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May 2, 2014

#### NONCONFIDENTIAL VERSION

Confidential Business Information Has Been Deleted on Pages 1 – 15 of the Posthearing Brief, on pages 4 – 7, 9, 11 – 12, 14 – 16, 18 – 21, 23, and 25 – 29 of the Responses to Commission Questions, and in Exhibits 1, 4 – 5, 7 – 8, 12 – 14, and 23.

#### By Electronic Transmission

The Honorable Lisa R. Barton Acting Secretary to the Commission United States International Trade Commission 500 E Street, S.W. Washington, D.C. 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): Posthearing Brief

#### Dear Secretary Barton:

Enclosed please find the public version of the Posthearing Brief 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 on domestic producers', foreign producers', and importers' production, shipments, and inventory levels. The bracketed confidential information was obtained from questionnaire responses filed under Administrative Protective Order ("APO"). The bracketed information also concerns

May 2, 2014

confidential business information of Deacero and Deacero USA, and their customers. The release of this information would cause substantial harm to the competitive position of Deacero and Deacero USA.

We have served a copy of this submission as indicated on the attached certificate of service.

Please contact the undersigned if there are any questions regarding this submission.

Respectfully submitted,

David E. Bond Jay G. Campbell

White & Case LLP 701 Thirteenth Street, NW Washington, DC 20005

Counsel for Deacero S.A.P.I. de C.V. and Deacero USA, Inc.

## **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

Jay C. Cambbell

WHITE & CASE LLP
701 Thirteenth Street, NW

Washington, DC 20005

District of Columbia: SS

Subscribed and sworn to before me on this 1st day of May, 2014

Notary Public

My Commissión Expires

Dated: May 1, 2014

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

#### PUBLIC CERTIFICATE OF SERVICE

I, Jay C. Campbell, of White & Case LLP hereby certify that copies of the attached Posthearing Brief on behalf of Deacero S.A.P.I. de C.V. and Deacero USA, Inc. were served by hand this 2<sup>nd</sup> day of May 2014 on the following parties:

On behalf of ArcelorMittal USA LLC, Evraz Rocky Mountain Steel, Gerdau Ameristeel US Inc. and Keystone Consolidated Industries, Inc.:

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On behalf of Nucor Corporation and Schnitzer Steel Industries, Inc., d/b/a Cascade Steel Rolling Mills, Inc.:

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Jay Q. Campbell

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

#### NONCONFIDENTIAL VERSION

Confidential Business Information has been deleted on pages 1 15 of the Posthearing Brief, on pages 4-7, 9, 11-12, 14-16, 18-21, 23, and 25-29 of the Responses to Commission Questions, and in Exhibits 1, 4-5, 7-8, 12-14, and 23.

#### 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)

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

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May 1, 2014

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#### I. SUMMARY

After nearly twelve years, the Commission should revoke the antidumping order on steel wire rod from Mexico. Mexican imports should be decumulated based on significant differences in product mix, capacity, and market presence, among other factors. Deacero, a new entrant to the U.S. wire rod market in the current period of review (2008-2013) ("POR"), is now the Mexican supplier. Deacero's sales of 4.75 mm wire rod to the U.S. market in the POR provide affirmative evidence that revocation of the order on Mexico would not be likely to result in material harm.

The crux of Petitioners' case is that the subject industries have "massive idle capacity" and that the U.S. market is more attractive than their existing markets. *Neither claim holds true for Mexico:* The Mexican industry operates at a *high capacity utilization rate*, and the prices in Mexico's third-country export markets *exceed* U.S. prices. These distinctions also support decumulation of Mexico.

Petitioners also stress that Deacero's sales of 4.75 demonstrate its interest in the U.S. market. But the standard is whether revocation would be likely to cause *material injury* – not whether subject producers are interested in the U.S. market. Contrary to Petitioners' assertions, Deacero's sales of 4.75 support a negative determination for Mexico. From 2009-2011 – a period Petitioners describe as one of "recovery" and improvement for the domestic industry – Deacero supplied 4.75 to the U.S. market *without any constraint from an order* and *without any adverse impact on the U.S. industry*. We're not talking about a "pinky" here (as Mr. Rosenthal suggested at the hearing): 4.75 is a substitute for the main size (5.5 mm) used in the industrial quality segment of the market where imports are concentrated. Thus, Deacero's sales of 4.75 in the POR are representative of its behavior and impact if the order were revoked, and constitute *affirmative evidence* that revocation would be unlikely to materially harm the U.S. industry.

## II. MEXICO DOES NOT HAVE "MASSIVE EXCESS CAPACITY

Petitioners "sum up the crux of {their} case in just three words, massive idle capacity." Their calculation for Mexico, however, is grossly overstated.

Petitioners' claim is not based on data from the Staff Report. Rather, Petitioners more than [ ] the Mexican capacity data gathered by the Commission by including [ ] figures for four alleged non-responding producers. Based on the [ ] report, these four non-responding Mexican producers have a total wire rod capacity of [ ] tons.<sup>2</sup> None of these firms produces wire rod. Aceros Nacionales ("ANSA") was acquired by Deacero in January 1999, and its productive assets were scrapped.<sup>3</sup> In fact, ANSA has [ ].<sup>4</sup> Siderurgica Tultitlan ("Sidertul") was acquired by Gerdau in 2007, and only makes rebar.<sup>5</sup> Gerdau did not report any related producers in Mexico.<sup>6</sup> Camesa produces wire and wire rope—not wire rod.<sup>7</sup> In fact, Deacero supplies wire rod to Camesa.<sup>8</sup> Lastly, Altos Hornos de Mexico ("AHMSA") does not identify itself as a wire rod producer on its website.<sup>9</sup>

The responding producers – Deacero, ArcelorMittal Las Truchas, and Ternium – account for [ ]% of Mexico's wire rod production in 2013, and thus accurately represent the Mexican industry.<sup>10</sup> The reported data for these producers show that the industry's capacity utilization rate was high, averaging 92% during the POR, and was 98% in 2011 and 2012.<sup>11</sup> Even in 2013,

<sup>&</sup>lt;sup>1</sup> Tr. at 15 (Cannon).

<sup>&</sup>lt;sup>2</sup> Kelley Drye Prehearing Br. at Exhibit 1C.

<sup>&</sup>lt;sup>3</sup> Exhibit 1 (ANSA materials).

<sup>&</sup>lt;sup>4</sup> Exhibit 1 (ANSA materials).

<sup>&</sup>lt;sup>5</sup> Exhibit 2 (Sidertul materials).

<sup>&</sup>lt;sup>6</sup> See PR at I-43; U.S. Producer Questionnaire Response of Gerdau Ameristeel at I-7.

<sup>&</sup>lt;sup>7</sup> Exhibit 3 (Camesa materials); see also [

<sup>&</sup>lt;sup>8</sup> Exhibit 4 (Deacero's home-market customer list for wire rod).

<sup>&</sup>lt;sup>9</sup> See Deacero's Prehearing Br. at Exhibit 1.

The interested parties identified two other Mexican producers – Aceros San Luis and Talleres y Aceros – but both account for only []% of Mexico's total production of wire rod, and thus are insignificant. PR at IV-36; CR at IV-37. See also Deacero's Prehearing Br. at 7 n.15 & Exhibit 1.

<sup>11</sup> PR at Table IV-17.

when home-market demand temporarily fell, the Mexican industry's unused capacity was a fraction ([ ]%) of the figure concocted by Petitioners. Their claim of "massive excess capacity" for Mexico is false.

#### III. MEXICO SHOULD BE DECUMULATED

## A. Conditions of Competition Would Differ for Imports of Mexican Wire Rod

The Mexican industry is distinct from the other subject countries based on its product mix (*i.e.*, 4.75 mm wire rod); high capacity utilization; continued presence in the U.S. market; and proximity to the U.S. In light of these significant differences, Mexico should be decumulated.

