

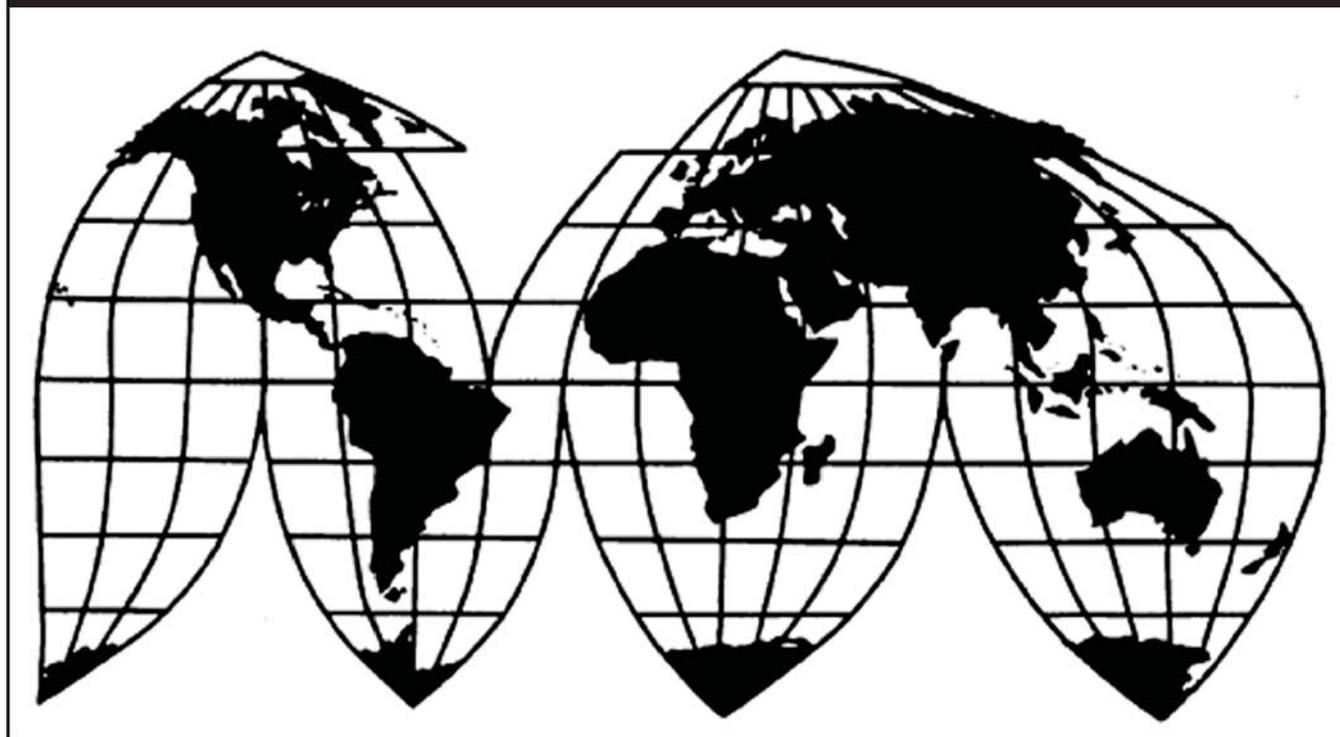
Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan

Investigation Nos. 701-TA-534-538 and 731-TA-1274-1278 (Preliminary)

Publication 4547

July 2015

U.S. International Trade Commission



Washington, DC 20436

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigation Nos. 701-TA-534-538 and 731-TA-1274-1278 (Preliminary)

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

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain corrosion-resistant steel products from China, India, Italy, Korea, and Taiwan, provided for in subheadings 7210.30.00, 7210.41.00, 7210.49.00, 7210.61.00, 7210.69.00, 7210.70.60, 7210.90.10, 7210.90.60, 7210.90.90, 7212.20.00, 7212.30.10, 7212.30.30, 7212.30.50, 7212.40.10, 7212.40.50, 7212.50.00, 7212.60.00, 7215.90.10, 7215.90.30, 7215.90.50, 7217.20.15, 7217.30.15, 7217.90.10, 7217.90.50, 7225.91.00, 7225.92.00, and 7226.99.01 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”) and that are allegedly subsidized by the governments of China, India, Italy, Korea, and Taiwan.

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission’s rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission’s rules, upon notice from the Department of Commerce (“Commerce”) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. 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 and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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

BACKGROUND

On June 3, 2015, United States Steel Corporation (Pittsburgh, Pennsylvania), Nucor Corporation (Charlotte, North Carolina), Steel Dynamics Inc. (Fort Wayne, Indiana), California Steel Industries (Fontana, California), ArcelorMittal USA LLC (Chicago, Illinois), and AK Steel Corporation (West Chester, Ohio) filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of certain corrosion-resistant steel products from China, India, Italy, Korea, and Taiwan. Accordingly, effective June 3, 2015, the Commission, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)), instituted countervailing duty investigation Nos. 701-TA-534-538 and antidumping duty investigation Nos. 731-TA-1274-1278 (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 June 9, 2015 (80 FR 32606). The conference was held in Washington, DC, on June 24, 2015, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of certain corrosion-resistant steel products (“CORE”) from China, India, Italy, Korea, and Taiwan that are allegedly sold in the United States at less than fair value and allegedly subsidized by the governments of China, India, Italy, Korea, and Taiwan.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing 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 or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.¹ 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.”²

II. Background

The petitions in these investigations were filed on June 3, 2015 by United States Steel Corporation (“USS”), Nucor Corporation (“Nucor”), Steel Dynamics Inc. (“SDI”), California Steel Industries (“CSI”), ArcelorMittal USA LLC (“AMUSA”), and AK Steel Corporation (“AK Steel”) (collectively, “Petitioners”). Each of these firms is a domestic producer of CORE. Petitioners appeared at the staff conference. The Commission received seven postconference briefs from the following domestic producers of CORE supporting the petitions: AK Steel, AMUSA, CSI/SDI, Nucor, Thomas Steel Strip Corporation and Apollo Metals, Ltd. (“Thomas/Apollo”), USS, and USS-POSCO Industries (“UPI”).

The following six groups of parties that oppose imposition of duties appeared at the conference and each submitted a postconference brief: China Iron & Steel Association on behalf of its members that are producers and importers/exporters of subject merchandise in China (“China Respondents”); Jindal South West Steel Ltd., Essar Steel India Limited, and Uttam Galva Steels Limited, producers of subject merchandise in India, and Uttam Galva North America, Inc., an importer of subject merchandise from India (collectively, “Indian

¹ 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

Respondents”); Marcegaglia, ILVA S.p.A, and Acciaieria Arvedi S.p.A., producers of subject merchandise in Italy, and Federacciai Federation of Italian Steel Companies, an association whose members are producers of subject merchandise in Italy (collectively, “Italian Respondents”); POSCO, POSCO Coated & Color Steel Co., Ltd., Hyundai Steel Co., Ltd., Dongkuk Steel Mill Co., Ltd., and Dongbu Steel Co., Ltd., producers of subject merchandise in Korea, and Korea Iron and Steel Association, an association whose members are producers of subject merchandise in Korea (collectively, “Korean Respondents”); TCC Steel Co., Ltd., a producer of subject merchandise in Korea, and TCC America Corporation and Procon Metals, Inc., importers of subject merchandise from Korea (collectively, “Procon”); and Prosperity Tieh Enterprise Co., Ltd. (“Taiwan Respondent”), a producer of subject merchandise in Taiwan. An additional respondent party, China Steel Corporation (“CSC”), a producer of subject merchandise in Taiwan, also submitted a postconference brief.

In these investigations, U.S. industry data are based on the questionnaire responses of 18 U.S. producers, accounting for *** percent of U.S. production of CORE in 2014.³ U.S. import data are based on official Commerce import statistics for CORE, as adjusted to include micro-alloy steel data collected separately in questionnaire responses.⁴ The Commission received usable responses to its questionnaires from 12 producers of CORE in China, accounting for approximately *** of production of subject merchandise in China in 2014;⁵ four producers of CORE in India, accounting for approximately *** percent of production of subject merchandise in India in 2014;⁶ three producers of CORE in Italy, accounting for *** production of subject merchandise in Italy in 2014;⁷ six producers of CORE in Korea, accounting for *** production of subject merchandise in Korea in 2014;⁸ and five producers of CORE in Taiwan, accounting for *** percent of production of subject merchandise in Taiwan in 2014.⁹

III. Domestic Like Product

In determining 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.”¹⁰ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines

³ Confidential Staff Report (“CR”) at III-1; Public Staff Report (“PR”) at III-1.

⁴ CR/PR at IV-1. The Commission received usable questionnaire responses from 42 U.S. importers of CORE, accounting for 66.1 percent of CORE imports from China, 91.2 percent of CORE imports from India, 77.0 percent of CORE imports from Italy, 100 percent of CORE imports from Korea, 80.2 percent of CORE imports from Taiwan, 93.4 percent of CORE imports from nonsubject country Canada, and 64.9 percent of CORE imports from other nonsubject sources during the January 1, 2012 to March 31, 2015 period of investigation. *Id.*

⁵ CR/PR at VII-3.

⁶ CR at VII-11; PR at VII-9.

⁷ CR at VII-18; PR at VII-15.

⁸ CR at VII-25; PR at VII-21.

⁹ CR at VII-34; PR at VII-27.

¹⁰ 19 U.S.C. § 1677(4)(A).

the relevant domestic 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 major proportion of the total domestic production of the product.”¹¹ In turn, the Tariff Act defines “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.”¹²

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.¹³ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁴ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹⁵ Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,¹⁶ the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁷ The Commission may, where appropriate,

¹¹ 19 U.S.C. § 1677(4)(A).

¹² 19 U.S.C. § 1677(10).

¹³ See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including the following: (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).

¹⁴ See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹⁵ See, e.g., *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

¹⁶ See, e.g., *USEC, Inc. v. United States*, 34 Fed. App’x 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

¹⁷ *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission’s determination defining six like products in investigations where Commerce found five classes or kinds).

include domestic articles in the domestic like product in addition to those described in the scope.¹⁸

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

The products covered by these investigations are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a width of 12.7 mm or greater, regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (e.g., in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (e.g., in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been “worked after rolling” (e.g., products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements reference above:

(1) Where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and

(2) Where the width and thickness vary for a specific product (e.g., the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

Steel products included in the scope of these investigations are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or

¹⁸ See, e.g., *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington*, 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten, (also called wolfram) or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels and high strength low alloy (HSLA) steels. IF steels are recognized as low carbon steels with microalloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with microalloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum.

Furthermore, this scope also includes Advanced High Strength Steels (AHSS) and Ultra High Strength Steels (UHSS), both of which are considered high tensile strength and high elongation steels.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of these investigations unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these investigations:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (“terne plate”), or both chromium and chromium oxides (“tin free steel”), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion-resistant carbon steel flat-rolled products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20 percent-60 percent-20 percent ratio.¹⁹

¹⁹ *Certain Corrosion-Resistant Steel Products From the People’s Republic of China, India, Italy, the Republic of Korea, and Taiwan: Initiation of Countervailing Duty Investigations*, 80 Fed. Reg. 37223 (June 30, 2015); and *Certain Corrosion-Resistant Steel Products From Italy, India, the People’s Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 80 Fed. Reg. 37228 (June 30, 2015).

The scope of these investigations differs from the scope of prior antidumping and countervailing duty investigations and reviews of CORE by the inclusion of micro-alloy corrosion-resistant steel products.²⁰ CORE is steel sheet that has been coated or plated with a corrosion or heat-resistant metal to prevent corrosion and thereby extend the service life of products produced from the steel. CORE includes primarily steel coated with zinc (galvanized), zinc-iron alloy (galvannealed), aluminum, or any of several zinc-aluminum alloys. Steel coated with other metals, however, including nickel and copper, as well as steel clad with aluminum or stainless steel sheet, also are included within Commerce's scope. CORE is used in the manufacture of automobile bodies, appliances, and commercial and residential buildings and in other construction applications. The two widely used processes for manufacturing CORE are the hot-dip process and the electrolytic process.²¹

Petitioners propose a domestic like product that is coextensive with the scope of these investigations.²² Respondent Procon contends that the Commission should treat two specialty CORE products -- diffusion-annealed nickel plated steel ("DANP") and copper-plated steel -- as separate domestic like products from other CORE in these investigations.²³ Domestic producers Thomas/Apollo agree with the petitioners' single domestic like product definition and contest respondent Procon's claims that DANP and copper-plated steel should be separate domestic like products.²⁴ Chinese Respondents, Indian Respondents, Italian Respondents, Korean Respondents, and the Taiwan Respondent indicate that they accept or take no position on the definition of the domestic like product as proposed in the petitions for purposes of the preliminary determinations.^{25 26}

²⁰ Petition at 20-23.

²¹ CR at I-24 - I-31; PR at I-19 – I-23.

²² Petition at 3-8.

²³ Procon Postconference Brief at 1-30; Conf. Tr. at 175-180 and 213. Procon primarily relies on the Commission's domestic like product analysis in the 2013-2014 investigation of DANP from Japan and the fact that there is a single producer of DANP to argue that there is a clear dividing line between DANP and other CORE products. Procon Postconference Brief at 1, 9-17, *citing Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products from Japan*, Inv. No. 731-TA-1206 (Preliminary), USITC Pub. 4395 (May 2013) and *Diffusion-Annealed, Nickel-Plated Flat-Rolled Steel Products from Japan*, Inv. No. 731-TA-1206 (Final), USITC Pub. 4466 (May 2014). It also maintains that copper-plated steel is a highly specialized product with limited end uses, is produced by only one manufacturer, is not readily interchangeable with other CORE products and deserves examination as a separate domestic like product. Procon Postconference Brief at 24-30.

²⁴ Thomas/Apollo Postconference Brief at 1-16.

²⁵ Conference Transcript ("Conf. Tr.") at 191 and 194; Indian Respondents Postconference Brief at 1-2; Italian Respondents Postconference Brief at 4; Korean Respondents Postconference Brief at 4; Taiwan Respondent Postconference Brief at 4.

²⁶ CSC, which has not asserted a domestic like product argument, requests that the Commission exclude electrogalvanizing steels from the scope of investigation. CSC Postconference Brief at 11-12. Such a request must be directed to Commerce, the agency with the responsibility of defining the scope of imported articles subject to investigation.

Based on the record, we define a single domestic like product, consisting of CORE, that is coextensive with the scope of investigation. The starting point for the Commission's analysis and definition of the domestic like product is the scope of imported merchandise determined by Commerce to be subject to investigation. In cases where domestically manufactured merchandise is made up of a grouping of similar products or involves niche products, the Commission does not consider each item of merchandise to be a separate like product that is only "like" its identical counterpart in the scope, but considers the grouping itself to constitute the domestic like product²⁷ and "disregards minor variations,"²⁸ absent a "clear dividing line" between particular products in the group.

The scope of these CORE investigations covers a much broader range of CORE products than the narrow scope of investigation in the DANP from Japan investigation.²⁹ By contrast, in at least four prior investigations and reviews involving CORE products, DANP and copper-plated steel have been included in the scope of investigation and were included in the Commission's definition of a single domestic like product for all CORE products, that is coextensive with the scope.³⁰

²⁷ See, e.g., *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from China*, Inv. Nos. 701-TA-469 and 731-TA-1168 (Final), USITC Pub. 4190 (November 2010) at 8, n. 45; *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey*, Inv. Nos. 731-TA-1099-1101 (Preliminary), USITC Pub. 3832 (January 2006) at 10 ("a lack of interchangeability among products comprising a continuum is not unexpected and not inconsistent with finding a single like product."); *Stainless Steel Bar from France, Germany, Italy, Korea, and the United Kingdom*, Inv. Nos. 701-TA-413 (Final) and 731-TA-913-916 and 918 (Final), USITC Pub. 3488 (February 2002) at 6-7.

²⁸ See S. Rep. No. 96-249 at 90-91 (1979).

²⁹ See *Diffusion-Annealed Nickel-Plated Flat-Rolled Steel Products from Japan*, Inv. No. 731-TA-1206 (Preliminary), USITC Pub. 4395 at 5-6 (May 2013); *Diffusion-Annealed Nickel-Plated Flat-Rolled Steel Products from Japan*, Inv. No. 731-TA-1206 (Final), USITC Pub. 4466 at 6 (May 2014).

³⁰ See *Corrosion-Resistant Carbon Steel Flat Products from Germany and Korea*, Inv. Nos. 701-TA-350 and 731-TA-616 and 618 (Third Reviews), USITC Pub. 4388 (March 2013); *Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom*, Inv. Nos. AA 1921-197, 701-TA-319-320, 325-327, 348, and 350 and 731-TA-573, 574, 576, 578, 582-587, 612, and 614-618 (Second Reviews), USITC Pub. 3899 (Jan. 2007); *Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Netherlands, Poland, Romania, Spain, Sweden, Taiwan, and the United Kingdom*, Inv. Nos. AA 1921-197, 701-TA-231, 319-320, 325-328, 348, and 350 and 731-TA-573, 574, 576, 578, 582-587, 612, and 614-618 (First Reviews), USITC Pub. 3364 (Nov. 2000); *Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, Inv. Nos. 701-TA-319-332, 334, 336-342, 344 and 347-353 and 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993). While we recognize that domestic like product definitions in prior Commission determinations are not precedential, that the Commission has defined a single domestic like product in several prior investigations of CORE rebuts any inference that the Commission has consistently found clear dividing lines between DANP and copper-plated steel, on the one hand, and other types of CORE, on the other, when the scope of investigation involves multiple types of CORE.

Physical Characteristics and Uses. DANP, copper-plated steel, and other CORE share many of the same physical characteristics. All three generally consist of cold-rolled steel sheet that has been plated and fall within the same range of thickness and width.³¹ The only difference between DANP, copper-plated steel, and other CORE is the type of metal used in the coating.³² Other CORE products, such as Galvalume (*i.e.*, steel coated with 55 percent aluminum-zinc alloy), also are included in the scope of these investigations and have been included in the Commission's definition of the CORE domestic like product in past decisions, even though the coating metal, appearance, and ASTM standard were different than other types of CORE.³³

Manufacturing Facilities, Production Processes and Employees. DANP and copper-plated steel are made using the same technology, processes, and equipment as other CORE.³⁴ Specifically, Thomas produces nickel-plated steel (other than diffusion-annealed), DANP, cobalt-nickel-plated steel, zinc-nickel-plated steel, zinc-copper-plated steel, and copper-plated steel all in the same facilities using the same workforce.³⁵ In 2014, DANP accounted for *** of Thomas/Apollo's U.S. commercial shipments, copper-plated steel accounted for ***, and other types of CORE accounted for ***.³⁶

Channels of Distribution. U.S.-produced and imported DANP and copper-plated steel products are sold through the same channels of distribution to the same types of end users.³⁷ CORE is sold to the automotive and construction industries, as well as to stampers/fabricators, other distributors, and steel service centers. Likewise, DANP and copper-plated steel are sold to the automotive industry, as well as to stampers and fabricators.³⁸ In addition, other specialty CORE products, such as zinc-copper-plated steel, are sold to stampers and other distributors.³⁹

Interchangeability. Different types of CORE products serve a range of applications where the specific items may not be directly interchangeable.⁴⁰ DANP and copper-plated steel, as well as other specialty products, generally share many common characteristics with CORE products, including a (cold-rolled) steel substrate, hot dip or electrolytic plating process, metal or alloy plating material, and corrosion-resistance.⁴¹

³¹ CR at I-34 n.40; PR at I-31 n.40.

³² CR at I-34; PR at I-26.

³³ See generally Thomas/Apollo Postconference Brief at 7-10; CR at I-33 – I-34; PR at I-25 – I-26.

³⁴ CR at I-34 – I-35; PR at I-26.

³⁵ CR at I-34 – I-35; PR at I-26; Thomas/Apollo Postconference Brief at 10-11.

³⁶ CR/PR at Table I-2. Thomas and Apollo provided a consolidated response to the Commission's domestic producer questionnaire. *Id.* at III-1 n.1.

³⁷ See generally Thomas/Apollo Postconference Brief at 14-15; CR at I-37; PR at I-27.

³⁸ CR at I-37; PR at I-27. DANP is sold primarily to battery manufacturers. *Id.*; USITC Pub. 4395 at 6.

³⁹ See generally Thomas/Apollo Postconference Brief at 14-15; CR at I-37; PR at I-27.

⁴⁰ See generally Thomas/Apollo Postconference Brief at 13-14; CR at I-35 – I-36; PR at I-26 – I-27. Similar to other specialty CORE products, the direct interchangeability between DANP or copper-plated steel and other CORE products may be somewhat limited.

⁴¹ See generally Thomas/Apollo Postconference Brief at 13-14; CR at I-35 – I-36; PR at I-26 – I-27.

Producer and Customer Perceptions. DANP, copper-plated steel, and other CORE products are used to resist corrosion in numerous automotive and consumer applications. Producers and customers perceive that the intended purpose for all of these CORE products is to prevent corrosion. Specifically, DANP is ideal for use in battery cans and end caps, fuel and power-steering lines, and other automotive fuel lines because of its resistance to corrosion, whereas copper-plated steel is ideal for use in automotive brake lines because of its resistance to corrosion from automotive fluids. DANP and copper-plated steel are used in the same types of consumer applications as other CORE products.⁴²

Price. The price of DANP or copper-plate steel is comparable to other thin gauge, high quality CORE products, including products with zinc or other coating metals.⁴³ Thomas/Apollo notes that, “for example, high-quality corrosion-resistant steel used in automotive applications can carry a very high price.”⁴⁴

Conclusion. Based on the record in the preliminary phase of these investigations, we determine that there is one domestic like product. The evidence on the record indicates that there is not a clear dividing line between DANP, copper-plated steel, and other specialty CORE products, all of which are included in the scope of investigation. DANP and copper-plated steel are niche products that share the general characteristics of the group of CORE products subject to investigation. Accordingly, we find one domestic like product that is coextensive with the scope of the investigation, encompassing all CORE products.⁴⁵

IV. Domestic Industry and Related Parties

The domestic industry is defined as the domestic “producers as a whole 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.”⁴⁶ In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

In light of our domestic like product definition, we define one domestic industry consisting of all domestic producers of CORE consistent with Commerce’s scope definition. We must determine whether any producer of the domestic like product should be excluded from the domestic industry as a related party pursuant to Section 771(4)(B) of the Tariff Act. This

⁴² See generally Thomas/Apollo Postconference Brief at 11-13; CR at I-36; PR at I-27. Nickel-plated steel is used in the production of batteries and automotive fuel lines, and copper-plated steel is used in the production of tubing for automotive brake fluid and for other applications. CR at I-25; PR at I-20.

⁴³ CR at I-38; PR at I-28.

⁴⁴ Thomas/Apollo Postconference Brief at 15.

⁴⁵ If parties want to raise particular domestic like product arguments, and consequently request that the Commission seek additional data on certain CORE products, they should so indicate in their comments on the draft questionnaires in any final phase of these investigations. See 19 C.F.R. § 207.20(b).

⁴⁶ 19 U.S.C. § 1677(4)(A).

provision 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.⁴⁷ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.⁴⁸ No party advocated the exclusion of any domestic producer as a related party.⁴⁹

In these investigations, AMUSA,⁵⁰ Nucor,⁵¹ Steelscape,⁵² Thomas/Apollo,⁵³ and UPI⁵⁴ are each affiliated with one or more subject foreign exporters or U.S. importers. None of these firms themselves imported subject merchandise.⁵⁵ Consequently, under the statute they would be related parties only if there was a "control" relationship between the U.S. producer, on the one hand, and the importer or exporter of subject merchandise, on the other.⁵⁶ This criterion

⁴⁷ See *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); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

⁴⁸ The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (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 producer vis-à-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. at 1168.

The Commission has also analyzed whether the interests of a related party producer lie principally in production or importation. See, *e.g.*, *Certain Crystalline Silicon Photovoltaic Products from China and Taiwan*, Inv. Nos. 701-TA-511 and 731-TA-1246-1247 (Final), USITC Pub. 4519 at 17-18 (Feb. 2015).

⁴⁹ In particular, AMUSA acknowledges that it is a related party in light of its affiliations with two subject Italian producers but that these affiliations do not provide appropriate circumstances to exclude AMUSA from the industry in these investigations. AMUSA Postconference Brief, Exhibit 1 at 12. AMUSA also contends that its joint venture affiliations with a subject Chinese and a subject Indian producer do not warrant considering it as a related party within the meaning of the statute. *Id.* at 12, n.2.

⁵⁰ ***. CR at III-5 and Table III-1 n.2; PR at III-4 and Table III-1 n.2.

⁵¹ ***. CR at III-5 and Table III-1 n.5; PR at III-4 and Table III-1 n.5.

⁵² ***. CR at III-5 and Table III-1 n.6; PR at III-4 and Table III-1 n.6.

⁵³ ***. CR at III-5 and Table III-1 n.8; PR at III-4 and Table III-1 n.8.

⁵⁴ ***. CR at III-5 and Table III-1 n.10; PR at III-4 and Table III-1 n.10.

⁵⁵ See *generally* CR at III-5 and Table III-7; PR at III-4 and Table III-7.

⁵⁶ 19 U.S.C. § 1677(7)(4)(B)(i). U.S. producers *** purchased a small amount of subject imports from ***. CR at III-5 – III-6 and Table III-7; PR at III-4 and Table III-7. A purchaser of subject merchandise is a related party only if it controls large volumes of subject imports. The Commission has found such control to exist when the domestic producer was responsible for a predominant proportion of the importer's purchases and these purchases were substantial. See, *e.g.*, *Foundry Coke from China*, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 at 8-9 (Sept. 2001). Because none of these three parties controlled (Continued...)

appears to be met for AMUSA ***, and for Nucor, Steelscape, and Thomas/Apollo, each of which has a common parent with importers and/or exporters of subject merchandise. The record, however, does not reflect whether control relationships exist with respect to ***.

Even assuming that all of the affiliated U.S. producers are related parties, we do not find that appropriate circumstances exist to warrant any firm's exclusion from the domestic industry. First, these domestic producers are engaged only in U.S. production of CORE and do not directly import any subject merchandise.⁵⁷ Second, all of these companies have made significant investments in their U.S. CORE operations during January 2012-March 2015, including significant capital expenditures.⁵⁸ In light of these expenditures and the often substantial production volumes,⁵⁹ the interests of each of these firms appear to be primarily those of a domestic producer. Third, *** these domestic producers, *** imposition of duties.⁶⁰ The record, including financial data, provides no indication that any of these domestic producers derive any benefit or operate in a manner that is different from other domestic producers as a result of their affiliations.^{61 62} Finally, no party has argued for the exclusion of any of these producers from the domestic industry as related parties.

Accordingly, we find that appropriate circumstances do not exist to exclude any of the producers who may be related parties from the domestic industry and define the domestic industry as all U.S. producers of CORE.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.⁶³ Based on official import statistics (as adjusted for micro-alloy CORE), subject imports as a share of the total CORE imports for each subject country exceed the requisite 3 percent statutory

(...Continued)

large volumes of subject imports with its purchases, we find that none is a related party. CR/PR at Table III-7.

⁵⁷ ***. CR at III-5 and Table III-7; PR at III-4 and Table III-7.

⁵⁸ CR/PR at Table VI-4.

⁵⁹ CR at III-5; PR at III-4. The share of reported domestic production accounted for by each of these companies in 2014 was as follows: ***. CR/PR at Table III-1.

⁶⁰ CR/PR at Table III-1.

⁶¹ CR/PR at Table VI-2. ***, which *** the petition with respect to ***, accounted for *** of domestic production in 2014. CR/PR at Table III-1. In particular, the financial condition of *** suggests that it has not benefitted financially through its affiliation with ***. See CR/PR at Table VI-2 (showing that ***).

⁶² Vice Chairman Pinkert does not rely upon related producers' financial performance in determining whether to exclude them from the domestic industry.

⁶³ 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); see also 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

negligibility threshold. For the 12-month period of June 2014 – May 2015, imports from China accounted for *** of total imports of CORE, imports from India were ***, imports from Italy were ***, imports from Korea were ***, and imports from Taiwan were ***.⁶⁴ We therefore find that imports from each of the subject countries are not negligible.

VI. Cumulation

A. Legal Framework

Because our determinations involve the issue of threat of material injury by reason of subject imports, we must consider whether to cumulate subject imports from China, India, Italy, Korea, and Taiwan for purposes of our threat analysis. In contrast to cumulation for material injury, cumulation for a threat analysis is discretionary. Under section 771(7)(H) of the Tariff Act, the Commission may “to the extent practicable” cumulatively assess the volume and price effects of 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 and the statutory exceptions to cumulation do not apply.⁶⁵

In these investigations, the threshold criterion is satisfied because petitioners filed the antidumping/countervailing duty petitions with respect to all five countries on the same day, June 3, 2015. None of the statutory cumulation exceptions apply.⁶⁶ Subject imports from all five countries are therefore eligible for cumulation. We consequently examine whether there is a reasonable overlap of competition between subject imports from each country, as well as between subject imports and the domestic like product. We then discuss whether it is appropriate to exercise our discretion to cumulate subject imports for purposes of our threat analysis.

B. Reasonable Overlap of Competition

In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

- (1) the degree of fungibility between subject imports from different countries and between subject 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 geographic markets of subject imports from different countries and the domestic like product;

⁶⁴ CR at IV-8; PR at IV-7.

⁶⁵ 19 U.S.C. § 1677(7)(H); *see also* 19 U.S.C. §§ 1677(7)(G)(ii).

⁶⁶ *See* 19 U.S.C. §§ 1677(7)(G)(ii) and 1677(7)(H).

- (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.⁶⁷

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.⁶⁸ Only a “reasonable overlap” of competition is required.⁶⁹

Fungibility. We find a moderate-to-high degree of substitutability between domestically produced CORE and CORE imported from subject sources.⁷⁰ Most responding U.S. producers reported that CORE produced in the United States and CORE imported from each subject source are always used interchangeably, while most responding importers reported that CORE from both domestic and individual subject sources are “frequently” or “sometimes” used interchangeably.⁷¹ In addition, the end uses⁷² and types of CORE product⁷³ that exporters from

⁶⁷ See *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-80 (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).

⁶⁸ See, e.g., *Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

⁶⁹ The Statement of Administrative Action (SAA) to the Uruguay Round Agreements Act (URAA), expressly states 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.” H.R. Rep. No. 103-316, Vol. I at 848 (1994) (*citing Fundicao Tupy*, 678 F. Supp. at 902); see *Goss Graphic Sys., Inc. v. United States*, 33 F. Supp. 2d 1082, 1087 (Ct. Int’l Trade 1998) (“cumulation does not require two products to be highly fungible”); *Wieland Werke, AG*, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

⁷⁰ CR at II-18; PR at II-14.

⁷¹ CR/PR at Table II-6.

⁷² CR/PR at Table IV-3. In 2014, 39.9 percent of U.S. commercial shipments of U.S.-produced CORE were sold for automotive end uses, 24.1 percent were for construction end uses, 3.1 percent were for appliance end uses, and 32.9 percent were for other end uses. In 2014, *** of U.S. commercial shipments of subject CORE imports from China were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses. In 2014, *** of U.S. commercial shipments of subject CORE imports from India were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses. In 2014, *** of U.S. commercial shipments of subject CORE imports from Italy were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses. In 2014, *** of U.S. commercial shipments of subject CORE imports from Korea were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses. In 2014, *** of U.S. commercial shipments of subject CORE imports from Taiwan were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses. *Id.*

⁷³ CR/PR at Table IV-4. In 2014, U.S. shipments of hot-dip galvanized and galvanized CORE as a share of each source’s shipments were *** for U.S. producers, *** for imports from China, *** for (Continued...)

each subject country shipped to the United States during the period of investigation reveal a sufficient degree of fungibility among the subject imports and between imports from each subject source and the domestic like product.

Channels of Distribution. U.S. shipments of CORE by producers and importers are sold in appreciable proportions to both distributors and end users. In 2014, the majority of domestic producers' U.S. shipments of CORE (66.1 percent), as well as the majority of imports of CORE from India (78.6 percent), Korea (54.1 percent), and Taiwan (65.2 percent), were sold to distributors, whereas the majority of imports of CORE from China (55.0 percent) and Italy (***) were sold directly to end users.⁷⁴

Geographic Overlap. CORE production occurs throughout the United States and the domestic like product is shipped nationwide.⁷⁵ CORE imports from all subject sources, except Italy, also are sold throughout the continental United States, and subject imports from Italy are sold in the Northeast, Midwest, Mountain, Southeast, and Central Southwest regions.⁷⁶

Simultaneous Presence in Market. Imports of CORE from all subject sources as well as domestically produced CORE were present in the U.S. market in every month during the period of investigation.⁷⁷

Conclusion. Based on the record, we conclude that there is a reasonable overlap of competition between the domestic like product and imports from each subject country and between imports from each subject country.

C. Cumulation for Purposes of Threat Analysis

Petitioners argue that all of the statutory requirements have been met, there is a reasonable overlap of competition, and factors such as volume trends and substitutability support the Commission's cumulation of all subject imports for purposes of its threat analysis.⁷⁸ Indian, Italian, Korean, and Taiwan Respondents contend that the Commission should not cumulate subject imports from their subject country with any other subject imports for the purposes of its threat analysis. Italian, Korean, and Taiwan Respondents each individually contend that there are important differences in the conditions of competition with respect to imports from each of these three countries, as well as different trends in import volumes and prices, that individually distinguish CORE imports from Italy, Korea, and Taiwan from other

(...Continued)

imports from India, *** for imports from Italy, *** for imports from Korea, and *** for imports from Taiwan. *Id.*

⁷⁴ CR/PR at Table II-1.

⁷⁵ CR/PR at Table II-2.

⁷⁶ CR/PR at Table II-2.

⁷⁷ CR/PR at Table IV-5.

⁷⁸ AMUSA Postconference Brief at 3-5. All of the other Petitioners concur with AMUSA's discussion of cumulation for purposes of the threat analysis. AK Steel Postconference Brief at 2; CSI/SDI Postconference Brief at 15; Nucor Postconference Brief at 5; USS Postconference Brief at 42 n.174.

subject imports.⁷⁹ In addition, Italian Respondents contend that the Commission should exercise its discretion not to cumulate subject imports from Italy because such imports are just over the negligibility level and have accounted for less than *** percent of the U.S. market throughout the period of investigation.⁸⁰ Indian Respondents contend that for purposes of the threat analysis, there is no reasonable overlap of competition between the imports from India and other subject imports or between imports from India and the domestic product and thus the Commission should exercise its discretion and not cumulate subject imports from India.⁸¹

As discussed above, there is a reasonable overlap of competition among subject imports from all five countries and between subject imports from each country and the domestic like product. There is no information on the record to suggest that the reasonable overlap of competition between and among subject imports and the domestic like product that now exists will not continue into the imminent future.⁸² In addition, the volume of subject imports from each subject country showed an increase from 2012 to 2014.⁸³ Prices for subject imports from all sources declined over the period of investigation.⁸⁴ The record does not indicate that there would likely be any significant difference in the conditions of competition between subject imports from the five countries. We recognize that some potential differences exist between the industries in these subject countries, but we find that it is appropriate to exercise our discretion to cumulate subject imports from all five countries for purposes of the preliminary phase of these investigations.⁸⁵

⁷⁹ Italian Respondents Postconference Brief at 31-33; Korean Respondents Postconference Brief at 31-33; Taiwan Respondent Postconference Brief at 31-32.

⁸⁰ Italian Respondents Postconference Brief at 30.

⁸¹ Indian Respondents at 20-22. Indian Respondents argue that subject imports from India are distinct from domestic products and other subject imports, and do not serve the same geographic markets. *Id.* Indian Respondents did not challenge cumulation for purposes of the present material injury analysis, although reasonable overlap of competition is a prerequisite for such cumulation. As discussed above, we find the reasonable overlap standard has been satisfied.

⁸² In determining whether to exercise his discretion to cumulate subject imports for purposes of analyzing threat of material injury, Vice Chairman Pinkert focuses on volume and price effects.

⁸³ CR/PR at Table IV-2.

⁸⁴ CR/PR at Table V-9.

⁸⁵ In any final phase of these investigations in which we need to reach the issue, we will reexamine whether to exercise our discretion to cumulate the volume and price effects of subject imports in analyzing threat of material injury.

VII. Reasonable Indication of Threat of Material Injury by Reason of Subject Imports

A. Legal Standard

1. In General

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.⁸⁶ 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.⁸⁷ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁸⁸ In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁸⁹ 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.”⁹⁰

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury “by reason of” unfairly traded imports,⁹¹ it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.⁹² In identifying a causal link, if any, between subject imports and material injury or threat of material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports

⁸⁶ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁸⁷ 19 U.S.C. § 1677(7)(B). 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).

⁸⁸ 19 U.S.C. § 1677(7)(A).

⁸⁹ 19 U.S.C. § 1677(7)(C)(iii).

⁹⁰ 19 U.S.C. § 1677(7)(C)(iii).

⁹¹ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁹² *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’d* 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.⁹³

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.⁹⁴ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁹⁵ Nor does the

⁹³ The Federal Circuit, in addressing the causation standard of the statute, has observed that “[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

⁹⁴ SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) (“[T]he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); accord *Mittal Steel*, 542 F.3d at 877.

⁹⁵ SAA at 851-52 (“[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345. (“[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“[t]he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “[i]f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing *Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some (Continued...)

“by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.⁹⁶ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁹⁷

Assessment of whether material injury or threat of material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”^{98 99} Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”¹⁰⁰

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases in which the relevant “other factor” was the presence in the market of significant

(...Continued)

tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

⁹⁶ S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

⁹⁷ See *Nippon*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

⁹⁸ *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

⁹⁹ Vice Chairman Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas.

Mittal Steel explains as follows:

What *Bratsk* held is that “where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market,” the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

¹⁰⁰ *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.¹⁰¹ The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission’s interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports,’” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.¹⁰² Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.¹⁰³

The question of whether the injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency’s institutional expertise in resolving injury issues.¹⁰⁴

¹⁰¹ *Mittal Steel*, 542 F.3d at 875-79.

¹⁰² *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis). In its decision in *Swiff-Train v. United States*, Ct. No. 2014-1814 (Jul. 13, 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

¹⁰³ To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

¹⁰⁴ *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

2. Threat of Material Injury Factors

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry 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.”¹⁰⁵ The Commission may not make such a determination “on the basis of mere conjecture or supposition,” and considers the threat factors “as a whole” in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.¹⁰⁶ In making our determination, we consider all statutory threat factors that are relevant to these investigations.¹⁰⁷

¹⁰⁵ 19 U.S.C. § 1677(7)(F)(ii).

¹⁰⁶ 19 U.S.C. § 1677(7)(F)(ii).

¹⁰⁷ These factors are as follows:

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

...

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of subject import volume. Statutory threat factor (IV) is discussed in the analysis of subject import price effects. Statutory factors (VIII) and (IX) are discussed in the analysis of impact. Statutory factor (VII) concerning agricultural products is inapplicable to these investigations.

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury or threat of material injury by reason of subject imports.

1. Demand Conditions

CORE is used primarily in automotive and construction applications, although other end uses include appliance manufacturing and HVAC systems, which are linked to residential construction.¹⁰⁸ Thus, demand for CORE is mainly driven by demand in the automotive and construction sectors, as well as overall economic conditions.¹⁰⁹ Apparent U.S. consumption of CORE increased by 14.2 percent from 2012 to 2014, rising from 19.1 million short tons in 2012 to 19.8 million short tons in 2013, and then to 21.8 million short tons in 2014.¹¹⁰ Apparent U.S. consumption of CORE was 5.1 million short tons in January-March (“interim”) 2014 and 5.2 million short tons in interim 2015.¹¹¹

Most responding U.S. producers and importers reported that U.S. demand for CORE had increased since January 2012, particularly in the automotive and construction sectors.¹¹² Total monthly construction spending in the United States (residential and nonresidential) increased from January 2012 to April 2015.¹¹³ Total monthly vehicle sales in the United States fluctuated from January 2012 to May 2015,¹¹⁴ and industry sources have projected that total U.S. auto sales will increase from 16.5 million vehicles in 2014 to 17.3 million vehicles in 2015 and could reach 20 million vehicles in 2018.¹¹⁵ Most responding importers reported that demand outside the United States had either increased or fluctuated since January 2012.¹¹⁶

2. Supply Conditions

During the period of investigation, the domestic industry satisfied the bulk of U.S. demand for CORE. On an annual basis, the share of apparent U.S. consumption that the

¹⁰⁸ CR at II-13 and Table IV-3; PR at II-10 and Table IV-3.

¹⁰⁹ CR at II-1 and II-15; PR at II-1 and II-11.

¹¹⁰ CR/PR at Tables IV-8 and C-1.

¹¹¹ CR/PR at Table IV-8.

¹¹² CR at II-17 and Table II-5; PR at II-13 and Table II-5. Some respondents reported that while there had been increasing demand in the automotive and construction sectors, demand in the energy sector had decreased due to a decline in oil and gas prices. CR at II-17 n.36; PR at II-13 n.36.

¹¹³ CR at II-15 and Figure II-2; PR at II-11 and Figure II-2. Although the period for which the Commission questionnaires sought data ran through March 2015, the record contains some data on factors affecting demand for subsequent months.

¹¹⁴ CR at II-15 and Figure II-1; PR at II-11 and Figure II-1; *Automotive News* (January 14, 2015), reproduced in Nucor Postconference Brief at Exhibit 2D.

¹¹⁵ *Automotive News* (January 14, 2015) reproduced in Nucor Postconference Brief at Exhibit 2D.

