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April 14, 2014

**NONCONFIDENTIAL VERSION**

Confidential Business Information Has Been Deleted on  
Pages 1 – 14, 16 – 18, 21– 24, 26 – 27, 29 – 32, and 34 – 37  
of the Prehearing Brief and in Exhibits 2, 3, 4, 7, and 17

BY ELECTRONIC FILING

The Honorable Lisa R. Barton  
Acting Secretary  
U.S. International Trade Commission  
500 E Street, S.W.  
Washington, DC 20436

Re: Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova,  
Trinidad and Tobago, and Ukraine; Inv. Nos. 701-TA-417 and 731-TA-953, 957-959,  
961, and 962 (Second Review): Prehearing Brief

Dear Secretary Barton:

Attached please find the public version of the Pre-Hearing Brief submitted on behalf of  
Deacero S.A.P.I. de C.V. (“Deacero”) and Deacero USA, Inc. (“Deacero USA”) in the above-  
referenced reviews.

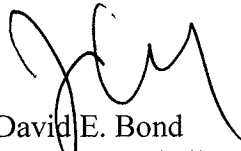
Confidential information enclosed in brackets has been deleted in the attached  
submission. The bracketed information concerns confidentially submitted data or information  
from questionnaire responses of domestic producers, foreign producers, importers, and  
purchasers. This information includes confidential production, shipments, and inventory data.

April 14, 2014

The bracketed confidential information was obtained from questionnaire responses filed under Administrative Protective Order. The bracketed information also includes confidential statements provided by Deacero and purchasers

We have served a copy of this submission as indicated on the attached certificate of service. Please contact the undersigned if you have any questions.

Respectfully submitted,



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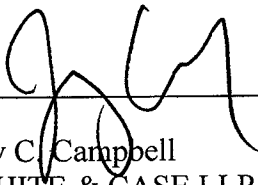
Carbon and Certain Alloy Steel Wire Rod from Brazil,  
Indonesia, Mexico, Moldova, Trinidad and Tobago,  
and Ukraine

Inv. Nos. 701-TA-417 and 731-TA-953,  
957-959, 961, and 962 (Second Review)

CERTIFICATION OF FACT

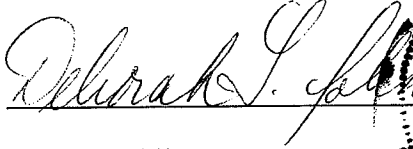

Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia,  
Mexico, Moldova, Trinidad and Tobago, and Ukraine;  
Inv. Nos. 701-TA-417 and 731-TA-953, 957-959, 961, and 962 (Second Review)

I, Jay C. Campbell, of White & Case LLP, certify that (1) I have read the attached submission, (2) the information contained in this submission is, to the best of my knowledge, complete and accurate, and (3) to the best of my knowledge, the confidential information contained in this submission is not available in substantially identical form to the public

  
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Jay C. Campbell  
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District of Columbia: SS

Subscribed and sworn to before me on this 11<sup>th</sup> day of April, 2014

  
\_\_\_\_\_  
Notary Public  
My Commission Expires  July 31, 2018

Dated: April 11, 2014

DEBORAH L. JOHNSON  
NOTARY PUBLIC DISTRICT OF COLUMBIA  
My Commission Expires July 31, 2018

PUBLIC CERTIFICATE OF SERVICE

I, Jay C. Campbell, of the law firm White & Case LLP, hereby certify that copies of the  
attached submission were served by hand this 14th day of April 2014 on the following  
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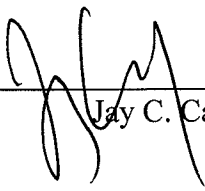
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\_\_\_\_\_  
Jay C. Campbell

**BEFORE THE UNITED STATES INTERNATIONAL TRADE COMMISSION  
WASHINGTON, D.C.**

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**IN THE MATTER OF:**

Carbon and Certain Alloy Steel Wire Rod  
from Brazil, Indonesia, Mexico, Moldova,  
Trinidad and Tobago, and Ukraine

Inv. Nos. 701-TA-417 and 731-TA-953,  
957-959, 961, and 962 (Second Review)

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**PREHEARING BRIEF ON BEHALF OF  
DEACERO S.A.P.I. DE C.V. AND DEACERO USA, INC.**

---

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April 11, 2014

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## PUBLIC VERSION

### I. INTRODUCTION AND SUMMARY

On behalf of Deacero S.A.P.I. de C.V. and Deacero USA, Inc. (“Deacero”) we present this prehearing brief for the Commission’s consideration in the second sunset review of carbon and certain alloy steel wire rod (“wire rod”) from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine. As discussed below, Mexico should be decumulated, and the antidumping order covering Mexico should be revoked.

The Mexican industry is fundamentally different from the one examined in the original investigation and first sunset review. At the time of the original investigation, Sicartsa was the [ ] Mexican exporter of wire rod to the U.S. market, and the Mexican industry was reported to have [ ] internal consumption. Sicartsa’s production facilities are now owned by the ArcelorMittal Group, and ArcelorMittal Las Truchas (the successor to Sicartsa) exports [ ] quantities of wire rod to the United States [ ] the global firm’s U.S. production.

Deacero replaced ArcelorMittal Las Truchas as the [ ] Mexican exporter of wire rod to the U.S. market during the period of review (“POR”) (2008-2013) – and accounted for *about [ ]% of U.S. wire rod imports from Mexico*. Deacero’s wire rod operations are very different than those of ArcelorMittal Las Truchas. For one, Deacero *predominantly* produces wire rod for its internal production of downstream wire products, such as black wire, galvanized wire, chain link fencing, and nails, among many others. For another, *nearly all* of Deacero’s U.S. shipments consisted of 4.75 mm wire rod – a product that offers significant benefits to consumers over 5.5 mm wire rod (the most common diameter sold in the U.S. market), and was not made by any U.S. producer during the POR.



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These changes and other factors make it imperative that the Commission conduct a decumulated analysis of Mexico in this sunset review. Most critically, the Mexican industry stands alone as a supplier of 4.75 mm wire rod. With the advantage of being one of the few firms in the world that offers 4.75 mm wire rod, the Mexican industry would compete in the U.S. market under different conditions than the other subject industries. Ongoing litigation concerning the question of whether 4.75 mm wire rod is covered by the scope of the order necessitates decumulation all the more. The scope issue and the impact of this litigation should be limited to Mexico alone and not affect the status of the orders on the other subject countries. This would not be the case if the Commission were to conduct a cumulated analysis.

Imports of wire rod from Mexico would compete under distinct conditions of competition in other ways. Of all the subject countries, Mexico alone maintained a presence in the U.S. market throughout the POR. None of the other subject countries had imports, with the lone exception of Trinidad and Tobago in 2008. Not surprisingly, purchasers reported little to no familiarity with wire rod from the other subject countries. This is commercially significant because purchasers require wire rod suppliers to be certified before committing to buying from them, and the qualification process takes up to a year. In addition, the Mexican industry enjoys distinct non-price advantages over the other subject industries because of its North American location and close economic ties with the United States. Transportation costs and delivery times are considerably lower for imports of wire rod from Mexico than for wire rod from the other subject countries. As one purchaser put it: [

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]¹

Once Mexico is decumulated there can be little question that the order should be revoked. This case is unique because the Commission has clear evidence of the consequence of revoking the antidumping order. From 2009-2011, Deacero shipped substantial quantities of 4.75 mm wire rod to the United States *without any constraint from an antidumping order* and *without any discernible adverse impact on the domestic industry*. As noted, 4.75 mm wire rod: (1) is a substitute for the most common diameter (5.5 mm) of wire rod sold in the U.S. market; (2) offers wire rod users significant benefits over 5.5 mm wire rod; and (3) is a product that U.S. producers are unable or unwilling to make. Deacero – the [ ] Mexican exporter of wire rod – would continue to focus on supplying 4.75 mm wire rod to the U.S. market if the order were revoked. Because imports of 4.75 mm wire rod did not harm the U.S. industry during the POR, there is no reasonable basis to conclude that imports of wire rod from Mexico would materially harm the industry in the event of revocation.

There's another possible scenario that the Commission should consider: 4.75 mm wire rod could be confirmed to be *nonsubject* merchandise in the current litigation addressing the scope issue. In fact, as a result of this litigation the U.S. Department of Commerce has already issued a remand decision finding that 4.75 mm wire rod from Mexico is *outside the scope*. In such event, the likely volume of subject imports from Mexico would be more limited, and, thus, *even less* likely to harm the U.S. industry.

Under U.S. law, the Commission is required to revoke an order after five years, unless it determines that revocation would be likely to result in material injury to the U.S. industry. Here,

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¹ U.S. Purchaser Questionnaire Response of [ ] at III-31.

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the record contains *affirmative evidence* that revoking the order on Mexico would *not* be likely to harm the U.S. industry – whether or not 4.75 mm wire rod is considered subject merchandise. The antidumping order on wire rod from Mexico has been in place for nearly twelve years. It's time to revoke it.

### **II. THE DIFFERENT CONDITIONS OF COMPETITION LIKELY TO PREVAIL SUPPORT A DECISION NOT TO CUMULATE SUBJECT IMPORTS FROM MEXICO WITH OTHER SUBJECT IMPORTS**

The Commission's decision whether to cumulate imports in a sunset review is discretionary rather than mandatory. The statute provides that "the Commission *may* cumulatively assess the volume and price effect of imports of the subject merchandise from countries . . . if such imports would be likely to compete with each other and with domestic like products in the United States market."<sup>2</sup> The evidence on the record in this review supports a finding that imports of wire rod from Mexico would compete under different conditions of competition in the U.S. market than other subject imports. In light of the different conditions of competition likely to prevail, the Commission should decline to cumulate imports from Mexico with imports from the other subject countries.