## 1. Only the Mexican industry supplies 4.75 mm wire rod

Deacero did not ship wire rod to the U.S. market before 2008, but has since emerged as the [ ] supplier – accounting for roughly [ ]% of imports during the POR. 13 Nearly all Deacero shipments consisted of 4.75 mm wire rod – a diameter that offers wire drawers significant benefits over 5.5 mm wire rod, the most common size sold in the U.S. market. 14 As discussed in response to Commissioner Question #5, using 4.75 enables wire rod users: (1) to reduce costs by eliminating additional processing and production equipment; (2) to manufacture products that they could not make using existing production equipment; and (3) to improve the quality of their products. These benefits were discussed in the hearing testimony of Charles Spittler (Cavert Wire) and Bill Heileg (G3 Steel), as well as in the *twelve statements from purchasers* provided in **Exhibit 5**.

U.S. producers do not make 4.75. They explained at the hearing that 4.75 is "much more expensive to produce" than 5.5 – akin to the difference between a "Mercedes-Benz" and a

See PR at Table IV-17 (showing unused capacity of 412,708 short tons in 2013); Kelley Drye Prehearing Br. at Exhibit 1A (claiming unused capacity of [ ] short tons in 2013).
 See Deacero's Prehearing Br. at Ex. 2.

<sup>&</sup>lt;sup>14</sup> Tr. at 146-147 (Heileg), 149-150 (Spittler). See also Tr. at 69 (Kerkvliet) ("5.5 is the majority diameter within the industry market of the United States").

"Chevrolet." A Canadian firm, Ivaco, produces 4.75, but on a limited basis. As discussed in response to Commissioner Question #2, Ivaco focusses on supplying cold-heading quality, welding quality, and "very high carbon" wire rod. To the extent, Ivaco sells 4.75, it appears to sell a high carbon product that has a higher price than the 4.75 sold by Deacero. 16

In contrast to U.S. producers, Deacero invested in new machinery and equipment, conducted numerous trials, and over time "develop{ed} the capability to produce 4.75 mm wire rod that met {its} customers' specifications in a cost-effective way." Having worked its way down the "learning curve," Deacero can profitably sell 4.75 without charging a substantial premium that would offset the benefits to would-be users, just as U.S. producers are able to sell 5.5 mm wire rod for essentially the same price as 6.5 mm rod.

#### Daniel Gutierrez of Deacero testified:

If the order on wire rod from Mexico is revoked, we would continue to focus on selling 4.75 to the U.S. market. There are plenty of suppliers that offer wire rod in 5.5 millimeter and larger diameters in the U.S., and U.S. customers tend to prefer to buy domestic. With 4.75, we have the ability to offer a specialized product that customers want and U.S. producers don't offer. 18

As Deacero sees it, 4.75 is good product that will broaden the market for wire rod, and help wire companies to be more competitive. **Regardless of whether 4.75 is considered subject**, the supply of 4.75 distinguishes the Mexican industry from the other subject countries.

## 2. Mexico does not have "massive excess capacity"

Petitioners claim that all six subject countries have "significant idle capacity" that would be directed to the U.S. if the orders were revoked. <sup>19</sup> As discussed in Section II, this claim is inaccurate for Mexico. According to Petitioners, capacity utilization rates have declined for the

<sup>15</sup> Tr. at 70, 73, 75 (Nystrom); 74 (Kerkvliet); 74 (Ashby); 73, 75, 90-91 (Rosenthal).

Tr. at 73, 91 (Rosenthal).
 Decl. of [ ] at ¶2 (Exhibit 7); Deacero Questionnaire Response (July 22, 2011) (A-201-830) (excerpt) (Exhibit 8). See also Tr. at 144 (D. Gutierrez), 184 (E. Gutierrez), 219 (E. Gutierrez);

<sup>&</sup>lt;sup>8</sup> Tr. at 145 (D. Gutierrez).

<sup>&</sup>lt;sup>19</sup> Tr. at 15 (Cannon).

other subject industries compared to the rates observed in the POI and first sunset POR, and ranged from [ ]% to [ ]% in 2013.<sup>20</sup> In contrast, the Mexican industry's utilization rate increased from [ ]% in 2001 to 85.0% in 2013,<sup>21</sup> and, due to rising home-market demand, is likely to return to the high (above 90%) levels achieved in 2009-2012.<sup>22</sup> The lack of significant excess capacity further distinguishes Mexico from the other subject countries.

# 3. Mexican imports maintained a substantial presence in the U.S. market without harming the domestic industry

Only Mexican imports maintained a substantial presence in the U.S. market throughout the POR. This distinction provides a valid basis for decumulation. In the first sunset review, the Commission decumulated Canada, in part, hased on the Canadian industry's continued presence in the U.S. market.<sup>23</sup> The Commission reached a negative determination for 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>24</sup> Here, the case for decumulating Mexico and revoking that order is *even stronger* because most of the Mexican imports (*i.e.*, 4.75 mm) during the POR were shipped *without the discipline of an order – yet had no discernible adverse impact on the domestic industry*.<sup>25</sup>

On a related point, the Commission should reject Petitioners' attempt to equate continued interest in the U.S. market with a likelihood of injury. <sup>26</sup> If continued interest were the standard, then mere participation by a respondent in a sunset review would be a basis to continue an order. The standard is whether revocation would be likely to lead to *material injury* – not whether subject producers are interested in the U.S. market.

<sup>&</sup>lt;sup>20</sup> See Kelley Drye Prehearing Br. at Exhibit 1A.

<sup>&</sup>lt;sup>21</sup> CR at Table IV-16.

<sup>&</sup>lt;sup>22</sup> See infra Section IV.A.2.

<sup>&</sup>lt;sup>23</sup> 1<sup>st</sup> Sunset Determ, at 18.

<sup>&</sup>lt;sup>24</sup> 1<sup>st</sup> Sunset Determ, at 39.

<sup>&</sup>lt;sup>25</sup> See infra Section IV.C.

<sup>&</sup>lt;sup>26</sup> E.g., Tr. at 249 (Pickard).

#### 4. Mexican imports have non-price advantages

Imports of wire rod from Mexico would compete in the U.S. market under different conditions than imports from the other subject countries due to Mexico's proximity to the U.S. As confirmed at the hearing, U.S. purchasers prefer Mexican wire rod over offshore imports because of shorter lead times; a lower risk that the product will be damaged in transit; a higher level of customer service and technical support; and the ability to do business directly with the manufacturer, instead of through a trading company or broker.<sup>27</sup> These factors indicate that Mexican imports have *non-price* advantages over other subject imports. They do not support an affirmative determination for Mexico.

## B. Additional Considerations Support Decumulation of Mexico

The Commission has broad authority under the statute in deciding whether to exercise its discretion to cumulate in a sunset review.<sup>28</sup> Accordingly, the Commission can consider other factors beyond its traditional "reasonable overlap of competition" and "differing conditions of competition" analyses. Here, two additional factors warrant decumulating Mexico.

First, the uncertainty created by the ongoing litigation concerning the scope status of 4.75 — the [ ] size of wire rod exported from Mexico during the POR — warrants decumulating Mexico. As discussed in response to Commissioner Question #8, the Commission should limit the impact of the litigation to Mexico, so that it does not affect the status of the orders on the other subject countries. This can only be achieved by decumulating Mexico.

Second, the Commission should consider that, whereas Mexican firms accounting for [ ]% of the industry's production responded to the foreign producer questionnaire, producers in Brazil, Indonesia, and Moldova failed to respond. Consequently, the Commission has

<sup>&</sup>lt;sup>27</sup> Tr. at 147-148 (Heileg), 151 (Spittler).

<sup>&</sup>lt;sup>28</sup> Nucor Corp. v. United States, 601 F.3d 1291, 1295 (Fed. Cir. 2010) (interpreting 19 U.S.C. § 1675a(a)(7)).

inadequate information for these subject industries, and Petitioners urge it to apply adverse facts available ("AFA") to fill in the gaps.<sup>29</sup> It would be unfair to cumulate Mexico under these circumstances. The "facts available" and AFA provisions are meant to encourage participation. That incentive would be chilled if respondents' efforts to participate and provide information were nullified by uncooperative respondents in other subject countries.

