

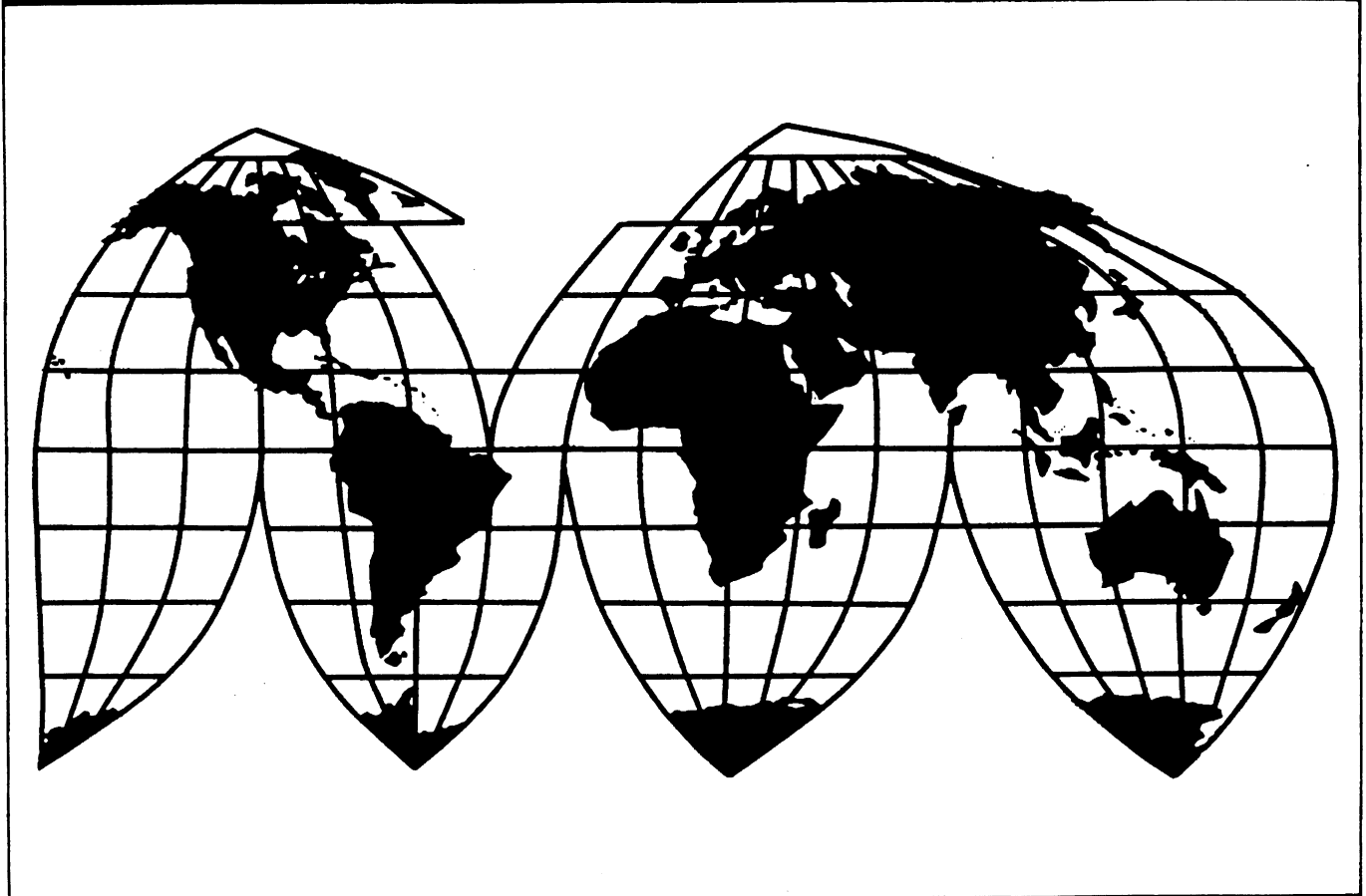
Blast Furnace Coke From China and Japan

Investigations Nos. 731-TA-951-952 (Preliminary)

Publication 3444

August 2001

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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**Address all communications to
Secretary to the Commission
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U.S. International Trade Commission

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NOTE

Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-951-952 (Preliminary)

BLAST FURNACE COKE FROM CHINA AND JAPAN

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (Commission) determines,² pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from China and Japan of blast furnace coke, provided for in subheading 2704.00.0025 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

BACKGROUND

On June 29, 2001, a petition was filed with the Commission and the United States Department of Commerce (Commerce) by the Committee for Fair Coke Trade,³ and the United Steelworkers of America, AFL-CIO, Pittsburgh, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of blast furnace coke from China and Japan. Accordingly, effective June 29, 2001, the Commission instituted antidumping duty investigations Nos. 731-TA-951-952 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference 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 July 6, 2001 (66 FR 35669). The conference was held in Washington, DC, on July 20, 2001, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

² Commissioners Lynn M. Bragg and Marcia E. Miller dissenting. Vice Chairman Deanna Tanner Okun not participating.

³ Members of the committee are: Acme Steel Co., Chicago, IL; DTE Energy Services Inc., Ann Arbor, MI; Koppers Industries, Inc., Pittsburgh, PA; and Shenango Inc., Pittsburgh, PA.

VIEWS OF THE COMMISSION

Investigations Nos. 731-TA-951-952 (Preliminary)

BLAST FURNACE COKE FROM CHINA AND JAPAN

Based on the record in these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of blast furnace coke from China and Japan that are allegedly sold in the United States at less than fair value (“LTFV”).^{1 2}

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.³ In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”⁴

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that 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.”⁵ 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.”⁶ In turn, the Act defines

¹ Vice Chairman Deanna Tanner Okun did not participate in these investigations.

² Commissioners Lynn M. Bragg and Marcia E. Miller find that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports from China and Japan. See Dissenting Views of Commissioner Lynn M. Bragg and Commissioner Marcia E. Miller. They join in sections I-IV and V.A of these Views, except as noted.

³ 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp.2d 1353, 1368-69 (Ct. Int’l Trade 1999).

⁴ American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(4)(A).

“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”⁷

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.⁸ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.⁹ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.¹⁰ 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.¹¹

B. Product Description

The scope of these investigations covers:

*{b}last furnace coke made from coal or mostly coal and other carbon materials, with a majority of individual pieces less than 100 MM (4 inches) of a kind capable of being used in blast furnace operations, whether or not mixed with coke breeze. Blast furnace coke is generally classified under Harmonized Tariff Schedule United States (“HTSUS”) subheading 2704.00.0025. The tariff classification is provided for descriptive purposes; the scope of the investigation, not the tariff classification of the import, is dispositive.*¹²

Blast furnace coke is a type of metallurgical coke used as both a fuel and as a source of carbon in reducing iron ore to pig iron in a blast furnace. Blast furnace coke must be strong enough to support its own weight, and that of the iron ore and other materials fed into the blast furnace. It must also be porous to withstand the powerful gas currents in the blast furnace.¹³

⁷ 19 U.S.C. § 1677(10).

⁸ See, e.g., NEC Corp. v. Dep’t of Commerce and U.S. Int’l Trade Comm’n, 36 F. Supp. 2d 380 (Ct. Int’l Trade 1998); 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).

⁹ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

¹⁰ Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991).

¹¹ Hosiden Corp. v. Advanced Display Manufacturers, 85 F.3d 1561 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

¹² 66 Fed. Reg. 39009 (July 26, 2001).

¹³ Confidential Report (“CR”), as revised by Memoranda INV-Y-146 (Aug. 9, 2001) and INV-Y-151 (Aug. 10, 2001) and Public Report (“PR”) at I-5.

C. Domestic Like Product

Petitioners argue that the Commission should find one like product, coextensive with the scope, consisting of all blast furnace coke.¹⁴ No respondent has taken issue with Petitioners' suggested domestic like product.

The current blast furnace coke investigation presents questions on whether the domestic like product definition should be expanded to include foundry coke or industrial coke. We find that the evidence in this record reflects that foundry coke and blast furnace coke differ in physical characteristics (e.g., size, coal composition), manufacturing processes and end uses.¹⁵ Consequently, foundry coke is sold to foundries while blast furnace coke is sold primarily to steel producers at different prices.¹⁶ Similarly, in the recent preliminary determination in Foundry Coke from China, the Commission found that foundry coke and blast furnace coke were produced from different types of coal with specific size differences that control their end uses.¹⁷ We do not include foundry coke in the definition of the domestic like product in these investigations.

Regarding industrial coke, we find that the record in these investigations reflects that industrial coke is only available commercially as a byproduct of the foundry coke process, not the blast furnace coke process.¹⁸ Blast furnace coke and industrial coke are not interchangeable. They differ in chemical composition, and to a more limited extent size, and these differences result in different end uses and different customers.¹⁹ We also do not include industrial coke in the definition of the domestic like product in these investigations.²⁰

Therefore, we find one domestic like product consisting of all blast furnace coke, coextensive with the scope in these investigations ("blast furnace coke").

III. DOMESTIC INDUSTRY AND RELATED PARTIES

A. Domestic Industry

Section 771(4) of the Act defines the relevant industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a

¹⁴ Petition at 21. Petitioners' Postconference Brief at 11.

¹⁵ Transcript of Blast Furnace Conference, July 20, 2001 ("Conference Tr.") 17-19, 52-54. Petitioners' Postconference Brief, Exhibit 1 at 3-4. Chinese Respondent Duferco's ("Duferco") Postconference Brief, Exhibit 4, at 3-4.

¹⁶ Conference Tr. at 18-19, 54. Petition at 17.

¹⁷ Foundry Coke from China, Inv. No. 731-TA-891 (Preliminary) USITC Pub. 3365 (Nov. 2000) at 5-7.

¹⁸ Conference Tr. at 11, 51, 145-146, USG Interiors, Inc. ("USG") and Rock Wool Manufacturing Co. ("Rock Wool") Postconference Brief at 1-2.

¹⁹ Conference Tr. at 11, 51, 145-146. USG and Rock Wool Postconference Brief at 1-3. Petitioners' Postconference Brief, Exhibit 1 at 4. Industrial coke is used by lead smelters, sugar beet manufacturers and calcium carbide producers. Petitioners' Postconference Brief, Exhibit 1 at 4.

²⁰ USITC Pub. 3365 at 7-8.

major proportion of the total domestic production of that product.”²¹ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market, provided that adequate production-related activity is conducted in the United States.²² Based on our like product determination, we determine that there is a single domestic industry consisting of all domestic producers of blast furnace coke.

B. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. 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.²³ Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each case.²⁴ In defining the domestic industry, we have considered whether *** and ***, who are both domestic producers and importers of subject merchandise, should be excluded from the domestic industry under the related parties provision.

*** is the *** domestic producer of blast furnace coke, and produced *** percent of U.S. blast furnace coke in 2000.²⁵ *** imported subject imports in all periods examined,²⁶ as well as purchased

²¹ 19 U.S.C. § 1677(4)(A).

²² See, e.g., DRAMs From Taiwan, Inv. No. 731-TA-811 (Final), USITC Pub. 3256 at 6 (Dec. 1999); 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, at 7 (Sept. 1998); Manganese Sulfate from the People’s Republic of China, Inv. No. 731-TA-725 (Final), USITC Pub. 2932, at 5 and n.10 (Nov. 1995) (the Commission stated it generally considered toll producers that engage in sufficient production-related activity to be part of the domestic industry); see, e.g., Oil Country Tubular Goods from Argentina, Austria, Italy, Japan, Korea, Mexico, and Spain (“OCTG”), Invs. Nos. 701-TA-363-364 (Final) and Invs. Nos. 731-TA-711-717 (Final), USITC Pub. 2911, at I-15 (Aug. 1995) (not including threaders in the casing and tubing industry because of “limited levels of capital investment, lower levels of expertise, and lower levels of employment”).

²³ 19 U.S.C. § 1677(4)(B).

²⁴ 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 the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), aff’d without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14, n.81.

²⁵ CR/PR at Table III-1.

²⁶ CR/PR at Table IV-1.

Chinese blast furnace coke from U.S. importers in 2000.²⁷ In 1998, the ratio of *** subject imports relative to its blast furnace coke production was *** percent, in 1999, *** percent, in 2000 (including purchases of subject imports), *** percent, and in interim 2001, it was *** percent.²⁸ Although *** is a significant importer, it is also a significant producer. Given the *** ratio of imports relative to domestic production, and the importance of *** data, we find that its primary interests appear to lie in domestic production, and find that appropriate circumstances do not exist to exclude *** from the domestic industry.

*** is the *** domestic producer of blast furnace coke, producing *** percent of U.S. blast furnace coke in 2000.²⁹ *** is also a significant importer of subject merchandise, and imported subject merchandise in all periods examined.³⁰ The ratio of *** imports to its domestic production was *** percent in 1998, *** percent in 1999, *** percent in 2000, and *** percent in interim 2001.³¹ *** experienced ***.³² Given that *** has not appeared to benefit from its imports of subject merchandise, the importance of its data, and the absence of any contrary argument, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

Domestic producers *** did not import subject merchandise over the period of investigation, but they did purchase blast furnace coke from China. A domestic producer who is mainly a purchaser of subject merchandise may be a related party if it controls large volumes of imports, by being responsible for a predominant proportion of an importer's purchases when the importer's purchases were substantial.³³ In 1998, *** purchased imports of blast furnace coke from China from ***, and was *** customer for subject imports.³⁴ However, the ratio of *** 1998 purchases relative to its domestic production was *** percent, and *** imports were *** percent of total subject imports.³⁵ Although there may be an issue as to whether *** may be considered a related party due to the fact that it was *** customer with respect to subject imports, we find that appropriate circumstances do not exist to exclude *** as a related party given its relatively *** ratio of 1998 purchases to production, and *** percentage of overall subject imports.

Domestic producer *** purchased blast furnace coke from China in all periods examined, apparently from ***.³⁶ *** 1998 purchases appear to constitute *** percent of *** 1998 subject imports,

²⁷ CR at III-9, n.27; PR at III-7, n.27.

²⁸ Calculated from *** Producer Questionnaire and CR at III-9, n.27 & Table IV-1; PR at III-7, n.27 & Table IV-1.

²⁹ CR/PR at Table III-1.

³⁰ CR/PR at Table IV-1.

³¹ Calculated from *** Producer Questionnaire and CR/PR at Table IV-1.

³² CR/PR at Table VI-6.

³³ See, e.g., Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-293 and 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999); Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Final), USITC Pub. 3035 at 10 n.50 (April 1997).

³⁴ CR/PR at Table IV-1, n.2. CR at III-9, n.26; PR at III-7, n.26.

³⁵ CR at III-9, n.26; PR at III-7, n.26; and *** Producer Questionnaire. CR/PR at Table IV-1.

³⁶ CR at III-9, n.25, Table IV-1, n.7; PR at III-7, n.25, and Table IV-1, n.7.

*** percent of *** subject imports in 1999,³⁷ *** percent of *** 2000 subject imports, and *** percent of *** interim 2001 subject imports.³⁸ ***.³⁹ The ratio of *** purchases of subject imports to its domestic production was *** percent in 1998, *** percent in 1999, *** percent in 2000, and *** percent in interim 2001.⁴⁰ *** is a relatively small importer, accounting for only *** percent of total subject imports in 1998, *** percent in 1999, *** percent in 2000, a year in which its imports were ***, and *** percent in interim 2001.⁴¹ Although there may be an issue as to whether *** is a related party due to purchases from ***, given *** relatively *** ratio of purchases to its production, and ***'s relatively *** percentage of overall subject imports, we find that appropriate circumstances do not exist to exclude *** as a related party.

Similarly, *** purchased blast furnace coke from China in all periods examined except interim 2001, from importer ***.⁴² *** 1998 purchases accounted for *** percent of *** 1998 imports, *** percent of *** 1999 imports, and *** percent of *** 2000 imports.⁴³ ***.⁴⁴ The ratio of *** purchases of subject Chinese product to its domestic production was *** percent in 1998, *** percent in 1999, *** percent in 2000, and *** in interim 2001.⁴⁵ *** accounted for *** percent of total subject imports in 1998, *** percent in 1999, *** percent in 2000, and *** percent in interim 2001.⁴⁶ Although there may be an issue as to whether *** is a related party due to purchases from ***, given *** relatively *** ratio of purchases to production, and ***'s relatively *** percentage of overall subject imports, we find that appropriate circumstances do not exist to exclude *** as a related party.

IV. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, Section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with the domestic like product in the U.S. market.⁴⁷ In assessing whether subject imports compete with each other and with the domestic like product,⁴⁸ the Commission has generally considered four factors, including:

³⁷ ***. *** Producer Questionnaire and *** Importer Questionnaire.

³⁸ CR/PR at Table IV-1; CR at III-9, n.25; PR at III-7, n.25; *** Producer Questionnaire and *** Importer Questionnaire.

³⁹ ***. CR/PR at Table IV-1, n.7.

⁴⁰ CR at III-9, n.25; PR at III-7, n.25; and *** Producer Questionnaire.

⁴¹ CR/PR at Table IV-1.

⁴² CR at III-9, n.24; PR at III-7, n.24.

⁴³ Calculated from CR at III-9, n.24; PR at III-7, n.24; and CR/PR at Table IV-1.

⁴⁴ CR/PR at Table IV-1, n.5.

⁴⁵ CR at III-9, n.24; PR at III-7, n.24 and *** Producer Questionnaire.

⁴⁶ CR/PR at Table IV-1.

⁴⁷ 19 U.S.C. § 1677(7)(G)(i).

⁴⁸ The Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) expressly states (continued...)

- (1) the degree of fungibility between the subject 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 subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.⁴⁹

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 subject imports compete with each other and with the domestic like product.⁵⁰ Only a “reasonable overlap” of competition is required.⁵¹

The petition in these investigations covered blast furnace coke from both China and Japan. Thus, the first statutory criterion for cumulation is satisfied.⁵² In addition, none of the four statutory exceptions to the general cumulation rule applies for purposes of these determinations.⁵³ Therefore, we are required to determine whether there is a reasonable overlap of competition both among the subject imports from China and Japan, and between the subject imports and the domestic like product.

B. Analysis⁵⁴

We find that there is a reasonable overlap of competition sufficient for cumulation, while at the same time recognizing the attenuated competition between subject imports and domestically produced blast furnace coke. This attenuated competition is due to the fact that a significant amount of subject

(...continued)

that “the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition,” SAA, H.R. Rep. 103-316, vol. I at 848 (1994), citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int’l Trade 1988), aff’d, 859 F.2d 915 (Fed. Cir. 1988).

⁴⁹ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. 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).

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

⁵¹ See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082 (Ct. Int’l Trade 1998) (“cumulation does not require two products to be highly fungible”); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int’l Trade 1996); Wieland Werke, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

⁵² Petition at 1-2.

⁵³ These exceptions concern imports from Israel, countries as to which investigations have been terminated, countries as to which Commerce has made preliminary negative determinations, and countries designated as beneficiaries under the Caribbean Basin Economic Recovery Act. 19 U.S.C. § 1677(7)(G)(ii).

⁵⁴ Commissioners Bragg and Miller find there is a reasonable overlap of competition and do not join the introductory Analysis paragraph. See Dissenting Views of Commissioner Lynn M. Bragg and Commissioner Marcia E. Miller.

imports is transported over water and sold directly to steel makers at steel plants with port facilities. As noted below in our discussion of conditions of competition for the industry, the record reflects that blast furnace coke transported over water results in less product deterioration than blast furnace coke transported over land. We note, however, that how the Commission analyzes competition in the context of cumulation does not legally dictate how the Commission must analyze competition in the context of causation.⁵⁵

Fungibility.⁵⁶—The record reflects a sufficient level of physical interchangeability between domestically produced and imported blast furnace coke from China and Japan. Four responding domestic producers stated that domestically produced and imported blast furnace coke from China could always be used interchangeably, three stated they could frequently be used interchangeably, three stated that they could sometimes be used interchangeably, and one stated that they were never interchangeable.⁵⁷ One importer stated that domestically produced blast furnace coke and imported blast furnace coke from China were always interchangeable, one stated that they were frequently interchangeable, seven stated that they were sometimes interchangeable and one stated that they were never interchangeable.⁵⁸ Although the record reflects differences between Chinese coke used as center fill in a blast furnace,⁵⁹ and domestically produced blast furnace coke, the record reflects at least moderate competition between the domestic product and imports from China overall.

Six responding domestic producers stated that domestically produced and imported blast furnace coke from Japan could always be used interchangeably, four stated they could frequently be used interchangeably, none stated that they could sometimes be used interchangeably, and one stated that they were never interchangeable.⁶⁰ Three importers stated that domestically produced blast furnace coke and imported blast furnace coke from Japan were always interchangeable, two stated that they were frequently interchangeable, one stated that they were sometimes interchangeable, and one stated that they were never interchangeable.^{61 62}

⁵⁵ BIC Corp. v. United States, 964 F. Supp. 391, 397 (Ct. Int'l Trade 1997). “{L}ike product, cumulation and causation are functionally different inquiries because they serve different statutory purposes As a result, each inquiry requires a different level of fungibility. Hence the record may contain substantial evidence that two products are fungible enough to support a finding in one context (e.g., one like product), but not in another (e.g., cumulation or causation).” Id. at 399.

⁵⁶ Commissioners Bragg and Miller join the remaining Analysis discussion within the context of their Dissenting Views. See Dissenting Views of Commissioners Lynn M. Bragg and Marcia E. Miller.

⁵⁷ CR/PR at Table II-1.

⁵⁸ CR/PR at Table II-2.

⁵⁹ *** stated that depending on the strength and size of Chinese coke, it may or may not be used interchangeably with domestic coke. This is particularly so when the Chinese coke is used as center fill in the blast furnace, which requires high strength and large size under parameters unavailable from domestic coke. CR at II-9; PR at II-6. A representative for a Chinese exporter testified at the conference that the domestic product was not interchangeable with imports from China used in center fill applications at U.S. Steel’s Gary, Indiana plant. Conference Tr. at 105, 111 & 129.

⁶⁰ CR/PR at Table II-1.

⁶¹ CR/PR at Table II-2.

⁶² *** said that Japanese blast furnace coke is similar to domestically produced blast furnace coke in most parameters. Depending on the use and quality of Japanese blast furnace coke, it may or may not be interchangeable.¹⁰
(continued...)

Domestic producer and importer responses reflect some interchangeability between imports from Japan and China. Two domestic producers reported that imported blast furnace coke from China and Japan could always be used interchangeably, two stated they could frequently be used interchangeably, and four stated that they could sometimes be used interchangeably.⁶³ One importer stated that imported blast furnace coke from China and Japan were always interchangeable, one stated that they were frequently interchangeable, and three stated that they were sometimes interchangeable.⁶⁴ Questionnaire respondents reported that imports from China and imports from Japan were not always interchangeable due to differences in ash content, size, stability and density.⁶⁵

Geographic Overlap.—Domestically produced blast furnace coke and imports from China and Japan are all present in the U.S. market for blast furnace coke particularly in the Eastern half of the United States, where most steel producers are concentrated.⁶⁶ However, most sales of subject imports are to steel producers with port facilities on the East Coast, which do not generally purchase domestically produced blast furnace coke at those plants.⁶⁷ Imports from China and Japan are also sold to some degree in the Western half of the United States.⁶⁸

Simultaneous Presence.—Subject imports from China, subject imports from Japan and domestic blast furnace coke were simultaneously present in the U.S. market in each annual period investigated and in the interim periods.⁶⁹

Channels of Distribution.—Most shipments of blast furnace coke by both producers and importers go directly to end users, which are steel producers, and not distributors.⁷⁰ Several integrated domestic producers⁷¹ either import or purchase both subject merchandise and domestic blast furnace coke.⁷² However, ***, purchase the majority of subject imports at different locations than they purchase

⁶² (...continued)

with domestic blast furnace coke. CR at II-10; PR at II-7. *** reported that the chemistry, size and physical characteristics of Japanese blast furnace coke and domestically produced blast furnace coke are different. CR at II-10; PR at II-7.

⁶³ CR/PR at Table II-1.

⁶⁴ CR/PR at Table II-2.

⁶⁵ CR at II-11; PR at II-7.

⁶⁶ CR/PR at II-1 and Table III-1.

⁶⁷ This is discussed further in Section V.A.

⁶⁸ Importer *** reports that it services the western part of the United States, primarily ***. CR/PR at II-1. Importer *** reported that it services the entire United States. CR/PR at II-1.

⁶⁹ CR/PR at Table IV-2 and Table IV-4.

⁷⁰ During 1998-2000, between 98.1 and 99.6 percent of U.S. annual shipments by producers were to steel producers with the remainder going to distributors. The percentage of total annual shipments of imports from China going directly to steel producers during 1998-2000 ranged between 96.6 and 99.5 percent. All imports from Japan were shipped directly to steel producers during 1998 and 2000. CR/PR at II-1.

⁷¹ In these Views, “integrated domestic producers” or “integrated producers” refers to domestic producers of both blast furnace coke and steel, and firms that have facilities physically integrated with steel producers.

⁷² ***. CR/PR at Table III-4, nn. 1 & 2. CR/PR at Table IV-1.

domestically produced blast furnace coke.⁷³ Reportedly, purchasing the subject imports through a port facility results in lower degradation of the blast furnace coke and lower transportation costs through transportation over water rather than over land.⁷⁴

On balance, we find that a reasonable overlap of competition exists among subject imports and between subject imports and the domestic like product sufficient for cumulation.⁷⁵ The level of interchangeability varies between the subject imports and the domestic product. Subject imports and domestic blast furnace coke are both present in the East Coast market for blast furnace coke, where most purchasers are located. Subject imports and domestic blast furnace coke have been simultaneously present in the U.S. market in all periods examined. Channels of distribution are similar for both domestic blast furnace coke and subject imports in that most shipments go directly to end users, which are steel producers, and not distributors. However, most sales of subject imports are to *** steel producers with port facilities in the East, which do not generally purchase domestically produced blast furnace coke for use at these facilities, reportedly due to the economic advantages of water transport which reduces degradation.

V. **NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS⁷⁶**

In the preliminary phase of antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.⁷⁷ In making this determination, the Commission must consider the volume of 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.⁷⁸ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁷⁹ In assessing whether there is a reasonable indication that 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

⁷³ OINV Memorandum No. INV-Y-149 (Aug. 9, 2001).

⁷⁴ Duferco Postconference Brief at 6-7. Japanese Respondents’ Mitsubishi Chemical Corporation (“Mitsubishi”) and Mitsui Mining Co., Ltd., (“Mitsui”), (collectively the “Japanese Respondents”) Postconference Brief at 33, n.23 stating that ***.

⁷⁵ We reiterate in this respect, that only a reasonable overlap of competition is required, and that completely overlapping markets are not required. See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986) at 8-11, 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). Mukand Ltd., 937 F. Supp. at 916; Wieland Werke, AG, 718 F. Supp. at 52.

⁷⁶ Commissioners Lynn M. Bragg and Marcia E. Miller dissenting. See Dissenting Views of Commissioners Lynn M. Bragg and Marcia E. Miller.

⁷⁷ 19 U.S.C. §§ 1671b(a) and 1673b(a).

⁷⁸ 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 . . . {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B). See also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

⁷⁹ 19 U.S.C. § 1677(7)(A).

in the United States.⁸⁰ 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.”⁸¹

For the reasons discussed below, we determine that there is no reasonable indication that the domestic industry is materially injured by reason of subject imports from China and Japan that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition⁸²

Blast furnace coke is used to make pig iron in blast furnaces by steel producers, and is then further processed into steel.⁸³ The demand for blast furnace coke is therefore derived from the demand for pig iron, steel and steel products.⁸⁴ Apparent U.S. consumption for blast furnace coke fell slightly from 1998 to 2000, and was lower in interim 2001 than in interim 2000.⁸⁵ In 2000, apparent U.S. consumption of blast furnace coke was 19.0 million MT.⁸⁶

Blast furnace coke is generally produced using one of two processes: the byproduct recovery process or the beehive process. In the United States, most blast furnace coke is produced using byproduct recovery ovens in which the volatile materials produced during the coking process are recovered.⁸⁷ Byproduct coke batteries run continuously because allowing them to cool can result in damage to the ovens when they are reheated. Batteries are occasionally “hot-idled,” where the temperature is maintained but coal is not charged, and coke is not produced.⁸⁸ Petitioners maintain that hot-idling provides little savings due to the high energy costs required to keep the ovens hot. Therefore, they allege that they cannot adjust production to fit market demand.⁸⁹

⁸⁰ 19 U.S.C. § 1677(7)(C)(iii).

⁸¹ 19 U.S.C. § 1677(7)(C)(iii).

⁸² Although Commissioners Bragg and Miller dissent, and find that there is a reasonable indication that the U.S. blast furnace coke industry is materially injured by reason of subject imports from China and Japan, they join the following Conditions of Competition discussion within the context of their Dissenting Views. Commissioner Bragg and Commissioner Miller further note that the record indicates that an important condition of competition is the high degree of substitution between imported and domestic blast furnace coke, as price is one of the primary factors in the sale of blast furnace coke, along with availability and quality (e.g., chemistry, size, physical characteristics, moisture and ash content). CR at II-6, PR at II-4. Accordingly, Commissioners Bragg and Miller find, within the context of their Dissenting Views, that substitutability, as well as the two production segments of the domestic industry (merchant and integrated producers), costly environmental compliance standards, intense capital expenditures for industry maintenance, and the need for steady domestic capacity utilization are all relevant factors of the conditions of competition affecting the domestic industry.

⁸³ CR at II-3, II-5; PR at II-2, II-3.

⁸⁴ CR at II-3; PR at II-2.

⁸⁵ Apparent U.S. consumption of blast furnace coke was 19.2 million metric tons (“MT”) in 1998, falling to 17.8 million MT in 1999, recovering back to 19.0 million MT in 2000. Apparent U.S. consumption of blast furnace coke was 4.3 million MT in interim 2001 as compared to 4.8 million MT in interim 2000. CR/PR at Table IV-4.

⁸⁶ CR/PR at Table IV-4.

⁸⁷ CR at I-6, PR at I-5.

⁸⁸ CR at I-8; PR at I-7.

⁸⁹ Petitioners’ Postconference Brief at 21.