#### **A. The Mexican Industry Has Changed Considerably Since the Original Investigation and First Sunset Review**

The Mexican wire rod industry is fundamentally different than the industry examined in the original antidumping investigation and first sunset review. Today, the Mexican industry internally consumes or transfers a [ ] higher percentage of wire rod than was reported in the original investigation. In addition, the product mix exported by the Mexican industry has changed substantially since the first POR (2002-2007). During the current POR (2008-2013), a

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<sup>2</sup> 19 U.S.C. § 1675a(a)(7) (emphasis added).

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[ ] – nearly [ ]% – of imports from Mexico consisted of 4.75 mm wire rod. As discussed in Section II.B, 4.75 mm wire rod is a size that offers significant advantages to wire rod consumers and was not produced by the U.S. industry during the POR.

In this review, the Commission received foreign producer questionnaire responses from three Mexican firms accounting for [ ]% of Mexico's wire rod production in 2013: Deacero, ArcelorMittal Las Truchas, and Ternium.<sup>3</sup> The remaining Mexican producers of wire rod are small – accounting for only about [ ]% of total production – and insignificant for purposes of this review.<sup>4</sup>

ArcelorMittal Las Truchas is the successor to Sicartsa. The ArcelorMittal Group, which operates wire rod facilities in the United States (ArcelorMittal USA) and worldwide, acquired Sicartsa in 2007.<sup>5</sup> During the original period of investigation ("POI") (1999-2001), Sicartsa was the [ ] exporter of wire rod to the United States, accounting [ ]

[ ].<sup>6</sup> Since joining the ArcelorMittal Group, ArcelorMittal Las Truchas has exported [ ] of wire rod to the United States, and only [ ] the ArcelorMittal Group's U.S. production.<sup>7</sup> Because the ArcelorMittal Group acts as a single entity

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<sup>3</sup> Confidential Prehearing Staff Report ("CR") at IV-37.

<sup>4</sup> The interested parties identified only three other Mexican producers: Aceros San Luis, Altos Hornos de Mexico ("AHMSA"), and Talleres y Aceros. Public Prehearing Staff Report ("PR") at IV-36.

<sup>5</sup> *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, Inv. Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review), USITC Pub. 4014 (June 2008) at II-1 ("1<sup>st</sup> Sunset Determ.").

<sup>6</sup> 1<sup>st</sup> Sunset CR at IV-31 n. 16.

<sup>7</sup> *Compare Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine*, Inv. Nos. 701-TA-417-421 (Final) and 731-TA-953, 954, 956-959, 961, and 962 (Final), Confidential Staff Report (doc. ID #514242) ("Original Investigation CR") at Table VII-5 with Foreign Producer Questionnaire Response of ArcelorMittal Las Truchas at II-12. See also Importer Questionnaire Response of [ ] at II-6 ([ ]).

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worldwide,<sup>8</sup> and is a U.S. producer of wire rod with a vested interest in the U.S. market, ArcelorMittal Las Truchas would be unlikely to significantly increase U.S. shipments of wire rod if the order were revoked.<sup>9</sup> ArcelorMittal Las Truchas itself reports that it [ ] if the order were revoked.<sup>10</sup> Sicartsa's acquisition by the ArcelorMittal Group is a significant change since the original investigation that bears consideration in this review.

Ternium accounted for approximately [ ]% of Mexico's wire rod production in 2013, operating at [ ] capacity.<sup>11</sup> Ternium reports that it [ ]<sup>12</sup> Ternium further reports that it [ ]

[ ]<sup>13</sup> In 2013, Ternium had unused capacity of a [ ] tons, operating at a capacity utilization of [ ]%.<sup>14</sup> Given these

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<sup>8</sup> 1<sup>st</sup> Sunset Determ. at 32. [ ]

[ ] U.S. Purchaser Questionnaire Response of [ ] at II-6.

<sup>9</sup> Cf. *Galvanized Steel Wire from China and Mexico*, Inv. Nos. 701-TA-479 and 731-TA-1183-1184 (Final), USITC Pub. 4323 (May 2012) at 30 ("Deacero's installation of a production line in the United States indicates that the volume of subject imports from Mexico to the United States will decline.").

<sup>10</sup> Foreign Producer Questionnaire Response of ArcelorMittal Las Truchas at II-11; see also Importer Questionnaire Response of [ ] at II-15.

<sup>11</sup> See Foreign Producer Questionnaire Response of Ternium at II-12 (reporting production of [ ] short tons in 2013, and total production capacity of [ ] short tons); CR at IV-37 ("According to [ ], production in Mexico during 2013 was [ ] short tons.").

<sup>12</sup> Foreign Producer Questionnaire Response of Ternium at II-10.

<sup>13</sup> Foreign Producer Questionnaire Response of Ternium at III-8.

<sup>14</sup> Foreign Producer Questionnaire Response of Ternium at II-12.

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circumstances, Ternium would be unlikely to ship meaningful quantities of wire rod to the United States if the order were revoked.<sup>15</sup>

Deacero is the [ ] wire rod producer in Mexico, accounting for approximately [ ]% of the country's total production of wire rod in 2013.<sup>16</sup> Deacero [ ],<sup>17</sup> but was the [ ] exporter of wire rod to the U.S. market during the current POR, accounting for approximately [ ]% of wire rod imports.<sup>18</sup>

Deacero's emergence as the [ ] Mexican exporter of wire rod to the United States has significant implications for this sunset review. In the original POI, only [ ]% of the Mexican industry's reported shipments were for internal consumption and transfers.<sup>19</sup> Deacero's wire rod production is largely dedicated to the company's downstream production of steel wire products, such as black wire, galvanized wire, barbed wire, nails, and chain link fencing, among

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<sup>15</sup> Foreign Producer Questionnaire Response of Ternium at II-11. Aceros San Luis and Republic Steel, a U.S. producer, are both subsidiaries of Grupo Simec. *See Exhibit 1* (website excerpts); *see also* PR at Table I-11. Because of its affiliation with a U.S. producer, Aceros San Luis is unlikely to ship meaningful quantities of wire rod to the U.S. market in the event of revocation. Indeed, [ ]

[ ]. CR at Table I-11. There is no indication in AHMSA's website that the company produces wire rod. *See Exhibit 1*. Lastly, Talleres y Aceros's website and marketing materials are only in Spanish, suggesting that the company focuses on Mexico and possibly other Spanish-speaking markets. *See Exhibit 1* (website excerpt and brochure).

<sup>16</sup> *See* Foreign Producer Questionnaire Response of Deacero at Table II-12 (revised version submitted on March 28, 2014) (reporting total production of [ ] short tons in 2013); CR at IV-37 ("According to [ ], production in Mexico during 2013 was [ ] short tons.").

<sup>17</sup> Dissenting Views of Pearson (First Review) (doc. ID #515713) at 8.

<sup>18</sup> *See Exhibit 2* (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod). During the POR, imports of 4.75 mm wire rod – all from Deacero – accounted for [ ]% of total imports of wire rod from Mexico during 2008-2013. *See id.* Deacero also exported 5.5 mm wire rod to the United States in 2012 and 2013. *See* Importer Questionnaire Response of Deacero USA at Table II-9a. The quantities in the internal consumption/transfer row of Table II-9a refer to U.S. imports of 5.5 mm wire rod. The remaining import quantities were transferred "in bond" for export to Canada. *See id.* at Table II-9a n.2.

<sup>19</sup> Original Investigation CR at Table VII-5 (indicating that in 2013 the Mexican industry had total production of [ ] short tons and internal consumption of [ ] short tons).

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many others.<sup>20</sup> In 2013, *Deacero's internal consumption/transfers of wire rod accounted for [ ]% of the company's production.*<sup>21</sup> Overall, reported internal consumption/transfers represented [ ]% of the Mexican industry's wire rod production in 2013.<sup>22</sup> As noted by the Commission in the first sunset review, internal consumption is unlikely to be diverted "because such diversion could require scaling back or idling of the production of downstream products."<sup>23</sup>

Deacero's emergence as the [ ] Mexican exporter of wire rod to the U.S. market is also significant because of the change in product mix. During the POR, Deacero predominantly shipped 4.75 mm wire rod to the United States. *Overall, 4.75 mm wire rod accounted for nearly [ ]% of imports of wire rod from Mexico during the POR.*<sup>24</sup> As discussed below, the supply of 4.75 mm wire rod distinguishes the Mexican industry, and demonstrates that imports of wire rod from Mexico would likely compete differently in the U.S. market than imports of wire rod from the other subject countries.

### **B. Only the Mexican Industry Supplies 4.75 mm Wire Rod**

In past cases, the Commission has declined to cumulate imports from certain countries due to differences in product mix.<sup>25</sup> Here, Mexico is the only subject country that produces 4.75 mm wire rod – a size that offers users significant benefits over 5.5 mm, the most common diameter sold in the U.S. market. U.S. producers also do not manufacture 4.75 mm wire rod.

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<sup>20</sup> See Foreign Producer Questionnaire Response of Deacero at II-4.

<sup>21</sup> See Foreign Producer Questionnaire Response of Deacero at Table II-12 (reporting total production of [ ] short tons and internal consumption/transfers of [ ] short tons in 2013).

<sup>22</sup> CR at Table IV-17 (reporting total production of 2,344,862 short tons and internal consumption/transfers of [ ] short tons in 2013).

<sup>23</sup> 1<sup>st</sup> Sunset Determ. at II-7.

<sup>24</sup> **Exhibit 2** (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod from Mexico). In 2008-2013, imports of 4.75 mm wire rod totaled [ ] short tons, compared to [ ] short tons of larger-diameter wire rod. See *id.*

<sup>25</sup> E.g., 1<sup>st</sup> Sunset Determ. at 18.

