Certain Hot-Rolled Steel Products From Japan

Investigation No. 731-TA-807 (Final)

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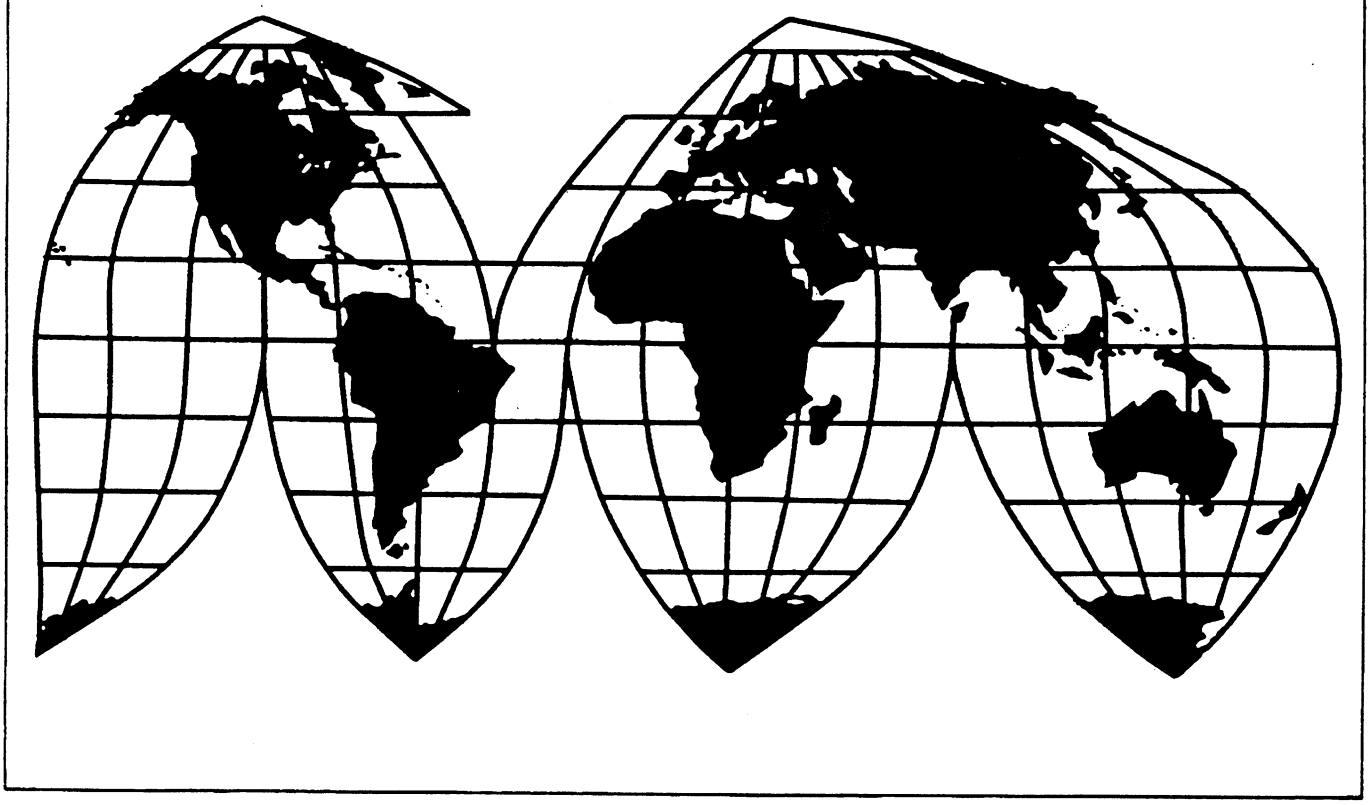

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from the public version of this document. Such deletions are indicated by asterisks (***).

GLOSSARY OF ABBREVIATIONS

Acesita	Companhia Acos Especiais Itabira
Acme	Acme Steel Co.
AISI	American Iron and Steel Institute
AK	AK Steel Corp.
Armco	Armco, Inc.
ASOMA	ASOMA Corp.
ASTM	American Society for Testing and Materials
Beta	Beta Steel Corp.
Bethlehem	Bethlehem Steel Corp.
BOF	Basic oxygen furnace
Caparo	Caparo Steel
Cargill Ferrous	Cargill Ferrous International Div. of Cargill, Inc.
C.i.f.	Cost, insurance, and freight
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
COMPAS	Commercial policy analysis system
Cosipa	Companhia Siderurgica Paulista
CSI	California Steel Industries, Inc.
CSN	Companhia Siderurgica Nacional
CTL plate	Cut-to-length plate
CVD	Countervailing duty
DSC	DSC, Ltd.
EAF	Electric arc furnace
Feralloy	Feralloy Corp.
Ferrostaal	Ferrostaal, Inc.
F.o.b.	Free on board
FR	*Federal Register*
Gallatin	Gallatin Steel Co.
GM	General Motors Corp.
Geneva	Geneva Steel Co.
Gulf States	Gulf States Steel, Inc.
HSLA	High strength low alloy
HTS	Harmonized Tariff Schedule of the United States
IF	Interstitial free
IMF	International Monetary Fund
IPSCO	IPSCO, Inc.
ISO	International Organization for Standardization
Ispat/Inland	Ispat/Inland, Inc.
Kawasaki	Kawasaki Steel Corp.
Kobe	Kobe Steel, Ltd.
Lone Star	Lone Star Steel Co.

GLOSSARY OF ABBREVIATIONS

LTFV	Less than fair value
LTV	LTV Steel Co., Inc.
Lukens	Lukens Steel Co.
Magnitogorsk	Magnitogorsk Iron & Steel Works Combine
McLouth	McLouth Steel Products, Inc.
Metallia	Metallia USA, Inc.
NASCO	North Atlantic Steel Co., Inc.
National	National Steel Corp.
Newport	Newport Steel Corp.
Nippon	Nippon Steel Corp.
Nisshin	Nisshin Steel Co., Ltd.
NKK	NKK Corp.
North Star/BHP	North Star BHP Steel, Ltd.
Novolipetsk	Novolipetsk Iron & Steel Corp.
Nucor	Nucor Corp.
Oregon	Oregon Steel Mills, Inc.
Pohang/POSCO	Pohang Steel Co.
Preussag	Preussag International Steel Corp.
PRW	Production and related worker
R&D	Research and development
Rouge	Rouge Steel Co.
SAE	Society of Automotive Engineers
SDI	Steel Dynamics, Inc.
Severstal	JSC Severstal
SG&A expenses	Selling, general, and administrative expenses
Stemcor	Stemcor USA, Inc.
Sumitomo	Sumitomo Metal Industries, Ltd.
Thyssen	Thyssen, Inc.
TR	Transcript
TRICO	TRICO Steel Co.
Tuscaloosa	Tuscaloosa Steel Co.
Usiminas	Usinas Siderurgica de Minas Gerais
USS	U.S. Steel
USX	U.S. Steel Group, division of USX Corp.
UPI	USS-Posco Industries
WCI	WCI Steel, Inc.
Weirton	Weirton Steel Corp.
WPS	Wheeling-Pittsburgh Steel Corp.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-807 (Final)

CERTAIN HOT-ROLLED STEEL PRODUCTS FROM JAPAN

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured[2] by reason of imports from Japan of certain hot-rolled steel products, provided for in headings 7208, 7210, 7211, 7212, 7225, and 7226 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). The Commission finds that critical circumstances do not exist with respect to subject imports from Japan.[3]

BACKGROUND

The Commission instituted this investigation effective September 30, 1998, following receipt of a petition filed with the Commission and the Department of Commerce by Bethlehem Steel Corp., Bethlehem, PA; U.S. Steel Group, a unit of USX Corp., Pittsburgh, PA; Ispat Inland Steel, East Chicago, IN; LTV Steel Co., Inc., Cleveland, OH; California Steel Industries, Fontana, CA; Gallatin Steel Co., Ghent, KY; Geneva Steel, Vineyard, UT; Gulf States Steel, Inc., Gadsden, AL; IPSCO Steel, Inc., Muscatine, IA; Steel Dynamics, Butler, IN; Weirton Steel Corp., Weirton, WV; Independent Steelworkers Union, Weirton, WV; and the United Steelworkers of America, Pittsburgh, PA. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by the Department of Commerce that imports of certain hot-rolled steel products from Japan were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the Commission's investigation 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* of March 5, 1999 (64 FR 10723). The hearing was held in Washington, DC, on May 4, 1999, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[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] Commissioner Askey determines that an industry in the United States is threatened with material injury.

[3] Commerce found that critical circumstances do not exist with respect to two Japanese producers: Nippon Steel Corp. and NKK Corp. Chairman Bragg finds that critical circumstances exist with respect to subject imports from Japan. Commissioner Askey did not assess critical circumstances because she did not determine that the industry in the United States is materially injured. 1

VIEWS OF THE COMMISSION

Based on the record in this investigation, we find that an industry in the United States is materially injured by reason of imports of certain hot-rolled steel products ("hot-rolled steel") from Japan that have been found by the Department of Commerce ("Commerce") to be sold at less than fair value ("LTFV").[1] We further find that critical circumstances do not exist with respect to subject imports from Japan.[2] [3]

I. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[4] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant industry as the "producers as a {w}hole 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."[5] In turn, the Act defines "domestic like product" as: "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[6]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[9] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[10]

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[1] Commissioner Askey finds that the domestic industry producing hot-rolled steel is threatened with material injury by reason of subject imports from Japan. See Additional and Dissenting Views of Commissioner Askey. She joins parts I-III.A. of this decision, except where otherwise indicated.

[2] Chairman Bragg determines that critical circumstances exist with respect to subject imports from Japan. See infra at 34 n.129.

[3] Because Commissioner Askey finds that the domestic industry is threatened with material injury by reason of subject imports from Japan, she does not reach the issue of critical circumstances. See Additional and Dissenting Views of Commissioner Askey.

[4] 19 U.S.C. § 1677(4)(A).

[5] 19 U.S.C. § 1677(4)(A).

[6] 19 U.S.C. § 1677(10).

[7] See, e.g.,Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[8] See, e.g., Nippon Steel, 19 CIT at 454-55.

[9] Torrington, 747 F. Supp. at 748-49.

[10] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five

(continued...)

B. Product Description and Domestic Like Product

In its final LTFV determination, Commerce defined the imported merchandise within the scope of these investigations as:

> 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 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 investigation unless otherwise excluded.[11]

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[10] (...continued)
classes or kinds).

[11] Notice of Final Determination of Sales at Less Than Fair Value: Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Japan, 64 Fed. Reg. 24329, 24330-31 (Department of Commerce May 6, 1999). Commerce also
(continued...)

In the preliminary phase of this investigation, the Commission determined that there was one like product consisting of all hot-rolled carbon steel products within the scope of the investigation.[12] We have been presented with no new evidence or new arguments to warrant changing that finding in this final phase of the investigation. Accordingly, for the same reasons articulated in the preliminary phase, we determine that there is one domestic like product in this investigation consisting of all hot-rolled steel, as defined in Commerce's scope.

C. Domestic Industry and Related Parties

The domestic industry is defined as "the producers as a {w}hole of a domestic like product . . . ."[13] In defining the domestic industry, the Commission's general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[14] Based on our finding that the domestic like product consists of all hot-rolled steel, we define the corresponding domestic industry as all producers of hot-rolled steel in the United States, as we did in the preliminary determination.[15]

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry as a related party pursuant to section 771(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.[16]

In the preliminary phase of this investigation, we found that two domestic producers were related parties: National Steel and ***. We further found that appropriate circumstances did not exist to

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[11] (...continued)
excluded a number of specific products from the scope of this investigation. Id. at 24331.

[12] Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 (Preliminary) and 731-TA-806-808 (Preliminary), USITC Pub. 3142 (Nov. 1998) (hereinafter "Preliminary Determination") at 6-7.

[13] 19 U.S.C. § 1677(4)(A).

[14] See United States Steel Group v. United States, 873 F. Supp. 673, 681-684 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[15] Preliminary Determination at 7.

[16] See Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (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 such 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 producer vis-à-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). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interest of the related producer lies in domestic production or importation. See, e.g., Sebacic Acid from the People's Republic of China, Inv. No. 731-TA-653 (Final), USITC Pub. 2793, at I-7 - I-8 (July 1994).

exclude either of these producers from the domestic industry.[17] In the final phase of this investigation, we have not found any evidence to warrant changing this finding. In addition, none of the parties argued for the exclusion of either company. For the reasons stated in the preliminary phase of the investigation, we determine that appropriate circumstances do not exist to exclude either of these companies from the domestic industry.[18] We therefore define the domestic industry to consist of all domestic producers of hot-rolled steel.

II. CUMULATION[19]

A. In General

Section 771(7)(G)(I) of the Act requires the Commission to cumulate imports from all countries as to which petitions were filed on the same day if such imports compete with each other and with domestic like products in the United States market.[20]

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors:

> (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.[21]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.[22] Only a "reasonable overlap" of competition is required.[23]

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[17] Preliminary Determination at 7.

[18] Preliminary Determination at 7.

[19] The negligibility of subject imports is not an issue in this investigation. See 19 U.S.C. § 1677(24).

[20] 19 U.S.C. § 1677(7)(G)(I). There are four exceptions to the cumulation provision, none of which apply to the instant investigation.

[21] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), *aff'd*, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

[22] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[23] See Goss Graphic System, Inc. v. United States, 22 CIT ___, slip op. 98-147 at 8 (Oct. 16, 1998) ("cumulation does not require two products to be highly fungible"); Wieland Werke, 718 F. Supp. at 52 ("Completely overlapping markets are not required."); United States Steel Group v. United States, 873 F. Supp. 673, 685-86 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

B. Analysis

The petition in this investigation was filed on the same day as the petitions in the companion antidumping and countervailing duty investigations involving Brazil and the antidumping investigation involving Russia. Accordingly, the first statutory test for cumulation is satisfied, and we are required to determine whether there is a reasonable overlap of competition both between the subject imports from Brazil, Japan, and Russia, on the one hand, and the domestic like product, on the other hand, and among the subject imports from Japan, Brazil, and Russia.

The petitioners argue that we should cumulate subject imports from Japan with subject imports from Brazil and Russia.[24] The respondents argue that we should not cumulate subject imports from Japan with subject imports from Russia, primarily because of substantial quality differences with respect to Russian hot-rolled steel when compared to Brazilian and Japanese hot-rolled steel.[25] In the preliminary phase of the investigation, we found a reasonable overlap of competition among the subject imports and among the subject imports and the domestic like product, and therefore cumulated imports from all three subject countries.[26]

In the final phase of this investigation, the record evidence indicates that the subject imports and the domestic merchandise were simultaneously present in the market throughout the period of investigation.[27] Likewise, subject imports and the domestic like product were generally sold in the same channels of distribution.[28] In addition, the subject imports were sold in the same geographic regions as each other and the domestic merchandise.[29]

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[24] Petitioners' Prehearing Brief at 13-22; Petitioners' Posthearing Brief at 10-14, Exhibit 1 at 34-36 & Attachments H, I, and J, and Exhibit 5.

[25] The respondents do not argue that the Commission should not cumulate subject imports from Japan and Brazil for purposes of analyzing present material injury. Respondents' Joint Prehearing Brief at 48-68 and Exhibits 8-13; Respondents' Joint Posthearing Brief at 14-17, Exhibits 1 & 2, and Answers to Commissioners' Questions at 38-39, 62-66, & Exhibit 8; Russian Respondents' Prehearing Brief at 11-16, 22-23, 25-26, 28-30 and Exhibit 1; Russian Respondents' Posthearing Brief at 6-9 and Answers to Commissioners' Questions at 5-7, 12-15.

[26] Preliminary Determination at 9-10.

[27] Confidential Staff Report ("CR") at IV-11 and Table IV-6; Public Staff Report ("PR") at IV-10 and Table IV-6.

[28] CR at I-11-12 and Table I-2; PR at I-9 and Table I-2. Both the domestic producers and 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 of hot-rolled steel to make downstream products. In 1998, nearly half of U.S. merchant market shipments were sold to intermediaries (i.e., distributors, processors, or service centers), and the remaining half of U.S. commercial shipments were sold to manufacturers of tubular products and other end users in significant volumes. Similarly, over 60 percent of imports from Japan and Russia were sold to intermediaries, and significant volumes were also sold to manufacturers of tubular products and other end users. Imports from Brazil were more concentrated in one channel of distribution: more than 90 percent of total U.S. shipments of imports from Brazil was sold to intermediaries, and the remaining volume was sold to manufacturers of tubular products and other end users. While imports from Brazil were more concentrated in one distribution channel than the other subject imports and the domestic like product, the substantial volumes of subject merchandise from all three countries (more than sixty percent of the total volume sold for each subject country) and of the domestic like product (nearly half of the total volume sold in the merchant market) that were sold to intermediaries is more than sufficient to support a finding of a reasonable overlap. Id.

[29] CR at IV-7 and Table IV-5; PR at IV-9 and Table IV-5. Both the domestic like product and the subject imports from all three countries are sold throughout the United States. Subject imports from each of the three countries were present in each of the four geographic regions during the investigation period. All three subject

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Finally, the subject imports are sufficiently fungible[30] with each other and the domestic like product to warrant cumulating the subject imports for our analysis. Significantly, most producers, importers, and purchasers reported that subject imports were interchangeable with each other and with the domestic like product.[31] While some quality and product differences limit the Russian product's suitability for certain end uses, when compared to the other subject imports and the like product,[32] the record evidence indicates that significant portions of the subject imports from all three countries and the like product are fairly standardized, "commodity grade" products, generally manufactured to industry standards and suitable for a wide range of applications. For instance, in 1998 based on data submitted in response to Commission questionnaires, a significant portion of domestically produced hot-rolled steel and subject merchandise from the three countries consisted of grades ASTM A-569, ASTM A-570, or ASTM A-607.[33] Moreover, there was significant overlap within these ASTM grades in the same thickness (i.e., a thickness greater than 0.080 inch but less than 0.187 inch).[34] We also note that substantial portions of domestic and subject merchandise were sold without additional processing (i.e., without pickling and/or oiling, without temper rolling or skin passing, and without trimming).[35] We find

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[29] (...continued)
countries had a substantial presence in the Gulf Coast region: 42.9 percent of all imports from Brazil, 59.5 percent of imports from Japan, and 54.6 percent of imports from Russia were imported into the Gulf Coast region. Outside of the Gulf Coast region the geographic distribution of subject imports varied somewhat. Imports from Brazil had a notable presence in each of the other regions (24.4 percent in the East, 23.7 percent in the Great Lakes, and 8.9 percent in the West). Imports from Japan were more concentrated in the West region (36.6 percent in the West, 3.7 percent in the East, and 0.2 percent in the Great Lakes), and imports from Russia were more concentrated in the East or Great Lakes regions (31.7 percent in the Great Lakes, 12.8 percent in the East, and 1.0 percent in the West). Still, a majority of imports from both Russia and Japan, and more than 40 percent of imports from Brazil, were entered in the Gulf Coast region. This is more than sufficient to support a finding of a reasonable overlap. Id.

[30] Commissioner Crawford finds that substitutability, not fungibility, is a more accurate reflection of the statute. In this investigation, she finds there is sufficient substitutability to conclude there is a reasonable overlap of competition among the subject imports and between the subject imports and the domestic like product. Therefore, she concurs in the decision to cumulate the subject imports from all three countries. See Dissenting Views of Commissioner Carol T. Crawford in Stainless Steel Bar from Brazil, India, Japan, and Spain, Inv. Nos. 731-TA-678, 679, 681, and 682 (Final), USITC Pub. 2856 (Feb. 1995), for a description of her views on cumulation.

[31] CR at II-17, II-24-25; PR at II-8-13.

[32] CR at II-18, II-24; PR at II-8, II-11-13.

[33] CR & PR at Table IV-3 (showing 46.7 percent of domestic commercial shipments, 89.2 percent of imports from Brazil, 61.9 percent of imports from Japan, and 49.2 percent of imports from Russia in these three grades).

[34] The record evidence indicates that 19.1 percent of the domestic industry's commercial shipments, 46.4 percent of subject imports from Brazil, 25.7 percent of subject imports from Japan, and 22.3 percent of subject imports from Russia were sold in this thickness and in grade ASTM A-569. Likewise, 29.5 of the domestic industry's commercial shipments, 54.9 percent of subject imports from Brazil, 34.1 percent of subject imports from Japan, and 30.3 percent of subject imports from Russia consisted of three grades, ASTM A-569, A-570, and A-607, in a thickness greater than 0.080 inch but less than 0.187 inch. CR & PR at Table IV-3; see also Respondents' Joint Prehearing Brief at Exhibit 9.

[35] CR and PR at Table IV-4. In 1998, 71.0 percent of U.S. producers' commercial shipments, 67.9 percent of subject imports from Brazil, 89.1 percent of subject imports from Japan, and 95.1 percent of subject imports from Russia were neither pickled nor oiled. Likewise, in 1998, 85.2 percent of U.S. producers' commercial shipments, 32.5 percent of subject imports from Brazil, 29.7 percent of subject imports from Japan, and 98.2 percent of subject imports from Russia were neither temper rolled nor skin passed. Similarly, in 1998, 71.3 percent of U.S. producers' commercial shipments, 64.1 percent of subject imports from Brazil, 84.7 percent of subject imports from Japan, and 98.2 percent of subject imports from Russia were mill edge (i.e., as rolled and not trimmed). Id.; see also

(continued...)

that these sales in the same grades and thicknesses, combined with the sales without additional processing, support a finding of a reasonable overlap of competition.

In light of the foregoing, for purposes of the instant determination on Japan, we have cumulated subject imports from Japan with subject imports from Brazil and Russia.

III. MATERIAL INJURY BY REASON OF LTFV IMPORTS

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the subject imports under investigation.[36] In making these determinations, the Commission must consider the volume of the subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[37] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[38] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[39] No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[40]

For the reasons discussed below, we determine that the domestic hot-rolled steel industry is materially injured by reason of LTFV imports from Japan.

A. Conditions of Competition

Several distinctive conditions of competition are relevant to our determination.

1. Captive Production

The domestic industry captively consumes the majority, i.e., over 60 percent, of its production of the domestic like product in the manufacture of downstream articles.[41] Accordingly, we have considered whether the statutory captive production provision requires us to focus our analysis primarily on the merchant market when assessing market share and the factors affecting the financial performance of the domestic industry.[42] [43] As discussed in their views concerning the captive production provision,

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[35] (...continued)
Respondents' Joint Prehearing Brief at Exhibit 10.

[36] 19 U.S.C. § 1673d(b).

[37] 19 U.S.C. § 1677(7)(B)(I). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each {such} factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[38] 19 U.S.C. § 1677(7)(A).

[39] 19 U.S.C. § 1677(7)(C)(iii).

[40] 19 U.S.C. § 1677(7)(C)(iii).

[41] CR and PR at Table I-2; INV-W-082 (April 30, 1999).

[42] The captive production provision, 19 U.S.C. § 1677(7)(C)(iv), provides:

> (iv) CAPTIVE PRODUCTION -- If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that --

(continued...)

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Chairman Bragg and Commissioners Crawford and Askey find that the captive production provision is not applicable in this investigation.[44] As discussed in their views concerning the captive production provision, Vice Chairman Miller and Commissioners Hillman and Koplan find that the captive production provision does apply in this investigation.[45]

2. Other Conditions of Competition

U.S. apparent consumption was strong during the period of investigation, and, indeed, during 1998, appears to have been at a record high. Total apparent U.S. consumption of hot-rolled steel rose from 68.5 million short tons in 1996, to 71.0 million short tons in 1997, and to 75.3 million short tons in 1998.[46] On a merchant market basis, apparent U.S. consumption of hot-rolled steel rose from 26.7 million short tons in 1996, to 29.3 million short tons in 1997, and to 33.2 million short tons in 1998.[47]

Imports from non-subject countries maintained a stable presence in the U.S. market throughout the period examined. When measured against total U.S. consumption, the market share of non-subject imports was 5.7 percent in 1996, 5.0 percent in 1997, and 5.9 percent in 1998.[48] In contrast, imports from subject countries increased during the period examined.[49]

Although (as discussed above in our cumulation analysis) there are some quality differences with respect to Russian hot-rolled steel when compared to other subject imports and the domestic like product,

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[42] (...continued)

> (I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,
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> (II) the domestic like product is the predominant material input in the production of that downstream article, and
>
> (III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,
>
> then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

[43] Commissioner Askey notes that the statute requires the Commission to analyze the impact of the subject imports on all domestic production operations, including both captive and merchant market shipments. See 19 U.S.C. §§ 1677(4)(A) and 1677(7)(B). Moreover, she notes that, even if the statutory provisions are met and the captive production provision applies, it merely permits the Commission to "focus primarily" on the merchant market operations of the industry; the provision does not allow the Commission to disregard the industry's captive consumption completely. 19 U.S.C. § 1677(7)(C)(iv).

[44] See Views of Chairman Bragg, Commissioner Crawford, and Commissioner Askey Regarding the Captive Production Provision.

[45] See Views of Vice Chairman Miller, Commissioner Hillman, and Commissioner Koplan Concerning Captive Production. See also Further Views of Commissioner Stephen Koplan Concerning the Third Criterion of the Captive Production Provision.

[46] CR & PR at Table C-1.

[47] CR & PR at Table C-2.

[48] CR & PR at Table C-1.

[49] When measured by total U.S. consumption, the market share of subject imports was 2.0 percent in 1996, 4.2 percent in 1997, and 9.3 percent in 1998. CR & PR at Table C-1.

domestically produced and subject imported hot-rolled steel products are broadly interchangeable.[50] In addition, purchasers indicate that, in making decisions about their hot-rolled steel purchases, price is among the most important factors, along with several other factors (product quality, consistency, and availability).[51] [52]

Another condition of competition pertinent to the hot-rolled steel industry is that the domestic industry consists of both integrated (or "BOF") and minimill (or "EAF") producers. Generally, the integrated producers use basic oxygen furnaces ("BOF"), which use molten iron as the primary input material in the production of hot-rolled steel. Moreover, as the term "integrated" suggests, most integrated producers own facilities for the production of downstream articles made from the hot-rolled steel they produce. Minimill producers use electric arc furnaces ("EAF"), which use scrap steel as the primary input material in the production of hot-rolled steel.[53] When compared to BOF producers, EAF producers are generally more sensitive to competition in the merchant market because more of their production is sold in the spot market, their captive operations are generally not as substantial, and they generally maintain a lower proportion of long term contracts. In addition, EAF producers are generally more recent entrants to the industry than BOF producers, and when compared to BOF producers, EAF producers' lower costs and higher productivity permit them on average to sell hot-rolled steel at lower prices.[54]

A further condition of competition is the 1998 strike at General Motors Corp. ("GM"), which lasted for five weeks during June and July of 1998. GM has estimated that the total amount of flat-rolled steel (including hot-rolled, cold-rolled and corrosion resistant steels) that was not purchased by it and its suppliers as a result of the strike-related work stoppages was about 685,000 tons.[55] [56] [57]

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[50] CR at II-17-18, II-24-25; PR at II-8-13.

[51] CR at II-15 & n.9, II-23-24; PR at II-6 & n.9, II-9-10.

[52] For her analysis of the substitutability among the various sources of hot-rolled steel products, see Views of Commissioner Crawford, infra.

[53] CR at I-8; PR at I-7.

[54] See generally CR & PR at Tables C-3 and C-4; INV-W-124 (June 9, 1999) at Attachment 3; Petitioners' Posthearing Brief at 19-24; Respondents' Joint Prehearing Brief at 80-95; Respondents' Joint Posthearing Brief, Answers to Commissioners' Questions at 1-12. BOF producers' productivity (short tons per 1,000 hours worked) was *** in 1996, *** in 1997, and *** in 1998. CR & PR at Table C-3. By contrast, EAF producers' productivity was *** in 1996, *** in 1997, and *** in 1998. CR & PR at Table C-4. On a total market basis, BOF producers' unit COGS was *** in 1996, *** in 1997, and *** in 1998. CR & PR at Table C-3. On a total market basis, EAF producers' unit COGS was *** in 1996, *** in 1997, and *** in 1998. CR & PR at Table C-4. On a merchant market basis, BOF producers' unit COGS was *** in 1996, *** in 1997, and *** in 1998. INV-W-124 (June 9, 1999) at Attachment 3. On a merchant market basis, EAF producers' unit COGS was *** in 1996, *** in 1997, and *** in 1998. Id.

[55] GM did not provide a figure limited to hot-rolled steel. See CR at II-12; PR at II-4; CR & PR at Table C-1.

[56] Commissioner Crawford concurs that the domestic industry is materially injured by reason of the subject imports, but does not join the remainder of this discussion. For her reasons and analysis, see Views of Commissioner Crawford, infra. Commissioner Crawford joins the discussion, analysis, and conclusion regarding Critical Circumstances, infra.

[57] Commissioner Askey does not join the remainder of these views.

B. Volume of the Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[58] [59]

The volume of the subject imports increased over the investigation period, more than doubling from 1996 to 1997 and more than doubling again from 1997 to 1998. On a quantity basis, the cumulated 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, an overall increase of 419.8 percent from 1996 to 1998 and of 132.5 percent from 1997 to 1998.[60] On a value basis, the cumulated subject imports increased from $410 million in 1996 to $914 million in 1997, and increased again to $1.9 billion in 1998, an overall increase of 353.1 percent from 1996 to 1998 and of 103.3 percent from 1997 to 1998.[61]

The market share held by subject imports also more than doubled from 1996 to 1997 and again from 1997 to 1998. In the merchant market, the share held by subject imports increased from 5.0 percent of apparent U.S. consumption, as measured by volume sold in 1996, to 10.2 percent in 1997, and then increased again to 21.0 percent in 1998.[62] 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.[63]

As noted above, during the same period, the market share of U.S. consumption held by non-subject imports was essentially flat.[64] Thus, at the same time as subject import volumes and market share increased dramatically, the domestic industry's market share declined. In the merchant market, the domestic producers' share declined from 80.4 percent of apparent U.S. consumption in 1996, as measured by volume sold, to 77.8 percent in 1997, and declined again to 65.6 percent in 1998.[65] For the industry as a whole, the domestic producers' share declined from 92.3 percent of apparent U.S. consumption in 1996, as measured by volume, to 90.8 percent in 1997, and declined again to 84.8 percent in 1998.[66]

As mentioned in our discussion of conditions of competition, overall consumption in the U.S. market increased throughout the period of investigation, but domestic producers were prevented from participating in the increasing demand as subject imports increased their market share. Domestic producers' merchant market shipments, as measured by volume sold, were 21.5 million short tons in

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[58] 19 U.S.C. § 1677(7)(C)(I).

[59] To the extent that this discussion analyzes merchant market data prior to total market data, it does not reflect the sequence of Chairman Bragg's analysis. See infra at 44 n.154.

[60] CR & PR at Table C-1.

[61] CR & PR at Table C-1. The lower rate of increase in value terms reflects falling import unit values over the period of investigation.

[62] CR & PR at Table C-2. As measured by value, in the merchant market subject import share rose from 4.5 percent in 1996 to 9.0 percent in 1997, and then to 17.7 percent in 1998. Id.

[63] CR & PR at Table C-1. As measured by value, for the industry as a whole subject import share rose from 1.9 percent in 1996 to 4.1 percent in 1997, and then to 8.4 percent in 1998. Id.

[64] See CR & PR at Tables C-1 and C-2.

[65] CR & PR at Table C-2. As measured by value, in the merchant market domestic producers' share of apparent U.S. consumption declined from 81.0 percent in 1996 to 79.1 percent in 1997, and then declined again to 68.8 percent in 1998. Id.

[66] CR & PR at Table C-1. As measured by value, for the industry as a whole domestic producers' share of apparent U.S. consumption declined from 92.5 percent in 1996 to 91.4 percent in 1997, and then declined again to 86.7 percent in 1998. Id. at Note.

1996, 22.8 million short tons in 1997, and 21.8 million short tons in 1998.[67] Domestic producers' total shipments, by volume, were 63.3 million short tons in 1996, 64.5 million short tons in 1997, and 63.8 million short tons in 1998.[68] Significantly, from 1997 to 1998, total apparent U.S. consumption increased by 6.0 percent, while domestic shipments declined by 1.0 percent, as measured by volume.[69] This disparity was even greater in the merchant market: from 1997 to 1998 apparent U.S. consumption in the merchant market increased by 13.2 percent, while domestic producers' commercial shipments declined by 4.4 percent, as measured by volume sold.[70]

Respondents have argued that imports were drawn into the U.S. market due to a shortage of domestic supply of hot-rolled steel in early 1998.[71] A number of purchasers reported experiencing supply and availability problems with respect to domestic producers during early 1998.[72] Yet these problems do not explain the continuing decline in capacity utilization for U.S. producers throughout 1998 or the continued increases in monthly import volumes until the end of the year.[73] Indeed, U.S. producers added capacity in 1998. Moreover, the fall in imported and domestic prices in 1998 is not consistent with a situation of increasing demand and limited excess capacity. Thus, we do not agree with respondents' contention that the significant increase in subject import volume was simply in response to demand that could not be met by the domestic producers in 1998.

In light of the foregoing, we find that both the volume and the increase in volume of subject imports were significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether -- (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant

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[67] CR & PR at Table C-2. As measured by value, in the merchant market domestic producers' U.S. shipments were $7.5 billion in 1996, $8.1 billion in 1997, and $7.2 billion in 1998. Id.

[68] CR & PR at Table C-1. The value of U.S. producers' total shipments were $21.7 billion in 1996, $22.6 billion in 1997, and $21.4 billion in 1998. Id. at Note.

[69] CR & PR at Table C-1.

[70] CR & PR at Table C-2.

[71] See Respondents' Joint Prehearing Brief at 95-115; Respondents' Joint Posthearing Brief at 22-28.

[72] CR & PR at Table II-2; INV-W-124 (June 9, 1999) at Attachment 7.

[73] See INV-W-124 (June 9, 1999) at Attachment 2. Based on the evidence gathered in the preliminary phase of this investigation, the domestic industry's capacity utilization rate in the first half of 1998 was at *** percent. INV-W-124 (June 9, 1999) at Attachment 5 (capacity utilization rates based on domestic firms that responded to the Commission's questionnaires in both the preliminary and final phases of the investigation and that reported consistent production data; to calculate capacity utilization rates for these firms in the second half of 1998, production and capacity data from the final phase of the investigation for full year 1998 was subtracted from the first half 1998 data reported by these firms in the preliminary phase of the investigation); see also Preliminary Phase Staff Report at Table C-1 (indicating that the domestic industry's capacity utilization rate was *** percent from January to June 1998). For all of 1998, however, the domestic industry's capacity utilization rate was *** percent, and from July to December 1998 the industry's capacity utilization rate was estimated at *** percent. CR & PR at Table C-1; INV-W-124 (June 9, 1999) at Attachment 5. Chairman Bragg does not join in the discussion of partial year data in this footnote.

degree or prevents price increases, which otherwise would have occurred, to a significant degree.[74] [75]

As mentioned in our discussion of conditions of competition, domestically produced and subject imported hot-rolled steel products are broadly substitutable, although 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. In addition, purchasers indicate that, in making decisions about their hot-rolled steel purchases, price is among the most important factors, along with several other factors (product quality, consistency, and availability).

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. Specifically, the Commission collected quarterly pricing data for four representative products sold to a variety of purchasers. In nearly all instances, the price of the imported and domestic product declined significantly in 1998.[76] Declines were most precipitous in the third and fourth quarters of 1998, at a time when the volume of subject imports was peaking.

The quarterly pricing data indicates a mixed pattern of underselling by the subject imports.[77] The frequency of underselling increased significantly in 1997 and 1998, however, when compared to 1996. In 1996, there were 29 instances of underselling by the subject imports and 32 instances of overselling.[78] In 1997, the underselling by the subject imports became more prevalent than in 1996: there were 48 instances of underselling by the subject imports and 16 instances of overselling.[79] In 1998, underselling

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[74] 19 U.S.C. § 1677(7)(C)(ii).

[75] To the extent that this discussion analyzes merchant market data prior to total market data, it does not reflect the sequence of Chairman Bragg's analysis. See infra at 44 n.154.

[76] See CR at V-8 to V-18, PR at V-6 to V-15, CR & PR at Tables C-1 and C-2. Average unit values of subject imports declined from $305.36 per short ton in 1996, to $304.46 per short ton in 1997, and to $266.20 per short ton in 1998. The average unit value of imports from Japan declined from $430.66 in 1996, to $379.72 per short ton in 1997, and to $298.46 per short ton in 1998. The average unit value of imports from Brazil declined from $328.86 per short ton in 1996, to $321.93 per short ton in 1997, and to $295.58 per short ton in 1998. The average unit value of imports from Russia were $262.70 per short ton in 1996, rose to $280.19 per short ton in 1997, but then declined below the 1996 level to $240.22 per short ton in 1998. CR & PR at Table C-1. For merchant market sales, domestic producers' average unit values were $347.01 per short ton in 1996, increased to $353.86 per short ton in 1997, and then declined below the 1996 level to $330.51 per short ton in 1998. Overall, domestic producers' average unit values were $343.24 per short ton in 1996, increased to $350.87 per short ton in 1997, and declined below the 1996 level to $335.02 per short ton in 1998. CR & PR at Table C-1 at Note. We recognize that a change in Japanese product mix is partially responsible for decreases in Japanese average unit values. However, the consistent pattern of declines in the quarterly price comparison data in 1998 indicates that the declines in average unit values are not explained by changes in product mix. Instead, we conclude that the substantially increased supply of subject imports reduced prices.

[77] Commissioner Koplan did not base his determination regarding the effect of subject imports on domestic prices on the underselling data. For 1996 and 1997, the quantities reported for subject imports were too small to support comparisons. In his view, the data for 1998 are inconclusive.

[78] CR at V-18; PR at V-15. In 1996, subject imports from Russia had an average underselling margin of 12.1 percent, while subject imports from Brazil and Japan had average overselling margins of 5.1 percent and 6.9 percent, respectively. Id.

[79] CR at V-18; PR at V-15. In 1997, subject imports from Russia and Brazil had average underselling margins of 12.6 percent and 8.0 percent, respectively, while subject imports from Japan had an average overselling margin of

(continued...)

by the subject imports was also prevalent: there were 45 instances of underselling by the subject imports and 22 instances of overselling.[80] 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 merchandise.[81] The increased rate of underselling in 1998 of Japanese product coincided with a shift by Japanese producers to the sale of more commodity grade products in 1998.[82] The increased frequency of underselling is consistent with the price depressing effects of the subject imports in 1998.

As noted above, minimills have lower costs and higher productivity rates than the integrated mills, and this competitive advantage to some degree constrains the prices the integrated mills can command for their hot-rolled steel. However, regardless of the price disparities, both EAF and BOF producers' prices declined significantly during the period of investigation, as reflected in unit values of shipments and sales.[83] It is significant that the hot-rolled steel prices of Nucor (which is regarded by the domestic industry and importers alike as an established and efficient minimill and widely looked to as a domestic price leader)[84] declined dramatically during the latter part of 1998 as subject import volumes increased at their fastest rate during the period of investigation.[85] Nucor's prices recovered only as subject imports exited the market.[86] These facts suggest that factors other than increased competition

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[79] (...continued)
3.2 percent. Id.

[80] CR at V-18; PR at V-15. In 1998, subject imports from Russia had an average underselling margin of 13.1 percent, while subject imports from Brazil and Japan had average overselling margins of 2.7 percent and 0.1 percent, respectively. Id.

[81] In 1996, subject imports from Japan undersold the domestic like product in only one instance and oversold the like product in 17 instances. In 1997, the imports from Japan undersold the like product in 9 instances and oversold the like product in 11 instances. In 1998, the imports from Japan undersold the like product in 13 instances and oversold the like product in 11 instances. CR at V-18; PR at V-15.

[82] See Respondents' Joint Prehearing Brief at 148 (arguing that "the Japanese exports of commercial-grade hot-rolled carbon steel to the United States in 1998 were anomalous"). The record evidence also indicates that the Japanese producers sold substantial volumes of hot-rolled steel in the commodity grades and without further processing in 1998. CR at Tables IV-3 and IV-4; Respondents' Joint Prehearing Brief at Exhibits 10 and 11.

[83] EAF producers' merchant market unit values were *** per short ton in 1996, increased to *** per short ton in 1997, and then declined to *** per short ton in 1998, well below the 1996 level. INV-W-124 (June 9, 1999) at Attachment 3 (Table C-4A). EAF producers' overall net sales unit values were *** per short ton in 1996, rose to *** per short ton in 1997, and then declined to *** per short ton in 1998, also well below the 1996 level. CR & PR at Table C-4. BOF producers' merchant market unit values were *** per short ton in 1996, increased to *** per short ton in 1997, and then fell well below the 1996 level to *** per short ton in 1998. INV-W-124 (June 9, 1999) at Attachment 3 (Table C-3A). BOF producers' overall net sales unit values were *** per short ton in 1996, increased to *** per short ton in 1997, and then fell well below the 1996 level to *** per short ton in 1998. CR & PR at Table C-3.

[84] See, e.g., CR at II-1; PR at II-1; Petitioners' Posthearing Brief, Exhibit 1 at 23-24; Respondents' Joint Poshearing Brief, Exhibits 6, 11, Answers to Commissioners' Questions at 11; Tr. at 202-03 (Mr. Stapp), 210-11 (Mr. Zoldi), 250-51 (Mr. Curtis), 257 (Mr. Reilly).

[85] See Petitioners' Posthearing Brief at Attachments F and G; INV-W-124 (June 9, 1999) at Attachment 2.

[86] See Petitioners' Posthearing Brief at Attachments F and G; INV-W-124 at Attachment 2. Nucor's price increase corresponded with an increase in orders for domestic steel in February 1999, following a period of falling orders. The volume of orders on producers' books at the end of February 1999 was still below the volume of orders on the books at the end of every quarter in 1996, 1997 and the first half of 1998. See CR at III-6 n.7; PR at III-5 n.7. Thus, it is not surprising that Nucor's price, while higher, would not have fully recovered to levels that existed in the industry prior to the surge in subject imports. Moreover, long-term contracts negotiated in the fall of 1998

(continued...)

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within the domestic industry contributed to the significant price declines in the latter part of the investigation period.

Respondents argue that the GM strike caused domestic prices to decline in 1998.[87] We have considered this argument and agree that the GM strike had some effect on overall demand in 1998 and hence played some role in contributing to declining domestic prices. However, the strike only lasted five weeks and the total quantity of material not purchased during the GM strike (no more than 685,000 tons of all types of flat-rolled steel) was not large enough to explain the kind of price declines that occurred in 1998. Indeed, despite the GM strike, merchant market and overall consumption of hot-rolled steel were at an all-time high in 1998. Thus, at most, we consider the GM strike to be only a partial explanation for declining prices in 1998.

We also find that falling prices in 1998 were not simply the result of falling industry costs. The domestic industry's unit costs of goods sold ("COGS") declined during the period of investigation, but the decline was dwarfed by the decline in the domestic industry's average unit values.[88] Thus, prices declined by much more than did costs, particularly in 1998, in the face of increasing apparent consumption and a substantially increasing volume of subject imports. Significant price declines at a time of record U.S. consumption indicates that the rapid increase of subject imports of hot-rolled steel, which were fairly substitutable with the domestic like product, contributed to the domestic price declines.

In light of the foregoing, we find that the subject imports had significant price depressing effects on domestic prices.