Blast furnace coke crumbles whenever it is being transported or handled, creating particles of coke called coke breeze.⁹⁰ Operators do not want this breeze in their furnaces because it can plug up the blast furnaces.⁹¹ A higher percentage of breeze in a shipment, caused, for example, by the coke being on the ground, can result in a decreased price for the shipment, either because the purchaser discounts the shipment or because the breeze is screened out.⁹² Therefore, blast furnace coke producers seek to minimize crumbling or degradation of the blast furnace coke prior to use, by minimizing handling, moving or transporting the coke. Since placing the coke on the ground involves handling and degradation, blast furnace coke producers endeavor to avoid holding inventories.⁹³ Moreover, in general, blast furnace coke is sold directly to end users and not through distributors.⁹⁴

According to one of the Chinese respondents, it is far more economical for purchasers to receive blast furnace coke by vessel than by rail or truck because receiving the coke by water reduces the amount of handling of the coke, which in turn, reduces degradation.⁹⁵ Respondents testified that imported coke was a viable option only to U.S. customers with ready access to port facilities due to the significance of freight costs. Moreover, they testified that most U.S. merchant producers of coke were located inland, and so were limited to sales to nearby steel mills.⁹⁷ Sixty-seven percent of domestic producers' U.S. shipments were within 200 miles of their storage or production facilities.⁹⁸

The U.S. blast furnace coke industry is comprised of two segments, the integrated producer "captive" segment and the segment that sells to the merchant market. The integrated producers produce both blast furnace coke and steel. Most of their shipments are to their captive production operations in which they use their own coke to produce pig iron and then steel. However, the integrated producers also sell blast furnace coke in the merchant market, and are the predominant suppliers of that market.⁹⁹ ¹⁰⁰

⁹⁰ Conference Tr. at 46-47, 74-75.

⁹¹ Conference Tr. at 48-49, 51-52.

⁹² Conference Tr. at 76.

⁹³ Conference Tr. at 76.

⁹⁴ CR/PR at II-1.

⁹⁵ Duferco's Postconference Brief at 6-7, 18-19.

⁹⁶ Duferco Postconference Brief, Affidavit of Jack Palmer, Vice President of Raw Material for Duferco Steel, Inc. at 1-2.

⁹⁷ Conference Tr. at 85.

⁹⁸ CR at II-2; PR at II-1.

⁹⁹ In 2000, domestic integrated producers shipped *** MT of blast furnace coke to the merchant market, while merchant producers shipped *** MT of blast furnace coke to the merchant market. The merchant shipments by the domestic integrated producers constituted *** percent of the total domestic merchant market shipments.

The captive producers shipped *** MT tons to their captive market. Together, the captive producers' merchant shipments and captive shipments were 12.6 million MT, constituting 79.4 percent of total domestic shipments. Correspondingly, merchant producers' shipments constituted 20.6 percent of total domestic shipments.

In 2000, merchant shipments constituted *** percent of captive producers' overall U.S. shipments, and captive shipments constituted *** percent of their overall U.S. shipments. Calculated from CR/PR at Table III-1.

¹⁰⁰ No party has argued that the captive production provision of the statute, 19 U.S.C. § 1677(7)(C)(iv), applies to these investigations. We find that the threshold requirement for application of the captive production provision is satisfied because significant production of the domestic like product is internally transferred and significant

(continued...)¹⁴

As noted above, *** and ***, two domestic producers, are also the primary importers of subject merchandise. Direct imports by *** and *** combined, plus *** indirect purchases of subject imports from China, comprised *** percent of subject imports in 2000.^{101 102} Integrated producers purchased *** percent of the merchant market's U.S. shipments of blast furnace coke in 2000, which includes merchant shipments by both integrated producers and merchant producers.¹⁰³

***'s total shipments (merchant and captive) were larger than the combined shipments of all of the merchant producers.¹⁰⁴ Clairton Partnership is a joint venture owned *** percent by ***. Clairton Partnership and DTE Energy Services have both purchased and now operate coke-making facilities on the site of integrated steel producers.¹⁰⁵

As noted above, *** imported the overwhelming majority of subject imports. *** does not generally purchase subject imports. *** relies exclusively on imports of blast furnace coke from China and Japan. All of *** subject imports of blast furnace coke over the period of investigation have been consumed at ***. In first quarter 2000, Bethlehem began operation of a pulverized-coal-injection

¹⁰⁰ (...continued)

production is sold in the merchant market. In 2000, captive production shipments by all U.S. integrated producers were *** MT, *** percent of total U.S. domestic shipments of blast furnace coke. Commercial shipments by domestic merchant producers and captive producers were 8.1 million MT, 51.1 percent of total U.S. domestic shipments of blast furnace coke. Calculated from CR/PR at Table III-1.

However, we find that the captive production provision is not applicable to these investigations because the third criterion of the captive production provision is not satisfied. Blast furnace coke sold in the merchant market is used in the production of pig iron and steel, as is blast furnace coke that is internally transferred. U.S. integrated steel producers are virtually the exclusive purchasers of blast furnace coke in the United States. CR at I-13, III-7, PR at I-11, III-7; CR/PR at Table III-4. Conference Tr. at 82. Petitioners agree that the third criterion of the captive production provision is not satisfied. Petitioners' Postconference Brief at 17, n.20. Nevertheless, we do consider captive production as a condition of competition.

¹⁰¹ Calculated from CR/PR at Table IV-1, and CR at III-9, n.27, PR at III-7, n.27.

¹⁰² We note that there were *** nonsubject imports during the period of investigation. CR/PR at Table IV-2.

¹⁰³ Calculated from CR/PR at Tables III-1 and III-4. Because some of the domestic producers were also purchasers and end users of blast furnace coke, the domestic producer questionnaires issued in these investigations contained some questions usually asked in purchaser questionnaires. These questions concerned whether demand had changed for the end products since January 1998, and what characteristics the firm considered when determining the quality of blast furnace coke. Thus, in these investigations, we have purchaser information that we frequently have not yet obtained in preliminary phase investigations. See OINV Memorandum INV-Y-126 dated July 3, 2001.

¹⁰⁴ Calculated from CR/PR at Table III-1.

¹⁰⁵ Clairton Partnership owns and operates coke batteries 13, 14, and B of U.S. Steel's Clairton, Pennsylvania coke-making operations. DTE Energy Services owns and operates two blast furnace coke facilities: DTE Burns Harbor and EES Coke Battery Co. DTE Burns Harbor owns and operates the No. 1 coke battery at Bethlehem's Burns Harbor, Indiana steel facility, and sells its output on a contractual basis to Bethlehem. EES Coke owns and operates the Ecorse, Michigan coke production plant formerly owned by National Steel and sells its output on a contractual basis to National Steel. CR at III-2 & nn.7 and 8; PR at III-3 & nn.7 and 8; CR/PR at Table III-1.

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(PCI)¹⁰⁶ facility at Sparrows Point that will allow Bethlehem to reduce its annual need for blast furnace coke by *** MT ***, when the facility becomes fully operational.¹⁰⁷

*** does not consume any imports. All of *** imports from Japan and a few test shipments from China, were consumed at *** over the period of investigation ***. *** produces blast furnace coke for *** internal steel operations, which is supplemented by imports from China and blast furnace coke from other domestic producers.¹⁰⁸

Domestic capacity has declined significantly since 1979 due to environmental regulations and aging batteries,¹⁰⁹ leaving a significant supply deficit between domestic supply capacity and domestic demand of approximately two million MT.¹¹⁰ Long-term reduction of domestic capacity continued during the period of investigation.¹¹¹ Several coke batteries closed in 1998, which coincided with compliance requirements of the Clean Air Act.¹¹² Another company, Gulf States Steel closed its entire steel operations in 1999,¹¹³ and Bethlehem has announced that it will close a plant in the future.¹¹⁴ Petitioners do not refute respondents' arguments that coke batteries have closed due to aging, and the need to comply with environmental regulations.¹¹⁵

¹⁰⁶ Pulverized coal injection is a blast furnace technology that requires less coke. Conference Tr. at 44-45. EES Coke owns and operates a PCI facility in Ecorse, Michigan. OINV Memorandum INV-Y-149 (August 9, 2001).

¹⁰⁷ OINV Memorandum INV-Y-149 at 1.

¹⁰⁸ OINV Memorandum INV-Y-149 at 1-2.

¹⁰⁹ Coke plants were classified as hazardous air pollutants in the Clean Air Act Amendments of 1990, and between 1979 and 1996, the number of active coke batteries declined from 179 to 78 and annual capacity dropped 60 percent. Much of the decline was concentrated in the integrated sector but the merchant sector was also affected. Moreover by 1994, half of the coke oven batteries in the U.S. had reached or were nearing the 20-30 year average life span for coke oven batteries. Today there are 66 batteries in operation in the United States—integrated steel producers operate 38 by-product recovery ovens, while merchant producers operate 18 by-product recovery batteries and ten non-recovery batteries. Japanese Respondents' Postconference Brief at 6-7 and Exhibits 3 and 4.

¹¹⁰ Apparent U.S. consumption in 2000 was 19.0 million MT, whereas total domestic production capacity was 16.7 million MT, and domestic production was 16.1 million MT. CR/PR at Tables III-2 and IV-4.

¹¹¹ Japanese Respondents' Postconference Brief, Exhibits 3 & 4.

¹¹² Japanese Respondents' Postconference Brief at 8. In 1998, Bethlehem closed its blast furnace coke plant in Bethlehem, Pennsylvania. It also sold half of its coke-making operations at Burns Harbor, Indiana to DTE Energy Services. LTV closed its plant at Pittsburgh, Pennsylvania. Koppers closed its plant in Gadsden, Alabama, but this plant primarily produced foundry coke. CR at III-6. Petition, Exhibit 48. By January, 1998, each company had to decide which compliance track, MACT or LAER, it was going to accept for its batteries, which affected what standards were applicable to the batteries and when compliance was necessary. See Petitioners' Postconference Brief, Exhibit 1, Response Attachment D.

¹¹³ CR at III-6; PR at III-5.

¹¹⁴ Japanese Respondents' Postconference Brief, Exhibit 3. Bethlehem has announced its plans to shut down its Lackawanna plant with 700,000 MT capacity by the end of September 2001. Chinese Respondent Duferco Postconference Brief, Exhibit 6. *** were from its Lackawanna plant. Bethlehem Domestic Producer Questionnaire at 6. Staff phone conversation with ***.

¹¹⁵ Petitioners state that respondents "concede" that pressures from environmental compliance regulations have caused the closure of a large fraction of U.S. coke producing facilities in the 1990s. Moreover, Petitioners reference Respondents' statement that Petitioners had made no attempt to link the recent shutdowns in coke capacity to subject
(continued...)

The domestic industry faces strict and expensive environmental standards. Petitioners allege that environmental compliance costs will increase by tens of millions of dollars in the next decade.¹¹⁶ One industry representative testified that the industry has spent “well over a billion dollars” on environmental projects since the early 1990s.¹¹⁷ The estimated cost to build a new blast furnace coke battery from the ground up with 300,000 tons of capacity is ***.¹¹⁸

The majority of sales of domestically produced blast furnace coke are on a contract basis. Contract periods are typically for one to three years, although they may be as many as 12 years in duration.¹¹⁹ The record also reflects that domestic producers tend to sell to a small number of customers with whom they have long-standing relationships.^{120 121}

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.”¹²²

As noted above, apparent U.S. domestic consumption for blast furnace coke decreased irregularly from 1998 to 2000, and was lower in interim 2001 than in interim 2000.¹²³ Apparent U.S. consumption fell by one percent between 1998 and 2000, and was eleven percent lower in interim 2000 than in interim 2001.¹²⁴ The volume of cumulated subject import U.S. shipments fell at a sharper rate than demand. The volume of cumulated subject import shipments decreased irregularly from *** MT in 1998 to 3.1 million MT in 2000, a decrease of *** percent. In interim 2001, the volume of cumulated subject import shipments was sharply lower, 591,833 MT, as compared to 799,063 MT in interim 2000, 25.9 percent

¹¹⁵ (...continued)

imports, and do not refute their arguments. Petitioners’ Postconference Brief at 20, 33. Petitioners stated at the conference that “{t}he truth of the matter is that historically closure of facilities, Gulf States included probably, is mostly related to the useful life of the facility and when it expires, it’s closed.” Conference Tr. at 153.

When asked by the Department of Commerce to what extent the Gulf States Steel, Bethlehem Steel Corp., Koppers and LTV closures were related to imports of blast furnace coke from China and Japan, Petitioners stated that they did not intend at that time to make any assertion as to the extent to which the closure of the Gulf States Steel coke battery in 2000 was related to subject imports. Response to Commerce Department Questions on the Petition for Imposition of Antidumping Duties: Blast Furnace Coke from China and Japan (July 6, 2001) at 10.

¹¹⁶ Petitioners’ Postconference Brief at 32.

¹¹⁷ Petitioners’ Postconference Brief at 20. Conference Tr. at 21.

¹¹⁸ Petitioners’ Postconference Brief, Answers to Staff Questions at 6.

¹¹⁹ CR/PR at V-3.

¹²⁰ Japanese Respondents’ Postconference Brief at 10-11 & Exhibit 2 (citing to several examples of long-term commitments of domestic producers, for example: ***. Over the period of investigation, the capacity utilization of domestic producers ranged from 92.6 percent in 1999 to 97.4 percent in interim 2000. CR/PR at Table III-2.

¹²¹ Commissioners Bragg and Miller do not join in the remainder of these Views. See Dissenting Views of Commissioner Lynn M. Bragg and Commissioner Marcia E. Miller.

¹²² 19 U.S.C. § 1677(7)(C)(i).

¹²³ CR/PR at Table IV-4.

¹²⁴ CR/PR at Table C-1.

lower.¹²⁵ The share of apparent U.S. consumption supplied by the cumulated subject imports declined somewhat, from *** percent to 16.5 percent during 1998 to 2000, then was sharply lower in interim 2001, 13.8 percent, as compared to 16.5 percent in interim 2000.¹²⁶ In contrast, U.S. producers' share of apparent consumption increased somewhat from 83.0 percent to 83.5 percent during 1998 to 2000, then was higher in interim 2001, 86.2 percent, than in interim 2000, 83.5 percent.¹²⁷

Due to the overall decline in relative and absolute volume of subject imports during the period of investigation, we find the volume of subject imports not to be 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 degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹²⁸

Prices for the domestic like product generally fluctuated within a range of less than eight percent over the period of investigation. Indeed, the reported weighted average domestic price per MT for blast furnace coke in the first quarter of 1998 was \$121.18 per MT, and in the second quarter of 2001, it was \$121.59 per MT. Reported weighted average domestic prices for blast furnace coke increased steadily through the end of 1998 to a high in the last quarter of \$130.38 per MT. Domestic prices declined irregularly in 1999, ending the last quarter at \$122.51 per MT. From the last quarter of 1999, reported domestic prices stayed essentially flat for seven quarters. They stayed within a narrow range, from \$120.30 to \$122.71 per MT, from the last quarter of 1999 until the second quarter of 2001.¹²⁹

Prices for imports from China and Japan undersold domestic product in all fourteen quarters examined. Margins of underselling by imports from China ranged from *** percent to *** percent. Margins of underselling by imports from Japan ranged from *** percent to *** percent.^{130 131}

We do not find, however, that underselling by the subject imports has had significant adverse price effects. Domestic prices stayed relatively flat during the period of investigation without regard to

¹²⁵ CR/PR at Tables IV-4 and C-1.

¹²⁶ CR/PR at Table IV-6.

¹²⁷ CR/PR at Table C-1. As stated earlier, there were *** nonsubject imports during the period of investigation. CR/PR at Table IV-2.

¹²⁸ 19 U.S.C. § 1677(7)(C)(ii).

¹²⁹ CR/PR at Table V-1.

¹³⁰ CR at V-8; PR at V-4.

¹³¹ Although we acknowledge the underselling by the subject imports, we also note that prices for imports from China and prices for imports from Japan increased beginning in the second half of 2000 and increased further in 2001. CR/PR at Table V-1. 18

the vacillations in the prices for subject imports from China and Japan during this period.¹³² Prices were at approximately \$120-\$122 per MT at the beginning and at the end of the reporting period.¹³³ Thus, prices for the domestic like product have not been significantly depressed.

Moreover, there is no indication that the subject imports have prevented price increases, which would otherwise have occurred, to a significant degree. The pricing data obtained show no clear pattern of responses of domestic prices to the prices of subject imports, with the domestic prices sometimes falling though import prices are rising, and vice-versa.¹³⁴ In addition, unit costs and the ratio of cost of goods sold to net sales revenue for the industry generally declined over the period of investigation, declining between 1998 and 2000, and then having only a small increase in interim 2001 relative to interim 2000, on both an overall and trade-only basis, with the exception of the ratio of cost of goods sold to net sales revenue for trade only sales, which increased marginally between 1998 and 2000.¹³⁵ This suggests that prices have not been significantly suppressed relative to costs.¹³⁶

The lack of significant adverse price effects by the subject imports is also confirmed by the nature of the conditions of competition for this industry. The overwhelming majority of subject imports, *** percent in 2000, is sold to *** integrated members of the industry to satisfy demand at certain of their steel plants, ***. *** purchases both domestically produced blast furnace coke and subject imports ***.¹³⁷ There is no evidence on this record that the prices of these imports, that to a great extent do not compete with domestically produced blast furnace coke, and which constitute the overwhelming percentage of subject imports, have had a significant effect on domestic prices.

We thus find that subject imports have not depressed or suppressed domestic prices to a significant degree.

¹³² See CR/PR at Figure V-3, indicating no clear correlation between prices of the subject imports and domestic prices.

¹³³ CR/PR at Table V-1 and Figure V-3.

¹³⁴ CR/PR at Table V-1 and Figure V-3.

¹³⁵ CR/PR at Table C-1.

¹³⁶ Moreover, the record does not reflect substantiated lost sales or lost revenues that would link prices for subject imports to depressed or suppressed domestic prices. Petitioners explain the lack of lost sales or lost revenue allegations in its Petition by stating that blast furnace producers' purchasing managers do not disclose competitive bids. ***. Conference Tr. at 12. Petitioners' Postconference Brief at 34 & Exhibit 4.

Although domestic producers that were not petitioners were asked to report any instances of lost sales or revenues they experienced due to competition from imports from China and Japan, responding domestic producers did not report any lost sales on an individual customer basis. One producer ***, made a specific allegation that it had reduced prices because of blast furnace coke imports from China and Japan, but did not provide all of the necessary information required to verify the allegation. CR at V-8; PR at V-6.

¹³⁷ OINV Memorandum INV-Y-149 (August 9, 2001). We note that ***. *Id.*

D. Impact of the Subject Imports

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 the state of the industry.”¹³⁸ 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 industry.”^{139 140}

The record in these investigations indicates that the profitability of the domestic industry fluctuated within a narrow range over the period of investigation, as did several of the other economic indicators. Furthermore, there is no correlation between subject import volume and the financial condition of the domestic industry. Subject import volumes declined during the periods in which the domestic industry’s operating income margins declined to unprofitable levels. Cumulated subject import volume fell from 1998 to 1999, at the same time that the operating income as a share of sales fell from 0.5 percent to a negative 1.1 percent. Cumulated subject import volume increased from 1999 to 2000 while operating income as a share of sales recovered to a positive 1.1 percent. Finally, the volume of cumulated subject imports was 37.1 percent lower in interim 2001 than in interim 2000. At the same time, operating income as a share of sales fell to a negative 0.9 percent.¹⁴¹ Therefore, when subject import volume was declining, the domestic industry was less profitable, and when import volume was increasing, the domestic industry was more profitable. We find no causal nexus between subject imports and the financial health of this industry.

Other economic indicators for the industry fluctuated within a narrow range, while capacity utilization rates were high. Many of the economic indicators decreased from 1998 to 1999, recovered from 1999 to 2000, and were lower in interim 2001 than in interim 2000.

Total net sales, including internal consumption and related party transfers, fell slightly over the period examined.¹⁴² Production decreased from 1998 to 1999, and recovered in 2000, increasing slightly

¹³⁸ 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” Id. at 885).

¹³⁹ 19 U.S.C. § 1677(7)(C)(iii).

¹⁴⁰ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii) (V). In its notice of initiation, Commerce estimated dumping margins as follows: China, from 132.2 percent to 207.2 percent; Japan, 71.66 percent. 66 Fed. Reg. 39009 et seq. (July 26, 2001).

¹⁴¹ CR/PR at Tables IV-2 and C-1. We note that the same pattern holds true for the merchant market (Trade only sales). Operating income as a percentage of sales was 2.9 percent in 1998, declining to 1.3 percent in 1999, and recovering to 1.6 percent in 2000. It was a negative 0.6 percent in interim 2001 and a positive 1.8 percent in interim 2000. Therefore, declines in the operating income margin for the merchant market also happened at the same time as import volume was declining. Id.

¹⁴² Total net sales and transfers fell from 16.7 million MT in 1998 to 15.8 million MT in 1999, and recovered to 16.6 million MT in 2000. Sales were 3.9 million MT in interim 2001, as compared to 4.2 million MT in interim 2000. (continued...)

overall. Capacity and capacity utilization followed similar trends.^{143 144 145} Inventories fell from 1998 to 2000, but were larger in interim 2001 than in interim 2000.¹⁴⁶ Employment indicators are mixed. The number of production workers and hours worked declined between 1998 and 2000 and were lower in interim 2001 than in interim 2000. Wages paid and productivity increased between 1998 and 2000, although they were lower in interim 2001 than in interim 2000. Hourly wages increased between 1998 and 2000, and were higher in interim 2001 than in interim 2000.¹⁴⁷

Between 1998 and 1999, the per-unit cost of goods sold (COGS) was level, then declined from 1999 to 2000. Unit COGS was higher in interim 2001 than in interim 2000.¹⁴⁸ The ratio of COGS to sales increased from 1998 to 1999 and then fell from 1999 to 2000. It was larger in interim 2001 than in interim 2000.¹⁴⁹

Capital expenditures declined in 1999 and 2000. Reported research and development expenses increased steadily between 1998 and 2000, but were lower in interim 2001 than in interim 2000.¹⁵⁰

In light of our findings that declining volumes of subject imports have not suppressed or depressed domestic prices to a significant degree, that the financial performance of the domestic industry fluctuated within a narrow range, and lack of correlation of subject import volumes and the financial performance of the domestic industry, we find no reasonable indication that subject imports have had a significant adverse impact on the domestic industry.

¹⁴² (...continued)

2000. CR/PR at Table C-1. Merchant market (Trade only) sales followed similar trends, although they increased from 1998 to 2000. Trade only sales were 8.3 million MT in 1998, decreasing to 7.8 million MT in 1999, recovering to 8.5 million MT in 2000. Trade only sales were 2.0 million MT in interim 2001 as compared to 2.2 million MT in interim 2000. Id.

¹⁴³ Domestic production of blast furnace coke was 16.0 million MT in 1998, decreasing to 15.4 million MT in 1999, recovering to 16.1 million MT in 2000. Domestic production was 3.9 million MT in interim 2001 and 4.1 million MT in interim 2000. CR/PR at Table C-1.

¹⁴⁴ Domestic production capacity was 16.62 million MT in 1998, decreasing slightly to 16.60 million MT in 1999, recovering to 16.68 million MT in 2000. Domestic production capacity was 4.12 million MT in interim 2001 as compared to 4.17 million MT in interim 2000. CR/PR at Table C-1.

¹⁴⁵ Capacity utilization was 96.0 percent in 1998, decreasing to 92.6 percent in 1999 and recovering to 96.7 percent in 2000. Capacity utilization was lower in interim 2001 than in interim 2000. CR/PR at Table C-1.

¹⁴⁶ End-of-period inventories decreased from 578,072 MT in 1998, to 528,398 MT in 1999, and then fell further to 430,127 MT in 2000. Inventories were 531,633 MT in interim 2001 as compared to 464,719 MT in interim 2000. CR/PR at Table C-1.

¹⁴⁷ CR/PR at Table C-1.

¹⁴⁸ CR/PR at Table C-1. For merchant market (Trade only) sales, unit COGS increased from 1998 to 1999, and then fell from 1999 to 2000. It was higher in interim 2001 than in interim 2000. Id.

¹⁴⁹ CR/PR at Table C-1. Merchant market (Trade only) sales had similar trends. Id.

¹⁵⁰ CR/PR at Table VI-7. Some companies reported a high percentage of their capital expenditure costs were related to environmental compliance, and others reported no environmental compliance capital expenditures. CR at VI-29-31; PR at VI-10. CR/PR at Table VI-7. Research and development data was only received from ***. 21
Domestic Producer Questionnaires.

VI. CUMULATION FOR PURPOSES OF ANALYZING THE THREAT OF MATERIAL INJURY

Section 771(7)(H) of the Act permits the Commission, to the extent practicable, to assess cumulatively the volume and effect of subject imports for purposes of conducting its threat analysis.¹⁵¹ In addition to the factors considered in the cumulation for present injury analysis, the Commission also considers whether the imports are increasing at similar rates in the same markets, whether the imports have similar margins of underselling, and the probability that imports will enter the United States at prices that would have a depressing or suppressing effect on domestic prices of that merchandise.¹⁵²

We exercise our discretion to cumulate subject imports from China and Japan for purposes of assessing threat of material injury in these determinations. There are both similarities and differences in their volume and pricing trends. We note that most of the subject imports are either imported or purchased by ***.¹⁵³

Given the similarities in their volume and price trends, as well as the fact that the overwhelming majority of subject imports from both countries are purchased by *** importers, we exercise our discretion to cumulate imports from China and Japan in analyzing the threat of material injury.

VII. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS FROM CHINA AND JAPAN

Section 771(7)(F) of the Act directs the Commission to determine whether an industry in the United States is threatened with material injury by reason of the subject imports by analyzing 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.”¹⁵⁴ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole.”¹⁵⁵ In making our determination, we have considered all factors that are relevant to these investigations.¹⁵⁶

¹⁵¹ See Kern-Liebers v. United States, 36 F. Supp.2d 394 (Ct Int'l Trade 1999).

¹⁵² See Torrington Co. v. United States, 790 F. Supp. at 1172 (affirming Commission's determination not to cumulate for purposes of threat analysis when pricing and volume trends among subject countries were not uniform and import penetration was extremely low for most of the subject countries); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

¹⁵³ CR/PR at Tables IV-1, IV-2 & IV-3; CR at IV-5 & III-9, n.27; PR at IV-3 & III-7, n.27.

¹⁵⁴ 19 U.S.C. § 1677d(b) and 1677(7)(F)(ii).

¹⁵⁵ 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon “positive evidence tending to show an intention to increase the levels of importation.” Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

¹⁵⁶ 19 U.S.C. § 1677(7)(F)(i). Factor I regarding countervailable subsidies is inapplicable to this antidumping investigation, as is Factor VII regarding raw and processed agricultural products. 22

U.S. shipments of subject imports into the U.S. market from China and Japan, combined, decreased *** from 1998 to 2000 and were 25.9 percent lower in interim 2001 than in interim 2000, a trend that does not support a finding that likely substantial increases in imports are imminent.¹⁵⁷ The market share of cumulated subject imports also decreased *** from 1998 to 2000, and was 2.8 percentage points lower in interim 2001 than in interim 2000.¹⁵⁸

We note that there is a supply deficit in the United States for blast furnace coke, that U.S. capacity has declined over time, and that subject import volume has followed demand trends over the period of investigation. We note that domestic producers are at high capacity utilization rates, and have long term relationships and commitments to a small number of customers. We find that there are *** principal importers of blast furnace coke, ***, who have used subject imports to supplement their blast furnace coke requirements. *** has stated that it will require *** fewer MT of subject imports annually when ***, although it is unclear when that will take place.¹⁵⁹

There is no evidence on the record of an imminent, substantial increase in production capacity in China or Japan, nor evidence of a likelihood of substantially increased imports of the subject merchandise given that the vast majority of subject imports during the period of investigation were destined for ***. As stated earlier, these *** steel producers do not generally purchase domestically produced blast furnace coke for use at their steel production facilities with port facilities, reportedly due to the economic advantages of water transport which reduces degradation, and the record does not reflect any intent for them to increase their imports or purchases in the future. We further find that the high capacity utilization of the domestic producers during the period of investigation, 96.0 percent in 1998, 92.6 percent in 1999, 96.7 percent in 2000, 97.4 percent in interim 2000 and 93.7 percent in interim 2001,¹⁶⁰ indicates that they could not meet any significant increase in orders for blast furnace coke, which further supports our finding of no reasonable indication of threat of material injury by reason of subject imports from China and Japan.

¹⁵⁷ CR/PR at Table C-1.

¹⁵⁸ CR/PR at Table C-1.

¹⁵⁹ OINV Memorandum INV-Y-149 (August 9, 2001) at 1.

¹⁶⁰ CR/PR at Table C-1.

While China is now the world's largest exporter of coke,¹⁶¹ reporting Chinese producers show high capacity utilization levels.¹⁶² ¹⁶³ Subject import volumes from China were sharply lower in interim 2001, as compared to interim 2000.¹⁶⁴

The record reflects that Mitsubishi Chemical and Mitsui Mining accounted for virtually all exports of blast furnace coke from Japan to the United States during the period of investigation. They maintain that like the United States, the great majority of Japanese coke production is captive, and that the integrated producers in Japan lack specialized export facilities for gently loading coke onto vessels that would make any export opportunities attractive.¹⁶⁵ They further maintain that there is a structural deficit of blast furnace coke in Japan as in the United States (although it appears to be caused by their exports), and that PCI usage has stabilized in Japan and will not increase, arguing that there will be no increased pressure to export more blast furnace coke to the United States.¹⁶⁶

¹⁶¹ CR at VII-4; PR at VII-2.

¹⁶² CR/PR at Table VII-2.

¹⁶³ Petitioners rely to a large extent on a 1999 Chinese Coke Directory, edited by Biswambhar Goswami, President of International Inspection & Consultancy (ILC) of Japan, and published by Tex Report. In that original Coke Directory, Mr. Goswami noted the swift emergence of the Chinese coke industry, particularly in Shanxi province. He also noted the environmental problems associated with beehive ovens, and that beehive ovens were being replaced with mechanical ovens. Petition, Exhibit 52, at pages "e-g". ***. Petition, Exhibit 51. Petitioners also present an article stating that the local government in Luliang, Shanxi Province, China is planning to close all traditional coking plants (beehive ovens) and build 24 modern plants, although the article reflects that these modern plants will replace beehive ovens being shuttered. Petitioners' Postconference Brief, Exhibit 6.

