BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM BRAZIL, CANADA, INDONESIA, MEXICO, MOLDOVA, TRINIDAD AND TOBAGO, AND UKRAINE

ARCELORMITTAL USA, LLC, GERDAU AMERISTEEL US, INC., EVRAZ PUEBLO, AND KEYSTONE CONSOLIDATED INDUSTRIES’ FINAL COMMENTS

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I. EXECUTIVE SUMMARY

The facts of record provide strong indication of the likely continuation or recurrence of material injury within the meaning of the statute if the orders under review are revoked:

- The U.S. carbon and alloy steel wire rod (“CASWR”) industry has experienced the worst downturn in modern history during this period of review (“POR”), as the injurious effects of the Great Recession were followed by a surge in low-priced imports of 4.75 mm wire rod from Deacero and the onslaught of unfairly traded CASWR imports from China.

- The U.S. CASWR industry is highly vulnerable, having suffered significant deterioration in all key trade and financial variables over the POR. ITC Final Report (“FSR”) at C-3; Domestic Producers’ Posthearing Brief (“Dom. Post. Brf.”), Exh. 6, Slide 12.

- Removing the CASWR orders against the six subject countries would result in a massive volume of low-priced, dumped imports surging into the U.S. market, causing the already weakened condition of the U.S. industry to deteriorate even further.

- Idle CASWR capacity in the six countries is | | demand for wire rod in the United States in 2013, permitting the subject producers to |

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Source: FSR at I-7, IV-14 (Moldova and Trinidad); Dom. Post. Brf. at Exh. 3, Chart 2A, (Brazil, Indonesia, and Ukraine) and Exh. 4, Chart 4B and [ ]
As compared to an [ ] percent peak market share pre-order (FSR at I-7), the six subject countries could seize [ ] percent of the U.S. market from their idle capacity alone today.¹

Subject producers are also able to shift sales from third country markets with lower prices to the higher-priced U.S. market and to shift production from other products produced on shared equipment to wire rod. FSR at IV-23, IV-45, IV-59, IV-72, and IV-90-91.

The U.S. CASWR market remains highly price-sensitive. Id. at II-26, II-28. Subject imports penetrated this market pre-order by significant price undercutting, and price undercutting by imports from Mexico has continued during the POR. Id. at V-19.

Absent retention of the outstanding orders, the massive idle capacity in the six subject countries will be exported to the United States at dumped prices that will continue to undersell U.S. producer prices, causing the highly-vulnerable domestic CASWR industry to suffer further declines in its sales and financial condition and continued material injury.

II. ALL SUBJECT IMPORTS SHOULD BE CUMULATED IN THIS REVIEW

A. Deacero’s Request for Decumulation Should Be Rejected

The grounds Deacero relies upon for decumulation are unusual in that most show how very likely it is that imports from Mexico will be sold in significant volumes to the detriment of U.S. producers – a factor that is true of other subject countries as well. Deacero Post. Brf. at 3-7.

Deacero first claims that Mexican imports maintained a substantial U.S. presence unlike other

¹ Unused capacity for the six countries based on total subject capacity as reported in Table IV-6 of the ITC Final Report is even greater at [ ] tons, which would allow subject producers to capture [ ] percent of the U.S. market in 2013. FSR at IV-14. Even if only the capacity reported in questionnaire responses is considered, there would be [ ] million tons of idle capacity, which would account for [ ] percent of the U.S. market in 2013. Id.
subject imports, but fails to acknowledge that they did so only when they were able to avoid paying antidumping duties. Dom. Post. Brf., Exh. 1 at 19-20; FSR at F-3. Deacero’s further claim that “Mexican imports have non-price advantages” is belied by the strong record evidence showing that imports from Mexico sell on the basis of price and consistently undersell U.S. producer prices to gain sales, even with the order in place. FSR at V-19, F-5.

