S. producers, 10 of the 15 responding firms, reported that at least 50 percent of their sales of hot-rolled steel were made on a spot basis. All but one of the eight responding importers reported that at least 95 percent of their sales were on a spot basis; the remaining firm reported that 98 percent of its sales were on a short-term contract basis.

Most producers and importers reported that their short-term contracts for hot-rolled steel were of durations of six months or less. Only one producer reported short-term contracts of nine months; no importer reported having short-term contracts that were more than nine months in duration. Most producers reported that their long-term contracts were of one year in duration, although six of the producers reported long-term contracts with a duration exceeding one year. Producers were roughly evenly split on whether purchase contracts can be renegotiated. Some producers reported that they preferred to negotiate contracts to take into account changing market conditions and the changing needs of their clients. With regard to renegotiation of contracts, *** reported in its questionnaire response that "most agreements contain various forms of "escape clauses." *** further stated that it (and other U.S. steel producers) "seldom seek to enforce sales agreements, but rather negotiate new agreements when disputes arise."

Four of 13 producers reported that, since 1999, the share of contract sales relative to spot sales had increased, while six reported no change. Two other U.S. producers reported a decline of contract sales and an increase in spot sales. All responding importers reported that the percentage of spot and contract sales was unchanged since 1999.

At the hearing and in briefs, several producers reported changes that they have made with regard to provisions in their contracts. ***.¹⁰ As noted earlier, several producers have also begun including surcharges in their contracts to deal with changes in raw material costs. Nucor stated that it made a decision a year ago to institute a raw materials surcharge because of the rapid increase in raw material costs; its contracts now include a base price and a raw material price that is indexed to data from the American Metals Market.¹¹ Steel Dynamics also noted that its contracts have a surcharge which follows the American Metals Market index for scrap prices and also an index tied to the CRU for the base price which is adjusted quarterly. According to Steel Dynamics, it has done this to create more flexibility in its contracts to address problems that the dynamics in spot pricing create as it relates to contract pricing.¹² ***¹³ ***.¹⁴

Sales Terms and Discounts

Most producers reported that they did not offer formal volume discounts to their customers. However, some reported informal discounts to high-volume purchasers or a discount as part of a negotiated agreement. Others reported discounts for early payment such as ½ percent to 2 percent if invoices are paid within 10 days. With a single exception, importers reported that they offered no price discounts. One importer offered discounts of ½ percent for full payment within 10 days.

⁹ Long-terms contract sales were defined as those having multiple deliveries for more than 12 months. Short-term contracts were defined as those with multiple deliveries up to 12 months and spot sale were defined as single delivery sales.

¹⁰ *** prehearing brief, pp. 27-28.

¹¹ Hearing transcript, p. 257 (DiMicco).

¹² Ibid., p. 260 (Nolan).

¹³ Domestic interested party, U.S. Steel's posthearing brief, attachment 1, p. 1.

¹⁴ Ibid., app. 16, p. 1.

PRICE DATA

The Commission requested U.S. producers and importers of hot-rolled steel to provide quarterly data for the total quantity and f.o.b. value of hot-rolled steel products that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1999 to December 2004. The products for which pricing data were requested are as follows:

Product 1.—Hot-rolled carbon steel plate in coils, as-rolled unprocessed, not pickled or temper rolled, not high strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.

Product 2.—Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM 569 or ASTM A1011-CS, not high strength, not pickled and oiled, not temper rolled, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Product 3.—Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM 569 or ASTM A1011-CS, pickled and oiled, temper rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Product 4.—Hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM 569 or ASTM A1011-CS, not pickled and oiled, temper rolled, not high strength, less than 0.090" in nominal or actual thickness, 40" through 84" in width.

Product 5.—Hot-rolled carbon sheet in coils, high strength low alloy, SAE 1006-1015, ASTM 569, or ASTM 1011 equivalent, not pickled and oiled, not temper rolled, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Sixteen U.S. producers and six importers of hot-rolled steel from Brazil, Japan, and/or Russia provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. By quantity, pricing data reported by responding firms in 2004 accounted for approximately one-third of reported U.S. producers' shipments of hot-rolled steel, all reported U.S. shipments of subject imports from Brazil, none of the reported U.S. shipments of subject imports from Japan, and four-fifths of reported U.S. shipments of subject imports from Russia.¹⁵

Price Trends

As shown in tables V-2 through V-6 and in figure V-4, weighted-average U.S. quarterly f.o.b. prices of hot-rolled steel products 1-5 rose consistently beginning in the third quarter of 2003, and in 2004 have been substantially higher than in the previous five years.¹⁶ Overall, prices for U.S.-produced

¹⁵ With regard to Japan, there was very little data reported for the products for which pricing data were requested; in 2004, no data were received from importers for sales of any of the five specified pricing products.

¹⁶ At the hearing and in a posthearing submission, Ford Motor Company discussed these high price levels. Ford noted that it has examined pricing levels in the steel industry since World War II and since then, the price of steel has been in the range of \$300 to \$350 per ton. Ford stated that its analysis indicates that pricing shifts have generally been within one standard deviation (i.e., \$69 per ton) from the average. According to Ford's analysis, the peak level of pricing in 2004 represents prices that are six standard deviations away from the mean. Ford indicated that it believed that this high price level is the indication of a new cycle within the steel industry (hearing transcript, p. 327 (King), and Hogan & Hartson submission, dated March 10, 2005). Domestic interested party Nucor disagrees with the conclusions of the Ford analysis because it fails to convert nominal hot-rolled prices to real prices (posthearing brief of Nucor, Exh. 11, p. 2)

hot-rolled steel products 1 to 5 increased by 173 percent, 133 percent, 129 percent, 141 percent, and 149 percent, respectively, between the first quarter of 1999 and the last quarter of 2004.

Price data for hot-rolled steel products from Brazil (as reported by U.S. importers) were generally only reported for the period 1999 to 2001. Prices for Brazilian product 1 fluctuated from January-March 1999 to October-December 2000 and ended that period at a level *** percent below the level of the beginning of that period. Data for Brazilian product 2 generally showed an upward trend from the first quarter of 1999 to the fourth quarter of 2000, rising *** percent in that time. Weighted-average price data for imports of product 3 from Brazil also fluctuated during the period for which they were reported. These prices were *** percent higher in July-September 2001 than they were in January-March 1999.

There is very little available price data for sales of hot-rolled steel products from Japan sold in the U.S. market. Prices for hot-rolled steel imported from Japan were only reported in one quarter for product 1 and for 3 quarters for product 2.

Table V-2

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 1999-December 2004²

Period	United States		Brazil			Russia		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:								
Jan.-Mar.	\$255.48	423,549	***	***	***	***	***	***
Apr.-June	262.87	508,785	***	***	***	***	***	***
July-Sept.	271.41	651,047	***	***	***	***	***	***
Oct.-Dec.	286.42	669,292	***	***	***	***	***	***
2000:								
Jan.-Mar.	295.95	703,461	***	***	***	***	***	***
Apr.-June	320.40	677,919	***	***	***	***	***	***
July-Sept.	283.90	577,763	***	***	***	***	***	***
Oct.-Dec.	250.64	478,923	***	***	***	***	***	***
2001:								
Jan.-Mar.	233.47	539,162	-	-	-	***	***	***
Apr.-June	236.26	638,416	-	-	-	***	***	***
July-Sept.	237.60	542,901	-	-	-	***	***	***
Oct.-Dec.	228.06	508,592	-	-	-	***	***	***
2002:								
Jan.-Mar.	241.93	585,475	-	-	-	***	***	***
Apr.-June	289.08	669,376	-	-	-	***	***	***
July-Sept.	330.23	857,285	-	-	-	***	***	***
Oct.-Dec.	324.67	584,900	-	-	-	***	***	***
2003:								
Jan.-Mar.	293.80	597,933	-	-	-	-	-	-
Apr.-June	278.92	689,190	-	-	-	-	-	-
July-Sept.	280.30	640,113	-	-	-	-	-	-
Oct.-Dec.	298.78	762,874	-	-	-	-	-	-
2004:								
Jan.-Mar.	383.07	685,165	-	-	-	***	***	***
Apr.-June	536.37	680,264	-	-	-	***	***	***
July-Sept.	638.54	713,590	-	-	-	***	***	***
Oct.-Dec.	695.75	675,623	-	-	-	***	***	***

¹ Hot-rolled carbon steel plate in coils, as-rolled unprocessed, not pickled or temper rolled, not high strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.

² Data for product 1 imported from Japan were reported only in the third quarter of 1999. The reported price was ***, and the margin of underselling was *** percent.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-3

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ and margins of underselling/(overselling), by quarters, January 1999-December 2004

Period	United States		Brazil			Japan		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:								
Jan.-Mar.	\$252.22	549,409	***	***	***	-	-	-
Apr.-June	255.68	635,435	***	***	***	***	***	***
July-Sept.	266.71	647,657	-	-	-	-	-	-
Oct.-Dec.	278.40	678,279	***	***	***	-	-	-
2000:								
Jan.-Mar.	304.19	613,967	***	***	***	-	-	-
Apr.-June	311.10	613,596	***	***	***	-	-	-
July-Sept.	285.85	529,436	***	***	***	-	-	-
Oct.-Dec.	240.90	488,612	***	***	***	-	-	-
2001:								
Jan.-Mar.	227.65	516,877	-	-	-	-	-	-
Apr.-June	232.82	467,818	-	-	-	-	-	-
July-Sept.	231.23	456,354	-	-	-	-	-	-
Oct.-Dec.	225.93	418,604	-	-	-	-	-	-
2002:								
Jan.-Mar.	236.84	481,884	-	-	-	-	-	-
Apr.-June	278.65	557,842	-	-	-	-	-	-
July-Sept.	317.68	709,800	-	-	-	***	***	***
Oct.-Dec.	315.89	563,288	-	-	-	-	-	-
2003:								
Jan.-Mar.	280.67	545,957	-	-	-	***	***	***
Apr.-June	275.68	560,467	-	-	-	-	-	-
July-Sept.	277.66	562,609	-	-	-	-	-	-
Oct.-Dec.	293.72	630,589	-	-	-	-	-	-
2004:								
Jan.-Mar.	390.18	648,486	***	***	***	-	-	-
Apr.-June	524.80	681,632	-	-	-	-	-	-
July-Sept.	625.26	683,667	-	-	-	-	-	-
Oct.-Dec.	587.98	596,488	-	-	-	-	-	-

Table continued on next page.

Table V-3--Continued

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product² and margins of underselling/(overselling), by quarters, January 1999-December 2004

Period	United States		Russia		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:					
Jan.-Mar.	\$252.22	549,409	***	***	***
Apr.-June	255.68	635,435	***	***	***
July-Sept.	266.71	647,657	***	***	***
Oct.-Dec.	278.40	678,279	***	***	***
2000:					
Jan.-Mar.	304.19	613,967	***	***	***
Apr.-June	311.10	613,596	***	***	***
July-Sept.	285.85	529,436	***	***	***
Oct.-Dec.	240.90	488,612	***	***	***
2001:					
Jan.-Mar.	227.65	516,877	-	-	-
Apr.-June	232.82	467,818	***	***	***
July-Sept.	231.23	456,354	***	***	***
Oct.-Dec.	225.93	418,604	***	***	***
2002:					
Jan.-Mar.	236.84	481,884	-	-	-
Apr.-June	278.65	557,842	-	-	-
July-Sept.	317.68	709,800	***	***	***
Oct.-Dec.	315.89	563,288	-	-	-
2003:					
Jan.-Mar.	280.67	545,957	-	-	-
Apr.-June	275.68	560,467	-	-	-
July-Sept.	277.66	562,609	***	***	***
Oct.-Dec.	293.72	630,589	-	-	-
2004:					
Jan.-Mar.	390.18	648,486	***	***	***
Apr.-June	524.80	681,632	***	***	***
July-Sept.	625.26	683,667	***	***	***
Oct.-Dec.	587.98	596,488	***	***	***

¹ Hot-rolled carbon steel sheet in coils, commercial quality, SAE 1006-1015, ASTM 569, or ASTM A1011-CS, not high strength, not pickled and oiled, not temper rolled, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ and margins of underselling/(overselling), by quarters, January 1999-December 2004

Period	United States		Brazil			Russia		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:								
Jan.-Mar.	\$293.98	87,857	***	***	***	***	***	***
Apr.-June	302.09	96,282	***	***	***	***	***	***
July-Sept.	310.08	100,169	***	***	***	***	***	***
Oct.-Dec.	320.09	89,858	***	***	***	***	***	***
2000:								
Jan.-Mar.	341.76	116,113	***	***	***	***	***	***
Apr.-June	345.59	99,024	***	***	***	***	***	***
July-Sept.	333.22	89,572	***	***	***	***	***	***
Oct.-Dec.	293.54	92,787	***	***	***	***	***	***
2001:								
Jan.-Mar.	268.60	126,435	***	***	***	-	-	-
Apr.-June	282.87	136,093	***	***	***	***	***	***
July-Sept.	271.19	97,849	***	***	***	***	***	***
Oct.-Dec.	257.97	109,025	-	-	-	***	***	***
2002:								
Jan.-Mar.	259.74	122,728	-	-	-	-	-	-
Apr.-June	284.75	120,367	-	-	-	-	-	-
July-Sept.	322.99	125,549	-	-	-	***	***	***
Oct.-Dec.	340.50	111,620	-	-	-	-	-	-
2003:								
Jan.-Mar.	307.65	166,891	-	-	-	-	-	-
Apr.-June	308.76	172,400	-	-	-	-	-	-
July-Sept.	303.84	163,799	-	-	-	-	-	-
Oct.-Dec.	318.12	188,178	-	-	-	-	-	-
2004:								
Jan.-Mar.	399.97	228,714	-	-	-	-	-	-
Apr.-June	507.53	231,494	-	-	-	***	***	***
July-Sept.	611.46	214,631	-	-	-	***	***	***
Oct.-Dec.	672.61	188,175	-	-	-	***	***	***

¹ Hot-rolled carbon steel plate in coils, commercial quality, SAE 1006-1015, ASTM 569, or ASTM A1011-CS, pickled and oiled, temper rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product⁴ and margins of underselling/(overselling), by quarters, January 1999-December 2004

Period	United States		Brazil			Russia		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:								
Jan.-Mar.	\$266.56	155,222	***	***	***	***	***	***
Apr.-June	271.14	173,102	***	***	***	***	***	***
July-Sept.	273.34	167,970	-	-	-	-	-	-
Oct.-Dec.	278.58	194,483	-	-	-	-	-	-
2000:								
Jan.-Mar.	313.14	182,025	-	-	-	-	-	-
Apr.-June	316.76	206,195	-	-	-	-	-	-
July-Sept.	297.02	167,348	-	-	-	***	***	***
Oct.-Dec.	247.32	207,184	-	-	-	-	-	-
2001:								
Jan.-Mar.	253.64	197,875	-	-	-	-	-	-
Apr.-June	258.10	153,630	-	-	-	-	-	-
July-Sept.	252.30	139,181	-	-	-	-	-	-
Oct.-Dec.	236.20	169,859	-	-	-	-	-	-
2002:								
Jan.-Mar.	240.19	187,661	-	-	-	-	-	-
Apr.-June	282.21	180,441	-	-	-	-	-	-
July-Sept.	328.32	188,386	-	-	-	-	-	-
Oct.-Dec.	325.67	162,864	-	-	-	-	-	-
2003:								
Jan.-Mar.	301.71	177,065	-	-	-	-	-	-
Apr.-June	298.12	183,708	-	-	-	-	-	-
July-Sept.	292.60	153,941	-	-	-	-	-	-
Oct.-Dec.	307.09	186,845	-	-	-	-	-	-
2004:								
Jan.-Mar.	385.53	128,189	-	-	-	-	-	-
Apr.-June	533.28	150,989	-	-	-	***	***	***
July-Sept.	657.34	156,385	-	-	-	***	***	***
Oct.-Dec.	642.07	152,416	-	-	-	***	***	***

¹ Hot-rolled carbon steel sheet in coils, commercial quality, SAE 1006-1015, ASTM 569, or ASTM A1011-CS, not pickled and oiled, temper rolled, not high strength, less than 0.090" in nominal or actual thickness, 40" through 84" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 5¹ and margins of underselling/(overselling), by quarters, January 1999-December 2004

Period	United States		Brazil			Russia		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
1999:								
Jan.-Mar.	\$245.05	130,401	***	***	***	***	***	***
Apr.-June	269.62	118,150	-	-	-	***	***	***
July-Sept.	274.27	148,724	-	-	-	***	***	***
Oct.-Dec.	292.75	126,554	-	-	-	***	***	***
2000:								
Jan.-Mar.	317.05	125,791	-	-	-	***	***	***
Apr.-June	322.59	108,165	-	-	-	***	***	***
July-Sept.	289.81	121,084	-	-	-	***	***	***
Oct.-Dec.	260.39	99,466	-	-	-	***	***	***
2001:								
Jan.-Mar.	236.73	145,741	-	-	-	-	-	-
Apr.-June	245.33	140,835	-	-	-	***	***	***
July-Sept.	240.98	140,222	-	-	-	***	***	***
Oct.-Dec.	232.47	122,401	-	-	-	***	***	***
2002:								
Jan.-Mar.	238.82	147,076	-	-	-	***	***	***
Apr.-June	286.18	159,397	-	-	-	***	***	***
July-Sept.	325.91	212,669	-	-	-	***	***	***
Oct.-Dec.	327.91	266,641	-	-	-	***	***	***
2003:								
Jan.-Mar.	293.51	267,227	-	-	-	-	-	-
Apr.-June	284.20	261,303	-	-	-	***	***	***
July-Sept.	291.11	278,625	-	-	-	-	-	-
Oct.-Dec.	305.97	365,841	-	-	-	-	-	-
2004:								
Jan.-Mar.	385.38	370,173	-	-	-	***	***	***
Apr.-June	486.95	397,420	-	-	-	***	***	***
July-Sept.	610.96	370,874	-	-	-	***	***	***
Oct.-Dec.	612.50	375,995	-	-	-	***	***	***

¹ Hot-rolled carbon steel sheet in coils, high strength low alloy, SAE 1006-1015, ASTM 569, or ASTM A1011 equivalent, not pickled and oiled, not temper rolled, 0.090" through 0.171" in nominal or actual thickness, 40" through 60" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-4
Hot-rolled steel: Weighted-average f.o.b. prices of domestic and imported products 1-5

* * * * *

Weighted-average price data for sales of hot-rolled steel products imported from Russia were reported for products 1 to 5. Trends in these prices were generally similar to those of the domestic prices in that they were higher in 2004 relative to other periods. Prices for Russian hot-rolled steel products 1 to 5 increased by *** percent, *** percent, *** percent, *** percent, and *** percent, respectively, between the first quarter of 1999 and the last quarter of 2004.

Purchasers were also asked if there has been a change in the price of hot-rolled steel since 1999, and if so, if the price of U.S.-produced hot-rolled steel changed more or less than the price of imported hot-rolled steel from Brazil, Japan, and Russia. One purchaser reported that there had been no change in prices of hot-rolled steel. Fourteen purchasers reported that prices of domestic and imported hot-rolled steel have changed by the same amount. With regard to Brazil, 11 firms stated that the price of U.S.-produced hot-rolled steel increased relative to the price of hot-rolled steel from Brazil while two reported that it had decreased relative to the price of the Brazilian product. With regard to Japan, 10 firms stated that the price of U.S.-produced hot-rolled steel increased relative to the price of hot-rolled steel from Japan while two reported that it had decreased relative to the price of the Japanese product. With regard to Russia, 13 firms stated that the price of U.S.-produced hot-rolled steel increased relative to the price of hot-rolled steel from Russia while two reported that it had decreased relative to the price of the Russian product.

Price Comparisons

Price comparisons between U.S.-produced and imported hot-rolled steel were reported in 112 instances. In 51 of 112 instances, the imported product was priced below the domestic product, while in 61 of the 112 instances, the imported product was priced above the domestic product (table V-7).¹⁷ With regard to Brazil, the 7 margins of underselling ranged from 0.8 to 34.4 percent. Twenty-three Brazilian margins of overselling ranged from 1.6 to 36.7 percent. With regard to imports from Japan, there were only four comparisons. In the two instances of underselling, the margins were *** and *** percent; in the two instances of overselling the margins were *** and *** percent. Finally, with regard to imports from Russia, the 42 instances of underselling had margins which ranged from 1.6 to 45.9 percent. In the remaining 36 instances, the Russian product was priced higher than the domestic product with margins ranging from near zero to 82.1 percent.

¹⁷ In the original investigations, there were 192 possible price comparisons. In 122 of those, subject imports undersold the domestic product; in the remaining 70 instances, subject imports oversold the domestic product. For Brazil, there were 36 instances of underselling and 22 instances of overselling; the average of all margins was 1.4 percent (underselling). For Japan, there were 23 instances of underselling and 39 instances of overselling; the average of all margins was (0.8) percent (overselling). For Russia, there were 63 instances of underselling and 9 instances of overselling; the average of all margins was 8.4 percent (underselling) (*Certain Hot-Rolled Steel Products from Japan, Investigation No. 731-TA-807 (Final)*, USITC Publication 3202, June 1999, p. V-15).

Table V-7

Hot-rolled steel: Summary of underselling/overselling for products 1-5, by country, 1999-2004

Country/period	Number of quarters of underselling	Total import quantity of underselling (tons)	Number of quarters of overselling	Total import quantity of overselling (tons)
Brazil:				
1999	5	9,645	9	21,721
2000	2	15,385	10	49,479
2001	0	0	3	***
2002	0	0	0	0
2003	0	0	0	0
2004	0	0	1	***
TOTAL	7	25,030	23	71,200
Japan:				
1999	2	1,537	0	0
2000	0	0	0	0
2001	0	0	0	0
2002	0	0	1	***
2003	0	0	1	***
2004	0	0	0	0
TOTAL	2	1,537	2	0
Russia:				
1999	8	69,373	10	25,651
2000	2	384	15	25,461
2001	11	29,892	2	13,167
2002	7	41,776	3	2,214
2003	0	0	2	2,473
2004	14	349,569	4	18,039
TOTAL	42	490,994	36	87,005
Source: Compiled from data submitted in response to Commission questionnaires.				

APPENDIX A

***FEDERAL REGISTER* NOTICES AND ADEQUACY STATEMENT**

China, Korea, and Mexico: Investigations Nos. 731-TA-1073-1075 (Preliminary).

Issued: April 27, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-9987 Filed 4-30-04; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-384 and 731-TA-806-808 (Review)]

Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia

AGENCY: International Trade Commission.

ACTION: Institution of five-year reviews concerning the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, the suspended countervailing duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Brazil, and the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia.

SUMMARY: The Commission hereby gives notice that it has instituted reviews pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan and termination of the suspended investigations on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Russia would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;¹ to be assured of consideration, the deadline for responses is June 22, 2004. Comments on the adequacy of responses may be filed with the Commission by July 16, 2004. For further information concerning the conduct of these reviews

¹ No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 04-5-090, expiration date June 30, 2005. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* May 3, 2004.

FOR FURTHER INFORMATION CONTACT:

Mary Messer (202) 205-3193, Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—On June 29, 1999, the Department of Commerce (Commerce) issued an antidumping duty order on imports of certain hot-rolled flat-rolled carbon-quality steel products from Japan (64 FR 34778). Effective July 12, 1999, Commerce suspended the antidumping duty investigation on such imports from Russia (64 FR 38642, July 19, 1999) and, effective July 6, 1999, Commerce suspended the countervailing duty and antidumping duty investigations on such imports from Brazil (64 FR 38792 and 38797, July 19, 1999). Subsequent to the termination of the suspension agreement with respect to the antidumping duty investigation on imports of certain hot-rolled flat-rolled carbon-quality steel products from Brazil (67 FR 6226, February 11, 2002), Commerce issued an antidumping duty order on such imports (67 FR 11093, March 12, 2002). The Commission is conducting reviews to determine whether revocation of the orders and terminations of the suspended investigations would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time. It will assess the adequacy of interested party responses to this notice of institution to determine whether to conduct full reviews or expedited reviews. The Commission's determinations in any expedited reviews will be based on the facts available, which may include information provided in response to this notice.

Definitions.—The following definitions apply to these reviews:

(1) Subject Merchandise is the class or kind of merchandise that is within the scope of the five-year review, as defined by the Department of Commerce.

(2) The Subject Countries in these reviews are Brazil, Japan, and Russia.

(3) The Domestic Like Product is the domestically produced product or products which are like, or in the absence of like, most similar in characteristics and uses with, the Subject Merchandise. In its original determinations, the Commission found one Domestic Like Product consisting of all hot-rolled steel, as defined in Commerce's scope.

(4) The Domestic Industry is the U.S. producers as a whole of the Domestic Like Product, or those producers whose collective output of the Domestic Like Product constitutes a major proportion of the total domestic production of the product. In its original determinations, the Commission defined the Domestic Industry as all producers of hot-rolled steel.

(5) The Order Date is the date that the antidumping duty orders under review became effective and the investigations were suspended. In the reviews concerning the suspended antidumping and countervailing duty investigations and the subsequent antidumping duty order on imports of certain hot-rolled flat-rolled carbon-quality steel products from Brazil, the Order Date is July 6, 1999. In the review concerning the suspended antidumping investigation on imports of certain hot-rolled flat-rolled carbon-quality steel products from Russia, the Order Date is July 12, 1999. In the review concerning the antidumping duty order on imports of certain hot-rolled flat-rolled carbon-quality steel products from Japan, the Order Date is June 29, 1999.

(6) An Importer is any person or firm engaged, either directly or through a parent company or subsidiary, in importing the Subject Merchandise into the United States from a foreign manufacturer or through its selling agent.

Participation in the reviews and public service list.—Persons, including industrial users of the Subject Merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11(b)(4) of the Commission's rules, no later than 21 days after publication of this notice in the FR. The Secretary will maintain a public service list containing the names

and addresses of all persons, or their representatives, who are parties to the reviews.