¹¹⁶ CR/PR at Table II-5.

domestic industry supplied declined from 85.7 percent in 2012 to 85.5 percent in 2013 and 79.6 percent in 2014; the U.S. industry's share of apparent U.S. consumption was 81.1 percent in interim 2014 and 76.1 percent in interim 2015.¹¹⁷ In 2014, the five largest domestic producers, ***, accounted for *** percent of U.S. CORE production.¹¹⁸ The domestic industry's capacity was 0.5 percent higher in 2014 than it was in 2012.¹¹⁹

The domestic industry reported the following consolidation and restructuring during the period of investigation: AK Steel ***, AMUSA ***,¹²⁰ New Star Metals ***, SDI ***, and USS ***.¹²¹ Twelve of the eighteen responding domestic producers also reported prolonged shutdowns or curtailments, mostly during 2014 and 2015.¹²²

Cumulated imports from subject sources as a share of apparent U.S. consumption fluctuated between years but increased overall from 8.2 percent of the U.S. market in 2012 to 13.1 percent in 2014. Cumulated subject imports as a share of apparent U.S. consumption were 11.9 percent in interim 2014 and 15.9 percent in interim 2015.¹²³ All five subject countries increased their share of the U.S. market from 2012 to 2014.¹²⁴

Nonsubject imports increased from 6.2 percent of total apparent U.S. consumption in 2012 to 6.7 percent in 2013 and 7.3 percent in 2014; nonsubject imports' share of apparent U.S. consumption was 6.9 percent in interim 2014 and 8.0 percent in interim 2015.¹²⁵ In 2014, the largest source of nonsubject imports was Canada.¹²⁶

3. Substitutability and Other Conditions

The record indicates that there is a moderate-to-high degree of substitutability between domestically produced CORE and CORE imported from subject sources.¹²⁷ As discussed above, most responding U.S. producers reported that CORE produced in the United States and CORE imported from each subject source are "always" used interchangeably, while most responding importers reported that CORE from domestic and individual subject sources are "frequently" or "sometimes" used interchangeably.¹²⁸ In addition, the end uses¹²⁹ and types of CORE product¹³⁰ that exporters from each subject country shipped to the United States during the

¹¹⁷ CR/PR at Table IV-8.

¹¹⁸ CR at III-2 and Table III-1; PR at III-1 and Table III-1.

¹¹⁹ CR/PR at Table C-1.

¹²⁰ This is a 50/50 joint venture between AMUSA and Nippon Steel & Sumitomo Metal Corp. CR/PR at Table III-2.

¹²¹ CR/PR at Table III-2.

¹²² CR at III-10 and Table III-2; PR at III-5 and Table III-2.

¹²³ CR/PR at Table IV-8.

¹²⁴ CR/PR at Table IV-8.

¹²⁵ CR/PR at Table IV-8.

¹²⁶ CR/PR at IV-3.

¹²⁷ CR at II-18; PR at II-14.

¹²⁸ CR/PR at Table II-6.

¹²⁹ CR/PR at Table IV-3.

¹³⁰ CR/PR at Table IV-4.

period of investigation reveal a substantial overlap between the cumulated subject imports and the domestic like product. In 2014, 39.9 percent of U.S. commercial shipments of U.S.-produced CORE were sold for automotive end uses, 24.1 percent were for construction end uses, 3.1 percent were for appliance end uses, and 32.9 percent were for other end uses.¹³¹ In 2014, *** of U.S. commercial shipments of cumulated subject CORE imports were sold for automotive end uses, *** were for construction end uses, *** were for appliance end uses, and *** were for other end uses.¹³² In 2014, U.S. shipments of hot-dip galvanized and galvaneal CORE constituted *** of U.S. producers' shipments and *** of cumulated subject CORE imports.¹³³

The record also indicates that price is an important factor in purchasing decisions in the U.S. CORE market.¹³⁴ All U.S. producers reported that there were either "sometimes" or "never" differences other than price between CORE from all country sources, and most importers reported that differences other than price were at least Asometimes@ important for all country sources.¹³⁵

Prices for the primary raw materials used to produce CORE fluctuated during January 2012 to May 2015, with prices for iron ore, coal, iron and steel scrap, and aluminum decreasing over the period, and prices for zinc increasing. Specifically, prices for iron ore, coal, and iron and steel scrap decreased by 29.5 percent, 7.2 percent, and 46.6 percent, respectively, from January 2012 to March 2015; between March and May 2015, prices for each of these raw materials increased slightly, by 2.9 percent, 0.6 percent, and 1.3 percent, respectively.¹³⁶ Prices for both zinc and aluminum – the main CORE coating materials – fluctuated during January 2012 to March 2015, though the price of zinc increased overall by *** and the price of aluminum decreased by ***. During March to May 2015, the price of zinc was *** higher than in January 2012, and the price of aluminum was *** lower than in January 2012.¹³⁷ Prices for hot-rolled coil and cold-rolled coil, intermediate products used in the production of CORE, declined by *** and ***, respectively, between January 2012 and March 2015.¹³⁸ Energy is also a factor in CORE production costs; energy costs fluctuated between January 2012 and May 2015.¹³⁹

The vast majority of CORE sold by U.S. producers and importers is produced to order. Responding U.S. producers reported that 98 percent of their U.S. commercial shipments were

¹³¹ CR/PR at Table IV-3.

¹³² CR/PR at Table IV-3.

¹³³ CR/PR at Table IV-4.

¹³⁴ CR at II-23 and Table II-7; PR at II-17 and Table II-7; *see also* USITC Pub. 4388 at 22 and Table II-5.

¹³⁵ CR at II-23 and Table II-7; PR at II-17 and Table II-7. Differences cited by importers included product offerings, quality, reliability of supply, availability, lead times, risks of buying offshore, product range, and technical support. CR at II-23; PR at II-17.

¹³⁶ CR/PR at V-1 and Figure V-1.

¹³⁷ CR at V-2-V-3 and Figure V-2; PR at V-2 and Figure V-2.

¹³⁸ CR at V-4 and Figure V-3; PR at V-3 and Figure V-3.

¹³⁹ CR at V-5 and Figure V-4; PR at V-3 and Figure V-4.

produced to order, with lead times averaging 52 days.¹⁴⁰ Responding U.S. importers reported that 68-100 percent of U.S. commercial shipments of imports from all five subject countries were produced to order, with lead times ranging from *** to 130 days.¹⁴¹

Finally, U.S. producers reported selling their product mainly through annual or long-term contracts (53.7 percent of 2014 shipments) and spot sales (34.8 percent).¹⁴² Petitioners reported that contract pricing is closely tied to spot market pricing through indexing to publications such as the CRU.¹⁴³ With respect to CORE imported from subject countries, most (53.2 percent) was sold on the spot market, and less than five percent was sold through annual or long-term contracts.¹⁴⁴

C. Likely Volume of Subject Imports

We find that the volume and market penetration of cumulated subject imports increased substantially during the period of investigation and will likely continue to increase in the imminent future. There was a significant rate of increase in both the volume and market share of cumulated subject imports, particularly from 2013 to 2014 and between interim periods. The volume of cumulated subject imports was 1.6 million short tons in 2012 and 2013, then increased to 2.9 million short tons in 2014.¹⁴⁵ Thus, the volume of cumulated subject imports almost doubled, increasing by 83.7 percent from 2012 to 2014,¹⁴⁶ which was far greater than the 14.2 percent rise in apparent U.S. consumption during that time.¹⁴⁷ The volume of cumulated subject imports was 613,974 short tons in interim 2014 and 826,265 short tons in interim 2015;¹⁴⁸ cumulated subject imports were 34.6 percent higher in interim 2015 than in interim 2014 compared to 1.2 percent for apparent U.S. consumption between the interim periods.¹⁴⁹

The share of apparent U.S. consumption held by subject imports fluctuated between years, but increased substantially from 8.2 percent in 2012 to 13.1 percent in 2014. Cumulated subject imports' market share was 11.9 percent in interim 2014 and 15.9 percent in interim

¹⁴⁰ CR/PR at Table II-5b.

¹⁴¹ CR/PR at Table II-5b.

¹⁴² CR/PR at Table V-2.

¹⁴³ CR at V-9; PR at V-7; Conf. Tr. at 16, 25-26, 29, 37, 40-41, and 53-54.

¹⁴⁴ CR/PR at Table V-2. A majority of responding importers reported using contracts for their sales to automotive end users and using transaction-by-transaction negotiations for their sales to construction, appliance, other end users, and distributors/service centers. Responding U.S. producers reported using both contracts and transaction-by-transaction negotiations for their sales to automotive end users and using transaction-by-transaction negotiations for their sales to construction, appliance, other end users, and distributors/service centers. CR/PR at Table V-1.

¹⁴⁵ CR/PR at Table IV-2.

¹⁴⁶ CR/PR at Table C-1.

¹⁴⁷ CR/PR at Table C-1.

¹⁴⁸ CR/PR at Table IV-2.

¹⁴⁹ CR/PR at Table C-1.

2015.¹⁵⁰ This growth in market share represents an overall increase of 5.0 percentage points from 2012 to 2014; cumulated subject imports' market share was 3.9 percentage points higher in interim 2015 than in interim 2014.¹⁵¹ Subject imports' gain in market share during the period of investigation came at the expense of the domestic industry.¹⁵²

We find that the increases in cumulated subject import volume and market penetration observed during the period of investigation will likely continue in the imminent future.¹⁵³ CORE operations in the five subject countries, when considered on a cumulated basis, are large and growing. Data reported in questionnaire responses by subject producers/exporters in all five subject countries indicate that the combined capacity to produce CORE increased by 6.4 percent from 45.7 million short tons in 2012 to 48.7 million short tons in 2014, and capacity is projected to increase further in the imminent future.¹⁵⁴

The subject producers also reported substantial combined unused capacity. The combined excess capacity for the industries in the five subject countries amounted to 5.9 million short tons in 2014.¹⁵⁵ This figure is more than double total subject imports in 2014 and equivalent to over 27 percent of apparent U.S. consumption in 2014.¹⁵⁶ Combined excess capacity was projected to increase further to 6.4 million short tons in 2015 and 6.5 million short tons in 2016.¹⁵⁷ Moreover, the combined subject producers' projected growth in home market shipments lags behind their projected increase in capacity.¹⁵⁸

¹⁵⁰ CR/PR at Table C-1.

¹⁵¹ CR/PR at Table C-1.

¹⁵² The domestic industry's market share by quantity declined during the period of investigation, falling from 85.7 percent in 2012 to 85.5 percent in 2013 and 79.6 percent in 2014, representing an overall decline of 6.1 percentage points. CR/PR at Table C-1. The domestic industry's market share was 81.1 percent in interim 2014 and 76.1 percent in interim 2015. *Id.* Nonsubject imports' market share increased from 6.2 percent in 2012 to 6.7 percent in 2013 and 7.3 percent in 2014, representing an overall increase of 1.2 percentage points. CR/PR at Table C-1. Nonsubject imports' market share was 6.9 percent in interim 2014 and 8.0 percent in interim 2015. *Id.*

¹⁵³ In addition, responding U.S. importers reported that they had already imported or arranged to import almost 1.1 million short tons of CORE from subject sources from April to December 2015. CR/PR at Table VII-28. Based on official import statistics, the volume of cumulated subject CORE imports was 472,119 short tons in April-May 2014 and 581,774 short tons in April-May 2015; cumulated subject imports were 23.2 percent higher in April-May 2015 than in April-May 2014. EDIS Doc # 560802.

¹⁵⁴ CR/PR at Table VII-26. Combined production capacity for all five subject countries is projected to be 49.1 million short tons in 2015 and 50.5 million short tons in 2016. *Id.*

When asked to describe the factors that affect their firms' ability to shift production between CORE and other products, foreign producers from four of the five subject countries reported that their equipment cannot be used to produce other products. CR/PR at Tables VII-4, VII-9, VII-14, and VII-24. Only the Korean producers indicated that about *** of their overall production capacity in 2014 was used to produce nonsubject merchandise. CR/PR at Table VII-19.

¹⁵⁵ CR/PR at Table VII-26.

¹⁵⁶ Compare CR/PR at Table VII-26 with CR/PR at Table IV-8.

¹⁵⁷ CR/PR at Table VII-26.

¹⁵⁸ CR/PR at Table VII-26.

Subject producers in the five subject countries export significant and increasing amounts of CORE.¹⁵⁹ Cumulated total export shipments reported by subject producers increased from 13.2 million short tons in 2012 to 16.0 million short tons in 2014, and was projected to increase to 16.6 million short tons in 2015 and 16.9 million short tons in 2016.¹⁶⁰ The cumulated share of their total shipments exported to the United States increased from 3.4 percent in 2012 to 5.9 percent in 2014, and was 5.1 percent in interim 2014 and 7.3 percent in interim 2015.¹⁶¹ Accordingly, we find that the significant increases in exports overall and to the U.S. market specifically indicate that the volume of subject imports is likely to increase further in the imminent future. We further observe that several countries have antidumping and countervailing duty orders in place or are currently conducting investigations concerning subject merchandise from China, Korea, and Taiwan.¹⁶² These orders make the U.S. market comparatively more attractive to the subject countries involved.¹⁶³

In sum, for the purposes of the preliminary phase of these investigations, we conclude that there is a likelihood of substantially increased subject imports in the imminent future.¹⁶⁴

¹⁵⁹ CR/PR at Tables VII-26 and VII-30. Based on Global Trade Atlas data, cumulated exports from the subject countries accounted for 47.2 percent of total global exports of CORE in 2012, 47.6 percent in 2013 and 53.6 percent in 2014. *Id.* at Table VII-30.

¹⁶⁰ CR/PR at Table VII-26. Based on Global Trade Atlas data, cumulated CORE exports from the subject countries increased from 24.8 million short tons in 2012 to 25.9 million short tons in 2013 and 31.2 million short tons in 2014. *Id.* at Table VII-30.

¹⁶¹ CR/PR at Table VII-26.

¹⁶² CR/PR at Table VII-29.

¹⁶³ Inventories of the subject merchandise both in the United States and in the subject countries increased over the period of investigation. U.S. importers' combined inventories of subject imports were *** in 2012, *** in 2013, and *** in 2014, representing an overall increase of 76.7 percent. CR/PR at Table VII-27. U.S. importers' combined inventories were 50.6 percent higher in interim 2015 at *** than in interim 2014 at ***. *Id.* The inventory levels as a ratio of total shipments, however, remained fairly constant, since the increases in inventories were generally commensurate with overall increases in shipments of U.S. importers and subject producers. As a share of their U.S. shipments of subject imports, U.S. importers' inventories of cumulated subject imports were 16.1 percent in 2012, 12.6 percent in 2013, 16.4 percent in 2014, 14.5 percent in interim 2014, and 16.3 percent in interim 2015. *Id.*

The responding subject producers for all five subject countries reported that their combined end-of-period inventories of CORE increased from 1.2 million short tons in 2012 to 1.8 million short tons in 2014. CR/PR at Table VII-26. Combined end-of-period inventories were 1.3 million short tons in interim 2014 and 1.6 million short tons in interim 2015. *Id.* The end-of-period inventories are projected to increase further in 2015 and 2016. *Id.* Responding subject producers reported end-of-period inventories of CORE as a share of their total shipments was 3.2 percent in 2012, 3.4 percent in 2013, 4.2 percent in 2014, 3.1 percent in interim 2014, and 4.0 percent in 2014. *Id.*

¹⁶⁴ We have also considered the nature of the alleged subsidy programs on which Commerce has initiated countervailing duty investigations, including 47 alleged subsidy programs from China, 52 from India, 12 from Italy, 39 from Korea, and 20 from Taiwan. See CR at I-11 – I-21; PR at I-9 – I-17; *Certain Corrosion-Resistant Steel Products From the People's Republic of China, India, Italy, the Republic of Korea, and Taiwan: Initiation of Countervailing Duty Investigations*, 80 Fed. Reg. 37223 (June 30, 2015).

Cumulated subject imports' share of the U.S. market increased substantially from 2013 to 2014, with such increases continuing into 2015. The combined CORE industries in the five subject countries are very large and growing, possess significant unused capacity and inventories, and export significant amounts of CORE.

D. Likely Price Effects of the Subject Imports

The record in the preliminary phase of these investigations indicates that subject imports and domestically produced CORE of the same type have a moderate-to-high degree of substitutability.¹⁶⁵ Moreover, as discussed above, the domestic like product and the subject imports overlap substantially in end uses and types of CORE product.¹⁶⁶ Price is accordingly an important factor in purchasing decisions.

The Commission collected quarterly pricing data for four CORE products.¹⁶⁷ Subject imports undersold the domestic like product in 133 of 211 quarterly comparisons.¹⁶⁸ There were *** short tons of subject imports in underselling comparisons and *** short tons in overselling comparisons.¹⁶⁹ The margins of underselling ranged from 0.1 percent to 38.2 percent, and the average margin of underselling was *** percent.¹⁷⁰ Given that price is important in purchasing decisions and the likely substantial increases in cumulated subject imports, we find that predominant underselling likely will continue in the imminent future.

Prices for domestically produced CORE and the subject imports fluctuated downward from the first quarter of 2012 to the first quarter of 2015.¹⁷¹ The decreases in the domestic price for CORE during this period ranged from approximately 8 percent to 11 percent, while the

¹⁶⁵ CR at II-18; PR at II-14.

¹⁶⁶ CR/PR at Tables IV-3 and IV-4.

¹⁶⁷ CR at V-11; PR at V-8. The pricing products include the following: (1) Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (*e.g.*, Galvalume), bare, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness; (2) Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (*e.g.*, Galvalume), pre-painted, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness; (3) Hot-dipped galvanized steel sheet, commercial steel type B, G-30 to G-60 coating weight, 24 inches to 60 inches in width, 0.012 inches to 0.018 inches in thickness; (4) Hot-dipped galvanized steel sheet, structural steel quality, G-60 to G-90 coating weight, 24 inches to 60 inches in width, 0.024 inches to 0.06 inches in thickness. *Id.* Twelve U.S. producers and 27 importers provided usable pricing data, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 9.4 percent of U.S. producers' U.S. commercial shipments of CORE during the January 2012-March 2015 period of investigation and the following percentages of U.S. commercial shipments of imports from subject countries: China – 29.6 percent, India – 39.7 percent, Italy – 27.6 percent, Korea – 16.4 percent, and Taiwan – 47.6 percent. CR at V-11 – V-12; PR at V-9.

¹⁶⁸ CR/PR at Table V-10.

¹⁶⁹ CR/PR at Table V-10.

¹⁷⁰ CR/PR at Table V-10.

¹⁷¹ CR/PR at Table V-9 and Figures V-5 - V-8. Prices for the domestic like product declined during 2012, increased starting in early-to-mid 2013, then again decreased starting in mid-to-late 2014. CR/PR at Tables V-5 – V-8.

declines in the subject import price ranged from approximately 2 percent to 21 percent.¹⁷² As discussed above, U.S. producers sold a majority of their product (53.7 percent) through annual or long-term contracts, whereas the majority of the subject imports (53.2 percent) were sold on the spot market in 2014.¹⁷³ Petitioners reported that contract pricing is closely tied to spot market pricing through indexing to publications such as the CRU.¹⁷⁴ In light of this linkage, the record suggests that when contracts are negotiated for renewal in a market characterized by large and increasing volumes of low-priced subject imports, U.S. producers will likely be forced either to accept lower prices or lose volume.¹⁷⁵

Respondents pointed to the decline in the prices of scrap, iron ore, metallurgical coal, and hot-rolled coil, and not subject imports, as being a primary driver for the price decreases in CORE during the period of investigation.¹⁷⁶ U.S. producers contended that market conditions are larger drivers of U.S. selling prices of CORE than raw material cost fluctuations.¹⁷⁷ In any final phase of these investigations, we will consider the role that raw material costs play in the price of CORE. Thus, we find for purposes of the preliminary phase investigations that the likely increases in low-priced subject imports are likely to depress domestic CORE prices to a significant degree in the imminent future.

In sum, we find that imports of subject merchandise are likely to continue underselling the domestic like product and enter at prices that are likely to have a significant depressing effect on domestic prices and are likely to increase demand for further imports.

¹⁷² CR at V-21 and Table V-9; PR at V-14 and Table V-9.

¹⁷³ CR/PR at Table V-2.

¹⁷⁴ CR at V-9; PR at V-7; Conf. Tr. at 16, 25-26, 29, 37, 40-41, and 53-54.

¹⁷⁵ See, e.g., USS Postconference Brief, Exhibit 19 at 3-5 for examples where ***. In any final phase of these investigations, we will further consider the extent to which contract negotiations are tied to spot market pricing trends. Additionally, confirmed lost sales and lost revenue allegations indicate that in certain instances U.S. producers have lowered prices in order to compete with the price of subject imports, and in other instances purchasers shifted from domestically produced CORE to subject imports due to price. CR at V-24 and Tables V-11 – V-13; PR at V-16 - V-17 and Tables V-11 – V-13. The domestic industry presented 47 lost sales and 19 lost revenue allegations. Six of the 13 responding purchasers contacted for lost sales/revenue allegations reported that they had shifted purchases of CORE from U.S. producers to subject imports since 2012, and five of these purchasers reported that price was the reason for the shift. CR at V-24 and Table V-13; PR at V-16 – V-17 and Table V-13. Four purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2012. CR at V-24 and Table V-12; PR at V-16 – V-17 and Table V-12.

¹⁷⁶ CR at V-21; PR at V-14. Over the period of investigation, the domestic industry's ratio of cost of goods sold ("COGS") to net sales was high, but declined each year. The domestic industry's ratio of COGS to net sales declined from 94.1 percent in 2012 to 93.4 percent in 2013 and 92.5 percent in 2014, representing an overall decline of 1.6 percentage points. CR/PR at Table VI-1. The domestic industry's ratio of COGS to net sales was 94.3 percent in interim 2014 and 94.7 percent in interim 2015. *Id.* This decline, at least to some degree, was the result of prices declining at a slower rate than raw materials costs, as the ratio of raw materials costs to net sales declined from 67.1 percent in 2012 to 64.2 percent in 2013 and 63.6 percent in 2014, a 3.5 percentage point reduction. *Id.* The ratio of raw materials costs to net sales was 62.8 percent in interim 2014 and 60.6 percent in interim 2015. *Id.*

¹⁷⁷ CR at V-21; PR at V-14.

E. Likely Impact of the Subject Imports¹⁷⁸

The domestic industry's performance generally improved from 2012 to 2014, although it was worse in interim 2015 than in interim 2014. While the domestic industry showed increases in trade and financial indicia from 2012 to 2014, such increases did not keep pace with increases in apparent U.S. consumption. The industry's market share declined during the period of investigation.

From 2012 to 2014, the domestic industry increased its production,¹⁷⁹ capacity,¹⁸⁰ and capacity utilization, but its production and capacity utilization were lower in interim 2015 than in interim 2014.¹⁸¹ The domestic industry's U.S. shipments also increased from 2012 to 2014, but were lower in interim 2015 than in interim 2014.¹⁸² The U.S. producers' share of the U.S. market declined from 85.7 percent in 2012 to 85.5 percent in 2013 and 79.6 percent in 2014; it was lower in interim 2015 at 76.1 percent than in interim 2014, when it was 81.1 percent.¹⁸³

Employment indicators declined slightly or were relatively constant during the period of investigation.¹⁸⁴ The domestic industry's number of production and related workers ("PRWs") during the period of investigation ranged from a low of 12,028 in 2013 to a high of 12,238 in interim 2014.¹⁸⁵ Hours worked¹⁸⁶ declined during the period of investigation. Wages paid¹⁸⁷

¹⁷⁸ Commerce initiated investigations based on estimated antidumping duty margins of 114.06 to 126.34 percent for imports from China, 71.09 percent for imports from India, 119.68 to 126.75 percent for imports from Italy, 46.80 to 86.34 percent for imports from Korea, and 86.17 percent for imports from Taiwan. CR at I-21; PR at I-14; *Certain Corrosion-Resistant Steel Products From Italy, India, the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 80 Fed. Reg. 37228 (June 30, 2015).

¹⁷⁹ Production increased from 17.5 million short tons in 2012 to 18.0 million short tons in 2013 and 18.6 million short tons in 2014. CR/PR at Tables III-3 and C-1. Production was 4.5 million short tons in interim 2014 and 4.2 million short tons in interim 2015. *Id.*

¹⁸⁰ The domestic industry's production capacity was 23.7 million short tons in 2012 and 23.8 million short tons in 2013 and 2014, and was 5.9 million short tons in interim 2014 and interim 2015. CR/PR at Tables III-3 and C-1.

¹⁸¹ Capacity utilization increased from 74.1 percent in 2012 to 75.7 percent in 2013 and 78.1 percent in 2014. CR/PR at Tables III-3 and C-1. Capacity utilization was 77.1 percent in interim 2014 and 72.1 percent in interim 2015. *Id.*

¹⁸² U.S. shipments increased from 16.4 million short tons in 2012 to 16.9 million short tons in 2013 and 17.4 million short tons in 2014. U.S. shipments were 4.2 million short tons in interim 2014 and 4.0 million short tons in interim 2015. CR/PR at Table III-5 and C-1.

The domestic industry's end-of-period inventories increased on an absolute basis as well as relative to production and shipments from 2012 to 2014, and between interim periods. CR/PR at Table III-6.

¹⁸³ CR/PR at Tables IV-8 and C-1.

¹⁸⁴ Petitioners indicated that when market conditions require them to cut back on mill operations, they first take other actions, such as reducing the crew work week, reducing use of contract employees, or assigning mill workers to maintenance/repair activities or community service, before commencing layoffs. CR at III-20 – III-21; PR at III-10 – III-11.

¹⁸⁵ CR/PR at Table III-8.

and labor productivity increased from 2012 to 2014, but were lower in interim 2015 than in interim 2014.¹⁸⁸

Similar to the trends in the above trade indicia, the domestic industry's financial indicators showed improvement from 2012 to 2014, but were worse in interim 2015 than in interim 2014.¹⁸⁹ The domestic industry's aggregate operating income increased from \$494.5 million in 2012 to \$596.0 million in 2013 and \$724.2 million in 2014, representing an overall increase of 46.4 percent.¹⁹⁰ However, the domestic industry's aggregate operating income was 40.4 percent lower in interim 2015 at \$66.4 million than in interim 2014 at \$111.4 million.¹⁹¹ The domestic industry's ratio of operating income to net sales increased by 1.2 percentage points from 2012 to 2014, with the operating income margin increasing from 3.1 percent in 2012 to 3.8 percent in 2013 and 4.4 percent in 2014.¹⁹² The industry's operating income margin was lower in interim 2015 at 1.8 percent than in interim 2014 at 2.8 percent.¹⁹³ Similarly, the industry experienced increasing gross profits and net income during the full years of the period of investigation, but gross profits were 14.8 percent lower in interim 2015 than in interim 2014, and net income was negative \$35.3 million in interim 2015 compared with positive net income of \$40.2 million in interim 2014.¹⁹⁴ The domestic industry's aggregate capital expenditures declined from \$343.4 million in 2012 to \$245.0 million in 2013 and \$218.1 million in 2014, and were \$49.8 million in interim 2014 and \$74.9 million in interim 2015.¹⁹⁵ Aggregate research

(...Continued)

¹⁸⁶ CR/PR at Table III-8. Total hours worked declined from 24.7 million hours in 2012 to 24.6 million hours in 2013 and 24.4 million hours in 2014. *Id.* Hours worked also were lower in interim 2015 at 6.1 million hours than in interim 2014 at 6.3 million hours. *Id.*

¹⁸⁷ CR/PR at Table III-8. Wages paid increased from \$936.6 million in 2012 to \$946.0 million in 2013 and \$991.8 million in 2014; they were \$242.0 million in interim 2014 and \$237.5 million in interim 2015. *Id.*

¹⁸⁸ CR/PR at Table III-8. Labor productivity increased from 709 short tons per hour in 2012 to 731 short tons per hour in 2013 and 763 short tons per hour in 2014; it was 715 short tons per hour in interim 2014 and 693 short tons per hour in interim 2015. *Id.*

¹⁸⁹ On June 29, 2015, the President signed into law, as part of the Trade Preferences Extension Act of 2015, three new statutory provisions specifically addressing Commission determinations in original antidumping and countervailing duty investigations. Pub. L. 114-27. We have considered these provisions in these investigations to the extent practicable, given that questionnaires were sent out prior to passage of this law. We plan to seek additional requisite information in any final phase questionnaires. *See generally* USS Postconference Brief at 40-41; Conf. Tr. at 60, 82.

¹⁹⁰ CR/PR at Tables VI-1 and C-1.

¹⁹¹ CR/PR at Tables VI-1 and C-1.

¹⁹² CR/PR at Tables VI-1 and C-1.

¹⁹³ CR/PR at Tables VI-1 and C-1.

¹⁹⁴ CR/PR at Tables VI-1 and C-1. The domestic industry's gross profit increased from \$925.6 million in 2012 to \$1.0 billion in 2013 and \$1.2 billion in 2014, representing an overall increase of 35.0 percent. The domestic industry's gross profit was \$226.9 million in interim 2014 and \$193.3 million in interim 2015. *Id.* The domestic industry's net income increased from \$34.1 million in 2012 to \$368.4 million in 2013 and \$487.9 million in 2014. *Id.*

¹⁹⁵ CR/PR at Table VI-4.

and development expenses increased from \$24.6 million in 2012 to \$24.7 million in 2013 and \$25.9 million in 2014, but were lower in interim 2015 at \$3.2 million than in interim 2014 at \$7.6 million.¹⁹⁶

Thus, the record in the preliminary phase of these investigations shows that, although the domestic industry experienced improvements in production, shipments, capacity utilization, and financial performance as apparent U.S. consumption increased, its market share declined as the volume of subject imports increased significantly. We have found that further cumulated subject imports are likely imminent, that these imports will likely undersell the domestic like product, have a significant depressing effect on domestic prices and are likely to increase demand for further imports, and that these subject imports will likely exacerbate declines in market share and trade and financial indicators that the domestic industry experienced in interim 2015.

We have also considered factors other than subject imports to ensure that we are not attributing any threat of material injury from other such factors to the subject imports. As discussed above, although nonsubject imports' market share steadily increased, they were the smallest source of supply to the U.S. CORE market during the period of investigation.¹⁹⁷ Nonsubject imports accounted for 6.2 percent of apparent U.S. consumption in 2012, 6.7 percent in 2013 and 7.3 percent in 2014.¹⁹⁸ Moreover, as a share of total imports, the volume of nonsubject imports fluctuated between years but declined overall from 43.0 percent in 2012 to 35.8 percent in 2014.¹⁹⁹ The average unit value for nonsubject imports was higher than that for both the domestic like product and subject imports throughout the period of investigation.²⁰⁰ Given our finding that the market share of subject imports is likely to continue to increase substantially, we find the adverse effects of subject imports are distinct from any effects attributable to the nonsubject imports.

Respondents have also alleged that the Commission should consider such other factors as the domestic industry supply disruptions and shortages in 2014 resulting from the severe winter weather of 2013-2014, the domestic industry's purported lack of capacity or interest in producing certain CORE products, the effects on prices of the lower costs for raw materials, and

¹⁹⁶ CR/PR at Table VI-4.

¹⁹⁷ The only sizeable supplier of CORE to the United States during the period of investigation, other than the subject countries, was Canada. CR at IV-3, VII-49 and Table IV-2; PR at IV-3, VII-40 and Table IV-2.

¹⁹⁸ CR at Tables IV-8 and C-1.

¹⁹⁹ CR at Table IV-2.

²⁰⁰ CR at Table C-1. The average unit value of nonsubject imports (including Canada) declined over the period of investigation, from \$1,014 per short ton in 2012 to \$968 per short ton in 2013 and \$943 per short ton in 2014. It was \$952 per short ton in interim 2014 and \$925 per short ton in interim 2015. CR at Table IV-2. The pricing data for nonsubject imports from Canada accounted for 13.2 percent of such imports from January 2012 to March 2015. In these limited price comparisons, prices for product imported from Canada were lower than prices for U.S.-produced product in *** instances and higher in *** instances. Prices for product imported from Canada were lower than prices for product imported from subject countries in *** instances and higher in *** instances. CR/PR at Appendix E-3 and Table E-2.

the effects on prices and demand of the collapse of oil and gas prices.²⁰¹ There is limited information on these alleged other factors in the preliminary phase of these investigations. We intend to examine these alleged other factors and the extent of their current and likely effects on the domestic industry in any final phase of these investigations.

VIII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports of CORE from China, India, Italy, Korea, and Taiwan that are allegedly sold in the United States at less than fair value and allegedly subsidized by the governments of China, India, Italy, Korea, and Taiwan.

²⁰¹ See China Respondents Postconference Brief at 3-7 and 11-12; Indian Respondents Postconference Brief at 3-11; Italian Respondents Postconference Brief at 6-25; Korean Respondents Postconference Brief at 6-25; Taiwan Respondent Postconference Brief at 6-25; CSC Postconference Brief at 7-8.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by United States Steel Corp. (Pittsburgh, Pennsylvania), Nucor Corp. (Charlotte, North Carolina), Steel Dynamics Inc. (Fort Wayne, Indiana), California Steel Industries (Fontana, California), ArcelorMittal USA LLC (Chicago, Illinois), and AK Steel Corp. (West Chester, Ohio), on June 3, 2015, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of certain corrosion-resistant steel products (“corrosion-resistant steel”)¹ from China, India, Italy, Korea, and Taiwan. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
June 3, 2015	Petition filed with Commerce and the Commission; institution of Commission investigations (80 FR 32606, June 9, 2015)
June 24, 2015	Commission’s conference
June 30, 2015	Commerce’s notice of initiation of antidumping duty investigations (80 FR 37228, June 30, 2015) and countervailing duty investigations (80 FR 37223, June 30, 2015)
July 16, 2015	Commission’s vote
July 20, 2015	Commission’s determination
July 27, 2015	Commission’s views

¹ See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

² Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission’s website (www.usitc.gov).

³ A list of witnesses appearing at the conference is presented in app. B of this report.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission—

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--⁴

In evaluating the volume of imports of merchandise, 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. . . . In evaluating the effect of imports of such merchandise on prices, 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. . . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the

⁴ PL 114-27 (as signed, June 29, 2015), The American Trade Enforcement Effectiveness Act, codifies this provision to read as follows: “(a) Effect of profitability of domestic industries.—Section 771(7) of the Tariff Act of 1930 (19 U.S.C. 1677(7)) is amended by adding at the end the following:

‘(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.’

(b) Evaluation of impact on domestic industry in determination of material injury.—Subclause (I) of section 771(7)(C)(iii) of the Tariff Act of 1930 (19 U.S.C. 1677(7)(C)(iii)) is amended to read as follows:

‘(I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity.’” The statute does not include an effective date.

context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy programs and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Corrosion-resistant steel is steel sheet that has been coated or plated with a corrosion- or heat-resistant metal to prevent corrosion and thereby extend the service life of products produced from the steel. Corrosion-resistant steel is used primarily in automotive and construction applications. The leading U.S. producers of corrosion-resistant steel are AK Steel Corp. ("AK Steel"), ArcelorMittal USA ("ArcelorMittal"), Nucor Corp. ("Nucor"), Steel Dynamics, Inc. ("Steel Dynamics"), and United States Steel Corp. ("U.S. Steel"). These firms responded to the Commission's producer questionnaire in this proceeding. Other U.S. producers that responded to the Commission's questionnaire include Arrow Shed LLC ("Arrow Shed"), California Steel Industries ("CSI"); Canfield Coating Co. ("Canfield"); CSN, LLC ("CSN"); National Galvanizing LP ("National"); Steelscape, LLC ("Steelscape"); Ternium USA, Inc. ("Ternium"); Thomas Steel Strip Corp. and Apollo Metals Ltd. ("Thomas/Apollo"); Top Gun Investment Corp. II ("Top Gun") (also known as "NLMK Pennsylvania"); USS-POSCO Industries ("USS-POSCO");

Wheeling-Nisshin, Inc. (“Wheeling-Nisshin”); and Worthington Steel (“Worthington”).⁵ Additional firms that are believed to have the capacity to produce corrosion-resistant steel in the United States include ***.⁶

The following 12 producers in China responded to the Commission’s questionnaire in this proceeding: Jiangyin Zongcheng Steel Co., Ltd. (“Jiangyin”); Angang Group International Trading Corp. (“Angang”); Baoshan Iron & Steel Co., Ltd. (“Baoshan”); Benxi Steel Group International Economic & Trading Co., Ltd. (“Benxi”); Handan Iron and Steel Group and Import Co., Ltd. (“Handan”); Maanshan Iron & Steel Co., Ltd.; (“Maanshan”); Shanghai Meishan Iron & Steel Co., Ltd. (“Shanghai Meishan”); Beijing Shougang Cold Rolling Co., Ltd. (“Beijing Shougang”); Shougang Jingtang United Iron & Steel Co., Ltd. (“Shougang Jingtang”); Tangshan Iron and Steel Group Co., Ltd. (“Tangshan”); Tianjin Rolling-One Steel Co., Ltd. (“Tianjin”); and Wisco International Economic & Trading Co., Ltd. (“Wisco”). While there are multiple producers of corrosion-resistant steel in China, the companies with the largest amounts of capacity include ***.⁷

The following four producers in India responded to the Commission’s questionnaire in this proceeding: National Steel & Agro Industries Ltd. (“National”); Essar Steel India Ltd. (“Essar”); JSW Steel Ltd./JSW Steel Coated Products Ltd. (“JSW”); and Uttam Galva Steels Ltd. (“Uttam Galva”). There are believed to be approximately 16 producers of corrosion-resistant steel in India, the largest of which include ***.⁸

The following three producers in Italy responded to the Commission’s questionnaire in this proceeding: Marcegaglia S.P.A. (“Marcegaglia”); Ilva SpA in Amministrazione Straordinaria (“Ilva”); and Acciaieria Arvedi SpA (“Arvedi”). The only known producers of corrosion-resistant steel in Italy include ***.⁹

The following six producers in Korea responded to the Commission’s questionnaire in this proceeding: Dongbu Steel Co., Ltd. (“Dongbu”); Dongkuk Steel Mill Co., Ltd. (“Dongkuk”); TCC Steel Corp. (“TCC”); POSCO; Hyundai Steel Co. (“Hyundai”); and POSCO Coated & Color Steel Co., Ltd. (POSCO C&C). There are believed to be 8 producers of corrosion-resistant steel in Korea, the largest of which include ***.¹⁰

⁵ ArcelorMittal’s and U.S. Steel’s questionnaire responses include data for U.S. joint-venture producer Double G Coatings. U.S. producer Double Eagle Steel Coating Co. (“Desco”) was jointly owned by AK Steel and U.S. Steel until June 2015, when AK Steel sold its joint venture interest to U.S. Steel. U.S. Steel’s questionnaire response includes data for Desco. Steel Dynamic’s questionnaire response includes data for “The Techs” (MetalTech, NexTech, and Galvtech). U.S. producer Spartan Steel Coating (“Spartan”) is jointly owned by Worthington and AK Steel. Although Worthington’s questionnaire response clearly includes data for Spartan, it is not clear that AK Steel’s questionnaire response includes its portion of Spartan’s data.

⁶ ***.

⁷ ***.

⁸ ***.

⁹ ***.

¹⁰ ***.

The following five producers in Taiwan responded to the Commission’s questionnaire in this proceeding: Great Grandeul Steel Corp. (“Great Grandeul”); Prosperity Tieh Enterprise Co., Ltd. (“Prosperity”); Kai Ching Industry Co., Ltd. (“Kai Ching”); China Steel Corp. (“China Steel”); and Sheng Yu Steel Co., Ltd. (“Sheng Yu”). There are believed to be 10 producers of corrosion-resistant steel in Taiwan, the largest of which include ***.¹¹

The leading U.S. importers of corrosion-resistant steel include companies that import from China (***), India (***), Italy (***), Korea (***), Taiwan (***), Canada (***), and other nonsubject countries (***).

Apparent U.S. consumption of corrosion-resistant steel totaled approximately 22 million short tons (\$19.5 billion) in 2014. U.S. producers’ U.S. shipments of corrosion-resistant steel totaled 17.4 million short tons (\$15.5 billion) in 2014, and accounted for 79.6 percent of apparent U.S. consumption by quantity and 79.9 percent by value. U.S. imports from subject sources totaled 2.9 million short tons (\$2.4 billion) in 2014 and accounted for 13.1 percent of apparent U.S. consumption by quantity and 12.4 percent by value. U.S. imports from nonsubject sources totaled 1.6 million short tons (\$1.5 billion) in 2014 and accounted for 7.3 percent of apparent U.S. consumption by quantity and 7.7 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 18 firms that accounted for *** percent of U.S. production of corrosion-resistant steel during 2014.¹² U.S. imports are based on official import statistics (HTS statistical reporting numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000), as supplemented from importer questionnaire responses to include imports of micro-alloy corrosion-resistant steel.

¹¹ ***.

¹² The coverage estimate is based on total production of coated sheet in the United States of *** short tons as reported by ***.

PREVIOUS AND RELATED INVESTIGATIONS

Title VII investigations

The Commission has conducted a number of previous import relief investigations on corrosion-resistant steel. Information concerning the disposition of Commission investigations and reviews concerning corrosion-resistant steel are presented in table I-1.

Table I-1
Corrosion-resistant steel: Previous and related Commission investigations

Original investigation				First review (1999) ¹	Second review (2006) ¹	Third review (2012) ¹	Notes
Date ¹	Number	Country	Outcome				
1980	731-TA-18	Belgium	Affirmative ²	--	--	--	Terminated 10/01/80
	731-TA-19	W. Germany	Affirmative ²	--	--	--	Terminated 10/01/80
	731-TA-20	France	Affirmative ²	--	--	--	Terminated 10/01/80
	731-TA-21	Italy	Affirmative ²	--	--	--	Terminated 10/01/80
	731-TA-23	Netherlands	Affirmative ²	--	--	--	Terminated 10/01/80
	731-TA-24	U.K.	Affirmative ²	--	--	--	Terminated 10/01/80
1982	701-TA-110	Belgium	Negative ²	--	--	--	--
	701-TA-111	France	Negative ²	--	--	--	--
	701-TA-112	Italy	Negative ²	--	--	--	--
	701-TA-113	Luxembourg	Negative ²	--	--	--	--
	701-TA-114	Netherlands	Negative ²	--	--	--	--
	701-TA-115	U.K.	Negative ²	--	--	--	--
	701-TA-116	W. Germany	Negative ²	--	--	--	--
	701-TA-158	Spain	Affirmative	--	--	--	ITA revoked 08/21/85
	701-TA-173	Korea	Affirmative	--	--	--	ITA revoked 10/10/85
	731-TA-75	Belgium	Negative ²	--	--	--	--
	731-TA-76	France	Negative ²	--	--	--	--
	731-TA-77	Italy	Negative ²	--	--	--	--
	731-TA-78	Luxembourg	Negative ²	--	--	--	--
	731-TA-79	Netherlands	Negative ²	--	--	--	--
	731-TA-80	U.K.	Negative ²	--	--	--	--
731-TA-81	W. Germany	Negative ²	--	--	--	--	

Table continued on following page.