The primary basis on which Deacero relies to support decumulation is that only Deacero in Mexico has supplied the 4.75 mm product. Deacero, however, has admitted that other wire rod products in addition to the 4.75 mm product would be exported to the United States from Mexico if the order was removed. Apr. 22, 2014 ITC Transcript (“Tr.”) at 210. Indeed, the only reason the volumes of the 4.75 mm product were as high as they were during the POR is that Deacero, for a time, got away with selling CASWR into the United States without paying duties. Dom. Post. Brf., Exh. 1 at 18-22. Once duties were imposed, 4.75 mm sales plummeted—a sign that the product was never really needed by purchasers (who otherwise would have paid non-dumped prices to buy it) but was being purchased because of the lower prices Deacero offered. FSR at F-5.

While citing no reason for its decision, the Commission’s final report treats the 4.75 mm product as non-subject rod, despite Deacero’s concession that this product is subject merchandise (Deacero Post. Brf. at 10, 15; Tr. at 20 and 218) and case law support for treatment of the 4.75 mm product as subject product given the pending litigation. Dom. Post. Brf., Exh. 1 at 29-31 (Q.6). Irrespective of how the 4.75 mm product is classified, however, Deacero’s sales of this product demonstrate its strong intent and ability to sell significant volumes of wire rod to the United States at prices that undercut U.S. producer prices so long as it does not have to pay antidumping duties. Dom. Post. Brf, Exh. 1 at 13-18.

The reason Deacero was selling this product had nothing to do with a special use or need by purchasers but rather because Deacero could do so, for a time, without paying antidumping duties. Dom. Prehrg. Brf. at Exh. 1 at 19-20. Whether this practice is ultimately found to comprise circumvention by the courts or not, it is important to recognize that the ability to avoid duty payments was the key motivating factor to these sales and not a newly-created “need” for this 4.75 mm product.
would not have to undercut U.S. prices to find willing buyers and would still be sold in the United States today at non-dumped prices.

Further, Deacero has admitted that the 4.75 mm product is a substitute for subject wire rod. Deacero Post. Brf. at 1. Given the substitutability of the 4.75 mm product with the “main size” 5.5 mm CASWR product sold in the “industrial quality main segment of the market where imports are concentrated” by Deacero’s own admission (Deacero Post. Brf. at 1), there can be no question that these sales are competing with and substituting for sales of the 5.5 mm product by other import sources as well. That overlapping competition supports cumulation. Regardless of Deacero’s arguments absent 4.75 mm rod, the other Mexican producers would return to exporting subject wire rod absent the order.

Important new information [ absence of foreign wire rod in the domestic market]
industry testimony that Deacero’s product was sought out by purchasers based on the low prices offered, causing harm to competing U.S. producers as a result. Tr. at 41, 72.4

B. Yenakieve’s Request for Decumulation Should Be Rejected

Yenakiieve urges the decumulation of imports from Ukraine, citing changing conditions of competition in the country since these orders were imposed, a domestic and regional supply focus, a lack of exports to the U.S. market with the order in place, and its cooperation in this review.5 Yenakiieve Post. Brf. at 2. None of these factors support decumulation of Ukraine; in fact, many are competitive conditions Ukraine shares with other subject countries. For example, all of the other subject countries have market economies and are WTO members, so this transition has made Ukraine more similar to the other subject countries, not less. Similarly, Ukraine’s failure to ship meaningful quantities of wire rod to the U.S. market since the orders were imposed is true of the other subject countries as well. FSR at I-7-I-8. Although Mexico shipped 4.75 mm product to the United States when it could evade duty payments, and Brazil

4 Deacero’s attempt to avoid cumulation because of the pending litigation on the 4.75 mm product due to the lawsuit it filed against the United States is meritless. Deacero Post. Brf. at 6, Q&A at 8. In the case Deacero cites to support its request, the Commission cumulated imports in its analyses both before and during the pending litigation and reached the same conclusion. Usinor Industeele v. United States, 27 CIT 1395, 1396 (2003), aff’d, 112 Fed. Appx. 59 (Fed. Cir. 2004); Certain Carbon Steel Products from Australia, et al., USITC Pub. 3587 (Review) (Remand) (2003) at 3. This case, therefore, does not support Deacero’s contention that pending litigation should preclude cumulation. Moreover, the Commission can take into account both potential results of the pending litigation simply by stating that even treating the 4.75 mm product as nonsubject product (as it has in its final report), it nonetheless concludes that imports of subject CASWR from Mexico and other subject counties will be significant absent the orders.

