

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

Before the U.S. International Trade Commission

Presentation of the Domestic Cold-Rolled Steel Industry

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May 24, 2016

The Domestic and Global Industries Are in Crisis

The steel market is in a state of crisis resulting, primarily, from massive global excess capacity, much of which has stemmed from trade distortive government policies and actions.

– U.S. Secretary of Commerce Penny Pritzker and U.S. Trade Representative Michael Froman, April 18, 2016

The American steel industry now faces the greatest import crisis in modern history.

– Congressional Steel Caucus Chairman, Representative Tim Murphy, April 12, 2016

Like Product, Negligibility, Cumulation, and Captive Consumption

- All cold-rolled steel is one like product co-extensive with the scope of the investigation
- The Commission should not treat imports from any country as negligible
- All requirements for cumulation are satisfied
 - Imports from the subject countries are fungible with each other and with the domestic product
 - The subject imports are sold through the same channels of distribution
 - Subject imports were present throughout the United States
 - Subject imports were present in the U.S. market through the last two years of the POI, when imports surged
- All the requirements for applying the captive consumption provision are also satisfied.

The Domestic Industry Competes in Every Part of the Cold-Rolled Market

Commercial U.S. Shipments by End Use (Short Tons)

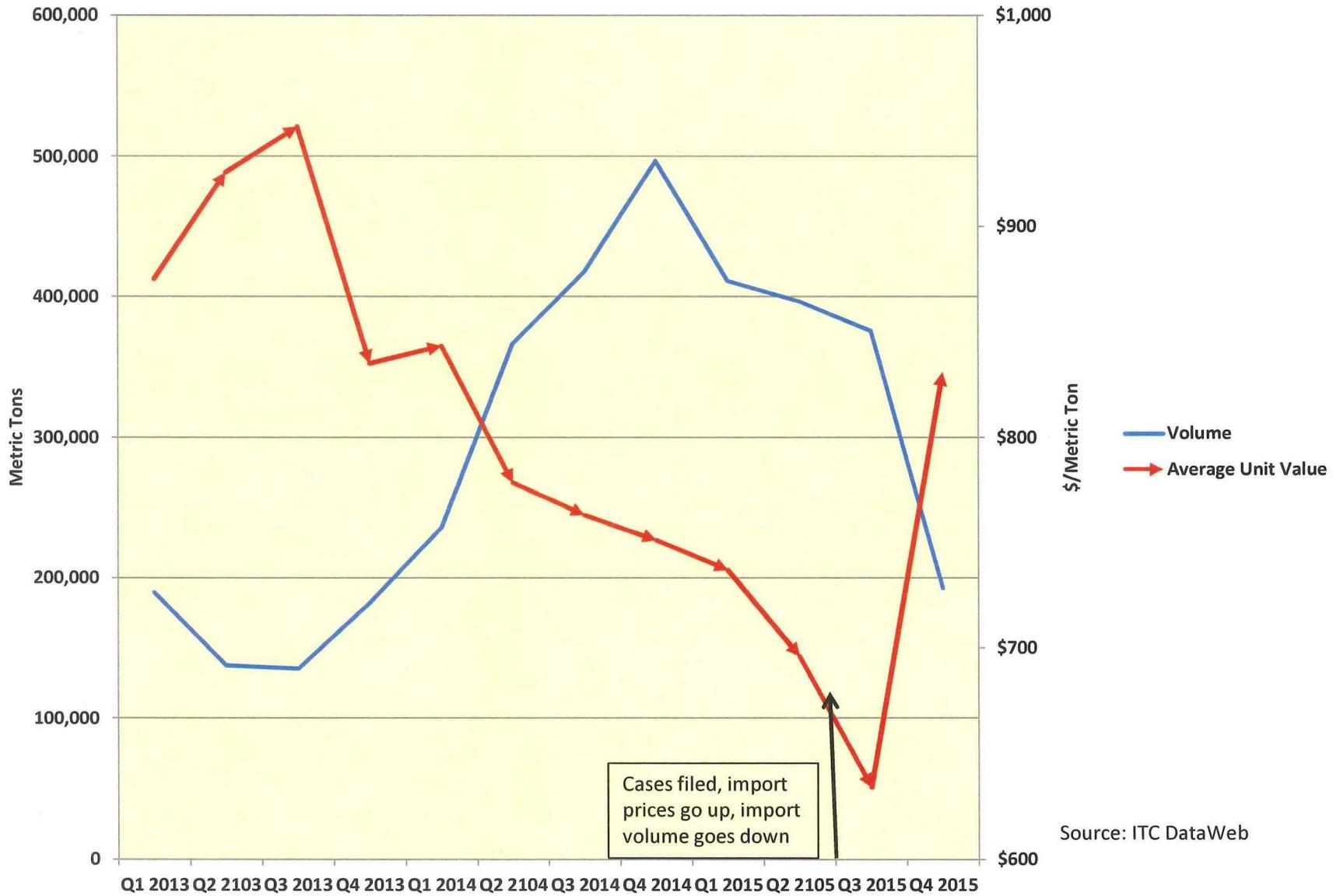
	U.S. Producers	Subject Imports
Automotive and Transportation	2,078,685	109,683
Construction/structural end users	614,047	182,628
Containers	441,315	137,787
Appliance Manufacturers	735,030	25,148
Tin Mill (Black Plate)	40,357	122,084
Other/Unknown	5,426,259	499,812
Total Commercial U.S. Shipments	9,335,693	1,077,142

Source: Prehearing Staff Report at IV-24
(Table IV-9 Revised).

