

Corrosion-Resistant Steel from China, India, Italy, South Korea, and Taiwan

June 24, 2015

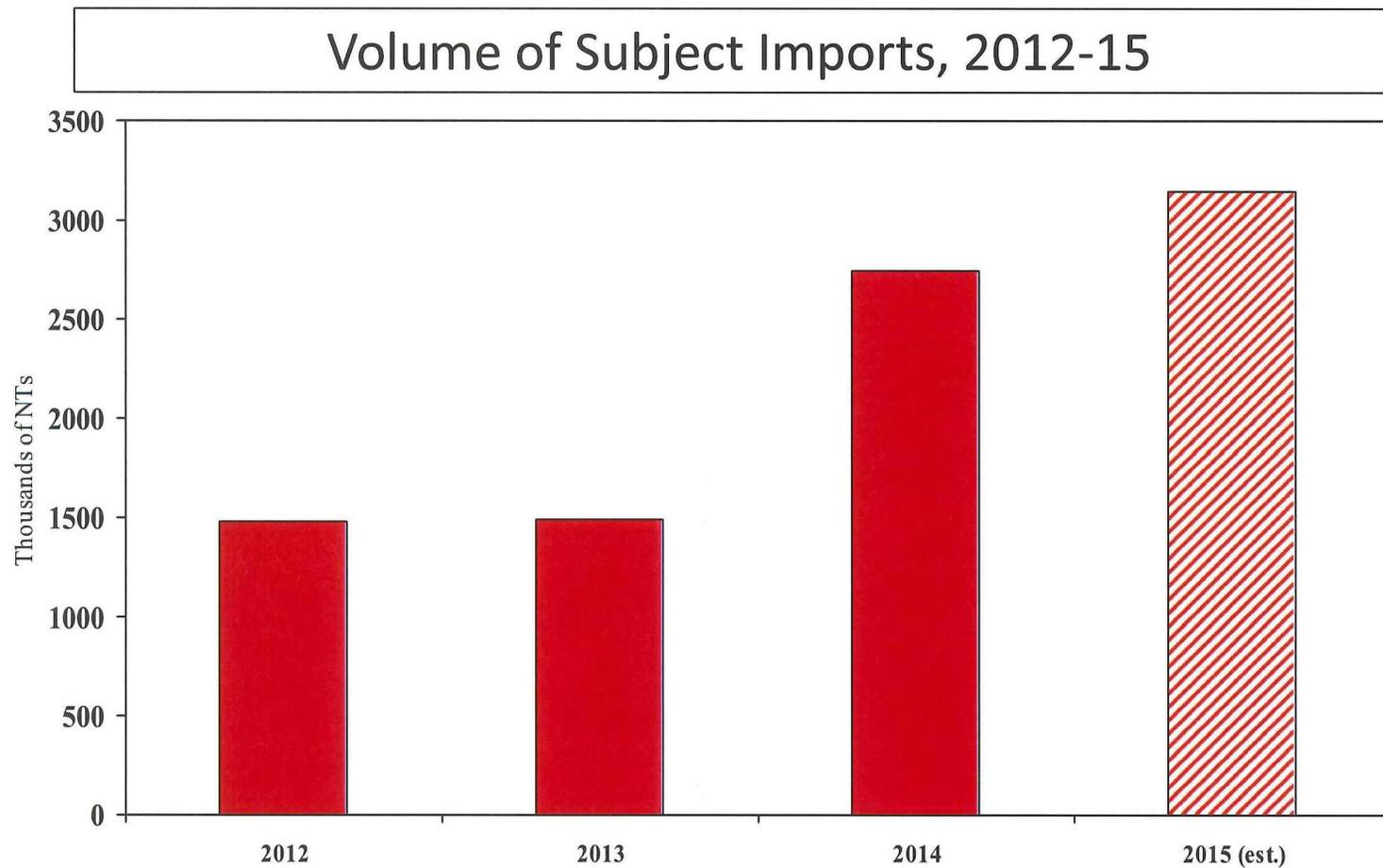
SUBMITTED BY SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

Key Points in these Investigations

- Last year, the U.S. market was overwhelmed by a surge of subject imports, which jumped **84.5 percent** in a single year
- In large part because of these imports, U.S. prices for corrosion-resistant steel **have fallen by more than \$200/ton – in excess of 25 percent** – since last May
- From Q1 2014 to Q1 2015, the operating income of domestic producers **fell by almost 40 percent**, and profits **will drop even more** as U.S. mills negotiate new contracts that reflect lower market prices
- Subject mills have **massive volumes of unused capacity**, and will ship even more imports in the absence of trade relief

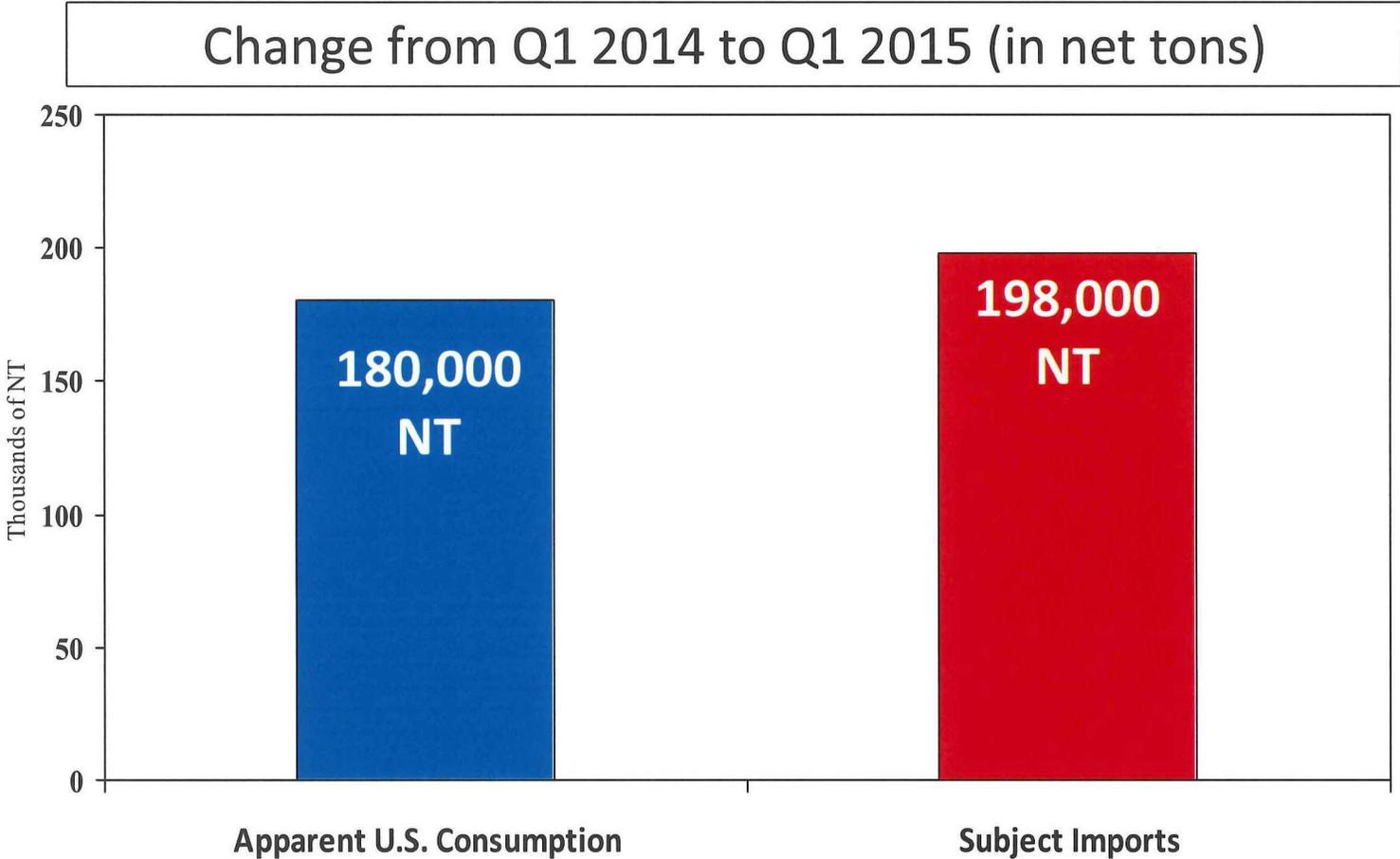
**The Volume of Subject Imports Is
Significant**

