Tin- and Chromium-Coated Steel Sheet from Japan

Skadden, Arps, Slate, Meagher and Flom

April 11, 2012

Key Points in this Review

- Domestic producers are ***extremely vulnerable to material injury***

- Japanese mills have ***strong incentives to ship significant volumes to the United States***

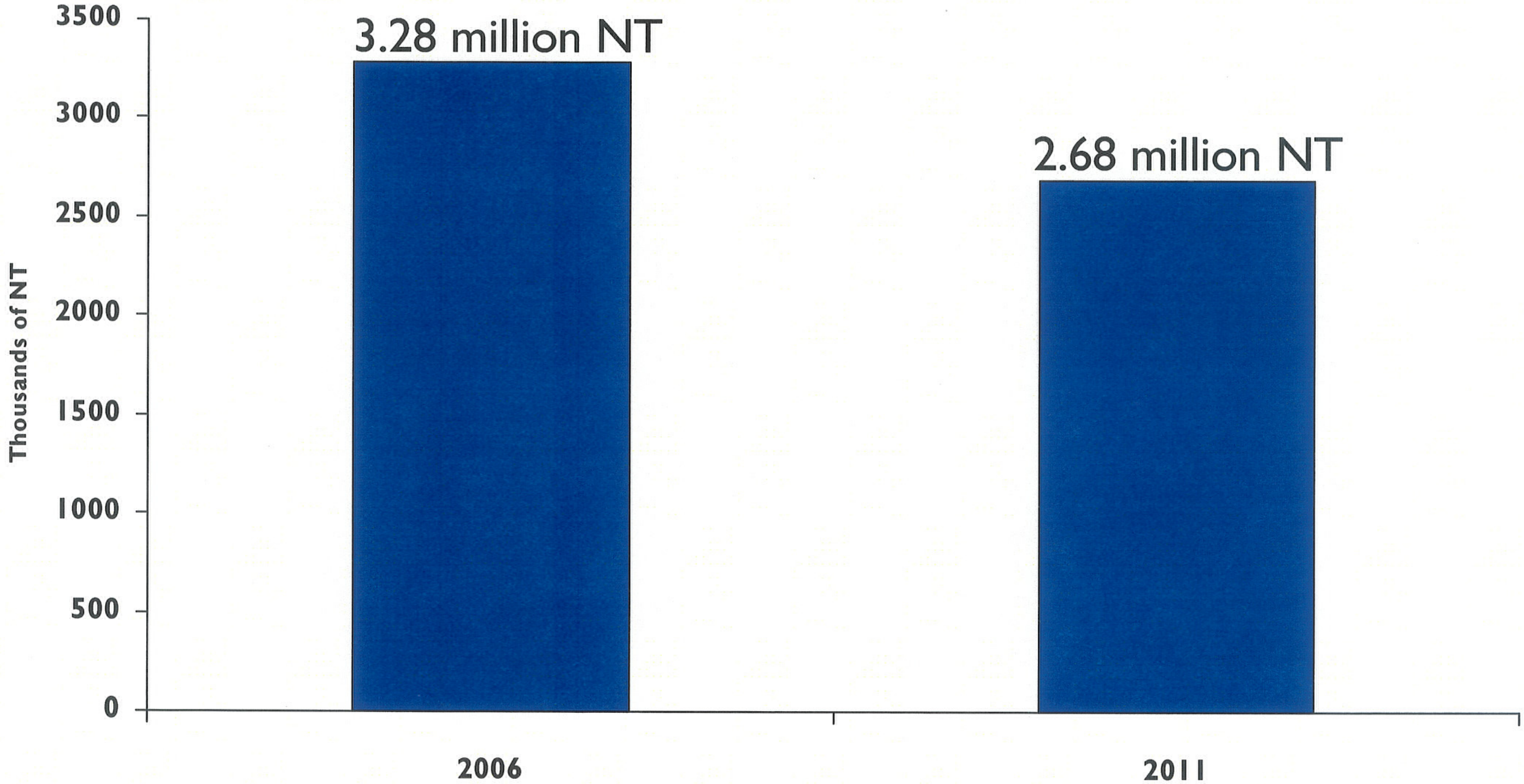
- Unfairly-traded Japanese imports will ***depress or suppress U.S. prices***

- If dumped imports prevent U.S. mills from obtaining fair prices, ***the domestic industry's future will be at risk***

Vulnerability

From 2006 to 2011, Apparent U.S. Consumption ***Fell by Over 18 Percent***

Apparent U.S. Consumption of Tin Mill Products

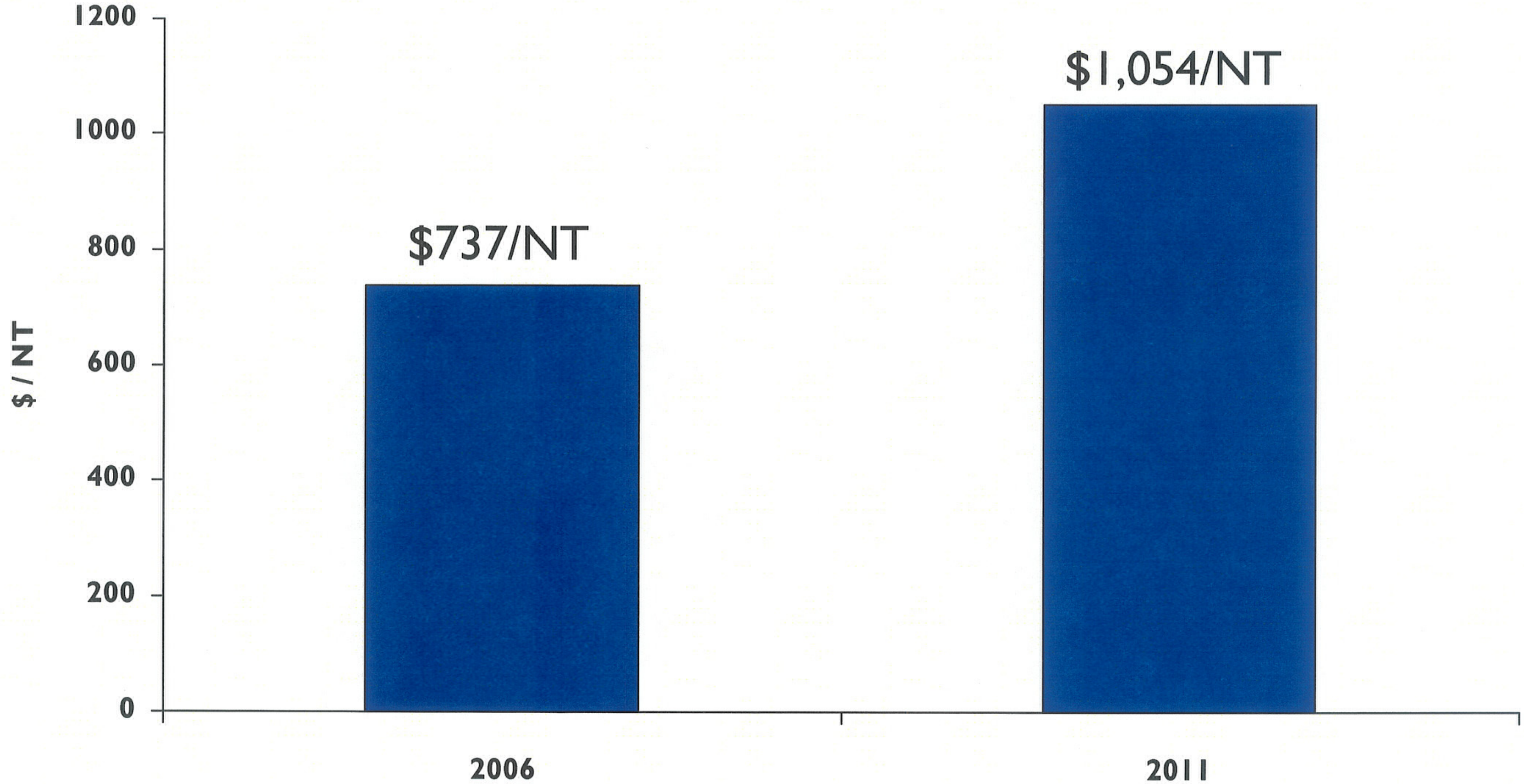


Source: Staff Report at I-11 (Public Version).

Vulnerability

Meanwhile, Domestic Producers' Costs Soared by *43 Percent*

Unit Cost of Goods Sold for Domestic Mills

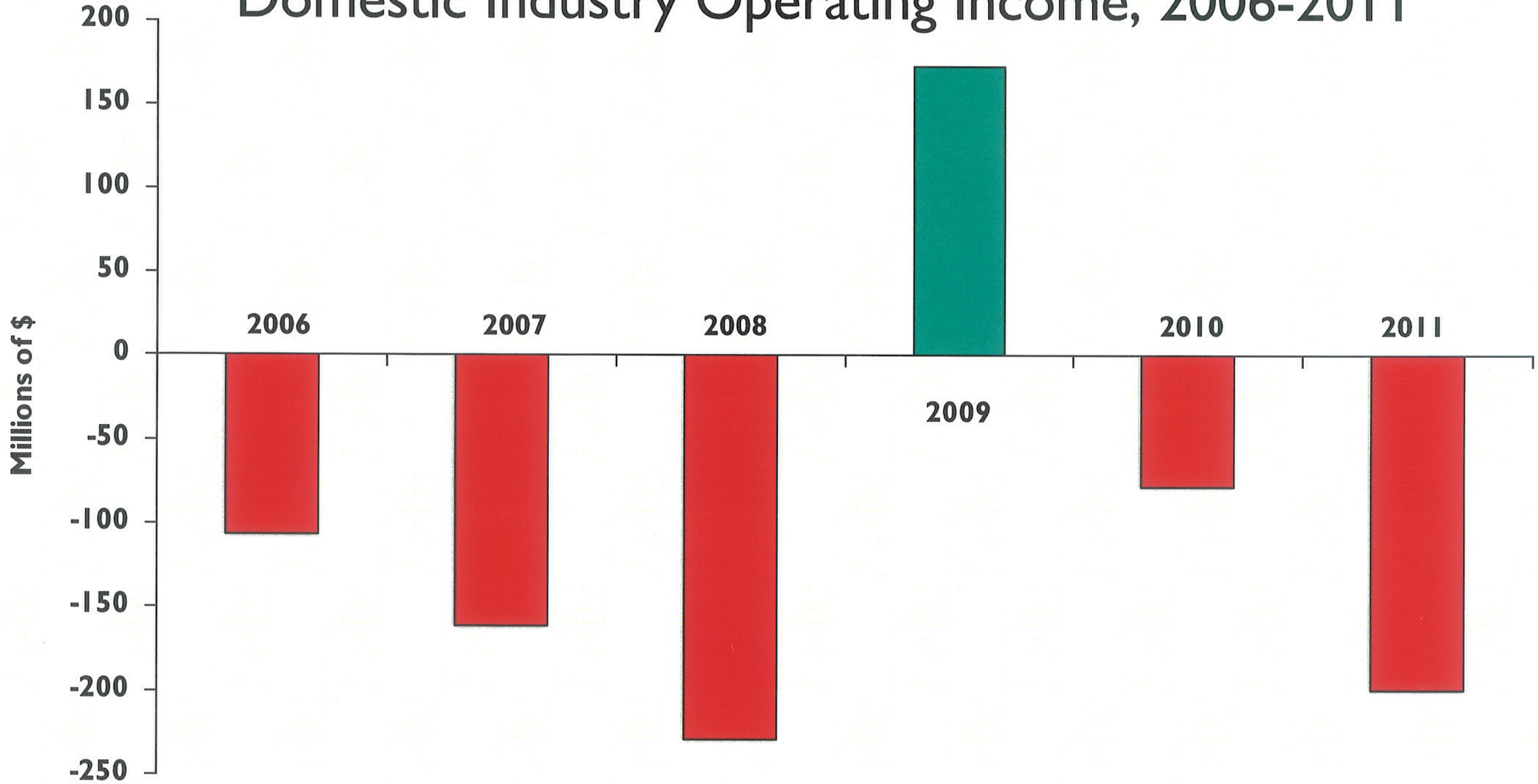


Source: Staff Report at I-13 (Public Version).