The Importance of Price

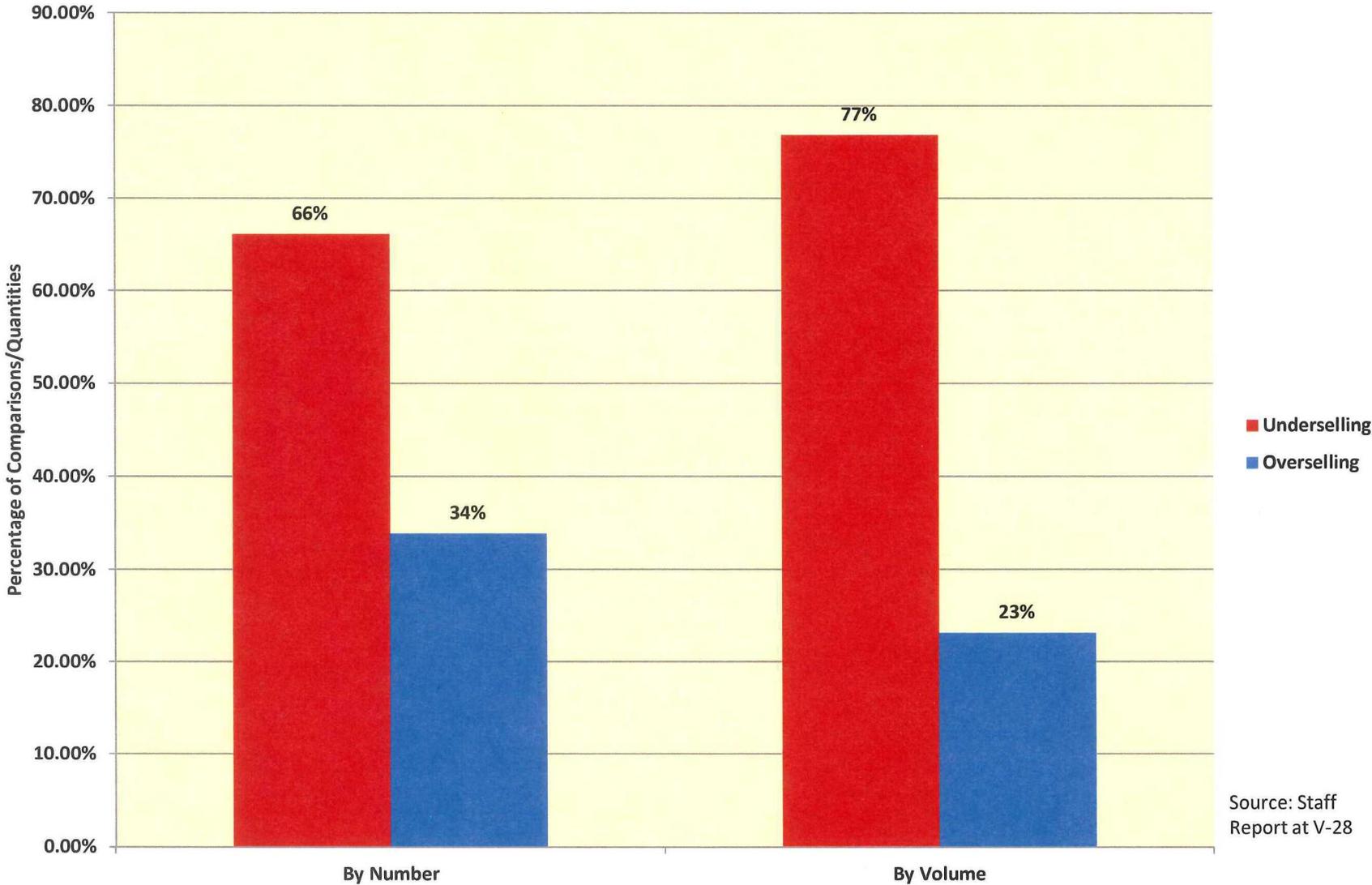
- Respondents concede that, without underselling, they cannot compete in the U.S. market – *see* POSCO Brief at 40
- Price is a critical factor in purchasing decisions – *see* Staff Report at II-28
- Quality and availability were not significant differentiating factors between the subject imports and domestic product – *see* Staff Report at II-32
- This means that foreign producers can win sales in the U.S. market by lowering their prices – which they did

As Subject Import AUVs Fell, Import Volume Skyrocketed



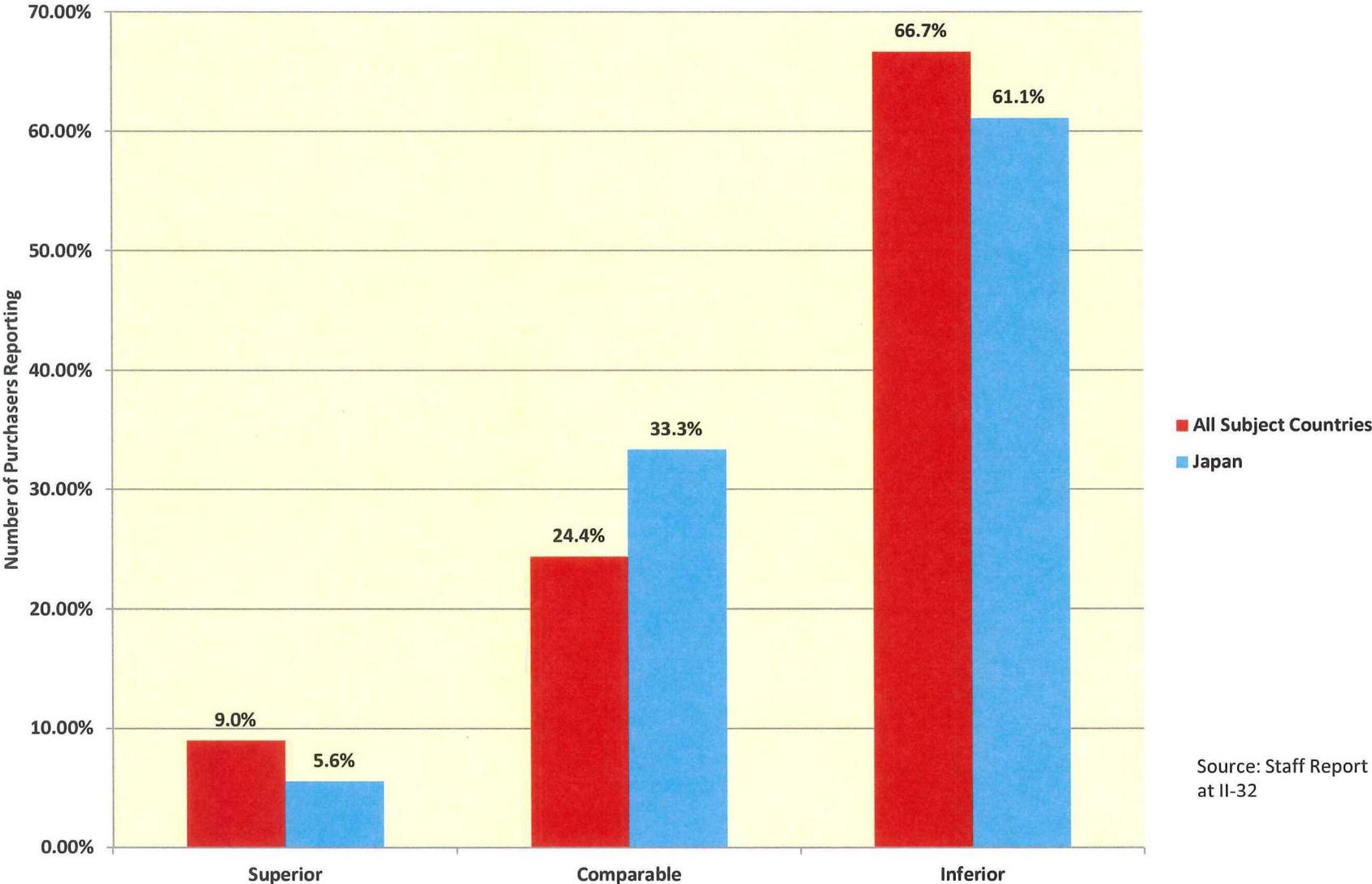
Source: ITC DataWeb

Underselling Was Prevalent, Whether Measured by Number of Comparisons or by Volume