Subject Imports Soared Over the Period of Investigation



Source: U.S. Census Bureau, IM-145. Estimate for 2015 based on numbers from January to March.

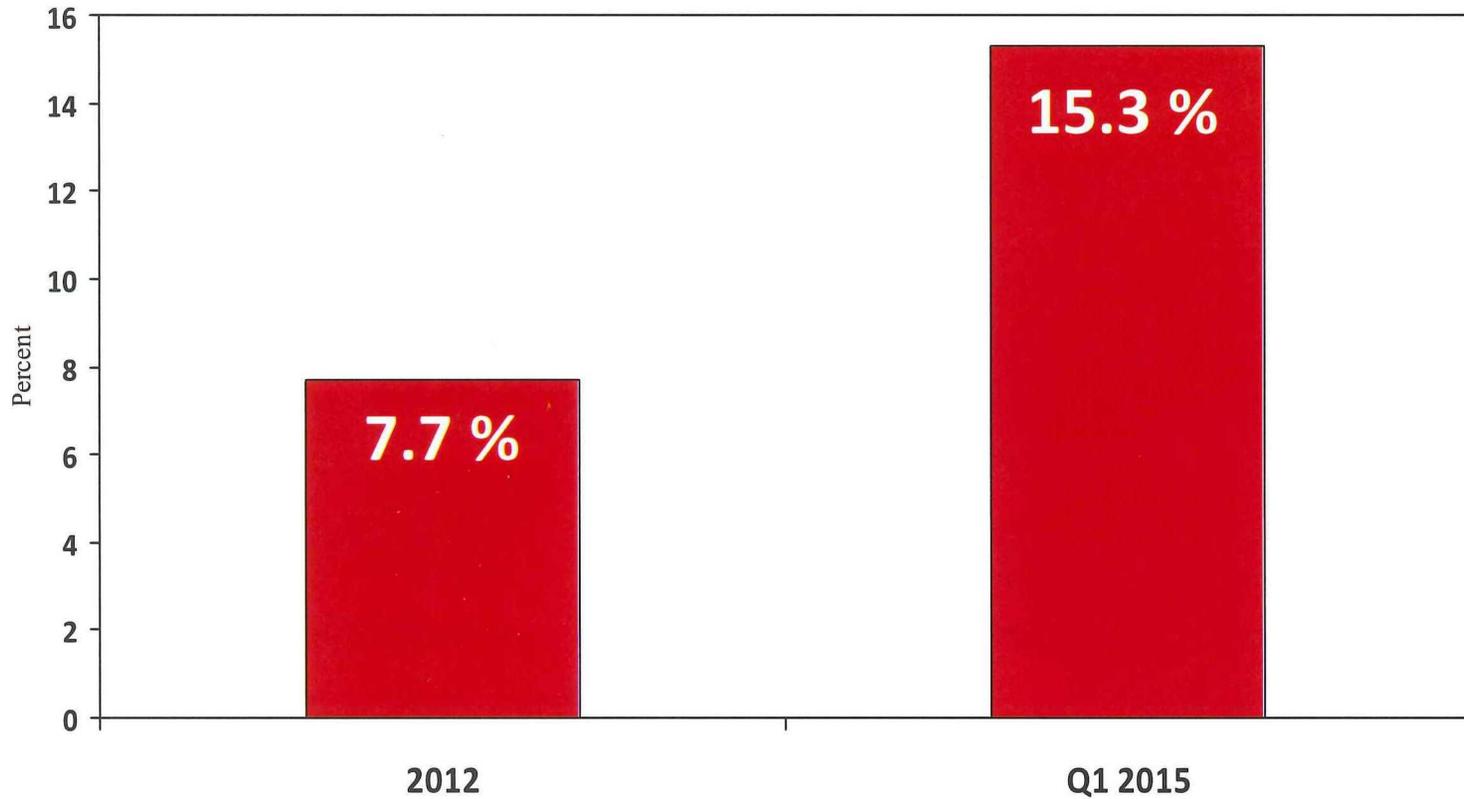
From Q1 2014 to Q1 2015, *Subject Imports* Increased More than Consumption



Source: Petitioners' Exhibit I-21 (Public Version).

