

# COLD-ROLLED STEEL FROM BRAZIL, CHINA, INDIA, JAPAN, KOREA, NETHERLANDS, RUSSIA, AND THE UNITED KINGDOM

**Before the U.S. International Trade Commission**  
Presentation of the Domestic Cold-Rolled Steel Industry  
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# Overview

- This is an industry in crisis
- Imports have surged both absolutely and relative to U.S. consumption and U.S. production
- As a result, U.S. market prices have collapsed and the U.S. industry has been injured
- The subject producers have the ability and ample economic motivation to continue to increase their exports to the United States
  - There is substantial excess capacity in the subject countries, with more capacity on the way
  - U.S. prices are attractive
- Economic conditions in the subject countries, combined with the recent Chinese currency devaluation, are putting pressure on all of the subject producers to increase exports to the United States

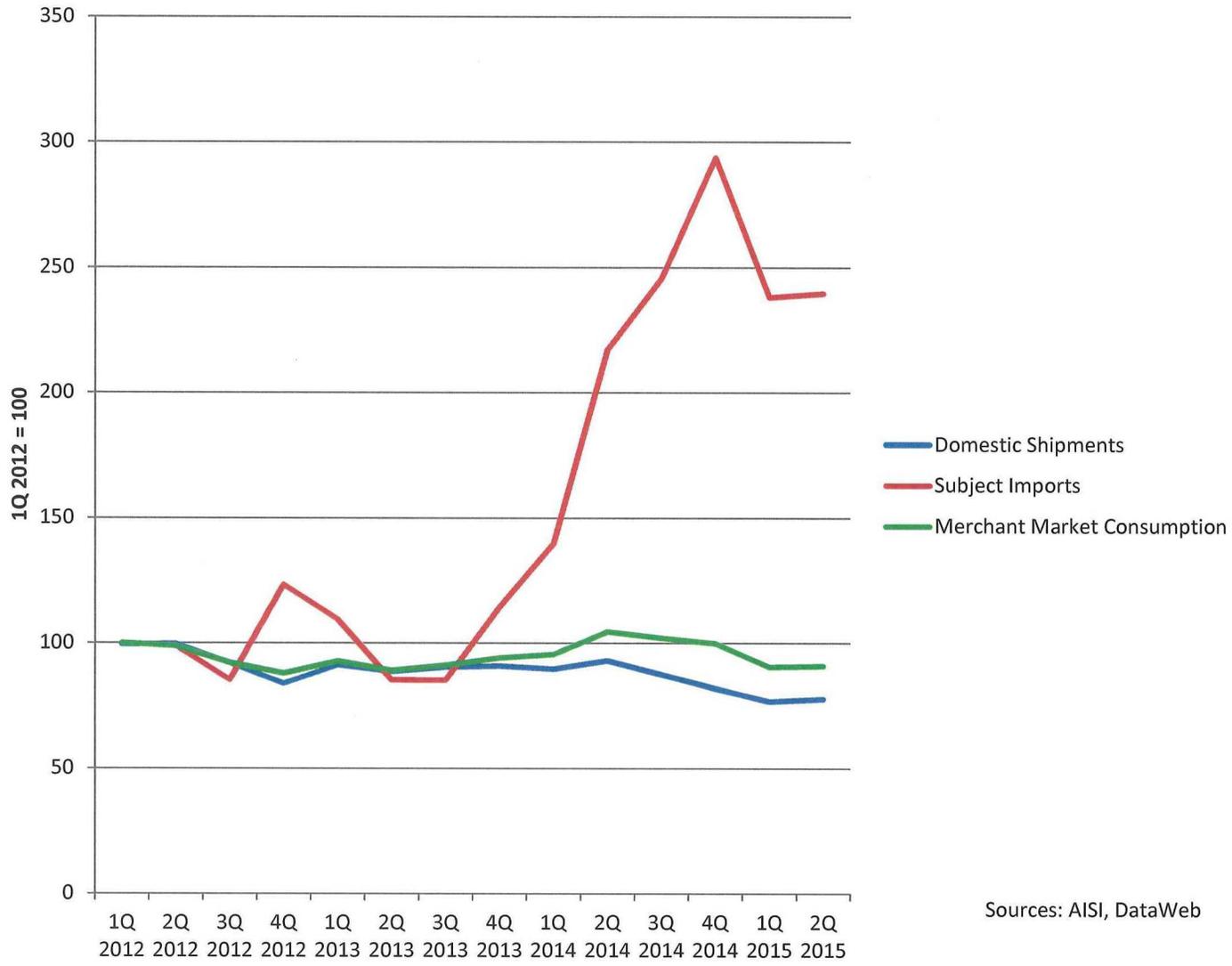
# Cumulation

- The Commission should cumulate all countries for purposes of its material injury determination
  - Common products
  - Geographic overlap
  - Overlap in time
- The Commission should also cumulate all countries for purposes of threat