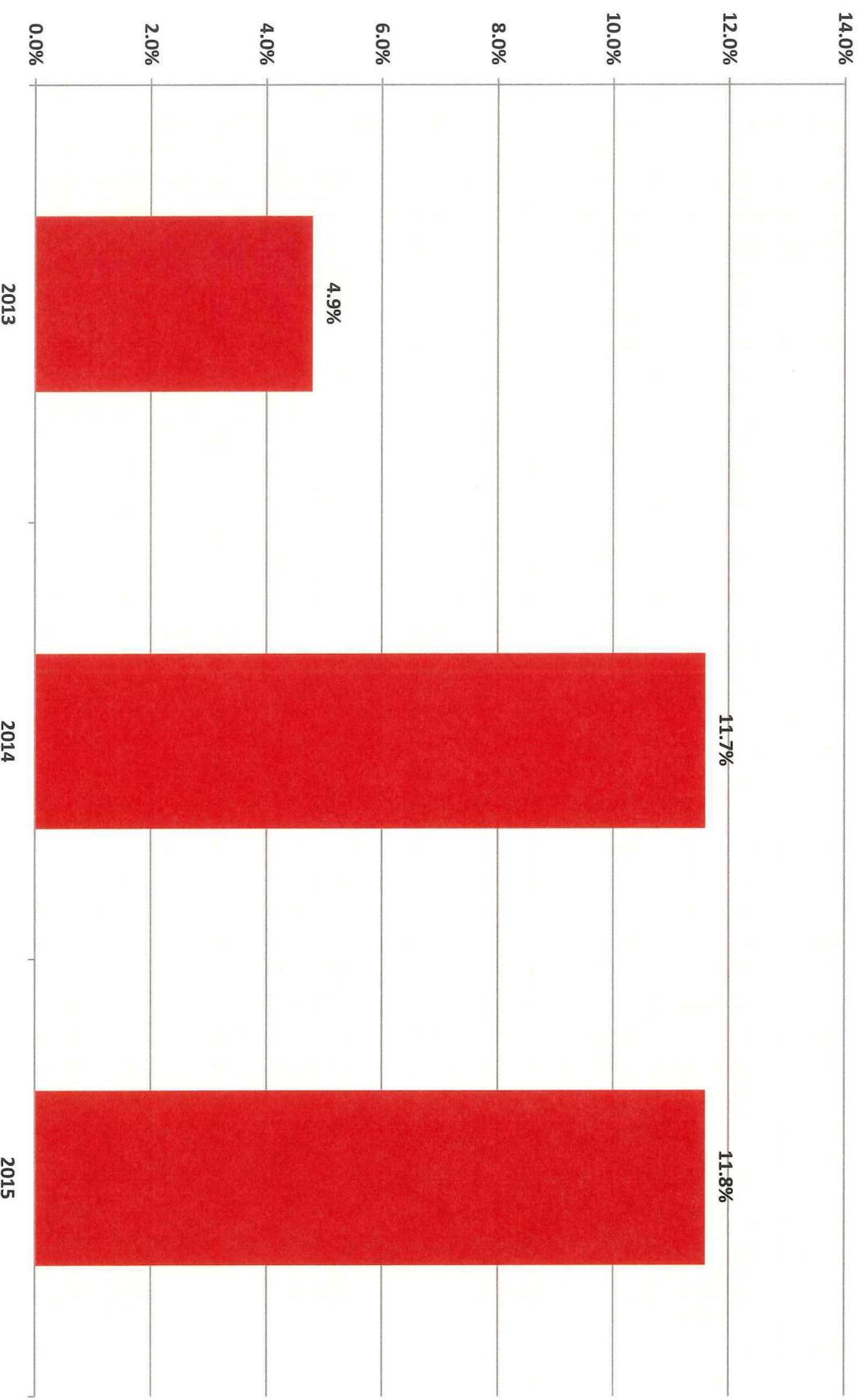
Source: Staff Report at V-28

Purchasers Reported that Imports from All Subject Countries, Including Japan, Were Typically Sold at Lower Prices Than the Domestic Product



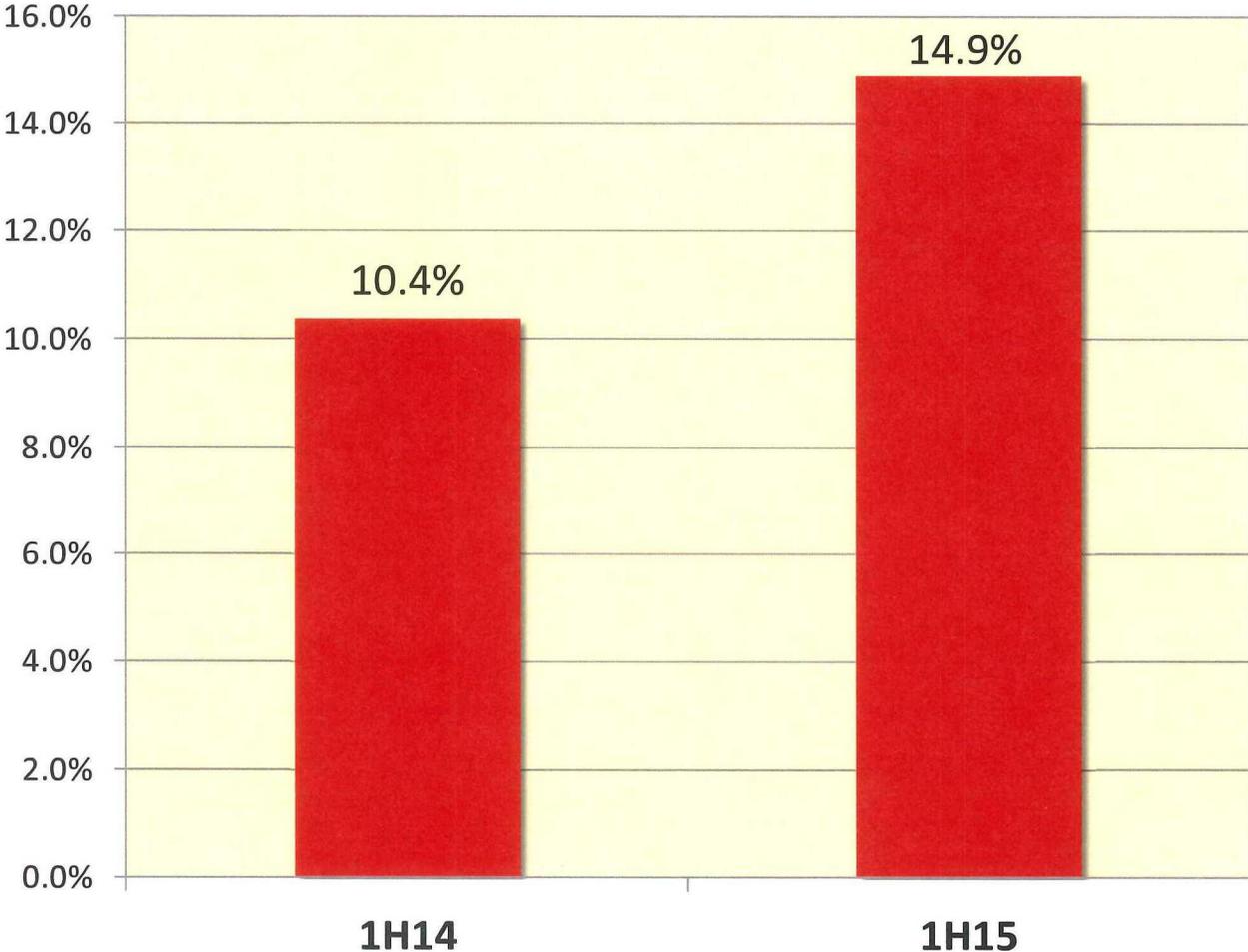
Source: Staff Report at II-32

Despite Post-Petition Effects, Subject Import Merchant Market Share Reached Peak Levels in 2015