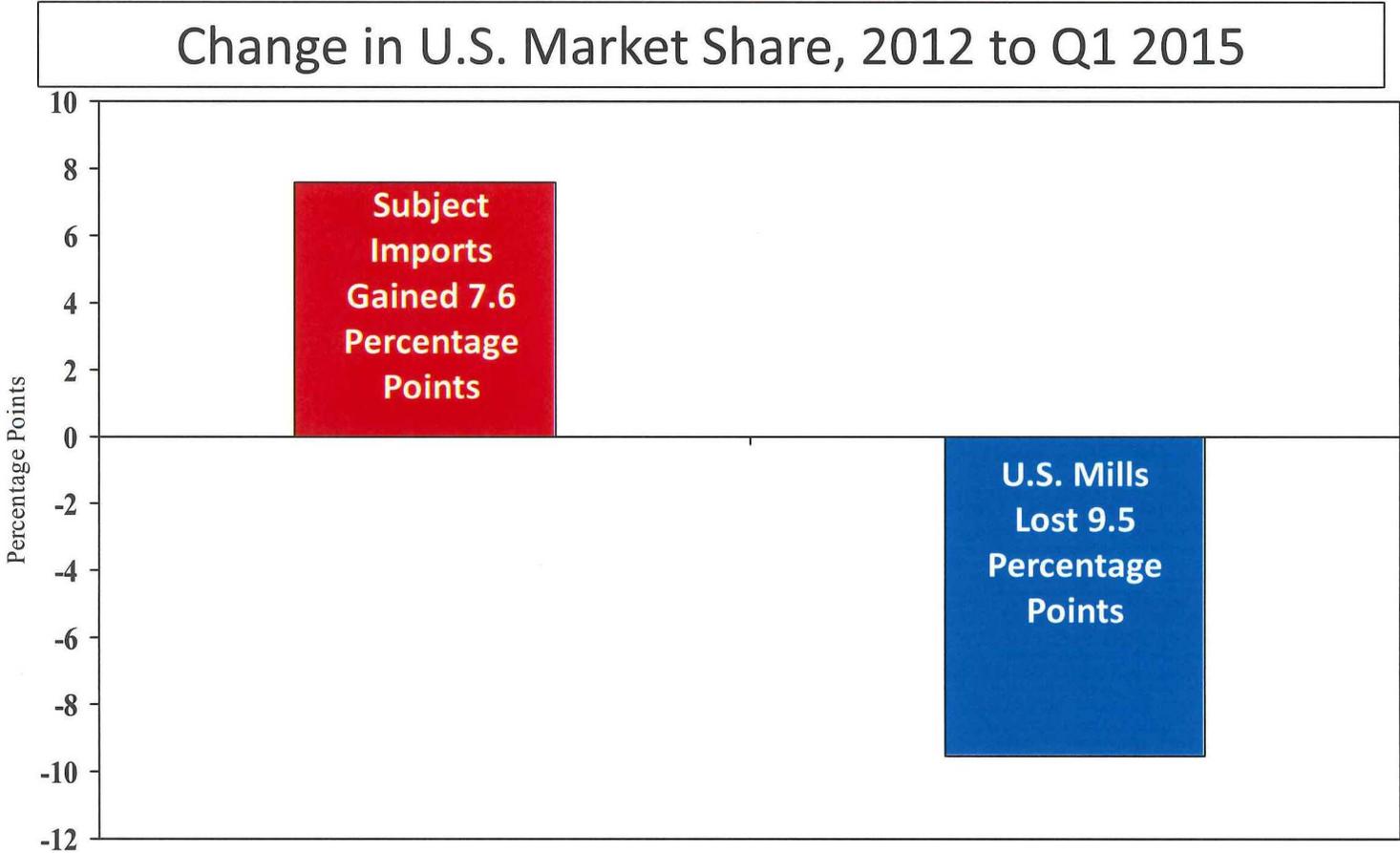
Since 2012, *Subject Imports Have Doubled their Market Share*

U.S. Market Share of Subject Imports, 2012 to Q1 2015



Source: Petitioners' Exhibit I-21 (Public Version).

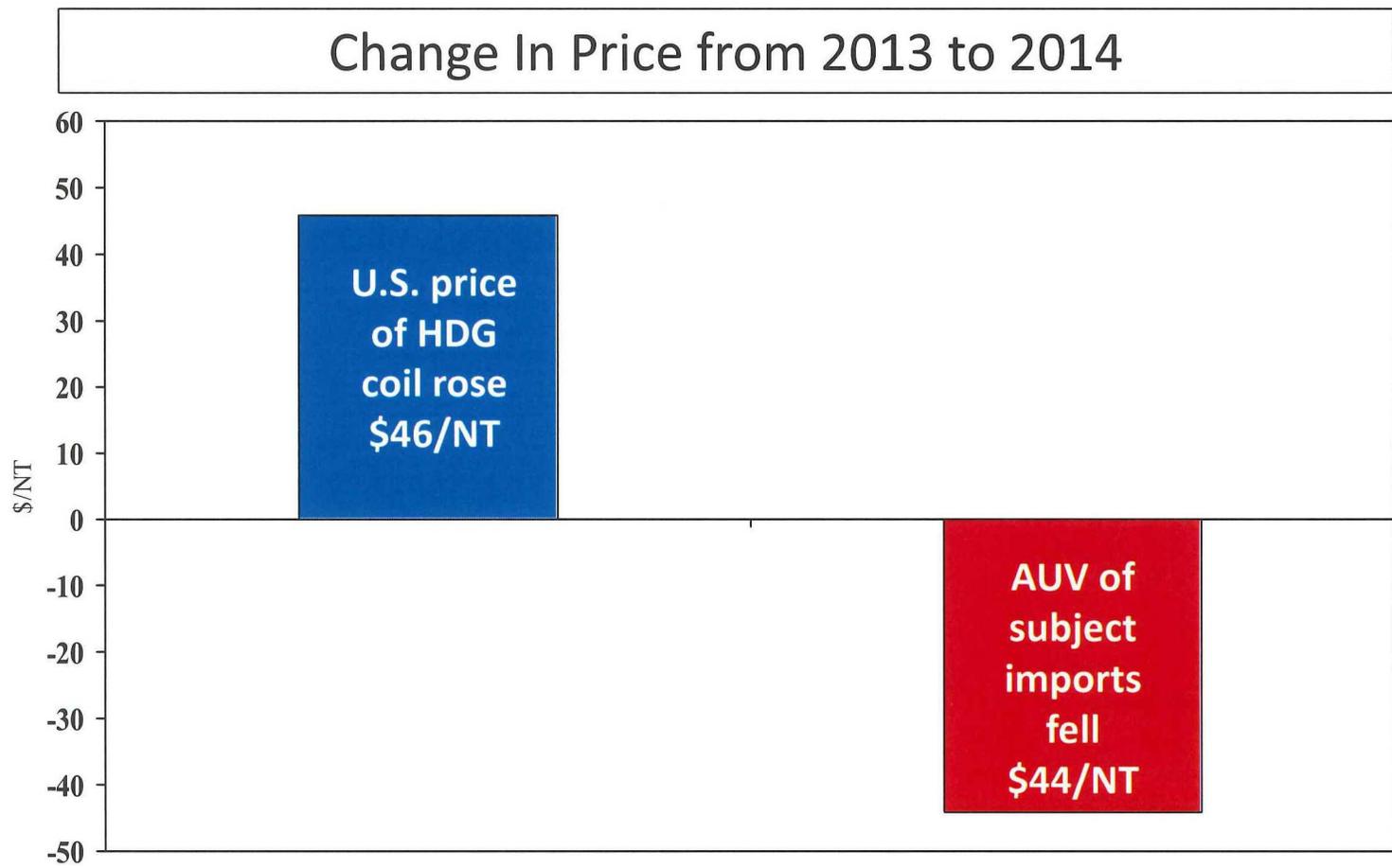
All of the Market Share Gained by Subject Imports *Was Lost by U.S. Mills*



Source: Petitioners' Exhibit I-21 (Public Version).