## The Commission Should Not Find That Imports from Any Country Are Negligible

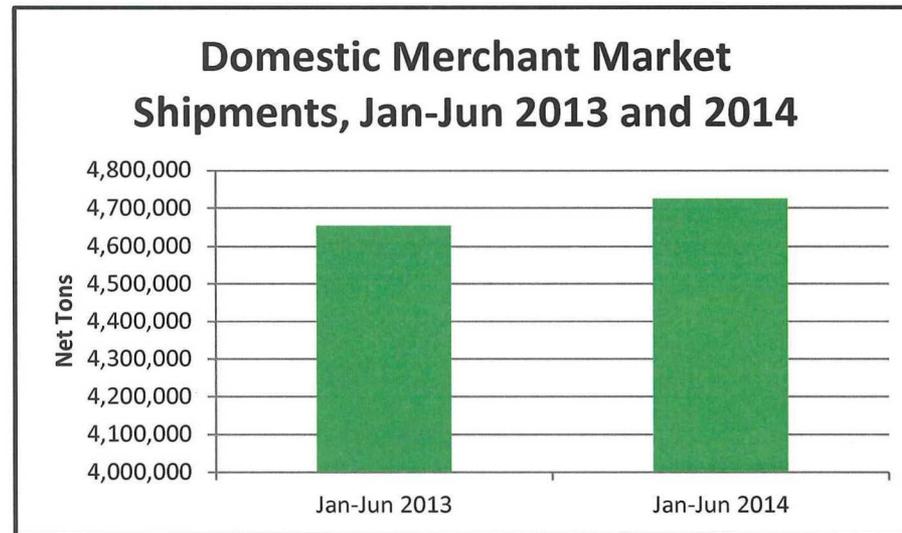
- Based on official import data for the HTS numbers identified in the petition, the only potential negligibility issues relate to Netherlands and the CVD case against India
- Gaps in the record do not permit the Commission to conclude that imports from either country were negligible during the 12 months preceding the petition
- In any event, the import trends show that imports from each country will imminently exceed the applicable negligibility thresholds