Counsel for Respondent Shanxi Group testified at the conference that there were "massive shutdowns" of beehive ovens in China. Conference Tr. at 116. Counsel for Japanese Respondents testified that the majority of U.S. imports of furnace coke from China during the period of investigation were from beehive ovens, and that if the ovens were shut down, the capacity to export that material is also shut down. Conference Tr. at 117. See also Manatt Phelps Letter dated July 19, 2001, showing known production closures. A representative of Chinese Respondent Dufenco testified that the industry is in "transition," that at least 50 percent of the beehive ovens had been closed, and that they are attempting to produce beehive quality coke using slot ovens. Conference Tr. at 119-120, 142. Based on the foregoing, record evidence demonstrates that the Chinese blast furnace coke industry is in transition, and that at least some of its capacity is being shut down.

¹⁶⁴ We note that exports to the United States of blast furnace coke from China have been decreasing, and are projected to decrease further. The Commission received questionnaire responses believed to account for virtually all exports of blast furnace coke from China to the United States during January 1998 to March 2001. CR/PR at VII-1. This export data reflects that 1.8 million MT of blast furnace coke was exported to the United States in 2000, as compared to 6.1 million MT to other markets. Exports to the United States in interim 2001 were 113,976 MT in interim 2001 as compared to 465,949 MT in interim 2000. Projected calendar year exports to the United States in 2002 were *** as compared to 920,600 MT projected calendar year exports in 2001. CR/PR at Table VII-2.

¹⁶⁵ Japanese Respondents' Postconference Brief at 32. CR at VII-5; PR at VII-4. Conference Tr. at 99. Our data represents virtually all exports of blast furnace coke from Japan during the period of investigation. CR at VII-5, PR at VII-4.

¹⁶⁶ Japanese Respondents' Postconference Brief at 28-33, Exhibits 16, 17 & 18. Conference Tr. at 96.

***.¹⁶⁷ In 2000, *** imports accounted for *** of subject imports from Japan, or *** percent of subject imports from Japan.¹⁶⁸ It appears that *** requirements for imports at *** will decrease at some point in the future.¹⁶⁹

There is no indication that imports from Japan will increase in the future. The majority of reported Japanese shipments of blast furnace coke went to the home market, and reporting Japanese producers reported high capacity utilization levels.¹⁷⁰ Import volumes from Japan decreased from 1998 to 2000 and were lower in interim 2001 than in interim 2000. One of their *** primary U.S. customers has announced a significant decline in its future needs for blast furnace coke.¹⁷¹ Japanese market share of the U.S. market has been generally stable throughout the period of investigation.¹⁷² Official Commerce import statistics reflect that coke imports from Japan, (including both blast furnace coke and foundry coke) have ranged from 1.5 million MT to 1.9 million MT, beginning in 1992 and up to and including 2000, except for 1996, when imports of coke from Japan were 1.3 million MT.¹⁷³ Even Petitioners state that “Japanese imports have constituted a stable share of the domestic market...”¹⁷⁴ There is no indication that this will change in the future.

We also find it unlikely that subject imports from these two countries will enter the U.S. market at prices likely to suppress or depress domestic prices to any significant degree. As noted above, underselling has been persistent, but it has had little apparent adverse effect on domestic prices. We have found that import prices do not translate into depressed or suppressed prices for domestic blast furnace coke, due to the limited direct competition between imports and domestic blast furnace coke in these investigations. There is nothing in the record to indicate that these conditions of competition will significantly change or that they are likely to increase demand for further imports. Indeed, it appears that *** demand for subject imports will decrease in the future due to its proposed ***. Also, underselling margins narrowed in the first two quarters of 2001.

Imports from China and Japan are not generally inventoried by non-steel producing importers, due to the degradation involved.¹⁷⁵ Reported inventories for Japanese producers are low, and are not projected to significantly increase.¹⁷⁶ Chinese producers report an increase in inventories in 2000 and larger inventories in interim 2001 as compared to interim 2000. However, we note that the reported end-of-period inventories in 2000 would only constitute *** percent of apparent U.S. consumption in 2000. As for the end-of-period inventories in interim 2001, we note that although inventories are higher in interim 2001 as compared to interim 2000, total shipments are lower, and projected 2001 calendar year

¹⁶⁷ CR at IV-5, nn. 4-5; PR at IV-3, nn.4-5.

¹⁶⁸ Calculated from CR/PR at Tables IV-2 and IV-3.

¹⁶⁹ OINV Memorandum INV-Y-149 (August 9, 2001) at 1.

¹⁷⁰ CR/PR at Table VII-4.

¹⁷¹ OINV Memorandum INV-Y-149 (August 9, 2001) at 1.

¹⁷² CR/PR at Table C-1.

¹⁷³ Official Commerce Statistics.

¹⁷⁴ Petitioners' Postconference Brief at 40.

¹⁷⁵ Conference Tr. at 135-136. CR/PR at Table VII-5, nn.2-3. Although we note that importers held significant end-of-period inventories during the period of investigation, we note that most of these inventories were held by importers ***, importers that are also end users, *i.e.*, steel producers.

¹⁷⁶ CR/PR at Table VII-4.

end-of-period inventories are smaller than interim 2001 inventories.¹⁷⁷ Although product-shifting is a theoretical possibility in both subject countries,¹⁷⁸ the record does not reflect any product-shifting during the period of investigation, or any intent to do it in the future.

Although Petitioners have argued that dumped import pricing is preventing the domestic industry from making investments in replacement and expansion capacity,¹⁷⁹ and ***,¹⁸⁰ we find that although capital expenditures were higher in 1998 than in 1999 and 2000, most of the 1998 expenditures were related to environmental compliance, so this decrease in capital expenditures does not appear to reflect a decrease in expenditures for upgrading facilities.¹⁸¹ Indeed, ***, reported capital expenditures for upgrading their facilities.¹⁸² Given our findings regarding import pricing, we do not find that import prices have significantly negatively affected or will potentially have any significantly negative effects on capital expenditures.

In light of the conditions of competition in this market, decreases in recent shipments to the United States, along with a general lack of evidence of future increased imports by the primary U.S. importers, we find no reasonable indication of threat of material injury by reason of cumulated subject imports from China and Japan.

CONCLUSION

For the foregoing reasons, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of blast furnace coke from China and Japan that are allegedly sold in the United States at less than fair value.

¹⁷⁷ CR/PR at Table VII-2. Although reported Chinese inventories are projected to be higher in calendar year 2002, the projected inventories would only constitute *** percent of apparent U.S. consumption in 2000. Calculated from CR/PR at Tables IV-4 and VII-2.

¹⁷⁸ CR at VII-4, PR at VII-2; Japanese Respondents' Postconference Brief, Answers to Staff Questions at 44. While there is reportedly a large theoretical capacity for production of both foundry coke and blast furnace coke in China, the record does not indicate that such theoretical capacity will result in substantially increased exports of blast furnace coke from China to the United States in the imminent future, given the current transitional state of the Chinese blast furnace coke industry in which capacity is being shut down, the fact that the volume of subject imports from China was significantly lower in interim 2001 than in interim 2000, and demand in other markets. CR at VII-4 & n.4; PR at VII-1 & n.4. CR/PR at Tables IV-2 and VII-2.

¹⁷⁹ Petitioners' Postconference Brief at 34.

¹⁸⁰ CR/PR at Appendix D.

¹⁸¹ CR/PR at Table VI-7 and CR at VI- 29-31 & nn.20-22, PR at VI-10 & nn. 20-22. Capital expenditures were lower in interim 2001 than in interim 2000. *Id.*

¹⁸² CR at VI- 29-31, nn. 20 & 22; PR at VI-10, nn. 20 & 22.

**DISSENTING VIEWS OF COMMISSIONER LYNN M. BRAGG
AND COMMISSIONER MARCIA E. MILLER**

Investigations Nos. 731-TA-951-952 (Preliminary)

BLAST FURNACE COKE FROM CHINA AND JAPAN

Based on the record developed in the preliminary investigations, we find that there is a reasonable indication that the domestic industry is materially injured by reason of imports of blast furnace coke from China and Japan that are allegedly sold in the United States at less than fair value (“LTFV”). We also note that there are fundamental issues raised and unanswered in the limited record of these preliminary phase investigations which warrant an affirmative determination and the continuation of these investigations into the final phase. The important unresolved issues include the significant volume of merchant market producers’ sales in the open or commercial market that specifically raise concerns regarding the adequacy of pricing data, the lack of purchaser questionnaires, and the role and impact of subject imports on contract negotiations within the U.S. market.

We join the majority’s views on domestic like product, domestic industry, cumulation, and conditions of competition, except as noted.¹ Our dissenting views on material injury follow.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.² In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”³

II. Reasonable Indication of Material Injury by Reason of Allegedly LTFV Imports From China and Japan

In the preliminary phase of an antidumping duty investigation, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by

¹ Given that the record indicates that subject imports and the domestic like product are interchangeable and recognizing an important issue raised regarding the nature of competition between subject imports and the domestic like product, *i.e.*, whether transportation costs limit U.S. merchant producers’ sales to nearby purchasers, we believe that negative determinations at this preliminary stage would be premature. The record does not, at this time, present information sufficient to support dispositive distinctions regarding the industry’s performance, as reflected in the lack of purchaser input regarding the nature of competition between domestic product and imported product, particularly in the sizable merchant segment.

² 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-1004 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

³ American Lamb, 785 F.2d at 994, 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

reason of the imports under investigation.⁴ In making this determination, the Commission must consider the volume of 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.⁵ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁶ In assessing whether there is a reasonable indication that 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.⁷ 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.”⁸

A. 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.”⁹

Subject imports from China and Japan maintained a steady presence in the U.S. market over the period of investigation, and generally followed demand trends. Apparent U.S. consumption fell from 19.2 million metric tons in 1998 to 17.8 million metric tons in 1999, and then rebounded to 19.0 million metric tons in 2000. During the first quarter of 2001, apparent U.S. consumption was about 4.3 million metric tons as compared to 4.8 million metric tons in the first quarter of 2000. The volume of U.S. shipments of subject imports was *** metric tons in 1998, 2.8 million metric tons in 1999, and 3.1 million metric tons in 2000. U.S. shipments of subject imports, by volume, were 799,063 metric tons in the first quarter of 2000, as compared to 591,833 metric tons in the first quarter of 2001.¹⁰

Subject imports’ share of apparent U.S. consumption, by volume, remained relatively constant, at *** percent in 1998, 15.6 percent in 1999, and 16.5 percent in 2000. Subject imports share of apparent U.S. consumption was 13.8 percent in interim 2001, as compared to 16.5 percent in interim 2000.¹¹

Domestic producers’ share of apparent U.S. consumption likewise remained relatively stable over the period of investigation, at 83.0 percent in 1998, 84.4 in 1999, and 83.5 percent in 2000. The

⁴ 19 U.S.C. § 1673b(a).

⁵ 19 U.S.C. § 1677(B)(i). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B); see also Angus Chemical Chemical Co. v. United States, 140 R.3d 1478 (Fed. Cir. 1998).

⁶ 19 U.S.C. § 1677(7)(A).

⁷ 19 U.S.C. § 1677(7)(C)(iii).

⁸ 19 U.S.C. § 1677(7)(C)(iii).

⁹ 19 U.S.C. § 1677(7)(C)(i).

¹⁰ CR/PR at Table C-1. We note that during the second half of 2000, just prior to the 2001 interim period, the Commission was conducting investigations on another coke product, foundry coke. The Commission issued a report in its Section 332 investigation in Foundry Coke: A Review of the Industries in the United States and China, Inv. No. 332-407, USITC Pub. 3323 (July 2000), and its affirmative preliminary determination in an antidumping investigation, Foundry Coke From China, Inv. No. 731-TA-891 (Preliminary), USITC Pub. 3365 (Nov. 2000).

¹¹ CR/PR at Table C-1.

domestic industry's U.S. market share was 86.2 percent in interim 2001, compared to 83.5 percent in interim 2000.¹² As noted under Conditions of Competition,¹³ because of capacity shutdowns by the domestic industry, current U.S. demand is met by both domestic production and imports, and certain domestic producers also import subject merchandise.

We find that, during the period of investigation, although the domestic industry did not lose market share to subject imports and there was no significant change in the volume of subject imports, subject imports maintained an important and steady presence in the U.S. market during the period.¹⁴ We further note that the statute does not require that the volume of subject imports be increasing, but that volume alone, either in absolute terms or relative to production or consumption in the United States, is significant. Accordingly, we find the volume of subject imports was significant during the period of investigation.

B. 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 degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹⁵

The subject imports undersold the domestic like product in all quarters for which pricing comparisons were available,¹⁶ at margins ranging from *** percent to *** percent.¹⁷ We find this underselling to be significant.

Overall, the prices of the subject imports irregularly trended downward over the investigation period.¹⁸ The prices of the Chinese product declined *** from *** per metric ton at the end of 1998, to *** per metric ton at the beginning of 1999, and reached their lowest point in 2000, at *** per metric ton in the first quarter. The declining prices of the Japanese product followed the trend of the Chinese prices, dropping from *** per metric ton in the first quarter of 1998, down to *** per metric ton in the

¹² CR/PR at Table C-1.

¹³ See Conditions of Competition in Views of the Commission.

¹⁴ We further note that given the significant depressing and suppressing price effects that mounted during the period of investigation, the declining domestic industry performance, and recognizing there is only a limited record in these preliminary phase investigations, final investigations would provide the opportunity to more adequately assess the role of subject imports in the U.S. market. Accordingly, we find the volume of subject imports is significant.

¹⁵ 19 U.S.C. § 1677(7)(C)(ii).

¹⁶ Eleven out of twelve known domestic producers and all nine importers of subject merchandise provided pricing data. CR at V-5, PR at V-4.

¹⁷ CR/PR at Table V-1.

¹⁸ CR/PR at Table V-1.

second quarter of 1999, to *** per metric ton in the third quarter of 1999, and ranging from *** per metric ton to *** per metric ton in 2000.¹⁹

U.S. prices started the period of investigation at \$121.18 per metric ton, reached a high of \$130.38 per metric ton in the fourth quarter of 1998, and never returned to that level, ending the period of investigation at \$121.59 per metric ton in the second quarter of 2001. Most notably, when demand rose in 2000, U.S. prices did not rise above \$122.71 per metric ton, and dropped as low as \$121.29 per metric ton. Overall, U.S. prices ended the period at a level of only \$.41 per metric ton higher than at the beginning of the period, but almost \$9 per metric ton lower than the peak price in the fourth quarter of 1998.²⁰

Based on the above price trends, we conclude that U.S. prices were depressed and suppressed during the period of investigation and were not able to return to historically high levels, even in 2000 when demand rose and U.S. shipments increased. The decline in U.S. prices occurred when the prices of subject imports were at their lowest levels during the period. The average unit values (“AUVs”) of both subject imports and the net sales of the domestic product declined throughout the period examined, which further indicate the downward depressing and suppressing price effects of subject imports on U.S. prices.²¹ While we are mindful of the limits of using AUV data, AUVs in this investigation are a reasonable indicator of price trends, given that blast furnace coke is a commodity product, the high degree of substitutability, and that subject imports and the domestic product are sold primarily to end users under long-term contracts.²²

We acknowledge that the record in these preliminary phase investigations indicates that factors other than subject import prices may have contributed to any suppression or depression of domestic prices during the period.²³ However, the record also contains evidence that low-priced imports, particularly in 1999-2000, were an important factor in domestic producers failing to achieve price increases during contract negotiations toward the end of the period. Subject imports and the domestic like product are generally considered interchangeable and price is an important factor in purchasing decisions.²⁴ Petitioners testified that the prices of subject imports drove down the prices at which they could sell their product, that pricing had become the “driver” in contract negotiations during the last three years, and that contract negotiations in the fall of 2000, for 2001 contracts, “were disastrous with

¹⁹ CR/PR at Table V-1. We note that, although the prices of subject imports rose again in the first half of 2001, this rise in prices immediately followed Commission actions on another coke product, foundry coke. See Foundry Coke: A Review of the Industries in the United States and China, Inv. No. 332-407, USITC Pub. 3323 (July 2000); and Foundry Coke From China, Inv. No. 731-TA-891 (Preliminary), USITC Pub. 3365 (Nov. 2000).

²⁰ Price declines experienced by the merchant producers, considered alone, are even more striking. Their prices declined over the entire period by over *** per metric ton, and declined by almost *** per metric ton from a high in the fourth quarter of 1998 of *** per metric ton to *** per metric ton at the end of the period. See Staff Worksheet entitled Table A.

²¹ CR/PR at Tables VI-2, VI-5, C-1, C-2 & C-3.

²² CR/PR at II-1, V-3.

²³ For example, ***, which supplies blast furnace coke to ***, reported that ***. CR at VI-2, n.4; PR at VI-1, n.4.

²⁴ CR at II-6; PR at II-4.

continuing inadequacy of prices that fall further and further behind costs for 2001.”²⁵ The record contains evidence that certain producers entered into new contracts for 2001 at depressed prices.²⁶ In addition, while it appears that a large percentage of subject merchandise was imported by integrated producers *** to replace their own captive production of blast furnace coke that was shut down, there is, however, evidence of direct competition between subject imports and trade sales of blast furnace coke by both merchant producers and integrated producers.²⁷

Although the record is limited at this stage of the proceedings, we nonetheless find, based in large part upon the steady market share of the subject imports and the numerous instances of underselling, that the subject imports are having significant negative price effects on the domestic like product. We further note that, given our recognition that the preliminary record is limited, of particular importance is the absence of additional data from purchasers with respect to the effect of import prices on their price negotiations with domestic producers; final phase investigations would provide the opportunity to more adequately assess the price effects of subject imports.²⁸

Based on the foregoing, we find, for purposes of these preliminary investigations, significant underselling of the domestic like product by subject imports and a reasonable indication that subject imports have suppressed and depressed domestic prices to a significant degree.

C. Impact of the Subject Imports

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 the state of the industry.”²⁹ 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 industry.”³⁰

²⁵ Tr. at 17, 25, 29, 36.

²⁶ Indeed, the record indicates that Shenango, a domestic producer which testified that it had been “battered by Chinese and Japanese blast furnace coke in our traditional market area,” had the ***. Tr. at 17; CR at VI-5, nn. 8 & 10; PR at VI-2, nn.8 & 10.

²⁷ For example, ***. Petitioners’ Post-Conference Brief at Exhibit 4. U.S. Steel uses both domestically produced and imported steel at its facility in Gary, Indiana. From 1998 to 2000, its purchases of imports *** for the Gary facility, while its purchases from domestic producers ***, as follows: ***. INV-Y-149; CR at III-9, n.23; PR at III-7, n.23.

²⁸ See 785 F.2d at 1001 (Fed. Cir. 1986).

²⁹ 19 U.S.C. § 1677(7)(C)(iii).

³⁰ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce estimated dumping margins as follows: China, 132.2 to 207.2 percent; Japan, 71.66 percent.

Commission 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 the 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); Anhydrous Sodium Sulfate From Canada, Inv. No. 731-TA-884 (Preliminary), USITC Pub. 3345 (Sept. 2000) at 11, n.63.

We find that the subject imports have had a significant adverse impact on the domestic industry. The steady volume of subject imports, at prices which consistently undersold the domestic like product and contributed to the suppression and depression of domestic prices, resulted in several key performance indicators declining over the investigation period, although certain indicators were positive.³¹ The volume of U.S. producers' U.S. shipments declined from 1998 to 1999, rose in 2000, and was lower in interim 2001, as compared to interim 2000.³²

As noted previously, the AUVs of the domestic producers declined steadily over the period, including in 2000, when demand increased and the volume of U.S. producers' U.S. shipments rose. The industry's average unit costs declined in 2000. However, despite the lower costs, higher demand, and increased shipment volumes, profitability in 2000 was stagnant, due to the domestic producers' declining AUVs.³³ The domestic industry was thus unable to return to the profitable income levels experienced at the beginning of the period of investigation.³⁴ When average unit costs rose slightly in interim 2001, due to increasing raw material and environmental compliance costs, profitability plummeted, as the industry's AUVs continued to decline.³⁵ The industry's failure to realize even a modest level of profitability at the end of the period led to deferral of capital improvements, with a large percentage of capital expenditures being used merely to meet environmental requirements.³⁶

As noted above, the constant volume of low-priced subject imports, which consistently undersold the domestic like product, contributed to the suppression and depression of domestic prices and the steady decline in the domestic industry's AUVs, resulting in the industry's poor financial performance. We therefore find that the cumulated subject imports have had a significant adverse impact on the domestic industry producing blast furnace coke.

III. Conclusion

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry is materially injured by reason of imports of blast furnace coke from China and Japan that are allegedly sold in the United States at less than fair value.

³¹ U.S. production increased by 1.1 percent from 15,951,721 metric tons in 1998 to 16,130,084 metric tons in 2000, but decreased by 4.8 percent during the interim periods. Capacity utilization rates remained high during the period, and employment levels were stable as a result of the battery ovens running consistently at full tilt, as mentioned in the Conditions of Competition. See Conditions of Competition in Views of the Commission; CR/PR at Table C-1.

³² CR/PR at Table C-1.

³³ CR/PR at Tables VI-2, VI-5, C-1, C-2, C-3.

³⁴ The data for trade sales only indicate that the entire industry maintained an operating margin in 2000 of 1.6 percent, as compared to 2.9 percent in 1998; merchant producers' operating margins were *** percent in 2000, as compared to *** percent in 1998; integrated producers' operating margins were *** percent in 2000, as compared to *** percent in 1998. CR/PR at Tables C-1, C-2, C-3.

³⁵ Data for trade sales only indicate operating margins in interim 2001 of a negative 0.6 percent for the industry as a whole; a negative 3.2 percent for the merchant producers; and 0.8 percent for the integrated producers. CR/PR at Tables C-1, C-2, C-3.

³⁶ CR at VI-29-31, Table VI-7; PR at VI-10, Table VI-7.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on June 29, 2001, by the Committee for Fair Coke Trade,¹ and the United Steelworkers of America, AFL-CIO, Pittsburgh, PA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports of blast furnace coke from China and Japan that are alleged to be sold in the United States at less than fair value (LTFV).² Information relating to the background of these investigations is presented in table I-1.

Table I-1
Blast furnace coke: Chronology of investigations Nos. 731-TA-951-952 (Preliminary)

Date	Action
June 29, 2001	Antidumping duty petitions filed with Commerce and the Commission; Commission institutes investigations Nos. 731-TA-951 and 952 (Preliminary)
July 6, 2001	Commission's notice of institution is published in the <i>Federal Register</i> ¹
July 20, 2001	Commission's public conference ²
July 26, 2001	Commerce's notice of initiation is published in the <i>Federal Register</i> ³
August 10, 2001	Commission's vote
August 13, 2001	Commission's transmittal of determinations to Commerce
August 20, 2001	Commission's transmittal of views to Commerce
¹ 66 FR 35669, July 6, 2001. A copy of this notice is presented in app. A. ² A list of witnesses appearing at the conference is presented in app. B. ³ 66 FR 39009, July 26, 2001. A copy of this notice is presented in app. A. Source: Various notices of the Commission and Commerce.	

¹ Members of the committee are: Acme Steel Co., Chicago, IL; DTE Energy Services Inc., Ann Arbor, MI; Koppers Industries, Inc., Pittsburgh, PA; and Shenango Inc., Pittsburgh, PA.

² Commerce defined the imported product subject to these investigations as "blast furnace coke made from coal or mostly coal, and other carbon materials, with a majority of individual pieces less than 100 mm (4 inches) of a kind capable of being used in blast furnace operations, whether or not mixed with coke breeze." The subject blast furnace coke is classified under Harmonized Tariff Schedule of the United States (HTS) statistical reporting number 2704.00.0025. I-1

RELATED INVESTIGATIONS

While the Commission previously has not conducted antidumping or countervailing duty investigations on blast furnace coke, the Commission currently is conducting an antidumping investigation concerning imports of foundry coke from China.³ On November 6, 2000, the Commission made an affirmative preliminary determination in that investigation,⁴ and the Commission is scheduled to make its final determination in that investigation on September 5, 2001.⁵

The Commission has conducted two Section 332 studies related to metallurgical coke. In 1994, the Commission conducted a Section 332 investigation of the metallurgical coke industry including foundry coke, blast furnace coke, and industrial coke.⁶ In 2000, the Commission conducted a Section 332 investigation of the foundry coke industries in the United States and China.⁷

ORGANIZATION OF THE REPORT

Information on the subject merchandise, alleged antidumping margins, and the domestic like product are presented in Part I. Information on conditions of competition and other economic factors are presented in Part II. Information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment, are presented in Part III. Information on the volume of imports of the subject merchandise is presented in Part IV. Part V presents data on prices in the U.S. market. Part VI presents information on the financial experience of U.S. producers. Information on the subject country foreign producers and U.S. importers' inventories is presented in Part VII.

SUMMARY OF DATA PRESENTED IN THE REPORT

A summary of data collected in the investigations is presented in appendix C.⁸ U.S. industry data on blast furnace coke are based on the questionnaire responses of firms accounting for over 90 percent of U.S. production in 2000. U.S. import data are based on the questionnaire responses of firms accounting for over 80 percent of U.S. imports from China during January 1998-March 2001, and for virtually all U.S. imports from Japan during this same period. Data on the foreign producers and exporters in China and Japan are based on the responses of such firms to the Commission's foreign producers' questionnaires, and are believed to account for over 90 percent of exports of the subject merchandise from China to the United States, and virtually all exports of the subject merchandise from Japan.

³ Foundry Coke From China: Inv. No. 731-TA-891 (Final).

⁴ See, 65 FR 69573, November 17, 2000. See also, *Foundry Coke From China*, Inv. No. 731-TA-891 (Preliminary), USITC Pub. 3365 (November 2000).

⁵ The Commission is currently scheduled to vote on this investigation on August 28, 2001.

⁶ See, *Metallurgical Coke: Baseline Analysis of the U.S. Industry and Imports*, Inv. No. 332-342, USITC Pub. 2745 (March 1994).

⁷ See, *Foundry Coke: A Review of the Industries in the United States and China*, Inv. No. 332-407, USITC Pub. 3323 (July 2000).

⁸ Table C-1 presents summary data for the entire blast furnace coke industry (including merchant and captive producers). Table C-2 presents U.S. producer data for "merchant" blast furnace coke producers. Table C-3 presents U.S. producer data for "integrated" blast furnace coke producers (i.e., steel producers that consume blast furnace coke or firms with facilities physically integrated with steel producers).

THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Table I-2 presents information from Commerce on the estimated dumping margins for the subject countries. The period of review for Commerce's dumping investigations is July 1, 2000, to December 31, 2000.

Table I-2

Blast furnace coke: Commerce's estimated dumping margins at initiation, by sources

Country	Type of comparison	Estimated dumping margins
		<i>(Percent ad valorem)</i>
China ¹	Export price to constructed value	132.2 to 207.2
Japan	Normal value to export price	71.66
<p>¹ Petitioners allege, and Commerce concurs, that China should be treated as a non-market economy (NME) for purposes of this investigation, and that India is an appropriate surrogate country for the purpose of initiating this investigation.</p> <p>Source: Commerce's notice of initiation published in the <i>Federal Register</i> (66 FR 39009, July 26, 2001).</p>		

THE SUBJECT PRODUCT

Scope

The imported product subject to these investigations is defined by Commerce as—

...blast furnace coke made from coal or mostly coal, and other carbon materials, with a majority of individual pieces less than 100 mm (4 inches) of a kind capable of being used in blast furnace operations, whether or not mixed with coke breeze. Blast furnace coke is generally classified under Harmonized Tariff Schedule of the United States (HTS) subheading 2704.00.0025. The tariff classification is provided for descriptive purposes; the scope of the investigation, not the tariff classification of the import, is dispositive.⁹

⁹ See, Commerce's notice of initiation, 66 FR 39009, July 26, 2001. Although Commerce presented only statistical reporting number 2704.00.0025 in its notice, any blast furnace coke made from carbon material other than coal would be reported under statistical reporting number 2704.00.0050

U.S. Tariff Treatment

Table I-3 presents current tariff rates for blast furnace coke.

**Table I-3
Coke and semicoke of coal: Tariff rates, 2001**

HTS subheading/ statistical reporting number ¹	Article description ²	General ³	Special ⁴	Column 2 ⁵
		<i>Rates (percent ad valorem)</i>		
2704.00.00 ⁶	Coke and semicoke of coal, of lignite or of peat, whether or not agglomerated; retort carbon:			
2704.00.0011 ⁷	Coke and semicoke of coal: Coke larger than 100 mm (4 inches) in maximum diameter and at least 50 percent of which is retained on a 100-mm (4-inch) sieve after drop shatter testing pursuant to ASTM D 3038, of a kind used in foundries	Free	(8)	Free
2704.00.0025	Coke and semicoke of coal: Other	Free	(8)	Free
2704.00.0050	Other	Free	(8)	Free

¹ The HTS subheadings are provided for convenience and customs purposes. The written descriptions in the scope remain dispositive.
² An abridged description is provided for convenience; however, an unabridged description may be obtained from the respective headings, subheadings, and legal notes of the HTS.
³ Normal trade relations, formerly known as the most-favored-nation duty rate.
⁴ Applies to eligible goods under the Generalized System of Preferences (only from least-developed beneficiary countries, not part of these investigations), African Growth and Opportunity Act, Caribbean Basin Economic Recovery Act, Israel FTA, and Andean Trade Preference Act, and goods of Canada and Mexico.
⁵ Applies to imports from a small number of countries that do not enjoy normal or preferential trade relations duty status.
⁶ Prior to January 1, 2000, foundry coke was not separately classified from blast furnace or industrial coke.
⁷ This item is the subject of a separate antidumping investigation before the Commission (Foundry Coke From China, Inv. No. 731-TA-891 (Final)) and is not a subject product of these investigations.
⁸ Not applicable.

Source: Harmonized Tariff Schedule of the United States (2001).