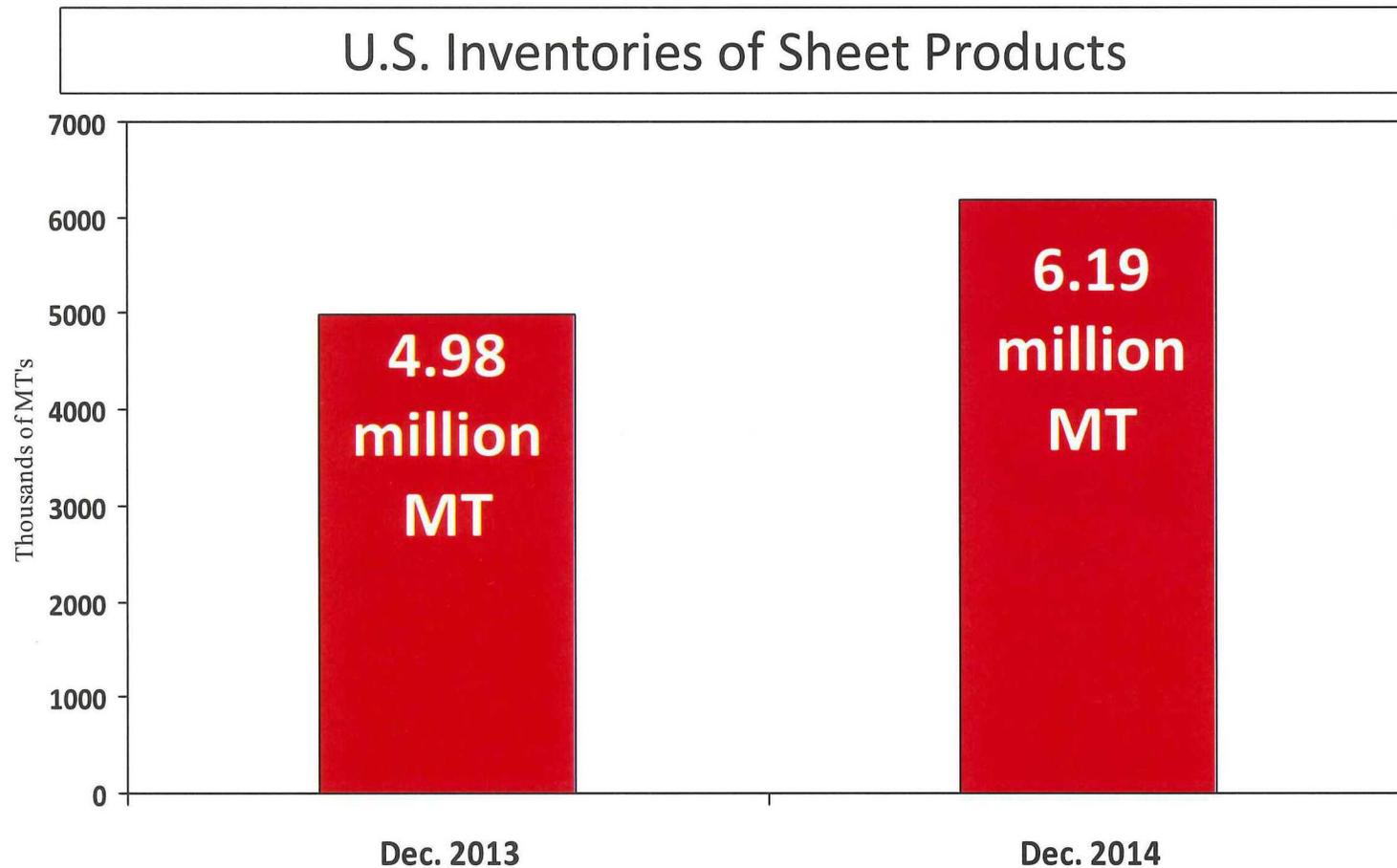
**The Price Effects of Subject Imports Are
Significant**

From 2013 to 2014, When U.S. Mills Raised Their Prices in Response to Stronger Demand, ***Subject Import Prices Fell*** and the Volume of Subject Imports ***Jumped 84.5 %***



Source: U.S. price taken from CRU; AUV of subject imports from Petitioners' Exhibit I-12 (Public Version).

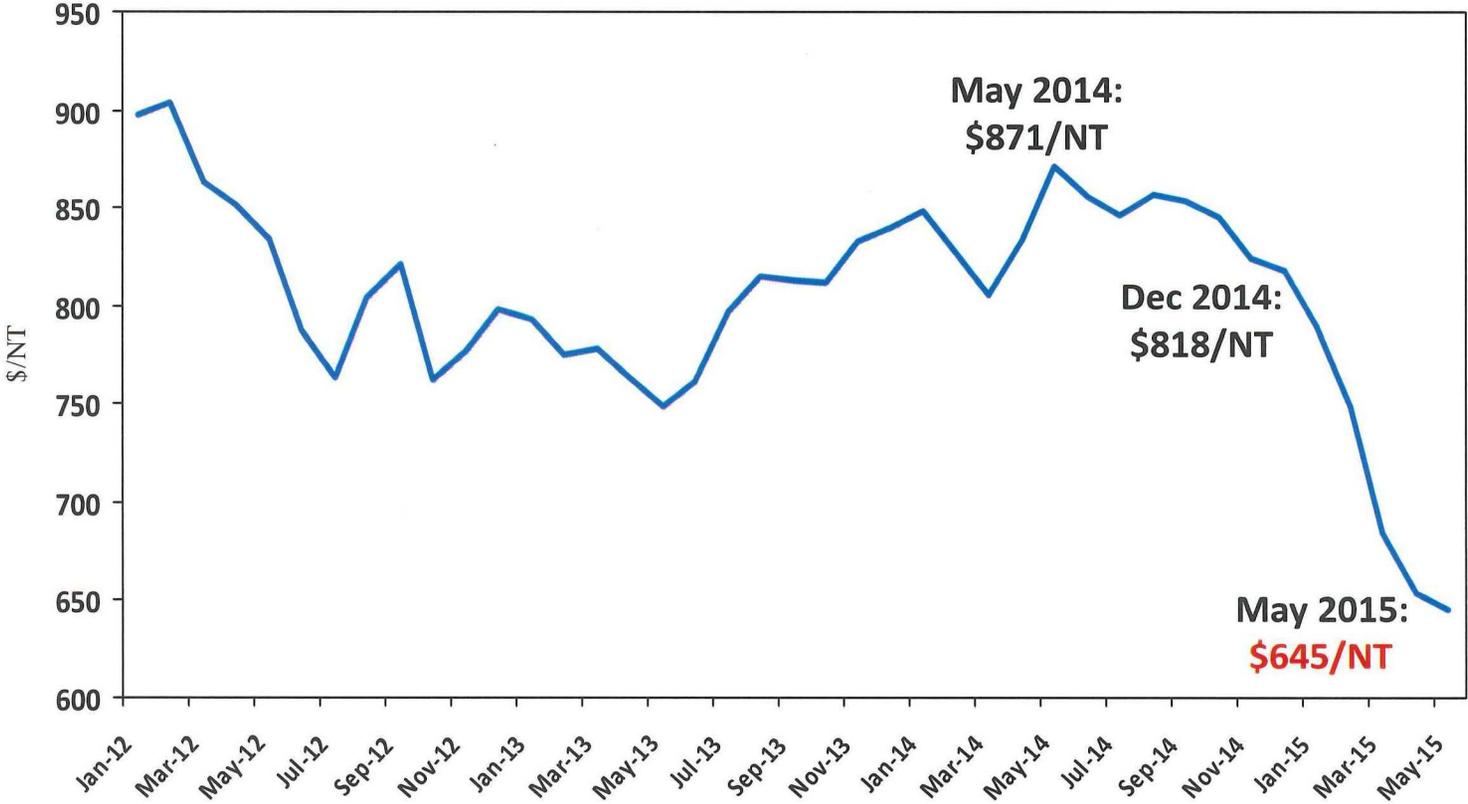
As Unfairly-Traded Imports Flooded the U.S. Market, *Sheet Inventories Grew by Over 1.2 million tons*