Table I-1--Continued

Corrosion-resistant steel: Previous and related Commission investigations

Original investigation				First review (1999) ¹	Second review (2006) ¹	Third review (2012) ¹	Notes
Date ¹	Number	Country	Outcome				
1984	701-TA-212	Australia	Affirmative ²	--	--	--	ITA negative 05/10/84
	701-TA-233	Austria	Negative ²	--	--	--	--
	701-TA-234	Venezuela	Negative ²	--	--	--	--
	731-TA-178	Australia	Affirmative ²	--	--	--	Petition withdrawn 01/18/85
	731-TA-179	South Africa	Affirmative ²	--	--	--	Petition withdrawn 06/07/84
	731-TA-180	Spain	Affirmative ²	--	--	--	Petition withdrawn 01/18/85
	731-TA-230	Austria	Negative ²	--	--	--	--
	731-TA-231	E. Germany	Negative ²	--	--	--	--
	731-TA-232	Romania	Negative ²	--	--	--	--
	731-TA-233	Venezuela	Negative ²	--	--	--	--
1992	701-TA-347	Brazil	Affirmative	Affirmative	Negative	--	--
	701-TA-348	France	Affirmative	Affirmative	Negative	--	--
	701-TA-349	Germany	Affirmative	Affirmative	--	--	Order revoked by Commerce 04/01/04
	701-TA-350	Korea	Affirmative	Affirmative	Affirmative	Negative	--
	701-TA-351	Mexico	Negative	--	--	--	--
	701-TA-352	N. Zealand	Negative	--	--	--	--
	701-TA-353	Sweden	Negative	--	--	--	--
	731-TA-612	Australia	Affirmative	Affirmative	Negative	--	--
	731-TA-613	Brazil	Negative	--	--	--	--
	731-TA-614	Canada	Affirmative	Affirmative	Negative	--	--
	731-TA-615	France	Affirmative	Affirmative	Negative	--	--
	731-TA-616	Germany	Affirmative	Affirmative	Affirmative	Negative	--
	731-TA-617	Japan	Affirmative	Affirmative	Negative	--	--
	731-TA-618	Korea	Affirmative	Affirmative	Affirmative	Negative	--
731-TA-619	Mexico	Negative	--	--	--	--	
731-TA-620	Taiwan	Negative ²	--	--	--	--	
2013	731-TA-1206	Japan	Affirmative	(³)	(³)	(³)	(³)

¹ The dates presented in this table refer to the year in which the investigation or review were instituted by the Commission.

² Preliminary determination.

³ The first five-year review of the antidumping duty order on imports of diffusion-annealed, nickel-plated flat-rolled steel products from Japan is currently scheduled for initiation in April 2019.

Note.—Investigation No. 731-TA-1206 (2013) concerned diffusion-annealed, nickel-plated flat-rolled steel products.

Source: Compiled from Commission publications and determinations published in the *Federal Register*.

Safeguard investigations

In 1984, the Commission determined that carbon and alloy steel sheet (including galvanized sheets and strip) were being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing such articles, and recommended quantitative restrictions of imports for a period of five years. President Ronald Reagan determined that import relief under section 201 of the Trade Act of 1974 was not in the national interest. At the President's direction, quantitative limitations under voluntary restraint agreements ("VRAs") for a five-year period ending September 30, 1989, were negotiated. In July 1989, the VRAs were extended for two and one half years until March 31, 1992.

In 2001, the Commission determined that certain carbon and alloy steel, including corrosion-resistant steel, was being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing such articles, and recommended additional duties on imports for a period of four years.¹³ On March 5, 2002, President George W. Bush announced the implementation of steel safeguard measures. Import relief relating to corrosion-resistant steel consisted of an additional tariff for a period of three years and one day (30 percent ad valorem on imports in the first year, 24 percent in the second year, and 18 percent in the third year).¹⁴ Following receipt of the Commission's mid-term monitoring report in September 2003, and after seeking information from the U.S. Secretary of Commerce and U.S. Secretary of Labor, President Bush determined that the effectiveness of the action taken had been impaired by changed circumstances. Therefore, he terminated the U.S. measure with respect to increased tariffs on December 4, 2003.¹⁵

¹³ *Steel; Import Investigations*, 66 FR 67304, December 28, 2001.

¹⁴ *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products*, 67 FR 10553, March 7, 2002. The President also instructed the Secretaries of Commerce and the Treasury to establish a system of import licensing to facilitate steel import monitoring.

¹⁵ *Presidential Proclamation 7741 of December 4, 2003, To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483, December 8, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On June 30, 2015, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigations on corrosion-resistant steel from China, India, Italy, Korea, and Taiwan.¹⁶ Commerce identified the following government programs, by country.

China

Commerce initiated a countervailing duty investigation on 47 of the 48 alleged programs.¹⁷ The programs for which Commerce initiated a countervailing duty investigation include the following:

- A. Preferential Loans and Interest Rates
 - 1. Policy Loans to the Corrosion-Resistant Steel Industry
 - 2. Export Loans
 - 3. Treasury Bond Loans
 - 4. Preferential Loans for State-Owned Enterprises (“SOEs”)
 - 5. Preferential Loans for Key Projects and Technologies
 - 6. Preferential Lending to Corrosion-Resistant Steel Producers and Exporters Classified As “Honorable Enterprises”
 - 7. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program
- B. Debt-to-Equity Swaps, Equity Infusions, and Loan Forgiveness
 - 1. Debt-to-Equity Swaps
 - 2. Equity Infusions
 - 3. Exemptions for SOEs from Distributing Dividends to the State
 - 4. Loans and Interest Forgiveness for SOEs
- C. Income Tax and Other Direct Tax Subsidies
 - 1. Income Tax Programs Under the GOC’s 2008 Corporate Income Tax Law
 - a. Preferential Income Tax Program for High and New Technology Enterprises
 - b. Preferential Income Tax Program for High and New Technology Enterprises in Designated Zones
 - c. Preferential Deduction of Research and Development (“R&D”) Expenses for HNTEs

¹⁶ *Certain Corrosion-Resistant Steel Products From the People’s Republic of China, India, Italy, the Republic of Korea, and Taiwan: Initiation of Countervailing Duty Investigations*, 80 FR 37223, June 30, 2015.

¹⁷ *Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Checklist, Certain Corrosion-Resistant Steel Products from the People’s Republic of China*, June 23, 2015.

2. Other Countervailable Income Tax Programs
 - a. Income Tax Credits for Domestically-Owned Companies Purchasing Domestically Produced Equipment
 - b. Preferential Income Tax Policy for Enterprises in the Northeast Region
 - c. Forgiveness of Tax Arrears for Enterprises in the Old Industrial Bases of Northeast China
 - d. Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax
 - e. Preferential Income Tax Subsidies for Foreign Invested Enterprises (“FIEs”)—“Productive” FIEs
 - f. Preferential Income Tax Subsidies for FIEs—High or New Technology FIEs
 - g. Preferential Income Tax Subsidies for FIEs—Export Oriented FIEs
 - h. Income Tax Benefits for Domestically Owned Enterprises Engaging in R&D
- D. Indirect Tax Programs
 1. Stamp Exemption on Share Transfer Under Non-Tradable Share Reform
 2. VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund
 3. Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
 4. Deed Tax Exemption for SOEs Undergoing Mergers or Restructuring
- E. Government Provision of Goods and Services for Less Than Adequate Remuneration (“LTAR”)
 1. Provision of Land-Use Rights for LTAR
 2. Provision of Land to SOEs for LTAR
 3. Provision of Hot-Rolled Steel for LTAR
 4. Provision of Cold-Rolled Steel for LTAR
 5. Provision of Iron Ore for LTAR
 6. Provision of Steam Coal for LTAR
 7. Provision of Zinc for LTAR
 8. Provision of Primary Aluminum for LTAR
 9. Provision of Coking Coal for LTAR
 10. Provision of Electricity for LTAR
- F. Grant Programs
 1. State Key Technology Project Fund
 2. Foreign Trade Development Fund Grants
 3. Export Assistance Grants
 4. Programs to Rebate Antidumping Legal Fees
 5. Subsidies for Development of Famous Export Brands and China World Top Brands
 6. Sub-Central Government Programs to Promote Famous Export Brands and China World Top Brands
 7. Grants to Loss-Making SOEs
 8. Export Interest Subsidies
 9. Grants for Energy Conservation and Emission Reduction

10. Grants for the Retirement of Capacity
11. Grants for Relocation Production Facilities

Commerce is not initiating an investigation on the following program: Preferential Income Tax Subsidies for FIEs—“Two Free, Three Half Program.”

India

Commerce initiated a countervailing duty investigation on 52 of the 53 alleged programs.¹⁸ The programs for which Commerce initiated a countervailing duty investigation include the following:

- I. Government of India Subsidy Programs
 - A. Duty Exemption/Remission Schemes
 1. Advance License Program
 2. Advance Authorization Program
 3. Duty Free Import Authorization Scheme
 4. Duty Drawback Program (“DDB”)
 - B. Subsidies for Export Oriented Units
 1. Duty-Free Import of Goods, Including Capital Goods and Raw Materials
 2. Reimbursements of Central Sales Tax Paid on Goods Manufactured in India
 3. DDB on Fuel Procured from Domestic Oil Companies
 4. Exemption from Payment of Central Excise Duty on Goods Manufactured in India and Procured from a DTA
 - C. Export Promotion of Capital Goods Scheme
 - D. Pre-Shipment and Post-Shipment Export Financing
 - E. Market Development Assistance Scheme
 - F. Market Access Initiative
 - G. Focus Product Scheme
 - H. Government of India Loan Guarantees
 - I. Status Certificate Program
 - J. Income Deduction Program (“80-IB Tax Program”)
 - K. Special Economic Zones
 1. Duty-Free Importation of Capital Goods and Raw Materials, Components, Consumables, Intermediates, Spare Parts, and Packing Material
 2. Exemption from payment of CST on Purchases of Capital Goods and Raw Materials, Components, Intermediates, Spare Parts, and Packing Material
 3. Exemption from Electricity Duty and Cess on Electricity Supplied to a SEZ Unit

¹⁸ *Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Checklist, Certain Corrosion-Resistant Steel Products from India*, June 23, 2015.

4. SEZ Income Tax Exemption
5. Service Tax Exemption
- L. Steel Development Fund Loans
- M. Provision of Goods and Services for LTAR
 1. Provision of Captive Mining Rights for Iron Ore
 2. Provision of Captive Mining Rights for Coal
 3. Provision of High-Grade Iron Ore for LTAR
 4. Provision of Flat-Rolled Steel for LTAR
- N. Incremental Exports Incentivisation Scheme
- II. State Government Subsidy Programs
 - A. State Government of Andhra Pradesh (“SGAP”) Subsidy Programs
 1. Grant under the Industrial Investment Promotion Policy: 25 Percent Reimbursement of the Cost of Land in Industrial Estates and Development Areas
 2. Grant under the Industrial Investment Promotion Policy: Reimbursement of Power at the Rate of Rs. 0.75 per Unit
 3. Grant under the Industrial Investment Promotion Policy: 50 Percent Subsidy for Expenses Incurred for Quality Certification
 4. Grant under the Industrial Investment Promotion Policy: 50 Percent Subsidy on Expenses Incurred in Patent Registration
 5. Grant under the Industrial Investment Promotion Policy: 25 Percent Subsidy on Cleaner Production Measures
 6. Tax Incentives under the Industrial Investment Promotion Policy: 100 Percent Reimbursement of Stamp Duty and Transfer Duty Paid for the Purchase of Land and Buildings and the Obtaining of Financial Deeds and Mortgages
 7. Tax Incentives under the Industrial Investment Promotion Policy: 25 Percent Reimbursement on Value Added Tax, CST, and State Goods and Services Tax
 8. Tax Incentives under the Industrial Investment Promotion Policy: Exemption from the SGAP Non-Agricultural Land Assessment
 9. Provision of Goods and Services for LTAR under the Industrial Investment Promotion Policy: Provision of Infrastructure for Industries Located More than 10 Kilometers from Existing Industrial Estates or Development Areas
 10. Provision of Goods and Services for LTAR under the Industrial Investment Promotion Policy: Guaranteed Stable Prices and Reservation of Municipal Water
 11. Allotment of Land for LTAR
 - B. State Government of Gujarat (“SGOG”) Subsidy Programs
 1. SGOG’s Exemptions and Deferrals on Sales Tax for Purchases of Goods
 2. SGOG’s VAT Remission Scheme Established on April 1, 2006
 3. SGOG Special Economic Zone Act (“SEZ Act”): Stamp Duty and Registration Fees for Land Transfers, Loan Agreements, Credit Deeds, and Mortgages
 4. SGOG SEZ Act: Sales Tax, Purchase Tax, and Other Taxes Payable on Sales and Transactions
 5. SGOG SEZ ACT: Sales and Other State Taxes on Purchases of Inputs (Both Goods and Services) for the SEZ or a Unit within the SEZ

- C. State Government of Maharashtra (“SGOM”) Subsidy Programs
 - 1. SGOM Sales Tax Program
 - 2. VAT Refunds under the SGOM Package Scheme of Incentives
 - 3. Electricity Duty Exemptions
 - 4. Waiving of Loan Interest
 - 5. Investment Subsidies
 - 6. Infrastructure Assistance for Mega Projects Under The Maharashtra Industrial Policy of 2013 And Other SGOM Industrial Promotion Policies To Support Mega Projects
 - 7. Subsidies for Mega Projects under the Package Scheme of Incentives
 - 8. Other Subsidies under the Package Scheme of Incentives
 - 9. Provision of Land for LTAR

Commerce is not initiating an investigation on the following program: Andhra Pradesh Industrial Investment Corporation’s Provision of Infrastructure.

Italy

Commerce initiated a countervailing duty investigation on 12 of the 14 alleged programs.¹⁹ The programs for which Commerce initiated a countervailing duty investigation include the following:

- A. Grant and Preferential Loan Programs
 - 1. Industrial Development Grants Under Law 488/92
 - 2. Technological Innovation Grants Under Law 46/82
 - 3. Technological Innovation Loans Under Law 46/82
 - 4. Industrial Area revival Grants Under Law 181/89
 - 5. Industrial Area revival Loans Under Law 181/89
 - 6. *Patti Territoriali* Grants Under Law 662/96
 - 7. Preferential Financing Under Law 266/97
- B. Income Tax Programs
 - 1. Income Tax Deferral Under Article 42 of Law 78/2010
 - 2. Tax Credits Under Article 1 of Law 296/06
 - 3. Tax Credits Under Article 62 of Law 289/02
 - 4. Certain Social Security Reductions and Exemptions (“*Sgravi*” Benefits)
- C. Export Subsidies
 - 1. Export Credit Subsidies

¹⁹ *Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Checklist, Certain Corrosion-Resistant Steel Products from Italy*, June 23, 2015.

Commerce is not initiating a countervailing duty investigation on the following programs:

1. Government Support to Corrosion-Resistant Steel Producer Ilva SpA
2. Export Insurance Subsidies

Korea

Commerce initiated a countervailing duty investigation on 39 of the 41 alleged programs.²⁰ The programs for which Commerce initiated a countervailing duty investigation include the following:

- A. Provision of Inputs for LTAR
 1. Provision of Electricity for LTAR
 2. Power Business Law Subsidies
 3. Energy Savings Program Subsidies
 4. Provision of Liquefied Natural Gas for LTAR
- B. Korean Export-Import Bank Countervailable Subsidy Programs
 1. Short-Term Export Credits
 2. Export Factoring
 3. Export Loan Guarantees
 4. Trade Bill Rediscounting Program
 5. Import Financing
 6. Overseas Investment Credit Program
- C. Korea Development Bank and Industrial Base Fund (“IBF”) Loans
 1. Short-Term Discounted Loans for Export Receivables
 2. Loans under the IBF
- D. Korea Trade Insurance Corporation (“K-SURE”)—Export Insurance and Export Credit Guarantees
 1. Short-Term Export Credit Insurance
 2. Export Credit Guarantees
- E. Energy and Resource Subsidies
 1. Long-Term Loans from the Korean Resources Corporation and the Korea National Oil Corporation
 2. Special Accounts for Energy and Resources Loans
 3. Clean Coal Subsidies
 4. VAT Exemption for Purchases of Anthracite Coal

²⁰ *Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Checklist, Certain Corrosion-Resistant Steel Products from the Republic of Korea*, June 23, 2015.

- F. Green Subsidies
 - 1. Government of Korea (“GOK”) Subsidies for “Green Technology R&D” and its Commercialization
 - 2. Support for SME “Green Partnerships”
- G. Dongbu’s Debt Restructuring
- H. Daewoo International Corporation Debt Work Out
- I. Income Tax Programs
 - 1. Research, Supply, or Workforce Development Investment Tax Deduction for “New Growth Engines” under RSTA Article 10(1)(1)
 - 2. Research, Supply, or Workforce Development Investment Tax Deduction for “Core Technologies: under RSTA Article 10(1)(2)
 - 3. Tax Reduction for Research and Human Resources Development under RSTA Article 10(1)(3)
 - 4. Tax Credit for Investment in Facilities for Research and Manpower under RSTA Article 11
 - 5. Tax Deductions for Investments in Energy Economizing Facilities under RSTA Article 25(2)
 - 6. Tax Deduction for Investment in Energy Economizing Facilities under RSTA Article 25(3)
 - 7. GOK Facilities Investment Support under Article 26 of the RSTA
 - 8. Tax Program for Third-Party Logistics Operations under RSTA Article 104(14)
- J. Subsidies to Companies Located in Certain Economic Zones
 - 1. Tax Reductions and Exemptions in Free Economic Zones
 - 2. Exemptions and Reductions of Lease Fees in Free Economic Zones
 - 3. Grants and Financial Support in Free Economic Zones
 - 4. Acquisition and Property Tax Benefits to Companies Located in Industrial Complexes
- K. Grants
 - 1. Research and Development Grants under the Industrial Technology Innovation Promotion Act
 - 2. Modal Shift Program
 - 3. Sharing of Working Opportunities/Employment Creating Incentives
 - 4. Various Government Grants Contained in Financial Statements
- L. GOK Purchases Electricity from Corrosion-Resistant Steel Producers for More Than Adequate Remuneration

Programs on which Commerce is not initiating a countervailing duty investigation include the following:

- 1. Shared Growth Program
- 2. Global Top 10 Logistics Companies Plan

Taiwan

Commerce initiated a countervailing duty investigation on 20 of the 22 alleged programs.²¹ The programs for which Commerce initiated a countervailing duty investigation include the following:

- A. Provision of Inputs for LTAR
 - 1. Provision of Cold-Rolled Steel for LTAR
 - 2. Provision of Hot-Rolled Steel for LTAR
- B. Income Tax Programs
 - 1. Income Tax Credit for Upgraded Equipment
 - 2. Income Tax Credits for Investment in Designated Regions
 - 3. Shareholder's Investment Tax Credit for Participation in Infrastructure Projects
 - 4. Building and Land Value Tax Deduction for Supplying to Major Infrastructure Projects
- C. Other Tax Program
 - 1. Tariff Exemption for Imported Equipment
- D. Grant Programs
 - 1. Grants to Promote Industrial Innovation and R&D
 - 2. Grants for International Development Activities
 - 3. Grants for Traditional Industry Technology Development (aka, Conventional Industry Technology Development)
 - 4. Industrial Technology Development Program
 - 5. Strengthen the Ability of Emerging Development Program
- E. Preferential Lending
 - 1. Loan Financing Provided by the National Development Fund ("NDF")
- F. Subsidies for Companies Located in Industrial Parks and Economic Pilot Zones
 - 1. Discounted Lease Rates
 - 2. Exemptions for Taxes and Fees
 - 3. Technology Royalties
- G. Subsidies for Companies Located in Environmental Science and Technology Parks
 - 1. Discounted Land
 - 2. Production and Research Subsidies
- H. Major Infrastructure Projects—Land Lease Program
- I. Self-Evaluation Service

²¹ *Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Checklist, Certain Corrosion-Resistant Steel Products from Taiwan, June 23, 2015.*

Programs on which Commerce is not initiating a countervailing duty investigation include the following:

1. Income Tax Credit for R&D Expenses
2. Equity Infusions Provided by the NDF

Alleged sales at LTFV

On June 30, 2015, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on corrosion-resistant steel from China, India, Italy, Korea, and Taiwan.²² Commerce has initiated antidumping duty investigations based on estimated dumping margins of 114.06-126.34 percent for corrosion-resistant steel from China, 71.09 percent for corrosion-resistant steel from India, 119.68-126.75 percent for corrosion-resistant steel from Italy, 46.80-86.34 percent for corrosion-resistant steel from Korea, and 86.17 percent for corrosion-resistant steel from Taiwan.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of this investigation as follows:

The products covered by these investigations are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a width of 12.7 mm or greater, regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, etc.). the products covered also include products not in coils (e.g., in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (e.g., in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been "worked after rolling" (e.g., products which have been

²² *Certain Corrosion-Resistant Steel Products From Italy, India, the People's Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 37228, June 30, 2015.

beveled or rounded at the edges). For purposes of the width and thickness requirements reference above:

- (1) Where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and
- (2) Where the width and thickness vary for a specific product (e.g., the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

Steel products included in the scope of these investigations are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten, (also called wolfram) or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels and high strength low alloy (HSLA) steels. IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum.

Furthermore, this scope also includes Advanced High Strength Steels (AHSS) and Ultra High Strength Steels (UHSS), both of which are considered high tensile strength and high elongation steels.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of these investigations unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these investigations:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (“terne plate”), or both chromium and chromium oxides (“tin free steel”), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion-resistant carbon steel flat-rolled products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20 percent-60 percent-20 percent ratio.²³

Tariff treatment

The subject merchandise is imported under the following HTS statistical reporting numbers: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000.

The products subject to the investigations may also be imported under the following HTS statistical reporting numbers: 7210.90.1000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.91.0000, 7225.92.0000, 7225.99.0090, 7226.99.0110, 7226.99.0130, 7226.99.0180, 7228.60.6000, 7228.60.8000, and 7229.90.1000.

²³ *Certain Corrosion-Resistant Steel Products From the People’s Republic of China, India, Italy, the Republic of Korea, and Taiwan: Initiation of Countervailing Duty Investigations*, 80 FR 37223, June 30, 2015; and *Certain Corrosion-Resistant Steel Products From Italy, India, the People’s Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 37228, June 30, 2015.

The general U.S. tariff rate on corrosion-resistant steel, applicable to U.S. imports that are products of China, India, Italy, Korea, and Taiwan and imported under these provisions, is free.

THE PRODUCT

Description and applications

Corrosion-resistant steel is steel sheet that has been coated or plated with a corrosion- or heat-resistant metal to prevent corrosion and thereby extend the service life of products produced from the steel. Corrosion-resistant steel includes primarily steel coated with zinc (galvanized), zinc-iron alloy (galvannealed), aluminum, or any of several zinc-aluminum alloys.²⁴ Steel coated with other corrosion-resistant metals, however, including nickel and copper, as well as steel clad with aluminum or stainless steel sheet, also are included within Commerce's scope. Corrosion-resistant steel is used in the manufacture of automobile bodies, in appliances, and in commercial and residential buildings and other construction applications.

Corrosion-resistant steel coated with metals other than zinc or aluminum, including copper, nickel, and cobalt, is produced in much smaller quantities than galvanized and aluminized steel, and usually by smaller firms specializing in such coatings. Such products are used for specialized applications. Nickel-plated steel is used in the production of batteries and automotive fuel lines, and copper-plated steel is used in the production of tubing for automotive brake fluid and for other applications.

The substrate, or steel base, for corrosion-resistant steel is produced with properties needed for particular applications. The properties are achieved through control of the chemical composition and thermal processing of the steel. Different levels of carbon and manganese content are chosen, depending upon the product being made. To achieve higher strength levels, micro-alloying additions of such elements as columbium and titanium are used. High-strength coated steels have been developed for automotive applications in order to achieve weight reduction in finished vehicles. Such steels are called Advanced High Strength Steels (AHSS) and incorporate higher levels of alloys as well as more complex and controlled heat treatments. The scope of these investigations includes both steels that are classified as non-alloy under the HTSUS as well as steel classified as "other alloy,"²⁵ yet not containing more than the amounts of certain alloying elements as listed.

²⁴ Other than galvanized and galvannealed, for which the zinc-coating alloy contains only a small (less than 1 percent) amount of aluminum, zinc alloy coatings include 55 percent aluminum-zinc alloy (Galvalume®) and zinc-5 percent aluminum-mischmetal (Galfan®). Aluminum coating alloys are either commercially pure aluminum or an alloy containing 5 to 11 percent silicon.

²⁵ "Other alloy" refers to steel containing more of any of certain elements than the amount listed in a table in the HTSUS, but other than stainless steel.

Manufacturing processes

Steel for the substrate of corrosion resistant steel may be produced by several methods. The two common methods are the electric-arc furnace method, which generally uses cold metallic raw materials, including scrap, cold pig iron, and direct-reduced iron as input, and the blast furnace/oxygen furnace method, which uses iron ore, coke, and smaller amounts of scrap or other cold metallic materials. After melting, steel is cast as a semifinished steel product called “slab”. Slabs are heated to hot-rolling temperature and rolled on a hot-strip mill. The hot-rolled product is reeled into a coil for further handling and processing.

Hot-rolled steel is uncoiled and processed through a “pickle line” in which it passes through vats of acid to remove oxide scale from the hot-rolling process. Next, the steel is processed through a cold-rolling mill to reduce its thickness to the ordered final thickness. The cold-rolling process hardens the steel so that it must be softened by thermal processing (annealing) in subsequent operations.

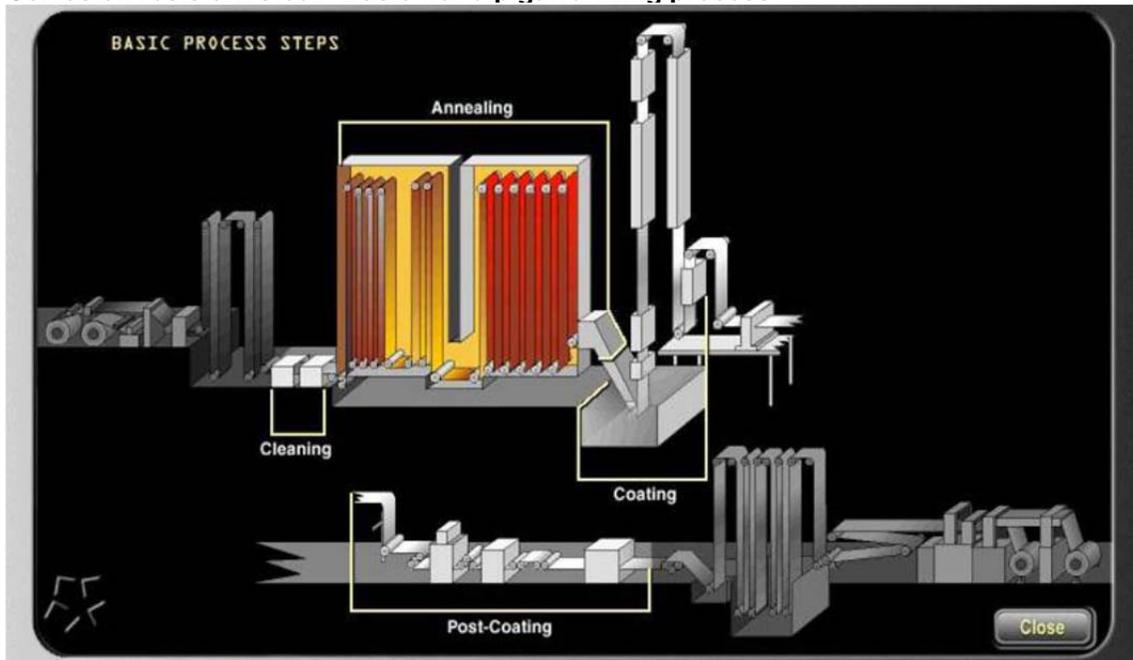
The coating or plating of the metallic coatings on corrosion-resistant steel takes place on continuous processing lines (continuous galvanizing lines for zinc coatings). The processing lines are generally divided into three sections: an entry section in which the head end of each coil is joined to the tail end of its preceding coil in order to achieve fully continuous operation; a processing section for thermal processing and coating; and a delivery section where the coated steel is recoiled, separated from the following coil and discharged from the line. The three sections are separated by accumulators that allow the entry and the delivery sections to be stopped to start a new coil or discharge a finished coil while the middle, processing section operates continuously using or storing steel temporarily in the accumulators.

There are two widely used processes for producing corrosion-resistant steel: the hot-dip process, in which steel sheet passes through a bath of molten zinc or aluminum, and the electrolytic process, in which steel sheet passes through a series of electrolytic cells that electrolytically plate zinc or other metals onto the surface of the steel. Most galvanized steel in the United States is produced using the continuous hot-dip process. In either case, the starting material is usually cold-rolled steel sheet.²⁶

In general, the continuous hot-dip process consists of cleaning, annealing and hot dipping (figure I-1). Liquid alkali cleaning is an important part of making high quality galvanized and galvanized steel. Cleaning the coils in hot alkali using scrub brushes, followed by rinsing and hot air drying, removes residual rolling oils and iron fines from the surface. This cleaning of the surface prior to annealing improves coating adhesion, appearance and paintability. It also removes loose iron bearing debris from the surface that could get carried through to the molten zinc and form pot dross or surface dross on the steel. Alone, or in combination with liquid cleaning, some hot-dip lines use direct flame cleaning in which the strip is heated to volatilize organic surface contaminants.

²⁶ The substrate for corrosion-resistant steel is usually cold-rolled steel, but hot-rolled substrate is used for some applications, depending upon the desired thickness and metallurgical properties required.

Figure I-1
Corrosion resistant steel: Basic hot-dip galvanizing process



Source: International Zinc Association, *GALVANIZING—2014 Continuous hot-dip galvanizing process and Products*, found at <http://www.galvinfo.com/Documents/Galvanizing%202014.pdf>, p. 10, retrieved July 7, 2015.

Modern hot-dip galvanizing lines incorporate vertical, radiant tube annealing furnaces with multiple independently monitored combustion zones for precise and uniform temperature control. Annealing temperatures vary from 1330°F to 1550°F. After annealing, the strip is cooled to a temperature about equal to that of the upcoming molten zinc. The moving strip passes directly from the controlled atmosphere of the annealing furnace into the molten zinc so that no oxidation of the surface occurs due to exposure to air.

Molten zinc on most galvanizing lines is maintained at a temperature between 865°F and 870°F in a ceramic-lined vessel that typically holds about 200 - 350 tons of liquid zinc, although some may contain up to 500 tons. In the molten zinc, the moving strip passes around a rotating, submerged roll and is redirected to exit the molten zinc vertically. Low-pressure, high-volume blowers are used to blow excess zinc from the sheet as it leaves the molten zinc. Pressure is the principal parameter for control of coating mass (weight), although the distance of the blowers above the molten zinc, their distance from the strip, and angle of the blowers are also adjustable. Automatic coating weight control using artificial intelligence technology is installed on some lines to produce consistent coating weight with a low standard deviation. If the zinc coating is allowed to solidify after the weight control operation, it forms a regular galvanized coating. To produce galvannealed steel, the strip is reheated to a temperature of 1100°F immediately after passing the blowers and while the zinc is still molten. At that temperature, iron from the steel substrate diffuses through the zinc coating, forming a zinc-iron

alloy that extends to the outer surfaces of the coating. Only galvanizing lines that are equipped with a special galvanneal reheating furnace are capable of producing galvanneal.

Galvalume, Galfan, and aluminized coatings are produced by hot dipping in a similar manner as galvanized and galvanneal. To produce these coatings, the molten metal in the line is of the particular alloy to be coated. Some galvanizing lines are equipped with two or more pots of molten metal that may be exchanged in order to switch production from one type of corrosion resistant steel to another.

There are several optional processes that may be performed in a continuous galvanizing line after coating. In-line temper rolling is sometimes performed to produce extra-smooth sheet for exposed applications. It imparts a carefully controlled surface finish, mechanical property control, and good flatness. Tension leveling may be performed to improve flatness.

Coated sheet may be treated with a chemical solution to inhibit the formation of wet-storage stain, which is the formation of a heavy accumulation of zinc oxide. Some hot-dip lines are now applying organic coatings by in-line roll coating to prevent hand print marks during handling of the sheet by users. These treatments were developed for the aluminum-zinc hot dip coatings, which are particularly susceptible to this problem. Finally, a light film of rust preventative oil is applied. Immediately after oiling, strip is recoiled on a mandrel to produce coils to the customers' ordered weight.

The second method of producing zinc-coated steel is the electrolytic plating process, also called "electrogalvanizing." In the processing section of an electrolytic coating line, the steel passes through a series of plating cells rather than a vat of molten metal. Each plating cell contains a chemical solution (electrolyte) and a source of the plating metal (anode) submerged in the electrolyte. An electric power source is connected to the anode. As the steel strip is passed through each plating cell, it functions as a cathode and zinc is deposited on the strip. The electrolytic plating process is an incremental process wherein passage through each plating cell deposits a small amount of coating. Thin formable electrogalvanized coatings are usually not as thick as hot-dip galvanized coatings and are ideally suited for deep drawing or painting.²⁷ A further advantage of electrogalvanizing is that it is a "cold" process that does not alter the mechanical properties of the steel. Corrosion-resistant steel with coatings of metals other than zinc are also produced by electrolytic plating. Other metals include nickel and copper as well as alloys including zinc-iron, zinc-nickel, cobalt-nickel and zinc-copper.²⁸

²⁷ Automotive makers use electrogalvanized steel sheet for exposed car-body panels due to these qualities.

²⁸ Thomas/Apollo's postconference brief, p. 11.

Applications in major markets²⁹

Due to the different properties of hot-dip galvanized and electrogalvanized steel, their applications in end-use markets (automotive, construction, and appliance) differ.³⁰ In the automotive market, most unexposed parts are fabricated from either hot-dip galvanized or hot-dip galvanized while most exposed panels are made from galvanized or electrogalvanized steel as these forms of corrosion-resistant steel have superior “paintability.” The great majority of shipments of electrogalvanized steel are to the automotive market. Since hot-dip galvanized is less expensive than electrogalvanized steel, efforts have been made to substitute hot-dip galvanized for electrogalvanized steel in exposed panels. These efforts at substitution have had limited success.³¹ The construction market uses galvanized steel - especially prepainted (i.e., coated with a substance that allows paint to better adhere to the galvanized steel). In general, galvanized steel is not used to produce prepainted sheet steel, as the coating is brittle compared to galvanized steel.³² The appliance market is increasing its use of galvanized steel, including prepainted galvanized steel, as galvanized steel has greater corrosion resistance than cold-rolled steel sheet.

DOMESTIC LIKE PRODUCT ISSUES

The petitioners propose a domestic like product that is coextensive with the scope of this investigation.³³ Domestic producer Thomas/Apollo agrees with the petitioners’ single domestic like product definition.³⁴

The Italian producers (Marcegaglia, Arvedi, and Federacciai Federation of Italian Steel Companies), Korean producers (Korea Iron and Steel Association, POSCO, POSCO C&C, Hyundai, Dongkuk, and Dongbu), and Taiwan producer Prosperity note that they accept the definition of the domestic like product and domestic industry that has been proposed in the petition.³⁵ The Indian respondents (JSW, Essar, Uttam Galva, and Uttam Galva North America) indicate that

²⁹ Unless otherwise noted, information in this section was obtained from *Galvanizing - 2014: Continuous Hot-Dip Galvanizing –Process and Products, November 2014*, published by the International Zinc Association.

³⁰ The two largest known end-use markets for hot-dip galvanized steel are automotive (about 38 percent of U.S. shipments) and construction (about 18 percent of U.S. shipments). About 32 percent of U.S. shipments go to service centers and distributors where the final end-user is unknown. The great majority of U.S. shipments of electrogalvanized steel, about 88 percent, go to the automotive market. *AIS 16C 2010*, American Iron and Steel Institute.

³¹ See USITC Publication 4388, March 2013, pp. I-32 and I-33.

³² A strong bond is formed between the galvanneal coating and the paint and the latter will delaminate during subsequent forming, usually taking the galvanneal coating with it.

³³ Petition, pp. 3-8.

³⁴ Thomas/Apollo’s postconference brief, pp. 1-2.

³⁵ Italian producers’ postconference brief, p. 4; Korean producers’ postconference brief, p. 4; and Prosperity’s postconference brief, p. 4.

they take no position with respect to the domestic like product. They add, however, that the scope of the merchandise defined by the petitioners is “extremely broad” and that the different types of merchandise included in the scope are not interchangeable, have vastly different physical characteristics and technical specifications, and serve different purposes and end markets with distinct conditions of competition.³⁶

The representative of Procon Metals Incorporated (“Procon”), an importer of subject merchandise from Korea, argued in his testimony at the Commission’s conference and postconference brief that the Commission should treat certain corrosion-resistant steel plated with nickel (specifically, diffusion-annealed nickel plated steel (“DANP”)) and copper-plated steel as separate domestic like products from other corrosion-resistant steel in these investigations.³⁷

The Commission’s decision regarding the appropriate domestic product(s) that are “like” the subject imported product 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 (6) price. Information regarding these factors is discussed below.

Physical characteristics and uses

Procon argues that DANP and copper-plated steel have unique physical appearances and character and, unlike most anti-corrosion treatments, the nickel and copper plating protect the steel surface by creating a barrier coating. It argues further that zinc is a sacrificial protective layer and is not similar to nickel and copper in how it protects the steel from corrosion. It argues that DANP is used primarily to produce battery cans and end caps for alkaline and lithium batteries (more than 90 percent) and is secondarily used in automotive applications (less than 10 percent).³⁸

Thomas/Apollo³⁹ argues that DANP and copper-plated steel share the same physical characteristics as other corrosion-resistant steel products. It states that DANP, copper-plated steel, and other corrosion-resistant steel consist of cold-rolled steel sheet that has been electrolytically plated.⁴⁰ With respect to dimensions, it notes that DANP, copper-plated steel,

³⁶ Indian companies’ postconference brief, pp. 1-2.

³⁷ Conference transcript, pp. 175-180 (Hartman) and 213 (Peterson); and TCC Steel Co., Ltd., TCC America Corp., and Procon Metals, Inc.’s (“TCC/Procon”) postconference brief, pp. 5-8.

³⁸ Conference transcript, pp. 176 and 179 (Hartman); and TCC/Procon postconference brief, pp. 8-9 and 18.

³⁹ Thomas/Apollo are the only domestic producers of DANP and copper-plated steel. The firms also produce other corrosion-resistant steel products. Conference transcript, pp. 177 and 179 (Hartman); and Thomas/Apollo’s postconference brief, pp. 10-11.

⁴⁰ As previously described, there are two methods used to make corrosion-resistant steel: hot dip process and electrolytic process. Copper-plated steel and nickel-plated steel (whether or not diffusion-annealed) are both produced by the electrolytic method, whereas other corrosion-resistant steel products may be produced from either the hot dip process or the electrolytic process.

and other corrosion-resistant steel fall within the same range of thickness and width. Therefore, Thomas/Apollo argues that the only difference between DANP, copper-plated steel, and other corrosion-resistant steel is the type of metal used in the coating. It adds that the Commission has considered Galvalume as part of the domestic like product in past decisions concerning corrosion-resistant steel even though the coating metal, appearance, and ASTM standard were different than other types of corrosion-resistant steel.⁴¹

Manufacturing facilities and production employees

Thomas/Apollo notes that DANP and copper-plated steel are made using the same technology, processes, and equipment as other corrosion-resistant steel products. It adds that, currently, it produces nickel-plated steel (other than diffusion-annealed), DANP, cobalt-nickel-plated steel, zinc-nickel-plated steel, zinc-copper-plated steel, and copper-plated steel all in the same facilities using the same workforce.⁴² Thomas/Apollo's U.S. commercial shipments of DANP, copper-plated steel, and other types of corrosion-resistant steel for 2014 are presented in table I-2.

Table I-2
Corrosion-resistant steel: Thomas/Apollo's U.S. commercial shipments, by type, 2014

* * * * * * *

Interchangeability

Procon argues that DANP is not interchangeable with other types of corrosion-resistant steel in that domestic battery manufacturers and automotive producers have rigorous processes for qualifying the DANP that they use their products. It adds that copper-plated steel is also a material requiring customer qualifications prior to awarding sales contracts for automotive brake lines.⁴³

Thomas/Apollo argues that each type of product does not need to be precisely interchangeable to be considered part of the same domestic like product and that the different types of corrosion-resistant steel serve a range of applications where each specific product may not directly be interchangeable. It adds that there is a continuum that constitutes a single domestic like product and that there are many common denominators for DANP, copper-plated steel, and other corrosion-resistant products, including a (cold-rolled) steel substrate, hot dip or

⁴¹ Thomas/Apollo's postconference brief, pp. 7-10.

⁴² Thomas/Apollo's postconference brief, pp. 10-11.