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With the advantage of being able to supply 4.75 mm wire rod, the Mexican industry would compete under different conditions of competition in the U.S. market than the other subject industries. Moreover, as discussed below, 4.75 mm wire rod could be declared non-subject merchandise as a result of ongoing litigation – an outcome that would further distinguish Mexico from the other subject countries and should bear directly on the Commission's likelihood of injury analysis. This prospect alone warrants decumulating Mexico.

### 1. 4.75 mm wire rod offers significant benefits to end users

Deacero first started to produce and sell 4.75 mm wire rod in response to U.S. customer demand.<sup>26</sup> In 2007 and 2008, customers [ ] inquired whether Deacero could manufacture the product.<sup>27</sup> Deacero conducted market research and determined that there were many customers interested in buying 4.75 mm wire rod that had previously purchased it from other sources.<sup>28</sup> Based on this information, Deacero invested in the capability to produce 4.75 mm wire rod.<sup>29</sup> This process was not easy: Deacero invested in new technology and resources and ultimately was able to manufacture 4.75 mm wire rod at the quality customers demanded at only one of its two wire rod rolling mills.<sup>30</sup>

Deacero began supplying 4.75 mm wire rod to the U.S. market in October 2008, and sold as much as [ ] short tons in 2010.<sup>31</sup> The product was successful because it was a specialized product with few suppliers. U.S. producers do not manufacture 4.75 mm wire rod

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<sup>26</sup> Decl. of Daniel M. Gutierrez Rodriguez at ¶2 (Exhibit 3); Decl. of [ ] at ¶¶2-3 (Exhibit 3).

<sup>27</sup> Decl. of Daniel M. Gutierrez Rodriguez at ¶2 (Exhibit 3); Decl. of [ ] at ¶¶2-3 (Exhibit 3).

<sup>28</sup> Decl. of [ ] at ¶5.

<sup>29</sup> Deacero Questionnaire Resp. (July 22, 2011) (A-201-830) at 13 (Exhibit 4).

<sup>30</sup> Deacero Questionnaire Resp. (July 22, 2011) (A-201-830) at 13 (Exhibit 4).

<sup>31</sup> U.S. Importer Questionnaire Response of Deacero USA at Table II-9g (revised version submitted on March 28, 2014).



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(although Charter Rolling manufactured small diameter wire rod before the antidumping duty orders were issued<sup>32</sup>). Nor is there evidence that any of the other subject industries produce 4.75 mm wire rod (or any wire rod in diameters smaller than 5.00 mm).

More importantly, Deacero was successful in the U.S. market with 4.75 mm wire rod because this diameter offers significant benefits over larger diameter wire rod, such as 5.5 mm wire rod. Using 4.75 mm wire rod enables consumers to significantly reduce their costs because less processing steps and tools are required than when using larger diameter wire rod. Wire rod consumers – such as Illinois Tool Works Inc. (“ITW”), [ ] – have reported that 4.75 mm wire rod enabled them to achieve significant cost savings through the use of less electric-powered motors (*i.e.*, blocks) in the drawing process.<sup>33</sup> As explained by ITW:

ITW achieves significant manufacturing cost savings for certain applications by using 4.75 mm wire rod. Wire rod is converted to wire in an extrusion process, in which the rod is reduced incrementally as it passes through a series of dies in a draft machine. Each die has an electric-powered motor (or block) that pulls the rod through the die. By starting the process with 4.75 mm wire rod, ITW can use fewer dies to draw down to the desired wire size. Specifically, as compared to 4.75 mm rod, ITW requires at least two more die stations for 6.5 mm rod, and one or two more die stations for 5.5mm rod {(the next largest rod in nominal diameter)}, to reach the same desired wire size. Consequently, by starting with 4.75 mm wire rod, ITW produces wire using fewer motors, and thus consumes less electricity. Also, use of 4.75 mm rod enables ITW to speed up production and increase throughput, resulting in additional cost savings.<sup>34</sup>

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<sup>32</sup> See *Certain Steel Wire Rod from Brazil and Japan*, Inv. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761 at 162-163 (Mar. 1994) (**Exhibit 5**); <http://www.chartersteel.com/about/history.php> (**Exhibit 5**).

<sup>33</sup> Letter from McDermott Will & Emery to the U.S. Department of Commerce (case number A-201-830) (Mar. 25, 2011) at 2 (**Exhibit 6**); **Exhibit 7** (purchaser declarations). See also U.S. Purchaser Questionnaire Responses of [ ] at III-9; U.S. Purchaser Questionnaire Response of [ ] at IV-3.

<sup>34</sup> Letter from McDermott Will & Emery to the U.S. Department of Commerce (case number A-201-830) (Mar. 25, 2011) at 2 (**Exhibit 6**).

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With 4.75 mm wire rod, end users can also produce the same wire products without the need to perform additional heat treatment (*i.e.*, annealing), further reducing their production costs.<sup>35</sup> As explained by [ ]:

{U}sing one less draft has enabled us to produce wire to the desired tensile range without having to perform additional annealing (or heat treatment). As wire is drawn down (or elongated), its molecular structure changes, and it becomes increasingly hard and brittle. To correct for this, annealing is required to restore the wire's original molecular structure and make it less susceptible to breakage. With 4.75 mm wire rod, we can produce wire to the desired tensile range without having to anneal, further reducing our production costs.<sup>36</sup>

In addition to lowering their production costs, U.S. customers are also able to improve the quality of their products through the use of 4.75 mm wire rod. On this point, ITW explained,

{U}se of 4.75 mm wire rod enables ITW to achieve a higher quality wire and, in turn, finished product found in commercial construction applications. There are two reasons for this. First, the risk of a defect in the wire increases with each die added to the drafting process. Consequently, because fewer dies are needed to reduce 4.75 mm rod to the desired wire size, use of 4.75 mm rod reduces the potential for defects in the wire. Second, the hardness (or "tensile") of wire increases as the wire is extruded, and harder wire is more brittle. Consequently, because fewer extrusions are necessary to draw 4.75 mm wire rod down to the desired wire size, the finished wire has a lower tensile and is thus more pliable and less susceptible to breakage.<sup>37</sup>

Because of Deacero's ability to supply 4.75 mm wire rod, imports from Mexico would compete in the U.S. market under distinct conditions of competition. Most wire rod sold in the U.S. market has a nominal size of 5.5 mm.<sup>38</sup> The evidence on record establishes that 4.75 mm wire rod offers significant advantages over 5.5 mm wire rod, and is not offered by the other

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<sup>35</sup> Decl. of [ ] at ¶5 (Exhibit 7).

<sup>36</sup> Decl. of [ ] at ¶5 (Exhibit 7).

<sup>37</sup> Letter from McDermott Will & Emery to the U.S. Department of Commerce (case number A-201-830) (Mar. 25, 2011) at 2 (Exhibit 6). *See also* Decl. of [ ] at ¶4 (Exhibit 7).

<sup>38</sup> Industrial quality wire rod accounts for the majority of wire rod consumed in the United States, and is most commonly sold with a cross-sectional diameter of 5.5 mm. PR at I-31.

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subject industries or U.S. producers. For example, [

] reports that:

As of today we have not been able to secure any 4.75 from any other mill and have therefore lost the sales of this business at [ ]. We often have conversations with these customers about the return of 4.75 to the market. Our reply has been hopefully soon we will be able to offer this to you again but no promises. In my last visit to [ ] we spoke of it again, [

] tells me that he used way less tooling and had way less wire breaks while using the 4.75 and would really like to procure it again. I asked him if he was able to purchase it from other suppliers and he tells me that no other supplier he deals with can offer it.<sup>39</sup>

Similarly, [ ] asserted in its purchaser questionnaire response that:

[

] <sup>40</sup>

If the orders were revoked, Mexican imports would compete much differently than imports from the other subject countries because Deacero would continue to focus on supplying 4.75 mm wire rod.

### 2. Ongoing litigation further differentiates Mexico and warrants decumulation

From 2008 through the end of 2011, Deacero's shipments of 4.75 mm wire rod to the United States were not subject to the antidumping order, which covered wire rod with a cross-sectional diameter of "**5.00 mm or more**, but less than 19.00 mm."<sup>41</sup> That changed on December 13, 2011, when the U.S. Department of Commerce ("DOC") issued a preliminary determination that Deacero's shipments of 4.75 mm wire rod were circumventing the order as a "minor

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<sup>39</sup> Decl. of [ ] at ¶3 (Exhibit 7).

<sup>40</sup> U.S. Purchaser Questionnaire Response of [ ] at IV-2 (Exhibit 7).

<sup>41</sup> *Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, 67 Fed. Reg. 65945, 65946 (Dep't Commerce Oct. 29, 2002) (antidumping duty order).

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alteration” of subject wire rod.<sup>42</sup> DOC continued to find that 4.75 mm wire rod was circumventing the order in the final determination;<sup>43</sup> consequently, Deacero appealed the decision to the U.S. Court of International Trade (“CIT”). Deacero argued that DOC’s determination was unlawful because: (1) small-diameter wire rod (including 4.75 mm) existed and was commercially available before the original investigations, and (2) petitioners clearly limited the scope to wire rod in diameters of 5.00 or more. The CIT agreed, holding that DOC’s determination was unsupported by substantial evidence and contrary to law.<sup>44</sup> In doing so, the court stated:

In reality, petitioners want to rewrite the Order so it says what they wish it had said at its inception. This belated attempt (that Commerce sanctioned) was unfair to Deacero, which invested substantial amounts of money in manufacturing what it reasonably considered non-subject merchandise. If petitioners believe they are being injured by imports of 4.75 mm wire rod at less than fair value, they should petition for the imposition of antidumping duties on small diameter wire rod.<sup>45</sup>

On remand, DOC reversed its affirmative circumvention determination and found that 4.75 mm wire rod was outside the scope of the order.<sup>46</sup> The CIT’s ruling on DOC’s remand decision is pending.<sup>47</sup>

The outcome of the ongoing litigation has important ramifications for the Commission’s analysis in this sunset review. As noted, imports of 4.75 mm wire rod accounted for approximately [ ]% of the total volume of wire rod imports from Mexico during the current

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<sup>42</sup> *Carbon and Certain Alloy Steel Wire Rod from Mexico*, 76 Fed. Reg. 78882 (Dep’t Commerce Dec. 20, 2011) (prelim. anti-circumvention determ.).