D. Impact of the Subject Imports on the Domestic Industry

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on

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[86] (...continued)
(when domestic prices were falling the fastest) but that only entered into effect in January 1999 may also explain in part any continued depression of domestic prices in 1999. See Petitioners' Posthearing Brief, Exhibit 1 at 24-25. Thus, we do not agree with respondents that any lack of significant price increases even after the cessation of most subject imports in December 1998 is proof that subject imports were not responsible for the 1998 price declines.

[87] See Respondents' Joint Prehearing Brief at 115-25.

[88] For merchant market sales, the domestic industry's unit COGS declined by 2.9 percent from 1996 to 1998 and by 0.9 percent from 1997 to 1998; whereas the domestic industry's average unit values declined by 4.8 percent from 1996 to 1998 and by 6.6 percent from 1997 to 1998. CR & PR at Table C-2. Overall, unit COGS declined by 3.5 percent from 1996 to 1998 and by 1.8 percent from 1997 to 1998; whereas average unit values declined by 2.4 percent from 1996 to 1998 and by 4.5 percent from 1997 to 1998. CR & PR at Table C-1 and Note. A variance analysis confirms that lower average unit values outstripped lower costs in the domestic industry's merchant market sales. See CR & PR at Table VI-4. As with the domestic industry as a whole, a decline in unit COGS does not explain the decline in domestic unit values for either integrated mills or minimills, because unit values fell faster than unit COGS for both types of producers, particularly in 1998. BOF producers' unit COGS for merchant market sales declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998; whereas unit values declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998. INV-W-124 (June 9, 1999) at Attachment 3 (Table C-3A). Overall, BOF producers' unit COGS declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998; whereas net sales unit values declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998. CR & PR at Table C-3. EAF producers' unit COGS for merchant market sales actually increased by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998; whereas unit values declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998. INV-W-124 (June 9, 1999) at Attachment 3 (Table C-4A). EAF producers' overall unit COGS declined by *** percent from 1996 to 1998 and actually increased by *** percent from 1997 to 1998; whereas net sales unit values declined by *** percent from 1996 to 1998 and by *** percent from 1997 to 1998. CR & PR at Table C-4.

the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[89] [90] [91] [92]

As discussed earlier, the domestic industry has lost market share throughout the period of investigation at the same time as subject imports have increased their absolute volumes and their market share. 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 overall increasing U.S. apparent consumption. Consequently, most domestic industry performance indicators reflect a sharp decline in 1998 at a time of record demand.

The domestic industry increased its capacity from 67.3 million short tons in 1996, to 70.0 million short tons in 1997, and to 73.5 million short tons in 1998, at a rate largely commensurate with the increasing U.S. consumption from 1996 to 1998.[93] Yet, due to the rapid increase in the volume and market share of subject imports,[94] the domestic industry's increased capacity almost immediately became excess capacity, as reflected in the industry's capacity utilization rates declining from 94.5 percent in 1996, to 92.6 percent in 1997, to 87.5 percent in 1998. This was a decline of 7.0 percentage points from 1996 to 1998 and a decline of 5.1 percentage points from 1997 to 1998.[95] As with the industry as a whole, both integrated and minimills' capacity utilization steadily declined from 1996 to 1998, despite the overall increasing U.S. consumption. EAF producers' capacity utilization rate was *** percent in

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[89] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25, n.148 (Feb. 1999).

[90] As part of its consideration of the impact of imports, the statute specifies that the Commission is to consider "the magnitude of the margin of dumping" in an antidumping proceeding. 19 U.S.C. § 1677(7)(C)(iii)(V). Commerce's final dumping margins for the Japanese producers were as follows: 19.65 percent for Nippon, 17.86 percent for NKK, 67.14 percent for Kawasaki, and 29.30 percent for "All Others." 64 Fed. Reg. 24329, 24370 (May 6, 1999). The margins most recently published by Commerce with respect to Brazil and Russia are those in Commerce's preliminary determination. Commerce's preliminary dumping margins for the Brazilian producers were as follows: 50.66 percent for CSN, 71.02 percent for Usiminas/Cosipa, and 58.76 percent for "All Others." 64 Fed. Reg. 8299, 8308 (Feb. 19, 1999). Commerce's preliminary dumping margins for the Russian producers were as follows: 70.66 percent for Severstal, 217.67 percent for Novolipetsk, 149.54 percent for Magnitogorsk, and 156.58 percent for "All Others." 64 Fed. Reg. 9312, 9318 (Feb. 25, 1999).

[91] Chairman Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

[92] To the extent that this discussion analyzes merchant market data prior to total market data, it does not reflect the sequence of Chairman Bragg's analysis. See infra at 44 n.154.

[93] Thus, the industry increased its capacity by 9.2 percent from 1996 to 1998 and by 5.0 percent from 1997 to 1998. CR & PR at Table C-1. During the period of investigation, U.S. consumption increased by a remarkably similar 9.9 percent from 1996 to 1998 and by 6.0 percent from 1997 to 1998. Merchant market consumption increased by 24.1 percent from 1996 to 1998 and by 13.2 percent from 1997 to 1998. CR & PR at Tables C-1 and C-2.

[94] Subject imports increased their share of consumption by 7.3 percentage points from 1996 to 1998 and by 5.0 percentage points from 1997 to 1998, and in the merchant market alone by 16.0 percentage points from 1996 to 1998 and by 10.8 percentage points from 1997 to 1998. CR & PR at Tables C-1 and C-2.

[95] CR & PR at Table C-1.

1996, rose to *** percent in 1997, and then declined well below the 1996 level to *** percent in 1998.[96] BOF producers' capacity utilization rate declined from *** percent in 1996, to *** percent in 1997, and to *** percent in 1998.[97]

The domestic producers' production and shipments declined from 1997 to 1998, both on a merchant market and overall basis.[98] The domestic industry's financial performance likewise deteriorated significantly. From 1997 to 1998, as apparent consumption increased significantly, operating income declined by more than half.[99] On merchant market sales, the ratio of operating income to net sales declined from 5.9 percent in 1997 to 0.6 percent in 1998, and overall, the ratio declined from 5.5 percent in 1997 to 2.6 percent in 1998.[100] [101] This decline was due largely to declines in unit values of the industry's hot-rolled steel shipments and sales. As described above, unit values fell significantly in 1998 as subject imports increased in volume and market share.

The respondents have argued that 1997 was a banner year for the domestic industry and, hence, is not an appropriate year with which to compare the domestic industry's results in 1998. However, U.S. apparent consumption increased throughout the period of investigation, both from 1996 to 1997 and from 1997 to 1998, reaching record levels.[102] Accordingly, we disagree that 1997 is not an appropriate point of comparison for the domestic industry's results in 1998. In a year in which U.S. consumption reached record levels, and the U.S. industry increased its productivity and lowered its costs, 1998 likewise should have been a highly successful year for the domestic hot-rolled steel industry. Instead, the domestic industry, although it maintained an operating profit, performed consistently worse.

We disagree with the respondents' argument that the industry's poor performance in 1998 reflects increased competition within the domestic industry, particularly from EAF producers, rather than

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[96] CR & PR at Table C-4.

[97] CR & PR at Table C-3.

[98] CR & PR at Tables C-1 and C-2.

[99] CR & PR at Tables C-1 and C-2.

[100] CR & PR at Tables C-1 and C-2. In addition, the domestic industry's productivity improved and COGs declined from 1997 to 1998. The domestic industry's productivity (measured in short tons per 1,000 hours worked) increased from 864.8 in 1996, to 905.3 in 1997, and to 938.7 in 1998. As discussed in our analysis of the price effects of the subject imports, the domestic industry's unit COGs declined from 1996 to 1998, but not by as much as the decline in the industry's unit values. CR & PR at Table C-1.

[101] CR & PR at Table C-1. Aside from productivity, which increased during the investigation period, a number of the industry's other employment indicators declined somewhat during the period of investigation. CR & PR at Table III-5 (the number of workers declined from 33,965 in 1996, to 33,518 in 1997, to 32,885 in 1998; hours worked declined from 73,597 in 1996, to 71,634 in 1997, to 68,574 in 1998; wages paid were essentially flat from 1996 to 1998; hourly wages increased somewhat from $23.04 in 1996, to $24.13 in 1997, to $24.46 in 1998; unit production costs were $26.65 in 1996 and 1997 and declined somewhat to $26.06 in 1998). U.S. producers' inventories were also relatively stable during the investigation period, both on an absolute basis and relative to production and shipments. CR & PR at Table III-4. Capital expenditures declined significantly from $1.7 billion in 1996, to $908 million in 1997, and to $715 million in 1998. CR & PR at Table VI-7. We also note that one firm filed for bankruptcy protection in September 1998 and another in February 1999. See CR & PR at Table III-1 nn.1 & 3; Petitioners' Prehearing Brief at 51-52, 54; Respondents' Joint Prehearing Brief at 143. Both firms ***. See Questionnaire Responses of Geneva and Acme Metals, Inc.

[102] We recognize that there were some additional increases in capacity from 1997 to 1998 by EAF producers, but, as discussed below, those increases were not as great as the increases in capacity by EAF producers from 1996 to 1997. INV-W-124 (June 9, 1999) at Attachment 8.

the effect of increased subject imports.[103] Minimill competition was an important condition of competition in 1997, yet the domestic industry performed well that year. The incremental increase in minimill capacity from 1997 to 1998, particularly in light of the substantially larger increase in minimill capacity from 1996 to 1997, does not account for the bulk of the downturn in the domestic industry's financial indicators from 1997 to 1998.[104]

Indeed, the same trends for the industry as a whole are also apparent in the separate results of both integrated mills and minimills. BOF producers' operating income declined significantly from 1997 to 1998, both for merchant market sales and overall. For merchant market sales, operating income as a percent of net sales dropped from *** percent to *** percent from 1997 to 1998. Overall, the ratio of operating income to net sales declined from *** percent in 1997 to *** percent in 1998.[105] In fact, minimills fared even worse than integrated mills from 1997 to 1998. For open market sales, EAF producers' operating income to net sales dropped from *** percent to negative *** percent from 1997 to 1998. Overall, EAF producers' operating income to net sales dropped from *** percent in 1997 to *** percent in 1998.[106] The worse financial performance of EAF producers reflects in part their greater dependence on the merchant market, where imports are concentrated. Thus, while we recognize increased competition within the domestic industry has contributed to the domestic industry's poorer performance in 1998, it only partially explains the substantial declines in the domestic industry's performance in 1998.[107]

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[103] See Respondents' Joint Prehearing Brief at 80-95; Respondents' Joint Posthearing Brief at 20-21, Answers to Commissioners' Questions at 1-12. Respondents' have also argued that the 1998 GM strike caused the domestic industry's poorer performance in 1998. Respondents' Joint Prehearing Brief at 115-25. For the reasons discussed above, we consider the GM strike to be, at most, only a partial explanation for the domestic industry's poorer performance in 1998.

[104] Most of the increase in minimill "low cost" capacity occurred from 1996 to 1997, rather than from 1997 to 1998. EAF producers increased their capacity from *** million short tons in 1996, to *** million short tons in 1997, and to *** million short tons in 1998. During the same period, BOF producers also increased their capacity, from *** million short tons in 1996, to *** million short tons in 1997, and to *** million short tons in 1998. Although the increase in capacity for EAF producers was greater than for BOF producers from 1996 to 1997, this trend reversed itself from 1997 to 1998: EAF producers increased their capacity by *** million short tons from 1996 to 1997 and by *** million short tons from 1997 to 1998; whereas BOF producers increased their capacity by *** million short tons from 1996 to 1997 and by *** million short tons from 1997 to 1998. INV-W-124 at Attachment 8.

[105] CR & PR at Table C-3 and INV-W-124 (June 9, 1999) at Attachment 3 (Table C-3A). For merchant market sales, BOF producers' net sales declined from *** in 1997 to *** in 1998, and overall net sales declined from *** in 1997 to *** in 1998. For merchant market sales, BOF producers' operating income declined from *** in 1997 to *** in 1998, and overall operating income declined from *** in 1997 to *** in 1998. Id.

[106] CR & PR at Table C-4 and INV-W-124 at Attachment 3 (Table C-4A). For merchant market sales, EAF producers' net sales declined from *** in 1997 to *** in 1998, and overall net sales declined from *** in 1997 to *** in 1998. Likewise, for merchant market sales EAF producers had operating income of *** in 1997, which turned into an operating loss of *** in 1998. And overall, EAF producers had operating income of *** in 1997, which turned into an operating loss of *** in 1998. Id.

[107] We also note that Nucor, a mature and efficient minimill, had financial results that were in line with EAF producers as a whole and with the domestic industry as a whole. CR & PR at Tables VI-2 and VI-6. Given that even the minimill leader had substantial declines in its financial results from 1997 to 1998, we do not consider the declines in EAF producers' results as a group and the industry's results as a whole to be a reflection of start-up problems among EAF producers. We also note that although the petitioners and the respondents in their final comment submissions questioned the financial data reported by Nucor, we are satisfied that Nucor's financial information is accurate. As noted in Nucor's questionnaire response, ***. We also do not find the other alleged

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Although full year data is sufficient to support our affirmative determination, the limited record information concerning the second half of 1998, when compared to data concerning the first half of 1998, provides further support for the conclusion that subject imports are adversely impacting the domestic industry.[108] For the merchant market, apparent U.S. consumption, when measured by volume, increased by 1.69 percent from 16.5 million short tons in the first half of 1998 to 16.7 million short tons in the second half of 1998.[109] Overall apparent U.S. consumption, when measured by volume, actually increased by 7.56 percent from 36.3 million short tons in the first half of 1998 to 39.0 million short tons in the second half of 1998.[110] However, overall apparent U.S. consumption, when measured by value, declined by 21.64 percent from the first half to the second half of 1998.[111] This fact further confirms that prices declined significantly in the second half of 1998 — when subject imports reached their highest levels.[112]

Derived production and capacity utilization rates for nearly the whole industry show double digit declines from the first half of 1998 to the second half of 1998, both on an overall basis and for the vast majority of individual firms (including both integrated mills and minimills).[113] Moreover, a comparison of the financial data reported in the preliminary phase and final phases of the investigation strongly suggests that the industry's operating income worsened from the first half of 1998 to the second half of 1998, when subject imports reached their highest levels during the investigation period.[114] [115] Thus, the domestic industry appears to have been in substantially worse condition during the second half than in the first half of 1998, even though consumption was higher in the second half of 1998. The fact that approximately 40 percent of total subject imports during the three-year period of investigation entered during this same period (i.e., the second half of 1998) confirms that subject imports have had a significant adverse impact on the domestic industry.

In sum, the domestic industry's performance was substantially poorer than what would be expected given record levels of demand in 1998. We recognize that other economic factors — especially increased intra-industry competition — have contributed to the industry's poorer performance in 1998. Having taken these factors into account, however, we find that the substantially increased volume of

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[107] (...continued)
inconsistences in Nucor's financial data to be valid. See INV-W-127 (June 10, 1999) at Attachment 1.

[108] Chairman Bragg has not relied on partial year data in reaching her determination of impact and material injury. Accordingly, she does not join in the discussion of partial year data.

[109] INV-W-124 at Attachment 6.

[110] INV-W-124 at Attachment 6.

[111] Id.

[112] See id. at Attachment 2 (indicating that from January to June 1998, subject import volumes were 2.5 million short tons, and from July to December 1998, subject import volumes increased dramatically to 4.4 million short tons).

[113] INV-W-124 at Attachment 5.

[114] See CR at VI-6-7, VI-14; PR at VI-3 & VI-7; INV-W-124 at Attachment 2.

[115] This is further suggested by the available information concerning merchant market sales, which indicates that the domestic industry's financial performance on trades sales also worsened from the first half to the second half of 1998. See INV-W-124 at Attachment 4. This information is based on merchant market data for most of the domestic industry from the preliminary and final phases of the investigation and on calculations from that data. Net sales declined, when measured by either quantity (from *** short tons in the first half to *** short tons in the second half of 1998) or value (from *** in the first half to *** in the second half of 1998). Operating income was *** in the first half of 1998, which turned into an operating loss of *** in the second half of 1998. The ratio of operating income to net sales declined from *** percent in the first half of 1998 to negative *** percent in the second half of 1998. Id.

subject imports at declining prices has materially contributed to the industry's deteriorating performance, as reflected in nearly all economic indicators. Accordingly, in light of the domestic industry's declining production, shipments, market share, prices, capacity utilization, and financial condition, in the face of increasing subject import volume and market share and declining subject import prices, we determine that the domestic industry producing hot-rolled steel is materially injured by reason of LTFV imports from Japan.

V. CRITICAL CIRCUMSTANCES

Because Commerce made an affirmative critical circumstances determination with respect to subject imports from Japan and we have determined that the domestic hot-rolled steel industry is materially injured by reason of subject imports from Japan, we must further determine "whether the imports subject to the affirmative {Commerce critical circumstances} determination . . . are likely to undermine seriously the remedial effect of the antidumping order to be issued."[116] The URAA SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of the relief, the importers have seriously undermined the remedial effect of the order."[117]

In its final determination, Commerce made affirmative critical circumstances determinations with respect to four Japanese producers (Kawasaki Steel Corporation, Sumitomo, Kobe, and Nisshin).[118] It made negative critical circumstances determinations with respect to two Japanese producers, Nippon and NKK.[119]

Consistent with Commission practice, in considering the timing and volume of imports, we have compared import quantities prior to filing of the petition with those subsequent to the filing of the petition.[120] Although Commerce compared two periods that were both prior to the filing of the petition in

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[116] 19 U.S.C. § 1673d(b)(4)(A)(i). The statute further provides that in making this determination:

> the Commission shall consider, among other factors it considers relevant--
>
> (I) the timing and volume of the imports,
>
> (II) a rapid increase in inventories of the imports, and
>
> (III) any other circumstances indicating that the remedial effect of the antidumping order will be seriously undermined.

19 U.S.C. § 1673d(b)(4)(A)(ii).

[117] SAA at 877.

[118] See 64 Fed. Reg. 24329, 24338 (May 6, 1999).

[119] See id. Commerce has also made affirmative preliminary critical circumstances determinations with respect to all of the Russian producers. 63 Fed. Reg. 65750, 65751 (Nov. 30, 1998). Commerce made a negative preliminary critical circumstances determination with respect to subject imports from Brazil. 64 Fed. Reg. 8299, 8307-08 (Feb. 19, 1999).

[120] See Certain Preserved Mushrooms from China, India, and Indonesia, Inv. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 (Feb. 1999) at 24 (Views of Vice Chairman Miller and Commissioners Hillman and Koplan), 28 (Views of Chairman Bragg and Commissioners Crawford and Askey); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 19 (April 1997).

making its critical circumstances determination, we are not required to analyze the same comparison periods that Commerce analyzed.[121] [122]

In recent investigations, we have typically considered six to seven month periods before and after the petition for purposes of the critical circumstances analysis.[123] In this investigation, however, because of Commerce's accelerated schedule, we have considered shorter periods before and after the petition. In no period, do we find that the imports subject to Commerce's affirmative critical circumstances determination would undermine seriously the remedial effect of the order.[124] Imports from the four Japanese producers actually declined from *** short tons in the five months before the petition to *** short tons in the five months after the petition. The subject imports did increase by *** percent from *** short tons in the three months before the petition to *** short tons in the three months after the petition. This increase is not significant enough to warrant a finding that the subject imports would undermine seriously the remedial effect of the order.[125] [126]

Japanese prices (which include data for all Japanese producers, not simply the four pertinent producers) were generally lower in the fourth quarter of 1998 (i.e., the three months after the filing of the petition) than in the third quarter of 1998 (i.e., the three months before the filing of the petition).[127] However, we do not find this particularly significant, given our conclusion regarding the volume of imports from the four Japanese producers imported after the petition was filed. We do not have inventory data for the four Japanese producers in question. We therefore looked at inventories of all subject imports from Japan. These inventories increased when compared to prior years. However, we do

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[121] See Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) at 34.

[122] We disagree with petitioners' argument that we should "cumulate" subject imports from Russia with the imports from Japan subject to Commerce's affirmative critical circumstances determination, for purposes of our critical circumstances determination with respect to Japan. The presence in the statute of cumulation provisions for purposes of material injury and threat of material injury, but not for purposes of critical circumstances, indicates that we should not cumulate in this context. Compare 19 U.S.C. § 1677(7)(G) & (H), with 19 U.S.C. § 1673d(b)(4)(A). In addition, we have made individual country determinations in past investigations where more than one country was subject to a critical circumstances determination. See Silicomanganese from Brazil, China, Ukraine, and Venezuela, Inv. Nos. 731-TA-671-674 (Final), USITC Pub. 2836 (Dec. 1994) at I-17-18; Carbon Steel Products, USITC Pub. 2664 at 250-54; Ferrosilicon from Kazakhstan and Ukraine, Inv. Nos. 731-TA-566-567, USITC Pub. 2616 (Mar. 1993) at 32-24.

[123] See Certain Preserved Mushrooms from China, India, and Indonesia, Inv. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 (Feb. 1999) at 24 (Views of Vice Chairman Miller and Commissioners Hillman and Koplan), 28 (Views of Chairman Bragg and Commissioners Crawford and Askey); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 19 (April 1997); Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) at 34.

[124] Chairman Bragg dissenting. Chairman Bragg finds that the subject imports would undermine seriously the remedial effect of the order. See infra at 34 n.129.

[125] The subject imports also increased by *** percent from *** short tons in the two months before the petition to *** short tons after the petition. INV-W-124 at Attachment 1. However, we do not believe that this two-month period is an appropriate benchmark, because the period is too short in duration. In any event, we do not find that the volume of hot-rolled steel imported by the four Japanese producers in the two months after the petition would undermine seriously the remedial effect of the order.

[126] Commissioner Crawford finds that any surge in the imports is not large enough to undermine seriously the remedial effect of the order. For her interpretation of the statutory requirement, see Certain Preserved Mushrooms from China, India, and Indonesia, Inv. Nos. 731-TA-777-779 (Final), USITC Pub. 3159 (Feb. 1999) at 27-28 (Views of Chairman Bragg and Commissioners Crawford and Askey).

[127] See generally CR & PR at Tables V-1 through V-6.

not place much weight on this information because it is not limited to the four producers subject to Commerce's determination and may not be limited to imports made after the petition was filed.[128]

In sum, we do not find that the record evidence indicates that the subject imports from Japan would seriously undermine the remedial effect of the order. Accordingly, we make a negative critical circumstances finding.[129]

CONCLUSION

For the foregoing reasons, we determine that the domestic industry producing hot-rolled steel is materially injured by reason of LTFV imports of hot-rolled steel from Japan. We also determine that critical circumstances do not exist with respect to subject imports from Japan.[130]

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[128] Together, U.S. importers' 1998 inventories of subject imports from Japan and Japanese producers' 1998 inventories were 763,710 short tons. See CR & PR at Tables VII-2, VII-4.

[129] Chairman Bragg finds that the most important period for rendering a critical circumstances determination in this investigation is the two months following the filing of the petition, which occurred on September 30, 1998. In this regard, Chairman Bragg notes that subject imports from the four Japanese producers all but ceased following the date on which such imports would have become subject to an affirmative critical circumstances determination, i.e. November 21, 1998.

Subject imports from the four Japanese producers increased by *** percent from *** short tons in the two months preceding the petition to *** in the two months following the petition. In addition, while the average monthly import volume for the four Japanese producers during the period December 1997 to September 1998 was roughly *** short tons, the average import volume for October and November 1998 was over *** short tons, representing an increase of roughly *** percent.

Furthermore, subject imports from the four Japanese producers in October and November 1998 alone constituted over *** percent of these producers' total exports to the United States in 1998. This two-month import volume corresponds to roughly *** percent of all subject imports from Japan (from all sources) in 1998.

Based upon the foregoing, Chairman Bragg finds that subject imports from the four Japanese producers would seriously undermine the remedial effect of the order. Accordingly, Chairman Bragg makes an affirmative critical circumstances determination in this investigation.

[130] Chairman Bragg dissenting.

VIEWS OF CHAIRMAN LYNN M. BRAGG, COMMISSIONER CAROL T. CRAWFORD, AND COMMISSIONER THELMA J. ASKEY REGARDING THE CAPTIVE PRODUCTION PROVISION

We find that the captive production provision is not applicable in this investigation.

We first address petitioners' argument that the Commission should consider the applicability of the captive production provision separately for each downstream article that the domestic industry makes from internally transferred hot-rolled steel. The petitioners argue that the captive production provision applies because all of the statutory criteria are met with respect to the domestic industry's transfers of hot-rolled steel to produce cold-rolled and corrosion resistant steels. The petitioners state, however, that under that interpretation of the provision, it would not apply to the domestic industry's internal transfers of hot-rolled steel to produce tubular products and cut-to-length ("CTL") plate. Given that (in their view) the provision is satisfied as to some, but not all, of the industry's captive operations, the petitioners further request that the Commission divide the domestic industry's captive operations and consider that portion of internal transfers used to make tubular products and CTL plate, along with all merchant market sales of hot-rolled steel, in performing the injury analysis.[1] The respondents contest petitioners' product-by-product approach and maintain that the captive production provision does not apply because the first and third statutory criteria are not satisfied.[2]

We do not adopt the petitioners' argument that the captive production provision should be analyzed separately for each downstream article made from internally transferred hot-rolled steel, and the further argument that, if the provision is satisfied with respect to some but not all of those articles, the Commission should examine the merchant market and a certain portion of captive operations. Although the terms "a downstream article" and "that downstream article" are used in the singular throughout the captive production provision, we interpret the terms to mean the plural in cases (such as this one) where more than one downstream article is made from internal transfers of the like product. As a matter of statutory construction, it is well settled that statutory provisions drafted in the singular also imply the plural, particularly when the word "a" is used before the singular form.[3] Moreover, we find that the petitioners' approach is inconsistent with the language of the statute, which requires the Commission to focus primarily on the "merchant market for the domestic like product" if the provision is satisfied rather than focusing on the merchant market for the domestic like product plus some portion of captive operations. Petitioners' hybrid approach would also be difficult if not impossible to administer in many cases where a variety of downstream products are made from internal transfers of the like product. In this investigation, for example, five categories of downstream products are made from the domestic

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[1] Petitioners' Prehearing Brief at 22-35 and Exhibits 7, 8, & 10; Petitioners' Posthearing Brief at 25-30 and Exhibits 11 & 12.

[2] Respondents' Joint Prehearing Brief at 15-24 and Exhibit 2; Respondents' Joint Posthearing Brief at 6-11.

[3] See, e.g., 1 U.S.C. § 1 (entitled "Words denoting number, gender, and so forth") ("In determining the meaning of any Act of Congress, unless the context indicates otherwise — words importing the singular include and apply to several persons, parties, or things; words importing the plural include the singular"); Sutherland Statutory Construction (5th Ed.) § 47.34 at 273 (entitled "Singular and plural numbers") ("Common usage in the English language does not scrupulously observe a difference between singular and plural word forms. This is especially true when speaking in the abstract, as in legislation prescribing a general rule for future application. In recognition of this, it is well established, by statute and by judicial decision, that legislative terms which are singular in form may apply to multiple subjects or objects."); id. at 274 ("Issues over singular or plural interpretations often arise in the form of disputes about whether the article "a" restricts the application of the term which it modifies to single objects or subjects. The usual presumption in favor of the natural application appears to be reversed in such cases. It is most often ruled that a term introduced by "a" or "an" applies to multiple subjects or objects unless there is reason to find that singular application was intended or is reasonably understood.").

industry's internal transfers of hot-rolled steel: (1) tubular products, (2) cold-rolled products, (3) corrosion resistant products, (4) CTL plate, and (5) other products.[4] For these reasons, we have not adopted the petitioners' interpretation of the captive production provision. We now consider whether the captive production provision applies in this investigation.

The threshold criterion of the captive production provision requires us to determine whether "domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market."[5] Significant production of the domestic like product is both internally transferred and sold in the merchant market. In 1998, for instance, the domestic industry's captive consumption accounted for 63.7 percent of the industry's total U.S. shipments, and commercial shipments to the merchant market accounted for 36.3 percent.[6] Therefore, we find that the threshold criterion is satisfied.

The first statutory criterion of the provision requires us to determine whether "the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product."[7] We interpret this to mean that we must consider whether the type or category of the like product that is internally transferred by the domestic industry enters the merchant market for the domestic like product.[8] [9] The SAA supports this interpretation. The SAA notes that the law was amended "to address situations in which vertically-integrated U.S. producers sell a significant volume of their production of the domestic like product to U.S. customers (i.e., the merchant market) and internally transfer a significant volume of their production of that same like product for further internal processing into a distinct downstream article (i.e., captive production)."[10] The record evidence indicates that there is significant overlap in the types of hot-rolled steel internally

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[4] See CR at III-7; PR at III-5.

[5] 19 U.S.C. § 1677(7)(C)(iv).

[6] See CR and PR at Table I-2; see also INV-W-082 (April 30, 1999) (indicating that from 1996 to 1998, between 62.5 and 64.0 percent of the domestic industry's total U.S. shipments were for captive consumption; accordingly, during the same period between 37.5 and 36.0 percent of the domestic industry's U.S. shipments were sold in the merchant market).

[7] 19 U.S.C. § 1677(7)(C)(iv)(I).

[8] See, e.g., Polyvinyl Alcohol from the People's Republic of China, Japan and Taiwan, Inv. Nos. 731-TA-726, 727 and 729 (Final), USITC Pub. 2960 at 12 n.76 (May 1996) ("Commissioner Bragg does not necessarily agree that the first factor .:. requires an analysis of whether the downstream product competes with sales in the merchant market of the PVA that is internally transferred. She notes that the statute requires analysis of whether the domestic like product that is internally transferred enters the merchant market for the domestic like product."); Beryllium Metal and High-Beryllium Alloys from Kazakstan, Inv. No. 731-TA-746 (Final), USITC Pub. 3019 (Feb. 1997) at 8 n.43; Stainless Steel Wire Rod from Germany, Italy, Japan, Korea, Spain, Sweden, and Taiwan, Inv. Nos. 701-TA-373 (Final) and 731-TA-769-775 (Final), USITC Pub. 3126 (Sept. 1998) at 46-47 and n.15 (Dissenting Views of Commissioner Askey) ("I believe the better interpretation of this provision {i.e., the first criterion} is that adopted by Chairman Bragg. Chairman Bragg has interpreted this factor as requiring the Commission to assess whether the type or category of domestic like product that is used to produce a downstream product (and not the downstream product itself) enters the merchant market for the domestic like product.").

[9] Commissioner Crawford finds that the third statutory criterion of the captive production provision is not satisfied, and thus does not address the question of whether the other criteria are met. Therefore, she does not join in the discussions of the first and second statutory criteria.

[10] SAA at 852.

transferred and sold in the merchant market.[11] Accordingly, we find that the first statutory criterion is not satisfied.

The second statutory criterion of the provision requires us to determine whether "the domestic like product is the predominant material input in the production of that downstream article."[12] Hot-rolled steel is the predominant material input in the production of all of the principal downstream products.[13] Accordingly, we find that the second statutory criterion is satisfied.

The third statutory criterion of the provision requires us to determine whether "the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article."[14] As discussed above, we interpret the term "downstream article" to mean the plural in cases (such as this one) where more than one downstream article is made from the like product. In addition to the reasons set forth above for interpreting the provision in this way, we note that the provision, if satisfied, requires us to focus primarily on the merchant market for the entire domestic like product. Therefore, in analyzing the third criterion, we find it necessary to evaluate all of the downstream articles made from the like product sold in the merchant market, not simply two products (i.e., cold-rolled products and corrosion resistant products), as the petitioners argue.

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[11] Virtually all U.S. mills reported that they could use or substitute hot-rolled steel from other suppliers in their captive operations, and 11 firms reported that they had in fact used, or qualified for use, hot-rolled steel from other suppliers (although 10 firms had not). CR at III-7; PR at III-6. Moreover, many firms (13 of 21) reported that some of their merchant market sales of hot-rolled steel "were used by their customers to produce the same downstream products that the individual mills produced from captively" consumed hot-rolled steel. CR at III-8-9; PR at III-6. These responses indicate that the type or category of hot-rolled steel internally transferred does in fact enter the merchant market. Ten U.S. mills, that collectively accounted for *** percent of 1998 captive consumption, reported that the hot-rolled steel that they internally transfer differs "in part or in whole" from the hot-rolled steel that they sell in the merchant market. CR at III-7-8 & n.13; PR at III-6 & n.13. Significantly, however, four of those ten mills, that collectively accounted for *** percent of 1998 captive consumption, reported that there are grades of hot-rolled steel that they only captively consume but for which there is a domestic market. CR at III-8 n.13; PR at III-6 & n.13. The evidence presented at the hearing was mixed on this issue: domestic producers essentially responded "yes and no" when they were asked whether the types of steel that they internally transfer were the same as or different from the steel that they sell in the merchant market. See Transcript of Commission Hearing Held on May 4, 1999 ("Tr."), at 130-33 (Mr. Arnett) (Bethlehem Steel Corporation's Vice President and Controller argued that domestic producers do not face a "make or buy" decision regarding their captive operations, although he acknowledged that the company had occasionally purchased small quantities of hot band in the merchant market during planned maintenance or other outages), 155 (Mr. Conrad) ("I guess it depends — that's a little bit of yes and no."), 156-58 (Mr. Arnett, Mr. Narkin, Mr. Conrad). Likewise, the petitioners' summary of the responses of the *** petitioning firms that indicated differences in the hot-rolled steel internally transferred and sold in the merchant market, was mixed, although most of the firms (*** out of ***) indicated that very high percentages of the hot-rolled steel internally transferred was different from that sold in the merchant market. Significantly, however, all but *** of those *** firms indicated that some portion (in percentages ranging from *** to *** percent) of their internally transferred hot-rolled steel was the same as the hot-rolled steel sold in the merchant market. See Petitioners' Posthearing Brief, Exhibit 1 at 31-33 (***). All of this evidence indicates that there is significant overlap in the types of hot-rolled steel internally transferred and those sold in the merchant market.

[12] 19 U.S.C. § 1677(7)(C)(iv)(II).

[13] CR at III-7; PR at III-6 ("Typically certain hot-rolled steel products account for 90 percent or more of the raw material costs of producing cut-to-length plate, 80 percent or more of the raw material costs for tubular products, and nearly 100 percent of the raw material costs for cold-rolled products. From 63 to 87 percent of the raw material cost of producing galvanized products, and 90 to 92 percent of the raw material cost of producing plated products, is accounted for by certain hot-rolled steel products.").

[14] 19 U.S.C. § 1677(7)(C)(iv)(III).

We conclude that hot-rolled steel sold in the merchant market is generally used in the production of the same downstream articles for which hot-rolled steel is internally consumed. Indeed, in the final phase of this investigation, the record evidence indicates that merchant market purchasers of domestic hot-rolled steel use at least 33.4 percent of those purchases to produce four downstream products (i.e., tubular products, cold-rolled products, corrosion resistant products, and CTL plate) that the domestic industry also produces from their own hot-rolled steel. In 1998, 21.8 percent of total merchant market shipments of domestic hot-rolled steel was used to make tubular products.[15] In addition, the petitioners estimate that approximately six percent of merchant market shipments of hot-rolled steel in 1998 was used to make cold-rolled and corrosion resistant products.[16] Furthermore, based on data available from the Commission's 1997 Cut-to-Length Plate investigations, 1,226,405 short tons of hot-rolled steel were purchased in 1996 from U.S. mills to produce CTL plate in the U.S. market.[17] Based on the domestic industry's 1998 merchant market shipments, this amount represents 5.6 percent of total shipments.[18] When this percentage is added to the percentages for the other three downstream articles set forth above (i.e., tubular products, cold-rolled products, and corrosion resistant products), the purchasers' production from domestic hot-rolled steel that was used to make the four downstream articles is 33.4 percent of the purchaser's total 1998 production from domestic hot-rolled steel. This portion (i.e., 33.4 percent) of the

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[15] See CR at Table I-2. We believe it is reasonable to conclude that all shipments to manufacturers of tubular products were in fact used to make tubular products. In addition, we note that we have used a ratio based on the amount of hot-rolled steel sold in the merchant for a particular purpose as the numerator, and the total amount of hot-rolled steel sold in the merchant market as the denominator — rather than petitioners' use of a ratio based on the amount of hot-rolled steel sold in the merchant market for a particular purpose as the numerator, and the amount of hot-rolled steel internally transferred for that same purpose as the denominator. In our view, the former is the appropriate ratio, because the SAA indicates that the focus of the third criterion is on whether the amount of the like product sold in the merchant market to produce the downstream article is a "significant portion of the production that enters the merchant market." SAA at 853.

[16] Petitioners estimate that 1,315,000 short tons of domestic producers' 1998 sales of hot-rolled steel in the merchant market are used to make cold-rolled and corrosion resistant products. See Petitioners' Prehearing Brief at 28 (Table 1), 34, and Exhibit 8. This amount represents six percent of the domestic industry's 21,780,520 short tons of hot-rolled steel sold to the merchant market in 1998. See CR at Table III-3; Petitioners' Posthearing Brief at 26. The petitioners' method of estimating the portion of hot-rolled steel shipped to the merchant market for conversion into cold-rolled and corrosion resistant products may undercount such shipments. See Petitioners' Prehearing Brief at Exhibit 8. The back-up worksheet for petitioners' estimate lists only *** firms purchasing cold-rolled steel and a category of "cold strip producers" without identifying the producers in this category. The worksheet also indicates that cold-strip products not produced by the hot-rolled industry have been excluded in making the calculation. In contrast to petitioners' worksheet, the Staff Report indicates that there are about 10 firms purchasing hot-rolled steel from U.S. mills to make cold-rolled and corrosion-resistant products. CR at III-9 n.14; PR at III-6 n.14. We therefore believe that the petitioners' estimate is conservative.

[17] Certain Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Inv. Nos. 731-TA-753-756 (Final), USITC Pub. 3076 (Dec. 1997) at I-6. This 1.2 million short ton figure represents 5.7 percent of domestic producers' total merchant market shipments of hot-rolled steel in 1996. See CR at Table III-3. The petitioners used this figure in their prehearing brief to calculate the amount of hot-rolled steel sold to make CTL plate, as did the Commission in the Preliminary Determination. See Petitioners' Prehearing Brief at 28 (Table 1); Preliminary Determination at 12 n.60.

[18] The amount of domestically produced hot-rolled steel used to make CTL plate has increased from 1996 to 1998 (based on our findings in the 1999 Cut-to-Length Plate preliminary investigations), and thus this is a conservative estimate (i.e., more than 5.6 percent of the purchases of domestic hot-rolled steel were used to make CTL plate in 1998). See Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-393 (Preliminary) and 731-TA-815-822 (Preliminary), USITC Pub. 3181 (April 1999) at I-6 n.16.

purchasers' production from domestic hot-rolled steel is a significant portion of their total production from domestic hot-rolled steel, and, hence, their purchases of domestic hot-rolled steel are "generally used" to produce the same downstream articles.[19] Accordingly, we find that the third statutory criterion is not satisfied.

In sum, we find that the first and third criteria of the captive production provision are not satisfied. Consequently, the captive production provision does not apply in this investigation.

However, even in circumstances in which the captive production provision does not apply, the Commission has the discretion to consider the significant volume of captive production as a condition of competition.[20] [21] Accordingly, we have examined data both for the domestic industry as a whole and for merchant market operations for purposes of our determination.[22] [23] [24] [25]

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[19] In addition, the data collected from purchasers confirms that hot-rolled steel sold in the merchant market is generally used to produce the same downstream articles. U.S. purchasers that responded to the Commission's questionnaire reported that 21.9 percent of the hot-rolled steel they purchased in 1998 (from all sources) was used to make tubular products, 9.4 percent was used for cold-rolled products, 8.3 percent was used for corrosion-resistant products, and 4.5 percent was used for CTL plate. INV-W-127 (June 10, 1999) at Attachment 2. Hence, according to purchasers, 44.1 percent of the hot-rolled steel sold in the merchant market was used to produce these four downstream products. These purchaser data, however, are not limited to the like product, since purchasers responded based on their purchases from all sources (including the like product, subject imports, and non-subject imports). The reported purchases accounted for 51.2 percent of total 1998 merchant sales of hot-rolled steel in the merchant market. See id. and CR & PR at Table C-2. Given the substitutability between the subject imports and the like product discussed above in our analysis of cumulation, this presumably is a fairly good proxy for the amount of domestic hot-rolled steel sold in the merchant market that was used to make these four downstream products. It is also significant that 13 of 21 responding U.S. firms "reported that a portion of their merchant market sales of certain hot-rolled steel products were used by their customers to produce the same downstream products that the individual mills produced from captively consumed certain hot-rolled steel products." CR at III-8-9; PR at III-6.

[20] See, e.g., Open-End Spun Rayon Singles Yarn from Austria, Inv. No. 731-TA-751 (Final), USITC Pub. No. 3059 at 6 (Sept. 1997); Certain Emulsion Styrene-Butadiene Rubber from Brazil, Korea, and Mexico, Invs. Nos. 731-TA-794-796 (Final), USITC Pub. 3190 (May 1999) at 13-14; Flat-Rolled Carbon Steel, USITC Pub. 2664 (August 1993) at 15, 17, 22, and 23, aff'd, U.S. Steel Group v. United States, 874 F. Supp. 673 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[21] Commissioner Crawford's analysis is based on the total domestic market and the domestic industry as a whole.

[22] The respondents have argued that, although we have the discretion to consider captive production as a condition of competition even if we find the captive production provision not to apply, we do not have the discretion to focus primarily on the merchant market in examining quantitative data. See Respondents' Joint Posthearing Brief, Answers to Commissioner's Questions at 51-58. As discussed above, however, we have examined data for both the industry as a whole and for the industry's merchant market operations, as is our consistent practice where a significant portion of domestic production is captively consumed as well as sold in the merchant market. We also note that the Commission has previously rejected the type of argument made by the respondents. See Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) at 21 n.126.

[23] Commissioner Askey believes that it is inappropriate to focus on the merchant market if the captive production provision does not apply.

[24] Chairman Bragg notes that even in circumstances in which the captive production provision does not apply, it is within the Commission's discretion to consider the significant volume of captive production as a condition of competition. Chairman Bragg does so in this investigation; specifically, Chairman Bragg begins her analysis with an examination of the domestic industry and the domestic market as a whole. Chairman Bragg then considers whether an evaluation of the merchant market conforms with her evaluation of the domestic industry and the domestic market as a whole.

(continued...)

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[24] (...continued)

Chairman Bragg finds that the domestic industry is materially injured by reason of subject imports based on her analysis of both the domestic industry and the domestic market as a whole as well as the merchant market data. Much of the Commission's views focuses first on merchant market data and secondly on total market data. Although this order of discussion does not reflect the sequence of Chairman Bragg's analysis, she joins in the discussion of volume, price, and impact, except as otherwise noted.

[25] Commissioner Askey has focused on the total domestic market and the domestic industry as a whole.

VIEWS OF VICE CHAIRMAN MARCIA E. MILLER, COMMISSIONER JENNIFER A. HILLMAN, AND COMMISSIONER STEPHEN KOPLAN CONCERNING CAPTIVE PRODUCTION

Introduction

We are writing these views to explain our finding that the captive production provision of title VII applies in this investigation.[1] [2] At the outset, we note that the captive production provision has proven very difficult to administer. The statutory language and its legislative history are ambiguous, especially with respect to the meaning of the first and third criteria, which are discussed in detail below. The lack of clarity in the statute and legislative history has given rise to differing interpretations of these factors among Commissioners and the parties in this and other investigations. Indeed, no Commissioner in the current investigation has adopted the interpretation of the first criterion previously applied by a majority of the Commission – namely, whether the downstream product produced captively enters the merchant market for the upstream like product.