#### IV. REVOKING THE ORDER ON MEXICO IS UNLIKELY TO CAUSE INJURY

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

A review of the statutory factors demonstrates that imports of wire rod from Mexico are unlikely to increase significantly in the event of revocation.

## 1. Mexico's production capacity will decrease – not increase

[ ].<sup>30</sup> To the contrary, Deacero's "next steel investment will be to convert the wire rod capacity at {its} Saltillo {mill} to SBQs, special bar quality, to meet Mexican demand, which currently relies on imports."<sup>31</sup> Thus, the Mexican industry's wire rod capacity will *decrease*. Furthermore, as discussed in response to Commissioner Question #9, the future capacity expansions Petitioners allege for Mexico are either inaccurate or uncertain, and would be completed well heyond the reasonably foreseeable future, if ever.

#### 2. Mexico has limited excess capacity

The Mexican industry's capacity utilization rate was high, averaging 92% during the POR, and was 98% in 2011 and 2012.<sup>32</sup> The utilization rate temporarily dipped in 2013 to 85%, but this was due to lower-than-normal home-market demand, which has since rebounded.<sup>33</sup>

<sup>&</sup>lt;sup>29</sup> See Wiley Rein Prehearing Br. at 6-8; Kelley Drye Prehearing Br. at 37; Tr. at 249 (Pickard).

<sup>&</sup>lt;sup>30</sup> CR at IV-43.

<sup>&</sup>lt;sup>31</sup> Tr. at 140 (S. Gutierrez).

<sup>32</sup> PR at Table IV-17.

<sup>33</sup> See infra Section IV.A.2.

Mexico's construction sector is forecasted to grow by 3.5% in 2014, offsetting the drop in 2013, based on recent developments, such as President Peña Nieto's Transport and Communications Infrastructure Investment Program 2013-2018.<sup>34</sup> This plan includes 50% more money for infrastructure investment than the previous administration's six-year plan.<sup>35</sup> The plan was published in Mexico's Official Diary of the Federation on April 29, 2014.<sup>36</sup> With recent investments by Ford, Mazda, and Volkswagen, among others, Mexico's automotive sector continues to grow.<sup>37</sup> Finally, Mexico's recently enacted energy reforms will encourage private investment in the country's oil and gas industry.<sup>38</sup> This will increase consumption of wire products used by the oil and gas industry (*e.g.*, cables), and require large quantities of wire products for infrastructure built around the project sites.<sup>39</sup> Overall, the Mexican economy is forecasted to grow by 4.1% in 2014 – outpacing the U.S. economy, which is projected to grow by 2.8%.<sup>40</sup>

3. The Mexican industry is not export oriented and has no incentive to divert shipments from existing third-country markets to the U.S.

The Mexican industry is not export-oriented. In 2013, the industry self-consumed [ ]% of its wire rod production, and sold another [ ]% in the home market – leaving just 16% of its production for exports. 41 Moreover, the Mexican industry's home-market sales of wire increased by [ ]% over the POR (from [ ] short tons in 2008 to [ ] short tons in 2013), even though home-market demand temporarily fell in 2013. 42

<sup>&</sup>lt;sup>34</sup> See Deacero's Prehearing Br. at 24-25 & Exhibit 14.

<sup>35</sup> Tr. at 12 (Behar).

<sup>&</sup>lt;sup>36</sup> Exhibit 9 (2014-2018 National Infrastructure Plan, official decree and related press releases).

<sup>&</sup>lt;sup>37</sup> Tr. at 13 (Behar).

<sup>38</sup> Tr. at 13 (Behar).

<sup>&</sup>lt;sup>39</sup> Tr. at 232 (E. Gutierrez).

<sup>&</sup>lt;sup>40</sup> Deacero's Prehearing Br. at Exhibit 14 (BNP Paribas, Global Outlook (Feb. 2014) at 69) (Mexico forecast); International Monetary Fund, World Economic Outlook, April 2014 (U.S. forecast) (Exhibit 10).

<sup>&</sup>lt;sup>41</sup> CR at Table IV-17.

<sup>&</sup>lt;sup>42</sup> CR at Table IV-17.

To the extent the Mexican industry exports wire rod to third-country markets, it is unlikely to divert these shipments to the U.S. in the event of revocation. The Mexican industry primarily exports wire rod to Central and South American countries. Contrary to Petitioners' assertions, wire rod prices in these countries are higher than in the U.S.<sup>43</sup> Furthermore, many of these countries have "GDPs that are projected to grow by 3 to 5 percent in 2014 and 2015{,}" and insufficient domestic production to meet demand.<sup>44</sup> In addition, shipments of wire rod from China do not pose a problem for the Mexican industry. "Mexico's free trade agreements with Central and South American countries give {Mexico's} wire rod exports an advantage over exports from other countries{,}" including China, and Deacero also has the option to ship downstream wire and wire products to third-country markets.<sup>45</sup>

Lastly, the final safeguard measure (a tariff rate quota) imposed by Colombia will not impose a barrier. As Daniel Gutierrez of Deacero testified, Deacero will be able to "continue to export the same, if not more, quantities of wire rod" to Colombia as before the safeguard investigation was initiated.<sup>46</sup> We provide support in **Exhibit 12**.

## 4. Mexican imports would likely consist mostly of 4.75 mm wire rod

Unlike in the POI or first sunset POR: Deacero is now the most relevant producer and would continue to sell 4.75 to the U.S. Deacero accounted for [ ]% of Mexico's total production of wire rod in 2013, and approximately [ ]% of wire rod imports to the U.S. during the POR.<sup>47</sup> In contrast, ArcelorMittal Las Truchas exported [ ] quantities of wire rod to the

<sup>&</sup>lt;sup>43</sup> PR at Table IV-19.

<sup>&</sup>lt;sup>44</sup> CR at Table IV-17; Tr. at 143 (D. Gutierrez); International Monetary Fund, World Economic Outlook, April 2014 (Exhibit 10).

<sup>45</sup> Tr. at 143, 196 (D. Gutierrez), 197-198 (E. Gutierrez); Exhibit 11 (Mexico's free trade agreements).

<sup>&</sup>lt;sup>46</sup> Tr. at 144 (D. Gutierrez); see also Deacero's Prehearing Br. at 28-29.

<sup>&</sup>lt;sup>47</sup> See Foreign Producer Questionnaire Response of Deacero at Table II-12 (total production of [ ] short tons in 2013); CR at IV-37 (reporting total production in Mexico of [ ] million short tons in 2013); Deacero's Prehearing Br. at Exhibit 2 (modified version of Table I-13 from the Prehearing Staff Report that includes imports of 4.75 mm wire rod).

U.S. market during the POR, and only [ ] the ArcelorMittal Group's U.S. production. Because the ArcelorMittal Group coordinates its global operations, ArcelorMittal Las Truchas reports that it may only [ ] if the order were revoked. Ternium would also not ship significant volumes of wire rod to the U.S. if the order were revoked. Ternium [

] - and [

] eapacity.<sup>51</sup>

Deacero's supply of 4.75 (a substitute for the main diameter used in the U.S.) demonstrates that revocation of the order on Mexico would not harm the domestic industry. As discussed in Section IV.C, Deacero shipped substantial quantities of 4.75 to the U.S. without any constraint from an antidamping order and without any discernible adverse impact on the U.S. industry. Because imports of 4.75 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 if the order were revoked. Moreover, if 4.75 is confirmed to be nonsubject in the ongoing litigation, the volume of subject imports from Mexico would be more limited, and even less likely to harm the U.S. industry.<sup>52</sup>

<sup>48</sup> See Importer Questionnaire Response of [ ] at II-6.

<sup>&</sup>lt;sup>49</sup> Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad & 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 32 ("1" Sunset Determ."). See also U.S. Purchaser Questionnaire Response of [ ] at II-16 ([

<sup>50</sup> Foreign Producer Questionnaire Response of ArcelorMittal Las Truchas at II-11.