Vulnerability

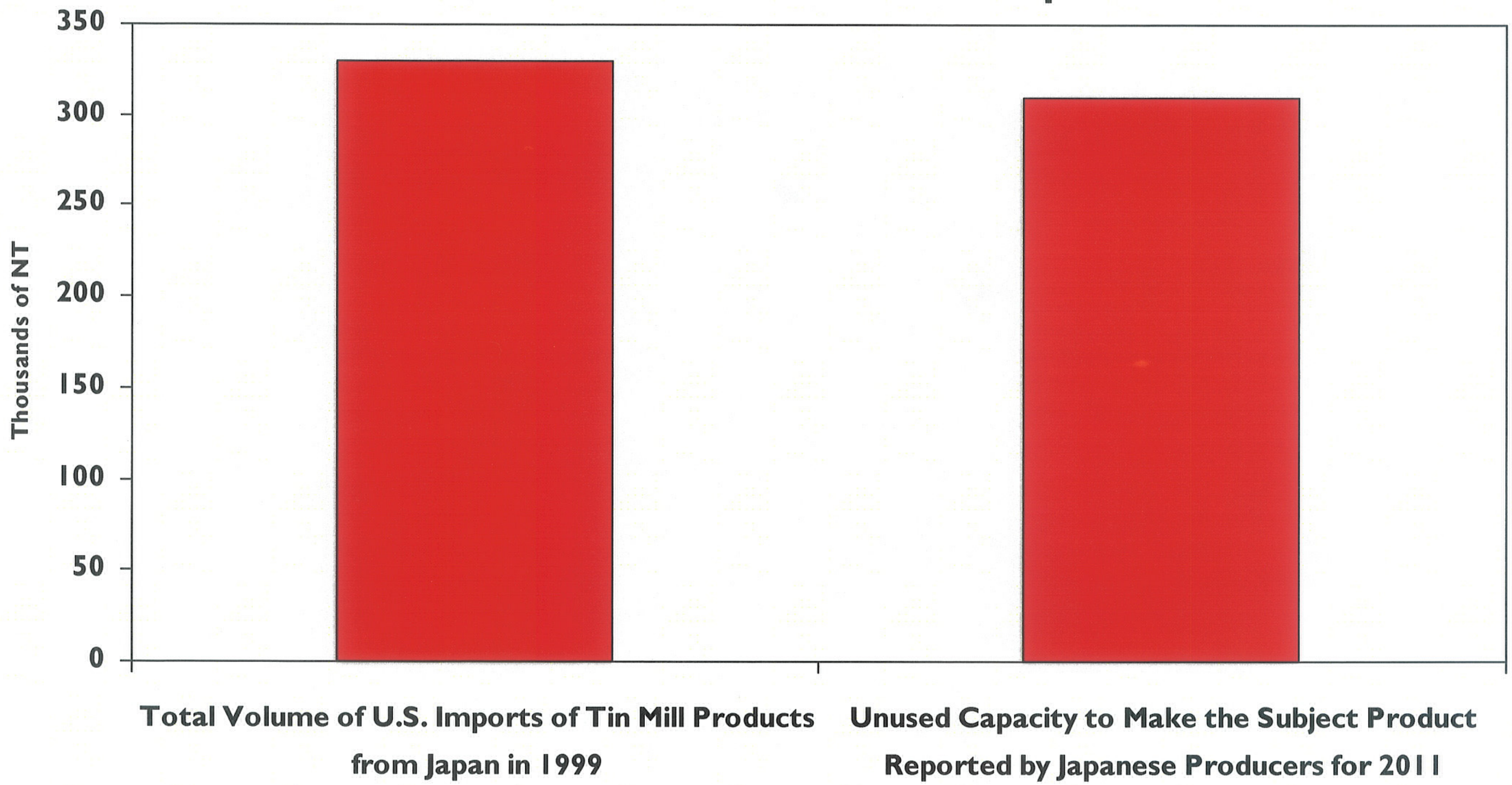
Trapped in a Cost-Price Squeeze, U.S. Mills Suffered Operating Losses of more than ***$600 million***

Domestic Industry Operating Income, 2006-2011



Source: Staff Report at I-13 (Public Version).

Unused Capacity Reported by Japanese Producers Is Roughly Equal to the Volume of U.S. Imports from Japan Before the Order Was Imposed

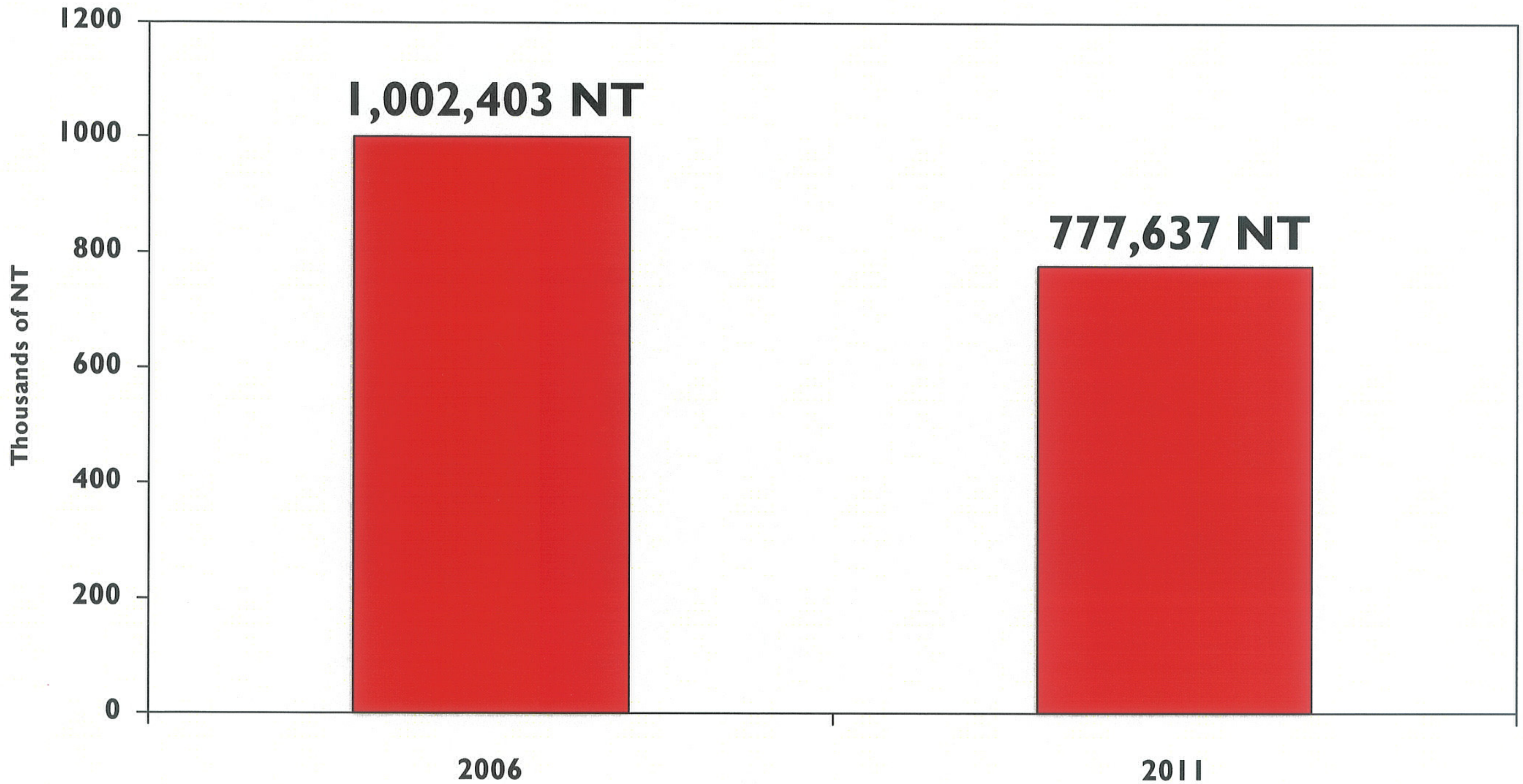


Source: Data regarding U.S. imports from Japan in 1999 from Staff Report at I-10 (Public Version); data regarding Japan's reported unused capacity from Staff Report at IV-11 (Public Version).

Likely Volume

Japan’s Home Market Is Shrinking

Home Market Shipments by Japanese Producers

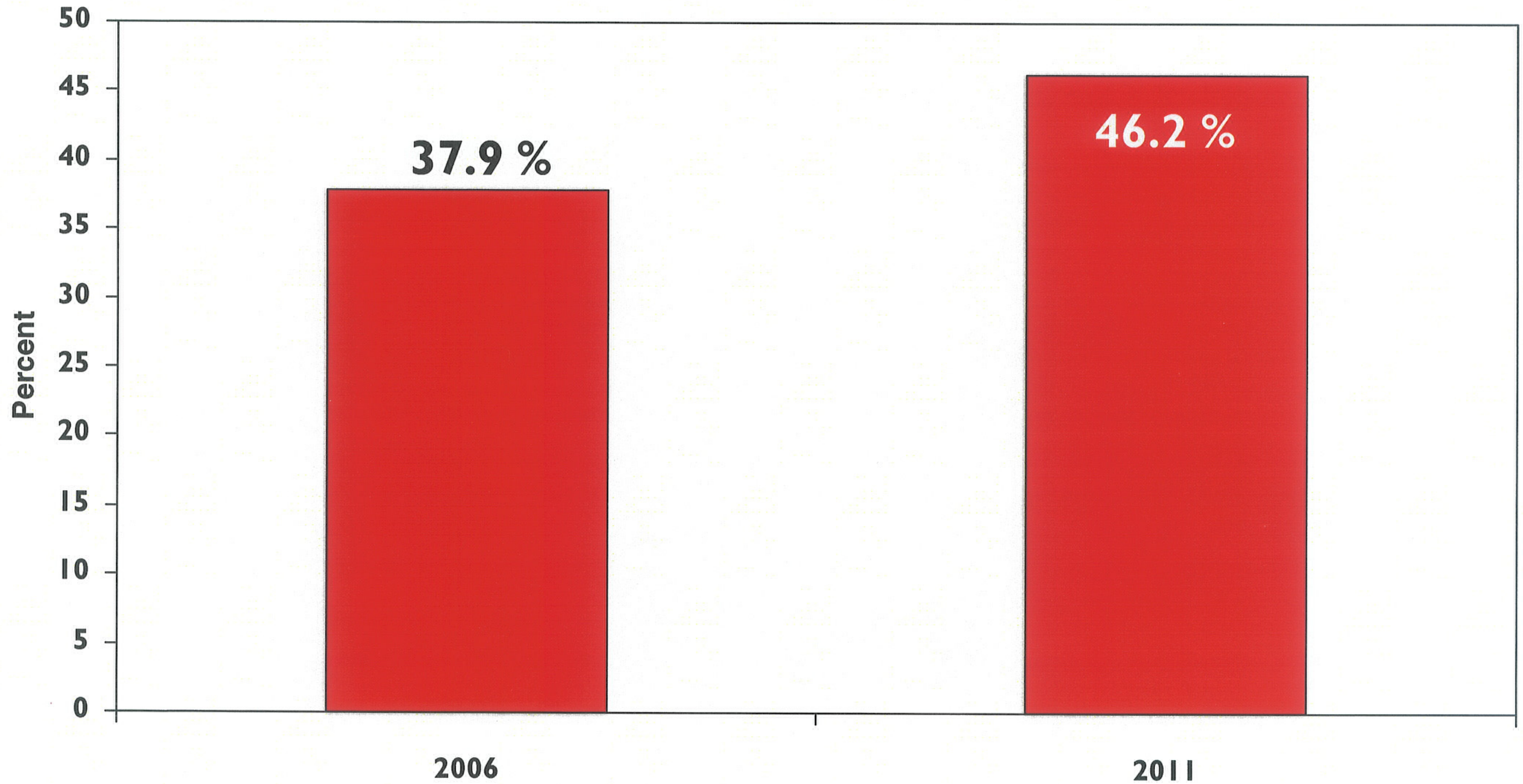


Source: Staff Report at IV-11 (Public Version).