Physical Characteristics and Uses

For purposes of these investigations, blast furnace coke is defined as metallurgical coke with a majority of individual pieces not larger than 100 mm (4 inches) in diameter, whether or not mixed with coke breeze, for use in blast furnace operations. Blast furnace coke is covered for statistical reporting purposes under HTS item number 2704.00.0025 and is free of duty.

There are four subgroups of metallurgical coke: blast furnace coke, foundry coke, industrial coke, and coke breeze.¹⁰ Blast furnace coke (also referred to as “furnace” coke) is used to feed blast furnace operations for the production of pig iron. Blast furnace coke has good mechanical strength and porosity. These properties are required because blast furnace coke is introduced into the top of the blast furnace, where high temperatures and powerful gas currents proliferate. The coke must have high enough strength to support its own weight and that of the iron ore, iron metallics, and flux materials that are fed into the top of the blast furnace. The carbon contained in the coke oxidizes to form carbon monoxide, which reduces the iron ore to iron metal that falls in droplets to the bottom of the blast furnace. Blast furnace coke serves as both a fuel (the reaction between the carbon and oxygen to form carbon monoxide is exothermic) and as a source of carbon in the iron ore to pig iron reduction process.

Manufacturing Process

Blast furnace coke is typically produced using one of two processes: the byproduct recovery process or the beehive process.¹¹ In the United States, most blast furnace coke is produced using the byproduct recovery process, in which coking coals are heated in a retort oven until the volatile materials burn off; the volatile materials are then collected for further processing. The retort ovens, also called slot ovens because of their shape, are constructed in batteries containing 10 to 100 ovens in series. Figure I-1 presents an example of a byproduct coke oven battery.

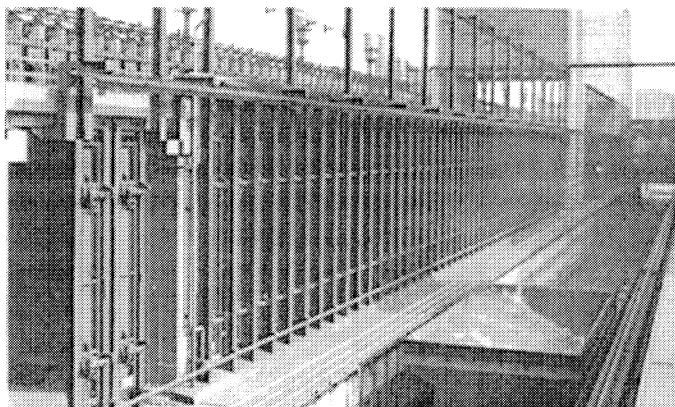
The coking chambers alternate with heating chambers so each oven is heated on each side, with the coking process proceeding from the sides to the center of the oven. The coking process begins with the preparation of the coal, which is blended, crushed, and screened; a specified amount of prepared coal is discharged into a “larry” car, which travels the length of the battery top on a track. Before the hot oven is filled, the doors are closed and sealed. The larry car is positioned over the empty, hot oven and the oven is charged with coal through the coal ports; after the oven is filled, the lids are placed over the coal ports and sealed. After the coking coals are loaded into the oven, it is heated to 900°C to 1,100°C, usually for 12 to 24 hours. As the coking process proceeds, pressure builds, forcing the volatile compounds out of the oven through “offtake” pipes to the collecting main, where they are treated and separated for further processing.

¹⁰ Foundry coke is the carbonized product used as both a fuel and as a source of carbon for the production of molten iron in a cupola furnace. Foundry coke, as a fuel, is used to melt scrap or pig iron with other compounds; it is also used as a source of carbon for the melted product. The molten iron is then used to make various cast products such as automotive engines. As a result, it is necessary for the foundry coke to have a good strength and low ash content. Industrial coke is defined as those products that are not used in either blast furnaces or foundries, because of size, carbon content, or ash content. Finally, coke breeze is the fine screenings from crushed coke used predominantly as a fuel source in the process of agglomerating iron.

¹¹ A third type of oven is nonrecovery, whereby the volatile materials produced during the coking process are oxidized in the oven chamber rather than recovered in a byproduct plant. The oxidation of the gases above the coal bed provides the heat for the process, thus eliminating the need for external heat sources. The ovens are conveyor charged, and the coke is conventionally pushed and quenched. However, waste gases from the batteries are recycled to steam generators for the production of electricity. Sun Coke operates nonrecovery ovens at its Vansant, VA, and East Chicago, IN, production facilities.

While there is no substitute for coke in a blast furnace, some steel manufacturers have tested the use of electric arc furnaces. An electric arc furnace is a device that passes a strong electric current through steel scrap, thereby melting it and allowing it to be cast into steel shapes. However, the process to convert from a blast furnace to an electric arc furnace, as well as the electricity necessary to operate it, is very expensive.

Figure I-1
Blast furnace coke: Example of a byproduct coke oven battery



Source: *Coke Production for Blast Furnace Ironmaking*, American Iron and Steel Institute, as downloaded from http://www.steel.org/learning/howmade/coke_production.htm, July 25, 2001.

After the coking process is completed, the doors at both ends of the oven are opened and a ram placed in front of one opening pushes the blast furnace coke out the other side into a quenching car, where it is cooled. Figure I-2 presents an example of incandescent coke in the oven waiting to be pushed.

Figure I-2
Blast furnace coke: Example of incandescent coke in the oven waiting to be “pushed”



Source: *Coke Production for Blast Furnace Ironmaking*, American Iron and Steel Institute, as downloaded from http://www.steel.org/learning/howmade/coke_production.htm, July 25, 2001.

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In the United States, the most common method for cooling the blast furnace coke is wet quenching. In this operation, the quenching car containing the blast furnace coke proceeds to the quenching tower, usually located at the end of the battery, where the hot blast furnace coke is sprayed with water until cooled. The quenched blast furnace coke is then brought to the coke wharf, where it is deposited for further cooling. The wharf is sloped, so the blast furnace coke slides onto a conveyer belt at the bottom that moves it to the screening and loading operations.

Once brought into service, a typical byproduct coke battery runs continuously. Although individual ovens may be idled for maintenance, a battery is only shut down as a last resort. Allowing a battery to cool results in significant damage to the ovens upon reheating.¹² Batteries are occasionally “hot-idled,” where the temperature is maintained but no coal is charged nor is coke produced.

Gases produced during the coking cycle are cooled and byproducts separated. These byproducts include crude coal tar, light oils, and ammonia. Once these products are removed, the residual is coke oven gas, which has approximately 50 percent of the Btu value of natural gas. The coke oven gas is consumed in the coke plant or in the integrated steel mill; excess coke oven gas can often be sold to outside utilities to generate electricity, or it can be flared.

In the beehive process, which is no longer used in the United States but is still used in China, crushed and blended coking coals are placed in a kiln lined with firebrick and ignited while restricting the air flow. The older dome-shaped ovens were usually built in single rows against an earthen bank or against another row of ovens. Several ovens are also connected to a common chimney that is used to disperse the waste emissions directly into the atmosphere.

The blast furnace coke oven batteries operating in the United States have start-up dates ranging from the 1940s to the 1990s (table I-4). During the lifespan of these batteries, the industry must replace, repair, and/or retrofit ovens, depending upon their condition, to comply with rigorous environmental regulations. As a result, these ovens are lasting longer than their original lifespan estimation.

The Clean Air Act Amendments of 1990 (CAAA) imposed the first Federal emission control requirements on coke oven emissions as hazardous air pollutants, as part of the National Emissions Standards for Hazardous Air Pollutants (NESHAP).¹³ As a result of the CAAA, the Environmental Protection Agency (EPA) promulgated regulations for a new two-track set of national emission standards; the final regulations were published on October 27, 1993, and are discussed below.¹⁴

¹² Petitioners’ postconference brief, July 25, 2001, pp. 21-22 and *Metallurgical Coke: Baseline Analysis of the U.S. Industry and Imports*, Inv. No. 332-342, USITC Pub. 2745 (March 1994), p. 2-4.

¹³ Work practices for the control of employee exposure to coke emission limits are also subject to regulation by the U.S. Occupational Safety and Health Administration, 29 CFR 1910.1029. Unregulated releases exceeding 1 pound are also subject to release notification requirements under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund), 40 CFR 302.6.

¹⁴ 58 FR 57898, October 27, 1993.

Table I-4
Blast furnace coke: Location of production facilities, battery start-up date, capacity, and EPA track, 2000

Company	Location of production facilities	Battery start-up dates ¹	Capacity in 2000	Share of capacity in 2000	EPA track ²
			<i>Metric tons</i>	<i>Percent</i>	
Merchant producers:					
Citizens	Indianapolis, IN	1979	***	***	LAER
Koppers	Monessen, PA	1979-1980	***	***	LAER
New Boston Coke	Portsmouth, OH	1964	***	***	MACT
Shenango	Neville Island, PA	1982	***	***	LAER
Sloss	Birmingham, AL	1952-1956	***	***	LAER
Sun Coke	East Chicago, IN Vansant, VA	1989-1998 1989-1998	***	***	LAER LAER
Subtotal			3,103,817	18.9	
Integrated producers:					
Acme Steel	Chicago, IL	1979-1980	***	***	LAER
AK Steel	Ashland, KY Middletown, OH	1953-1978 1994	***	***	MACT & LAER MACT
Bethlehem Steel ³	Burns Harbor, IN Lackawanna, NY	1983-1994 1952-1962	***	***	LAER LAER
Clairton Partnership	Clairton, PA	1954-1989	***	***	LAER
DTE Burns Harbor ⁴	Burns Harbor, IN	1994	***	***	LAER
EES Coke	Ecorse, MI	1994	***	***	LAER
Geneva Steel	Vineyard, UT	1944	***	***	LAER
LTV Steel ⁵	East Chicago, IN Warren, OH	1994	1,150,000	6.4	LAER
National Steel	Granite City, IL	1979-1982	***	***	LAER
U.S. Steel	Clairton, PA Gary, IN	1954-1976	***	***	LAER
Wheeling-Pitt	Follansbee, WV	1953-1976	***	***	LAER
Subtotal ⁶			14,457,465	81.1	
Total ⁷			17,831,282	100.0	

¹ Where a range of dates is shown, multiple batteries exist at a location that were built within those dates.

² Under the provisions of the Clean Air Act, producers selected between two compliance tracks: the MACT (Maximum Achievable Control Technology) Track or the LAER (Lowest Achievable Emissions Rate) Track.

³ On July 25, 2001, Bethlehem announced its intention to close its Lackawanna plant.

⁴ Both DTE Burns Harbor and EES Coke are owned by DTE Energy Services, which produces blast furnace coke for Bethlehem and National Steel but does not produce steel. In the petition, DTE is classified as a merchant producer; however, the American Coke and Coal Chemicals Institute (ACCCI) classifies DTE as an integrated producer.

⁵ LTV Steel's capacity was obtained from ACCCI data, and *LTV Will Close Pittsburgh Coke Plant*, New Steel, August 1997. LTV closed its Pittsburgh coke plant in 1997 after that facility had reached the end of its useful life.

⁶ Without LTV Steel, the subtotaled annual capacity for the integrated producers would be 13,307,465 metric tons

⁷ Without LTV Steel, the total capacity would be 16,681,282 metric tons.

Note.—Because of rounding, figures may not add to the totals shown.

Source: The American Coke and Coal Chemicals Institute and data submitted in response to questionnaires of the Commission.

Under the CAAA, EPA was required first to promulgate technology-based standards and then to promulgate standards based on risk to human health. EPA issued final emissions standards for hazardous air pollutants based upon a Maximum Achievable Control Technology (MACT) or a Lowest Achievable Emission Rate (LAER) for all coke batteries.¹⁵ Six emission points are subject to these standards: the charging operation, coke oven doors, topside lids, topside offtakes, collecting mains, and bypass/bleeder stacks. Both the MACT and LAER standards involve limits placed on charging time and the allowable percentage of leaking doors, lids, and offtakes at coke batteries. The LAER standards were issued for plants that sought more time to meet possibly even tougher standards based upon risks to human health that have yet to be issued.

Producers electing the MACT track were required to meet technology-based standards by December 31, 1995,¹⁶ and must now meet emissions limits based upon a residual risk-based standard by January 1, 2003.¹⁷ Producers opting for the LAER track were required to meet interim standards by November 15, 1993, and the LAER technology-based standards by January 1, 1998. The LAER-track option enabled these companies to defer compliance with the residual risk-based standards for their batteries until 2020.¹⁸ In most cases, any new batteries that are constructed will have to meet stricter standards than do existing batteries. New batteries that add capacity at an existing plant will have to meet the standard for nonrecovery ovens.¹⁹ Construction of byproduct recovery ovens using a new technology will have to meet limits more stringent than the LAER limits.²⁰

DOMESTIC LIKE PRODUCT ISSUES

This section presents information on both imported and domestically produced blast furnace coke, as well as information related to the Commission's "domestic like product" determination.²¹

Petitioners argue that the Commission should find a single domestic like product consisting of blast furnace coke, whether produced by integrated or independent producers.²² For purposes of the preliminary phase of these investigations, respondents do not challenge the domestic like product definition proposed by the petitioners.²³ Two producers of mineral fibers, USG Interiors and Rock Wool

¹⁵ Ibid.

¹⁶ Coke plants also had to meet work practice standards by November 15, 1993, regardless of the track selected.

¹⁷ EPA is to issue the risk-based standards by October 27, 2001.

¹⁸ The CAAA also requires the owner/operators of batteries on the LAER track to publicly disclose in 2002 the results of any residual risk assessment performed by EPA.

¹⁹ Construction of a 70-oven battery in the United States in 1998 would have cost \$200-250 million. See, *Foundry Coke: A Review of the Industries in the United States and China*, Inv. No. 332-407, USITC Pub. 3323 (July 2000), p. 2-10.

²⁰ 58 FR 57898, October 27, 1993.

²¹ 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) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price. 19 U.S.C. § 1677(4)(A).

²² See, petition, p. 6. See also, postconference brief of petitioners, p. 11.

²³ See, testimony of Donald Morgan and Adams Lee, conference transcript, p. 110. None of the respondents addressed the issue of domestic like product in their postconference briefs.

Manufacturing Co. (Rock Wool), argue that industrial coke should be excluded from the domestic like product.²⁴

In its preliminary determination in the foundry coke investigation, the Commission found that there was a single like product composed only of foundry coke.²⁵ With respect to whether blast furnace coke should be included in the domestic like product, the Commission found that:

*In sum, the record indicates that foundry coke and blast furnace coke are produced from different types of coal and are made with specific size differences that control their end uses. They are sold at different prices almost entirely to different groups of end users for use in the production of different end products. Although some foundry coke producers make both types of coke, the two types of coke generally are produced by different producers, and most foundry coke is sold on the open market whereas most blast furnace coke is internally consumed. Based on these considerations, we conclude that blast furnace coke is not part of the domestic like product.*²⁶

With respect to whether industrial coke should be included in the domestic like product, the Commission found that:

*In sum, industrial coke may be the byproduct of foundry coke that is manufactured at foundry coke facilities using the same lines, processes, and employees. However, the differences in size, and occasionally in ash and carbon content, create significant differences in the price, end uses, and customers for domestically-produced foundry coke and industrial coke. Based on these considerations, we conclude that industrial coke is not part of the domestic like product in the preliminary phase of this investigation.*²⁷

²⁴ See, postconference brief of USG Interiors and Rock Wool. See also, testimony of Frank Mazurski, Energy Manager for United States Gypsum Co., conference transcript, pp. 143-146. The same firms appear as parties in the on-going foundry coke investigation and have made similar arguments for excluding industrial coke from the scope and definition of like product in the on-going foundry coke investigation.

²⁵ See, *Foundry Coke From China*, Inv. No. 731-TA-891 (Preliminary), USITC Pub. 3365 (November 2000), pp. 5-8. Petitioners defined industrial coke at the conference as undersized foundry coke that is not produced by the blast furnace coke industry. See, conference transcript, p. 11.

²⁶ See, *Foundry Coke From China*, Inv. No. 731-TA-891 (Preliminary), USITC Pub. 3365 (November 2000), pp. 6-7. Commissioner Askey noted that in any final investigation she intended to seek further information concerning whether blast furnace coke should be part of the domestic like product.

²⁷ *Ibid.*, p. 8. Commissioner Askey noted that in any final investigation she intended to seek further information concerning whether industrial coke should be part of the domestic like product.

MARKET PARTICIPANTS

U.S. Producers

There were 16 U.S. producers of blast furnace coke that responded to the Commission's questionnaires.²⁸ The largest U.S. producers are ***. A more detailed discussion of U.S. production, shipments, and employment data is presented in *Part III: U.S. Producer's Production, Shipments, and Employment*.

U.S. Importers

Based on responses to the Commission's questionnaires, nine U.S. firms imported blast furnace coke from the subject countries during January 1998-March 2001. All nine firms reported imports of the subject merchandise from China, while four firms reported imports of the subject merchandise from Japan. The largest importers of blast furnace coke from China were ***. The largest importers from Japan were ***. A more detailed discussion of U.S. imports and apparent consumption is presented in *Part IV: U.S. Imports, Apparent Consumption, and Market Shares*.

U.S. Purchasers

Integrated steel producers are the exclusive purchasers of blast furnace coke in the United States. The largest U.S. integrated steel producers tend to manufacture blast furnace coke for their internal or "integrated" operations and source additional demand from U.S. "merchant" producers or subject imports.²⁹ Several steel producers (e.g., Ispat Inland, Rouge Steel) no longer produce blast furnace coke for their steel-making operations. Rather, they purchase from U.S. merchant producers or other integrated U.S. steel producers, or import subject blast furnace coke.

²⁸ Gulf States Steel (which ceased production in 1999) and LTV Steel did not provide questionnaire responses.

²⁹ As previously mentioned, for purposes of these investigations, the term "integrated" producers refers to firms that either produce blast furnace coke in their own facilities for use in the production of pig iron or firms with facilities physically integrated with steel producers. The term "merchant" producers refers to firms that sell blast furnace coke exclusively on a commercial or open-market basis to non-related firms. I-11

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

MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

Most shipments of blast furnace coke by both producers and importers go directly to end users rather than distributors.¹ During 1998-2000, between 98.1 and 99.6 percent of U.S. annual shipments by producers were to end users (steel producers) with the remainder going to distributors. In the case of imports from China, the percentage of total annual shipments going directly to end users (steel producers) ranged from 96.6 to 99.5 percent during 1998-2000. All imports from Japan were shipped directly to end users (steel producers) during 1998-2000.

U.S.-produced blast furnace coke is sold mainly in the eastern half of the United States, while imports from China and Japan are sold throughout the United States. Among U.S. producers, *** reported sales in the Northeastern and Midwestern parts of the United States; *** sells in Northern Indiana; *** reported sales in Southeast Michigan; *** sales are ***; *** geographic market includes Ohio, West Virginia, Indiana, and Illinois; *** all sell in the Midwest; *** reported that they service most blast furnaces east of the Mississippi River; and *** reported that it sells principally in the Mid-Atlantic region of the United States. Among importers,² *** reported that it services the entire United States; *** reported sales in the Midwest; *** sells in Kentucky, Ohio, Michigan, and Indiana; *** sales are in Illinois, Indiana, and Pennsylvania; *** geographic market includes Ohio and Connecticut; and *** reported that it services the western part of the United States, primarily ***.

U.S. producers and importers were asked to estimate the percentage of their sales that occur within 100 miles of their storage or production facilities or U.S. shipping points, from 101 to 200 miles, from 201 to 500 miles, from 501 to 750 miles, from 751 to 1,000 miles, and over 1000 miles. The data show that U.S. producers tend to ship their product shorter distances within the United States than importers of Chinese and Japanese material.

The overall weighted average for producers was 35 percent for shipments within 100 miles, 32 percent for shipments between 101 and 200 miles, 23 percent for shipments between 201 and 500 miles, 3 percent for shipments between 501 and 750 miles, and 8 percent for shipments between 751 and 1000 miles. There were no U.S. producer shipments for distances over 1000 miles. The weighted average for importers was 31 percent for shipments within 100 miles, 3 percent for shipments between 201 and 500 miles, 33 percent for shipments between 501 and 750 miles, and 33 percent for shipments over 1000 miles.

Lead times for delivery of blast furnace coke varied widely. In the case of U.S. producers, they ranged from one day to one week. Among importers, lead times ranged from 2 to 4 months.

¹ Mr. Drew Bachman, Marketing and Sales Manager, Koppers Industries, conference transcript, p. 28.

² Five responding importers, ***, import blast furnace coke from China, and four respondents, ***, import blast furnace coke from China and Japan. In 1998, *** imported blast furnace coke from Canada. II-1

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

The sensitivity of the domestic supply of blast furnace coke to changes in price depends upon such factors as the existence of excess capacity, the levels of inventories, the existence of export markets, and the ease of shifting facilities to the production of other products. The domestic capacity utilization rate ranged between 92.6 and 96.7 percent during 1998-2000. During January-March 2001 it was 93.7 percent as compared to 97.4 percent during January-March 2000. The ratio of end-of-period inventories to U.S. shipments ranged between 2.7 percent and 3.6 percent annually during 1998-2000. During January-March 2001, they accounted for an annualized 3.6 percent compared with 2.9 percent in the year-earlier period. U.S. exports ranged between *** percent and *** percent of total shipments annually during 1998-2000. During January-March 2001, they accounted for *** percent as compared to *** percent during January-March 2000.

The domestic industry has little flexibility in shifting its facilities from the production of blast furnace coke to other products. While 3 of 16 U.S. producers reported that they produced varying amounts of foundry coke at the facilities where they make blast furnace coke, most U.S. producers reported that the industry is unable to readily shift to foundry coke production because of the age of existing blast furnace coke ovens. Also, under the provisions of the Clean Air Act, EPA permits are capped and cannot be increased.³

U.S. Demand

Demand Characteristics

Since blast furnace coke is used to feed blast furnaces for the production of pig iron, which is used to produce steel, the demand for blast furnace coke is a derived demand that depends upon the markets for blast furnace products. Major markets for these products include automobiles, refrigerators, household appliances, and other products.⁴

When asked how the overall demand for blast furnace coke has changed since January 1, 1998, all responding producers and seven of eight responding importers said that demand had declined. One importer, ***, reported that demand was strong in 1999 and 2000, but declined in 2001. The reasons cited for the decline were varied. *** attributed the decline in demand to the reduction in pig iron production. *** said that the decline was due to reduced steel consumption; injections of pulverized coal;⁵ and the reduction in the number of blast furnaces in operation, principally since 2000. *** attributed the decline to pulverized coal injections, which are less expensive and environmentally more acceptable than blast furnace coke. *** also reported that the reduction in demand was exacerbated by imports which did not contract in 1999 and 2000 despite the reduction in downstream demand, and did not contract enough as downstream demand declined further in the first quarter of 2001. *** said that

³ ***. *** said that environmental permits and coke quality define their capacity. *** reported that environmental permits and the demand for foundry coke limit its production capabilities. *** said that their maximum capacity is constrained by the EPA permit and the age of the facility.

⁴ Mr. Andrew Aloe, President, Shenango Inc., conference transcript, p. 18.

⁵ Mr. Richard Boltuck, Vice President, Charles River Associates, stated that blast furnace operators can shift between coke and injections of pulverized coal based on price only to a limited extent. Conference transcript, p. 34.

the demand for blast furnace coke is declining as blast furnaces shut down or use less coke in the production of pig iron tonnage; steel produced from mini-mills gains market share; and the market share of semi-finished and finished steel products is lost by domestic producers to foreign competition. *** also attributed the reduction in demand to the current manufacturing recession that is affecting the domestic steel industry. *** said that demand has fallen because of imports. *** reported dumping of blast furnace coke as a principal factor affecting changes in demand. *** said that the principal factor affecting demand since January 1, 1998, has been historically high levels of dumped imports of steel into the U.S. market, which have resulted in declining levels of demand for coke by U.S. steelmakers. *** said that the demand for blast furnace coke has declined as a result of lower demand for steel and reduced hot metal production. *** reported that demand dropped within the United States as U.S. steel producers filed for bankruptcy and slowed down their operations. *** attributed the decline to weakening world steel prices and the increased use of pulverized coal blended with coke in the blast furnace operation. It also believes there was a “hangover” effect from the Asian economic crisis that affected steelmakers globally during this time period. In 1999, many U.S. steel companies were facing difficult economic times and a number of steel mills declared bankruptcy. *** said that demand continues to decline as steel mills worldwide figure out new ways to inject pulverized coal of lesser quality, lower volatile matter, and use different coals altogether—e.g., anthracite coal—in order to reduce their production costs.⁶

Available data indicate that U.S. demand, as measured by apparent consumption of blast furnace coke, fluctuated during 1998-2000. Apparent consumption fell from 19.2 million metric tons in 1998 to 17.8 million metric tons in 1999 and then rebounded to 19.0 million metric tons in 2000. During the first quarter of 2001, apparent consumption was about 4.3 million metric tons as compared to 4.8 million metric tons in the first quarter of 2000.

Substitute Products

U.S. producers and importers of blast furnace coke were asked whether there are other products that could be substituted for blast furnace coke. Most questionnaire respondents stated that there are no close substitutes for blast furnace coke as a source of fuel and carbon. Three producers and four importers stated that no substitutes exist. Ten producers and three importers stated that injections of pulverized coal might be used to some extent, even though some amount of coke would still be required. *** reported that anthracite coal could be substituted for blast furnace coke. *** stated that electric furnaces rather than blast furnaces could be used to produce coal or steel, thus eliminating the need for blast furnace coke.

Cost Share

Blast furnace coke is used as a source of fuel and carbon to make pig iron, which is in turn used to make steel. Questionnaire respondents were asked to estimate the cost of blast furnace coke as a percentage of the final cost of end-use products that use it as an input. Based on responses to questionnaires, the total cost of blast furnace products accounted for by blast furnace coke varies based on application. *** and *** estimated the cost of blast furnace coke as 12 and 15 percent, respectively, of the final cost of hot band. *** reported that blast furnace coke accounted for 33 percent of the final

⁶ The price of the coal varies with the rank of coal used. Ranks of coal include bituminous, anthracite, lignite, and sub-bituminous.

cost of hot metal, while *** said that blast furnace coke accounted for approximately 70 percent of the total cost of hot metal.

SUBSTITUTABILITY ISSUES

The degree of substitution between U.S.-produced and imported blast furnace coke depends upon such factors as relative price, quality, and availability. Based on the data available at this preliminary phase of the investigations, it is estimated that there is a high degree of substitution between domestic and imported blast furnace coke.

Factors Affecting Purchasing Decisions

Price is an important factor in the sale of blast furnace coke, however other factors such as quality, availability, and reliability of supply are significant factors in purchase decisions. Suppliers generally compete on price only if their product has been tested and deemed as consumable by the end user.⁷

U.S. producers and importers were asked if there are any differences other than price between U.S.-produced blast furnace coke and blast furnace coke produced in China and Japan that are significant factors in their sales of blast furnace coke. According to U.S. producers, the domestic blast furnace coke is superior to imported blast furnace coke in terms of quality, but when foreign prices are far below domestic prices, blast furnace operators are reportedly willing to sacrifice some quality for the cheaper imports.⁸ Responding importers stated that domestic and imported coke characteristics are different; however the integrated steel makers reportedly need to import blast furnace coke because their demand for blast furnace coke has consistently been much greater than the available domestic supply.⁹

Comparison of Domestic Products and Subject Imports

China

U.S. producers and importers were asked to determine the degree of interchangeability of U.S.-produced blast furnace coke and imported blast furnace coke from China. Questionnaire respondents were asked whether products from the two sources are always, frequently, sometimes, or never used interchangeably. Among producers that responded, four stated that the products can always be used interchangeably and three stated that the products can frequently be used interchangeably (table II-1). *** said that most blast furnace coke produced by slot oven technology can be used interchangeably regardless of the country of production, although adjustments must be made for ash levels and other chemical properties. *** said that the quality of Chinese coke is lower than that from the United States. Consumers cannot normally substitute on a one-to-one basis. The product can be substituted based on routine adjustments in blast furnace processing. *** reported that all coke from every country is basically interchangeable. It is a matter of blast furnace operation efficiency and cost that determines the preference for domestic versus imported coke. One of nine responding importers said that the products are always interchangeable, and one importer reported that the products are frequently interchangeable (table II-2).

⁷ Mr. Jack Palmer, Vice President of Raw Materials, Duferco Steel, conference transcript, p. 122.

⁸ U.S. producers' responses to Commission questionnaires.

⁹ Mr. Jack Palmer, Vice President of Raw Materials, Duferco Steel, conference transcript, p. 102.

Table II-1

Blast furnace coke: Number of U.S. producers reporting different levels of interchangeability of product between country pairs

Country pair	United States				China				Japan			
	A	F	S	N	A	F	S	N	A	F	S	N
China	4	3	3	1 ¹	/	/	/	/	/	/	/	/
Japan	6	4	0	1 ¹	2	2	4	0	/	/	/	/
Nonsubject sources	2	2	0	0	0	2	0	0	0	3	0	0

¹ *** reported that the products are never interchangeable.

Note.—A=always interchangeable, F=frequently interchangeable, S=sometimes interchangeable, N=never interchangeable.

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

Table II-2

Blast furnace coke: Number of importers reporting different levels of interchangeability of product between country pairs

Country pair	United States				China				Japan			
	A	F	S	N	A	F	S	N	A	F	S	N
China	1	1	7	1 ¹	/	/	/	/	/	/	/	/
Japan	3	2	1	1 ¹	1	1	3	0	/	/	/	/
Nonsubject sources	2	1	1	0	0	2	1	0	2	0	0	0

¹ *** reported that the products are never interchangeable.

Note.—A=always interchangeable, F=frequently interchangeable, S=sometimes interchangeable, N=never interchangeable.

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

Reasons importers reported that Chinese and U.S. blast furnace coke are not always interchangeable include differences in chemistry, size, physical characteristics, transport, and level of service. *** said that coke produced in countries outside the United States is produced using a different process than that used domestically. The coke characteristics (size, stability, ash content) tend to vary. This impacts the manner in which the material is used. Different characteristics require modifications to burden practices and could potentially impact maintenance practices for furnace linings as different materials burn at different rates in the furnaces. ***.