Nevertheless, we have endeavored to faithfully interpret and apply the captive production provision in reaching our conclusion that the provision does apply in this investigation. We believe our interpretation

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[1] The captive production provision provides as follows:

> (iv) CAPTIVE PRODUCTION -- If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that - -
>
> > (I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,
> >
> > (II) the domestic like product is the predominant material input in the production of that downstream article, and
> >
> > (III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,
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> then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

There is no disagreement among the parties that the threshold criterion – *i.e.,* that domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market – is met in this case. There is similarly no disagreement among the parties that the second criterion – *i.e.,* that the domestic like product is the predominant material input in the production of that downstream article – is satisfied here. The parties disagree over the interpretation of the first and third criteria, and over whether these criteria are met in this case.

[2] Upon further examination of this provision, Commissioner Koplan believes that this interpretation is better than the one that he applied in the preliminary phase of this investigation. Commissioner Koplan does not join in the remainder of the Introduction.

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is most consistent with the text of the provision and with its underlying policy, which is to identify those situations in which imports compete primarily with sales of the domestic like product in the merchant market.

Threshold criterion

The threshold criterion of the captive production provision requires us to determine whether "domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market."[3] Significant production of the domestic like product is both internally transferred and sold in the merchant market. In 1998, for instance, the domestic industry's captive consumption accounted for 63.7 percent of the industry's total U.S. shipments, and commercial shipments to the merchant market accounted for 36.3 percent.[4] Therefore, we find that the threshold criterion is satisfied.

First criterion

Under the first criterion the Commission must find that "the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product." We believe the proper interpretation of this criterion is the literal one -- *i.e.,* the "domestic like product" that is transferred for internal processing is in fact processed into a downstream article. In other words, the product transferred for internal processing does stay out of the merchant market for the like product.

In this sense the first criterion serves largely to reinforce that part of the threshold criterion that refers to whether significant production is transferred internally for further processing. For example, a company could internally transfer a certain portion of its production to a related entity with a view to further processing, but that entity ends up putting some or all of the production for sale on the merchant market with little or no further processing. This could result from a variety of causes, such as favorable market conditions in the merchant market, unexpected merchant market orders, or production difficulties in the facilities that produce the downstream product. These situations should be rare and thus the first criterion should be met in nearly all cases in which the threshold test is satisfied.

In this case, no party has argued, and there is no record evidence, that any portion of the nearly two-thirds of domestic hot-rolled production transferred for internal production was in fact sold on the merchant market in hot-rolled form. Thus, we find the first criterion to be met in this case.

We have considered but have not adopted the other two interpretations of this criterion that Commissioners have applied. The first interpretation asks whether the *downstream* product produced captively enters the merchant market for the upstream like product. The text of the provision, which refers to whether the production of the *like product* enters the merchant market, does not support this interpretation. The first criterion makes no mention of the downstream product entering the merchant market.

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[3] 19 U.S.C. § 1677(7)(C)(iv).

[4] See CR and PR at Table I-2; see also INV-W-082 (April 30, 1999) (indicating that from 1996 to 1998, between *** percent of the domestic industry's total U.S. shipments were for captive consumption; accordingly, during the same period between *** percent of the domestic industry's U.S. shipments were sold in the merchant market). 32

The second interpretation considers whether the *type or kind* of the like product that is sold on the merchant market differs from that which is internally transferred for further processing. This requires identifying sub-categories of products within the like product and determining whether the categories sold into the two channels differ. This analysis requires an assessment of very minor differences between product types. These differences are, by definition, insufficient to differentiate the products as separate like products. The drafters made no provision for such a fundamental concept as type or kind when determining captive production. Instead, the text of the first criterion simply refers to the "domestic *like product* produced that is internally transferred." (Emphasis added.)[5]

Second criterion

The second criterion of the provision requires us to determine whether "the domestic like product is the predominant material input in the production of that downstream article."[6] Hot-rolled steel is the predominant material input in the production of all of the principal downstream products.[7] Accordingly, we find that the second criterion is satisfied.

Third criterion

Under the third criterion, "the production of the domestic like product sold in the merchant market is not generally used in the production of th[e] downstream article" that is produced captively.[8] This criterion clearly applies to industries that manufacture only a single downstream article. The provision's drafters do not appear to have contemplated cases such as this one in which an industry makes multiple downstream articles.[9]

In cases involving multiple captively-produced downstream articles, we assess the overall degree of overlap between the downstream products produced captively and those produced from the domestic like product in the merchant market. It follows that we take into account both (1) the relative shares of captive production accounted for by each of the downstream products, and (2) the relative shares of merchant market sales accounted for by each of the downstream products.

This approach best assesses the degree to which captive production and sales into the merchant market are used to produce the same products. The extent to which there are common end-products in the two

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[5] The "type or kind" interpretation would most likely render the captive production provision inapplicable in nearly all cases, thereby circumscribing the application of the provision in a manner not intended by Congress.

[6] 19 U.S.C. § 1677(7)(C)(iv)(II).

[7] CR at III-7; PR at III-6 ("Typically certain hot-rolled steel products account for 90 percent or more of the raw material costs of producing cut-to-length plate, 80 percent or more of the raw material costs for tubular products, and nearly 100 percent of the raw material costs for cold-rolled products. From 63 to 87 percent of the raw material cost of producing galvanized products, and 90 to 92 percent of the raw material cost of producing plated products, is accounted for by certain hot-rolled steel products.").

[8] Although Commissioner Koplan joins in the analysis in this section, see also his Further Views Concerning the Third Criterion of the Captive Production Provision.

[9] We agree with Chairman Bragg and Commissioners Crawford and Askey that the statute does not provide, with respect to the same like product, that the captive production provision can be met for some downstream products but not for others, as petitioners have proposed. Such an approach, which would require the collection and analysis of financial data regarding portions of an industry's captive production, would be very difficult to administer.

channels can be an important factor in determining whether the like product that is transferred captively does not compete with imports sold on the merchant market.[10]

In this case we find that there is only limited overlap in the downstream products produced captively and the sales of hot-rolled steel on the merchant market. Specifically, in 1998, 81.4 percent of captive production from hot-rolled steel consisted of cold-rolled products (39.0 percent) and corrosion resistant products (42.4 percent).[11] An additional 9.2 percent consisted of other products -- primarily tin products -- that had been processed through a cold rolling mill.[12] Thus, approximately 90 percent of 1998 captive production consisted of these products, nearly all of which were processed through a cold rolling mill.

By contrast, only a small percentage of merchant market sales of the domestic like product are used to make these same products. Based on our examination of the record data, it appears that between 3.7 percent and 17.7 percent of merchant market shipments of the domestic like product are used to make cold-rolled steel or corrosion resistant steel.[13] The actual figure is likely to be significantly below the upper-end 17.7 percent figure.[14] Most merchant market sales of the domestic like product either are not further processed, or are further processed into tubular products, CTL plate, or other products (primarily automotive products).[15]

Thus we find that the vast majority of merchant market sales of hot-rolled steel is *not* used to make the same products as the vast majority (approximately 90 percent) of hot-rolled steel that is captively consumed to make downstream products. We therefore find that the production of the domestic like product sold in the merchant market is not generally used in the production of downstream articles made from captive production.

Our interpretation of the third criterion is consistent with the Commission's decision in the *Polyvinyl Alcohol* (PVA) case.[16] In that case the main product produced captively from PVA was polyvinyl butyral (PVB). A certain percentage of captive production consisted of emulsion polymers. In finding the third

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[10] *See* SAA at 852 (basis for captive production analysis is recognition that "imports compete primarily with sales of the domestic like product in the merchant market. . . .")

[11] CR at III-7, n. 10; PR at III-5, n. 10.

[12] *See id.*, and Petitioners' Posthearing Brief, responses to Commission questions, p. 29 ("other products" constitute 10.7 percent of captive production; six-sevenths of "other products" are processed through a cold-rolling mill).

[13] The 17.7 percent figure is derived from Attachment 2 of INV-W-127, which tabulates purchaser questionnaire responses. This figure is suspect because it includes purchases of hot-rolled steel from all sources, including domestic, subject and non-subject imported steel. The third criterion requires an examination limited to the domestic like product. The 3.7 percent figure is derived from Attachment 7 of INV-W-124. That attachment contains data only of purchases confirmed to be from domestic sources.

[14] A figure substantially less than 17.7 percent would be more consistent with petitioners' estimate of the quantity of merchant market hot-rolled steel manufactured into cold-rolled or corrosion resistant steel. Petitioners' estimated quantity was approximately 6 percent of sales of the domestic like product into the merchant market. *See* Petitioners' Prehearing Brief at 28. Moreover, domestic producers are likely to be more reluctant to sell hot-rolled steel to purchasers who intend to manufacture downstream products that compete with the bulk of their own downstream production (*i.e.,* cold-rolled or corrosion resistant steel products).

[15] CR at II-14; PR at II-5, and Attachment 2 of INV-W-127; Petitioners' Posthearing Brief, Exhibit 1 at 30.

[16] *See Polyvinyl Alcohol from China, Japan, and Taiwan*, Inv. Nos. 731-TA-726, 727, and 729 (Final), USITC Pub. 2960 (May 1996). 34

criterion to be met, the Commission focused on the fact that only a small percentage of merchant market sales of PVA was used to create PVB.[17] By contrast, because emulsion polymers represented only a small portion of captive production, the fact that emulsion polymers were a significant segment of merchant market sales did not prevent the Commission from finding that the third criterion was satisfied. So, too, in this case, the fact that a significant percentage of merchant market sales of the domestic like product is used to make, for example, tubular products, does not alter our finding that the third criterion is met, because tubular products represent only a small percentage of captive consumption of hot-rolled steel.[18] [19]

Effect of applying the captive production provision

Because we have found the captive production provision to apply in this case, we have focused primarily on the merchant market in assessing market share and the factors affecting financial performance. The SAA makes clear, however, that we are not to focus exclusively on the merchant market. We read the statute as requiring in all cases that the Commission determine material injury with respect to the industry as a whole, including the industry's performance with respect to both merchant market operations and captive production.

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[17] *Id.* at 13.

[18] We do not agree with an approach that does not take into account the relative shares of downstream products produced captively, because such an approach does not assess the degree of overlap in the two channels, and can lead to anomalous results. For example, the third criterion would still be met when one percent of captive production is used to make the downstream product that accounts for 100 percent of merchant market sales of the like product.

[19] Having found the captive production provision to apply in this investigation, we have also considered whether subject imports are imported by a related party and captively consumed by that importer. *See* SAA at 853. The SAA defines "captive production" as a situation in which "U.S. *producers* . . . internally transfer a significant volume of their production of that same like product for further internal processing into a distinct downstream article. . . ." SAA at 852 (emphasis added). Presumably, captive production has an analogous meaning in the context of related party imports. Applying this definition, this SAA provision would apply only to imports by parties related to foreign *producers* of subject merchandise, which are then captively consumed in the United States. In this case, no importer of subject merchandise who captively consumed its imports is owned or controlled by any of the foreign producers. Thus, there are no "related party importers" as that term is used in the SAA. 35

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FURTHER VIEWS OF COMMISSIONER KOPLAN CONCERNING THE THIRD CRITERION OF THE CAPTIVE PRODUCTION PROVISION

Commissioner Koplan joins Vice Chairman Miller and Commissioner Hillman in the foregoing interpretation of the relatively ambiguous third criterion of the captive production provision. He also notes, however, that this third criterion alternatively could be read as requiring an examination of whether the domestic producers generally use merchant market purchases of the domestic like product in their production of the downstream articles. The provision is not specific as to which entity uses the merchant market domestic like product in the production of the downstream articles. The foregoing discussion in which he joined Vice Chairman Miller and Commissioner Hillman would apply if the provision is read to require an examination of whether the merchant market purchaser is generally using the domestic like product in the production of the same downstream articles as the integrated domestic producers.

However, the provision also could be read as requiring the Commission to establish whether the integrated domestic producers generally utilize the merchant market like product in their production of the downstream articles. Such an analysis would comport with the entire captive production provision in that it would focus on the nature of transfers of the domestic like product, rather than on the nature of the downstream articles produced from the domestic like product. In addition, the third criterion focuses on whether the merchant market like product is "generally used in the production of that downstream article." The antecedent reference to the downstream article referred to in the third criterion first appears in the threshold criterion of the provision as well as in the first and second criteria. Each of these other references to the downstream articles in the captive production provision appears to refer to the downstream articles manufactured by the integrated domestic producers.

Under this interpretation of the third criterion, it would operate in tandem with the first criterion to establish whether the domestic integrated producers generally purchase hot-rolled steel on the merchant market for the production of their downstream articles. In some instances, the integrated domestic producers may face a "make or buy" situation, or they may purchase significant quantities on the domestic open market to supplement their capacity or to fill in for production shutdowns. If a significant volume of the domestic like product is purchased from the open market by the integrated producers, there would be no justification for focusing primarily on the merchant market. In that instance, the market share and other data typically used by the Commission in its analysis should not be affected by the existence of internal transfers since significant quantities of the open market domestic like product is consumed by the integrated producers.

Conversely, if the domestic like product transferred internally for further processing does not enter the merchant market (criterion one) and the integrated producers do not generally purchase the domestic like product from the merchant market (criterion three), then there might be justification for not analyzing the imports in the same manner as the internal production. Under those circumstances, the integrated producers generally do not participate in the merchant market, either as sellers or as purchasers, for that portion of the domestic like product that is internally consumed. In that instance, the provision would require the Commission to focus primarily (but not exclusively) on the merchant market for market shares and the so-called impact factors in reaching its determination regarding the effect of subject imports on the producers of the domestic like product. Thus, under this interpretation of the provision, Congress has directed the Commission to focus primarily on the merchant market only where there is not a significant flow of merchant market product into or out of the stream of internal production of the downstream articles. Under that interpretation, Commissioner Koplan finds that the third criterion would be met because in the instant case the domestic producers do not generally utilize merchant market hot-rolled product in the production of their downstream articles.

Commissioner Koplan further notes that his determination regarding the applicability of the captive production provision is in some sense rather academic. In any investigation involving significant internal consumption of the domestic like product, he likely would look to the merchant market as an indication of the effects of direct competition between the domestic industry and the unfairly traded imports. Merchant market operations will be affected differently and more directly than will the operations of the domestic industry internally consuming the domestic like product. Similarly, any ultimate determination of material injury or threat of material injury by reason of the subject imports would still involve an analysis of the domestic industry as a whole, whether or not the captive production provision is deemed to apply in any particular investigation.

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VIEWS OF COMMISSIONER CAROL T. CRAWFORD

On the basis of information obtained in this investigation, I determine that the industry in the United States producing certain hot-rolled carbon steel products is materially injured by reason of imports of certain hot-rolled carbon steel products from Japan that are sold in the United States at less-than-fair-value ("LTFV"). I join my colleagues in the findings with respect to like product and domestic industry, in the decision to cumulate the subject imports from Japan, Russia, and Brazil, and in the discussion of the conditions of competition that are distinctive to the domestic industry.[1] I also join the majority in making a negative critical circumstances finding. However, for the reasons discussed below, I do not join the remainder of the majority views.

I. INTRODUCTION

Although I concur in the majority's determination that the domestic industry is materially injured by reason of the subject imports, my analysis and reasoning differ significantly. With respect to the captive production provision of the statute, I find that it does not apply. Therefore, I have focused my analysis on the total U.S. market, and have not evaluated the effects of the subject imports on the merchant market. Consequently, the discussion of the merchant market in the majority views is not relevant to my determination.

The majority's analysis of the conditions of competition includes a discussion of differences between integrated producers and minimills in terms of per unit costs, productivity and competition in the merchant market. While I agree that these differences exist and are important, my analysis focuses on the domestic industry as a whole. Thus the majority's discussion regarding minimill producers, either collectively or as individual producers, does not apply to my analysis.

A further, fundamental difference between the majority's analysis and my own is the baseline, or point of comparison, against which to measure the state of the industry (as factually described by the evidence in the record) when making a determination of material injury by reason of the subject imports. My determination results from a comparison of the industry's present condition with the condition the industry would have experienced had the subject imports not been unfairly traded. On the other hand, a trends analysis compares the condition of the industry with some baseline point in the past when the industry was "healthy," "normal," or "doing better." If the industry is not performing as well as it was at the point in time selected for comparison, it is found to be injured. In my view, this analysis is inadequate for several reasons. Selection of an earlier point in time to define the industry's profile can be arbitrary, usually differs from the time period for which the Department of Commerce has calculated subsidies or dumping margins, and lacks transparency. It is often the case, as it is here, that the baseline point in time determines the outcome.[2] This lack of transparency leads to a lack of predictability for the market participants that are

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[1] For a discussion of my finding regarding the analysis of captive production, *see* Views of Chairman Lynn M. Bragg, Commission Carol T. Craword, and Commissioner Thelma J. Askey Regarding the Captive Production Provision.

[2] The instant record clearly establishes that the domestic industry is doing well, and is, in the abstract, quite healthy. The domestic industry is operating effectively at full capacity, and its income was substantial in all three years for which data were collected: $431 million in 1996; $1.25 billion in 1997; and $560 million in 1998. Comparing 1996 to 1998 could justify a finding of no material injury, while comparing 1997 to 1998 could justify a finding that the domestic industry *is* materially injured. Transparency and predictability are further diminished if part-year comparisons are used for analysis. If part-year baselines can be justified, they should be adopted consistently, regardless of the outcome, in order to provide market participants a reasonable measure of

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(continued...)

directly affected by the Commission's decisions. These problems are compounded when part-year baselines are used.

My determination of material injury by reason of subject imports is not based on a timeline comparison. In 1997, the industry had an exceptionally good year, earning operating income of $1.25 billion. In 1998, the industry also was doing quite well, earning operating income of $560 million. However, in my view, this level of very healthy profits is not inconsistent with being injured. A runner might win his race even with a sprained ankle. The measure of his injury is not whether he wins. Rather, it is how much better his time would have been had he not sprained his ankle. Just as an exceptionally talented runner might win a race notwithstanding a sprained ankle, it is reasonable to expect that an industry can be doing well in spite of competition from unfairly traded imports.[3] The measure of injury is not whether the industry is doing well, but whether it would have been doing even better had the imports not been unfairly traded. My analysis, described in detail below, adopts a baseline that I believe more accurately reflects both the intent of the statute and realities in the marketplace.

For the foregoing reasons, and because my analysis differs from the majority, my separate views follow.

II. ANALYTICAL FRAMEWORK

In determining whether a domestic industry is materially injured by reason of the subsidized and LTFV imports, the statute directs the Commission to consider:

(I) the volume of imports of the merchandise which is the subject of the investigation,

(II) the effect of imports of that merchandise on prices in the United States for like products, and

(III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States . . .[4]

In making its determination, the Commission may consider "such other economic factors as are relevant to the determination."[5] In addition, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry . . . within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[6]

The statute directs that we determine whether a domestic industry is materially injured "by reason of" the unfairly traded imports. Thus we are called upon to evaluate the effect of subsidized and dumped imports on the domestic industry and determine if they are causing material injury. There may be, and often are, other "factors" that are causing injury. These factors may even be causing greater injury than the subsidies and dumping. However, the statute does not require us to weigh or prioritize the factors that

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[2](...continued)
predictability.

[3] An ice cream vendor provides a commercial analogy. A busy ice cream vendor in the park might sell a lot of ice cream cones on a Sunday, even if the streets are blocked off. Nonetheless, he is still "injured" if the blocked streets reduced his customers and sales below what they would have been had the streets been open.

[4] 19 U.S.C. § 1677(7)(B)(I).

[5] 19 U.S.C.§ 1677(7)(B)(ii). 40

[6] 19 U.S.C. § 1677(7)(C)(iii).

independently are causing material injury. Rather, the Commission is to determine whether any injury "by reason of" the unfairly traded imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effects of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry."[7] It is important, therefore, to assess the effects of the unfairly traded imports in a way that distinguishes those effects from the effects of other factors unrelated to the subsidies and dumping. To do this, I compare the current condition of the industry to the industry conditions that would have existed without the subsidies and dumping, that is, had the subject imports all been fairly priced. I then determine whether the change in conditions constitutes material injury.[8]

In my analysis of material injury, I evaluate the effects of the subsidies and dumping[9] on domestic prices, domestic sales, and domestic revenues. To evaluate the effects of the subsidies and dumping on domestic prices, I compare domestic prices that existed when the imports were subsidized and dumped with what domestic prices would have been if the imports had been priced fairly. Similarly, to evaluate the effects of the subsidies and dumping on the quantity of domestic sales,[10] I compare the level of domestic sales that existed when imports were subsidized and dumped with what domestic sales would have been if the imports had been priced fairly. The combined price and quantity effects translate into an overall domestic revenue impact. Understanding the impact on the domestic industry's prices, sales, and overall revenues is critical to determining the state of the industry, because the effects on the statutory impact factors[11] (e.g., employment, wages, etc.) are derived from the impact on the domestic industry's prices, sales, and revenues.

I then determine whether the price, sales, and revenue effects of the subsidies and dumping, either separately or together, demonstrate that the domestic industry would have been materially better off if the imports had been priced fairly. If so, the domestic industry is materially injured by reason of the subsidized and dumped imports.

For the reasons discussed below, I determine the domestic industry producing certain hot-rolled carbon steel products is materially injured by reason of the subject imports.

III. CONDITIONS OF COMPETITION

To understand how an industry is affected by unfair imports, we must examine the conditions of competition in the domestic market. The conditions of competition constitute the commercial environment in which the domestic industry competes with unfair imports, and thus form the foundation for a realistic

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[7] S. Rep. No. 100-71 at 116 (1987)(emphasis added); Gerald Metals, Inc. v. United States, 132 F.3d 716 (Fed. Cir. 1997) (rehearing denied).

[8] Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with my mode of analysis, expressly holding that my mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, 96 F.3d 1352, at 1361 (Fed.Cir. 1996), *aff'g* 873 F.Supp. 673, 694-695 (Ct. Int'l Trade 1994).

[9] As part of its consideration of the impact of imports, the statute as amended by the URAA now specifies that the Commission is to consider in an antidumping proceeding, "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V).

[10] In examining the quantity sold, I take into account sales from both existing inventory and new production.

[11] 19 U.S.C. § 1677(7)(C)(iii).

assessment of the effects of the subsidies and dumping. This environment includes demand conditions, substitutability among and between products from different sources, and supply conditions in the market.

A. Demand Conditions

An analysis of demand conditions tells us what options are available to purchasers, and how they are likely to respond to changes in market conditions, for example an increase in the general level of prices in the market. Purchasers generally seek to avoid price increases, but their ability to do so varies with conditions in the market. The willingness of purchasers to pay a higher price will depend on the importance of the product to them (e.g., how large a cost factor), whether they have options that allow them to avoid the price increase, for example by switching to alternative products, or whether they can exercise buying power to negotiate a lower price. An analysis of these demand-side factors tells us whether demand for the product is elastic or inelastic, that is, whether purchasers will reduce the quantity of their purchases if the price of the product increases. For the reasons discussed below, I find that the overall elasticity of demand for certain hot-rolled carbon steel products is relatively low. Therefore, purchasers are not likely to reduce their purchases if prices for these products increase.

Importance of the Product and Cost Factor. Key factors that measure the willingness of purchasers to pay higher prices are the importance of the product to purchasers and the significance of its cost. In the case of an intermediate product (e.g., an input), the importance will depend on its cost relative to the total cost of the downstream product in which it is used. When the price of the input is a small portion of the total cost of the downstream product in which it is used, changes in the price of the input are less likely to alter demand for the input or for the downstream product.

Record evidence shows that the cost share of the hot-rolled carbon steel products under investigation here accounts for a relatively high percentage of the intermediate downstream products in which they are used.[12] This high cost share, suggesting a high elasticity of demand, is offset by the substantially smaller cost share in the final downstream products in which they are used.

Alternative Products. Another important factor in determining whether purchasers would be willing to pay higher prices is the availability of viable alternative products. Often purchasers can avoid a price increase by switching to alternative products. If such an option exists, it can impose discipline on producer efforts to increase prices.

Information on the record indicates that only very limited alternative products are available that can substitute for certain hot-rolled carbon steel products.[13] The limited availability of alternative products indicates that demand is likely to be quite inelastic.

Based on the small cost share of certain hot-rolled carbon steel products in the final downstream products in which they are used and the limited availability of substitutable alternative products, I find that the overall elasticity of demand for certain hot-rolled carbon steel products is relatively low. That is, purchasers will not reduce significantly the amount of these hot-rolled carbon steel products they buy in response to a general increase in prices for these products.

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[12] CR at III-7; PR at II-6.

[13] CR at II-12 and II-30; PR at II-4 and II-15.

B. Substitutability

Simply put, substitutability measures the similarity or dissimilarity of imported versus domestic products from the purchaser's perspective. Substitutability depends upon 1) the extent of product differentiation, measured by product attributes such as physical characteristics, suitability for intended use, design, convenience or difficulty of usage, quality, etc.; 2) differences in other non-price considerations such as reliability of delivery, technical support, and lead times; and 3) differences in terms and conditions of sale. Products are close substitutes and have high substitutability if product attributes, other non-price considerations, and terms and conditions of sale are similar.

While price is nearly always important in purchasing decisions, non-price factors that differentiate products determine the value that purchasers receive for the price they pay. If products are close substitutes, their value to purchasers is similar, and thus purchasers will respond more readily to relative price changes. On the other hand, if products are not close substitutes, relative price changes are less important and are therefore less likely to induce purchasers to switch from one source to another.

Because demand elasticity for certain hot-rolled carbon steel products is relatively low, overall purchases will not decline significantly if the overall prices of certain hot-rolled carbon steel products increase. However, purchasers can avoid price increases from one source by seeking other sources of certain hot-rolled carbon steel products. In addition to any changes in overall demand for certain hot-rolled carbon steel products, the demand for certain hot-rolled carbon steel products from different sources will decrease or increase depending on their relative prices and their substitutability. If certain hot-rolled carbon steel products from different sources are substitutable, purchasers are more likely to shift their demand when the price from one source (i.e., subject imports) increases. The magnitude of this shift in demand is determined by the degree of substitutability among the sources.

Purchasers have three potential sources of certain hot-rolled carbon steel products: the domestic product, subject imports, and nonsubject imports. Purchasers are more or less likely to switch from one source to another depending on the similarity, or substitutability, between and among them. I have evaluated the substitutability among certain hot-rolled carbon steel products from the different sources as follows.

Based on the information in the record, I find that the domestic products are at best moderate substitutes for the subject imports from Brazil and Japan, and poor substitutes for the subject imports from Russia and nonsubject imports. I further find that the subject imports from Brazil and Japan are fairly good substitutes for each other, at best moderate substitutes for the subject imports from Russia, and moderate substitutes for nonsubject imports. Finally, I find that nonsubject imports are poor substitutes for the domestic products and for the subject imports from Russia.

Overall, there is a basic level of substitutability among subject imports, nonsubject imports, and the domestic like product because all three generally must meet ASTM specifications. In addition, the record indicates that substantial amounts of the domestic product, subject imports and nonsubject imports are sold in the same channels of distribution, particularly to distributors, processors or service centers, and to manufacturers of tubular products.[14] However, the overall substitutability is reduced by nonprice factors.

[14] Figure II-1.

In comparing the domestic like product and the subject imports, the record shows that a majority of importers found that the domestic products and the subject imports were broadly interchangeable.[15] When importers considered products not interchangeable, they typically cited quality differences and the availability of particular grades, sizes, or finishing options as the reasons. With regard to the Japanese products, importers indicated that these products had certain advantages when compared to the domestic products, including better quality in some instances, thinner gauge, longer coils, larger widths, consistent quality, better formability, weldability, accuracy of flatness, and surface cleanliness.[16] Importers found that the Russian imports differed from the domestic products and the other subject imports, particularly with regard to quality, as Russian products generally do not always meet ASTM requirements; have a higher sulfur content and a higher phosphorus content that negatively affect ductility and chemistry; and may have problems with packaging and transportation damage.[17] Other importers indicated that these quality differences in the Russian products limit its end uses when compared to the other subject imports and the domestic products. Another significant difference between the domestic products and the subject imports occurs in lead times. In 1998, the average lead times for products produced to order varied from 48 days for the domestic products, 99 days for the Brazilian products, 113 days for the Japanese products, and 115 days for the Russian products.[18]

Purchasers also indicated that, with regard to product characteristics such as surface quality, tight gauge control, steel cleanliness, etc., a majority would purchase certain hot-rolled steel products from the domestic industry, Japan, and Brazil, but an overwhelming majority would not purchase the Russian products.[19] Additionally, when purchasers compared the subject imports regarding product consistency and quality, the Japanese and Brazilian products were rated superior to the Russian products by nearly all responding purchasers. For these reasons, the subject imports from Russia are at best moderate substitutes for the subject imports from Japan and Brazil.

Based on the preceding discussion of product characteristics, the quality of the subject imports from Brazil and Japan is at least as good as, and perhaps better than, the quality of the domestic products. Purchasers also stated that with regard to quality, the Japanese products were perceived by all purchasers as superior to the Brazilian products. However, purchasers were split on the issue of product consistency as half indicated that the Japanese product was superior to the Brazilian product, while the other half found that the two products were comparable.[20] There is no other information to indicate that substitutability among these sources is reduced, and therefore, based on this evidence, it would appear that subject imports from Brazil and Japan are fairly good substitutes for each other and the domestic products. However, 63.7 percent of domestic consumption was consumed captively in 1998.[21] Thus, less than 40 percent of domestic production is available for open market purchasers to buy. This condition of competition by definition reduces substitutability substantially. Given this large amount of domestic captive consumption, I find that the subject imports from Brazil and Japan can, at best, be considered moderate substitutes for the domestic product.

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[15] CR at II-24; PR at II-11.

[16] CR at II-17; PR at II-8.

[17] CR at II-18; PR at II-8.

[18] CR at II-23; PR at II-11.

[19] Table at CR II-24; Table at PR II-11.

[20] Table II-6.

[21] Table I-2.

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The quality of subject imports from Russia, as discussed above, is considerably lower than the quality of the domestic products, thus reducing the substitutability between these two sources. The large amount of domestic captive consumption further reduces substantially the substitutability between the domestic products and the subject imports from Russia. For these reasons, I find that the subject imports from Russia and the domestic products are poor substitutes for each other.

The record indicates that nonsubject imports, the domestic products and subject imports from Brazil and Japan are not differentiated substantially from each other by quality and other nonprice factors.[22] However, the lower quality of Russian imports reduces the substitutability between these subject imports and nonsubject imports. Thus, on this basis, nonsubject imports are likely fairly good substitutes for the domestic products and the Brazilian and Japanese imports, but likely only moderate substitutes for Russian imports. However, less than one-fourth, but a significant portion, of the nonsubject imports is captively consumed in the U.S. market by the Pohang/U.S. Steel joint venture.[23] This amount of captive consumption of the nonsubject imports reduces the substitutability of nonsubject imports with other sources of supply. In light of the captive consumption of the nonsubject imports, I find that nonsubject imports are moderate substitutes for subject imports from Brazil and Japan, and poor substitutes for subject imports from Russia. Furthermore, the large amount of captive consumption of the domestic products also reduces substitutability, and thus I find that nonsubject imports and the domestic products are poor substitutes for each other.

Based on the above analysis, I find that the domestic products are at best moderate substitutes for the subject imports from Brazil and Japan, and poor substitutes for the subject imports from Russia and nonsubject imports. I further find that subject imports from Brazil and Japan are fairly good substitutes for each other, at best moderate substitutes for the subject imports from Russia, and moderate substitutes for nonsubject imports. Finally, I find that the subject imports from Russia are poor substitutes for nonsubject imports.

C. Supply Conditions

Supply conditions in the market are a third condition of competition. Supply conditions determine how producers would respond to an increase in demand for their product, and also affect whether producers are able to institute price increases and make them stick. Supply conditions include producers' capacity utilization, their ability to increase their capacity readily, the availability of inventories and products for export markets, production alternatives and the level of competition in the market, especially with regard to the differences between integrated and mini-mills. For the reasons discussed below, I find that the elasticity of supply of certain hot-rolled carbon steel products is quite low.

Capacity Utilization and Capacity. Unused capacity can discipline prices. If there is a competitive market, no individual producer can make a price increase stick. Any attempt at a price increase by one producer would be beaten back by competitors who could produce more product to sell at the prevailing price. Nominal available capacity exceeded the total quantity of subject imports in 1998.[24] However, in 1998 the domestic industry's capacity utilization was quite high, at 87.5 percent.[25] In addition, record

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[22] CR at II-28; PR at II-13.

[23] CR at II-28, n.16; PR at II-14, n.14.

[24] Table III-2 and Table IV-2.

[25] Table III-2.

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evidence indicates that there was a shortage in the market.[26] Based on the high level of capacity utilization and the evidence of shortages, I find that the domestic industry effectively operated at full capacity in 1998.

Inventories and Exports. The domestic industry had 2,771,350 short tons, representing 4.3 percent of production, of these hot-rolled carbon steel products in inventories available at the end of 1998 that it could have shipped into the U.S. market.[27] The domestic industry's exports are very small, and thus do not represent a significant source of supply.[28] Therefore the domestic industry had only small inventories and very small exports available that could have filled the demand supplied by subject imports.

Level of Competition. The level of competition in the domestic market has a critical effect on producer responses to demand increases. A competitive market is one with a number of suppliers in which no one producer has the power to influence price significantly. In the U.S. market, there are at least 24 domestic producers of certain hot-rolled carbon steel products, and thus there is significant competition within the domestic industry.

Nonsubject imports are not a substantial source of competition in this market, accounting for only 5.9 percent of consumption by volume in 1998.[29] Even though there is only limited competition from nonsubject imports, the competition among domestic producers indicates that there is a significant level of competition in the U.S. market for certain hot-rolled carbon steel products.

Notwithstanding the level of competition in the U.S. market, the domestic industry's ability to supply the demand for subject imports is extremely limited, and consequently I find that the elasticity of supply is quite low.

IV. MATERIAL INJURY BY REASON OF LTFV IMPORTS OF CERTAIN HOT-ROLLED CARBON STEEL PRODUCTS FROM JAPAN

The statute requires us to consider the volume of subject imports, their effect on domestic prices, and their impact on the domestic industry. I consider each requirement in turn.

A. Volume of Subject Imports

As stated previously, for purposes of my determination with respect to the subject imports from Japan, I have cumulated the subject imports from Japan, Russia, and Brazil. The volume of the cumulated subject imports increased from 1,342,905 short tons in 1996 to 3,001,525 short tons in 1997 and to 6,979,859 short tons in 1998. The value of subject imports was $410.1 million in 1996, $913.8 million in 1997, and $1,858 million in 1998.[30] By quantity, subject imports held a market share of 2.0 percent in 1996, 4.2 percent in 1997, and 9.3 percent in 1998. Their market share by value was 1.9 percent in 1996, 4.1 percent in 1997, and 8.4 percent in 1998.[31] While it is clear that the larger the volume of subject imports, the larger the effect they will have on the domestic industry, whether the volume is significant cannot be determined in a vacuum, but must be evaluated in the context of its price and volume effects. Based on the market share

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[26] Table II-2.

[27] Table C-1 and Table III-4.

[28] Table III-3.

[29] Table IV-9.

[30] Table IV-2.

[31] Table IV-9.

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of cumulated subject imports and the conditions of competition in the domestic market, I find that the volume of the subject imports is significant in light of its price and volume effects.

B. Effect of Subject Imports on Domestic Prices

To determine the effect of the subject imports on domestic prices, I examine whether the domestic industry could have increased its prices if the subject imports had not been subsidized and dumped. As discussed, both demand and supply conditions in the domestic market are relevant. Examining demand conditions helps us understand whether purchasers would have been willing to pay higher prices for the domestic product, or buy less of it, if the subject imports had been sold at fairly traded prices. Examining supply conditions helps us understand whether available capacity and competition among suppliers to the market would have imposed discipline and prevented price increases for the domestic product, even if subject imports had not been unfairly priced.

If the subject imports had not been subsidized and dumped, their prices in the U.S. market would have increased significantly. Thus, if subject imports had been fairly priced, they would have become more expensive relative to domestic certain hot-rolled carbon steel products. In such a case, if subject imports are good substitutes with other certain hot-rolled carbon steel products, purchasers would have shifted towards the relatively less expensive products.

The margins vary by country, but generally are quite large, ranging from 17.86 percent to 67.14 percent for Japan; over 70 percent for Russia; and over 50 percent for Brazil.[32] Therefore, subject imports likely would have been priced significantly higher had they been fairly traded. At the higher, fairly traded prices it is likely that all or nearly all of the demand for the subject imports would have shifted to other sources of supply.

The domestic products and the subject imports from Brazil and Japan are at best moderate substitutes for each other, while the subject imports from Brazil and Japan are moderate substitutes for the nonsubject imports. Therefore, it is likely that, at fairly traded prices, the demand for the subject imports from Brazil and Japan likely would have shifted to both the nonsubject imports and the domestic products. Even though the subject imports from Russia are only poor substitutes for both the domestic products and the nonsubject imports, it is likely that, at fairly traded prices, the demand for the subject imports from Russia also would have shifted to both the domestic products and nonsubject imports. Because subject imports held a cumulated market share of 9.3 percent by quantity in 1998,[33] the shift in demand away from the subject imports would not have been extremely large. Nonsubject imports accounted for only 5.9 percent of the market in 1998,[34] and thus represent only limited competition for the domestic industry. Therefore, nearly all of the demand for the subject imports would have shifted to the domestic products. Even though the shift in demand would not have been extremely large, it would have been sufficiently large that the shift in demand toward the domestic products would have been significant.

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[32] The Department of Commerce ("Commerce") has made its final LTFV determination for the subject imports from Japan. Commerce has made only preliminary determinations that the subject imports from Russia are sold at LTFV and that the subject imports from Brazil are subsidized and sold at LTFV. The preliminary antidumping duty margins for Russia are 70.66 - 217.67 percent. The preliminary antidumping and countervailing duty margins for Brazil are 50.66 - 71.02 percent and 6.62 - 9.45 percent, respectively.

[33] Table IV-9.

[34] Table IV-9.

The elasticity of demand indicates that domestic suppliers should have been able to increase prices in response to this shift in demand. Although competition from nonsubject imports is limited, there is significant competition among producers within the domestic industry, competitive conditions that normally indicate that price discipline exists in the market. However, the domestic industry is effectively operating at full capacity, and thus has only a very limited ability to supply the demand satisfied by the subject imports. Consequently, the competition among domestic producers would not have enforced price discipline in the market. In addition, the domestic industry dominates the U.S. market, accounting for about 85 percent of consumption.[35] Because nonsubject imports are such a small presence in the market, it is likely that the domestic industry would have had sufficient market power to be able to increase its prices. In these circumstances, the domestic industry likely would have increased its prices had the subject imports been sold at fairly traded prices. Consequently, I find that subject imports are having significant effects on prices for the domestic hot-rolled carbon steel products.

C. Impact of Subject Imports on the Domestic Industry

To assess the impact of subject imports on the domestic industry, I consider output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors.[36] These factors together either encompass or reflect the volume and price effects of the subsidized and dumped imports, and so I gauge the impact of the subsidies and dumping through those effects.

As I have discussed, the domestic industry would have increased its prices significantly if the subject imports had been sold at fairly traded prices. However, because the domestic industry is effectively operating at full capacity, it would not have been able to increase its output and sales significantly in response to the shift in demand towards the domestic products. Although the domestic industry had inventories available to respond to the shift in demand, its inventories were rather small, and thus any increase in the domestic industry's sales would have been slight. Therefore, the domestic industry likely would not have increased its output significantly and would have increased its sales only slightly had the subject imports been sold at fairly traded prices. Consequently, the impact of the subject imports on the domestic industry would not have been significant.

V. CONCLUSION

On the basis of the foregoing analysis, I find that the domestic industry would have increased its output and sales only slightly, but would have increased its prices, and therefore its revenues, significantly had the subject imports been fairly traded. Therefore, I find that the domestic industry would have been materially better off if the subject imports had not been subsidized and dumped. Consequently, I determine that the domestic industry producing certain hot-rolled carbon steel products is materially injured by reason of LTFV imports of certain hot-rolled carbon steel products from Japan.

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[35] Table IV-9. 48

[36] 19 U.S.C. § 1677(7)(C)(iii).

ADDITIONAL AND DISSENTING VIEWS OF COMMISSIONER THELMA J. ASKEY

I do not find that the record in this case supports a determination that the domestic hot-rolled steel industry is suffering material injury by reason of Japanese imports sold in the United States at less than fair value ("LTFV"). I find, however, that the domestic industry is threatened with material injury by reason of the subject imports.[1]

I join the majority's definition of the domestic like product and the domestic industry, its analysis regarding cumulation of imports from Japan, Russia, and Brazil for purposes of the present material injury determination, and its description of the relevant conditions of competition. My conclusions regarding the inapplicability of the captive production provision are also set forth in the majority's determination. Below I set forth the reasoning leading to my conclusion that the domestic industry is not currently materially injured, but is threatened with material injury, by reason of the subject imports.

I. THE DOMESTIC INDUSTRY IS NOT MATERIALLY INJURED BY REASON OF SUBJECT IMPORTS

In considering whether the domestic industry is being injured by the subject imports, the Commission is statutorily directed to consider the volume of the subject imports, their effect on prices in the United States for the domestic like product, and the impact of the imports on domestic producers of the domestic like product.[2] The Commission may also consider other relevant economic factors.[3] For the purpose of analyzing volume and price in its material injury determination, the Commission must cumulatively assess the volume and effect of the subject merchandise for all countries for which petitions were filed on the same day if such imports compete with each other and with the domestic like product in the United States.[4] I agree with the Commission's conclusion that the requirements for cumulation have been met in this case and I have cumulatively assessed the volume and effect of the subject merchandise.

A. Volume

In considering the volume of the subject imports, the statute directs the Commission to consider whether the volume of the subject imports, or any increase in that volume (either in absolute terms or relative to production or consumption in the United States) is significant.[5]

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[1] I have not made a "critical circumstances" finding because I determined that the domestic injury was threatened with material injury. The Commission has determined that a critical circumstances finding is triggered by a finding of present material injury. In addition, a critical circumstances finding would have no practical utility in a threat case where duties are imposed only from the date of the final determination. See, Collated Roofing Nails from China and Taiwan, Invs. Nos. 731-TA-757 and 759 (Final), USITC Pub. 3070 at 24-25 (Nov. 1997).

[2] 19 U.S.C. § 1677(7)(B).

[3] Id.

[4] 19 U.S.C. § 1677(7)(G).

[5] 19 U.S.C. § 1677(7)(C)(i).