## As Subject Imports Surged from 4Q 2013, Domestic Shipments Fell



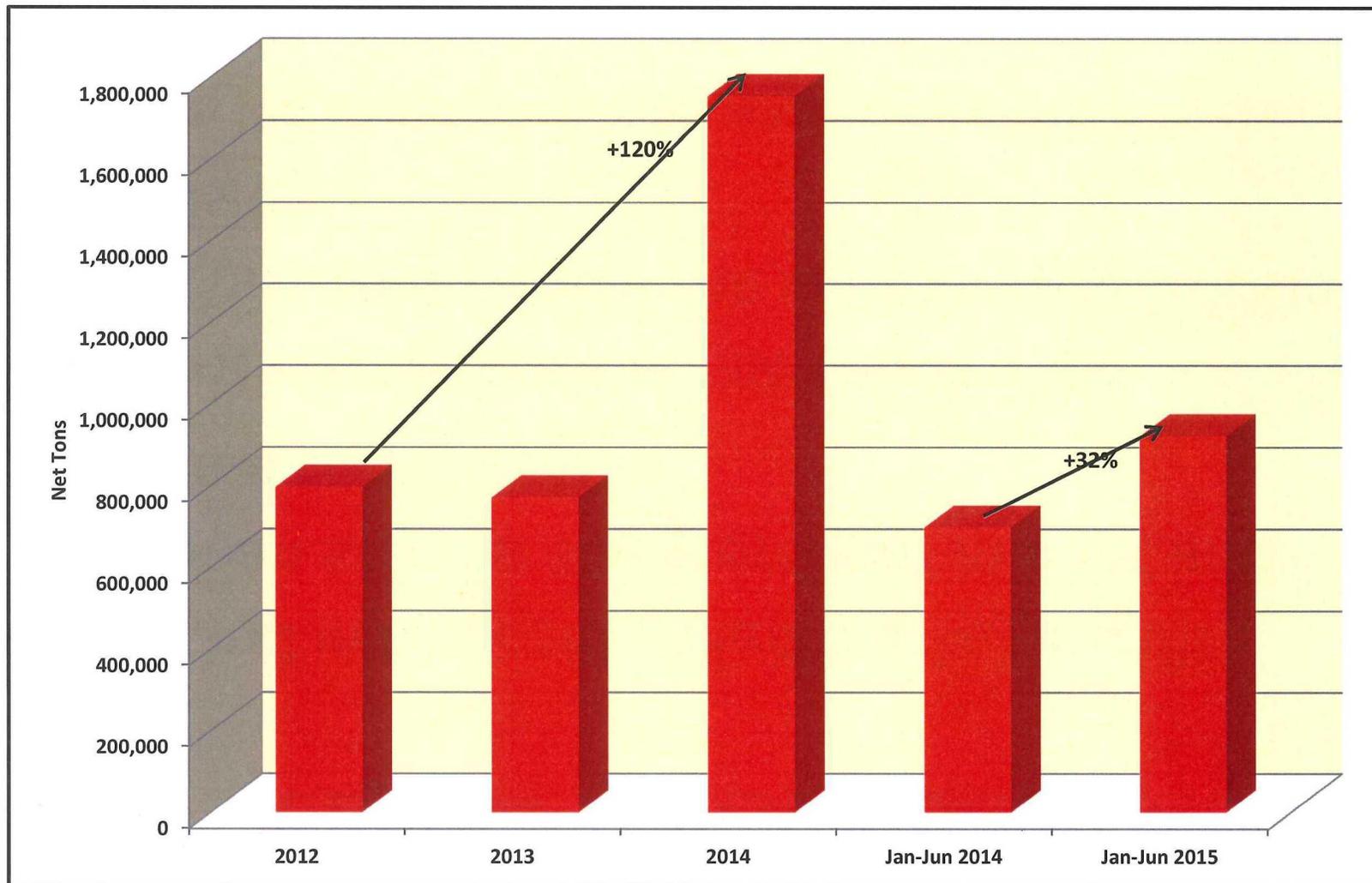
# Supply

- There is no shortage of domestic supply
  - The domestic industry has consistently operated at far below capacity
- Shipments in the merchant market in 2014 show no impact from “bad weather”