U.S. producers and importers were also asked to evaluate the significance of differences other than price between domestic and imported blast furnace coke from China. Again, they were asked to state whether the differences are always, frequently, sometimes, or never significant. Among producers that responded, two stated that the differences are always significant, two stated that they are frequently significant, five stated they are sometimes significant, and one stated that they are never significant (table II-3). Among importers, four stated that the differences are always significant, four stated that they are frequently significant, and two stated that they are sometimes significant (table II-4). In addition to the differences reported under interchangeability for Chinese and U.S. blast furnace coke, other reported differences include lead time, flexibility, availability and reliability of supply. *** reported that the

Table II-3

Blast furnace coke: Number of U.S. producers reporting the significance of differences other than price of product between country pairs

Country pair	United States				China				Japan			
	A	F	S	N	A	F	S	N	A	F	S	N
China	2	2	5	1	/	/	/	/	/	/	/	/
Japan	2	2	3	3	0	1	5	0	/	/	/	/
Nonsubject sources	2	0	1	0	0	0	1	0	0	0	1	0

Note.—A=always significant, F=frequently significant, S=sometimes significant, N=never significant.

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

Table II-4

Blast furnace coke: Number of importers reporting the significance of differences other than price of product between country pairs

Country pair	United States				China				Japan			
	A	F	S	N	A	F	S	N	A	F	S	N
China	4	4	2	0	/	/	/	/	/	/	/	/
Japan	2	3	0	1	0	1	2	0	/	/	/	/
Nonsubject sources	2	1	1	0	1	0	0	1	0	0	0	1

Note.—A=always significant, F=frequently significant, S=sometimes significant, N=never significant.

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

quality of the products is significant in terms of usage within the blast furnace as it can and will impact the production and quality of the hot metal. *** said that domestic coke production is short of demand by approximately 3.6 million metric tons per year when all current U.S. blast furnaces are operating. In order to meet demand at full steel production levels, coke must be imported. China and Japan are major countries that have surplus blast furnace coke capacity. As U.S. coke batteries age and U.S. environmental standards increase, the domestic blast furnace coke availability will decrease further. It also said that depending on the strength and size of Chinese coke, it may or may not be used interchangeably with domestic coke. If the Chinese coke is used as center fill in the blast furnace, which requires high strength and large size, then domestic coke cannot be interchanged because domestic coke does not have these parameters. *** reported that there is not enough coke being produced in the United States or Japan to meet their steel making demands or capacity. In addition, blast furnace coke from other countries including Poland, Egypt, South Africa, Spain, Holland, and Great Britain are not always available for export. Therefore, this leaves China as the lone alternative to supply tonnage when the steel market is strong to make up for the long-term shortfall of coke not only in the United States but worldwide. *** said that Chinese coke supply can be at risk due to political and social issues, internal and ocean transportation issues, and environmental issues.

Japan

U.S. producers and importers were asked to determine the degree of interchangeability of U.S.-produced blast furnace coke and imported blast furnace coke from Japan. Among producers that responded, six stated that the products can always be used interchangeably and four stated that the products can frequently be used interchangeably (table II-1). Three importers stated that the products are always interchangeable and two stated that the products are frequently interchangeable (table II-2). *** said that Japanese coke is similar to U.S.-produced coke in most parameters. Depending on the use and quality of Japanese coke, it may or may not be interchangeable with domestic coke. *** reported that the chemistry, size, and physical characteristics of Japanese coke and U.S.-produced coke are different.

U.S. producers and importers were also asked to evaluate the significance of differences other than price between domestic and imported blast furnace coke from Japan. Among producers that responded, two stated that differences are always significant, two stated that they are frequently significant, three stated that they are sometimes significant, and three stated that they are never significant (table II-3). Among responding importers, two stated that differences other than price are always significant, three stated that they are frequently significant, and one stated that they are never significant (table II-4). Differences reported include quality, lead time, and flexibility. *** said that Japanese coke has higher ash and moisture content and poorer size consistency than domestic coke. It also said that Japanese coke supply can be at risk due to ocean transportation issues and natural events such as typhoons and earthquakes.

Comparison of Subject Imports

U.S. producers and importers were asked whether blast furnace coke produced in China and in Japan are interchangeable. Two of eight responding U.S. producers of blast furnace coke reported that blast furnace coke produced in China and in Japan are always interchangeable (table II-1). One of five responding importers reported that Chinese and Japanese product are always interchangeable (table II-2). Reasons reported that Chinese and Japanese product are not always interchangeable include differences in ash content, size, stability, and density.

Comparison of Domestic Product and Subject Imports to Nonsubject Imports

U.S. producers and importers of blast furnace coke were asked whether blast furnace coke produced in the United States and nonsubject blast furnace coke are interchangeable.¹⁰ Two of four responding U.S. producers and two of four responding importers reported that U.S. and nonsubject blast furnace coke are always interchangeable (tables II-1 and II-2). Reasons reported that U.S. and nonsubject blast furnace coke are not always interchangeable include differences in size, stability, ash content, and other chemical properties. *** reported that the alkali and phosphorous content of the coke from Poland, Egypt, South Africa, Spain, Holland and Great Britain are much too high to be consumed by certain U.S. steel mills.

U.S. producers and importers of blast furnace coke were asked whether blast furnace coke produced in China and nonsubject blast furnace coke are interchangeable. All responding producers and two of three responding importers said that Chinese and nonsubject product are frequently

¹⁰ ***.

interchangeable (tables II-1 and II-2). *** said that Chinese and nonsubject product are sometimes interchangeable because of differences in quality.

U.S. producers and importers were asked whether blast furnace coke produced in Japan and nonsubject imports are interchangeable. All responding producers said that Japanese and nonsubject product are frequently interchangeable, and all responding importers said that Japanese and nonsubject product are always interchangeable (tables II-1 and II-2).

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

Information on capacity, production, shipments, inventories, and employment is presented in this section of the report, and is based on the questionnaire responses of 16 U.S. producers of blast furnace coke representing approximately 90 percent of U.S. production during the period January 1998 through March 2001.

During this period there were 20 known U.S. producers of blast furnace coke. Four of these producers, ABC Coke, Tonawanda Coke, Gulf States Steel, and LTV Steel, did not provide the Commission with a questionnaire response. ABC Coke¹ and Tonawanda Coke² are foundry coke producers that produce *** blast furnace coke. Gulf States Steel, Gadsden, AL, ceased operations in September 1999.³ LTV Steel, Cleveland, OH, filed for Chapter XI bankruptcy protection in December 2000 but is still operating its coke and steel production facilities.⁴ A summary of U.S. producer data is presented in appendix C.⁵

U.S. PRODUCERS

Table III-1 presents U.S. producers responding to the Commission's questionnaires, including information on the location of production facilities and the share of reported U.S. production in 2000.⁶ U.S. blast furnace coke producers traditionally have been categorized as either integrated producers (i.e., the company also manufactures steel) or merchant producers (i.e., firms that do not manufacture steel and whose sales are commercial in nature rather than captive shipments). However, because of recent structural changes in the industry, several blast furnace coke producers no longer fit neatly into either of

¹ ABC Coke produced ***. Staff phone conversation with *** of ABC Coke, July 31, 2001.

² Tonawanda Coke produced ***. Staff phone conversation with *** of Tonawanda Coke, July 31, 2001.

³ The firm's last full year of operations was 1998. The firm had operated a 500,000 metric ton per year coke-making facility in Gadsden, AL. All blast furnace coke produced at this plant was internally consumed in the firm's production of steel.

⁴ According to American Coke and Coal Chemicals Institute (ACCCI) data, LTV Steel operates a 1.2 million metric ton per year blast furnace coke facility in Chicago, IL. ***.

⁵ Table C-1 presents a summary data for the entire blast furnace coke industry (including merchant and captive producers). Table C-2 presents U.S. producer data for "merchant" blast furnace coke producers. Table C-3 presents U.S. producer data for "integrated" blast furnace coke producers.

⁶ Five U.S. blast furnace coke producers, ABC Coke, Acme Steel, Citizens, Sloss, and Tonawanda Coke, also produce foundry coke. III-1

Table III-1
Blast furnace coke: U.S. producers, location of headquarters, position with respect to the petition, U.S. production, and U.S. shipments, 2000¹

Firm	Location of headquarters	Position with respect to the petition	Production	Share of production	U.S. shipments in 2000		
					Commercial	Captive ²	Total
			<i>Metric tons</i>	<i>Percent</i>	<i>Metric tons</i>		
Merchant producers:							
Citizens ³	Indianapolis, IN	***	***	***	***	***	***
Koppers ⁴	Pittsburgh, PA	Petitioner	***	***	***	***	***
New Boston Coke ⁵	New Boston, OH	***	***	***	***	***	***
Shenango ⁶	Pittsburgh, PA	Petitioner	***	***	***	***	***
Sloss ⁷	Birmingham, AL	***	***	***	***	***	***
Sun Coke ⁸	Knoxville, TN	***	***	***	***	***	***
Subtotal			3,272,758	20.3	***	***	3,269,006
Integrated producers:							
Acme Steel ⁹	Chicago, IL	Petitioner	***	***	***	***	***
AK Steel ¹⁰	Middletown, OH	***	***	***	***	***	***
Bethlehem Steel ¹¹	Bethlehem, PA	***	***	***	***	***	***
Clairton Partnership ¹²	Pittsburgh, PA	***	***	***	***	***	***
DTE Burns Harbor ¹³	Ann Arbor, MI	Petitioner	***	***	***	***	***
EES Coke ¹⁴	Ann Arbor, MI	Petitioner	***	***	***	***	***
Geneva Steel ¹⁵	Vineyard, UT	***	***	***	***	***	***
National Steel ¹⁶	Mishawaka, IN	***	***	***	***	***	***
U.S. Steel ¹⁷	Pittsburgh, PA	***	***	***	***	***	***
Wheeling-Pitt ¹⁸	Wheeling, WV	***	***	***	***	***	***
Subtotal			12,857,326	79.7	***	***	12,621,256
Total			16,130,084	100.0	8,117,708	7,772,554	15,890,262

¹ Four firms, ABC Coke, Tonawanda Coke, Gulf States Steel, and LTV Steel, did not provide a response to the Commission's questionnaire.

² Captive shipments include internal consumption and transfers to related firms.

³ Citizens Gas and Coke Utility (Citizens) also produces foundry coke.

⁴ Koppers Industries, (Koppers) is a partnership of Saratoga Partners III, L.P., New York, NY (***) percent), and Koppers Industries (***) percent).

⁵ New Boston Coke ***.

⁶ Shenango Inc. is a privately held company.

⁷ Sloss Industries Corp. (Sloss) is a wholly-owned subsidiary of Walter Industries, Tampa, FL, and also produces foundry coke.

⁸ Sun Coal & Coke Co. (Sun Coke) is a wholly-owned subsidiary of Sunoco, Inc. Sun Coke owns and operates Indiana Harbor Coke Co., East Chicago, IN, and Jewell Coke Co., Vansant, VA.

⁹ Acme Steel Co., a *** subsidiary of Acme Metals Inc., Riverdale, IL, also produces foundry coke.

¹⁰ AK Steel is a *** subsidiary of AK Steel Holding Corp., Middletown, OH.

¹¹ Bethlehem Steel closed its Bethlehem, PA, coke facility in 1998. On July 25, 2001, the firm announced that it would be closing its Lackawanna, NY, coke facility by September 30, 2001. Following the closing of steel-making operations in Lackawanna in 1983, all production of blast furnace coke from that facility has been sold to other integrated steel producers.

¹² Clairton Partnership is a joint-venture partnership that is owned by General Electric Credit Corp. of Delaware, Stamford, CT (***) percent ownership), Southern Energy Clairton, LLC, Atlanta, GA (***) percent), and United States Steel LLC, Pittsburgh, PA (***) percent). This firm owns and operates coke batteries 13, 14, and B of U.S. Steel's Clairton, PA, steel-making facility.

¹³ DTE Burns Harbor, LLC is a *** subsidiary of DTE Energy Services, Ann Arbor, MI. DTE Burns Harbor operates the #1 coke oven battery at Bethlehem Steel's Burns Harbor, IN, steel production facility.

¹⁴ EES Coke Battery Co. (EES Coke) is a *** subsidiary of DTE Energy Services, Ann Arbor, MI. EES Coke operates the coke batteries at National Steel's Ecorse, MI, steel production facility.

¹⁵ Geneva Steel LLC, a *** subsidiary of Geneva Steel Holding Corp., Vineyard, UT, operated under Chapter XI bankruptcy protection from February 1, 1999, to January 3, 2001.

¹⁶ National Steel Corp. (National Steel) is a subsidiary of NKK USA Corp, a subsidiary of NKK Corp., Chiyuda-Ku, Japan.

¹⁷ United States Steel LLC (U.S. Steel), is a wholly-owned subsidiary of USX Corp., and operates two facilities: Gary Coke Works, Gary, IN, and Clairton Coke Works, Clairton, PA. ***.

¹⁸ Wheeling-Pittsburgh Steel Corp. (Wheeling-Pitt), is a wholly-owned subsidiary of WHX Corp., New York, NY.

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

these two categories. Two companies, DTE Energy Services⁷ and Clairton 1314B Partnership (Clairton Partnership),⁸ recently purchased the coke-making assets of several integrated steel producers and now own and operate coke-making facilities on the site of integrated steel producers. For purposes of this report, DTE Energy Services (DTE Burns Harbor and Edison Energy Services (EES Coke)) and Clairton Partnership have been categorized as integrated producers based on the hybrid nature of their operations and the commercial relationships these firms have with their on-site integrated partners.⁹

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data are presented in table III-2 and figure III-1. *** was the largest integrated producer of blast furnace coke during the period January 1998 to March 2001. *** was the largest merchant producer during this same period.

Table III-2
Blast furnace coke: U.S. producers' capacity, production, and capacity utilization, 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
Capacity (<i>metric tons</i>)	16,615,019	16,603,564	16,681,282	4,168,881	4,123,083
Production (<i>metric tons</i>)	15,951,721	15,368,490	16,130,084	4,060,000	3,864,998
Capacity utilization (<i>percent</i>)	96.0	92.6	96.7	97.4	93.7

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

U.S. production capacity increased by 0.4 percent from 1998 to 2000 but decreased by 1.1 percent between interim 2000 and interim 2001. U.S. production increased by 1.1 percent from 1998 to 2000 but decreased by 4.8 percent during the interim periods. Industry capacity utilization was 96.0 percent in 1998, 92.6 percent in 1999, 96.7 percent in 2000, 97.4 percent in interim 2000, and 93.7 percent in interim 2001.

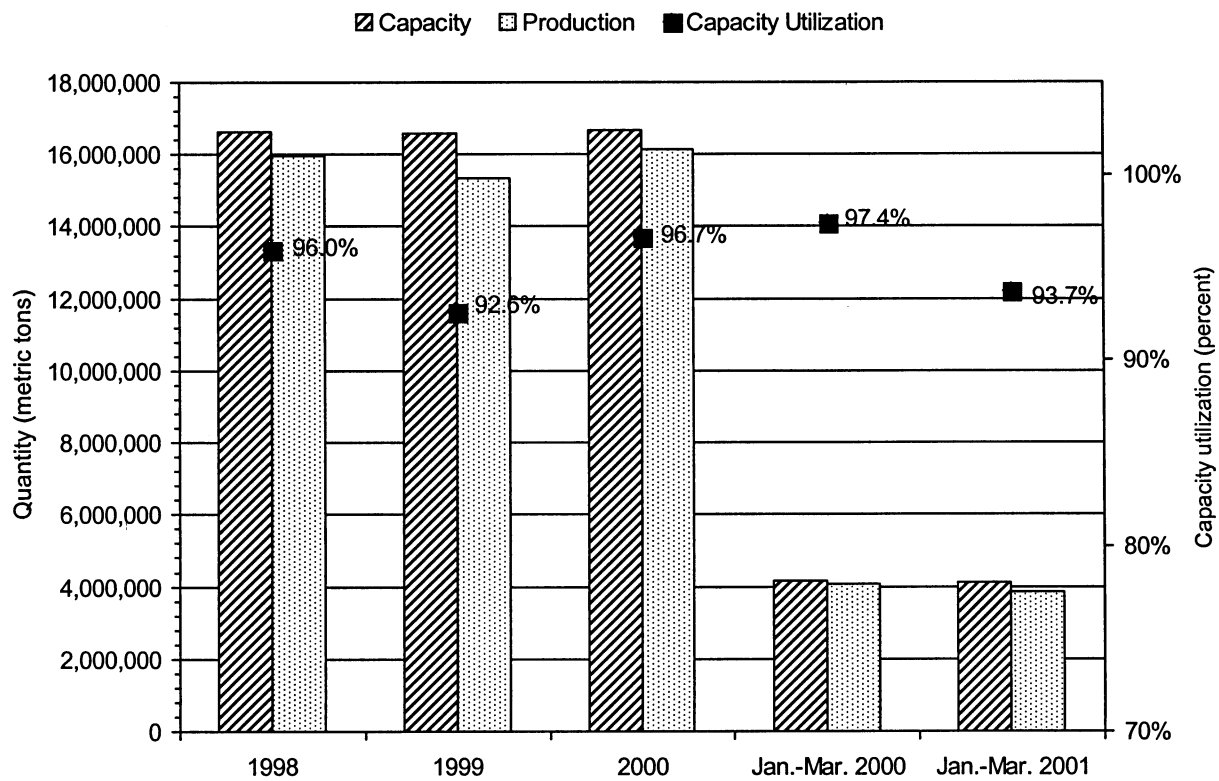
Notwithstanding changes in ownership of certain facilities, *** expanded production capacity during the period January 1998 to March 2001. However, three firms, Bethlehem Steel, Gulf States Steel, and Koppers, reduced capacity by closing facilities during this period.

⁷ DTE Energy Services owns and operates two blast furnace coke facilities, DTE Burns Harbor, Burns Harbor, IN, and EES Coke Battery Co. (EES Coke), Ecorse, MI. In 1998, Bethlehem Steel sold one of its two coke batteries at its Burns Harbor, IN, steel facility to DTE Burns Harbor, which currently owns and operates the No. 1 coke battery as DTE Burns Harbor and sells its output on a contractual basis to Bethlehem Steel. In 1997, National Steel sold its entire Great Lakes Division coke-making operation in Ecorse, MI, to EES Coke, which currently owns and operates coke production at that plant and sells its output on a contractual basis to National Steel.

⁸ Clairton Partnership is a joint-venture partnership owned by General Electric Credit Corp. of Delaware, Stamford, CT (*** percent ownership), Southern Energy Clairton, LLC, Atlanta, GA (*** percent), and United States Steel LLC, Pittsburgh, PA (*** percent). Clairton Partnership operates coke batteries 13, 14, and B of U.S. Steel's Clairton, PA, coke-making operations. U.S. Steel operates the remaining coke oven batteries at its Clairton, PA, steel-making facility.

⁹ Additionally, ACCCI classifies these three firms as integrated producers, even though these firms do not produce steel.

Figure III-1
Blast furnace coke: U.S. producers' capacity and production, 1998-2000, January-March 2000, and January-March 2001



Source: Table III-2.

Bethlehem Steel closed its Bethlehem, PA, coke facility in 1998, resulting in a reduction in the firm's capacity of approximately 1 million metric tons per year.¹⁰ On July 25, 2001, Bethlehem Steel announced that it would be closing its Lackawanna, NY, coke facility effective September 30, 2001, resulting in the closure of 700,000 metric tons of production.¹¹ In the second quarter of 2000, Bethlehem Steel began operation of a pulverized-coal-injection (PCI) facility at its Sparrow's Point steel plant. DTE Energy Services built this PCI facility and will operate it under a 12-year agreement with Bethlehem Steel. According to ***, at full operation, this new PCI facility will allow Bethlehem to reduce its annual need for *** metric tons of blast furnace coke currently being supplied by imports from China and Japan.

Gulf States Steel ceased operations in September 1999, resulting in the closure of *** metric tons per year of capacity. The company's last full year of operations was in 1998.¹² LTV Steel, which filed for protection under Chapter XI of the U.S. bankruptcy code on December 29, 2000, still operates coke production facilities at its Indiana Harbor Works in East Chicago, IN, and Cleveland Works in Warren, OH, with a capacity of 1.2 million metric tons per year.¹³ In 1998, Koppers closed its 500,000 metric tons per year coke-making facility in Gadsden, AL.¹⁴

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments are presented in table III-3.¹⁵ U.S. shipments decreased by 0.5 percent from 1998 to 2000 and decreased by 8.0 percent from interim 2000 to interim 2001. Merchant (commercial) shipments increased by 2.3 percent from 1998 to 2000 but decreased by 7.7 percent from interim 2000 to interim 2001. Captive (internal consumption and transfers to related firms) shipments decreased by 3.3 percent from 1998 to 2000 and continued to decrease by 8.3 percent from interim 2000 to interim 2001. Export shipments increased by *** percent from 1998 to 2000 but decreased by *** percent from interim 2000 to interim 2001. Export shipments accounted for ***

¹⁰ Also, in 1998, Bethlehem Steel sold half of its coke-making operations at Burns Harbor, IN (the No. 1 coke battery with 82 ovens built in 1969 and rebuilt in 1983) to DTE Energy Services, effectively reducing Bethlehem Steel's annual capacity by approximately 830,000 metric tons, but commensurately increasing DTE Energy Services' annual capacity. Under a nine-year agreement, Bethlehem Steel will continue to operate the battery with its own employees and then buy back the coke from DTE at market value. After nine years, Bethlehem will have an opportunity to repurchase the battery at market value. Bethlehem Steel purchases all of the blast furnace coke produced by DTE Burns Harbor. See, *Bethlehem Burns Harbor Sells Coke Battery*, New Steel, September 1998.

¹¹ Bethlehem Steel Press Release, July 25, 2001. All shipments of blast furnace coke from Lackawanna were sales to other steel producers. Bethlehem Steel *** metric tons to *** from this plant in 1998, *** metric tons in 1999, and *** metric tons in 2000. Its largest commercial customer was ***, which accounted for *** percent of its commercial sales in 2000.

¹² Because Gulf States Steel is no longer in business, Commission staff was unable to obtain a response to the Commission's request for information. Therefore, information on Gulf States Steel is not included in the tabular data presented in this report.

¹³ LTV Steel did not respond to the Commission's request for information. Data for LTV Steel, which were obtained from public ACCCI data, are not included in the tabular data presented in this report.

¹⁴ Koppers ***. The coke ovens, ***, were placed under the MACT track for EPA compliance and were shut down rather than bringing this facility into EPA compliance.

¹⁵ ***.

Table III-3
Blast furnace coke: U.S. producers' shipments, by types, 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
Commercial shipments	7,934,801	7,407,103	8,117,708	2,066,492	1,907,722
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	15,975,914	15,044,726	15,890,262	4,034,490	3,712,382
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Value (\$1,000)				
Commercial shipments	970,024	906,853	966,443	248,480	225,031
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	1,925,864	1,788,013	1,860,745	475,268	437,355
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (per metric ton)				
Commercial shipments	\$122.25	\$122.43	\$119.05	\$120.24	\$117.96
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	120.55	118.85	117.10	117.80	117.81
Export shipments	***	***	***	***	***
Average	***	***	***	***	***
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

percent of total shipments in 1998, *** percent in 1999, *** percent in 2000, *** percent in interim 2000, and *** percent in interim 2001.¹⁶

Virtually all U.S. producers' shipments of blast furnace coke were sold or transferred directly to steel producers.¹⁷ Only a very small amount was sold to non-steel producers.¹⁸

U.S. PRODUCERS' PURCHASES

Data on U.S. producers' purchases (other than direct imports),¹⁹ by sources, are presented in table III-4. Four U.S. producers, ***,²⁰ ***,²¹ ***,²² and ***,²³ reported purchasing blast furnace coke from other domestic producers. Four U.S. producers, ***,²⁴ ***,²⁵ ***,²⁶ and ***,²⁷ reported purchasing blast furnace coke from China through U.S. importers or trading companies. ***. No U.S. producers reported purchasing Japanese or nonsubject blast furnace coke.

¹⁶ ***.

¹⁷ According to questionnaire responses, 99.2 percent of U.S. producers' shipments of blast furnace coke went to steel producers in 1998, 99.5 percent in 1999, 97.7 percent in 2000, 97.6 percent in interim 2000, and 98.5 percent in interim 2001.

¹⁸ ***.

¹⁹ See, Part IV of this report for information on U.S. producers' direct imports.

²⁰ ***.

²¹ ***.

²² ***.

²³ ***.

²⁴ ***.

²⁵ ***.

²⁶ ***.

²⁷ ***.

Table III-4

Blast furnace coke: U.S. producers' purchases (other than direct imports), by sources, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
U.S. producers ¹	2,529,726	2,790,733	2,789,716	743,576	678,525
U.S. importers from—					
China ²	244,036	***	411,726	***	***
Japan	0	0	0	0	0
Subtotal, subject imports	244,036	***	411,726	***	***
Other import sources	0	0	0	0	0
Subtotal, all imports	244,036	***	411,726	***	***
Total, all purchases	2,773,762	***	3,201,442	***	***
	Value (\$1,000)				
U.S. producers ¹	324,521	358,051	348,230	119,255	109,955
U.S. importers from—					
China ²	27,303	***	40,742	***	***
Japan	0	0	0	0	0
Subtotal, subject imports	27,303	***	40,742	***	***
Other import sources	0	0	0	0	0
Subtotal, all imports	27,303	***	40,742	***	***
Total, all purchases	351,824	***	388,972	***	***
	Unit value (per metric ton)				
U.S. producers ¹	\$128.28	\$128.30	\$124.83	\$160.38	\$162.05
U.S. importers from—					
China ²	111.88	***	98.95	***	***
Japan	(³)	(³)	(³)	(³)	(³)
Average, subject imports	111.88	***	98.95	***	***
Other import sources	(³)	(³)	(³)	(³)	(³)
Average, all imports	111.88	***	98.95	***	***
Average, all purchases	126.84	***	121.50	***	***
¹ Four U.S. producers, ***, reported purchasing blast furnace coke from other domestic producers. ² Four U.S. producers, ***, reported purchasing blast furnace coke from China. ³ Not applicable.					
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. PRODUCERS' INVENTORIES

Data on U.S. producers' inventories of blast furnace coke are presented in table III-5.

Table III-5

Blast furnace coke: U.S. producers' end-of-period-inventories, 1998-2000, January-March 2000, and January-March 2001¹

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
End-of-period inventories (<i>metric tons</i>)	578,072	528,398	430,127	464,719	531,633
Ratio to production (<i>percent</i>)	3.6	3.4	2.7	2.9	3.4
Ratio to U.S. shipments (<i>percent</i>)	3.6	3.5	2.7	2.9	3.6
Ratio to total shipments (<i>percent</i>)	***	***	***	***	***

¹ Inventory ratios for the January-March periods are annualized.

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

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' employment data are presented in table III-6.²⁸

Table III-6

Average number of production and related workers producing blast furnace coke, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1998-2000, January-March 2000, and January-March 2001¹

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
Production and related workers ²	5,354	5,132	5,138	5,181	5,141
Hours worked (<i>1,000</i>)	12,774	12,326	12,360	3,111	2,980
Wages paid (<i>\$1,000</i>)	305,866	294,703	309,392	75,758	73,921
Hourly wages	\$23.94	\$23.91	\$25.03	\$24.35	\$24.81
Productivity (<i>metric tons per 1,000 hours</i>)	***	***	***	***	***
Unit labor costs (<i>per metric ton</i>)	***	***	***	***	***

¹ *** did not provide employment data.
² *** did not provide information on production and related workers.

Note.--Productivity and unit labor costs are calculated using data of firms providing both production and employment information.

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

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

U.S. IMPORTERS

The Commission sent questionnaires to approximately 30 firms that were believed to import blast furnace coke from China and Japan during January 1998-March 2001 and received responses from 25 firms.¹ Nine firms imported the subject merchandise during this period. All nine firms imported from China, while four firms also imported from Japan. *** imported nonsubject blast furnace coke from ***.

Responding importers are believed to account for over 80 percent of subject imports from China and virtually all subject imports from Japan. Table IV-1 presents a list of U.S. importers responding affirmatively to the Commission's importer questionnaire.

Table IV-1
Blast furnace coke: U.S. importers, company locations, sources of imports, and subject U.S. imports, 1998-2000, January-March 2000, and January-March 2001

* * * * *

U.S. IMPORTS

Table IV-2 and figure IV-1 present data on U.S. imports of blast furnace coke based on data submitted in response to questionnaires of the Commission. The quantity of U.S. imports of the subject merchandise from China and Japan decreased in 1999 and then increased in 2000 to ***, and decreased between the interim periods. U.S. imports of the subject merchandise from China decreased by *** percent between 1998 and 1999 but then increased in 2000 to *** percent over the 1998 level and then decreased by *** percent from interim 2000 to interim 2001. U.S. imports of the subject merchandise from Japan decreased continually by *** percent from 1998 to 2000 and continued to decrease by *** percent from interim 2000 to interim 2001.

¹ Fifteen firms responded that they did not import the subject merchandise during the period of investigation. IV-1

Table IV-2

Blast furnace coke: U.S. imports, by sources, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
China ¹	***	835,212	***	***	***
Japan ²	***	1,868,612	***	***	***
Subtotal	3,199,083	2,703,824	3,198,012	872,845	548,655
All other sources ³	***	0	0	0	0
Total	***	2,703,824	3,198,012	872,845	548,655
	Value (\$1,000)				
China ¹	***	65,839	***	***	***
Japan ²	***	177,490	***	***	***
Subtotal	322,422	243,329	280,019	76,569	53,877
All other sources ³	***	0	0	0	0
Total	***	243,329	280,019	76,569	53,877
	Unit value (per metric ton)				
China ¹	***	\$78.83	***	***	***
Japan ²	***	94.98	***	***	***
Subtotal	\$100.79	89.99	\$87.56	\$87.72	\$98.20
All other sources ³	***	(⁴)	(⁴)	(⁴)	(⁴)
Total	***	89.99	87.56	87.72	98.20
	Share of quantity (percent)				
China ¹	***	30.9	***	***	***
Japan ²	***	69.1	***	***	***
Subtotal	***	100.0	100.0	100.0	100.0
All other sources ³	***	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
China ¹	***	27.1	***	***	***
Japan ²	***	72.9	***	***	***
Subtotal	***	100.0	100.0	100.0	100.0
All other sources ³	***	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0
¹ Includes the imports of nine firms. ² Includes the imports of four firms ³ One firm, ***, imported nonsubject blast furnace coke from ***. ⁴ Not applicable.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Figure IV-1

Blast furnace coke: Subject U.S. imports, by sources, 1998-2000, January-March 2000, and January-March 2001

* * * * *

U.S. PRODUCERS' IMPORTS

Data on U.S. producers' direct imports (other than U.S. purchases of imports) are presented in table IV-3. *** U.S. producers, **,² **,³ imported subject merchandise from China during the period January 1998 to March 2001. *** U.S. producers, **,⁴ **,⁵ imported subject merchandise from Japan during this same period. **,⁶ ** producers imported blast furnace coke from other sources.