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The volume of subject imports increased from 1.34 million short tons in 1996 to 6.98 million short tons in 1998.[6] This increase, though large in absolute terms, is not significant given the size of the U.S. market for hot-rolled steel -- U.S. consumption was 75.25 million short tons in 1998.[7] The increase in subject imports has resulted in a 7.3 percentage point rise in market share, so that in 1998 subject imports held only 9.3 percent of the U.S. market, while the U.S. industry had a dominant market share of 84.8 percent.[8] Nonsubject imports maintained a relatively steady market share of 5.7 percent in 1996 and 5.9 percent in 1998.[9]

B. Price

In considering the price effects of the subject imports, the statute directs the Commission to consider: 1) whether there has been significant price underselling by the subject imports as compared with the price of domestic products; and 2) whether the subject imports otherwise depress prices to a significant degree or prevent price increases (that would otherwise have occurred) to a significant degree.[10]

Data on underselling is often of uncertain value, particularly in cases such as this when only small quantities of subject merchandise were imported in many of the quarters for which comparisons could be made. Japanese imports undersold the domestic products in fewer than half of the instances in which comparisons could be made.[11] Brazilian imports showed more consistent underselling, but the results were still mixed.[12] Further, although the Russian product undersold the domestic product in the large majority of possible price comparisons, this underselling pattern may well be attributable to quality differences between Russian and domestic merchandise.[13]

Prices for the domestic like product unquestionably fell over the POI. The average unit values ("AUVs") for U.S. producers' U.S. shipments fell from $309.21 in 1996 to $297.22 in 1998.[14] Staff collected pricing comparisons for four common types of hot-rolled steel. Generally speaking, for all four products AUVs reached their height in mid 1997 and declined in 1998 to reach their lowest levels at the end of 1998.[15]

Looking at the record as a whole, imports do not appear to have had significant price suppressing or depressing effects during the three-year period the Commission has traditionally examined in making its material injury determination. Prices unquestionably fell at the end of the period, but overall AUVs did not decline significantly. As discussed below in the impact section, price declines may be attributable to factors other than unfair import competition.

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[6] Confidential Staff Report ("CR") and Public Staff Report ("PR") at Table IV-7.

[7] CR and PR at Table C-1.

[8] Id.

[9] Id.

[10] 19 U.S.C. § 1677(7)(C)(ii).

[11] Table at CR V-18; table at PR V-15.

[12] Id.

[13] Id.

[14] CR and PR at Table C-1.

[15] CR and PR at Figure V-2.

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C. Impact

For purposes of assessing the impact of the subject imports on the domestic industry, the statute directs the Commission to consider several factors, including: 1) declines in the industry's output (i.e., production), sales, market share, profits, productivity, return on investments and capacity utilization; 2) factors affecting domestic prices; 3) negative effects on the industry's cash flow, inventories, wages, growth, and ability to raise capital and investment; 4) negative effects on their existing development and production efforts; and 5) the size of the margin.[16]

The domestic industry's production and sales have in fact grown over the period of investigation. Domestic production and shipments have remained at or near record levels throughout the POI. Production increased 1.1 percent over the POI, while shipments increased 0.9 percent.[17] The industry's market share has declined by 7.5 percent over the POI, with most of the decline (6.0 percent) coming between 1997 and 1998.[18] The domestic industry maintained its productivity and sales over the POI, but did not capture increased sales opportunities presented by rising demand and therefore lost market share.

The domestic industry's profits remained positive throughout the period of investigation, though their levels fluctuated. Operating income rose from $430.8 million in 1996 to a high of $1.25 billion in 1997, then fell to $560.5 million in 1998.[19] Operating margins also fell from a high of 5.5 percent in 1997 to 2.6 percent in 1998. The number of production and related workers employed by the domestic industry fell 3.2 percent over the POI, but productivity during the same period increased by 8.6 percent.[20] Hourly wages rose by $1.42.[21] In addition, the industry has increased capacity by 9.2 percent from 1996 to 1998, and has managed to maintain generally high levels of capacity utilization, ranging from 94.5 percent in 1996 to a still-high 87.5 percent in 1998.[22]

I have considered the financial position of the domestic industry as a whole because I found that the captive production provision does not apply. The fact that 63.7 percent[23] of domestic production is captively consumed is a relevant condition of competition, but the inapplicability of the captive production provision makes focus on the merchant market inappropriate. Moreover, I note that significant captive consumption effectively protects the domestic industry by providing integrated producers with a guaranteed market in which they do not compete with imports or with non-affiliated domestic producers.

The industry's capital expenditures and research and development expenses fell significantly over the POI, from $1.67 billion in 1996 to $714.8 million for capital expenditures and from $4.0 million in

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[16] 19 U.S.C. § 1677(7)(C)(iii). I note that Commerce has found dumping margins ranging from 17.86 percent to 67.14 percent for Japanese producers. 64 Fed. Reg. 24329, 24370 (May 6, 1999). Commerce's preliminary margins for Russian producers ranged from 70.66 percent to 217.67 percent. 64 Fed. Reg. 9312, 9318 (Feb. 25, 1999). Commerce's preliminary margins for Brazilian producers ranged from 50.66 percent to 71.02 percent. 64 Fed. Reg. 8299, 8308 (Feb. 19, 1999).

[17] CR and PR at Table C-1.

[18] Id.

[19] CR and PR at Table VI-5.

[20] CR and PR at Table C-1.

[21] Id.

[22] Id.

[23] CR and PR at Table I-2.

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1996 to $3.5 million in 1998 for R&D expenses.[24] R&D is not a significant factor in this mature industry; few firms reported it as an expense. These declines do not necessarily signify a prolonged drop in capital expenditures; the domestic industry cannot be expected to sustain record levels of investment in modernization and expansion every year.

Prices declined over the POI, but attributing the price declines to the effects of imports is less clear-cut. Price competition among various domestic producers is keen. Mini-mills, which use electric arc furnaces ("EAF") as opposed to the basic oxygen furnaces ("BOF") generally used by integrated producers, have a lower cost structure and significantly higher productivity than integrated mills.[25] They can sell at lower prices and to some degree constrain the prices that integrated mills can ask. Nucor, an EAF producer, is widely considered to be the industry price leader by purchasers.[26]

Overall, the evidence indicates that the domestic industry is not currently experiencing material injury by reason of the subject imports. Certainly the industry's financial indicators were worse in 1998 than they had been in 1997, but in 1998 the industry remained profitable, and its profitability generally exceeded 1996 levels. Subject import volumes rose and those imports captured market share by supplying increased demand. However, import volumes did not cause the domestic industry to decrease production, although they may have limited the industry's ability to gain market share in a period characterized by increased demand. Further, import volume increases may be attributed to the inability of the domestic industry to supply growing demand in the market at a time when it was operating at capacity utilization rates ranging from 87.5 to 94.5 percent.

II. Subject Imports Threaten the Domestic Industry with Material Injury

Because I have concluded that the domestic industry is not materially injured by reason of the subject imports from Japan, I must also determine whether the industry is threatened with material injury by reason of those imports.[27] The statute directs me to consider nine enumerated factors when performing this threat analysis.[28] In making my determination, I have considered all statutory factors that are relevant to these investigations.[29]

When performing my threat analysis in these preliminary phase investigations, I have closely considered the statutory requirement that I assess whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued . . ." before making an affirmative threat finding.[30] Moreover, I have closely considered the requirement that my determination may not be made "on the basis of mere conjecture or supposition." Finally, I have considered the threat factors "as a whole" when making my threat determination.

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[24] CR and PR at Table VI-7.

[25] CR and PR at Tables C-3 & C-4.

[26] CR at II-1; PR at II-1.

[27] 19 U.S.C. §§ 1673d(b), 1677(7)(F).

[28] 19 U.S.C. §1677(7)(F).

[29] 19 U.S.C. § 1677(7)(F)(i). Factors I and VII of section 1677(7)(F)(i) are inapplicable. In addition, the record evidence indicates that the subject merchandise from Japan is not subject to antidumping findings or remedies in any country. CR at VII-6; PR at VII-4. *See* 19 U.S.C. § 1677(7)(F)(iii)(I).

[30] 19 U.S.C. §§ 1671b(a), 1673b(a), & 1677(7)(F)(ii).

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A. Cumulation

The Commission has the discretion to cumulate imports of the subject merchandise for purposes of making its determination of threat of material injury if such imports meet certain statutory requirements, which are the same as those considered when deciding whether to cumulate for a present material injury determination.[31] In past cases, the Commission has also examined other factors, such as differences in pricing and volume trends among subject countries, in determining whether to cumulate for purposes of the threat determination.[32]

We have already determined that the subject imports in this case meet the statutory factors and therefore they may be cumulated for purposes of my threat determination. I have also examined other relevant factors, and for purposes of my threat analysis I have cumulated imports from Japan and Russia, but not from Brazil.

Brazilian hot-rolled steel is imported in much smaller volumes than steel from Japan and Russia and Brazilian import rates have increased at a considerably lower rate. Brazilian imports totaled 0.45 million short tons in 1998, while Japanese imports were 2.68 million tons and Russian imports were 3.84 million tons.[33] Brazilian imports accounted for only 0.6 percent of domestic consumption in 1998, while Japanese and Russian imports accounted for 3.6 and 5.1 percent, respectively.[34] Further, while imports from all three countries certainly increased over the POI, Brazilian imports grew at a dramatically lower rate (77.6 percent) than those from Japan and Russia (1,014.1 and 353.4 percent, respectively).[35] In addition, the vast bulk of the increase in Brazilian imports occurred from 1996 to 1997; Brazilian imports grew 71.8 percent in that period but increased only 3.4 percent from 1997 to 1998.[36] By contrast, Japanese imports increased by a greater percentage from 1997 to 1998 than from 1996 to 1997. Russian imports increased slightly less from 1997 to 1998 than from 1996 to 1997, but still nearly doubled from 1997 to 1998.[37]

As illustrated above, Japanese and Russian steel imports show similar volume trends. Though proportionately Japanese import volumes showed a greater increase over the period of investigation, Russian import volumes also increased several times over. Moreover, Japanese and Russian imports hold similar shares of the U.S. market -- 3.6 and 5.1 percent respectively. Given the similarities in volume trends and market penetration, I have determined it appropriate to cumulate imports from Japan and Russia for purposes of my threat analysis.

B. Analysis of Statutory Threat Factors

When determining whether the domestic industry is threatened with material injury by reason of the subject imports, the Commission will often examine the health of the industry to determine whether

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[31] 19 U.S.C. § 1677(H).

[32] Torrington Co. v. United States, 790 F. Supp. 1161, 1172 (Ct. Int'l Trade 1992) (affirming Commission's decision not to cumulate for purposes of threat determination when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries).

[33] CR and PR at Table C-1.

[34] Id.

[35] Id.

[36] Id.

[37] Id.

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the industry is "vulnerable" to material injury from subject imports, although "vulnerability" is not itself a statutory threat factor. I do not find that the domestic industry is vulnerable in this case. The industry's financial indicators have remained positive, though they are down from 1997 levels.

The statute directs the Commission to consider whether there is "any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports."[38] Japanese producers' capacity is not expected to increase in 1999, but they do have excess capacity. Japanese producers were able to export significant volumes of subject merchandise operating at a 77.5 percent capacity utilization level in 1998. They therefore have excess capacity that they may utilize to increase production. In fact, they have projected an increase in capacity utilization to 86.4 percent in 1999. [39] This increase in capacity utilization corresponds to an increase of 4.8 million short tons of production, and would likely result in greater quantities of hot-rolled steel becoming available for export to the United States. Though some evidence suggests that the Asian market is recovering from its recent downturn and that Asian demand for steel will consequently increase, a U.S. market characterized by consistently strong demand seems a likely target for at least some of the additional production.

The Commission must also consider whether there has been "a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports."[40] Japanese imports alone have increased substantially over the period of investigation, and the rate of increase was much higher for the 1997-1998 period -- 389.2 percent -- than for the 1996-1997 period -- 127.8 percent.[41] Considering Japanese and Russian imports together, the volume of imports has increased 499.6 percent over the POI as a whole, and the volume of imports has more than doubled in each year of the POI.[42]

The market share of subject imports shows similar trends. Japanese market share doubled between 1996 and 1997 and then grew 350 percent between 1997 and 1998.[43] Japanese and Russian market shares together grew 167 percent between 1996 and 1997 and 141 percent between 1997 and 1998.[44] Japanese and Russian imports' share of the U.S. market grew two percentage points between 1996 and 1997 and grew 5.1 percentage points between 1997 and 1998, resulting in an 8.7 percent share of U.S. domestic consumption. The significant rate of increase in volume and market penetration indicate a likelihood of substantially increased imports.

The statute requires that the Commission consider "whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports."[45] As was the case in determining whether subject imports were having price suppressive or depressive effects for the purpose of the present injury

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[38] 19 U.S.C. § 1677(F)(II).

[39] CR and PR at Table VII-2.

[40] 19 U.S.C. § 1677(F)(III).

[41] CR and PR at Table C-1.

[42] Id.

[43] Id.

[44] Id.

[45] 19 U.S.C. § 1677(F)(IV).

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determination, attributing the decrease in prices to subject imports is somewhat difficult. Competition between domestic producers is keen, and domestic AUVs did not fall demonstrably in response to the lowering of foreign producers' prices.

Nevertheless, AUVs fell much more in the latter portion of the period of investigation than over the POI as a whole. This fact, coupled with increasing volumes of subject merchandise, indicates that imports are likely to have a significant depressing or suppressing effect on domestic prices and are likely to be in demand in the future. AUVs of the subject merchandise fell significantly more between 1997 and 1998 than between 1996 and 1997. Japanese AUVs fell $50.94 from $430.66 per short ton in 1996 to $379.72 per short ton in 1997, and then fell by $81.26 to $298.46 in 1998.[46] AUVs for Russian imports actually rose from 1996 to 1997, but then fell $39.97 from 1997 to 1998.[47]

The statute also directs the Commission to consider "inventories of the subject merchandise."[48] Japanese inventories in the United States increased from 5,635 short tons in 1996 to 158,638 short tons in 1998.[49] This is not only an absolute increase but also an increase in relative terms. The ratio of inventories to subject imports was 2.3 percent in 1996 and 5.9 percent in 1998.[50] Nevertheless, inventories remain relatively small when compared to total U.S. consumption.

The Commission is to consider whether there is a "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."[51] Japanese producers reportedly manufacture other products, such as cold-rolled steel, steel pipe, galvanized, or stainless steel products on the same equipment used to produce hot-rolled steel.[52]

Part of the Commission's threat determination is considering "the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product."[53] In this case, the domestic industry's level of aggregate capital investment has declined significantly from 1996 to 1998, falling from $1.67 billion in 1996 to $714.8 million in 1998.[54] Some of this decline may be explained by the significant capital improvements undertaken by the industry between 1996 and 1998, during which time the domestic producers increased production capacity by 9.2 percent.[55] Investment at those levels is unlikely to occur every year.

The statute also requires the Commission to consider "any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for

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[46] CR and PR at Table C-1. Some of the decline may presumably be attributable to different product mixes and greater sales of low-end merchandise by Japanese producers.

[47] Id.

[48] 19 U.S.C. § 1677(F)(V).

[49] CR and PR at Table C-1.

[50] Id.

[51] 19 U.S.C. § 1677(F)(VI).

[52] CR at VII-5-6; PR at VII-4.

[53] 19 U.S.C. § 1677(F)(VIII).

[54] CR and PR at Table VI-7.

[55] CR and PR at Table C-1.

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importation) of the subject merchandise (whether or not it is actually being imported at the time)."[56] Here, the record evidence suggests no other adverse effects.

The record supports the conclusion that the domestic industry is threatened with material injury by reason of the subject imports. The rate of increase in the volume of subject imports is quite substantial -- imports from Japan alone grew 127.8 percent between 1996 and 1997 and 389.2 percent between 1997 and 1998. Japanese and Russian imports together more than doubled in each year of the POI. Japanese producers project an 8.9 percent increase in capacity utilization in the next year, which will enhance their ability to export hot-rolled steel to the United States. In addition, prices declined primarily in the last half of 1998.[57] Though I have not based my decision on part-year data,[58] the record supports the conclusion that rising import volumes began affecting domestic prices at the end of the period of investigation. The likelihood of continued increased imports, as evinced by the rate of volume increase during the POI and the existence of unused capacity, suggests an imminent increase in subject imports that will likely depress prices and that therefore threaten the domestic industry with material injury.[59]

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[56] 19 U.S.C. § 1677(7)(F)(IX).

[57] CR and PR at Figure V-2.

[58] I generally believe it inappropriate to examine part-year data to sustain an injury determination because of the potential for outcome-determinative manipulation of the appropriate period. I recognize that the Commission has the discretion to identify the appropriate period for review, see Kenda Rubber Indus. v. United States, 630 F. Supp. 354, 359 (Ct. Int'l Trade 1986) ("[T]he Commission has discretion to examine a period that most reasonably allows it to determine whether a domestic industry is injured by LTFV imports."), but the Commission's decision must also be made "in light of the record as a whole." Id. at 358.

[59] I would not have made an affirmative material injury determination but for the suspension of liquidation of entries of the subject merchandise. See, 19 U.S.C. § 1673d(b)(4)(B).

PART I: INTRODUCTION

BACKGROUND

These investigations were instituted in response to petitions filed on September 30, 1998, by Bethlehem (Bethlehem, PA); USX (Pittsburgh, PA); Ispat/Inland (East Chicago, IN); LTV (Cleveland, OH); National (Mishawaka, IN);[1] CSI (Fontana, CA); Gallatin (Ghent, KY); Geneva (Vineyard, UT); Gulf States (Gadsden, AL); IPSCO (Muscatine, IA); SDI (Butler, IN); Weirton (Weirton, WV); Independent Steelworkers Union (Weirton, WV); and the United Steelworkers of America (Pittsburgh, PA). The petitions allege that an industry in the United States is materially injured, and threatened with material injury, by reason of imports of certain hot-rolled carbon steel products from Brazil, Japan, and Russia.[2] Sales of such product are allegedly subsidized with respect to Brazil and made at LTFV with respect to Brazil, Japan, and Russia.

Relevant *Federal Register* notices appear in appendix A[3]; appendix B contains the list of witnesses who appeared at the Commission's hearing; a summary of data collected in the present investigations is presented in appendix C;[4] information on previous and related Commission investigations is provided in appendix D; results of the COMPAS runs are in appendix E; lost sales and revenue information from the preliminary phase of these investigations is presented in appendix F; and domestic producers' comments regarding the effects of the subject imports on their existing and future operations are presented in appendix G. General information relating to the background of these investigations is provided below:

Date	Action
Sept. 30, 1998	Petitions filed with the Commission and Commerce; institution of the Commission's investigations (63 FR 53926, Oct. 7, 1998)
Oct. 16	Commerce's notices of initiation (63 FR 56607 and 56623, Oct. 22, 1998)
Oct. 21	Commission's conference
Nov. 16	Commission's preliminary affirmative determinations transmitted to Commerce (63 FR 65221, Nov. 25, 1998)
Nov. 30, 1998	Commerce's preliminary affirmative critical circumstances determinations on Japan and Russia and postponement of preliminary critical circumstances determination on Brazil (63 FR 65750)

[1] National is not a petitioner with respect to Japan.

[2] These products, referred to throughout this report as "certain hot-rolled steel products," are defined in the portion of the "Product" section of this report entitled "Definition." The subject merchandise is classified under headings 7208 (pt.), 7210 (pt.), 7211 (pt.), and 7212 (pt.) of the HTS; the column 1-general tariffs, applicable to U.S. imports that are products of the subject countries and classified under these headings, range from 1.7 to 3.2 percent *ad valorem.* Subject merchandise also is classified in headings 7225 (pt.) and 7226 (pt.) of the HTS under which tariffs range from 1.9 to 4.8 percent *ad valorem.* These tariffs are applicable as of Jan. 1, 1999.

[3] The Commission's notices appear in app. A. Given their length, Commerce's notices are not reproduced in this report.

[4] App. C contains summary data for the total market and open market for certain hot-rolled steel products for the period 1996-98.

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Date	Action
Jan. 29, 1999	Commerce's postponement of preliminary countervailing duty determination on Brazil (64 FR 4638)
Feb. 19	Commerce's preliminary affirmative antidumping duty determinations on Japan and Brazil, preliminary affirmative countervailing duty and negative critical circumstances determinations on Brazil, and alignment of the final countervailing duty determination with final antidumping duty determination on Brazil[1] (64 FR 8291, 8299, and 8313). Commission's scheduling of the final phase of antidumping duty investigations on Brazil and Japan and of countervailing duty investigation on Brazil (64 FR 10723, Mar. 5, 1999)
Feb. 22	Commerce initials suspension agreement with Russia[2]
Feb. 25	Commerce's preliminary affirmative antidumping duty determination on Russia[3] (64 FR 9312). Commission's scheduling of the final phase of antidumping duty investigation on Russia (64 FR 10722, Mar. 5, 1999)
Feb. 26	Commerce's postponement of final antidumping and countervailing duty determinations on Brazil (64 FR 9474)
Apr. 28	Commerce's final affirmative antidumping duty and critical circumstances determinations on Japan[4] and postponement of final antidumping and countervailing duty determinations on Brazil and of final antidumping duty determination on Russia (64 FR 24329, 64 FR 24321, and 64 FR 24329, May 6, 1999)
May 4	Commission's hearing
June 6	Commerce initials suspension agreement with Brazil
June 10	Commerce's postponement of final antidumping duty determination on Russia (64 FR 31179)
June 11	Commission's final vote on Japan
June 18	Commission's final affirmative determination on Japan transmitted to Commerce
July 6	Scheduled date for Commerce's final antidumping and countervailing duty determinations on Brazil
July 12, 1999	Scheduled date for Commerce's final antidumping duty determination on Russia

[1] The weighted-average dumping margins calculated in Commerce's preliminary determination for Brazil are as follows: 50.66 percent (CSN); 71.02 percent (Usiminas/Cosipa); and 58.76 percent (all others). The net subsidy rates calculated in Commerce's preliminary CVD determination on Brazil are as follows: 9.45 percent (Usiminas/Cosipa), 6.62 percent (CSN), and 7.85 percent (all others). Commerce noted that it included the following programs in its preliminary CVD determination on Brazil: pre-1992 Government of Brazil equity infusions to Cosipa, CSN, and Usiminas; 1992 and 1993 Government of Brazil debt-to-equity conversions provided to Cosipa; and 1992 Government of Brazil equity infusion to CSN. However, Commerce preliminarily determined that two programs did not exist: 1992 and 1993 Government of Brazil equity infusions to Cosipa and 1993 Government of Brazil assumption of debt owed by Cosipa.

[2] Under the terms of the proposed agreement, hot-rolled steel exports from Russia to the United States will be limited to 750,000 metric tons per year (with provisions for modest growth and adjustments based on U.S. consumption) with a minimum price ranging from $255 to $280 f.o.b. Further, a six-month moratorium on imports of Russian hot-rolled steel will follow the initialing of the agreement. If imports for Jan. and Feb. 1999 are zero, then these months will count toward the period of the moratorium. See Commerce website (http://www.ita.doc.gov).

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[3] The weighted-average dumping margins calculated in Commerce's preliminary determination on Russia are as follows: 70.66 percent (Severstal); 217.67 percent (Novolipetsk); 149.54 percent (Magnitogorsk); and 156.58 percent (all others).

[4] The weighted-average dumping margins calculated in Commerce's final determination on Japan are as follows: 19.65 percent (Nippon); 17.86 percent (NKK); 67.14 percent (Kawasaki); and 29.30 percent (all others). Nippon and NKK were excluded from the affirmative critical circumstances determination.

THE PRODUCT

Definition

This section presents information on both imported and domestically produced certain hot-rolled carbon steel flat products,[5] as well as information related to the Commission's "domestic like product" determination.[6] The imported product subject to these investigations includes 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, or in straight lengths of a thickness less than 4.75 mm and of a width measuring at least 10 times the thickness.[7] Specifically included in this scope are vacuum degassed, fully stabilized (interstitial-free or "IF") steels, high strength low alloy ("HSLA") steels, and the substrate for motor lamination steels.[8] [9] Those steel products that are outside the traditional definitions of carbon steel will be referred to, collectively, as "microalloyed" steel in this report.[10]

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[5] Flat-rolled products, as implied by the name, are marked by their surface flatness, which distinguishes them from other steel products, such as bar, wire, pipes, and beams.

[6] 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.

[7] 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 1,250 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 investigations.

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

[9] The merchandise subject to these investigations is classified in the HTS 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, and 7212.50.00.00. Certain subject merchandise, including IF steel, HSLA steel, and the substrate for motor lamination steel, may also enter under the following subheadings: 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.

[10] The Commission found these products to be part of the domestic like product during the preliminary phase of these investigations.

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Products included in the scope of these investigations, regardless of HTS 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 investigations unless otherwise excluded.[11]

Physical Characteristics

Petitioners maintain that the scope of these investigations covers all "products recognized by the marketplace as hot-rolled carbon steel flat products."[12] This scope includes a range of carbon steels that have been modified through the addition of small amounts of alloying elements (microalloyed). These elements, the weight of which exceeds limits imposed in the tariff and traditional industry definitions of nonalloy steels, include silicon (to make a class of substrate materials for motor lamination, electrical

[11] The following are excluded: hot-rolled alloy steel products in which at least one of the chemical elements exceeds those listed in the "Definition" section (including ASTM specifications A543, A387, A514, A517, and A506); SAE/AISI grades of series 2300 and higher; ball bearing steels (as defined in the HTS); tool steels (as defined in the HTS); silico-manganese (as defined in the HTS) or silicon electrical steels 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 chemical, physical, and mechanical specifications listed in 64 FR 24329; 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/mm^2 and 640 N/mm^2 and an elongation percentage $\geq$ 26 percent for thicknesses of 2 mm and above, or (ii) a tensile strength between 590 N/mm^2 and 690 N/mm^2 and an elongation percentage $\geq$ 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; and 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.

[12] *Petitions*, p. 5. Iron and nonalloy/alloy steel are defined in chapter 72 of the HTS. The subject products have not been further mechanically worked than hot-rolled, a rolling process in which the semifinished form (i.e., a slab) is heated and its thickness reduced by rolling. Certain downstream processing steps such as heat-treatment (annealing or normalizing, in which the temperature of the steel product is raised followed by controlled cooling), pickling, oiling, temper rolling, cutting-to-length, or slitting lengthwise do not affect this classification. Such products are excluded if they are coated with a metallic substance, such as tin, but are included in the scope if they are painted, varnished, or coated with plastics or other non-metallic substances.

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steels); titanium (to make certain IF steels); copper (to enhance the weathering ability of certain carbon steels); and niobium, vanadium, and boron (to enhance the hardenability and strength of nonalloy steels).

Petitioners state that the scope of these investigations is the same as or similar to the most recent investigations on flat-rolled carbon steel products,[13] but suggest an expansion of "carbon steel" to include certain steel grades in which one or more alloying element(s) is(are) present in limited proportions. Accordingly, carbon steel, as defined by the petitions, includes both traditional nonalloy steel and certain steels in which the alloying elements do not exceed levels described as the "boundaries recognized by the market and current steel producing technology for carbon steel."[14]

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 content is 2 percent or less, by weight. 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. The chemical composition of carbon steel has traditionally been defined as:

> steel for which no minimum content is specified or required for chromium, cobalt, columbium, molybdenum, nickel, titanium, tungsten, vanadium, or zirconium, or any other element added to obtain a desired alloying effect; when the specified minimum for copper does not exceed 0.40 percent; or when the maximum content specified for any of the following elements does not exceed the percentages noted: manganese 1.65, silicon 0.60 and copper 0.60.[15]

Table I-1 compares this chemical composition of carbon (or nonalloy) steel, as defined by AISI, the HTS, and several technical manuals, to the petitioners' expanded definition.

The petitioners' rationale for expanding the range of steel grades defined as carbon steel is that standard definitions for types and grades of steels have not kept pace with improvements in steelmaking technology.[16] Further, petitioners state that small increases in the amounts of the alloying elements do not change the classification, characteristics, and uses of the steel, but do enhance the malleability of the steel.[17] Improvements in steelmaking technology and advances in metallurgy and material performance allow steelmakers to adjust steel chemistry and metallurgical characteristics to produce high-performance

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[13] *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, Investigations Nos. 701-TA-319-332, 334, and 347-353 (Final) and Investigations Nos. 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), Vol. II*, USITC Pub. No. 2664, Aug. 1993, pp. I-3 and I-17.

[14] *Amendment to Petitions*, Oct. 9, 1998, pp. 2-4, and letter from Andrew G. Sharkey, President and CEO, AISI, Oct. 21, 1998.

[15] AISI, "Instructions for Reporting Product Shipments," Rev. Oct. 10, 1989. This same definition is used for nonalloy steel in the HTS, chap. 72, notes 1(d) and 1(f). A similar definition is given in USS, *The Making, Shaping, and Treating of Steel* (Pittsburgh, PA: Herbick & Held, 1985), pp. 1,277-1,278; Iron and Steel Society, *Steel Products Manual, Sheet Steel*, Jan. 1988, p. 3; and Iron and Steel Society, *Steel Products Manual, Plates*, Dec. 1997, p. 1.

[16] *Petitions*, p. 5; also letter from Andrew G. Sharkey, III, President and CEO, AISI, Oct. 21, 1998.

[17] In this regard, petitioners distinguished between the low percentages, by weight, of the alloying elements used to enhance the malleability of carbon steels and the higher percentages, by weight, of the alloying elements added to increase the hardenability of alloy steels, stating that carbon steels possess more malleability, greater ductility, lower yield strength, and lower tensile strength compared to full alloy steels. *Petitions*, pp. 6-7, Conference TR, p. 86.

steels with improved mechanical property values (e.g., tensile strength or impact and wear resistance) and greater resistance to atmospheric corrosion using only small amounts of alloying ingredients. These development efforts have given rise to new steel compositions, including HSLA, IF, and electrical steels, that fall between the traditional definitions of carbon and alloy steels, but are considered carbon steels by the industry.[18]

Table I-1
Comparison of carbon steel definitions

Element	AISI definition *(maximum percent by weight)*	Petitioners' definition *(maximum percent by weight)*
Manganese	1.65	1.80
Silicon	0.60	1.50
Copper	0.40	1.00
Aluminum	0.30	0.50
Chromium	0.30	1.25
Cobalt	0.30	0.30
Lead	0.40	0.40
Nickel	0.30	1.25
Tungsten	0.30	0.30
Boron	0.0008	0.012
Molybdenum	0.08	0.10
Niobium (columbium)	0.06	0.10
Titanium	0.05	0.41
Vanadium	0.10	0.15
Zirconium	0.05	0.15
Other elements (except phosphorus, sulfur, carbon, and nitrogen), taken separately	0.10	Not applicable

Source: Product manuals, HTS, Petitions, and AISI letter submission.

[18] One product manual defines HSLA steel as "a group of steels with chemical composition specially developed to impart higher mechanical property values and...greater resistance to atmospheric corrosion than is obtainable from conventional carbon...steels. It is not considered to be alloy steel, even though an intentionally added alloy would qualify it as such." Iron and Steel Society, *Steel Products Manual, Plates*, Dec. 1997, p. 1; also Conference TR, pp. 105-106. Foreign steel firms reportedly perceive HSLA steel as a class of carbon steels. See, Gerard Beranger, Guy Henry, and Germain Sanz (ed.), *The Book of Steel* (Hampshire, UK: Intercept Ltd., 1996), part 7, pp. 913-1,089.

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Manufacturing Process

The manufacturing processes for certain hot-rolled steel products are summarized below.[19] In general, there are 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 hot-rolled carbon steel mill products. There is no significant difference in the production process for making carbon (including microalloyed) steel between mills in the United States and those in the subject countries.[20]

Melt Stage

Steel is produced either by the integrated or nonintegrated process. The nonintegrated, or scrap-based, process produces molten steel by melting scrap or scrap substitutes in an electric arc furnace (EAF).[21] 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. The hot metal is processed into steel when oxygen is blown into the metal bath. Lime is added to serve as a fluxing agent; it combines 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 produced by the integrated or nonintegrated process, it is now common for steelmakers to 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. Steelmakers employ additional techniques to refine the product further into extra-clean or low-carbon steels satisfying stringent surface or internal requirements or microcleanliness quality and mechanical properties.[22] Steelmakers may adjust the chemical content by adding alloying elements or by lowering the carbon content (decarburization), or adjust 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.

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 teeming and continuous casting, but continuous slab casting is the preferred, lower-cost method. The

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[19] For a further description of the production and refining of steel, see *Steel Industry Annual Report*, USITC Pub. No. 2436, Sept. 1991, fig. 2-2; also, *Certain Flat-Rolled Carbon Steel Products (Preliminary)*, USITC Pub. No. 2549, Aug. 1992, pp. I-28-30.

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

[21] To control product quality further, all of the new thin-slab flat-rolled mills are making some use of scrap substitutes such as direct-reduced iron, hot-briquetted iron, and iron carbide; four of these mills have integrated backwards to the production of these furnace-charge materials.

[22] 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.

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vast majority of carbon sheet steels produced in the United States are continuously cast.[23] The U.S. industry is using several types of continuous slab casting processes; the conventional process is used by most U.S. and foreign integrated producers of hot-rolled carbon steel products, whereas all of the greenfield 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.[24]

Rolling Stage

The principal type of mill producing hot-rolled carbon steel products in the United States is the hot-strip mill. Hot-strip mills consist of a scalebreaker, a roughing train consisting of four or five rolling stands that reduce the slab or a single reversing stand in which the slab is passed back and forth through the stand, and a finishing train with four to seven stands to reduce the transfer bar to the desired thickness of the hot-rolled product. The flat-rolled product 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.[25]

Subsequent Operations

Processing subsequent to hot-rolling can include a temper pass to improve surface finish, gauge tolerance, and coil tightness; pickling and light oil coating;[26] 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 pickled, treated with an oil compatible with the mill's cold-reduction mill, cold-reduced,[27] annealed, and temper passed. It might then be coated with a metallic coating.[28] Pickling, oiling,

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[23] 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. 745.

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

[25] Some mills produce thicker hot-rolled carbon steel products on Steckel mills, which share many common features with hot-strip mills. 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, Investigations Nos. 731-TA-753-756 (Final)*, USITC Pub. No. 3076, Dec. 1997.

[26] During the hot-rolling process, exposure to water and the atmosphere results in the formation of oxides on the surface of the steel which are removed through a process known as pickling. Pickling involves passing the hot-rolled product through a series of acid baths that remove the oxides. The material is then dried and oiled to prevent reformation of oxides, and recoiled.

[27] Cold-reduction rolling involves a fairly large reduction in the thickness of a 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 5 to 7 roll stands.

[28] 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

(continued...)

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.[29]

Uses

Most certain hot-rolled steel products are consumed internally or transferred to an affiliated company to make cold-rolled and/or galvanized or plated products, formed and welded to make pipe, or cut to length to produce plate. Where hot-rolled steel is used as is, the strength of the hot-rolled product generally serves a structural function for applications where surface finish and light weight are not crucial. Typical uses for hot-rolled steel include pipes and tubes, automotive applications such as body frames and wheels, and floor decks in steel construction.

AISI members report microalloyed steels under the carbon steel rubric, and many U.S. and foreign steelmakers consider microalloyed steels to be within the category of carbon steels.[30] Major uses of HSLA steels include structural uses in construction, and in the automotive, machinery, and equipment industries, where they compete with other steels as well as aluminum, plastics, and advanced composites.[31] Their competitiveness reflects a consumer's need for higher strength or greater corrosion resistance with less weight or no coating relative to other carbon steels or to specialty steels. An advantage of low-carbon IF steel is its deep drawing ability, making it suitable for automotive stampings. Motor lamination substrate has superior magnetic properties for use in motors and transformers.

Channels of Distribution

Table I-2 presents the channels of distribution for domestically produced and imported certain hot-rolled steel products. Large shares of U.S. and nonsubject merchandise are consumed internally or transferred to affiliates for extensive downstream processing. While over 25 percent of Japanese and Russian imports is sold to pipe and tube manufacturers or other end users, Brazilian imported product is sold almost exclusively to intermediaries (steel distributors, service centers, and processors).

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[28] (...continued)
operations.

[29] 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 a wide range of value-added processing, such as uncoiling, flattening, and cutting flat-rolled products to length or burning hundreds of intricate parts from a single sheet.

[30] See, for example, the discussion of HSLA steels by Gerard Giauque, "The Major Families of Plain Carbon Sheet Steels," chap. 44, *The Book of Steel* (Intercept Ltd.: UK, 1996), pp. 914-936.

[31] In deciding with which material to work, manufacturers consider economic factors (e.g., price, transformation/installation cost, and maintenance/operation cost) as well as technical factors (e.g., density, tensile strength, and thermal conductivity). Normally, the decision must be made at an early part of the product design stage. Once a decision is made, manufacturers tend to stay with the material for a long period of time because of the high costs of switching, in part due to worker retraining, design changes, or retooling. International Iron and Steel Institute, *Intermaterial Competition: An Economic Analysis of General Trends*, Brussels, 1989, pp. 1-2.

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Table I-2
Certain hot-rolled steel products: Channels of distribution for U.S. shipments by U.S. producers and U.S. importers, 1998

Item	Share *(percent)* of 1998 reported U.S. shipments of certain hot-rolled steel products from–					
	USA	Brazil	Japan	Russia	Other	All sources
U.S. commercial shipments to--						
Distributors, processors, or service centers	18.1	92.0	64.2	61.5	38.7	22.2
Manufacturers of tubular products	7.9	5.7	18.6	27.5	6.4	8.8
Other end users	10.3	2.2	8.5	7.8	16.1	10.3
Subtotal	36.3	99.9	91.3	96.9	61.3	41.4
U.S. company transfers/internal consumption to produce--						
Cut-to-length plate	2.5	0.1	0.0	2.2	3.1	2.4
Tubular products	2.1	0.0	0.8	0.6	2.6	2.0
Cold-rolled products[1]	25.1	0.0	2.1	0.0	21.4	23.2
Corrosion-resistant products	27.0	0.0	0.9	0.0	11.0	24.5
Other products	7.0	0.0	4.8	0.3	0.7	6.4
Subtotal	63.7	0.1	8.7	3.1	38.7	58.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] **Cold-rolled products from material imported from "other" (nonsubject) countries include ***.**

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

I-10

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

BUSINESS CYCLE

The U.S. industry producing certain hot-rolled steel products follows a business cycle tied closely to that of the general economy. In particular, large volumes of certain hot-rolled steel products are used in construction, appliances, and automobiles. During the 3-year period for which data were collected, demand for hot-rolled steel products in the United States has been at record levels.[1] Apparent consumption of certain hot-rolled steel products in the United States increased by 9.9 percent from 68.4 million short tons in 1996 to 75.3 million short tons in 1998.

PRICE LEADERSHIP

When purchasers were asked to list the names of any firms they considered price leaders in the certain hot-rolled steel products market during January 1996-December 1998, there was a fairly strong consensus that the leading EAF steel producer, Nucor, was the dominant price leader. Nucor was mentioned solely or as the first of a group in 33 instances, and as a member of a group 5 times. Other domestic firms, without mention of Nucor but including CSI on the West Coast, were described as price leaders in six instances, while import trading companies were regarded as price leaders by one purchaser. Importers and domestic sources were mentioned together by two purchasers.

MARKET SEGMENTS

A large proportion of domestically produced hot-rolled steel products is used internally by U.S. producers. Company transfers accounted for 65.7 percent of total shipments in 1998. Hot-rolled steel products are also 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 to service centers/distributors. Service centers serve in a variety of roles including broker, distributor, and processor. Processing performed by service centers may include pickling, oiling, tempering, leveling, slitting, or shearing. Channels of distribution by source are shown in figure II-1 and further discussed in part I of this report. Sixty-three purchaser questionnaires were received by the Commission (table II-1). These purchasers account for approximately half of all merchant market consumption in the United States.[2]

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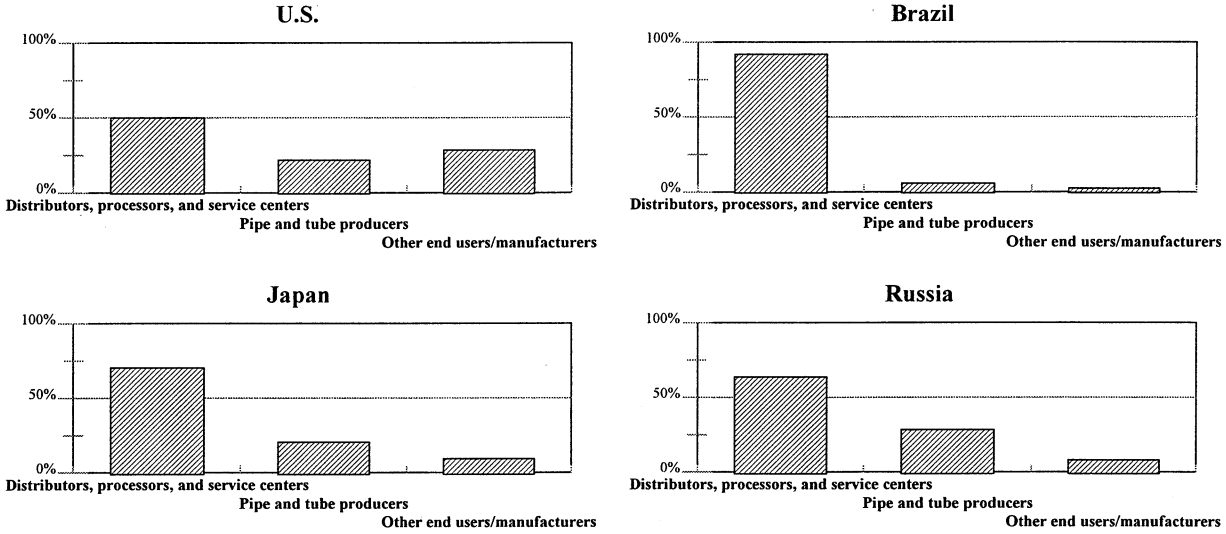
[1] Conference TR (testimony of Alan Wolff), p. 10.

[2] Overall coverage of total U.S. merchant market consumption was 46 percent, 49 percent, and 52 percent from 1996 to 1998. This includes 48 percent, 49 percent, and 60 percent of domestic shipments; 17 percent, 20 percent, and 22 percent of shipments from Brazil; 41 percent, 41 percent, and 42 percent of shipments from Japan; and 53 percent, 55 percent, and 45 percent of shipments from Russia.

II-1

Figure II-1
Channels of distribution for U.S. shipments: Percent of U.S. open-market shipments, by source, 1998



Source: Table I-2.

Table II-1
Certain hot-rolled steel products: U.S. purchasers, 1998 purchases by sources, and type of purchaser

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SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, U.S. producers of certain hot-rolled steel products are likely to respond to changes in demand with relatively small changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by a high rate of capacity utilization (although it declined over the period), low levels of inventories, the small share of exports, and the lack of significant production alternatives.

About half of the producers but very few importers stated that they were unable to supply certain hot-rolled steel products at some time since 1996.[3] Producers noted mill start-ups, labor strikes, and planned, as well as unplanned, equipment and power outages as some reasons for their inability to supply. ***. Several domestic producers reported reductions, delays, or cancellations of customer orders, especially in 1998. Purchasers' responses as to whether any producer (U.S. or foreign) refused, declined, or had been unable to sell certain hot-rolled steel products to their firm at any time since 1996 are shown in table II-2.

[3] Some importers, who were asked if they were unable to supply certain hot-rolled steel since September 1998, reported that the trade cases had an adverse effect on their ability to supply product in a timely manner. Thirty-three importers said there had been no difficulty in supplying product. One importer reported that their ***.

Table II-2
Certain hot-rolled steel products: Supply difficulties experienced by U.S. purchasers of hot-rolled steel as reported by U.S. purchasers, by company

* * * * * * *

Industry Capacity

Both capacity and production increased during each year for which data were collected. U.S. producer capacity increased by 9.2 percent from 67.3 million short tons in 1996 to 73.5 million short tons in 1998. Production increased by 1.1 percent from 63.6 million short tons in 1996 to 64.4 million short tons in 1998. Capacity utilization rates declined from 94.5 percent in 1996 to 87.5 percent in 1998.