<sup>43</sup> *Carbon and Certain Alloy Steel Wire Rod from Mexico*, 77 Fed. Reg. 59892 (Dep’t Commerce Oct. 1, 2012) (final anti-circumvention determ.).

<sup>44</sup> *Deacero S.A. de C.V. v. United States*, 942 F. Supp. 2d 1321, 1332 (Ct. Int’l Trade 2013) (**Exhibit 8**).

<sup>45</sup> *Deacero S.A. de C.V. v. United States*, 942 F. Supp. 2d 1321, 1332 (Ct. Int’l Trade 2013) (**Exhibit 8**).

<sup>46</sup> PR at I-24.

<sup>47</sup> PR at I-24.

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POR. The uncertainty created concerning the status of the [ ] size of wire rod exported from Mexico to the United States during the POR warrants decumulation of Mexico. Failure to decumulate Mexico would inextricably link the Commission's final determinations for all six subject countries with the litigation concerning imports of 4.75 mm wire rod from Mexico.

### **C. Only the Mexican Industry Has Maintained a Presence in the U.S. Wire Rod Market**

The Commission has declined to cumulate imports when not all the subject industries maintained a presence in the U.S. market.<sup>48</sup> Among the subject countries in this review, only Mexico was a source of wire rod imports in each year of the POR. During 2008-2013, imports of wire rod from Mexico ranged from [ ] to [ ] short tons (excluding 4.75 mm wire rod), and [ ] to [ ] short tons (including 4.75 mm wire rod).<sup>49</sup> In stark contrast, imports of wire rod from the other subject countries were virtually absent from the U.S. market. "There were no reported U.S. imports from Brazil, Indonesia, Moldova, or the Ukraine during 2008-13{,}" and imports of wire rod from Trinidad and Tobago only in 2008.<sup>50</sup>

As one would expect based on the import figures, U.S. purchasers are more familiar with wire rod from Mexico than wire rod from any other subject country. With respect to marketing and pricing, 15 purchasers reported knowledge of Mexican wire rod, compared to just 5 that reported knowledge of Brazilian product (likely nonsubject tire cord and tire bead quality) and 1

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<sup>48</sup> E.g., *Carbon and Alloy Seamless Standard, Line, and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania, and South Africa*, Inv. Nos. 731-TA-846-850 (Review), USITC Pub. 3850 (Apr. 2006) at 15.

<sup>49</sup> CR at Table I-13; **Exhibit 2** (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod).

<sup>50</sup> PR at I-49. Imports of wire rod from Brazil consisted entirely of grade 1080 tire cord and tire bead wire rod. PR at IV-2. Unlike 4.75 mm wire rod from Mexico, there is no question that grade 1080 tire cord wire rod and grade 1080 tire bead wire rod is nonsubject.

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that reported knowledge of Indonesian product.<sup>51</sup> “No purchasers reported marketing/pricing knowledge of product from Moldova, Trinidad and Tobago, and Ukraine.”<sup>52</sup> Moreover, in comparing U.S. wire rod to product from the subject countries, 21 purchasers had sufficient knowledge of Mexican wire rod to rate it against U.S. product, while only 7 had sufficient knowledge of Brazilian wire rod (again, likely nonsubject tire cord and tire bead quality) to rate it against U.S. product.<sup>53</sup> Comparisons between U.S. product and wire rod from the other subject countries were “sparse.”<sup>54</sup>

Lack of familiarity with a source of wire rod has commercial significance. The vast majority of responding purchasers (28 of 33) require their suppliers to be certified, and the qualification process can take up to 365 days.<sup>55</sup> The U.S. market’s knowledge and acceptance of wire rod from Mexico further demonstrates that Mexican wire rod would compete under different conditions of competition in the event of revocation.

### **D. Mexico’s Proximity to the United States and Membership in NAFTA Give Mexican Wire Rod Non-Price Advantages over Imports of Wire Rod from the Other Subject Countries**

Imports of wire rod from Mexico would also compete in the U.S. market under different conditions than imports from the other subject countries due to Mexico’s geographical advantage and closer economic ties with the United States. Due to Mexico’s proximity, transportation costs and delivery times are considerably lower for imports of wire rod from Mexico than for wire rod from the other subject countries, giving imports of wire rod from Mexico a significant non-price

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<sup>51</sup> PR at II-25.

<sup>52</sup> PR at II-25.

<sup>53</sup> PR at Table II-8.

<sup>54</sup> PR at II-30.

<sup>55</sup> PR at II-28.

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advantage over imports of wire rod from the other subject countries. Mexico's close economic ties with the United States under the North American Free Trade Agreement ("NAFTA") further distinguish Mexico from the other subject countries.

Because of Mexico's proximity to the United States, the costs to transport wire rod from Mexico to the United States are significantly lower than the costs to transport wire rod to the United States from any of the other subject countries. During the POR, transportation costs for wire rod shipped to the United States averaged just 2.4% for Mexico, compared to 8.8 percent for Brazil and 9.2 percent for Trinidad and Tobago, based on official import data.<sup>56</sup> Transportation costs for the other subject countries (Indonesia, Moldova, and Ukraine) are unavailable due to the absence of wire rod imports in the POR, but would be expected to be the same or higher as those for Brazil and Trinidad and Tobago.

In addition to lower transportation costs, imports of wire rod from Mexico can be delivered more quickly to U.S. customers than wire rod from the other subject countries. For U.S. producers, lead times average 20-45 days for wire rod that is produced-to-order and 3-7 days for wire rod that is sold from inventory.<sup>57</sup> The lead times for imports from Mexico are comparable, with [ ] reporting average lead times of [ ] days for wire rod that is produced-to-order and [ ] days for shipments from U.S. inventory.<sup>58</sup> The lead times for wire rod from offshore sources – such as the other subject countries – are much longer. [ ]

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<sup>56</sup> PR at V-4.

<sup>57</sup> PR at II-24.

<sup>58</sup> CR at II-25.

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], for example, reported that, [

] <sup>59</sup>

With shorter lead times, imports of wire rod from Mexico have a distinct non-price competitive advantage over imports from the other subject countries. In this regard, [ ] reported:

[

] <sup>60</sup>

Similarly, a representative of [ ] stated in the company's purchaser questionnaire response that [

] <sup>61</sup> Sourcing from Mexico offers the same logistical advantages. Overall, 29 of 36 responding purchasers rated "delivery time" as a "very important" purchase factor. <sup>62</sup>

Wire rod imported from offshore sources is also more prone to quality issues. As noted by [ ], longer delivery times [

] <sup>63</sup> Overall, 28 of 35 responding purchasers rated "quality meets industry standards" as a "very important" purchase factor. <sup>64</sup>

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<sup>59</sup> U.S. Purchaser Questionnaire Response of [ ] at IV-3.

<sup>60</sup> Importer Questionnaire Response of [ ] at III-31.

<sup>61</sup> U.S. Purchaser Questionnaire Response of [ ] at IV-5.

<sup>62</sup> PR at Table II-6.

<sup>63</sup> U.S. Purchaser Questionnaire Response of [ ] at IV-5.

<sup>64</sup> PR at Table II-6.



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Another important factor to consider when assessing the likely distinctions between the role of imports from Mexico and the other subject countries is the economic integration of the U.S. and Mexican economies as a result of the NAFTA relationship. Industry observers, such as [ ] and MEPS, consider North America to be a single market for wire rod, reporting production, consumption, and price data for wire rod for the North American market as a whole.<sup>65</sup> In January 2014, “Commerce Secretary Penny Pritzker called for closer trade relations between the U.S. and its North American neighbors Canada and Mexico, saying the competitiveness of each of the three nations is dependent on the competitiveness of the entire region.”<sup>66</sup> Mexico’s membership in NAFTA further distinguishes the Mexican industry from the other subject industries.<sup>67</sup>

In short, imports of wire rod from Mexico would compete under different conditions than imports from the other subject countries by virtue of Mexico’s location and economic integration with the United States. As [ ] put it: [ ]

] <sup>68</sup>

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<sup>65</sup> CR at Tables IV-33, IV-34, IV-36, IV-37, and IV-38.

<sup>66</sup> Michael Bologna, *Commerce Secretary Calls for Greater Economic Integration with Canada, Mexico*, BNA International Trade Reporter, 31 ITR 147 (Jan. 23, 2014) (**Exhibit 9**).

<sup>67</sup> In this regard, we note that U.S. steel producers, such as Nucor, export significant quantities of steel to Mexico and fully benefit from NAFTA integration. In fact, the United States has a surplus in bilateral trade in steel products. For example, in 2013, the United States exported USD 4.7 billion worth of steel products to Mexico, whereas Mexico exported only USD 2.5 billion worth of steel products to the United States. See Intra-NAFTA Steel Imports, [http://www.nastc.org/Tables/Annual/INT\\_SMP\\_M\\$\\_na\\_ALL1.htm](http://www.nastc.org/Tables/Annual/INT_SMP_M$_na_ALL1.htm).