Former Commission employees who are seeking to appear in Commission five-year reviews are reminded that they are required, pursuant to 19 CFR 201.15, to seek Commission approval if the matter in which they are seeking to appear was pending in any manner or form during their Commission employment. The Commission's designated agency ethics official has advised that a five-year review is the "same particular matter" as the underlying original investigation for purposes of 19 CFR 201.15 and 18 U.S.C. 207, the post employment statute for Federal employees. Former employees may seek informal advice from Commission ethics officials with respect to this and the related issue of whether the employee's participation was "personal and substantial." However, any informal consultation will not relieve former employees of the obligation to seek approval to appear from the Commission under its rule 201.15. For ethics advice, contact Carol McCue Verratti, Deputy Agency Ethics Official, at (202) 205-3088.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and APO service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI submitted in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made no later than 21 days after publication of this notice in the **Federal Register**. Authorized applicants must represent interested parties, as defined in 19 U.S.C. 1677(9), who are parties to the reviews. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Certification.—Pursuant to section 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these reviews must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will be deemed to consent, unless otherwise specified, for the Commission, its employees, and contract personnel to use the information provided in any other reviews or investigations of the same or comparable products which the Commission conducts under Title VII of the Act, or in internal audits and investigations relating to the programs

and operations of the Commission pursuant to 5 U.S.C. Appendix 3.

Written submissions.—Pursuant to section 207.61 of the Commission's rules, each interested party response to this notice must provide the information specified below. The deadline for filing such responses is June 22, 2004. Pursuant to section 207.62(b) of the Commission's rules, eligible parties (as specified in Commission rule 207.62(b)(1)) may also file comments concerning the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. The deadline for filing such comments is July 16, 2004. All written submissions must conform with the provisions of sections 201.8 and 207.3 of the Commission's rules and any submissions that contain BPI must also conform with the requirements of sections 201.6 and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Also, in accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or APO service list as appropriate), and a certificate of service must accompany the document (if you are not a party to the reviews you do not need to serve your response).

Inability to provide requested information.—Pursuant to section 207.61(c) of the Commission's rules, any interested party that cannot furnish the information requested by this notice in the requested form and manner shall notify the Commission at the earliest possible time, provide a full explanation of why it cannot provide the requested information, and indicate alternative forms in which it can provide equivalent information. If an interested party does not provide this notification (or the Commission finds the explanation provided in the notification inadequate) and fails to provide a complete response to this notice, the Commission may take an adverse inference against the party pursuant to section 776(b) of the Act in making its determinations in the reviews.

Information To Be Provided in Response To This Notice of Institution: If you are a domestic producer, union/worker group, or trade/business association; import/export Subject Merchandise from more than one Subject Country; or produce Subject Merchandise in more than one Subject

Country, you may file a single response. If you do so, please ensure that your response to each question includes the information requested for each pertinent Subject Country. As used below, the term "firm" includes any related firms.

(1) The name and address of your firm or entity (including World Wide Web address if available) and name, telephone number, fax number, and E-mail address of the certifying official.

(2) A statement indicating whether your firm/entity is a U.S. producer of the Domestic Like Product, a U.S. union or worker group, a U.S. importer of the Subject Merchandise, a foreign producer or exporter of the Subject Merchandise, a U.S. or foreign trade or business association, or another interested party (including an explanation). If you are a union/worker group or trade/business association, identify the firms in which your workers are employed or which are members of your association.

(3) A statement indicating whether your firm/entity is willing to participate in these reviews by providing information requested by the Commission.

(4) A statement of the likely effects of the revocation of the antidumping duty orders and termination of the suspended investigations on the Domestic Industry in general and/or your firm/entity specifically. In your response, please discuss the various factors specified in section 752(a) of the Act (19 U.S.C. 1675a(a)) including the likely volume of subject imports, likely price effects of subject imports, and likely impact of imports of Subject Merchandise on the Domestic Industry.

(5) A list of all known and currently operating U.S. producers of the Domestic Like Product. Identify any known related parties and the nature of the relationship as defined in section 771(4)(B) of the Act (19 U.S.C. 1677(4)(B)).

(6) A list of all known and currently operating U.S. importers of the Subject Merchandise and producers of the Subject Merchandise in each of the Subject Countries that currently export or have exported Subject Merchandise to the United States or other countries since 1998.

(7) If you are a U.S. producer of the Domestic Like Product, provide the following information on your firm's operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars, f.o.b. plant). If you are a union/worker group or trade/business association, provide the information, on an aggregate basis, for the firms in which your workers are employed/which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total U.S. production of the Domestic Like Product accounted for by your firm's(s') production;

(b) The quantity and value of U.S. commercial shipments of the Domestic Like Product produced in your U.S. plant(s); and

(c) the quantity and value of U.S. internal consumption/company transfers of the Domestic Like Product produced in your U.S. plant(s).

(8) If you are a U.S. importer or a trade/business association of U.S. importers of the Subject Merchandise from the Subject Countries, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) The quantity and value (landed, duty-paid but not including antidumping or countervailing duties) of U.S. imports and, if known, an estimate of the percentage of total U.S. imports of Subject Merchandise from each of the Subject Countries accounted for by your firm's(s') imports;

(b) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. commercial shipments of Subject Merchandise imported from each of the Subject Countries; and

(c) the quantity and value (f.o.b. U.S. port, including antidumping and/or countervailing duties) of U.S. internal consumption/company transfers of Subject Merchandise imported from each of the Subject Countries.

(9) If you are a producer, an exporter, or a trade/business association of producers or exporters of the Subject Merchandise in the Subject Countries, provide the following information on your firm's(s') operations on that product during calendar year 2003 (report quantity data in short tons and value data in U.S. dollars, landed and duty-paid at the U.S. port but not including antidumping or countervailing duties). If you are a trade/business association, provide the information, on an aggregate basis, for the firms which are members of your association.

(a) Production (quantity) and, if known, an estimate of the percentage of total production of Subject Merchandise in each of the Subject Countries accounted for by your firm's(s') production; and

(b) the quantity and value of your firm's(s') exports to the United States of

Subject Merchandise and, if known, an estimate of the percentage of total exports to the United States of Subject Merchandise from each of the Subject Countries accounted for by your firm's(s') exports.

(10) Identify significant changes, if any, in the supply and demand conditions or business cycle for the Domestic Like Product that have occurred in the United States or in the market for the Subject Merchandise in each of the Subject Countries since the Order Date, and significant changes, if any, that are likely to occur within a reasonably foreseeable time. Supply conditions to consider include technology; production methods; development efforts; ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production); and factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad). Demand conditions to consider include end uses and applications; the existence and availability of substitute products; and the level of competition among the Domestic Like Product produced in the United States, Subject Merchandise produced in each of the Subject Countries, and such merchandise from other countries.

(11) (Optional) A statement of whether you agree with the above definitions of the Domestic Like Product and Domestic Industry; if you disagree with either or both of these definitions, please explain why and provide alternative definitions.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.61 of the Commission's rules.

Issued: April 23, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-9992 Filed 4-30-04; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-244 (Second Review)]

Natural Bristle Paint Brushes from China

AGENCY: International Trade Commission.

ACTION: Institution of a five-year review concerning the antidumping duty order on natural bristle paint brushes from China.

SUMMARY: The Commission hereby gives notice that it has instituted a review pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act) to determine whether revocation of the antidumping duty order on natural bristle paint brushes from China would be likely to lead to continuation or recurrence of material injury. Pursuant to section 751(c)(2) of the Act, interested parties are requested to respond to this notice by submitting the information specified below to the Commission;¹ to be assured of consideration, the deadline for responses is June 22, 2004. Comments on the adequacy of responses may be filed with the Commission by July 16, 2004. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* May 3, 2004.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202) 205-3193, Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this review may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—On February 14, 1986, the Department of Commerce issued an antidumping duty order on imports of natural bristle paint brushes from China (51 FR 5580). Following five-year reviews by Commerce and the

¹ No response to this request for information is required if a currently valid Office of Management and Budget (OMB) number is not displayed; the OMB number is 3117-0016/USITC No. 04-5-089, expiration date June 30, 2005. Public reporting burden for the request is estimated to average 7 hours per response. Please send comments regarding the accuracy of this burden estimate to the Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436.

do not preclude the issuance of such relief, and that respondent's bond under the limited exclusion order shall be in the amount of \$1.00 per covered product.

The Commission also determined to grant complainant's July 27, 2004, motion for leave to file a surreply, and to strike exhibits A and B attached to complainant's July 16, 2004, submission.

The Commission's opinion setting forth its reasoning shall issue shortly.

The authority for the Commission's determinations is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in sections 210.45–210.51 of the Commission's Rules of Practice and Procedure (19 CFR 210.45–210.51).

Issued: August 20, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–19502 Filed 8–25–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–384 and 731–TA–806–808 (Review)]

Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia

AGENCY: International Trade Commission.

ACTION: Notice of Commission determinations to conduct full five-year reviews concerning the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, the suspended countervailing duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Brazil, and the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia.

SUMMARY: The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the orders and terminations of the suspended investigations would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further information concerning the conduct of these reviews and rules of general application, consult the

Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

EFFECTIVE DATE: August 6, 2004.

FOR FURTHER INFORMATION CONTACT:

Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION: On August 6, 2004, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act. With regard to subject hot-rolled flat-rolled carbon-quality steel products from Russia, the Commission found that both the domestic and respondent interested party group responses to its notice of institution (69 FR 24189, May 3, 2004) were adequate. With regard to subject hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, the Commission found that the domestic interested party group responses were adequate and the respondent interested party group responses were inadequate. Although the Commission did not receive a response from any respondent interested parties in the reviews concerning subject imports from Brazil and Japan, it determined to conduct full reviews to promote administrative efficiency in light of its decision to conduct a full review with respect to the review concerning subject imports from Russia. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: August 23, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04–19522 Filed 8–25–04; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701–TA–414 and 731–TA–928 (Section 129 Consistency Determination)]

Softwood Lumber From Canada

AGENCY: International Trade Commission.

ACTION: Scheduling of a proceeding under section 129(a)(4) of the Uruguay Round Agreements Act (URAA) (19 U.S.C. 3538(a)(4)).

SUMMARY: The Commission hereby gives notice of the scheduling of this proceeding following receipt on July 27, 2004, of a request from the United States Trade Representative (USTR) for a determination under section 129(a)(4) of the URAA that would render the Commission's action in connection with Investigations Nos. 701–TA–414 and 731–TA–928 not inconsistent with the findings of the dispute settlement panel of the World Trade Organization (WTO) in its report entitled, "United States—Investigation of the International Trade Commission in Softwood Lumber From Canada," WT/DS277/R. A notice of institution for this proceeding was issued on July 30, 2004 (69 FR 47461, Aug. 5, 2004).

For further information concerning the conduct of this proceeding and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: August 20, 2004.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202–205–3191), Office of Investigations, or Robin L. Turner (202–205–3103), Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for

In addition, to complete this study it is necessary to conduct surveys of cattle, hog, and lamb producers, feeders, dealers, meat packers, meat processors, food wholesalers, food retailers, food service operations, and meat exporters. Participation in the surveys will be voluntary. Surveys will be mailed, with initial and follow-up contacts by telephone. The surveys will collect information on terms and frequency of use of alternative marketing arrangements; volume of livestock and meat transferred with alternative marketing arrangements, pricing methods for livestock and meat; reasons for using alternative marketing arrangements; and the effects of alternative marketing arrangements on costs and efficiencies, product quality, and risk shifting. The survey question will be targeted to the appropriate industry segment to reduce burden.

All data collection requests will include a pledge of confidentiality and the data will be collected exclusively for statistical purposes consistent with the provisions of the Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA). In addition, the transactions data collected from meat packers and processors (part 1) will be subject to the confidentiality restrictions in the P&S Act.

(1) Transaction Data

Estimate of Burden: The public reporting burden for this collection of information is estimated to average 40 hours per response.

Respondents (Affected Public): Meat packers, meat processors, food wholesalers, food retailers, food service operations, and meat exporters.

Estimated Number of Respondents: 400.

Estimated Number of Responses per Respondent: 1.

Estimated Total Annual Burden on Respondents: 16,000 hours.

Total Costs: Transactions data reporting \$435,072 for all establishments combined. Calculated as follows: (16,000 hours) × (\$27.192 per hour) = \$435,072.

(2) Alternative Marketing Arrangements Survey

Estimate of Burden: The public reporting burden for this collection of information is estimated to average 60 minutes per response.

Respondents (Affected Public): Cattle, hog, and lamb producers, feeders, dealers, meat packers, meat processors, food wholesalers, food retailers, food service operations, and meat exporters.

Estimated Number of Respondents: 3,800.

Estimated Number of Responses per Respondent: 1.

Estimated Total Annual Burden on Respondents: 3,800 hours.

Total Costs: Survey reporting \$139,080 for all establishments combined. Calculated as follows: (3,800 hours) × (\$36.60 per hour) = \$139,080.

Copies of this information collection assessment can be obtained from Tess Butler; see **ADDRESSES** section for contact information.

As required by the Paperwork Reduction Act (44 U.S.C. 3506(c)(2)(A)) and its implementing regulations (5 CFR 1320.8(d)(1)(i)), we specifically request comments on:

(a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(b) The accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(d) Ways to minimize the burden on the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

All responses to this notice will be summarized and included in the request for OMB approval. All comments will also become a matter of public record.

Authority: 44 U.S.C. 3506, 5 CFR 1320.8, and Pub. L. 108-7, 117 Stat. 22.

Gary McBryde,

Acting Administrator, Grain Inspection, Packers and Stockyards Administration.

[FR Doc. 04-20432 Filed 9-8-04; 8:45 am]

BILLING CODE 3410-EN-M

DEPARTMENT OF COMMERCE

Foreign-Trade Zones Board

[Docket No. 46-2003]

Pepsi-Cola Manufacturing International, Ltd.—Subzone 61J, Cidra, Puerto Rico; Application for Expansion of Scope of Manufacturing Authority Amendment of Application

Notice is hereby given that the application by the Puerto Rico Exports Development Corporation (68 FR 54888, 9-19-2003), grantee of FTZ 61, on behalf of Pepsi-Cola Manufacturing International, Ltd. (PCMIL), operator of FTZ 61J, requesting an expansion of the

scope of manufacturing authority to include additional finished products and manufacturing capacity under FTZ procedures at the PCMIL soft drink and juice beverage concentrate manufacturing plant, has been amended to alter the proposed scope of authority regarding the use of foreign-origin orange juice and grapefruit juice concentrates. As a result of consultations with interested parties within domestic industry, PCMIL has amended the proposed scope of authority regarding foreign ingredients by indicating that all foreign-origin orange juice and grapefruit juice (classified under HTSUS Heading 2009) to be used in the manufacture of juice beverage concentrate products under FTZ procedures would be admitted to Subzone 61J under privileged foreign status (19 CFR 146.41), thereby deleting inverted tariff savings on these products from the proposed FTZ benefits. The application remains otherwise unchanged.

A copy of the amended application will be available for public inspection at the Office of the Foreign-Trade Zones Board's Executive Secretary at the Franklin Court Building—Suite 4100W, 1099 14th Street, NW., Washington, DC 20005. The comment period is reopened until October 6, 2004.

Dated: September 2, 2004.

Dennis Puccinelli,

Executive Secretary.

[FR Doc. 04-20465 Filed 9-8-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-351-828]

Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil; Final Results of the Expedited Sunset Review of Antidumping Duty Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of final results of expedited sunset reviews of antidumping duty order on certain hot-rolled flat-rolled carbon-quality steel products from Brazil.

SUMMARY: On May 3, 2004, the Department of Commerce ("the Department") initiated a sunset review of the antidumping duty order of certain hot-rolled flat-rolled carbon-quality steel products ("hot-rolled steel") from

Brazil.¹ On the basis of the notice of intent to participate, adequate substantive comments filed on behalf of the domestic interested parties, and inadequate response from respondent interested parties (in this case, no response), the Department conducted an expedited sunset review of the antidumping duty order pursuant to section 751(c)(3)(B) of the Act and section 351.218(e)(1)(ii)(B) of the Department's regulations. As a result of this sunset review, the Department determined that revocation of the antidumping duty order would likely lead to continuation or recurrence of dumping at the levels listed below in the section entitled "Final Results of Review".

EFFECTIVE DATE: September 9, 2004.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Office of Policy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington DC, 20230; telephone: 202-482-5050.

SUPPLEMENTARY INFORMATION:

Background

On May 3, 2004, the Department initiated a sunset review of the antidumping duty order on hot-rolled steel products from Brazil in accordance with section 751(c) of the Tariff Act of 1930, as amended ("the Act"). See Notice of Initiation, 69 FR 24118 (May 3, 2004).

The Department received notices of intent to participate within the applicable deadline specified in section 351.218(d)(1)(i) of the Department's regulations on behalf of Nucor Corporation ("Nucor"), United States Steel Corporation ("U.S. Steel"), International Steel Group, Inc. ("ISG"), Gallatin Steel Company ("Gallatin"), IPSCO Steel Inc. ("IPSCO"), and Steel Dynamics, Inc. ("SDI") (collectively "domestic interested parties"). The domestic interested parties claimed interested-party status as U.S. producers of subject merchandise as defined by section 771(9)(C) of the Act.

The Department received complete substantive responses from the domestic interested parties within the 30-day deadline specified in the Department's regulations under § 351.218(d)(3)(i). However, the Department did not receive any responses from respondent interested parties to this proceeding. As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department

conducted an expedited sunset review of this antidumping duty order.

This antidumping duty order remains in effect for manufacturers, producers, and exporters of hot-rolled steel from Brazil.

Scope of the Order

See Appendix 1.

Analysis of Comments Received

All issues raised in this sunset review are addressed in the Issues and Decision Memorandum ("Decision Memo") from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to James J. Jochum, Assistant Secretary for Import Administration, dated August 31, 2004, which is hereby adopted by this notice. The issues discussed in the Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail if the antidumping duty order were revoked. Parties can find a complete discussion of all issues raised in this sunset review and the corresponding recommendations in this public memo, which is on file in room B-099 of the main Commerce Building.

In addition, a complete version of the Decision Memo can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "September 2004." The paper copy and electronic version of the Decision Memo are identical in content.

Final Results of Review

The Department determines that revocation of the antidumping duty order on hot-rolled steel from Brazil would likely lead to continuation or recurrence of dumping at the following weighted-average margins:

Manufacturers/producers/exporter's	Weighted-average margin (percent)
Compendia Siderurgica Nacional (CSN)	41.27
Usinas Siderurgicas De Minas Gerais (USIMINAS)/	43.40
Companhia Siderurgica Paulista (COSIPA)	43.40
"All Others"	42.12

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is requested. Failure to comply

with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: August 31, 2004.

Jeffrey A. May,

Acting Assistant Secretary for Import Administration.

Appendix 1—Scope of the Order: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil

For purposes of this order, the products covered are certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic substances, in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm, but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than 4.0 mm is not included within the scope of this order. Specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free ("IF") steels, high strength low alloy ("HSLA") steels, and the substrate for motor lamination steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum. Steel products to be included in the scope of this order, regardless of HTSUS definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.012 percent of boron, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

All products that meet the physical and chemical description provided above are within the scope of this order unless otherwise excluded. The following products, by way of example, are outside and/or specifically excluded from the scope of this order:

¹ See *Initiation of Five-Year ("Sunset") Reviews*, 69 FR 24118 (May 3, 2004) ("Notice of Initiation").

—Alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including e.g., ASTM specifications A543, A387, A514, A517, and A506).

—SAE/AISI grades of series 2300 and higher.
—Ball bearing steels, as defined in the HTSUS.-Tool steels, as defined in the HTSUS.

—Silico-manganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent.-ASTM specifications A710 and A736.

—USS Abrasion-resistant steels (USS AR 400, USS AR 500).

—Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

(Note: The following TABLE/FORM is too wide to be displayed on one screen. You must print it for a meaningful review of its contents. The table has been divided into multiple pieces with each piece containing information to help you assemble a printout of the table. The information for each piece includes: (1) A three line message preceding the tabular data showing by line # and character # the position of the upper left-hand corner of the piece and the position of the piece within the entire table; and (2) a numeric scale following the tabular data displaying the character positions.)

This is piece 1.—It begins at character 1 of table line 1.

C Mn P S Si Cr

0.10–0.14% .. 0.90% Max 0.025% Max
0.005% Max .. 0.30–0.50% .. 0.30–0.50% ..

1...+...10...+...20...+...30...

+...40...+...50...+...60...+...70...+...

This is piece 2.—It begins at character 79 of table line 1.

Cu Ni

0.20–0.40% 0.20%

Max.

79...+...90...+...

Width = 44.80 inches maximum;

Thickness = 0.063–0.198 inches;

Yield Strength = 50,000 ksi minimum;

Tensile Strength = 70,000–88,000 psi.

—Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

(Note: The following TABLE/FORM is too wide to be displayed on one screen. You must print it for a meaningful review of its contents. The table has been divided into multiple pieces with each piece containing information to help you assemble a printout of the table. The information for each piece includes: (1) A three line message preceding the tabular data showing by line # and character # the position of the upper left-hand corner of the piece and the position of the piece within the entire table; and (2) a numeric scale following the tabular data displaying the character positions.)

This is piece 1.—It begins at character 1 of table line 1.

C Mn P S Si Cr

0.10–0.16% 0.70–0.90% 0.025% Max
0.006% Max .. 0.30–0.50% .. 0.30–0.50%

Mo

.....

0.21% Max

.....

1...+...10...+...20...+...30...

+...40...+...50...+...60...+...70...+...

This is piece 2.—It begins at character 80 of table line 1.

Cu Ni

0.25% Max 0.20%

Max

.....

.....

80..+...90...+...

Width = 44.80 inches maximum;

Thickness = 0.350 inches

maximum;

Yield Strength = 80,000 ksi minimum;

Tensile Strength = 105,000 psi Aim.

—Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

(Note: The following TABLE/FORM is too wide to be displayed on one screen. You must print it for a meaningful review of its contents. The table has been divided into multiple pieces with each piece containing information to help you assemble a printout of the table. The information for each piece includes: (1) A three line message preceding the tabular data showing by line # and character # the position of the upper left-hand corner of the piece and the position of the piece within the entire table; and (2) a numeric scale following the tabular data displaying the character positions.)

This is piece 1.—It begins at character 1 of table line 1.

C Mn P S Si Cr

0.10–0.14% .. 1.30–1.80% .. 0.025%

Max 0.005% Max .. 0.30–0.50% ..

0.50–0.70%

V(wt.) Cb

.....

0.10% Max ... 0.08% Max

.....

1...+...10...+...20...+...30...

+...40...+...50...+...60...+...70...+...

This is piece 2.—It begins at character 80 of table line 1.

Cu Ni

.. 0.20–0.40% 0.20%

Max.....

.....

80..+...90...+...

Width = 44.80 inches maximum;

Thickness = 0.350 inches

maximum;

Yield Strength = 80,000 ksi minimum;

Tensile Strength = 105,000 psi Aim.

—Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

(Note: The following TABLE/FORM is too wide to be displayed on one screen. You

must print it for a meaningful review of its contents. The table has been divided into multiple pieces with each piece containing information to help you assemble a printout of the table. The information for each piece includes: (1) a three line message preceding the tabular data showing by line # and character # the position of the upper left-hand corner of the piece and the position of the piece within the entire table; and (2) a numeric scale following the tabular data displaying the character positions.)

This is piece 1.—It begins at character 1 of table line 1.

C Mn P S Si Cr Cu

0.15% Max. 1.40% Max 0.025% Max

0.010% Max 0.50% Max 1.00%

Max 0.50% Max

Nb Ca Al

.....

0.005% Min Treated .. 0.01–0.70%

.....

1...+...10...+...20...+...30...+

...40...+...50...+...60...+...70...+...

This is piece 2.—It begins at character 80 of table line 1.

Ni

0.20%Max.....

.....

80..+...

Width = 39.37 inches; Thickness =

0.181 inches maximum;

Yield Strength = 70,000 psi minimum

for thicknesses <= 0.148 inches and

65,000 psi minimum for thicknesses

> 0.148 inches; Tensile Strength =

80,000 psi minimum.

—Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, contains 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by either (i) tensile strength between 540 N/mm² and 640 N/mm² and an elongation percentage “26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 690 N/mm² and an elongation percentage “25 percent for thicknesses of 2 mm and above.

—Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

—Grade ASTM A570–50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 inch nominal), mill edge and skin passed, with a minimum copper content of 0.20%.

The merchandise subject to this order is classified in the Harmonized Tariff

Schedule of the United States (HTSUS) at subheadings: 7208.10.15.00, 7208.10.30.00, 7208.10.60.00, 7208.25.30.00, 7208.25.60.00, 7208.26.00.30, 7208.26.00.60, 7208.27.00.30, 7208.27.00.60, 7208.36.00.30, 7208.36.00.60, 7208.37.00.30, 7208.37.00.60, 7208.38.00.15, 7208.38.00.30, 7208.38.00.90, 7208.39.00.15, 7208.39.00.30, 7208.39.00.90, 7208.40.60.30, 7208.40.60.60, 7208.53.00.00, 7208.54.00.00, 7208.90.00.00, 7210.70.30.00, 7210.90.90.00, 7211.14.00.30, 7211.14.00.90, 7211.19.15.00, 7211.19.20.00, 7211.19.30.00, 7211.19.45.00, 7211.19.60.00, 7211.19.75.30, 7211.19.75.60, 7211.19.75.90, 7212.40.10.00, 7212.40.50.00, 7212.50.00.00. Certain hot-rolled flat-rolled carbon-quality steel covered by this order, including: vacuum degassed, fully stabilized; high strength low alloy; and the substrate for motor lamination steel may also enter under the following tariff numbers: 7225.11.00.00, 7225.19.00.00, 7225.30.30.50, 7225.30.70.00, 7225.40.70.00, 7225.99.00.90, 7226.11.10.00, 7226.11.90.30, 7226.11.90.60, 7226.19.10.00, 7226.19.90.00, 7226.91.50.00, 7226.91.70.00, 7226.91.80.00, and 7226.99.00.00. Although the HTSUS subheadings are provided for convenience and Customs purposes, the written description of the merchandise under this order is dispositive.

[FR Doc. E4-2101 Filed 9-8-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-821-809]

Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From the Russian Federation; Final Results of the Expedited Sunset Review of Antidumping Duty Suspended Investigation

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of expedited sunset review of the suspended antidumping duty investigation of certain hot-rolled flat-rolled carbon-quality steel products from the Russian Federation; final results.