Likely Volume

Japanese Mills Are More Dependent on Exports

Japanese Exports As a Percentage of Tin Mill Production

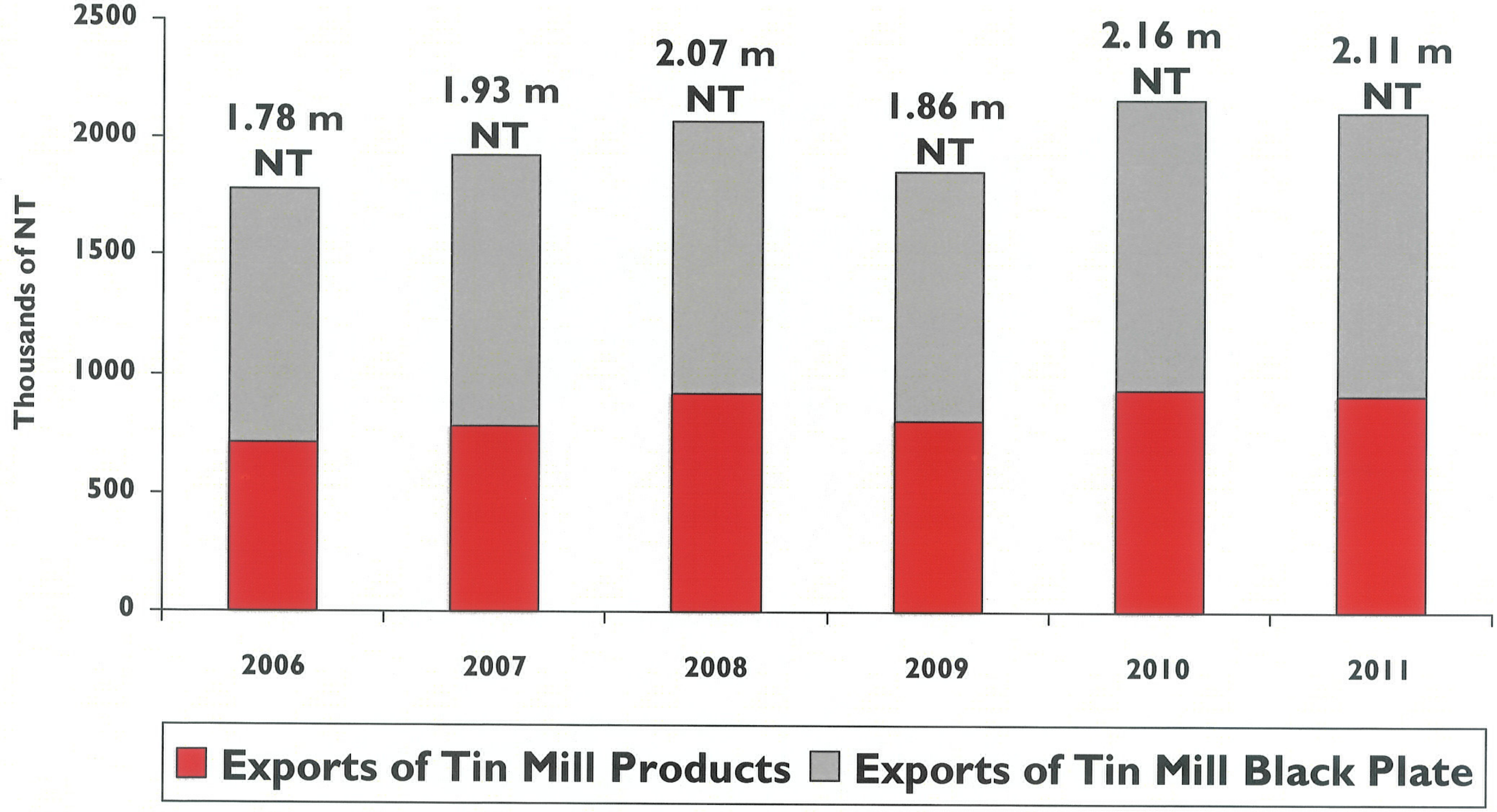


Source: U. S. Steel Pre-Hearing Brief at Exhibit 1 (Public Version).

Likely Volume

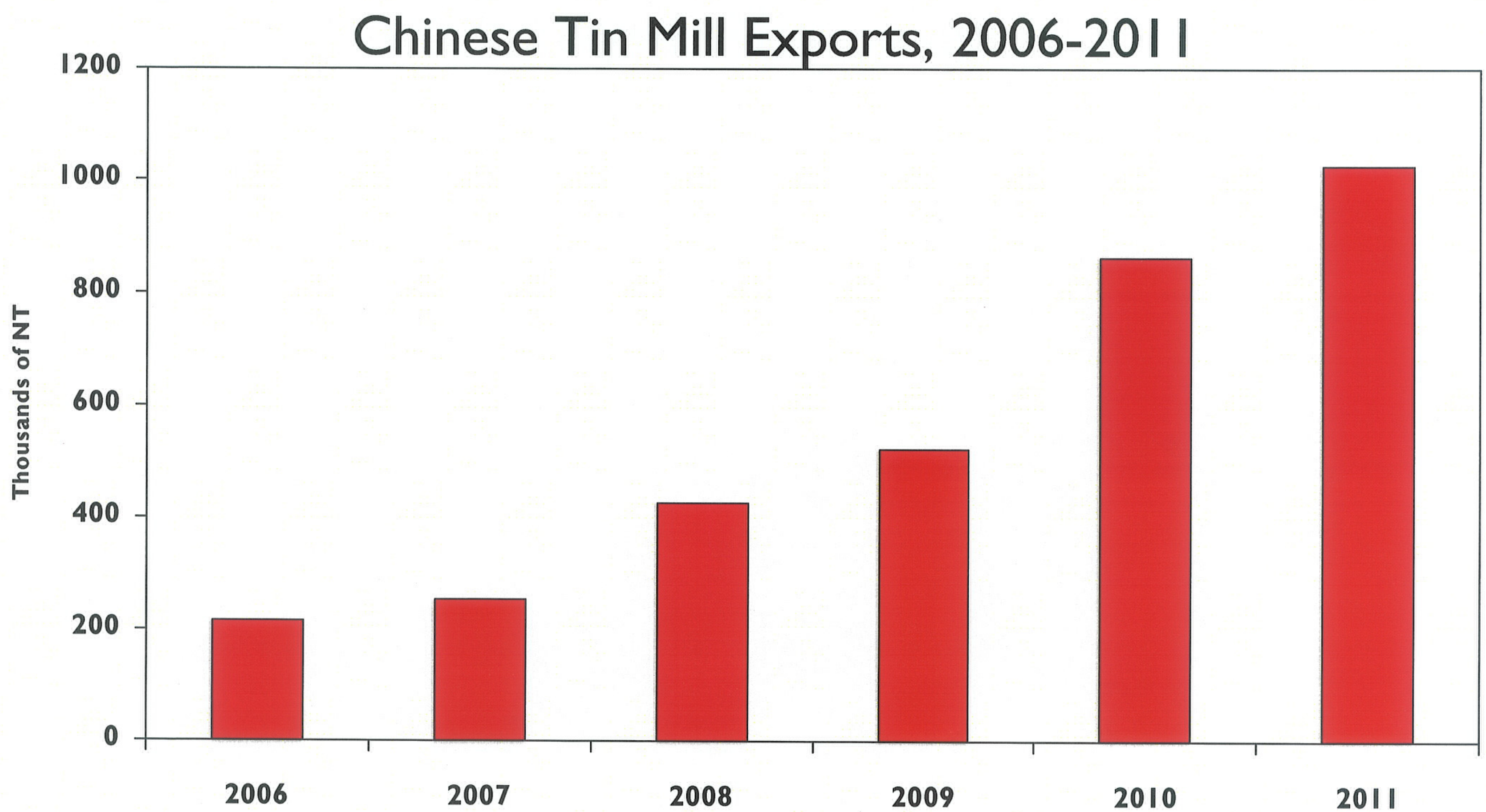
Japanese Exports Have Been Relatively Flat

Total Japanese Exports of Tin Mill and Tin Mill Black Plate



Source: Japanese exports of tin mill products from U. S. Steel Pre-Hearing Brief at Exhibit 15 (Public Version); Japanese exports of tin mill black plate from U. S. Steel Pre-Hearing Brief at Exhibit 65 (Public Version).