Source: AISI

# The Increase In The Absolute Volume Of Subject Imports Is Significant

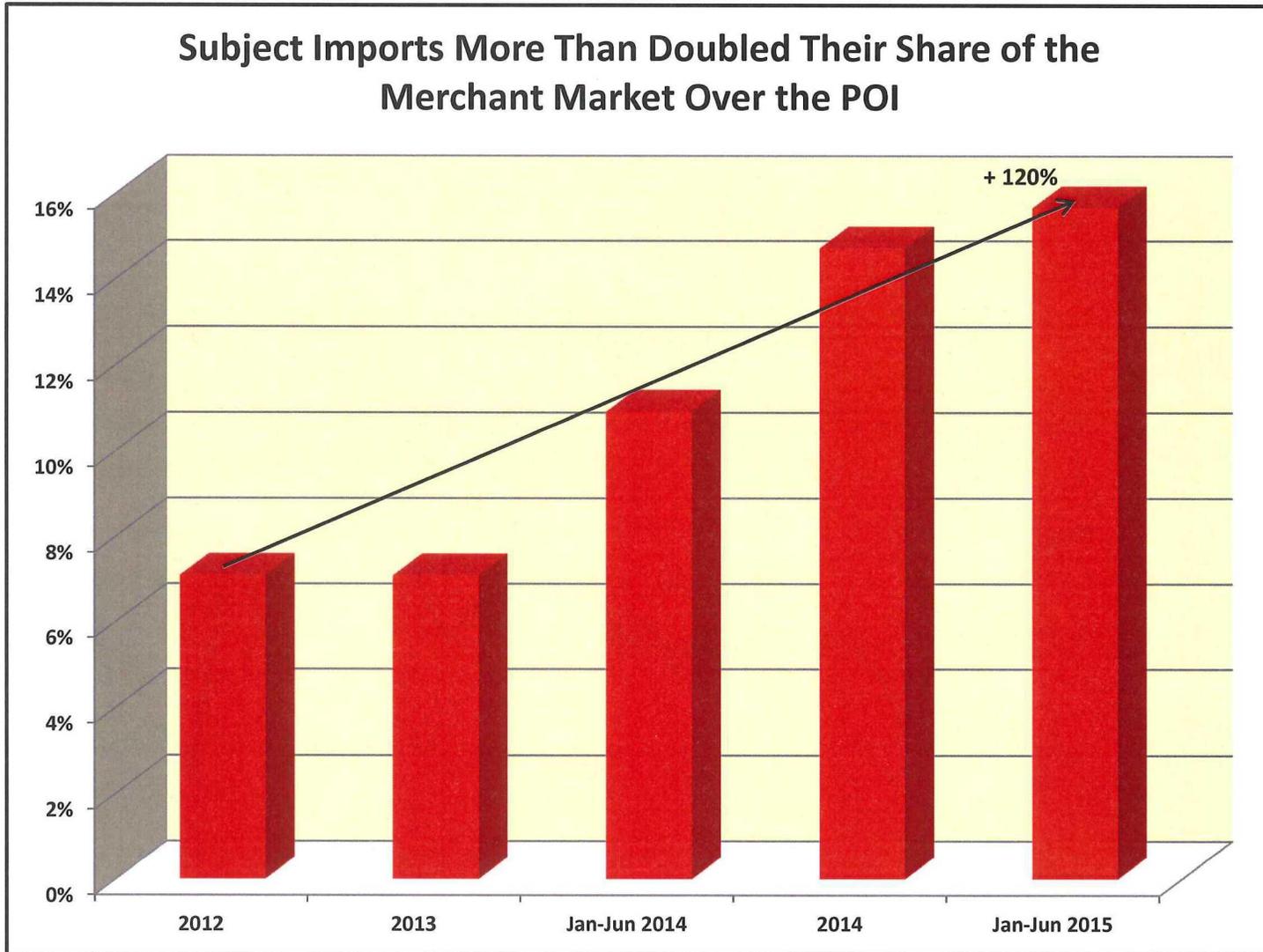


Source: DataWeb

# Captive Consumption

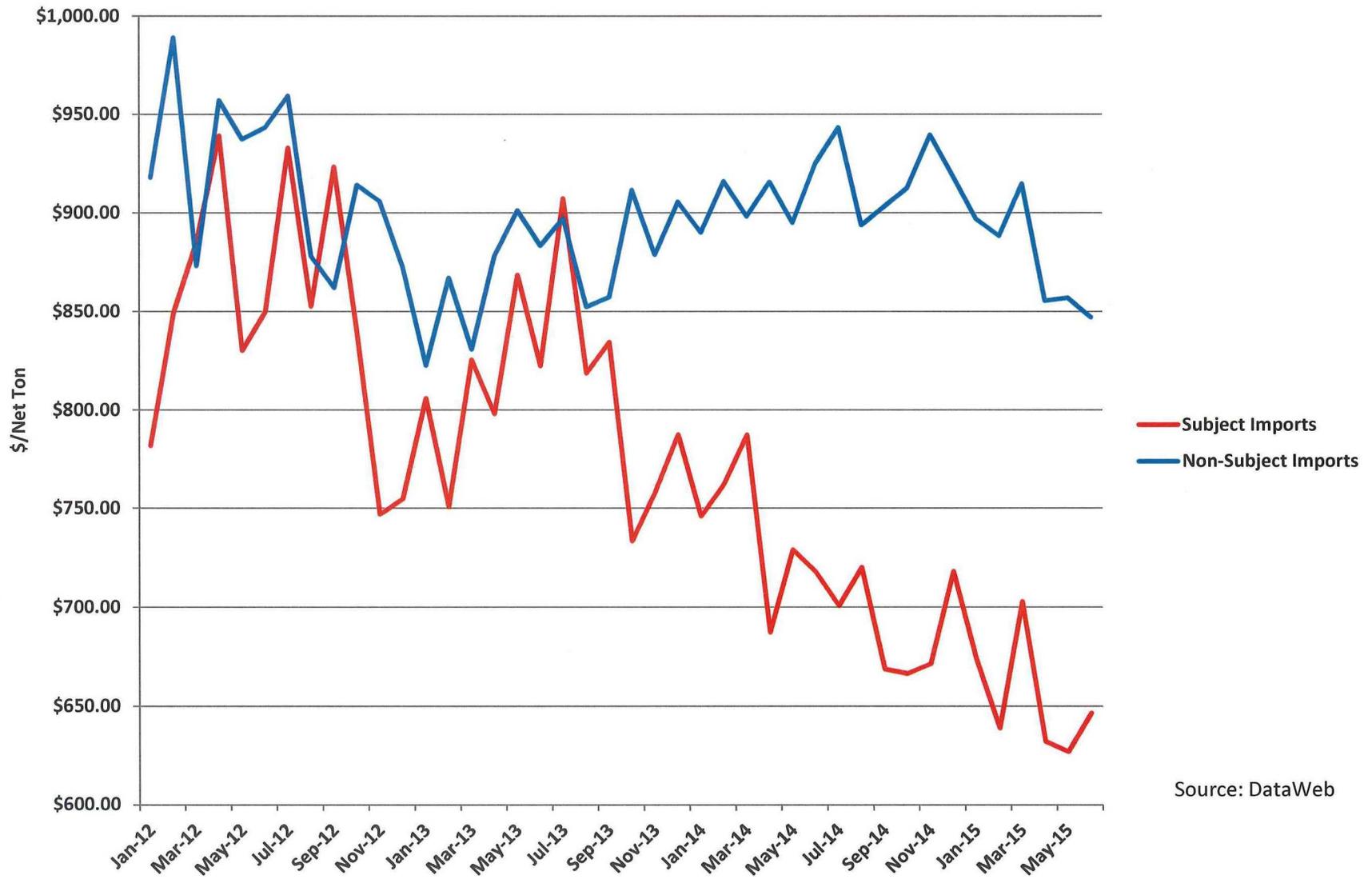
- Demand in the cold-rolled market is split between sales in the merchant market and internal consumption
- Recent changes in the law require the Commission to apply the captive consumption provision
  - The ITC should focus its analysis on the merchant market