Foreign Producer Questionnaire Response of Ternium at II-10, II-12 (reporting excess capacity of a [tons in 2013, with a utilization rate of [ ]%), & III-8.

For the reasons discussed in Deacero's prehearing brief, product shifting and inventories also do not indicate that revocation of the order on Mexico would be likely to materially harm the domestic industry. See Deacero's Prehearing Br. at 28-30.

## B. No Likelihood of Significant Adverse Price Effects from Mexican Wire Rod

Because 4.75 mm wire rod was shipped to the U.S. free from any constraint from an antidumping order, the record data concerning the 4.75 imports provide affirmative evidence of the likely price effects of wire rod from Mexico if the order were revoked. These data show that imports from Mexico were sold at market prices and would be unlikely to have significant depressing or suppressing effects on the prices of U.S. product.

The record contains two sets of pricing data: (1) prices for imports of wire rod in diameters 5.5 mm to 12 mm; and (2) prices for imports of 4.75. The first set of pricing data relates almost exclusively to imports sourced from [ ]. [

1<sup>53</sup> Because these imports were priced and sold [

], any underselling was non-injurious by definition.

The instances of underselling by 4.75 imports can be explained and are not significant. First, Deacero must slightly decrease its prices of 4.75 because U.S. purchasers tend prefer domestic wire rod.<sup>54</sup> The Commission has recognized this structural pricing difference in past cases.<sup>55</sup> Second, as discussed in response to Commissioner Question #2, when Deacero began to sell wire rod to the U.S. market in 2008, it was both a new entrant to the U.S. market and a new producer of 4.75. As would be expected, Deacero had a period of "trials and errors" in learning to produce and sell 4.75.<sup>56</sup> Consequently, Deacero temporarily discounted its prices as an incentive to try the diameter, and lowered the discount as customers became accustomed to the

 <sup>53</sup> See U.S. Purchaser Questionnaire Response of [ ] at II-16.
 54 Tr. at 181 (D. Gutierrez); see also Response to Commissioner Question #2.

<sup>55</sup> See, e.g., Comm. for Fair Beam Imports v. U.S., 27 CIT 932 (CIT 2003) ("the ITC may discount incidences of underselling on account of {a} price premium"); Trent Tube Div. v. U.S., 741 F. Supp. 921, 935 (Ct. Int'l Trade 1990) (discounting underselling based on premium for domestic product).

product.<sup>57</sup> The record pricing data show declining underselling margins over the POR and instances of overselling.<sup>58</sup>

These facts demonstrate that Deacero sold 4.75 in the U.S at market prices. As corroboration for this point, 17 of 21 responding purchasers reported that the prices of Mexican wire rod were *comparable or higher* than the prices of U.S. product, and *that domestic producers* (such as Nucor and Gerdau) are the price leaders in the U.S. market.<sup>59</sup> Producers such as Nucor, Gerdau, Keystone, and ArcelorMittal announced numerous price increases in 2013 and 2014.<sup>60</sup> Thus, 4.75 was priced according to the market price established by U.S. producers.

More importantly, the 4.75 imports did not have *any* depressing or suppressing effects on U.S. producers' prices.<sup>61</sup> During 2009-2011, when 4.75 was shipped unconstrained by an order, prices for U.S. products 1-4 increased substantially, as shown by the graphs provided in **Exhibit** 14.<sup>62</sup> The prices for Nucor and Gerdau – the only two U.S. producers to complain of negative price effects – also rose during this period.<sup>63</sup> Nor is there any evidence that Nucor or Gerdau lost a significant number of sales to 4.75 imports: From 2009 to 2011, Nucor's commercial sales volume increased by [ ]%, and Gerdau's increased by [ ]%.<sup>64</sup> The 4.75 imports also did not cause price suppression. From 2009 to 2011, the U.S. industry's COGS/net sales ratio decreased by 8.4 percentage points (from 98.4% to 90.0%), and began to rise as 4.75 imports exited the

<sup>&</sup>lt;sup>57</sup> Tr. at 181-182 (D. Gutierrez).

<sup>58</sup> Exhibit 13 (graphs).

<sup>&</sup>lt;sup>59</sup> PR at Table II-8 and V-7.

<sup>&</sup>lt;sup>60</sup> See AWPA's Prehearing Br. at Exhibit 2.

<sup>61</sup> See Deacero's Prehearing Br. at 32-34.

The sharp price declines from 1Q 2009 to 2Q 2009 were caused by the recession, not imports. See Tr. at 30 (Kerkvliet), 38 (Nystrom).

<sup>&</sup>lt;sup>3</sup> See Exhibit 14 (graphs); Tr. at 30 (Kerkvliet), 41 (Nystrom).

<sup>64</sup> CR at Table III-13.

market in 2012-2013.<sup>65</sup> Nucor's and Gerdau's COGS/net sales ratios [ ] from 2009 to 2011.<sup>66</sup> Based on the record data concerning the 4.75 imports, there is no reasonable basis to conclude that imports of wirc rod from Mexico would be likely to have significant adverse price effects if the order were revoked. The lack of adverse price effects also corroborates the assertion that the 4.75 was sold at market prices.

## C. No Likelihood of a Material Adverse Impact Caused by Mexican Wire Rod

Revocation of the order on Mexico would be unlikely to materially harm the U.S. industry. The industry has been performing well, and its near-term prospects are bright, particularly due to the ongoing unfair trade investigations against China and rising demand. Moreover, the lack of any adverse impact from imports of 4.75 (a substitute for the main diameter used in the U.S.) during the POR provides a strong indication that revocation of the order would be unlikely to result in material injury. Indeed, Petitioners describe 2009 to 2011 – when 4.75 was being shipped without the constraint of an order – as a period of "recovery" and improvement for the U.S. industry. <sup>67</sup>

Petitioners claim the domestic industry is vulnerable due to "surging" imports from China.<sup>68</sup> To the extent imports from China were an issue, the domestic industry has addressed that problem through the ongoing antidumping and countervailing duty investigations, as supported by the articles provided in **Exhibit 15**. Petitioners have stated that, if Chinese imports are remedied, the U.S. industry's production would be 6.5% higher; shipments would be 7.1% higher; operating income be 50.6% higher; and the operating margin would increase by 3

<sup>65</sup> PR at Table III-11.

<sup>66</sup> CR at Table III-13.

<sup>&</sup>lt;sup>67</sup> Wiley Rein Prehearing Br. at 10.

<sup>68</sup> Kelley Drye Prehearing Br. at 90; Wiley Rein Prehearing Br. at 56.

percentage points.<sup>69</sup> This is the condition of the U.S. industry that the Commission should consider for purposes of the prospective likelihood of injury analysis.

Even considering the effects of Chinese imports, the domestic industry is not vulnerable. The industry was profitable in every year of the POR but 2009, when U.S. apparent consumption was at its [ ]. The industry's capacity utilization rate was 72.0% in 2013, nearly matching the rate achieved in 2008 (73.1%), when U.S. apparent consumption was [ ] in the POR. The domestic industry's capital expenditures reached highs of USD [ ] and USD [ ] in 2012 and 2013, respectively. Moreover, producers such as Nucor, Gerdau, Keystone, and ArcelorMittal have announced numerous price increases in 2013 and 2014. These are not the actions of a weak industry.

<sup>69</sup> Kelley Drye Prehearing Br. at 90.

<sup>&</sup>lt;sup>70</sup> PR at Table III-11 (operating income); CR at Table I-13 (U.S. apparent consumption).

<sup>71</sup> PR at Table I-13 (consumption) & III-4 (capacity utilization).

<sup>72</sup> CR at Table III-14.

<sup>&</sup>lt;sup>73</sup> AMM, Insteel Expects Favorable Ruling in Trade Case, Apr. 21, 2014 (Exhibit 16).

<sup>&</sup>lt;sup>74</sup> Tr. at 111-112 (Kerkvliet).

<sup>75</sup> Tr. at 113 (Ashby). See also Deacero's Prehearing Br. at 19-20 & Exhibit 10.