SUMMARY: On May 3, 2004, the Department of Commerce ("the Department") initiated a sunset review of the suspended antidumping duty

investigation of certain hot-rolled flat-rolled carbon-quality steel products ("hot-rolled steel") from the Russian Federation ("Russia").¹ On the basis of the notice of intent to participate, adequate substantive comments filed on behalf of the domestic interested parties, and inadequate response from respondent interested parties, the Department conducted an expedited sunset review of the suspended antidumping duty investigation pursuant to section 751(c)(3)(B) of the Act and section 351.218(e)(1)(ii)(C) of the Department's regulations. As a result of this sunset review, the Department determined that termination of the suspended antidumping duty investigation would likely lead to continuation or recurrence of dumping at the levels listed below in the section entitled "Final Results of Review".

EFFECTIVE DATE: September 9, 2004.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Office of Policy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, DC 20230; telephone: 202-482-5050.

SUPPLEMENTARY INFORMATION:

Background

On May 3, 2004, the Department initiated a sunset review of the suspended antidumping duty investigation on hot-rolled steel products from Russia in accordance with section 751(c) of the Tariff Act of 1930, as amended ("the Act"). See Notice of Initiation, 69 FR 24118 (2004).

Section 351.218(d)(1)(i) of the Department's regulations provides domestic interested parties opportunity to file a Notice of Intent to Participate in a Sunset Review within 15 days of initiation of review. The Department received notices of intent to participate within the applicable deadline specified in § 351.218(d)(1)(i) of the Department's regulations on behalf of Nucor Corporation ("Nucor"), United States Steel Corporation ("U.S. Steel"), International Steel Group, Inc. ("ISG"), Gallatin Steel Company ("Gallatin"), IPSCO Steel Inc. ("IPSCO"), and Steel Dynamics, Inc. ("SDI"), and Ispat Inland Inc. and its division Ispat Inland Flat Products ("Ispat Inland") (collectively "domestic interested parties"). The domestic interested parties claimed interested-party status as producers of subject merchandise in the United States as defined by section 771(9)(C) of the Act.

¹ See *Initiation of Five-Year ("Sunset") Reviews*, 69 FR 24,118 (May 3, 2004) ("Notice of Initiation").

The Department's regulations at § 351.218(d)(3)(i) states that all interested parties participating in a sunset review must submit a complete substantive response to a Notice of Initiation within 30 days of initiation of the sunset review. On June 2, 2004, the Department received complete substantive responses from the domestic interested parties within the 30-day deadline specified in the Department's regulations under § 351.218(d)(3)(i). However, the Department did not receive any responses from respondent interested parties to this proceeding. As a result, pursuant to section 751(c)(3)(B) of the Act and § 351.218(e)(1)(ii)(C)(2) of the Department's regulations, the Department conducted an expedited 120-day, sunset review of this suspended antidumping duty investigation.

This suspended antidumping duty investigation remains in effect for Russian producers and exporters of subject merchandise.

Scope of the Suspended Investigation

See Appendix 1.

Analysis of Comments Received

All issues raised in this sunset review are addressed in the Issues and Decision Memorandum ("Decision Memo") from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to James J. Jochum, Assistant Secretary for Import Administration, dated August 31, 2004, which is hereby adopted by this notice. The issues discussed in the Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail if the suspended investigation were revoked. Parties can find a complete discussion of all issues raised in this sunset review and the corresponding recommendations in this public memo, which is on file in room B-099 of the main Commerce Building.

In addition, a complete version of the Decision Memo can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "September 2004." The paper copy and electronic version of the Decision Memo are identical in content.

Final Results of Review

The Department determines that termination of the suspended antidumping duty investigation on hot-rolled steel from Russia would likely lead to continuation or recurrence of dumping at the following weighted-average margins:

Manufacturers/producers/exporter's	Weighted-average margin (percent)
JSC Severstal	73.59
Russia-Wide Rate	184.56

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of the return or destruction of APO materials or conversion of APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752(c), and 777(i)(1) of the Act. p

Dated: August 31, 2004.

James J. Jochum
Assistant Secretary for Import Administration.

Appendix 1—Scope of the Suspended Investigation on Hot-Rolled Steel From Russia (A-821-809)

For purposes of this sunset review, the products covered are certain hot-rolled flat-rolled carbon-quality steel products of a

rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic substances, in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than 4.0 mm is not included within the scope of this review. Specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free ("IF")) steels, high strength low alloy ("HSLA") steels, and the substrate for motor lamination steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum. Steel products to be included in the scope of this review, regardless of HTSUS definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the

elements listed below exceeds the quantity, by weight, respectively indicated:
 1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.012 percent of boron, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

All products that meet the physical and chemical description provided above are within the scope of this review unless otherwise excluded. The following products, by way of example, are outside and/or specifically excluded from the scope of this review: Alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including *e.g.*, ASTM specifications A543, A387, A514, A517, and A506) SAE/AISI grades of series 2300 and higher. Ball bearing steels, as defined in the HTSUS. Silico-manganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent. ASTM specifications A710 and A736. USS Abrasion-resistant steels (USS AR 400, USS AR 500). Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni
0.10–0.14%	0.90% Max	0.025% Max	0.005% Max	0.30–0.50%	0.50–0.70%	0.20–0.40%	0.20% Max.

Width = 44.80 inches maximum; Thickness = 0.063–0.198 inches; Yield Strength = 50,000 ksi minimum; Tensile Strength = 70,000–88,000 psi.

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni	Mo
0.10–0.16% ..	0.70–0.90% ..	0.025% Max	0.006% Max	0.30–0.50% ..	0.50–0.70% ..	0.25% Max ...	0.20% Max ...	0.21% Max.

Width = 44.80 inches maximum; Thickness = 0.350 inches maximum; Yield Strength = 80,000 ksi minimum; Tensile Strength = 105,000 psi Aim.

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni	V(wt.)	Cb
0.10–0.14%	1.30–1.80%	0.025% Max.	0.005% Max.	0.30–0.50%	0.50–0.70%	0.20–0.40%	0.20% Max	0.10 Max ...	0.08% Max

Width = 44.80 inches maximum; Thickness = 0.350 inches maximum; Yield Strength = 80,000 ksi minimum; Tensile Strength = 105,000 psi Aim.

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications.

C	Mn	P	S	Si	Cr	Cu	Ni	Nb	Ca	Al
0.15% Max	1.40% Max.	0.025% Max.	0.010% Max.	0.50% Max.	1.00% Max.	0.50% Max.	0.20% Max.	0.005% Max.	Treated ...	0.01–0.07%.

Width = 39.37 inches; Thickness = 0.181 inches maximum; Yield Strength = 70,000 psi minimum for thickness ≤ 0.148 inches and 65,000 psi minimum for “thicknesses” > 0.148 inches; account for 64 FR 38650; Tensile Strength = 80,000 psi minimum.

Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, contains 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by silicon by either (i) tensile strength between 540 N/mm² and 640 N/mm² and an elongation percentage > 26 percent account for 64 FR 38650, for thickness of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 640 N/mm² and an elongation percentage ≥ 25 percent for thickness of 2 mm and above.

Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

Grade ASTM A570–50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 nominal), mill edge and skin passed, with a minimum copper content of 0.20 percent.

The covered merchandise is classified in the Harmonized Tariff Schedule of the United States (“HTSUS”) as subheadings:

The merchandise subject to this sunset review is classified in the Harmonized Tariff Schedule of the United States (“HTSUS”) at subheadings: 7208.10.15.00, 7208.10.30.00, 7208.10.60.00, 7208.25.30.00, 7208.25.60.00, 7208.26.00.30, 7208.26.00.60, 7208.27.00.30, 7208.27.00.60, 7208.36.00.30, 7208.36.00.60, 7208.37.00.30, 7208.37.00.60, 7208.38.00.15, 7208.38.00.30, 7208.38.00.90, 7208.39.00.15, 7208.39.00.30, 7208.39.00.90, 7208.40.60.30, 7208.40.60.60, 7208.53.00.00, 7208.54.00.00, 7208.90.00.00, 7210.70.30.00, 7210.90.00.00, 7211.14.00.30, 7211.14.00.90, 7211.19.15.00, 7211.19.20.00, 7211.19.30.00, 7211.19.45.00, 7211.19.60.00, 7211.19.75.30, 7211.19.75.60, 7211.19.75.90, 7212.40.10.00, 7212.40.50.00, 7212.50.00.00. Certain hot-rolled flat-rolled carbon-quality steel covered by this sunset review including: vacuum degassed, fully stabilized; high strength low alloy; and the substrate for motor lamination steel may also enter under the following tariff numbers: 7225.11.00.00, 7225.19.00.00, 7225.30.30.50, 7225.30.70.00, 7225.40.70.00, 7225.99.00.90, 7226.11.10.00, 7226.11.90.30, 7226.11.90.60, 7226.19.10.00, 7226.19.90.00, 7226.91.50.00, 7226.91.70.00, 7226.91.80.00, and 7226.99.00.00.

Although the HTSUS subheadings are provided for convenience and U.S. Customs purposes, the written description of the covered merchandise is dispositive.

[FR Doc. E4–2103 Filed 9–8–04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–851]

Certain Preserved Mushrooms From the People’s Republic of China: Final Results of Sixth Antidumping Duty New Shipper Review and Final Results and Partial Rescission of the Fourth Antidumping Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of final results of sixth antidumping duty new shipper review and final results and partial rescission of the fourth antidumping duty administrative review.

SUMMARY: On March 5, 2004, the Department of Commerce published the preliminary results of the sixth new shipper review and the fourth administrative review of the antidumping duty order on certain preserved mushrooms from the People’s Republic of China (“PRC”). The new shipper review covers one exporter, Primera Harvest (Xiangfan) Co., Ltd. (“Primera Harvest”), and the administrative review covers six exporters (see “Background” section below for further discussion). The period of review is February 1, 2002, through January 31, 2003.¹ We gave interested parties an opportunity to comment on our preliminary results.

Based on the additional publicly available information used in these final results and the comments received from the interested parties, we have made changes in the margin calculations for certain respondents in these reviews. The final weighted-average dumping margins for the reviewed firms in these reviews are listed below in the section entitled “Final Results of Reviews.”

EFFECTIVE DATE: September 9, 2004.

FOR FURTHER INFORMATION CONTACT: Brian C. Smith, Import Administration, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 482–1766.

¹ The period of review (“POR”) for both the new shipper review and administrative review is the same.

SUPPLEMENTARY INFORMATION:

Background

While the Department initiated an administrative review of 11 companies,² based on a request by the petitioner³ and certain exporters, this administrative review now covers only the following six exporters: (1) COFCO; (2) Gerber; (3) Green Fresh; (4) Guangxi Yulin; (5) Shantou Hongda; and (6) Shenxian Dongxing (see “Partial Rescission of Administrative Review” section of this notice for further discussion).

On March 5, 2002, the Department published in the **Federal Register** the preliminary results of the sixth new shipper review and the fourth administrative review of the antidumping duty order on certain preserved mushrooms from the People’s Republic of China (“PRC”) (see *Certain Preserved Mushrooms from the People’s Republic of China: Preliminary Results of Sixth Shipper Review and Preliminary Results and Partial Rescission of Fourth Antidumping Duty Administrative Review*, 69 FR 10410 (March 5, 2004) (“*Preliminary Results*”). Also on March 5, 2004, we issued COFCO another supplemental questionnaire to which it responded on March 31, 2004.

On March 10, 2004, COFCO requested an extension of the deadline to submit publicly available information in the administrative review until April 30, 2004, which we granted to all interested parties in both reviews on March 12, 2004.

² The petitioner’s request for review included the following companies: (1) China Processed Food Import & Export Company (“COFCO”); (2) Gerber Food Yunnan Co., Ltd. (“Gerber”); (3) Green Fresh Foods (Zhangzhou) Co., Ltd. (“Green Fresh”); (4) Guangxi Yulin Oriental Food Co., Ltd. (“Guangxi Yulin”); (5) Raoping Xingyu Foods Co., Ltd. (“Raoping Xingyu”); (6) Shantou Hongda Industrial General Corporation (“Shantou Hongda”); (7) Shenxian Dongxing Foods Co., Ltd. (“Shenxian Dongxing”); (8) Shenzhen Qunxingyuan Trading Co., Ltd. (“Shenzhen Qunxingyuan”), (9) Xiamen Zhongjia Imp. & Exp. Co., Ltd. (“Zhongjia”); (10) Zhangzhou Jingxiang Foods Co., Ltd. (“Zhangzhou Jingxiang”); and (11) Zhangzhou Longhai Minhui Industry and Trade Co., Ltd. (“Minhui”).

³ The petitioner is the Coalition for Fair Preserved Mushroom Trade which includes the American Mushroom Institute and the following domestic companies: L.K. Bowman, Inc., Modern Mushroom Farms, Inc., Monterey Mushrooms, Inc., Mount Laurel Canning Corp., Mushrooms Delling Company, Southwood Farms, Sunny Dell Foods, Inc., and United Canning Corp.

99513. Telephone (907) 271-3322 or e-mail tmcpheers@ak.blm.gov.

SUPPLEMENTARY INFORMATION: The 15-member Council advises the Secretary of the Interior, through the Bureau of Land Management, on a variety of planning and management issues associated with public land management in Alaska. At this meeting, topics we plan to discuss include:

- Status of land use planning in Alaska.
- National Petroleum Reserve-Alaska integrated activity plans.
- Unauthorized cabins on BLM-administered public lands.
- North Slope Science Initiative.
- Other topics the Council may raise.

All meetings are open to the public. The public may present written comments to the Council. Each formal Council meeting will also have time allotted for hearing public comments. Depending on the number of persons wishing to comment and time available, the time for individual oral comments may be limited. Individuals who plan to attend and need special assistance, such as sign language interpretation, transportation, or other reasonable accommodations, should contact BLM.

Dated: August 31, 2004.

Gust C. Panos,

Acting Associate State Director.

[FR Doc. 04-20419 Filed 9-8-04; 8:45 am]

BILLING CODE 4310-JA-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-384 and 731-TA-806-808 (Review)]

Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia

AGENCY: International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping duty orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, the suspended countervailing duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Brazil, and the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty

orders on certain hot-rolled flat-rolled carbon-quality steel products from Brazil and Japan, the suspended countervailing duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Brazil, and/or the suspended antidumping duty investigation on certain hot-rolled flat-rolled carbon-quality steel products from Russia would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: Effective September 1, 2004.

FOR FURTHER INFORMATION CONTACT: Douglas Corkran (202-205-3057), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background. On August 6, 2004, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (69 Fed. Reg. 52525, August 26, 2004). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews and public service list. Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in these reviews as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, by 45 days after publication of this notice. A party that filed a notice of appearance following

publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report. The prehearing staff report in the reviews will be placed in the nonpublic record on February 11, 2005, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing. The Commission will hold a hearing in connection with the reviews beginning at 9:30 a.m. on March 3, 2005, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before February 23, 2005. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on February 25, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), 207.24, and 207.66 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions. Each party to the reviews may submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.65 of the Commission's rules; the deadline for filing is February 22, 2005. Parties may also file written

testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.67 of the Commission's rules. The deadline for filing posthearing briefs is March 14, 2005; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the reviews may submit a written statement of information pertinent to the subject of the reviews on or before March 14, 2005. On April 6, 2005, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before April 8, 2005, but such final comments must not contain new factual information and must otherwise comply with section 207.68 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the reviews must be served on all other parties to the reviews (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

Issued: September 3, 2004.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-20428 Filed 9-8-04; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Under the Clean Air Act

Pursuant to 28 CFR 50.7, notice is hereby given that on August 20, 2004,

a proposed consent decree in *United States and Ventura County Air Pollution Control District v. Diversified Panel Systems, Inc.*, Civil Action No. CV 04-7028-DT(JTLx), was lodged with the United States District Court for the Central District of California.

In this action, the United States sought injunctive relief and civil penalties under Section 110 of the Clean Air Act ("CAA") against Diversified Panel Systems, Inc. ("DPSI"), for violations of the federally enforceable California State Implementation Plan at DPSI's polystyrene block manufacturing and processing facility in Oxnard, California. The consent decree requires DPSI to pay a civil penalty to the United States in the amount of \$152,425, and will require DPSI to design and conduct appropriate emissions testing to demonstrate compliance with the emissions standards specified in the Authority to Construct permit issued by the Ventura County Air Pollution Control District ("VCAPCD"), upon which the VCAPCD will issue a Permit to Operate to DPSI for the facility. Quarterly monitoring and reporting will be required after the Permit to Operate is issued. As the permit issuing agency, VCAPCD is a co-plaintiff with the United States in the Consent Decree.

The Department of Justice will receive for a period of thirty (30) days from the date of this publication comments relating to the consent decree. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources Division, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611, and should refer to *United States and Ventura County Air Pollution Control District v. Diversified Panel Systems, Inc.*, D.J. Ref. #90-5-2-1-07680.

The consent decree may be examined at the Office of the United States Attorney, 300 N. Los Angeles Street, Los Angeles, California, and at U.S. EPA Region 9, Office of Regional Counsel, 75 Hawthorne Street, San Francisco, California. During the public comment period, the consent decree may also be examined on the following Department of Justice Web site: <http://www.usdoj.gov/enrd/open.html>. A copy of the consent decree may also be obtained by mail from the Consent Decree Library, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611 or by faxing or e-mailing a request to Tonia Fleetwood (tonia.fleetwood@usdoj.gov), fax no. (202) 514-0097, phone confirmation number (202) 514-1547. In requesting a copy from the Consent Decree Library, please enclose a check in the amount of

\$7.50 (25 cents per page reproduction cost) payable to the U.S. Treasury.

Ellen M. Mahan,

Assistant Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. 04-20472 Filed 9-8-04; 8:45 am]

BILLING CODE 4410-15-M

DEPARTMENT OF JUSTICE

Notice of Lodging of Consent Decree Pursuant To The Comprehensive Environmental Response, Compensation, and Liability Act

In accordance with Departmental policy, 28 CFR 50.7, notice is hereby given that a proposed consent decree in *United States v. Monarch Greenback, LLC., et al.*, Civil Action No. CV 02-436-S-EJL was lodged on September 1, 2004, with the United States District Court for the District of Idaho. The consent decree requires the defendant Doe Run Resources Corporation to pay \$810,000 to the United States in reimbursement of costs incurred by the United States at the Talache Mine Tailings Superfund Site near Atlanta, Idaho.

The Department of Justice will receive, for a period of thirty (30) days from the date of this publication, comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General for the Environment and Natural Resources Division, Department of Justice, P.O. Box 7611 Washington, DC. 20044-7611, and should refer to *United States v. Monarch Greenback, LLC, et al.*, DOJ Ref. #90-5-1-1-4541/1.

The proposed consent decree may be examined at the office of U.S. EPA Region 10, 1200 Sixth Avenue, Seattle, WA 98101. During the public comment period, the proposed consent decree may also be examined on the following Department of Justice Web site, <http://www.usdoj.gov/enrd/open.html>. Copies of the proposed consent decree may also be obtained by mail from the Consent Decree Library, P.O. Box 7611, U.S. Department of Justice, Washington, DC 20044-7611 or by faxing or e-mailing a request to Tonia Fleetwood (tonia.fleetwood@usdoj.gov), fax no. (202) 514-0097, phone confirmation number (202) 514-1547. In requesting copies please refer to the referenced case and enclose a check in the amount of \$13.75 (25 cents per page

from warehouse, for consumption on or after the date of publication of the final results of this changed circumstances review. *See Notice of Final Results of Antidumping Duty Changed Circumstances Review: Pressure Sensitive Plastic Tape From Italy*, 69 FR 15297, 15298 (March 25, 2004); *see also, Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From the United Kingdom: Final Results of Changed-Circumstances Antidumping and Countervailing Duty Administrative Reviews*, 64 FR 66880, 66881 (November 30, 1999). This deposit rate shall remain in effect until publication of the final results of the next administrative review in which a review is conducted of Yamato Steel.

Notification

This notice also serves as a reminder to parties subject to administrative protective order(s) ("APO"s) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with section 351.306 of the Department's regulations. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a sanctionable violation. This notice is in accordance with sections 751(b) and 777(i)(1) of the Tariff Act of 1930, as amended, and section 351.221(c)(3)(i) of the Department's regulations.

Dated: September 9, 2004.

James J. Jochum,

Assistant Secretary for Import Administration.

[FR Doc. E4-2229 Filed 9-16-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[C-351-829]

Agreement Suspending the Countervailing Duty Investigation on Hot-Rolled Flat-Rolled Carbon-Quality Steel From Brazil; Termination of Suspension Agreement and Notice of Countervailing Duty Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Termination of the suspension agreement on hot-rolled flat-rolled carbon-quality steel from Brazil and notice of countervailing duty order.

SUMMARY: On July 28, 2004, the Government of Brazil ("GOB") formally submitted a letter to the Department of Commerce ("the Department") announcing its desire to terminate the Agreement Suspending the Countervailing Duty ("CVD") Investigation on Hot-Rolled Flat-Rolled Carbon-Quality Steel From Brazil ("the Agreement"). In accordance with Section XI.B of the Agreement, termination of the Agreement shall be effective 60 days after notice of termination of the Agreement is given to the Department. On July 19, 1999, pursuant to section 704(g) of the Tariff Act of 1930, as amended ("the Act"), the underlying investigation was continued following the signature of the Agreement, resulting in an affirmative determination of countervailable subsidy practices resulting in material injury to a domestic industry. Therefore, the Department is terminating the Agreement and issuing a CVD order, effective September 26, 2004 (60 days from the official filing of the request for termination), and will direct suspension of liquidation to also begin on that date.

EFFECTIVE DATE: September 26, 2004.

FOR FURTHER INFORMATION CONTACT:

Sally Gannon or Jonathan Herzog, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington DC 20230; telephone: (202) 482-0162 or (202) 482-4271, respectively.

SUPPLEMENTARY INFORMATION:

Background

On October 15, 1998, the Department initiated a countervailing duty investigation under section 702 of the Act to determine whether manufacturers, producers, or exporters of certain hot-rolled flat-rolled carbon-quality steel products from Brazil receive subsidies. *See Initiation of Countervailing Duty Investigation: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 63 FR 56623 (October 22, 1998). On November 25, 1998, the International Trade Commission ("ITC") published its affirmative preliminary injury determination. *See Certain Hot-Rolled Steel Products From Brazil, Japan, and Russia*, 63 FR 65221 (ITC 1998). On February 12, 1999, the Department preliminary determined that countervailable subsidies were being provided to Companhia Siderurgica Nacional ("CSN"), Usinas Siderurgicas de Minas Gerais ("USIMINAS") and Companhia Siderurgica Paulista ("COSIPA"). *See Preliminary Affirmative Countervailing Duty*

Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, 64 FR 8313 (February 19, 1999).

On July 6, 1999, the Department suspended the CVD investigation involving certain hot-rolled flat-rolled carbon-quality steel products from Brazil by entering the Suspension Agreement on Hot-Rolled Flat-Rolled Carbon Quality Steel From Brazil ("the Agreement") under section 704(c) of the Act with the Government of Brazil ("GOB"). *See Suspension of Countervailing Duty Investigation: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38797 (July 19, 1999). Following signature of the Agreement, the underlying investigation was continued pursuant to section 704(g) of the Act, resulting in an affirmative determination by the Department and the ITC in the continued countervailing duty investigation. *See Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38741 (July 19, 1999); *Certain Hot-Rolled Steel Products From Brazil and Russia*, 64 FR 46951, Inv. Nos. 701-TA-384 (Final) and 731-TA-806 and 808 (Final) (Aug. 27, 1999) ("Final Determinations").

After signature of the Agreement, Petitioners¹ challenged the Department's determination to enter into the Agreement with the GOB before the U.S. Court of International Trade ("CIT"). On August 3, 2001, the CIT issued its opinion, remanding the case to the Department for it to comply with section 704(e) of the Act, to reconsider its determination to enter into the Agreement in light of all comments and consultations, and to correct clerical errors. *See Bethlehem Steel Corporation v. United States*, 159 F. Supp. 2d 730 (CIT 2001). On November 19, 2001, the Department submitted its redetermination, upholding the validity of the Agreement, and requested that the CIT allow the Department more time to consult with the parties, rather than ruling on the remand determination. *See Final Redetermination Pursuant to Court Remand*, filed on November 19, 2001. The CIT granted this extension request. On March 7, 2002, the Department filed its Amended Final

¹ Bethlehem Steel Corp., Ispat Inland Inc., LTV Steel Company, Inc., National Steel Corp., U.S. Steel Group (a Unit of USX Corp.), California Steel Industries, Gallatin Steel Company, Geneva Steel, Gulf States Steel, Inc., Ipsco Steel Inc., Steel Dynamics, Weirton Steel Corporation, and Independent Steelworkers Union.

Redetermination with the CIT. *See Amended Final Redetermination Pursuant to Court Remand*, filed on March 7, 2002. After reviewing the Department's redetermination, the CIT remanded the case again to the Department on February 17, 2004, instructing the Department to comply with the notice and comment, and consultation requirements of section 704(e) of the Act, and to make the case that the consultations conducted gave meaningful consideration to terminating, abandoning, or revising the Agreement. *See Bethlehem Steel Corp. v. United States*, 316 F. Supp. 2d 1309 (CIT 2004). The Department complied with the CIT's remand, and submitted its second redetermination on April 5, 2004. *See Final Redetermination Pursuant to Court Remand*, filed on April 5, 2004. On May 3, 2004, the Department and the International Trade Commission ("ITC") initiated a sunset review of this case. *See Notice of Initiation of Five-Year ("Sunset") Reviews*, 69 FR 24118 (May 3, 2004); *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia*, 69 FR 24189 (May 3, 2004).

On June 24–25, 2004, the Department held consultations with the GOB in Brasilia, Brazil. In these meetings, the Department and the GOB discussed matters pertaining to the Agreement, such as the pending expiration of the agreed upon export limits on September 30, 2004, as well as the ongoing litigation. *See Memorandum to the File from Sally C. Gannon*, dated July 8, 2004. Further, in July 2004, the Department invited interested parties to meet with Department officials regarding the issues related to the Agreement; however, the domestic interested parties did not accept this invitation and a meeting with the representative of the Brazilian interested parties was subsequently cancelled. *See Memorandum to the File from Sally C. Gannon*, dated July 14, 2004. On July

13, 2004, Petitioners submitted a letter indicating their belief that the time for consultations had passed and that the Department should immediately terminate the Agreement.