Inventories and Exports

U.S. producers' ending inventories increased slightly from 4.0 percent to 4.3 percent of total domestic shipments. Export shipments were small compared to domestic shipments; they declined from 0.5 percent in 1996 to 0.3 percent in 1998.

Production Alternatives

Other products, such as discrete plate and certain hot-rolled alloy products, are produced by a few U.S. producers of certain hot-rolled steel products using the same equipment and workers.[4] However, production levels of these products are much lower than those of hot-rolled products. Production and marketing constraints inhibit switching production between certain hot-rolled steel products and these other products.

U.S. Demand

Demand Characteristics

Demand for certain hot-rolled steel products depends on the level of demand in the end-use industries in which they are used, such as the construction and automotive industries. Based on the available information regarding substitute products and the percentage cost of certain hot-rolled steel products in the cost of the products in which they are used, it is likely that changes in the price level of certain hot-rolled steel products will result in a relatively small change in the quantity demanded.

In 1998, about two-thirds of total domestic shipments of certain hot-rolled steel was either consumed internally within the domestic mills or transferred to affiliated companies for further processing. The primary use for these intracompany 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.

[4] Only one mill, ***, is believed to produce significant quantities of both coiled plate and discrete plate on its Steckel mill. Three firms currently produce both certain hot-rolled steel products and certain hot-rolled alloy products.

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Thirteen purchasers indicated that demand for their end use products utilizing certain hot-rolled steel had increased since January 1, 1996[5] while the other 34 responding purchasers reported either no increase in demand or that they were not end users of certain hot-rolled product. Purchasers were asked if, in the first half of 1998, they had anticipated that the demand for certain hot-rolled steel products would change during the second half of 1998. Three purchasers reported that they had anticipated significant increases in demand, 9 had anticipated moderate increases in demand, 13 had anticipated constant demand, and 7 believed demand would decrease.

One factor that affected demand in 1998 was the 5-week GM strike during June and July. GM reported that it purchases about 4.3 million short tons of steel annually for its North American production, about 20 percent of which is direct purchases of certain hot-rolled steel. GM estimates that its purchases of flat-rolled steel were about 685,000 tons lower than they would have been but for the strike.[6] In its purchaser questionnaire, ***. ***. Petitioners contend that the actual loss of steel industry sales was lower because GM's automobile production was above normal levels in the months following the strike and because other auto producers increased their production.[7]

Twenty-three purchasers indicated that the GM strike had no impact on their purchases or prices. These were largely service centers and pipe and tube manufacturers, but ***. Thirty-four other purchasers reported that they experienced price or volume effects from the strike. Twenty-three of these commented about downward pressure on the market, a softening of demand, declining prices, shortening of lead times, certain mills reentering the merchant market, and increases and revaluations in inventories. Eleven purchasers were affected more substantially, with deeper price cuts, significant drop in sales, dramatic increases in inventories, sharp reductions in purchases, and more aggressive marketing with substantial discounts.

Substitute Products

Substitutability between certain hot-rolled steel products and other products is limited. There are no direct substitutes for certain hot-rolled steel products used in U.S. producers' internal production of cold-rolled products. Possible substitutes in other applications include alternative steel products, such as discrete plate or cold-rolled steel (i.e., the thinnest hot-rolled gauges can substitute for the thickest cold-rolled gauges), and in some instances alloy steel, and other materials, such as plastics and aluminum. However, U.S. producers and importers noted that substitutability is limited by factors such as availability, durability, strength, recyclability, and relative cost. Furthermore, substitution may require end-product design changes and thus is less likely to occur in the short run.

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[5] Nine of these reported consistent increases in demand for products ranging from pipe and tube to cold-rolled strip and galvanized sheet. Two of three producers of steel wheels reporting increases specifically attributed this growth to increased demand for high strength/low weight materials. Four purchasers reported an up-and-down pattern; three of these four firms were pipe and tube producers with some dependency on the oil and gas markets. One purchaser of a variety of dipped, rolled, and plated steel products reported increased shipments in 1996 and 1997, but decreased shipments in 1998, largely as a result of a substantial increase in imports of cold-rolled annealed product from Asian producers.

Of the 13 respondents reporting increases since 1996, four firms had anticipated that demand would increase moderately in the second half of 1998 and two other firms stated that demand would increase greatly. Three firms said that they had anticipated that demand would stay the same, while three others had anticipated declines; one firm did not respond to this question.

[6] *GM's Post-Conference Brief*, p. 5.

[7] *Petitioners' Post-Conference Brief*, p. 54.

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Thirteen of 43 responding purchasers stated that there are substitutes for hot-rolled steel products. ***. *** indicated that cold-rolled steel could be used instead of hot-rolled steel. Other purchasers agreed that in certain gauges, cold-rolled steel could be substituted for hot-rolled steel if cost was not a factor. Another purchaser reported that *** made with hot rolled steel. Concrete can be substituted in construction projects, such as highways and buildings. Concrete and fiberglass can be used for hot-rolled steel in the construction of storage tanks and containers.

Thirty-nine of 62 purchasers reported that they use the hot-rolled steel products they purchase to produce downstream products. Nineteen of these reported that they competed with U.S. producers of certain hot-rolled steel products in their efforts to sell the downstream products; 18 of these reported that they did not face this competition. Of the 39 purchasers who produce downstream products, 18 said that there are no substitutes for certain hot-rolled steel products in the production of downstream products. The reported quantity and share of certain hot-rolled steel products used in purchasers' production of downstream products is shown in the following tabulation.

Downstream product	1996	1997	1998
	Share (*percent*)		
CTL plate	6.6	6.4	7.3
Tubular	37.9	36.4	35.8
Cold-rolled	11.0	9.7	15.4
Corrosion resistant	13.6	11.5	13.6
Other products	30.8	35.9	27.8
	Purchases (*short tons*)		
CTL plate	535,900	616,082	757,905
Tubular	3,065,931	3,503,385	3,715,013
Cold-rolled	888,371	935,741	1,602,699
Corrosion resistant	1,103,563	1,106,223	1,415,531
Other products	2,494,927	3,455,558	2,887,919
Total	8,088,692	9,616,988	10,379,067

Note: This tabulation does not include certain hot-rolled steel products purchased by distributors for resale. The "other products" category is comprised in large part by automobile parts and components (upper and lower body structures, chassis and suspension stampings, car and truck frames, cross members, brackets, bumpers, seat belt parts, and wheels). In addition, this category includes building products (support beams, roofing, electrical boxes, and grating); machinery (agricultural, industrial, and transportation); and other miscellaneous products (furniture components, shelving and storage racks, saw blades, strapping, recreational vehicles, and trailers).

Cost Share

Certain hot-rolled steel products account for a relatively high percentage of the cost of the intermediate products (e.g., pipe and tube, cold-rolled flat products) in which they are used but a smaller percentage of the cost of the final products. U.S. producers and importers reported that certain hot-rolled steel products account for 60 to 80 percent of the cost of pipe and tube. According to ***, certain hot-rolled steel products account for less than 40 percent of the cost of automobile components, structural parts used in appliances, metal building roof supports, and railcars but up to 80 percent of the cost of steel products such as pipe and tube, galvanized sheet, and hot- and cold-rolled sheet and strip. Flat-rolled steel products of all kinds collectively account for probably less than 5 percent of the total cost of producing a typical automobile.

Purchasers reported cost shares in excess of 70 percent for selected pipe and tube products (sprinkler pipe, fencing, line pipe, and fence-framework tubing) and a much lower cost share (10 percent) of more specialized pipe (such as abrasion resistant pipe). The cost share of construction items, such as horizontal support beams, was greater than 70 percent, as was the cost share of cut-to-length plate. The cost share of cold-rolled strip, lawn and garden equipment, some tank manufacturing, and some auto and truck frame parts was lower, ranging from 30 to 60 percent. The cost share of farm equipment and more specialized automobile items, such as bumpers, wheels, and brackets, was about 10 percent.

SUBSTITUTABILITY ISSUES

Purchase Factors

Purchasers rated a list of factors affecting their purchasing decisions as either "very important", "somewhat important", or "not important" as shown in table II-3. The factors most often cited as "very important" were product consistency, product quality, reliability of supply, price,[8] availability, and delivery time. When asked to list their first three considerations in making purchasing decisions, purchasers most often listed quality, price, and availability.[9] Other factors noted by purchasers included value, delivery, proximity to the supplying mill, long-term contracts with suppliers, traditional suppliers, range of products, and extension of credit.

[8] Purchasers were also asked how often they purchase the certain hot-rolled steel products offered at the lowest price. Only 2 purchasers selected "always", 26 selected "usually", 24 selected "sometimes", and 7 selected "never".

[9] Twenty five purchasers listed quality as their primary consideration, 13 listed price, and 8 listed availability. Additionally, 19 purchasers listed quality second, 15 listed price, and 8 listed availability. Sixteen purchasers listed price third, 9 listed availability, and 2 listed quality.

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Table II-3
Certain hot-rolled steel products: Ratings of U.S.-produced and imported products as reported by U.S. purchasers

Factor	Very important	Somewhat important	Not important
	Number of firms reporting		
Availability	38	6	1
Delivery terms	15	25	5
Delivery time	31	15	0
Discounts offered	16	21	6
Price	39	3	1
Minimum quantity requirements	12	23	11
Packaging	15	23	8
Product consistency	42	5	0
Product quality	40	3	0
Product range	11	23	5
Reliability of supply	39	9	0
Technical support/service	20	20	5
Transportation network	14	14	17
U.S. transportation costs	21	19	5

Note: Some firms did not answer every question.

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

For purchasers to minimize waste and maximize production efficiency in their own manufacturing operations, they typically require hot-rolled steel products with a rigid set of chemical and physical characteristics. As a result, nearly 80 percent of U.S. producers and two-thirds of importers reported that their customers have supplier quality certification programs or qualification requirements. Additionally, the time and expense involved in supplier qualification commonly leads purchasers to attempt to qualify a number of suppliers and depend on this group for all of their hot-rolled steel purchases. Qualification may include QS or ISO 9000 certification and ASTM certification, and often involves trial orders. The length of time needed to qualify reportedly ranges from one month to one year. The extent of the qualification process is generally a function of the level of sophistication of the end product under consideration. For example, supplier qualification in the automobile industry can take as long as two years at a cost of up to $150,000. Ten purchasers reported that either domestic or foreign producers had failed qualification or lost their approved status since 1996. Reasons cited included a lack of technology or knowledge, steel cleanliness problems, cracks, bad shapes, and surface defects. Seventeen purchasers indicated that no producers had failed to qualify or lost their status.

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Comparisons of Domestic Products and Subject Imports

All but one domestic producer and a majority of importers reported that U.S. and subject imported hot-rolled steel products are broadly interchangeable.[10] Importers who reported that products are not generally interchangeable typically cited quality differences and the availability of particular grades, sizes, or finishing options (especially tempered or pickled). Specific comments about Brazilian imports include greater availability on the East Coast (particularly for sheet, floor plate, temper-passed, pickled, and oiled material); smaller quantity requirements; better gauge tolerances; a wider size range; and the availability of HSLA steel. Advantages of Japanese products compared to domestic products according to some importers include better quality, thinner gauge, longer coils, larger widths, consistent quality, better formability, weldability, accuracy of flatness, and surface cleanliness. Importers named a large number of factors which differentiate Russian certain hot-rolled steel products from domestic and other subject imported products.[11] In terms of quality, Russian products reportedly don't always meet ASTM requirements; have a higher sulfur content and a higher phosphorus content which negatively affects ductility and welding integrity, respectively; have problems in terms of gauge tolerance, width tolerance, and chemistry; and may have problems with packaging and transportation damage. Several importers stated that Russian products are not suitable for certain end uses, such as automobile manufacturing, because they do not meet the critical surface requirements, mechanical requirements, and tight tolerances. Other differences cited by importers for the Russian product include lack of technical support, long lead times, limited product range, and restricted coil weights. One importer cited the advantages of domestic hot-rolled steel products to be availability in smaller volumes, shorter lead times, a lower risk of shipping and rust damage, the ability to cancel orders, and better technical support.

Purchasers were asked to compare domestic products with subject imports according to a number of purchase factors. Specifically, they were asked to rate U.S. products as generally "superior", "comparable", or "inferior" to imports from each of the subject countries. The results are shown in table II-4. For most purchase factors, either U.S. and Brazilian products were considered comparable or there was disagreement over which are generally superior. U.S. products were considered superior by most purchasers with respect to delivery time and technical support/service and Brazilian products were considered superior with respect to price. Similarly, U.S. products were considered superior to Japanese products by most purchasers only with respect to delivery time and Japanese products were considered superior only with respect to price. There were, however, a number of factors where U.S. products were considered either superior or comparable and a number of factors where they were considered comparable or inferior to Japanese products. U.S. products were considered either superior or comparable to Russian products by the majority of purchasers on all factors except price.

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[10] The only dissenting domestic producer, ***, found that Russian merchandise was interchangeable with U.S., Brazilian, and Japanese merchandise for commercial quality cut-to-length applications but not for drawing quality applications.

[11] Respondents argue that, in several instances, the poor and irregular quality of the imported Russian product virtually eliminates competition between Russian product and other subject imports. *Respondent's Joint Prehearing Brief, pp. 48-68; Respondents's Joint Posthearing Brief,* pp. 14-17; *Russian Respondents' Prehearing Brief,* pp. 11-16, 22-23, 25-26, 28-30; *Russian Respondent's Posthearing Brief,* pp. 6-9. Petitioners dispute most of these competition arguments. *Petitioners' Prehearing Brief, pp. 13-22; Petitioner's Posthearing Brief,* pp. 10-14.

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Table II-4
Certain hot-rolled steel products: Comparisons between U.S.-produced and subject imported products as reported by U.S. purchasers

Factor	U.S. vs. Brazil			U.S. vs. Russia			U.S. vs. Japan		
	S	C	I	S	C	I	S	C	I
	Number of firms reporting								
Availability	1	10	0	13	10	1	13	16	4
Delivery terms	4	7	0	9	12	1	9	23	2
Delivery time	9	1	2	18	5	1	26	7	0
Discounts offered	4	2	4	3	10	7	7	18	6
Price[1]	0	2	9	0	2	22	4	7	23
Minimum quantity requirements	1	7	3	16	8	1	10	19	5
Packaging	0	8	2	13	10	1	1	21	10
Product consistency	1	8	2	14	10	0	0	19	14
Product quality	1	8	2	15	9	0	1	19	14
Product range	3	5	3	16	8	0	3	21	11
Reliability of supply	4	6	0	14	11	0	9	18	6
Technical support/service	7	4	0	22	2	0	14	16	3
Transportation network	4	7	0	12	11	1	10	22	0
U.S. transportation costs	3	7	1	4	19	1	5	22	5

S=superior; C=comparable; I=inferior

[1] A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," this means that it rates the U.S. price generally lower than the import price.

Note: Some firms did not answer every question.

Source: Compiled from data submitted in response to Commission questionnaires

Thirty-four of 61 purchasers reported that they, or their customers, specify the country of origin when they order hot-rolled products. Reasons cited include quality, availability, buy-American policies, lead-times, price, ease of delivery, service, and end-use specifications requiring a particular mill's product. Seventeen purchasers indicated that domestic product was specified by the customer either because of Buy America requirements or because of availability and mill proximity, or because of specific qualities, such

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as surface flatness.[12] U.S. and Japanese suppliers were mentioned more frequently than others as having high quality products.[13]

When purchasers were asked if certain grades/types/sizes of certain hot-rolled steel products were available from only a single source, only 8 of 58 respondents replied affirmatively. Certain hot-rolled coil of 16 and 14 gauge to 72" wide was mentioned as not consistently available in the United States.[14] One purchaser reported that it had only one qualified supplier, another that *** were only available from U.S. mills. One purchaser pointed out that many U.S. steel suppliers only produce low-carbon hot-rolled steel, whereas it requires 98 percent high-carbon hot-rolled steel.

When asked if certain grades/types/sizes of certain hot-rolled steel products were not available from a particular source, 41 purchasers responded no while 16 responded yes. In addition to certain hot-rolled coil of 16 and 14 gauge to 72" wide not consistently available in the United States, steel for sour gas service was mentioned as an example of high quality steel not readily available in the United States. Certain chemistries and passes were also lacking, along with light gauges down to 0.54", and highly specialized products, such as dual phase disc material. Certain types of steel, such as IF steel and some grade 80 HSLA steel, are difficult to buy domestically when auto demand is strong. One purchaser stated that all mills (domestic and foreign) have production capability limitations and stated that there are numerous different grades/types/sizes not available from one source versus another.

Purchasers were asked what percentage and quantity of their total 1998 purchases were of certain hot-rolled steel products in widths not produced by U.S. integrated steel producers. Twenty purchasers responded that all of their purchases were to their required widths. Seven purchasers reported some problems, but in relatively small amounts of less than 15 percent of their total purchases. One purchaser commented that although integrated steel producers can produce virtually all products, much of the time they do not offer certain products for economic reasons. Specific data regarding shipments by grades and thicknesses are presented in part IV of this report.

Substitution of domestic for foreign, and foreign for domestic products does occur with varying degrees of frequency, depending on the buyer, the product, and the subject foreign country under consideration. For example, service centers, processors, and distributors, which accounted for half of 1998 U.S. producers' commercial shipments of certain hot-rolled products, might be more likely to purchase their products based on ASTM specifications, and would not be as concerned with the producing mill or the particular country of origin of a product. However, a considerable number of the responses regarding the ways purchasers select particular suppliers and remain with them came from purchasers that identified themselves as service centers. Purchasers were asked to indicate whether they ever substituted certain hot-rolled steel products from one country for those from another country for the same end use during 1996-98; this information is presented in table II-5.

Table II-5
Instances of purchasers substituting product from one country for that from another country

* * * * * * *

Reasons listed as why the domestic product was purchased in lieu of a lower-priced subject foreign product include more reliable supply, better technical assistance, better quality, better service, and less damage in transit. Although some purchasers reported the same minimum order size for the domestic and

[12] ***.

[13] ***.

[14] ***.

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subject foreign products, several purchasers reported minimum order sizes for the foreign product in the range of 50-500 tons, as compared with a fairly standard amount of 20 tons for the domestic product.

The extent to which shipments are captively consumed also affects the substitutability between domestic and subject imported certain hot-rolled steel products. The integrated steel mills in the United States have a strong incentive to use their own certain hot-rolled material in the production of downstream products because they have better control over the dimensions and the chemistry of the input; they can produce the input on site and are not burdened with ordering and inventory management; and they are able to keep their plant and equipment in use in order to offset their high fixed costs of operation.

The average reported lead time for U.S. producers was 8 days for sales of products from inventory. Lead times for sales of domestic product produced to order averaged 59 days during 1996, 1997, and the first half of 1998, and then declined to 45 days in the third quarter and 40 days in the fourth quarter of 1998. Lead times for imports from Brazil also declined from an average of 111 days in 1996-97 to 100 days in the first half of 1998 and then to 96 days in the last half of 1998. Lead times for Japanese product averaged 122 days from Japan in 1996-97 and 113 days in 1998. Lead times for product from Russia averaged 115 days during 1996-98. For shipments from inventory, importers reported lead times ranging from 1 day up to 30 days.

Most producers stated that differences other than price between U.S. products and subject imports were not significant. Most importers did find such factors to be significant in comparing U.S. and subject imports. Specifically, the share of importers reporting that they consider factors other than price to be significant for each country was: Brazil, 43 percent; Japan, 60 percent; and Russia, 57 percent.

Purchasers were asked a number of questions concerning the substitutability of domestic and subject imports. In one instance they were asked whether they would consider purchasing certain hot-rolled steel products from the countries if they required specific product characteristics, such as surface quality, gauge control, or cleanliness. The results are summarized in the following tabulation.

Purchaser responses to the question of "Would You Consider Purchasing Certain Hot-rolled Steel Products from the Countries Listed If You Required the Following Product Characteristics"

Product characteristic	Would you purchase from (Yes or No):							
	U.S.		Brazil		Japan		Russia	
	Number of firms reporting							
	Y	N	Y	N	Y	N	Y	N
Surface quality (i.e., skin passed)	47	0	33	9	44	2	6	37
Tight gauge control	45	2	24	13	42	3	8	37
Steel cleanliness	46	1	26	10	43	2	8	33
Coil-to-coil and batch-to-batch consistency	45	0	25	11	41	3	13	28
Cut-edge	41	4	25	9	35	6	10	26
Tight chemistry tolerances (carbon or other elements)	47	0	25	11	41	3	9	30

Note: Some firms did not answer every question.

Purchasers were also asked if imported and domestically produced certain hot-rolled steel products produced to the same grade and specification were generally substitutable from one country for another.

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Forty-three of 47 purchasers indicated that certain hot-rolled steel products from the United States and those from Japan were generally substitutable. Twenty-four purchasers found the domestic and Russian products to be generally substitutable while 14 did not. Twenty-three of 25 purchasers comparing domestic product with that from Brazil found them to be generally substitutable.

When asked if imported and domestically produced certain hot-rolled steel products are used in the same applications, 43 of 44 purchasers indicated that certain hot-rolled steel products from Japan and the United States are used in the same applications. Twenty-six purchasers said that certain hot-rolled steel products from the United States and Russia are used in the same applications, but 9 purchasers replied in the negative. Twenty-two of 25 purchasers agreed with this assessment for products from the United States and Brazil.

Comparisons of Imports from Subject Countries

Nearly all U.S. producers reported that certain hot-rolled steel products from Brazil, Japan, and Russia are used interchangeably. Most importers concurred in this assessment with respect to comparisons of Brazil versus Japan and Brazil versus Russia; however, about half (12 of 23) of the responding importers reported that imports from Japan and Russia are not used interchangeably.

Respondents allege that there are a large number of differences between certain hot-rolled steel products from Brazil and Japan and those from Russia.[15] In terms of quality, respondents state that products imported from Brazil and Japan are superior to Russian products because they are skin-passed and more consistent. Japanese products also have tighter gauge control than Russian products, are cleaner, and possess a cut edge versus mill edge. In addition, respondents state that sales of Japanese and Russian products are concentrated in different grades and sizes (i.e., Brazilian and Japanese products are of a thinner gauge than the Russian products). Because of these distinctions, respondents contend, Brazilian and Japanese products are used for higher-end automotive and consumer applications whereas the Russian products are used in low-end, non-critical structural applications. In addition, respondents argue that imports from Brazil, Japan, and Russia are sold in different geographical markets. Finally, respondents allege that Russian suppliers have more delivery problems, do not offer technical support, and have a limited product range.

Eight purchasers indicated that certain hot-rolled steel products from Japan are generally substitutable with those from Russia, while two purchasers did not. Four of five purchasers said the products from Japan and Brazil were substitutable. In comparing Brazilian products with Russian, all seven responding purchasers found the subject products were substitutable.

Purchasers were also asked to rate the relative importance of selected factors in the purchasing choices they made between imports from the subject countries. Their responses are summarized in table II-6. As shown in the table, Japanese product was rated superior to Russian product in terms of product quality and product consistency by nearly all responding purchasers. All six responding purchasers rated Japanese product superior to Brazilian in terms of product quality. Four of five responding purchasers rated Brazilian product superior to Russian product in terms of product quality and consistency.

Seven purchasers indicated that certain hot-rolled steel products from Japan are used in the same applications as those from Russia, while two purchasers indicated that they were not. Only four purchasers responded to this question for products from Japan and Brazil; all indicated that the products were used in the same applications. In comparing Brazilian and Russian products, all five responding purchasers indicated the subject products were used in the same applications.

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[15] *Respondents' Joint Prehearing Brief*, pp. 48-68.

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Table II-6
Certain hot-rolled steel products: Comparisons between subject imported products as reported by U.S. purchasers

Factor	Japan vs. Russia			Japan vs. Brazil			Brazil vs. Russia		
	S	C	I	S	C	I	S	C	I
	Number of firms reporting								
Availability	2	7	2	2	3	1	2	2	1
Delivery terms	4	6	1	1	5	0	2	3	0
Delivery time	3	7	1	1	4	0	2	3	0
Discounts offered	1	8	2	0	4	1	1	2	2
Price[1]	0	2	9	1	4	1	0	2	3
Minimum quantity requirements	5	6	0	1	5	0	1	4	0
Packaging	7	4	0	1	5	0	3	2	0
Product consistency	10	1	0	3	3	0	4	1	0
Product quality	11	0	0	6	0	0	4	1	0
Product range	7	4	0	2	3	1	3	2	0
Reliability of supply	6	4	1	2	3	1	3	2	0
Technical support/service	6	4	0	4	1	0	3	2	0
Transportation network	3	8	0	1	5	0	3	2	0
U.S. transportation costs	2	9	0	1	5	0	0	3	1

S=superior; C=comparable; I=inferior

[1] A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," this means that it rates the U.S. price generally lower than the import price.

Note: Some firms did not answer every question.

Source: Compiled from data submitted in response to Commission questionnaires

Comparisons of Domestic Products and Subject Imports to Nonsubject Imports

The share of total imports accounted for by nonsubject imports declined from 74 percent in 1996 to 54 percent in 1997, and to 39 percent in 1998. Nearly all U.S. producers and importers reported that certain hot-rolled steel products produced in the United States and imported from the three subject countries are used interchangeably with those imported from nonsubject countries. U.S. producers mainly reported that differences other than price between U.S.-produced and subject imported certain hot-rolled steel products and nonsubject imports were not significant while about half of importers reported that there

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were significant differences. However, substitutability is somewhat limited because of the share of nonsubject imports that are internally transferred.[16]

Purchasers were also asked to rate the relative importance of selected factors in the purchasing choices they made between imports from the subject countries and imports from nonsubject countries (table II-7). As shown in the table, Japanese product was rated comparable or superior to nonsubject product in terms of product quality and product consistency by nearly all responding purchasers. Nine responding purchasers rated Brazilian product inferior to nonsubject product in terms of product quality, while two purchasers rated it as comparable in quality. All eleven responding purchasers rated Russian product inferior to nonsubject product in terms of product quality.

Table II-7
Certain hot-rolled steel products: Comparisons between subject imported products and nonsubject imported products as reported by U.S. purchasers

Factor	Brazil vs. Nonsubject			Japan vs. Nonsubject			Russia vs. Nonsubject		
	S	C	I	S	C	I	S	C	I
	Number of firms reporting								
Availability	0	3	8	5	10	3	0	2	8
Delivery terms	0	8	3	1	18	0	0	6	4
Delivery time	0	7	4	2	14	2	0	4	6
Discounts offered	2	4	1	2	12	1	2	5	3
Price[1]	10	1	0	9	8	2	10	0	0
Minimum quantity requirements	0	9	2	1	17	1	1	4	5
Packaging	0	9	2	2	17	0	0	4	6
Product consistency	0	7	4	5	14	0	0	2	8
Product quality	0	2	9	5	13	1	0	0	10
Product range	0	3	8	5	13	1	0	2	8
Reliability of supply	0	4	7	3	12	3	0	3	7
Technical support/service	0	4	7	2	16	1	0	3	7
Transportation network	0	9	2	1	18	0	0	4	6
U.S. transportation costs	0	6	3	2	17	0	0	5	3

S=superior; C=comparable; I=inferior

[1] A rating of superior means that the price is generally lower.

Note: Some firms did not answer every question.

Source: Compiled from data submitted in response to Commission questionnaires

[16] Pohang transferred *** of its imports to its joint venture UPI. Pohang's transfers to UPI accounted for ***. II-14

ELASTICITY ESTIMATES

This section discusses the elasticity estimates that are used in the COMPAS analysis (appendix E).

U.S. Supply Elasticity

The domestic supply elasticity for certain hot-rolled steel measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of certain 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. certain hot-rolled steel. Analysis of these factors earlier indicates that the U.S. industry is likely to be able to increase or decrease shipments to the U.S. market by a small amount within a one year time frame; an estimate in the range of 3 to 5 is suggested. Petitioner generally agreed with staff's estimate. Respondents state that the elasticity is at the higher end of staff's range because of some available capacity in the U.S. industry.

U.S. Demand Elasticity

The demand elasticity for certain hot-rolled steel products measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of certain hot-rolled steel. Demand elasticity depends on factors such as the existence, availability, and commercial viability of substitute products, as well as the component cost share of certain hot-rolled steel products in the downstream products in which it is used. Demand elasticity is also affected by the existence and availability of substitutes for the downstream products. The demand elasticity for certain hot-rolled steel is estimated to be relatively low, primarily because of the lack of viable substitutes for these products in the downstream products in which they are used. A demand elasticity estimate in the range of -0.6 to -0.8 appears reasonable. Both petitioners and respondents agreed with staff's estimate.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.[17] Product differentiation, in turn, depends upon such factors as quality (chemistry, appearance, etc.) and conditions of sale (availability, sales terms/ discounts/promotions, etc.). Based on available information, the elasticity of substitution between open-market U.S.-produced and subject Brazilian, Japanese, and Russian hot-rolled steel is likely to be in the range of 3 to 5. The elasticity of substitution between Russian hot-rolled steel and that from other sources is likely to be toward the lower end of the range. If the total market is considered, substitutability is likely to be lower because of the large share of certain hot-rolled steel products that are captively consumed; therefore, staff estimates that the elasticity of substitution between total market U.S.-produced product and subject imported product is in the range of 2 to 3.5.[18]

Petitioners accepted staff's estimate for purposes of its modeling; however, they stated that the elasticity may be slightly higher, in the range of 4 to 6, because "increased supplies and inventories of subject imports have increased their substitutability with domestic like products, and because of the

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[17] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and U.S. 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.

[18] This assumes that the elasticity of substitution between captively consumed domestic product and subject imports is in the range of 1.5 to 2.5.

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commodity nature of the product."[19] Respondents argue that the large volume of captive consumption lowers the elasticity of substitution to a range of 2 to 3.

[19] Petitioners' prehearing economic submission, p. 7.

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PART III: CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping and subsidies was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V. Information on the other factors specified is presented in this part and/or part VI and (except as noted) is based on the questionnaire responses of 24 firms that accounted for an estimated 95 percent of production and 98 percent of U.S. commercial shipments of certain hot-rolled steel products during 1998.[1]

U.S. PRODUCERS

The Commission mailed questionnaires to 31 mills believed to produce certain hot-rolled steel products. Twenty-four 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.[2] Twelve firms, representing *** percent of reported 1998 production, constitute the petitioning coalition; 11 firms, representing *** percent of reported 1998 production, are not affiliated with the coalition but support the petitions; and one firm, representing *** percent of reported 1998 production, takes no position on the petitions.[3] Details regarding each firm's position on the petitions, type of melting furnace, share of 1998 mill production, production location, and parent company are presented in table III-1.

Reported U.S. production of certain hot-rolled steel products is concentrated in Indiana, Ohio, Alabama, Michigan, Pennsylvania, and Illinois. Between 1996 and 1998, three mills producing certain hot-rolled steel products, Armco, Caparo, and McLouth (now DSC), exited the industry, while eight mills entered into or expanded within the industry. In 1996, SDI moved from trial heats to full-scale production and sales from its facility in Butler, IN; Nucor commenced operations on its rolling mill in Berkley, SC; and Lukens (now a division of Bethlehem) installed a Steckel mill and supporting facilities in its Conshohocken, PA, plant. In 1997, North Star/BHP, located in Delta, OH, began its hot commission phase in February; TRICO began coil production in Decatur, AL, in April; and IPSCO and Oregon began trial coil production late in the year.

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[1] U.S. commercial shipments of certain hot-rolled steel products from mills reported in questionnaire responses for 1998 exceed U.S. shipments (excluding exports) of coiled plate, hot-rolled sheet, and hot-rolled strip reported to AISI. *Shipments of Steel Products by Market Classification, AIS 16C*, AISI, 1998. The Commission collected data on material that the AISI defines, for reporting purposes, as alloy, and is also believed to have obtained broader coverage of mills producing certain hot-rolled steel products than AISI.

[2] Five firms reported that they do not produce the subject products and two firms did not respond to the questionnaires.

[3] ***, which submitted a negative producer response, also *** the petition.

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Table III-1
Certain hot-rolled steel products: U.S. mills, positions on the petitions, type of melting furnace, shares of reported 1998 U.S. mill production, U.S. production locations, and parent companies

Firm	Position	Type of melting furnace	Share of production *(percent)*	Production location	Parent company and country
Acme	***	BOF	***	Riverdale, IL	Acme (U.S.)[1]
AK	***	BOF	***	Middletown, OH	AK (U.S.)
Armco	***	EAF	***	Mansfield, OH	Armco (U.S.)
Beta	***	EAF	***	Portage, IN	Beta (U.S.)
Bethlehem	Petitioner	BOF	***	Conshohocken, PA; Chesterton, IN; Sparrows Point, MD	Bethlehem (U.S.)
Caparo[2]	***	EAF	***	Farrell, PA	Caparo (U.K.)
CSI	Petitioner	None - hot strip mill only	***	Fontana, CA	Kawasaki (Japan): 50%; CIA. Vale do Rio Doce (Brazil): 50%
DSC	***	None - hot strip mill only	***	Trenton, MI	DSC (U.S.)
Gallatin	Petitioner	EAF	***	Ghent, KY	Co-Steel (Canada): 50%; Dofasco (Canada): 50%
Geneva[3]	Petitioner	BOF	***	Vineyard, UT	Geneva (U.S.)
Gulf States	Petitioner	BOF	***	Gadsden, AL	GSSI Holding Corp. (U.S.)
IPSCO	Petitioner	EAF	***	Muscatine, IA	IPSCO (Canada)
Ispat/Inland	Petitioner	BOF	***	East Chicago, IN	Ispat International, N.V. (Netherlands)
Lone Star	***	EAF	***	Lone Star, TX	Lone Star (U.S.)
LTV	Petitioner	BOF	***	Cleveland, OH; East Chicago, IN	LTV (U.S.)
National	Petitioner, except for Japan	BOF	***	Ecorse, MI; Granite City, IL	NKK (Japan): 67.6%; National (U.S.): 32.4%
Newport	***	EAF	***	Newport, KY	NS Group, Inc. (U.S.)

Continued on the following page.

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Table III-1 -- Continued
Certain hot-rolled steel products: U.S. mills, positions on the petitions, type of melting furnace, shares of reported 1998 U.S. mill production, U.S. production locations, and parent companies

Firm	Position	Type of melting furnace	Share of production *(percent)*	Production location	Parent company and country
North Star/ BHP	***	EAF	***	Delta, OH	NSS Ventures, Inc. (U.S.): 50%; BHP Resource Holdings, Inc. (U.S.): 50%
Nucor	***	EAF	***	Blytheville, AR; Berkley, SC; Crawfordsville, IN	Nucor (U.S.)
Oregon	***	EAF	***	Portland, OR; Fontana, CA	Oregon (U.S.)
Rouge	***	BOF	***	Dearborn, MI	Rouge (U.S.)
SDI	Petitioner	EAF	***	Butler, IN	SDI (U.S.; shareholders include Salzgitter A.G. (Germany): 11.5%)
TRICO	***	EAF	***	Decatur, AL	LTV (U.S.): 50%; Sumitomo Metals Industries, Ltd. (Japan): 25%; British Steel plc (U.K.): 25%
Tuscaloosa	***	EAF	***	Tuscaloosa, AL	British Steel plc (U.K.)
USX	Petitioner	BOF	***	Fairfield, AL; Gary, IN; Dravosburg, PA	USX (U.S.)
WCI	***	BOF	***	Warren, OH	Renco Steel Holdings, Inc. (U.S.)
Weirton	Petitioner	BOF	***	Weirton, WV	Weirton (U.S.)
WPS	***	BOF	***	Steubenville, OH	WHX Corp. (U.S.)
Total			100.0		

[1] Acme Metals, Inc., of which Acme is a wholly-owned subsidiary, filed for protection under Chapter 11 of the U.S. Bankruptcy Code on Sept. 28, 1998.
[2] Caparo, after making only minimal steel in 1998, sold its steel production assets to Duferco in Dec. 1998. The production facility in Farrell, PA, is now called Duferco Farrell Corp.
[3] Geneva filed for protection under Chapter 11 of the U.S. Bankruptcy Code on Feb. 1, 1999.

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

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U.S. MILLS' PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-2 presents data on U.S. mills' production and capacity to produce certain hot-rolled steel products. These data reflect not only the previously-noted entrances into, and departures from, the marketplace but also the improvements made by U.S. mills in the years included in these investigations. As indicated, capacity rose while capacity utilization declined throughout the period examined; production peaked in 1997.

Table III-2
Certain hot-rolled steel products: U.S. producers' capacity, production, and capacity utilization, 1996-98

Item	Calendar year		
	1996	1997	1998
Average-of-period capacity *(short tons)*	67,334,504	70,028,075	73,544,818
Production *(short tons)*	63,646,185	64,851,934	64,373,004
Capacity utilization *(percent)*	94.5	92.6	87.5

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

In 1996, Tuscaloosa installed steel melting and slab casting capability, upgraded its Steckel mill (commissioned in September 1996), and installed a new electric arc furnace (commissioned in October 1996). During 1996-97, Acme commissioned a new continuous slab caster and hot-strip mill. Finally, SDI added a second slab caster in June 1998.

Most mills routinely shut down their hot-strip mills for brief maintenance on a weekly, bi-weekly, or monthly basis, with more extensive (typically week-long) maintenance about every six months. Furnace re-lines take place every two years or more, and require several months to complete. Customer impact is minimized by the coordination of production, sales, and inventory of slabs and coils.[4]

Four mills reported power disruptions over the summer of 1998.[5] Three mills reported equipment failures which quantifiably impacted their operations.[6] One mill, WPS, reported noticeable labor constraints on production (a 10-month work stoppage from October 1, 1996, until August 12, 1997).

Most responding mills are capable of producing hot bands for downstream products, such as plate cut from coils, tubular products, and cold-rolled, galvanized, and plated carbon steel products, on the same equipment used to produce certain hot-rolled steel products. Firms with Steckel mills are also capable of producing discrete (never coiled) cut-to-length plate. Finally, two firms produce alloy sheet, strip, or coiled plate on the same equipment used to produce certain hot-rolled steel products.

Respondents have argued that the cause of the price decline of hot-rolled steel products is increasing competition from the nonintegrated producers (i.e., those who use an EAF), not imports.

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[4] In their questionnaire responses, *** reported altering maintenance schedules, and *** reported a *** delay in re-lighting one of its blast furnaces, due to low order volumes. ***. This increased demand allowed ***.

[5] SDI moved into an off-peak production schedule in late July, costing the mill an estimated 25,000 short tons. "Steelmakers Zapped by Power Outages and Higher Electricity Rates," *Iron Age New Steel*, Aug. 1998, pp. 8-9.

[6] A blast furnace breakout in 1996 cost *** short tons. A hot-strip mill outage cost *** in 1996. Unplanned outages at *** cost the company *** short tons in 1997 and *** short tons in the first quarter of 1998. Additionally, on Feb. 1, 1999, Rouge suffered an explosion and fire at its powerhouse, ***. Rouge estimates *** III-4

Summary tables C-3 and C-4 illustrate the changes that have occurred during the period of investigation among BOF and EAF mills. These tables illustrate that while BOF production capacity has increased only 3.2 percent over the period examined, EAF production capacity has increased by almost 50 percent. Similarly, EAF mills' production has grown at a much faster rate than that of BOF mills. Capacity utilization of EAF mills has consistently been 6 to 10 percent lower than that of BOF mills.

U.S. MILLS' SHIPMENTS

Total Shipments

Table III-3 presents data on U.S. mills' total shipments (company transfers, domestic commercial shipments, and export shipments) during the period for which data were collected. All but three operating U.S. mills reported company transfers, which accounted for between 64 and 66 percent of total shipments during the period 1996-98. All operating U.S. mills reported domestic commercial shipments, which accounted for substantially all of the remaining shipments.[7] Exports of certain hot-rolled steel products, reported by 14 mills, declined throughout the period examined from 0.5 percent of total mill shipments in 1996 to 0.3 percent in 1998.[8] Total shipments rose almost 2 percent in 1997 but fell 1 percent in 1998.

If BOF and EAF-based shipments are separated as in tables C-3 and C-4, a striking difference becomes apparent. As BOF mill's total U.S. shipments have declined in each year and by 3.2 percent during the period of investigation, EAF mills have increased their shipments by 31.5 percent from 1996 to 1998 and accounted for *** percent of commercial shipments reported to the Commission for 1998.[9]

Company Transfers

As noted earlier, certain hot-rolled steel products are consumed internally by U.S. mills in the production of cut-to-length plate, tubular products, cold-rolled steel, corrosion-resistant products, and other further-processed steel.[10] Nineteen of 21 responding mills reported that these downstream products do not compete for sales in the merchant market with certain hot-rolled steel products.[11]

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[7] The Commission also requested U.S. mills to report the volume of certain hot-rolled steel products on their order books at the end of each quarter during the period for which data were collected and at the end of January and February 1999. U.S. mills reported that orders were fairly stable between 4 and 4.5 million tons through 1996 and the first three quarters of 1997. Then, order books began to increase, reaching 4.7 million tons in the fourth quarter of 1997 before peaking at 5.2 million tons in the first quarter of 1998. Orders declined rapidly to 4.4 million tons in the second quarter of 1998 and then to just over 3.1 million tons for the last two quarters of 1998. Order books in 1999 continued to slide to 2.8 million tons in January before rebounding to 3.8 million tons in February.

[8] Unfair trade remedies are in effect in Mexico against U.S. exports of coiled plate and, until 1998, were in effect against U.S. exports of sheet. Conference TR, pp. 72-73.

[9] Reported U.S. producers' commercial shipments in 1998 totaled 21,780,520 short tons with the following breakdown by type of mill: EAF mills, *** short tons; BOF mills, *** short tons; and CSI, *** short tons.

[10] In 1998, production of cut-to-length plate accounted for 3.9 percent of internal consumption, tubular products accounted for 4.0 percent, cold-rolled products accounted for 39.0 percent, corrosion-resistant products accounted for 42.4 percent, and other products accounted for 10.7 percent.

[11] *** reported that cut-to-length plate competes with coiled plate, while *** reported that cold-rolled sheets over 0.040" in thickness compete with thin-gauge hot-rolled sheets. These mills accounted for *** percent of reported 1998 captive consumption of certain hot-rolled steel products.

Table III-3 Certain hot-rolled steel products: Shipments by U.S. producers, by types, 1996-98			
Item	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
Company transfers	41,765,887	41,670,359	42,062,700
Commercial shipments	21,484,292	22,789,913	21,780,520
Subtotal	63,250,179	64,460,272	63,843,220
Export shipments	321,628	295,757	169,935
Total	63,571,807	64,756,029	64,013,155
	Value (*$1,000*)		
Company transfers	12,101,978	11,843,837	11,776,799
Commercial shipments	7,455,332	8,064,547	7,198,714
Subtotal	19,557,310	19,908,384	18,975,513
Export shipments	98,392	100,419	56,663
Total	19,655,702	20,008,803	19,032,176
	Unit value (*per short ton*)		
Company transfers	$289.76	$284.23	$279.98
Commercial shipments	347.01	353.86	330.51
Subtotal	309.21	308.85	297.22
Export shipments	305.92	339.53	333.44
Total	309.19	308.99	297.32
Source: Compiled from data submitted in response to Commission questionnaires.			

Certain hot-rolled steel products are the predominant material input in the production of all of the major downstream products. Typically certain hot-rolled steel products account for 90 percent or more of the raw material cost of producing cut-to-length plate, 80 percent or more of the raw material costs for tubular products, and nearly 100 percent of the raw material costs for cold-rolled products. From 63 to 87 percent of the raw material cost of producing galvanized products, and 90 to 92 percent of the raw material cost of producing plated products, is accounted for by certain hot-rolled steel products.