Most importantly, the record contains affirmative evidence that revocation of the order on Mexico would be unlikely to harm the U.S. industry. As discussed, Deacero - the [ 7 Mexican exporter of wire rod - intends to continue to supply 4.75 to the U.S. market if the order is revoked. Because 4.75 is a substitute for the main size (5.5 mm) used in the U.S. market, Deacero's supply of 4.75 is representative of its behavior and impact if the order were revoked. From 2009-2011, Deacero 4.75 to the U.S. market without any constraint from an antidumping order and without any discernible adverse impact on the domestic industry. As discussed in detail at pages 36-37 of Deacero's Prchearing Brief, the data reveal a lack of correlation between 4.75 imports from Mexico and the U.S. industry's performance. The domestic industry's performance improved in key indicators across the board as 4.75 imports "surged" (as Petitioners describe it) and deteriorated as 4.75 imports largely exited the market. In view of the lack of any adverse impact from 4.75 imports during the POR, there is no reasonable basis to conclude that imports of wire rod would likely cause material harm if the order were revoked. Also, if 4.75 is confirmed to be nonsubject in the ongoing litigation, this would limit the likely volume of subject imports from Mexico, and make material harm even less likely.

#### V. CONCLUSION

Based on the record evidence, 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.

Respectfully submitted,

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Dated: May 1, 2014

# RESPONSES TO COMMISSIONER QUESTIONS CONTENTS

QUESTION No.	Commissioner(S)	TOPIC
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3	Commissioner Johanson	Third Country Markets
4	Commissioner Broadbent	Revocation of Canadian Order in First Sunset Review
5	Commissioner Kieff	Deacero's Supply of 4.75 mm Wire Rod
6	Commissioner Kieff	Cumulation and Affiliations with U.S. Producers
7	Commissioner Kieff	Cumulated Likelihood of Injury Analysis
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10	Commissioner Broadbent	Whether the Commission Is Legally Obligated to Follow DOC's Remand Scope Decision

## RESPONSES TO COMMISSIONER QUESTIONS

#### **COMMISSIONER QUESTION #1:**

COMMISSIONER KIEFF (pages 102-104): "First if I could, I have a question for the lawyers and maybe a very brief answer here and then if you want to follow-up in the post hearing it would be great, but I imagine the answer is no. Is there any estoppel or other type of preclusion that should apply to the decision, with respect to the decision to peg at 5.5 even though well-founded that would somehow preclude us from in effect using the economic effect of this order to seriously consider the 4.75 product? In other words, did you in effect make your choice at the time of the filing and are you in effect bound by it? I can see the head shaking no, that's what I would have imagined but in the hrief post-hearing if you could just give a little bit of authority for that it would helpful."

RESPONSE: This question is essentially the issue being litigated: Can the scope of the antidumping order on wire rod from Mexico be lawfully expanded to include 4.75 mm wire rod, despite the facts that: (1) small-diameter wire rod (such as 4.75 mm) existed and was "commercially available" before the original antidumping investigation; and (2) Petitioners expressly limited the scope of the investigation and order to wire rod in diameters "5.00 or more, but less than 19.00 mm."

In the underlying U.S. Department of Commerce ("DOC") proceeding, Petitioners made three alternative arguments: (1) 4.75 mm wire rod is within the scope of the order; (2) the scope of the order should be expanded to include 4.75 mm wire rod as "later-developed merchandise," under 19 U.S.C. § 1677j(d)(1); or (3) the scope should be expanded to include 4.75 mm wire rod as a "minor alteration" of subject merchandise under 19 U.S.C. § 1677j(c)(1).

DOC first determined that "wire rod within an actual diameter of less than 5.00 mm" (including 4.75 mm wire rod) is outside the scope.<sup>2</sup> DOC next declined to conduct a later-developed merchandise inquiry because "small diameter wire rod {(i.e., less than 5.00 mm in

<sup>&</sup>lt;sup>1</sup> Carbon and Certain Alloy Steel Wire Rod from Mexico, 76 Fed. Reg. 33218 (Dep't. Commerce June 8, 2011) (Exhibit 17).

<sup>&</sup>lt;sup>2</sup> Id. at 33219.

DOC's conclusion was based on the record evidence that Kawasaki Steel, a well-known Japanese steel producer, "developed a four-roll mill capable of producing wire rod with diameters as narrow as 4.2 mm in the 1990s and that such small diameter wire rod was put into commercial operation in 1998." Other information on the record of the DOC proceeding establishes that Charter Rolling, a U.S. producer, was known to be manufacturing wire rod in the U.S. in diameters as narrow as 4 mm in the early 1990s.

DOC determined that Deacero's shipments of 4.75 mm wire rod were circumventing the order as a "minor alteration" of subject wire rod.<sup>6</sup>

Deacero appealed DOC's decision to the U.S. Court of International Trade ("CIT"). The CIT held that DOC's determination was unlawful because: (1) small-diameter wire rod (including 4.75 mm) existed and was "commercially available" before the original investigation, and (2) Petitioners expressly limited the scope to wire rod in diameters of 5.00 mm or more.<sup>7</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>&</sup>lt;sup>3</sup> Memorandum from Christian Marsh to Ronald Lorentzen, "Initiation of Minor Alteration Circumvention Inquiry on Wire Rod with an Actual Diameter between 4.75 and 5.00 Millimeters" (A-201-830) (May 31, 2011) at 14 (emphasis added) (Exhibit 18).

<sup>4</sup> Id.

<sup>&</sup>lt;sup>5</sup> See Deacero Case Br. (A-201-830) (Jan. 12, 2012) at Exhibit 2 (Certain Steel Wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761 (Mar. 1994) at II-22) (Exhibit 19); see also Deacero Prehearing Br. at Exhibit 5.

<sup>&</sup>lt;sup>6</sup> Carbon and Certain Alloy Steel Wire Rod from Mexico, 77 Fed. Reg. 59892 (Dep't Commerce Oct. 1, 2012) (emphasis added).

<sup>&</sup>lt;sup>7</sup> Deacero S.A. de C.V. v. United States, 942 F. Supp. 2d 1321, 1331-32 (Ct. Int'l Trade 2013) (Exhibit 8 to Deacero's Prehearing Br.).

<sup>\*</sup> Id. at 1332.

On remand, DOC reversed its affin	rmative circumvention	determination	and found	that 4.75
was outside the scope of the order.	The CIT's ruling on D	OC's remand d	ecision is p	ending.9

<sup>9</sup> PR at I-24.

#### **COMMISSIONER QUESTION #2:**

CHAIRMAN WILLIAMSON (pages 181-182): "Okay, either now or post-hearing do you have any information about the relative price? What the prices is that they {(Ivaco)} are selling it? The contention this morning was that the domestic issue is that selling the price, it should be a premium price product but it is actually being sold at less than what the 5.5 is being sold and I noticed in talking about it, no one ever discussed that issue, so any comments on that? The domestic industry's argument that you are selling a premium priced product at a discount?

CHAIRMAN WILLIAMSON (pages 184-186) "Okay, thank you. Is there anything you can tell us now, or post-hearing about the Canadian company? Are they a small company that is just doing niche sales of 4.75 or are they out there competing in the market, you know, broadly?"

RESPONSE: Ivaco Rolling Mills ("Ivaco") is a small producer located in Ontario, Canada. According to Ivaco's website, approximately 80% of its production is "destined for sophisticated high carbon, cold heading ("CHQ") and weld applications." This is consistent with the Commission's findings in the first sunset review. In that review, Ivaco reported "that [ ] percent of imports from Canada consist{ed} of specialty products, . . . {treating} almost all of the high and medium high carbon industrial and standard quality wire rod in 2007 as specialty products, given the 'very high carbon' designation of its products." Moreover, the Commission found that in each year of the first sunset POR "at least [ ] percent of the subject imports from Canada . . . consisted of CHQ and welding quality categories." Low carbon industrial and high carbon industrial quality wire rod accounted for only [ ]% of Canada's imports of wire rod to the U.S. in 2007. 13

<sup>10</sup> Exhibit 6 (Ivaco materials).

