ITC breathes sigh of relief

The US flat-rolled steel industry chalked out a major victory when the US International Trade Commission (ITC) voted 4-2 to continue standing duty orders on imports of hot-rolled steel from Brazil, Japan and Russia for another five years.

First imposed in 1999 when the industry was reeling under surging imports and flat-lined prices, the market and industry have since experienced a significant turnaround. According to the law, the ITC must review duty orders every five years to determine whether they should face "sunset" or be continued.

At a public hearing in March, foreign producers and domestic steel consumers, including an executive from Ford Motor Co., testified about record steel pricing and hefty steel mill profits as evidence of a new steel world that made import restraints irrelevant.

But despite company consolidation and a healthy market, U.S. steel producers were not giving up the duty orders without a fight. Steel executives and lawmakers from Capitol Hill repeatedly told the commissioners that 2004 was the first profitable year the industry had experienced out of the past five, and if the duty orders were removed imports would turn on a dime and again threaten the stability of the industry.

The orders are not insignificant and provide a disincentive to export to the U.S. market. Russian steel currently is under a quota and pricing mechanism dictated by a government-negotiated suspension agreement, but if the Russians violate the agreement they would face anti-dumping duties ranging from 73 to 184 percent.

The anti-dumping duty margins against hot-rolled imports from Brazil range from 41 to 43 percent, with smaller countervailing-duty margins ranging between 6 and 10 percent. Anti-dumping duties on imports from Japan range from 17 to 40 percent.

Brazil and Japan could appeal the decision to the WTO, but Russia cannot because it is not yet a member. The Japanese did not respond to ITC questionnaires or appear at the hearing. The Brazilians also did not appear at the hearing, and one petitioning trade lawyer said the Brazilians acknowledged there were errors in their ITC questionnaires and corrected versions were never resubmitted.

John P. Surma, president and chief executive officer of U.S. Steel Corp., Pittsburgh, who testified before the ITC last month, said Thursday's vote "correctly recognizes that there is no place in this market for unfairly traded imports-particularly as the industry tries to solidify and build upon its recent progress."

Daniel R. DiMicco, vice chairman, president and chief executive officer of Nucor Corp., Charlotte, N.C., also expressed pleasure at the determination, saying the duties will continue to play a major role in helping the U.S. steel industry further consolidate and become consistently profitable. "This will not only be good for the domestic steel industry, but by strengthening the industry will be positive for our customers as well," he said.

But domestic steel consumers did not initially appear to share DiMicco's enthusiasm and instead issued a harshly critical response to the vote.

"With record high steel prices and healthy profits for the steel industry in 2004, there is no economic justification for the continuation of these duties," William E. Gaskin, president of the Precision Metalforming Association, Independence, Ohio, said. "If the robust market for hot-rolled steel doesn't set the stage for elimination of these duties-where U.S. prices have typically been $100 to $200 per ton higher than the rest of the world over the past 18 months-then when will it ever be time for them to disappear? Is this permanent protection for the steel industry at the expense of their customers?"

The Japan Steel Information Center also issued a withering view of the ITC decision, flatly calling it incorrect.

Japanese exports to the U.S. declined sharply after the preliminary determination in the orginal investigation and have continued to be negligible since then, The Japanese industry has focused on its home market and nearby markets in Asia, which are experiencing rapid growth. Japanese producers are not seriously interested in re-entering the U.S. hot-rolled market.

ITC chairman Stephen Koplan and commissioners Jennifer A. Hillman, Charlotte R. Lane and Marcia E. Miller voted to sustain the duties, finding that revoking the existing orders would likely lead to continuation or recurrence of material injury to the domestic industry.

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