Nearly all U.S. mills reported that certain hot-rolled steel products from other suppliers can be used or substituted in their own captive consumption operations,[12] but they were more evenly divided on the issue of whether they had used (or qualified for use) for their own consumption certain hot-rolled steel products from other suppliers (11 had, 10 had not). Ten U.S. mills reported that the certain hot-

[12] Only *** indicated that they could not use outside-sourced certain hot-rolled steel products. These mills accounted for *** percent of reported 1998 captive consumption of certain hot-rolled steel products by mills responding to this question.

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rolled steel products that they captively consume, in part or in whole, differ from the certain hot-rolled steel products sold by them to unrelated customers.[13] However, 13 of 21 responding mills reported that a portion of their merchant market sales of certain hot-rolled steel products were used by their customers to produce the same downstream products that the individual mills produced from captively consumed certain hot-rolled steel products.[14]

BOF and EAF mills produce certain hot-rolled steel products for different customers. Whereas BOF mills captively consumed *** percent of their U.S. shipments in 1998, EAF mills captively consumed only *** percent of their 1998 U.S. shipments.[15] BOF mills have gradually increased the share of their shipments that they captively consume. The share of shipments that EAF mills captively consume has been more erratic, dropping from *** percent in 1996 to *** percent in 1997 before rising slightly to *** percent in 1998. These share figures can be somewhat misleading given the shipment dynamics for these two types of mills. The actual volumes reported by BOF mills has been relatively constant at approximately *** million short tons, while EAF mills have steadily increased their captive consumption volumes from *** million short tons in 1996 to *** million short tons in 1998.

U.S. MILLS' INVENTORIES

Table III-4 presents end-of-period inventory data supplied by all responding U.S. mills producing certain hot-rolled steel products during the period for which data were collected. Mills generally maintained somewhat lower volumes of hot-rolled inventories compared to more standardized products such as cut-to-length plate, but did experience some fluctuations in inventory levels, both intentional and unintentional.[16] Ten mills further supplemented their stocks with purchases of domestically produced and imported certain hot-rolled steel products, while two mills imported certain hot-rolled steel products directly.

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[13] These 10 mills accounted for *** percent of reported 1998 captive consumption of certain hot-rolled steel products by mills responding to this question. Four of these 10 mills indicated that there are grades of hot-rolled carbon steel that they only produce for captive consumption but for which there is a domestic market. These 4 mills (***) accounted for *** percent of reported 1998 captive consumption of certain hot-rolled steel products by mills responding to this question.

[14] Nearly all responding mills with cut-to-length plate production or tubular operations reported selling certain hot-rolled steel products to firms which produce these downstream products. Eight of the mills reporting captive production sell certain hot-rolled steel products to a collection of about 10 firms, including *** that produce cold-rolled or, less frequently, galvanized products. The few firms that characterized these transactions typically considered them to be small and minimally-affected by their own captive consumption operations.

[15] The 1998 quantities of U.S. shipments and captive consumption by BOF mills are *** short tons and *** short tons and by EAF mills are *** short tons and *** short tons.

[16] Mills planning for a blast furnace reline or other scheduled maintenance outage typically build up inventory to prepare for the outage. See, e.g., Conference TR, p. 42 (testimony of Curtis H. Barnette, Chairman & CEO, Bethlehem).

Table III-4
Certain hot-rolled steel products: End-of-period inventories of U.S. producers, 1996-98

Item	Calendar year		
	1996	1997	1998
End-of-period inventories *(short tons)*	2,571,136	2,604,164	2,771,350
Ratio of inventories to production *(percent)*	4.0	4.0	4.3
Ratio of inventories to U.S. shipments *(percent)*	4.1	4.0	4.3
Ratio of inventories to total shipments *(percent)*	4.0	4.0	4.3

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

U.S. MILLS' EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. mills' employment and productivity data are presented in table III-5. As noted earlier, one mill, WPS, reported noticeable labor constraints on production (a 10-month work stoppage from October 1, 1996, until August 12, 1997).

U.S. mills employ the same PRWs to produce hot-rolled carbon steel for downstream products, such as plate cut from coils, tubular products, and cold-rolled, galvanized, and plated carbon steel products, as to produce certain hot-rolled steel products. Firms with Steckel mills can employ the same PRWs to produce discrete (never coiled) cut-to-length plate.

As expected, given the previously highlighted trends for production and shipments, BOF mills have reduced the number of PRWs and hours worked as EAF mills have increased both during the period examined (see tables C-3 and C-4). While productivity is considerably greater at EAF mills, BOF mills have enjoyed more steady productivity growth.

Table III-5
Average number of PRWs in U.S. establishments wherein certain hot-rolled steel products are produced, hours worked, wages paid to such employees, and hourly wages, productivity, and unit production costs, 1996-98

Item	Calendar year		
	1996	1997	1998
Number of PRWs	33,965	33,518	32,885
Hours worked *(1,000)*	73,597	71,634	68,574
Wages paid *($1,000)*	1,695,944	1,728,447	1,677,417
Hourly wages *(per hour)*	$23.04	$24.13	$24.46
Productivity *(short tons/1,000 hours)*	864.8	905.3	938.7
Unit production costs *(per short ton)*	$26.65	$26.65	$26.06

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

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PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent questionnaires to 77 firms believed to have imported certain hot-rolled steel products between January 1996 and December 1998, and received usable data from 52 of the firms.[1] Four U.S. mills directly imported the subject merchandise,[2] while seven purchased certain hot-rolled steel products originating in one of the countries subject to investigation.[3] Based on Commerce data for 1998 imports of certain hot-rolled steel products, firms responding to the Commission's questionnaire accounted for 87.7 percent of the subject imports from Brazil; 89.2 percent of the subject imports from Japan; 74.0 percent of the subject imports from Russia; and 61.1 percent of the imports from all other countries.

None of the reporting importers imported certain hot-rolled steel products from all three of the countries subject to investigation during the period for which data were collected, though 13 reporting firms imported from two of the three subject countries.[4] Four firms imported the subject merchandise solely from Brazil, 11 from Japan, and 15 from Russia. Nine firms reported imports of certain hot-rolled steel products exclusively from nonsubject countries. Details regarding the reporting importers' source of imports, U.S. headquarters, and parent companies, are provided in table IV-1.

Table IV-1
Certain hot-rolled steel products: U.S. importers, source of imports, U.S. headquarters locations, and parent companies

Firm	Source of imports	Headquarters location	Parent company and country
Abstoss	***	New York, NY	Abstoss (U.S.)
AMS	***	Charlotte, NC	AMCI (U.S.)
Artco	***	White Plains, NY	Artco Industrial Co., Inc. (U.S.)
ASOMA	***	White Plains, NY	Metallon Holdings Corp. (U.S.)
Balli North America	***	Houston, TX	Balli Group Plc (U.K.)
British Steel	***	Schaumburg, IL	British Steel Plc (U.K.)

Continued on the following page.

[1] Twelve firms reported that they did not import certain hot-rolled steel products during the period for which data were collected and 13 firms did not respond to the Commission's questionnaires.

[2] ***. In addition, ***.

[3] ***.

[4] Eight firms imported the subject merchandise from Brazil and Russia, four firms imported from Japan and Russia, and one firm imported from Brazil and Japan.

Table IV-1 – Continued
Certain hot-rolled steel products: U.S. importers, source of imports, U.S. headquarters locations, and parent companies

Firm	Source of imports	Headquarters location	Parent company and country
Cargill Ferrous	***	Wayzata, MN	Cargill Ferrous (U.S.)
Commercial Metals	***	Dallas, TX	Commercial Metals (U.S.)
Cotia	***	New York, NY	Cotia Trading S.A. (Brazil)
Coutinho Caro	***	Stamford, CT	Coutinho Caro & International Trading (Germany)
Dofasco USA	***	Southfield, MI	Dofasco, Inc. (Canada)
Duferco Steel, Inc.	***	Laurence Harbor, NJ	Duferco SA (Switzerland)
Fedmet	***	Houston, TX	Russel Metals (Canada)
Feralloy	***	Chicago, IL	Preussag AG (Germany)
Feralloy North American	***	Melvindale, MI	Feralloy Corp. (U.S.)
Ferrostaal	***	Houston, TX	MAN Capital Corp. (U.S.)
Francosteel	***	New York, NY	Sollac (France)
Ganahmsa	***	San Antonio, TX	Grupo Acero del Norte (Mexico)
Global Market	***	New York, NY	Global Market Services, Inc. (U.S.)
Hoogovens	***	Scarsdale, NY	Koninlijke Hoogovens NV (Netherlands)
Industrial Steels (U.K.)	***	London, England	British Steel Plc (U.K.)
Intermetals	***	Tinton Falls, NJ	Intermetals Corp. (U.S.)
IPSCO	***	Camanche, IA	IPSCO Inc. (Canada)
Itochu	***	New York, NY	Itochu Corp. (Japan)
Kawasho	***	Long Beach, CA	Kawasho Corp. (Japan)

Continued on the following page.

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Table IV-1 – Continued
Certain hot-rolled steel products: U.S. importers, source of imports, U.S. headquarters locations, and parent companies

Firm	Source of imports	Headquarters location	Parent company and country
Krupp Hoesch	***	Atlanta, GA	Fried Krupp AG (Germany)
Magnum	***	Hudson, OH	Magnum Steel & Trading Co., Inc. (U.S.)
Mannesmann Pipe & Steel	***	Houston, TX	Mannesmann AG (Germany)
Marubeni	***	New York, NY	Marubeni Corp. (Japan)
Metallia	***	Fort Lee, NJ	Metallia U.S.A. LLC (U.S.)
Mitsubishi	***	Rosemont, IL	Mitsubishi Corp. (Japan)
Mitsui	***	New York, NY	Mitsui & Co., Ltd. (Japan)
NASCO	***	New York, NY	North Atlantic Steel Co., Inc. (NASCO) (U.S.)
Nichimen	***	New York, NY	Nichimen Corp. (Japan)
Nissho Iwai	***	New York, NY	Nissho Iwai Corp. (Japan)
Nittetsu Shoji	***	Houston, TX	Nittetsu Shoji Co. (Japan)
Nomura	***	New York, NY	Nomura Trading Co., Ltd. (Japan)
Pohang	***	Woodcliff Lake, NJ	POSCO (Korea)
Preussag	***	Atlanta, GA	Preussag AG (Germany)
Shinsho	***	Torrance, CA	Shinsho Corp. (Japan)
Steel Coils	***	Deerfield, IL	Itochu Corp. (Japan)
Stemcor	***	New York, NY	Stemcor, Ltd., Holding (UK)
Sterling Pipe and Tube	***	Toledo, OH	Sterling Pipe and Tube, Inc. (U.S.)
Sumikin Bussan	***	Los Angeles, CA	Sumikin Bussan Corp. (Japan)
Sumitomo	***	New York, NY	Sumitomo Corp. (Japan)
SSAB Swedish Steel	***	Pittsburgh, PA	SSAB Svenskt Stal AB (Sweden)

Continued on the following page.

Table IV-1 – Continued
Certain hot-rolled steel products: U.S. importers, source of imports, U.S. headquarters locations, and parent companies

Firm	Source of imports	Headquarters location	Parent company and country
Thyssen	***	Detroit, MI	Thyssen AG (Germany)
Trade ARBED	***	New York, NY	Arbed S.A. (Luxembourg)
Triorient	***	New York, NY	Triorient Trading, Inc. (U.S.)
Unibros	***	New York, NY	Unibros Steel (Cyprus)
Voest-Alpine	***	New York, NY	Voest-Alpine Stahl Linz, GmbH (Austria)
World Metals	***	New York, NY	World Metals Corp. (U.S.)

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

U.S. IMPORTS

Certain hot-rolled steel product imports from each of the subject countries and from all nonsubject countries for the period 1996-98 appear in table IV-2.[5] Imports of certain hot-rolled steel products from 44 countries not subject to these investigations (primarily from Korea and from Canada, France, Germany, Mexico, the Netherlands, and Taiwan) were present in the U.S. market in 1998. Subject imports and total imports rose throughout the period examined, while nonsubject imports fell in 1997 but exceeded 1996 levels by 13 percent in 1998. Subject imports rose by 124 percent in 1997 and more than doubled again (up 133 percent) in 1998.

[5] Commerce's official statistics for certain hot-rolled steel products (other than microalloyed products) indicate that imports from Brazil, Japan, and Russia reached their highest monthly levels since Jan. 1996 in Nov. 1998, while those from nonsubject sources reached their highest monthly level in Aug. 1998. Imports from subject and nonsubject sources reached their lowest monthly unit values since Jan. 1996 during the fourth quarter of 1998: Brazil in Oct., Japan in Nov., and Russia and nonsubject sources in Dec.

Table IV-2
Certain hot-rolled steel products: U.S. imports, by sources, 1996-98

Source	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
Brazil	254,166	436,685	451,462
Japan	240,976	548,822	2,684,756
Russia	847,764	2,016,018	3,843,641
Subtotal	1,342,905	3,001,525	6,979,859
All others	3,905,460	3,519,507	4,428,038
Total	5,248,366	6,521,032	11,407,896
	Value (*$1,000*)		
Brazil	83,585	140,581	133,442
Japan	103,780	208,400	801,295
Russia	222,710	564,866	923,303
Subtotal	410,075	913,847	1,858,040
All others	1,342,387	1,223,035	1,411,701
Total	1,752,462	2,136,882	3,269,741
	Unit value (*per short ton*)		
Brazil	$328.86	$321.93	$295.58
Japan	430.66	379.72	298.46
Russia	262.70	280.19	240.22
Subtotal	305.36	304.46	266.20
All others	343.72	347.50	318.81
Total	333.91	327.69	286.62
	Share of quantity (*percent*)		
Brazil	4.8	6.7	4.0
Japan	4.6	8.4	23.5
Russia	16.2	30.9	33.7
Subtotal	25.6	46.0	61.2
All others	74.4	54.0	38.8
Total	100.0	100.0	100.0

Continued on the following page.

IV-5

Table IV-2 -- Continued Certain hot-rolled steel products: U.S. imports, by sources, 1996-98			
Source	Calendar year		
	1996	1997	1998
	Share of value (*percent*)		
Brazil	4.8	6.6	4.1
Japan	5.9	9.8	24.5
Russia	12.7	26.4	28.2
Subtotal	23.4	42.8	56.8
All others	76.6	57.2	43.2
Total	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.			

As noted previously, the imports subject to these investigations are provided for in provisions of headings 7208 though 7212 and 7225 through 7226 of the HTS. Data regarding the quantity and value of U.S. imports of hot-rolled microalloyed products are based on questionnaire responses, while other imports of certain hot-rolled steel products from subject and nonsubject countries are based on Commerce statistics.[6]

CUMULATION CONSIDERATIONS

In assessing whether imports compete with each other and with the domestic like product, the Commission has generally considered four factors: fungibility, presence of sales or offers to sell in the same geographical markets, common or similar channels of distribution, and simultaneous presence in the market. Issues concerning fungibility are addressed below and in parts I and II of this report and channels of distribution are discussed in part I; geographical markets and presence in the market are discussed below.

Fungibility

In the preliminary phase of these investigations, respondents argued that their products were different from each other and from U.S.-produced products by reason of the grades and thicknesses sold as well as the prevalence of or inability to provide additional processing. Table IV-3 shows that 55-65 percent of the products coming from each source fell within the same thickness (0.080 - 0.187 inch). Additionally, each source, except all other, sold substantial quantities of the three identified grades.

[6] Data for certain hot-rolled steel products, other than microalloyed products, are from the following HTS statistical reporting numbers for the years 1996-98: 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, 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, and 7212.40.50.00.

IV-6

Table IV-3
Certain hot-rolled steel products: Shares of commercial shipments/imports, by thickness and grade, 1998

(*Share* in percent)

Grade	Thickness				
	≤ 0.060"	> 0.060" but ≤ 0.080"	> 0.080" but ≤ 0.187"	> 0.187"	Total
U.S. producers' commercial shipments[1]					
ASTM A-569	0.4	4.2	19.1	5.2	28.9
ASTM A-570	0.2	0.8	4.9	2.2	8.0
ASTM A-607	0.5	0.9	5.5	2.9	9.8
All other grades	0.7	6.0	26.1	20.5	53.3
Total	1.8	11.9	55.5	30.8	100.0
U.S. imports from Brazil[1]					
ASTM A-569	0.0	33.7	46.4	0.1	80.2
ASTM A-570	0.0	0.0	8.5	0.6	9.0
ASTM A-607	0.0	0.0	0.0	0.0	0.0
All other grades	0.0	1.0	8.2	1.6	10.8
Total	0.0	34.7	63.1	2.2	100.0
U.S. imports from Japan[1]					
ASTM A-569	6.2	6.5	25.7	4.4	42.7
ASTM A-570	3.8	4.1	7.8	1.8	17.5
ASTM A-607	0.2	0.2	0.6	0.6	1.6
All other grades	2.2	4.5	21.7	9.7	38.1
Total	12.4	15.3	55.8	16.4	100.0
U.S. imports from Russia[1]					
ASTM A-569	0.0	3.2	22.3	0.5	26.0
ASTM A-570	0.0	0.1	7.0	14.9	22.0
ASTM A-607	0.0	0.0	1.0	0.2	1.2
All other grades	0.0	0.4	27.2	23.3	50.8
Total	0.0	3.7	57.4	38.9	100.0

Continued on the following page.

IV-7

Table IV-3 -- Continued
Certain hot-rolled steel products: Shares of commercial shipments/imports, by thickness and grade, 1998

(*Share* in percent)

Grade	Thickness				
	≤ 0.060"	> 0.060" but ≤ 0.080"	> 0.080" but ≤ 0.187"	> 0.187"	Total
U.S. imports from all other sources[1]					
ASTM A-569	3.1	3.6	6.2	1.0	13.9
ASTM A-570	0.7	0.1	0.3	0.4	1.6
ASTM A-607	0.0	1.1	3.1	2.4	6.7
All other grades	2.2	3.6	55.8	16.2	77.8
Total	6.1	8.3	65.5	20.1	100.0

[1] Coverage from the various sources is as follows: over 90 percent for U.S. producers and imports from Japan and all other sources, 60 percent for imports from Russia, and 39 percent for imports from Brazil.

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

Table IV-4 shows the shares of certain hot-rolled steel products from the various sources that had further value added by pickling, oiling, temper rolling/skin passing, or edge trimming. The table highlights that Russian imports have considerably less additional processing than those from any other source. Brazil is the source which most consistently provided additional processing in the three areas investigated.

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Table IV-4
Certain hot-rolled steel products: Shares of U.S. producers' commercial shipments and U.S. imports, by additional processing, 1998

(*Share* in percent)

Additional process	U.S. producers' shipments	Imports from- -			
		Brazil	Japan	Russia	All other
Pickling and oiling					
Neither pickled nor oiled	71.0	67.9	89.1	95.1	80.1
Pickled and/or oiled	29.0	32.1	10.9	4.9	19.9
Total	100.0	100.0	100.0	100.0	100.0
Temper rolling					
Not temper rolled or skin passed	85.2	32.5	29.7	98.2	82.5
Temper rolled or skin passed	14.8	67.5	70.3	1.8	17.5
Total	100.0	100.0	100.0	100.0	100.0
Edge trim					
Mill edge (as rolled)	71.3	64.1	84.7	98.2	74.7
Trimmed	28.7	35.9	15.3	1.8	25.3
Total	100.0	100.0	100.0	100.0	100.0

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

Geographical Markets

As noted previously, certain hot-rolled steel products produced in the United States are shipped nationwide. Table IV-5, based on Commerce statistics for the period 1996-98, presents U.S. import quantities of certain hot-rolled steel products, by country, according to the customs districts and regions through which they entered (in percent).

Table IV-5
Certain hot-rolled steel products: U.S. imports, by regions and by sources, 1996-98

Customs district	Brazil *(percent)*	Japan *(percent)*	Russia *(percent)*	All others *(percent)*
East region	24.4	3.7	12.8	9.4
Gulf Coast region	42.9	59.5	54.6	25.8
Great Lakes region	23.7	0.2	31.7	39.2
West region	8.9	36.6	1.0	25.6
Total	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of Commerce.

Presence in the Market

Certain hot-rolled steel products produced in the United States were present in the market throughout the period for which data were collected. Based on Commerce statistics, imports of certain hot-rolled steel products from all three subject countries and from nonsubject countries entered the United States in each of the 36 months of the period being investigated. Table IV-6 presents U.S. imports of certain hot-rolled steel products, by country, according to the number of months in each period in which they entered.

Table IV-6
Certain hot-rolled steel products: U.S. imports, monthly entries into the United States, by sources, 1996-98

Source	Calendar year		
	1996	1997	1998
Brazil	12	12	12
Japan	12	12	12
Russia	12	12	12
All others	12	12	12

Source: Compiled from official statistics of Commerce.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of certain hot-rolled steel products are based on U.S. mills' shipments as reported in Commission questionnaires and imports as recorded in official statistics and adjusted by reported imports of hot-rolled microalloyed steel products. During the period for which data were collected, the economy improved in general and consumption of certain hot-rolled steel products continuously increased. Data on apparent U.S. consumption are presented in table IV-7 (total market) and table IV-8 (open market).

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Table IV-7
Certain hot-rolled steel products: U.S. producers' U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
U.S. producers' U.S. shipments	63,250,179	64,460,272	63,843,220
Imports from Brazil	254,166	436,685	451,462
Imports from Japan	240,976	548,822	2,684,756
Imports from Russia	847,764	2,016,018	3,843,641
Subtotal	1,342,905	3,001,525	6,979,859
Imports from all other countries	3,905,460	3,519,507	4,428,038
Total	5,248,366	6,521,032	11,407,896
Apparent U.S. consumption	68,498,545	70,981,304	75,251,116
	Value (*$1,000*)		
U.S. producers' U.S. shipments	19,557,310	19,908,384	18,975,513
Imports from Brazil	83,585	140,581	133,442
Imports from Japan	103,780	208,400	801,295
Imports from Russia	222,710	564,866	923,303
Subtotal	410,075	913,847	1,858,040
Imports from all other countries	1,342,387	1,223,035	1,411,701
Total	1,752,462	2,136,882	3,269,741
Apparent U.S. consumption	21,309,772	22,045,266	22,245,254

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

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Table IV-8
Certain hot-rolled steel products: U.S. producers' U.S. commercial shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
U.S. producers' U.S. commercial shipments	21,484,292	22,789,913	21,780,520
Imports from Brazil	254,166	436,685	451,462
Imports from Japan	240,976	548,822	2,684,756
Imports from Russia	847,764	2,016,018	3,843,641
Subtotal	1,342,905	3,001,525	6,979,859
Imports from all other countries	3,905,460	3,519,507	4,428,038
Total	5,248,366	6,521,032	11,407,896
Apparent U.S. consumption	26,732,658	29,310,945	33,188,416
	Value (*$1,000*)		
U.S. producers' U.S. commercial shipments	7,455,332	8,064,547	7,198,714
Imports from Brazil	83,585	140,581	133,442
Imports from Japan	103,780	208,400	801,295
Imports from Russia	222,710	564,866	923,303
Subtotal	410,075	913,847	1,858,040
Imports from all other countries	1,342,387	1,223,035	1,411,701
Total	1,752,462	2,136,882	3,269,741
Apparent U.S. consumption	9,207,794	10,201,429	10,468,455

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

IV-12

MARKET SHARES

The market shares of U.S. mills and imports from Brazil, Japan, Russia, and all other sources, based on apparent U.S. consumption of certain hot-rolled steel products, are presented in table IV-9 (total market) and table IV-10 (open market). In both cases, U.S. producers lost market share throughout the period examined while subject imports gained; nonsubject imports lost market share in 1997 but rebounded in 1998.

Table IV-9
Certain hot-rolled steel products: Apparent U.S. consumption and market shares, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
Apparent U.S. consumption	68,498,545	70,981,304	75,251,116
	Value (*$1,000*)		
Apparent U.S. consumption	21,309,772	22,045,266	22,245,254
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	92.3	90.8	84.8
Imports from Brazil	0.4	0.6	0.6
Imports from Japan	0.4	0.8	3.6
Imports from Russia	1.2	2.8	5.1
Subtotal	2.0	4.2	9.3
Imports from all other countries	5.7	5.0	5.9
Total imports	7.7	9.2	15.2
	Share of value (*percent*)		
U.S. producers' U.S. shipments	91.8	90.3	85.3
Imports from Brazil	0.4	0.6	0.6
Imports from Japan	0.5	0.9	3.6
Imports from Russia	1.0	2.6	4.2
Subtotal	1.9	4.1	8.4
Imports from all other countries	6.3	5.5	6.3
Total imports	8.2	9.7	14.7

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

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Table IV-10
Certain hot-rolled steel products: Apparent U.S. open market consumption and market shares, 1996-98

Item	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
Apparent U.S. open market consumption	26,732,658	29,310,945	33,188,416
	Value (*$1,000*)		
Apparent U.S. open market consumption	9,207,794	10,201,429	10,468,455
	Share of quantity (*percent*)		
U.S. producers' U.S. commercial shipments	80.4	77.8	65.6
Imports from Brazil	1.0	1.5	1.4
Imports from Japan	0.9	1.9	8.1
Imports from Russia	3.2	6.9	11.6
Subtotal	5.0	10.2	21.0
Imports from all other countries	14.6	12.0	13.3
Total imports	19.6	22.2	34.4
	Share of value (*percent*)		
U.S. producers' U.S. commercial shipments	81.0	79.1	68.8
Imports from Brazil	0.9	1.4	1.3
Imports from Japan	1.1	2.0	7.7
Imports from Russia	2.4	5.5	8.8
Subtotal	4.5	9.0	17.7
Imports from all other countries	14.6	12.0	13.5
Total imports	19.0	20.9	31.2

Source: Compiled from data submitted in response to Commission questionnaires and from official statistics of Commerce.

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PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Prices of the hot-rolled steel product purchased by U.S. end users depend on several factors, including the steel's physical and metallurgical properties that make the steel suitable for end-use applications. In turn, these physical and metallurgical properties largely depend on the steel's chemistry (its carbon content together with levels of contained alloying elements), its metallurgical properties (its inclusion morphology or the steel's cleanliness, and its grain structure), and its surface and edge qualities. The type, grade, gauge, and width (and the tolerated deviations from these specified minimums or maximums) of hot-rolled steel are generally specified by testing societies according to the steel's technical specifications; these are the AISI and SAE grades, and ASTM specifications.[1] Prices also depend on the nature of the purchase agreement (spot or longer-term contract, the presence of extras[2]), the quantity, and the competitive environment.

Raw Material Costs

U.S. producers report that raw material costs account for about 50 percent of the cost of hot-rolled steel products.[3] They reported mixed trends regarding costs for raw material inputs. Prices of iron ore (consumed by integrated steel mills in the production of iron) declined only a little between January 1996 and December 1998. Prices of steel scrap (consumed by EAF steelmakers in the production of steel) were more volatile. They declined during 1996, increased during 1997, and fell sharply during 1998.[4] Prices of certain other steelmaking inputs, including such ferroalloys as ferrosilicon and silicomanganese, also declined during 1998 compared with 1997.[5] Energy costs also are a significant cost factor, and steelmaking companies in the U.S. Midwest reported outages as well as peak prices during the summer of 1998. However, most U.S. producers reported that changes in raw material costs have had no impact on their sales prices for hot-rolled carbon steel products, and that prices are based largely on market demand factors.

Tariff Rates

U.S. imports of certain hot-rolled steel products were subject to column-1 general rates of duty ranging from 1.6 to 3.6 percent *ad valorem* during 1998. Imports from the three countries were concentrated in certain HTS subheadings that are duty-rated at the higher end of this range, 2.9 percent to 3.6 percent *ad valorem*, with an effective rate of slightly more than 3 percent.

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[1] In general, AISI and SAE specifications are grades of steel by chemistry while ASTM specifications incorporate mechanical and physical properties.

[2] Extras include pickling and oiling, temper rolling, edge trim, sizes and weight, chemistry and grade, and packaging.

[3] Specifically, raw material costs account for 50 percent of COGS and 44 percent of the price of hot-rolled carbon steel products. Of course, these percentages increase proportionately with decreases in the prices of hot-rolled steel products.

[4] Bureau of Labor Statistics, Producer Price Index–Commodities, Iron Ore, and Iron and Steel Scrap, found at Internet site http://www.bls.gov, retrieved on Apr. 6, 1999.

[5] Based on a comparison of transaction prices reported weekly in Platt's Metals Week, various issues. Much of the 1998-price decreases occurred during the latter half of the year.

V-1

Transportation Costs

U.S. producers reported that U.S. inland transportation costs account for, on average, 4 percent of the total delivered price of hot-rolled carbon steel products. Importers reported somewhat higher U.S. inland transportation costs, about 6 percent of the delivered price of hot-rolled carbon steel products. Transportation costs to U.S. ports of entry during 1996-98, as a percentage of the U.S. customs values, averaged 9.6 percent for U.S. imports from Brazil, 11.6 percent from Japan, and 10.1 percent from Russia. The average transportation cost share of imports declined from 11.3 percent to 10.4 percent as an average for the three countries between 1996 and 1998 and averaged 10.6 percent during the period investigated.[6]

Exchange Rates[7]

Quarterly real and nominal exchange rates reported by the IMF for the currencies of Brazil and Japan against the U.S. dollar during the period January 1996-December 1998 are shown in figure V-1;[8] this figure also shows quarterly nominal exchange rate indices between the U.S. dollar and the Russian ruble for the same period (no producer or wholesale price series for Russia were available to calculate real exchange rates for the ruble). The currencies of all three subject countries depreciated relative to the U.S. dollar during January 1996-December 1998, although, since August 1998 the Japanese yen has appreciated relative to the U.S. dollar. Government policies to control the exchange rates of Brazil[9] and Russia[10] were effectively suspended for the Russian ruble in August 1998, and for the Brazilian real in

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[6] This is calculated as the percentage difference between c.i.f. and customs value divided by customs value. The amount represented by insurance is believed to be negligible.

[7] An exchange rate is the price of one currency in terms of another currency. If a currency depreciates vis-a-vis the U.S. dollar, it means that the country's exports are less expensive in U.S. dollars and the country's imports are more expensive in terms of U.S. dollars. The exchange rate indices discussed in this report are based on exchange rates expressed in U.S. dollars; an exchange rate index number below 100 indicates that the foreign currency has depreciated relative to the base year while a number above 100 indicates that the currency has appreciated relative to the base year. Also, an upward sloping line indicates that the foreign currency appreciated against the U.S. dollar and the opposite is true with regard to a downward sloping line.

[8] Real exchange rates are nominal exchange rates adjusted for relative rates of inflation. Adjusting nominal rates (the market or unadjusted exchange rate) by relative inflation or deflation in the subject country vis-a-vis the United States yields a real exchange rate which accounts for relative changes in prices in the subject country as well as changes in nominal exchange rates. The real exchange rate is a better indicator than the nominal exchange rate of the impact of exchange rates on export and import prices. The quarterly real exchange rate indices were calculated from nominal exchange rates, producer/wholesale price indices in the subject countries, and the producer price index in the United States.

[9] As part of largely successful efforts to control Brazil's inflation, on June 22, 1995, the Central Bank of Brazil adjusted the band for the real from 1 per U.S. dollar to 0.91 to 0.99 reals per 1 U.S. dollar; the band was further adjusted in January of 1996 to 0.97 to 1.06 reals per dollar, in February of 1997 to 1.05 to 1.14 reals per dollar, and in January of 1998 to 1.12 to 1.22 reals per dollar. This last band came under increasing pressure resulting in a devaluation by 8.3 percent in mid-January 1999 and a freely floating rate one week later; the depreciation that came about from a freely floating exchange rate totaled approximately 30 percent from the devaluation earlier in the same month.

[10] During January 1993-December 1998, the Central Bank of Russia announced the official unitary exchange rate twice per week (1993-96) and daily (1997-98), based on daily auctions held at the Moscow Interbank Currency Exchange. During January 1996-August 17, 1998, the Central Bank of Russia conducted a more managed float of the exchange rate by establishing allowable exchange rate bands around its officially announced

V-2
(continued...)

January 1999. In particular, the ruble's slide against the dollar accelerated during the second half of 1998; the default on certain types of government debt by Russia in August 1998 as well as the continuing politico-economic difficulties exacerbated that decline. The fall in exchange rates of these two countries tended to lower dollar prices of their exports. The dollar revenues, when converted to the domestic currency would likely allow the foreign producers to realize additional local currency revenues (because of the devaluation/depreciation of the currency), even with some decrease in their dollar selling prices. There is no official Japanese government policy to control the exchange value of the yen, although the authorities intervene when necessary to counter disorderly conditions in the foreign exchange market.[11]

Figure V-1
Exchange rates: Indexes of exchange rates of the currencies of Brazil, Japan, and Russia relative to the U.S. dollar, by quarters, Jan. 1996-Dec. 1998

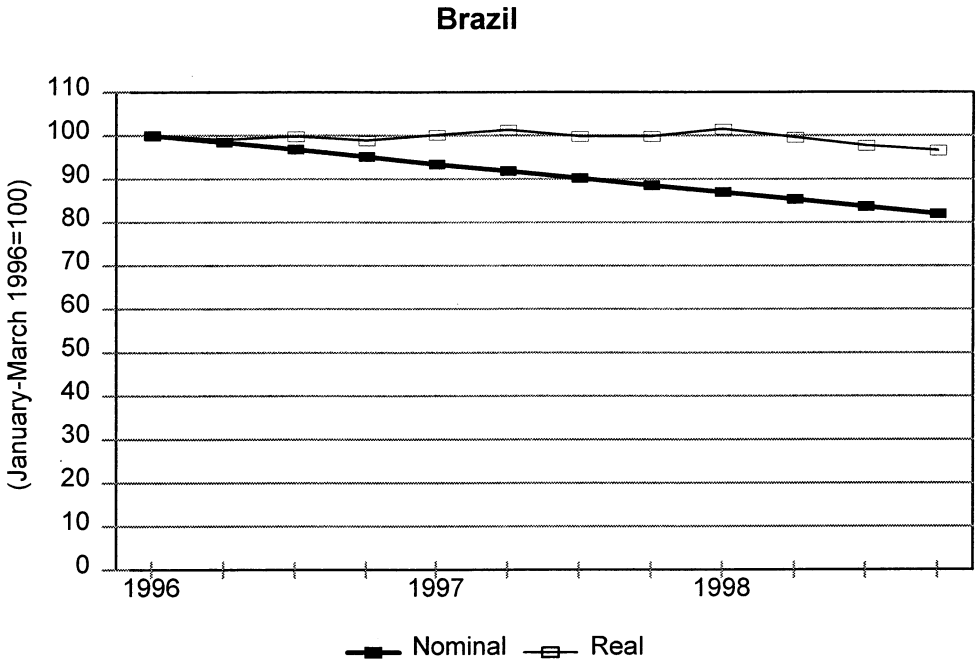

Figure continued.

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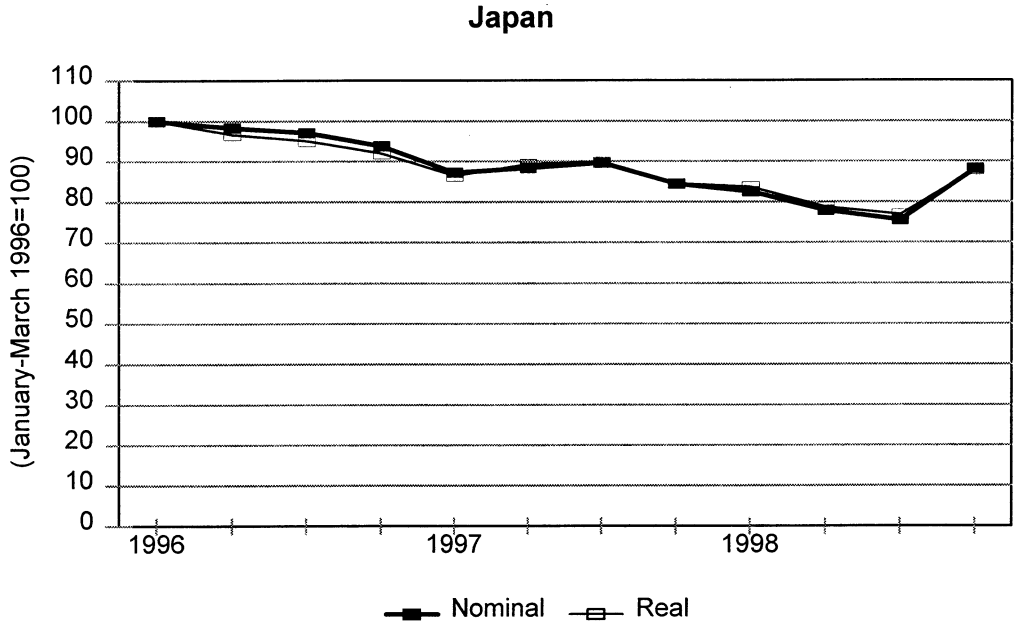
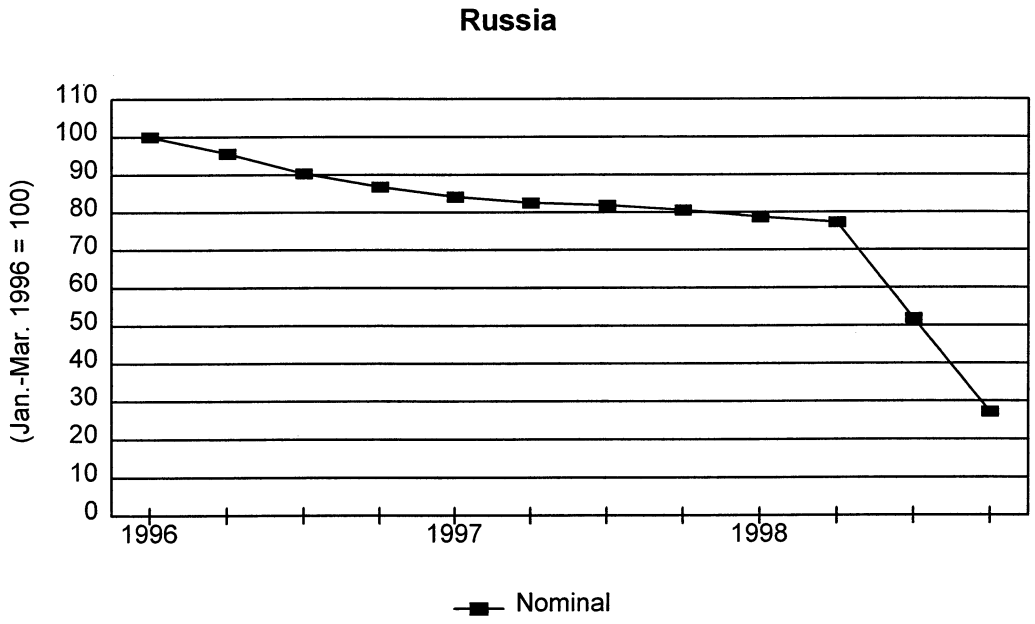
[10] (...continued)
exchange rate. Based on the new ruble, the band was 5.0 to 5.6 rubles per U.S. dollar during the first six months of 1996, and this band was allowed to rise by 1.5 percent per month to 5.5 to 6.1 rubles per U.S. dollar by the end of 1996. During 1997, this band slipped to 5.75 to 6.35 rubles per dollar by Nov. 10, 1997, after which the Central Bank of Russia established a band of 5.27 to 7.13 rubles per dollar. This band remained until Aug. 17, 1998, on which date, the Russian government imposed a 90-day moratorium on external debt repayments by commercial companies and financial enterprises, and allowed the upper end of the exchange rate band to rise to 9.5 rubles per dollar. By the end of 1998, the Russian ruble was trading at 17 rubles per dollar. The moratorium is currently still in effect. It should be noted that a large proportion of Russia's exports are priced in dollars, and that its prices for such exports would not be directly affected by a devaluation (a large proportion of domestic transactions within Russia also are conducted in U.S. dollars or other "hard" currencies).

[11] According to the Ministry of Finance of Japan, the exchange rate of the yen is determined on the basis of supply and demand; also, there are no officially set rates in the forward exchange market, and forward exchange transactions are based on free market rates. See, IMF, *Exchange Arrangements and Exchange Restrictions Annual Report 1998* (Washington, D.C.: 1998), pp. 470-474.

Figure V-1--*Continued*
Exchange rates: Indexes of exchange rates of the currencies of Brazil, Japan, and Russia relative to the U.S. dollar, by quarters, Jan. 1996-Dec. 1998





Note: Producer price data, and thus real exchange rate data, were not available for Russia.

Source: IMF, *International Financial Statistics*, Mar. 1999.

V-4

PRICING PRACTICES

Many U.S. producers publish price lists but most indicated that prices are negotiated depending on market conditions and competitive situations. Although *** indicated that it uses a set price list, other industry executives stated that *** have considerable discretion to set prices ***. Discounts are offered by many producers based on quantity purchased of a particular item and/or annual or quarterly volumes purchased. Extras may be charged for width, minimum thickness, chemistry, small quantities, and processing extras (pickling, oiling, edge trim, or temper pass, for example).

Most U.S. producers equalize or absorb freight costs on at least some portion of their sales. The majority of importers reported that they typically sell hot-rolled carbon steel products on an f.o.b. basis. Most U.S. producers indicated that they offer a cash discount of one-half to three-quarters percent for payments within 10 days; importers' typical terms are net 30 days. Most producers (83 percent) reported that they typically arrange for transportation to their customers while most importers (67 percent) reported that their customers arranged for transportation. Most importers reported that the majority of their sales were within 100 miles of the port of entry or storage facilities. U.S. producers reported that the majority of their sales were within 500 miles of their mills.

Twelve of 19 producers reported selling on both a contract and spot basis while the remaining 7 sell exclusively on a spot basis. Nine of the 12 that reported selling both contract and spot sell the majority of their hot-rolled products on a spot basis. Most reported that the average length of the contract was 6 months or more, with 5 reporting an average length of one year. About half of importers reported selling exclusively on a spot basis, while the remaining half sold primarily on a contract basis. The length of contracts reported by importers was typically shorter than that reported by producers, on average 4 months. The typical contract fixes both price and quantity. Only two producers and one importer reported that their contracts typically contain a meet-or-release provision.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly quantity and value sales data between January 1996 and December 1998 for the following 4 products:[12]

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 equivalent, 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 equivalent, pickled and oiled, temper-rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.

Product 4.--Hot-rolled carbon sheet in coils, commercial quality SAE 1006-1015 or ASTM 569 equivalent, not pickled and oiled, temper-rolled, not high strength, less than 0.090" in nominal or actual thickness, 40" to 84" in width.

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[12] ***. Slab offerings or slab rollings represent instances where a steelmaker offers slab that is considered as excess inventory or outside of normal specification to service centers or end-users for specialized use. If the purchase is made, the steelmaker then hot-rolls the slab to the purchaser's desired width and gauge. V-5

U.S. producer and importer pricing data are presented in tables V-1 to V-6 and figure V-2. Reported pricing data for the four products accounted for 23.7 percent of U.S. producers' commercial market shipments of hot-rolled carbon steel products during 1996-98 and the following percentages of shipments of subject imports: Brazil - 55.6 percent, Japan - 19.8 percent, and Russia - 36.5 percent.