<sup>&</sup>lt;sup>11</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), Confidential Staff Report (doc. ID #s 514245 & 516522) at IV-62 – IV-63 ("1st Sunset CR").

<sup>&</sup>lt;sup>12</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), Confidential Determ. at 28 (doc. ID # 515654) ("1<sup>st</sup> Sunset Determ. (confidential version)"); see also 1<sup>st</sup> Sunset CR at Table IV-5.

<sup>13 1</sup>st Sunset Determ. (confidential version) at 23.

In contrast, Deacero predominantly supplies low to medium-low carbon industrial quality wire rod. These products do not command a premium price to compensate for specialized, high-cost physical characteristics. These types of wire rod accounted for approximately [ ]% of Deacero's shipments in 2013.<sup>14</sup>

Ivaco offers 4.75 mm wire rod, but appears to do so on a niche basis and at higher prices due to the additional specialized physical characteristics (*i.e.*, in addition to small diameter) of the rod. Because Ivaco is selling 4.75 mm wire rod of specialized grades, etc., it does not make sense to compare Ivaco's prices for 4.75 mm wire rod (even anecdotally) to Deacero's. Ivaco's prices should be higher because of the other specialized characteristics of the rod, just as Ivaco's prices for CHQ and/or high carbon 5.5. mm wire rod should be higher than U.S. producers' prices for industrial quality and/or low to medium carbon 5.5 mm wire rod.

Viewed in context, it is evident that Deacero sold 4.75 mm wire rod at non-injurious, market prices.

First, it must be remembered that Deacero is a new entrant to the U.S. wire rod market, having made its first sale in 2008. Deacero did not supply wire rod to the U.S. during the original period of investigation (1999-2001) or the first sunset POR (2002-2007). Consequently, when Deacero began to sell wire rod to the U.S. market in 2008, it was both a new entrant and a new producer of 4.75 mm wire rod. As would be expected, the process to produce and sell 4.75 was not without trials and errors. Even after Deacero had begun

<sup>&</sup>lt;sup>14</sup> Foreign Producer Questionnaire Response of Deacero at II-14.

<sup>&</sup>lt;sup>15</sup> Tr. at 73 (Rosenthal) ("{Ivaco} sold a high-carbon 4.75 product that demanded a premium, and they got the premium.").

<sup>16</sup> Tr. at 144 (D. Gutierrez).

shipping 4.75, it "received complaints from customers about the quality of the {product} that took... time to resolve." The issues included:

• [
];18
• [
];19 and
• [

For these reasons, Deacero offered a discount as an incentive to try the diameter, and lowered the discount as customers became accustomed to the product.<sup>21</sup> Consistently, the record pricing data show declining underselling margins over the POR and instances of overselling.<sup>22</sup>

In addition to this temporary incentive, U.S. purchasers are not willing to pay the same price for wire rod imports, including those from Mexico, as they are for domestic wire rod.<sup>23</sup> As Mr. Heileg of G3 Steel testified, because it is easier for U.S. purchasers to do business with domestic wire rod producers, domestic producers "can charge a small price premium over Mexican wire rod." Moreover, purchasers reported the following:

• U.S. Purchaser Questionnaire Response of [ ] at IV-5: [

<sup>&</sup>lt;sup>17</sup> Decl. of [ ] at ¶7 (Exhibit 7).

Decl. of [ ] at ¶8 (Exhibit 7); see also Decl. of Daniel Gutierrez at ¶5 (Exhibit 7).

<sup>19</sup> Decl. of [ at ¶9 (Exhibit 7).

<sup>&</sup>lt;sup>20</sup> Decl. of [ ] at ¶10 (Exhibit 7).

<sup>&</sup>lt;sup>21</sup> Tr. at 181-182 (D. Gutierrez).

<sup>&</sup>lt;sup>22</sup> Exhibit 13 (price comparison graphs).

<sup>&</sup>lt;sup>23</sup> Tr. at 181 (D. Gutierrez).

<sup>&</sup>lt;sup>24</sup> Tr. at 148 (Heileg).

The Staff Report also notes that a plurality of purchasers reported that U.S. product was "superior" to Mexican product in terms of delivery time.<sup>25</sup>

As a result of these U.S. purchaser preferences, wire rod from Mexico sells at a small discount to domestic wire rod. The Commission has recognized in past investigations the impact on pricing of purchaser preferences for domestic steel products.<sup>26</sup>

These facts demonstrate that Deacero sold 4.75 at market prices in the U.S., and any underselling was minor and explained by market factors, not an attempt to take sales from the U.S. industry.<sup>27</sup> As corroboration for this point, 17 of 21 responding purchasers reported that the prices of Mexican wire rod were *comparable or higher* than the prices of U.S. product, and that *domestic producers* (such as Nucor and Gerdau) are the price leaders in the U.S.

<sup>25</sup> PR at II-31.

<sup>&</sup>lt;sup>26</sup> See, e.g., Comm. for Fair Beam Imports v. U.S., 27 CIT 932 (CIT 2003) ("the ITC may discount incidences of underselling on account of {a} price premium"); Trent Tube Div. v. U.S., 741 F. Supp. 921, 935 (Ct. Int'l Trade 1990) (discounting underselling based on premium for domestic product).

<sup>&</sup>lt;sup>27</sup> See, e.g., Comm. for Fair Beam Imports v. U.S., 27 CIT 932 (CIT 2003) ("the ITC may discount incidences of underselling on account of {a} price premium"); Trent Tube Div. v. U.S., 741 F. Supp. 921, 935 (Ct. Int'l Trade 1990) (discounting underselling based on premium for domestic product).

*market*.<sup>28</sup> Producers such as Nucor, Gerdau, Keystone, and ArcelorMittal announced numerous price increases in 2013 and 2014.<sup>29</sup> Thus, Deacero set the prices of 4.75 according to the market prices established by U.S. producers.

<sup>&</sup>lt;sup>28</sup> PR at Table II-8 and V-7.

<sup>&</sup>lt;sup>29</sup> See AWPA's Prehearing Br. at Exhibit 2.

#### **COMMISSIONER QUESTION #3:**

COMMISSIONER JOHANSON (pages 194-195): "What countries are your biggest markets? If that's proprietary don't mentioned it, of course."

COMMISSIONER JOHANSON (page 196): "Can you all discuss what impact Chinese exports have to your home markets, and also to your third country export markets."

COMMISSIONER JOHANSON (pages 197-198): "How about, and once again you addressed this, but I may perhaps didn't get it. In the third country markets?"

RESPONSE: As an initial matter, it bears repeating that Deacero's core business is steel wire and downstream wire products, such as chain link fence, barbed wire, staples, nails, and many others.<sup>30</sup> Deacero sells steel wire and downstream wire products in Mexico and for export. In 2013, Deacero self-consumed [ ]% of its wire rod production to make steel wire and downstream wire products.<sup>31</sup>

With respect to Deacero's commercial sales of wire rod, Mexico is its largest market by far, accounting for [ ] of the company's commercial shipments in 2013.<sup>32</sup> Deacero's principal export markets are Central and South American countries, primarily

].<sup>33</sup> Contrary to Petitioners' claims, Table IV-19 of the Staff Report demonstrates that prices in these markets are *higher* than in the United States. Moreover, many of these countries have GDPs that are projected to grow by 3-6%, and have trade deficits in wire rod.<sup>34</sup>

Chinese imports have had little effect on Deacero's home-market sales of wire rod.

For one, as noted, over [ ]% of Deacero's production of wire rod is captively consumed,

<sup>&</sup>lt;sup>30</sup> Tr. at 140 (S. Gutierrez), 141-142 (D. Gutierrez).

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

<sup>&</sup>lt;sup>32</sup> See Foreign Producer Questionnaire Response of Deacero at Table II-12 (reporting home-market commercial shipments of [ ] short tons and exports of [ ] short tons).

<sup>&</sup>lt;sup>33</sup> Foreign Producer Questionnaire Response of Deacero at Table II-12 n.6.