# The Increase In The Volume Of Subject Imports Relative To U.S. Consumption Is Significant



Sources: AISI, DataWeb

## Subject Imports Surged as Their AUVs Fell Below Those of Non-Subject Imports

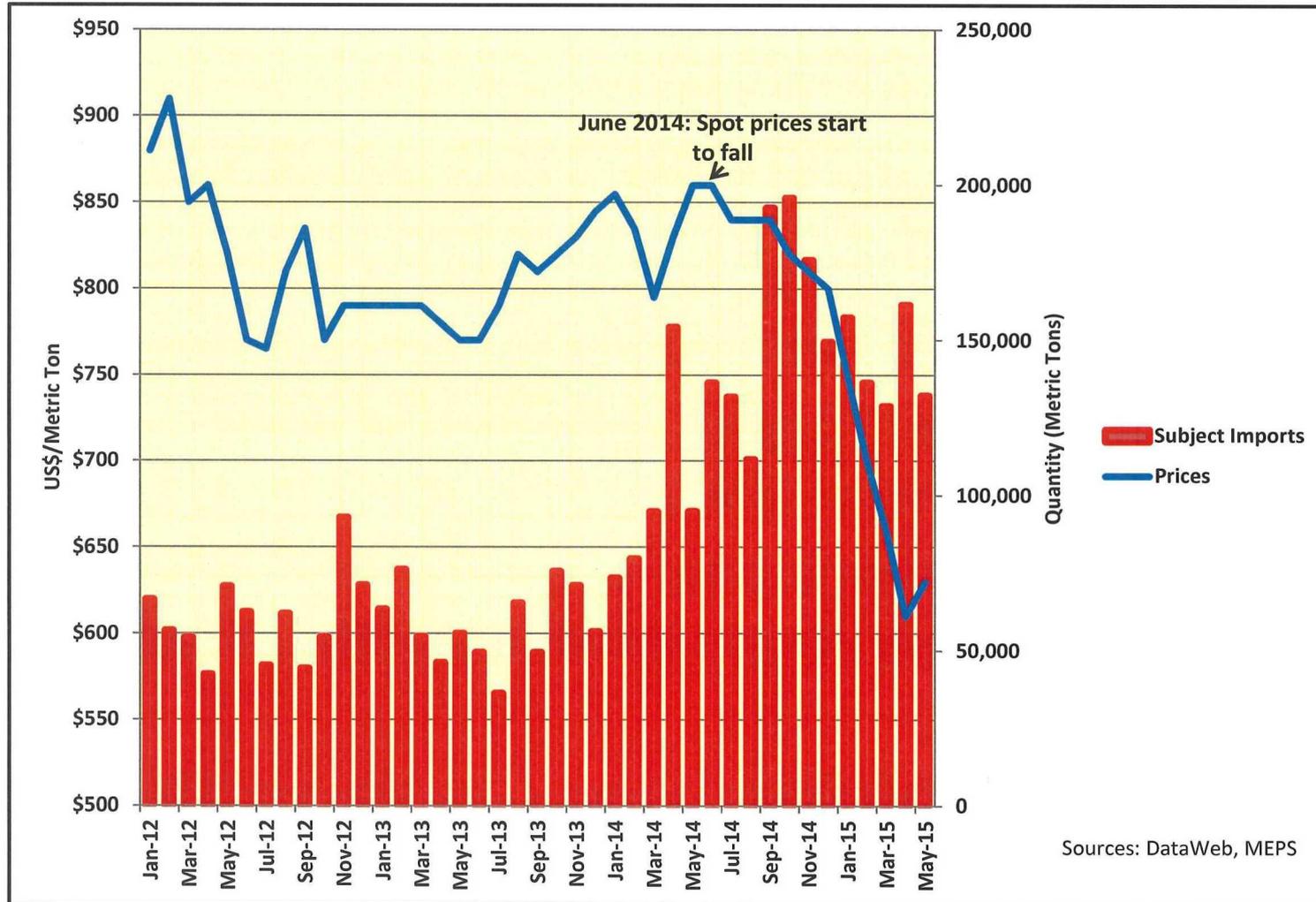


Source: DataWeb

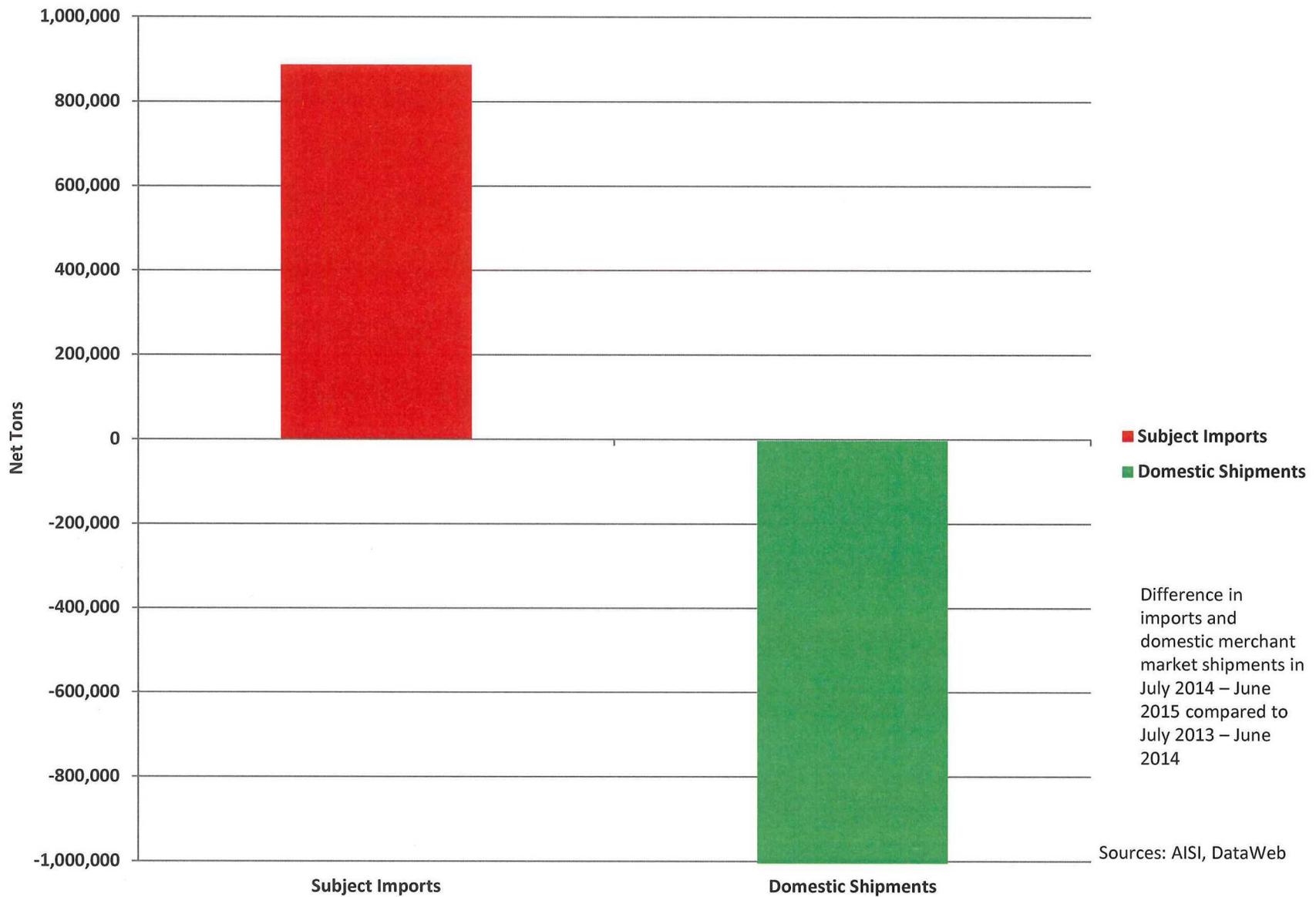
# Subject and Non-Subject AUVs

- The AUVs of subject imports fell far below those of non-subject starting in the third quarter of 2013
- The chief raw materials for steel, including scrap and iron ore, are internationally traded commodities
- The differences in subject and non-subject AUVs cannot be tied to raw material costs
  - AUVs of subject imports are currently more than \$200/ton below those of non-subject imports
- The difference between subject and non-subject prices shows that dumping rather than raw materials has driven prices down

# The Surge In Subject Imports Caused U.S. Spot Market Prices To Fall



## Subject Imports Are Stealing Volume from Domestic Shipments



# The Subject Imports Have Undersold the Domestic Like Product

- There are a number of issues with the pricing data submitted by certain importers
- Starting in 2013, subject imports began to undersell domestic production in increasing quantities
- In 2014, more than three-quarters of subject import quantity undersold domestic production
- Underselling decreased in 2015, especially in the second quarter, as the domestic industry slashed prices in response to the market share it lost to subject imports