Table V-1
Product 1 sales to service centers/processors/cold strip producers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$304.74	309	***	***	***	***	***	***	$299.39	20	1.8
Apr.-June	313.30	351	***	***	***	-	-	-	288.60	58	7.9
July-Sept.	325.46	301	***	***	***	***	***	***	287.23	54	11.7
Oct.-Dec.	327.83	277	***	***	***	***	***	***	270.78	88	17.4
1997:											
Jan.-Mar.	330.76	282	***	***	***	-	-	-	274.59	136	17.0
Apr.-June	327.12	271	***	***	***	-	-	-	289.96	196	11.4
July-Sept.	322.20	278	$328.19	7	(1.9)	***	***	***	290.43	149	9.9
Oct.-Dec.	318.46	309	328.05	3	(3.0)	$350.01	2	(10.2)	293.48	73	7.8
1998:											
Jan.-Mar.	315.96	314	356.72	28	(12.9)	342.40	3	(8.4)	272.51	156	13.8
Apr.-June	319.13	307	334.21	21	(4.7)	293.88	18	7.9	267.79	216	16.1
July-Sept.	310.73	234	344.52	9	(10.9)	289.35	18	6.9	265.30	218	14.6
Oct.-Dec.	259.66	258	309.36	11	(19.1)	282.63	28	(8.8)	235.64	198	9.3

[1] ***.
[2] ***.

Product 1 is defined as 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.

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

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Table V-2
Product 1 sales to pipe and tube producers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$318.69	275	***	***	***	-	-	-	***	***	***
Apr.-June	330.43	298	***	***	***	-	-	-	$308.06	4	6.8
July-Sept.	340.77	321	***	***	***	-	-	-	***	***	***
Oct.-Dec.	342.04	376	***	***	***	-	-	-	291.30	6	14.8
1997:											
Jan.-Mar.	344.41	393	***	***	***	***	***	***	298.10	6	13.4
Apr.-June	347.12	442	***	***	***	***	***	***	297.16	10	14.4
July-Sept.	344.33	487	***	***	***	***	***	***	301.88	4	12.3
Oct.-Dec.	335.79	443	***	***	***	***	***	***	392.97	10	(17.0)
1998:											
Jan.-Mar.	329.40	515	***	***	***	***	***	***	272.83	24	17.2
Apr.-June	332.03	432	***	***	***	$296.91	8	10.6	257.70	30	22.4
July-Sept.	315.83	340	***	***	***	289.82	31	8.2	265.07	40	16.1
Oct.-Dec.	262.63	388	-	-	-	301.59	12	(14.8)	264.35	77	(0.7)

[1] ***.

Product 1 is defined as 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.

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

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Table V-3
Product 2 sales to service centers/processors/cold strip producers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$307.33	407	***	***	***	***	***	***	$317.07	6	(3.2)
Apr.-June	315.69	447	***	***	***	***	***	***	297.56	9	5.7
July-Sept	331.23	425	***	***	***	***	***	***	305.30	10	7.8
Oct.-Dec.	332.40	441	***	***	***	***	***	***	284.78	29	14.3
1997:											
Jan.-Mar.	330.77	514	$311.48	18	5.8				275.56	39	16.7
Apr.-June	334.03	418	301.04	26	9.9				284.86	78	14.7
July-Sept.	328.09	430	303.52	48	7.5	$320.96	6	2.2	283.08	22	13.7
Oct.-Dec.	318.87	470	307.10	20	3.7	***	***	***	312.13	16	2.1
1998:											
Jan.-Mar.	314.25	484	303.59	8	3.4	320.31	19	(1.9)	288.68	35	8.1
Apr.-June	317.51	526	299.77	32	5.6	318.04	14	(0.2)	267.46	25	15.8
July-Sept.	304.00	335	284.42	21	6.5	288.93	46	5.0	261.48	61	14.0
Oct.-Dec.	255.60	420	300.98	36	(17.8)	273.87	35	(7.1)	266.75	45	(4.4)

[1] Less than 500 short tons.

[2] ***.

Product 2 is defined as hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM 569 equivalent, 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.

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Table V-4
Product 3 sales to service centers/processors/cold strip producers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$359.98	55	$336.44	9	6.5	***	***	***	***	***	***
Apr.-June	362.07	58	324.18	8	10.5	***	***	***	***	***	***
July-Sept.	367.43	53	323.40	4	12.0	***	***	***	***	***	***
Oct.-Dec.	370.31	50	332.59	7	10.2	$366.21	5	1.1	***	***	***
1997:											
Jan.-Mar.	378.02	51	346.09	23	8.4	401.86	2	(6.3)	$285.12	12	24.6
Apr.-June	372.56	50	327.64	27	12.1	360.51	4	3.2	***	***	***
July-Sept.	367.34	46	347.28	18	5.5	364.66	9	0.7	295.90	7	19.4
Oct.-Dec.	363.85	45	347.28	23	4.5	371.21	6	(2.0)	***	***	***
1998:											
Jan.-Mar.	358.39	51	344.03	22	4.0	371.81	4	(3.7)	277.77	21	22.5
Apr.-June	356.01	54	338.04	22	5.0	339.75	17	4.6	272.92	36	23.3
July-Sept.	348.71	46	341.555	14	2.1	315.11	24	9.6	268.81	30	22.9
Oct.-Dec.	281.19	47	350.07	19	(24.5)	318.65	25	(13.3)	260.36	31	7.4

[1] ***.

Product 3 is defined as hot-rolled carbon sheet in coils, commercial quality, SAE 1006-1015 or ASTM 569 equivalent, pickled and oiled, temper-rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" to 60" in width.

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

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Table V-5
Product 4 sales to service centers/processors/cold strip producers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$333.60	55	-	-	-	***	***	***	***	***	***
Apr.-June	335.25	66	***	***	***	***	***	***	***	***	***
July-Sept.	335.04	56	-	-	-	***	***	***	***	***	***
Oct.-Dec.	342.22	41	-	-	-	***	***	***	***	***	***
1997:											
Jan.-Mar.	342.39	58	***	***	***	***	***	***	$311.06	5	9.2
Apr.-June	340.64	64	***	***	***	***	***	***	324.61	4	4.7
July-Sept.	341.48	63	***	***	***	$358.33	25	(4.9)	***	***	***
Oct.-Dec.	337.63	61	***	***	***	362.66	32	(7.4)	***	***	***
1998:											
Jan.-Mar.	321.76	57	***	***	***	358.14	33	(11.3)	260.90	6	18.9
Apr.-June	326.83	67	***	***	***	336.22	44	(2.9)	265.61	9	18.7
July-Sept.	325.23	53	***	***	***	307.65	71	5.4	254.11	12	21.9
Oct.-Dec.	285.50	36	$228.74	6	19.9	289.82	83	(1.5)0.6	254.89	10	10.7

[1] ***.

Product 4 is defined as hot-rolled carbon sheet in coils, commercial quality SAE 1006-1015 or ASTM 569 equivalent, not pickled and oiled, temper-rolled, not high strength, less than 0.090" in nominal or actual thickness, 40" to 84" in width.

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

V-10

Table V-6
Product 4 sales to end users/manufacturers: Weighted-average net U.S. f.o.b. prices and quantities, as reported by U.S. producers and importers, and margins of underselling/(overselling), by quarters, 1996-98

Period	United States		Brazil			Japan			Russia		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin	Price	Quantity	Margin
	Per short ton	*1,000 short tons*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*	*Per short ton*	*1,000 short tons*	*Percent*
1996:											
Jan.-Mar.	$386.81	18	***	***	***	***	***	***	***	***	***
Apr.-June	389.21	27	(2)	(2)	(2)	***	***	***	***	***	***
July-Sept.	406.72	38	***	***	***	(2)	(2)	(2)	***	***	***
Oct.-Dec.	407.66	29	(2)	(2)	(2)	***	***	***	***	***	***
1997:											
Jan.-Mar.	421.24	35	(2)	(2)	(2)	***	***	***	***	***	***
Apr.-June	417.58	40	(2)	(2)	(2)	(2)	(2)	(2)	***	***	***
July-Sept.	415.84	40	(2)	(2)	(2)	(2)	(2)	(2)	$303.83	12	26.9
Oct.-Dec.	418.90	36	(2)	(2)	(2)	***	***	***	***	***	***
1998:											
Jan.-Mar.	402.57	42	(2)	(2)	(2)	***	***	***	302.56	8	24.8
Apr.-June	400.81	44	(2)	(2)	(2)	$352.39	3	12.1	***	***	***
July-Sept.	388.48	34	(2)	(2)	(2)	335.63	2	13.6	***	***	***
Oct.-Dec.	344.91	27	(2)	(2)	(2)	316.66	7	8.2	***	***	***

[1] ***.

[2] No data reported.

Product 4 is defined as hot-rolled carbon sheet, in coils, commercial quality SAE 1006-1015 or ASTM 569 equivalent, not pickled and oiled, temper-rolled, not high strength, less than 0.090" in nominal or actual thickness, 40" to 84" in width.

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

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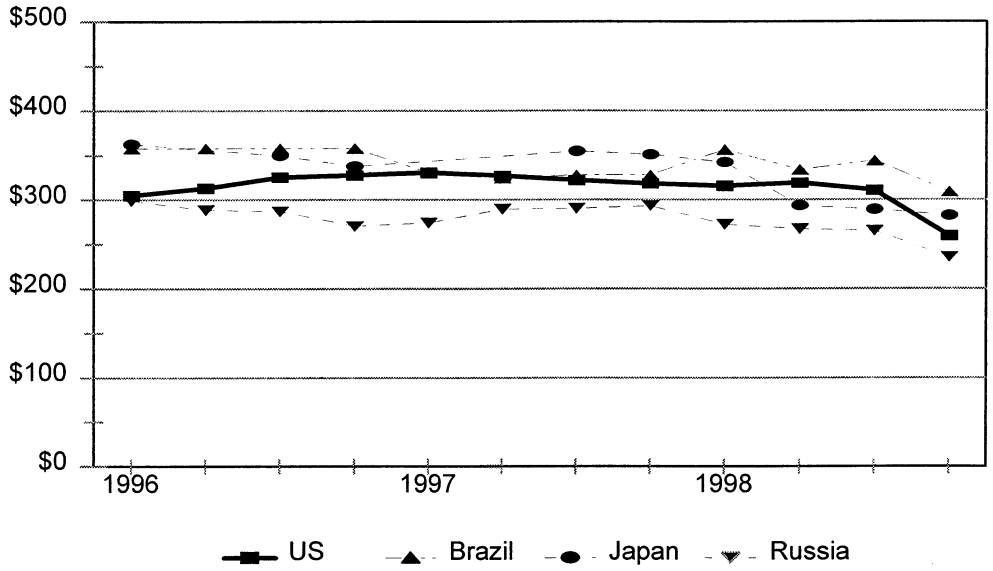
Figure V-2
Products 1 through 4: Weighted-average net U.S. f.o.b. prices and quantities, Jan. 1996-Dec. 1998

Product 1: Service centers



Product 1: Pipe and tube producers

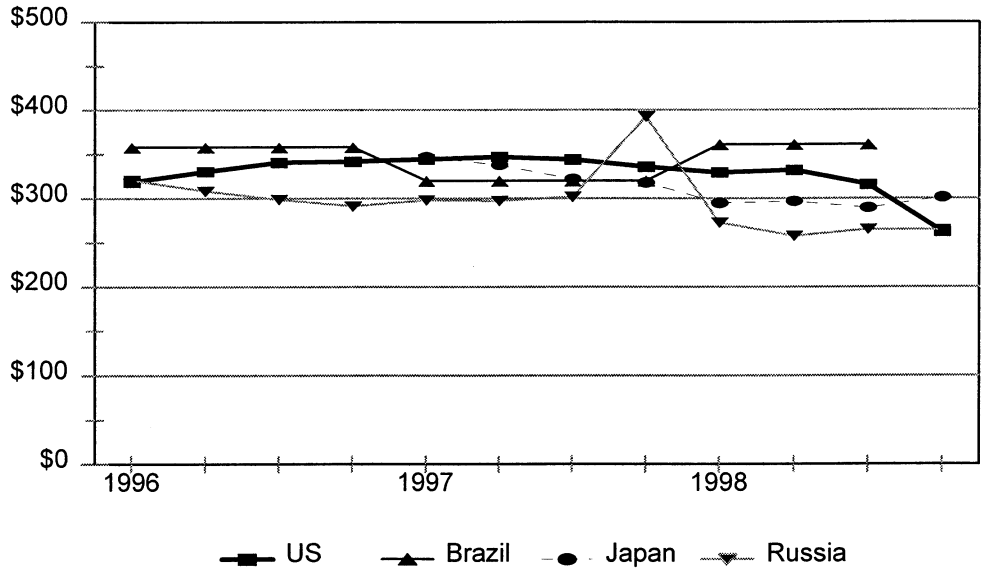
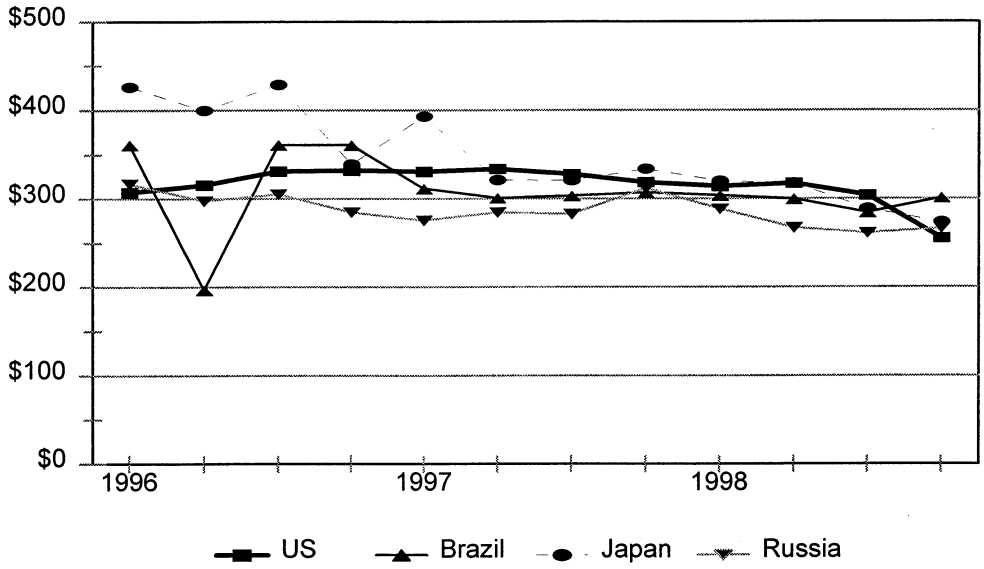


Figure continued.

V-12

Figure V-2--*Continued*
Products 1 through 4: Weighted-average net U.S. f.o.b. prices and quantities, Jan. 1996-Dec. 1998

Product 2: Service centers



Product 3: Service centers

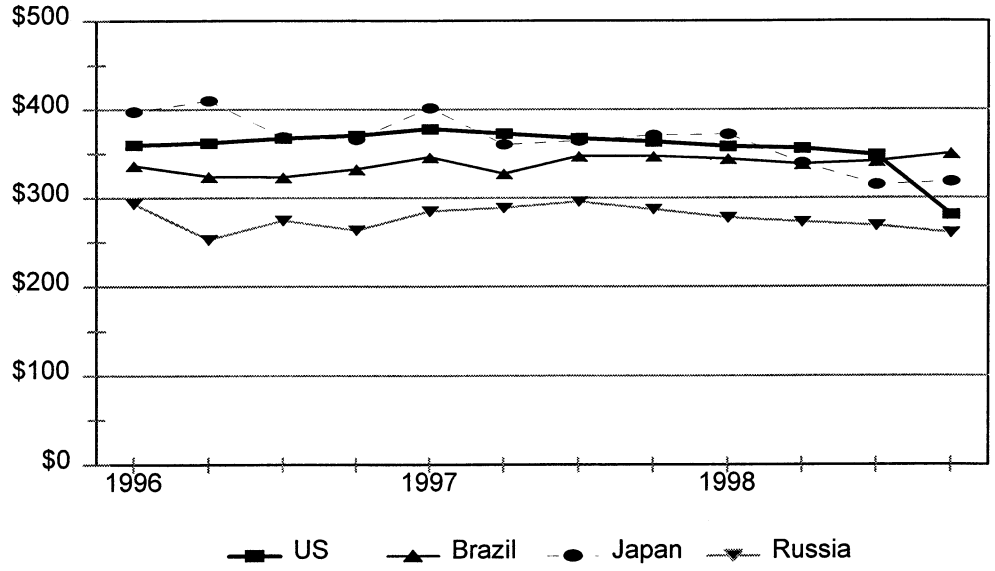
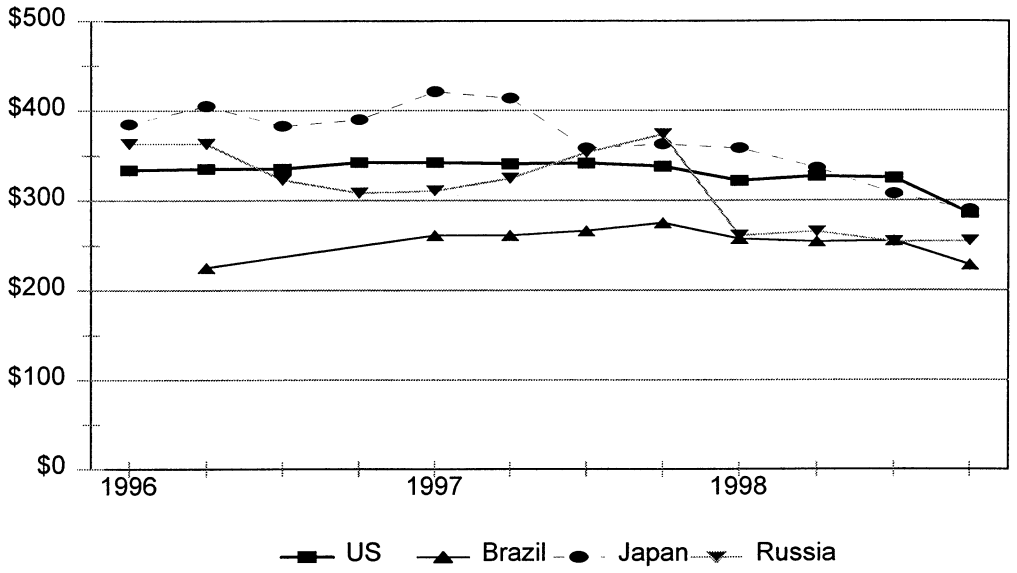


Figure continued.

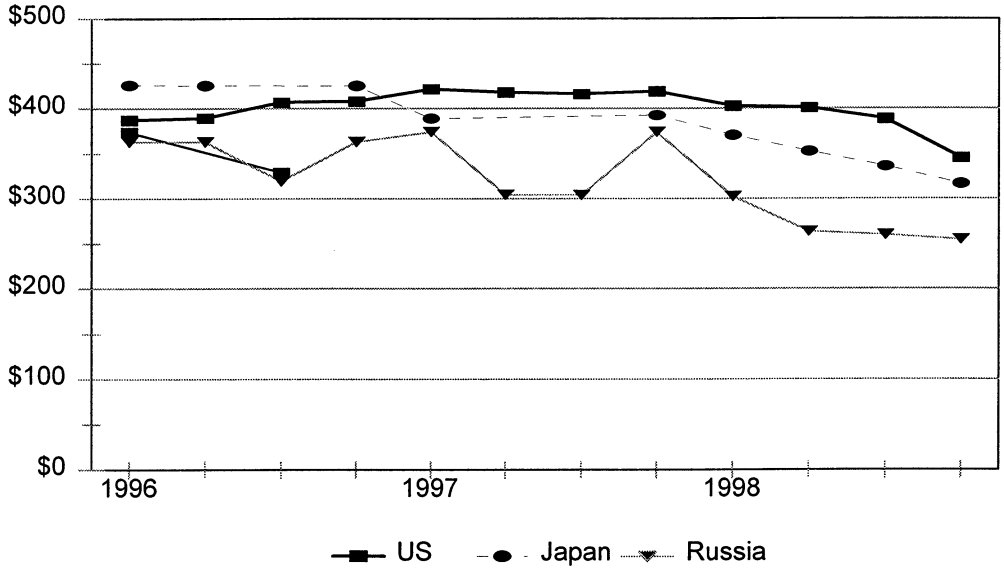
V-13

Figure V-2--*Continued*
Products 1 through 4: Weighted-average net U.S. f.o.b. prices and quantities, Jan. 1996-Dec. 1998

Product 4: service centers



Product 4: End users/manufacturers



Source: Tables V-1 to V-6.

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Sales of Brazilian product were mainly of products 2 and 3 to service centers. Sales of imported Japanese product were mostly of products 3 and 4 to service centers; sales significantly increased in 1998 compared with sales in 1996 and 1997. Sales of Russian products were concentrated in products 1 (sales to service centers and to pipe and tube manufacturers), and 2 (sales to service centers).

Data on underselling/overselling were mixed. Imports from Japan were priced lower in the two products in which they were concentrated in 1998, but were priced generally higher during the first part of the three year period investigated. Imports from Russia were generally priced lower throughout the period for which data were collected. Imports from Brazil showed mixed underselling and overselling. The following tabulation shows a summary of underselling/overselling information by country for the four products for which data were collected.

Country and year	Number of quarters of underselling	Number of quarters of overselling	Average margin of underselling/(overselling)
Brazil:			
1996	8	11	(5.1)
1997	18	2	8.0
1998	10	9	(2.7)
Subtotal	36	22	1.4
Japan:			
1996	1	17	(6.9)
1997	9	11	(3.2)
1998	13	11	(0.1)
Subtotal	23	39	(0.8)
Russia:			
1996	20	4	12.1
1997	21	3	12.6
1998	22	2	13.1
Subtotal	63	9	12.8
Total	122	70	8.4

LOST SALES AND LOST REVENUES

Many U.S. producers reported that they generally reduced prices and/or rolled back announced price increases to avoid losing sales to competitors selling imports from the three subject countries during the period investigated. During these investigations U.S. producers made a total of 131 lost sale allegations that totaled $423 million (1,361,062 tons), and 71 lost sale allegations that totaled $20 million (617,731 tons). A discussion of the 85 lost sale allegations ($224 million and 697,800 tons) and 33 lost revenue allegations ($8.5 million and 324,560 tons) was presented in the report of the preliminary phase of these investigations (see appendix F). These allegations generally covered the period of January 1996-August 1998. In the final phase of these investigations, covering the last four months of 1998, the Commission requested producers to submit any further allegations. Eight U.S. producers, ***, submitted a total of 46 lost sale allegations that totaled $200 million and 663,262 tons, and 38 lost revenue

V-15

allegations that totaled $11 million and 293,171 tons; these allegations, by country, are tabulated below.[13] The majority of these new allegations focused on Russian product solely or in combination with imports from Brazil or Japan.

	Lost sales			Lost revenues		
Country	Number	Volume *(1,000 tons)*	Value *($1,000)*	Number	Volume *(1,000 tons)*	Value *($1,000)*
Brazil	2	10	2,925	-	-	-
Japan	3	6	2,023	4	10	450
Russia	19	131	44,154	11	55	2,878
Brazil/Japan	1	-	-	-	-	-
Brazil/Russia	8	348	96,130	7	80	2,789
Japan/Russia	8	71	23,280	13	95	3,609
Brazil/Japan/Russia	5	98	31,016	3	53	1,313
Total	46	663	199,528	38	294	11,039

The Commission sent a brief survey to each of the purchasers named in the allegations requesting their comments. The specifics of the allegations to which purchasers responded are shown in tables V-7 and V-8.

Table V-7
Certain hot-rolled steel products: U.S. producers' lost sales allegations

* * * * * * *

Table V-8
Certain hot-rolled steel products: U.S. producers' lost revenue allegations

* * * * * * *

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[13] Totals shown in the text do not exactly match those shown in the tabulation due to rounding.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

Twenty-four producers,[1] which together accounted for approximately 98 percent of U.S. commercial shipments of certain hot-rolled steel products in fiscal year 1998, provided financial data. A significant share (over 65 percent, in terms of sales volume) of production of certain hot-rolled steel products is internally transferred for production of downstream products.

The questionnaire data of two producers, USX and LTV, were verified with official records at their corporate facilities. USX's verification adjustments and LTV's and six other producers'[2] revised financial data were incorporated in this final report. The financial data were changed to revise the sales values, costs, and SG&A expenses of the transfers for these eight producers. ***.

OPERATIONS ON CERTAIN HOT-ROLLED STEEL PRODUCTS (TRADE ONLY)

The results of the U.S. producers' operations producing certain hot-rolled steel products are presented in table VI-1. Per-short-ton sales values for the combined firms increased from 1996 to 1997, and decreased from 1997 to 1998, while COGS for the combined firms decreased in 1997 and further decreased slightly in 1998. Operating income per short ton for the combined firms followed the same pattern as the sales values, increasing from 1996 to 1997 and sharply declining from 1997 to 1998. Per short ton net sales values decreased in 1998 much more than the decline in COGS, resulting in a considerably lower operating income in 1998 compared to 1997 (from $21 per short ton in 1997 to about $2 per short ton in 1998).

The results of operations on trade sales by firm are presented in table VI-2. Selected cost data of the producers on their trade sales operations on the subject products are presented in table VI-3.

[1] The producers with fiscal year ends other than Dec. 31 are ***.

[2] They are ***.

VI-1

Table VI-1
Results of U.S. producers in the production of certain hot-rolled steel products--trade only, fiscal years 1996-98

Item	Fiscal year		
	1996	1997	1998
	Quantity (*short tons*)		
Net sales	21,786,199	22,384,818	20,780,702
	Value (*$1,000*)		
Net sales	7,586,062	7,944,966	6,935,220
COGS	7,085,424	7,131,044	6,563,430
Gross profit	500,638	813,922	371,790
SG&A expenses	327,613	343,810	328,510
Operating income	173,025	470,112	43,280
Interest expense	168,457	202,066	213,145
Other expense	48,256	70,406	113,757
Other income items	38,873	64,243	54,393
Net income (loss)	(4,815)	261,883	(229,229)
Depreciation/amortization	386,150	448,511	453,231
Cash flow	381,335	710,394	224,002
	Value (*per short ton*)		
Net sales	$348	$355	$334
COGS	325	319	316
Gross profit	23	36	18
SG&A expenses	15	15	16
Operating income	8	21	2
	Ratio to net sales (*percent*)		
COGS	93.4	89.8	94.6
Gross profit	6.6	10.2	5.4
SG&A expenses	4.3	4.3	4.7
Operating income	2.3	5.9	0.6
	Number of firms reporting		
Operating losses	12	9	12
Data	22	24	23

Note: Sales data are based on the fiscal years of U.S. producers while shipment data elsewhere in this report are based on calendar years.

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

VI-2

Table VI-2
Results of U.S. producers (by firm) in the production of certain hot-rolled steel products--trade only, fiscal years 1996-98

* * * * * * *

Table VI-3
Results (per short ton) of U.S. producers in the production of certain hot-rolled steel products–trade only, fiscal years 1996-98

Item	Fiscal year		
	1996	1997	1998
COGS:			
Raw materials	$159.48	$156.56	$161.54
Direct labor	37.96	35.68	36.40
Factory overhead	127.79	126.32	117.91
Total COGS	325.23	318.57	315.84
SG&A expense:			
Selling expenses	2.47	2.47	2.65
G&A expenses	12.57	12.89	13.16
Total SG&A expenses	15.04	15.36	15.81
Total cost	340.26	333.93	331.65

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

To summarize, both net sales values and profitability increased from 1996 to 1997 and fell significantly from 1997 to 1998. Sales quantities indicated the same pattern. Total unit costs (COGS and SG&A expenses combined) decreased by $6.33 from 1996 to 1997 and further declined in 1998, but by a small $2.28. Unit sales values declined in 1998 by $21.20 per short ton (a decrease of 6.0 percent), while sales quantities decreased by 7.2 percent. The combined effect was that net sales values decreased by 12.7 percent. Although unit costs also declined (by $2.28) in 1998, the decrease in unit sales values was much greater.

The financial results for the second half of 1998 were estimated based on the results of the entire fiscal year 1998 and the results of the first half of calendar year 1998 as shown in the preliminary report. There are some inherent restrictions to extracting the operating results for the second half of 1998 from these two data sets since some producers' fiscal years differ from the calendar year and three producers'[3] financial data are not included in both preliminary and final reports. Since the operating margin to net sales for fiscal year 1998 was 0.6 percent while the operating income margin for the first half of 1998 was 4.1 percent, it is apparent that the operations results for the second half would have been an operating loss, or at least, not as good as those results for the first half of 1998.

[3] *** were not included in the preliminary report and *** was not included in the final report.

Total unit COGS declined from 1996 to 1997, and unit COGS also decreased in 1998 compared to 1997. All components of COGS declined in 1997. Raw materials and direct labor cost in 1998 actually increased compared to 1997. Only falling factory overhead resulted in a small decline of COGS in 1998 compared to 1997. SG&A expenses continuously increased over time. Total unit costs declined from 1996 to 1997 and further decreased slightly in 1998 from 1997.

The variance analysis showing the effects of prices and volume on the producers' net sales of certain hot-rolled steel products, and of costs and volume on their total cost, is shown in table VI-4. The analysis is summarized at the bottom of the table. Operating income increased by $297 million in 1997 from 1996 and decreased by $427 million in 1998 from 1997. The analysis shows that the substantial decrease in operating income between 1996 and 1998 was attributable mainly to lower average prices (price variance). From 1996 to 1998, the negative effect of decreasing unit sales values (negative $301 million) was not overcome by the $179 million positive effect of decreasing unit costs; the net volume variance was negative $8 million.

OPERATIONS ON CERTAIN HOT-ROLLED STEEL PRODUCTS (TRADE AND TRANSFER SALES)

The results of the U.S. producers' trade and transfer sales of certain hot-rolled steel products operations are presented in table VI-5. The producers were requested to provide the results of operations for trade-only (market sales) as well as trade and transfer (internal consumption) combined operations. The producers were also requested to value the transfers at fair market value. Typically, G&A expenses are assigned to the transfers in the same proportion as the percentage of G&A expenses to trade sales. The purpose is to present the estimated profitability based on the total actual shipments and the total actual related costs. This, in effect, is a projection of the profitability of all shipments, including transfers.

The producers were requested to revise the per unit sales value, COGS, and SG&A expenses of the transfers unless there were any actual differences in the per unit COGS between the trade sales and transfers. If there were any actual differences in the per unit COGS between the trade sales and transfers, due to any product mix, physical, or quality differences, these producers were requested to adjust the per unit value of the transfers using these actual COGS differences based on the per unit value of trade sales. SG&A expenses were allocated to these combined trade and transfer sales proportionally, i.e., using the same per ton expense for transfers as for trade sales.

The financial indicators show a similar pattern to that revealed in the analysis of trade sales. Total sales quantities increased in 1997 from 1996 and fell in 1998 from 1997 while net sales value and unit value per short ton increased in 1997 and declined in 1998. Combined COGS and SG&A expenses decreased more ($11) than the $9 decline in net sales value per short ton from 1996 to 1998, resulting in an increase in operating income of $2 per short ton. The results of combined operations on trade and transfer sales by firm are presented in table VI-6.

VI-4

Table VI-4
Variance analysis of U.S. producers in the production of certain hot-rolled steel products–trade only, between the fiscal years 1996 and 1998

Item	Between fiscal years		
	1996-98	1996-97	1997-98
	Value (*$1,000*)		
Net sales:			
Price variance	(300,723)	150,462	(440,403)
Volume variance	(350,119)	208,442	(569,343)
Total net sales variance	(650,842)	358,904	(1,009,746)
Cost of sales:			
Cost variance	194,981	149,066	56,597
Volume variance	327,013	(194,686)	511,017
Total cost variance	521,994	(45,620)	567,614
Gross profit variance	(128,848)	313,284	(442,132)
SG&A expenses:			
Expense variance	(16,017)	(7,195)	(9,338)
Volume variance	15,120	(9,002)	24,638
Total SG&A variance	(897)	(16,197)	15,300
Operating income variance	(129,745)	297,087	(426,832)
Summarized as:			
Price variance	(300,723)	150,462	(440,403)
Net cost/expense variance	178,964	141,871	47,259
Net volume variance	(7,986)	4,754	(33,689)

Note: Unfavorable variances are shown in parentheses; all others are favorable.

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

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Table VI-5
Results of operations of U.S. producers in the production of certain hot-rolled steel products–trade and transfers, fiscal years 1996-98

Item	Fiscal year		
	1996	1997	1998
	Quantity (*short tons*)		
Trade sales	21,786,199	22,384,818	20,780,702
Company transfers	41,631,406	41,978,430	42,936,726
Total sales	63,417,605	64,363,248	63,717,428
	Value (*$1,000*)		
Trade sales	7,586,062	7,944,966	6,935,220
Company transfers	14,204,768	14,674,446	14,405,949
Total sales	21,790,830	22,619,412	21,341,169
COGS	20,416,429	20,361,604	19,794,103
Gross profit	1,374,401	2,257,808	1,547,066
SG&A expenses	943,570	1,007,956	986,607
Operating income	430,831	1,249,852	560,459
	Ratio to net sales (*percent*)		
COGS	93.7	90.0	92.8
Gross profit	6.3	10.0	7.2
SG&A expenses	4.3	4.5	4.6
Operating income (1)	2.0	5.5	2.6
	Value (*per short ton*)		
Net sales	$344	$351	$335
COGS	322	316	311
Gross profit	22	35	24
SG&A expenses	15	16	15
Operating income	7	19	9

(1) Operating income ratios to net sales for trade sales only were 2.3, 5.9 and 0.6 percent for fiscal years 96, 97, and 98, respectively, in table VI-1.

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

VI-6

Table VI-6
Results of U.S. producers (by firm) in the production of certain hot-rolled steel products--trade and transfers, fiscal years 1996-98

* * * * * * *

The financial results of the U.S. producers' trade and transfer sales of certain hot-rolled steel products operations for the second half of 1998 were estimated based on the results of the entire fiscal year 1998 and the results of the first half of calendar year 1998 as shown in the preliminary report. There are some inherent restrictions to extracting the operating results for the second half of 1998 from these two data sets since some producers' fiscal years differ from the calendar year and three producers'[4] financial data are not included in both preliminary and final reports. Since the operating margin to net sales for fiscal year 1998 was 2.6 percent while the operating income margin for the first half of 1998 was 5.1 percent, it is apparent that the operations results for the second half would have been an operating loss, or at least, not as good as those results for the first half of 1998.

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The U.S. producers' capital expenditures and R&D expenses, together with the value of their fixed assets, are presented in table VI-7. Two producers were somewhat in start-up and four other producers had significant amounts of capital expenditures during the reporting periods. Capital expenditures decreased considerably in 1997 compared to 1996 and then further decreased (to less than half of 1996 expenditures) in 1998.

Only seven producers reported R&D expenses. *** and *** spent approximately *** and ***, respectively, for R&D every year between 1996 and 1998. R&D expenses increased in 1997 compared to 1996, while R&D expenses in 1998 declined compared to 1997. The original cost and book value of fixed assets increased each year, reflecting continued capital expenditures.

Table VI-7
Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of certain hot-rolled steel products, fiscal years 1996-98

Item	Fiscal year		
	1996	1997	1998
	Value (*$1,000*)		
Capital expenditures	1,667,891	907,505	714,806
R&D expenses	4,022	4,286	3,466
Fixed assets:			
Original cost	14,623,917	15,036,101	15,277,838
Book value	8,166,025	8,211,959	8,730,463

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

[4] *** were not included in the preliminary report and *** was not included in the final report.

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CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of hot-rolled carbon steel products from Brazil, Japan, and Russia on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix G.

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PART VII: THREAT CONSIDERATIONS

Section 771(7)(F)(I) of the Act (19 U.S.C. § 1677(7)(F)(I)) provides that–

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]–
>
> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) 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,
>
> (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission

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[1] Section 771(7)(F)(II) of the Act (19 U.S.C. § 1677(7)(F)(II)) provides that "The Commission shall consider [these factors] . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

VII-1

under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented in part I of this report; information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in part VI and appendix G. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN BRAZIL

The petition listed four firms believed to produce the subject merchandise in Brazil.[3] The Commission requested information and data from counsel representing each of the four Brazilian producers and exporters. Counsel on behalf of the Brazilian respondents provided complete data for three mills, believed to account for virtually all Brazilian certain hot-rolled steel production and, consequently, all such exports to the United States. Counsel filed a statement of no exports of subject merchandise to the United States during the period of investigation for the fourth Brazilian producer, Acesita. Accordingly, the data presented in table VII-1 are for CSN, Cosipa, and Usiminas.

Certain hot-rolled steel products accounted for between 25 and 38 percent of total sales for the reporting Brazilian mills in their most recent fiscal years. None of the mills reported producing any other merchandise on the same equipment used to produce hot-rolled sheet, strip, and coiled plate. One mill reported slightly decreased capacity in 1997 and further reduced capacity in January 1999.[4] The other two mills also reported planned operations over the period 1999 to 2001 that will reduce their hot-rolled steel products available for sale.[5] CSN reported plans to construct a mill jointly with Nucor. The proposed mill was to produce *** tons per year beginning in ***. However, Nucor's recent withdrawal from the project has cast doubt on both the size of and the timetable for the project. Export markets other

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[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] *Petition, Vol. I (Brazil)*, exh. I-5.

[4] *** reported that its hot-rolled production capacity declined by *** tons in 1997 when it ***. On *** reduced its hot-rolled steel products capacity by *** tons per year by ***.

[5] ***.

VII-2

than the United States for Brazilian certain hot-rolled steel products include Argentina, Chile, Europe, Japan, Taiwan, and Thailand. Brazilian certain hot-rolled steel products are currently subject to an antidumping finding in Mexico.

Table VII-1
Certain hot-rolled steel products: Brazil's capacity, production, capacity utilization, inventories, and shipments, 1996-98, and projections for 1999

Item	Calendar year			Projections
	1996	1997	1998	1999
	Quantity *(short tons)*			
Capacity	10,582,080	10,471,850	10,471,850	***
Production	9,714,299	10,130,033	9,577,177	***
Shipments:				
Company transfers	5,343,748	5,718,681	5,401,248	***
Home market	2,868,031	3,166,575	3,037,421	***
Exports to:				
United States	282,779	387,942	425,536	***
All other	1,073,587	890,675	688,225	***
Total exports	1,356,366	1,278,617	1,113,762	***
Total shipments	9,568,145	10,163,873	9,552,430	***
Ending inventory	360,836	326,999	351,745	***
	Ratios and shares *(percent)*			
Capacity utilization	91.8	96.7	91.5	***
Inventories/production	3.7	3.2	3.7	***
Inventories/shipments	3.8	3.2	3.7	***
Share of total shipments:				
Company transfers	55.8	56.3	56.5	***
Home market	30.0	31.2	31.8	***
Exports to:				
United States	3.0	3.8	4.5	***
All other	11.2	8.8	7.2	***
Total exports	14.2	12.6	11.7	***

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

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THE INDUSTRY IN JAPAN

The petition listed six firms believed to produce the subject merchandise in Japan.[6] The Commission requested information and data from counsel representing each of the six Japanese producers and exporters. Counsel on behalf of the Japanese respondents provided complete data for all six mills, believed to account for approximately 90 percent of Japanese production of certain hot-rolled steel products and about 87 percent of such exports to the United States in 1998.[7] Accordingly, the data presented in table VII-2 are for Kawasaki, Kobe, Nippon, Nisshin, NKK, and Sumitomo.

Certain hot-rolled steel products accounted for approximately *** percent of total sales for 3 of the reporting Japanese mills and *** for the other 3 Japanese producers in their most recent fiscal years. All of the Japanese mills reported producing other merchandise, primarily cold-rolled, pipe, galvanized, or stainless steel products, on the same equipment used to produce certain hot-rolled steel products.

The Japanese mills reported essentially consistent capacity throughout the period 1996 to 1998. Nippon, the only Japanese producer to report any change in its capacity, did not elaborate on its yearly fluctuations, which represented significantly less than 1 percent of its overall capacity. Export markets other than the United States for Japanese hot-rolled products include Africa, Australia, China, Korea, Latin America, the Middle East, Southeast Asia, and Taiwan. Japanese hot-rolled product is currently not subject to any antidumping findings in any country.

THE INDUSTRY IN RUSSIA

The petition listed 16 firms believed to produce hot-rolled carbon steel in Russia.[8] The Commission requested information and data on the Russian industry from counsel representing Magnitogorsk, Novolipetsk, and Severstal. The information and data in this section are drawn from the data provided by the counsel for the Russian respondents and presented in table VII-3.

Magnitogorsk, Novolipetsk, and Severstal reportedly account for *** percent of Russian certain hot-rolled steel product production and virtually all Russian exports to the United States in 1998. Certain hot-rolled steel products accounted for *** percent, respectively, of these firms' total sales in their most recent fiscal year. In addition to certain hot-rolled steel products, the Russian producers use the same equipment to produce other material: ***, hot-rolled plate; ***, cold-rolled products; and ***, alloy sheet and coils. *** states that it uses the same equipment to produce hot-rolled product for internal consumption to manufacture cold-rolled products. In November 1997, Severstal ***, thereby increasing its capacity by *** tons. Magnitogorsk reported that its *** percent capacity increase in 1997 was due to ***. No further plans for increased or decreased production were reported by the respondents.

The Russian mills reportedly market their certain hot-rolled steel product exports to the United States through trading companies. In addition to the United States, primary export markets include Canada, China, Korea, Latin America, Southeast Asia, Taiwan, Western Europe, and Africa. Certain hot-rolled steel products exported from Russia are subject to an antidumping finding in Canada, Chile, India, Indonesia, Mexico, and Thailand and are currently the subject of antidumping investigations in Argentina, Canada, Mexico, Peru, the Philippines, South Africa, and Venezuela.

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[6] *Petition, Vol. I (Japan)*, p. 3.

[7] *** hot-rolled steel to the United States.

[8] *Petition, Vol. I (Russia)*, exh. I-5.

VII-4

Table VII-2
Certain hot-rolled steel products: Japan's capacity, production, capacity utilization, inventories, and shipments, 1996-98, and projections for 1999

Item	Calendar year			Projections
	1996	1997	1998	1999
	Quantity *(short tons)*			
Capacity	53,817,709	53,813,937	53,814,779	53,814,779
Production	44,537,973	48,423,027	41,695,102	46,483,254
Shipments:				
Company transfers	31,265,935	32,492,802	26,911,162	31,195,933
Home market	11,451,092	11,863,841	10,274,460	11,663,533
Exports to:				
United States	215,560	672,208	2,085,549	283,291
All other	1,769,884	3,261,698	2,604,935	3,340,387
Total exports	1,985,445	3,933,906	4,690,484	3,623,237
Total shipments	44,702,472	48,290,549	41,876,106	46,483,254
Ending inventory	654,814	786,190	605,072	605,072
	Ratios and shares *(percent)*			
Capacity utilization	82.8	90.0	77.5	86.4
Inventories/production	1.5	1.6	1.5	1.3
Inventories/shipments	1.5	1.6	1.4	1.3
Share of total shipments:				
Company transfers	69.9	67.3	64.3	67.1
Home market	25.6	24.6	24.5	25.1
Exports to:				
United States	0.5	1.4	5.0	0.6
All other	4.0	6.8	6.2	7.2
Total exports	4.4	8.1	11.2	7.8

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

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Table VII-3
Certain hot-rolled steel products: Russia's capacity, production, capacity utilization, inventories, and shipments, 1996-98, and projections for 1999

Item	Calendar year			Projections
	1996	1997	1998	1999
	Quantity *(short tons)*			
Capacity	19,503,214	21,009,838	21,230,298	***
Production	14,726,702	16,732,904	17,264,284	***
Shipments:				
Company transfers	6,610,157	7,646,829	7,877,407	***
Home market	2,036,360	2,187,123	2,225,645	***
Exports to:				
United States	1,217,548	2,122,527	3,791,949	***
All other	4,278,557	4,178,666	3,484,459	***
Total exports	5,496,105	6,301,192	7,276,408	***
Total shipments	14,142,622	16,135,145	17,379,460	***
Ending inventory	6,576	5,175	5,627	***
	Ratios and shares *(percent)*			
Capacity utilization	75.5	79.6	81.3	***
Inventories/production	0.0	0.0	0.0	***
Inventories/shipments	0.0	0.0	0.0	***
Share of total shipments:				
Company transfers	46.7	47.4	45.3	***
Home market	14.4	13.6	12.8	***
Exports to:				
United States	8.6	13.2	21.8	***
All other	30.3	25.9	20.0	***
Total exports	38.9	39.1	41.9	***

Note.–Three firms provided data for 1996-98; only one, *, provided complete projections.**

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

VII-6

U.S. IMPORTERS' INVENTORIES

Data on U.S. importers' inventories are presented in table VII-4. Many U.S. importers reported that they maintain no inventories of certain hot-rolled steel products in the United States and instead order from foreign suppliers on behalf of their customers. During the period for which data were collected, however, certain importers of hot-rolled products from each of the three countries subject to investigation (and from nonsubject countries as well) did hold inventories of imported product, the levels of which sometimes fluctuated noticeably.