<sup>&</sup>lt;sup>34</sup> Tr. at 143 (D. Gutierrez); International Monetary Fund, World Economic Outlook, April 2014 (Exhibit 10).

and thus shielded from import competition.<sup>35</sup> Moreover, imports of Chinese wire rod into Mexico have been low, amounting to just 7,048 metric tons in 2013.<sup>36</sup> Shipments of wire rod from China also do not pose a problem for Deacero's exports to Central and South American markets. "Mexico's free trade agreements with Central and South American countries give {Mexico's} wire rod exports an advantage over exports from other countries{,}" including China, and Deacero also has the option to ship downstream wire and wire products to third-country markets.<sup>37</sup> Deacero has invested time and resources to develop customers and markets for wire rod and downstream wire products in Central and South American countries, and is committed to these markets. Deacero seeks to forge long-term relationships with its customers; it is not a trading company that opportunistically diverts product from one market to another as relative market conditions change. Such a misguided strategy would destroy Deacero's reputation as a dedicated provider of high-quality long steel and wire products and excellent customer service. As Deacero's CEO testified:

We cannot divert from let's say South America to the U.S. even if the price in the U.S. is high because it takes too much time and effort to develop a country, to develop the specs of the customer, to develop the customers and we as a global company cannot just go to a country and then disappear because somebody else pays us more. We have to stay in that country, we have to stay with the product for the long run.<sup>38</sup>

Deacero's Vice President of Industrial Sales also commented at the hearing: "We have developed strong relationships with our customers in {Central and South American} markets, and we're committed to them."

<sup>&</sup>lt;sup>35</sup> Tr. at 196-197 (E. Gutierrez).

<sup>&</sup>lt;sup>36</sup> Mexico's imports of wire rod by country (Exhibit 20).

<sup>&</sup>lt;sup>37</sup> Tr. at 143, 196 (D. Gutierrez), 197-198 (E. Gutierrez); Exhibit 11 (Mexico - free trade agreements).

<sup>38</sup> Tr. at 193 (S. Gutierrez).

<sup>39</sup> Tr. at 143 (D. Gutierrez).

#### **COMMISSIONER QUESTION #4:**

COMMISSIONER BROADBENT (pages 205-206): "This is just for either of the counsels, is there anything you feel that the Commission should take away from the experience that we had from imports from Canada when the order was revoked in the first review? Is there anything we can learn from that or extrapolate to this investigation?"

RESPONSE: The Commission's determination with respect to Canada in the first sunset review is directly relevant in key respects, and supports the conclusions that: (1) Mexico should be decumulated, and (2) the antidumping order on steel wire rod from Mexico should be revoked.

In the first sunset review, the Commission declined to exercise its discretion to cumulate Canada because it determined that imports from Canada were "likely to compete in the U.S. market under sufficiently different conditions of competition than imports from the other subject countries . . ." Among other factors, the Commission noted that Canadian imports "remained in the U.S. market in substantial quantities" and were distinct in terms of product mix (consisting primarily of CHQ and welding quality categories). These factors also support decumulation of Mexico in the present sunset review. As discussed in Section III.A of Deacero's posthearing brief, the Mexican industry is distinct from the other subject industries based on its product mix (which [ ] consisted of 4.75 mm wire rod in the POR) and continued presence in the U.S. market. In addition to these factors, Mexico should be decumulated because:

 Mexico's capacity utilization was high during the POR, whereas the other subject industries have "massive excess capacity" and lower capacity utilization rates compared to the periods of the original investigation and first sunset review;<sup>42</sup>

<sup>40 1</sup>st Sunset Determ, at 18.

<sup>41 1</sup>st Sunset Determ, at 18-19.

<sup>42</sup> See Deacero's Posthearing Br. at Section III.A.2.

- Mexican imports have significant non-price advantages over imports from the other subject countries by virtue of Mexico's proximity to the United States;<sup>43</sup>
- The ongoing litigation concerning the scope status of 4.75 mm wire rod should be limited to the antidumping order on Mexico;<sup>44</sup> and
- Cumulating Mexico with the subject industries that failed to provide adequate information (i.e., Brazil, Indonesia, and Moldova) would be unfair and "unreasonably assign culpability to imports that are not likely to contribute to . . . material injury."

The Commission reached a negative determination for 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." Here, the grounds for issuing a negative determination for Mexico are *even stronger* because most of the Mexican imports (*i.e.*, 4.75 mm wire rod) during the POR were shipped *without the discipline of an order – yet had no discernible adverse impact on the domestic industry.* In addition, the volume of Canadian imports *with an order* ([ ] short tons in 2007) was [ ] the peak volume of Mexican imports of 4.75 mm wire rod *without the discipline of an order* ([ ] short tons in 2010). Short tons in 2010).

The "take away" is that, like the antidumping duty order on Canada, the order on Mexico should be revoked. Notably, while U.S. producers supported continuing the order on Canada in the first sunset review, none claims to have been harmed as a result of revocation. The Commission should bear this in mind when considering their arguments for continuing the order on Mexico in this sunset review.

<sup>&</sup>lt;sup>43</sup> See Deacero's Posthearing Br. at Section III.A.4.

<sup>44</sup> See Deacero's Posthearing Br. at Section III.B.

<sup>45</sup> Nucor Corp. v. United States, 601 F.3d 1291, 1295 (Fed. Cir. 2010).

<sup>46</sup> Ist Sunset Determ, at 39.

<sup>&</sup>lt;sup>47</sup> See Deacero's Posthearing Br. at Section IV.C.

<sup>&</sup>lt;sup>48</sup> Compare I<sup>st</sup> Sunset Determ. CR at Table IV-19 (volume of Canadian imports) with Deacero's Prehearing Br. at Exhibit 2 (volume of 4.75 mm wire rod imports).

#### **COMMISSIONER QUESTION #5:**

COMMISSIONER KIEFF (pages 209-211): "And to press just a little bit further and I recognize that others want to weigh in and everyone is welcome to weigh in hy the way of the post-hearing and I also hope that in effect that time limits here are helpful to you and giving you a sense of what is on our mind so that you have tons of time later to give us in writing whatever is on your mind. So I hope that that's helpful to you, that I am moving quickly, not precluding, quite the opposite. I really look forward to information you will provide. So let me just press along a little bit further then. In a kind of a crass commercial sense, it sounds to me like the kind of argument with respect to Mexico being made this afternoon is in effect, gosh no need to lift the order, sorry -- no need for the order, because after all we are going to stay in our 4.75 lane. We are not going to move out of that lane. And I guess the question is then why care?"

RESPONSE: Deacero cares because it is possible that the courts will ultimately uphold the U.S. Department of Commerce's ("DOC") original affirmative circumvention determination, which expanded the scope of the antidumping order on steel wire rod from Mexico to include 4.75 mm wire rod. In Deacero's view, 4.75 is a good product that will broaden the market for wire rod, and help wire companies to be more competitive. As discussed, 4.75 mm wire rod: (1) is a substitute for the most common diameter (5.5 mm) sold in the U.S.; (2) offers wire rod users significant benefits over 5.5 mm rod; and (3) is a product that neither U.S. producers nor the other subject industries offer.

Petitioners disputed the advantages of 4.75 at the hearing, but the record contains extensive evidence of the significant benefits of 4.75 mm wire rod. In Exhibit 5, Deacero provides statements from twelve purchasers of 4.75, as well as a summary of the key benefits. In addition, representatives of Cavert Wire Company and G3 Steel testified at the hearing regarding the advantages provided by 4.75 mm wire rod. The benefits of 4.75 include:

## (1) Cost Savings through the Elimination of Additional Processing and Production Equipment

Using 4.75 mm wire rod enables consumers to significantly reduce their production costs. The explanation is simple. "Wire rod is reduced, or drawn, to the desired wire size by

pulling the rod through a series of dies in a draft machine."<sup>49</sup> Thus, by starting with a smaller diameter of wire, the user can draw down to the desired wire gauge with less processing and consumption of energy and materials. As Charles Spittler of Cavert Wire explained at the hearing:

For each die there is a spinning block (or motor) that pulls the rod through the die. For example, one of our draft machines has four dies, each of which reduces the diameter. With 4.75, we could reduce to the same diameter of wire that we previous{ly} made using 5.5 with one less die – three instead of four. Using one less die: we consumed 25 percent less electricity; consumed 25 percent less lubricant which is used to cool the rod as it passes through the dies; consumed 25 percent less dies, (which are replaced daily); and did not need to repair blocks as frequently.