Source: CRU.

The Oversupply Created by Subject Imports *Caused U.S. Pricing to Collapse*

Average U.S. Midwest Price of Hot-Dipped Galvanized Steel, Jan 2012 to May 2015

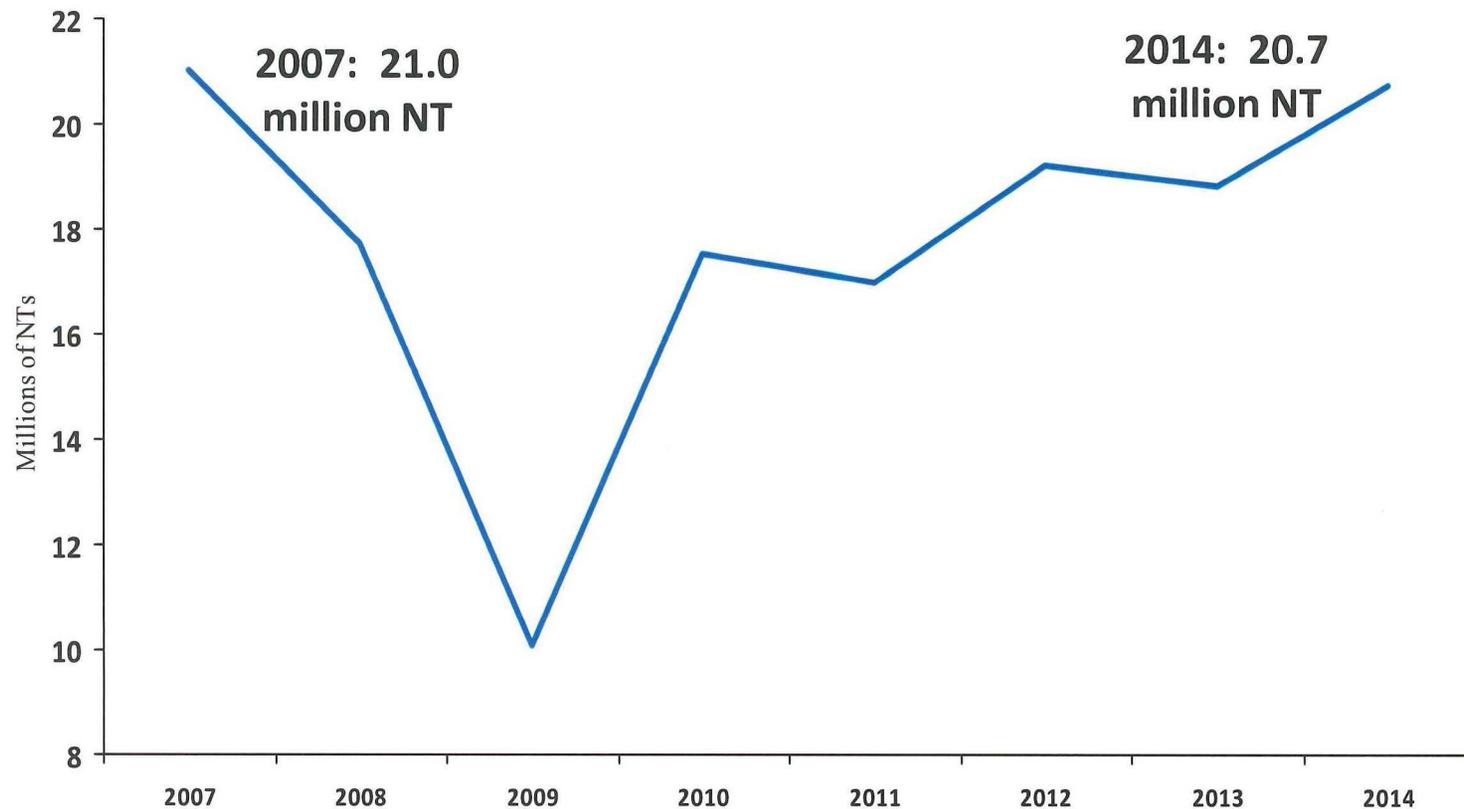


Source: CRU.