On July 28, 2004, pursuant to Article XI.B of the Agreement, the Brazilian Embassy in Washington, DC, submitted a letter informing the Department that the GOB desired to terminate the Agreement. *See Letter from Mr. Alusio G. de Lima-Campos to Secretary Donald Evans*, dated July 28, 2004.

Scope of Investigation

For purposes of this investigation, the products covered are certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic substances, in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm, but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than 4.0 mm is not included within the scope of these investigations.

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

steels contains micro-alloying levels of elements such as silicon and aluminum.

Steel products to be included in the scope of this investigation, regardless of HTSUS definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.012 percent of boron, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

All products that meet the physical and chemical description provided above are within the scope of this agreement unless otherwise excluded. The following products, by way of example, are outside and/or specifically excluded from the scope of this agreement:

- Alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including *e.g.*, ASTM specifications A543, A387, A514, A517, and A506).
- SAE/AISI grades of series 2300 and higher.
- Ball bearing steels, as defined in the HTSUS.
- Tool steels, as defined in the HTSUS.
- Silico-manganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent.
- ASTM specifications A710 and A736.
- USS Abrasion-resistant steels (USS AR 400, USS AR 500).
- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C	Mn (max)	P (max)	S (max)	Si	Cr	Cu	Ni (max)
0.10–0.14	0.90	0.025	0.005	0.30–0.50	0.30–0.50	0.20–0.40	0.20

Width = 44.80 inches maximum;
Thickness = 0.063–0.198 inches; Yield

Strength = 50,000 ksi minimum; Tensile
Strength = 70,000–88,000 psi.

- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C	Mn	P (max)	S (max)	Si	Cr	Cu (max)	Ni (max)	Mo
0.10–0.16	0.70–0.90	0.025	0.006	0.30–0.50	0.30–0.50	0.25	0.20	0.21

Width = 44.80 inches maximum;
Thickness = 0.350 inches maximum;

Yield Strength = 80,000 ksi minimum;
Tensile Strength = 105,000 psi Aim.

• Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C	Mn	P (max)	S (max)	Si	Cr	Cu	Ni (max)	V (wt.) (max)	Cb (max)
0.10–0.14	1.30–1.80	0.025	0.005	0.30–0.50	0.50–0.70	0.20–0.40	0.20	0.10	0.08

Width = 44.80 inches maximum;
Thickness = 0.350 inches maximum;

Yield Strength = 80,000 ksi minimum;
Tensile Strength = 105,000 psi Aim.

• Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C (max)	Mn (max)	P (max)	S (max)	Si (max)	Cr (max)	Cu (max)	Ni (max)	Nb (min)	Ca	Al
0.15	1.40	0.025	0.010	0.50	1.00	0.50	0.20	0.005	Treated	0.01–0.07

Width = 39.37 inches; Thickness = 0.181 inches maximum; Yield Strength = 70,000 psi minimum for thicknesses ≤ 0.148 inches and 65,000 psi minimum for thicknesses > 0.148 inches; Tensile Strength = 80,000 psi minimum.

• Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, contains 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by either (i) tensile strength between 540 N/mm² and 640 N/mm² and an elongation percentage ≥ 26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 690 N/mm² and an elongation percentage ≥ 25 percent for thicknesses of 2 mm and above.

• Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

• Grade ASTM A570–50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 inch nominal), mill edge and skin passed, with a minimum copper content of 0.20%.

The merchandise subject to this agreement is classified in the

Harmonized Tariff Schedule of the United States (HTSUS) at subheadings:

7208.10.15.00, 7208.10.30.00, 7208.10.60.00, 7208.25.30.00, 7208.25.60.00, 7208.26.00.30, 7208.26.00.60, 7208.27.00.30, 7208.27.00.60, 7208.36.00.30, 7208.36.00.60, 7208.37.00.30, 7208.37.00.60, 7208.38.00.15, 7208.38.00.30, 7208.38.00.90, 7208.39.00.15, 7208.39.00.30, 7208.39.00.90, 7208.40.60.30, 7208.40.60.60, 7208.53.00.00, 7208.54.00.00, 7208.90.00.00, 7210.70.30.00, 7210.90.00.00, 7211.14.00.30, 7211.14.00.90, 7211.19.15.00, 7211.19.20.00, 7211.19.30.00, 7211.19.45.00, 7211.19.60.00, 7211.19.75.30, 7211.19.75.60, 7211.19.75.90, 7212.40.10.00, 7212.40.50.00, 7212.50.00.00. Certain hot-rolled flat-rolled carbon-quality steel covered by this agreement, including: vacuum degassed, fully stabilized; high strength low alloy; and the substrate for motor lamination steel may also enter under the following tariff numbers: 7225.11.00.00, 7225.19.00.00, 7225.30.30.50, 7225.30.70.00, 7225.40.70.00, 7225.99.00.90, 7226.11.10.00, 7226.11.90.30, 7226.11.90.60, 7226.19.10.00, 7226.19.90.00, 7226.91.50.00, 7226.91.70.00, 7226.91.80.00, and 7226.99.00.00. Although the HTSUS subheadings are provided for convenience and Customs purposes, the

written description of the merchandise under this agreement is dispositive.

Termination of Suspended Investigation and Issuance of Countervailing Duty Order

Article XI.B of the Agreement states:

The Government of Brazil may terminate this Agreement at any time upon written notice to the [Department]. Termination will be effective 60 days after such notice is given to the [Department]. Upon termination at the request of GOB, the provisions of U.S. countervailing duty law and regulations will apply.

As noted above, the underlying investigation in this proceeding was continued pursuant to section 704(g) of the Act, following the acceptance of the Agreement. As a result, the Department made a final countervailing duty determination, and the ITC found material injury. *See Final Determinations*. Section 704(i)(1)(A) of the Act states that the Department shall order the suspension of liquidation of all unliquidated entries, on or after, the later of:

(i) The date which is 90 days before the date of publication of the notice of suspension of liquidation, or

(ii) The date on which the merchandise, the sale or export to the United States of which was in violation of the agreement, or under an agreement which no longer meets the requirements of subsection (b) and (d) or (c) and (d), was first entered, or withdrawn from warehouse, for consumption.

Furthermore, section 704(i)(1)(C) of the Act stipulates that the Department shall issue a countervailing duty order under section 706(a) of the Act effective with respect to entries of merchandise the liquidation of which was suspended, if the underlying investigation was completed. Finally, section 704(i)(1)(E) of the Act stipulates that the Department shall notify the petitioner, interested parties to the investigation, and the ITC of termination of the Agreement.

The GOB's request for termination of the Agreement is effective September 26, 2004. Because the GOB is withdrawing from the Agreement, the Department finds that suspension of the underlying investigation will no longer be in the public interest as of that date (see section 704(d)(1) of the Act). Therefore, the Department will direct U.S. Customs and Border Protection ("CBP") to suspend liquidation of all entries of hot-rolled flat-rolled carbon-quality steel products from Brazil effective September 26, 2004. Accordingly, pursuant to section 704(i)(1)(C) of the Act, the Department hereby issues a countervailing duty order effective September 26, 2004, which is 60 days from the official filing date of the termination request of the GOB.

Countervailing Duty Order

In accordance with section 706(a)(1) of the Act, the Department will direct CBP to assess, beginning on September 26, 2004, a countervailing duty equal to the amount of the net countervailable subsidy determined or estimated to exist.

We will instruct CBP to require a cash deposit for each entry equal to the countervailing duty ad valorem rates found in the Department's *Final Determination* of July 19, 1999, as listed below. These suspension-of-liquidation instructions will remain in effect until further notice. The "All Others Rate" applies to all producers and exporters of subject merchandise not specifically listed. The final countervailing duty ad valorem rates are as follows:

Manufacturer/exporter	Margin (percent)
Companhia Siderurgica Nacional ("CSN")	6.35
Usinas Siderurgicas de Minas Gerais, S.A ("USIMINAS") ...	9.67
Companhi Siderurgic Paulista ("COSIPA")	9.67
All others	7.81

This notice constitutes the countervailing duty order with respect to hot-rolled flat-rolled carbon-quality

steel products from Brazil. Interested parties may contact the Department's Central Records Unit, room B-099 of the main Commerce building, for copies of an updated list of countervailing duty orders currently in effect. This notice is published in accordance with sections 704(i) and 777(i) of the Act. This order is published in accordance with section 706(a) of the Act.

Dated: September 13, 2004.

James J. Jochum,

Assistant Secretary for Import Administration.

[FR Doc. E4-2231 Filed 9-16-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF DEFENSE

Office of the Secretary

Notice of Availability of the Ballistic Missile Defense System Draft Programmatic Environmental Impact Statement

AGENCY: Missile Defense Agency, Department of Defense.

ACTION: Notice of availability and request for comment.

SUMMARY: In accordance with National Environmental Policy Act (NEPA) regulations, the Missile Defense Agency (MDA) is initiating a public review and comment period for a Draft Programmatic Environmental Impact Statement (PEIS). This notice announces the availability of the Ballistic Missile Defense System (BMDS) Draft PEIS, which analyzes the potential impacts to the environment as MDA proposes to develop, test, deploy, and plan for decommissioning activities to implement an integrated MDDBS. This Draft PEIS addresses the integrated BMDS and the development and application of new technologies; evaluates the range of complex programs, architecture, and assets that comprise the BMDS; and provides the framework for future environmental analyses as activities evolve and mature. The Draft PEIS has been prepared in accordance with NEPA, as amended (42 U.S.C. 4321, *et seq.*), and the Council on Environmental Quality Regulations for implementing the procedural provisions of NEPA (40 CFR parts 1500-1508).

DATES: The public comment period for the NEPA process begins with the publication of this notice and request for comments in the **Federal Register**. Public hearings will be conducted as a part of the PEIS development process to ensure opportunity for all interested government and private organizations and the general public to provide

comments on the environmental areas considered in the Draft PEIS. Schedule and location for the public hearings are:

■ October 14, 2004, 6:30 p.m., Marriott Crystal City, 1999 Jefferson Davis Highway, Arlington, VA.

■ October 19, 2004, 6 p.m., Sheraton Grand Hotel, 1230 J. St., Sacramento, CA.

■ October 21, 2004, 6:30 p.m., Sheraton Hotel, 401 E. 6th Ave., Anchorage, AK.

■ October 26, 2004, 6 p.m., Best Western Hotel, 3253 N. Nimitz Hwy, Honolulu, HI.

Copies of the Draft PEIS will be made available for review at various libraries. A list of library locations and a downloadable electronic version of the Draft PEIS are available on the MDA public access Internet Web site: <http://www.acq.osd.mil/mda/peis/html/home.html>. To ensure all comments are addressed in the Final PEIS, comments should be received at one of the addresses listed below no later than November 17, 2004.

ADDRESSES: Written and oral comments regarding the Draft PEIS should be directed to MDA BMDS PEIS, c/o ICF Consulting, 9300 Lee Highway, Fairfax, VA 22031, phone (Toll-Free) 1-877-MDA-PEIS (1-877-632-7347), Fax (Toll-Free) 1-877-851-5451, e-mail mda.bmds.peis@icfconsulting.com, or Web site <http://www.acq.osd.mil/mda/peis/html/home.html>.

FOR FURTHER INFORMATION CONTACT: Please call Mr. Rick Lehner, MDA Director of Communications at (703) 697-8997.

SUPPLEMENTARY INFORMATION: The MDA has a requirement to develop, test, deploy, and prepare for decommissioning the BMDS to protect the United States (U.S.), its deployed forces, friends, and allies from ballistic missile threats. The proposed action would provide an integrated BMDS using existing infrastructure and capabilities, when feasible, as well as emerging and new technologies, to meet current and evolving threats in support of the MDA's mission. Conceptually, the BMDS would be a layered system of weapons, sensors, Command and Control, Battle Management, and Communications (C2BMC), and support assets; each with specific functional capabilities, working together to defend against all classes and ranges of threat ballistic missiles in all phases of flight. Multiple defensive weapons would be used to create a layered defense comprised of multiple intercept opportunities along the incoming threat missile's trajectory. This would provide

U.S. sales to that importer (or customer) and dividing this amount by the total value of the sales to that importer (or customer). Where an importer (or customer)-specific *ad valorem* rate was greater than *de minimis* (i.e., 0.5%), we calculated a per unit assessment rate by aggregating the dumping margins calculated for all U.S. sales to that importer (or customer) and dividing this amount by the total quantity sold to that importer (or customer). Where an importer (or customer)-specific *ad valorem* rate was *de minimis*, we will order CBP to liquidate appropriate entries without regard to antidumping duties.

Cash Deposit Requirements

The following deposit requirements will be effective upon publication of this notice of final results of administrative review for all shipments of ARG windshields from the PRC entered, or withdrawn from warehouse, for consumption on or after the date of publication, as provided by section 751(a)(1) of the Act: (1) The cash deposit rates for the reviewed companies will be the rates shown above except that the Department shall require no deposit of estimated antidumping duties for firms whose weighted-average margins are less than 0.5% and therefore *de minimis*; (2) for previously reviewed or investigated companies not listed above, the cash deposit rate will continue to be the company-specific rate published for the most recent period; (3) if the exporter is not a firm covered in this review, a prior review, or the original less-than-fair-value (LTFV) investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in these or any previous reviews, the cash deposit rate will be the "all others" rate, which is 124.5 percent.

These deposit requirements shall remain in effect until publication of the final results of the next administrative review.

Notification of Interested Parties

This notice also serves as a final reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of the antidumping

duties occurred and the subsequent assessment of double antidumping duties.

This notice also serves as a reminder to parties subject to administrative protective orders ("APOs") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305, which continues to govern business proprietary information in this segment of the proceeding. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing this determination and notice in accordance with sections 751(a)(1) and 777(I)(1) of the Act.

Dated: October 14, 2004.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

Appendix 1—Issues in the Decision Memorandum

Fuyao's Comments

Comment 1: Water as a Separate Component of Normal Value

Comment 2: Certain Inputs as a Separate Component of Normal Value

Shenzhen CSG's Comments

Comment 3: Liquidation Instructions for Shenzhen CSG's Entries

PNA's Comments

Comment 4: Proper Set of Sales as Basis for the Margin for PNA

Comment 5: Rejection of Market Purchases from Indonesia, Thailand, and South Korea

Comment 6: Surrogate Profit Ratio

Comment 7: Allocation of Credit Expense, Inventory Carrying Cost, and Marine Insurance

Comment 8: Market-Price Value for Marine Insurance 1

Comment 9: Surrogate Value for Metal Clips

Comment 10: Double-Counting of Labor

[FR Doc. 04-23605 Filed 10-20-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-588-846]

Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Japan; Final Results of the Expedited Sunset Review of Antidumping Duty Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of expedited sunset review of antidumping duty order on certain hot-rolled flat-rolled carbon-quality steel products from Japan; Final results.

SUMMARY: On May 3, 2004, the Department of Commerce ("the Department") initiated a sunset review of the antidumping duty order of certain hot-rolled flat-rolled carbon-quality steel products ("hot-rolled steel") from Japan.¹ On the basis of the notice of intent to participate, adequate substantive comments filed on behalf of the domestic interested parties, and inadequate response from respondent interested parties, (in this case, no response) the Department conducted an expedited sunset review of the antidumping duty order pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended, and section 351.218(c)(1)(ii)(B) of the Department's regulations. As a result of this sunset review, the Department determined that revocation of the antidumping duty order would likely lead to continuation or recurrence of dumping at the levels listed below in the section entitled "Final Results of Review".

EFFECTIVE DATE: October 21, 2004.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Office of Policy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-5050.

SUPPLEMENTARY INFORMATION:

Background

On May 3, 2004, the Department initiated a sunset review of the antidumping duty order on hot-rolled steel products from Japan in accordance with section 751(c) of the Tariff Act of 1930, as amended ("the Act"). See *Notice of Initiation*, 69 FR 24118 (May 3, 2004).

The Department received Notices of Intent to Participate within the applicable deadline specified in section 351.218(d)(1)(i) of the Department's regulations on behalf of Nucor Corporation ("Nucor"), United States Steel Corporation ("U.S. Steel"), International Steel Group, Inc. ("ISG"), Gallatin Steel Company ("Gallatin"), IPSCO Steel Inc. ("IPSCO"), Steel Dynamics, Inc. ("SDI"), and Ispat Inland Inc. ("Ispat"), a division of Ispat Inland Flat Products, (collectively "domestic interested parties").² The domestic

¹ See *Initiation of Five-Year ("Sunset") Reviews*, 69 FR 24118 (May 3, 2004) ("*Notice of Initiation*").

² Gallatin, IPSCO, SDI, U.S. Steel and Ispat were petitioners in the original investigation.

interested parties claimed interested-party status as manufacturers of subject merchandise as defined by section 771(9)(C) of the Act.

The Department received complete substantive responses from the domestic interested parties within the 30-day deadline specified in the Department's regulations under section 351.218(d)(3)(i). However, the Department did not receive any responses from respondent interested parties to this proceeding. As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(c)(2), the Department conducted an expedited sunset review of this antidumping duty order.

Scope of the Antidumping Duty Order

See Appendix 1.

Analysis of Comments Received

All issues raised in this sunset review are addressed in the "Issues and Decision Memorandum" ("Decision Memo") from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to Jeffrey A. May, Acting Assistant Secretary, or Import Administration, dated October 15, 2004, which is hereby adopted by this notice. The issues discussed in the Decision Memo include the likelihood of continuation or recurrence of dumping and the magnitude of the margin likely to prevail if the antidumping duty order were revoked. Parties can find a complete discussion of all issues raised in this sunset review and the corresponding recommendations in this public memo, which is on file in the Central Records Unit, room B-099 of the main Department Building.

In addition, a complete version of the Decision Memo can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "October 2004." The paper copy and electronic version of the Decision Memo are identical in content.

Final Results of Review

The Department determines that revocation of the antidumping duty investigation on hot-rolled steel from Japan would be likely to lead to continuation or recurrence of dumping

at the following weighted-average margins:

Manufacturers/producers/exporters	Weighted-average margin (percent)
Kawasaki Steel Corporation	40.26
Nippon Steel Corporation	18.37
NKK Corporation	17.70
All Others	22.92

This notice also serves as the only reminder to parties subject to administrative protective orders ("APOs") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing these results and notice in accordance with sections 751 (c), 752, and 777(i)(1) of the Act.

Dated: October 15, 2004.

Jeffrey A. May,
Acting Assistant Secretary for Import Administration.

Appendix 1

Scope of the Antidumping Duty Order on Hot-Rolled Flat-Rolled Carbon Quality Steel From Japan (A-588-846)

For purposes of this order, the products covered are certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic substances, in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than

[In percent]

C	Mn (max)	P (max)	S (max)	Si	Cr	Cu	Ni (max)
0.10-0.14	0.90	0.025	0.005	0.30-0.50	0.50-0.70	0.20-0.40	0.20

Width = 44.80 inches maximum;
Thickness = 0.063-0.198 inches;
Yield Strength = 50,000 ksi minimum;

Tensile Strength = 70,000-88,000 psi.

4.0 mm is not included within the scope of these investigations.

Specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free ("IF") steels, high strength low alloy ("HSLA") steels, and the substrate for motor lamination steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum.

Steel products to be included in the scope of this order, regardless of Harmonized Tariff Schedule of the United States ("HTSUS") definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.012 percent of boron, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent of zirconium. All products that meet the physical and chemical description provided above are within the scope of this order unless otherwise excluded. The following products, by way of example, are outside and/or specifically excluded from the scope of this investigation:

Alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including *e.g.*, ASTM specifications A543, A387, A514, A517, and A506).

SAE/AISI grades of series 2300 and higher. Ball bearing steels, as defined in the HTSUS.

Tool steels, as defined in the HTSUS.

Silico-manganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent.

ASTM specifications A710 and A736.

USS abrasion-resistant steels (USS AR 400, USS AR 500).

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C	Mn	P (max)	S (max)	Si	Cr	Cu (max)	Ni (max)	Mo (max)
0.10–0.16	0.70–0.90	0.025	0.006	0.30–0.50	0.50–0.70	0.25	0.20	0.21

Width = 44.80 inches maximum;
 Thickness = 0.350 inches maximum;
 Yield Strength = 80,000 ksi minimum;

Tensile Strength = 105,000 psi.

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C	Mn	P (max)	S (max)	Si	Cr	Cu	Ni (max)	V (wt) (max)	Cb (max)
0.10–0.14	1.30–1.80	0.025	0.005	0.30–0.50	0.50–0.70	0.20–0.40	0.20	0.10	0.08

Width = 44.80 inches maximum;
 Thickness = 0.350 inches maximum;
 Yield Strength = 80,000 ksi minimum;

Tensile Strength = 105,000 psi Aim.

Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

[In percent]

C (max)	Mn (max)	P (max)	S (max)	Si (max)	Cr (max)	Cu (max)	Ni (max)	Nb (max)	Ca	A1
0.15	1.40	0.025	0.01	0.50	1.00	0.50	0.20	0.005	Treated	0.01–0.07

Width = 39.37 inches;
 Thickness = 0.181 inches maximum;
 Yield Strength = 70,000 psi minimum for thicknesses less than or equal to 0.148 inches and 65,000 psi minimum for thicknesses > 0.148 inches;

Tensile Strength = 80,000 psi minimum.
 Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, contains 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by either (i) tensile strength between 540 N/mm² and 640 N/mm² and an elongation percentage greater than or equal to 26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 690 N/mm² and an elongation percentage greater than or equal to 25 percent for thicknesses of 2mm and above.

Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

Grade ASTM A570–50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 inch nominal), mill edge and skin passed, with a minimum copper content of 0.20 percent.

The merchandise subject to this order is classified in the HTSUS at subheadings: 7208.10.15.00, 7208.10.30.00, 7208.10.60.00, 7208.25.30.00, 7208.25.60.00, 7208.26.00.30, 7208.26.00.60, 7208.27.00.30, 7208.27.00.60, 7208.36.00.30, 7208.36.00.60, 7208.37.00.30, 7208.37.00.60, 7208.38.00.15, 7208.38.00.30, 7208.38.00.90, 7208.39.00.15, 7208.39.00.30, 7208.39.00.90, 7208.40.60.30, 7208.40.60.60, 7208.53.00.00, 7208.54.00.00, 7208.90.00.00, 7210.70.30.00, 7210.90.90.00, 7211.14.00.30, 7211.14.00.90, 7211.19.15.00, 7211.19.20.00,

7211.19.30.00, 7211.19.45.00, 7211.19.60.00, 7211.19.75.30, 7211.19.75.60, 7211.19.75.90, 7212.40.10.00, 7212.40.50.00, 7212.50.00.00. Certain hot-rolled flat-rolled carbon-quality steel covered by this order, including: vacuum degassed, fully stabilized; high strength low alloy; and the substrate for motor lamination steel may also enter under the following tariff numbers: 7225.11.00.00, 7225.19.00.00, 7225.30.30.50, 7225.30.70.00, 7225.40.70.00, 7225.99.00.90, 7226.11.10.00, 7226.11.90.30, 7226.11.90.60, 7226.19.10.00, 7226.19.90.00, 7226.91.50.00, 7226.91.70.00, 7226.91.80.00, and 7226.99.00.00.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under order is dispositive.

[FR Doc. 04–23604 Filed 10–20–04; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–588–056]

Melamine in Crystal Form From Japan: Revocation of Antidumping Duty Finding

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of revocation of the antidumping duty finding on melamine in crystal form from Japan.

SUMMARY: On August 2, 2004, the Department of Commerce (“the Department”) initiated a sunset review of the antidumping duty finding on melamine in crystal form from Japan. See *Initiation of Five-Year (“Sunset”)*

Reviews, 69 FR 46134 (August 2, 2004). Because no domestic party responded to the sunset review notice of initiation by the applicable deadline, the Department is revoking the antidumping duty finding on melamine in crystal form from Japan.

EFFECTIVE DATE: September 1, 2004.

FOR FURTHER INFORMATION CONTACT: Martha V. Douthit, Office of Policy, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–5050.

SUPPLEMENTARY INFORMATION:

Background

On February 2, 1977, the Treasury Department published in the **Federal Register** its antidumping duty finding on melamine in crystal form from Japan. See 42 FR 6866 (February 2, 1977). On September 1, 1999, pursuant to 19 CFR 351.218(f)(4), the Department published in the **Federal Register** notice of continuation of the antidumping duty finding following the first sunset review. See *Continuation of Antidumping Duty Finding: Melamine from Japan*, 64 FR 47764 (September 1, 1999). On August 2, 2004, the Department initiated a second sunset review of this finding pursuant to section 751(c) of the Tariff Act of 1930, as amended, (the “Act”) and 19 CFR part 351, in general. See *Initiation of Five-Year (“Sunset”) Reviews*, 69 FR 46134 (August 2, 2004). As a courtesy to interested parties, the Department sent letters, via certified and registered mail,

published in the final determination for which the manufacturer or exporter received an individual rate; (3) if the exporter is not a firm covered in this review, or the original investigation, but the manufacturer is, the cash deposit rate will be the rate established for the most recent period for the manufacturer of the merchandise; and (4) if neither the exporter nor the manufacturer is a firm covered in this review, the cash deposit rate will be 16.96 percent, the "all others" rate established in the *LTFV Final*.

Public Comment

Any interested party may request a hearing within 30 days of publication of this notice. A hearing, if requested, will be 37 days after the publication of this notice, or the first business day thereafter. Issues raised in the hearing will be limited to those raised in the case and rebuttal briefs. Interested parties may submit case briefs within 30 days of the date of publication of this notice. Rebuttal briefs, which must be limited to issues raised in the case briefs, may be filed not later than 35 days after the date of publication of this notice. Parties who submit case briefs or rebuttal briefs in this proceeding are requested to submit with each argument (1) a statement of the issue and (2) a brief summary of the argument with an electronic version included.

The Department will issue the final results of this administrative review, including the results of its analysis of issues raised in any such written briefs or hearing, within 120 days of publication of these preliminary results.