5 The Domestic Producers previously rebutted Yenakiieve’s assertion that mere participation in this review justifies decumulation of Ukraine. Dom. Post. Brf. at 10-11; Exh. 1 at 47-54. As the Court has recognized, there is no statutory exception to cumulation based on whether companies cooperate in a case. Id. Further, given that the Final Report relies on independent steel databases to assess capacity and production for non-cooperating producers, Yenakiieve’s claim that it is being subjected to adverse inferences if it is cumulated with noncooperating companies is unfounded.
shipped excluded tire cord and tire bead wire rod to the United States, none of the subject countries demonstrated an ability to sell CASWR at any meaningful volume level without dumping. This common competitive behavior supports cumulation.

Yenakiieve’s claim that Ukraine sells only to regional markets is refuted by evidence of

Indeed, Ukrainian steel producers export significant volumes of many steel products to the United States and do not limit sales to regional markets. Dom. Post. Brf., Exh. 15.

III. SUBJECT IMPORTS ARE LIKELY TO CAUSE MATERIAL INJURY TO THE VULNERABLE U.S. INDUSTRY IF THE ORDERS ARE REMOVED

A. Respondents’ Arguments Challenging Industry Vulnerability Are Not Based on the Record Data as Set Forth in the ITC Final Report

Because the data of record in this review show that the domestic industry is vulnerable to the injurious impact of subject imports in the event of revocation, respondents ignore the Commission’s staff report and create their own parallel data sets. Deacero, for example, attempts to revise the record data to create speculative projections about the U.S. industry’s

Further, Yenakiieve’s export focus on European markets is similar to that of Moldova, which also exports heavily to Europe. FSR at IV-53, IV-75. Given the glut in supply of wire rod in Europe at present, however, the highly export-oriented wire rod industries in Ukraine and Moldova, like the wire rod industries in the other subject countries, need a new outlet market for their excess CASWR capacity. Dom. Post. Brf. at 10-11, 13, and Exh. 1 at 53-54. The U.S. market will be the target of exports from all six subject countries if the orders are removed.
condition based on the assumption that relief against Chinese imports will be granted.\(^7\) Deacero Post. Brf. at 13-14. There is no justification for altering the actual industry data based on speculation as to what might happen if the domestic industry prevails in the China investigation. At this time, when the ITC must assess the U.S. industry’s vulnerability in this review, there is no question the U.S. industry is in a weakened condition. Moreover, as destructive as the impact of Chinese imports has been, the industries in the six countries under review have the capability volumes that entered from China during the POR. While imports of wire rod from China peaked at 618,818 short tons in 2013, subject imports from the six countries under review peaked at \[ \] short tons at the time of the original investigation, a volume shipped by China at its peak. FSR at I-8 and IV-8. Given that the industries in the subject countries are larger now than at the time of the original investigation, and have idle capacity that exceeds tons, in the event of revocation, import volumes from the subject countries \[ \] those from China.

For its part, Yenakiieve also ignores the evidence of record and improperly recalculates U.S. industry profitability based as to its own assumptions as to the value of the domestic industry’s internal consumption. Yenakiieve Post. Brf. at 14-15. Its argument is based on a faulty assumption that the average unit value ("AUV") of aggregate domestic industry transfers/internal consumption ("transfers") should be exactly the same as the AUV for the U.S.

\(^7\) Deacero’s further claim that the U.S. industry is not vulnerable because several domestic producers announced price increases in 2013 and 2014 (Deacero Post. Brf. at 14) is unfounded, as most of these price increases were not successful and U.S. producers were not able to raise prices to cover increasing raw material costs. Tr. at 115. The Commission’s quarterly pricing data show declines from the second through fourth quarters of 2013. FSR at V-9-V-11. The U.S. industry’s profitability, in turn, declined in 2013 on an absolute basis and as a ratio of sales. Id. at C-4.
industry's commercial shipments. Such an assumption makes no provision for differences in product mix between commercial sales and internal transfers, either within individual companies or across the industry as a whole. The product mix between commercial sales and transfers is not directly comparable, because transfers are more heavily weighted toward [ ] FSR at III-21 n.17; Nucor Post. Brf., Exh. 1 at 9-10. It is to be expected, therefore, that transfers would reflect lower AUVs than commercial sales.