Chinese Exports of Tin Mill Products Are Surging

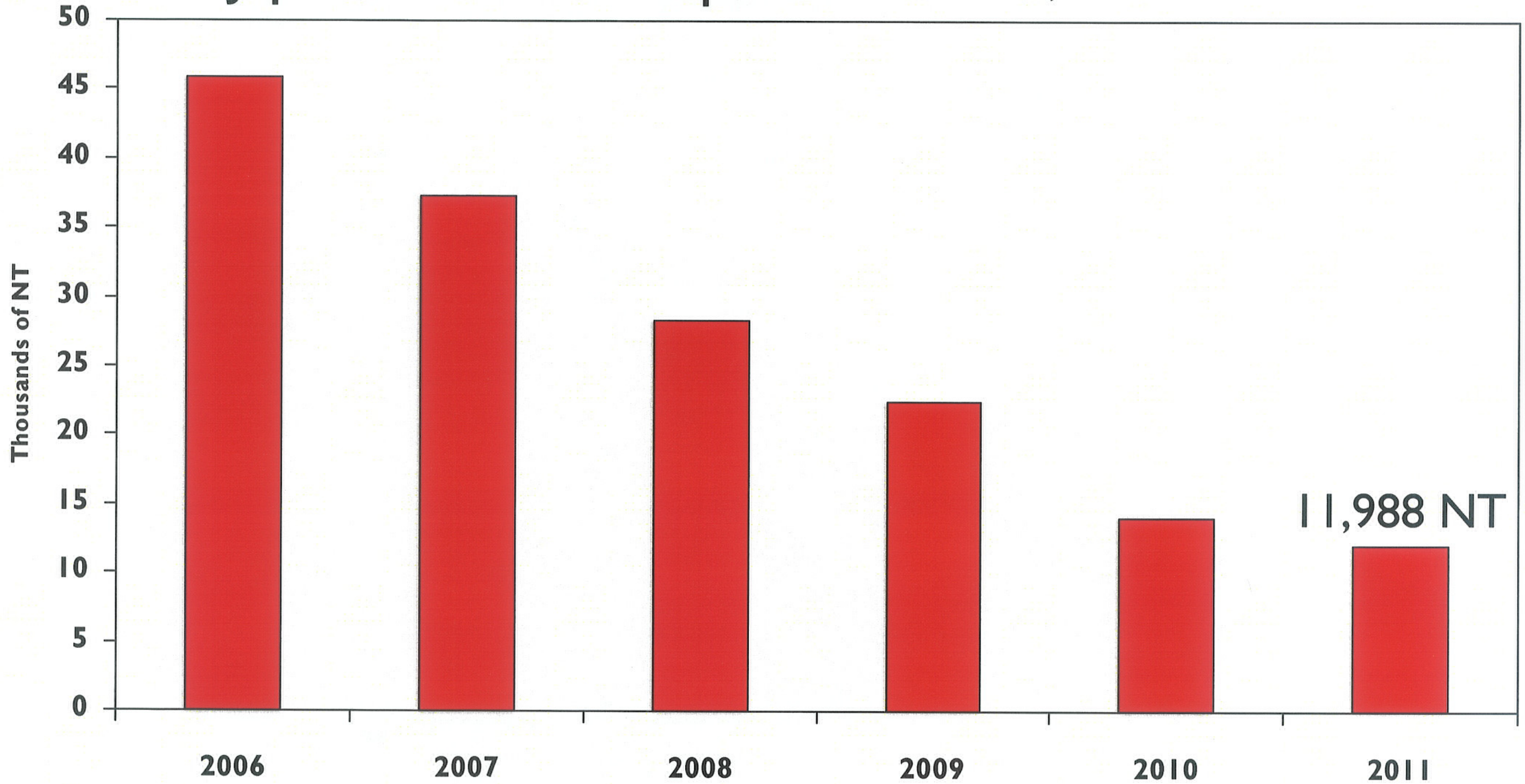


Source: U. S. Steel Pre-Hearing Brief at Exhibit 34 (Public Version).

Likely Volume

Japan Has Largely Been Driven from the Chinese Market

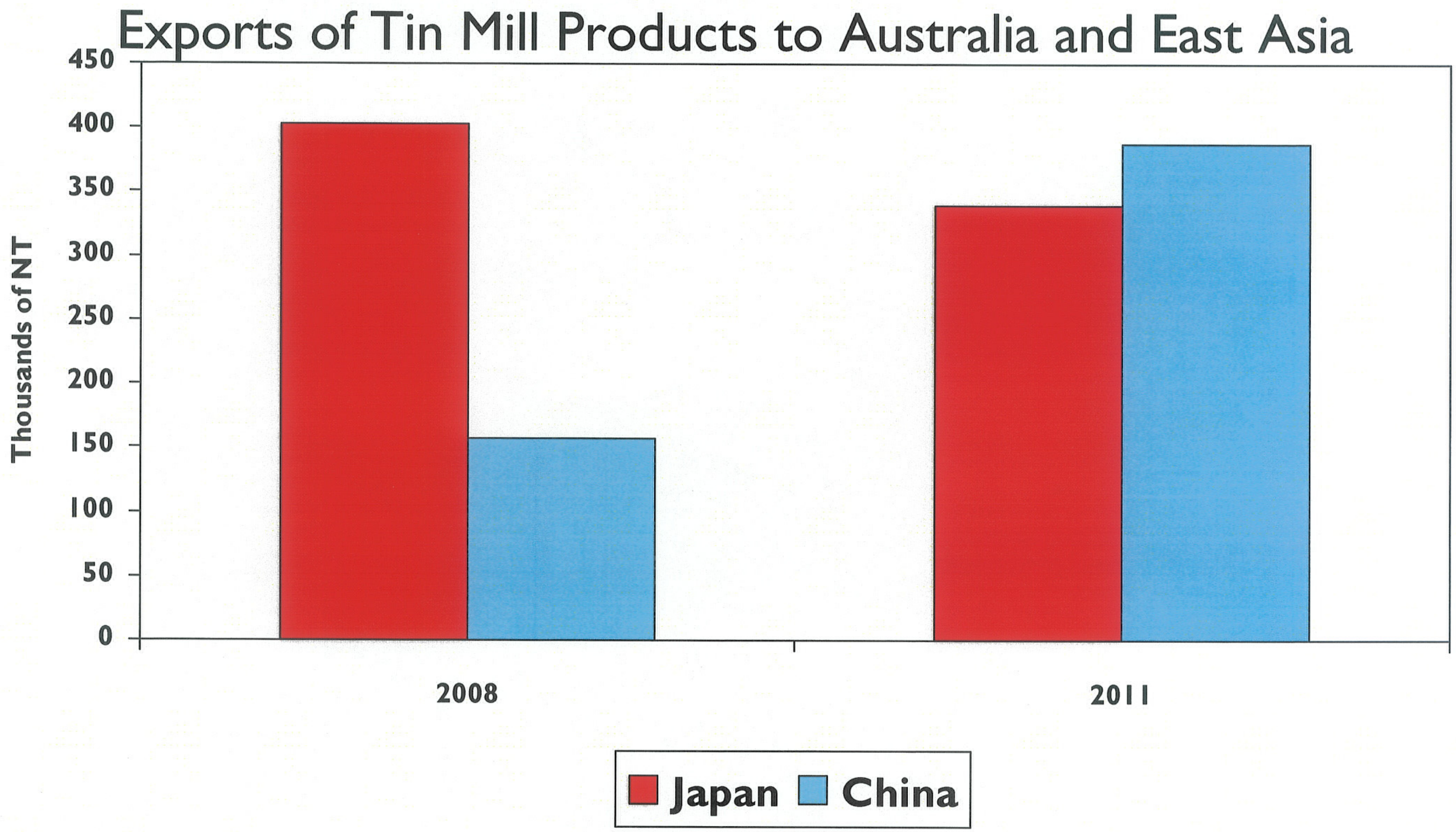
Japanese Tin Mill Exports to China, 2006-2011



Source: U. S. Steel Pre-Hearing Brief at Exhibit 15 (Public Version).

Likely Volume

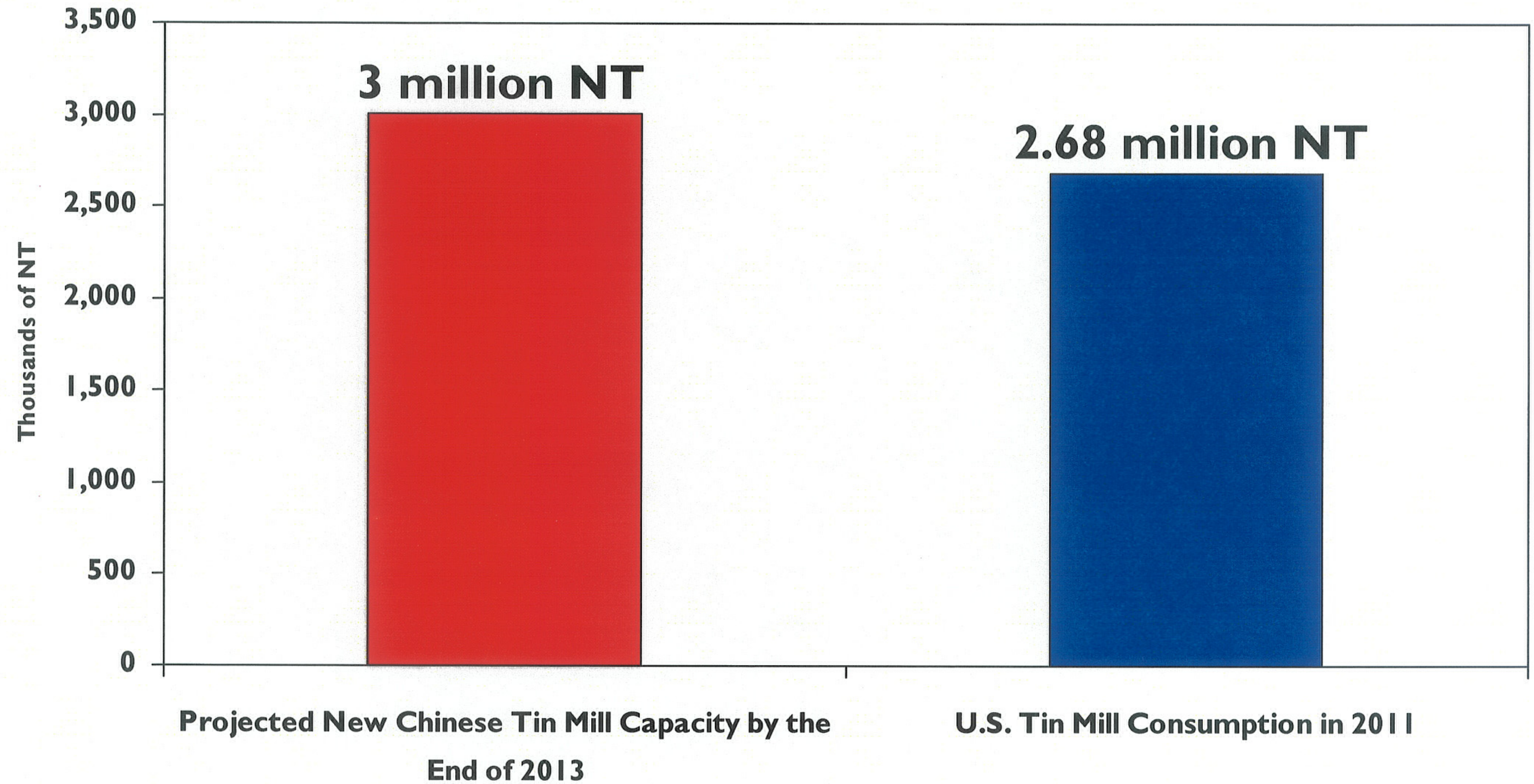
Since 2008, Chinese Exports Have Taken Japanese Market Share in Australia and East Asia



Japanese export data from U. S. Steel Pre-Hearing Brief at Exhibit 15 (Public Version); Chinese export data from U. S. Steel Pre-Hearing Brief at Exhibit 34 (Public Version). The term "East Asia" covers the following countries: China, Indonesia, Japan, Malaysia, Myanmar, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