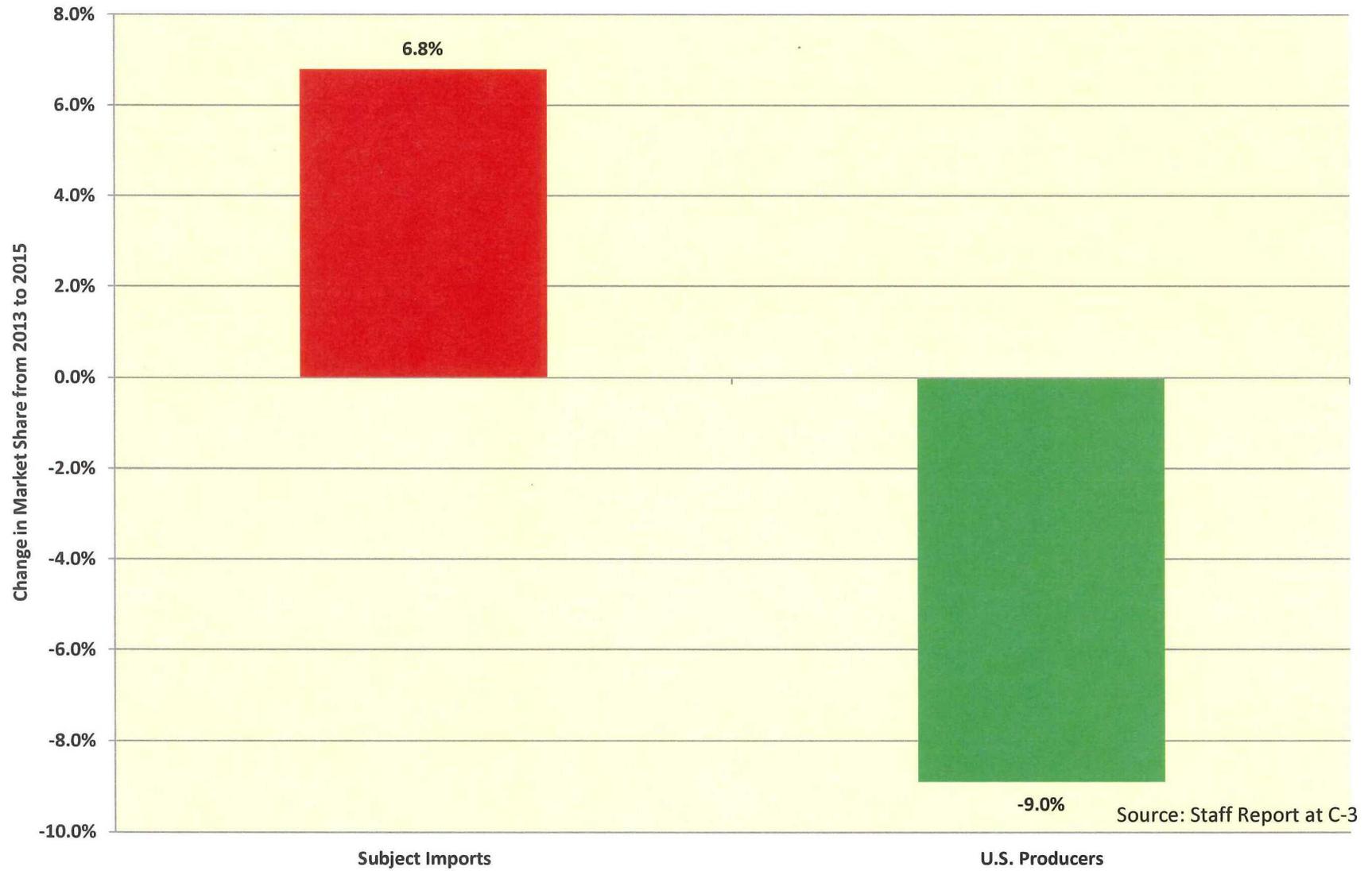
Source: Staff Report at C-3

Subject Import Market Were at Peak Levels in the First Half of 2015

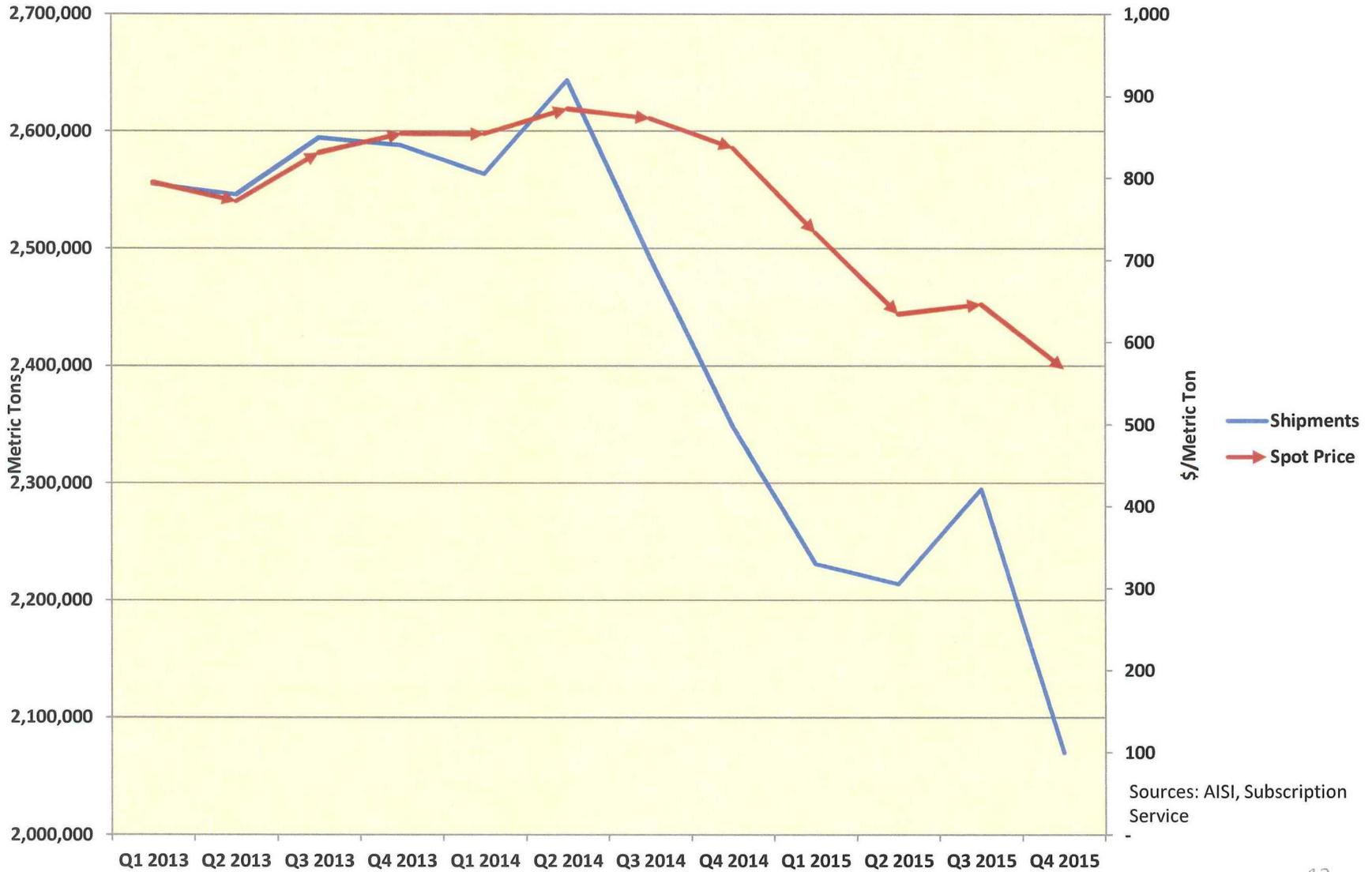


Source: ITC DataWeb; USITC Pub. 4564 at C-5 (Table C-2) (U.S. commercial shipments)