In fact, as the data presented in the staff report show, the domestic industry is highly vulnerable. From 2008 to 2013, domestic industry production fell by 9.9 percent and capacity utilization declined; U.S. shipment volume fell by 11.1 percent; hours worked by PRWs fell by 10.2 percent; total net sales value fell by 28.1 percent while average unit values declined by 18.1 percent; operating income fell by 69.0 percent; and operating income margin fell from 9.8 percent of sales value to 4.2 percent. FSR at C-4. The domestic industry has been weakened by the lingering effects of the economic slowdown, the underselling by 4.75 mm product from Deacero and the unfairly-traded imports from China.

B. Deacero's Contentions that Mexican Capacity Is Limited and the Industry Has No Motivation to Export to the United States Are Invalid

Just as Deacero's vulnerability arguments attempt to re-write the U.S. industry database, its contentions as to the likely effect of imports from Mexico attempt to re-write the Mexican industry database by adopting a tunnel-vision focus on Deacero's operations only (and primarily its sales of 4.75 mm rod alone) instead of accounting for the likely effects of imports of all

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8 Differences in AUVs by product grade and application for commercial sales of wire rod are shown in the record pricing data, with prices for Product 4 consistently higher than prices for Product 1, for example. FSR at V-9, V-12.
CASWR from Mexico as a whole. The Mexican industry consists of at least five producers, and Deacero speaks only for itself, not on behalf of the industry. While Deacero would have the Commission believe it is the only Mexican producer interested in the U.S. market,

Even if the data of just the three responding Mexican producers are considered, however,

| tons of excess wire rod capacity in 2013.\(^9\) This volume could capture

\(^9\) New record information [ products capacity of 400,000 tons. FSR at IV-39-40, n.33. Adding these two producers to the ITC database, [ ] short tons. See Dom. Post. Brf., Exh. 1 at 10-12 (Q.3), and Exh. 4 (Chart 4B). The Commission should consider these capacities in its assessment of the capabilities of the Mexican industry and the volumes likely to be exported to the U.S. market in the event of revocation.

\(^{10}\) These three companies had [ ]
In addition to its large and immediately available excess capacity, the Mexican industry has ample motivation to redirect sales volumes from its home market and Latin American export markets to the United States. Record information contradicts Deacero’s assertion that Mexican demand for wire rod is rebounding in 2014 due to an expanding construction market. Deacero Post. Brf. at 9. In fact, a 2014 report states that Mexico’s “construction industry has continued its losing streak from last year . . . reflecting the national contraction of 3.9 percent.” Dom. Post. Brf., Exh. 22. The lack of any turnaround in the Mexican market for wire rod provides incentive for Mexican producers to export to the United States.

Further motivating the Mexican industry to shift exports to the U.S. market is the imposition of a quota on imports of wire rod by Colombia, Mexico’s largest export market. FSR at IV-48. This quota will limit Mexican imports to levels significantly below those shipped in 2013. See Dom. Post. Brf., Exh. 1 at 7-8 and n.9. In addition, Deacero has just opened a wire rod mill in Colombia, a development that Deacero continues to ignore. See Dom. Post. Brf.,

11 Contrary to Deacero’s assertion that [wire rod plant. See Dom. Prehrg. Brf., Exh. 9. Further, [wire rod. Id., Exh. 4. As to Deacero’s claims that it intends to convert some wire rod capacity at its Saltillo mill to production of SBQ bar, the materials it has placed on the record to support this claim [tons). Deacero Post. Brf. at 7, Q.9 and Exh. 23. Deacero’s witness testified that any such conversion would be on a “gradual” schedule, and that they “are not in that business right now.” Tr. at 228.
Exh. 1 (Q3) and Exh. 20; Deacero Post. Brf., Q.3. This new facility means that Deacero and the Mexican industry generally will have a huge incentive to redirect exports from Colombia to the U.S. market. In addition, the U.S. market has attractive pricing. In contrast to Deacero’s assertions (Deacero Post. Brf. at 9), the data reported by Deacero and the two other responding Mexican producers indicate that [ ]