<sup>68</sup> U.S. Purchaser Questionnaire Response of [ ] at III-31.

### III. CONDITIONS OF COMPETITION

#### A. U.S. Demand Is Forecasted to Increase

In the first sunset review, the Commission noted a declining trend in U.S. demand for wire rod, with U.S. apparent consumption falling to its lowest level in 2007, the last year of the POR.<sup>69</sup> In contrast, U.S. demand for wire rod is now on the rise.

Demand for wire rod depends on demand for downstream wire products, which, in turn depends on the construction, automotive, agriculture, and energy sectors.<sup>70</sup> With respect to construction, Nucor CEO John Ferriola noted during the company's conference call regarding 2013 fourth-quarter earnings that it "expects to see . . . about 5- to 10-percent growth" in the nonresidential construction market in 2014.<sup>71</sup> Similarly, Insteel Industries Inc.'s CEO H.O. Wolf reported in a recent conference call "that customer sentiment appeared to be on the rise, and there were growing signs of a broader-based recovery for nonresidential construction, which is expected to favorably impact the company's financial results in the remainder of the year, with continued gradual growth in the wire rod market."<sup>72</sup>

In addition to improvement in U.S. construction activity, the automotive, agricultural, and energy sectors are also expected to perform well in 2014. Ford plans to "add more than 5,000 new jobs in the United States to meet growing demand for its products{,}" and invested \$1.1 billion to retool and expand its Kansas City plant, which will begin production of the Ford

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<sup>69</sup> 1<sup>st</sup> Sunset Determ. at Table I-16.

<sup>70</sup> *Carbon and Certain Alloy Steel Wire Rod from China*, Inv. Nos. 701-TA-512 and 731-TA-1248 (Preliminary), USITC Pub. 4458 (Mar. 2014) at 14.

<sup>71</sup> AMM, *Steel to stay top dog in automotive: Nucor* (Jan. 29, 2014) (Exhibit 10).

<sup>72</sup> AMM, *Construction market builds Insteel earnings* (Jan. 17, 2014) (Exhibit 10).

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Transit in the second quarter of 2014.<sup>73</sup> The U.S. Department of Agriculture forecasts that U.S. agricultural exports will reach a record \$142.6 billion in 2014.<sup>74</sup> And the U.S. Energy Information Administration (“EIA”) reports that “{o}ngoing improvements in advanced technologies for crude oil and natural gas production continue to lift domestic supply and reshape the U.S. energy economy.”<sup>75</sup> The EIA projects an average annual growth in domestic production of crude oil of 0.8 million barrels per day through 2016, and steady growth in natural gas production (increasing by 56% from 2012 to 2040).<sup>76</sup>

For these reasons, the majority of firms reported that they expect U.S. wire rod demand to increase.<sup>77</sup> U.S. producers agree.<sup>78</sup>

### **B. The U.S. Industry Is the Largest Supplier of Wire Rod to the U.S. Market**

The domestic industry is the primary supplier of wire rod in the United States, holding 68% of the U.S. market in 2013.<sup>79</sup> As noted by the American Wire Producers Association (“AWPA”), “{h}istorically, wire producers have satisfied the bulk of their wire rod needs from domestic sources, with the remainder being sourced from offshore.”<sup>80</sup> Although many purchasers prefer to buy domestic wire rod, they also need imported wire rod to ensure continued

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<sup>73</sup> Press Release, *Ford to Drive Growth in 2014 with Additional Jobs, Three New Worldwide Plants and 23 Global Product Launches* (Exhibit 10).

<sup>74</sup> USDA, *FY 2014 Export Forecast Rises \$5.6 Billion to Record-High \$142.6 Billion* (Feb. 20, 2014) (Exhibit 10).

<sup>75</sup> US EIA, *Annual Energy Outlook 2014 Early Release Overview* (Exhibit 10).

<sup>76</sup> *Id.*

<sup>77</sup> PR at II-21.

<sup>78</sup> Petitioners’ Post-Conference Brief (USITC Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) (Feb. 26, 2014) at 8 (“Most industry observers predict continued modest but uneven growth in demand for CASWR in the imminent future.”) (Exhibit 11); Nucor’s Post-Conference Brief (USITC Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) at 3 (“{M}ost indicators suggest that demand will increase gradually in the near future.”) (Exhibit 11).

<sup>79</sup> PR at Table I-14.

<sup>80</sup> AWPAs Post-Conference Brief (Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) (Feb. 27, 2014) at 5 (Exhibit 12).

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availability in the event of a disruption in U.S. supply. For example, in the earlier investigation of wire rod from China, Germany, and Turkey, Heico Wire Group's vice president of purchasing testified:

Although we prefer to buy domestically, we have learned through experience that it is essential to maintain multiple sources of wire rod. Disruptions caused by mill closures, production outages, labor disputes, and even trade cases can interrupt the supply of rod and threaten our business.<sup>81</sup>

In the current review, ten purchasers reported "issues with supply" from U.S. producers.<sup>82</sup> "Several purchasers reported that there was a lack of domestic capacity that resulted in delays in delivery times during 2011."<sup>83</sup> In addition, purchasers reported "sporadic allocation issues" with eight U.S. producers (namely, Nucor, Gerdau, ArcelorMittal USA, Georgetown, Charter, Evraz, Keystone, and Sterling Steel).<sup>84</sup> Consequently, even if, as U.S. producers claim, the domestic industry has enough capacity to supply the entire U.S. market for wire rod, imports are needed to safeguard against disruptions in U.S. supply.

### C. A Significant Share of U.S. Production Is Captively Consumed

Internal consumption and transfers accounted for [ ]% of the domestic industry's production in 2013.<sup>85</sup> For this reason, in the recent preliminary investigation of wire rod from China, the Commission "consider{ed}" as a condition of competition that a significant share of domestic production is captively consumed and examine{d} both merchant market data and data

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<sup>81</sup> Conf. Tr. at 125-126 (Moffit) (*Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey*, Inv. Nos. 731-TA-1099-1101) (**Exhibit 13**).

<sup>82</sup> PR at II-6.

<sup>83</sup> PR at II-6.

<sup>84</sup> PR at II-6.

<sup>85</sup> See PR at Table III-4 (reporting total production of 3,655,088 short tons in 2013); CR at Table III-6 (reporting internal consumption and transfers of [ ] short tons in 2013).

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for the total U.S. market in {its} analysis.”<sup>86</sup> Likewise, the Commission should consider the significant degree of captive consumption as a condition of competition in the current review. U.S. producers agree that the industry’s captive consumption is a relevant condition of competition.<sup>87</sup>

#### **IV. THE RECORD DEMONSTRATES THAT REVOCATION OF THE ORDER ON IMPORTS FROM MEXICO WOULD NOT BE LIKELY TO LEAD TO CONTINUATION OR RECURRENCE OF MATERIAL INJURY**

This case is unique because the Commission has clear evidence of the consequence of revoking the antidumping order with respect to Mexico: Deacero shipped substantial quantities of 4.75 mm wire rod to the United States during the POR *without any constraint from an antidumping order* and *without any discernible adverse impact on the domestic industry*. As previously discussed, 4.75 mm wire rod: (1) is a substitute for the most common diameter (5.5 mm) sold in the U.S. market; (2) offers wire rod consumers significant benefits over 5.5 mm wire rod; and (3) is a product that U.S. producers are unable or unwilling to make. For these reasons, Deacero – the [ ] Mexican exporter of wire rod – would continue to focus on supplying 4.75 mm wire rod to the U.S. market if the order were revoked. Because imports of 4.75 mm wire rod did not harm the U.S. industry during the POR, there is no reasonable basis to conclude that imports of wire rod from Mexico would materially harm the industry in the event of revocation. Furthermore, if 4.75 mm wire rod is confirmed to be nonsubject in the ongoing

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<sup>86</sup> *Carbon and Certain Alloy Steel Wire Rod from China*, Inv. Nos. 701-TA-512 and 731-TA-1248 (Preliminary), USITC Pub. 4458 (Mar. 2014) at 14.

<sup>87</sup> Petitioners’ Post-Conference Brief (USITC Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) (Feb. 26, 2014) at 13 (“In this case, the Commission should similarly consider the significant level of internal transfers to comprise a relevant condition of competition and should examine both the total industry and the merchant market sector in assessing the impact of {wire rod} imports from China.”) (**Exhibit 11**); Nucor’s Post-Conference Brief (USITC Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) at 8-9 (“Nucor submits that, regardless of whether the captive production provision is met, the Commission should take into consideration, as a significant condition of competition, that imports compete most directly against the U.S. producers in the merchant market.”) (**Exhibit 11**).

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litigation, this would limit the likely volume of subject imports from Mexico, and make material harm even less likely. Whether or not 4.75 mm wire rod is considered subject merchandise, the record evidence supports revoking the antidumping order on Mexico.

### **A. The Likely Volume of Imports of Wire Rod from Mexico Would Not Be Significant**

The volume of wire rod imports from Mexico fluctuated during the POR, ranging from a low of [ ] short tons to [ ] short tons excluding 4.75 mm wire rod, and from a low of [ ] shorts tons to [ ] short tons including 4.75 mm wire rod.<sup>88</sup> As discussed in Section IV.C, these import volumes had no discernible adverse impact on the U.S. industry – even though the [ ] consisted of 4.75 mm wire rod that was shipped to the United States free from the discipline of an antidumping order. Moreover, a review of the statutory factors (*e.g.*, capacity, inventories, third-country barriers, and product shifting) demonstrates that imports of wire rod from Mexico are unlikely to increase significantly in the event of revocation.