Subject Imports Took All of Their Market Share Gains Directly from U.S. Producers

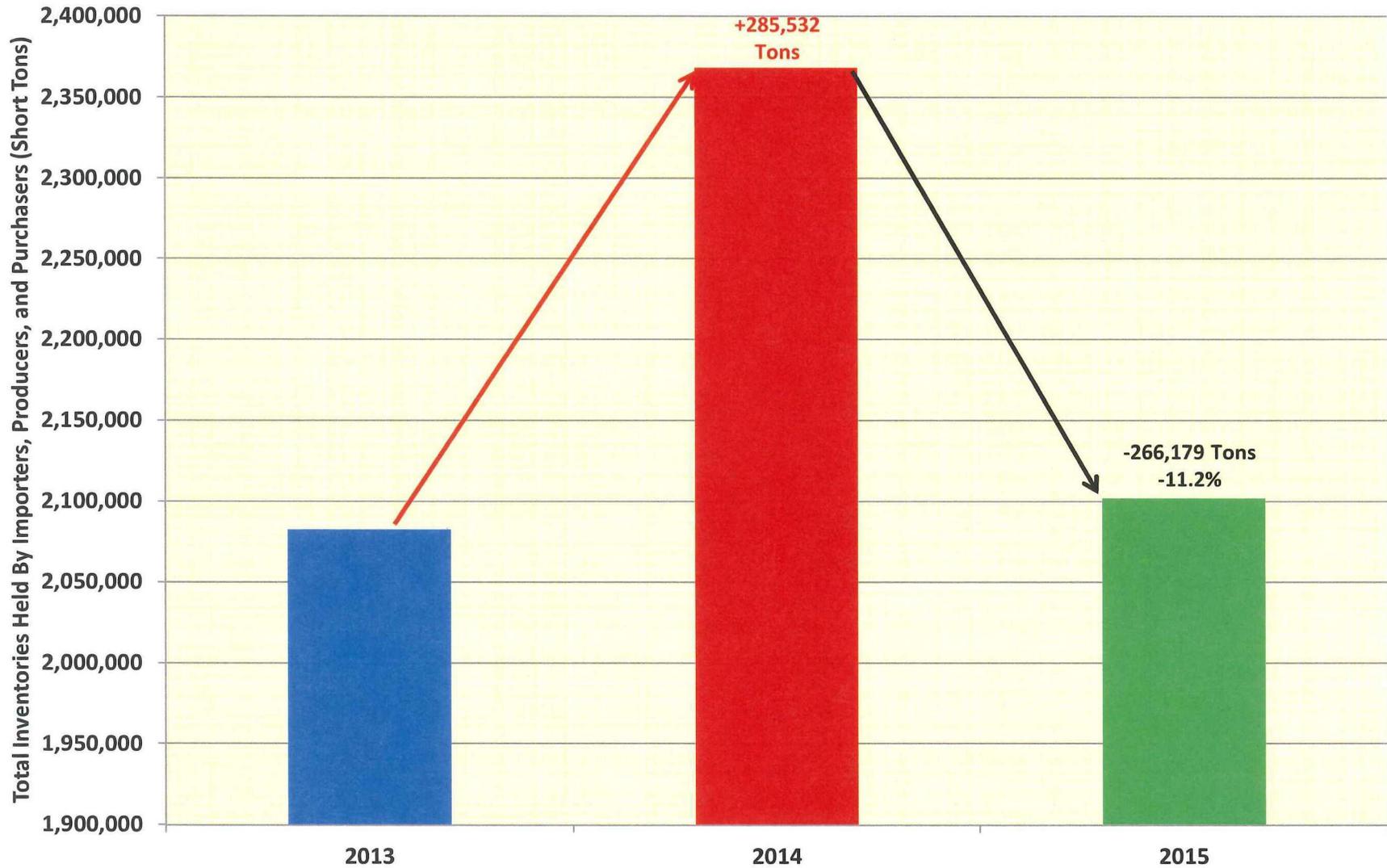


As Imports Seized Market Share, Domestic Merchant Market Shipments Fell and Domestic Producers Slashed Prices in Response