**The Impact of Subject Imports Is
Significant**

Domestic Producers Have Waited Years to Recover from the 2008 Economic Crisis

U.S. Consumption of Corrosion-Resistant Steel, 2007-14

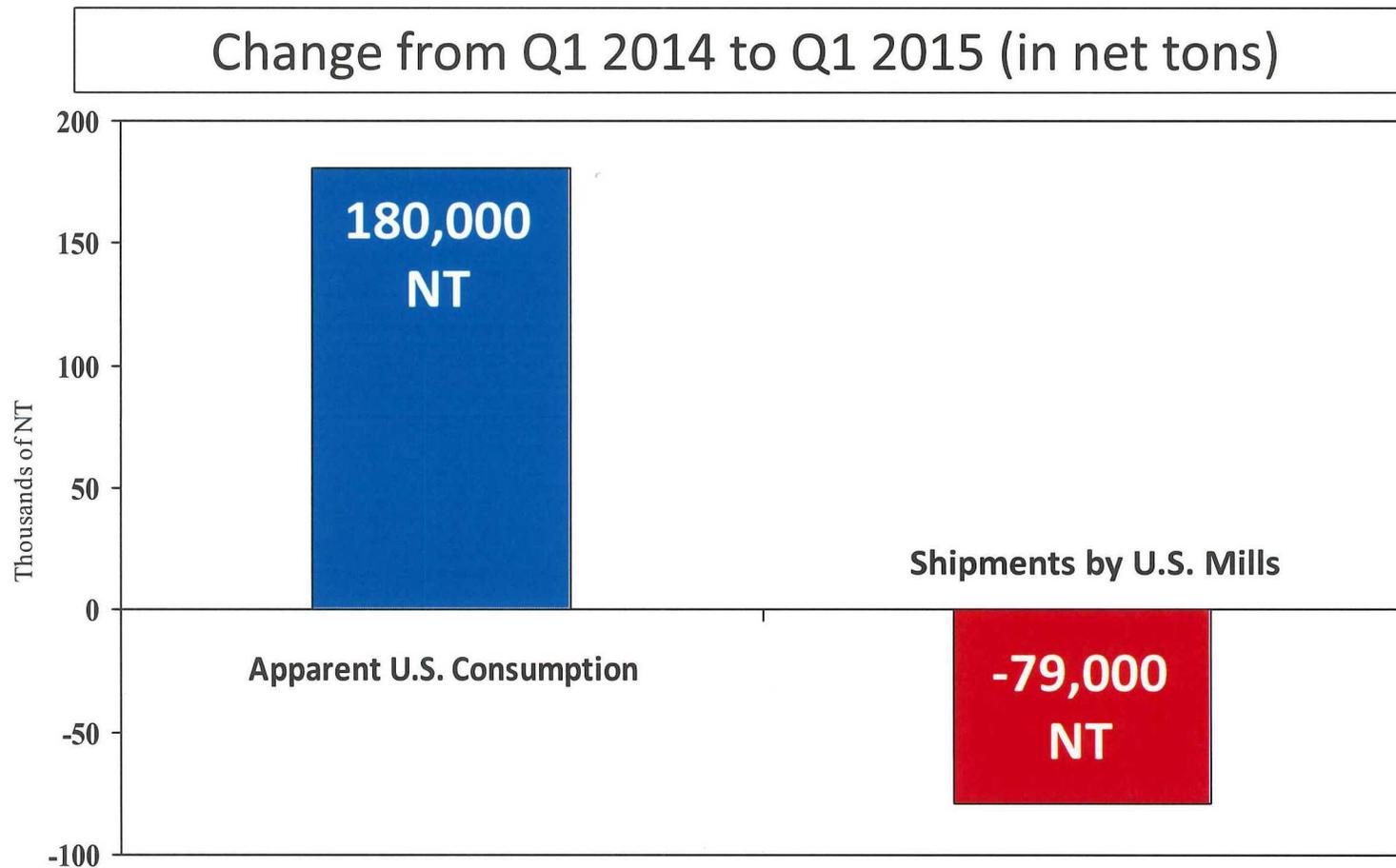


Source: CRU.

Subject Imports Prevented U.S. Mills from Taking Fair Advantage of Increased Demand

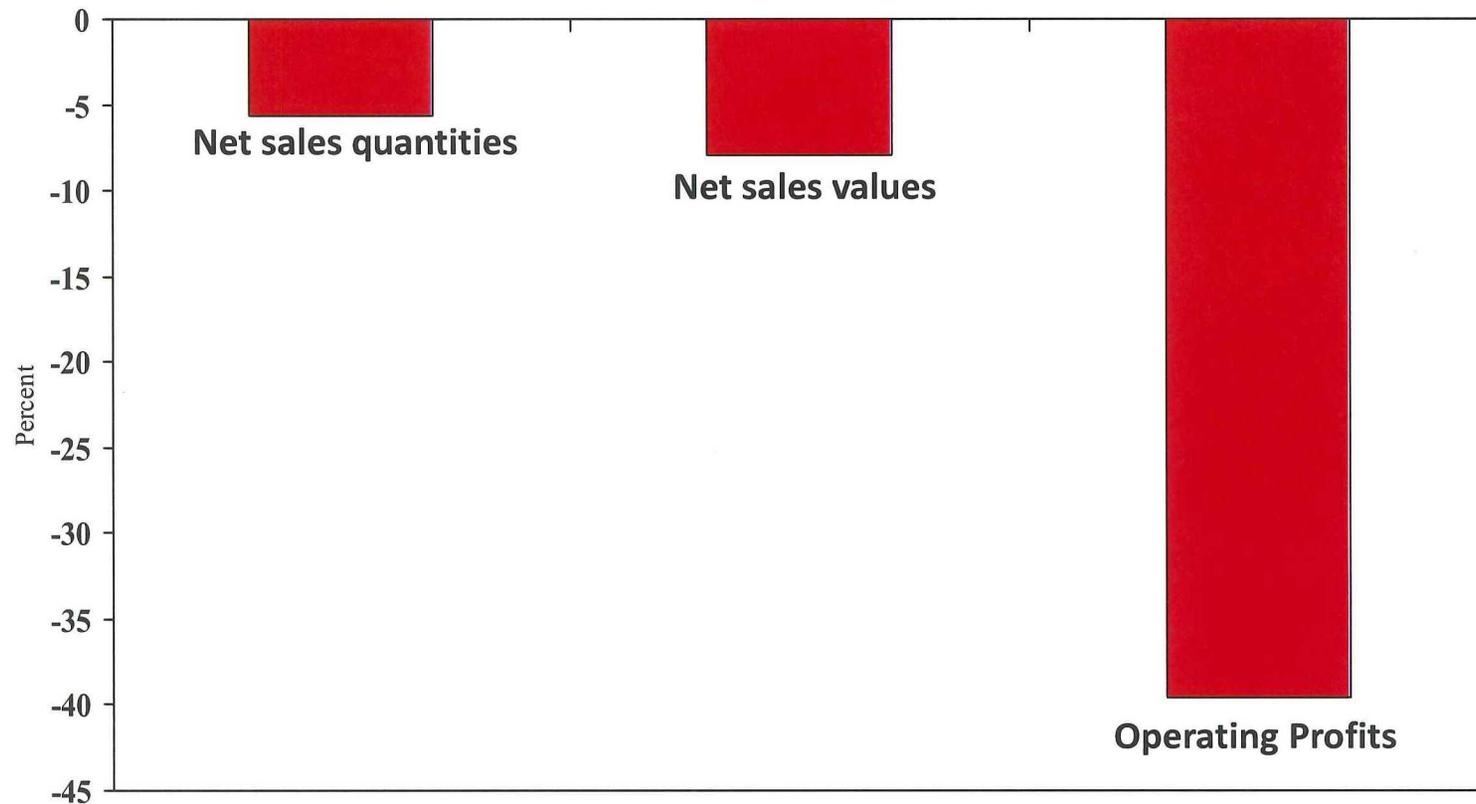
- AISI data indicate that from 2013 to 2014, over **60 percent** of the increase in demand ***was supplied by unfairly-traded imports***
- The ***increase*** in unfairly-traded imports from 2013 to 2014 carried a value of ***almost \$1 billion***
- The ***total value*** of unfairly-traded imports in 2014 was ***over \$2.3 billion***
- Depriving domestic producers of billions of dollars in revenue ***plainly constitutes material injury***