⁴³ Conference transcript, pp. 176-177 and 179 (Hartman); and TCC/Procon postconference brief, pp. 9 and 19-20.

electrolytic plating process, metal or alloy plating material, and corrosion resistance properties.⁴⁴

Customer and producer perceptions

Procon argues that customers perceive DANP as a unique product, suited for making batteries and automotive fuel lines. It adds that these customers would not substitute other types of corrosion-resistant steel for the DANP.⁴⁵

Thomas/Apollo notes that DANP and copper-plated steel are used to resist corrosion in numerous automotive and consumer applications. Likewise, it notes that other corrosion-resistant steel also has a wide range of uses because of its overall intended purpose to prevent corrosion. In common with corrosion-resistant steel products, the function of DANP is to resist corrosion. Specifically, DANP is ideal for use in battery cans and end caps, fuel, power-steering, and other automotive fuel lines because of its resistance to corrosion; whereas copper-plated steel is ideal for use in automotive brake lines because of its resistance to corrosion from automotive fluids. It adds that DANP and copper-plated steel are used in the same types of consumer applications as other corrosion-resistant steel products.⁴⁶

Channels of distribution

Procon argues that DANP and copper-plated steel move through distinct channels of distribution separate from other types of corrosion-resistant steel. It stated that DANP is sold overwhelmingly to domestic battery producers, typically pursuant to exclusive or non-exclusive supply contracts directed at specific end uses for which the DANP has been qualified. Procon added that copper-plated steel is sold to automotive end users for use exclusively in the production of automotive brake lines.⁴⁷

Thomas/Apollo argues that domestic and imported DANP and copper-plated steel are sold through the same channels of distribution to the same end users. It notes that purchasers of corrosion-resistant steel have previously reported to the Commission that their primary customers are in the automotive and construction industries, but that they also sell to stampers/fabricators, other distributors, and steel service centers. Likewise, DANP and copper-plated steel are also sold by Thomas and Apollo to the automotive industry, as well as to stampers and fabricators. In addition, other corrosion-resistant steel products manufactured by Thomas and Apollo, such as zinc-copper-plated steel, are stamped or drawn to produce casings for sporting (non-military) ammunition.⁴⁸

⁴⁴ Thomas/Apollo's postconference brief, pp. 13-14.

⁴⁵ Conference transcript, p. 177 (Hartman); and TCC/Procon postconference brief, pp. 9 and 20-21.

⁴⁶ Thomas/Apollo's postconference brief, pp. 11-13.

⁴⁷ Conference transcript, pp. 177 and 179 (Hartman); and TCC/Procon postconference brief, pp. 9 and 21-22.

⁴⁸ Thomas/Apollo's postconference brief, pp. 14-15.

Price

Procon testified that DANP typically sells for “at least twice as much” as other types of corrosion-resistant steel (averaging between \$840 and \$920 per ton), and that copper-plated steel is priced at levels “far above” those levels.⁴⁹

Thomas/Apollo argues that the value of high-quality DANP or copper-plated steel is not a clear dividing line distinguishing these products from other corrosion-resistant steel in general. In fact, it adds that the price of DANP or copper-plate steel is comparable to other thin gauge, high quality corrosion-resistant steel products. It notes that there are a wide range of corrosion-resistant steel products, including products with zinc or other coating metals that are equally or more expensive than DANP or copper-plated steel (for example, see unit values in table I-2). It notes that, “for example, high-quality corrosion-resistant steel used in automotive applications can carry a very high price.”⁵⁰

⁴⁹ Conference transcript, pp. 177-179 (Hartman); and TCC/Procon postconference brief, pp. 9 and 22-23.

⁵⁰ Thomas/Apollo’s postconference brief, pp. 15-16.

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

U.S. MARKET CHARACTERISTICS

Corrosion-resistant steel is used primarily in automotive and construction applications.¹ Demand for corrosion-resistant steel is driven generally by demand in these industries, as well as overall economic conditions. Apparent U.S. consumption of corrosion-resistant steel increased during 2012-14, rising from 19.1 million short tons in 2012 to 21.8 million short tons in 2014. Overall, apparent U.S. consumption in 2014 was 14.2 percent higher than in 2012.

CHANNELS OF DISTRIBUTION

U.S. producers and importers of corrosion-resistant steel from India, Korea, and Taiwan sold mainly to distributors from 2012 to 2014 (table II-1). Importers of corrosion-resistant steel from China sold mainly to distributors in 2012 and 2013 but mainly to end users in 2014. ***. By end use, U.S. producers' largest market was the automotive industry, while the construction industry was the largest market for subject imports. Among shipments to end users in 2014, U.S. producers sold 39.9 percent of their product to the automotive industry, followed by other end users (32.9 percent), the construction industry (24.1 percent), and the appliance industry (3.1 percent). Importers sold *** percent of subject country product to the construction industry, followed by other end users (***) percent, the automotive industry (***) percent, and the appliance industry (***) percent). In contrast to imports from China, India, Italy, and Taiwan, imports from Korea were sold in large part to the automotive industry.²

¹ U.S. producers and importers reported that corrosion-resistant steel is used in various other applications as well, such as appliances, furniture, pipe and tube, steel barrels and drums, batteries, sporting ammunition, containers, electrical manufacturing equipment, air filters, hose clamps, license plates, walk-in cooler panels, grill parts, HVAC equipment, and hardware. These end uses account for a smaller percentage of the market than automotive and construction end uses, however.

² For more detail on the distribution of imports by subject country, see part IV (table IV-3) of this report.

Table II-1

Corrosion-resistant steel: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2012-14, January-March 2014, and January-March 2015

Item	Period				
	Calendar year			January-March	
	2012	2013	2014	2014	2015
Share of quantity (percent)					
U.S. producers' U.S. commercial shipments:					
Distributors	64.3	65.2	66.1	66.8	68.9
End users	35.7	34.8	33.9	33.2	31.1
U.S. importers' U.S. commercial shipments of imports from China:					
Distributors	52.8	55.9	45.0	50.0	53.0
End users	47.2	44.1	55.0	50.0	47.0
U.S. importers' U.S. commercial shipments of imports from India:					
Distributors	88.8	84.0	78.6	72.0	69.6
End users	11.2	16.0	21.4	28.0	30.4
U.S. importers' U.S. commercial shipments of imports from Italy:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of imports from Korea:					
Distributors	71.9	60.2	54.1	56.0	48.6
End users	28.1	39.8	45.9	44.0	51.4
U.S. importers' U.S. commercial shipments of imports from Taiwan:					
Distributors	72.7	67.6	65.2	67.8	66.8
End users	27.3	32.4	34.8	32.2	33.2
U.S. importers' U.S. commercial shipments of imports from Canada:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***
U.S. importers' U.S. commercial shipments of imports from all other countries:					
Distributors	***	***	***	***	***
End users	***	***	***	***	***

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

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling corrosion-resistant steel to all regions in the contiguous United States (table II-2). Imports from each subject country except Italy were sold in all of these regions. Italian producers reported that imports from Italy were concentrated in areas where they have a freight cost advantage, such as Florida and Texas.³ China Iron & Steel Association reported that imports from China serve primarily the West Coast due to similar freight cost advantages, as well as the lower concentration of U.S. mills located there.⁴

Table II-2
Corrosion-resistant steel: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers				
		China	India	Italy	Korea	Taiwan
Northeast	16	14	12	4	4	8
Midwest	17	13	13	2	8	8
Southeast	16	11	11	5	10	9
Central Southwest	15	16	15	3	8	10
Mountain	13	9	5	1	3	6
Pacific Coast	14	21	6	0	7	13
Other ¹	3	0	3	0	1	1
All regions (except Other)	12	5	4	0	3	6
Reporting firms	17	24	18	8	13	13

¹ All other U.S. markets, including AK, HI, PR, and VI.

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

Most U.S. producers' shipments were between 101 and 1,000 miles of their production facility (table II-3). The majority of shipments of imports from China were within 100 miles of their U.S. point of shipment, while the majority of shipments of imports from India, Italy, and Taiwan were between 101 and 1,000 miles of their U.S. point of shipment. Shipments of Korean product were almost equally divided between product sold within 100 miles and between 101 and 1,000 miles of their U.S. point of shipment.

³ Marcegaglia, ILVA S.p.A., Acciaieria Arvedi S.p.A., and Federacciai Federation of Italian Steel Companies ("Italian producers") postconference brief, pp. 33 and 40.

⁴ China Iron & Steel Association's postconference brief, p. 7.

Table II-3
Corrosion-resistant steel: Distance shipped within the United States for U.S. producers and importers

Distance shipped within the United States	U.S. producers	U.S. importers				
		China	India	Italy	Korea	Taiwan
	Share of U.S. commercial shipments (percent)					
Zero to 100 miles	26.7	55.9	33.3	***	45.0	36.6
101 miles to 1,000 miles	66.9	38.0	59.9	***	48.5	50.1
Over 1,000 miles	6.4	6.1	6.8	***	6.5	13.3

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of corrosion-resistant steel have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of U.S.-produced corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, the existence of some alternate markets, and inventories.

Industry capacity

Domestic capacity was relatively stable during 2012-14, increasing slightly from 23.7 million short tons in 2012 to 23.8 million short tons in 2014. Capacity utilization increased from 74.1 percent in 2012 to 78.1 percent in 2014 as production increased. This level of capacity utilization suggests that U.S. producers have the ability to increase production of corrosion-resistant steel in response to an increase in prices.

Alternative markets

U.S. producers' exports as a percentage of total shipments were relatively stable at about 6 percent between 2012 and 2014, indicating that U.S. producers may have a limited ability to shift shipments between the U.S. market and other markets in response to price changes. U.S. producers' major export markets are Canada and Mexico.

Inventory levels

U.S. producers' inventories relative to total shipments increased slightly but irregularly from 7.3 percent in 2012 to 7.7 percent in 2014. These inventory levels suggest that U.S. producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Only one of 18 responding U.S. producers, ***, reported that it could switch production from corrosion-resistant steel to other products. Although *** reported that it is not able to shift production to other products, the firm provided production data for nonsubject items produced on the same equipment as subject corrosion-resistant steel. Production of nonsubject items reported by ***.

Supply constraints

Two of 18 producers reported supply constraints since January 2012. *** reported that any constraints were temporary and a result of severe weather and/or short term demand spikes. *** reported a production disruption ***, and that it worked closely with customers to avoid delays so that no orders were denied.⁵ *** stated that it had no supply constraints but that it “occasionally declines to accept orders from certain customers for a variety of reasons, including creditworthiness.”

Respondents reported that severe winter weather conditions in the first quarter of 2014 caused production problems in the United States, and that this led to a domestic supply shortage that motivated purchasers to diversify their sources of supply.⁶ U.S. producer USS-POSCO reported that the West Coast was not affected by weather-related production issues, however, and that imports from China and Taiwan increased in San Diego, Los Angeles, San Francisco, and Seattle during this time.⁷

Respondents reported that the domestic industry prefers to focus on producing “wideband coils 48 inches or more and on thicker gauges,” because thinner gauge and narrower products are less efficient to produce,⁸ and that most domestic steel producers do not have the ability to produce Galvalume.⁹ Petitioners reported that domestic producers possess the capacity to satisfy all of U.S. demand for Galvalume.¹⁰

Subject imports

Table II-4 provides a summary of supply-related data for subject countries.

⁵ ***’s U.S. producer questionnaire response, question IV-16, ***.

⁶ Conference transcript, pp. 152 (Daugherty), 154-155 (Brunswick), 166-168 (Schoop), and 231 (Mendoza); Indian companies’ postconference brief, pp. 3-5; Italian producers’ postconference brief, pp. 12-14; Korea Iron and Steel Association, POSCO, POSCO Coated & Color Steel Co., Ltd., Hyundai Steel Co., Ltd., Dongkuk Steel Mill Co., Ltd., and Dongbu Steel Co., Ltd. (“Korean producers”) postconference brief, pp. 17-18; Prosperity Tieh’s postconference brief, pp. 12-13.

⁷ USS-POSCO’s postconference brief, pp. 5, exh. 1.

⁸ Conference transcript, p. 157 (Brunswick).

⁹ Conference transcript, pp. 159-160 (Quarteraro).

¹⁰ California Steel Industries and Steel Dynamics, Inc.’s postconference brief, p. 13, exh. 1.

Table II-4
Corrosion-resistant steel: Foreign industry factors that affect ability to increase shipments to the U.S. market

Country	Capacity (million short tons)		Capacity utilization (percent)		Inventory levels (percent)		Able to shift to alternate products	Shipments exported to non-U.S. markets 2014
	2012	2014	2012	2014	2012	2014	No. of firms reporting "yes"	(percent)
China	19.6	19.8	75.3	88.1	2.8	5.4	***	18.0
India	4.4	5.6	84.7	81.5	***	***	***	30.4
Italy	5.1	5.7	83.5	91.4	***	***	***	***
Korea	13.7	14.8	86.5	88.5	4.2	3.9	***	42.4
Taiwan	2.8	2.7	73.4	88.5	6.8	7.0	***	***

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

China¹¹

Based on available information, producers of corrosion-resistant steel from China have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are a large total capacity, the existence of alternate markets, some availability of unused capacity, and some inventories.

Petitioner ArcelorMittal reported that *** Chinese capacity for galvanizing was at least *** in 2014, and that Chinese galvanized capacity utilization was estimated *** to be ***, while Chinese public news sources estimated it to be 60 percent.¹² ArcelorMittal reported that Chinese worldwide exports of corrosion resistant steel increased by 39 percent (or 5.1 million tons) between 2012 and 2014.¹³

China Iron & Steel Association reported that Chinese producers are “overwhelmingly” focused on the home market, and that China has substantial third-country markets that are more significant than the U.S. market. It also reports that Chinese capacity utilization is generally high (at 88.1 percent in 2014), and that these data account for 80 percent of the Chinese producers that export to the United States.¹⁴

¹¹ The Commission received 12 questionnaire responses from Chinese producers. These firms’ exports to the United States were equivalent to *** percent of U.S. imports of corrosion-resistant steel from China during 2012-14.

¹² ArcelorMittal’s postconference brief, pp. 8-9, exhs. 8-9.

¹³ ArcelorMittal’s postconference brief, p. 22, exh. 15.

¹⁴ China Iron & Steel Association’s postconference brief, pp. 2 and 13.

India¹⁵

Based on available information, producers of corrosion-resistant steel from India have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are an increasing total capacity, the availability of some unused capacity, the existence of inventories, and the existence of some alternate markets.

Petitioner ArcelorMittal reported that Indian capacity for galvanizing, as estimated by ***, was *** in 2014, and that though some large Indian producers have low capacity utilization rates, Indian capacity still increased by *** between 2012 and 2014.¹⁶ ArcelorMittal also reported that Indian worldwide exports of corrosion-resistant steel increased by *** percent between 2012 and 2014.¹⁷

Indian respondents report that a sizeable portion of Indian producers' exports to the U.S. market consist of light gauge and very light gauge corrosion-resistant steel intended for HVAC use in the construction industry, and that none of India's corrosion-resistant steel products sold in the United States are for use in the automotive or energy markets.¹⁸

Italy¹⁹

Based on available information, producers of corrosion-resistant steel from Italy have the ability to respond to changes in demand with moderate changes in the quantity of shipments of corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are increasing capacity, some availability of unused capacity, and ***.

Petitioner ArcelorMittal referenced the questionnaire responses of *** in citing an excess capacity among Italian producers of nearly *** in 2014, and reported that Italian capacity increased between 2012 and 2014 and is expected to continue to increase.²⁰

Italian respondents report that Italian producers only sell hot-dipped galvanized steel sheet to the U.S. market (and no Galvalume products), and that they supply thinner gauge materials of higher strength that the U.S. market prefers not to make.²¹ They also report that

¹⁵ The Commission received four questionnaire responses from Indian producers. These firms' exports to the United States were equivalent to *** percent of U.S. imports of corrosion-resistant steel from India during 2012-14.

¹⁶ ArcelorMittal's postconference brief, pp. 11-13.

¹⁷ ArcelorMittal's postconference brief, p. 22, exh. 7.

¹⁸ Jindal South West Steel Ltd., Essar Steel India Limited, Uttam Galva Steels Limited, and Uttam Galva North America, Inc.'s ("Indian companies") postconference brief, pp. 21-22, exh. 11.

¹⁹ The Commission received three questionnaire responses from Italian producers. These firms' exports to the United States were equivalent to *** percent of U.S. imports of corrosion-resistant steel from Italy during 2012-14.

²⁰ ArcelorMittal's postconference brief, pp. 13-15.

²¹ Italian producers' postconference brief, p. 32.

Italian producers sell only automotive steel for interior applications in the United States, and only in small quantities.

Korea²²

Based on available information, producers of corrosion-resistant steel from Korea have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are increasing capacity, some availability of unused capacity, some inventories, and ***.

Petitioner ArcelorMittal estimated that Korean capacity is over *** tons and is growing.²³ It also noted that Korean exports increased from *** percent to *** percent of total production between 2012 and 2014.²⁴

Korean respondents reported that *** of U.S. imports of Korean corrosion-resistant steel were used in the automobile industry, and that Korean producers sell mostly to *** that purchase high strength corrosion-resistant steel with specific standards.²⁵ TCC Steel and Procon Metals reported that Korea is the only subject country with imports of DANP and copper-plated steel, which went to ***, and that these are highly specialized products that require a rigorous qualification process.²⁶ Korean respondents also reported that the U.S. market “is important, but {is} not the primary market for Korean producers.”²⁷

Taiwan²⁸

Based on available information, producers of corrosion-resistant steel from Taiwan have the ability to respond to changes in demand with moderate changes in the quantity of shipments of corrosion-resistant steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are some availability of unused capacity, the existence of inventories, and the existence of some alternate markets.

²² The Commission received six questionnaire responses from Korean producers. These firms’ exports to the United States were equivalent to essentially all U.S. imports of corrosion-resistant steel from Korea during 2012-14.

²³ ArcelorMittal’s postconference brief, pp. 15-16.

²⁴ ArcelorMittal’s postconference brief, p. 24.

²⁵ Korean producers’ postconference brief, p. 34.

²⁶ TCC Steel Co., Ltd., TCC America Corp., and Procon Metals, Inc.’s postconference brief, pp. 9, 34, and 37.

²⁷ Korean producers’ postconference brief, p. 41.

²⁸ The Commission received five questionnaire responses from producers in Taiwan. These firms’ exports to the United States were equivalent to *** percent of U.S. imports of corrosion-resistant steel from Taiwan during 2012-14.

Petitioner ArcelorMittal reported that *** Taiwan’s capacity for galvanized steel production was *** in 2014, and that Taiwan’s capacity utilization was ***.²⁹ ArcelorMittal also noted that Taiwan had increased its exports worldwide.³⁰

Prosperity Tieh reported that *** of exports to the United States of Taiwanese subject product in 2014 consisted of Galvalume, and that this product “fills an important gap in demand that is not serviced by domestic production.”³¹

Nonsubject imports

Canada was the largest overall source of U.S. imports of corrosion-resistant steel during 2012-14, accounting for *** percent of the total quantity of U.S. imports of corrosion-resistant steel in 2014.³² U.S. imports of corrosion-resistant steel from Canada increased by *** percent between 2012 and 2014, and U.S. imports of corrosion-resistant steel from all other nonsubject countries increased by *** percent during this period. In the first quarter of 2015, the quantity of U.S. imports of corrosion-resistant steel from Canada was *** percent lower than in the first quarter of 2014, whereas U.S. imports of corrosion-resistant steel from all other nonsubject countries was *** percent higher.

U.S. demand

Based on available information, the overall demand for corrosion-resistant steel is likely to experience small-to-moderate changes in response to changes in price. There are some substitute products, but short term substitutability may be limited in certain applications, such as automotive, and few firms reported that prices of substitutes affected the price of corrosion-resistant steel. Corrosion-resistant steel accounts for a moderate-to-large share of the cost of some of its primary end uses.

Petitioners reported that demand for corrosion-resistant steel in construction, appliances, HVAC systems, and automobiles has increased since January 2012, and asserted that this high demand would have benefited the U.S. corrosion-resistant steel producers “if not for the surge of subject imports.”³³ Respondents reported that demand has increased in the construction and automotive sectors, but that a drop in oil and gas prices at the end of 2014 affected demand for OCTG and hot-rolled coil³⁴ and that this reduced demand in the energy sector left U.S. mills with excess capacity.³⁵

²⁹ ArcelorMittal’s postconference brief, p. 19.

³⁰ ArcelorMittal’s postconference brief, p. 26.

³¹ Prosperity Tieh’s postconference brief, p. 31.

³² Compiled from official Commerce statistics. See also table IV-2 of this report.

³³ Conference transcript, p. 16 (Price).

³⁴ Conference transcript, p. 146 (Mendoza); Indian companies’ postconference brief, pp. 5-6.

³⁵ Conference transcript, p. 169 (Schoop).

End uses

The largest end use markets for corrosion-resistant steel are the automotive and construction industries. Reported automotive end uses include body panels and reinforcements, door panels, hoods, chassis, and brake and fuel line systems. Reported construction end uses include framing, roofing, building panels/siding, trim, gutters/downspouts, culverts, decking, garage/entry doors, suspension ceiling grids, and engineered truss connector plates. The appliance industry is another, though smaller, end use market. Additional end uses include agriculture, furniture, pipe and tube, fluid handling/tubing, steel barrels and drums, ammunition, containers, electrical manufacturing equipment, air filters, hose clamps, license plates, walk-in cooler panels, grill parts, HVAC equipment, hardware, fencing, and battery components.

Cost share

U.S. producers and importers reported a wide variety of cost shares for corrosion-resistant steel depending on the end use products. Most U.S. producers and importers reported that corrosion-resistant steel accounted for 5 to 30 percent of the cost of the end-use product in automotive end uses, with an average of 23 percent, and at least 50 percent of the cost in construction end uses, with an average of 64 percent. Responses ranged from 15 to 30 percent for appliances, averaging 25 percent, and from 70 to 92 percent for pipe and tube, averaging 82 percent. For other products, responses ranged from 10 percent (for ammunition) to 76 percent (for industrial OEM users).

Business cycles

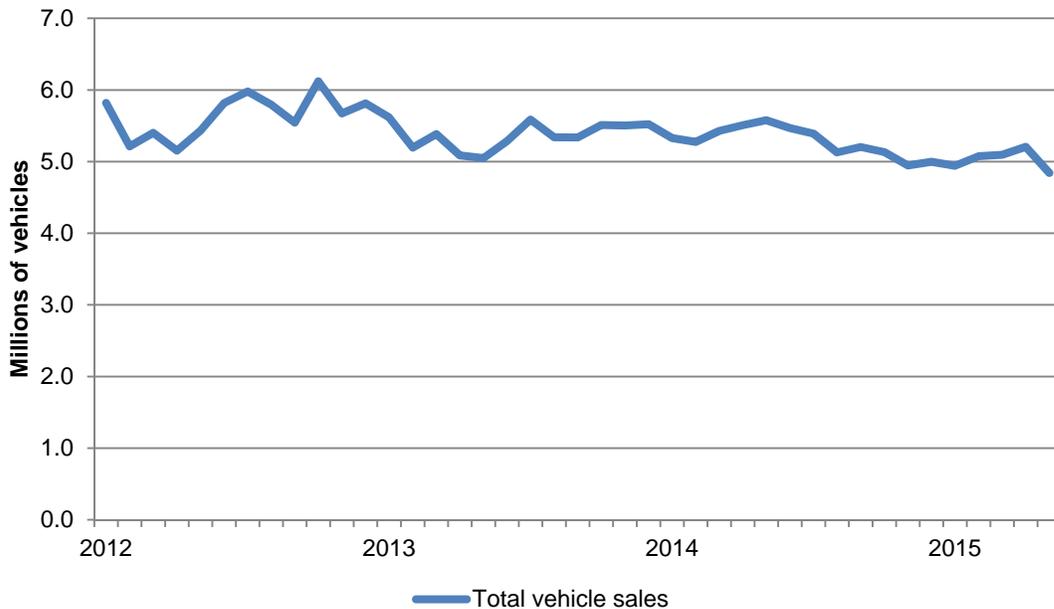
Most U.S. producers (12 of 16) and importers (21 of 37) reported that the market for corrosion-resistant steel was subject to business cycles, and also follows general economic trends, particularly in the construction market. Construction activity and demand for construction materials (steel framing and sheeting, HVAC, water heaters, and appliances), particularly in the Northeastern United States, declines between November and February, then increases beginning in April before reaching its peak during June-August.

Most U.S. producers (7 of 11) and a minority of importers (5 of 21) also reported that the market for corrosion-resistant steel was subject to distinct conditions of competition. U.S. producers reported that the U.S. market for corrosion-resistant steel is “dependent upon the spread between hot-rolled and galvanized on the CRU, along with lead time spreads,” and that the conditions of competition have been affected by the large amount of imported corrosion-resistant steel since 2012. Importers reported that the price of coating materials, strength of the dollar, and demand for (as well as the price of) corrosion-resistant steel in foreign markets affect the conditions of competition.

Demand trends

Demand for corrosion-resistant steel is mainly driven by automotive and construction demand, and is also affected by the overall economy. Total monthly vehicle sales fluctuated, but declined overall between January 2012 and May 2015 (figure II-1). Total construction spending increased overall from January 2012 to April 2015 (figure II-2). Real GDP growth in the United States fluctuated during January 2012 to March 2015, with economic growth above 2 percent in eight of the 13 quarters (figure II-3).

Figure II-1
U.S. automotive sales: Automobile and light truck retail sales, monthly, on a seasonally adjusted, annualized basis, January 2012-May 2015



Source: BEA, Motor Vehicle Unit Retail Sales, table 6, Light Vehicle and Total Vehicle Sales, www.bea.gov/national/xls/gap_hist.xls, retrieved June 29, 2015.

Figure II-2

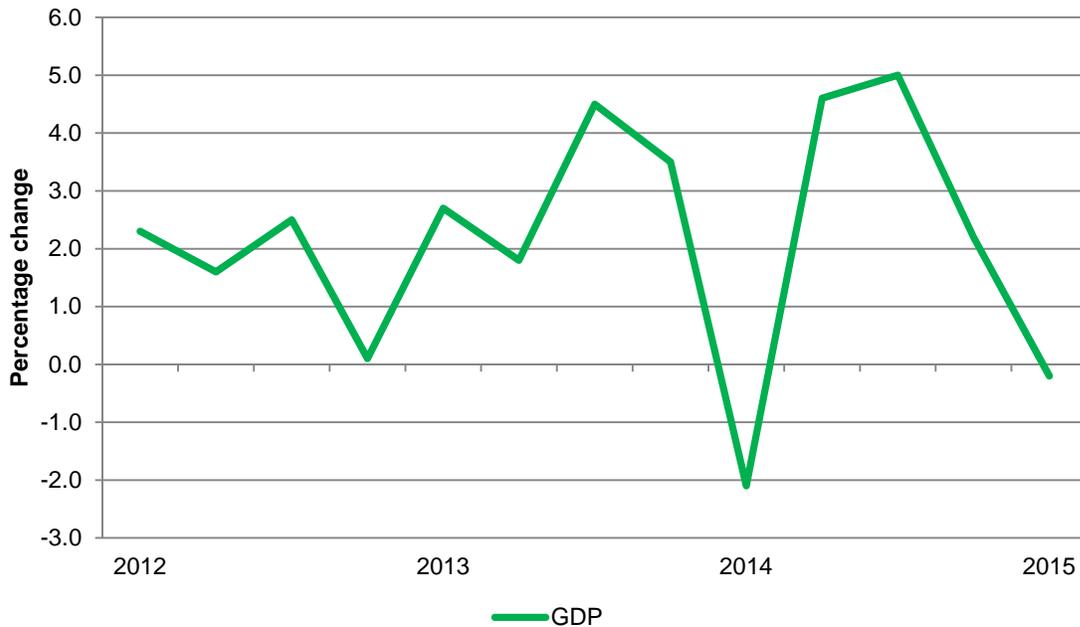
U.S. construction activity: Total construction spending (residential and nonresidential), monthly, on a seasonally adjusted, annualized basis, January 2012-April 2015



Source: Construction Spending, U.S. Census Bureau, <http://www.census.gov/>, retrieved June 29, 2015.

Figure II-3

Real U.S. GDP growth: Percentage change from the previous quarter, quarterly, January 2012-March 2015



Source: National Income and Product Accounts-Table 1.1.1, Percent Change from Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/iTable/index_nipa.cfm, retrieved June 29, 2015.

Most firms reported that U.S. demand for corrosion-resistant steel has increased since January 2012 (table II-5), particularly in the automotive and construction sectors.³⁶

Table II-5
Corrosion-resistant steel: Firms’ responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	9	2	3	3
Importers	24	3	1	11
Demand outside the United States				
U.S. producers	2	1	4	2
Importers	14	2	4	12

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

Substitute products

About half of responding U.S. producers (9 of 17) and a minority of responding importers (7 of 35) reported that there were substitutes for corrosion-resistant steel. Most of the firms that reported that there were substitutes (6 of 9 producers and 5 of 8 importers) reported that changes in the prices of these substitutes did not affect the price of corrosion-resistant steel.

Substitutes reported in automotive applications included aluminum, aluminum composites, plastics, and carbon fiber. U.S. producer *** reported that aluminum can be substituted for corrosion-resistant steel in automotive applications, but that aluminum prices would not affect corrosion-resistant steel prices because the use of substitutes depends upon long-term design decisions. U.S. producer *** reported that substitutes for corrosion-resistant steel in automotive applications cause pricing pressure on contract negotiations with customers. Importer *** reported that stainless steel can be substituted for corrosion-resistant steel in automotive applications, and indicated that the cost of nickel components – an input to stainless steel – could affect the price of corrosion-resistant steel.

Reported substitutes for corrosion-resistant steel for construction uses include aluminum and zinc-aluminum products, plastic, concrete, asphalt, and wood. Substitutes in other end uses included brass (sporting applications), plastic (culverts and hardware), and copper (fluid handling).

³⁶ Some respondents reported that while there has been increasing demand in the automotive and construction sectors, demand in the energy sector has decreased due to a decline in oil and gas prices. Indian companies’ postconference brief, pp. 5-6.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported corrosion-resistant steel depends upon such factors as relative prices, quality (e.g., strength, reliability of supply, gauge control, coating consistency, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a moderate-to-high degree of substitutability between domestically produced corrosion-resistant steel and corrosion-resistant steel imported from subject sources.

Lead times

Corrosion-resistant steel is primarily produced-to-order. U.S. producers and importers reported primarily produced-to-order shipments, with lead times averaging 52 days for U.S. producers and from 91 to 130 days for imports from subject countries (table II-5).

Table II-5
Corrosion-resistant steel: U.S. producers' and U.S. importers' lead times, 2014

Manner order met	U.S. producers	U.S. importers				
		China	India	Italy	Korea	Taiwan
	Share of U.S. commercial shipments (percent)					
Produced to order	98	88	93	***	68	85
From U.S. inventories	3	11	7	***	32	10
From foreign inventories	 	2	0	***	0	5
	Lead time (days)					
Produced to order	52	122	110	***	121	130
From U.S. inventories	9	20	17	***	8	19
From foreign inventories	 	114	162	***	45	93

Note.--Shares and lead times based on averages weighted by firms' 2014 commercial shipments.

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

Comparison of U.S.-produced and imported corrosion-resistant steel

In order to determine whether U.S.-produced corrosion-resistant steel can generally be used in the same applications as imports from China, India, Italy, Korea, and Taiwan, U.S. producers and importers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. As shown in table II-6, most U.S. producers reported that corrosion-resistant steel from all country pairs was “always” interchangeable. Most importers reported that corrosion-resistant steel from all country pairs was “frequently” or “sometimes” interchangeable.

Table II-6
Corrosion-resistant steel: Interchangeability between corrosion-resistant steel produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	12	2	1	0	6	11	14	0
U.S. vs. India	10	2	1	0	6	8	12	0
U.S. vs. Italy	11	2	1	0	5	7	5	0
U.S. vs. Korea	11	3	0	0	5	10	13	1
U.S. vs. Taiwan	11	3	0	0	5	14	8	0
Subject countries comparisons:								
China vs. India	9	3	0	0	4	10	5	0
China vs. Italy	9	3	0	0	4	5	4	0
China vs. Korea	10	2	1	0	5	8	10	0
China vs. Taiwan	10	2	1	0	4	10	7	0
India vs. Italy	9	2	1	0	4	4	6	0
India vs. Korea	9	3	0	0	4	8	7	0
India vs. Taiwan	9	3	0	0	4	8	7	0
Italy vs. Korea	9	3	0	0	4	5	6	0
Italy vs. Taiwan	9	3	0	0	4	6	4	0
Korea vs. Taiwan	9	3	0	0	5	11	3	0
Nonsubject countries comparisons:								
U.S. vs. Canada	11	3	0	0	8	7	3	0
U.S. vs. other nonsubject	10	2	1	0	3	9	9	0
China vs. Canada	10	2	1	0	4	5	4	0
China vs. other nonsubject	9	2	1	0	3	5	8	0
India vs. Canada	9	2	1	0	4	4	4	0
India vs. other nonsubject	8	2	1	0	3	4	7	0
Italy vs. Canada	9	3	0	0	4	5	2	0
Italy vs. other nonsubject	8	2	1	0	3	4	5	0
Korea vs. Canada	9	2	1	0	4	5	5	0
Korea vs. other nonsubject	9	2	1	0	4	4	7	0
Taiwan vs. Canada	10	2	1	0	4	6	2	0
Taiwan vs. other nonsubject	8	2	1	0	3	3	7	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

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

Some importers reported that customer quality levels and preferences, qualification requirements (including PPAP (Production Part Approval Process) testing and approval), and slight differences in mill specifications for mechanical and chemical properties limit interchangeability. Some importers also reported that domestic mills are unable to meet U.S. customers' demand, particularly for certain products.

With regard to Chinese product, one importer reported that Chinese producers cannot make all pre-painted galvanized and Galvalume steel, two importers reported that Chinese quality may be lower and less consistent than that of other suppliers, and one importer reported that light gauges are consistently available from Chinese suppliers but not from U.S. producers. China Iron & Steel Association reported that *** because "domestic suppliers had not been able to provide {high strength steel} in the quality needed to perform correctly."³⁷

With respect to product from India, one importer reported that Indian quality is sometimes too low to substitute for other sources, but that Indian mills produce coils as thin as 0.008 inch, which are in short supply domestically. Indian respondents also reported that Indian producers' exports of light gauge and very light gauge corrosion-resistant steel "do not compete with the heavier gauge products sold by the U.S. industry and other subject countries."³⁸

With respect to Italy, importer *** stated that Italian product is superior to imports from other subject countries, while importer *** reported that light gauge products are not produced in Italy.

For Korean product, importer *** cited the availability of thinner gauges and better quality product compared to other sources, and *** asserted that its Korean imports are never interchangeable with U.S. products due to their excellent durability, physical/chemical stability and processability, the availability of almost all widths and thicknesses, and the variety of colors, uniform quality, and availability at low cost for large-scale construction. Importer *** reported that Korea produces higher automotive grade steel, which is not generally available from domestic mills or other import sources.

For product from Korea and Taiwan, *** reported that domestic producers' capacity to produce certain Galvalume steel for the construction market is limited for thin, narrow, high strength, coated and painted products, whereas producers in Korea and Taiwan have invested more heavily in lines dedicated to these products.³⁹ According to ***, the availability and quality of some products from Korea and Taiwan (certain graded steel, IF (interstitial-free) steel, and light gauge steel) are superior to that of similar domestic product.

³⁷ China Iron & Steel Association's postconference brief, p. 11.

³⁸ Indian producers' postconference brief, pp. 21-22.

³⁹ Specific products cited include pre-painted Galvalume steel coils in thicknesses of 0.018" and under, less than 45" wide, and bare Galvalume steel coils, painted at third party paint lines, produced to ASTM specifications A-755 and A-792 – both in Gr. 80.

Importer *** reported that Taiwan produces PPGI (pre-painted galvanized steel) and lighter thicknesses, which are not readily available from domestic producers.

In addition, U.S. producers and importers were asked to assess how often differences other than price were significant in sales of corrosion-resistant steel from the United States, subject, and nonsubject countries. As seen in table II-7, all U.S. producers reported that there were either “sometimes” or “never” differences other than price between all country pairs. Importer responses were more varied; the most common responses for all but one country pair were that there were “sometimes” differences other than price.⁴⁰ In all cases, most importers reported that differences other than price were at least “sometimes” important for all country pairs. Differences cited by importers included product offerings, quality, reliability of supply, availability, lead times, risks of buying offshore, product range, and technical support.

⁴⁰ For Italy compared to Canada, the most common responses were “always” and “never,” with three responses each.

Table II-7

Corrosion-resistant steel: Significance of differences other than price between corrosion-resistant steel produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	0	0	7	7	5	6	13	4
U.S. vs. India	0	0	6	6	5	6	10	4
U.S. vs. Italy	0	0	5	7	4	2	8	4
U.S. vs. Korea	0	0	5	8	5	6	13	3
U.S. vs. Taiwan	0	0	6	7	3	8	11	3
Subject countries comparisons:								
China vs. India	0	0	5	5	4	2	11	2
China vs. Italy	0	0	5	5	3	1	7	2
China vs. Korea	0	0	5	6	4	2	11	3
China vs. Taiwan	0	0	6	5	5	3	10	2
India vs. Italy	0	0	5	5	3	1	6	2
India vs. Korea	0	0	5	5	4	1	10	2
India vs. Taiwan	0	0	5	5	4	3	9	2
Italy vs. Korea	0	0	5	5	4	1	5	2
Italy vs. Taiwan	0	0	5	5	3	1	6	2
Korea vs. Taiwan	0	0	5	5	3	2	10	2
Nonsubject countries comparisons:								
U.S. vs. Canada	0	0	6	7	3	2	7	5
U.S. vs. other nonsubject	0	0	6	7	3	3	13	2
China vs. Canada	0	0	6	5	3	1	6	2
China vs. other nonsubject	0	0	5	6	3	2	8	2
India vs. Canada	0	0	5	5	3	1	5	2
India vs. other nonsubject	0	0	5	5	3	2	8	2
Italy vs. Canada	0	0	5	5	3	1	3	3
Italy vs. other nonsubject	0	0	5	5	3	2	5	2
Korea vs. Canada	0	0	5	5	3	0	6	3
Korea vs. other nonsubject	0	0	5	6	3	2	10	3
Taiwan vs. Canada	0	0	6	5	3	1	4	3
Taiwan vs. other nonsubject	0	0	5	5	3	2	8	2

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in Part I of this report and information on the volume and pricing of imports of the subject merchandise is presented in Part IV and Part V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 18 firms that accounted for the vast majority of U.S. production of corrosion-resistant steel during 2014.

U.S. PRODUCERS

The Commission issued U.S. producer questionnaires to 24 firms based on information contained in the petition and other available industry sources. Eighteen firms provided useable data on their production operations.¹ Staff believes that these responses represented approximately *** percent of U.S. production of corrosion-resistant steel during 2014.²

Table III-1 lists the U.S. producers of corrosion-resistant steel that responded to the Commission's questionnaire, their production locations, positions on the petition, parent company(ies), and shares of total reported production in 2014. *** are the largest domestic producers, accounting for *** percent of domestic production during 2014.

¹ Several U.S. producers provided consolidated questionnaire responses. For example, a consolidated response was filed on behalf of Apollo Metals and Thomas Steel and the information for Double G was included in the responses of U.S. Steel and ArcelorMittal. In addition, the information for Desco was included in the response of U.S. Steel; the information for "The Techs" (MetalTech, NexTech, and Galvtech) was included in the response of Steel Dynamics; and the information for Spartan was included in the response of Worthington. One firm (American Nickeloid Co.) indicated that it did not produce corrosion-resistant steel during January 1, 2012 to March 31, 2015, and five firms (Galvstar LLC, Gregory Industries Inc., Material Science Corp., New Star Metals, and Pro-Tec Coating Co.) did not respond to the Commission's questionnaire. In addition, the absence of data from RG Steel, which closed its mills in 2012, modestly affects the data trends presented throughout this report, as data are slightly understated for 2012. RG Steel's sales in 2012 (before ceasing operations in May 2012) were 144,013 short tons. Although all 18 responding firms submitted useable trade data in their questionnaire responses, two firms (Arrow Shed and Canfield), that are estimated to have accounted for *** and *** percent of U.S. production in 2014, respectively, did not provide useable financial data. Further discussion on U.S. firms providing useable financial data is provided in Part VI.

² The coverage estimate is based on total production of coated sheet in the United States of *** short tons as reported by ***.

Table III-1

Corrosion-resistant steel: U.S. producers, their position on the petition, location of U.S. production facilities, parent company, and share of reported production, 2014

Firm	Position on petition	Production location(s)	Parent	Share of production (percent)
AK Steel Corp.	Petitioner	Ashland, KY	AK Steel Holding Corp. (U.S.)	***
		Butler, PA		
		Dearborn, MI		
		Middletown, OH		
		Rockport, IN		
ArcelorMittal USA	Petitioner	Burns Harbor, IN	ArcelorMittal S.A. (Luxembourg)	***
		Cleveland, OH		
		Columbus, OH		
		East Chicago, IN		
		New Carlisle, IN		
		Calvert, AL		
		Jackson, MS		
Arrow Shed LLC	***	Haskell, NJ	Arrow Sheds Holdings, LLC (U.S.)	***
California Steel Industries	Petitioner	Fontana, CA	Vale (Brazil) (50%) JFE Steel Corp. (Japan) (50%)	***
Canfield Coating Co.	***	Canfield, OH	New Star Metals (U.S.)	***
CSN, LLC	***	Terre Haute, IN	CSN Americas (Spain)	***
National Galvanizing LP	***	Monroe, MI	Tang Industries (U.S.) (50%) Heidtman Steel Products, Inc. (U.S.) (50%)	***
Nucor Corp.	Petitioner	Blytheville, AK	--	***
		Berkeley, SC		
		Trinity, AL		
		Crawfordsville, IN		

Table continued on following page.