Notification to Importers

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

We are issuing and publishing these results in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: December 1, 2004.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. E4-3529 Filed 12-6-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[C-351-829]

Hot-Rolled Flat-Rolled Carbon-Quality Steel From Brazil; Final Results of the Expedited Sunset Review of the Countervailing Duty Order

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

SUMMARY: On May 3, 2004, the Department ("the Department") initiated a sunset review of the countervailing duty ("CVD") order on hot-rolled flat-rolled carbon-quality steel ("hot-rolled steel") from Brazil pursuant to section 751(c) of the Tariff Act of 1930, as amended ("the Act"). See *Initiation of Five-Year (Sunset) Reviews*, 69 FR 24118 (May 3, 2004). On the basis of a notice of intent to participate and adequate substantive responses filed on behalf of domestic interested parties and inadequate response from respondent interested parties (in this case, no response), the Department conducted an expedited (120-day) sunset review. As a result of this review, the Department finds that revocation of the CVD order would likely lead to continuation or recurrence of subsidies at the levels indicated in the "Final Results of Review" section of this notice.

EFFECTIVE DATES: December 7, 2004.

FOR FURTHER INFORMATION CONTACT: Hilary Sadler, Esq., Office of Policy for Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-4340.

SUPPLEMENTARY INFORMATION:

Background

On May 3, 2004, the Department initiated a sunset review of the CVD order on hot-rolled steel from Brazil pursuant to section 751(c) of the Act. See *Initiation of Five-Year (Sunset) Reviews*, 69 FR 24118 (May 3, 2004). The Department received notices of intent to participate and substantive responses from Nucor Corp. ("Nucor"); Ispat Inland, Inc., and its division Ispat Inland Flat Products ("Ispat Inland"); International Steel Group, Inc. ("International Steel Group"); Gallatin Steel Co. ("Gallatin Steel"); IPSCO Steel Inc. ("IPSCO"); Steel Dynamics, Inc. ("Steel Dynamics"); and United States Steel Corp. ("United States Steel") (collectively, "domestic interested parties") within the applicable deadline specified in section 351.218(d)(1)(i) of

the *Sunset Regulations*. See Notice of Gallatin Steel, IPSCO and Steel Dynamics, May 13, 2004; Notice of Nucor, May 6, 2004; Notice of United States Steel, May 18, 2004; Notice of International Steel Group, May 18, 2004; Notice of Ispat Inland, May 14, 2004. All domestic interested parties claimed interested-party status, under section 771(9)(C) of the Act, as U.S. producers of the domestic like product. See Domestic Response of the Domestic Interested Parties (June 2, 2004). Ispat Inland, Gallatin Steel, IPSCO, Steel Dynamics and United States Steel were petitioners in the investigation and have been involved in this proceeding since its inception. *Id.* at 3. According to the domestic interested parties in this review, International Steel Group formed in 2002 and is the successor to the original petitioners that no longer exist: LTV Steel Company, Bethlehem Steel Corporation, and Weirton Steel Corporation. *Id.*

As a result of the lack of respondent participation in this sunset review, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), the Department conducted an expedited (120-day) sunset review of this order.

Scope of Review

For purposes of this order, the products covered are certain hot-rolled flat-rolled carbon-quality steel products of a rectangular shape, of a width of 0.5 inch or greater, neither clad, plated, nor coated with metal and whether or not painted, varnished, or coated with plastics or other non-metallic substances, in coils (whether or not in successively superimposed layers) regardless of thickness, and in straight lengths, of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness. Universal mill plate (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm, but not exceeding 1250 mm and of a thickness of not less than 4 mm, not in coils and without patterns in relief) of a thickness not less than 4.0 mm is not included within the scope of these investigations.

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

The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum.

Steel products to be included in the scope of this order, regardless of HTSUS definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of

tungsten, or 0.012 percent of boron, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

All products that meet the physical and chemical description provided above are within the scope of this order unless otherwise excluded. The following products, by way of example, are outside and/or specifically excluded from the scope of this agreement:

- Alloy hot-rolled steel products in which at least one of the chemical elements exceeds those listed above (including *e.g.*, ASTM specifications A543, A387, A514, A517, and A506).

- SAE/AISI grades of series 2300 and higher.
- Ball bearing steels, as defined in the HTSUS.
- Tool steels, as defined in the HTSUS.
- Silico-manganese (as defined in the HTSUS) or silicon electrical steel with a silicon level exceeding 1.50 percent.
- ASTM specifications A710 and A736.
- USS Abrasion-resistant steels (USS AR 400, USS AR 500).
- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni
0.10–0.14%	0.90% Max	0.025% Max	0.005% Max	0.30–0.50%	0.30–0.50%	0.20–0.40%	0.20% Max

Width = 44.80 inches maximum;
Thickness = 0.063-0.198 inches; Yield

Strength = 50,000 ksi minimum; Tensile Strength = 70,000–88,000 psi.

- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni
0.10–0.16%	0.70–0.90%	0.025% Max	0.006% Max	0.30–0.50%	0.30–0.50%	0.25% Max	0.20% Max
Mo 0.21% Max							

Width = 44.80 inches maximum;
Thickness = 0.350 inches maximum;

Yield Strength = 80,000 ksi minimum;
Tensile Strength = 105,000 psi Aim.

- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni
0.10–0.14%	1.30–1.80%	0.025% Max	0.005% Max	0.30–0.50%	0.50–0.70%	0.20–0.40%	0.20% Max
V(wt.)	Cb						
0.10% Max	0.08% Max						

Width = 44.80 inches maximum;
Thickness = 0.350 inches maximum;

Yield Strength = 80,000 ksi minimum;
Tensile Strength = 105,000 psi Aim.

- Hot-rolled steel coil which meets the following chemical, physical and mechanical specifications:

C	Mn	P	S	Si	Cr	Cu	Ni
0.15% Max	1.40% Max	0.025% Max	0.010% Max	0.50% Max	1.00% Max	0.50% Max	0.20% Max
Nb	Ca	Al					
0.005% Min	Treated	0.01–0.07%					

Width = 39.37 inches; Thickness = 0.181 inches maximum; Yield Strength = 70,000 psi minimum for thicknesses ≤ 0.148 inches and 65,000 psi minimum for thicknesses ≤ 0.148 inches; Tensile Strength = 80,000 psi minimum.

- Hot-rolled dual phase steel, phase-hardened, primarily with a ferritic-martensitic microstructure, contains 0.9 percent up to and including 1.5 percent silicon by weight, further characterized by either (i) tensile strength between

540 N/mm² and 640 N/mm² and an elongation percentage ≥ 26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm² and 690 N/mm² and an elongation percentage ≥ 25 percent for thicknesses of 2 mm and above.

- Hot-rolled bearing quality steel, SAE grade 1050, in coils, with an inclusion rating of 1.0 maximum per ASTM E 45, Method A, with excellent surface quality and chemistry

restrictions as follows: 0.012 percent maximum phosphorus, 0.015 percent maximum sulfur, and 0.20 percent maximum residuals including 0.15 percent maximum chromium.

- Grade ASTM A570–50 hot-rolled steel sheet in coils or cut lengths, width of 74 inches (nominal, within ASTM tolerances), thickness of 11 gauge (0.119 inch nominal), mill edge and skin passed, with a minimum copper content of 0.20%.

The merchandise subject to this agreement is classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheadings: 7208.10.15.00, 7208.10.30.00, 7208.10.60.00, 7208.25.30.00, 7208.25.60.00, 7208.26.00.30, 7208.26.00.60, 7208.27.00.30, 7208.27.00.60, 7208.36.00.30, 7208.36.00.60, 7208.37.00.30, 7208.37.00.60, 7208.38.00.15, 7208.38.00.30, 7208.38.00.90, 7208.39.00.15, 7208.39.00.30, 7208.39.00.90, 7208.40.60.30, 7208.40.60.60, 7208.53.00.00, 7208.54.00.00, 7208.90.00.00, 7210.70.30.00, 7210.90.90.00, 7211.14.00.30, 7211.14.00.90, 7211.19.15.00, 7211.19.20.00, 7211.19.30.00, 7211.19.45.00, 7211.19.60.00, 7211.19.75.30, 7211.19.75.60, 7211.19.75.90, 7212.40.10.00, 7212.40.50.00, 7212.50.00.00. Certain hot-rolled flat-rolled carbon-quality steel covered by this order, including: vacuum degassed, fully stabilized; high strength low alloy;

and the substrate for motor lamination steel may also enter under the following tariff numbers: 7225.11.00.00, 7225.19.00.00, 7225.30.30.50, 7225.30.70.00, 7225.40.70.00, 7225.99.00.90, 7226.11.10.00, 7226.11.90.30, 7226.11.90.60, 7226.19.10.00, 7226.19.90.00, 7226.91.50.00, 7226.91.70.00, 7226.91.80.00, and 7226.99.00.00. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under this order is dispositive.

Analysis of Comments Received

All issues raised in this review are addressed in the "Issues and Decision Memorandum" ("Decision Memorandum") from Ronald K. Lorentzen, Acting Director, Office of Policy, Import Administration, to James J. Jochum, Assistant Secretary for Import Administration, dated November 29, 2004, which is hereby adopted by this notice. The issues discussed in the

accompanying Decision Memorandum include the likelihood of continuation or recurrence of countervailable subsidies, the net subsidy likely to prevail were the order revoked, and the nature of the subsidy. Parties can find a complete discussion of all issues raised in this review and the corresponding recommendations in this public memorandum which is on file in the Central Records Unit, room B-099, of the main Commerce building. In addition, a complete version of the Decision Memorandum can be accessed directly on the Web at <http://ia.ita.doc.gov/frn>, under the heading "December 2004." The paper copy and electronic version of the Decision Memorandum are identical in content.

Final Results of Review

We determine that revocation of the CVD order on hot-rolled steel from Brazil would be likely to lead to continuation or recurrence of countervailable subsidies at the rates listed below:

Producers/Exporters	Net countervailable subsidy (percent)
Usinas Siderurgicas de Minas Gerais and Companhia Siderurgica Paulista ("USIMINAS/ COSIPA")	9.67
Companhia Siderurgica Nacional ("CSN")	6.35
All Others	7.81

This notice also serves as the only reminder to parties subject to administrative protective orders ("APO") of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305 of the Department's regulations. Timely notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

We are issuing and publishing the results and notice in accordance with sections 751(c), 752, and 777(i)(1) of the Act.

Dated: November 29, 2004.

James J. Jochum,

Assistant Secretary for Import Administration.

[FR Doc. E4-3480 Filed 12-6-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[C-475-819]

Certain Pasta from Italy: Final Results of the Seventh Countervailing Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, U.S. Department of Commerce.

ACTION: Notice of final results of countervailing duty administrative review.

SUMMARY: On July 30, 2004, the U.S. Department of Commerce published in the **Federal Register** its preliminary results of the administrative review of the countervailing duty order on certain pasta from Italy for the period January 1, 2002 through December 31, 2002. Based on information received since the preliminary results and our analysis of the comments received, we have revised the net subsidy rates for Pasta Zara S.p.A./Pasta Zara 2 S.p.A. and Pastificio Corticella S.p.A./Pastificio Combattenti S.p.A. Therefore, the final results differ from the preliminary results. The final net subsidy rates for the reviewed

companies are listed below in the section entitled "Final Results of Review."

EFFECTIVE DATE: December 7, 2004.

FOR FURTHER INFORMATION CONTACT: Melani Miller Harig or Andrew Smith, AD/CVD Operations, Office 1, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-0116 and (202) 482-1276, respectively.

SUPPLEMENTARY INFORMATION:

Case History

On July 24, 1996, the U.S. Department of Commerce ("the Department") published a countervailing duty order on certain pasta ("pasta" or "subject merchandise") from Italy. *See Notice of Countervailing Duty Order and Amended Final Affirmative Countervailing Duty Determination: Certain Pasta From Italy*, 61 FR 38544 (July 24, 1996).

In accordance with 19 CFR 351.213(b), this review of the order covers the following producers or exporters of the subject merchandise for which a review was specifically requested: Pastificio Fratelli Pagani

**INTERNATIONAL TRADE
COMMISSION**

[Investigations Nos. 701-TA-384 and 731-TA-806-808 (Review)]

Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject reviews.

EFFECTIVE DATE: January 19, 2005.

FOR FURTHER INFORMATION CONTACT:

Dana Lofgren (202-205-3185) or Douglas Corkran (202-205-3057), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION: Effective September 1, 2004, the Commission established a schedule for the conduct of the subject reviews (69 FR 54701, September 9, 2004). As a result of a conflict, however, the Commission is revising its schedule; the Commission's hearing will be held at the U.S. International Trade Commission Building at 9:30 a.m. on March 2, 2005. The Commission's original schedule is otherwise unchanged. No party has objected to the Commission's schedule, as revised.

For further information concerning these reviews see the Commission's notice cited above and the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: January 21, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-1414 Filed 1-25-05; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE**Notice of Lodging of Consent Decree Under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Water Act ("CWA") and the Oil Pollution Act of 1990 ("OPA")**

Notice is hereby given that on January 13, 2005, a proposed Consent Decree in *United States v. Chevron U.S.A. Inc.*, Civil Action No. 1:05CV0021, was lodged with the United States District Court for the Eastern District of Texas.

In this action the United States and the State of Texas ("State") sought natural resource damages pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Water Act ("CWA"), and the Oil Pollution Act of 1990 ("OPA") and the regulations promulgated thereunder. The Chevron facility is located in Port Arthur, Jefferson County, Texas.

Under the Consent Decree, Chevron U.S.A. Inc., Chevron Environmental Management company, and Chevron Phillips Chemical Company, LP will construct and plan an 85-acre estuarine marsh and a 30-acre coastal wet prairie and will construct some water control structures near Port Arthur, Texas. The companies will pay approximately \$150,000 in past assessment costs incurred by the federal trustees, additional future costs that the federal trustees expect to incur, and costs incurred by the State trustees.

The Department of Justice will receive for a period of thirty (30) days from the date of this publication comments relating to the Consent Decree. Comments should be addressed to the Assistant Attorney General, Environmental and Natural Resources Division, PO Box 7611, U.S. Department of Justice, Washington, DC 20044-7611, and should refer to *United States v. Chevron U.S.A. Inc.*, D.J. Ref. No. 90-11-2-07542/1.

The Consent Decree may be examined during the public comment period on the following Department of Justice Web site: <http://www.usdoj.gov/enrd/open.html>. A copy of the Consent Decree may also be obtained by mail from the Consent Decree Library, PO Box 7611, U.S. Department of Justice, Washington, DC 20044-7611 or by faxing or e-mailing a request to Tonia Fleetwood (tonia.fleetwood@usdoj.gov), fax no. (202) 514-0097, phone confirmation number (202) 514-1547. In requesting a complete copy of the Consent Decree from the Consent Decree Library, please enclose a check in the

amount of \$28.50 (25 cents per page reproduction cost) payable to the U.S. Treasury. In requesting a copy of the Consent Decree, exclusive of exhibits and defendants' signatures, please enclose a check in the amount of \$13.50 (25 cents per page reproduction cost) payable to the U.S. Treasury.

Thomas A. Mariani, Jr.,

Assistant Section Chief, Environmental Enforcement Section, Environmental and Natural Resources Division.

[FR Doc. 05-1446 Filed 1-25-05; 8:45 am]

BILLING CODE 4410-15-M

DEPARTMENT OF JUSTICE**Notice of Lodging of Consent Decree Under The Comprehensive Environmental Response, Compensation and Liability Act**

Under 28 CFR 50.7, notice is hereby given that on January 5, 2005, a proposed consent decree in *United States v. N.P. Industrial Center et al.*, Civil Action No. 00-CV-5119, was lodged with the United States District Court for the Eastern District of Pennsylvania.

In this action the United States is seeking response costs pursuant to the Compensation Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601 *et seq.*, in connection with the N.P. Industrial Center/United Knitting Machine Company property at the North Penn Area Six Superfund Site ("Site"), which consists of a contaminated groundwater plume and a number of separate parcels of property within and adjacent to the Borough of Lansdale, Montgomery County, Pennsylvania. The proposed consent decree will resolve the United States' claims against N.P. Industrial Center, Inc. and United Knitting Machine Company, Inc. ("Settling Defendants") in connection with the N.P. Industrial Center/United Knitting Machine Company property at the Site. Under the terms of the proposed consent decree, Settling Defendants will make a cash payment to the United States of \$35,000.00 plus interest to address their liability for past response costs incurred by the United States at Settling Defendants' property and will receive a covenant not to sue by the United States for past response costs under section 107 of CERCLA.

The Department of Justice will receive for a period of thirty (30) days from the date of this publication comments relating to the proposed consent decree. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources

EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY

in

Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia,
Inv. Nos. 701-TA-384, 731-TA-806-808 (Review).

On August 6, 2004, the Commission unanimously determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Tariff Act of 1930, as amended, 19 U.S.C. § 1675(c)(5).

With regard to each of the reviews, the Commission determined that the domestic interested party group response to the notice of institution was adequate. The Commission received an adequate joint response with company specific data from six domestic producers, Gallatin Steel Company, International Steel Group, Inc., IPSCO, Inc., Nucor Corporation, Steel Dynamics, Inc., and United States Steel Corporation. It also received separate adequate responses with company specific data from two other domestic producers, Ispat Inland, Inc., and Severstal North America, Inc. Because the Commission received an adequate response from domestic producers accounting for a substantial percentage of U.S. production, the Commission determined that the domestic interested party group response was adequate.

In the review concerning subject imports from Russia, the Commission received adequate responses from JSC Severstal, Inc., Magnitogorsk Iron and Steel Works, and Novolipetsk Iron and Steel Corp. Because the Commission received adequate responses representing a substantial percentage of the production of subject hot-rolled flat-rolled carbon-quality steel products in Russia, the Commission determined that the respondent interested party group response for Russia was adequate. Accordingly, the Commission determined to proceed to a full review in *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Russia*.

The Commission did not receive a response from any respondent interested parties in the reviews concerning subject imports from Brazil or Japan. However, the Commission determined to conduct full reviews to promote administrative efficiency in light of its decision to conduct full reviews with respect to *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Russia*. A record of the Commissioners' votes is available from the Office of the Secretary and the Commission's web site (<http://www.usitc.gov>).

APPENDIX B
HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia

Invs. Nos.: 701-TA-384 and 731-TA-806-808 (Review)

Date and Time: March 2, 2005 - 9:30 a.m.

Sessions were held in connection with these reviews in the Main Hearing Room (room 101), 500 E Street, SW, Washington, D.C.

CONGRESSIONAL WITNESSES:

The Honorable Robert C. Byrd, United States Senator, State of West Virginia

The Honorable John D. Rockefeller, IV, United States Senator, State of West Virginia

The Honorable Lindsey O. Graham, United States Senator, State of South Carolina

The Honorable Mark L. Pryor, United States Senator, State of Arkansas

The Honorable Barack Obama, United States Senator, State of Illinois

The Honorable Alan B. Mollohan, U.S. Congressman, 1st District, State of West Virginia

The Honorable Peter J. Visclosky, U.S. Congressman, 1st District, State of Indiana

The Honorable Benjamin L. Cardin, U.S. Congressman, 3rd District, State of Maryland

The Honorable Sherrod Brown, United States Congressman, 13th District, State of Ohio

The Honorable James E. Clyburn, U.S. Congressman, 6th District, State of South Carolina

The Honorable Joseph Knollenberg, U.S. Congressman, 9th District, State of Michigan

The Honorable Phil English, U.S. Congressman, 3rd District, State of Pennsylvania

The Honorable Sue Myrick, U.S. Congresswoman, 9th District, State of North Carolina

CONGRESSIONAL WITNESSES (continued):

The Honorable Robert W. Ney, U.S. Congressman, 18th District, State of Ohio

The Honorable Ted Strickland, U.S. Congressman, 6th District, State of Ohio

The Honorable Stephanie Tubbs Jones, U.S. Congresswoman, 11th District, State of Ohio

The Honorable Henry E. Brown, Jr., U.S. Congressman, 1st District, State of South Carolina

The Honorable Shelley Moore Capito, U.S. Congresswoman, 2nd District, State of West Virginia

The Honorable Joe Wilson, U.S. Congressman, 2nd District, State of South Carolina

The Honorable Artur Davis, U.S. Congressman, 7th District, State of Alabama

STATE GOVERNMENT WITNESSES:

The Honorable Andre Bauer, Lieutenant Governor, State of South Carolina

The Honorable Raymond E. Basham, State Senator, State of Michigan

OPENING REMARKS:

In Support of Continuation of Orders (**Terence P. Stewart,**
Stewart & Stewart)

In Support of Revocation of Orders (**Kay C. Georgi,**
Coudert Brothers LLP, *and* **Mark S. McConnell,**
Hogan & Hartson L.L.P.)

**In Support of the Continuation of
the Countervailing Duty Order, Antidumping
Duty Orders, and Suspension Agreement:**

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, D.C.
on behalf of

United States Steel Corporation (“U.S. Steel”)

John P. Surma, President and Chief Executive Officer,
U.S. Steel

Stephen Szymanski, General Manager, Sales and Service,
U.S. Steel

William Reder, Manager, Automotive Sales,
U.S. Steel

Seth Kaplan, Vice President, Charles Rivers Associates

Timothy L. Day, Associate Principal, Charles River
Associates

Robert E. Lighthizer)
James C. Hecht) – OF COUNSEL
Stephen P. Vaughn)

Wiley Rein & Fielding LLP
Washington, D.C.
on behalf of

Nucor Corporation

Daniel R. DiMicco, President and Chief
Executive Officer, Nucor Corporation

Robert Johns, Vice President and Director
Sheet Marketing, Nucor Corporation

Rick Blume, National Sales and Marketing
Manager, Nucor Sheet Mill Group,
Nucor Corporation

**In Support of the Continuation of
the Countervailing Duty Order, Antidumping
Duty Orders, and Suspension Agreement (continued):**

Frank Calandra, Jr., President, Jenmar USA

Peter Morici, Professor, University of Maryland,
College Park

Seth Kaplan, Vice President, Charles River Associates

Alan H. Price)
) – OF COUNSEL
Timothy C. Brightbill)

Stewart & Stewart
Washington, D.C.
on behalf of

International Steel Group Inc. (“ISG”)

Jerry Nelson, Vice President, Sales and
Marketing, ISG

Gary Mohr, Manager, Strategic Marketing,
ISG

Terence P. Stewart)
Eric P. Salonen) – OF COUNSEL
Sarah V. Stewart)

Schagrin Associates
Washington, D.C.
on behalf of

Gallatin Steel Company
IPSCO Steel Inc.
Steel Dynamics, Inc.

Don Daily, Vice President and General Manager,
Gallatin Steel Company

John Nolan, Vice President, Sales and Marketing,
Steel Dynamics, Inc.

**In Support of the Continuation of
the Countervailing Duty Order, Antidumping
Duty Orders, and Suspension Agreement (continued):**

Michael Kruse, Vice President, Marketing and
Sales, Heidtman Steel Products, Inc.

Robert A. Blecker, Professor, Economics,
American University

Robert E. Scott, Director, International
Programs, Economic Policy Institute

Roger B. Schagrin) – OF COUNSEL

Blank Rome LLP
Washington, D.C.
on behalf of

Ispat Inland Inc.

Roy J. Platz, Marketing Director, Flat Products
Division, Ispat Inland Inc.

David M. Schwartz) – OF COUNSEL

Stewart & Stewart
Washington, D.C.
on behalf of

United Steelworkers of America (“USWA”), AFL-CIO/CLC

Thomas Conway, International Vice President,
USWA

Terence P. Stewart)
) – OF COUNSEL
Eric P. Salonen)

**In Support of the Revocation of the
Countervailing Duty Order, Antidumping Duty
Orders, and Suspension Agreement:**

Coudert Brothers LLP
Washington, D.C.
on behalf of

JSC Severstal (“Severstal”)
Novolipetsk Iron and Steel Corp (“NLMK”)
Magnitogorsk Iron and Steel Works (“MMK”)

Andrei Shikhanovich, Head, Trade Policy,
Severstal

Valery Ogarkov, Engineer, NLMK

Anton Bazulev, Deputy Director General,
NLMK

Viktor Obukhov, Deputy Head, Market Research,
MMK

Daniel Cannistra, Senior Manager, Ernst
& Young, LLP

Kay C. Georgi)
Mark P. Lunn) – OF COUNSEL
Kristy L. Balsanek)

**In Support of the Revocation of the
Countervailing Duty Order, Antidumping
Duty Orders, and Suspension Agreement (continued):**

Hogan & Hartson L.L.P.
Washington, D.C.
on behalf of

ArvinMeritor, Inc.; Brose Chicago Inc.; Brose
Tuscaloosa Inc.; Consuming Industries Trade
Action Coalition; Continental Teves, Inc.;
Dana Corporation; Dura Operating Corporation;
Ford Motor Company; General Motors Corporation;
Hayes Lemmerz International Inc.; Johnson Controls,
Inc.; Lear Corporation; Magna International Inc.;
Maytag Corporation; Motor and Equipment
Manufacturers Association; Precision Metalforming
Association; Robert Bosch Corporation; TK Holdings
Inc.; Tenneco Automotive Operating Company, Inc.;
Tokico (USA) Inc.; Tower Automotive Inc.;
Visteon Corporation; and Whirlpool Corporation

Lawrence A. Denton, President and Chief
Executive Officer, Dura Automotive
Systems, Inc.

John Knappenberger, Vice President, Quality and
Materials, Dura Automotive Systems, Inc.

Jeff Engel, Executive Director, Americas Production
Purchasing Operations, Ford Motor Company

Lisa Tresigne-King, Manager, Steel Purchasing,
Ford Motor Company

William E. Gaskin, CAE, President, The Precision
Metalforming Association

Dennis J. Keat, Chief Executive Officer, The Su-Dan
Corporation

David Nelson, Vice President, Global Supply
Management, Delphi Corporation

**In Support of the Revocation of the
Countervailing Duty Order, Antidumping
Duty Orders, and Suspension Agreement (continued):**

Eric Sandford, Deputy Director, Metallic Raw
Materials, Global Supply Management,
Delphi Management

Brian C. Becker, President, Precision Economics,
LLC

Nancy A. Noonan, Associate, Arent Fox PLLC

Mark S. McConnell)
) – OF COUNSEL
Lewis Leibowitz)

E & E Manufacturing
Plymouth, MI

Wallace E. Smith, President and CEO,
E & E Manufacturing

REBUTTAL/CLOSING REMARKS

In Support of Continuation of Orders (**Alan H. Price**, Wiley Rein & Fielding LLP, *and*
Roger B. Schagrin, Schagrin Associates)

In Support of Revocation of Orders (**Kay C. Georgi**, Coudert Brothers LLP, *and*
Mark S. McConnell, Hogan & Hartson L.L.P.)