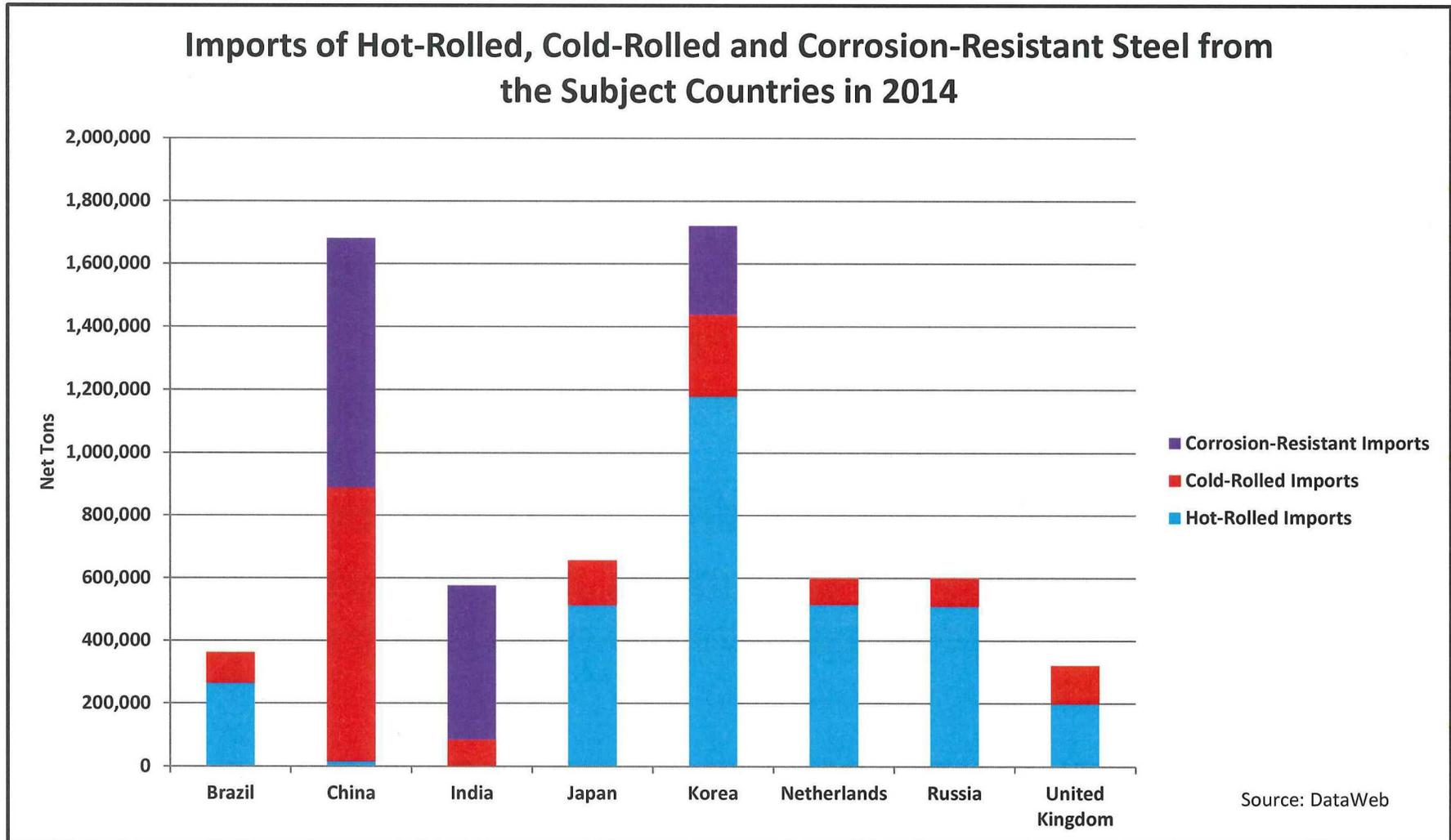
# Subject Imports Have Adversely Affected the Domestic Industry

- The domestic industry is suffering severe negative impacts from the subject imports
  - Declining production, sales, market share, prices, capacity utilization, employment indicators, and asset values
  - Significant operating and net losses
  - Inadequate return on investment
- Especially for a capital-intensive industry, these declines devastating
- The industry's performance reached its worst point in 2015, when subject import penetration was at its highest over the POI and subject import prices were at their lowest

# Threat: Supply

- Exports from Brazil, China, India, Korea, and Russia benefit from countervailable subsidies, including export subsidies
- Subject producers have substantial excess capacity – approximately 78 million tons at the end of 2014
- Producers in India, Brazil, and especially China are adding additional capacity over the next few years despite weak demand
- The imposition of duties against corrosion-resistant steel and hot-rolled steel will motivate foreign producers to shift production to cold-rolled steel if duties are not also imposed on cold-rolled steel