Table IV-3

Blast furnace coke: U.S. producers' imports, by sources, 1998-2000, January-March 2000, and January-March 2001

* * * * *

U.S. producers' imports from China and Japan accounted for ** percent of subject U.S. imports in 1998, ** percent in 1999, ** percent in 2000, and ** percent in interim 2001. U.S. producers' imports from China accounted for ** percent of subject U.S. imports from China in 1998, ** percent in 1999, ** percent in 2000, ** percent in interim 2000, and ** percent in interim 2001. U.S. producers' imports from Japan accounted for ** percent of subject U.S. imports from Japan in 1998, ** percent in 1999, ** percent in 2000, ** percent in interim 2000, and ** percent in interim 2001.

² **

³ **

⁴ **

⁵ **

⁶ **

U.S. IMPORTERS' CURRENT ORDERS

Four U.S. importers, ⁷***, ⁸***, ⁹*** and ¹⁰*** have arranged for the importation of blast furnace coke from China or Japan for delivery after March 31, 2001.

APPARENT U.S. CONSUMPTION

Table IV-4 and figure IV-2 present data on apparent U.S. consumption of blast furnace coke. Based on quantity, apparent U.S. consumption decreased irregularly by 1.0 percent from 1998 to 2000 and decreased by 11.0 percent from interim 2000 to interim 2001. Based on value, apparent U.S. consumption decreased irregularly by 5.5 percent from 1998 to 2000 and decreased by 9.4 percent from interim 2000 to interim 2001.

Table IV-5 and figure IV-3 present data on open-market apparent U.S. consumption of blast furnace coke. Based on quantity, apparent U.S. open-market consumption increased irregularly by 0.6 percent from 1998 to 2000 but decreased by 12.8 percent from interim 2000 to interim 2001. Based on value, apparent U.S. consumption decreased irregularly by 4.8 percent from 1998 to 2000 and decreased by 11.6 percent from interim 2000 to interim 2001.

⁷ ***.

⁸ ***.

⁹ ***.

¹⁰ ***.

Table IV-4

Blast furnace coke: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
U.S. producers' U.S. shipments:	15,975,914	15,044,726	15,890,262	4,034,490	3,712,382
U.S. shipments of imports from—					
China	***	***	***	245,808	101,651
Japan	***	***	***	553,255	490,182
Subtotal	***	2,789,614	3,149,625	799,063	591,833
All other sources	***	0	0	0	0
Total U.S. imports	3,262,235	2,789,614	3,149,625	799,063	591,833
Apparent U.S. consumption	19,238,149	17,834,340	19,039,887	4,833,553	4,304,215
	Value (\$1,000)				
U.S. producers' U.S. shipments:	1,925,864	1,788,013	1,860,745	475,268	437,355
U.S. shipments of imports from—					
China	***	***	***	22,585	11,451
Japan	***	***	***	55,596	52,433
Subtotal	***	270,721	301,390	78,181	63,884
All other sources	***	0	0	0	0
Total U.S. imports	361,489	270,721	301,390	78,181	63,884
Apparent U.S. consumption	2,287,353	2,058,734	2,162,135	553,449	501,239
Note.—Because of rounding, figures may not add to totals shown.					
Source: Compiled from data submitted in response to questionnaires of the Commission.					

Figure IV-2

Blast furnace coke: Apparent U.S. consumption, by sources, 1998-2000, January-March 2000, and January-March 2001

* * * * *

Table IV-5

Blast furnace coke: U.S. producers' open-market shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. open-market consumption, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
U.S. producers' open-market shipments	7,934,801	7,407,103	8,117,708	2,066,492	1,907,722
U.S. shipments of imports from-					
China	***	***	***	245,808	101,651
Japan	***	***	***	553,255	490,182
Subtotal	***	2,789,614	3,149,625	799,063	591,833
All other sources	***	0	0	0	0
Total U.S. imports	3,262,235	2,789,614	3,149,625	799,063	591,833
Apparent open-market U.S. consumption	11,197,036	10,196,717	11,267,333	2,865,555	2,499,555
	Value (\$1,000)				
U.S. producers' open-market shipments	970,024	906,853	966,443	248,480	225,031
U.S. shipments of imports from-					
China	***	***	***	22,585	11,451
Japan	***	***	***	55,596	52,433
Subtotal	***	270,721	301,390	78,181	63,884
All other sources	***	0	0	0	0
Total U.S. imports	361,489	270,721	301,390	78,181	63,884
Apparent open-market U.S. consumption	1,331,513	1,177,574	1,267,833	326,661	288,915
Note.—Because of rounding, figures may not add to totals shown.					
Source: Compiled from data submitted in response to questionnaires of the Commission.					

Figure IV-3

Blast furnace coke: Apparent U.S. open-market consumption, by sources, 1998-2000, January-March 2000, and January-March 2001

* * * * *

U.S. MARKET SHARES

Table IV-6 presents data on U.S. market shares based on apparent U.S. consumption of blast furnace coke. The U.S. market share of domestic producers increased from 83.0 percent in 1998 to 83.5 percent in 2000. During the interim periods, U.S. market share of domestic producers increased from 83.5 percent in interim 2000 to 86.2 percent in interim 2001. The U.S. market share for imports of blast furnace coke from China increased from *** percent in 1998 to *** percent in 2000. During the interim periods, imports from China decreased from 5.1 percent in interim 2000 to 2.4 percent in interim 2001. The U.S. market share for imports of blast furnace coke from Japan decreased from *** percent in 1998 to *** percent in 2000. During the interim periods, imports from Japan remained unchanged at 11.4 percent.

Table IV-7 presents data on U.S. market shares based on apparent U.S. open-market consumption of blast furnace coke. The U.S. open-market share of domestic producers increased from 70.9 percent in 1998 to 72.0 percent in 2000. During the interim periods, U.S. market share of domestic producers increased from 72.1 percent in interim 2000 to 76.3 percent in interim 2001. The U.S. market share for imports of blast furnace coke from China increased from *** percent in 1998 to *** percent in 2000. During the interim periods, imports from China decreased from 8.6 percent in interim 2000 to 4.1 percent in interim 2001. The U.S. market share for imports of blast furnace coke from Japan decreased from *** percent in 1998 to *** percent in 2000. During the interim periods, imports from Japan increased from 19.3 percent in interim 2000 to 19.6 percent in interim 2001.

Table IV-6
Blast furnace coke: Apparent U.S. consumption and market shares, by sources, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
Apparent U.S. consumption	19,238,149	17,834,340	19,039,887	4,833,553	4,304,215
	Value (\$1,000)				
Apparent U.S. consumption	2,287,353	2,058,734	2,162,135	553,449	501,239
	Share of quantity (percent)				
U.S. producers' shipments:	83.0	84.4	83.5	83.5	86.2
U.S. shipments of imports from—					
China	***	***	***	5.1	2.4
Japan	***	***	***	11.4	11.4
Subtotal	***	15.6	16.5	16.5	13.8
All other sources	***	0.0	0.0	0.0	0.0
Total imports	17.0	15.6	16.5	16.5	13.8
	Share of value (percent)				
U.S. producers' shipments:	84.2	86.9	86.1	85.9	87.3
U.S. shipments of imports from—					
China	***	***	***	4.1	2.3
Japan	***	***	***	10.0	10.5
Subtotal	***	13.1	13.9	14.1	12.7
All other sources	***	0.0	0.0	0.0	0.0
Total imports	15.8	13.1	13.9	14.1	12.7
Note.—Because of rounding, figures may not add to totals shown.					
Source: Compiled from data submitted in response to questionnaires of the Commission.					

Table IV-7

Blast furnace coke: Apparent U.S. open-market consumption and market shares, by sources, 1998-2000, January-March 2000, and January-March 2001

Source	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (metric tons)				
Apparent open-market U.S. consumption	11,197,036	10,196,717	11,267,333	2,865,555	2,499,555
	Value (\$1,000)				
Apparent open-market U.S. consumption	1,331,513	1,177,574	1,267,833	326,661	288,915
	Share of quantity (percent)				
U.S. producers' open-market shipments	70.9	72.6	72.0	72.1	76.3
U.S. shipments of imports from—					
China	***	***	***	8.6	4.1
Japan	***	***	***	19.3	19.6
Subtotal	***	27.4	28.0	27.9	23.7
All other sources	***	0.0	0.0	0.0	0.0
Total imports	29.1	27.4	28.0	27.9	23.7
	Share of value (percent)				
U.S. producers' open-market shipments	72.9	77.0	76.2	76.1	77.9
U.S. shipments of imports from—					
China	***	***	***	6.9	4.0
Japan	***	***	***	17.0	18.1
Subtotal	***	23.0	23.8	23.9	22.1
All other sources	***	0.0	0.0	0.0	0.0
Total imports	27.1	23.0	23.8	23.9	22.1
Note.—Because of rounding, figures may not add to totals shown.					
Source: Compiled from data submitted in response to questionnaires of the Commission.					

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The raw material for blast furnace coke is coal. The price of the raw material varies with the rank of coal used; generally a high quality (low sulfur, high carbon) bituminous coal is preferred.¹ Raw materials accounted for approximately half of the total cost of blast furnace coke during 1998-2000.

Transportation Costs to the U.S. Market

Ocean transportation costs for blast furnace coke from China to the United States are estimated to be 23 percent of the customs value of the product. Transportation costs for blast furnace coke shipped from Japan are estimated to be 15 percent of the customs value of the product. These estimates are derived from official import data and represent the transportation and other charges on imports.²

U.S. Inland Transportation Costs

Transportation costs of blast furnace coke for delivery within the United States are often substantial, although these costs vary from firm to firm. For the four U.S. producers who responded to this question, these costs accounted for between 10 and 20 percent of the total delivered cost of blast furnace coke. For the four importers who reported, these costs accounted for between 14 and 28 percent of the total delivered cost of blast furnace coke.

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund for China and Japan during the period January 1998-March 2001 are shown in figures V-1 and V-2 respectively.³

PRICING PRACTICES

Prices of blast furnace coke are determined in a number of ways. *** stated that market conditions determine price. *** reported that sales are made under multi-year contracts for multiple shipments based on bids. *** reported that all sales are on a transaction-by-transaction basis. *** reported both sales on a transaction-by-transaction basis and sales made under multi-year contracts for multiple shipments. *** said that it uses verbal negotiations and its price is dependent upon the market due to the availability of Chinese coke. ***. In 2000, *** made two small spot sales on a transaction-by-transaction basis.

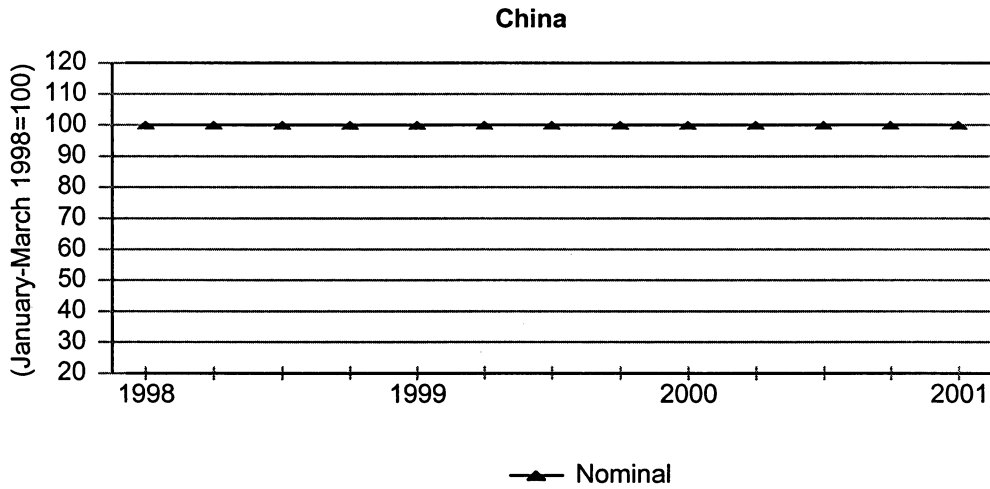
¹ Ranks of coal include bituminous, anthracite, lignite, and sub-bituminous.

² The estimated costs were obtained by subtracting the customs value from the c.i.f. value of the imports for the year 2000 and then dividing by the customs value. Since the imports under HTS statistical reporting number 2704.00.0025 may contain industrial coke and foundry coke in addition to blast furnace coke, the estimates are not for blast furnace coke alone.

³ Producer price index data are not available for China, thus real exchange rates are not provided.

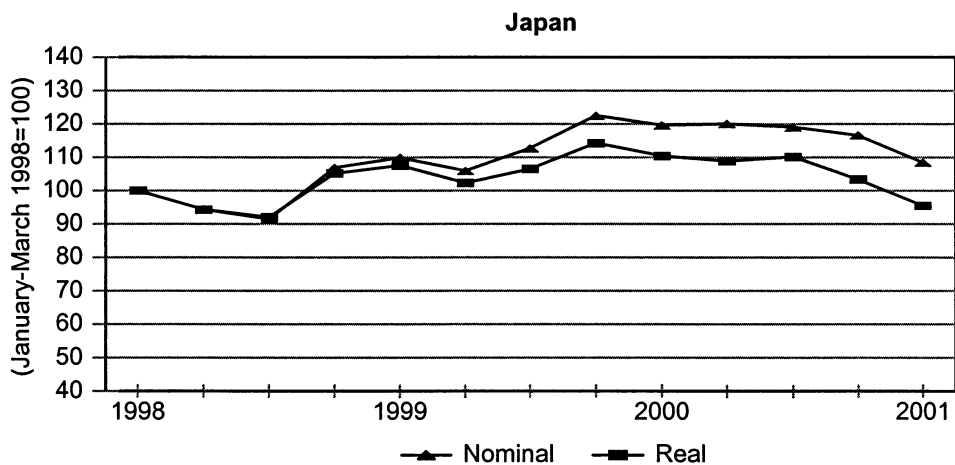
V-1

Figure V-1
Exchange rate: Index of the nominal exchange rate of the Chinese yuan relative to the U.S. dollar, by quarters, January 1998-March 2001



Source: International Monetary Fund, *International Financial Statistics*, May 2001.

Figure V-2
Exchange rates: Indexes of the nominal and real exchange rates of the Japanese yen relative to the U.S. dollar, by quarters, January 1998-March 2001



Source: International Monetary Fund, *International Financial Statistics*, May 2001.

Sales Terms and Discounts

The majority of sales of U.S.-produced blast furnace coke are on a contract basis, while imported coke from China and Japan is commonly sold on either a contract or spot basis. Eleven of 12 producers, reported that contract sales accounted for between 90 and 100 percent of total sales. ***. Among importers, *** reported only contract sales and *** reported only spot sales.

Contract terms for blast furnace coke are varied. Among U.S. producers, contract periods are typically for 1 to 3 years, although they may be as long as 5 years in some cases. *** reported that there is no average or typical contract duration. *** reported a contract period of 9 years with extension. *** reported a contract period of 12 years with extension. The contracts commonly remain in force at least 1 year before any renegotiations occur. *** reported that its contracts are not currently subject to renegotiation or release prior to the expiration of the initial term. All responding importers reported 1 year contract periods.

Eight producers and four importers reported that both prices and quantities are normally fixed during the contract period. *** reported that only quantities are fixed during the contract period. *** reported that some contracts fix quantity while some are based on requirements; price is negotiated annually. *** also reported that their contracts contain meet-or-release provisions, but stated that these provisions have never been invoked. *** reported that its contracts contain meet-or-release provisions only for excess amounts over the base contracted amount. When asked whether the contracts have a standard quantity requirement, *** reported that their contracts all have minimum percentage requirements, *** stated that its contracts have these requirements in certain cases, and *** said that their contracts do not have standard quantity requirements.

*** stated that typical payment terms required payment within 30 days and that they quote prices on an f.o.b basis. *** stated that typical payment terms required payment within 10 days and that prices are quoted on an f.o.b basis. *** stated that typical payment terms required payment within 15 days and that price quotes occur on an f.o.b. basis. *** stated that typical payment terms required payment within 25 days and prices are quoted on an f.o.b. basis. *** stated that typical payment terms required payment within 45 days and prices are quoted on an f.o.b. basis. *** stated that typical payment terms required payment within 30 days and prices are quoted on both an f.o.b. and delivered basis. *** stated that typical sales terms required payment one day after delivery from stockpile and prices are quoted on a delivered basis. ***.

Discount policies on sales of blast furnace coke are varied. *** stated that they don't provide discounts. *** said that volume discounts are used in selected cases. ***. *** stated that it does not have an official discount policy, but it offers lower prices for greater volumes.

PRICE DATA

The Commission asked U.S. producers and importers of blast furnace coke to provide quarterly f.o.b. data for the total quantity and value of blast furnace coke shipped to unrelated customers in the U.S. market. These data were used to determine the weighted-average price in each quarter. Data were requested for the period January 1998 through June 2001. The product for which pricing data were requested was as follows:

Metallurgical coke with a majority of individual pieces not larger than 100 mm (4 inches) in diameter, whether or not mixed with coke breeze, for use in blast furnace operations.

Eleven U.S. producers and nine importers provided complete pricing data for sales of the subject product, although not necessarily for all quarters over the period of investigation.

Price Trends

Quarterly weighted-average prices of U.S.-produced and imported blast furnace coke from China and Japan are shown in table V-1 and figure V-3 for 1998-2000 and January-June 2001. The data show that prices of the domestic product increased through the end of 1998, irregularly declined through the first quarter of 2000, and remained essentially flat through the second quarter of 2001.⁴ Weighted-average prices for blast furnace coke from China peaked in the fourth quarter of 1998, irregularly declined through the second quarter of 2000, trended up *** through the first quarter of 2001, and then declined in the second quarter of 2001. Weighted-average prices for blast furnace coke imported from Japan decreased from a high of *** per metric ton during the first quarter of 1998 to a low of *** per metric ton during the third quarter of 1999; prices generally *** until the first quarter of 2001, when they began to rise ***.

Price Comparisons

Blast furnace coke imported from China undersold the domestic product in all 14 quarters. Margins of underselling ranged from a low of *** percent to a high of *** percent. Prices of imports from Japan were below U.S. prices in all quarters with margins of underselling ranging from *** percent to *** percent.

⁴ Overall, U.S. prices ended the period at a level of only 41 cents per metric ton higher than that of the beginning of the period but almost \$9 per metric ton lower than the peak price in fourth quarter 1998. V-4

Table V-1

Blast furnace coke: Weighted-average f.o.b. prices and quantities of product¹ shipped by U.S. producers and importers, and margins of underselling/(overselling), by quarters, January 1998-June 2001

Period	United States		China			Japan		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
	<i>Per metric ton</i>	<i>Metric tons</i>	<i>Per metric ton</i>	<i>Metric tons</i>	<i>Percent</i>	<i>Per metric ton</i>	<i>Metric tons</i>	<i>Percent</i>
1998:								
January-March	\$121.18	1,774,761	***	***	***	***	***	***
April-June	122.93	1,854,546	***	***	***	***	***	***
July-September	126.35	2,057,811	***	***	***	***	***	***
October-December	130.38	1,859,903	***	***	***	***	***	***
1999:								
January-March	126.91	1,628,674	***	***	***	***	***	***
April-June	125.35	1,791,182	***	***	***	***	***	***
July-September	127.00	1,788,917	***	***	***	***	***	***
October-December	122.51	1,894,141	***	***	***	***	***	***
2000:								
January-March	121.29	1,996,549	***	***	***	***	***	***
April-June	122.71	1,973,140	***	***	***	***	***	***
July-September	121.37	2,015,016	***	***	***	***	***	***
October-December	122.10	1,805,074	***	***	***	***	***	***
2001:								
January-March	120.30	1,812,953	***	***	***	***	***	***
April-June	121.59	1,970,433	***	***	***	***	***	***
¹ Metallurgical coke with a majority of individual pieces not larger than 100 mm (4 inches) in diameter, whether or not mixed with coke breeze, for use in blast furnace operations.								
Source: Compiled from data submitted in response to Commission questionnaires.								

Figure V-3

Blast furnace coke: Weighted-average f.o.b. prices on sales by U.S. producers and importers, by quarters, January 1998-June 2001

* * * * *

LOST SALES AND LOST REVENUES

The Commission asked U.S. producers of blast furnace coke to report any instances of lost sales or revenues that they experienced due to competition from imports from China and Japan. Responding producers did not report any lost sales on an individual customer basis. One producer, ***, made a specific allegation that it had reduced prices because of blast furnace coke imports from China and Japan. However, *** did not provide all of the necessary information required to verify the allegation. Moreover, at the conference, counsel for the petitioners stated that responding producers did not report lost sales or lost revenues on an individual customer basis because in the industry, competitive bids are not disclosed.⁵

⁵ Testimony of Mr. Harrell Smith, counsel to petitioners, conference transcript, p. 12.

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

BACKGROUND

Organization of U.S. Producers

Sixteen U.S. producers provided information on their blast furnace coke operations. In addition to purely merchant operations and integrated operations (steel producers), several U.S. producers perform roles which appear to span integrated and non-integrated (merchant/non-merchant) operations; i.e., ***. As noted previously, ***.¹ ***.²

Accounting Information and Reporting Period

Collectively, U.S. blast furnace coke operations reported to the Commission were divided almost evenly between commercial sales and internal consumption/transfers to related firms. According to questionnaire responses, the majority of reported blast furnace coke volume (both trade sales only and trade and transfer activities) are reflective of operations which separately track profit and loss information (which indicate the cost of production) for blast furnace coke. Despite the fact that a large volume of U.S. blast furnace coke operations reflects information for which profit and loss data are reportedly collected, staff identified areas which required further clarification/correction.³

Separate tables are presented below for trade sales only and trade and transfer activities (i.e., trades sales, transfers to related firms, and internal consumption). Financial results for trade sales only were reported through net income, while financial results for trade and transfer activities were reported through operating income. Because profitability recorded for internal consumption or transfers to related firms is eliminated from consolidated financial results, this format recognizes that when there is a large share of internal consumption/transfers, net income and estimated cash flows from operations are more meaningful when reported in conjunction with trade sales only.

With the exception of Geneva, whose fiscal year ends in September, financial data were reported to the Commission on the basis of a calendar year.

Tolling Operations

*** that reported tolling activities. ***.⁴

¹ According to ACCCI, DTE Energy Services is an "integrated coke producer." Retrieved on July 24, 2001, at <http://www.accci.org/members.html>. DTE Energy Services states that "{i}n energy projects for large industrial, commercial and institutional customers, the company develops power generation facilities, metallurgical coke production, pulverized coal injection facilities and utility services including heating and cooling facilities." Retrieved on July 24, 2001, at <http://www.dtees.com/energyservices.html>. ***.

² ***.

³ As noted below, areas which required further clarification generally took the form of unusual increases in average unit costs compared to previous periods, as well as other trends which appeared to be inconsistent. Staff also requested (and generally received) relevant internal financial statements (specifically internal profit and loss reports) related to blast furnace coke.

⁴ ***.

Byproducts

The production of blast furnace coke generates byproducts⁵ which offset the cost of manufacturing blast furnace coke; i.e., through the sale and/or re-use (direct or indirect) of these byproducts in the production process. Most U.S. producers indicated that the sales revenue of byproducts was subtracted from cost of goods sold (COGS).^{6 7}

OPERATIONS ON BLAST FURNACE COKE—TRADE SALES ONLY

Income-and-loss data for the U.S. producers on their trade sales only are presented in table VI-1. Selected financial data on a per-metric-ton basis and by firms for trade sales only are presented in table VI-2 and table VI-3, respectively.

Volume and Value

Thirteen U.S. producers reported trade sales only data. In terms of 2000 commercial sales volume, the largest U.S. producer was ***. The remaining U.S. producers individually accounted for between *** and *** percent of 2000 trade sales volume.

Trade sales volume moved within a relatively narrow band during the full-year periods, declining by 5.7 percent in 1999 (compared to 1998) and then increasing by 8.6 percent in 2000. Despite somewhat higher volume in 2000 compared to 1998, total commercial sales revenue was lower due to a reduction in average unit sales value.^{8 9 10}

⁵ A byproduct is considered incidental to the production of a primary product and also possesses a relatively low sales value compared to the primary product. According to U.S. generally accepted accounting principles, principal production costs are not assigned to byproducts, and related sales revenue is treated as either a deduction from COGS or "other revenue." *Cost Accounting: Using a Cost Management Approach*, L. Gayle Rayburn, Fifth Edition (1993), pp. 258 and 261. In this case, the majority of U.S. producers reported in their questionnaire responses that they treated byproduct sales revenue as an offset to COGS.

⁶ While most U.S. producers reduced other factory costs by the byproduct revenue generated, some companies applied the byproduct credit to raw materials or included it in reported revenue. Although profitability is not affected by these differences, company-by-company comparisons of changes in individual line items, such as raw material and other factory costs, are somewhat less meaningful.

⁷ ***.

⁸ ***.

⁹ In response to a staff question, petitioners observed in their postconference brief that some of the differences among companies in terms of reported average unit commercial sales values are likely the result of long-term contracts; e.g., "{s}ome firms may be in the early part of a longer contract or the latter part of a shorter contract." Petitioners' postconference brief, exhibit 1, p. 6.

¹⁰ ***.

Table VI-1
Trade sales only: Blast furnace coke results of operations of U.S. producers, calendar years 1998-2000,
January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (<i>metric tons</i>)				
Commercial sales	8,267,053	7,797,367	8,468,322	2,159,259	1,969,092
	Value (\$1,000)				
Commercial sales	1,020,015	960,784	1,016,601	258,828	234,545
Cost of goods sold	900,663	868,711	910,858	232,548	214,286
Gross profit or (loss)	119,352	92,073	105,743	26,280	20,259
SG&A expenses ¹	89,990	79,758	89,966	21,531	21,769
Operating income or (loss)	29,362	12,315	15,777	4,749	(1,510)
Interest expense	32,174	32,122	27,922	8,024	5,368
Other expense	3,087	2,547	2,050	701	452
Other income items	9,582	19,330	28,799	5,375	7,359
Net income or (loss)	3,683	(3,024)	14,604	1,399	29
Depreciation/amortization	99,099	103,775	111,354	27,496	23,096
Cash flow	102,782	100,751	125,958	28,895	23,125
	Ratio to net sales (<i>percent</i>)				
	88.3	90.4	89.6	89.8	91.4
Gross profit or (loss)	11.7	9.6	10.4	10.2	8.6
SG&A expenses ¹	8.8	8.3	8.9	8.3	9.3
Operating income or (loss)	2.9	1.3	1.6	1.8	(0.6)
Net income or (loss)	0.4	(0.3)	1.4	0.5	0.0
	Number of firms reporting				
Operating losses	5	7	7	6	9
Data	13	13	13	13	12
¹ Selling, general, and administrative (SG&A) expenses.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-2
Trade sales only: Blast furnace coke results of operations (per metric ton) of U.S. producers, calendar years 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Unit value (per metric ton)				
Commercial sales	\$123	\$123	\$120	\$120	\$119
Cost of sales					
Raw materials	58	60	52	56	44
Direct labor	21	20	20	20	20
Other factory	30	31	35	32	45
Total	109	111	108	108	109
Gross profit or (loss)	14	12	12	12	10
SG&A expenses ¹	11	10	11	10	11
Operating income or (loss)	4	2	2	2	(1)
¹ Selling, general, and administrative (SG&A) expenses. Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-3
Trade sales only: Blast furnace coke results of operations of U.S. producers, by firms, calendar years 1998-2000, January-March 2000, and January-March 2001

* * * * *

The majority of U.S. producers reported lower or flat sales volumes in 2000 compared to the beginning of the period examined. Notable reductions in commercial sales volume (on a percentage basis in 2000 compared to 1998) were reported by ***. ¹¹ In contrast, *** reported relatively large increases in sales volume during the full-year periods and, as a result, generally offset declines in volume reported by the other U.S. producers. ¹²

¹¹ ***.

¹² ***.

Lower sales volume in interim 2001 compared to interim 2000 was exacerbated by a continued decline in average unit sales value. As a result, for interim 2001 there was a sharper relative decline in sales revenue compared to the percentage decline in sales volume.^{13 14}

Profitability

Changes in profitability were caused to varying degrees by increased costs, lower sales volume, and reduced average unit sales value. In 1999, the sharp decline in operating income (compared to 1998) was due primarily to lower sales volume and reduced unit operating income resulting from higher average unit operating expenses, while average unit sales values remained flat. In 2000, while average unit operating costs declined somewhat and volume increased, average unit operating income remained about the same due to a reduction in average unit sales value. As a result, operating income for 2000 was only somewhat greater than 1999 and was about half what was reported for 1998.

In addition to a continuing decline in average unit sales value and lower volume, interim 2001 average unit operating costs increased compared with interim 2000. The combination of these negative factors eliminated the previously reported positive operating margins and resulted in the operating loss reported for the end of the period examined.

Estimated Cash Flows from Operations

In 1999, estimated cash flows from operations exhibited only a modest decline (compared to 1998) despite the reduction in operating income noted above. In addition to relatively large "other income" items reported by several companies, the adjustment for depreciation expense increased in each full-year period.¹⁵ As a result, estimated cash flows from operations were either stable (1998 and 1999) or expanded (2000) for the full-year periods. Interim 2001 estimated cash flows from operations were lower compared to interim 2000.