APPENDIX C
SUMMARY DATA

Table C-1

Hot-rolled steel: Summary data concerning the total U.S. market, 1999-2004

Item	Reported data						Period changes					
	1999	2000	2001	2002	2003	2004	1999-2004	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
U.S. consumption quantity:												
Amount	73,064,292	74,000,452	63,309,100	67,319,017	66,794,467	73,173,003	0.1	1.3	-14.4	6.3	-0.8	9.5
Producers' share (1)	91.5	90.2	95.3	93.0	95.9	92.9	1.4	-1.3	5.0	-2.3	2.9	-3.0
Importers' share (1):												
Brazil	0.1	0.2	0.0	0.0	0.0	0.0	-0.1	0.1	-0.2	-0.0	-0.0	0.0
Japan	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.0	-0.0	0.0	0.0
Russia	0.0	0.2	0.0	0.2	0.0	1.2	1.2	0.2	-0.2	0.2	-0.2	1.2
Subtotal	0.2	0.5	0.0	0.2	0.1	1.3	1.1	0.3	-0.5	0.2	-0.2	1.2
All other sources	8.4	9.3	4.7	6.8	4.1	5.8	-2.5	0.9	-4.6	2.0	-2.7	1.8
Total imports	8.5	9.8	4.7	7.0	4.1	7.1	-1.4	1.3	-5.0	2.3	-2.9	3.0
U.S. consumption value:												
Amount	20,909,279	22,313,862	16,598,543	20,979,612	20,174,538	38,586,924	84.5	6.7	-25.6	26.4	-3.8	91.3
Producers' share (1)	92.0	90.2	95.0	93.0	95.4	93.1	1.0	-1.8	4.8	-2.0	2.4	-2.3
Importers' share (1):												
Brazil	0.1	0.2	0.0	0.0	0.0	0.0	-0.1	0.2	-0.2	-0.0	-0.0	0.0
Japan	0.1	0.0	0.0	0.0	0.1	0.0	-0.1	-0.1	-0.0	-0.0	0.0	-0.0
Russia	0.0	0.2	0.0	0.2	0.1	1.2	1.2	0.2	-0.2	0.2	-0.2	1.2
Subtotal	0.2	0.5	0.1	0.3	0.1	1.3	1.1	0.3	-0.5	0.2	-0.2	1.2
All other sources	7.8	9.3	4.9	6.7	4.5	5.6	-2.1	1.5	-4.4	1.8	-2.2	1.2
Total imports	8.0	9.8	5.0	7.0	4.6	6.9	-1.0	1.8	-4.8	2.0	-2.4	2.3
U.S. imports from:												
Brazil:												
Quantity	49,809	158,565	2,587	383	53	2,978	-94.0	218.3	-98.4	-85.2	-86.1	5,509.6
Value	11,442	51,679	972	268	32	1,393	-87.8	351.7	-98.1	-72.5	-88.1	4,287.2
Unit value	\$230	\$326	\$376	\$700	\$598	\$468	103.6	41.9	15.3	86.1	-14.5	-21.8
Ending inventory quantity	***	***	***	0	0	0	***	***	***	***	(2)	(2)
Japan:												
Quantity	61,798	17,109	6,872	6,372	10,838	16,086	-74.0	-72.3	-59.8	-7.3	70.1	48.4
Value	22,958	10,566	6,136	7,244	13,385	16,451	-28.3	-54.0	-41.9	18.1	84.8	22.9
Unit value	\$371	\$618	\$893	\$1,137	\$1,235	\$1,023	175.3	66.2	44.6	27.3	8.6	-17.2
Ending inventory quantity	***	***	***	0	0	0	***	***	***	***	(2)	(2)
Russia:												
Quantity	14,612	183,236	5,845	160,712	32,485	904,101	6,087.3	1,154.0	-96.8	2,649.6	-79.8	2,683.1
Value	3,096	54,130	1,670	52,268	10,951	477,902	15,336.0	1,648.4	-96.9	3,029.6	-79.0	4,263.9
Unit value	\$212	\$295	\$286	\$325	\$337	\$529	149.5	39.4	-3.3	13.8	3.7	56.8
Ending inventory quantity	***	***	***	31,826	3,939	10,084	***	***	***	***	-87.6	156.0
Subtotal:												
Quantity	126,219	358,910	15,303	167,466	43,376	923,164	631.4	184.4	-95.7	994.3	-74.1	2,028.3
Value	37,496	116,376	8,779	59,779	24,368	495,746	1,222.1	210.4	-92.5	581.0	-59.2	1,934.4
Unit value	\$297	\$324	\$574	\$357	\$562	\$537	80.8	9.1	76.9	-37.8	57.4	-4.4
Ending inventory quantity	400	4,825	167	31,826	3,939	10,084	2,421.0	1,106.3	-96.5	18,957.5	-87.6	156.0
All other sources:												
Quantity	6,107,058	6,884,190	2,988,797	4,555,184	2,707,705	4,270,579	-30.1	12.7	-56.6	52.4	-40.6	57.7
Value	1,628,159	2,072,340	818,356	1,411,112	903,410	2,178,142	33.8	27.3	-60.5	72.4	-36.0	141.1
Unit value	\$267	\$301	\$274	\$310	\$334	\$510	91.3	12.9	-9.0	13.1	7.7	52.9
Ending inventory quantity	39,844	54,001	12,616	75,027	268	15,983	-59.9	35.5	-76.6	494.7	-99.6	5,863.8
All sources:												
Quantity	6,233,277	7,243,100	3,004,100	4,722,650	2,751,082	5,193,743	-16.7	16.2	-58.5	57.2	-41.7	88.8
Value	1,665,654	2,188,717	827,134	1,470,891	927,778	2,673,888	60.5	31.4	-62.2	77.8	-36.9	188.2
Unit value	\$267	\$302	\$275	\$311	\$337	\$515	92.7	13.1	-8.9	13.1	8.3	52.7
Ending inventory quantity	40,244	58,826	12,783	106,853	4,207	26,067	-35.2	46.2	-78.3	735.9	-96.1	519.6
U.S. producers:												
Average capacity quantity	79,753,478	78,628,005	75,720,188	71,225,171	78,490,049	79,113,331	-0.8	-1.4	-3.7	-5.9	10.2	0.8
Production quantity	67,105,961	67,386,943	60,766,642	63,349,150	65,192,980	68,229,669	1.7	0.4	-9.8	4.2	2.9	4.7
Capacity utilization (1)	84.1	85.7	80.3	88.9	83.1	86.2	2.1	1.6	-5.5	8.7	-5.9	3.2
U.S. shipments:												
Quantity	66,831,015	66,757,352	60,305,000	62,596,367	64,043,385	67,979,260	1.7	-0.1	-9.7	3.8	2.3	6.1
Value	19,243,625	20,125,145	15,771,409	19,508,721	19,246,760	35,913,036	86.6	4.6	-21.6	23.7	-1.3	86.6
Unit value	\$288	\$301	\$262	\$312	\$301	\$528	83.5	4.7	-13.2	19.2	-3.6	75.8
Export shipments:												
Quantity	381,123	629,677	439,741	491,594	1,486,803	685,931	80.0	65.2	-30.2	11.8	202.4	-53.9
Value	127,527	210,190	132,840	166,699	433,613	374,873	194.0	64.8	-36.8	25.5	160.1	-13.5
Unit value	\$335	\$334	\$302	\$339	\$292	\$547	63.3	-0.2	-9.5	12.3	-14.0	87.4
Ending inventory quantity	2,171,160	2,200,050	2,377,183	1,857,701	1,668,456	1,846,384	-15.0	1.3	8.1	-21.9	-10.2	10.7
Inventories/total shipments (1)	3.2	3.3	3.9	2.9	2.5	2.7	-0.5	0.0	0.6	-1.0	-0.4	0.1
Production workers	30,598	30,052	25,403	22,837	22,863	21,480	-29.8	-1.8	-15.5	-10.1	0.1	-6.0
Hours worked (1,000s)	70,140	68,518	53,641	49,046	48,875	48,143	-31.4	-2.3	-21.7	-8.6	-0.3	-1.5
Wages paid (\$1,000s)	1,719,492	1,718,745	1,347,716	1,271,385	1,420,795	1,456,957	-15.3	-0.0	-21.6	-5.7	11.8	2.5
Hourly wages	\$24.52	\$25.08	\$25.12	\$25.92	\$29.07	\$30.26	23.4	2.3	0.2	3.2	12.1	4.1
Productivity (tons/1,000 hours)	930.7	954.8	1,102.8	1,249.8	1,297.1	1,378.2	48.1	2.6	15.5	13.3	3.8	6.3
Unit labor costs	\$26.34	\$26.27	\$22.78	\$20.74	\$22.41	\$21.96	-16.6	-0.3	-13.3	-9.0	8.0	-2.0
Net sales:												
Quantity	65,011,396	65,064,855	59,137,139	61,457,255	63,767,589	66,638,302	2.5	0.1	-9.1	3.9	3.8	4.5
Value	18,686,036	19,615,006	15,497,237	19,072,702	19,102,195	34,823,477	86.4	5.0	-21.0	23.1	0.2	82.3
Unit value	\$287	\$301	\$262	\$310	\$300	\$523	81.8	4.9	-13.1	18.4	-3.5	74.4
Cost of goods sold (COGS)	18,874,219	19,370,550	17,727,263	17,936,959	19,352,199	25,428,123	34.7	2.6	-8.5	1.2	7.9	31.4
Gross profit or (loss)	(188,183)	244,456	(2,230,026)	1,135,743	(250,004)	9,395,354	(3)	(3)	(3)	(3)	(3)	(3)
SG&A expenses	1,051,745	1,065,627	1,443,380	1,492,586	1,453,050	1,886,866	79.4	1.3	35.4	3.4	-2.6	29.9
Operating income or (loss)	(1,239,928)	(821,171)	(3,673,406)	(356,843)	(1,703,054)	7,508,488	(37)	(3)	-347.3	90.3	-377.3	(3)
Capital expenditures	486,548	771,588	434,026	254,276	263,449	517,851	6.4	58.6	-43.7	-41.4	3.6	96.6
Unit COGS	\$290	\$298	\$300	\$292	\$303	\$382	31.4	2.5	0.7	-2.6	4.0	25.7
Unit SG&A expenses	\$16	\$16	\$24	\$24	\$23	\$28	75.0	1.2	49.0	-0.5	-6.2	24.3
Unit operating income or (loss)	(\$19)	(\$13)	(\$62)	(\$6)	(\$27)	\$113	(3)	33.8	-392.2	90.7	-360.0	(3)
COGS/sales (1)	101.0	98.8	114.4	94.0	101.3	73.0	-28.0	-2.3	15.6	-20.3	7.3	-28.3
Operating income or (loss)/sales (1)	(6.6)	(4.2)	(23.7)	(1.9)	(8.9)	21.6	28.2	2.4	-19.5	21.8	-7.0	30.5

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

(3) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-2

Hot-rolled steel: Summary data concerning the U.S. commercial market, 1999-2004

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

Item	Reported data						Period changes					
	1999	2000	2001	2002	2003	2004	1999-2004	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
U.S. consumption quantity:												
Amount	29,335,674	29,671,368	25,399,389	28,123,248	27,675,257	31,328,297	6.8	1.1	-14.4	10.7	-1.6	13.2
Producers' share (1)	78.8	75.6	88.2	83.2	90.1	83.4	4.7	-3.2	12.6	-5.0	6.9	-6.6
Importers' share (1):												
Brazil	0.2	0.5	0.0	0.0	0.0	0.0	-0.2	0.4	-0.5	-0.0	-0.0	0.0
Japan	0.2	0.1	0.0	0.0	0.0	0.1	-0.2	-0.2	-0.0	-0.0	0.0	0.0
Russia	0.0	0.6	0.0	0.6	0.1	2.9	2.8	0.6	-0.6	0.5	-0.5	2.8
Subtotal	0.4	1.2	0.1	0.6	0.2	2.9	2.5	0.8	-1.1	0.5	-0.4	2.8
All other sources	20.8	23.2	11.8	16.2	9.8	13.6	-7.2	2.4	-11.4	4.4	-6.4	3.8
Total imports	21.2	24.4	11.8	16.8	9.9	16.6	-4.7	3.2	-12.6	5.0	-6.9	6.6
U.S. consumption value:												
Amount	8,376,263	9,141,230	6,845,805	8,679,486	8,423,417	16,752,035	100.0	9.1	-25.1	26.8	-3.0	98.9
Producers' share (1)	80.1	76.1	87.9	83.1	89.0	84.0	3.9	-4.1	11.9	-4.9	5.9	-4.9
Importers' share (1):												
Brazil	0.1	0.6	0.0	0.0	0.0	0.0	-0.1	0.4	-0.6	-0.0	-0.0	0.0
Japan	0.3	0.1	0.1	0.1	0.2	0.1	-0.2	-0.2	-0.0	-0.0	0.1	-0.1
Russia	0.0	0.6	0.0	0.6	0.1	2.9	2.8	0.6	-0.6	0.6	-0.5	2.7
Subtotal	0.4	1.3	0.1	0.7	0.3	3.0	2.5	0.8	-1.1	0.6	-0.4	2.7
All other sources	19.4	22.7	12.0	16.3	10.7	13.0	-6.4	3.2	-10.7	4.3	-5.5	2.3
Total imports	19.9	23.9	12.1	16.9	11.0	16.0	-3.9	4.1	-11.9	4.9	-5.9	4.9
U.S. imports from:												
Brazil:												
Quantity	49,809	158,565	2,587	383	53	2,978	-94.0	218.3	-98.4	-85.2	-86.1	5,509.6
Value	11,442	51,679	972	268	32	1,393	-87.8	351.7	-98.1	-72.5	-88.1	4,287.2
Unit value	\$230	\$326	\$376	\$700	\$598	\$468	103.6	41.9	15.3	86.1	-14.5	-21.8
Ending inventory quantity	***	***	***	0	0	0	***	***	***	***	(2)	(2)
Japan:												
Quantity	61,798	17,109	6,872	6,372	10,838	16,086	-74.0	-72.3	-59.8	-7.3	70.1	48.4
Value	22,958	10,566	6,136	7,244	13,385	16,451	-28.3	-54.0	-41.9	18.1	84.8	22.9
Unit value	\$371	\$618	\$893	\$1,137	\$1,235	\$1,023	175.3	66.2	44.6	27.3	8.6	-17.2
Ending inventory quantity	***	***	***	0	0	0	***	***	***	***	(2)	(2)
Russia:												
Quantity	14,612	183,236	5,845	160,712	32,485	904,101	6,087.3	1,154.0	-96.8	2,649.6	-79.8	2,683.1
Value	3,096	54,130	1,670	52,268	10,951	477,902	15,336.0	1,648.4	-96.9	3,029.6	-79.0	4,263.9
Unit value	\$212	\$295	\$286	\$325	\$337	\$529	149.5	39.4	-3.3	13.8	3.7	56.8
Ending inventory quantity	***	***	***	31,826	3,939	10,084	***	***	***	***	-87.6	156.0
Subtotal:												
Quantity	126,219	358,910	15,303	167,466	43,376	923,164	631.4	184.4	-95.7	994.3	-74.1	2,028.3
Value	37,496	116,376	8,779	59,779	24,368	495,746	1,222.1	210.4	-92.5	581.0	-59.2	1,934.4
Unit value	\$297	\$324	\$574	\$357	\$562	\$537	80.8	9.1	76.9	-37.8	57.4	-4.4
Ending inventory quantity	400	4,825	167	31,826	3,939	10,084	2,421.0	1,106.3	-96.5	18,957.5	-87.6	156.0
All other sources:												
Quantity	6,107,058	6,884,190	2,988,797	4,555,184	2,707,705	4,270,579	-30.1	12.7	-56.6	52.4	-40.6	57.7
Value	1,628,159	2,072,340	818,356	1,411,112	903,410	2,178,142	33.8	27.3	-60.5	72.4	-36.0	141.1
Unit value	\$267	\$301	\$274	\$310	\$334	\$510	91.3	12.9	-9.0	13.1	7.7	52.9
Ending inventory quantity	39,844	54,001	12,616	75,027	268	15,983	-59.9	35.5	-76.6	494.7	-99.6	5,863.8
All sources:												
Quantity	6,233,277	7,243,100	3,004,100	4,722,650	2,751,082	5,193,743	-16.7	16.2	-58.5	57.2	-41.7	88.8
Value	1,665,654	2,188,717	827,134	1,470,891	927,778	2,673,888	60.5	31.4	-62.2	77.8	-36.9	188.2
Unit value	\$267	\$302	\$275	\$311	\$337	\$515	92.7	13.1	-8.9	13.1	8.3	52.7
Ending inventory quantity	40,244	58,826	12,783	106,853	4,207	26,067	-35.2	46.2	-78.3	735.9	-96.1	519.6
U.S. producers:												
U.S. commercial shipments:												
Quantity	23,102,397	22,428,268	22,395,289	23,400,598	24,924,175	26,134,554	13.1	-2.9	-0.1	4.5	6.5	4.9
Value	6,710,609	6,952,513	6,018,671	7,208,595	7,495,639	14,078,146	109.8	3.6	-13.4	19.8	4.0	87.8
Unit value	\$290	\$310	\$269	\$308	\$301	\$539	85.4	6.7	-13.3	14.6	-2.4	79.1
Export shipments:												
Quantity	381,123	629,677	439,741	491,594	1,486,803	685,931	80.0	65.2	-30.2	11.8	202.4	-53.9
Value	127,527	210,190	132,840	166,699	433,613	374,873	194.0	64.8	-36.8	25.5	160.1	-13.5
Unit value	\$335	\$334	\$302	\$339	\$292	\$547	63.3	-0.2	-9.5	12.3	-14.0	87.4
Net commercial sales:												
Quantity	22,880,021	22,781,901	22,611,931	23,509,586	26,025,513	26,308,253	15.0	-0.4	-0.7	4.0	10.7	1.1
Value	6,627,317	7,066,449	6,122,962	7,124,820	7,825,029	13,804,000	108.3	6.6	-13.4	16.4	9.8	76.4
Unit value	\$290	\$310	\$271	\$303	\$301	\$525	81.1	7.1	-12.7	11.9	-0.8	74.5
Cost of goods sold (COGS)	6,661,106	6,823,619	6,792,765	6,295,678	7,638,210	10,125,599	52.0	2.4	-0.5	-7.3	21.3	32.6
Gross profit or (loss)	(33,789)	242,830	(669,803)	829,142	186,819	3,678,401	(3)	(3)	(3)	(3)	-77.5	1,869.0
SG&A expenses	382,127	354,261	553,391	530,443	582,191	625,355	63.7	-7.3	56.2	-4.1	9.8	7.4
Operating income or (loss)	(415,916)	(111,431)	(1,223,194)	298,699	(395,372)	3,053,046	(3)	73.2	-997.7	(3)	(3)	(3)
Unit COGS	\$291	\$300	\$300	\$268	\$293	\$385	32.2	2.9	0.3	-10.9	9.6	31.1
Unit SG&A expenses	\$17	\$16	\$24	\$23	\$22	\$24	42.3	-6.9	57.4	-7.8	-0.9	6.3
Unit operating income or (loss)	(\$18)	(\$5)	(\$54)	\$13	(\$15)	\$116	(3)	73.1	-1006.0	(3)	(3)	(3)
COGS/sales (1)	100.5	96.6	110.9	88.4	97.6	73.4	-27.2	-3.9	14.4	-22.6	9.2	-24.3
Operating income or (loss)/ sales (1)	(6.3)	(1.6)	(20.0)	4.2	(5.1)	22.1	28.4	4.7	-18.4	24.2	-9.2	27.2

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

(3) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

APPENDIX D

**COMMENTS BY U.S. PRODUCERS, IMPORTERS, PURCHASERS, AND
FOREIGN PRODUCERS REGARDING THE EFFECTS OF THE ORDERS
AND THE LIKELY EFFECTS OF REVOCATION**

**U.S. PRODUCERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND
SUSPENSION AGREEMENT AND THE LIKELY EFFECTS OF
REVOCATION/TERMINATION**

**Anticipated Operational/Organizational Changes If The Orders/Suspension Agreement
Were To Be Revoked/Terminated**

The Commission requested U.S. producers to describe any anticipated changes in the character of their operations or organization relating to the production of HRS in the future if the countervailing duty order (Brazil) and antidumping duty orders (Brazil and Japan) on hot-rolled steel were to be revoked, and the suspension agreement (Russia) on hot-rolled steel were to be terminated. Their responses are as follows:

“Yes. If the current trade remedies are revoked, hot-rolled steel will again flood into the U.S. market. The result will be exactly what we witnessed before the institution of these trade remedies, i.e., prices for hot-rolled products that do not permit the recovery of costs, loss of jobs relating to hot-rolled production, difficulty in justifying further investments, etc...”

“Yes. Without the protection, an increase in imported hot-rolled steel would quickly and negatively impact operating levels at the Company. Sales are transacted on a “spot” basis with our customers. Subsidized and unfairly traded foreign hot-roll quickly drives down transaction prices and results in a reduction in demand for our Company’s products.”

“No.”

“No.”

“Yes. Concern over profitability and marketability of ***’s hot-rolled steel as a result of large quantities of imported steel arriving at very low prices.”

“Yes. Past experience has demonstrated time and again what happens when foreign steel producers that have excess capacity and high capital costs elect to produce excess steel for export rather than shutter capacity. International trading companies look for markets into which to ship that excess product. Markets are often unable to absorb the additional volume without seeing a collapse in domestic prices for steel. Indeed, this is what occurred during 1996-1998, when imports from subject countries surged into the U.S. market and prevented the domestic industry from being able to take advantage of an increase in domestic consumption of HRS. Revocation of the orders and termination of the suspension agreement would be likely to result in a repeat of that pattern of events. The response of domestic producers such as *** would be to either attempt to meet the price competition from dumped and subsidized imports from the subject countries (unlikely in a period of high raw material costs) or reduce output.”

“Yes. It is expected that revocation of the orders will result in a resumption of dumping as the subject countries seek to regain market share through price concessions. Increased import levels at dumped prices will negatively impact ***’s production volumes, revenue levels, employment, profit levels, credit ratings and the company’s ability to reinvest in the domestic steel industry.”

“If these orders and suspension agreement were revoked, *** would expect a return to the difficult economic conditions that afflicted the U.S. hot-rolled market before this relief was issued in 1999 - and caused domestic producers like *** to reduce production, lose business, and suffer losses. Revocation would likely lead *** to curtail any plans for capital reinvestment. The orders and suspension agreement - - in conjunction with Section 201 duties in effect during 2002 and 2003- - have effectively removed from the US market illegal hot-rolled imports from Brazil and Japan and have lessened the level of injury caused by unfairly priced imports from Russia. Arguments that market conditions have changed fail to acknowledge that over the course of the period of the investigation, the domestic industry has only enjoyed three quarters of profitability (out of 24) and that historically the U.S. steel industry experiences short periods of prosperity followed by longer periods of global overcapacity that ultimately lead to dumped imports here. The three profitable quarters, all in the past year, were achieved in large part by price increases - - which benefitted from an unexpectedly weak U.S. dollar and a surprising surge in global steel consumption, especially from China - - and despite soaring raw material costs. Trends in recent months suggest that this profitability will be short-lived; volumes of lower-priced hot-rolled imports have been rising, leading to a related decrease in hot-rolled market price in the United States; raw material costs continue to increase; and China’s appetite for steel imports has abated appreciably. Recent reports (see Attachment 2, Wall Street Journal article, “China’s Steel Threat May Be Excess, Not Shortage,” Dec. 30, 2004, and Attachment 3, World Steel Dynamics, “2005: Many Questions - More Answers,” December 2, 2004) indicate that China’s steel production capacity will soon outstrip its steel consumption and that China last autumn already returned to its role of a net steel exporter. To meet its needs, China, it is apparent, will not need to import from countries, like Brazil, Japan and Russia, which have been exporting their excess hot-rolled capacity to China. If the orders and suspension agreement were revoked, hot-rolled from these countries would likely flood the only net steel importer in the world still remaining, the United States.

During the period of investigation, *** has undertaken very little capital reinvestment because its return on hot-rolled sales has been negative overall for the period from 1999 through 2003. ***’s - and the U.S. steel industry’s - - recent return to profitability, however transitory it may be, is the first step toward justifying capital reinvestment. Revocation of this relief - which would lead to dumped imports once again and a negative return on sales - - would likely prevent this long- awaited reinvestment from occurring.”

“No.”

“No.”

“Yes. Suppliers in Brazil, Japan and Russia have production capacity in excess of their domestic demand and have demonstrated the ability and willingness to flood the U.S. market with exports whenever their home or third country markets are weak. In fact, the beginnings of a surge can already be observed in the case of Russia, despite swelling inventories at U.S. service centers and seasonal declines in demand. Inventories in service centers have increased since the third quarter of 2004, and as a

consequence the prices *** received for hot-rolled steel fell during the last four months of 2004, from an average of \$731/ton in September to \$688/ton in December. Suppliers in Brazil and Russia have acquired rolling facilities in the U.S. that consume hot-rolled sheet. *** expects that they will supply these facilities at least in part with hot-rolled steel imported from their home countries. China has been a major importer of steel from all three countries, but has now become a net exporter of steel products. Chinese imports of hot-rolled steel have declined and *** believes they will decline even further. Brazil, as well as China, India and other countries, are rapidly increasing hot-rolled steel sheet and strip capacity. Attached is a Joint Statement of NAFTA governments (Attachment 1), as well as a study prepared by the NAFTA steel industries (Attachment 2), both of which were submitted to the Steel Committee of the Organization for Economic Development at its January 2005 conference on "The Outlook for Steel." The study identifies numerous announcements to expand steelmaking capacity in Brazil, China, India and Russia. In addition, many markets such as the European Union limit the volume of imports of hot-rolled steel that can enter their markets. In light of these current market conditions and the expected increases in future capacity, *** has every reason to believe that there will be a rapid increase in imports of hot-rolled steel sheet and strip from Brazil, Japan and Russia should these orders be allowed to lapse. The current margins in place are 41.27-43.40% AD and 6.35-9.67% CVD for Brazil, up to 40.26% for Japan, and 73.59% to 184.56% for Russia (although for Russia, imports are limited to specified quantities under a suspension agreement). Given the existing margins and suspension agreement, it is reasonable to expect that producers in all three countries will quickly recapture market share via dumped imports. Such an increase in imports would adversely affect ***, causing it to decrease production and/or drop prices. This would affect ***'s ability to invest in new technology and facilities, and could render all of its hot-rolled sales once again unprofitable."