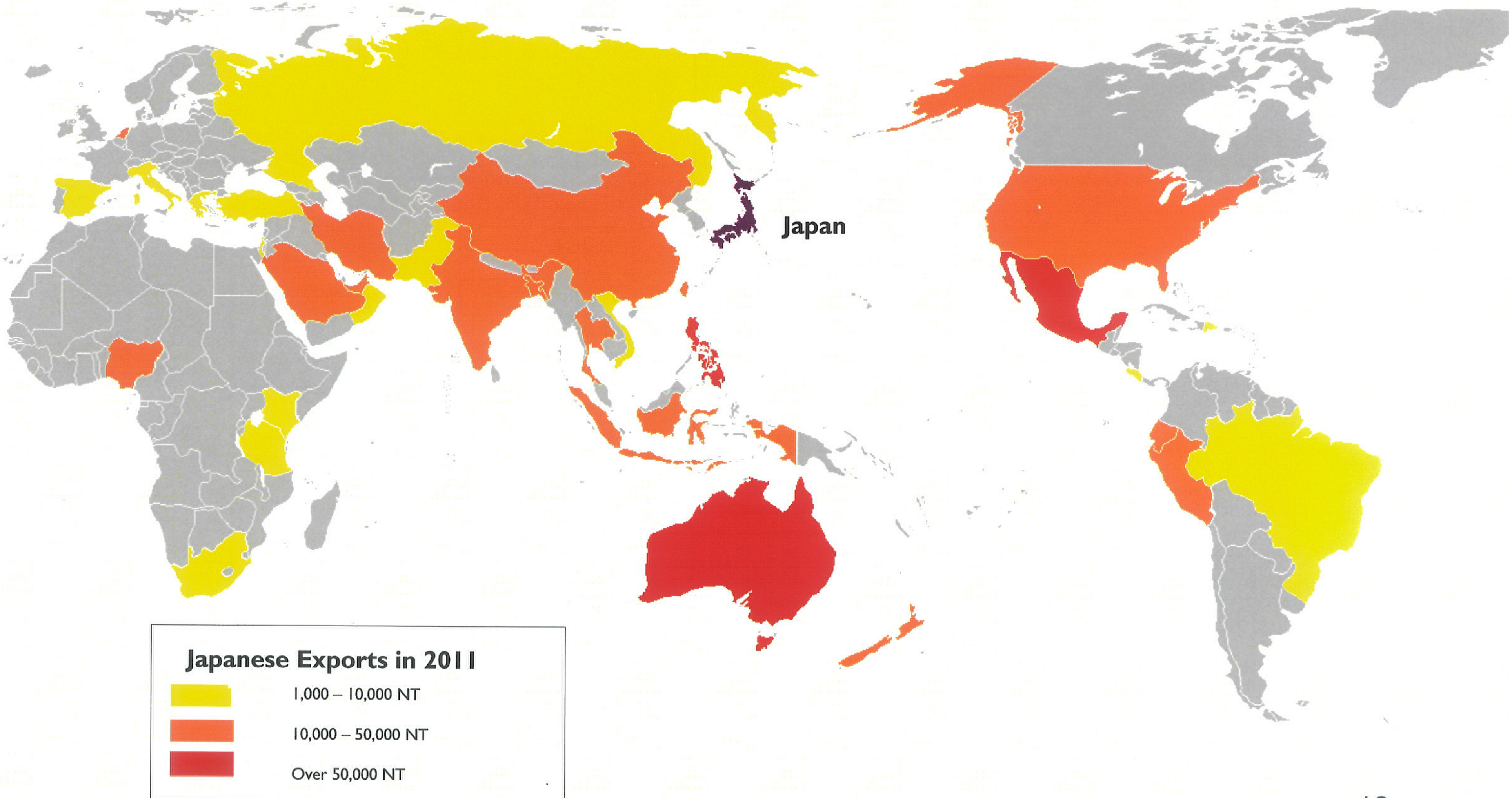
Likely Volume

Reports Indicate that China Is Building ***Enormous New Capacity*** That Will Put Even More Pressure on World Markets



Data regarding projected new Chinese tin mill capacity from U. S. Steel Pre-Hearing Brief at 14-16 (Public Version). Data regarding U.S. tin mill consumption in 2011 from Staff Report at I-11 (Public Version).

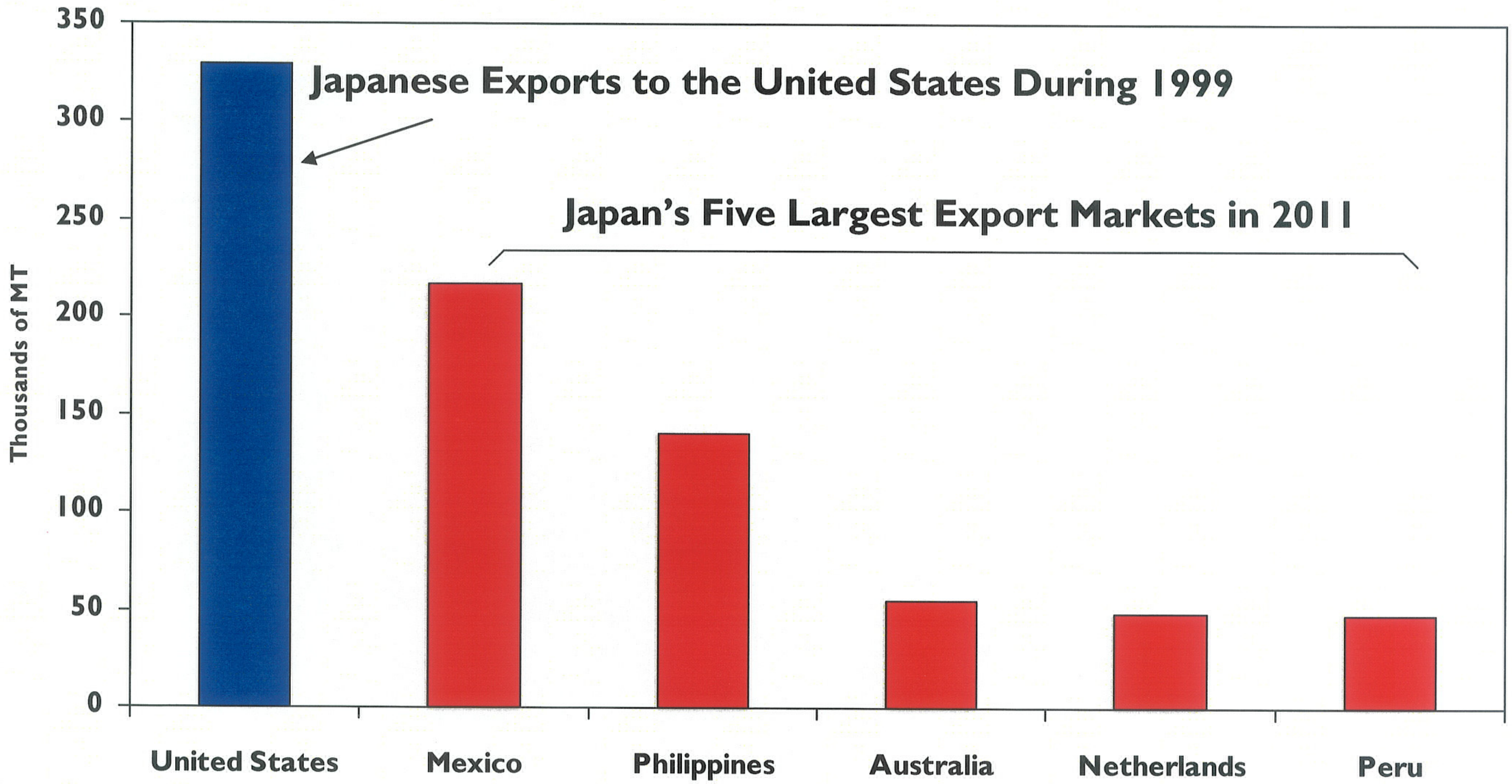
Japanese Mills Have Been Forced to Look for Sales *All Over the World*



Source: U. S. Steel Pre-Hearing Brief at Exhibit 1 (Public Version).

Likely Volume

The United States Is By Far the Largest Potential Market For Japanese Tin Mill Producers

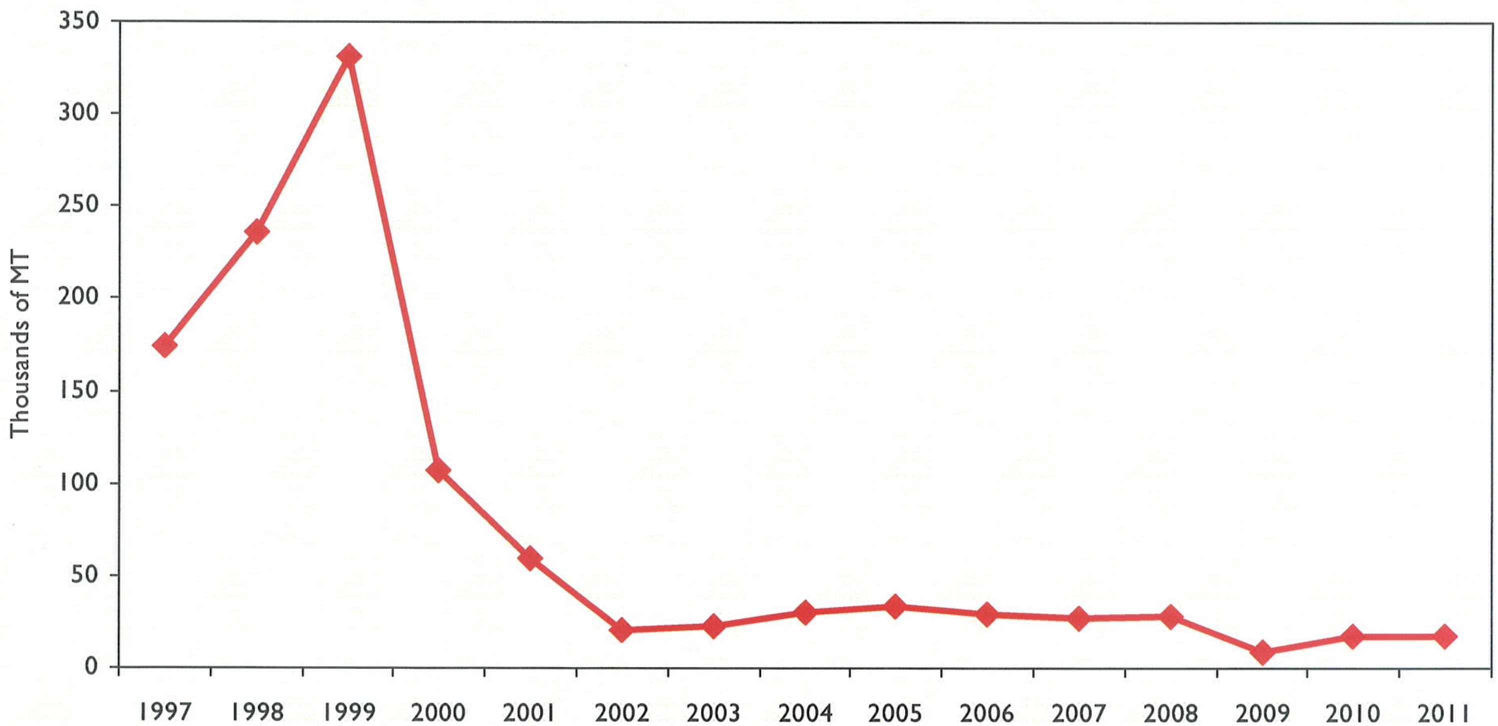


Source: Data regarding Japanese exports to the United States during 1999 from Staff Report at I-10. Data regarding Japan's five largest export markets in 2011 from U. S. Steel Pre-Hearing Brief at Exhibit 15 (Public Version).