U.S. IMPORTERS' CURRENT ORDERS

In its questionnaire, the Commission asked firms to report delivered imports of, and orders for, the subject merchandise from Brazil, Japan, and Russia in the first and second quarters of 1999. Responding importers reported delivery of 33,798 short tons of certain hot-rolled steel products from the three subject countries in the first quarter, *** from Brazil and *** from Japan. In addition, responding importers reported placing orders for *** short tons of certain hot-rolled steel products from Japan for delivery during the second quarter of 1999.

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Table VII-4
Certain hot-rolled steel products: End-of-period inventories of U.S. importers, by sources, 1996-98

Source	Calendar year		
	1996	1997	1998
	Quantity (*short tons*)		
Brazil	24,870	20,063	24,017
Japan	5,635	15,695	158,638
Russia	71,620	106,812	309,062
Subtotal	102,125	142,570	491,717
All others	39,327	35,534	106,143
Total	141,452	178,104	597,860
	Ratio to imports (*percent*)		
Brazil	12.0	4.9	6.1
Japan	3.0	3.3	6.6
Russia	11.3	6.3	10.9
Subtotal	10.0	5.5	8.7
All others	1.3	1.4	3.9
Total	3.6	3.5	7.2
	Ratio to U.S. shipments (*percent*)		
Brazil	13.2	4.8	6.1
Japan	3.0	3.4	7.0
Russia	11.5	6.5	11.7
Subtotal	10.2	5.6	9.3
All others	1.3	1.4	4.0
Total	3.6	3.6	7.6

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

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APPENDIX A

FEDERAL REGISTER NOTICES

A-1

A-2

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–808 (Final)]

Certain Hot-rolled Steel Products From Russia

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of an antidumping investigation.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731–TA–808 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from Russia of certain hot-rolled steel products, provided for in headings 7208, 7210, 7211, 7212, 7225, and 7226 of the Harmonized Tariff Schedule of the United States.[1]

For further information concerning the conduct of this phase of the investigation, hearing procedures, 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: February 25, 1999.

FOR FURTHER INFORMATION CONTACT: Jeff Clark (202–205–3195), 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).

SUPPLEMENTARY INFORMATION:

Background

The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of certain hot-rolled steel products from Russia are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on September 30, 1998, by Bethlehem Steel Corp. (Bethlehem, PA); U.S. Steel Group, a unit of USX Corp. (Pittsburgh, PA); Ispat Inland Steel (East Chicago, IN); LTV Steel Co., Inc. (Cleveland, OH); National Steel Corp. (Mishawaka, IN);[2] California Steel Industries (Fontana, CA); Gallatin Steel Co. (Ghent, KY); Geneva Steel (Vineyard, UT); Gulf States Steel, Inc. (Gadsden, AL); IPSCO Steel, Inc. (Muscatine, IA); Steel Dynamics (Butler, IN); Weirton Steel Corp. (Weirton, WV); Independent Steelworkers Union (Weirton, WV); and the United Steelworkers of America (Pittsburgh, PA).

Participation in the Investigation 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 final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation 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 final phase of this investigation will be placed in the nonpublic record on April 21, 1999, and a public version will be issued thereafter, pursuant to § 207.22 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on May 4, 1999, 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 April 28, 1999. 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 April 30, 1999, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.24 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 who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.23 of the Commission's rules; the deadline for filing is April 28, 1999. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.25 of the Commission's rules. The deadline for filing posthearing briefs is May 11, 1999; 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 investigation may submit a written statement of information pertinent to the subject of the investigation on or before May 11, 1999. On June 3, 1999, the Commission will

[1] For purposes of this investigation, Commerce has defined the subject merchandise in 64 FR 9312, Feb. 25, 1999.

[2] National Steel Corp. is not a petitioner with respect to Japan.

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 June 7, 1999, but such final comments must not contain new factual information and must otherwise comply with § 207.30 of the Commission's rules. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 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.

In accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (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: This investigation is 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: March 1, 1999.

Donna R. Koehnke,

Secretary.

[FR Doc. 99-5401 Filed 3-4-99; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-384 (Final) and 731-TA-806-807 (Final)]

Certain Hot-rolled Steel Products From Brazil and Japan

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of countervailing duty and antidumping investigations.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of countervailing duty investigation No. 701-TA-384 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the Act) and the final phase of antidumping investigations Nos. 731-TA-806-807 (Final) under section 735(b) of the Act (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of subsidized imports from Brazil and less-than-fair-value imports from Brazil and Japan of certain hot-rolled steel products, provided for in headings 7208, 7210, 7211, 7212, 7225, and 7226 of the Harmonized Tariff Schedule of the United States.[1]

For further information concerning the conduct of this phase of the investigations, hearing procedures, 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: February 19, 1999.

FOR FURTHER INFORMATION CONTACT: Jeff Clark (202-205-3195), 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).

SUPPLEMENTARY INFORMATION:

Background

The final phase of these investigations is being scheduled as a result of affirmative preliminary determinations by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in Brazil of certain hot-rolled steel products, and that such products from Brazil and Japan are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigations were requested in a petition filed on September 30, 1998, by Bethlehem Steel Corp. (Bethlehem, PA); U.S. Steel Group, a unit of USX Corp. (Pittsburgh, PA); Ispat Inland Steel (East Chicago, IN); LTV Steel Co., Inc. (Cleveland, OH); National Steel Corp. (Mishawaka, IN);[2] California Steel Industries (Fontana, CA); Gallatin Steel Co. (Ghent, KY); Geneva Steel (Vineyard, UT); Gulf States Steel, Inc. (Gadsden, AL); IPSCO Steel, Inc. (Muscatine, IA); Steel Dynamics (Butler, IN); Weirton Steel Corp. (Weirton, WV); Independent Steelworkers Union (Weirton, WV); and the United Steelworkers of America (Pittsburgh, PA).

[1] For purposes of these investigations, Commerce has defined the subject merchandise in 64 FR 8291, Feb. 19, 1999.

[2] National Steel Corp. is not a petitioner with respect to Japan.

Participation in the Investigations 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 final phase of these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigations need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of these investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigations. A party granted access to BPI in the preliminary phase of the investigations 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 final phase of these investigations will be placed in the nonpublic record on April 21, 1999, and a public version will be issued thereafter, pursuant to § 207.22 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with the final phase of these investigations beginning at 9:30 a.m. on May 4, 1999, 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 April 28, 1999. 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 April 30, 1999, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.24 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 who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.23 of the Commission's rules; the deadline for filing is April 28, 1999. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.25 of the Commission's rules. The deadline for filing posthearing briefs is May 11, 1999; 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 investigations may submit a written statement of information pertinent to the subject of the investigations on or before May 11, 1999. On June 3, 1999, 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 June 7, 1999, but such final comments must not contain new factual information and must otherwise comply with § 207.30 of the Commission's rules. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 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.

In accordance with §§ 201.16(c) and 207.3 of the Commission's rules, each document filed by a party to the investigations must be served on all other parties to the investigations (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 investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.21 of the Commission's rules.

Issued: March 1, 1999.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 99-5402 Filed 3-4-99; 8:45 am]

BILLING CODE 7020-02-P

APPENDIX B

LIST OF WITNESSES

B-1

B-2

CALENDAR OF PUBLIC HEARINGS

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	Certain Hot-Rolled Steel Products from Brazil, Japan, and Russia
Invs. Nos.:	701-TA-384 and 731-TA-806-808 (Final)
Date and Time:	May 4, 1999 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room, 500 E Street, SW, Washington, DC.

Congressional Appearances:

The Honorable Arlen Specter, U.S. Senator, State of Pennsylvania

The Honorable John D. Rockefeller IV, U.S. Senator, State of West Virginia

The Honorable Ralph Regula, U.S. Congressman, State of Ohio

The Honorable John P. Murtha, U.S. Congressman, State of Pennsylvania

OPENING REMARKS

Petitioners (**Alan Wm. Wolff,** Dewey Ballantine LLP)
Petitioners (**Robert E. Lighthizer**, Skadden, Arps, Slate, Meagher & Flom LLP)
Respondents (**William H. Barringer**, Willkie Farr & Gallagher)

In Support of the Imposition of Antidumping Duties:

Dewey Ballantine LLP
Skadden, Arps, Slate, Meagher & Flom LLP
and
Schagrin Associates
Washington, D.C.
on behalf of

Bethlehem Steel Corporation
U.S. Steel Group (a unit of USX Corporation)

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In Support of the Imposition of Antidumping Duties--Continued:

Ispat Inland, Incorporated
LTV Steel Company, Incorporated
National Steel Corporation
California Steel Industries
Gallatin Steel Company
Geneva Steel
Gulf States Steel, Incorporated
IPSCO Steel, Incorporated
Steel Dynamics
Weirton Steel Corporation
Independent Steelworkers Union

Panel 1

George Becker, President, United Steelworkers of America

Curtis H. Barnette, Chairman & CEO, Bethlehem Steel Corporation

Paul J. Wilhelm, President, U.S. Steel Group (a unit of USX Corporation)

Richard Riederer, President & CEO, Weirton Steel Corporation

Keith Busse, President & CEO, Steel Dynamics, Incorporated

Alan Wm. Wolff)
Robert E. Lighthizer)--OF COUNSEL
Roger B. Schagrin)

Panel 2

Lonnie A. Arnett, Vice President & Controller, Bethlehem Steel Corporation

Gretchen F. Haggerty, Vice President, Accounting and Finance, U.S. Steel Group (a unit of USX Corporation)

Larry G. Schultz, Comptroller, U.S. Steel Group (a unit of USX Corporation)

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In Support of the Imposition of Antidumping Duties--Continued:

Panel 2-Continued

Ed Puisis, Chief Financial Officer, Gallatin Steel Company

Michael H. Stein)
Roger B. Schagrin)--OF COUNSEL
Steve Narkin)

Panel 3

Tom Ballou, Director, O'Neal Steel, Incorporated

James Feeney, Senior Vice President, Wheatland Tube Company

David Conrad, Manager, Hot-Rolled Products Group, Sparrows Point Division, Bethlehem Steel Corporation

Stephen A. Szymanski, Manager of Sales, U.S. Steel Group (a unit of USX Corporation)

Michael H. Stein)
Roger B. Schagrin)--OF COUNSEL
Steve Narkin)

Panel 4

William Noellert, Chief Economist, Dewey Ballantine LLP

Susan Hester, Economist, Dewey Ballantine LLP

Robert Blecker, Professor of Economics, American University

Robert Scott, International Economist, Economic Policy Institute

Michael H. Stein)
Roger B. Schagrin)--OF COUNSEL
Steve Narkin)

In Opposition to the Imposition of Antidumping Duties:

Willkie Farr & Gallagher
and
Powell, Goldstein, Frazer & Murphy
Washington, D.C.
on behalf of

Brazilian, Japanese, and Russian Respondents

Jerry Zapp, President, Jerica International, Incorporated

Karoly Zoldi, Senior Trader, Steel Products,
Mitsubishi International Steel, Incorporated

Mike Gable, Manager, Houston Steel Department,
ITOCHU International, Incorporated

Bret Curtis, Marubeni American Corporation

John G. Reilly, Consultant, Nathan Associates

Anne Krueger, Director, Center for Research on Economics,
Development and Policy Reform, Stanford University

William H. Barringer)
James P. Durling)
Daniel L. Porter)--OF COUNSEL
Matthew R. Nicely)
Elizabeth C. Hafner)

CLOSING REMARKS

Petitioners (**Michael H. Stein**, Dewey Ballantine LLP)
Petitioners (**Roger B. Schagrin**, Schagrin Associates)
Respondents (**William H. Barringer**, Willkie Farr & Gallagher)

B-6

APPENDIX C

SUMMARY DATA

C-1

C-2

Table C-1
Certain hot-rolled steel products: Summary data concerning the U.S. market, 1996-98

(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)

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. consumption quantity:						
Amount	68,498,545	70,981,304	75,251,116	9.9	3.6	6.0
Producers' share (1)	92.3	90.8	84.8	-7.5	-1.5	-6.0
Importers' share (1):						
Brazil	0.4	0.6	0.6	0.2	0.2	-0.0
Japan	0.4	0.8	3.6	3.2	0.4	2.8
Russia	1.2	2.8	5.1	3.9	1.6	2.3
Subtotal	2.0	4.2	9.3	7.3	2.3	5.0
Other sources	5.7	5.0	5.9	0.2	-0.7	0.9
Total imports	7.7	9.2	15.2	7.5	1.5	6.0
U.S. consumption value:						
Amount	21,309,772	22,045,266	22,245,254	4.4	3.5	0.9
Producers' share (1)	91.8	90.3	85.3	-6.5	-1.5	-5.0
Importers' share (1):						
Brazil	0.4	0.6	0.6	0.2	0.2	-0.0
Japan	0.5	0.9	3.6	3.1	0.5	2.7
Russia	1.0	2.6	4.2	3.1	1.5	1.6
Subtotal	1.9	4.1	8.4	6.4	2.2	4.2
Other sources	6.3	5.5	6.3	0.0	-0.8	0.8
Total imports	8.2	9.7	14.7	6.5	1.5	5.0
U.S. imports from:						
Brazil:						
Quantity	254,166	436,685	451,462	77.6	71.8	3.4
Value	83,585	140,581	133,442	59.6	68.2	-5.1
Unit value	$328.86	$321.93	$295.58	-10.1	-2.1	-8.2
Ending inventory quantity	24,870	20,063	24,017	-3.4	-19.3	19.7
Japan:						
Quantity	240,976	548,822	2,684,756	1,014.1	127.8	389.2
Value	103,780	208,400	801,295	672.1	100.8	284.5
Unit value	$430.66	$379.72	$298.46	-30.7	-11.8	-21.4
Ending inventory quantity	5,635	15,695	158,638	2,715.2	178.5	910.8
Russia:						
Quantity	847,764	2,016,018	3,843,641	353.4	137.8	90.7
Value	222,710	564,866	923,303	314.6	153.6	63.5
Unit value	$262.70	$280.19	$240.22	-8.6	6.7	-14.3
Ending inventory quantity	71,620	106,812	309,062	331.5	49.1	189.4
Subtotal:						
Quantity	1,342,905	3,001,525	6,979,859	419.8	123.5	132.5
Value	410,075	913,847	1,858,040	353.1	122.8	103.3
Unit value	$305.36	$304.46	$266.20	-12.8	-0.3	-12.6
Ending inventory quantity	102,125	142,570	491,717	381.5	39.6	244.9
Other sources:						
Quantity	3,905,460	3,519,507	4,428,038	13.4	-9.9	25.8
Value	1,342,387	1,223,035	1,411,701	5.2	-8.9	15.4
Unit value	$343.72	$347.50	$318.81	-7.2	1.1	-8.3
Ending inventory quantity	39,327	35,534	106,143	169.9	-9.6	198.7
All sources:						
Quantity	5,248,366	6,521,032	11,407,896	117.4	24.2	74.9
Value	1,752,462	2,136,882	3,269,741	86.6	21.9	53.0
Unit value	$333.91	$327.69	$286.62	-14.2	-1.9	-12.5
Ending inventory quantity	141,452	178,104	597,860	322.7	25.9	235.7

Table continued on next page.

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Table C-1--Continued
Certain hot-rolled steel products: Summary data concerning the U.S. market, 1996-98

(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)

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. producers':						
Average capacity quantity	67,334,504	70,028,075	73,544,818	9.2	4.0	5.0
Production quantity	63,646,185	64,851,934	64,373,004	1.1	1.9	-0.7
Capacity utilization (1)	94.5	92.6	87.5	-7.0	-1.9	-5.1
U.S. shipments:						
Quantity	63,250,179	64,460,272	63,843,220	0.9	1.9	-1.0
Value	19,557,310	19,908,384	18,975,513	-3.0	1.8	-4.7
Unit value	$309.21	$308.85	$297.22	-3.9	-0.1	-3.8
Export shipments:						
Quantity	321,628	295,757	169,935	-47.2	-8.0	-42.5
Value	98,392	100,419	56,663	-42.4	2.1	-43.6
Unit value	$305.92	$339.53	$333.44	9.0	11.0	-1.8
Ending inventory quantity	2,571,136	2,604,164	2,771,350	7.8	1.3	6.4
Inventories/total shipments (1)	4.0	4.0	4.3	0.3	-0.0	0.3
Production workers	33,965	33,518	32,885	-3.2	-1.3	-1.9
Hours worked (1,000s)	73,597	71,634	68,574	-6.8	-2.7	-4.3
Wages paid ($1,000s)	1,695,944	1,728,447	1,677,417	-1.1	1.9	-3.0
Hourly wages	$23.04	$24.13	$24.46	6.2	4.7	1.4
Productivity (tons per 1,000 hours)	864.8	905.3	938.7	8.6	4.7	3.7
Unit labor costs	$26.65	$26.65	$26.06	-2.2	0.0	-2.2
Net sales:						
Quantity	63,417,605	64,363,248	63,717,428	0.5	1.5	-1.0
Value	21,790,830	22,619,412	21,341,169	-2.1	3.8	-5.7
Unit value	$343.61	$351.43	$334.93	-2.5	2.3	-4.7
Cost of goods sold (COGS)	20,416,429	20,361,604	19,794,103	-3.0	-0.3	-2.8
Gross profit or (loss)	1,374,401	2,257,808	1,547,066	12.6	64.3	-31.5
SG&A expenses	943,570	1,007,956	986,607	4.6	6.8	-2.1
Operating income or (loss)	430,831	1,249,852	560,459	30.1	190.1	-55.2
Capital expenditures	1,667,891	907,505	714,806	-57.1	-45.6	-21.2
Unit COGS	$321.94	$316.35	$310.65	-3.5	-1.7	-1.8
Unit SG&A expenses	$14.88	$15.66	$15.48	4.1	5.3	-1.1
Unit operating income or (loss)	$6.79	$19.42	$8.80	29.5	185.8	-54.7
COGS/sales (1)	93.7	90.0	92.8	-0.9	-3.7	2.7
Operating income or (loss)/ sales (1)	2.0	5.5	2.6	0.6	3.5	-2.9

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

Note.--U.S. shipment values and unit values are calculated based on shipment values reported by U.S. producers. However, net sales values and unit values reflect adjustments after revaluing company transfers at market value for those firms which reported distinctly different unit prices for trade sales and company transfers. The following tabulation presents staff's estimates of U.S. shipment values and unit values based on similar adjustments.

U.S. consumption value	23,462,428	24,753,911	24,658,499	5.1	5.5	-0.4
U.S. producers' share of U.S. consumption value (percent)	92.5	91.4	86.7	-5.8	-1.2	-4.6
Value of U.S. producers' shipments	21,709,966	22,617,029	21,388,758	-1.5	4.2	-5.4
Unit value of U.S. producers' shipments	$343.24	$350.87	$335.02	-2.4	2.2	-4.5

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-2
Certain hot-rolled steel products: Summary data concerning the U.S. open market, 1996-98

(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)

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. consumption quantity:						
Amount	26,732,658	29,310,945	33,188,416	24.1	9.6	13.2
Producers' share (1)	80.4	77.8	65.6	-14.7	-2.6	-12.1
Importers' share (1):						
Brazil	1.0	1.5	1.4	0.4	0.5	-0.1
Japan	0.9	1.9	8.1	7.2	1.0	6.2
Russia	3.2	6.9	11.6	8.4	3.7	4.7
Subtotal	5.0	10.2	21.0	16.0	5.2	10.8
Other sources	14.6	12.0	13.3	-1.3	-2.6	1.3
Total imports	19.6	22.2	34.4	14.7	2.6	12.1
U.S. consumption value:						
Amount	9,207,794	10,201,429	10,468,455	13.7	10.8	2.6
Producers' share (1)	81.0	79.1	68.8	-12.2	-1.9	-10.3
Importers' share (1):						
Brazil	0.9	1.4	1.3	0.4	0.5	-0.1
Japan	1.1	2.0	7.7	6.5	0.9	5.6
Russia	2.4	5.5	8.8	6.4	3.1	3.3
Subtotal	4.5	9.0	17.7	13.3	4.5	8.8
Other sources	14.6	12.0	13.5	-1.1	-2.6	1.5
Total imports	19.0	20.9	31.2	12.2	1.9	10.3
U.S. imports from:						
Brazil:						
Quantity	254,166	436,685	451,462	77.6	71.8	3.4
Value	83,585	140,581	133,442	59.6	68.2	-5.1
Unit value	$328.86	$321.93	$295.58	-10.1	-2.1	-8.2
Ending inventory quantity	24,870	20,063	24,017	-3.4	-19.3	19.7
Japan:						
Quantity	240,976	548,822	2,684,756	1,014.1	127.8	389.2
Value	103,780	208,400	801,295	672.1	100.8	284.5
Unit value	$430.66	$379.72	$298.46	-30.7	-11.8	-21.4
Ending inventory quantity	5,635	15,695	158,638	2,715.2	178.5	910.8
Russia:						
Quantity	847,764	2,016,018	3,843,641	353.4	137.8	90.7
Value	222,710	564,866	923,303	314.6	153.6	63.5
Unit value	$262.70	$280.19	$240.22	-8.6	6.7	-14.3
Ending inventory quantity	71,620	106,812	309,062	331.5	49.1	189.4
Subtotal:						
Quantity	1,342,905	3,001,525	6,979,859	419.8	123.5	132.5
Value	410,075	913,847	1,858,040	353.1	122.8	103.3
Unit value	$305.36	$304.46	$266.20	-12.8	-0.3	-12.6
Ending inventory quantity	102,125	142,570	491,717	381.5	39.6	244.9
Other sources:						
Quantity	3,905,460	3,519,507	4,428,038	13.4	-9.9	25.8
Value	1,342,387	1,223,035	1,411,701	5.2	-8.9	15.4
Unit value	$343.72	$347.50	$318.81	-7.2	1.1	-8.3
Ending inventory quantity	39,327	35,534	106,143	169.9	-9.6	198.7
All sources:						
Quantity	5,248,366	6,521,032	11,407,896	117.4	24.2	74.9
Value	1,752,462	2,136,882	3,269,741	86.6	21.9	53.0
Unit value	$333.91	$327.69	$286.62	-14.2	-1.9	-12.5
Ending inventory quantity	141,452	178,104	597,860	322.7	25.9	235.7

Table continued on next page.

C-5

Table C-2--Continued
Certain hot-rolled steel products: Summary data concerning the U.S. open market, 1996-98

(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)

	Reported data			Period changes		
Item	1996	1997	1998	1996-98	1996-97	1997-98
U.S. producers':						
U.S. open-market shipments:						
Quantity	21,484,292	22,789,913	21,780,520	1.4	6.1	-4.4
Value	7,455,332	8,064,547	7,198,714	-3.4	8.2	-10.7
Unit value	$347.01	$353.86	$330.51	-4.8	2.0	-6.6
Export shipments:						
Quantity	321,628	295,757	169,935	-47.2	-8.0	-42.5
Value	98,392	100,419	56,663	-42.4	2.1	-43.6
Unit value	$305.92	$339.53	$333.44	9.0	11.0	-1.8
Net sales:						
Quantity	21,786,199	22,384,818	20,780,702	-4.6	2.7	-7.2
Value	7,586,062	7,944,966	6,935,220	-8.6	4.7	-12.7
Unit value	$348.20	$354.93	$333.73	-4.2	1.9	-6.0
Cost of goods sold (COGS)	7,085,424	7,131,044	6,563,430	-7.4	0.6	-8.0
Gross profit or (loss)	500,638	813,922	371,790	-25.7	62.6	-54.3
SG&A expenses	327,613	343,810	328,510	0.3	4.9	-4.5
Operating income or (loss)	173,025	470,112	43,280	-75.0	171.7	-90.8
Capital expenditures	1,667,891	907,505	714,806	-57.1	-45.6	-21.2
Unit COGS	$325.23	$318.57	$315.84	-2.9	-2.0	-0.9
Unit SG&A expenses	$15.04	$15.36	$15.81	5.1	2.1	2.9
Unit operating income or (loss)	$7.94	$21.00	$2.08	-73.8	164.4	-90.1
COGS/sales (1)	93.4	89.8	94.6	1.2	-3.6	4.9
Operating income or (loss)/ sales (1)	2.3	5.9	0.6	-1.7	3.6	-5.3

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

C-6

Table C-3
Certain hot-rolled steel products: Summary data concerning U.S. basic oxygen furnace producers, 1996-98

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Table C-4
Certain hot-rolled steel products: Summary data concerning U.S. electric arc furnace producers, 1996-98

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C-7

C-8

APPENDIX D

PREVIOUS AND RELATED INVESTIGATIONS

D-1

D-2

Table D-1
Certain hot-rolled steel products: Previous and related investigations

Source	Investigation number	Investigation date	Report number	Result
Austria	701-TA-227 (F)	1985	USITC 1759	Negative
	731-TA-219 (F)	1985	USITC 1759	Negative
Belgium	731-TA-18 (P)	1980	USITC 1064	Affirmative
	701-TA-94 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-61 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-329 (F)	1993	USITC 2664	Negative
	731-TA-588 (F)	1993	USITC 2664	Negative
Brazil	701-TA-95 (P)	1982	USITC 1221	Negative
	701-TA-206 (F)	1984	USITC 1538	Affirmative
	731-TA-153 (F)	1984	USITC 1568	Affirmative
	701-TA-330 (F)	1993	USITC 2664	Negative
	731-TA-589 (F)	1993	USITC 2664	Negative
Canada	731-TA-590 (F)	1993	USITC 2664	Negative
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 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-62 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-331 (F)	1993	USITC 2664	Negative
	731-TA-591 (F)	1993	USITC 2664	Negative
Germany	731-TA-19 (P)	1980	USITC 1064	Affirmative
	701-TA-101 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-67 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-332 (F)	1993	USITC 2664	Negative
	731-TA-592 (F)	1993	USITC 2664	Negative
Hungary	731-TA-221 (P)	1985	USITC 1642	Affirmative

Continued on the following page.

D-3

Table D-1 -- Continued
Certain hot-rolled steel products: Previous and related investigations

Source	Investigation number	Investigation date	Report number	Result
Italy	731-TA-21 (P)	1980	USITC 1064	Affirmative
	701-TA-97 (F)	1982	No report issued	Terminated 11/2/82
	731-TA-63 (F)	1982	No report issued	Terminated 11/2/82
	701-TA-333 (P)	1992	USITC 2549	Negative
	731-TA-593 (P)	1992	USITC 2549	Negative
Japan	731-TA-594 (F)	1993	USITC 2664	Negative
Korea	701-TA-171 (F)	1982	USITC 1346	Affirmative
	701-TA-334 (F)	1993	USITC 2664	Negative
	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
Netherlands	731-TA-23 (P)	1980	USITC 1064	Affirmative
	701-TA-99 (F)	1982	No report issued	Terminated 9/8/82
	731-TA-65 (F)	1982	No report issued	Terminated 9/8/82
	731-TA-596 (F)	1993	USITC 2664	Negative
New Zealand	701-TA-335 (P)	1992	USITC 2549	Negative
Romania	731-TA-222 (F)	1985	No report issued	Terminated 7/19/85
South Africa	731-TA-174 (P)	1984	USITC 1510	Affirmative
Spain	701-TA-156 (P)	1982	USITC 1255	Negative
Sweden	701-TA-228 (F)	1985	USITC 1759	Negative
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 (F)	1985	No report issued	Terminated 7/19/85
	731-TA-223 (F)	1985	No report issued	Terminated 7/19/85

Source: Cited Commission publications.

D-4

APPENDIX E

COMPAS PRESENTATION

E-1

E-2

ASSUMPTIONS

The COMPAS model is a supply and demand model that assumes that domestic and imported products are less than perfect substitutes. Such models, also known as Armington models, are relatively standard in applied trade policy analysis and are used extensively for the analysis of trade policy changes both in partial and general equilibrium. Based on the discussion contained in part II of this report, the staff selects a range of estimates that represent price-supply, price-demand, and product-substitution relationships (i.e., supply elasticity, demand elasticity, and substitution elasticity) in the U.S. certain hot-rolled steel products market. The model uses these estimates with data on market shares, Commerce's estimated margins of dumping, transportation costs, and current tariffs to analyze the likely effect of unfair pricing of subject imports on the U.S. domestic like product industry.

FINDINGS[1]

Estimated effects of the LTFV and subsidized imports on the U.S. certain hot-rolled steel products industry are as follows: 5.7 percent to 7.8 percent reduction in revenue, 4.3 percent to 6.1 percent reduction in output, and 1.4 percent to 2.0 percent reduction in price. These results are based on Commerce's final LTFV margins for Japan, preliminary LTFV margins for Brazil and Russia, and preliminary subsidy margin for Brazil.[2] Estimated effects by country are shown in the following tabulation.

Country	Reduction in revenue (*percent*)	Reduction in output (*percent*)	Reduction in price (*percent*)
Brazil			
Subsidy	0.0 to 0.1	0.0 to 0.1	0.0
LTFV	0.3 to 0.6	0.2 to 0.5	0.1 to 0.2
Japan	1.2 to 2.9	0.9 to 2.3	0.2 to 0.7
Russia	4.2	3.2	1.1
Total	5.7 to 7.8	4.3 to 6.1	1.4 to 2.0

More detailed effects of the dumping and subsidies and the full range of scenarios are shown in tables E-1 through E-4.

[1] Estimates are based on 1998 data. Commerce's period of investigation was July 1997-June 1998 for the antidumping investigations and calendar year 1997 for the countervailing duty investigation involving Brazil.

[2] Final margins for Brazil and Russia are not yet available.

E-3

Table E-1
The effects of LTFV pricing of imports from Brazil

COMPAS ver. 1.4 (DUMPING) -- THE EFFECTS OF LTFV PRICING OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

INPUTS (in percentages)	05/27	Brazil	From:	To:
Margin:	58.76	Substitution Elast.		
Domestic Share:	85.3	Domestic/Unfair:	2	3.5
Unfair Import Share:	0.6	Domestic/Fair:	2	3.5
Ave. U.S. Tariff Rate:	3	Unfair/Fair:	2	3.5
Transportation Ratio:	9.6	Aggregate Demand Elast:	0.6	0.8
Domestic Content:	0	Domestic Supply Elast:	3	5
Dom. Capacity Util:	87.5	Fair Supply Elast:	10	inf

Estimated Impact of Dumping on U.S. Market (as percent of "fair")

SCENARIOS	#1	#2	#3	#4	But-for Imports:
Domestic Price:	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
Domestic Output:	-0.3%	-0.3%	-0.2%	-0.3%	0.0%
Domestic Revenue:	-0.4%	-0.4%	-0.3%	-0.3%	-0.6%
"BUT-FOR" ESTIMATIONS					
Domestic Share:	85.5%	85.5%	85.5%	85.5%	85.8%
Unfair Import Share:	0.4%	0.4%	0.4%	0.4%	--
Fair Share:	14.1%	14.1%	14.1%	14.1%	14.2%
Capacity Utilization:	87.7%	87.8%	87.7%	87.7%	87.5%

Estimated Impact of Dumping on Imports (as a percentage of "fair" values)

Unfair Import Price:	-34.3%	-34.3%	-34.3%	-34.3%	--
Unfair Import Output:	130.5%	130.6%	130.7%	130.8%	--
Unfair Import Revenue:	51.5%	51.5%	51.6%	51.6%	--
Fair Import Price:	-0.0%	0.0%	-0.0%	0.0%	0.0%
Fair Import Output:	-0.4%	-0.4%	-0.3%	-0.4%	0.0%
Fair Import Revenue:	-0.4%	-0.4%	-0.4%	-0.4%	-0.6%

INPUTS SCENARIOS	#1	#2	#3	#4	But-for Imports:
ELASTICITIES OF SUBSTITUTION					
Dom/Unfair Imports:	2	2	2	2	--
Dom/Fair Imports:	2	2	2	2	--
Unfair/Fair Imports:	2	2	2	2	--
Domestic Supply Elast:	3	5	3	5	3
Fair Import Supply Elast:	10	inf	10	inf	10
Aggregate Demand Elast:	-0.60	-0.60	-0.80	-0.80	--

E-4

Table E-2
The effects of LTFV pricing of imports from Japan

COMPAS ver. 1.4 (DUMPING) -- THE EFFECTS OF LTFV PRICING OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

INPUTS (in percentages)	05/27	Japan	From:	To:
Margin:	36.06	Substitution Elast.		
Domestic Share:	85.3	Domestic/Unfair:	2	3.5
Unfair Import Share:	3.6	Domestic/Fair:	2	3.5
Ave. U.S. Tariff Rate:	3	Unfair/Fair:	2	3.5
Transportation Ratio:	11.6	Aggregate Demand Elast:	0.6	0.8
Domestic Content:	0	Domestic Supply Elast:	3	5
Dom. Capacity Util:	87.5	Fair Supply Elast:	10	inf

Estimated Impact of Dumping on U.S. Market (as percent of "fair" values)

SCENARIOS	#1	#2	#3	#4	#5	#6	#7	#8
Domestic Price:	-0.4%	-0.2%	-0.3%	-0.2%	-0.7%	-0.5%	-0.7%	-0.4%
Domestic Output:	-1.1%	-1.2%	-0.9%	-1.0%	-2.2%	-2.3%	-1.9%	-2.1%
Domestic Revenue:	-1.5%	-1.4%	-1.2%	-1.2%	-2.9%	-2.8%	-2.6%	-2.5%
"BUT-FOR" ESTIMATIONS								
Domestic Share:	86.0%	86.0%	86.0%	86.0%	86.7%	86.7%	86.7%	86.7%
Unfair Import Share:	2.8%	2.8%	2.8%	2.8%	1.9%	1.9%	1.9%	1.9%
Fair Share:	11.2%	11.2%	11.2%	11.2%	11.4%	11.4%	11.4%	11.4%
Capacity Utilization:	88.5%	88.5%	88.3%	88.4%	89.5%	89.6%	89.2%	89.4%
ERRORS								
complementary goods?								
but-for imports?								

Estimated Impact of Dumping on Imports (as a percentage of "fair" values)

Unfair Import Price:	-23.9%	-23.9%	-23.9%	-23.9%	-23.9%	-23.9%	-23.9%	-23.9%
Unfair Import Output:	69.7%	70.0%	70.2%	70.5%	148.3%	150.2%	149.6%	151.2%
Unfair Import Revenue:	29.1%	29.3%	29.5%	29.7%	88.9%	90.3%	89.9%	91.1%
Fair Import Price:	-0.2%	0.0%	-0.1%	0.0%	-0.4%	0.0%	-0.3%	0.0%
Fair Import Output:	-1.5%	-1.6%	-1.2%	-1.4%	-3.5%	-3.9%	-3.1%	-3.6%
Fair Import Revenue:	-1.7%	-1.6%	-1.4%	-1.4%	-3.8%	-3.9%	-3.4%	-3.6%

INPUTS

SCENARIOS	#1	#2	#3	#4	#5	#6	#7	#8
ELASTICITIES OF SUBSTITUTION								
Dom/Unfair Imports:	2	2	2	2	3.5	3.5	3.5	3.5
Dom/Fair Imports:	2	2	2	2	3.5	3.5	3.5	3.5
Unfair/Fair Imports:	2	2	2	2	3.5	3.5	3.5	3.5
Domestic Supply Elast:	3	5	3	5	3	5	3	5
Fair Import Supply Elast:	10	inf	10	inf	10	inf	10	inf
Aggregate Demand Elast:	-0.60	-0.60	-0.80	-0.80	-0.60	-0.60	-0.80	-0.80

E-5

Table E-3
The effects of LTFV pricing of imports from Russia

COMPAS ver. 1.4 (DUMPING) -- THE EFFECTS OF LTFV PRICING OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

INPUTS (in percentages)	05/27	Russia	From:	To:
Margin:	156.58	Substitution Elast.		
Domestic Share:	85.3	Domestic/Unfair:	2	3.5
Unfair Import Share:	4.2	Domestic/Fair:	2	3.5
Ave. U.S. Tariff Rate:	3	Unfair/Fair:	2	3.5
Transportation Ratio:	10.1	Aggregate Demand Elast:	0.6	0.8
Domestic Content:	0	Domestic Supply Elast:	3	5
Dom. Capacity Util:	87.5	Fair Supply Elast:	10	inf

Estimated Impact of Dumping on U.S. Market (as percent of "fair" values)

SCENARIOS	But-for Imports:
Domestic Price:	-1.1%
Domestic Output:	-3.2%
Domestic Revenue:	-4.2%
"BUT-FOR" ESTIMATION	
Domestic Share:	89.0%
Unfair Import Share:	--
Fair Share:	11.0%
Capacity Utilization:	90.4%

Estimated Impact of Dumping on Imports (as a percentage of "fair" values)

Unfair Import Price:	--
Unfair Import Output:	--
Unfair Import Revenue:	--
Fair Import Price:	0.4%
Fair Import Output:	-3.8%
Fair Import Revenue:	-4.2%

INPUTS SCENARIOS	But-for Imports:
ELASTICITIES OF SUBS	
Dom/Unfair Imports:	--
Dom/Fair Imports:	--
Unfair/Fair Imports:	--
Domestic Supply Elast:	3
Fair Import Supply Elast:	10
Aggregate Demand Elast:	--

E-6

Table E-4
The effects of subsidized imports from Brazil

COMPAS version 1.4 (SUBSIDY) – EFFECTS OF UNFAIR SUBSIDIZATION OF IMPORTS (6/1/93)
by Joseph Francois and Keith Hall, Office of Economics, USITC

27-May-99

INPUTS

VALUES (ALL IN PERCENTAGES)	
SUBSIDY MARGIN:	7.85
DOMESTIC VALUE SHARE:	85.3
UNFAIR IMPORT VALUE SHARE:	0.6
AVERAGE U.S. TARIFF RATE:	3
TRANSPORTATION RATIO:	9.6
CAPACITY UTILIZATION:	87.5
U.S. SHARE UNFAIR PRODUCTION:	4.5

ELASTICITIES (ABSOLUTE VALUES	FROM:	TO:
SUBSTITUTION - DOM/UNFAIR:	2	3.5
SUBSTITUTION - DOM/FAIR:	2	3.5
SUBSTITUTION - UNFAIR/FAIR:	2	3.5
AGGREGATE DEMAND:	0.6	0.8
DOMESTIC SUPPLY (INF=infinity):	3	5
Unfair Supply (INF=infinity):	20	inf
FAIR SUPPLY (INF=infinity):	10	inf
Non-U.S. Unfair Elasticity of Demand:	0.6	0.8

ESTIMATED IMPACT ON U.S. MARKET (as percent of "fair" values)	FROM:	TO:
Domestic Price:	-0.0%	-0.0%
Domestic Output:	-0.0%	-0.1%
Domestic Revenue:	-0.0%	-0.1%
Unfair Import Price:	-5.9%	-6.5%
Unfair Import Output:	13.0%	26.4%
Unfair Import Revenue:	6.3%	18.2%
Fair Import Price:	-0.0%	0.0%
Fair Import Output:	-0.0%	-0.2%
Fair Import Revenue:	-0.0%	-0.2%
"BUT-FOR" ESTIMATIONS	FROM:	TO:
Domestic Value Share:	85.3%	85.4%
Unfair Import Value Share:	0.6%	0.5%
Fair Import Value Share:	14.1%	14.1%
Capacity Utilization:	87.5%	87.6%

INPUTS	Case 3	Case 6
ELASTICITIES OF SUBSTITUTION		
Domestic and Unfair Import:	2	3.5
Domestic and Fair Import:	2	3.5
Unfair Import and Fair Import:	2	3.5
Domestic Supply Elasticity:	3	5
Unfair Import Supply Elasticity:	20	inf
Fair Import Supply Elasticity:	10	inf
Non-U.S. Unfair Elasticity of Demand:	-0.8	-0.6
Aggregate U.S. Elasticity of Demand:	-0.8	-0.6

E-7

E-8

APPENDIX F

LOST SALE AND LOST REVENUE ALLEGATIONS
INFORMATION GATHERED DURING THE PRELIMINARY PHASE

F-1

F-2

This appendix presents a discussion of lost sales and lost revenues allegations from the preliminary phase of these investigations. A total of 85 lost sale allegations of $224 million and 697,800 tons, and 33 lost revenue allegations of $8.5 million and 324,560 tons was alleged by U.S. producers in the preliminary phase.[1] The totals of lost sales and lost revenues allegations by country are shown below:[2]

	Lost sales			Lost revenues		
Country	Number	Volume *(1,000 tons)*	Value *($1,000)*	Number	Volume *(1,000 tons)*	Value *($1,000)*
Brazil	4	19	6,738	-	-	-
Japan	27	166	55,182	6	24	602
Russia	40	346	109,741	16	150	5,526
Brazil/Japan	3	32	10,353	-	-	-
Brazil/Russia	1	8	2,540	1	5	92
Japan/Russia	6	74	22,505	8	100	1,490
Brazil/Japan/Russia	4	54	16,783	2	47	798
Total	85	698	223,842	33	325	8,508

The Commission sent a brief survey to each of the purchasers named in the allegations requesting their comments. The specifics of the allegations to which purchasers responded are shown in tables F-1 and F-2.

Table F-1
Certain hot-rolled steel products: U.S. producers' lost sale allegations

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Table F-2
Certain hot-rolled steel products: U.S. producers' lost revenue allegations

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[1] Allegations which did not include volumes, values, or country of origin of the competing imports were not included in these totals. ***. *** provided detailed information regarding lost revenues but failed to include the volumes involved. Its lost sales allegations were included.

[2] Totals shown in the text do not exactly match those shown in the tabulation due to rounding.

F-4

APPENDIX G

EFFECTS OF IMPORTS ON U.S. PRODUCERS' EXISTING DEVELOPMENT AND PRODUCTION EFFORTS, GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL

G-1

G-2

Responses of U.S. producers to the following questions:

1. Since January 1, 1996, has your firm experienced any actual negative effects on its return on investments or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of hot-rolled carbon steel products from Brazil, Japan, or Russia?

* * * * * * *

2. Does your firm anticipate any negative impact of imports of hot-rolled carbon steel products from Brazil, Japan, or Russia?

* * * * * * *

G-3

G-4