#### **1. The Mexican industry's production capacity is unlikely to increase, and unused capacity is likely to be low**

As noted, the Commission received foreign producer questionnaire responses from three Mexican firms (Deacero, ArcelorMittal Las Truchas, and Ternium) accounting for [ ]% of the country's total production of wire rod in 2013.<sup>89</sup> The three respondents' combined production capacity for wire rod stood at 2,757,570 short tons in 2013, and is unlikely to increase, as [

].<sup>90</sup> Moreover, the Mexican industry's

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<sup>88</sup> CR at Table I-13; **Exhibit 2** (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod).

<sup>89</sup> CR at IV-37.

<sup>90</sup> PR at Table IV-17; CR at IV-43. The Staff Report notes U.S. producers' claims that: (1) Deacero completed construction of a wire rod mill in Saltillo in 2011, with annual rolling capacity of 800,000 to 1 million tons; and (2) [

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capacity utilization was high during the POR, averaging 92% and reaching levels as high as 98.1% and 97.8% in 2011 and 2012, respectively.<sup>91</sup> The Mexican industry's capacity utilization declined to 85.0% in 2013,<sup>92</sup> but this was a temporary dip caused by lower-than-normal home-market demand. With Mexican demand growing and forecasted to continue to grow, the Mexican industry's capacity utilization will likely return to high levels.

The Mexican wire rod market was depressed in 2013 due to lackluster growth in Mexico's economy as a whole, and the construction sector in particular. Real GDP in Mexico expanded by just 1.1% in 2013, "the weakest result since 2009."<sup>93</sup> SteelOrbis reported that Mexico's "construction industry was one of the most affected sectors of economic lethargy that began near the end of 2012," and that industry sources "attribute{d} the difficult year to the change of administration."<sup>94</sup> Scotiabank echoed that "public expenditure growth {in Mexico} decelerated with the entrance of the new government . . . ."<sup>95</sup>

Recently, Mexican demand for wire rod has rebounded and is expected to continue to rise. In July 2013, the new administration of President Enrique Pena Nieto announced a five-year plan to invest in infrastructure projects, which is expected to boost construction in Mexico

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] These claims are inaccurate with respect to wire rod. Deacero did not construct a new wire rod mill in Saltillo or even expand existing wire rod production capacity at Saltillo. See Foreign Producer Questionnaire Response of Deacero at II-2. Deacero does have a new facility in Ramos Arizpe, Coahuila, that began production operations in February 2012, but this is not a wire rod plant. Rather, the Ramos Arizpe facility is dedicated to the production of merchant bars and structural shapes (rounds, squares, flat bars, beams, and angles).

<sup>91</sup> PR at Table IV-17.

<sup>92</sup> PR at Table IV-17.

<sup>93</sup> Scotiabank, LATIN AMERICA REGIONAL OUTLOOK (Mar. 2014) at 5 (**Exhibit 14**).

<sup>94</sup> SteelOrbis, *Mexican Wire Rod Prices Continue to Rise* (Dec. 19, 2013) (**Exhibit 14**). See also SteelOrbis, *Mexican Wire Rod Prices Continue Recent Uptrend* (Dec. 2, 2013) ("Another factor that influenced the negative performance of construction activity in 2013 was the change of administration."); Foreign Producer Questionnaire Response of [ ] at III-6 ([ ]).

<sup>95</sup> Scotiabank, LATIN AMERICA REGIONAL OUTLOOK (Mar. 2014) at 5 (**Exhibit 14**).

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in 2014.<sup>96</sup> The investment plan includes the Transport and Communications Infrastructure Investment Program 2013-2018, which will “improve roads, railways, ports, airports and telecommunications.”<sup>97</sup> Mexico’s construction sector was given an additional boost when President Nieto announced the “Guerrero Plan” – a plan to reconstruct houses, buildings, roads, and infrastructure damaged by hurricanes Manuel and Ingrid.<sup>98</sup> Moreover, “housing developers in the Mexico Valley announced investments of US\$4.9 billion for the construction of about 45,000 homes in the period 2013-2018{,}” further raising “expectations for the construction sector and associated industries such as steel.”<sup>99</sup> Based on these developments, Mexico’s construction industry is forecasted to grow by 3.5% in 2014, compared to a loss of -3.5% in 2013.<sup>100</sup>

In addition to the bright outlook for the construction sector, Mexico’s energy reform and thriving automotive sector will also boost local demand for wire rod.<sup>101</sup> A Scotiabank forecast notes that “the recent approval of energy and utility sector reforms {in Mexico} will begin to have a positive effect over the medium-term, improving economic projections{.}” and that

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<sup>96</sup> Scotiabank, LATIN AMERICA REGIONAL OUTLOOK (Mar. 2014) at 5 (“Last July, the government unveiled a plan to invest in infrastructure projects in the coming five years, which could start boosting construction in 2014.”) (Exhibit 14).

<sup>97</sup> *Four Billion Pesos to Be Invested in Infrastructure Projects during This Administration: Enrique Peña Nieto* (<http://en.presidencia.gob.mx/articles-press/four-billion-pesos-to-be-invested-in-infrastructure-projects-during-this-administration-enrique-pena-nieto/>) (Exhibit 14).

<sup>98</sup> SteelOrbis, *Mexican Wire Rod Prices Soar with Expected Demand Boost* (Nov. 14, 2013) (Exhibit 14).

<sup>99</sup> SteelOrbis, *Mexican Wire Rod Prices Continue to Rise* (Dec. 19, 2013) (Exhibit 14).

<sup>100</sup> Cámara Mexicana de la Industria de la Construcción (CMIC), *Federal Expenses Law 2014* (Jan. 2014) at 4 (Exhibit 14).

<sup>101</sup> See Diana Villiers Negroponte, *Mexican Energy Reform: Opportunities for Historic Change*, BROOKINGS (Dec. 23, 2013) (Exhibit 14); Ministry of Economy, *THE AUTOMOTIVE INDUSTRY* (June 2013) (Exhibit 14); Ministry of Economy, *THE AUTO PARTS INDUSTRY* (May 2013) (Exhibit 14).



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Mexico's "automotive industry will continue to be solid with new investment plans already underway."<sup>102</sup> Overall, the Mexican economy is forecasted to grow 4.1% in 2014.<sup>103</sup>

With the rebound in home-market demand for wire rod, the Mexican industry's capacity utilization will likely return to 2008-2012 levels, which averaged 92% and were as high as 98% in 2011 and 2012. Indeed, [

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### 2. The Mexican industry is not export-oriented

The Mexican industry is not export-oriented. In 2013, the Mexican industry self-consumed [ ]% of its wire rod production, and sold another [ ]% in the home-market – a combined percentage of [ ]%.<sup>105</sup> Exports accounted for only [ ]% of the industry's production.<sup>106</sup>

In 2013, Deacero alone internally consumed or transferred [ ]% of its wire rod production for its downstream wire operations (*e.g.*, black wire, galvanized wire, barbed wire, nails, and chain link fencing, among others).<sup>107</sup> As discussed in Section II.A, Deacero is the [ ] exporter of wire rod to the United States, accounting for approximately [ ]% of wire rod imports during the POR. Wire rod that is internally consumed or transferred is unlikely to be

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<sup>102</sup> Scotiabank, LATIN AMERICA REGIONAL OUTLOOK (Mar. 2014) at 5 (Exhibit 14).

<sup>103</sup> BNP Paribas, Global Outlook (Feb. 2014) at 69 (Exhibit 14).

<sup>104</sup> Foreign Producer Questionnaire Response of [ ] at III-7 & III-16.

<sup>105</sup> CR at Table IV-17.

<sup>106</sup> CR at Table IV-17.

<sup>107</sup> See Foreign Producer Questionnaire Response of Deacero at II-12.

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diverted to the United States “because such diversion could require scaling back or idling of the production of downstream products.”<sup>108</sup> With Mexican demand for wire rod rebounding from the slump in 2013,<sup>109</sup> the Mexican industry’s home-market shipments are also unlikely to be diverted to the United States in the event of revocation.

Moreover, to the extent the Mexican industry exports wire rod to third-country markets, it is unlikely to divert these shipments to the United States in the event of revocation. The Mexican industry primarily exports wire rod to Central and South American countries, such as [ ].<sup>110</sup> These are growing markets for wire rod. From 2008 to 2013, the Mexican industry’s wire rod exports to Central and South American markets increased from [ ] short tons to [ ] short tons – a percentage increase of [ ]%.<sup>111</sup> This trend will likely continue even if the antidumping order on wire rod from Mexico were revoked. The Mexican industry has no incentive to divert third-country shipments to the United States because prices in Central and South American markets are high. In 2013, the average unit values of Mexico’s wire rod exports to Central and South American countries exceeded the average unit values of its exports to the United States.<sup>112</sup> Also, Mexican producers “[ ]”<sup>113</sup>

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<sup>108</sup> 1<sup>st</sup> Sunset Determ., PR at II-9.

<sup>109</sup> See *supra* Section IV.A.1.

<sup>110</sup> CR at Table IV-17.

<sup>111</sup> CR at Table IV-17.

<sup>112</sup> PR at Table IV-19.

<sup>113</sup> CR at II-12 – II-13.

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### 3. Inventories are low and unlikely to increase

The Mexican industry's ratio of inventories to shipments was low and stable over the POR, ranging from 5.5% to 7.6%, and declining to 6.7% in 2013.<sup>114</sup> As noted by Commission staff, the "low levels of inventories tend to moderate" the Mexican industry's ability to increase shipments of wire rod to the U.S. market.<sup>115</sup>

### 4. The only trade remedy measure in force will not lead to increased shipments of Mexican wire rod to the United States

In October 2013, Colombia imposed a provisional safeguard tariff of 21.29% on imports of wire rod (as well as rebar).<sup>116</sup> Colombia's Ministry of Commerce, Industry and Tourism ("MinCIT") announced the final determination on April 2, 2014, replacing the straight tariff with a tariff rate quota.<sup>117</sup> Under the tariff rate quota, wire rod imports up to 174,452 metric tons (equivalent to 192,300 short tons) will enter without imposition of the 21.29% tariff, and imports in excess of this quota will be subject to the safeguard tariff.<sup>118</sup> The Colombian government has not yet finalized the allocation of the quota to importers, but has indicated that 80% will be distributed to historical importers and the remaining 20% to new importers.<sup>119</sup> The safeguard measure will be effective for one year, with the option to renew for one more year.