Table III-1--Continued

Corrosion-resistant steel: U.S. producers, their position on the petition, location of U.S. production facilities, parent company, and share of reported production, 2014

Firm	Position on petition	Production location(s)	Parent	Share of production (percent)
Precoat Metals	***	Elkridge, MD	Sequa Corp. (U.S.)	***
Steel Dynamics, Inc.	Petitioner	Butler, IN	--	***
		Columbus, MS		
		Jeffersonville, IN		
		Pittsburgh, PA		
		Pittsburgh, PA		
Steelscape, LLC	***	Kalama, WA	NS BlueScope Holdings USA LLC (U.S.) (immediate parent)	***
		Rancho Cucamonga, CA	BlueScope Steel Ltd. (Australia) (50% ultimate parent)	
		Fairfield, AL (sold in December 2013)	Nippon Steel Sumitomo Metal Corp. (Japan) (50% ultimate parent)	
Ternium USA, Inc.	***	Shreveport, LA	Ternium S.A. (Luxembourg)	***
Thomas Steel Strip Corp. and Apollo Metals Ltd.	***	Bethlehem, PA	Tata Steel Ltd. (India)	***
		Warren, OH		
Top Gun Investment Corp. II	***	Sharon, PA	NLMK Overseas Holdings LLC (Russia)	***
		Farrell, PA		
United States Steel Corp.	Petitioner	Fairfield, AL	--	***
		Gary, IN		
		Portage, IN		
		Granite City, IL		
		Ecorse, MI		
		Fairless Hills, PA		
		West Mifflin, PA		
		Dearborn, MI		
Jackson, MS				
USS-POSCO Industries	***	Pittsburg, CA	Pitcal, Inc., a direct wholly owned subsidiary of United States Steel Corp. (U.S.) (50%)	***
			POSCO-California Corp., a direct wholly owned subsidiary of POSCO (Korea) (50%)	
Wheeling-Nisshin, Inc.	***	Follansbee, WV	Nisshin Holding Inc. (U.S.)	***
Worthington Steel	***	Columbus, OH	Worthington Industries (U.S.)	***
		Delta, OH		
		Monroe, MI		
Total reported				100.0

* * * * *

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

Related firms

As indicated in the footnotes to table III-1, four responding U.S. producers are related to foreign producers of corrosion-resistant steel in the subject countries: ArcelorMittal USA, Steelscape, Thomas/Apollo, and USS-POSCO. ArcelorMittal USA is related to Italian producers/exporters ArcelorMittal Piombino and ArcelorMittal Avellino through a common corporate parent and to Chinese producer Valin ArcelorMittal Automotive Steel Co., Ltd. and Indian producer Uttam Galva Steels Ltd. through joint venture agreements. Steelscape is related through a common parent to Tata BlueScope Steel Ltd., a producer of corrosion-resistant steel in India, and BlueScope Steel (Suzhou) Co. Ltd., a producer of corrosion-resistant steel in China. Thomas Steel Strip Corp. and Apollo Metals Ltd. are related through a common parent to producers of corrosion-resistant steel in India (Tata Steel Ltd.). Domestic producer USS-POSCO is a 50/50 joint venture owned by domestic producer U.S. Steel and Korean producer POSCO.

As discussed in greater detail below, U.S. producer Nucor Corp. is related to Nucor Trading USA Inc., a U.S. importer of ***, and U.S. producer Steelscape is related through a common parent to BlueScope Steel Americas LLC, a U.S. importer of ***.³ In addition, U.S. producers *** reported domestic purchases of corrosion-resistant steel imported from ***, while domestic producers *** reported domestic purchases of corrosion-resistant steel imported from ***.

Tolling operations

Nine of the responding U.S. producers reported that they have been involved in toll agreements regarding the production of corrosion-resistant steel. Two of the nine producers, however, are exclusively toll processors: *** and ***, which represented *** and *** percent of 2014 domestic production, respectively. The trade data for these two firms are included in the aggregate data presented. Therefore, the aggregate values and unit values presented in this section of the report are slightly understated because of the inclusion of processing fees as shipment values as reported by ***.

The remaining seven domestic producers reported that only a portion of their total production involves toll processing. Information reported by these firms is listed below:

* * * * *

³ *** did not provide a response to the Commission's importer questionnaire.

⁴ *** is not subject to these investigations.

Changes in operations

Fourteen responding domestic producers reported changes in their operations related to the production of corrosion-resistant steel since January 1, 2012. Such changes are presented in table III-2.

Table III-2

Corrosion-resistant steel: Reported changes in operations by U.S. producers

* * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Corrosion-resistant steel

U.S. producers' capacity, production, and capacity utilization data for corrosion-resistant steel are presented in table III-3. Domestic producers' aggregate capacity was relatively stable, increasing by 0.5 percent from 2012 to 2014. Reported capacity was 0.1 percent higher in the first quarter of 2015 than in the comparable period of 2014. Production also increased from 2012 to 2014, rising by 6.0 percent, but was 6.3 percent lower in the first quarter of 2015 than in the first quarter of 2014. Capacity utilization followed similar trends as production, increasing from 74.1 percent in 2012 to 78.1 percent in 2014. Capacity utilization during the first quarter of 2015 was 72.1 percent, compared to 77.1 percent in January-March 2014. Although the reported line shutdowns and production curtailments by 12 of the 18 responding U.S. producers, mostly during 2014 and 2015 (see table III-2), did not result in a downturn in the reported aggregate capacity data or the aggregate production data during 2012-14, it was reflected in the aggregate production data reported during the first quarter of 2015.

Table III-3**Corrosion-resistant steel: U.S. producers' capacity, production, and capacity utilization, 2012-14, January to March 2014, and January to March 2015**

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Capacity ¹	23,668,883	23,756,915	23,797,441	5,867,988	5,872,485
Production	17,540,368	17,984,337	18,596,502	4,523,247	4,236,075
	Ratio (percent)				
Capacity utilization	74.1	75.7	78.1	77.1	72.1

¹ ***.

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

Alternative products

As shown in table III-4, the majority of product produced by U.S. producers is subject corrosion-resistant steel, primarily hot-dip galvanized and galvaneal steel. Production of hot-dip galvanized and galvaneal steel accounted for *** percent of total production of all subject corrosion-resistant steel during 2014, followed by electrogalvanized steel (*** percent), 55% aluminum-zinc alloy coated (e.g., Galvalume) (*** percent), hot-dip aluminized (*** percent), and other subject corrosion-resistant steel (*** percent).⁵ A majority of responding firms reported that they do not produce alternative products on the same equipment or using the same employees. Firms that reported that they also produce nonsubject items on the same equipment as corrosion-resistant steel include ***. Production of nonsubject corrosion-resistant steel accounted for *** percent of total corrosion-resistant steel production during 2014.

Table III-4**Corrosion-resistant steel: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015**

* * * * * * *

⁵ Other subject corrosion-resistant steel includes electro-plated nickel, NiZn (nickel-zinc), copper, and brass (***), laminated sheet (***), and painted galvanized and painted Galvalume (***).

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments. These data show that the quantity of U.S. producers' total shipments, both U.S. and export, increased from 2012 to 2014, but were lower in the first quarter of 2015 than in the first quarter of 2014. As U.S. producers' shipment quantities increased, however, the average unit values fell overall from 2012 to 2014. Average unit values of U.S. producers' U.S. shipments and exports were lower during the first quarter of 2015 as compared with the first quarter of 2014. The value of U.S. producers' total shipments increased less rapidly during 2012 to 2014, as average unit values declined in 2013 and did not fully recover in 2014. The combined effect of lower shipment quantities and average unit values in January-March 2015 resulted in lower shipment values relative to January-March 2014.

*** of domestic producers' total shipments of corrosion-resistant steel were reported to be shipments to the U.S. commercial market.⁶ Domestic producers *** accounted for all reported internal consumption, whereas the following six domestic producers reported domestic transfers to related companies: ***.

All responding domestic producers except *** reported export shipments of the corrosion-resistant steel they produced. Principal export markets identified include Canada, Mexico, and China. *** accounted for *** percent of domestic producers' U.S. exports during 2014. Exports accounted for 6.0 percent of U.S. producers' total shipments during 2014.

⁶ As noted in Part I of this report, certain Korean respondents argue that the Commission should treat DANP and copper-plated steel as separate domestic like products from other corrosion-resistant steel. Commercial U.S. shipments of DANP and copper-plated steel combined during 2014 by Thomas/Apollo, the only domestic producers of DANP and copper-plated steel, amounted to *** short tons, or *** percent of total U.S. commercial shipments of corrosion-resistant steel by all U.S. producers .

Table III-5

Corrosion-resistant steel: U.S. producers' U.S. shipments, export shipments, and total shipments, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Commercial U.S. shipments	15,915,144	16,410,826	16,763,057	4,049,784	3,825,274
Consumption/transfers to related firms ¹	454,305	521,182	600,605	124,139	135,084
Subtotal, U.S. shipments	16,369,449	16,932,008	17,363,662	4,173,923	3,960,358
Export shipments ²	1,076,584	1,064,470	1,103,269	284,615	254,549
Total shipments	17,446,033	17,996,478	18,466,931	4,458,538	4,214,907
	Value (1,000 dollars)				
Commercial U.S. shipments	14,379,113	14,281,554	15,036,022	3,608,962	3,320,861
Consumption/transfers to related firms ¹	393,139	427,342	513,082	102,295	112,797
Subtotal, U.S. shipments	14,772,252	14,708,896	15,549,104	3,711,257	3,433,658
Export shipments ²	1,062,978	1,011,195	1,048,651	273,945	240,462
Total shipments	15,835,230	15,720,091	16,597,755	3,985,202	3,674,120
	Unit value (dollars per short ton)				
Commercial U.S. shipments	903	870	897	891	868
Consumption/transfers to related firms ¹	865	820	854	824	835
Subtotal, U.S. shipments	902	869	895	889	867
Export shipments ²	987	950	950	963	945
Total shipments	908	874	899	894	872
	Share of quantity (percent)				
Commercial U.S. shipments	91.2	91.2	90.8	90.8	90.8
Consumption/transfers to related firms ¹	2.6	2.9	3.3	2.8	3.2
Subtotal, U.S. shipments	93.8	94.1	94.0	93.6	94.0
Export shipments ²	6.2	5.9	6.0	6.4	6.0
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
Commercial U.S. shipments	90.8	90.8	90.6	90.6	90.4
Consumption/transfers to related firms ¹	2.5	2.7	3.1	2.6	3.1
Subtotal, U.S. shipments	93.3	93.6	93.7	93.1	93.5
Export shipments ²	6.7	6.4	6.3	6.9	6.5
Total shipments	100.0	100.0	100.0	100.0	100.0

¹ The very large majority (***) percent in 2014) of the non-commercial U.S. shipments are transfers to related parties rather than internal consumption.

² Export shipment destinations include Canada, Mexico, and China.

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

U.S. PRODUCERS' INVENTORIES

Table III-6 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2012-14, January to March 2014, and January to March 2015. These data show that inventories increased during 2012-14 and were higher in the first quarter of 2015 than in the first quarter of 2014. U.S. producers' inventories were equivalent to between 7.1 and 7.7 percent of U.S. producers' total shipments during 2012-14 but reached 8.4 percent during the first quarter of 2015. All domestic producers, with the exception of ***, reported holding end-of-period inventories of corrosion-resistant steel. Ten of sixteen producers held higher inventories in December 2014 than in December 2012. Nine of sixteen producers held higher inventories in March 2015 than in March 2014. *** accounted for the largest share of the increase in inventories from March 2012 to 2014, holding *** percent of inventories by year-end 2014 and *** percent of inventories in March 2015.

Table III-6
Corrosion-resistant steel: U.S. producers' inventories, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. producers' end-of-period inventories	1,273,805	1,281,075	1,414,152	1,345,319	1,422,959
	Ratio (percent)				
Ratio of inventories to.--					
U.S. production	7.3	7.1	7.6	7.4	8.4
U.S. shipments	7.8	7.6	8.1	8.1	9.0
Total shipments	7.3	7.1	7.7	7.5	8.4

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of corrosion-resistant steel are presented in table III-7. U.S. producer Nucor Corp. is related to Nucor Trading USA Inc., a U.S. importer of ***, and U.S. producer Steelscape is related through a common parent to BlueScope Steel Americas LLC, a U.S. importer of ***.⁷

Table III-7

Corrosion-resistant steel: U.S. producers' U.S. production, imports, and purchases, 2012-14, January to March 2014, and January to March 2015

* * * * *

In addition, U.S. producers *** reported domestic purchases of corrosion-resistant steel imported from ***, while domestic producers *** reported domestic purchases of corrosion-resistant steel imported from ***. With the exception of ***, U.S. producers' purchases of subject imports accounted for *** percent of each firm's U.S. production in any given time period. With respect to ***, U.S. purchases of subject imports, most of which were from ***, represented *** percent of the firm's U.S. production in 2012, *** percent in 2013, *** percent in 2014, *** percent in the first quarter of 2014, and *** percent in the first quarter of 2015.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

A representative of the United Steel Workers Union testified at the Commission's conference that its members faced lay-offs and reduced regular and overtime hours, and that hundreds of workers are currently working under the threat of 60-day warn notices.⁸ U.S. Steel, one domestic producer that has issued warn notices during the production downturn, explained that during the 60-day warn notice period (in compliance with its union contract concerning layoff minimization), the company first takes other actions, such as reducing the crew work week (e.g., from 40-hour work weeks to 32-hour work weeks) and the use of contract workers, before lay-offs begin. At the end of the 60-day warn notice period, if business conditions are not improved, then U.S. Steel indicated that it may begin to lay people off.⁹ In addition, domestic producers CSI and Nucor reported that their firms have "no layoff" policies in effect for their regular workers. Nucor testified that although it has a "no layoff" policy, its regular workers may nevertheless be affected by production downturns, because the company may respond to such downturns by reducing crew work weeks.¹⁰ CSI testified that when market conditions force it to cut back on its mill operations, it eliminates overtime, reduces temporary

⁷ *** did not provide a response to the Commission's importer questionnaire.

⁸ Conference transcript, p. 48 (Hart).

⁹ Conference transcript, pp. 126-127 (Matthews). U.S. Steel reported the employment of ***.

¹⁰ Conference transcript, pp. 125-126 (Blume). Nucor reported the employment of ***.

employees and contractors, and stops hiring new employees. In addition, its regular employees are assigned to maintenance and repair activities or community service, so that the workers are available when the company returns to normal production levels.¹¹

U.S. producers' employment-related data as provided in response to Commission questionnaires are shown in table III-8.

Table III-8
Corrosion-resistant steel: U.S. producers' employment related data, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
Production-related workers (PRWs) (number)	12,096	12,028	12,092	12,238	12,209
Total hours worked (1,000 hours)	24,741	24,605	24,386	6,322	6,111
Hours worked per PRW (hours)	2,045	2,046	2,017	517	501
Wages paid (\$1,000)	936,564	945,997	991,768	241,953	237,499
Hourly wages (dollars per hour)	\$37.85	\$38.45	\$40.67	\$38.27	\$38.86
Productivity (short tons per 1,000 hours)	709	731	763	715	693
Unit labor cost (dollars per short ton)	\$53.39	\$52.60	\$53.33	\$53.49	\$56.07

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

U.S. producers' employment measured by PRWs decreased overall from 2012 to 2014, and was lower during the first quarter of 2015 as compared with the first quarter of 2014. *** accounted for the majority of the decline in employment. Total hours worked by production employees followed the same general employment trend, with *** accounting for the majority of the decline in hours worked.

U.S. producers' hourly wages paid to PRWs, however, increased from \$37.85 in 2012 to \$40.67 in 2014 and were higher in the first quarter of 2015 at \$38.86 as compared with the first quarter of 2014 at \$38.27. Unit labor costs fell overall from 2012 to 2014 but were higher during the first quarter of 2015 as compared with the first quarter of 2014. Productivity increased from 2012 to 2014, but was lower in January-March 2015 than in January-March 2014.

¹¹ Conference transcript, p. 45 (Walburg). CSI reported the employment of ***.

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 65 firms believed to be importers of subject corrosion-resistant steel, as well as to all U.S. producers of corrosion-resistant steel.¹ Usable questionnaire responses were received from 42 companies, representing 66.1 percent of U.S. imports from China, 91.2 percent of U.S. imports from India, 77.0 percent of U.S. imports from Italy, all U.S. imports from Korea, 80.2 percent of U.S. imports from Taiwan, 93.4 percent of nonsubject U.S. imports from Canada, and 64.9 percent of U.S. imports from all other nonsubject countries during January 1, 2012 to March 31, 2015.² In light of the less-than-complete coverage of data from several subject and nonsubject countries provided in Commission questionnaires, import data in this report are based on official Commerce statistics for corrosion-resistant steel, as adjusted to include micro-alloy steel data collected separately in questionnaire responses. Table IV-1 lists all responding U.S. importers of corrosion-resistant steel, their locations, and their shares of reported U.S. imports in 2014.

¹ The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of proprietary data provided by ***, may have accounted for more than one percent of total imports under the following HTS statistical reporting numbers since 2012: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000. These HTS statistical reporting numbers were also used, as adjusted, to generate the import data presented in this report. Several attempts by staff to contact 12 firms listed in the petition as U.S. importers were unsuccessful because of invalid contact information. Ten of the firms were not identified by *** as U.S. importers and two of the firms accounted for less than 0.5 percent of U.S. imports of corrosion-resistant steel from any individual country.

² The coverage estimates presented are based on official import statistics, as supplemented from Commission questionnaire responses for micro-alloy corrosion-resistant steel.

Table IV-1

Corrosion-resistant steel: U.S. importers, their headquarters, and share of total imports by source, 2014

Firm	Headquarters	Share of imports by source (percent)										
		China	India	Italy	Korea	Taiwan	Subject sources	Canada	Other sources	Non-subject	All sources	
Acciaieria Arvedi SpA	Milano, Italy	***	***	***	***	***	***	***	***	***	***	***
Arcelor Mittal Dofasco	Ontario, Canada	***	***	***	***	***	***	***	***	***	***	***
ArcelorMittal International	Chicago, IL	***	***	***	***	***	***	***	***	***	***	***
Baosteel America Inc.	Montvale, NJ	***	***	***	***	***	***	***	***	***	***	***
C&F International Inc.	Houston, TX	***	***	***	***	***	***	***	***	***	***	***
Ciec USA Inc.	Houston, TX	***	***	***	***	***	***	***	***	***	***	***
CLM Enterprises Inc.	San Juan Capistrano, CA	***	***	***	***	***	***	***	***	***	***	***
Cotia (USA) Ltd.	New York, NY	***	***	***	***	***	***	***	***	***	***	***
CSN, LLC	Terre Haute, IN	***	***	***	***	***	***	***	***	***	***	***
Dongbu USA, Inc.	Torrance, CA	***	***	***	***	***	***	***	***	***	***	***
Dongkuk International	Torrance, CA	***	***	***	***	***	***	***	***	***	***	***
Duferco Steel Inc.	Matawan, NJ	***	***	***	***	***	***	***	***	***	***	***
GS Global USA, Inc.	Cerritos, CA	***	***	***	***	***	***	***	***	***	***	***
Hanwa American	Houston, TX	***	***	***	***	***	***	***	***	***	***	***
Hille & Mueller USA	Warren, OH	***	***	***	***	***	***	***	***	***	***	***
Hysco America Company	Greenville, AL	***	***	***	***	***	***	***	***	***	***	***
JFE Shoji Trade America Inc.	Long Beach, CA	***	***	***	***	***	***	***	***	***	***	***
Macsteel International USA	White Plains, NY	***	***	***	***	***	***	***	***	***	***	***
Majestic Steel USA	Pepper Pike, OH	***	***	***	***	***	***	***	***	***	***	***
Marcegaglia-USA	Munhall, PA	***	***	***	***	***	***	***	***	***	***	***
Marubeni-Itochu Steel America	New York, NY	***	***	***	***	***	***	***	***	***	***	***
Marubeni-Itochu Steel Canada	Burnaby, BC	***	***	***	***	***	***	***	***	***	***	***
Metal One America	Rosemont, IL	***	***	***	***	***	***	***	***	***	***	***
Mitsui & Co. (USA)	New York, NY	***	***	***	***	***	***	***	***	***	***	***
New Process Steel	Houston, TX	***	***	***	***	***	***	***	***	***	***	***
Nucor Trading USA	Los Angeles, CA	***	***	***	***	***	***	***	***	***	***	***
Optima Steel International	Concord, CA	***	***	***	***	***	***	***	***	***	***	***
POSCO AAPC LLC	Mccalla, AL	***	***	***	***	***	***	***	***	***	***	***
POSCO America	Fort Lee, NJ	***	***	***	***	***	***	***	***	***	***	***
Procon Metals Inc.	Warren, OH	***	***	***	***	***	***	***	***	***	***	***
Shivom Jay Steels Int'l	Granger, IN	***	***	***	***	***	***	***	***	***	***	***
SteelSummit International	New York, NY	***	***	***	***	***	***	***	***	***	***	***
Stemcor USA Inc.	New York, NY	***	***	***	***	***	***	***	***	***	***	***
Sumitomo Corp. of Americas	Rosemont, IL	***	***	***	***	***	***	***	***	***	***	***
Tata International Metals Am.	Schaumburg, IL	***	***	***	***	***	***	***	***	***	***	***
Ternium International USA	Houston, TX	***	***	***	***	***	***	***	***	***	***	***
Thyssen Krupp Materials NA	Southfield, MI	***	***	***	***	***	***	***	***	***	***	***
Totem Steel International	Portland, OR	***	***	***	***	***	***	***	***	***	***	***
Toyota Tsusho America, Inc.	Georgetown, KY	***	***	***	***	***	***	***	***	***	***	***
U.S. Steel Corp.	Pittsburgh, PA	***	***	***	***	***	***	***	***	***	***	***
Uttam Galva North America	New York, NY	***	***	***	***	***	***	***	***	***	***	***
Vulcan Steel, Inc.	Gardena, CA	***	***	***	***	***	***	***	***	***	***	***
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

U.S. IMPORTS

U.S. imports from subject and nonsubject countries

Table IV-2 and figure IV-1 present data for U.S. imports of corrosion-resistant steel. Imports of corrosion-resistant steel from the subject countries increased overall by 83.7 percent from 2012 to 2014, and were 34.6 percent higher in the first quarter of 2015 compared with the first quarter of 2014. As a share of total imports, subject imports decreased from 57.0 percent in 2012 to 54.0 percent in 2013, before increasing to 64.2 percent in 2014. Subject imports accounted for 63.2 percent of total imports in the first quarter of 2014 and 66.4 percent of total U.S. imports in the first quarter of 2015. The average unit values of subject imports, which were lower than those reported for nonsubject imports, decreased by 10.9 percent from 2012 to 2014, and were 3.8 percent lower in the first quarter of 2015 compared with the first quarter of 2014.

Canada was the largest nonsubject source for U.S. imports of corrosion-resistant steel, accounting for *** percent of the quantity of total U.S. imports of corrosion-resistant steel in 2014. U.S. imports from all nonsubject countries combined increased by 35.7 percent from 2012 to 2014, and were 17.1 percent higher during the first quarter of 2015 than in the comparable period of 2014. The average unit values of nonsubject imports decreased by 7.0 percent from 2012 to 2014, and were 2.8 percent lower in the first quarter of 2015 compared with the first quarter of 2014.

Table IV-2
Corrosion-resistant steel: U.S. imports, by source, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
Quantity (short tons)					
U.S. imports from-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	1,558,929	1,551,660	2,864,436	613,974	826,265
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	1,177,140	1,323,004	1,597,630	357,607	418,743
Total U.S. imports	2,736,069	2,874,664	4,462,066	971,581	1,245,008
Value (1,000 dollars)					
U.S. imports from-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	1,470,445	1,371,034	2,408,663	524,384	678,612
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	1,193,360	1,281,055	1,507,009	340,289	387,240
Total U.S. imports	2,663,804	2,652,089	3,915,672	864,673	1,065,852
Unit value (dollars per short ton)					
U.S. imports from-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	943	884	841	854	821
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	1,014	968	943	952	925
Total U.S. imports	974	923	878	890	856

Table continued on following page.

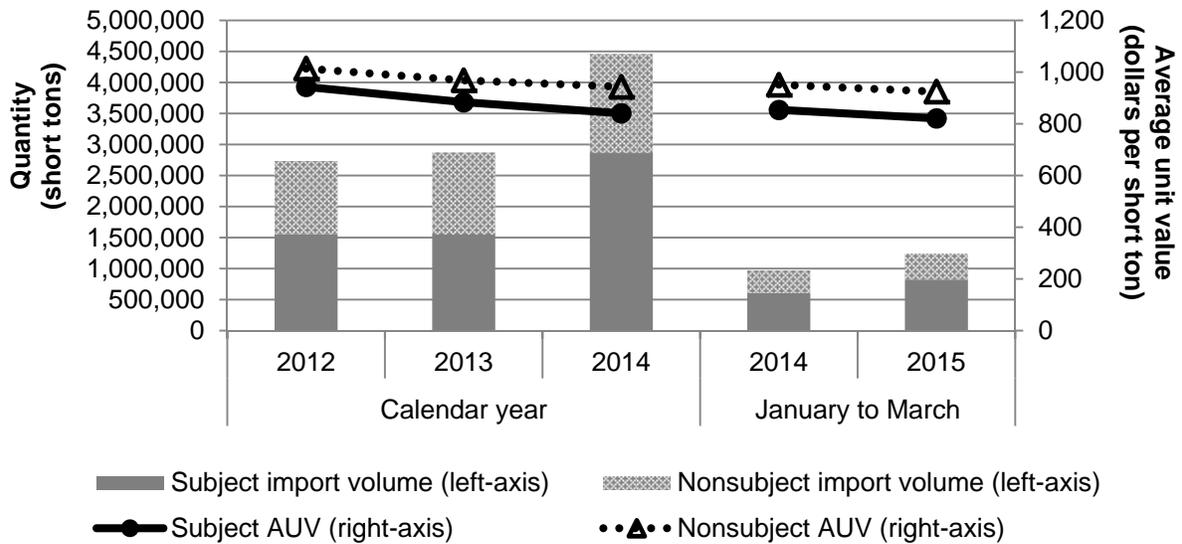
Table IV-2--Continued

Corrosion-resistant steel: U.S. imports, by source, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
Share of quantity (percent)					
U.S. imports from-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	57.0	54.0	64.2	63.2	66.4
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	43.0	46.0	35.8	36.8	33.6
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
Share of value (percent)					
U.S. imports from-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	55.2	51.7	61.5	60.6	63.7
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	44.8	48.3	38.5	39.4	36.3
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
Ratio to U.S. production (percent)					
U.S. imports from.-- China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	8.9	8.6	15.4	13.6	19.5
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	6.7	7.4	8.6	7.9	9.9
Total U.S. imports	15.6	16.0	24.0	21.5	29.4

Source: Compiled from data submitted in response to Commission questionnaires for micro-alloy imports and from official Commerce statistics (HTS statistical reporting numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000).

Figure IV-1
Corrosion-resistant steel: U.S. import quantities and average unit values, 2012-14, January to March 2014, and January to March 2015



Source: Compiled from data submitted in response to Commission questionnaires for micro-alloy imports and from official Commerce statistics (HTS statistical reporting numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000).

Ratio of subject imports to U.S. production

The ratio of subject import quantity to U.S. production increased overall from 8.9 percent in 2012 to 15.4 percent in 2014 (table IV-2). The ratio was 13.6 percent in the first quarter of 2014 and 19.5 percent in the first quarter of 2015.

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.³ Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.⁴

Imports from Italy, the subject country that accounted for the smallest share of total imports, represented 4.8 percent of total imports of corrosion-resistant steel by quantity during June 2014-May 2015. Imports from India, the subject country that accounted for the next smallest share of total imports, represented *** percent of total imports of corrosion-resistant steel by quantity during June 2014-May 2015. Imports from all five subject countries combined accounted for *** percent of total imports during June 2014-May 2015.⁵ The quantity of U.S. imports of corrosion-resistant steel from the five countries subject to these investigations during June 2014-May 2015 and the share of quantity of total U.S. imports for which each accounted are listed below:

- China: ***
- India: ***
- Italy: ***
- Korea: ***
- Taiwan: ***

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of

³ Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

⁴ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

⁵ Shares are calculated based on official import statistics, as supplemented with questionnaire responses for micro-alloy corrosion-resistant steel.

distribution, and (4) simultaneous presence in the market. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

Fungibility

Shipments of corrosion-resistant steel, by end use

Table IV-3 presents data for U.S. producers' and U.S. importers' commercial U.S. shipments of corrosion-resistant steel, by end use. U.S. producers reported that corrosion-resistant steel is sold mainly for automotive and construction end uses. The data show that during 2012-14, 39.9 percent of U.S. commercial shipments of U.S.-produced corrosion-resistant steel was sold for automotive end uses, 24.1 percent of shipments was sold for construction end uses, 3.1 percent was sold for appliance end uses, and the remaining 32.9 percent was for a wide variety of other end uses.⁶ Korea was the only subject country that reported a higher share of its commercial U.S. shipments for automotive end uses than the United States, although the share for automotive end uses declined and the share for construction end uses increased from 2012 to 2014.

U.S. commercial shipments of corrosion-resistant steel imported from China were sold primarily for construction end uses. During 2014, *** percent of U.S. commercial shipments of imports from China was sold for construction end uses, *** percent of shipments was sold for automotive end uses, *** percent was sold for appliance end uses, and the remaining *** percent was for a variety of other end uses.⁷

U.S. commercial shipments of corrosion-resistant steel imported from India were sold primarily for construction end uses. During 2014, *** percent of U.S. commercial shipments of imports from India were sold for construction end uses, *** percent were sold for appliance end uses, and the remaining *** percent were for a variety of other end uses.⁸ None of the product imported from India was reported to be for automotive end uses.

⁶ Other end uses listed by U.S. producers include the following: agriculture, air filters, battery, brokers, capital goods, ceiling grid, computer cabinets, consumer goods, converters, containers, distributors, doors, electrical, energy, expanded metal, fluid handling, furniture and fixtures, grill parts, hardware, hose clamps, HVAC, industrial equipment, license plates, manufacturing, OEM, packaging, pipe, railroad, service centers, sporting ammunition, steel barrels and drums, swimming pool, tubing, tractor trailers, and walk in cooler panels.

⁷ Other end uses listed by U.S. importers of corrosion-resistant steel from China include the following: service centers, fences, hardware and parts, processors, ducts, cabinets, and file bins.

⁸ Other end uses listed by U.S. importers of corrosion-resistant steel from India include the following: structural and mechanical tubing, service centers, fences, HVAC, and distributors.

Table IV-3

Corrosion-resistant steel: U.S. commercial shipments, by U.S. producers or importers and by end use, 2012-14, January to March 2014, and January to March 2015

Items	Calendar year			January to March	
	2012	2013	2014	2014	2015
Quantity (short tons)					
U.S. shipments by U.S. producers					
Automotive	6,210,177	6,444,899	6,678,537	1,675,278	1,656,982
Construction	3,876,039	3,997,761	4,035,196	920,926	875,304
Appliance uses	458,571	497,720	512,955	129,912	118,940
Other	5,336,449	5,438,433	5,499,129	1,314,828	1,165,429
U.S. shipments of imports from China					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from India					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Italy					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Korea					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Taiwan					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***

Table continued on following page.

Table IV-3--Continued

Corrosion-resistant steel: U.S. commercial shipments, by U.S. producers or importers and by end use, 2012-14, January to March 2014, and January to March 2015

Items	Calendar year			January to March	
	2012	2013	2014	2014	2015
Quantity (short tons)					
U.S. shipments of imports from subject sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Canada					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all other sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all nonsubject sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all sources					
Automotive	812,348	924,538	1,044,286	249,651	259,583
Construction	1,022,254	1,205,267	1,743,528	377,141	508,977
Appliance uses	29,125	36,447	54,351	13,975	18,572
Other	340,942	337,300	546,125	98,006	117,335

Table continued on following page.

Table IV-3--Continued

Corrosion-resistant steel: U.S. commercial shipments, by U.S. producers or importers and by end use, 2012-14, January to March 2014, and January to March 2015

Items	Calendar year			January to March	
	2012	2013	2014	2014	2015
Share of reported shipments (percent)					
U.S. shipments by U.S. producers					
Automotive	39.1	39.3	39.9	41.5	43.4
Construction	24.4	24.4	24.1	22.8	22.9
Appliance uses	2.9	3.0	3.1	3.2	3.1
Other	33.6	33.2	32.9	32.5	30.5
U.S. shipments of imports from China					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from India					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Italy					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Korea					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Taiwan					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***

Table continued on following page.

Table IV-3--Continued

Corrosion-resistant steel: U.S. commercial shipments, by U.S. producers or importers and by end use, 2012-14, January to March 2014, and January to March 2015

Items	Calendar year			January to March	
	2012	2013	2014	2014	2015
Share of reported shipments (percent)					
U.S. shipments of imports from subject sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from Canada					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all other sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all nonsubject sources					
Automotive	***	***	***	***	***
Construction	***	***	***	***	***
Appliance uses	***	***	***	***	***
Other	***	***	***	***	***
U.S. shipments of imports from all sources					
Automotive	36.8	36.9	30.8	33.8	28.7
Construction	46.4	48.1	51.5	51.0	56.3
Appliance uses	1.3	1.5	1.6	1.9	2.1
Other	15.5	13.5	16.1	13.3	13.0

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

U.S. commercial shipments of corrosion-resistant steel imported from Italy were sold primarily for construction end uses. During 2014, *** percent of U.S. commercial shipments of imports from Italy were sold for construction end uses, *** percent were for automotive end uses, and the remaining *** percent were sold to distributors and service centers. None of the product imported from Italy was reported to be for appliance end uses since 2012, and prior to 2014, U.S. imports from Italy were not sold for automotive end uses.

Since 2012, U.S. commercial shipments of corrosion-resistant steel imported from Korea for construction end uses have increased relative to other end uses, whereas such relative shipments for automotive end uses have declined. During 2014, *** percent of U.S. commercial shipments of imports from Korea were sold for construction end uses and *** percent were sold for automotive end uses. Most of the remaining shipments were for appliance end uses (*** percent) with *** percent sold for other end uses.⁹

U.S. commercial shipments of corrosion-resistant steel imported from Taiwan were sold primarily for construction end uses. During 2014, *** percent of U.S. commercial shipments of imports from Taiwan were sold for construction end uses and *** percent were sold for other end uses.¹⁰ None of the product imported from Taiwan was reported to be for appliance end uses since 2012. The only time period for which automotive end uses were reported for imported product from Taiwan was during ***.

Shipments of corrosion-resistant steel, by type

Table IV-4 presents data for U.S. producers' and U.S. importers' commercial U.S. shipments of corrosion-resistant steel, by type. The overwhelmingly majority of U.S. shipments by U.S. producers and importers of product from China and India during 2014 was hot-dip galvanized/galvanneal corrosion-resistant steel and *** of the U.S. shipments of product imported from Italy during 2014 was hot-dip galvanized and galvanneal corrosion-resistant steel. Hot-dip galvanized/galvanneal product and 55% Al-Zn alloy coated (e.g., Galvalume) product accounted for *** percent and *** percent, respectively, of the U.S. shipments of imports from Korea during 2014. Most of the U.S. shipments of imports from Taiwan was the 55% Al-Zn alloy coated (e.g., Galvalume) product, which accounted for *** percent of total U.S. shipments of imports from Taiwan during 2014. Hot-dip galvanized and galvanneal product accounted for *** percent of total U.S. shipments of imports from Taiwan during 2014.

Table IV-4
Corrosion-resistant steel: U.S. producers' shipments, by type, and U.S. importers' shipments by type and country, 2014

* * * * *

⁹ Other end uses listed by U.S. importers of corrosion-resistant steel from Korea include the following: service centers, distributors, battery components, and ducts.

¹⁰ The other end use listed by U.S. importers of corrosion-resistant steel from Taiwan was service centers.

During 2014, *** percent of the U.S. producers' shipments were of the 55% Al-Zn alloy coated (e.g., Galvalume) product. Although respondents claim that there is a "substantial shortfall" of domestic supply to produce Galvalume,¹¹ domestic producers argue that the U.S. industry is "fully capable of satisfying the entire U.S. demand for Galvalume."¹² Domestic producers submit that the only reason the domestic industry does not satisfy the entire U.S. demand for Galvalume "is the surge of imports of Galvalume at prices that significantly undercut the domestic industry price."¹³ Six U.S. producers (***) reported in response to supplemental questions by Commission staff that, given the appropriate market conditions, the combined theoretically maximum capacity to produce the Galvalume product by the U.S. industry is *** short tons.

Pre-painted or paint line quality

Ten of the responding 18 U.S. producers indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These ten producers reported that they commercially shipped to U.S. customers almost 2 million short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which represented 11.7 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. producers during 2014. U.S. importers of corrosion-resistant steel from the five subject countries combined reported pre-painted and paint line quality commercial U.S. shipments of 427,606 short tons during 2014, which accounted for 19.9 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from subject countries during 2014.

Nine of the responding 23 U.S. importers of corrosion-resistant steel from China indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These nine firms reported that they commercially shipped to U.S. customers *** short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which accounted for 12.8 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from China during 2014.

Seven of the responding 20 U.S. importers of corrosion-resistant steel from India indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These seven firms reported that they commercially shipped to U.S. customers *** short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which accounted for 6.5 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from India during 2014.

*** was the only U.S. importer of the responding four U.S. importers of corrosion-resistant steel from Italy that reported commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. *** reported that *** of its U.S. commercial shipments of imported corrosion-resistant steel from Italy was of pre-painted or paint line

¹¹ Conference transcript, pp. 159-160 (Quartararo).

¹² CSI and SDI's postconference brief, p. 13.

¹³ CSI and SDI's postconference brief, p. 13.

quality corrosion-resistant steel in 2014. ***'s commercial U.S. shipments of *** short tons amounted to *** percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from Italy during 2014.

Three of the responding 13 U.S. importers of corrosion-resistant steel from Korea indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These three firms reported that they commercially shipped to U.S. customers *** short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which accounted for 6.8 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from Korea during 2014.

Nine of the responding 13 U.S. importers of corrosion-resistant steel from Taiwan indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These nine firms reported that they commercially shipped to U.S. customers *** short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which accounted for 60.1 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from Taiwan during 2014.

*** U.S. importers of corrosion-resistant steel from nonsubject Canada that reported commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. *** reported that *** percent of its U.S. commercial shipments of imported corrosion-resistant steel from Canada was of pre-painted or paint line quality corrosion-resistant steel in 2014. ***'s commercial U.S. shipments of *** short tons amounted to *** percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from Canada during 2014.

Five of the responding 16 U.S. importers of corrosion-resistant steel from all other nonsubject countries indicated that they made commercial U.S. shipments of corrosion-resistant steel that was pre-painted or paint line quality in 2014. These five firms reported that they commercially shipped to U.S. customers *** short tons of pre-painted or paint line quality corrosion-resistant steel in 2014, which accounted for 7.4 percent of total commercial U.S. shipments of corrosion-resistant steel by U.S. importers from all other nonsubject countries during 2014.

Presence in the market

Table IV-5 presents information on the monthly presence of U.S. imports in the United States during 2012-14, January-March 2014, and January-March 2015. These data show that imports of corrosion-resistant steel from the subject countries were present in the U.S. market in every month during the period examined from January 2012 to March 2015.

Table IV-5

Corrosion-resistant steel: Monthly presence of U.S. imports, 2012-14, January to March 2014, and January to March 2015

Source	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Months present (number)				
China	12	12	12	3	3
India	12	12	12	3	3
Italy	12	12	12	3	3
Korea	12	12	12	3	3
Taiwan	12	12	12	3	3
Subtotal, subject sources	12	12	12	3	3
Canada	12	12	12	3	3
All other sources	12	12	12	3	3
Subtotal, nonsubject sources	12	12	12	3	3
Total U.S. imports	12	12	12	3	3

Note.-- Data presented do not include micro-alloy imports.

Source: Compiled from official Commerce statistics (HTS statistical reporting numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000).

Geographical markets

As noted previously, corrosion-resistant steel production occurs throughout the United States and corrosion-resistant steel is shipped nationwide. As illustrated in table IV-6, the Houston-Galveston, New Orleans, and Los Angeles Customs districts accounted for more than half of the imports of corrosion-resistant steel from the subject countries during 2014. Of the corrosion-resistant steel imported into the United States from China during 2014, about three-fourths entered through the following three Customs districts: Los Angeles (35 percent), Houston-Galveston (21 percent), and New Orleans (19 percent). Of the corrosion-resistant steel imported into the United States from India during 2014, 86 percent entered through the following four Customs districts: Philadelphia (36 percent), Savannah (19 percent), New Orleans (16 percent), and Houston-Galveston (16 percent). Of the corrosion-resistant steel imported into the United States from Italy during 2014, 86 percent entered through the following four Customs districts: Tampa (34 percent), Philadelphia (23 percent), Cleveland (15 percent), and Houston-Galveston (14 percent). Of the corrosion-resistant steel imported into the United States from Korea during 2014, about three-fourths entered through the following three Customs districts: Mobile (41 percent), Houston-Galveston (21 percent), and New Orleans (15 percent). Of the corrosion-resistant steel imported into the United States from Taiwan during 2014, 83 percent entered through the following four Customs districts: Houston-Galveston (27 percent), New Orleans (24 percent), Savannah (19 percent), and Los Angeles (13 percent).

Table IV-6

Corrosion-resistant steel: Major customs districts of entry for U.S. imports, 2014

Source and district of entry	2014	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from China		
Los Angeles, CA	328,381	34.6
Houston-Galveston, TX	196,022	20.6
New Orleans, LA	183,529	19.3
Savannah, GA	68,339	7.2
Philadelphia, PA	53,432	5.6
All other districts	119,600	12.6
Subtotal, imports from China	949,303	100.0
U.S. imports from India		
Philadelphia, PA	184,067	35.8
Savannah, GA	97,160	18.9
New Orleans, LA	81,620	15.9
Houston-Galveston, TX	80,580	15.7
Tampa, FL	25,486	5.0
All other districts	44,856	8.7
Subtotal, imports from India	513,769	100.0
U.S. imports from Italy		
Tampa, FL	45,439	33.8
Philadelphia, PA	30,980	23.1
Cleveland, OH	20,588	15.3
Houston-Galveston, TX	18,627	13.9
Savannah, GA	11,611	8.6
All other districts	7,101	5.3
Subtotal, imports from Italy	134,346	100.0
U.S. imports from Korea		
Mobile, AL	202,364	41.3
Houston-Galveston, TX	103,035	21.0
New Orleans, LA	71,422	14.6
Los Angeles, CA	30,869	6.3
Tampa, FL	19,413	4.0
All other districts	62,435	12.8
Subtotal, imports from Korea	489,539	100.0
U.S. imports from Taiwan		
Houston-Galveston, TX	184,238	27.4
New Orleans, LA	162,906	24.3
Savannah, GA	124,558	18.6
Los Angeles, CA	88,532	13.2
Philadelphia, PA	44,781	6.7
All other districts	66,202	9.9
Subtotal, imports from Taiwan	671,218	100.0

Table continued on following page.