FSR at IV-43. [ ]

] and Deacero admitted at the hearing that the U.S. market is an attractive and logical export market for its wire rod sales. Tr. at 210, 229, 256-57. Notably, too, Mexican wire rod sold to the U.S. market over the POR, whether subject product or the 4.75 mm rod, has consistently undercut U.S. producer prices, a further indication of the likely injury Mexico will inflict on the U.S. industry absent an order.¹²

In summary, the Mexican wire rod industry has substantial excess capacity and has significant incentives to ship to the U.S. market, including relatively high U.S. prices, a stagnant Mexican market, and evaporation of Mexico’s largest export market, Colombia. Given that all

¹² Deacero’s continued assertion that the surge in its exports of 4.75 mm wire rod to the U.S. market had no impact on the domestic industry is misplaced. Based on a proper comparison of pricing in the year before the POR surge in Mexican import volume (2008) to the year of the peak of the Mexican surge (2010), the pricing data show that Mexican imports of 4.75 mm wire had a major depressing impact on domestic producer pricing, with annual averages declining by 16.6 to 21.7 percent on pricing products. FSR at V-9-12. Further, essentially every indicator of domestic industry health, including production, capacity utilization, hours worked, wages paid, sales volume and value, gross profit, operating income, and operating income to sales ratio, declined markedly over the 2008-2010 period. Id. at C-4. [ ]

types of Mexican wire rod (not just 4.75 mm product) would be shipped to the United States and that the Mexican industry as a whole (not just Deacero) would be involved in exporting, the injurious impact of these dumped imports would far exceed anything experienced during the POR or the original investigation. While Mexican imports would clearly have more than a discernible adverse impact, even if not cumulated, they would be likely to cause material injury to the U.S. industry on an individual country basis if the order is revoked.

C. Yenakiieve’s Arguments Ignore Record Data on Total Ukrainian Capacity, Export Orientation and Ties to the U.S. Market

Yenakiieve predicates its arguments on the Ukraine solely on its own data and not on information for the Ukrainian CASWR industry as a whole. Yenakiieve Post. Brf. at 7-9. When both responding Ukrainian producers are taken into account, as is appropriate here, the record demonstrates

FSR at IV-69. Ukrainian CASWR capacity [ to ] tons in 2008 to [ ] tons in 2013; idle capacity in 2013 reached [ ] tons, enough to supply [ ] percent of the U.S. market; and exports accounted for [ ] percent of total Ukrainian sales. Id. at IV-69, C-3; Dom. Post. Brf. at Exhs. 2 and 3. The [ ] idle capacity existing in the Ukraine belies Yenakiieve’s assertions that strong home and export markets elsewhere will prevent increased exports to the United States.14

13 As the record reflects, [ ]

14 Another Ukrainian company, Dneprovsky Dzerzhinsky Metallurgical Plant (“DMKD”) is currently reconstructing its rolling mill to add new capacity of over [ ] tons to produce (footnote cont’d on next page)
Yenakiieve attempts to downplay its ability to ship to the U.S. market by stating that transportation costs will prevent Ukrainian exports to the United States. Yenakiieve’s estimated transportation and logistical cost of [ ] is anomalous and severely overstated – by [ ]

FSR at V-5 and n.11. By Yenakiieve’s own admission, its reported cost reflects not merely transportation but other unrelated factors and should, therefore, be rejected. Id. n.10. The large volume of steel exports from Ukraine to the United States over the 2008 to 2013 period demonstrate that transportation costs do not inhibit Ukraine from exporting steel to the U.S. market. Dom. Post. Brf., Exh. 15.15