The Colombian safeguard measure is unlikely to result in a significant diversion of Mexican wire rod shipments to the U.S. market for a number of reasons. First, because Mexico

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<sup>114</sup> PR at Table IV-17.

<sup>115</sup> PR at II-12.

<sup>116</sup> PR at IV-15.

<sup>117</sup> MinCIT Press Release, *Government Decides to Maintain for One Year the Wire Rod Safeguard* (Apr. 1, 2014) (<http://www.mincit.gov.co/publicaciones.php?id=9394>) (Exhibit 15).

<sup>118</sup> MinCIT Press Release, *Government Decides to Maintain for One Year the Wire Rod Safeguard* (Apr. 1, 2014) (<http://www.mincit.gov.co/publicaciones.php?id=9394>) (Exhibit 15).

<sup>119</sup> MinCIT Press Release, *Government Decides to Maintain for One Year the Wire Rod Safeguard* (Apr. 1, 2014) (<http://www.mincit.gov.co/publicaciones.php?id=9394>) (Exhibit 15).

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has been the primary source of wire rod imports into Colombia, the Mexican industry will likely continue to ship substantial volumes of wire rod to Colombia duty free under the quota. In fact, because of its free trade agreement with Colombia, Mexico is one of the few country sources of wire rod that is not subject to a general tariff of 5.0%.<sup>120</sup> Second, the scope of the safeguard measure excludes high carbon wire rod (*i.e.*, grades 1045 and higher) and carbon wire rod greater than 14 mm in diameter.<sup>121</sup> Consequently, Mexico can export certain types of wire rod to Colombia without restriction. Third, to the extent the safeguard measure constrains shipments of wire rod, the Mexican industry can supply finished wire products to Colombia.

### 5. Product shifting is unlikely

The Staff Report states that Mexican producers manufacture rebar and other bar/rod products “using shared equipment and machinery in their wire rod facilities in Mexico.”<sup>122</sup> This is not entirely accurate for Deacero, which can only produce wire rod, which is coiled, on certain rebar mills that can produce coiled rebar.<sup>123</sup> Furthermore, several factors constrain Mexican producers’ ability to shift production between nonsubject bar/rod products and wire rod, including [

] <sup>124</sup> For example, Deacero reported that:

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<sup>120</sup> Colombian tariff schedule for wire rod (*Direccion de Impuestos y Aduanas Nacionales*) (**Exhibit 15**).

<sup>121</sup> **Exhibit 15**.

<sup>122</sup> PR at IV-41.

<sup>123</sup> Foreign Producer Questionnaire Response of Deacero at II-5d.

<sup>124</sup> CR at IV-42 – IV-43.

[

] <sup>125</sup>

Moreover, in recent years, the Mexican industry has shifted production from wire rod to rebar. From 2011 to 2013, the industry's production of wire rod declined by 211,549 short tons (from 2,556,411 short tons to 2,344,862 short tons), while its production of rebar increased by [ ] short tons (from [ ] short tons to [ ] short tons).<sup>126</sup> Rebar increased as a share of the Mexican industry's total production on shared equipment and machinery from [ ]% in 2011 to [ ]%, while wire rod's share of production declined from [ ]% to [ ]%.<sup>127</sup> (Other bars and rods account for the remaining share of total production on shared equipment and machinery.)

As discussed above in Section IV.A.1, construction activity in Mexico is recovering, which will increase demand for rebar. Also, Colombia, a significant export market for Mexican rebar, recently decided against imposing a final safeguard measure on imports of rebar. With home-market and third-country demand for rebar on the rise, the Mexican industry is unlikely to shift production from rebar to wire rod.

**6. Mexican imports would likely consist mostly of 4.75 mm wire rod**

During the POR, Deacero was the [ ] exporter of Mexican wire rod to the United States, and 4.75 mm wire rod accounted for the [ ] – about [ ]% – of the imports. The record establishes that 4.75 mm wire rod provides consumers with significant benefits over

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<sup>125</sup> Foreign Producer Questionnaire Response of Deacero at II-5e.

<sup>126</sup> CR at Table IV-18.

<sup>127</sup> CR at Table IV-18.

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5.5 mm wire rod – the most common size produced and sold in the U.S. market<sup>128</sup> – and that neither U.S. producers nor the other subject industries supply 4.75 mm wire rod. As one of the few companies in the world that offers 4.75 mm wire rod, Deacero would continue to focus on supplying the product to the U.S. market, even if the order were revoked. Any additional imports of wire rod from Mexico would likely be low. Because of its affiliation with a U.S. producer, ArcelorMittal Las Truchas, [

].<sup>129</sup> Ternium, meanwhile, [

] <sup>130</sup> For these reasons, 4.75 mm wire rod is likely to remain the [ ] size of wire rod imported from Mexico.

As noted, the question of whether 4.75 mm wire rod is covered by the antidumping order is currently being litigated. Whatever the outcome of the litigation, Deacero's focus on supplying 4.75 mm wire rod means that revocation of the antidumping order on Mexico would be unlikely to harm the U.S. industry. As discussed below in Section IV.C, Deacero shipped substantial quantities of 4.75 mm wire rod to the U.S. market in 2009-2011 free from the discipline of an antidumping order and without any discernible adverse impact on the domestic industry. Thus, even if 4.75 mm wire rod were considered to be subject merchandise, the record contains affirmative evidence that revocation of the order would be unlikely to result in material harm to the U.S. industry. Conversely, if 4.75 mm wire rod is confirmed to be nonsubject, this

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<sup>128</sup> PR at I-31.

<sup>129</sup> Foreign Producer Questionnaire Response of ArcelorMittal Las Truchas at II-11.

<sup>130</sup> Foreign Producer Questionnaire Response of Ternium at II-10 & II-12.

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would mean that the volume of subject imports from Mexico would be limited, and, thus, unlikely to harm the U.S. industry.

### **B. Imports of Wire Rod from Mexico Would Not Be Likely to Have Significant Adverse Price Effects**

As discussed, 4.75 mm wire rod accounted for [ ] – roughly [ ]% – of the wire rod imports from Mexico during the POR. Moreover, through 2011, 4.75 mm wire rod was shipped to the United States *free from any constraint from the antidumping order*. For this reason, the data concerning the price effects of 4.75 mm wire rod provide affirmative evidence – which is far more probative than the information typically available to the Commission in a sunset review – of the likely price effects of wire rod from Mexico if the order were revoked. These data show that imports of wire rod from Mexico would be unlikely to have a significant depressing or suppressing effect on the prices of domestic wire rod.

The Commission solicited quarterly pricing data for: (1) four wire rod products with diameters ranging from 5.5 mm to 14 mm, and (2) the same four products imported from Mexico, but with a diameter of 4.75 mm. U.S. producers' prices for each of the four products increased during the POR. For each product, the table below shows the U.S. producers' quarterly weighted-average prices in April-June 2009 and the last quarter in which the equivalent Mexican 4.75 mm wire rod product was also sold.<sup>131</sup>

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<sup>131</sup> April-June 2009 is used as the first quarter, because starting with an earlier quarter creates a distorted picture of the trend in the prices of U.S. product during the POR. U.S. prices bottomed out in April-June 2009 as a result of the 2008/2009 financial crisis. U.S. apparent consumption of wire rod plummeted to [ ] short tons in 2009, the lowest level recorded for the years 1999-2013. See 1<sup>st</sup> Sunset Determ. at Table I-1 (U.S. apparent consumption figures for 1999-2007); CR at Table I-13 (U.S. apparent consumption figures for 2008-2013). Domestic producers' prices fell sharply for each of the four products from highs in the third quarter of 2008 to lows in the second quarter of 2009. See PR at Tables V-3 – V-6. From July-September 2008 to April-June 2009, the weighted –average quarterly prices for: (1) product 1 fell by 48% (from USD 968.10 per short ton to USD 499.70 per short ton); (2) product 2 fell by 49% (from USD 983.72 per short ton to USD 500.46 per short ton); (3) product 3 fell by 49% (from USD 999.38 per short ton to USD 505.46 per short ton); and (4) product 4 fell by 49% (from USD 1,104.35 per short ton to USD 559.51 per short ton. See CR at Tables V-3 – V-6. These declines resulted from the Great

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U.S. Producers' Quarterly Weighted-Average Prices (USD per short ton)					
Product	1st Quarter for Comparison	Price of U.S. Product	Last Quarter for Comparison	Price of U.S. Product	% Increase
Product 1	Apr.-Jun. 2009	499.70	Jan.-Mar. 2012	740.49 <sup>132</sup>	48%
Product 2	Apr.-Jun. 2009	500.46	Apr.-Jun. 2012	716.01 <sup>133</sup>	43%
Product 3	Apr.-Jun. 2009	505.46	Jul.-Sep. 2009	522.94 <sup>134</sup>	3.5%
Product 4	Apr.-Jun. 2009	559.51	Oct.-Dec. 2012	701.67 <sup>135</sup>	25%
<i>Source: PR at Tables V-3 – V-6 and pricing data from Deacero USA's importer questionnaire response. See Exhibit 17 for the compiled data.</i>					

These figures demonstrate that imports of 4.75 mm wire rod from Mexico did not depress U.S. producers' prices during the POR.<sup>136</sup> Again, these imports were shipped and sold without the discipline of an antidumping order through 2011. Because imports of 4.75 mm wire rod did not depress the prices of domestic product, there is no basis to conclude that imports of wire rod from Mexico would be likely to have significant price depressing effects if the order were revoked.