Table IV-6--Continued

Corrosion-resistant steel: Major customs districts of entry for U.S. imports, 2014

Source and district of entry	2014	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from subject sources		
Houston-Galveston, TX	582,502	21.1
New Orleans, LA	500,555	18.1
Los Angeles, CA	448,778	16.3
Philadelphia, PA	325,058	11.8
Savannah, GA	320,889	11.6
All other districts	580,393	21.0
Subtotal, imports from subject sources	2,758,174	100.0
U.S. imports from Canada		
Detroit, MI	578,303	82.7
Buffalo, NY	93,163	13.3
Ogdensburg, NY	24,006	3.4
St. Albans, VT	2,405	0.3
Seattle, WA	785	0.1
All other districts	357	0.1
Subtotal, imports from Canada	699,021	100.0
U.S. imports from all other nonsubject sources		
Laredo, TX	241,533	17.6
Philadelphia, PA	48,238	3.5
Houston-Galveston, TX	46,275	3.4
Mobile, AL	44,005	3.2
Charlotte, NC	40,588	3.0
All other districts	952,565	69.4
Subtotal, imports from all other sources	1,373,205	100.0

Note.-- Data presented do not include micro-alloy imports.

Source: Compiled from official Commerce statistics (HTS statistical reporting numbers 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000).

APPARENT U.S. CONSUMPTION

Table IV-7 presents data on apparent U.S. consumption of corrosion-resistant steel. These data show that apparent consumption increased by 14.2 percent from 2012 to 2014, and was 1.2 percent higher during the first quarter of 2015 as compared with the first quarter of 2014.

Table IV-7
Corrosion-resistant steel: Apparent U.S. consumption, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. producers' U.S. shipments	16,369,449	16,932,008	17,363,662	4,173,923	3,960,358
U.S. imports from--					
China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	1,558,929	1,551,660	2,864,436	613,974	826,265
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	1,177,140	1,323,004	1,597,630	357,607	418,743
Total U.S. imports	2,736,069	2,874,664	4,462,066	971,581	1,245,008
Apparent U.S. consumption	19,105,518	19,806,672	21,825,728	5,145,504	5,205,366
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	14,772,252	14,708,896	15,549,104	3,711,257	3,433,658
U.S. imports from--					
China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	1,470,445	1,371,034	2,408,663	524,384	678,612
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	1,193,360	1,281,055	1,507,009	340,289	387,240
Total U.S. imports	2,663,804	2,652,089	3,915,672	864,673	1,065,852
Apparent U.S. consumption	17,436,056	17,360,985	19,464,776	4,575,930	4,499,510

Source: Compiled from data submitted in response to Commission questionnaires, and adjusted official U.S. import statistics.

U.S. MARKET SHARES

U.S. market share data for corrosion-resistant steel are presented in table IV-8. These data show that the U.S. producers' market share declined by 6.1 percentage points from 2012 to 2014 and that the market share held by the subject sources increased by 4.9 percentage points during the same period. U.S. producers once again held a smaller share of the market at 76.1 percent during the first quarter of 2015 as compared to the first quarter of 2014, while U.S. importers from subject countries held a larger share at 15.9 percent.

Table IV-8
Corrosion-resistant steel: Market shares, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Apparent U.S. consumption	19,105,518	19,806,672	21,825,728	5,145,504	5,205,366
	Share of quantity (percent)				
U.S. producers' U.S. shipments	85.7	85.5	79.6	81.1	76.1
U.S. imports from--					
China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	8.2	7.8	13.1	11.9	15.9
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	6.2	6.7	7.3	6.9	8.0
Total U.S. imports	14.3	14.5	20.4	18.9	23.9
	Value (1,000 dollars)				
Apparent U.S. consumption	17,436,056	17,360,985	19,464,776	4,575,930	4,499,510
	Share of value (percent)				
U.S. producers' U.S. shipments	84.7	84.7	79.9	81.1	76.3
U.S. imports from--					
China	***	***	***	***	***
India	***	***	***	***	***
Italy	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Subtotal, subject sources	8.4	7.9	12.4	11.5	15.1
Canada	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal, nonsubject sources	6.8	7.4	7.7	7.4	8.6
Total U.S. imports	15.3	15.3	20.1	18.9	23.7

Source: Compiled from data submitted in response to Commission questionnaires, and adjusted official U.S. import statistics.

PART V: PRICING DATA

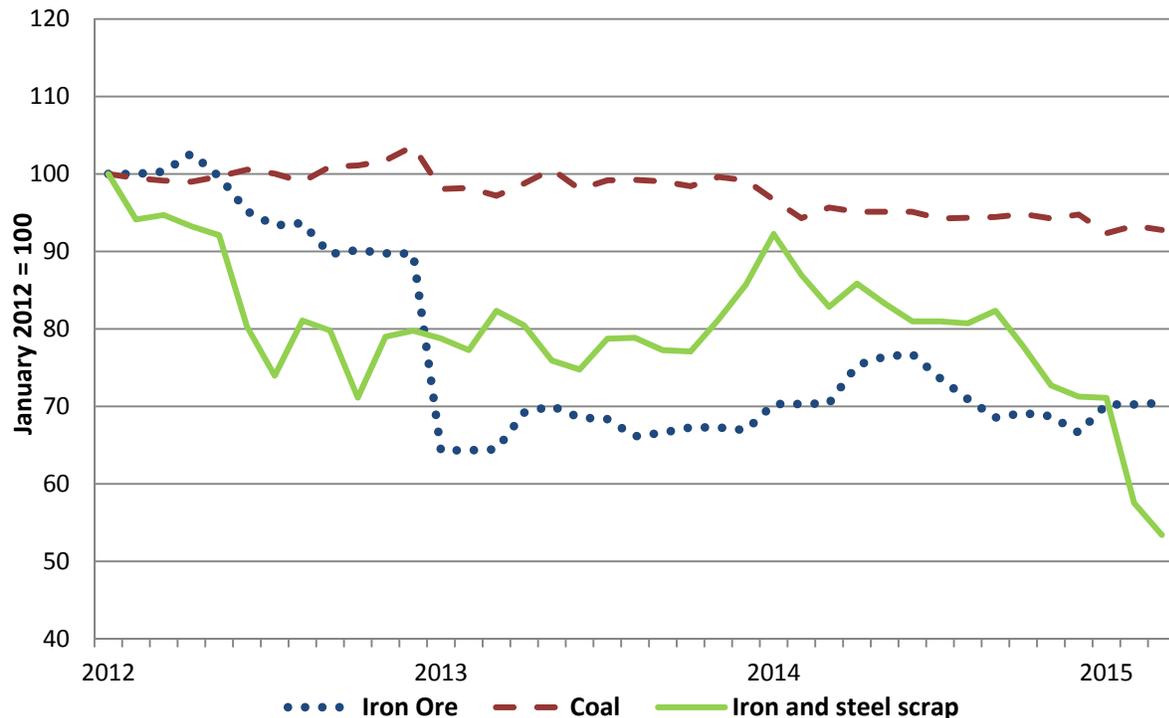
FACTORS AFFECTING PRICES

Raw material costs

The primary raw material inputs to corrosion-resistant steel include iron ore, coal, iron and steel scrap, and coating materials such as zinc and aluminum. Prices for these raw materials fluctuated during January 2012-May 2015, with iron ore, coal, iron and steel scrap, and aluminum showing a general decrease, and zinc showing a general increase. U.S. producers' raw material costs as a share of the cost of goods sold (COGS) decreased from 71.3 percent in 2012 to 68.8 percent in 2014, and were 64.0 percent in January-March 2015.

As shown in figure V-1, costs for iron ore, coal, and iron and steel scrap decreased by 29.5 percent, 7.2 percent, and 46.6 percent, respectively, between January 2012 and March 2015. Between March and May of 2015, prices for each of these raw materials increased slightly – by 2.9 percent, 0.6 percent, and 1.3 percent, respectively.

Figure V-1
Raw material costs: Producer price indexes of iron ore, coal, and iron and steel scrap in the United States, monthly, January 2012-March 2015



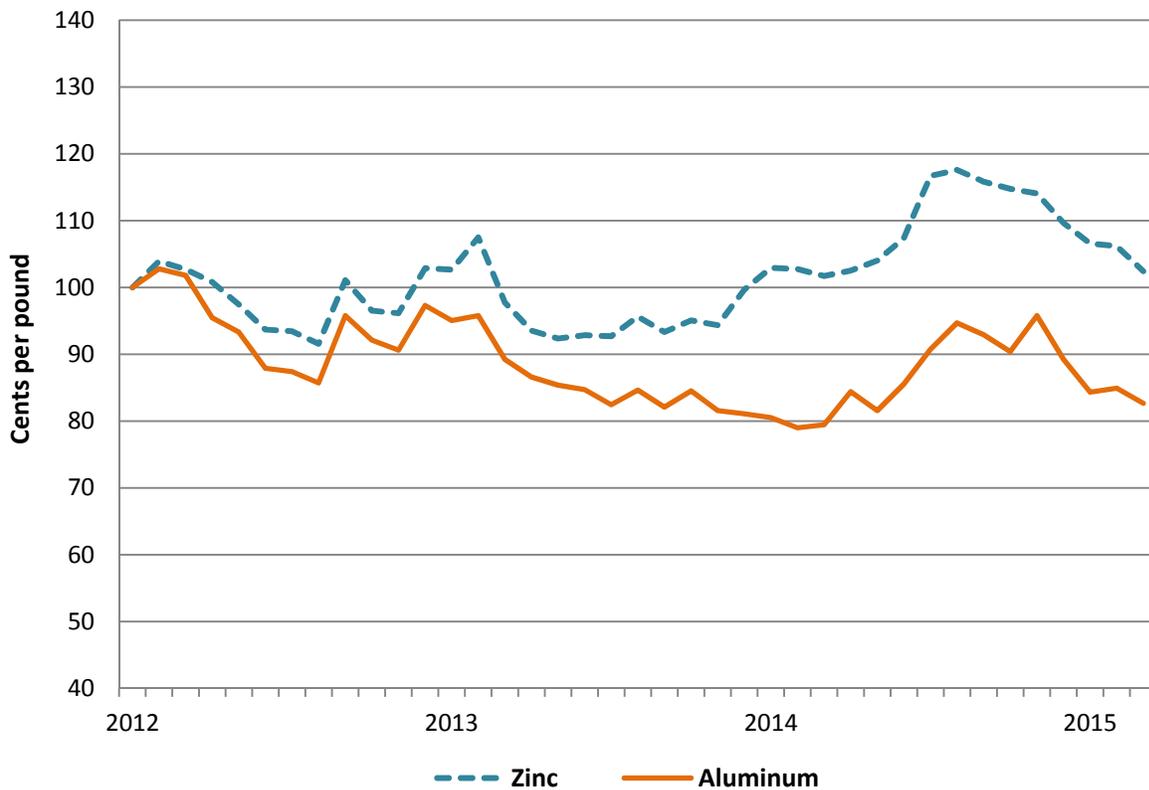
Source: U.S. Bureau of Labor Statistics, June 15, 2015.

The immediate upstream inputs to corrosion-resistant steel are cold-rolled steel sheet and hot-rolled steel sheet. This steel sheet is then coated or plated with a corrosion- or heat-

resistant metal, such as zinc (galvanized), aluminum, or any of several zinc-aluminum alloys to create corrosion resistant steel.

Figure V-2 presents London Metal Exchange cash prices for zinc and aluminum, the main coating materials used in the production of corrosion-resistant steel. Prices for both zinc and aluminum fluctuated during January 2012-March 2015, though the price of zinc increased overall by 2.4 percent and the price of aluminum decreased by 17.3 percent. Between March and May 2015, however, the price of zinc increased from 2.4 percent higher than the January 2012 price to 15.6 percent higher, and the price of aluminum increased slightly, from 17.3 percent lower than the January 2012 price to 15.8 percent lower.¹

Figure V-2
Coating material costs: London Metal Exchange cash prices of zinc and aluminum, by month, January 2012-March 2015



Source: American Metal Market, June 15, 2015.

¹ Industry sources suggest that the primary drivers of these price changes are the concurrent increase in demand and decrease in supply of zinc, and a general weakness in demand – especially in China – for aluminum. See <http://www.wallstreetdaily.com/2014/09/22/zinc-prices/>, <http://marketrealist.com/2014/09/why-rising-premiums-benefit-aluminum-companies/>.

According to *** data, between January 2012 and March 2015 prices of hot-dipped galvanized steel decreased by *** percent, prices of cold-rolled coil decreased by *** percent, and prices of hot-rolled coil decreased by *** percent (figure V-3).² Prices for each of these are projected *** to ***.

Figure V-3
Raw material costs: Steel sheet product prices, USA Midwest, January 2012-March 2015, monthly, and projected prices April 2015-December 2016, monthly, and 2017-2019, annual

* * * * *

Most firms reported that raw material prices fluctuated or decreased from January 2012 to March 2015. Eleven of 18 responding U.S. producers reported that raw material prices fluctuated, while six reported that they decreased and one reported that they increased.³ The U.S. producers that reported a decrease in raw material costs cited lower commodity steel prices and lower scrap prices.⁴

Nineteen of 36 responding importers reported that raw material prices decreased from January 2012 to March 2015, while 15 reported that they fluctuated, one reported that they did not change, and one reported that they increased. The importers that reported a decrease in raw material costs cited decreases in iron ore, scrap, and substrate prices. A number of responding firms reported that the decrease in the price of corrosion-resistant steel is generally consistent with the decrease in raw material costs.

Energy costs

Energy costs are also a factor in corrosion-resistant steel production costs. As shown in figure V-4, electricity prices fluctuated slightly from January 2012 to March 2015, but increased overall by 5.4 percent. Natural gas prices fluctuated between a low price of \$3.02 per kilowatt hour in May 2012 and a high price of \$6.57 per kilowatt hour in February 2014, and showed an overall decrease in price of 5.5 percent.

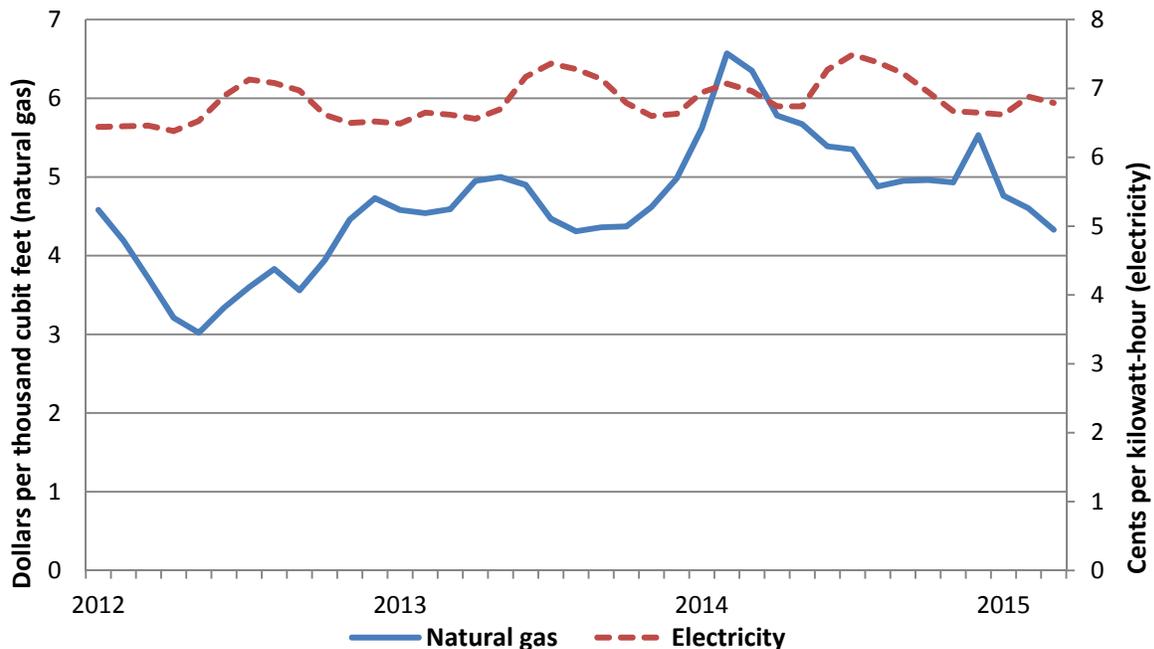
² Petitioners point to the rise in the price of hot-rolled coil between 2013 and 2014 and concurrent drop in import prices as evidence of underselling during that period. Conference transcript, p. 23 (Vaughn).

³ U.S. producer *** reported that the price of zinc increased *** since 2012, but that “***.”

⁴ In April 2015, during U.S. producer Nucor Corporation’s quarterly earnings conference call, Nucor president and chief executive officer John J. Ferriola noted that the firm’s St. James Parish facility, which produces DRI (direct-reduced iron), was a “meaningful factor supporting February {2015}’s dramatic downward adjustment of more than \$100 per ton in scrap pricing.” Nucor Corporation’s Q1 2015 Earnings conference call transcript, available at <http://s.t.st/media/xtranscript/2015/Q2/13125011.pdf>; Conference transcript, pp. 139-141 (Corkran, Blume).

Figure V-4

Industrial natural gas and electricity: Monthly prices, January 2012-March 2015



Source: Short Term Energy Outlook, Energy Information Administration, www.eia.gov, June 15, 2015.

Transportation costs to the U.S. market

Overseas transportation costs have declined overall since 2012. One index often used as a broad measure of overseas shipping costs is the Baltic Dry Index.⁵ Decreasing from 1,347 at the beginning of 2012 to 809 by mid-2013, the index peaked to 2,330 in December 2013 before falling throughout 2014, reaching an all-time low of 513 in February 2015.⁶

⁵ The Baltic Dry Index is “a shipping and trade index created by the London-based Baltic Exchange that measures changes in the cost to transport raw materials such as metals, grains, and fossil fuels by sea. The Baltic Exchange directly contacts shipping brokers to assess price levels for a given route, product to transport and time to delivery (speed). The Baltic Dry Index is a composite of three sub-indexes that measure different sizes of dry bulk carriers (merchant ships) - Capesize, Supramax, and Panamax. Multiple geographic routes are evaluated for each index to give depth to the index's composite measurement. It is also known as the ‘Dry Bulk Index’.” Found at http://www.investopedia.com/terms/b/baltic_dry_index.asp, retrieved June 30, 2015.

⁶ The index hit an all-time low during the first quarter of 2015 which was driven by the oversupply of shipping vessels. “Why the Baltic Dry Index is at an all-time low,” *The Economist*, March 10, 2015, <http://www.economist.com/blogs/economist-explains/2015/03/economist-explains-7>.

Transportation costs for corrosion-resistant steel shipped from subject countries to the United States averaged 7.8 percent for China, 7.1 percent for India, 7.2 percent for Italy, 9.7 percent for Korea, and 7.3 percent for Taiwan.⁷

U.S. inland transportation costs

Twelve of 17 responding U.S. producers and 21 of 39 importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 2 to 11 percent of the total delivered costs. Nearly all responding importers reported that their U.S. inland transportation costs ranged from 1 to 10 percent.⁸

PRICING PRACTICES

Pricing methods

U.S. producers reported using transaction-by-transaction negotiations, contracts, set price lists, or a combination of these three methods for determining the prices they charge for sales of corrosion-resistant steel (table V-1). *** reported that it also sets prices by reference to competing import prices, and *** reported that it has informal volume arrangements that adjust during the year.

Importers reported using transaction-by-transaction negotiations, contracts, or a combination of the two. A majority of responding importers reported using contracts for their sales to automotive end users and using transaction-by-transaction negotiations for their sales to construction, appliance, and other end users, as well as to distributors and service centers.

⁷ The estimated transportation costs were obtained by comparing the customs and c.i.f. values for all years combined (2012-14) for HTS statistical reporting numbers 7212.60.0000, 7212.50.0000, 7212.40.5000, 7212.40.1000, 7212.30.5000, 7212.30.3000, 7212.30.1090, 7212.30.1030, 7212.20.0000, 7210.90.9000, 7210.90.6000, 7210.70.6090, 7210.70.6060, 7210.70.6030, 7210.69.0000, 210.61.0000, 7210.49.0095, 7210.49.0091, 7210.49.0030, 7210.41.0000, 7210.30.0060, and 7210.30.0030.

⁸ One importer, ***, reported inland transportation costs of 18 percent to its customers ***.

Table V-1
Corrosion-resistant steel: U.S. producers' and importers' reported price setting methods, by customer type, by number of responding firms¹

Price setting method	Customer type				
	Automotive end users	Construction end users	Appliance end users	Other end users	Distributors and service centers
U.S. producers					
Transaction-by-transaction	7	15	9	14	16
Contracts	8	9	6	7	12
Set price lists	1	2	1	1	2
Other	2	2	3	2	2
Total	11	16	12	15	17
Importers					
Transaction-by-transaction	8	24	9	14	27
Contracts	12	10	7	3	10
Set price lists	0	0	0	0	0
Other	1	1	1	0	1
Total	16	31	16	15	34

¹ The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

U.S. producers reported selling a majority of their product (53.7 percent) through annual or long-term contracts, whereas less than 5 percent of subject import sales were through annual or long-term contracts (table V-2). U.S. producers reported selling 34.8 percent of their product on the spot market, whereas the majority of product imported from subject countries (53.2 percent) was sold on the spot market.

Table V-2
Corrosion-resistant steel: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2014

Type of sale	U.S. producers	Importers
Long-term contracts	19.3	1.4
Annual contracts	34.4	3.3
Short-term contracts	11.5	42.1
Spot sales	34.8	53.2
Total	100.0	100.0

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

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

Petitioners reported that contract pricing is closely tied to spot market pricing through indexing to publications such as the CRU, and that as contract renegotiations have come up for renewal, U.S. mills have been forced to accept much lower prices or lose volume.⁹

Sales terms and discounts

U.S. producers reported typically selling corrosion-resistant steel on an f.o.b. basis, whereas importers reported selling mostly on a delivered basis for most customer types (table V-3).

Table V-3
Corrosion-resistant steel: U.S. producers' and importers' price quoted delivery methods, by type

Type of customer	U.S. producers			U.S. importers		
	Delivered	F.o.b.	Number of firms responding	Delivered	F.o.b.	Number of firms responding
Automotive	6	7	10	10	3	12
Construction	3	15	16	16	14	27
Appliances	2	10	11	8	3	11
Other end users	4	14	15	6	4	10
Distributors and service centers	3	16	17	15	17	30

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

The most commonly reported sales term among U.S. producers and importers was net 30 days, regardless of customer type. The next most commonly reported sales term was ½ - 10 net 30 days.

Most responding U.S. producers and importers reported offering no discounts (table V-4). Some U.S. producers reported offering quantity and/or annual total volume discounts, and others reported that while their firms do not have a specific discount policy, they occasionally offer "****"¹⁰ or that "****."¹¹

⁹ Conference transcript, pp. 16 (Price), 25-26 (Vaughn), 29 (Matthews), 37 (Blume), 40-41 (Lauschke), and 53-54 (Hausman).

¹⁰ ****'s U.S. producer questionnaire response, question IV-4.

¹¹ Email from ****, June 22, 2015.

Table V-4

Corrosion-resistant steel: U.S. producers' and importers' discount policy type, by customer type

Customer type	Number of U.S. producers reporting				Number of importers reporting			
	Quantity discounts	Annual total volume discounts	No discount	Other discounts	Quantity discounts	Annual total volume discounts	No discount	Other discounts
Automotive	3	1	9	3	1	0	13	2
Construction	5	2	12	3	0	0	26	4
Appliance	3	3	10	3	0	0	13	2
Other	4	2	11	3	0	0	12	2
Distributors and service centers	6	6	11	4	0	1	30	2

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

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following corrosion-resistant steel products shipped to unrelated U.S. customers during January 2012-March 2015.

Product 1.-- Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (e.g., Galvalume), bare, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness.

Product 2.-- Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (e.g., Galvalume), pre-painted, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness.

Product 3.-- Hot-dipped galvanized steel sheet, commercial steel type B, G-30 to G-60 coating weight, 24 inches to 60 inches in width, 0.012 inches to 0.018 inches in thickness.

Product 4.-- Hot-dipped galvanized steel sheet, structural steel quality, G-60 to G-90 coating weight, 24 inches to 60 inches in width, 0.024 inches to 0.06 inches in thickness.

Twelve U.S. producers and 27 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.^{12 13} Pricing data reported by these firms for January 2012-March 2015 accounted for approximately 9.4 percent of U.S. producers' U.S. commercial shipments and the following percentages of U.S. commercial shipments of imports from subject countries: China– 29.6 percent, India– 39.7 percent, Italy– 27.6 percent, Korea– 16.4 percent, and Taiwan– 47.6 percent.

Price data for products 1-4 are presented in tables V-5 to V-8 and figures V-5 to V-8. Nonsubject country prices for Canada are presented in appendix E.

¹² Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

¹³ ***.

***. The Commission did not receive revised pricing data as of the publication of this report; accordingly these pricing data are not included in these tables and analyses.

Staff notes that products 1 and 2 are identical, with the exception that product 1 is “bare” and product 2 is “pre-painted,” whereas products 3 and 4 make no such distinction. Staff attempted to clarify this distinction with several of the reporting firms, and received revisions from some but not all of them. Accordingly, some of the pricing data for products 3 and 4 may include both “bare” and pre-painted” product.

Of the responding U.S. producers and importers that reported U.S. commercial shipments of pre-painted or paint line quality corrosion-resistant steel in 2014, the following are the ratios of those shipments to total U.S. shipments, by source: United States- 11.7 percent, China- 12.8 percent, India- 6.5 percent, Italy- *** percent, Korea- 6.8 percent, Taiwan- 60.1 percent.

Table V-5

Corrosion-resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 2012-March 2015

Period	United States		China			India			
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	
2012:									
Jan.-Mar.	1,018	40,765	***	***	***	***	***	***	
Apr.-Jun.	1,010	44,816	***	***	***	***	***	***	
Jul.-Sep.	962	50,318	***	***	***	***	***	***	
Oct.-Dec.	954	46,772	***	***	***	***	***	***	
2013:									
Jan.-Mar.	951	37,566	***	***	***	***	***	***	
Apr.-Jun.	922	41,059	***	***	***	***	***	***	
Jul.-Sep.	949	36,312	903	1,756	4.9	***	***	***	
Oct.-Dec.	943	44,684	794	4,599	15.7	***	***	***	
2014:									
Jan.-Mar.	976	26,604	808	8,248	17.3	***	***	***	
Apr.-Jun.	969	29,892	883	11,477	8.9	***	***	***	
Jul.-Sep.	965	31,584	875	11,507	9.4	***	***	***	
Oct.-Dec.	959	26,782	849	8,283	11.4	***	***	***	
2015:									
Jan.-Mar.	920	23,669	***	***	***	***	***	***	
Period	Italy			Korea			Taiwan		
	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	***	---	***	***	***	991	25,248	2.7
Apr.-Jun.	---	***	---	***	***	***	962	26,408	4.8
Jul.-Sep.	---	***	---	***	***	***	1,010	22,626	(5.0)
Oct.-Dec.	---	***	---	***	***	***	1,003	18,985	(5.1)
2013:									
Jan.-Mar.	---	***	---	***	***	***	904	32,828	5.0
Apr.-Jun.	---	***	---	***	***	***	912	27,434	1.0
Jul.-Sep.	---	***	---	***	***	***	916	31,802	3.4
Oct.-Dec.	---	***	---	***	***	***	888	36,048	5.8
2014:									
Jan.-Mar.	---	***	---	***	***	***	927	42,374	5.1
Apr.-Jun.	---	***	---	***	***	***	950	51,169	2.0
Jul.-Sep.	---	***	---	***	***	***	933	52,777	3.3
Oct.-Dec.	---	***	---	***	***	***	925	52,691	3.4
2015:									
Jan.-Mar.	---	***	---	***	***	***	919	63,382	0.2

¹ Product 1: Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (e.g., Galvalume), bare, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness.

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

Table V-6

Corrosion-resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ and margins of underselling/(overselling), by quarters, January 2012-March 2015

Period	United States		China			India			
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	
2012:									
Jan.-Mar.	1,484	40,618	***	***	***	---	***	---	
Apr.-Jun.	1,417	63,389	***	***	***	---	***	---	
Jul.-Sep.	1,372	64,499	***	***	***	---	***	---	
Oct.-Dec.	1,354	58,518	***	***	***	---	***	---	
2013:									
Jan.-Mar.	1,272	45,237	***	***	***	---	***	---	
Apr.-Jun.	1,321	51,692	***	***	***	---	***	---	
Jul.-Sep.	1,355	57,705	997	1,778	26.4	---	***	---	
Oct.-Dec.	1,401	52,372	865	3,288	38.2	***	***	***	
2014:									
Jan.-Mar.	1,409	35,770	1,074	541	23.8	***	***	***	
Apr.-Jun.	1,378	49,033	971	1,524	29.6	---	***	---	
Jul.-Sep.	1,394	44,373	1,006	5,377	27.8	***	***	***	
Oct.-Dec.	1,384	41,155	1,055	1,166	23.8	***	***	***	
2015:									
Jan.-Mar.	1,345	38,261	***	***	***	---	***	---	
Period	Italy			Korea			Taiwan		
	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	***	---	***	***	***	1,221	20,244	17.7
Apr.-Jun.	---	***	---	***	***	***	1,166	22,775	17.7
Jul.-Sep.	---	***	---	***	***	***	1,207	13,035	12.0
Oct.-Dec.	---	***	---	***	***	***	1,143	8,738	15.6
2013:									
Jan.-Mar.	---	***	---	***	***	***	1,146	20,553	9.9
Apr.-Jun.	---	***	---	***	***	***	1,177	21,293	10.9
Jul.-Sep.	---	***	---	***	***	***	1,166	16,539	14.0
Oct.-Dec.	---	***	---	***	***	***	1,147	18,882	18.1
2014:									
Jan.-Mar.	---	***	---	***	***	***	1,155	24,686	18.0
Apr.-Jun.	---	***	---	***	***	***	1,185	23,647	14.0
Jul.-Sep.	---	***	---	***	***	***	1,185	22,045	15.0
Oct.-Dec.	---	***	---	***	***	***	1,193	16,272	13.8
2015:									
Jan.-Mar.	---	***	---	***	***	***	1,191	18,464	11.4

¹ Product 2: Hot-dipped 55 percent aluminum-zinc alloy-coated steel sheet (e.g., Galvalume), pre-painted, structural steel quality, AZ50 to AZ55 coating, 24 inches to 60 inches in width, 0.014 inches to 0.018 inches in thickness.

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

Table V-7

Corrosion-resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ and margins of underselling/(overselling), by quarters, January 2012-March 2015

Period	United States		China			India			
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	
2012:									
Jan.-Mar.	950	75,764	***	***	***	***	***	***	
Apr.-Jun.	917	76,841	***	***	***	***	***	***	
Jul.-Sep.	864	86,703	***	***	***	***	***	***	
Oct.-Dec.	849	72,827	***	***	***	***	***	***	
2013:									
Jan.-Mar.	849	74,162	***	***	***	***	***	***	
Apr.-Jun.	829	77,768	***	***	***	***	***	***	
Jul.-Sep.	852	81,587	702	14,384	17.6	***	***	***	
Oct.-Dec.	884	68,737	708	16,018	19.9	***	***	***	
2014:									
Jan.-Mar.	899	70,732	761	16,541	15.4	***	***	***	
Apr.-Jun.	905	69,651	793	29,479	12.3	***	***	***	
Jul.-Sep.	917	74,173	804	32,237	12.3	***	***	***	
Oct.-Dec.	911	61,690	787	28,033	13.6	***	***	***	
2015:									
Jan.-Mar.	847	58,385	***	***	***	***	***	***	
Period	Italy			Korea			Taiwan		
	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	***	---	***	***	***	1,013	5,990	(6.6)
Apr.-Jun.	---	***	---	***	***	***	1,002	6,076	(9.3)
Jul.-Sep.	---	***	---	***	***	***	985	7,752	(14.0)
Oct.-Dec.	---	***	---	***	***	***	969	7,016	(14.2)
2013:									
Jan.-Mar.	---	***	---	***	***	***	1,016	5,959	(19.7)
Apr.-Jun.	---	***	---	***	***	***	999	6,941	(20.6)
Jul.-Sep.	---	***	---	***	***	***	997	7,710	(17.0)
Oct.-Dec.	---	***	---	***	***	***	938	6,935	(6.1)
2014:									
Jan.-Mar.	---	***	---	***	***	***	1,004	6,092	(11.7)
Apr.-Jun.	---	***	---	***	***	***	933	8,243	(3.1)
Jul.-Sep.	---	***	---	***	***	***	939	8,292	(2.3)
Oct.-Dec.	---	***	---	***	***	***	909	7,139	0.2
2015:									
Jan.-Mar.	***	***	***	***	***	***	914	7,934	(8.0)

¹ Product 3: Hot-dipped galvanized steel sheet, commercial steel type B, G-30 to G-60 coating weight, 24 inches to 60 inches in width, 0.012 inches to 0.018 inches in thickness.

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

Table V-8

Corrosion-resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 4¹ and margins of underselling/(overselling), by quarters, January 2012-March 2015

Period	United States		China			India			
	Price (per short ton)	Quantity (short tons)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	
2012:									
Jan.-Mar.	844	236,539	***	***	***	***	***	***	
Apr.-Jun.	841	236,540	***	***	***	***	***	***	
Jul.-Sep.	784	210,196	***	***	***	***	***	***	
Oct.-Dec.	762	263,611	***	***	***	***	***	***	
2013:									
Jan.-Mar.	778	223,431	***	***	***	***	***	***	
Apr.-Jun.	761	205,423	***	***	***	***	***	***	
Jul.-Sep.	770	179,812	769	7,998	0.1	***	***	***	
Oct.-Dec.	789	209,545	727	10,276	7.9	***	***	***	
2014:									
Jan.-Mar.	798	239,246	774	15,373	3.0	***	***	***	
Apr.-Jun.	824	237,020	767	30,583	6.9	***	***	***	
Jul.-Sep.	838	180,578	778	41,106	7.1	***	***	***	
Oct.-Dec.	808	288,317	768	54,918	5.0	***	***	***	
2015:									
Jan.-Mar.	775	210,828	***	***	***	***	***	***	
Period	Italy			Korea			Taiwan		
	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)	Price (per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	***	***	***	***	***	***	896	3,385	(6.2)
Apr.-Jun.	***	***	***	***	***	***	861	1,261	(2.3)
Jul.-Sep.	***	***	***	***	***	***	947	1,072	(20.7)
Oct.-Dec.	***	***	***	***	***	***	957	1,063	(25.7)
2013:									
Jan.-Mar.	***	***	***	***	***	***	761	624	2.3
Apr.-Jun.	***	***	***	***	***	***	855	1,290	(12.3)
Jul.-Sep.	***	***	***	***	***	***	1,014	1,072	(31.7)
Oct.-Dec.	***	***	***	---	***	---	780	1,131	1.1
2014:									
Jan.-Mar.	***	***	***	***	***	***	874	2,734	(9.5)
Apr.-Jun.	***	***	***	***	***	***	1,023	2,258	(24.2)
Jul.-Sep.	***	***	***	---	***	---	909	2,529	(8.5)
Oct.-Dec.	***	***	***	***	***	***	837	4,585	(3.6)
2015:									
Jan.-Mar.	***	***	***	***	***	***	808	1,990	(4.3)

¹ Product 4: Hot-dipped galvanized steel sheet, structural steel quality, G-60 to G-90 coating weight, 24 inches to 60 inches in width, 0.024 inches to 0.06 inches in thickness.

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

Figure V-5
Corrosion-resistant steel: Weighted-average prices and quantities of domestic and imported product 1, by quarter, January 2012-March 2015

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Figure V-6
Corrosion-resistant steel: Weighted-average prices and quantities of domestic and imported product 2, by quarter, January 2012-March 2015

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Figure V-7
Corrosion-resistant steel: Weighted-average prices and quantities of domestic and imported product 3, by quarter, January 2012-March 2015

* * * * *

Figure V-8
Corrosion-resistant steel: Weighted-average prices and quantities of domestic and imported product 4, by quarter, January 2012-March 2015

* * * * *

Price trends

Prices of corrosion-resistant steel decreased during January 2012-March 2015. Table V-9 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from approximately 8 to 11 percent, while import price decreases ranged from approximately 2 to 21 percent.

Respondents point to the decline in the prices of scrap, iron ore, metallurgical coal, and hot-rolled coil as being a primary driver of price decreases for corrosion-resistant steel during January 2012-March 2015.¹⁴ Petitioners, as well as one non-petitioning U.S. producer, reported that market conditions are larger drivers of U.S. selling prices of corrosion-resistant steel than raw material cost fluctuations.¹⁵

¹⁴ Conference transcript, pp. 18 (Cameron), 152 (Daugherty), 160 (Quarteraro), 166 (Schoop), 172-173 (Neeley), 218 (Bain), and 232 (Mendoza); Indian companies’ postconference brief, pp. 9 and 14; Italian Producers’ postconference brief, pp. 3, and 19-20; Korean Producers’ postconference brief, p. 19; Prosperity Tieh’s postconference brief, p. 19; China Steel Corporation’s postconference brief, p. 8.

¹⁵ Conference transcript, pp. 139-141 (Blume), and 141-143 (Hausman); Nucor’s postconference brief, ex. 1, pp. 50-52; *** and *** U.S. producer questionnaire responses, question IV-17.

Petitioners also assert, however, that rising raw material prices for hot-rolled coil and a concurrent drop in import prices for corrosion-resistant steel between 2013 and 2014 is evidence of underselling during that period. Conference transcript, p. 23 (Vaughn).

Table V-9
Corrosion-resistant steel: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China, India, Italy, Korea, and Taiwan, January 2012-March 2015

Item	Number of quarters	Low price (per short ton)	High price (per short ton)	Change in price ¹ (percent)
Product 1				
United States	13	920	1,018	(9.6)
China	13	***	***	***
India	13	***	***	***
Italy	0	***	***	---
Korea	13	***	***	***
Taiwan	13	888	1,010	(7.3)
Product 2				
United States	13	1,272	1,484	(9.4)
China	13	865	***	***
India	4	***	***	---
Italy	0	***	***	---
Korea	13	***	***	***
Taiwan	13	1,143	1,221	(2.4)
Product 3				
United States	13	829	950	(10.8)
China	13	702	***	***
India	13	***	***	***
Italy	1	***	***	---
Korea	13	***	***	***
Taiwan	13	909	1,016	(9.7)
Product 4				
United States	13	761	844	(8.2)
China	13	727	***	***
India	13	***	***	***
Italy	13	***	***	***
Korea	11	***	***	***
Taiwan	13	761	1,023	(9.8)

¹ Percentage change from the first quarter of 2012 and the first quarter 2015.

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

Price comparisons

As shown in table V-10, prices for corrosion-resistant steel imported from subject countries were below those for U.S.-produced product in 133 of 211 instances (totaling approximately 1.7 million short tons); margins of underselling ranged from 0.1 to 38.2 percent. In the remaining 78 instances (totaling approximately 0.5 million short tons), prices for corrosion-resistant steel from subject countries were between 0.6 and 31.7 percent above prices for the domestic product.

Table V-10

Corrosion-resistant steel: Instances of underselling/overselling and the range and average of margins, by country, January 2012-March 2015¹⁶

Source	Underselling				
	Number of quarters	Quantity ¹ (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
China	47	***	***	***	***
India	21	***	***	***	***
Italy	10	***	***	***	***
Korea	28	***	***	***	***
Taiwan	27	698,228	8.5	0.2	18.1
Total	133	1,745,069	11.3	0.1	38.2
Source	(Overselling)				
	Number of quarters	Quantity ¹ (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
China	5	***	***	***	***
India	22	***	***	***	***
Italy	4	***	***	***	***
Korea	22	***	***	***	***
Taiwan	25	149,790	(11.7)	(2.3)	(31.7)
Total	78	510,657	(9.6)	(0.6)	(31.7)

¹ These data include only quarters in which there is a comparison between the U.S. and subject product.

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

LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of corrosion-resistant steel to report any instances of lost sales or revenue they experienced due to competition from imports of corrosion-resistant steel from China, India, Italy, Korea or Taiwan since January 1, 2012. Of the 18 responding U.S. producers, 15 firms reported that they had to reduce prices and/or roll back announced price increases, and 15 firms reported that they had lost sales. Five of these producers (***) provided usable lost sales and/or lost revenues information.

¹⁶ As noted above, pricing products 1 and 2 are identical Galvalume products, with the exception that product 1 is bare and product 2 is pre-painted. During January 2012-March 2015, products 1 and 2 imported from subject countries *** domestic products 1 and 2 ***.

Pricing products 3 and 4 are hot-dipped galvanized products, with different coating weights and thicknesses, and do not specify whether bare or pre-painted. During January 2012-March 2015, products 3 and 4 imported from subject countries *** domestic products 3 and 4 ***.

The 47 lost sales allegations totaled \$50.4 million and involved 55,916 short tons of corrosion-resistant steel. The 19 lost revenue allegations totaled \$1.3 million and involved 19,999 short tons of corrosion-resistant steel. Staff contacted 34 purchasers, and a summary of the information obtained follows in tables V-11 and V-12.

In addition, purchasers responding to the lost sales allegations were asked whether they shifted their purchases of corrosion-resistant steel from U.S. producers to suppliers of corrosion-resistant steel from subject countries since 2012. They were also asked whether U.S. producers reduced their prices in order to compete with suppliers of corrosion-resistant steel from subject countries (table V-13). Six of the 13 responding purchasers reported that they had shifted purchases of corrosion-resistant steel from U.S. producers to subject imports since 2012, and five of these purchasers reported that price was the reason for the shift. Four purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2012.