"Yes. Significant amounts of unfairly priced hot roll would enter the United States from the above subject countries ((Brazil, Japan and Russia)). It would be very similar to what happened to 1998 and 2001 which resulted in the bankruptcies of about 40 steel companies."

"No position."

"Yes. Our experience strongly suggests that we can anticipate reduced market demand for our hot rolled products and significantly lower associated revenues and profitability three (3) to nine (9) months after the orders and the suspension agreement are vacated, with that same scenario continuing indefinitely."

"Brazil, Japan and Russia have three of the largest hot-rolled steel industries in the world. In 1998, the last full year they had unlimited access to the U.S. market, they shipped almost 7 million NT of hot-rolled steel to this country. Even after relief was put in place, these countries remained major net exporters of hot-rolled steel.

In recent years, China imported large volumes of steel, including hot-rolled steel, thereby becoming a critical market for the subject producers. But the Chinese market is closing, as China builds massive amounts of new steel capacity, including capacity to produce hot-rolled steel. These developments will force subject producers to seek new markets for their hot-rolled exports. If the subject relief is revoked, large volumes of these exports will certainly come to the United States. Indeed, no other major market is so open to steel imports.

Significantly, Russia has already begun shipping large volumes of hot-rolled steel to the United States. According to the USITC Dataweb, Russia shipped 915,276 NT of hot-rolled steel to the United

States between January and November 2004. By contrast, Russia shipped only 32,485 NT of hot-rolled steel during the same months of 2003. If the suspension agreement were revoked, Russia's exports would likely increase much more. During 1998, for example, Russia shipped approximately 3.8 million NT of hot-rolled steel to this country.

Brazilian steelmakers have also given ample proof of their eagerness to return to this market. Before February 2002, the AD investigation against hot-rolled steel from Brazil was subject to a suspension agreement. But Brazilian steelmakers violated this agreement. In fact, the U.S. government eventually terminated the suspension agreement and imposed an antidumping order.

Because of the large volume of subject imports that would enter this country if the subject relief is revoked, we would expect prices to fall rapidly. Indeed, consumers would quickly force U.S. producers to meet the dumped and subsidized prices offered by subject producers.

Under these circumstances, it is likely that domestic producers would once again face major operating losses. Domestic producers would also be forced to cut capital expenditures, making it more difficult for them to remain competitive over the long term. Further opportunities to consolidate and restructure this industry would be lost. In short, revocation of this relief would certainly have severe consequences for domestic producers."

"Yes. Any significant change to the supply dynamics of the domestic market (such as revocation of the orders) will have an impact on our operations and organization."

Significance of Existing Orders and Suspension Agreement In Terms of Trade and Related Data

The Commission requested U.S. producers to describe the significance of the existing countervailing duty order (Brazil), antidumping duty order (Brazil and Japan), and suspension agreement (Russia) on hot-rolled steel in terms of their effect on production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values. Their responses are as follows:

"The effect of the orders and suspension agreement was to limit, to some degree, the volume of imported hot-rolled steel in the U.S. market. This led to increased selling prices which allowed *** to produce hot-rolled for the market when it was determined that this would have a positive effect on cash flow."

"The protection was helpful and permitted the industry to begin to consolidate and transform itself. As a result, the Company's revenues and profitability improved significantly in 2002."

No response was given.

"No significance before or after."

"The duty orders provided stability in the marketplace, which allowed *** to access the market to be able to increase production."

“The existing CVD order, AD orders, and suspension agreement have had - and continue to have - a beneficial impact on ***’s operations. As explained in more detail below, the orders/suspension agreement went into effect at a critical time for the domestic steel industry.

Facing strong import surges and unsustainably low prices, and with bankruptcy an inevitable result for numerous companies, the orders/suspension agreement have helped to provide fair competition on rational terms. To start, the magnitude of the import relief provided by the subject orders is well illustrated by the marked decrease in the volume of imports from the subject countries after the imposition of the orders/agreement.

Aggregate Imports of HRS from Japan, Russia and Brazil (MT)							
Pre-Order	Post-Order						
1998	1999	2000	2001	2002	2003	YTD 2003	YTD 2004
6,332,128	220,830	446,226	116,738	217,693	123,390	97,899	740,567

Sources: Final Report on Certain Hot Rolled Steel Products from Japan, USITC Publ. No. 3202 at Table IV-2; import statistics collected from U.S. Census Bureau.

Further in this regard, following imposition of the orders and the decrease in unfairly priced and subsidized imports, U.S. prices rose and in most cases stayed well above pre-order levels - - even at their lowest point. This reinforces the ITC’s findings in three separate investigations that imports of HRS “had significant price depressing effects on domestic prices.” See USITC Publ. No. 3202 at 16; USITC Publ. No. 3468 at 25-26; USITC Publ. 3479, Vol. I at 60.

Despite the effectiveness of the subject orders in providing relief to the domestic industry, a second wave of imports of HRS entered the U.S. market on the heels of the subject orders, further devastating an already battered industry. This second surge resulted in the ITC’s unanimous conclusion that HRS imports from an additional eleven countries were causing material injury to the domestic industry. See Hot Rolled Steel Products from China, India, Indonesia, Kazakhstan, The Netherlands, Romania, South Africa, Taiwan, Thailand, and Ukraine, USITC Publ. No. 3468 (Nov. 2001); Hot Rolled Steel Products from Argentina and South Africa, USITC Publ. No. 3446 (Aug. 2001).

Moreover, the situation was so severe, that the Bush Administration requested the ITC to institute Section 201 safeguard proceedings on numerous products including hot rolled steel in June of 2001. Despite an even higher evidentiary standard to meet than in an AD/CVD case, i.e., substantial cause of serious injury, the ITC again unanimously concluded that imports of HRS were causing serious injury to the domestic industry. As of December 2001, three months prior to the imposition of the 201 safeguard, 39 domestic steel companies were in bankruptcy, including Acme Metals Inc., Bethlehem Steel and LTV, ***. Altogether, some 20 million tons of production capacity was either idled or facing liquidation from these three companies alone. Meanwhile, tens of thousands of steelworkers were out of work while communities in steel-producing regions reeled from the loss of jobs and contractions of tax bases.

Working in connection with the orders/agreements on HRS, the 201 safeguard, which first took effect in March 2002, provided even broader coverage that gave the domestic steel industry the breathing room necessary for restructuring, consolidation, and new investment. It was during this period of relief that *** purchased *** in a restructuring and consolidation effort designed to increase productivity and implement a new cost-saving structure, as well as to bring back online highly useful production assets.

- *** first acquired ***.
- In ***, *** purchased ***.
- Last, ***.

The *** was merely the first step in a long process of restructuring and consolidation. Indeed, *** has continued its pursuit of ***.

The orders and suspension agreement that are the subject of the current reviews, together with the remedies imposed on hot-rolled steel from other countries in 2000, have imposed important pricing disciplines in the market which have made rational business planning in response to market signals of supply and demand more possible than before. Given the obvious importance of hot-rolled steel to ***'s operations, continued pricing disciplines will greatly assist ***'s success.”

“*** commissioned ***. The findings have eliminated some sources of dumped steel that had been a disruptive force in the market. The findings have added a degree of stability to the market and have increased ***'s ability to meet its return on equity goals.”

“Dumped imports’ impact on market price adversely affect all areas of a domestic producer’s business identified in the question. In the period before these 1999 orders went into effect and in the period before the 2001 orders involving eleven other countries went into effect, U.S. market prices for hot-rolled bottomed out. (See Attachment 4, CRU Price Survey). These trade actions, along with Section 201 relief in 2002 and 2003, have provided stability to U.S. market pricing at the lower end and have positioned domestic producers, like ***, to consider long-term capital reinvestment, which had, for the most part, been abandoned during this period of price volatility caused by dumped imports. Despite the past year’s profitability – triggered by this trade relief, a weakened dollar and a surge in Chinese steel import consumption- - *** remains wary because its return on hot-rolled sales over the period of the investigation has only recently become positive on a consistent basis. For ***, this window of opportunity for long-term planning may be closing quickly, especially if dumping were to return, a certainty if these orders and suspension agreement were revoked.”

“These orders have had a positive impact on our results when combined with the increased demand on a world wide basis. As noted below, an influx of imports from Russia had a negative impact on our spot pricing in late 4Q. Please see financial result for detailed impact on our operation.”

“The cost of maintaining our hot rolled coil manufacturing facility was deemed a detriment to the fiscal existence of ***. Foreign competition in the coil market did not directly affect our company when we were manufacturing our own coils.”

“The AD/CVD orders and suspension agreement have had a very significant positive effect on the U.S. hot-rolled steel market and the U.S. hot-rolled industry as demonstrated by a review of the import volumes and domestic prices before and after the orders were imposed. The reduction in imports from these countries was directly related to an improvement in domestic pricing. Imports from Russia fell by more than 99% from 1998, the year before the order, to 1999, the year in which the order was issued. Even with a recent surge in shipments, imports from Russia remain 75% below their pre-order levels. Imports from Japan and Brazil also fell drastically, and remain 94% to 97% below their pre-order levels. The reduction in supply from these countries was significant in its own right, and was particularly important because suppliers in these countries had been especially aggressive in reducing prices.

***'s performance in the period following imposition of the AD/CVD orders against these countries has improved significantly compared to the pre-order period. As detailed in the responses to question II-9 and Part III, *** has experienced improved operational performance (capacity, production,

utilization, productivity, employment, and shipments) and financial performance (sales, prices, profits, cash flow, investment, R&D, and asset values) during the post-order period compared to the period examined during the original investigation. Nonetheless, while the industry's performance has improved, it has not necessarily stabilized, and the industry remains vulnerable to import-driven injury."

"Yes. The massive influx of steel from subject countries between 1998 and 2002 led to about 40 bankruptcies in the steel industry, massive loss of jobs and loss of pensions and benefits for retired and active steel workers. The effect on production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values is obvious based on history."

"No position."

"The huge surge of dumped imports from these countries in 1998 had a very negative impact on ***'s volume, pricing and profitability. The orders and suspension agreement have allowed us to increase capacity, production, prices, profits and capital expenditures."

"The relief at issue in this review is absolutely vital to domestic producers of hot-rolled steel. Without this relief, the U.S. market will soon be distorted by an enormous volume of dumped and subsidized imports from the subject countries, just as it was during 1998. To obtain market share, these imports will again dramatically undersell the domestic like product, forcing a significant decline in prices.

Accordingly, the subject relief has a very significant effect on almost all of the factors listed in this question. Because of this relief, *** has been able to ***. This relief has also contributed to higher levels of production, U.S. shipments, and employment. Greater production also means lower per-ton costs, because the large fixed costs associated with hot-rolled steel production can be spread over a greater volume.

In addition, the subject relief means that ***'s revenues, profits, and cash flow reflect market forces, not the harmful effects of unfairly-traded imports. As a result, *** can afford greater expenditures on research and development as well as capital improvements. These expenditures, along with stronger market conditions, improve the value of ***'s hot-rolled assets. In short, almost every single factor listed in this question is improved by the subject relief."

"Reducing their access to the U.S. market has had a positive effect on domestic producers. The most significant result has been improved cash flows leading to vastly improved access to capital markets. While the above actions were only partially responsible for these results, our business environment today is significantly better than five years ago."

Anticipated Changes in Trade and Related Data If Orders/Suspension Agreement Were To Be Revoked/Terminated

The Commission requested U.S. producers to describe any anticipated changes in their production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values relating to the production of HRS in the future if the countervailing duty order (Brazil) and antidumping duty orders

(Brazil and Japan) on hot-rolled steel were to be revoked, and the suspension agreement (Russia) on hot-rolled steel were to be terminated. Their responses are as follows:

“Yes. *** anticipates that if these orders were revoked, dumped and subsidized imports would re-flood the market as they did in the past, depressing prices for hot-rolled products. The result would be lower production, shipments, employment, revenues, profits and other financial and operational measures related to hot-rolled steel.”

“Yes. Subsidized and unfairly traded imported hot-rolled steel quickly impacts the Company’s sales. Pricing levels and overall sales volumes are driven lower affecting production, employment, revenues, profits and cash flow.”

“No.”

“No.”

“Yes. *** would have potentially less production, higher costs, lower revenues and potentially less net income or a loss.”

“As the period prior to the imposition of the subject orders and suspension agreement demonstrates, the U.S. HRS market can be highly susceptible to sudden surges in dumped and subsidized imports which can dramatically disrupt market prices that otherwise respond to normal market signals of supply and demand. At the time that the orders and suspension agreement went into effect, HRS prices were just recovering from a “death spiral” (a term used by World Steel Dynamics) that had run from April 1997 to December 1998 when U.S. HRS prices fell from \$373 per ton to \$279 per ton. Beginning in the spring of 2000, prices entered another death spiral which reached its nadir at the end of the year, falling from \$341 per ton in February to \$250 per ton in December (shortly after the conclusion of the second round of HRS Title VII cases). See “Meltdown! 3rd global pricing ‘death spiral’ in five years has profoundly diminished most steel mills’ access to capital”, World Steel Dynamics, Price Track #67 (December 28, 2000). It is important to note that both of these “death spirals” occurred during a period of strong demand in the United States. For example, apparent consumption of HRS increased more than 9.1% between 1997 and 1998 and 8.5% between 1999 and 2000. Source: CRU International. As may be seen, the period immediately preceding the imposition of the subject orders and agreement was characterized by sharp swings in prices. With the foregoing as background, we would expect that revocation of the subject orders and termination of the suspension agreement would result in price declines as imports previously subject to the disciplines of these remedies surged back into the market. Removing the orders and agreement would reintroduce substantial price volatility into the market.

As discussed in our answer to Question I-3, upon revocation, subject imports would likely quickly enter the spot markets for hot-rolled steel, including steel service centers and tubular product converters. While it is difficult to quantify with precision the likely impact of revocation of the orders and termination of the suspension agreement on ***’s HRS operations, we would note that fully 30 percent of ***’s commercial sales of hot-rolled steel are in the spot market, which is highly vulnerable to a resurgence in unfair imports. Moreover, a significant number of ***’s short- and long-term contracts also would be impacted by a resurgence in dumped and subsidized imports from the three countries as

those contracts come up for renegotiation. Finally, by assisting with keeping competition on fair and rational terms, the orders/agreement have helped to facilitate the necessary market conditions for domestic producers like *** to implement cost-saving measures, make necessary capital expenditures, and begin the process of paying-down debts. While *** has achieved success in its efforts, there is still more work that needs to be done. Revocation of the orders and termination of the suspension agreement would increase the risk that those investments would be put in jeopardy as new surges in unfairly priced imports occur.”

“Yes. A revocation of the findings will result in a resumption of dumping into the U.S. market by the respondent countries. If these unfairly priced dumped goods are allowed to enter the market *** would expect to suffer lower revenue, lower margins and profits and it would be more difficult to support expenditures in areas such as research and development and other capital expenditures. As well inventories would be devalued as domestic pricing was reduced due to the availability of dumped product.”

“The return of dumped imports caused by the revocation of these orders and suspension agreement would undermine ***’s efforts to initiate long-term capital reinvestment because revenues and cash flow would decrease, raw material costs - - caused by shortages - - would continue to rise, and a negative return on sales would occur once again. Claims that Brazil, Japan and Russia would not attempt to reclaim U.S. market share previously held prior to this trade relief because of their expansion to other markets belie the facts: China, which through its consumption needs this past year, had been buoying global hot-rolled prices and buying the excess hot-rolled capacity of Brazil, Japan and Russia, is accelerating its own capacity expansion and will soon increase its position as a net exporter, leaving the United States, which is once again the world’s only net importer, as the dumping ground for excess capacity. (See Attachment 2, Wall Street Journal article, “China’s Steel Threat May Be Excess, Not Shortage,” Dec. 30, 2004, and Attachment 3, World Steel Dynamics, “2005, Many Questions- More Answers,” Dec. 2, 2004.)”

“Yes. As we experienced in late 2004, when imports from Russia increased, the spot pricing in the U.S. market declined by over \$100 a ton. Customers made purchases from Russia and reduced their domestic purchases in the slowest quarter of the year. Domestic mills were forced to reduce prices to get customers to purchase as well as had to reduce prices to be more competitive with tons available from Russia.”

“No.”

“Yes. *** anticipates sharply lower production, shipments, employment, revenues, profits, cash flow, capital expenditures, and asset values if the orders are revoked. Inventories would likely be higher. Indeed, the extreme volatility of the domestic industry’s earnings during the period demonstrate that small changes in import supply relative to demand can have rapid, dramatic impacts on the domestic industry. The domestic hot-rolled industry remains exceptionally vulnerable to material injury caused by a return of these imports.

Producers in Brazil, Japan and Russia have all demonstrated their willingness to slash prices in order to export hot-rolled steel to the U.S. when other markets weaken. Russia, in fact, has already greatly increased its exports of hot-rolled steel to the U.S. during 2004 as other markets have weakened.

In addition, Brazilian producers began to solicit export orders for the United States for May 2005 delivery. Capacity has expanded in Brazil and Russia, and several new hot-rolled steel projects have been announced. China, an important market for hot-rolled steel, especially for Japanese producers, has become a net exporter of steel products and is not offering flat-rolled products for sale in the United States. As noted above, producers in Brazil and in Russia have acquired U.S. operations that consume hot-rolled steel. *** believes that these facilities currently obtain hot-rolled steel from U.S. sources, but expects them to begin to import steel from their parents' facilities in Brazil, Japan and Russia. For these reasons, *** expects that the producers of hot-rolled steel in Brazil, Japan and Russia will rapidly increase their exports of hot-rolled steel to the United States to injurious levels if the orders are revoked. U.S. imports from these countries fell nearly 100 percent after the orders were imposed, and we fully expect that these imports would rapidly return, driving prices and profits lower. As well as competing directly with ***, additional imports will force U.S. hot-rolled currently consumed by these facilities onto the open market.”

“Yes. See II-16. The massive influx of steel from subject countries between 1998 and 2002 led to about 40 bankruptcies in the steel industry, massive loss of jobs and loss of pensions and benefits for retired and active steel workers. The effect on production capacity, production, U.S. shipments, inventories, purchases, employment, revenues, costs, profits, cash flow, capital expenditures, research and development expenditures, and asset values is obvious based on history.”

“No position.”

“Yes. If the orders and suspension agreement are revoked, we anticipate another import surge of dumped products within three to six months with serious negative impact on our volume, prices and profitability.”

“Yes. If the subject relief is revoked, all of the positive benefits of relief discussed in response to Question II-16 will be lost. Indeed, each of the factors discussed in that response would change in a manner that would injure ***.

To begin with, both ***'s production and its U.S. shipments would plummet as subject imports increased their market share at the expense of U.S. producers. Indeed, ***'s capacity and employment would likely be reduced as lower production forced closures of blast furnaces - or even entire facilities. Lower production would increase per-ton costs, because fixed costs would be allocated over smaller volumes.

Falling prices would also result in lower revenues, lower profits (or even heavy losses), and reduced cash flow. These developments would force *** to cut capital expenditures and expenditures on research and development that are critical to the long-term competitiveness of any hot-rolled steel producer. Finally, as a result of these negative effects, the value of ***'s hot-rolled assets would be reduced.”

“Yes. From 1999 to 2003, Japan's rate of growth in crude steel production exceeded their rate of growth in domestic apparent consumption by 374 percent (Source : ISSI); Brazil exceeded by 148 percent; Russia exceeded by 69 percent. All three have demonstrated that exports are a key part of their commercial strategy. Revoking the orders makes the U.S. market fully available to them. This will

increase U.S. supply which will reduce prices, U.S. shipments, employment, revenues, cash flow, capital expenditures, etc.”

**U.S. IMPORTERS’ COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND
SUSPENSION AGREEMENT AND THE LIKELY EFFECTS OF
REVOCAATION/TERMINATION**

**Anticipated Operational/Organizational Changes If The Orders/Suspension Agreement Were To
Be Revoked/Terminated**

The Commission requested importers to describe any anticipated changes in the character of their operations or organization relating to the importation of HRS in the future if the countervailing duty order (Brazil) and antidumping duty orders (Brazil and Japan) on hot-rolled steel were to be revoked, and the suspension agreement (Russia) on hot-rolled steel were to be terminated. Their responses are as follows:

“Yes. We would begin talking with both suppliers and customers about pricing and quality needs for delivery of material from Brazil, Japan and Russia.”

“Yes. *** will import significantly less slabs from ***. This will ***.”

“No.”

“No.”

“No.”

“No. We anticipate no material change in our operations if the anti-dumping orders were to be revoked.”

“No.”

“Yes. If the above orders were revoked the business could potentially increase since this would open up additional supply channels.”

“No.”

“No.”

“No.”

“No.”

“No position.”

“Yes. We would anticipate increased business.”

“No.”

Significance of Existing Orders and Suspension Agreement In Terms of Trade and Related Data

The Commission requested importers to describe the significance of the existing countervailing duty order (Brazil), antidumping duty order (Brazil and Japan), and suspension agreement (Russia) on hot-rolled steel, in terms of their effect on the firm’s imports, U.S. shipments of imports, and inventories. Their responses are as follows:

“The existence of current restrictions reduces the amount of hot rolled steel available to consumers, resulting in a shortage for some customers and driving prices up for others.”

“*** will import fewer slabs. This will ***.

At times, domestic HRC is not available for *** to purchase. Importing HRC will have a very positive impact by providing a consistent supply of HRC, keeping *** from failing because domestic mills will not always supply *** with HRC, jeopardizing its business.”

“We have no recent experience with importing products from Brazil/Japan (past 10 years). Imports from Russia have been guided by the price and quantity controls of the suspension agreement. We have imported based on market demand and product availability.”

“No hot-rolled brought in from these countries, which greatly reduced our supply to our customers.”

“Not applicable.”

“As a result of the countervailing (Brazil), duty order (Brazil and Japan), anti-dumping order and suspension agreement (Russia) on hot roll steel we have imported no product from these countries.”

“Creates a shortage of imports that are required by the United States. The United States can not produce the consumption required. This would cause the manufacturing in the United States to be reduced.”

“The significant barrier placed on imported hot-roll in general not just limited to the listed orders, from Russia, Brazil and Japan, have effected our ability to import the volumes of product we historically have and impacted our employment levels negatively.”

“Trade actions eliminated availability of Hot Rolled from Brazil and reduced Hot Rolled from Russia due to suspension agreement.”

“Negligible due to the tight demand in Asian markets.”

“These orders have reduced our firm’s import volume of subject merchandise from Brazil and Japan, compared to the volume handled before the orders were in place. *** is not alone, as overall imports into the United States of subject merchandise have declined as a result of these orders.”

“We lost a lot of opportunity to do business after the imposition of the order.”

“No position.”

“Restricted in volume.”

“As an importer of these products, our activities are driven by market conditions. AD/CVD orders basically eliminate those sources, while the Russian quota makes for a competitive environment for available tonnage, given acceptable market conditions.”

Anticipated Changes in Trade and Related Data If Orders/Suspension Agreement Were To Be Revoked/Terminated

The Commission requested importers to describe any anticipated changes in their imports, U.S. shipments of imports, or inventories of HRS in the future if the countervailing duty order (Brazil) and antidumping duty orders (Brazil and Japan) on hot-rolled steel were to be revoked, and the suspension agreement (Russia) on hot-rolled steel were to be terminated. Their responses are as follows:

“Yes. We would anticipate our volume increasing from Russia and Brazil if the changes were to occur.”

“Yes. We would then ***. We are planning to continue *** as part of our efforts to diversify our supply sources even if the orders are not revoked.”

“No.”

“Yes. Being better able to supply our customers.”

“No.”

“No. We anticipate no material change in our operations if the anti-dumping orders were to be revoked.”

“Yes. We would have the opportunity to purchase the required amount of steel to satisfy our manufacturing needs that support our sales. We would not again have to put our customers on allocation.”

“Yes. We would expect an increase in volume from Japan and Brazil. The Russian suspension agreement has provided us with normal volumes of business.”

“No.”

“No.”

“Yes. *** does not anticipated a huge spike in imports from Russia, Brazil or Japan if these orders were to be revoked because production in these countries is, for the most part, already committed to overseas consumers. However, the removal of these orders may help alleviate the short supply of hot-rolled steel in the U.S. domestic market.”

“Yes. Customer has a problem to purchase their material for their production.”

“No position.”

“Potential for increase in business.”

“Yes. We have never been too active with Japan or Brazilian HR but we were always seeking new sources and customer relationships.”

**U.S. PURCHASERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND
SUSPENSION AGREEMENT AND THE LIKELY EFFECTS OF
REVOCACTION/TERMINATION**

Effects on Future Activities of the Firms and the U.S. Market as a Whole

The Commission asked the purchasers to comment on the effects of the revocation of the countervailing duty order (Brazil) and antidumping duty orders (Brazil and Japan), and the termination of the suspension agreement (Russia) on hot-rolled steel on (1) the future activities of their firms and (2) the U.S. market as a whole. Their responses are as follows:

“(1) By any revocation of the countervailing duty order, antidumping order, and suspension agreement will enhance *** with more sources to buy from, which will better prepare us to compete in the international tube & pipe market. The time frame in question is from this day forward. This past year we have struggled, with an unpredictable steel market, to forecast sales and prices for finished goods as well as raw materials.”

“(2) By any revocation of the countervailing duty order, antidumping order, and suspension agreement will increase competition and stabilize pricing. We also anticipate that it will help keep businesses/jobs in the U.S. and not loose the “tube and pipe industry” to foreign soil.”