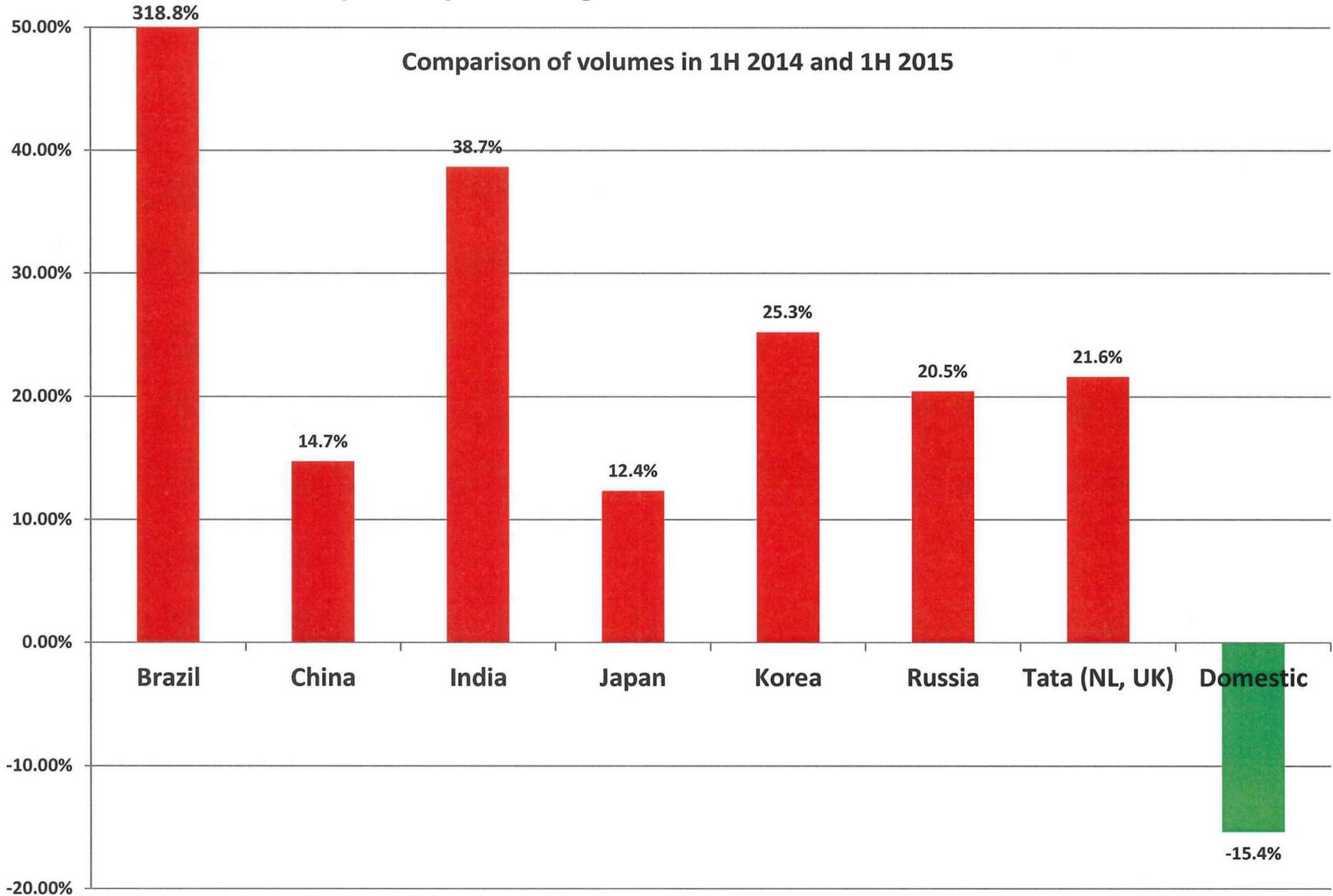
# Orders and Investigations Give the Subject Producers Substantial Incentive to Shift Production to Cold-Rolled



# Threat: Quantity and Prices

- Subject producers have demonstrated their ability to rapidly increase their exports to the United States
- Importer inventories are up sharply from the first half of 2014
- Subject imports are entering at prices that will lead to further increases in imports and that are likely to suppress or depress domestic prices even further
- Domestic producers have been unable to make critical investments
- China's recent devaluation of the RMB is triggering a new round of price cuts
- The United States remains an attractive market

## Subject Imports Surged into the U.S. Market in 2015



# Subject Imports Are a Cause of Material Injury and Threat

- The volume and market share of the subject imports reached their highest levels at the end of the POI
- Prices of the subject imports and spot prices in the U.S. market fell to their lowest levels at the end of the POI
- As a result, the domestic industry recorded its worst financial performance at the end of the POI