Likely Volume

The Order Has Effectively Limited Unfair Trade, but Japanese Producers Remain Active in this Market

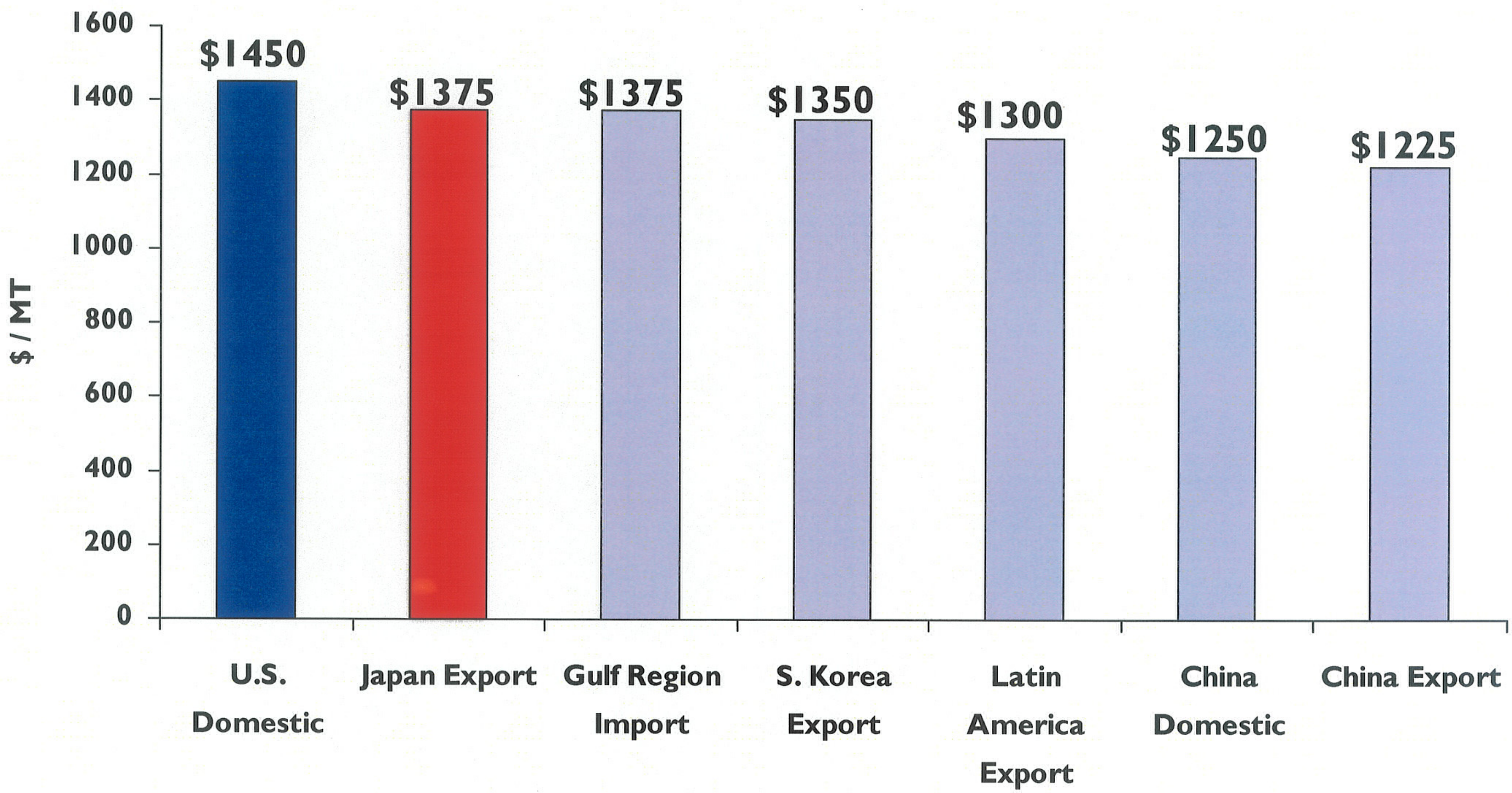
Japanese Tin Mill Exports to the United States, 1997 to 2011



Source. Japan Ministry of Commerce. HS Codes 7210.11, 7210.12, 7210.50, 7212.10.

U.S. Prices Are Attractive

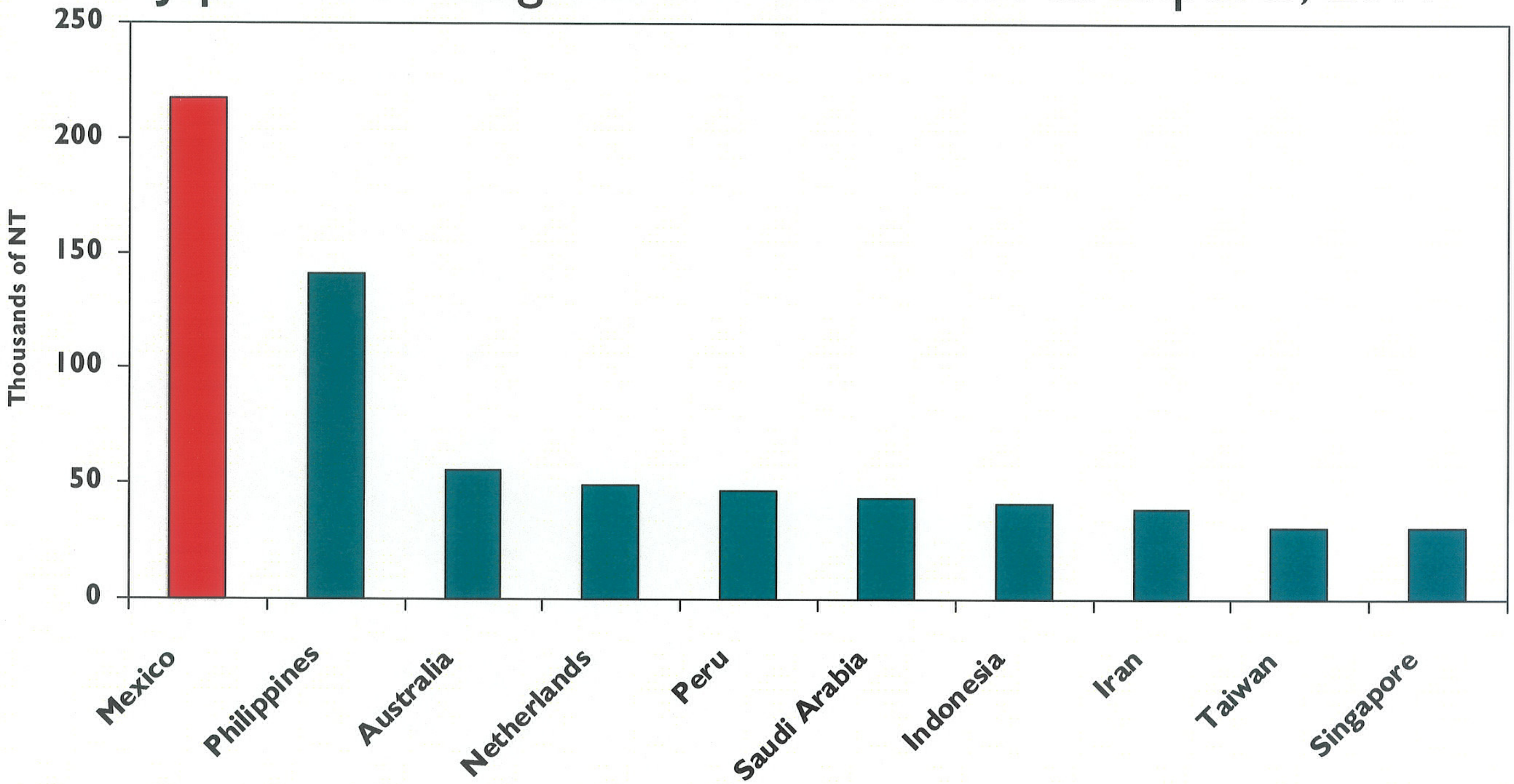
Tinplate Prices in Key Markets, March 2012



Source: Metal Bulletin Research Coated Steels Market Tracker (March 2012).

Mexico Is Still Japan's Largest Export Market

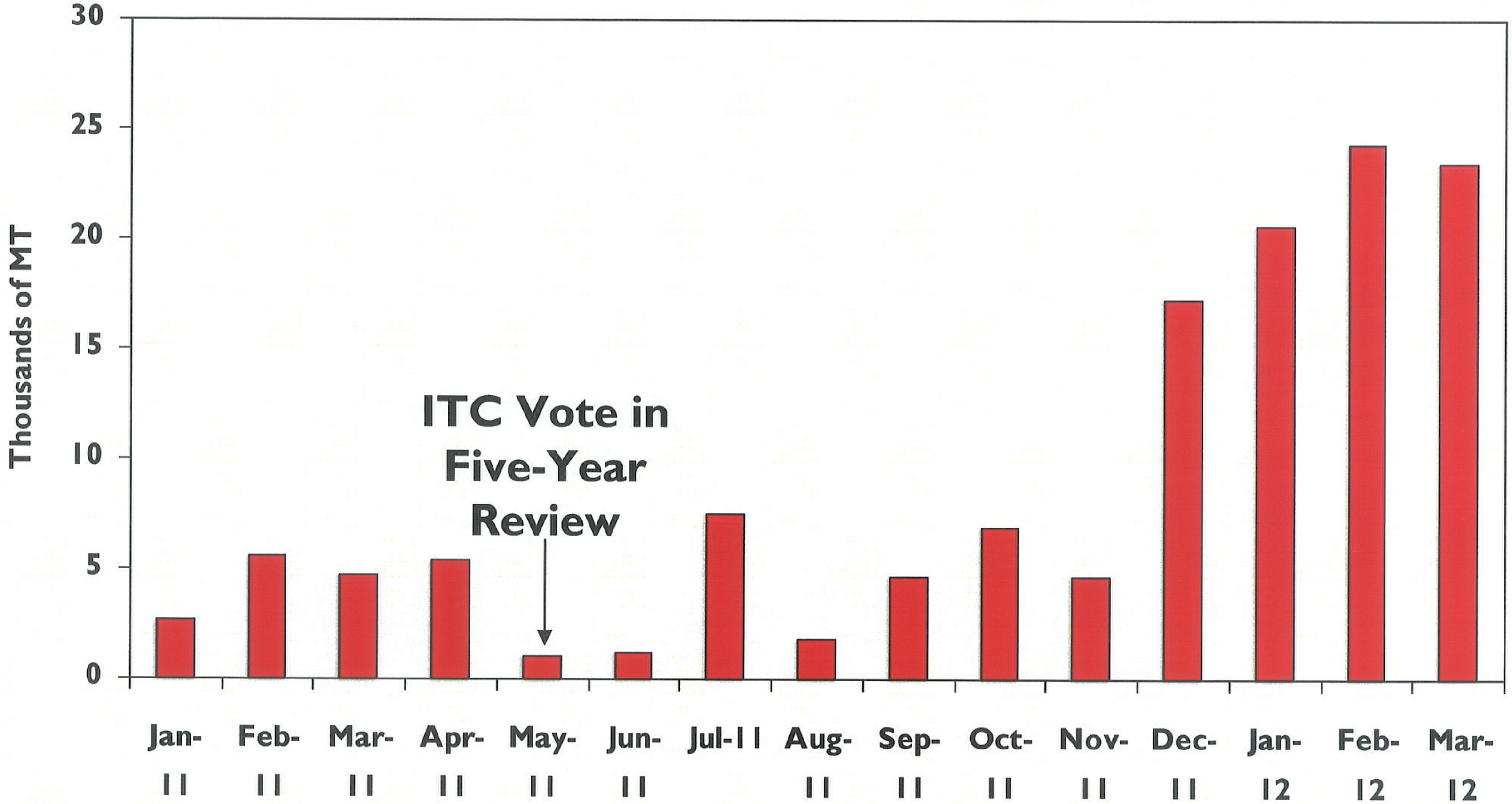
Japan's Ten Largest Markets for Tin Mill Exports, 2011



Source: U. S. Steel Pre-Hearing Brief at Exhibit 15 (Public Version).