Yenakiieve’s final contention that the significant effort and expense of exporting to the U.S. market make Ukrainian sales unlikely is refuted by its own testimony at the hearing. Yenakiieve’s counsel stated that the company is participating in this review because of its

wire rod and bar, with a targeted completion date of May 2014. Dom. Posthrg. Brf., Exh. 1 at 45 (Q.11) (citing Nucor Prehrg. Brf., Exh. 15). This estimate is conservative given another report (by Danieli) that DMKD is building a 1 million metric ton mill for wire rod and bar, which would yield wire rod capacity of 561,555 short tons, assuming an equal product mix. Id., Exh. 1 at 45-46 n.37 (Q.11) and Exh. 20.

Moreover, the Commission has recognized in prior cases that transportation costs will not hinder exports when the United States is the higher-priced market and there is an incentive to unleash excess capacity. The Commission typically assesses the attractiveness of various export markets to a subject foreign producer based on relative prices or even relative average unit values. See, e.g., Grain-Oriented Silicon Electrical Steel from Italy and Japan, USITC Pub. 3680 (Review) (2nd Remand) (2004) at 38, 46 (2004); Granular Polytetrafluoroethylene Resin from Italy and Japan, USITC Pub. 3823 (2nd Review) (2005) at 10. Here, the U.S. market prices are above those in other markets (roughly [ ] as of March 2014) and [ ] in 2013. FSR at IV-91 and Nucor’s Posthrg. Brf. at 13. Further, overseas transportation costs have declined since 2008, providing a further incentive to export to the United States. Id. at V-3.
interest in exporting to the U.S. market (Tr. at 256), while Ms. Dimitrova of Metinvest testified it would take the company only about nine months to fully re-enter the U.S. market. Tr. at 191-92. Yenakiieve’s owner, Metinvest, has a global distribution network including a U.S. sales office from which it can readily sell CASWR imports from Ukraine. Dom. Prehrg. Brf., Exh. 13.

IV. COMMENTS ON ITC FINAL REPORT

The Domestic Producers believe the following revisions and clarifications should be made to the final staff report issued in this case.

At I-37, the final report discusses Ivaco’s sales based on website information but fails to

At I-36, the final report discussion of Deacero’s exports of 4.75 mm wire rod fails to mention the Commerce Department’s circumvention inquiry whatsoever or to acknowledge that Deacero demonstrated an inability to sell the 4.75 mm product without dumping. Dom. Prehrg. Brf. at 25-29. Similarly, at F-3, the report sets forth the sales of the 4.75 mm product by Deacero, but fails to point out that

At II-6, the report states that more than half of the purchasers cited supply problems with the U.S. product “particularly during 2011.” The report fails to add that by 2013, domestic producers had substantial idle capacity and that total U.S. capacity in 2013 [ FSR at C-3, III-6. ]
At IV-51 n.39, the report states that Moldova Steel Works ("MSW") is not affiliated with Metinvest, citing to testimony by respondents' counsel (Tr. at 200-01). The report fails to mention record information regarding the control and market coordination between Metinvest and MSW, including common directors on both companies' boards and Metinvest distribution of MSW's long products. Dom Post. Brf., Exh. 1 at 53 and Exh. 18.

* * * *

Based on the record information and consistent with the statute, the Commission should issue an affirmative determination as to all six subject countries in this review.

Respectfully submitted,

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May 23, 2014
ATTACHMENT

[ ]

(included in APO release of May 21, 2014)
THE BUSINESS PROPRIETARY ATTACHMENT IS NOT SUSCEPTIBLE TO SUMMARIZATION AND THEREFORE IS NOT PROVIDED WITH THIS PUBLIC VERSION
PUBLIC CERTIFICATE OF SERVICE

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM BRAZIL, INDONESIA, MEXICO, MOLDOVA, TRINIDAD AND TOBAGO AND UKRAINE

USITC Investigation No. 701-TA-417 and 731-TA-953, 957-959, 961 and 962 (Second Review)

I hereby certify that on May 26, 2014, copies of the foregoing public submission were served upon the following by hand-delivery:

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