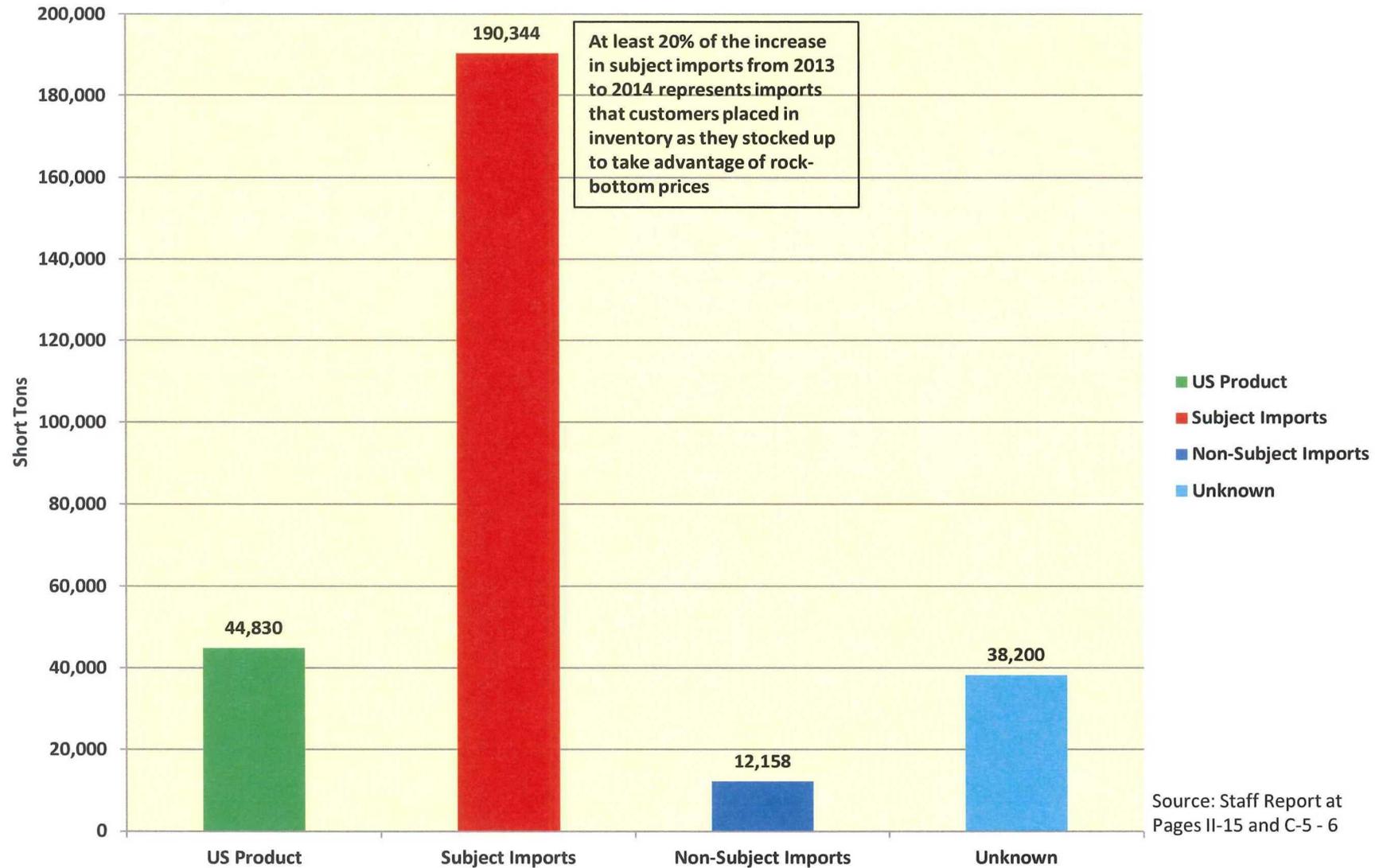
Sources: AISI, Subscription Service

Inventories Increased Dramatically in 2014 and Fell in 2015, Exaggerating the Changes in Actual Demand

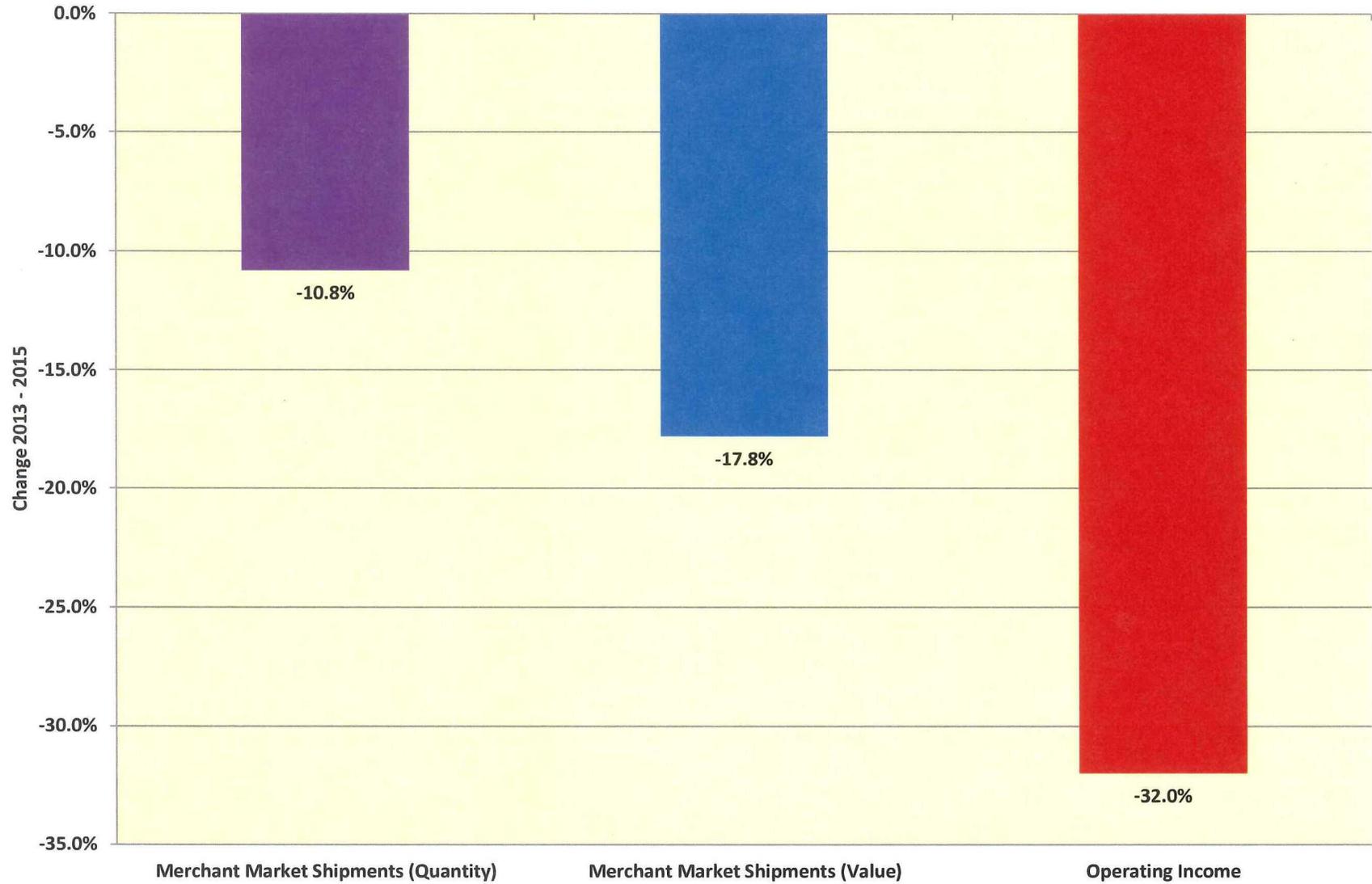


Source: Prehearing Staff Report at II-15 (Table II-5) and C-5 - C-6 (Table C-2).