Within a Few Months after Trade Relief Was Revoked, Japanese Shipments of Hot-Rolled Steel Soared

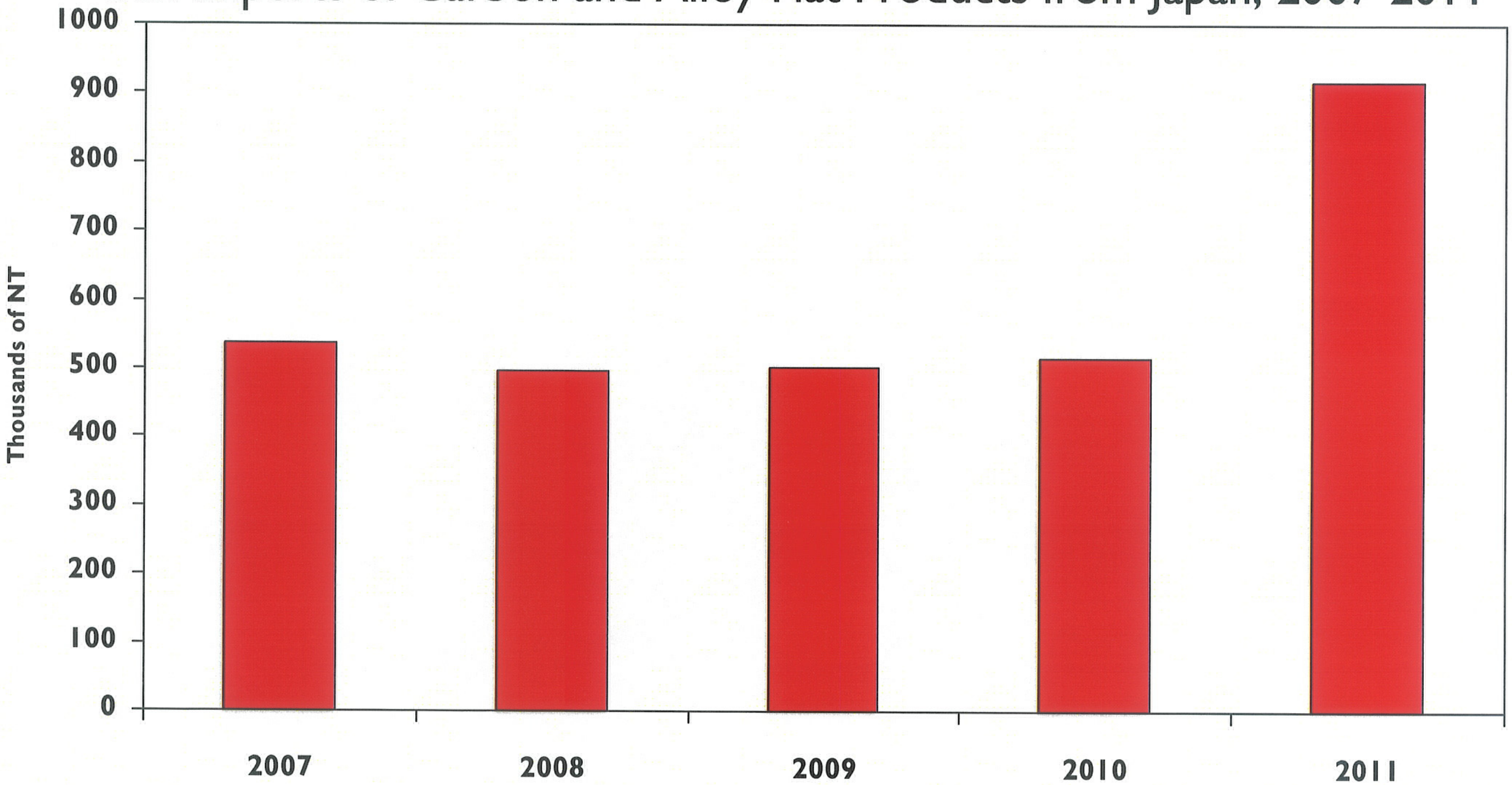
U.S. Imports of Hot-Rolled Steel from Japan, 2011-2012



Source: U. S. Steel Pre-Hearing Brief at Exhibit 72 (Public Version).

Last Year, U.S. Imports of Flat Steel Products from Japan Surged

U.S. Imports of Carbon and Alloy Flat Products from Japan, 2007-2011



Source: USITC Dataweb – Certain Steel Products: Carbon and Alloy Flat Products.

Key Findings from the Last Review

- "The U.S. market bears certain characteristics ***such that even a few low-priced sales would be felt throughout the entire market in a short period of time.***"
- "The industry is price sensitive, ***characterized by lengthy and intense negotiations among a relatively small number of buyers and sellers.***"
- "***{E}ven a small volume of aggressively priced subject imports*** would be likely to have significant adverse effects on the price of the domestic like product if the order is revoked."

Source: *Tin- and Chromium-Coated Steel Sheet from Japan*, Inv. No. 731-TA-860 (Review), USITC Pub. 3860 (June 2006) at 26.

The Record Here Supports Similar Findings

- There is ***no question about the quality*** of Japanese tin mill products
- Questionnaire data show that when quality is not at issue, ***competition is on the basis of price***
- Nine of ten responding purchasers said that ***price was very important in their purchasing decisions***
- Record shows ***dramatic fluctuations in price*** from one year to the next

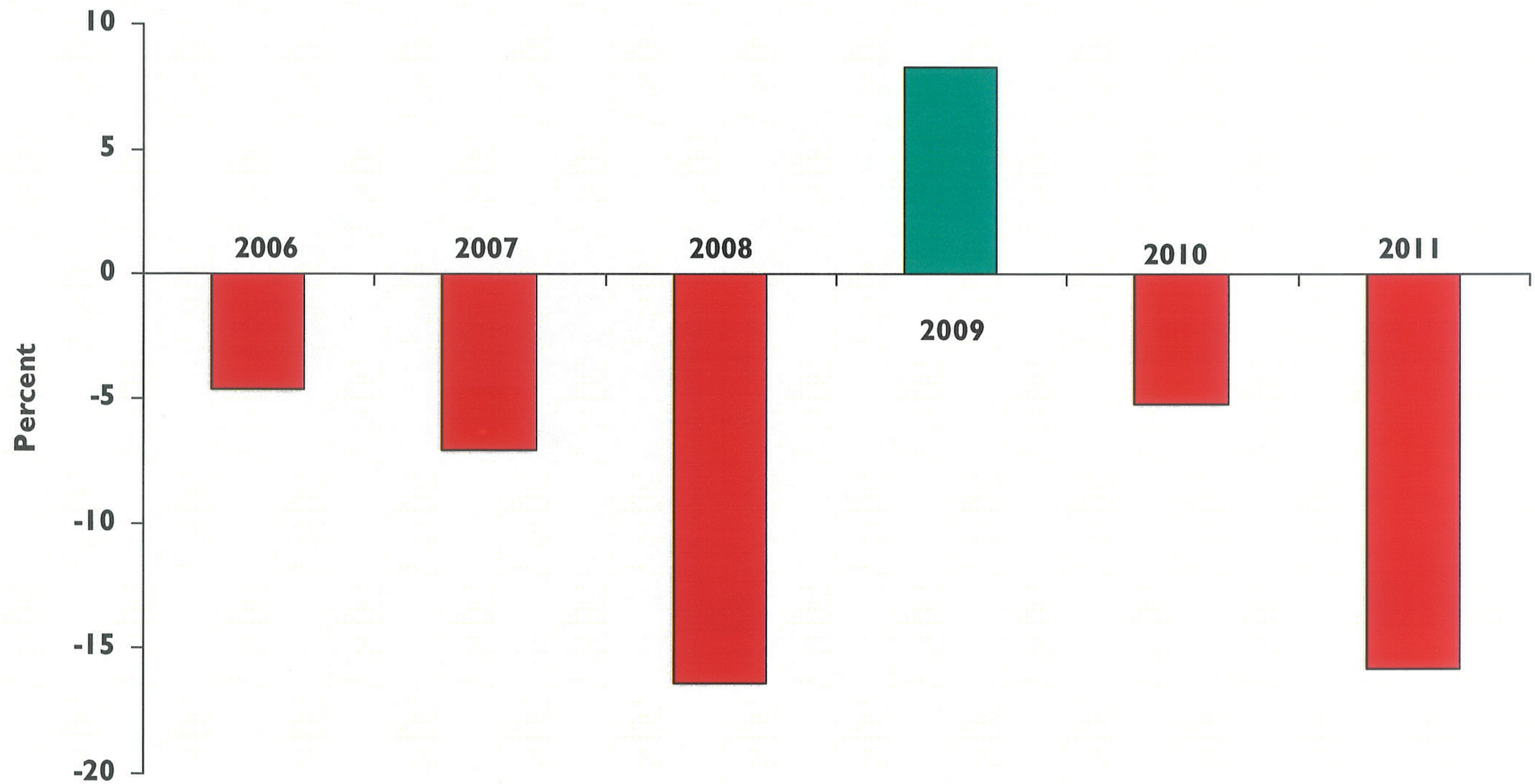
Contracts Will Not Insulate Domestic Mills from Price Effects

- There is now a greater prevalence of ***shorter-term contracts***
- The volume taken by purchasers under their contracts ***can vary significantly based on market conditions*** and other supply options
- Prices paid under contracts ***may be influenced by market conditions***
- Low-priced Japanese offers will affect ***future contract negotiations***