From Q1 2014 to Q1 2015, U.S. Consumption Grew, *but Domestic Shipments Fell*



Despite Stronger Demand from Q1 2014 to Q1 2015,
Sales and Profits of Domestic Producers Declined

Change in Domestic Producers' Data from Q1 2014 to Q1 2015

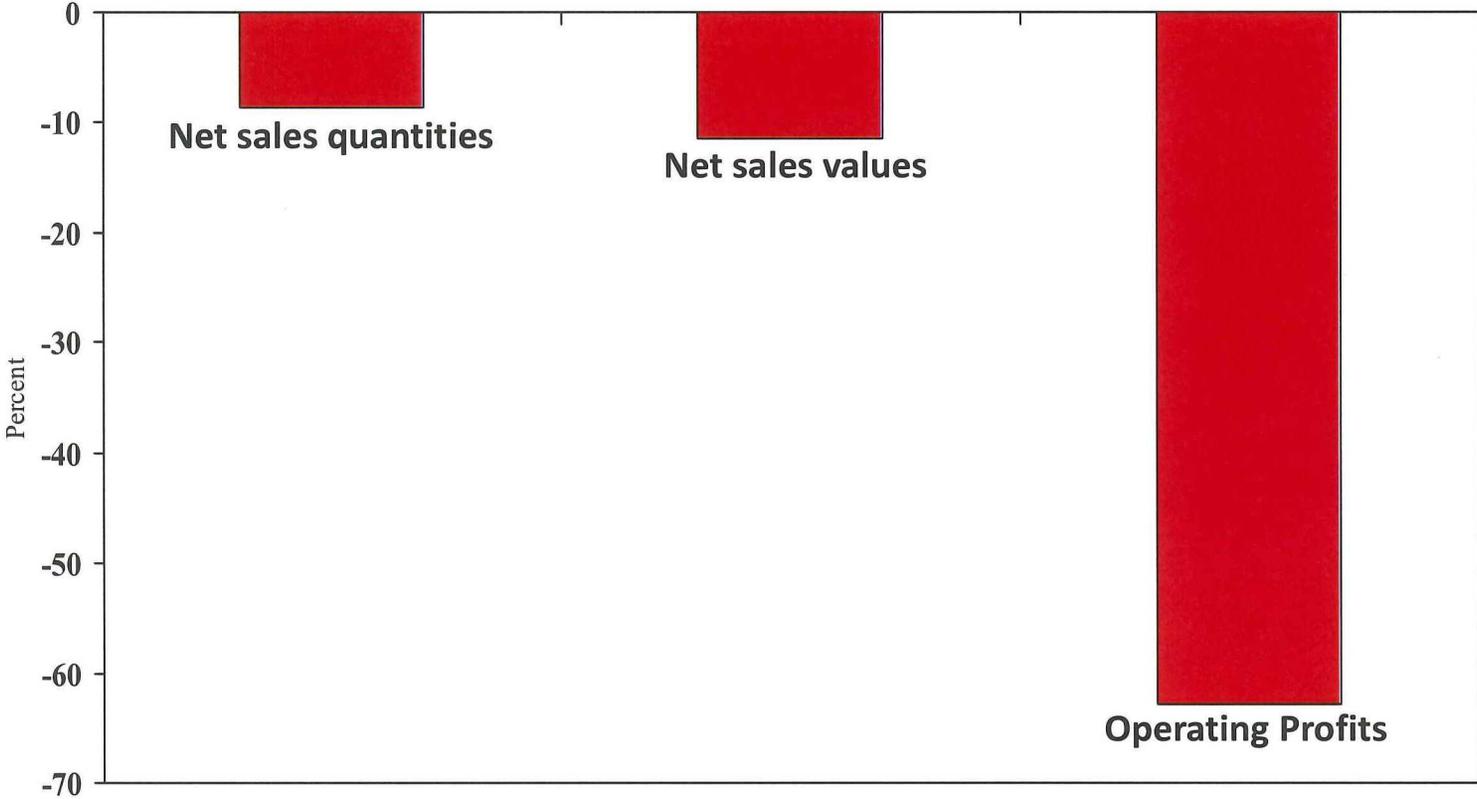


As Contracts Are Renegotiated, Domestic Producers ***Will Suffer Even More Injury***

- A significant portion of corrosion-resistant steel produced by U.S. mills is sold pursuant to ***annual contracts***
- Annual contracts currently in place were negotiated when prices were ***hundreds of dollars per ton higher than they are now***
- As these contracts come up for renegotiation, U.S. mills will ***be forced to accept much lower contract pricing***
- The lower contract pricing will have ***a significant harmful impact on the bottom line of U.S. mills***

Comparing Q1 2015 to full year 2014, *Domestic Profits Are on Pace to Fall More than 60 Percent*