The Vast Majority of the Increase in Inventories from 2013 to 2014 Was from Subject Imports

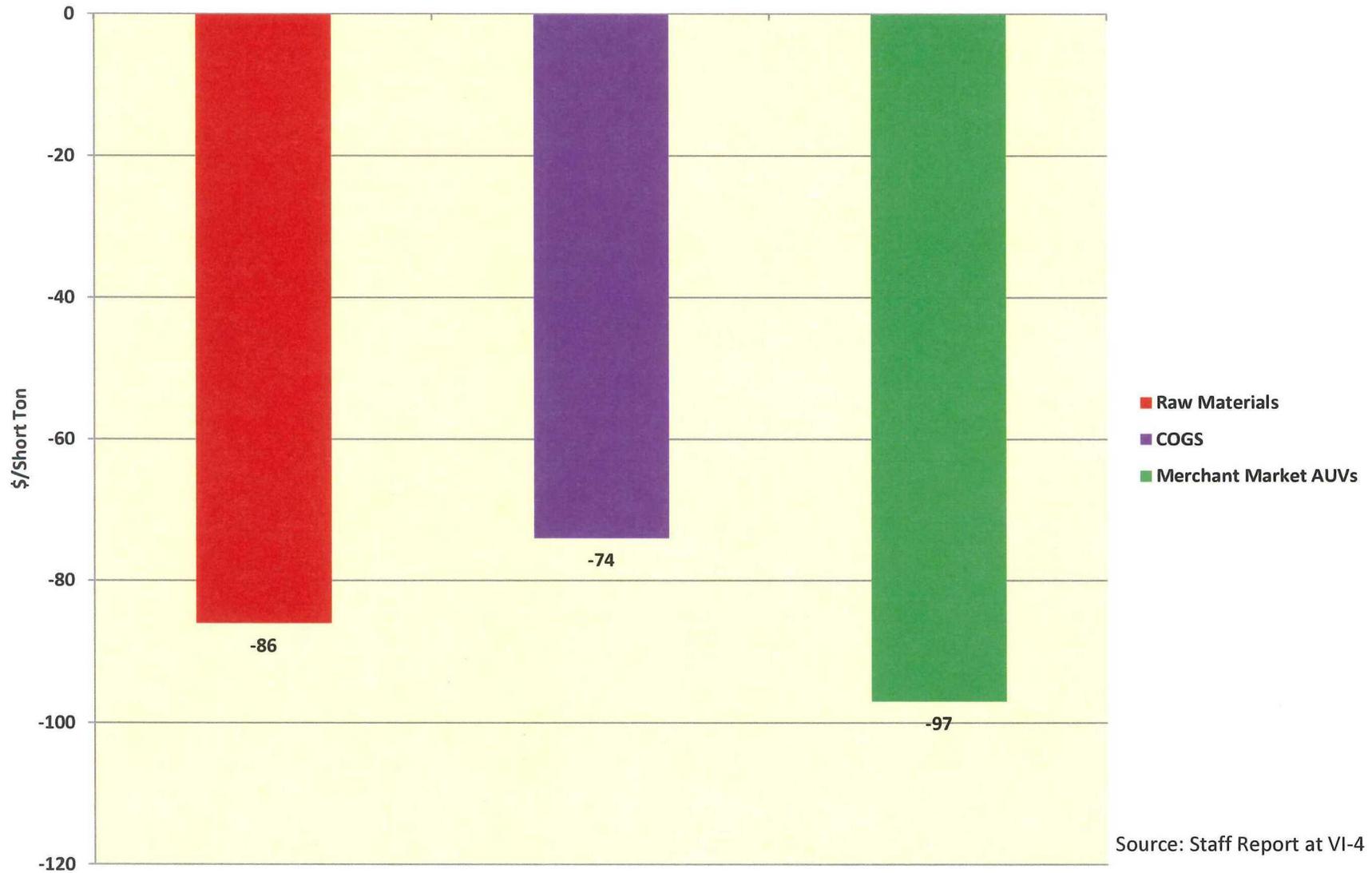


Major Indicators of Performance for the Domestic Industry Fell Over the POI

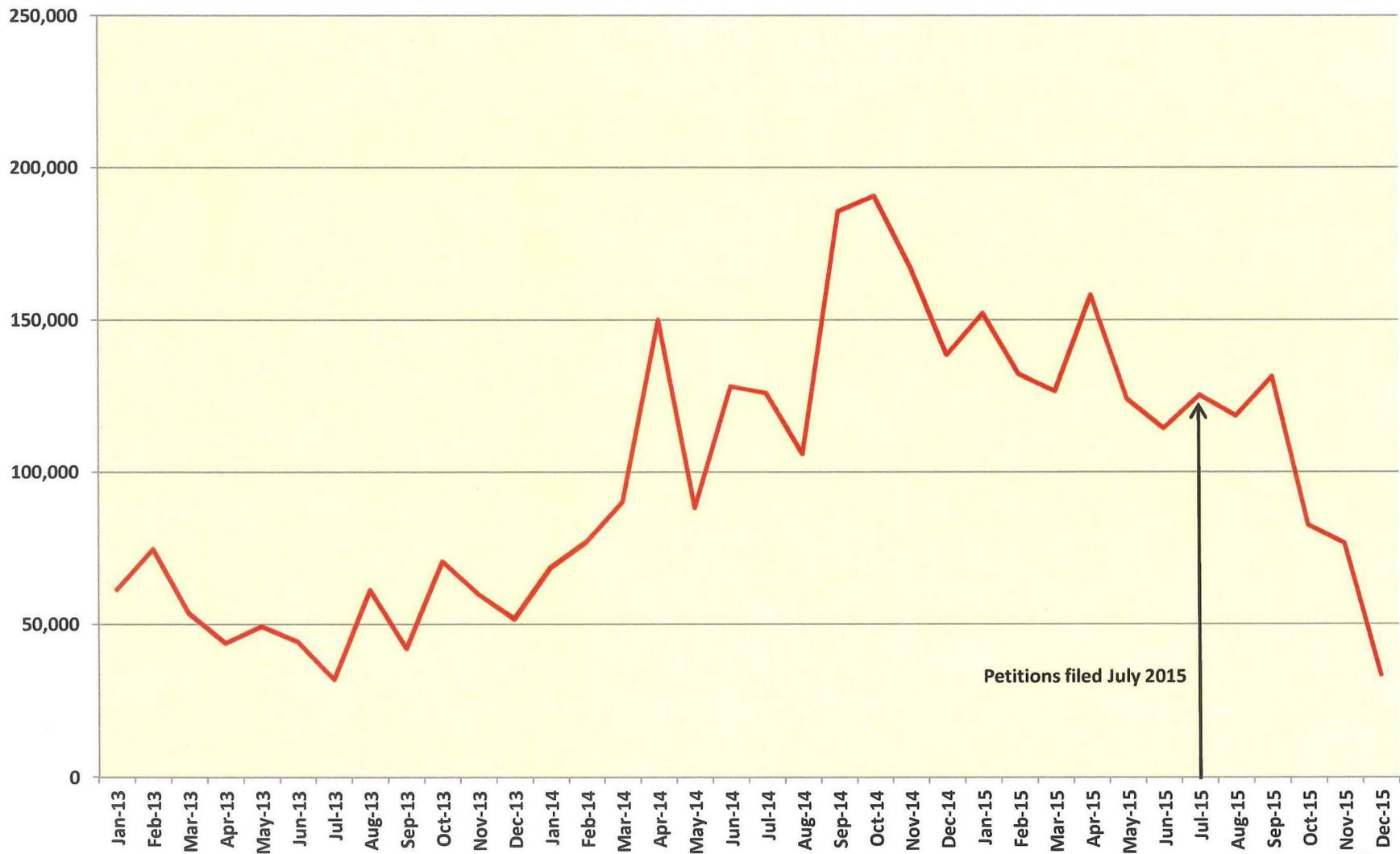


Source: Staff Report at C-4

Domestic AUVs in the Merchant Market Fell More Than Per Unit COGS and Raw Material Costs Between 2014 and 2015