OPERATIONS ON BLAST FURNACE COKE—TRADE AND TRANSFER ACTIVITIES

Income-and-loss data for the U.S. producers on their trade and transfer activities are presented in table VI-4. Selected financial data on a per-metric-ton basis and by firms for trade and transfer activities are presented in table VI-5 and table VI-6, respectively.

Volume and Value

Sixteen U.S. producers reported trade and transfer activity data. In terms of 2000 volume, the largest U.S. producer was ***. The remaining U.S. producers individually accounted for between *** and *** percent of 2000 trade and transfer activity volume.

¹³ Sales volume for interim 2001 was 8.8 percent lower compared to interim 2000, with the majority of U.S. producers reporting declines.

¹⁴ ***.

¹⁵ The increase in depreciation expenses appears to be related to the large capital expenditures at the beginning of the period, as well as changes in the volume of operations. ***.

Table VI-4
Trade and transfer activities: Blast furnace coke results of operations of U.S. producers, calendar years 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Quantity (<i>metric tons</i>)				
Commercial sales	8,267,053	7,797,367	8,468,322	2,159,259	1,969,092
Internal consumption	***	***	***	***	***
Related party transfers	***	***	***	***	***
Total net sales and transfers	16,730,472	15,811,999	16,558,243	4,212,356	3,881,834
	Value (\$1,000)				
Commercial sales	1,020,015	960,784	1,016,601	258,828	234,545
Internal consumption	***	***	***	***	***
Related party transfers	***	***	***	***	***
Total net sales and transfers	2,058,968	1,918,405	1,972,006	502,886	462,093
Cost of goods sold	1,903,087	1,795,818	1,807,756	460,093	432,477
Gross profit or (loss)	155,881	122,587	164,250	42,793	29,616
SG&A expenses ¹	146,079	143,738	142,603	34,990	33,705
Operating income or (loss)	9,802	(21,151)	21,647	7,803	(4,089)
	Ratio to net sales (<i>percent</i>)				
Cost of goods sold	92.4	93.6	91.7	91.5	93.6
Gross profit or (loss)	7.6	6.4	8.3	8.5	6.4
SG&A expenses ¹	7.1	7.5	7.2	7.0	7.3
Operating income or (loss)	0.5	(1.1)	1.1	1.6	(0.9)
	Number of firms reporting				
Operating losses	6	9	8	6	11
Data	16	16	16	16	16
¹ Selling, general, and administrative (SG&A) expenses. Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-5

Trade and transfer activities: Blast furnace coke results of operations (per metric ton) of U.S. producers, calendar years 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Unit value (per metric ton)				
Commercial sales	\$123	\$123	\$120	\$120	\$119
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
Net sales and transfers	123	121	119	119	119
Cost of sales:					
Raw materials	59	58	51	55	43
Direct labor	24	23	23	23	23
Other factory	31	32	36	31	45
Total cost of goods sold	114	114	109	109	111
Gross profit or (loss)	9	8	10	10	8
SG&A expenses ¹	9	9	9	8	9
Operating income or (loss)	1	(1)	1	2	(1)
¹ Selling, general, and administrative (SG&A) expenses.					
Note.—Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-6

Trade and transfer activities: Blast furnace coke results of operations of U.S. producers, by firms, calendar years 1998-2000, January-March 2000, and January-March 2001

* * * * *

Total trade and transfer activity volume declined in 1999 by 5.5 percent compared to 1998 and then increased 4.7 percent in 2000. The small overall decline in volume in 2000 compared to 1998, which was only partially offset by an increase in commercial sales volume, was due primarily to reduced transfers to related firms and to a lesser extent to reduced internal consumption.

As a result of reduced average unit values during the full-year periods and somewhat lower volume, the total reported value of blast furnace coke operations was 4.2 percent lower in 2000 compared to 1998.¹⁶

Similar to the trade sales only section above, notable declines (on a percentage basis) in total blast furnace coke volume in 2000 compared to 1998 were reported by ***. ***, the other U.S. producers noted above which reported relatively large declines in commercial sales volume, reported higher total volume in 2000 compared to 1998 due to increased internal consumption.¹⁷ As indicated earlier, relatively large increases in volume were reported by *** -- both reported as commercial sales.

Total trade and transfer volume was 7.8 percent lower in first quarter 2001 compared to first quarter 2000. In conjunction with a modest decline in average unit value, the reduction in total first quarter 2001 volume resulted in an 8.1 percent decline in total value. With the exception of ***, all U.S. producers reported lower blast furnace coke volume in first quarter 2001 compared to first quarter 2000.

*** showed the most significant decline in interim 2001 volume. On a percentage basis, *** also reported relatively large declines in total volume: ***'s decline was accounted for by reduced internal consumption, while ***, whose internal consumption increased in first quarter 2001 compared to first quarter 2000, reported an overall decline due to reduced commercials sales.

Profitability

Unlike the trade sales only section above, an operating loss was reported in 1999 for trade and transfer activities -- in addition to the operating losses (of different magnitudes) for interim 2001 reported for both categories. The operating loss in 1999 was caused by lower overall average unit values for internal consumption and transfers to related firms. In the absence of a corresponding reduction in average unit operating cost, operating margins declined from slightly above breakeven in 1998 to negative in 1999.

While average unit operating costs did not change significantly during the period examined, a reduction in these costs in 2000 helped to offset a continued reduction in average unit value. With the exception of 2000 (full-year and interim), trade and transfer activity generated lower reported operating income or higher losses than trade sales only operations. Because overall average unit values for trade and transfer activities were not significantly different than the average unit sales values reported in the trade sales only section, the primary reason for the difference in overall profitability (between the two categories) appears to be the expanded presence of generally higher-cost, higher-volume integrated producers.^{18 19}

¹⁶ ***.

¹⁷ ***.

¹⁸ ***.

¹⁹ ***.

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

The responding firms' data on capital expenditures, research and development (R&D) expenses, and the value of their property, plant, and equipment are shown in table VI-7.

Table VI-7

Blast furnace coke: Value of assets, capital expenditures, and R&D expenses of U.S. producers, calendar years 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
	Value (\$1,000)				
Capital expenditures:					
Acme Steel	***	***	***	***	***
AK Steel	***	***	***	***	***
Bethlehem Steel	***	***	***	***	***
Citizens	***	***	***	***	***
Clairton Partnership	***	***	***	***	***
DTE Burns Harbor	***	***	***	***	***
EES Coke	***	***	***	***	***
Geneva	***	***	***	***	***
Koppers	***	***	***	***	***
National Steel	***	***	***	***	***
New Boston Coke	***	***	***	***	***
Shenango	***	***	***	***	***
Sloss	***	***	***	***	***
Sun Coke	***	***	***	***	***
U.S. Steel	***	***	***	***	***
Wheeling-Pitt	***	***	***	***	***
Total capital expenditures	170,654	72,560	47,987	14,504	7,533
Research & development expenses	***	***	***	***	***
Property, plant and equipment:					
Total original cost	3,394,008	3,447,788	3,343,763	3,305,339	3,323,639
Total book value	1,743,052	1,687,661	1,549,810	1,617,397	1,527,199
Source: Compiled from data submitted in response to Commission questionnaires.					

A large portion of the capital expenditures reported during the period examined occurred in 1998 with *** accounting for the majority.²⁰ *** also reported relatively significant capital expenditures in 1998, while the remaining companies generally reported capital expenditures which were in the range of *** to ***.²¹ In 1999 and 2000, overall capital expenditures declined. ***. The extent to which these capital expenditures were related to environmental compliance was mixed, with some companies reporting relatively high levels of environmental-compliance (as a percentage of total capital expenditures), and others reporting no environmental-compliance capital expenditures.²²

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of blast furnace coke from China and Japan on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix D.

20 ***.

21 ***.

22 ***.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations.¹ 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. 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 Commission sent foreign producer questionnaires to all producers in China and Japan that were identified in the petition. The Commission also sent State Department telegrams to the U.S. embassies in Beijing and Tokyo requesting information.²

THE INDUSTRY IN CHINA

The Commission received questionnaire responses from 11 producers of blast furnace coke in China, and one exporter representing two other Chinese producers, that are believed to account for virtually all exports of blast furnace coke from China to the United States during January 1998 to March 2001. Table VII-1 presents a list of Chinese producers responding to the Commission's questionnaires. Data for the industry in China are presented in table VII-2.

According to petitioners, exports of the subject merchandise from China to the United States were 1.2 million metric tons in 1998, 1.1 million metric tons in 1999, 1.8 million metric tons in 2000, 0.4 million metric tons in interim 2000, and 0.2 million metric tons in interim 2001.³ Based on the questionnaire responses of Chinese producers, it would appear that the Commission has fairly complete coverage of Chinese exports to the United States. However, only 3 of the 11 producers of blast furnace coke for which the Commission obtained data on exports to the United States provided information on their capacity, production, or inventories. These three producers accounted for only *** to *** percent of the total exports during the period for which data were collected. Therefore, capacity, production, and inventory data shown in table VII-2 are considerably understated, and there is even more pronounced understatement of all variables since the only firms responding to the questionnaire were firms that exported to the United States.⁴

¹ See, 19 U.S.C. § 1677(7)(F)(i).

² The Commission did not receive a response from either U.S. embassy.

³ See, petition, pp. 24-25, and exhibit 6.

⁴ According to data submitted by Chinese respondents, the China Coking Industry Association's estimated production in China of coke was 128.2 million metric tons in 1998, 120.5 million metric tons in 1999, and 121.5 million metric tons in 2000. These data likely include foundry and industrial coke. See, letter of Jeffrey Neeley, counsel for certain Chinese exporters and producers dated July 19, 2001, attachment 3.

According to data in the Commission's recent Section 332 study on foundry coke, Chinese capacity to produce all types of coke was 135 million metric tons in 1996 (the latest year for which data are available). Likewise, data for coke producers in Shanxi Province (China's largest coke-producing region) indicate that blast furnace coke production capacity accounted for 54.5 percent of the province's coke capacity in 1997; foundry coke accounted for 15.4 percent; and "other cokes" for 30.1 percent. See, *Foundry Coke: A Review of the Industries in the United States and China*, Inv. No. 332-407, USITC Pub. 3323 (July 2000), pp. 3-2 and 3-3. VII-1

Table VII-1

Blast furnace coke: Exports from China to the United States, by firms, 1998-2000, January-March 2000, January-March 2001, and projections for 2001-02

Firm	Actual experience					Projections	
	Calendar year			January-March		Calendar year	
	1998	1999	2000	2000	2001	2001	2002
	Quantity (metric tons)						
Beijing Chemical Industry	***	***	***	***	***	***	***
China Iron & Steel	***	***	***	***	***	***	***
CNC Development	***	***	***	***	***	***	***
Duferco: ¹ *** and ***	***	***	***	***	***	***	***
Lishi Datuhe Coal & Coke	***	***	***	***	***	***	***
Minmetals Townlord Technology	***	***	***	***	***	***	***
Shanxi Antai	***	***	***	***	***	***	***
Shanxi Da Jin	***	***	***	***	***	***	***
Shanxi MinMetals	***	***	***	***	***	***	***
Shanxi Provincial Township	***	***	***	***	***	***	***
Shanxi Technical	***	***	***	***	***	***	***
Zhen Zhou Hi-Tech	***	***	***	***	***	***	***
Total	1,406,407	1,240,945	1,804,003	465,949	113,976	920,600	***
¹ Duferco SA (Duferco), Lugano, Switzerland, is an exporter of blast furnace coke produced in China. Duferco exported blast furnace coke produced by two Chinese firms, ***, and submitted a combined questionnaire on behalf of these firms. Source: Compiled from data submitted in response to Commission questionnaires.							

Metallurgical coke production grew rapidly after 1980 as the Chinese steel industry expanded to match growth across the industrial sector.⁵ China is now the world's largest exporter of coke. China's coke industry also consists of both merchant and integrated producers with capacity from byproduct ovens, nonrecovery ovens, and beehive ovens producing blast furnace coke and foundry coke. The ownership of much of the Chinese capacity is unclear.

Unlike in the United States and Japan, Chinese producers and government agencies regulating coal and coke reported that switching production from one type of coke to another is not difficult in China. Shifting, for example, from the production of blast furnace coke to foundry coke in slot ovens would require an adjustment to the coal mix used, and would require some adjustments to the coking process. Based on the Commission's previous Section 332 study, most producers cited the market condition right now as the reason for their choice of production, but could change products if market conditions were different.⁶

⁵ Biswambhar Goswami, *Chinese Coke Directory 1999*, and William T. Hogan, *The Changing Shape of the Chinese Steel Industry*, New Steel, October 1999, pp. 28-37.

⁶ See, *Foundry Coke: A Review of the Industries in the United States and China*, Inv. No. 332-407, USITC Pub. 3323 (July 2000), p. 4-6.

Table VII-2
Blast furnace coke: Data on the industry in China, 1998-2000, January-March 2000, January-March 2001, and projections for 2001-02

Item	Actual experience					Projections	
	Calendar year			January-March		Calendar year	
	1998	1999	2000	2000	2001	2001	2002
	Quantity (metric tons)						
Capacity ¹	1,500,000	***	***	***	***	***	***
Production ¹	1,281,996	1,280,815	***	***	***	***	***
End-of-period inventories ^{1 2}	26,843	***	***	***	***	***	***
Shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to:							
United States	1,406,407	1,240,945	1,804,003	465,949	113,976	920,600	***
All other markets	4,557,307	4,189,538	6,125,893	1,735,155	1,166,052	5,739,400	4,340,000
Subtotal, exports	5,963,714	5,430,483	7,929,896	2,201,104	1,280,028	6,660,000	***
Total shipments	6,456,357	***	8,193,951	***	***	***	5,155,000
	Ratios and shares based on quantity (percent)						
Capacity utilization ³	85.5	***	***	***	***	***	***
Inventories/production ⁴	2.1	***	***	***	***	***	***
Inventories/shipments ⁴	1.8	***	***	***	***	***	***
Share of total shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to:							
United States	21.8	***	22.0	***	***	***	***
All other markets	70.6	***	74.8	***	***	***	84.2
Subtotal	92.4	***	96.8	***	***	***	***
<p>¹ Capacity, production, and inventory data were reported by only three producers, Lishi Datuhe Coal & Coke, Shanxi Antai, and Shanxi Provincial Township, which together accounted for *** percent of reported exports in 1998, *** percent in 1999, *** percent in 2000, *** percent in interim 2000, *** percent in interim 2001, *** percent in projected 2001, and *** percent in projected 2002.</p> <p>² *** provided inventories only for calendar years 1998-2000.</p> <p>³ Calculated from data submitted by ***.</p> <p>⁴ Calculated from data submitted by *** for calendar years 1998-2000, and by *** for all other periods .</p>							
<p>Note.—Because of rounding, figures may not add to the totals shown. January-March inventory ratios are annualized.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>							

THE INDUSTRY IN JAPAN

The Commission received questionnaire responses from three producers of blast furnace coke in Japan, Mitsubishi Chemical, Mitsui Mining, and Kansai Coke. These three producers accounted for approximately 20 percent of blast furnace coke production in Japan in 2000 but represent virtually all exports of the subject merchandise to the United States during January 1998-March 2001.⁷ Only two of these producers, Mitsubishi Chemical and Mitsui Mining, exported to the United States. Kansai Coke, a joint venture of Mitsubishi Chemical and Kobe Steel, ***. Table VII-3 presents data for exports of blast furnace coke from Japan to the United States by firm. Summary industry data for these producers are presented in table VII-4.

Table VII-3
Blast furnace coke: Exports from Japan to the United States, by firms, 1998-2000, January-March 2000, January-March 2001, and projections for 2001-02

* * * * *

Table VII-4
Blast furnace coke: Data on the industry in Japan, 1998-2000, January-March 2000, January-March 2001, and projections for 2001-02

* * * * *

Like the U.S. industry, the blast furnace coke industry in Japan is comprised of merchant producers and integrated producers. Japan produces both blast furnace and foundry coke, but also like the U.S. industry, most of Japan's coke production is blast furnace coke. In Japan, the basic production of coke in byproduct ovens is the same as in the United States with some minor variations in the preparation or finishing stages at certain facilities. Unlike the U.S. industry, many of the Japanese integrated producers utilize dry quenching, whereby the coke is put into an enclosed container and the coke is cooled by recirculating inert gases. Dry quenching tends to produce a stronger coke than wet quenching and energy (which is then used in the production of steel) is recovered through heat transfer. Dry quenching does, however, require substantial capital investment and higher associated operating

⁷ According to responses to the foreign producer questionnaire, Mitsubishi Chemical accounted for an estimated *** percent of total production of blast furnace coke in Japan and *** percent of exports; Mitsui Mining accounted for an estimated *** of total production and *** percent of exports; Kansai Coke accounted for an estimated *** percent of total production and *** percent of exports. VII-4

costs than the wet quenching practiced in the United States. Japanese producers also reduce capacity based on steel industry demand.⁸

U.S. IMPORTERS' INVENTORIES

Table VII-5 presents data on U.S. importers' end-of-period inventories of imported blast furnace coke.

Table VII-5
Blast furnace coke: U.S. importers' end-of-period inventories of imports, by sources, 1998-2000, January-March 2000, and January-March 2001

Item	Calendar year			January-March	
	1998	1999	2000	2000	2001
Imports from China:					
Inventories (<i>metric tons</i>) ²	***	124,653	***	137,693	***
Ratio to imports (<i>percent</i>)	***	14.9	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	***	***	***	14.0	***
Imports from Japan:					
Inventories (<i>metric tons</i>) ³	***	393,624	***	427,810	***
Ratio to imports (<i>percent</i>)	***	21.1	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	***	***	***	19.3	***
Imports from subject sources:					
Inventories (<i>metric tons</i>)	652,775	518,277	747,503	565,503	658,319
Ratio to imports (<i>percent</i>)	20.4	19.2	23.4	16.2	30.0
Ratio to U.S. shipments of imports (<i>percent</i>)	***	18.6	23.7	17.7	27.8
Imports from all other sources:					
Inventories (<i>metric tons</i>)	***	0	0	0	0
Ratio to imports (<i>percent</i>)	***	(¹)	(¹)	(¹)	(¹)
Ratio to U.S. shipments of imports (<i>percent</i>)	***	(¹)	(¹)	(¹)	(¹)
Imports from all sources:					
Inventories (<i>metric tons</i>)	***	518,277	747,503	565,503	658,319
Ratio to imports (<i>percent</i>)	***	19.2	23.4	16.2	30.0
Ratio to U.S. shipments of imports (<i>percent</i>)	***	18.6	23.7	17.7	27.8
¹ Not applicable. ² *** ³ ***					
Source: Compiled from data submitted in response to Commission questionnaires.					

⁸ Japanese respondents rebut petitioners' assertion that they have no alternative but to run their production facilities at maximum rates, lest any reduction from maximum rates severely damage the oven walls in their coke batteries (conference transcript pp. 12, 22, 32). Respondents argue that the Japanese industry has in fact reduced production rates in order to prolong the useful life of ovens (conference transcript pp. 98, 140, 141). Additionally, respondents cite to the fact that ***. See, postconference brief of Mitsubishi Chemical and Mitsui Mining, p. 11.

ANTIDUMPING DUTY ORDERS IN THIRD COUNTRY MARKETS

There are no known orders on Chinese or Japanese blast furnace coke, per se, in any third country markets. However, there are orders on foundry coke, as discussed below.

On December 14, 2000, the European Union imposed a definitive antidumping duty order on imports of foundry coke with a diameter greater than 80 mm imported from China. The duty rate is €32.6 (euros) per metric ton. The order specifically excludes blast furnace coke with a diameter greater than 80 mm up to 100 mm that is imported together with coke in pieces of 80 mm or less in diameter.⁹

In 1998, India imposed antidumping duties on metallurgical coke imported from China. However, metallurgical coke for use in blast furnaces is exempted from the order.¹⁰

⁹ See, European Union Commission Decision No. 2730/2000/ECSC of December 14, 2000, Official Journal of the European Communities, L 316/30, December 15, 2000. A copy of the notice is contained in the postconference brief of Duferco at exhibit 18.

¹⁰ *More Coking Coal for India, Imports near-Doubled*, Coal Week International, March 26, 2001. A copy of this article is contained in the postconference brief of petitioners at Response Attachment E. VII-6

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-951 and 952 (Preliminary)]

Blast Furnace Coke From China and Japan

AGENCY: International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731-TA-951 and 952 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that 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 imports from China and Japan of blast furnace coke provided for in statistical reporting numbers 2704.00.0025 and 2704.00.0050 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by August 13, 2001. The Commission's views are due at Commerce within five business days thereafter, or by August 20, 2001.

For further information concerning the conduct of these investigations 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 B (19 CFR part 207).

EFFECTIVE DATE: June 29, 2001.

FOR FURTHER INFORMATION CONTACT: Fred Fischer (phone: 202-205-3179; e-mail: ffischer@usitc.gov), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS-ON-LINE) at <http://dockets.usitc.gov/eol/public>.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to a petition filed on June 29, 2001, by (1) the Committee for Fair Coke Trade and its member producers: Acme Steel Co., Chicago, IL; DTE Energy Services Inc., Ann Arbor, MI; Koppers Industries, Inc., Pittsburgh, PA; and Shenango Inc., Pittsburgh, PA; and (2) the United Steelworkers of America, AFL-CIO, Pittsburgh, PA.

Participation in the investigations and public service list.—Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the *Federal Register*. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI

gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on July 20, 2001, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Fischer (phone: 202-205-3179; e-mail: ffischer@usitc.gov) not later than July 16, 2001, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 25, 2001, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the 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 section 207.12 of the Commission's rules.

Issued: July 2, 2001.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 01-17038 Filed 7-5-01; 8:45 am]

BILLING CODE 7020-02-P

Initiation of Investigations*The Applicable Statute and Regulations*

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930, as amended ("the Act"), by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at 19 CFR Part 351 (2000).

The Petition

On June 29, 2001, the Department of Commerce (the Department) received a petition filed in proper form by the following parties: Shenango Incorporated, Koppers Industries, Inc., DTE Energy Services Inc., Acme Steel Company, and United Steelworkers of America, AFL-CIO (collectively, the petitioners). The Department received information supplementing the petition, on July 6, 2001, July 9, 2001, July 11, 2001, July 17, 2001, July 18, 2001, and July 19, 2001. On July 19, 2001, we received a challenge to industry support for these petitions from Defurco SA. See the *Import Administration AD Investigation Checklist*, July 19, 2001 ("Initiation Checklist") (public version on file in the Central Records Unit of the Department of Commerce, Room B-099) at Attachment I-3.

In accordance with section 732(b) of the Act, the petitioners allege that imports of certain blast furnace coke from the People's Republic of China ("PRC") and Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or are threatening to materially injure, an industry in the United States.

The Department finds that the petitioners filed this petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and 771(9)(D) of the Act and have demonstrated sufficient industry support with respect to each of the antidumping investigations that they are requesting the Department to initiate (see the *Determination of Industry Support for the Petition* section below).

Scope of Investigations

The scope of these investigations covers blast furnace coke made from coal or mostly coal, and other carbon materials, with a majority of individual pieces less than 100 MM (4 inches) of a kind capable of being used in blast furnace operations, whether or not mixed with coke breeze. Blast furnace

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-570-871 and A-588-858]

Notice of Initiation of Antidumping Duty Investigations: Certain Blast Furnace Coke Products From the People's Republic of China and Japan

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Initiation of antidumping duty investigations.

EFFECTIVE DATE: July 26, 2001.

FOR FURTHER INFORMATION CONTACT: Alex Villanueva (China) and Julio Fernandez (Japan) at (202) 482-6412 and (202) 482-0190, respectively, or Donna Kinsella at (202) 482-0194; Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

³ Denial orders can be either "standard" or "non-standard." A standard order denying export privileges is appropriate in this case. The terms of a standard denial order are set forth in Supplement No. 1 to Part 764 of the Regulations.

⁴ Pursuant to Section 13(c)(1) of the Act and Section 766.17(b)(2) of the Regulations, in export control enforcement cases, the Administrative Law Judge issues a recommended decision which is reviewed by the Under Secretary for Export Administration who issues the final decision for the agency.

coke is generally¹ classified under Harmonized Tariff Schedule United States ("HTSUS") subheading 2704.00.0025. The tariff classification is provided for descriptive purposes; the scope of the investigation, not the tariff classification of the import, is dispositive.

Determination of Industry Support for the Petition

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The United States International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product¹ in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding domestic like product (see section 771(10) of the Act), they do so for different purposes and pursuant to their separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.²

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," i.e., the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

In this petition, petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Thus, based on our analysis of the information presented to the Department by petitioners, and the information obtained and received

independently by the Department, we have determined that there is a single domestic like product, which is defined in the *Scope of Investigations* section above, and have analyzed industry support in terms of this domestic like product.

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Information contained in the petition demonstrates that the domestic producers or workers who support the petition account for at least 25 percent of total production of the domestic like product. We have received no opposition from domestic producers or workers. As a result, we find that the domestic producers or workers who support the petition also account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for the petition. See *Initiation Checklist* at Attachment II. Thus, the requirements of section 732(c)(4)(A)(i)(ii) are met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See *Initiation Checklist*.

Export Price and Normal Value

Where the petitioners obtained data from foreign market research, we contacted the researcher to establish its credentials and to confirm the validity of the information provided. See Memorandum to the File from Julio A. Fernandez through Donna Kinsella, *Telephone Conversation with Foreign Market Researcher for Antidumping Petition Regarding Imports of Blast Furnace Coke from Japan*, July 20, 2001 (*Market Research for Japan*). Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

The following are descriptions of the allegations of sales at less than fair value upon which the Department has based its decision to initiate these investigations. The sources of data for the deductions and adjustments relating to home market price, U.S. price,

constructed value (CV) and factors of production (FOP) are detailed in the *Initiation Checklist*.

The anticipated period of investigation (POI) for Japan, a market economy country is April 1, 2000, through March 31, 2001, while the anticipated POI for the PRC, a non-market economy (NME) country is October 1, 2000, through March 31, 2001.

Regarding an investigation involving a NME, the Department presumes, based on the extent of central government control in a NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. See, e.g., *Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC*, 59 FR 22585 (May 2, 1994). In the course of these investigations, all parties will have the opportunity to provide relevant information related to the issue of the PRC's status and the granting of separate rates to individual exporters.

China

Export Price

To calculate export price ("EP"), petitioners screened U.S. Census import data, and selected from this data certain imports which they believed were of blast furnace coke to arrive at an estimate for imports of such coke for the period April 2000 through March 2001, falling under the Harmonized Tariff Schedules ("HTSUS") classification 2704.00.³ The selected data was broken down by import quantity, customs value, and CIF value. See *Petition* at 14.

For purposes of initiation, the Department has decided to rely instead on average unit values during the POI as reported under HTSUS 2704.00.0025. The Department believes that this HTS number represents a clean category under which all imports of subject coke must enter. The possibility of a misclassification by the U.S. Customs Service is not sufficient to warrant the methodology utilized by petitioners as described above. In particular, the Department does not believe that port and volume-specific import data is representative of U.S. prices of subject merchandise. As a result, as indicated above, we have relied on AUVs to calculate EP.

We obtained from the ITC's Dataweb, U.S. import values for HTS 2704.00.0025. We used the free

¹ In response to the July 6, 2001, deficiency questionnaire, petitioners agreed to change "may be classified" to "are generally classified."

² See *Algoma Steel Corp. Ltd., v. United States*, 688 f. Supp. 639, 642-44 (CIT 1988); *High Information Content flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*. 56 FR 32376, 32380-81 (July 16, 1991).

³ Petitioners indicate this data was obtained from the American Coal and Coke Chemicals Institute.

² See *Algoma Steel Corp. Ltd., v. United States*, 688 f. Supp. 639, 642-44 (CIT 1988); *High Information Content flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*. 56 FR 32376, 32380-81 (July 16, 1991).

alongside ship ("FAS") customs values as the F.O.B. price of merchandise. For purposes of initiation, we have found this to be an appropriate estimate. We deducted estimated foreign inland freight costs from the customs value to arrive at an estimated ex-factory price for use in the comparison of EP and normal values for China.

Petitioners used the selected Customs Values as the free on board ("F.O.B.") price of the merchandise, packaged and ready for delivery at the foreign port. To approximate ex-factory prices, petitioners deducted foreign inland freight from the selected Customs Value. See *Petition* at 14. Petitioners calculated average foreign inland freight charges using estimated atlas distances and Indian freight rates as a surrogate value.

Normal Value

The petitioners assert that the PRC is an NME country and no determination to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is an NME. See *Steel Concrete Reinforcing Bars from the People's Republic of China; Notice of Final Determination of Sales at Less Than Fair Value ("Re-Bars from China")*, 66 FR 33522 (June 22, 2001), and *Foundry Coke Products from the People's Republic of China; Notice of Preliminary Determination of Sales at Less Than Fair Value ("Foundry Coke from China")*, 66 FR 13885 (March 8, 2001). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation.

Petitioners stated that the current domestic coke industry in China consists of both an integrated (recovery process) and an independent sector (beehive oven process) of blast furnace coke. Consequently, petitioners calculated a margin for the recovery process and for the beehive oven process. For NV for the recovery process, the petitioners based the factors of production (FOP), as defined by section 773(c)(3) of the Act, on the consumption rates of two U.S. blast furnace coke producers utilizing the mechanical (recovery) oven production process. The petitioners assert that information regarding Chinese producers' recovery oven consumption rates is not available, and that the U.S. producer employs a production process which is similar to the production processes employed by producers of blast furnace coke in the PRC. Thus, the

petitioners have assumed, for purposes of the petition, that producers in the PRC use similar inputs in similar quantities as the U.S. producer and have adjusted these inputs for known differences.

For the beehive oven production process, petitioners based the blast furnace coke FOP on two publicly available sources. The first source is the ITC Section 332 Report. See *Foundry Coke: A Review of the Industries in the United States and China*, ("332 Report") Inv. No. 332-407, ITC Pub. 3323 (July 2000). The second source is the *Chinese Coke 1999 Directory ("Directory")*, published by the TEX Report.