Likely Impact

The Domestic Industry's Long-Term Future Is at Risk

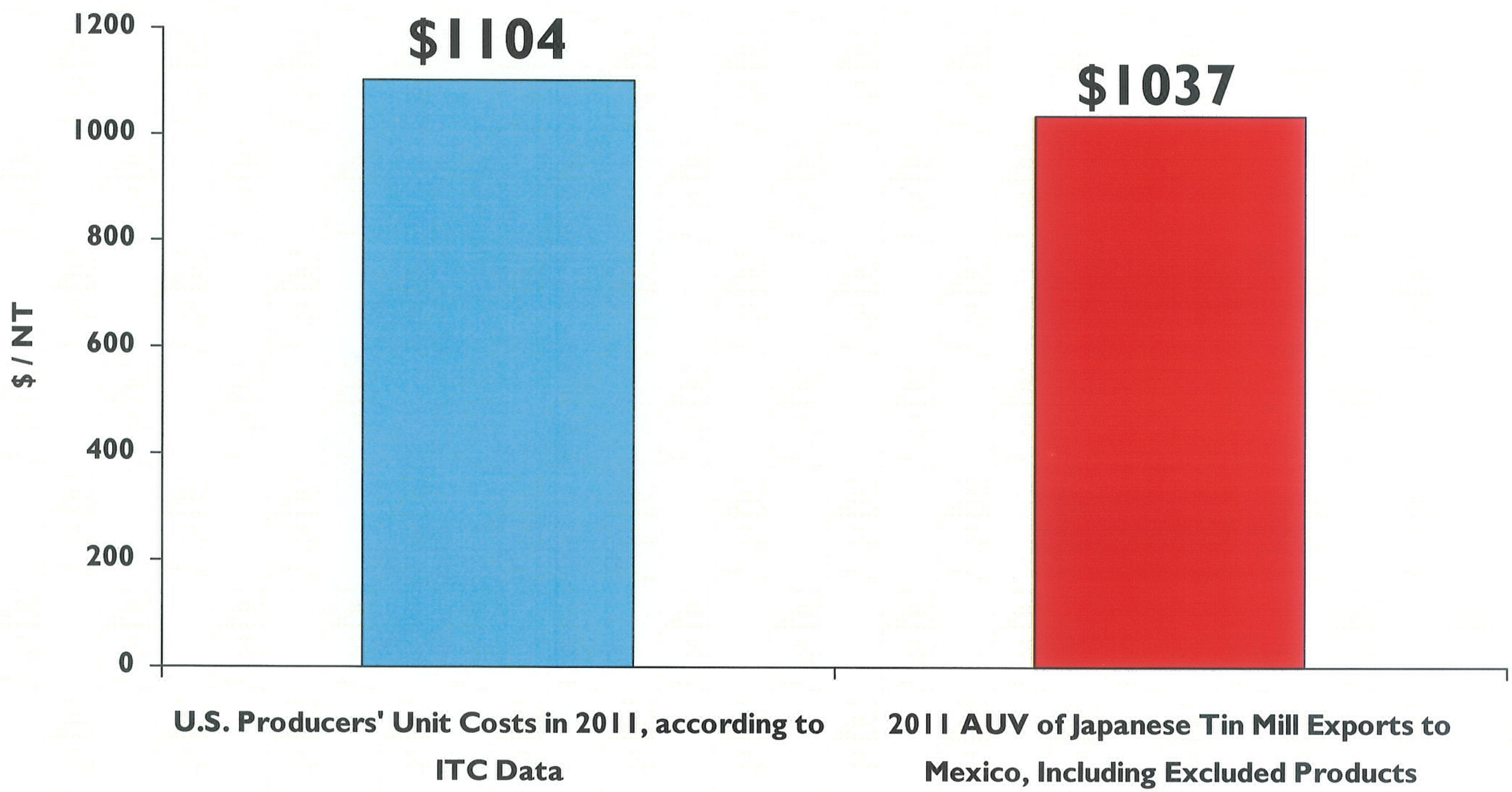
Domestic Industry Return on Investment, 2006-2011



Source: Staff Report at III-21 (Public Version).

Likely Impact

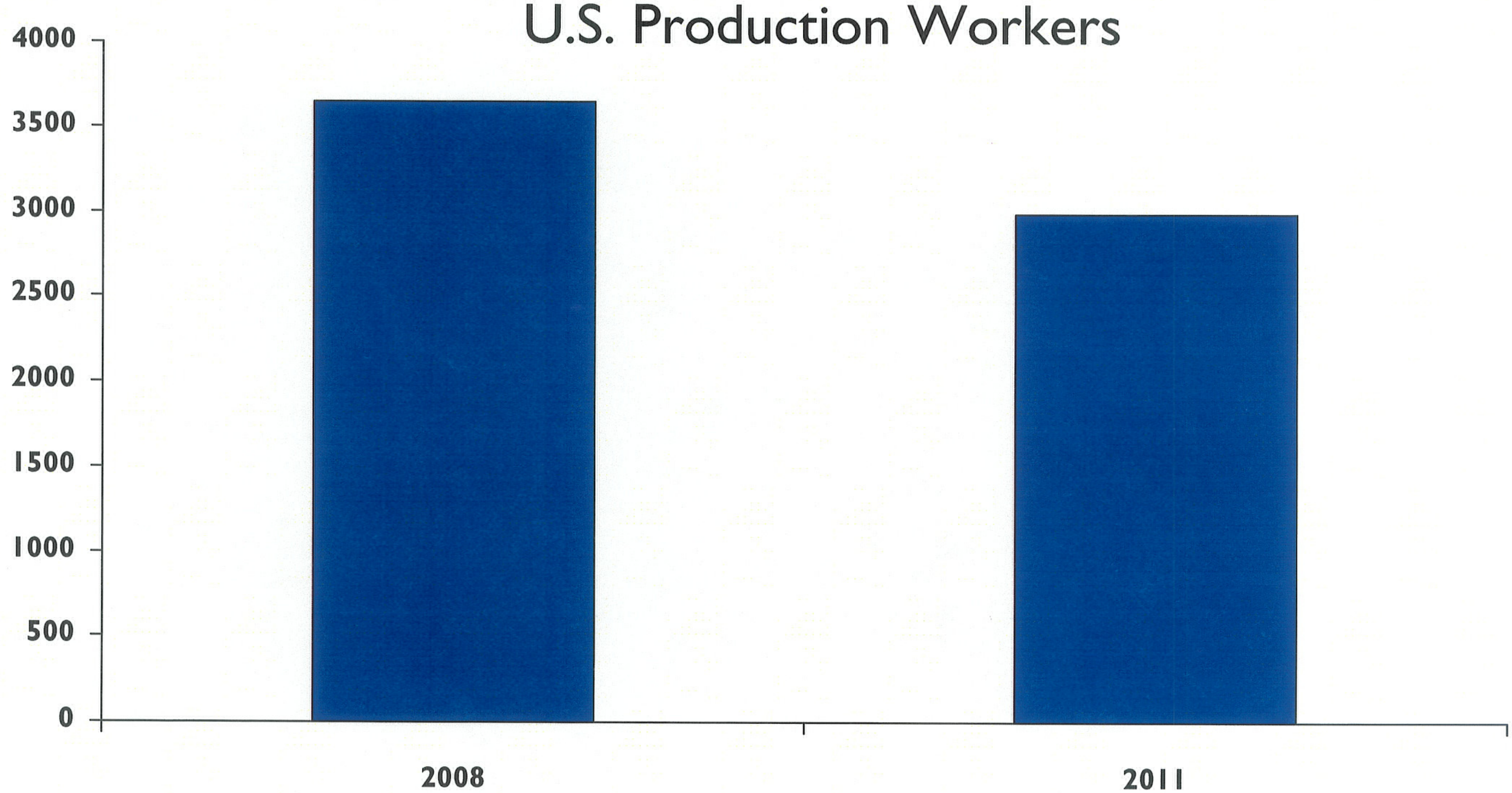
Japanese Exports to Mexico Are Priced Well Below ITC-Calculated Costs for U.S. Producers



Source: U.S. producers' costs taken from Staff Report at III-12 (Public Version) (unit cost of goods sold of $1054/NT + unit SG&A expenses of $50/NT = total unit cost of $1104/NT). AUV for Japanese tin mill exports to Mexico taken from World Trade Atlas.

Since 2008, the Domestic Industry Has Shed Almost ***One Fifth*** of its Workforce

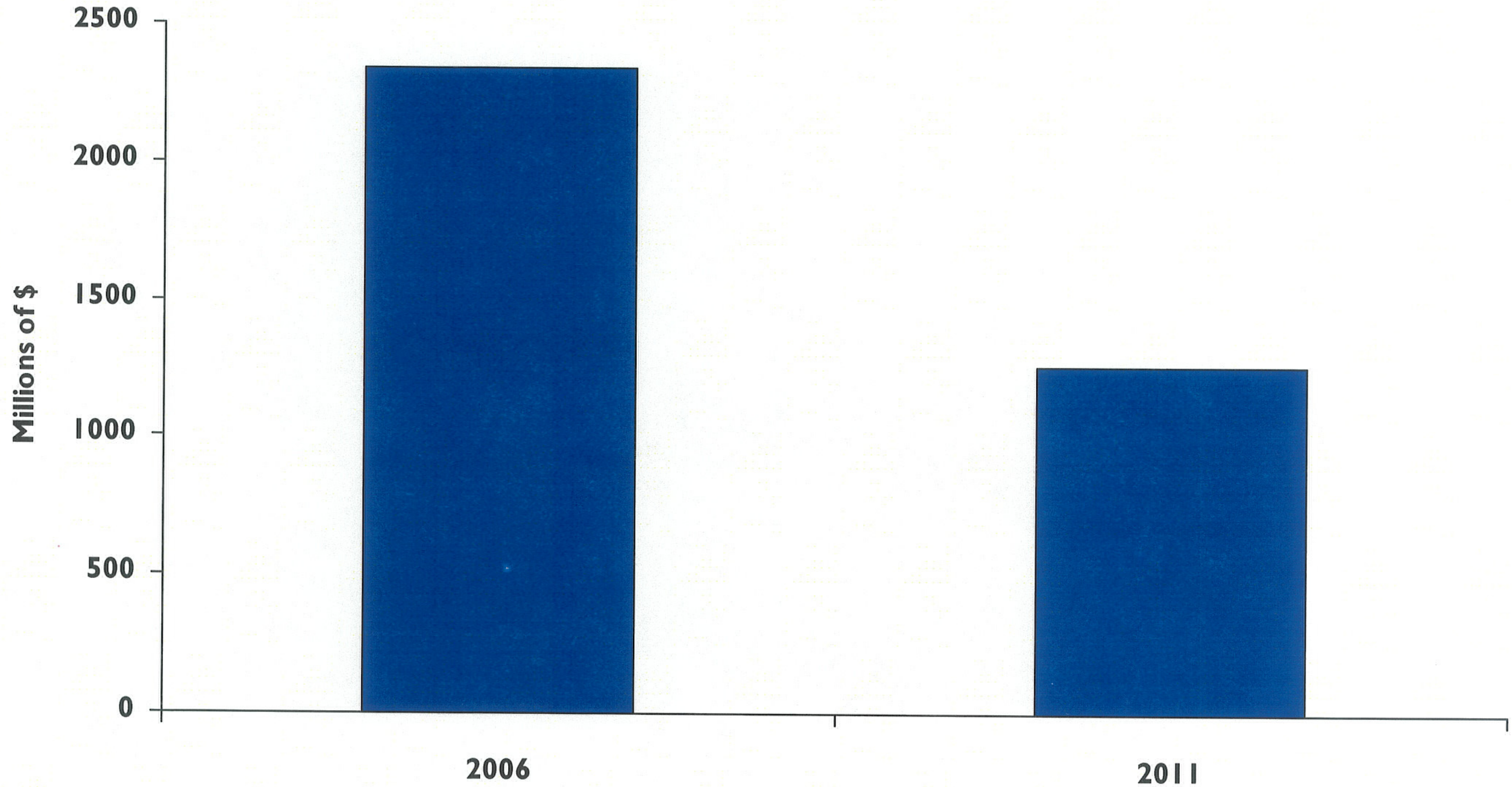
U.S. Production Workers



Source: Staff Report at C-3 (Public Version).

Since 2006, the Value of the Industry's Assets Has Fallen by **Over 46 Percent**

Domestic Industry Total Assets



Source: Staff Report at III-21 (Public Version).