Post-Petition Effects: Subject Imports Quickly Left the U.S. Market after the Petitions Were Filed



Source: ITC DataWeb

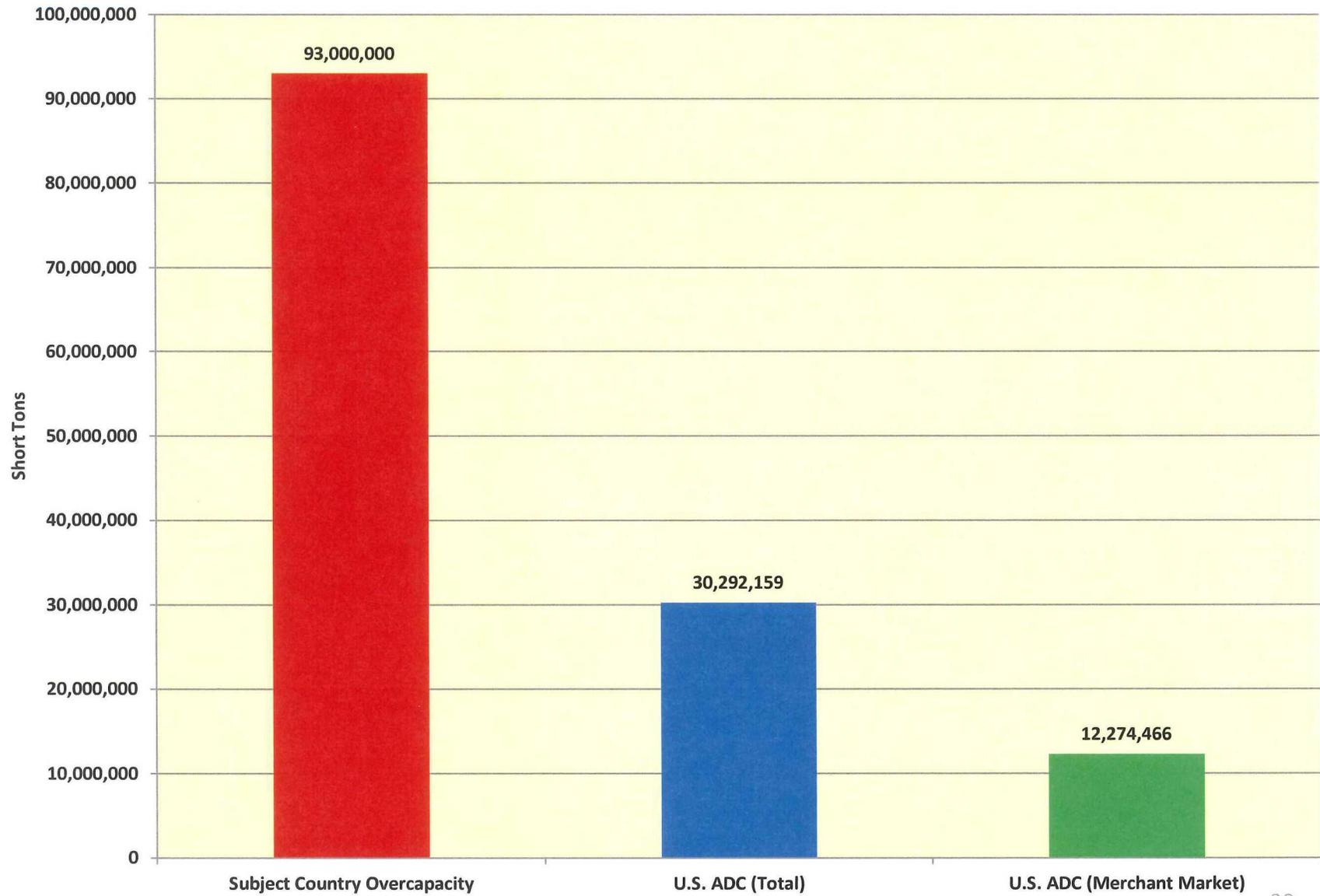
Injury

- This case satisfies all of the criteria for material injury
- The level of subject imports increased both absolutely and relatively
- Underselling was widespread
 - The Staff Report confirms lost sales and volumes being shifted from the U.S. to the subject producers
 - Low-priced imports suppressed and depressed domestic prices
- The domestic industry suffered falling production, shipments, capacity utilization, hours worked, and profitability as a consequence of dumped and subsidized subject imports
 - Three major facilities – Fairfield, Granite City, and Ashland – were either idled or closed completely during the POI

The Subject Imports Threaten Injury As Well

- We are injured today, and without relief we will be injured tomorrow
- The Commission should cumulate all countries for threat purposes.
- The subject producers maintain massive overcapacity – and are still expanding
- The subject producers have demonstrated the ability to move into the U.S. market very quickly
- Because of conditions in the rest of the world, the United States remains a very attractive market
- The Commission should determine that the domestic industry has been injured, or alternatively, that it is threatened with injury by reason of the subject imports

Subject Country Overcapacity Dwarfs U.S. Demand, 2013 - 2015



Source: Subscription Service, Staff Report at IV-34

What the Foreign Producers Actually Think About the Global Steel Crisis

China: “China experienced slowdown in economic growth and excess steel capacity, which caused the domestic and overseas steel industry to enter into an ‘Ice Age’ of severe challenges, fierce competition and difficult survival conditions.” – *Angang Steel*

Brazil: “Brazil has no other way. Export is part of Brazil’s business case. And this is also true for CSN, at least for the next two years, while the internal situation in Brazil does not get better. ...{O}ur consumption in Brazil went to levels of 2007. We are talking about a decade ago. So we have to count on exports.” – *CSN*

Japan: “Given that the decline in China’s demand for steel is predicted to continue, consumption of steel products in Japan is unlikely to increase considering the declining population, etc., and advanced coastal steelworks in China and Southeast Asia are soon going into full-scale production one after another, the business environment surrounding the steel business will become even more severe.” – *Nippon Steel & Sumitomo Metal Corp.*

More Foreign Producer Admissions

- **Korea:** “It is true that overseas steel mills are going through difficult phase. One of the major reasons was China’s continuing overcapacity, faced decreasing demand. Similar to a balloon effect, the excess volume flooded out to Southeast Asia. The export volume poured out especially regions around Indonesia, our primary export market in Southeast Asia. The problem was that the export price was formed well below the production cost, harming the market price.”- *POSCO*
- **United Kingdom:** Tata UK’s results were “impacted by continued downward pressure on prices due to {a} flood of unfairly-traded” imports.
– *Tata*
- **Russia:** “will face a combination of weak domestic demand, low prices and increasing competition on export markets.” – *NLMK*
- **India:** “The global steel industry is currently reeling under the impact of rising steel exports from China (due to large surplus capacities and a slowing domestic demand)...” – *JSW*