Nor is there evidence of likely price suppression. The table below shows the volumes of imports of 4.75 mm wire rod from Mexico and the domestic industry's cost of goods sold ("COGS") to net sales ratio during the POR.

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Recession and have nothing to do with imported wire rod from Mexico. *See* Conf. Tr. (China prelim. investigation) at 5 (Rosenthal) ("{T}he domestic industry . . . suffered devastating losses measured in employment and profit due to the great recession of 2008 and 2009.") (Exhibit 16).

<sup>132</sup> January-March 2012 is the last quarter in which Mexican 4.75 mm wire rod (product 1) was also sold. *See* Exhibit 17 (quarterly pricing data for U.S. producers and Mexican 4.75 mm wire rod).

<sup>133</sup> April-June 2012 is the last quarter in which Mexican 4.75 mm wire rod (product 2) was also sold. *See* Exhibit 17 (quarterly pricing data for U.S. producers and Mexican 4.75 mm wire rod).

<sup>134</sup> July-September 2009 is the last quarter in which Mexican 4.75 mm wire rod (product 3) was also sold. *See* Exhibit 17 (quarterly pricing data for U.S. producers and Mexican 4.75 mm wire rod).

<sup>135</sup> October-December 2012 is the last quarter in which Mexican 4.75 mm wire rod (product 4) was also sold. *See* Exhibit 17 (quarterly pricing data for U.S. producers and Mexican 4.75 mm wire rod).

<sup>136</sup> Comparisons between the prices of U.S. product and Mexican imports (other than 4.75 mm wire rod) show the same lack of any price depressing effects. *See* CR at Tables V-3 – V-6.



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	2008	2009	2010	2011	2012	2013
Volume of 4.75 mm wire rod imports from Mexico (short tons)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Domestic industry's COGS/net sales ratio	87.9%	98.4%	91.6%	90.0%	91.7%	92.4%
<i>Source: PR at Table III-11; Exhibit 2 (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod).</i>						

The data do not suggest a correlation between wire rod imports from Mexico and the domestic industry's ability to raise prices to cover costs. From 2009 to 2010, as imports of 4.75 mm wire rod from Mexico achieved their biggest gain (an increase of [ ] short tons), the domestic industry's COGS/net sales ratio improved dramatically, falling by 6.8 percentage points. Moreover, even as imports 4.75 mm wire rod all but left the market from 2011 to 2013, the industry's COGS/net sales ratio worsened, increasing by 2.4 percentage points. It bears repeating that 4.75 mm wire rod was shipped and sold in the U.S. market without restriction from an antidumping order through the end of 2011. Because imports of 4.75 mm wire rod did not suppress the prices of domestic product then, there is no basis to conclude that imports of wire rod from Mexico would be likely to have significant price suppressing effects if the order were revoked.

Furthermore, the U.S. producers themselves do not claim that imports of 4.75 mm wire rod from Mexico depressed or suppressed the prices of domestic product. Instead, they blame Chinese wire rod as the sole cause of adverse price effects in recent years.<sup>137</sup>

**C. Imports of Wire Rod from Mexico Would Not Be Likely to Have an Adverse Impact on the Domestic Industry**

If the order is revoked, Deacero, the [ ] exporter of wire rod to the U.S. market, would continue to focus on supplying 4.75 mm wire rod because the product is attractive to U.S. consumers and U.S. producers are unable or unwilling to make it. From 2009-2011, Deacero

<sup>137</sup> Petitioners' Post-Conference Brief (USITC Inv. Nos. 701-TA-512 and 731-TA-1248 (Prelim.)) (Feb. 26, 2014) at 17-20 (**Exhibit 11**).

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supplied 4.75 mm wire rod to the U.S. market without any restriction from an antidumping order – and the U.S. industry’s performance was unaffected. The lack of any adverse impact from imports of 4.75 mm wire rod provides strong indication that revocation of the order would be unlikely to result in material injury even if 4.75 mm wire rod is ultimately deemed to be subject merchandise. If, on the other hand, 4.75 mm wire rod is found to be outside the scope, then injury would still be unlikely because much of the import volumes would be nonsubject (*i.e.*, 4.75 mm wire rod).

Initially, it is important to note that the U.S. industry is not vulnerable. The industry was profitable in every year of the POR but 2009, when U.S. apparent consumption was at its [ ].<sup>138</sup> Further, as discussed above in Section III.A, U.S. demand has been steadily increasing, and this trend is expected to continue. Finally, to the extent imports of wire rod from China were an issue, the domestic industry is remedying that problem through the ongoing antidumping and countervailing duty investigations.

More importantly, the record contains affirmative evidence that revocation of the antidumping order on wire rod from Mexico would be unlikely to harm the U.S. industry. Deacero’s 4.75 mm wire rod is a substitute for 5.5 mm wire rod (the most common size sold in the U.S. market), and Deacero supplied 4.75 mm wire rod to the U.S. market without the restraining effect of an antidumping order through the end of 2011. Thus, the impact of imports of 4.75 mm wire rod during the POR is highly probative of the consequence of revoking the order. The table below shows the volumes of 4.75 mm wire rod imports and the key indicators of the U.S. industry’s performance during the POR.

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<sup>138</sup> PR at Table III-11 (operating incomes); CR at Table I-13 (U.S. apparent consumption).

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Item	2008	2009	2010	2011	2012	2013
Volume of 4.75 mm wire rod imports from Mexico (short tons)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Production (short tons)	4,055,641	2,837,165	3,384,322	3,907,416	3,879,060	3,655,088
Capacity utilization (%)	73.1	53.6	68.2	75.5	75.6	72.0
Commercial U.S. shipments (short tons)	2,954,594	2,032,965	2,414,644	2,944,416	2,815,567	2,595,200
Internal consumption (short tons)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Transfers to related firms (short tons)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Commercial U.S. shipments (1,000 USD)	2,590,276	1,194,142	1,668,054	2,340,739	1,143,895	1,875,625
Internal consumption (1,000 USD)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Transfers to related firms (1,000 USD)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Commercial U.S. shipments (USD/short ton)	877	587	691	795	761	723
Internal consumption (USD/short ton)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Transfers to related firms (USD/short ton)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Production related workers	2,330	2,083	2,173	2,239	2,269	2,192
Gross profit (1,000 USD)	430,354	26,437	190,338	304,735	235,984	193,719
Operating income or (loss) (1,000 USD)	347,095	(42,915)	98,754	218,013	148,351	107,694
Gross profit (%)	12.1	1.6	8.4	10.0	8.3	7.6
Operating income or (loss) (%)	9.8	(2.6)	4.3	7.2	5.2	4.2
Sources: PR at Table III-4 (production and capacity utilization), Table III-6 (commercial U.S. shipments), Table III-10 (workers) & Table III-11 (gross profit, operating income); CR at Table III-6 (internal consumption and transfers); <b>Exhibit 2</b> (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod).						

These data show no correlation between 4.75 mm wire rod imports from Mexico and the domestic industry's performance. From 2009 to 2010, as imports of 4.75 mm wire rod from Mexico achieved their biggest gain (an increase of [ ] short tons), the domestic industry enjoyed sizeable gains in each performance indicator. Indeed, *commercial U.S. shipments increased by \$474 million; gross profits increased by \$164 million; and the industry's operating margin increased by 6.9 percentage points.* Capacity utilization increased by 14.6 percentage points. Also notable is the fact that the *average unit commercial sales value increased by \$104 per ton* – more than the increases in the average unit values of internal consumption and transfers to related firms – even though U.S. product would be expected to compete most directly with imports of 4.75 mm wire rod in the merchant market. Moreover, as

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imports 4.75 mm wire rod largely exited the market from 2011 to 2013, the domestic industry experienced declines in production, utilization, commercial U.S. shipments, average unit sales values, number of production workers, gross profits, and operating income.

In the first sunset review, the Commission revoked the order on Canada because “there was no apparent correlation between the appreciable quantities of subject imports from Canada that remained in the U.S. market and key indicators of domestic industry performance.”<sup>139</sup> Here, the record provides even stronger support for revocation because [ ] of the imports (*i.e.*, 4.75 mm wire rod) during the POR were shipped without the discipline of an antidumping order – yet had no discernible adverse impact on the domestic industry. Thus, even if 4.75 mm wire rod were considered to be subject merchandise, the record establishes that revocation would not be likely to result in material injury.

Revocation of the order would also be unlikely to cause material harm to the U.S. industry if 4.75 mm wire rod is confirmed to be nonsubject in the ongoing litigation. During the POR, 4.75 mm wire rod accounted for [ ] of the imports of wire rod from Mexico, and Deacero would continue to focus efforts on supplying this specialized product to the U.S. market if the order were revoked. In such event, the volume of subject imports from Mexico would be limited, and, thus, even less likely to harm the U.S. industry.

## V. CONCLUSION

Based on the foregoing, the Commission should determine that revocation of the antidumping duty order on steel wire rod from Mexico would be unlikely to lead to material injury to the domestic industry. The circumstances that existed during the original investigation

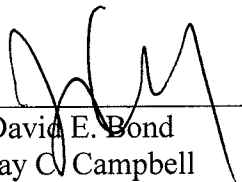
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<sup>139</sup> 1<sup>st</sup> Sunset Determin. at 39.

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and the first sunset review no longer exist. It is time for the antidumping duty order on wire rod from Mexico to be revoked.

Respectfully submitted,



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