Table V-11
Corrosion-resistant steel: U.S. producers' lost sales allegations

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Table V-12
Corrosion-resistant steel: U.S. producers' lost revenue allegations

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Table V-13
Corrosion-resistant steel: Purchasers' responses regarding shifting supply and price reductions

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Three purchasers provided additional comments.

 "***."

 "***."

 "***."

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

The financial results of sixteen U.S. producers of corrosion-resistant steel are presented in this section of the report.^{1 2} The majority of overall operations consists of U.S. producers that manufacture and further process their own steel, while a smaller share reflects operations in which the underlying steel was purchased from related and/or unrelated sources.³ Revenue primarily reflects commercial sales, but also includes transfers and a small volume of internal consumption.⁴ Collectively, internal consumption and transfers accounted for *** percent of net sales quantity during January 2012 – March 2015, and are not shown separately in this section of the report.

With respect to their U.S. operations, several producers reported that they purchase inputs from related parties: ***.^{5 6 7}

¹ The Commission received incomplete financial data from ***. These companies accounted for a combined *** percent of the U.S. shipments reported in 2014. The financial data for these companies are not included in this section of the report.

² With the exception of Steelscape, which reported on the basis of International Financial Reporting Standards (“IFRS”), U.S. producers reported their financial results on the basis of generally accepted accounting principles (“GAAP”). The majority of annual financial results were also reported on a calendar-year (“CY”) basis. The exceptions were as follows: ***.

³ Purchased/transferred steel reflects primarily cold-rolled and hot-rolled steel.

⁴ ***, stated that its internal consumption reflects “...scrapped coils, work-in-process, “pup” coils (coils too small to be sold commercially), and yield loss.” ***, email message with attachment to USITC auditor, June 18, 2015. ***.

⁵ *** U.S. producer questionnaires, responses to III-7. ***, email message to USITC auditor, July 1, 2015.

⁶ The majority of U.S. producers reported ***. U.S. producer questionnaire responses at III-7, ***, email message to USITC auditor, July 1, 2015, ***, email message to USITC auditor, July 1, 2015, and ***, email message to USITC auditor, July 7, 2015.

⁷ The Commission’s current practice requires that relevant cost information associated with input purchases from related suppliers correspond to the manner in which this information is reported in the U.S. producer’s own accounting books and records. See *1,1,1,2-Tetrafluoroethane from China, Inv. Nos. 701-TA-509 and 731-TA-1244 (Final)*, USITC Publication 4503, December 2014, pp. 23 and 37.

OPERATIONS ON CORROSION-RESISTANT STEEL

Table VI-1 presents aggregated data on U.S. producers' operations in relation to corrosion-resistant steel, while table VI-2 presents selected company-specific financial data.⁸

Table VI-1
Corrosion-resistant steel: Results of operations of U.S. producers, 2012-14, January-March 2014, and January-March 2015

Item	Fiscal year			January to March	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Total net sales ¹	17,390,067	17,932,981	18,442,089	4,449,917	4,196,039
	Value (1,000 dollars)				
Total net sales ¹	15,776,118	15,643,760	16,557,620	3,972,042	3,651,972
Cost of goods sold.--					
Raw materials	10,581,351	10,050,523	10,534,090	2,495,266	2,214,237
Direct labor	1,079,751	1,110,332	1,116,647	272,782	270,520
Other factory costs	3,189,464	3,445,093	3,657,753	977,130	973,961
Total COGS	14,850,566	14,605,948	15,308,490	3,745,178	3,458,718
Gross profit	925,552	1,037,812	1,249,130	226,864	193,254
SG&A expense	431,006	441,834	524,915	115,447	126,850
Operating income or (loss)	494,546	595,978	724,215	111,417	66,404
Other expense or (income), net	460,427	227,534	236,360	71,232	101,705
Net income or (loss)	34,119	368,444	487,855	40,185	(35,301)
Depreciation/amortization	375,450	380,299	335,191	90,591	98,897
Cash flow	409,569	748,743	823,046	130,776	63,596
	Ratio to net sales (percent)				
Cost of goods sold.--					
Raw materials	67.1	64.2	63.6	62.8	60.6
Direct labor	6.8	7.1	6.7	6.9	7.4
Other factory costs	20.2	22.0	22.1	24.6	26.7
Average COGS	94.1	93.4	92.5	94.3	94.7
Gross profit	5.9	6.6	7.5	5.7	5.3
SG&A expense	2.7	2.8	3.2	2.9	3.5
Operating income or (loss)	3.1	3.8	4.4	2.8	1.8
Net income or (loss)	0.2	2.4	2.9	1.0	(1.0)

Table continued on next page.

⁸ ***.

Table VI-1—Continued
Corrosion-resistant steel: Results of operations of U.S. producers, 2012-14, January-March 2014,
and January-March 2015

Item	Fiscal year			January to March	
	2012	2013	2014	2014	2015
	Ratio to Cost of Goods Sold (percent)				
Raw materials	71.3	68.8	68.8	66.6	64.0
Direct labor	7.3	7.6	7.3	7.3	7.8
Other factory costs	21.5	23.6	23.9	26.1	28.2
	Unit value (dollars per short ton)				
Total net sales	907	872	898	893	870
Cost of goods sold.--					
Raw materials	608	560	571	561	528
Direct labor	62	62	61	61	64
Other factory costs	183	192	198	220	232
Average COGS	854	814	830	842	824
Gross profit	53	58	68	51	46
SG&A expense	25	25	28	26	30
Operating income or (loss)	28	33	39	25	16
Net income or (loss)	2	21	26	9	(8)
	Number of firms reporting				
Operating losses	5	3	3	3	8
Data	16	16	16	16	16

[†] Net sales primarily represents commercial sales, but also includes transfers and a very small volume of internal consumption (collectively representing *** percent of net sales quantity during 2012-14 and January-March 2015).

Note. -- ***.

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

Table VI-2
Corrosion-resistant steel: Results of operations of U.S. producers, by firm, 2012-14, January-
March 2014, and January-March 2015

* * * * *

Cost of goods sold and gross profit or (loss)

The total cost of raw materials as a share of COGS decreased from 2012 to 2014 and was lower in the first quarter of 2015 compared to the same period in 2014 (see table VI-1). On a per-short ton basis, raw materials were highest in 2012, followed by a decline in 2013, a slight increase in 2014, and were lower in the first quarter of 2015 compared to the first quarter of 2014. As producers using the same basic steel making process, AK Steel, ArcelorMittal, and U.S. Steel generally reported that their raw material costs reflect the same primary inputs: ***.⁹ In contrast, and while identifying *** as primary raw material inputs, electric-arc furnace (“EAF”) steel producers Nucor and Steel Dynamics also specifically identified several raw material inputs which did not overlap: Nucor (***) ; Steel Dynamics (***) .^{10 11}

Direct labor, as a share of total COGS, remained within a relatively narrow range from 7.3 percent (2012, 2014, and January-March 2014) to 7.8 percent (January-March 2015)). Other factory costs as a share of total COGS ranged from 21.5 percent in 2012 to 28.2 percent in January-March 2015.¹² As shown in table VI-2, company-specific average other factory costs generally appear to be consistent with differences in their underlying operations; e.g., ***, ***. Based on the company’s response to follow-up questions, the primary components included in the reported other factory costs are ***.¹³

Gross profit increased from 2012 to 2014 but was lower in the first quarter of 2015 when compared to the first quarter of 2014 on an absolute and relative basis. Table VI-2 shows that the majority of companies followed a similar directional trend. ***, while the majority of U.S. producers generated gross profits. ***.

SG&A expenses and operating income or (loss)

As shown in table VI-1, the industry’s SG&A expense ratios (i.e., total SG&A expenses divided by total revenue) moved within a relatively narrow range during 2012-14 and interim 2015: 2.7 percent (2012) to 3.5 percent (interim 2015).

Table VI-2 shows that from 2012 to 2014 the pattern of company-specific SG&A expense ratios was not uniform in terms of directional trend. However, when looking at the interim periods, the majority of companies reported higher SG&A expense ratios in January-March 2015 than the same period in 2014, which is consistent with the lower level of sales volume in that period.¹⁴

On an overall basis, operating income increased from 2012 to 2014, but was lower in the first quarter of 2015 when compared to the first quarter of 2014. While three companies

⁹ ***, *** to USITC auditor follow-up questions, June 22, 2015. ***, *** email message to USITC auditor, June 22, 2015.

¹⁰ ***, *** response to USITC auditor follow-up questions, June 23, 2015.

¹¹ ***, email message with attachment to USITC auditor, June 18, 2015.

¹² ***.

¹³ ***.

¹⁴ ***.

reported operating losses in the first quarter of 2014, eight companies reported operating losses in the first quarter of 2015. Of the eight companies that reported operating losses in the first quarter of 2015, *** reported that the majority of their 2014 sales were spot sales.

Non-recurring items

As indicated above, some non-recurring items identified by U.S. producers were included in SG&A expenses, however, as shown in table VI-1, “other expenses” were relatively large and also reflect some non-recurring items.^{15 16} By definition, items classified at this level in the income statement only affect net income or (loss).

Overall net income of the corrosion-resistant steel industry increased from 2012 to 2014 but was lower in the first quarter of 2015 (a loss) compared to the first quarter of 2014 (a profit).

Variance analysis

A variance analysis for the operations of U.S. producers of corrosion-resistant steel is presented in table VI-3.¹⁷ The information for this variance analysis is derived from table VI-1. The analysis illustrates that from 2012 to 2014, the increase in operating income is primarily attributable to a higher favorable cost/expense variance (unit costs decreased) despite an unfavorable price variance (i.e., costs and expenses decreased more than prices).

¹⁵ ***.

¹⁶ ***. *** submission to USITC auditor follow-up questions, June 22, 2015.

¹⁷ The Commission’s variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. As summarized at the bottom of the table, the price variance is from sales, the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-3
Corrosion-resistant steel: Variance analysis on the operations of U.S. producers, 2012-14

Item	Between fiscal years		
	2012-14	2012-13	2013-14
Net sales:			
Price variance	(172,883)	(624,885)	469,742
Volume variance	954,385	492,527	444,118
Net sales variance	781,502	(132,358)	913,860
Raw materials:			
Price variance	687,386	861,175	(198,238)
Volume variance	(640,125)	(330,347)	(285,329)
Raw materials variance	47,261	530,828	(483,567)
Direct labor:			
Price variance	28,424	3,129	25,207
Volume variance	(65,320)	(33,710)	(31,522)
Direct labor variance	(36,896)	(30,581)	(6,315)
Factory overhead:			
Price variance	(275,341)	(156,055)	(114,856)
Volume variance	(192,948)	(99,574)	(97,804)
Factory overhead variance	(468,289)	(255,629)	(212,660)
COGS:			
Price variance	440,469	708,249	(287,887)
Volume variance	(898,393)	(463,631)	(414,655)
COGS variance	(457,924)	244,618	(702,542)
Gross profit variance	323,578	112,260	211,318
SG&A expenses:			
Cost/expense variance	(67,835)	2,628	(70,538)
Volume variance	(26,074)	(13,456)	(12,543)
Total SG&A expense variance	(93,909)	(10,828)	(83,081)
Operating income variance	229,669	101,432	128,237
Summarized as:			
Price variance	(172,883)	(624,885)	469,742
Net cost/expense variance	372,634	710,877	(358,424)
Net volume variance	29,918	15,440	16,920

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

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents capital expenditures and research and development (“R&D”) expenses by firm. Total capital expenditures were less than reported depreciation throughout the period examined. As shown in table VI-4, ***.¹⁸ ***.¹⁹ ***.

Table VI-4
Corrosion-resistant steel: Capital expenditures and research and development expenses of U.S. producers, 2012-14, January-March 2014, and January-March 2015

* * * * *

ASSETS, INVESTMENT, AND CAPITAL

Table VI-5 presents data on the U.S. producers’ total assets²⁰ and their return on assets. As reported by the U.S. industry, total assets decreased from \$10.7 billion in 2012 to \$8.7 billion in 2014.

Table VI-5
Corrosion-resistant steel: U.S. producers’ total assets and return on assets, 2012-14

* * * * *

The Commission requested U.S. producers of corrosion-resistant steel to describe any actual or potential negative effects on their return on investment or their growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of corrosion-resistant steel from China, India, Italy, Korea, and Taiwan. Fourteen of 18 U.S. producers responded “yes” and four responded “no” to actual negative effects, while 17 of 18 U.S. producers responded “yes” and one responded “no” to anticipated negative effects.²¹ Table VI-6 presents the number of firms reporting an impact in each category for actual negative effects.²²

¹⁸ According to ***, ***.

¹⁹ In its questionnaire response, ***.

²⁰ With respect to a company’s overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company’s balance sheet) reflects an aggregation of a number of assets which are generally not product specific. Accordingly, high-level allocation factors were required in order to report a total asset value for corrosion-resistant steel.

²¹ While ***

²² The narrative responses of the U.S. producers are presented in app. D.

Table VI-6

Corrosion-resistant steel: Negative impact of imports from subject sources

Item	Number of firms
Cancellations, postponement, or rejection of expansion project	8
Denial or rejection of investment proposal	5
Reduction in size of capital investments	6
Rejection of bank loans	0
Lowering of credit rating	1
Problem related to the issue of stocks or bonds	0
Other	11
Total indicating negative effect	14

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

Nine of 18 producers reported they experienced at least one of the three categories of negative effects of imports on investment. These reportable categories include: “cancellation, postponement, or rejection of expansion projects” ***; “denial or rejection of investment proposal” ***; or “reduction in size of capital investments” ***. Daniel Mull, executive VP for sales and marketing at ArcelorMittal USA testified at the staff conference that the corrosion-resistant steel industry is cyclical and that it is “critical to our long-term health that we are able to achieve adequate returns on investment while the market is strong to ensure we can reinvest in the business and survive the periods of downturn. Similarly, Professor Jerry Hausman testified that “{t}his should be a very strong period for U.S. corrosion producers; however, because of the capital-intensive nature of steel production, steel makers must earn strong rates of return during demand peaks in order to cover required investments for the entire cycle” and continued testifying that the industry “is currently not earning its weighted average cost of capital.”²³

²³ Conference transcript, p. 35 (Mull) and p. 49 (Hausman).

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of 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 under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the nature of the alleged subsidies was presented earlier in this report; 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

Overview

The Commission issued foreign producers' or exporters' questionnaires to 124 firms believed to produce and/or export corrosion-resistant steel from China.³ Useable responses to the Commission's questionnaire were received from 12 firms: Jiangyin, Angang, Baoshan, Benxi, Handan, Maanshan, Shanghai Meishan, Beijing Shougang, Shougang Jingtang, Tangshan, Tianjin, and Wisco. These firms' exports to the United States accounted for *** percent of U.S. imports of corrosion-resistant steel from China during 2014. According to an estimate provided by one of the responding Chinese producers, the production of corrosion-resistant steel in China reported in questionnaire responses accounted for 56.1 percent of all production of corrosion-resistant steel in China during 2014. Staff believes that the 12 responses provided by producers of corrosion-resistant steel in China represented approximately *** of all production of corrosion-resistant steel in China during 2014.⁴

Table VII-1 lists the responding Chinese producers of corrosion-resistant steel that responded to the Commission's questionnaire and certain 2014 summary data reported in response to Commission questionnaires.

³ These firms were identified through a review of information submitted in the petition and contained in ***. Several attempts by staff to contact 22 firms listed in the petition were unsuccessful because of invalid contact information.

⁴ The coverage estimate is based on total production of coated sheet in China of *** short tons as reported by ***.

Table VII-1
Corrosion-resistant steel: Summary data on firms in China, 2014

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)
Jiangyin Zongcheng Steel Co., Ltd.	***	***	***	***
Angang Group International Trading Corp.	***	***	***	***
Baoshan Iron & Steel Co., Ltd.	***	***	***	***
Benxi Steel Group International Economic & Trading Co., Ltd.	***	***	***	***
Handan Iron And Steel Group And Import Co., Ltd.	***	***	***	***
Maanshan Iron & Steel Company Limited	***	***	***	***
Shanghai Meishan Iron & Steel Co., Ltd.	***	***	***	***
Beijing Shougang Cold Rolling Co., Ltd.	***	***	***	***
Shougang Jingtang United Iron & Steel Co., Ltd.	***	***	***	***
Tangshan Iron and Steel Group Co., Ltd.	***	***	***	***
Tianjin Rolling-One Steel Co., Ltd.	***	***	***	***
Wisco International Economic & Trading Co., Ltd.	***	***	***	***
Total	17,479,332	100.0	799,091	100.0

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

Changes in operations

As presented in table VII-2, producers in China reported in their questionnaire responses several operational or organizational changes since January 1, 2012.

Table VII-2
Corrosion-resistant steel: Reported changes in operations by firms in China

* * * * *

Operations on corrosion-resistant steel

Table VII-3 presents information on the corrosion-resistant steel operations of the responding producers and exporters in China for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Table VII-3

Corrosion-resistant steel: Data on the industry in China, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	19,643,205	19,794,625	19,846,194	4,960,998	4,962,651	20,043,141	20,043,141
Production	14,787,885	16,745,014	17,479,332	4,194,041	4,128,013	17,264,861	17,460,966
End-of-period inventories	415,464	563,466	923,246	560,262	859,868	972,818	1,105,755
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial Shipments	***	***	***	***	***	***	***
Total, home market Shipments	11,768,229	13,189,405	13,245,978	3,249,437	3,118,158	12,937,428	12,992,214
Export shipments to:							
United States	247,006	300,503	799,091	160,704	300,376	652,541	642,531
All other markets	2,786,396	3,107,104	3,074,483	787,104	772,857	3,625,320	3,665,913
Total, export shipments	3,033,402	3,407,607	3,873,574	947,808	1,073,233	4,277,861	4,308,444
Total shipments	14,801,631	16,597,012	17,119,552	4,197,245	4,191,391	17,215,289	17,300,658
	Ratios and shares (percent)						
Capacity utilization	75.3	84.6	88.1	84.5	83.2	86.1	87.1
Inventories/production	2.8	3.4	5.3	3.3	5.2	5.6	6.3
Inventories/total shipments	2.8	3.4	5.4	3.3	5.1	5.7	6.4
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial Shipments	***	***	***	***	***	***	***
Total, home market Shipments	79.5	79.5	77.4	77.4	74.4	75.2	75.1
Export shipments to:							
United States	1.7	1.8	4.7	3.8	7.2	3.8	3.7
All other markets	18.8	18.7	18.0	18.8	18.4	21.1	21.2
Total, export shipments	20.5	20.5	22.6	22.6	25.6	24.8	24.9
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Chinese capacity, production, capacity utilization, inventories, and shipments increased from 2012 to 2014. Capacity, inventories, and exports to the United States were higher during the first quarter of 2015 than in the comparable period of 2014; whereas, production, capacity utilization, home market shipments, and exports to countries other than the United States were lower. Capacity increased from 2012 to 2014 as three of the twelve responding Chinese producers opened additional facilities and/or production lines (table VII-2).

Home market sales accounted for the majority of total shipments by the Chinese producers, declining from 79.5 percent of total shipments in 2012 to 77.4 percent of total shipments in 2014. Home market sales by responding Chinese producers accounted for 74.4 percent of total sales during the first quarter of 2015. Export markets other than the United States accounted for between 18.0 percent and 18.8 percent of the responding Chinese producers' total shipments since 2012. Other export markets identified include ***.

Exports of corrosion-resistant steel to the United States by the producers in China increased in terms of quantity by 223.5 percent from 2012 to 2014, and were 86.9 percent higher in the first quarter of 2015 compared with the first quarter of 2014. As a share of Chinese producers' total shipments, exports to the United States increased from 1.7 percent in 2012 to 4.7 percent in 2014, and were 7.2 percent of total shipments during the first quarter of 2015. The Chinese respondents argue that the increased exports to the United States were driven by the demand for the product on the West Coast, the demand for certain specialty products for the automotive sector that could not be supplied in a timely fashion by the U.S. industry, and the fact that customers expect that the prices of corrosion-resistant steel should fall in tandem with the falling prices of the inputs of the product worldwide.⁵

Alternative products

As shown in table VII-4, all reported corrosion-resistant steel production by Chinese producers is subject merchandise. Production of hot-dip galvanized and galvanneal steel accounted for the large majority (*** percent) of total production during 2014, followed by electrogalvanized steel (*** percent), 55% aluminum-zinc alloy coated (e.g., Galvalume) (*** percent), and other subject corrosion-resistant steel (*** percent).⁶

Table VII-4
Corrosion-resistant steel: Chinese producers' overall capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015

* * * * *

⁵ Chinese respondents' postconference brief, pp. 13-14.

⁶ Other subject corrosion-resistant steel includes prepainted products (***) and color coated plate (***)

Exports

According to *Global Trade Atlas* ("GTA"), the top export market for corrosion-resistant steel from China is Korea (table VII-5). The United States is the second largest export destination for the Chinese product. During 2014, Korea and the United States accounted for 17.9 and 6.1 percent of total exports from China of corrosion-resistant steel, respectively.

Table VII-5

Corrosion-resistant steel: Total exports from China to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
China's exports to the United States	395,252	367,242	1,025,167
China's exports to other top destination markets.-- Korea	2,411,251	2,070,675	2,981,730
Brazil	276,288	763,893	881,533
Philippines	435,719	592,659	834,046
Thailand	541,188	700,083	707,672
Vietnam	272,125	566,200	705,554
Russia	676,346	543,311	604,408
Belgium	483,088	424,443	543,217
Chile	356,959	296,893	418,019
Taiwan	236,439	288,949	380,333
All other destination markets	5,862,776	5,736,991	7,604,842
Total China exports	11,947,433	12,351,341	16,686,522
	Value (1,000 dollars)		
China's exports to the United States	319,710	279,107	714,698
China's exports to other top destination markets.-- Korea	1,598,873	1,290,907	1,757,721
Brazil	194,647	518,123	572,579
Philippines	317,726	421,941	563,723
Thailand	432,541	505,075	475,009
Vietnam	191,731	366,988	426,087
Russia	557,592	421,588	445,963
Belgium	333,580	270,213	336,140
Chile	258,517	202,969	287,654
Taiwan	156,236	179,916	230,584
All other destination markets	4,535,526	4,274,235	5,401,080
Total China exports	8,896,678	8,731,061	11,211,238

Table continued on following page.

Table VII-5--Continued

Corrosion-resistant steel: Total exports from China to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Unit value (dollars per short ton)		
China's exports to the United States	809	760	697
China's exports to other top destination markets.--			
Korea	663	623	589
Brazil	705	678	650
Philippines	729	712	676
Thailand	799	721	671
Vietnam	705	648	604
Russia	824	776	738
Belgium	691	637	619
Chile	724	684	688
Taiwan	661	623	606
All other destination markets	774	745	710
Total China exports	745	707	672
	Share of quantity (percent)		
China's exports to the United States	3.3	3.0	6.1
China's exports to other top destination markets.--			
Korea	20.2	16.8	17.9
Brazil	2.3	6.2	5.3
Philippines	3.6	4.8	5.0
Thailand	4.5	5.7	4.2
Vietnam	2.3	4.6	4.2
Russia	5.7	4.4	3.6
Belgium	4.0	3.4	3.3
Chile	3.0	2.4	2.5
Taiwan	2.0	2.3	2.3
All other destination markets	49.1	46.4	45.6
Total China exports	100.0	100.0	100.0

Source: Official export statistics as reported by China Customs in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90, accessed June 24, 2015.

THE INDUSTRY IN INDIA

Overview

The Commission issued foreign producers' or exporters' questionnaires to 26 firms believed to produce and/or export corrosion-resistant steel from India.⁷ Useable responses to the Commission's questionnaire were received from four firms: National, Essar, JSW, and Uttam Galva. These firms' exports to the United States accounted for *** percent of U.S. imports of corrosion-resistant steel from India during 2014. According to estimates provided by the responding Indian producers, the production of corrosion-resistant steel in India reported in questionnaire responses accounted for *** percent of all production of corrosion-resistant steel in India during 2014. Staff believes that the four responses provided by producers of corrosion-resistant steel in India represented *** percent of all production of corrosion-resistant steel in India during 2014.⁸

Table VII-6 lists the responding Indian producers of corrosion-resistant steel that responded to the Commission's questionnaire and certain 2014 summary data reported in response to Commission questionnaires.

Table VII-6
Corrosion-resistant steel: Summary data on firms in India, 2014

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)
Essar	***	***	***	***
JSW	***	***	***	***
National	***	***	***	***
Uttam Galva	***	***	***	***
Total	4,566,243	100.0	457,603	100.0

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

⁷ These firms were identified through a review of information submitted in the petition and contained in ***.

⁸ The coverage estimate is based on total production of coated sheet in India of *** short tons as reported by ***.

Changes in operations

As presented in table VII-7, producers in India reported in their questionnaire responses several operational or organizational changes since January 1, 2012.

Table VII-7

Corrosion-resistant steel: Reported changes in operations by firms in India

* * * * *

Operations on corrosion-resistant steel

Table VII-8 presents information on the corrosion-resistant steel operations of the responding producers and exporters in India for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Indian capacity, production, inventories, exports to the United States, and shipments increased from 2012 to 2014, whereas capacity utilization declined. Production, inventories, exports to the United States, and shipments were lower during the first quarter of 2015 than in the comparable period of 2014, whereas capacity was higher. Capacity increased from 2012 to 2014 and was higher in the first quarter of 2015 as three of the responding Indian producers reported plant expansions (table VII-7).

Home market sales accounted for 59.6 percent of total shipments by the producers in India during 2014, and export markets other than the United States accounted for 30.4 percent of those shipments. Exports of corrosion-resistant steel to the United States, which accounted for 10.1 percent of total shipments, increased in terms of quantity by 57.8 percent from 2012 to 2014, but were 2.2 lower in the first quarter of 2015 compared with the first quarter of 2014.

Table VII-8

Corrosion-resistant steel: Data on the industry in India, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	4,436,917	4,877,277	5,605,307	1,331,985	1,436,391	5,732,133	5,732,133
Production	3,759,198	4,169,855	4,566,243	1,142,754	1,061,707	4,910,359	5,073,586
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	623,076	869,703	901,303	232,753	185,379	1,029,626	1,091,455
Home market commercial shipments	1,876,391	1,741,960	1,808,755	447,679	480,075	2,064,145	2,157,312
Total, home market shipments	2,499,467	2,611,663	2,710,058	680,432	665,454	3,093,771	3,248,767
Export shipments to:							
United States	289,898	365,380	457,603	124,662	121,867	338,412	283,976
All other markets	982,311	1,178,453	1,382,142	364,082	338,924	1,497,466	1,550,397
Total, export shipments	1,272,209	1,543,833	1,839,745	488,744	460,791	1,835,878	1,834,373
Total shipments	3,771,676	4,155,496	4,549,803	1,169,176	1,126,245	4,929,649	5,083,140
	Ratios and shares (percent)						
Capacity utilization	84.7	85.5	81.5	85.8	73.9	85.7	88.5
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	16.5	20.9	19.8	19.9	16.5	20.9	21.5
Home market commercial shipments	49.7	41.9	39.8	38.3	42.6	41.9	42.4
Total, home market shipments	66.3	62.8	59.6	58.2	59.1	62.8	63.9
Export shipments to:							
United States	7.7	8.8	10.1	10.7	10.8	6.9	5.6
All other markets	26.0	28.4	30.4	31.1	30.1	30.4	30.5
Total, export shipments	33.7	37.2	40.4	41.8	40.9	37.2	36.1
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative products

As shown in table VII-9, all reported corrosion-resistant steel production by Indian producers is subject merchandise. Production of hot-dip galvanized and galvaneal steel accounted for the large majority (***) percent) of total production during 2014, followed by 55% aluminum-zinc alloy coated (e.g., Galvalume) (***) percent), and other subject corrosion-resistant steel (***) percent).⁹

Table VII-9

Corrosion-resistant steel: Indian producers' overall capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015

* * * * *

⁹ Other subject corrosion-resistant steel includes prepainted Galvalume and prepainted galvanized steel.

Exports

According to *GTA*, the top export market for corrosion-resistant steel from India is the United States (table VII-10). The United Arab Emirates is the second largest export destination for the product from India. During 2014, the United States and the United Arab Emirates accounted for 16.9 and 10.9 percent of total exports from India of corrosion-resistant steel, respectively.

Table VII-10

Corrosion-resistant steel: Total exports from India to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
India's exports to the United States	267,144	361,487	442,173
India's exports to other top destination markets.-- United Arab Emirates	238,808	261,639	284,255
Spain	14,978	64,860	141,341
Iran	81,463	92,642	141,253
Ethiopia	62,424	113,311	115,291
Belgium	39,679	149,496	107,211
Italy	85,765	119,044	99,565
Peru	61,106	58,503	75,542
Ghana	78,296	92,699	68,369
Portugal	6,270	39,239	60,300
All other destination markets	998,714	1,159,743	1,077,082
Total India exports	1,934,647	2,512,666	2,612,381
	Value (1,000 dollars)		
India's exports to the United States	202,976	255,538	324,065
India's exports to other top destination markets.-- United Arab Emirates	193,388	192,576	206,578
Spain	13,143	56,456	104,325
Iran	65,603	97,719	105,310
Ethiopia	56,386	93,479	93,610
Belgium	28,852	101,487	70,986
Italy	68,016	98,238	73,614
Peru	53,255	44,359	58,989
Ghana	71,626	77,012	56,262
Portugal	5,598	33,007	49,521
All other destination markets	860,152	917,865	841,791
Total India exports	1,618,997	1,967,737	1,985,051

Table continued on following page.

Table VII-10--Continued

Corrosion-resistant steel: Total exports from India to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Unit value (dollars per short ton)		
India's exports to the United States	760	707	733
India's exports to other top destination markets.-- United Arab Emirates	810	736	727
Spain	877	870	738
Iran	805	1,055	746
Ethiopia	903	825	812
Belgium	727	679	662
Italy	793	825	739
Peru	872	758	781
Ghana	915	831	823
Portugal	893	841	821
All other destination markets	861	791	782
Total India exports	837	783	760
	Share of quantity (percent)		
India's exports to the United States	13.8	14.4	16.9
India's exports to other top destination markets.-- United Arab Emirates	12.3	10.4	10.9
Spain	0.8	2.6	5.4
Iran	4.2	3.7	5.4
Ethiopia	3.2	4.5	4.4
Belgium	2.1	5.9	4.1
Italy	4.4	4.7	3.8
Peru	3.2	2.3	2.9
Ghana	4.0	3.7	2.6
Portugal	0.3	1.6	2.3
All other destination markets	51.6	46.2	41.2
Total India exports	100.0	100.0	100.0

Source: Official export statistics as reported by India's Ministry of Commerce in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90, accessed June 24, 2015.

THE INDUSTRY IN ITALY

Overview

The Commission issued foreign producers' or exporters' questionnaires to seven firms believed to produce and/or export corrosion-resistant steel from Italy.¹⁰ Useable responses to the Commission's questionnaire were received from three firms: Marcegaglia, Ilva, and Arvedi. The only other known producer of corrosion-resistant steel in Italy is ***.¹¹ The three responding firms' exports to the United States accounted for *** percent of U.S. imports of corrosion-resistant steel from Italy during 2014. According to estimates provided by the responding Italian producers, the production of corrosion-resistant steel in Italy reported in questionnaire responses accounted for *** percent of all production of corrosion-resistant steel in Italy during 2014. Staff believes that the three responses provided by producers of corrosion-resistant steel in Italy represented *** percent of all capacity and *** production of corrosion-resistant steel in Italy during 2014.¹²

Table VII-11 lists the responding Italian producers of corrosion-resistant steel that responded to the Commission's questionnaire and certain 2014 summary data reported in response to Commission questionnaires.

Table VII-11
Corrosion-resistant steel: Summary data on firms in Italy, 2014

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)
Marcegaglia	***	***	***	***
Ilva	***	***	***	***
Arvedi	***	***	***	***
Total	5,172,614	100.0	***	100.0

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

¹⁰ These firms were identified through a review of information submitted in the petition and contained in ***. One firm, ***, indicated that it is not a producer of corrosion-resistant steel in Italy.

¹¹ ***.

¹² The coverage estimate is based on total capacity of hot-dipped galvanized and electrolytically galvanized sheet in Italy and total production of coated sheet in Italy as reported by ***.

Changes in operations

As presented in table VII-12, producers in Italy reported in their questionnaire responses several operational or organizational changes since January 1, 2012.

Table VII-12

Corrosion-resistant steel: Reported changes in operations by firms in Italy

* * * * *

Operations on corrosion-resistant steel

Table VII-13 presents information on the corrosion-resistant steel operations of the responding producers and exporters in Italy for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Italian capacity, production, capacity utilization, inventories, exports to the United States, and shipments increased from 2012 to 2014. Capacity, inventories, and exports to the United States were higher during the first quarter of 2015 than in the comparable period of 2014; whereas production, capacity utilization, home market shipments, and exports to countries other than the United States were lower. Capacity increased from 2012 to 2014 as three of the responding Italian producers opened additional facilities and/or production lines (table VII-12).

Exports to markets other than the United States accounted for the largest share of shipments by the Italian producers in 2014 at *** percent, followed by home market sales at *** percent. Other export markets identified include ***. Exports of corrosion-resistant steel to the United States by the producers in Italy increased in terms of quantity by *** percent from 2012 to 2014, and were *** percent higher in the first quarter of 2015 compared with the first quarter of 2014. As a share of Italian producers' total shipments, exports to the United States increased from *** percent in 2012 to *** percent in 2014, and were *** percent of total shipments during the first quarter of 2015.

Table VII-13

Corrosion-resistant steel: Data on the industry in Italy, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	5,133,153	5,594,793	5,657,702	1,475,053	1,479,197	5,806,558	6,527,020
Production	4,284,818	4,743,086	5,172,614	1,428,310	1,206,111	5,314,547	5,919,896
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial shipments	***	***	***	***	***	***	***
Total, home market shipments	1,995,987	2,320,806	2,393,029	675,436	622,129	2,475,566	2,772,965
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total, export shipments	2,414,139	2,439,656	2,765,018	816,852	629,627	2,916,395	3,092,801
Total shipments	4,410,126	4,760,462	5,158,047	1,492,288	1,251,756	5,391,961	5,865,766
	Ratios and shares (percent)						
Capacity utilization	83.5	84.8	91.4	96.8	81.5	91.5	90.7
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial shipments	***	***	***	***	***	***	***
Total, home market shipments	45.3	48.8	46.4	45.3	49.7	45.9	47.3
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total, export shipments	54.7	51.2	53.6	54.7	50.3	54.1	52.7
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative products

As shown in table VII-14, all reported corrosion-resistant steel production by Italian producers is subject merchandise. Production of hot-dip galvanized and galvaneal steel accounted for the large majority (***) of total production during 2014, followed by electrogalvanized (***) percent), hot-dip aluminized (***) percent), and other subject corrosion-resistant steel (***) percent).¹³

Table VII-14
Corrosion-resistant steel: Italian producers' overall capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015

* * * * *

¹³ Other subject corrosion-resistant steel includes organic coated steel (prepainted coils, strips, and sheets) (***) and galvanized strips, prepainted coils, and hire works (***)).

Exports

According to *GTA*, the top export markets for corrosion-resistant steel from Italy are largely European countries (table VII-20). The top three export markets, Germany, Spain, and France, accounted for 23.5, 12.0, and 10.6 percent of total exports from Italy of corrosion-resistant steel during 2014, respectively. The United States was the seventh largest market for exports from Italy in 2014, accounting for only 4.4 percent of such exports.

Table VII-15

Corrosion-resistant steel: Total exports from Italy to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Italy's exports to the United States	96,213	70,151	133,660
Italy's exports to other top destination markets.--			
Germany	747,356	757,051	712,311
Spain	305,323	275,537	364,938
France	326,231	302,267	320,643
Poland	164,279	197,769	209,998
United Kingdom	184,017	127,736	185,371
Turkey	77,248	109,485	180,043
Romania	51,146	76,541	98,865
Austria	83,146	70,020	95,026
Portugal	80,788	66,828	69,834
All other destination markets	601,205	659,504	663,913
Total Italy exports	2,716,952	2,712,888	3,034,601
	Value (1,000 dollars)		
Italy's exports to the United States	70,333	53,889	102,173
Italy's exports to other top destination markets.--			
Germany	559,903	550,071	501,470
Spain	231,393	203,325	254,475
France	257,897	234,129	239,008
Poland	152,713	184,029	194,189
United Kingdom	130,322	84,410	124,204
Turkey	63,859	86,096	117,658
Romania	52,974	75,477	95,918
Austria	66,052	55,340	75,630
Portugal	60,691	49,708	50,749
All other destination markets	521,867	563,348	551,796
Total Italy exports	2,168,005	2,139,823	2,307,269

Table continued on following page.

Table VII-15--Continued

Corrosion-resistant steel: Total exports from Italy to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Unit value (dollars per short ton)		
Italy's exports to the United States	731	768	764
Italy's exports to other top destination markets.--			
Germany	749	727	704
Spain	758	738	697
France	791	775	745
Poland	930	931	925
United Kingdom	708	661	670
Turkey	827	786	653
Romania	1,036	986	970
Austria	794	790	796
Portugal	751	744	727
All other destination markets	868	854	831
Total Italy exports	798	789	760
	Share of quantity (percent)		
Italy's exports to the United States	3.5	2.6	4.4
Italy's exports to other top destination markets.--			
Germany	27.5	27.9	23.5
Spain	11.2	10.2	12.0
France	12.0	11.1	10.6
Poland	6.0	7.3	6.9
United Kingdom	6.8	4.7	6.1
Turkey	2.8	4.0	5.9
Romania	1.9	2.8	3.3
Austria	3.1	2.6	3.1
Portugal	3.0	2.5	2.3
All other destination markets	22.1	24.3	21.9
Total Italy exports	100.0	100.0	100.0

Source: Official export statistics as reported by EuroStat in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90, accessed June 24, 2015.

THE INDUSTRY IN KOREA

Overview

The Commission issued foreign producers' or exporters' questionnaires to 10 firms believed to produce and/or export corrosion-resistant steel from Korea.¹⁴ Useable responses to the Commission's questionnaire were received from six firms: Dongbu, Dongkuk (merged with Union Steel ***), TCC, POSCO, Hyundai, and POSCO C&C. The six responding firms' exports to the United States accounted for all U.S. imports of corrosion-resistant steel from Korea during 2014. According to estimates provided by the responding Korean producers, the production of corrosion-resistant steel in Korea reported in questionnaire responses accounted for *** production of corrosion-resistant steel in Korea during 2014. Staff believes that the six responses provided by producers of corrosion-resistant steel in Korea represented *** percent of all capacity and *** production of corrosion-resistant steel in Korea during 2014.¹⁵

Table VII-16 lists the responding Korean producers of corrosion-resistant steel that responded to the Commission's questionnaire and certain 2014 summary data reported in response to Commission questionnaires.

Table VII-16
Corrosion-resistant steel: Summary data on firms in Korea, 2014

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)
Dongbu Steel Co., Ltd.	***	***	***	***
Dongkuk Steel Mill Co., Ltd. ¹	***	***	***	***
TCC Steel Corp.	***	***	***	***
POSCO	***	***	***	***
Hyundai Steel Co.	***	***	***	***
POSCO C&C	***	***	***	***
Total	13,133,187	100.0	628,031	100.0

¹ Dongkuk merged with Union Steel ***.

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

¹⁴ These firms were identified through a review of information submitted in the petition and contained in ***. Several attempts by staff to contact one firm listed in the petition were unsuccessful because of invalid contact information.

¹⁵ The coverage estimate is based on total capacity of hot-dipped galvanized and electrolytically galvanized sheet in Korea and total production of coated sheet in Korea as reported by ***.

Changes in operations

As presented in table VII-17, producers in Korea reported in their questionnaire responses several operational or organizational changes since January 1, 2012.

Table VII-17

Corrosion-resistant steel: Reported changes in operations by firms in Korea

* * * * *

Operations on corrosion-resistant steel

Table VII-18 presents information on the corrosion-resistant steel operations of the responding producers and exporters in Korea for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Korean capacity, production, capacity utilization, exports to the United States, and shipments increased from 2012 to 2014. Capacity, production, capacity utilization, and exports were higher during the first quarter of 2015 than in the comparable period of 2014, whereas home market shipments were lower. Capacity increased as four of the responding Korean producers opened additional facilities and/or production lines (table VII-17).

Home market sales accounted for the majority of total shipments made by the Korean producers, declining from 55.9 percent of total shipments in 2012 to 52.8 percent of total shipments in 2014. Home market sales by responding Korean producers accounted for 50.6 percent of total sales during the first quarter of 2015. Export markets other than the United States accounted for between 41.1 percent and 44.4 percent of the responding Korean producers' total shipments since 2012. Other export markets identified include ***.

Exports of corrosion-resistant steel to the United States by the producers in Korea increased in terms of quantity by 75.1 percent from 2012 to 2014, and were 23.1 percent higher in the first quarter of 2015 compared with the first quarter of 2014. As a share of Korean producers' total shipments, exports to the United States increased from 3.0 percent in 2012 to 4.8 percent in 2014, and were 5.1 percent of total shipments during the first quarter of 2015.