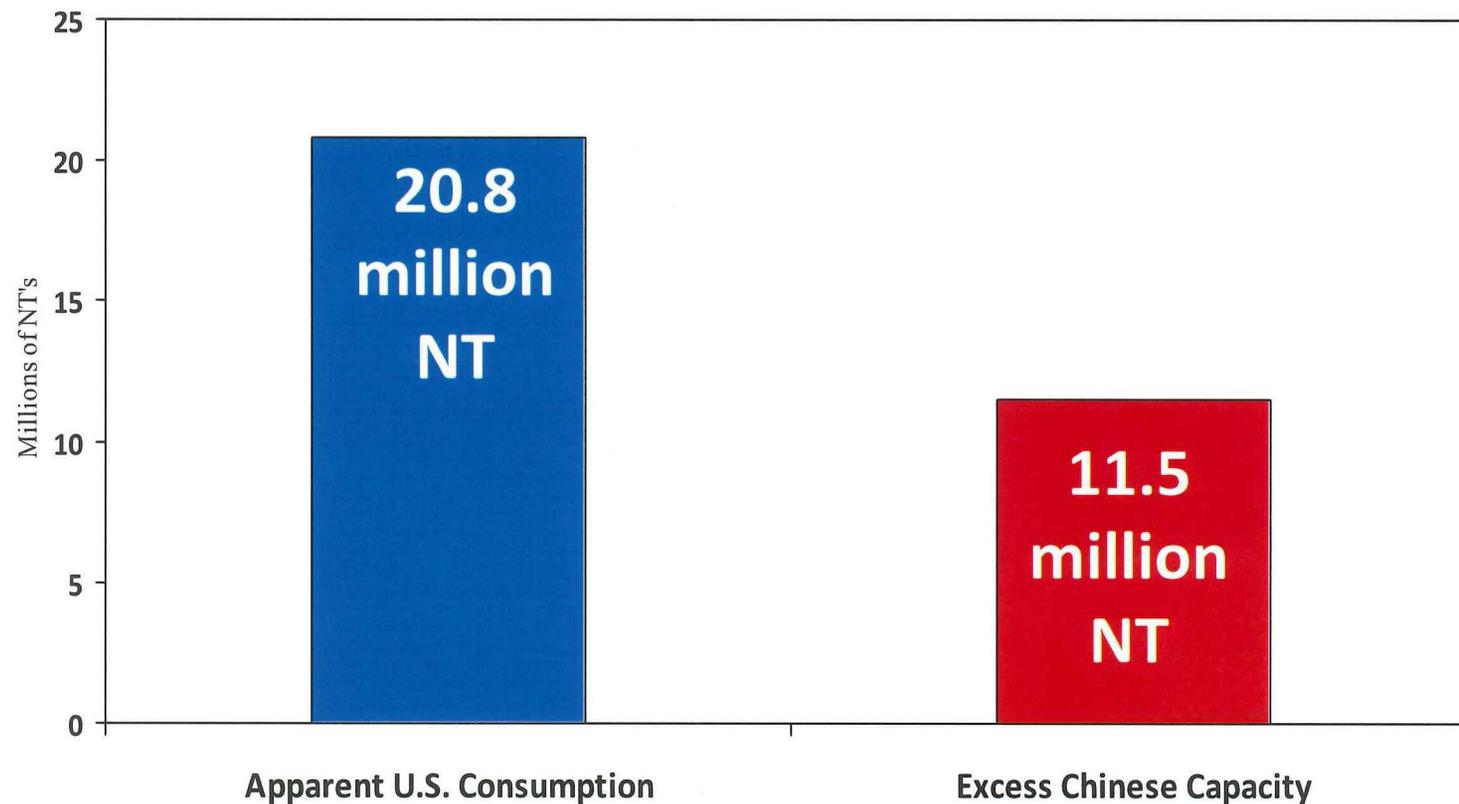
Change in Domestic Producers' Data from 2014 to Q1 2015 (annualized)



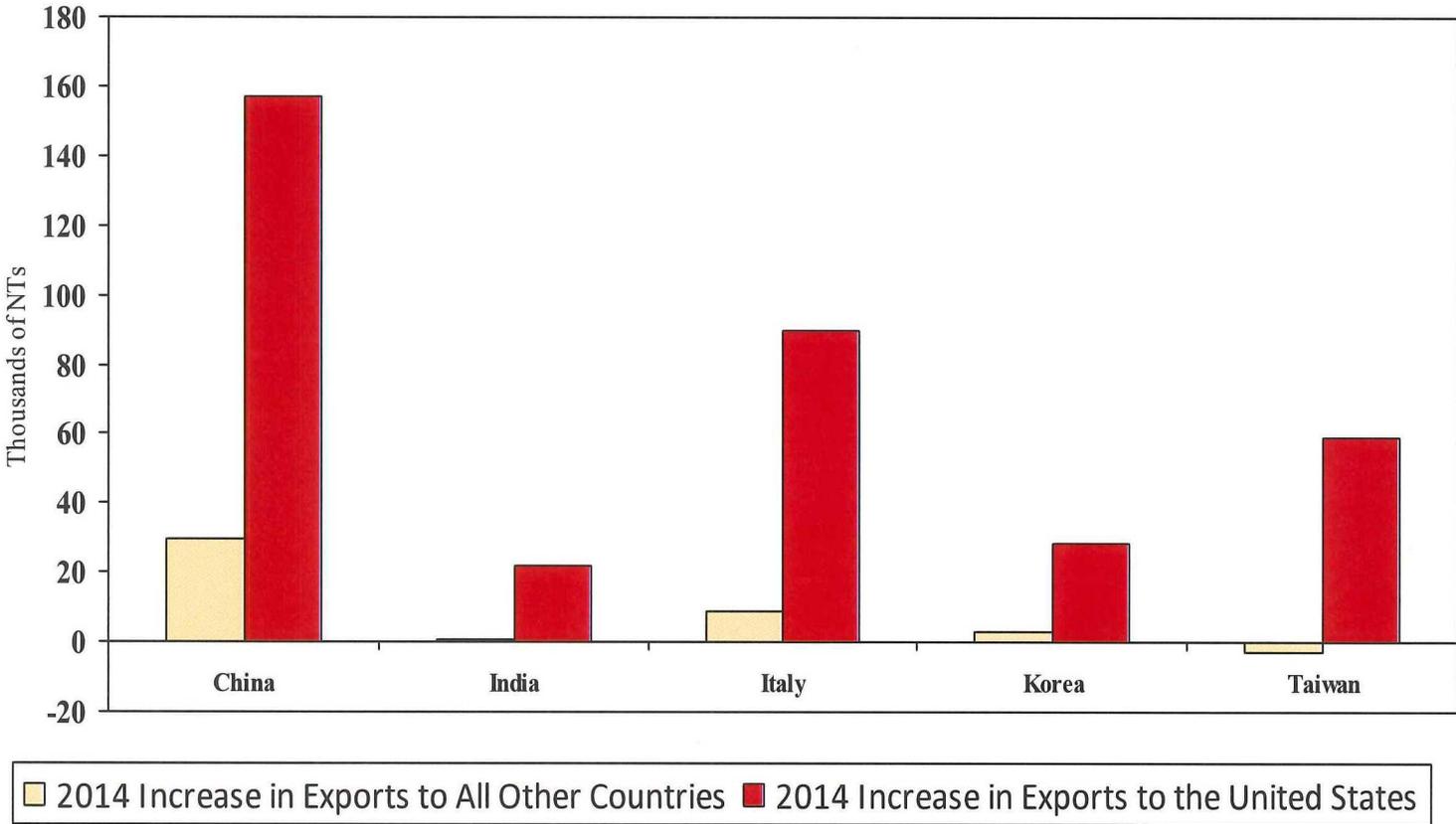
Source: Responses to the Domestic Producers' Questionnaire..

**Subject Imports Threaten Additional
Material Injury**

Last Year, Chinese Mills Alone Had Enough Unused Capacity to Serve *Over Half the U.S. Market*



The United States Is a *Very Attractive Market* to Subject Producers



Source: Global Trade Atlas.