“(1) We will likely purchase about 10,000 tons of hot rolled product from Brazil to assure continuous steel supply. Any revocation of the subject AD or CVD orders is not expected to greatly ease the supply shortages seen in 2004. The weak U.S. dollar and high prices for hot rolled in other parts of the world make the U.S. market unattractive to outside mills. There seems to be an overall awareness of regional pricing and the foreign steel suppliers will not sell product below the domestic prices.”

“(2) Revocation of the subject antidumping and countervailing duties might help some other U.S. industries get some much needed supply relief- no price improvements are, however, expected.”

“(1) 2005- will continue to buy from U.S. service centers.”

“(2) Because the dollar is weak and worldwide demand is up the steel market will seek out the higher paying customer (Europe/China). This will keep U.S. pricing high and availability low.”

“(1) Again, we do not purchase the base material or master coil. I could see pricing being effected possibly going higher. This then causes increases in piece prices which then allows our customers to look at foreign markets.”

“(2) The only thing helping the US Hot Roll market is the material seems to be more consistent. The new processes being developed also allows thinner gauge material which is cheaper than CRS at the same gauge.”

“(2) Consumers will have more choices of supply. Access to world market pricing for raw materials for the U.S. manufacturers, bringing them on par with international manufacturers. Geographic movement of steel to logical trading partners, i.e.-Brazil to U.S. vs. to China. Additional availability of competitively priced steel to meet customer requirements and profitably grow business.”

“(1) None.”

“(2) This will exert downward pressure on prices.”

“(1) We will continue to purchase steel as competitively as we can throughout the world. If revocation creates opportunities to purchase cheaper products from Brazil or Russia, we will do so as surely as our competitors will. Domestic suppliers will surely feel downward price pressure once more foreign steel is made available to domestic consumers.”

“(2) The U.S. market, due to consolidations, will be in a better position to resist downward price pressures from increased foreign availability. However, supply and demand will dictate where the U.S. market evolves to. If revocation results in significant foreign tons being sold in the U.S., the price will certainly deteriorate.”

“(1) We will include suppliers from those countries in our sourcing searches. We have not included them in the last five years due to their lack of competitiveness.”

“(2) Consolidation in the U.S. has now placed over 80% of domestic production with three suppliers. Revocation of duties may help to increase competitiveness in U.S. market.”

“(1) Quotes would potentially be solicited as early as 2005 for HR from firms in the listed countries. Material could be bought from these countries in 2005 and 2006 if the service and all-in costs are market competitive.”

“(2) More competition from other countries would make the U.S. price for HR more globally competitive. Currently, and historically, U.S. HR pricing is the highest in the world.”

“(1) Unknown.”

“(2) Unknown.”

“(1) Any restrictions on foreign material will increase demand on the domestic market, which in 2004, increased pricing.”

“(2) Same as above.”

“(1) *** does not currently purchase hot-rolled steel from Japan, Brazil or Russia. We do not expect to purchase any hot-rolled steel from any of the three countries if the orders are revoked. In the case of Japan and Brazil, mills in both countries are focused on other markets for their hot-rolled product, and on higher value-added products (such as corrosion resistant steel) in the U.S. market. *** has no plans to solicit hot-rolled supplies for U.S. operations from mills in either country.

*** also does not expect to purchase hot-rolled steel from Russia if the suspension agreement is ended, although for different reasons. In the case of Russia, *** has not yet seen hot-rolled product that meets its quality specifications (see response to question III-30). If over time Russian suppliers are successful in demonstrating significant improvements in quality, this picture could change.

(2) Automotive uses of hot-rolled steel tend to be among the most demanding, and hot-rolled steel that meets automotive standards accordingly tends to command the highest prices. As noted above, we do not see any interest on the part of the Japanese or Brazilian mills to supply hot-rolled steel to U.S. automotive purchasers. Given that they are not seeking an opportunity to sell into the high end of the

U.S. market, we do not expect that they would show interest in the lower-quality lower-price segments of the market.

While we do not expect to see increased amounts of Russian hot-rolled steel in automotive uses, as noted above, it is possible that termination of the suspension agreement would permit Russian suppliers to explore additional sales to other U.S. consumers, such as in the construction sector. *** is not a participant in that marketplace and cannot meaningfully comment on possible volumes. Given the extreme overall shortage of supply in the U.S. market, however, there is no question overall U.S. demand would support very significant additional supply, and Russian supplies might partially relieve the dislocations in the current marketplace.”

“(1) Would not change ***’s purchasing patterns (with possible increased incentive to purchase some specialized steels from Japan).”

“(2) We hope that the removal of antidumping duty orders would ease price pressure on automotive steels generally and also contribute to a general improvement in the availability of automotive steels to the U.S. Since all other steels are derived from hot-rolled steel, the price of hot-rolled steel impacts all other varieties. If antidumping orders remain in place, their continuation is likely to create an incentive for investment in additional capacity. The U.S. or other countries not covered by the orders that will eventually (2-3 years out) exert downward pressure on steel prices and increased competition in the U.S. market.”

No response was given.

“(1) Since we purchase from service centers, it would depend on if they used these sources. It would not effect our future activities.”

“(2) I cannot see any negative impact on the U.S. market. The dollar in its weakened state discourages exports to the U.S. In addition, China will continue to be a more attractive market than the U.S.”

“(1) The domestic steel mills are gouging consumers by pricing well above reasonable profit levels. With HR steel in short supply, we have no choice but to accept and look at other countries not subject to duties.”

“(2) Same.”

“(1) *** does not intend to purchase hot-rolled steel from new sources as a result of the anti-dumping order being revoked. Reduction in artificial trade barriers will make the market more competitive overall.”

“(2) Increasing raw material availability will allow end user products to be more competitive with our import competitors who are purchasing steel at lower costs.”

“(1) None in current market.”

“(2) None in current market.”

“(1) Revocations will result in increased offers from the named countries at prices below those of domestic producers as they embark on marketing programs aimed at regaining U.S. market share.”

“(2) See above.”

“(1) At this time, we do not nor do we expect to purchase steel from Brazil or Japan.”

“(2) I would expect to see higher pricing from domestic mills if imports are restricted.”

“(1) *** doubts that the removal of the orders would have any significant short-term impact.”

“(2) Globalization will enhance competitiveness of U.S. companies, leading to further U.S. investment and U.S. exports.”

“(1) In light of the current rise in global demand for steel, ***’s cost to acquire hot-rolled steel has more than doubled in 2004. The duties have effectively reduced the availability of hot-rolled steel in the U.S. and increased the price of steel. *** has paid the higher costs for both its direct and indirect purchases. The magnitude and duration of price increases impacts the ability of ***’s supply base to absorb the costs over extended periods of time. Therefore, should prices remain at their current historically high levels, the impact on the automotive industry and *** may be even more significant in 2005. If the duties are eliminated, *** and its suppliers’ raw material supply base would be more predictable and stable. Furthermore, it is anticipated that subject country suppliers would become more competitive resulting in lower prices for steel to *** and its suppliers.”

“(2) Same as above.”

“(1) More availability and competition.”

“(2) More availability and competition.”

“(1) No effect because *** does not import hot rolled steel from the named countries.”

“(2) The revocation of the countervailing duty order will help to restore a measure of competitiveness to the U.S. market. This is necessary as the U.S. hot rolled steel supply has become more like an oligopoly since 2002 and some producers have strategized about reducing production in order to influence prices.”

“(1) More steel availability.”

“(2) No answer.”

“(1) This would drive the price downward on all hot rolled steel in the near future.”

“(2) Same as 1.”

“(1) We would hope that revocation of antidumping duty orders would result in a more competitive steel market that offers us greater options in sourcing and supply than what we currently have available.”

“(2) No Answer.”

No response was given.

“(1) If duties are imposed our cost to purchase hot roll material may increase. If duties are not imposed, our cost to purchase hot roll material may decrease.”

“(2) As above.”

“(1) If price advantage \$30-\$50/ton or more, we’d consider switching.”

“(2) Same as (1).”

“(1) Should provide increased supply in mid term due to strong US prices relative to Europe and Asia.”

“(2) Increased supply should result in modest downward price adjustments, providing some relief to end users, weak U.S. dollar should provide some strength in end user’s demand.”

No response was given.

“(1) Increased availability, possibly of more advanced products/grades and possible decreased pricing of all grades. Possibility of more aggressive market pricing with more emphasis (purchasing and sales) on margins and cost.”

“(2) Possibly more end user stability, more purchasing influence on pricing.”

“(1) None.”

“(2) None.”

“(1) No effect.”

“(2) Unknown.”

“(1) No change from ***’s perspective.”

“(1) Not familiar with product from subject countries.”

“(2) Depends on current market conditions.”

“(1) We would expect to potentially see additional offerings from subject countries and review them accordingly.”

“(2) There is likelihood of increased offerings from subject countries. Concerns center around amount of possible imports and effect on domestic industry.”

“(1) None.”

“(2) Unknown.”

“(1) Reduce steel prices and hurt our competitive position.”

“(2) Reduce steel prices and hurt domestic mills.”

No response was given.

“(1) Encourage our sources (processors and distributors) to investigate these countries as potential competition to domestic mills following the same sourcing criteria as with domestic mills.”

“(2) I would expect the U.S. market to do the same as our firm.”

“(1) No change.”

“(2) No significant change- hot rolled imports may increase if subject programs are eliminated.”

“(1) No different.”

“(2) Market will buy components from overseas instead of manufacturing the part from raw steel. Lifting tariffs will have little effect since damage and resourcing of heavy users is already complete.”

“(1) None.”

“(2) Not to my knowledge.”

“(1) Expect to include companies in those regions on our RFQ's, further expect a response which was previously rejected due to duties.”

“(2) Expect a more competitive landscape.”

“(1) My firm would most likely not change our buying behavior from what it is now. We purchase our hot roll from domestic producers and will continue to do so.”

“(2) Pricing should begin to feel some pressure as imports begin to flow more freely into the market and availability should also increase. This is based solely on the U.S. dollar gaining strength and global consumption beginning to level off.”

No response was given.

**FOREIGN PRODUCERS' COMMENTS REGARDING THE EFFECTS OF THE ORDERS AND
SUSPENSION AGREEMENT AND THE LIKELY EFFECTS OF
REVOCATION/TERMINATION**

**Anticipated Operational/Organizational Changes If The Orders/Suspension Agreement Were To
Be Revoked/Terminated**

The Commission requested foreign producers to describe any anticipated changes in their production capacity, production, home market shipments, exports to the United States and other markets, or inventories relating to the production of hot-rolled steel in the future if the countervailing duty order (Brazil) and antidumping duty orders (Brazil and Japan) on hot-rolled steel were to be revoked, and the suspension agreement (Russia) on hot-rolled steel were to be terminated. Their responses are as follows:

“Yes. If the countervailing duty order and antidumping duty order were to be revoked, *** would be able to export hot-rolled steel coils to supply its American affiliated company, ***, which ***.”

“No.”

“No. The U.S. market will remain an alternative market even if the orders were revoked.”

“No.”

“No.”

“No.”

“No.”

“No.”

Significance of the Orders and Suspension Agreement In Terms of Trade and Related Data

The Commission requested foreign producers to describe the significance of the existing countervailing duty order (Brazil), antidumping duty orders (Brazil and Japan), and suspension agreement (Russia) on hot-rolled steel, in terms of their effect on the firms' production capacity, production, home market shipments, exports to the United States and other markets, and inventories. Their responses are as follows:

“The existing subject countervailing duty order and antidumping duty order on hot-rolled steel products did not have any effect on ***’s production capacity, production level, home market shipments

or inventories. The imposition of the orders did not affect ***'s operations in any way. The only effect of such an order was a reduction in exports to the U.S.”

“The company did not have to reduce production capacity. The products were sold to the domestic market as well as in markets where the prices were as attractive as the prices in the U.S. market.”

“When ***, a countervailing duty order and antidumping duty order existed on Brazil. However, these orders did not affect ***'s production.”

“Antidumping duty against Japan has not had or does not have any effect on ***'s production and sales of hot-rolled steel, because ***'s main markets are Japan, Korea and other Asian countries. And, *** is focusing on selling more value added down-stream products rather than hot-rolled products. Out of *** MT hot-rolling capacity, about *** hot-rolled steel is processed internally for down-stream products, such as cold-rolled sheets, galvanized sheets, tin plates, electrical steel sheets, stainless steel sheets and welded pipes. ***'s total sheet product export to China is increasing (see the chart below). *** is now facing a serious shortage, approximately *** million tons per year, of production capacity of sheet products processed by hot rolling mill to fulfill the demand of traditional customers in its home market and Asian market. (See page 13, 3-(4), of Annex-1). Therefore, even if the AD duty order is revoked, *** has not room to increase the export of HRS to the US.”

***'s Export of Sheet Products to China (1,000 MT)

	2003 (A)	2004 (B)	B-A
Hot Rolled Steel	***	***	***
Cold Rolled Steel	***	***	***
Galvanized Sheets	***	***	***
Tin Plates and TFS	***	***	***
Electrical Steel Sheets	***	***	***
Stainless Steel Sheets	***	***	***
Welded Pipes	***	***	***
TOTAL	***	***	+290

“The antidumping and countervailing duty orders have had no impact on ***'s operations. *** is producing at full capacity and is in a position where it needs to reject certain purchase orders.”

“With respect to the U.S., in 1999 after the signing of the agreement there was a moratorium fixed into the agreement until the end of 1999.

*** does not maintain inventories of finished products because all goods are manufactured only under customers' orders and when goods are produced, they are shipped to their customers immediately.

The Suspension Agreement with the US on hot-rolled steel has not lead to a decrease in ***'s production capacity. During the period of 1998 to 2000 output of hot-rolled steel has been increasing annually. Because of unfavorable conditions in the global steel market in 2001 *** reduced output of finished rolled products by *** to the output in 2000. The decrease in ***'s incomes and revenues as well as output at smelting operations that occurred in 2001 is explained by the economic depression of the global iron and steel industry but not by the effect of the above-mentioned Agreement. Since 2002, *** has been increasing annual output of finished rolled products again, i.e. in 2002 the gain in production amounted to *** percent and in 2003, *** percent (***'s annual report for the year 2002; Presentation of results of the company's operations in 2003). Meanwhile net profit and revenues have been increasing as well.

Since 1998 (except for the year of 1999) sales volumes of hot-rolled steel in the domestic market have significantly increased and in 2003 the share of hot-rolled steel sales to the domestic market amounted to *** percent of the total volumes of steel products shipped to the domestic market. The growth in shipments to the domestic market that occurred after 1998 was caused not by barriers in export to the U.S. but by the high rates of economic growth in Russia during the period of 2001 to 2003.”

“In 1999 after the signing of the Agreement there was a moratorium period fixed in the Agreement until the end of 1999.”

“Our firm's production has not changed. The markets reached, however, have changed. We have obtained new customers and increased sales in Europe and Latin America, which have largely replaced sales to the U.S. Moreover, consumption in Brazil has also increased and continues to do so. Given that our production is now fully booked with customers, it would be very difficult for us now to increase our sales to the U.S. since doing so would mean abandoning customers and market shares in Brazil or other countries.”

APPENDIX E

PREVIOUS AND RELATED INVESTIGATIONS

Table E-1
Hot-rolled steel: Previous and related Title VII investigations

Country	USITC investigation number	Year of Investigation	Report number	Result
Argentina	701-TA-404 (P)	2000	USITC 3381	Affirmative
	701-TA-404 (F)	2001	USITC 3446	Affirmative
	731-TA-898 (P)	2000	USITC 3381	Affirmative
	731-TA-898 (F)	2001	USITC 3446	Affirmative
Austria	701-TA-227 (P)	1985	USITC 1642	Affirmative
	701-TA-227 (F)	1985	USITC 1759	Negative
	731-TA-219 (P)	1985	USITC 1642	Affirmative
	731-TA-219 (F)	1985	USITC 1759	Negative
Belgium	731-TA-18 (P)	1980	USITC 1064	Affirmative
	701-TA-94 (P)	1980	USITC 1221	Affirmative
	701-TA-94 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-61 (P)	1982	USITC 1221	Affirmative
	731-TA-61 (F)	1982	Not report issued	Terminated 11/2/82
	701-TA-329 (P)	1992	USTIC 2549	Affirmative
	701-TA-329 (F)	1993	USITC 2664	Negative
	731-TA-588 (P)	1992	USITC 2549	Affirmative
	731-TA-588 (F)	1993	USITC 2664	Negative
	Brazil	701-TA-95 (P)	1982	USITC 1221
701-TA-206 (P)		1983	USITC 1470	Affirmative
701-TA-206 (F)		1984	USITC 1538	Affirmative
731-TA-153 (P)		1983	USITC 1470	Affirmative
731-TA-153 (F)		1984	USITC 1568	Affirmative
701-TA-330 (P)		1992	USITC 2549	Affirmative
701-TA-330 (F)		1993	USITC 2664	Negative
731-TA-589 (P)		1992	USITC 2549	Affirmative
731-TA-589 (F)		1993	USITC 2664	Negative
701-TA-384 (P)		1998	USITC 3142	Affirmative
701-TA-384 (F)	1999	USITC 3223	Affirmative	

Table continued on next page.

Table E-1--Continued

Hot-rolled steel: Previous and related Title VII investigations

Country	USITC investigation number	Year of Investigation	Report number	Result
Brazil	731-TA-806 (P)	1998	USITC 3142	Affirmative
	731-TA-806 (F)	1999	USITC 3223	Affirmative
Canada	731-TA-590 (P)	1992	USITC 2549	Affirmative
	731-TA-590 (F)	1993	USITC 2664	Negative
China	731-TA-899 (P)	2000	USITC 3381	Affirmative
	731-TA-899 (F)	2001	USITC 3648	Affirmative
Finland	731-TA-220 (P)	1984	No report issued	Petition withdrawn 1/18/85
France	731-TA-20 (P)	1980	USITC 1064	Affirmative
	701-TA-85 (P)	1982	USITC 1206	Affirmative
	701-TA-96 (P)	1982	USITC 1221	Affirmative
	701-TA-96 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-62 (P)	1982	USITC 1221	Affirmative
	731-TA-62 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-331 (P)	1992	USITC 2549	Affirmative
	701-TA-331 (F)	1993	USITC 2664	Negative
	731-TA-591 (P)	1992	USITC 2549	Affirmative
	731-TA-591 (F)	1993	USITC 2664	Negative
Germany	731-TA-19 (P)	1980	USITC 1064	Affirmative
	701-TA-101 (P)	1982	USITC 1221	Affirmative
	701-TA-101 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-67 (P)	1982	USITC 1221	Affirmative
	731-TA-67 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-332 (P)	1992	USITC 2549	Affirmative
	701-TA-332 (F)	1993	USITC 2664	Negative
	731-TA-592 (P)	1992	USITC 2549	Affirmative
	731-TA-592 (F)	1993	USITC 2664	Negative
	Hungary	731-TA-221 (P)	1985	USITC 1642
India	701-TA-405 (P)	2000	USITC 3381	Affirmative

Table continued on next page.

Table E-1--Continued
Hot-rolled steel: Previous and related Title VII investigations

Country	USITC investigation number	Year of Investigation	Report number	Result
India	701-TA-405 (F)	2001	USITC 3648	Affirmative
	731-TA-900 (P)	2000	USITC 3381	Affirmative
	731-TA-900 (F)	2001	USITC 3648	Affirmative
Indonesia	701-TA-406 (P)	2000	USITC 3381	Affirmative
	701-TA-406 (F)	2001	USITC 3648	Affirmative
	731-TA-901 (P)	2000	USITC 3381	Affirmative
	731-TA-901 (F)	2001	USITC 3648	Affirmative
Italy	731-TA-21 (P)	1980	USITC 1064	Affirmative
	701-TA-97 (P)	1982	USITC 1221	Affirmative
	701-TA-97 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-63 (P)	1982	USITC 1221	Affirmative
	731-TA-63 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-333 (P)	1992	USITC 2549	Negative
Japan	731-TA-593 (P)	1992	USITC 2549	Negative
	731-TA-594 (P)	1992	USITC 2549	Affirmative
	731-TA-594 (F)	1993	USITC 2664	Negative
	731-TA-807 (P)	1998	USITC 3142	Affirmative
	731-TA-807 (F)	1999	USITC 3202	Affirmative
Kazakhstan	731-TA-902 (P)	2000	USITC 3381	Affirmative
	731-TA-902 (F)	2001	USITC 3648	Affirmative
Korea	701-TA-171 (P)	1982	USITC 1261	Affirmative
	701-TA-171 (F)	1982	USITC 1346	Affirmative
	701-TA-334 (P)	1992	USITC 2549	Affirmative
	701-TA-334 (F)	1993	USITC 2664	Negative
	731-TA-595 (P)	1992	USITC 2549	Affirmative
	731-TA-595 (F)	1993	USITC 2664	Negative
Luxembourg	701-TA-98 (P)	1982	USITC 1221	Negative
	731-TA-64 (P)	1982	USITC 1221	Negative

Table continued on next page.

Table E-1--Continued

Hot-rolled steel: Previous and related Title VII investigations

Country	USITC investigation number	Year of Investigation	Report number	Result
Netherlands	731-TA-23 (P)	1980	USITC 1064	Affirmative
	701-TA-99 (P)	1982	USITC 1221	Affirmative
	701-TA-99 (F)	1982	No report issued	Terminated 9/8/82
	731-TA-65 (P)	1982	USITC 1221	Affirmative
	731-TA-65 (F)	1982	No report issued	Terminated 9/8/82
	731-TA-596 (P)	1992	USITC 2549	Affirmative
	731-TA-596 (F)	1993	USITC 2664	Negative
New Zealand	701-TA-335 (P)	1992	USITC 2549	Negative
Netherlands	731-TA-903 (P)	2000	USITC 3381	Affirmative
	731-TA-903 (F)	2001	USITC 3648	Affirmative
Romania	731-TA-222 (P)	1985	USITC 1642	Affirmative
	731-TA-222 (F)	1985	No report issued	Terminated 7/19/85
	731-TA-904 (P)	2000	USITC 3381	Affirmative
	731-TA-904 (F)	2001	USITC 3648	Affirmative
Russia	731-TA-808 (P)	1998	USITC 3142	Affirmative
	731-TA-808 (F)	1999	USITC 3223	Affirmative
South Africa	731-TA-174 (P)	1984	USITC 1510	Affirmative
	701-TA-407 (P)	2000	USITC 3381	Affirmative
	701-TA-407 (F)	2001	USITC 3648	Affirmative
	731-TA-905 (P)	2000	USITC 3381	Affirmative
	731-TA-905 (F)	2001	USITC 3446	Affirmative
Spain	701-TA-156 (P)	1982	USITC 1255	Negative
Sweden	701-TA-228 (P)	1985	USITC 1642	Affirmative
	701-TA-228 (F)	1985	USITC 1759	Negative
Taiwan	731-TA-906 (P)	2000	USITC 3381	Affirmative
	731-TA-906 (F)	2001	USITC 3648	Affirmative
Thailand	701-TA-408 (P)	2000	USITC 3381	Affirmative
	701-TA-408 (F)	2001	USITC 3648	Affirmative

Table continued on next page.

Table E-1--Continued

Hot-rolled steel: Previous and related Title VII investigations

Country	USITC investigation number	Year of Investigation	Report number	Result
Thailand	731-TA-907 (P)	2000	USITC 3381	Affirmative
	731-TA-907 (F)	2001	USITC 3648	Affirmative
Ukraine	731-TA-908 (P)	2000	USITC 3381	Affirmative
	731-TA-908 (F)	2001	USITC 3648	Affirmative
United Kingdom	701-TA-24 (P)	1980	USITC 1064	Affirmative
	701-TA-100 (P)	1982	USITC 1221	Negative
	731-TA-66 (P)	1982	No report issued	Petition withdrawn 1/30/82
Venezuela	701-TA-229 (P)	1985	USITC 1642	Affirmative
	701-TA-229 (F)	1985	No report issued	Terminated 7/19/85
	731-TA-223 (P)	1985	USITC 1642	Affirmative
	731-TA-223 (F)	1985	No report issued	Terminated 7/19/85
Source: Cited Commission reports.				

Table E-2
Hot-rolled steel: Previous and related Section 332 Investigations

Investigation No.	Year of Investigation	Report title	Publication No.	Publication date
332-153	1983	Monthly Report on Selected Steel Industry Data	(¹)	(¹)
332-209	1985	Annual Survey Concerning Competitive Conditions in the Steel Industry and Industry Efforts to Adjust and Modernize	1729 1881 2019 2115 2226	Aug. 1985 Sept. 1986 Sept. 1987 Sept. 1988 Oct. 1989
332-214	1985	The Effects of Restraining U.S. Steel Imports on the Exports of Selected Steel-Consuming Industries	1788	Dec. 1985
332-226	1986	Monthly Reports on the Status of the Steel Industry ²	(³)	(³)
332-231	1986	U.S. Global Competitiveness: Steel Sheet and Strip Industry	2050	Jan. 1988
332-256	1988	The Western U.S. Steel Market: Analysis of Market Conditions and Assessment of the Effects of Voluntary Restraint Agreements on Steel Producing and Steel-Consuming Industries	2165	Mar. 1989
332-270	1989	The Effects of the Steel Voluntary Restraint Agreements on U.S. Steel-Consuming Industries	2182	May 1989
332-289	1990	Steel Industry Annual Report: On Competitive Conditions in the Steel Industry and Industry Efforts to Adjust and Modernize	2316 2436	Sept. 1990 Sept. 1991
332-327	1992	Steel: Semiannual Monitoring Report	2558 2655 2682 2759 2807 2878	Sept. 1992 June 1993 Sept. 1993 April 1994 Sept. 1994 June 1995
332-452	2003	Steel-Consuming Industries: Competitive Conditions with Respect to Steel Safeguard Measures	3632	Sept. 2003

¹ There were 36 reports, issued monthly, beginning in February 1983 and ending in March 1986.

² The reports were shifted to a quarterly basis with the first quarterly report being published in March 1991.

³ Under this investigation, there were 66 reports issued by the Commission; USITC Publication 1942, January 1987, focused on carbon and alloy sheet and strip, while many publications under this investigation may have had data related to hot-rolled steel.

Source: Cited Commission publications.