Table VII-18

Corrosion-resistant steel: Data on the industry in Korea, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	13,681,568	14,121,459	14,844,155	3,681,250	3,684,006	14,763,576	15,315,824
Production	11,841,173	12,027,073	13,133,187	3,220,075	3,294,525	12,932,152	13,213,374
End-of-period inventories	497,011	507,468	508,114	484,808	601,981	480,701	470,062
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	358,801	296,316	303,664	73,049	62,871	247,560	251,323
Home market commercial shipments	6,234,756	6,170,717	6,635,231	1,698,873	1,554,587	6,366,262	6,609,714
Total, home market shipments	6,593,557	6,467,033	6,938,895	1,771,922	1,617,458	6,613,822	6,861,037
Export shipments to:							
United States	358,633	442,618	628,031	131,966	162,394	611,211	560,124
All other markets	4,842,787	5,104,535	5,563,616	1,338,155	1,419,422	5,684,398	5,787,066
Total, export shipments	5,201,420	5,547,153	6,191,647	1,470,121	1,581,816	6,295,609	6,347,190
Total shipments	11,794,977	12,014,186	13,130,542	3,242,043	3,199,274	12,909,431	13,208,227
	Ratios and shares (percent)						
Capacity utilization	86.5	85.2	88.5	87.5	89.4	87.6	86.3
Inventories/production	4.2	4.2	3.9	3.8	4.6	3.7	3.6
Inventories/total shipments	4.2	4.2	3.9	3.7	4.7	3.7	3.6
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	3.0	2.5	2.3	2.3	2.0	1.9	1.9
Home market commercial shipments	52.9	51.4	50.5	52.4	48.6	49.3	50.0
Total, home market shipments	55.9	53.8	52.8	54.7	50.6	51.2	51.9
Export shipments to:							
United States	3.0	3.7	4.8	4.1	5.1	4.7	4.2
All other markets	41.1	42.5	42.4	41.3	44.4	44.0	43.8
Total, export shipments	44.1	46.2	47.2	45.3	49.4	48.8	48.1
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative products

As shown in table VII-19, the very large majority (***) percent in 2014) of all reported corrosion-resistant steel production by Korean producers is subject merchandise. Production of hot-dip galvanized and galvanized steel accounted for more than half (***) percent) of total production during 2014, followed by electrogalvanized (***) percent), 55% aluminum-zinc alloy coated (e.g., Galvalume) (***) percent), and hot-dip aluminized (***) percent). Other subject corrosion-resistant steel accounted for *** percent of total production during 2014.¹⁶

Table VII-19

Corrosion-resistant steel: Korean producers' overall capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015

* * * * *

¹⁶ Other subject corrosion-resistant steel includes ***.

Exports

According to *GTA*, the top export market for corrosion-resistant steel from Korea is China (table VII-20). During 2014, the top three export markets for corrosion-resistant steel from Korea were China, accounting for 21.2 percent of total exports from Korea, followed by Japan, accounting for 9.8 percent, and the United States, accounting for 8.7 percent.

Table VII-20

Corrosion-resistant steel: Total exports from Korea to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Korea's exports to the United States	349,031	437,282	558,811
Korea's exports to other top destination markets.-- China	1,089,722	1,231,046	1,354,365
Japan	554,957	487,482	625,071
Thailand	387,220	435,278	408,379
Mexico	345,509	363,489	380,814
India	276,442	272,761	286,546
Slovenia	178,225	172,839	207,127
Russia	190,077	216,801	186,547
Turkey	108,309	134,462	167,794
Poland	118,199	112,236	154,833
All other destination markets	2,321,358	2,222,942	2,072,374
Total Korea exports	5,919,049	6,086,619	6,402,661
	Value (1,000 dollars)		
Korea's exports to the United States	318,504	370,528	479,003
Korea's exports to other top destination markets.-- China	943,645	1,035,290	1,169,980
Japan	483,430	350,263	431,392
Thailand	383,963	398,029	353,718
Mexico	346,956	327,137	347,487
India	293,246	269,932	284,471
Slovenia	153,185	142,460	173,697
Russia	197,376	218,377	194,551
Turkey	98,925	111,965	142,017
Poland	120,156	111,415	158,936
All other destination markets	2,081,661	1,936,454	1,790,871
Total Korea exports	5,421,046	5,271,849	5,526,122

Table continued on following page.

Table VII-20--Continued

Corrosion-resistant steel: Total exports from Korea to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Unit value (dollars per short ton)		
Korea's exports to the United States	913	847	857
Korea's exports to other top destination markets.--			
China	866	841	864
Japan	871	719	690
Thailand	992	914	866
Mexico	1,004	900	912
India	1,061	990	993
Slovenia	860	824	839
Russia	1,038	1,007	1,043
Turkey	913	833	846
Poland	1,017	993	1,026
All other destination markets	897	871	864
Total Korea exports	916	866	863
	Share of quantity (percent)		
Korea's exports to the United States	5.9	7.2	8.7
Korea's exports to other top destination markets.--			
China	18.4	20.2	21.2
Japan	9.4	8.0	9.8
Thailand	6.5	7.2	6.4
Mexico	5.8	6.0	5.9
India	4.7	4.5	4.5
Slovenia	3.0	2.8	3.2
Russia	3.2	3.6	2.9
Turkey	1.8	2.2	2.6
Poland	2.0	1.8	2.4
All other destination markets	39.2	36.5	32.4
Total Korea exports	100.0	100.0	100.0

Source: Official export statistics as reported by Korea Customs and Trade Development Institution in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90, accessed June 24, 2015.

THE INDUSTRY IN TAIWAN

Overview

The Commission issued foreign producers' or exporters' questionnaires to nine firms believed to produce and/or export corrosion-resistant steel from Taiwan.¹⁷ Useable responses to the Commission's questionnaire were received from five firms: Great Grandeul, Prosperity, Kai Ching, China Steel, and Sheng Yu. The five responding firms' exports to the United States accounted for *** percent of U.S. imports of corrosion-resistant steel from Taiwan during 2014. According to estimates provided by the responding producers in Taiwan, the production of corrosion-resistant steel in Taiwan reported in questionnaire responses accounted for *** percent of all production of corrosion-resistant steel in Taiwan during 2014. Staff believes that the five responses provided by producers of corrosion-resistant steel in Taiwan represented *** percent of total production of corrosion-resistant steel in Taiwan during 2014.¹⁸

Table VII-21 lists the responding producers of corrosion-resistant steel in Taiwan that responded to the Commission's questionnaire and certain 2014 summary data reported in response to Commission questionnaires.

Table VII-21
Corrosion-resistant steel: Summary data on firms in Taiwan, 2014

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)
Great Grandeul	***	***	***	***
Prosperity	***	***	***	***
Kai Ching	***	***	***	***
China Steel	***	***	***	***
Sheng Yu	***	***	***	***
Total	2,410,787	100.0	***	***

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

¹⁷ These firms were identified through a review of information submitted in the petition and contained in ***. Several attempts by staff to contact three firms listed in the petition were unsuccessful because of invalid contact information.

¹⁸ The coverage estimate is based on total production of coated sheet in Taiwan of *** short tons as reported by ***.

Changes in operations

As presented in table VII-22, producers in Taiwan reported in their questionnaire responses several operational or organizational changes since January 1, 2012.

Table VII-22

Corrosion-resistant steel: Reported changes in operations by firms in Taiwan

* * * * *

Operations on corrosion-resistant steel

Table VII-23 presents information on the corrosion-resistant steel operations of the responding producers and exporters in Taiwan for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Production, capacity utilization, inventories, home market shipments, and exports to the United States by producers of corrosion-resistant steel in Taiwan increased from 2012 to 2014, whereas capacity and exports to countries other than the United States declined. Capacity, inventories, and exports to the United States were higher during the first quarter of 2015 than in the comparable period of 2014, whereas other indicators were lower.

Home market sales accounted for 43.5 percent of total shipments made by the producers in Taiwan in 2014. Export markets other than the United States, which accounted for *** percent of the responding producers' total shipments in 2014, included ***.

Exports of corrosion-resistant steel to the United States by the responding producers in Taiwan increased in terms of quantity by *** percent from 2012 to 2014, and were *** percent higher in the first quarter of 2015 and compared with the first quarter of 2014. As a share of the producers' total shipments, exports to the United States increased from *** percent in 2012 to *** percent in 2014, and were *** percent of total shipments during the first quarter of 2015. China Steel argues that Taiwan's exports to the United States consist mainly of Galvalume product, and the increase in U.S. imports from Taiwan is due to the "fast growing market demand for Galvalume goods" in the United States that the U.S. industry is "ill-equipped in capacity to supply."¹⁹

¹⁹ China Steel's postconference brief, p. 6.

Table VII-23

Corrosion-resistant steel: Data on the industry in Taiwan, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	2,832,966	2,837,195	2,723,088	675,509	687,719	2,765,535	2,855,535
Production	2,078,163	2,179,633	2,410,787	596,584	593,948	2,265,288	2,312,412
End-of-period inventories	143,000	158,075	168,105	188,208	198,171	184,276	182,755
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial Shipments	***	***	***	***	***	***	***
Total, home market Shipments	854,349	970,722	1,043,506	240,903	237,098	977,766	998,510
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total, export shipments	1,254,110	1,193,045	1,356,483	325,346	326,486	1,270,716	1,314,676
Total shipments	2,108,459	2,163,767	2,399,989	566,249	563,584	2,248,482	2,313,186
	Ratios and shares (percent)						
Capacity utilization	73.4	76.8	88.5	88.3	86.4	81.9	81.0
Inventories/production	6.9	7.3	7.0	7.9	8.3	8.1	7.9
Inventories/total shipments	6.8	7.3	7.0	8.3	8.8	8.2	7.9
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market commercial Shipments	***	***	***	***	***	***	***
Total, home market Shipments	40.5	44.9	43.5	42.5	42.1	43.5	43.2
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total, export shipments	59.5	55.1	56.5	57.5	57.9	56.5	56.8
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Alternative products

As shown in table VII-24, all reported corrosion-resistant steel production by producers in Taiwan is subject merchandise. Production of hot-dip galvanized and galvaneal steel accounted for the majority (***) percent) of total production during 2014, followed by 55% aluminum-zinc alloy coated (e.g., Galvalume) (***) percent), electrogalvanized (***) percent), and other subject corrosion-resistant steel (***) percent).²⁰

Table VII-24

Corrosion-resistant steel: Taiwan producers' overall capacity and production on the same equipment as subject production, 2012-14, January to March 2014, and January to March 2015

* * * * *

²⁰ Other subject corrosion-resistant steel includes prepainted corrosion-resistant steel (***)

Exports

According to *GTA*, the top export market for corrosion-resistant steel from Taiwan is the United States (table VII-25). China is the second largest export destination for corrosion-resistant steel from Taiwan. During 2014, the United States and China accounted for 31.0 and 15.9 percent of total exports of corrosion-resistant steel from Taiwan, respectively.

Table VII-25

Corrosion-resistant steel: Total exports from Taiwan to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Taiwan's exports to the United States	468,908	470,062	749,793
Taiwan's exports to other top destination markets.-- China	385,473	339,721	385,192
Malaysia	162,754	177,531	158,215
Thailand	148,186	170,892	136,631
Mexico	161,377	138,699	133,655
Australia	129,729	127,028	123,073
Japan	59,082	92,594	108,219
Canada	54,928	37,818	59,373
Indonesia	153,786	138,472	49,462
Saudi Arabia	61,809	59,750	49,040
All other destination markets	502,176	449,167	462,610
Total Taiwan exports	2,288,206	2,201,735	2,415,263
	Value (1,000 dollars)		
Taiwan's exports to the United States	466,354	434,198	661,461
Taiwan's exports to other top destination markets.-- China	304,680	257,216	293,420
Malaysia	123,927	126,682	111,908
Thailand	127,933	133,856	104,633
Mexico	131,754	105,563	98,502
Australia	105,125	101,531	96,284
Japan	50,113	65,566	73,981
Canada	50,437	34,434	53,219
Indonesia	134,074	114,407	38,908
Saudi Arabia	46,244	41,961	32,607
All other destination markets	409,739	350,121	360,333
Total Taiwan exports	1,950,378	1,765,533	1,925,256

Table continued on following page.

Table VII-25--*Continued***Corrosion-resistant steel: Total exports from Taiwan to top destination markets and the United States, 2012-14**

Destination	Calendar year		
	2012	2013	2014
	Unit value (dollars per short ton)		
Taiwan's exports to the United States	995	924	882
Taiwan's exports to other top destination markets.--			
China	790	757	762
Malaysia	761	714	707
Thailand	863	783	766
Mexico	816	761	737
Australia	810	799	782
Japan	848	708	684
Canada	918	911	896
Indonesia	872	826	787
Saudi Arabia	748	702	665
All other destination markets	816	779	779
Total Taiwan exports	852	802	797
	Share of quantity (percent)		
Taiwan's exports to the United States	20.5	21.3	31.0
Taiwan's exports to other top destination markets.--			
China	16.8	15.4	15.9
Malaysia	7.1	8.1	6.6
Thailand	6.5	7.8	5.7
Mexico	7.1	6.3	5.5
Australia	5.7	5.8	5.1
Japan	2.6	4.2	4.5
Canada	2.4	1.7	2.5
Indonesia	6.7	6.3	2.0
Saudi Arabia	2.7	2.7	2.0
All other destination markets	21.9	20.4	19.2
Total Taiwan exports	100.0	100.0	100.0

Source: Official export statistics as reported by Taiwan Directorate General of Customs in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90, accessed June 24, 2015.

THE INDUSTRY IN THE SUBJECT COUNTRIES

Table VII-26 presents information on the corrosion-resistant steel operations of the responding producers and exporters in all five subject countries combined for 2012-14, January-March 2014, and January-March 2015, as well as projections for 2015-16.

Table VII-26

Corrosion-resistant steel: Data on the industry in the subject countries, 2012-14, January to March 2014, January to March 2015, and calendar year projections 2015 and 2016

Item	Actual experience					Projections	
	Calendar year			January to March		Calendar year	
	2012	2013	2014	2014	2015	2015	2016
	Quantity (short tons)						
Capacity	45,727,809	47,225,349	48,676,446	12,124,795	12,249,964	49,110,943	50,473,653
Production	36,751,237	39,864,661	42,762,163	10,581,764	10,284,304	42,687,207	43,980,234
End-of-period inventories	1,188,513	1,351,059	1,787,073	1,302,031	1,648,415	1,760,648	1,937,237
Shipments:							
Home market shipments:							
Internal consumption/ Transfers	1,553,648	1,854,875	2,051,563	517,045	469,094	2,167,353	2,480,977
Home market commercial Shipments	22,157,941	23,704,754	24,279,903	6,101,085	5,791,203	23,931,000	24,392,516
Total, home market Shipments	23,711,589	25,559,629	26,331,466	6,618,130	6,260,297	26,098,353	26,873,493
Export shipments to:							
United States	1,239,102	1,464,205	2,485,543	542,599	757,974	2,025,465	1,907,029
All other markets	11,936,178	12,667,089	13,540,924	3,506,272	3,313,979	14,570,994	14,990,455
Total, export shipments	13,175,280	14,131,294	16,026,467	4,048,871	4,071,953	16,596,459	16,897,484
Total shipments	36,886,869	39,690,923	42,357,933	10,667,001	10,332,250	42,694,812	43,770,977
	Ratios and shares (percent)						
Capacity utilization	80.4	84.4	87.8	87.3	84.0	86.9	87.1
Inventories/production	3.2	3.4	4.2	3.1	4.0	4.1	4.4
Inventories/total shipments	3.2	3.4	4.2	3.1	4.0	4.1	4.4
Share of shipments:							
Home market shipments:							
Internal consumption/ Transfers	4.2	4.7	4.8	4.8	4.5	5.1	5.7
Home market commercial Shipments	60.1	59.7	57.3	57.2	56.0	56.1	55.7
Total, home market Shipments	64.3	64.4	62.2	62.0	60.6	61.1	61.4
Export shipments to:							
United States	3.4	3.7	5.9	5.1	7.3	4.7	4.4
All other markets	32.4	31.9	32.0	32.9	32.1	34.1	34.2
Total, export shipments	35.7	35.6	37.8	38.0	39.4	38.9	38.6
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-27 presents data on U.S. importers' reported inventories of corrosion-resistant steel.

Table VII-27
Corrosion-resistant steel: U.S. importers' end-of-period inventories of imports by source, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
Imports from China:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from India:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from Italy:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from Korea:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from Taiwan:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from subject sources:					
Inventories (short tons)	199,450	170,776	352,394	251,113	378,191
Ratio to U.S. imports (percent)	15.2	12.7	15.0	12.2	14.5
Ratio to U.S. shipments of imports (percent)	16.1	12.6	16.4	14.5	16.3
Ratio to total shipments of imports (percent)	15.7	12.3	16.1	14.3	16.1

Table continued on following page.

Table VII-27--Continued

Corrosion-resistant steel: U.S. importers' end-of-period inventories of imports by source, 2012-14, January to March 2014, and January to March 2015

Item	Calendar year			January to March	
	2012	2013	2014	2014	2015
Imports from Canada:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from all other sources:					
Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from nonsubject sources:					
Inventories (short tons)	9,651	3,382	54,562	4,697	35,297
Ratio to U.S. imports (percent)	1.0	0.3	4.2	0.4	2.8
Ratio to U.S. shipments of imports (percent)	1.0	0.3	4.4	0.4	2.7
Ratio to total shipments of imports (percent)	1.0	0.3	4.4	0.4	2.6
Imports from all sources:					
Inventories (short tons)	209,101	174,158	406,956	255,810	413,488
Ratio to U.S. imports (percent)	9.2	7.0	11.2	7.8	10.6
Ratio to U.S. shipments of imports (percent)	9.5	7.0	12.0	8.7	11.4
Ratio to total shipments of imports (percent)	9.3	6.9	11.9	8.6	11.2

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

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they had imported or arranged for the importation of corrosion-resistant steel for delivery after March 31, 2015. Forty firms reported data concerning such imports or arrangements of imports, 35 of which reported imports from the subject countries. Data concerning U.S. imports subsequent to March 31, 2015 are presented in table VII-28.

Table VII-28

Corrosion-resistant steel: U.S. imports subsequent to March 31, 2015

* * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

The Commission asked questionnaire recipients to identify whether the products subject to this proceeding have been the subject of any other import relief proceedings in the United States or in any other countries. Staff also requested parties to identify any such proceedings in their postconference briefs. Information obtained from such requests are presented in table VII-29.

Table VII-29

Corrosion-resistant steel: Import relief proceedings in third-country markets

Export market	Subject country	Date/Measure
Australia	Korea	2012: Results of investigation were 0% for G/L and GI produced by Union Steel
Australia	Korea China (AD and CVD)	August 5, 2013: AD and CVD orders on aluminum zinc coated steel
Australia	China (AD and CVD) Korea Taiwan	August 5, 2013: AD and CVD orders on zinc coated (galvanized) steel
Australia	Korea Taiwan	May 2015: Initiated anti-circumvention on galvanized steel
Australia	India	June 16, 2015: AD investigation on zinc coated (galvanized) steel products terminated after finding no dumping by Uttam Galva, JSW, and POSCO Maharashtra and no injury to domestic industry
Brazil	Korea	2011: Investigation initiated but later terminated after finding no injury.
Brazil	China	May 2015: AD investigation on prepainted galvanized steel sheet
China	Korea	3-10% duty on electro-galvanized and hot-dip galvanized sheet
Colombia	China	March 6, 2014: AD order on galvanized smooth sheet
European Union	China	Investigation on galvanized steel terminated in 2009
European Union	China	2012: Provisional AD duties on certain organic coated steel products/color-coated sheet
India	All countries	June 2015: Increased tariffs on flat-rolled steel from 7.5% to 10%

Table continued on following page.

Table VII-29--Continued

Corrosion-resistant steel: Import relief proceedings in third-country markets

Export market	Subject country	Date/Measure
Indonesia	All countries (except certain developing countries) Rp 4,314,161 per ton (July 2015-July 2016) Rp. 3,629,538 per ton (July 2016-July 2017)	July 2014: Safeguard duty (for 3 years)
Indonesia	Most-favored nation countries	May 30, 2015: Increased tariffs on galvanized and coated steel products from 12.5% to 20%
Iran	All countries	February 28, 2015: Increased import duties on steel sheet products to 15%
Kazakhstan	China Korea	Potential AD investigation on galvanized steel
Malaysia	China	May 2015: AD investigation initiated on prepainted/painted/color-coated steel
Mexico	China	New case on corrosion-resistant steel
Morocco	All countries (except for certain developing countries)	22% duty on all coated flat imports effective Dec. 31, 2015; 20% during 2016; 18% for 2017; and 16% for 2018
Pakistan	Italy Korea Taiwan	January 2015: 5% duty on galvanized plated sheets
Russia	China Korea	Potential AD investigation on galvanized steel
Thailand	Korea	Initiated 2011: Results of investigation were 0% for prepainted steel and 13.82% for G/L for Union Steel.
Thailand	China Korea Taiwan	January 10, 2013: AD orders on prepainted galvanized and zinc-aluminum coated steel and unpainted zinc-aluminum coated steel

Source: Compiled from data submitted in response to Commission questionnaires; Chinese respondents' postconference brief, p. 14 (citing *Commission Regulation (EU) No. 845/2012*, September 18, 2012); Indian companies' postconference brief, pp. 18-19 and exh. 10 (citing *Statement of Essential Facts, Report No. 249, Alleged Dumping of Zinc Coated (Galvanized) Steel Exported from India and the Socialist Republic of Vietnam*, Australian Government Anti-Dumping Commission, June 16, 2015); and ArcelorMittal postconference brief, exh. 22 (citing Semi-Annual Reports of the World Trade Organization, Commission foreign producer questionnaire responses, and various public articles).

INFORMATION ON NONSUBJECT COUNTRIES

Table VII-30 presents data on global exports of corrosion-resistant steel. From 2012 through 2014, total world exports of corrosion-resistant steel increased by 5.6 million short tons, an increase of 10.6 percent. Exports from the five subject countries increased by 6.4 million tons, or 25.6 percent. Exports increased from each of the subject countries, while exports from the United States and from nonsubject countries declined.

Table VII-30
Corrosion-resistant steel: Global total exports by countries subject to this proceeding and other top exporters, 2012-14

Exporter	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
United States	1,727,842	1,609,739	1,544,193
Subject exporters--			
China	11,947,447	12,351,355	16,686,542
India	1,934,649	2,512,669	2,612,384
Italy	2,716,952	2,712,888	3,034,601
Korea	5,919,057	6,086,626	6,402,668
Taiwan	2,288,206	2,201,735	2,415,263
Subtotal, subject exporters	24,806,311	25,865,273	31,151,459
Other top exporters--			
Belgium	4,796,471	4,421,993	4,065,075
Japan	4,104,787	3,757,375	3,293,081
Germany	3,254,135	3,223,406	3,139,588
Netherlands	1,943,531	2,050,097	2,570,643
France	1,676,905	2,208,082	2,159,991
Austria	1,511,277	1,532,785	1,431,317
Slovakia	690,981	712,945	840,412
Canada	689,097	821,997	820,869
Luxembourg	544,471	603,393	725,914
Spain	498,449	472,599	547,705
United Kingdom	439,637	646,250	546,264
Russia	185,954	489,101	495,803
Turkey	676,545	613,574	475,602
Subtotal, other top exporters	21,012,239	21,553,598	21,112,264
All other exporters	5,030,039	5,344,039	4,316,696
Total exports	52,576,432	54,372,650	58,124,612

Table continued on following page.

Table VII-30--Continued

Corrosion-resistant steel: Global total exports by countries subject to this proceeding and other top exporters, 2012-14

Exporter	Calendar year		
	2012	2013	2014
	Share of quantity (percent)		
United States	3.3	3.0	2.7
Subject exporters--			
China	22.7	22.7	28.7
India	3.7	4.6	4.5
Italy	5.2	5.0	5.2
Korea	11.3	11.2	11.0
Taiwan	4.4	4.0	4.2
Subtotal, subject exporters	47.2	47.6	53.6
Other top exporters--			
Belgium	9.1	8.1	7.0
Japan	7.8	6.9	5.7
Germany	6.2	5.9	5.4
Netherlands	3.7	3.8	4.4
France	3.2	4.1	3.7
Austria	2.9	2.8	2.5
Slovakia	1.3	1.3	1.4
Canada	1.3	1.5	1.4
Luxembourg	1.0	1.1	1.2
Spain	0.9	0.9	0.9
United Kingdom	0.8	1.2	0.9
Russia	0.4	0.9	0.9
Turkey	1.3	1.1	0.8
Subtotal, other top exporters	40.0	39.6	36.3
All other exporters	9.6	9.8	7.4
Total exports	100.0	100.0	100.0

Source: Official export statistics as reported by each individual country's statistical authority in the GTIS/GTA database, HTS subheadings 7210.30, 7210.41, 7210.49, 7210.61, 7210.69, 7212.20, 7212.30, 7212.40, 7212.50, 7212.60, 7210.70, and 7210.90 accessed June 24, 2015.

Canada

The leading nonsubject country exporter to the United States was Canada. The industry producing corrosion-resistant steel in Canada includes primarily firms related to the petitioners ArcelorMittal and U.S. Steel. ArcelorMittal Dofasco and ArcelorMittal Coteau-du-Lac have combined capacity of over 3 million short tons of hot-dipped galvanized sheet, and U.S. Steel Canada²¹ has hot-dipped capacity of 700,000 short tons.²² A third firm, Metal Koting, has an electrogalvanizing line with capacity of 45,000 short tons.²³ Production of galvanized steel in Canada during 2014 was *** short tons, which is roughly *** percent of capacity.²⁴

Canada is a net importer of galvanized steel; in 2014, exports of 821,000 short tons were more than offset by imports of 1.2 million short tons. Almost all of both the imports and the exports were trade with the United States.²⁵

Japan

Japan is the third-largest exporter of galvanized sheet products, after China and Korea.²⁶ Japan is also the third largest producer of corrosion-resistant sheet steel, after China and the United States. Japan has multiple producers, including JFE Steel Corp. (“JFE”) and Nippon Steel & Sumitomo Metal Corp. (“Nippon”), which are among the largest steel companies in the world. JFE, Nippon, Kobe Steel, and Nisshin Steel account for more than 90 percent of the galvanizing capacity in Japan, and all are related to U.S. producers of corrosion-resistant steel.²⁷ The capacity to produce hot-dipped galvanized steel in Japan is *** short tons and the capacity to produce electrogalvanized steel is *** short tons. Production of galvanized steel in 2014 was *** short tons, or roughly *** percent of capacity.²⁸

²¹ U.S. Steel Canada, a subsidiary of U.S. Steel Corporation, filed for relief from creditors under Canada’s Companies’ Creditors Arrangement Act (CCAA) in September 2014. The firm continues to operate under the management of U.S. Steel Corporation while offers are being solicited for the sale of the assets.

²² GalvInfo Center and Steel Technology Services Inc.

²³ GalvInfo Center and Steel Technology Services Inc.

²⁴ *** and GalvInfo Center and Steel Technology Services Inc.

²⁵ NTIS. *Global Trade Atlas*.

²⁶ Reported exports from Belgium, which exceed those from Japan, are believed to include product from other EU countries.

²⁷ Nippon is a joint owner, with ArcelorMittal, of I/N Kote and AM/NS Calvert; Nippon is also a co-owner, with BlueScope Steel Ltd. (an Australian steel company), of Steelscape; JFE is a joint owner, with Vale (a Brazilian company), of California Steel Industries; Kobe Steel is a joint owner, with U.S. Steel, of Pro-Tec Coating; and Nisshin owns Wheeling Nisshin Inc.

²⁸ ***.

In 2014, Japan's exports totaled 3.3 million short tons. Its markets were primarily other countries in Asia, particularly Thailand, China, Vietnam and Indonesia. Japan exported 231,000 short tons to Mexico, but only 50,000 short tons to the United States.²⁹

²⁹ NTIS. *Global Trade Atlas*.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
80 FR 32606 June 9, 2015	<i>Certain Corrosion-Resistant Steel Products From China, India, Italy, Korea, and Taiwan; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	http://www.gpo.gov/fdsys/pkg/FR-2015-06-09/pdf/2015-14028.pdf
80 FR 37223 June 30, 2015	<i>Certain Corrosion-Resistant Steel Products From the People’s Republic of China, India, Italy, the Republic of Korea, and Taiwan: Initiation of Countervailing Duty Investigations</i>	http://www.gpo.gov/fdsys/pkg/FR-2015-06-30/pdf/2015-16067.pdf
80 FR 37228 June 30, 2015	<i>Certain Corrosion-Resistant Steel Products From Italy, India, the People’s Republic of China, the Republic of Korea, and Taiwan: Initiation of Less-Than-Fair-Value Investigations</i>	http://www.gpo.gov/fdsys/pkg/FR-2015-06-30/pdf/2015-16061.pdf

APPENDIX B
CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan

Inv. Nos.: 701-TA-534-538 and 731-TA-1274-1278 (Preliminary)

Date and Time: June 24, 2015 - 9:30 am

Sessions were held in connection with these preliminary investigations in the Main Hearing Room (Room 101), 500 E Street, S.W., Washington, DC.

OPENING REMARKS:

Petitioners (Alan H. Price, Wiley Rein LLP)

Respondents (Donald B. Cameron, Morris Manning & Martin LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Schagrin Associates
Washington, DC
on behalf of

California Steel Industries ("CSI")
Steel Dynamics, Inc. ("SDI")

John Walburg, Manager, Marketing and Sales
Administration, CSI

Glenn Pushis, Vice President, Flat Rolled Group, SDI

Tommy Scruggs, General Manager of Sales, Flat
Rolled Group, SDI

Roger B. Schagrin) – OF COUNSEL

**In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Kelley Drye & Warren
Washington, DC
on behalf of

ArcelorMittal USA LLC

Daniel Mull, Executive Vice President of Sales and
Marketing, ArcelorMittal USA

Sheila Janin, Director of Coated Products, ArcelorMittal
USA

Holly Hart, Legislative Director, United Steelworkers

Gina Beck, Economic Consultant, Georgetown Economic
Services, LLC

Paul C. Rosenthal)
Kathleen W. Cannon) – OF COUNSEL
R. Alan Lubberda)

Wiley Rein LLP
Washington, DC
on behalf of

Nucor Corporation

Rick Blume, General Manager, Commercial,
Nucor Corporation

Scott Meredith, Director of Sale and Marketing, Flat
Products, Nucor Corporation

Dr. Jerry A. Hausman, Special Consultant, Greylock
McKinnon Associates

Dr. Seth T. Kaplan, Senior Economic Advisor, Capital
Trade, Inc.

Alan H. Price)
) – OF COUNSEL
Timothy C. Brightbill)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Morris Manning & Martin LLP
Washington, DC
on behalf of

Prosperity Tieh Enterprise Co., Ltd (“Prosperity Tieh”)

Donald B. Cameron)
) – OF COUNSEL
R. Will Planert)

Neville Peterson LLP
Washington, DC
on behalf of

TCC Steel Co., Ltd.
TCC America Corp.
Procon Metals, Inc.

Mike Hartman, Owner and General Manager,
Procon Metals, Inc.

John M. Peterson) – OF COUNSEL

Sidley Austin LLP
Washington, DC
on behalf of

Jindal South West Steel Ltd.
Essar Steel India Limited
Uttam Galva Steels Limited
Uttam Galva North America, Inc.

Stephen Schoop, Chief Executive Officer, Uttam Galva
North America, Inc.

Daniel Bain, Chief Financial Officer, Uttam Galva
North America, Inc.

Brenda A. Jacobs) – OF COUNSEL

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Husch Blackwell LLP
Washington, DC
on behalf of

China Iron & Steel Association and Its Members

Jeffrey S. Neeley)
) – OF COUNSEL
Michael Holton)

CLOSING REMARKS:

Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP
and Roger B. Schagrín, Schagrín Associates)

Respondents (Julie C. Mendoza, Morris Manning & Martin LLP)

APPENDIX C
SUMMARY DATA

Table C-1

Corrosion-resistant steel: Summary data concerning the U.S. market, 2012-14, January to March 2014, and January to March 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year		January-March			Calendar year		Jan.-March	
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-2015
U.S. consumption quantity:									
Amount.....	19,105,518	19,806,672	21,825,728	5,145,504	5,205,366	14.2	3.7	10.2	1.2
Producers' share (fn1).....	85.7	85.5	79.6	81.1	76.1	(6.1)	(0.2)	(5.9)	(5.0)
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
India.....	***	***	***	***	***	***	***	***	***
Italy.....	***	***	***	***	***	***	***	***	***
Korea.....	***	***	***	***	***	***	***	***	***
Taiwan.....	***	***	***	***	***	***	***	***	***
Subtotal, subject sources.....	8.2	7.8	13.1	11.9	15.9	5.0	(0.3)	5.3	3.9
Canada.....	***	***	***	***	***	***	***	***	***
All others sources.....	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject sources.....	6.2	6.7	7.3	6.9	8.0	1.2	0.5	0.6	1.1
Total U.S. imports.....	14.3	14.5	20.4	18.9	23.9	6.1	0.2	5.9	5.0
U.S. consumption value:									
Amount.....	17,436,056	17,360,985	19,464,776	4,575,930	4,499,510	11.6	(0.4)	12.1	(1.7)
Producers' share (fn1).....	84.7	84.7	79.9	81.1	76.3	(4.8)	0.0	(4.8)	(4.8)
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
India.....	***	***	***	***	***	***	***	***	***
Italy.....	***	***	***	***	***	***	***	***	***
Korea.....	***	***	***	***	***	***	***	***	***
Taiwan.....	***	***	***	***	***	***	***	***	***
Subtotal, subject sources.....	8.4	7.9	12.4	11.5	15.1	3.9	(0.5)	4.5	3.6
Canada.....	***	***	***	***	***	***	***	***	***
All others sources.....	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject sources.....	6.8	7.4	7.7	7.4	8.6	0.9	0.5	0.4	1.2
Total U.S. imports.....	15.3	15.3	20.1	18.9	23.7	4.8	(0.0)	4.8	4.8
U.S. imports from:									
China									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
India									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Italy									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Korea									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Taiwan									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Subtotal, subject sources.....									
Quantity.....	1,558,929	1,551,660	2,864,436	613,974	826,265	83.7	(0.5)	84.6	34.6
Value.....	1,470,445	1,371,034	2,408,663	524,384	678,612	63.8	(6.8)	75.7	29.4
Unit value.....	\$943	\$884	\$841	\$854	\$821	(10.9)	(6.3)	(4.8)	(3.8)
Ending inventory quantity.....	199,450	170,776	352,394	251,113	378,191	76.7	(14.4)	106.3	50.6
Canada									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All other sources									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject sources.....									
Quantity.....	1,177,140	1,323,004	1,597,630	357,607	418,743	35.7	12.4	20.8	17.1
Value.....	1,193,360	1,281,055	1,507,009	340,289	387,240	26.3	7.3	17.6	13.8
Unit value.....	\$1,014	\$968	\$943	\$952	\$925	(7.0)	(4.5)	(2.6)	(2.8)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Total U.S. imports:									
Quantity.....	2,736,069	2,874,664	4,462,066	971,581	1,245,008	63.1	5.1	55.2	28.1
Value.....	2,663,804	2,652,089	3,915,672	864,673	1,065,852	47.0	(0.4)	47.6	23.3
Unit value.....	\$974	\$923	\$878	\$890	\$856	(9.9)	(5.2)	(4.9)	(3.8)
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***

Table continued on following page.

Table C-1--Continued

Corrosion-resistant steel: Summary data concerning the U.S. market, 2012-14, January to March 2014, and January to March 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January-March		Calendar year			Jan.-March
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-2015
U.S. producers:									
Average capacity quantity.....	23,668,883	23,756,915	23,797,441	5,867,988	5,872,485	0.5	0.4	0.2	0.1
Production quantity.....	17,540,368	17,984,337	18,596,502	4,523,247	4,236,075	6.0	2.5	3.4	(6.3)
Capacity utilization (fn1).....	74.1	75.7	78.1	77.1	72.1	4.0	1.6	2.4	(4.9)
U.S. shipments:									
Quantity.....	16,369,449	16,932,008	17,363,662	4,173,923	3,960,358	6.1	3.4	2.5	(5.1)
Value.....	14,772,252	14,708,896	15,549,104	3,711,257	3,433,658	5.3	(0.4)	5.7	(7.5)
Unit value.....	\$902	\$869	\$895	\$889	\$867	(0.8)	(3.7)	3.1	(2.5)
Export shipments:									
Quantity.....	1,076,584	1,064,470	1,103,269	284,615	254,549	2.5	(1.1)	3.6	(10.6)
Value.....	1,062,978	1,011,195	1,048,651	273,945	240,462	(1.3)	(4.9)	3.7	(12.2)
Unit value.....	\$987	\$950	\$950	\$963	\$945	(3.7)	(3.8)	0.1	(1.9)
Ending inventory quantity.....	1,273,805	1,281,075	1,414,152	1,345,319	1,422,959	11.0	0.6	10.4	5.8
Inventories/total shipments (fn1).....	7.3	7.1	7.7	7.5	8.4	0.4	(0.2)	0.5	0.9
Production workers.....	12,096	12,028	12,092	12,238	12,209	(0.0)	(0.6)	0.5	(0.2)
Hours worked (1,000s).....	24,741	24,605	24,386	6,322	6,111	(1.4)	(0.5)	(0.9)	(3.3)
Wages paid (\$1,000).....	936,564	945,997	991,768	241,953	237,499	5.9	1.0	4.8	(1.8)
Hourly wages (dollars).....	\$37.85	\$38.45	\$40.67	\$38.27	\$38.86	7.4	1.6	5.8	1.5
Productivity (short tons per hour).....	0.7	0.7	0.8	0.7	0.7	7.6	3.1	4.3	(3.1)
Unit labor costs.....	\$53.39	\$52.60	\$53.33	\$53.49	\$56.07	(0.1)	(1.5)	1.4	4.8
Net Sales:									
Quantity.....	17,390,067	17,932,981	18,442,089	4,449,917	4,196,039	6.0	3.1	2.8	(5.7)
Value.....	15,776,118	15,643,760	16,557,620	3,972,042	3,651,972	5.0	(0.8)	5.8	(8.1)
Unit value.....	\$907	\$872	\$898	\$893	\$870	(1.0)	(3.8)	2.9	(2.5)
Cost of goods sold (COGS).....	14,850,566	14,605,948	15,308,490	3,745,178	3,458,718	3.1	(1.6)	4.8	(7.6)
Gross profit of (loss).....	925,552	1,037,812	1,249,130	226,864	193,254	35.0	12.1	20.4	(14.8)
SG&A expenses.....	431,006	441,834	524,915	115,447	126,850	21.8	2.5	18.8	9.9
Operating income or (loss).....	494,546	595,978	724,215	111,417	66,404	46.4	20.5	21.5	(40.4)
Net income or (loss).....	34,119	368,444	487,855	40,185	(35,301)	1,329.9	979.9	32.4	(187.8)
Capital expenditures.....	343,388	244,989	218,091	49,812	74,879	(36.5)	(28.7)	(11.0)	50.3
Unit COGS.....	\$854	\$814	\$830	\$842	\$824	(2.8)	(4.6)	1.9	(2.1)
Unit SG&A expenses.....	\$25	\$25	\$28	\$26	\$30	14.8	(0.6)	15.5	16.5
Unit operating income or (loss).....	\$28	\$33	\$39	\$25	\$16	38.1	16.9	18.2	(36.8)
COGS/sales (fn1).....	94.1	93.4	92.5	94.3	94.7	(1.7)	(0.8)	(0.9)	0.4
Operating income or (loss)/sales (fn1).....	3.1	3.8	4.4	2.8	1.8	1.2	0.7	0.6	(1.0)

fn1.--Report data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires, and official U.S. imports statistics with an adjustment for imports of micro-alloy corrosion-resistant steel products.

APPENDIX D

**RESPONSES OF U.S. PRODUCERS CONCERNING THE ACTUAL OR POTENTIAL
NEGATIVE EFFECTS OF IMPORTS OF CORROSION-RESISTANT STEEL FROM CHINA,
INDIA, ITALY, KOREA, AND TAIWAN**

Table D-1
Corrosion-resistant steel: Negative impact of imports from subject sources

* * * * *

Table D-2
Corrosion-resistant steel: Negative impact of imports from subject sources differ by source

* * * * *

Table D-3
Corrosion-resistant steel: Anticipated negative effect of imports from subject sources

* * * * *

Table D-4
Corrosion-resistant steel: Anticipated negative effect of imports from subject sources differ by source

* * * * *

APPENDIX E
NONSUBJECT COUNTRY PRICE DATA

Two importers reported price data for nonsubject country Canada, for products 1, 3, and 4. Price data reported by these firms accounted for 13.2 percent of U.S. imports from Canada during January 2012-March 2015. These pricing items and accompanying data are comparable to those presented in tables V-5 to V-8. Price and quantity data for Canada are shown in table E-1 and in figures E-1 to E-3 (along with domestic and subject source data).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from Canada were *** than prices for U.S.-produced product in *** instances and *** in *** instances. In comparing nonsubject country pricing data with subject country pricing data, prices for product imported from Canada were *** than prices for product imported from subject countries in *** instances and *** in *** instances. A summary of price differentials is presented in table E-2.

Table E-1

Corrosion-resistant steel: Weighted-average f.o.b. prices and quantities of imported product 1, 3, and 4¹ from Canada, by quarters, January 2012-March 2015

* * * * *

Figure E-1

Corrosion resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarters, January 2012-March 2015

* * * * *

Figure E-2

Corrosion resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, by quarters, January 2012-March 2015

* * * * *

Figure E-3

Corrosion resistant steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, by quarters, January 2012-March 2015

* * * * *

Table E-2**Corrosion resistant steel: Summary of price differentials, by country, January 2012-March 2015¹**

Countries	Number of comparisons	Underselling	Overselling
Canada vs. United States	39	***	***
Canada vs. China	39	***	***
Canada vs. India	39	***	***
Canada vs. Italy	14	***	***
Canada vs. Korea	37	***	***
Canada vs. Taiwan	39	***	***

¹ As noted in part V of this report, pricing products 1 and 2 are identical Galvalume products, with the exception that product 1 is bare and product 2 is pre-painted. The U.S. did not import product 2 from Canada during January 2012-March 2015. For product 1, prices of Canadian imports were *** than domestic product in *** between January 2012 and March 2015. Pricing products 3 and 4 are hot-dipped galvanized products, with different coating weights and thicknesses, and do not specify whether bare or pre-painted. During January 2012-March 2015, prices of products 3 and 4 imported from Canada were *** than domestic products 3 and 4 in ***.

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