Based on the information provided by the petitioners, we believe that the petitioners' FOP methodology represents information reasonably available to the petitioners and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioners assert that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) A market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to the PRC in terms of per capita gross national product ("GNP"). Based on the information provided by the petitioners, we believe that the petitioners' use of India as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, petitioners valued FOP, where possible, on reasonably available, public surrogate data from India. Materials, with the exception of ammonium sulphate, were valued based on Indian import values, as published in the *1998 and 1999 Monthly Statistics of Foreign Trade of India*, and inflated based on the Indian Wholesale Price Index. Surrogate value data from India for ammonium sulphate was not available. Instead, petitioners used a value from *Chemical Weekly*, an Indian chemical industry publication. Labor was valued using the regression-based wage rate for the PRC provided by the Department, in accordance with 19 CFR 351.408(c)(3). Electricity was valued using *Energy Prices and Taxes, First Quarter 2001*, published by, the Organization for Economic Cooperation and Development ("OECD") International Energy Agency.

For overhead, depreciation, selling, general, and administrative ("SG&A") expenses, and profit, the petitioners applied rates derived from the financial statements of Gujarat NRE Coke, Ltd., an Indian coke producer.

Based on the information provided by the petitioners, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiating this investigation.

Based on comparisons of EP to CV, the estimated dumping margins range from 132.2 to 207.2 percent. See *Initiation Checklist* at 11.

Japan

Export Price

To calculate EP, petitioners screened U.S. Census import data, and selected from this data certain imports which they believed were of blast furnace coke to arrive at an estimate for imports of such coke for the period April 2000 through March 2001, falling under the Harmonized Tariff Schedules ("HTSUS") classification 2704.00.⁴ The selected data was broken down by import quantity, customs value, and CIF value. See *Petition* at 14.

For purposes of initiation, the Department has decided to rely instead on average unit values during the POI as reported under HTSUS 2704.00.0025. The Department believes that this HTS number represents a clean category under which all imports of subject coke must enter. The possibility of a misclassification by the U.S. Customs Service is not sufficient to warrant the methodology utilized by petitioners as described above. In particular, the Department does not believe that port and volume-specific import data is representative of U.S. prices of subject merchandise. As a result, as indicated above, we have relied on AUVs to calculate EP.

We obtained from the ITC's Dataweb, U.S. import values for HTS 2704.00.0025. We used the free alongside ship ("FAS") customs values as the F.O.B. price of merchandise. For purposes of initiation, we have found this to be an appropriate estimate. We deducted estimated foreign inland freight costs from the customs value to arrive at an estimated ex-factory price for use in the comparison of EP and normal values for Japan.

Petitioners used the selected Customs Values as the FOB price of the merchandise, packaged and ready for delivery at the foreign port. To approximate ex-factory prices, petitioners deducted foreign inland freight from the selected Customs Value. See *Petition* at 14. Petitioners conservatively calculated average foreign inland freight charges using

⁴ Petitioners indicate this data was obtained from the American Coal and Coke Chemicals Institute.

estimated atlas distances and Indian freight rates as a surrogate value.

Normal Value

Petitioners submitted price information regarding five Japanese domestic sales of blast furnace coke, obtained through foreign market research. In a telephone conversation with the foreign market researcher, the researcher indicated that two of the five home market transactions involved affiliated parties. *See Market Research for Japan*. We are excluding these two sales in our determination of NV because we can not determine, for purposes of initiation, whether these transactions are at "arms-length." *See Statement of Administrative Action at 827 and 19 CFR 351.403(c) of the Department's regulations.*

With respect to NV, petitioners assert that sales of the subject merchandise in the Japanese home market are below the cost of production within the meaning of section 773(b) of the Act.⁵ *See* Petition Exhibits 7 and 53. Petitioners therefore provided constructed value ("CV") pursuant to section 773(c) of the Act. Petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of blast furnace coke in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country-wide sales-below-cost investigation. As noted above, petitioners obtained information regarding home market sales prices from a foreign market research company. This information demonstrates sales below COP based on petitioners' calculation as described below.

In accordance with section 773(b)(3) of the Act, the petitioner calculated the COP for the subject merchandise based on the sum of the cost of manufacturing ("COM") and SG&A. To arrive at CV, petitioners averaged the consumption rates of two U.S. producers of subject merchandise, and adjusted for known differences based on information available regarding Japanese production processes and costs, and conservatively assumed that all Japanese coke oven gas is sold to third party consumers. With respect to the domestic price for coke oven gas in Japan, petitioners submitted information obtained from foreign market research, which included sales of coke oven gas between affiliated

parties. For purposes of this initiation, we have excluded such sales from our calculation of the domestic price for coke oven gas in accordance with Department practice regarding affiliated transactions.

Petitioners calculated direct labor costs using the cost and processing times for the two U.S. producers, adjusted for known differences. Specifically, the petitioners obtained public statistical information from the *Japan Iron and Steel Federation* ("JISF") (*see* Petition Exhibit 36) to adjust the U.S. producer's direct labor costs to the equivalent Japanese cost. The 1999 average monthly earnings of a Japanese worker in iron and steel industries (fringe benefits included) was divided by the average monthly hours worked. The consumer price index was used to adjust the 1999 wage rate for the POI.

Petitioners obtained public statistics from *Energy Prices & Taxes* to adjust the U.S. producers' electricity, natural gas, and steam costs to equivalent Japanese costs. Petitioners conservatively estimated the Japanese price for water to be approximately \$1 per 1,000 gallons.

Petitioners used two U.S. producers' variable and fixed factory overhead costs to estimate these costs as borne by Japanese producers. Petitioner based SG&A and profit expenses on the information contained in the financial statements of six integrated Japanese steel producers with coke producing facilities. The SG&A ratio was calculated using the ratio of SG&A expenses to costs of sales. Profit was calculated using the ratio of income before taxes to the total of cost of sales and SG&A expenses. Petitioners used an average of the financial expenses of two U.S. producers' as reported in financial statements to estimate this expense as incurred by Japanese producers.

Based on the comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP within the meaning of section 773(b)(2)(A)(I) of the Act. Accordingly, the Department is initiating a country-wide cost investigation. Pursuant to section 773(a)(4), 773(b), and 773(e) of the Act, petitioners based normal value for sales in Japan on CV because sales of the subject merchandise in the home market were found to be below the cost of production. Therefore, based on these facts, for this initiation, we are accepting CV as the appropriate basis for normal value. Petitioners calculated CV using the same COM and SG&A expense figures used to calculate Japanese home market costs. Consistent

with section 773(e)(2) of the Act, the petitioners also added an amount for profit to arrive at CV.

Based on the data provided by the petitioners, there is reason to believe imports of blast furnace coke from Japan are being, or are likely to be, sold at less than normal value.

Based on comparisons of NV to EP, the estimated dumping margin is 71.66 percent.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of certain blast furnace coke from the PRC and Japan are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. Individually, the volume of imports from China and Japan, using the latest available data, exceeded the statutory threshold of seven percent for a negligibility exclusion. Therefore, when cumulated, the volumes for these two countries also exceed the threshold. *See* section 771(24)(A)(ii) of the Act. Petitioners contend that the industry's injured condition is evidenced in the declining trends in operating profits, decreased U.S. market share, and price suppression and depression. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, domestic consumption, and pricing information. We have assessed the allegations and supporting evidence regarding material injury and causation, and have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See Initiation Checklist.*

Initiation of Antidumping Investigations

Based on our examination of the petition on certain blast furnace coke, and the petitioners' responses to our supplemental questionnaires clarifying the petition, we have found that the petition meets the requirements of section 732 of the Act. *See Initiation Checklist.* Therefore, we are initiating antidumping duty investigations to determine whether imports of certain blast furnace coke from the PRC and Japan are being, or are likely to be, sold in the United States at less than fair

⁵ In their July 11, 2001 submission, petitioners make a formal below cost of production allegation with respect to Japanese sales of subject merchandise in the home market, and also assert that exports of blast furnace coke to third countries are sold at less than the cost of production. *See* July 11, 2001 submission, at 1-2.

value. Unless this deadline is extended, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the governments of the PRC and Japan. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine, no later than August 7, 2001, whether there is a reasonable indication that imports of certain blast furnace coke products from the PRC and Japan are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination for any country will result in the investigation being terminated with respect to that country; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: July 19, 2001.

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 01-18666 Filed 7-25-01; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

CALENDAR OF PUBLIC CONFERENCE



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC

CALENDAR OF PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigations:

BLAST FURNACE COKE FROM CHINA AND JAPAN
Investigations Nos. 731-TA-951-952 (Preliminary)

July 20, 2001 - 9:30 a.m.

The conference was held in the Main Hearing Room of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties—

Gardner, Carton & Douglas | Chicago, IL
on behalf of

COMMITTEE FOR FAIR COKE TRADE—
ACME STEEL COMPANY
DTE ENERGY SERVICES INC.
KOPPERS INDUSTRIES, INC.
SHENANGO INC.
THE UNITED STEELWORKERS OF AMERICA (USWA), AFL-CIO

William Klinefelter, Legislative & Political Director, USWA
Andrew Aloe, President., Shenango Inc.
Jack Garzella, Coke Plant Division Manager, Acme Steel Co.
Drew Bachman, Marketing-Sales Manager for Carbon Materials, Koppers Industries, Inc.
Richard Boltuck, Vice President, Charles River Associates

Harrell Smith)—OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In Opposition to the Imposition of Antidumping Duties--

Economic Consulting Services Inc. | Washington, DC
on behalf of

JAPANESE PRODUCERS AND EXPORTERS OF BLAST FURNACE COKE

Bruce Malashevich, President, Economic Consulting Services Inc.

Cleary, Gottlieb, Steen & Hamilton | Washington, DC
on behalf of

MITSUBISHI CHEMICAL CORPORATION

Ryu Hasegawa, General Manager of Carbon, Silica, & Functional Materials,
Mitsubishi Chemical America Inc.

Donald Morgan)-OF COUNSEL

Bingham Dana Murase | Washington, DC
on behalf of

MITSUMI MINING COMPANY, LTD.

Roger Selfe)-OF COUNSEL

Manatt Phelps Phillips | Washington, DC
on behalf of

SHANXI DA JIN INTERNATIONAL (GROUP) COMPANY LTD.
SHANXI MINMETALS INDUSTRIAL & TRADING COMPANY LTD.
CITIC TRADING COMPANY
CHINA MINMETALS TOWNLORD TEC. COMPANY LTD.
SHANXI PROVINCIAL TOWNSHIP ENTERPRISES COKE GROUP CORP.
CHINA COAL I/E DEVELOPMENT COMPANY LTD.
SHANXI ZHONG DUAN TRADING COMPANY
BEIHUA I/E GROUP COMPANY
TAIYUAN YINGXIAN COAL-CARBONIZATION GROUP COMPANY LTD.
SHANXI TECHNICAL I/E COMPANY

Jeffrey Neeley)-OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE—Continued

In Opposition to the Imposition of Antidumping Duties—Continued

White & Case | Washington, DC
on behalf of

DUFERCO, S.A.

Jack Palmer, Vice President of Raw Materials, Duferco Steel, Inc.

Adams Lee)—OF COUNSEL

Taking No Position With Respect to the Petition—

Sutherland Asbill & Brennan LLP | Washington, DC
on behalf of

USG INTERIORS, INC.
ROCK WOOL MANUFACTURING COMPANY

Fred Mazurski, Energy Manager, United States Gypsum Co.
Robert Bell, Director of Government Affairs, USG Corp.

Mary Patricia Michel)—OF COUNSEL

APPENDIX C

SUMMARY TABLES

Table C-1
Blast furnace coke: Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are <i>per metric ton</i> ; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. consumption quantity:									
Amount	19,238,149	17,834,340	19,039,887	4,833,553	4,304,215	-1.0	-7.3	6.8	-11.0
Producers' share ¹	83.0	84.4	83.5	83.5	86.2	0.4	1.3	-0.9	2.8
Importers' share: ¹									
China	***	***	***	5.1	2.4	***	***	***	-2.7
Japan	***	***	***	11.4	11.4	***	***	***	-0.1
Subtotal	***	15.6	16.5	16.5	13.8	***	***	0.9	-2.8
All other sources	***	0.0	0.0	0.0	0.0	***	***	0.0	0.0
Total imports	17.0	15.6	16.5	16.5	13.8	-0.4	-1.3	0.9	-2.8
U.S. consumption value:									
Amount	2,287,353	2,058,734	2,162,135	553,449	501,239	-5.5	-10.0	5.0	-9.4
Producers' share ¹	84.2	86.9	86.1	85.9	87.3	1.9	2.7	-0.8	1.4
Importers' share: ¹									
China	***	***	***	4.1	2.3	***	***	***	-1.8
Japan	***	***	***	10.0	10.5	***	***	***	0.4
Subtotal	***	13.1	13.9	14.1	12.7	***	***	0.8	-1.4
All other sources	***	0.0	0.0	0.0	0.0	***	***	0.0	0.0
Total imports	15.8	13.1	13.9	14.1	12.7	-1.9	-2.7	0.8	-1.4
U.S. shipments of imports from—									
China:									
Quantity	***	***	***	245,808	101,651	***	***	***	-58.6
Value	***	***	***	22,585	11,451	***	***	***	-49.3
Unit value	***	***	***	\$91.88	\$112.65	***	***	***	22.6
Ending inventory quantity	***	124,653	***	137,693	***	***	***	***	***
Japan:									
Quantity	***	***	***	553,255	490,182	***	***	***	-11.4
Value	***	***	***	55,596	52,433	***	***	***	-5.7
Unit value	***	***	***	\$100.49	\$106.97	***	***	***	6.4
Ending inventory quantity	***	393,624	***	427,810	***	***	***	***	***
Subtotal:									
Quantity	***	2,789,614	3,149,625	799,063	591,833	***	***	12.9	-25.9
Value	***	270,721	301,390	78,181	63,884	***	***	11.3	-18.3
Unit value	***	\$97.05	\$95.69	\$97.84	\$107.94	***	***	-1.4	10.3
Ending inventory quantity	652,775	518,277	747,503	565,503	658,319	14.5	-20.6	44.2	16.4
Other sources:									
Quantity	***	0	0	0	0	***	***	(²)	(²)
Value	***	0	0	0	0	***	***	(²)	(²)
Unit value	***	(²)	(²)	(²)	(²)	***	***	(²)	(²)
Ending inventory quantity	***	0	0	0	0	***	***	(²)	(²)
All sources:									
Quantity	3,262,235	2,789,614	3,149,625	799,063	591,833	-3.5	-14.5	12.9	-25.9
Value	361,489	270,721	301,390	78,181	63,884	-16.6	-25.1	11.3	-18.3
Unit value	\$110.81	\$97.05	\$95.69	\$97.84	\$107.94	-13.6	-12.4	-1.4	10.3
Ending inventory quantity	***	518,277	747,503	565,503	658,319	***	***	44.2	16.4

See footnotes at end of table.

Blast Furnace Coke

Table C-1--Continued

Blast furnace coke: Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers ¹ :									
Average capacity quantity	16,615,019	16,603,564	16,681,282	4,168,881	4,123,083	0.4	-0.1	0.5	-1.1
Production quantity	15,951,721	15,368,490	16,130,084	4,060,000	3,864,998	1.1	-3.7	5.0	-4.8
Capacity utilization ¹	96.0	92.6	96.7	97.4	93.7	0.7	-3.4	4.1	-3.6
U.S. shipments:									
Quantity	15,975,914	15,044,726	15,890,262	4,034,490	3,712,382	-0.5	-5.8	5.6	-8.0
Value	1,925,864	1,788,013	1,860,745	475,268	437,355	-3.4	-7.2	4.1	-8.0
Unit value	\$120.55	\$118.85	\$117.10	\$117.80	\$117.81	-2.9	-1.4	-1.5	0.0
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	578,072	528,398	430,127	464,719	531,633	-25.6	-8.6	-18.6	14.4
Inventories/U.S. shipments ¹	3.6	3.5	2.7	2.9	3.6	-0.9	-0.1	-0.8	0.7
Production workers	5,354	5,132	5,138	5,181	5,141	-4.0	-4.1	0.1	-0.8
Hours worked (1,000s)	12,774	12,326	12,360	3,111	2,980	-3.2	-3.5	0.3	-4.2
Wages paid (\$1,000s)	305,866	294,703	309,392	75,758	73,921	1.2	-3.6	5.0	-2.4
Hourly wages	\$23.94	\$23.91	\$25.03	\$24.35	\$24.81	4.5	-0.1	4.7	1.9
Productivity ²	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Trade sales and transfers:									
Quantity	16,730,472	15,811,999	16,558,243	4,212,356	3,881,834	-1.0	-5.5	4.7	-7.8
Value	2,058,968	1,918,405	1,972,006	502,886	462,093	-4.2	-6.8	2.8	-8.1
Unit value	\$123.07	\$121.33	\$119.10	\$119.38	\$119.04	-3.2	-1.4	-1.8	-0.3
Cost of goods sold (COGS)	1,903,087	1,795,818	1,807,756	460,093	432,477	-5.0	-5.6	0.7	-6.0
Gross profit or (loss)	155,881	122,587	164,250	42,793	29,616	5.4	-21.4	34.0	-30.8
SG&A expenses	146,079	143,738	142,603	34,990	33,705	-2.4	-1.6	-0.8	-3.7
Operating income or (loss)	9,802	(21,151)	21,647	7,803	(4,089)	(²)	(²)	(²)	(²)
Capital expenditures	170,654	72,560	47,987	14,504	7,533	-71.9	-57.5	-33.9	-48.1
Unit COGS	\$113.75	\$113.57	\$109.18	\$109.22	\$111.41	-4.0	-0.2	-3.9	2.0
Unit SG&A expenses	\$8.73	\$9.09	\$8.61	\$8.31	\$8.68	-1.4	4.1	-5.3	4.5
Unit oper. income or (loss)	\$0.59	\$(1.34)	\$1.31	\$1.85	\$(1.05)	(²)	(²)	(²)	(²)
COGS/sales ¹	92.4	93.6	91.7	91.5	93.6	-0.8	1.2	-1.9	2.1
Oper. income or (loss)/sales ¹	0.5	-1.1	1.1	1.6	-0.9	0.6	-1.6	2.2	-2.4

See footnotes at end of table.

Table C-1--Continued
Blast furnace coke: Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers':--Continued									
Trade sales only:									
Quantity	8,267,053	7,797,367	8,468,322	2,159,259	1,969,092	2.4	-5.7	8.6	-8.8
Value	1,020,015	960,784	1,016,601	258,828	234,545	-0.3	-5.8	5.8	-9.4
Unit value	\$123.38	\$123.22	\$120.05	\$119.87	\$119.11	-2.7	-0.1	-2.6	-0.6
Cost of goods sold (COGS)	900,663	868,711	910,858	232,548	214,286	1.1	-3.5	4.9	-7.9
Gross profit or (loss)	119,352	92,073	105,743	26,280	20,259	-11.4	-22.9	14.8	-22.9
SG&A expenses	89,990	79,758	89,966	21,531	21,769	-0.0	-11.4	12.8	1.1
Operating income or (loss)	29,362	12,315	15,777	4,749	(1,510)	-46.3	-58.1	28.1	(²)
Unit COGS	\$108.95	\$111.41	\$107.56	\$107.70	\$108.82	-1.3	2.3	-3.5	1.0
Unit SG&A expenses	\$10.89	\$10.23	\$10.62	\$9.97	\$11.06	-2.4	-6.0	3.9	10.9
Unit oper. income or (loss)	\$3.55	\$1.58	\$1.86	\$2.20	\$(0.77)	-47.5	-55.5	18.0	(²)
COGS/sales ¹	88.3	90.4	89.6	89.8	91.4	1.3	2.1	-0.8	1.5
Oper. income or (loss)/sales ¹	2.9	1.3	1.6	1.8	-0.6	-1.3	-1.6	0.3	-2.5
¹ "Reported data" are in percent and "period changes" are in percentage points. ² Not applicable. ³ Productivity=metric tons per hour.									
Note.--Because of rounding, figures may not add to the totals shown. Unit values, shares, and period changes are calculated from the unrounded figures. January-March inventory ratios are annualized. *** did not provide employment data, and *** did not provide data on production and related workers. Productivity and unit labor costs are calculated using data of firms providing both production and employment information.									
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.									

Table C-2
Blast furnace coke (merchant producers only):¹ Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers ¹ :									
Average capacity quantity	2,963,605	3,372,696	3,373,817	836,045	835,124	13.8	13.8	0.0	-0.1
Production quantity	2,722,393	3,140,249	3,272,758	799,572	788,502	20.2	15.3	4.2	-1.4
Capacity utilization ²	91.9	93.1	97.0	95.6	94.4	5.1	1.2	3.9	-1.2
U.S. shipments:									
Quantity	2,640,315	3,111,437	3,269,006	806,039	754,656	23.8	17.8	5.1	-6.4
Value	308,270	353,361	367,228	90,584	83,203	19.1	14.6	3.9	-8.1
Unit value	\$116.76	\$113.57	\$112.34	\$112.38	\$110.25	-3.8	-2.7	-1.1	-1.9
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/U.S. shipments ²	***	***	***	***	***	***	***	***	***
Production workers	900	900	890	887	879	-1.1	0.0	-1.1	-0.9
Hours worked (1,000s)	2,817	2,864	2,837	729	646	0.7	1.7	-0.9	-11.4
Wages paid (\$1,000s)	56,306	58,433	62,288	14,886	13,479	10.6	3.8	6.6	-9.5
Hourly wages	\$19.99	\$20.40	\$21.96	\$20.42	\$20.87	9.8	2.1	7.6	2.2
Productivity ⁴	966.4	1096.5	1153.6	1096.8	1220.6	19.4	13.5	5.2	11.3
Unit labor costs	\$20.68	\$18.61	\$19.03	\$18.62	\$17.09	-8.0	-10.0	2.3	-8.2
Trade sales and transfers:									
Quantity	2,649,030	3,105,475	3,272,172	805,733	754,656	23.5	17.2	5.4	-6.3
Value	312,600	356,941	372,087	91,517	83,982	19.0	14.2	4.2	-8.2
Unit value	\$118.01	\$114.94	\$113.71	\$113.58	\$111.29	-3.6	-2.6	-1.1	-2.0
Cost of goods sold (COGS)	290,916	339,733	351,007	87,032	83,611	20.7	16.8	3.3	-3.9
Gross profit or (loss)	21,684	17,208	21,080	4,485	371	-2.8	-20.6	22.5	-91.7
SG&A expenses	13,466	13,775	16,694	3,040	3,077	24.0	2.3	21.2	1.2
Operating income or (loss)	8,218	3,433	4,386	1,445	(2,706)	-46.6	-58.2	27.8	(³)
Capital expenditures	55,074	18,233	10,717	2,289	1,874	-80.5	-66.9	-41.2	-18.1
Unit COGS	\$109.82	\$109.40	\$107.27	\$108.02	\$110.79	-2.3	-0.4	-1.9	2.6
Unit SG&A expenses	\$5.08	\$4.44	\$5.10	\$3.77	\$4.08	0.4	-12.7	15.0	8.1
Unit oper. income or (loss)	\$3.10	\$1.11	\$1.34	\$1.79	\$(3.59)	-56.8	-64.4	21.3	(³)
COGS/sales ²	93.1	95.2	94.3	95.1	99.6	1.3	2.1	-0.8	4.5
Oper. income or (loss)/sales ²	2.6	1.0	1.2	1.6	-3.2	-1.5	-1.7	0.2	-4.8

See footnotes at end of table.

Table C-2--Continued
Blast furnace coke (merchant producers only):¹ Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers':--Continued									
Trade sales only:									
Quantity	***	***	***	***	754,656	***	***	***	***
Value	***	***	***	***	83,982	***	***	***	***
Unit value	***	***	***	***	\$111.29	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	83,611	***	***	***	***
Gross profit or (loss)	***	***	***	***	371	***	***	***	***
SG&A expenses	***	***	***	***	3,077	***	***	***	***
Operating income or (loss)	***	***	***	***	(2,706)	***	***	***	***
Unit COGS	***	***	***	***	\$110.79	***	***	***	***
Unit SG&A expenses	***	***	***	***	\$4.08	***	***	***	***
Unit oper. income or (loss)	***	***	***	***	\$(3.59)	***	***	***	***
COGS/sales ²	***	***	***	***	99.6	***	***	***	***
Oper. income or (loss)/sales ²	***	***	***	***	-3.2	***	***	***	***
¹ Merchant producers are: Citizens, Koppers, New Boston Coke, Shenango, Sloss, and Sun Coke. ² "Reported data" are in percent and "period changes" are in percentage points. ³ Not applicable. ⁴ Productivity=metric tons per hour.									
Note.--Because of rounding, figures may not add to the totals shown. Unit values, shares, and period changes are calculated from the unrounded figures. January-March inventory ratios are annualized. *** did not provide data on production and related workers.									
Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.									

Blast Furnace Coke

Table C-3
Blast furnace coke (integrated producers only):¹ Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers ¹ :									
Average capacity quantity	13,651,414	13,230,868	13,307,465	3,332,836	3,287,959	-2.5	-3.1	0.6	-1.3
Production quantity	13,229,328	12,228,241	12,857,326	3,260,428	3,076,496	-2.8	-7.6	5.1	-5.6
Capacity utilization ²	96.9	92.4	96.6	97.8	93.6	-0.3	-4.5	4.2	-4.3
U.S. shipments:									
Quantity	13,335,599	11,933,289	12,621,256	3,228,451	2,957,726	-5.4	-10.5	5.8	-8.4
Value	1,617,594	1,434,652	1,493,517	384,684	354,152	-7.7	-11.3	4.1	-7.9
Unit value	\$121.30	\$120.22	\$118.33	\$119.15	\$119.74	-2.4	-0.9	-1.6	0.5
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/U.S. shipments ²	***	***	***	***	***	***	***	***	***
Production workers	4,454	4,232	4,248	4,294	4,262	-4.6	-5.0	0.4	-0.7
Hours worked (1,000s)	9,957	9,462	9,523	2,382	2,334	-4.4	-5.0	0.6	-2.0
Wages paid (\$1,000s)	249,560	236,270	247,104	60,872	60,442	-1.0	-5.3	4.6	-0.7
Hourly wages	\$25.06	\$24.97	\$25.95	\$25.55	\$25.90	3.5	-0.4	3.9	1.3
Productivity ³	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Trade sales and transfers:									
Quantity	14,081,442	12,706,524	13,286,071	3,406,623	3,127,178	-5.6	-9.8	4.6	-8.2
Value	1,746,368	1,561,464	1,599,919	411,369	378,111	-8.4	-10.6	2.5	-8.1
Unit value	\$124.02	\$122.89	\$120.42	\$120.76	\$120.91	-2.9	-0.9	-2.0	0.1
Cost of goods sold (COGS)	1,612,171	1,456,085	1,456,749	373,061	348,866	-9.6	-9.7	0.0	-6.5
Gross profit or (loss)	134,197	105,379	143,170	38,308	29,245	6.7	-21.5	35.9	-23.7
SG&A expenses	132,613	129,963	125,909	31,950	30,628	-5.1	-2.0	-3.1	-4.1
Operating income or (loss)	1,584	(24,584)	17,261	6,358	(1,383)	(⁴)	(⁴)	(⁴)	(⁴)
Capital expenditures	115,580	54,327	37,270	12,215	5,659	-67.8	-53.0	-31.4	-53.7
Unit COGS	\$114.49	\$114.59	\$109.64	\$109.51	\$111.56	-4.2	0.1	-4.3	1.9
Unit SG&A expenses	\$9.42	\$10.23	\$9.48	\$9.38	\$9.79	0.6	8.6	-7.3	4.4
Unit oper. income or (loss)	\$0.11	\$(1.93)	\$1.30	\$1.87	\$(0.44)	(⁴)	(⁴)	(⁴)	(⁴)
COGS/sales ²	92.3	93.3	91.1	90.7	92.3	-1.3	0.9	-2.2	1.6
Oper. income or (loss)/sales ²	0.1	-1.6	1.1	1.5	-0.4	1.0	-1.7	2.7	-1.9

See footnotes at end of table.

Table C-3--Continued
Blast furnace coke (integrated producers only):¹ Summary data concerning the U.S. market, 1998-2000, January-March 2000, and January-March 2001

(Quantity=metric tons; value=\$1,000; unit values, labor costs, and unit expenses are per metric ton; period changes=percent, except where noted)									
Item	Calendar year			January-March		Period changes			
	1998	1999	2000	2000	2001	1998-2000	1998-99	1999-2000	Jan.-Mar. 2000-01
U.S. producers':--Continued									
Trade sales only:									
Quantity	***	***	***	***	1,214,436	***	***	***	***
Value	***	***	***	***	150,563	***	***	***	***
Unit value	***	***	***	***	\$123.98	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	130,675	***	***	***	***
Gross profit or (loss)	***	***	***	***	19,888	***	***	***	***
SG&A expenses	***	***	***	***	18,692	***	***	***	***
Operating income or (loss)	***	***	***	***	1,196	***	***	***	***
Unit COGS	***	***	***	***	\$107.60	***	***	***	***
Unit SG&A expenses	***	***	***	***	\$15.39	***	***	***	***
Unit oper. income or (loss)	***	***	***	***	\$0.98	***	***	***	***
COGS/sales ²	***	***	***	***	86.8	***	***	***	***
Oper. income or (loss)/sales ²	***	***	***	***	0.8	***	***	***	***

¹ Integrated producers are: Acme Steel, AK Steel, Bethlehem Steel, Clairton Partnership, DTE Burns Harbor, EES Coke, Geneva Steel, National Steel, U.S. Steel, and Wheeling-Pitt.

² "Reported data" are in percent and "period changes" are in percentage points.

³ Productivity=metric tons per hour.

⁴ Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values, shares, and period changes are calculated from the unrounded figures. January-March inventory ratios are annualized. *** did not provide employment data. Productivity and unit labor costs are calculated using data of firms providing both production and employment information.

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

APPENDIX D

**EFFECTS OF IMPORTS ON U.S. PRODUCERS'
EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,
GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of blast furnace coke from China and Japan on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product).

Actual Negative Effects

Summarized excerpts from producer responses regarding actual negative effects experienced as a result of blast furnace coke imports from China and Japan are provided below.

* * * * *

Anticipated Negative Effects

Narrative excerpts from producer responses regarding anticipated negative effects due to imports of blast furnace coke from China and Japan are provided below.

* * * * *