Using 5.5, we normally draw down to a diameter of about 0.187 inch in the first draft. 0.187 inch equals 4.75 millimeter, so with 4.75 you're already at the 0.187 inch before you even begin the drawing process. Consequently, using 4.75 also enabled us to speed production and increase our productivity.<sup>50</sup>

Additional customers - such as Illinois Tool Works ("ITW"), [

] – reported the same cost savings.<sup>51</sup>

Further, customers reported that 4.75 mm wire rod enabled them to produce the same wire products without the need to perform additional heat treatment (*i.e.*, annealing), further reducing their production costs. <sup>52</sup> As Bill Heileg of G3 Steel testified:

Another advantage of using 4.75 instead of 5.5 or larger diameters is that wire drawers can produce finer gauge wire without having to perform annealing. Annealing is a heat treatment process that softens and restores ductility to the wire. Depending on the manufacturing plant, 5.5 millimeter wire rod often

must be heat treated in order to achieve some of the finer diameters of wire. In contrast, 4.75 rod can be drawn down directly to many of these wire diameters without annealing because less drawing of the material is required. Annealing means longer production time, addition{al} natural gas consumption, and is typically very expensive. Wire drawers must either own an{d} maintain this annealing equipment in-hou{se} or outsource the processing to third-party processors.<sup>53</sup>

A representative of [ ] estimated "that switching from 4.75 mm to 5.5 mm wire rod would increase {their} costs to produce [ ] inch wire by approximately [ ]%" due to the need to perform heat treating. 54

#### (2) The Ability to Manufacture New Wire Products

By using 4.75 mm wire rod, U.S. customers are able to manufacture wire products with their existing production equipment that they could not make using larger diameter wire rod. For example, Charles Spittler of Cavert Wire testified:

4.75 wire rod also expands our ability to produce smaller diameter wire. With 4.75, we could use our draft machines to reduce down to 16-gauge wire, which has a 0.062 inch diameter. In contrast, with 5.5 millimeter wire rod we can only reduce down to 14-gauge wire, which has a 0.08 inch diameter. . . . {Without 4.75 mm wire rod, we} have to buy and resell 16-gauge wire, which is less profitable.<sup>55</sup>

In addition, the Presidents of [ ] both reported that, without 4.75 mm wire rod, they [ ]. The same state of [ ] reported that its use of 4.75 mm wire rod enabled the company "to expand into the [ ] inch wire market." Id. (Decl. of [ ], ¶4).

#### (3) The Ability to Improve the Quality of Wire Products

at ¶4).

<sup>53</sup> Tr. at 146-147 (Heileg).
54 Exhibit 5 (Decl. of [ ] at \$5).
55 Tr. at 150 (Spittler).
56 Exhibit 5 (Decl. of [ ] at \$3; Decl. of [

U.S. customers are also able to improve the quality of their products through the use of 4.75 mm wire rod.<sup>57</sup> 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>58</sup>

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Company officials of [ ]

reported that the use of 4.75 mm wire rod enabled them to satisfy their customers' tensile requirements for thin-gauge wire. 59 In addition, the [ ] explained, "{T}he only reason that 4.75 mm wire rod was developed as a product was to increase [ ]. A more [ ]."60
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At the hearing, Petitioners disputed the advantages offered by 4.75 mm wire rod, but their assertions are unsupported by the record and are inconsistent.

First, U.S. producers elaimed that "{t}here is not an application in the United States market that *requires* 4.75." This misses the point. We agree with U.S. producers that 4.75 mm rod is a substitute for 5.5 mm rod – "the majority diameter within the industry market of the United States . . . ."<sup>62</sup> As discussed above, the main benefits of 4.75 are that this diameter

] at ¶4; Decl. of [

] at ¶4).

<sup>&</sup>lt;sup>57</sup> E.g., Tr. at 186 (Heileg).

<sup>58</sup> Exhibit 5 (ITW submission).

<sup>&</sup>lt;sup>59</sup> Exhibit 5 (Decl. of [ ] at ¶6).

<sup>60</sup> Exhibit 5 (Decl. of ]

<sup>&</sup>lt;sup>61</sup> Tr. at 68 (Kerkvliet) (emphasis added); see also id. at 70 (Nystrom) ("{T}here are no applications that *require* 4.75...") (emphasis added).

<sup>62</sup> Tr. at 69 (Kerkvliet).

enables end users to significantly reduce their costs of production through less processing and consumption of energy and materials, and to improve the quality of their wire products. In addition, 4.75 mm wire rod enables some end users to produce wire products that they otherwise could not make using their existing production equipment.

Second, Petitioners argued that using 4.75 does not enable end users to significantly reduce their production costs. In particular, Petitioners' counsel, Mr. Price, stated at the hearing:

In the circumvention inquiry, . . . the Commerce Department actually collected data, looked at some of the cost differences, both from a manufacturing perspective of the rod, but also the wire drawing element and the data is BPI but what comes out is that for the consumer, the cost difference was very, very – the cost savings of using 4.75 was minimal. 63

This assertion is inaccurate. DOC did not make any findings regarding the cost savings realized by end users. Rather, DOC stated the following:

{W}e acknowledge that it may be less costly to draw 4.75 mm wire rod down to narrower gauges of wire compared to larger diameters of subject wire rod, but such impacts on the cost of production are properly evaluated under the fifth criterion of the minor alteration analysis.<sup>64</sup>

Although DOC stated that the costs related to downstream products using wire rod should be evaluated under the fifth criterion of the minor alterations analysis, it did not address them in that context. When addressing the fifth criterion, DOC addressed only the costs to develop and produce 4.75 mm wire rod. Therefore, to the extent DOC addressed the costs to the consumer, DOC "acknowledged" that "it may be less costly." Thus, the characterization of the savings as "minimal" reflects the opinion of Mr. Price, not a finding by DOC.

<sup>63</sup> Tr. at 70 (Price).

<sup>&</sup>lt;sup>64</sup> Memorandum from Christian Marsh to Paul Piquado, "Final Results of Minor Alteration Circumvention Inquiry on Carbon and Certain Alloy Steel Wire Rod With an Actual Diameter of 4.75 Millimeters (mm) to 5.00 mm" (A-201-830) (Sept. 24, 2012) (Exhibit 21).

<sup>&</sup>lt;sup>55</sup> See id. at 17-18.

Furthermore, we note that Mr. Price's opinion is contradicted by the detailed testimonials provided by purchasers at the hearing and in written statements (see above and Exhibit 5).

It is also worth pointing out the inconsistencies in Petitioner's arguments with respect to, on the one hand, the higher costs to produce 4.75 mm wire rod and, on the other hand, the "minimal" cost-savings that result for purchasers from using 4.75 mm wire rod. Petitioners explained that they do not produce 4.75 because it would be too costly to do so.<sup>66</sup> For example, Nucor's witness testified:

Having just commissioned a mill recently when we evaluated sizes, quite honestly we did not have requests for 4.75 millimeter but again it is something that we can do, but again there is a tremendous cost associated with that which you need to be able to recover in terms of pricing.<sup>67</sup>

The fact that 4.75 is more costly to produce is inconsistent with Petitioners contention that 4.75 results in insignificant cost savings for users. The additional work performed by producers to make wire rod at a diameter of 4.75 mm wire *translates into less work for end users* to reduce the wire rod to the desired diameter of wire. This, of course, means lower production costs for the end user – as substantiated by the hearing testimonies of Charles Spittler (Cavert Wire) and Bill Heileg (G3 Steel) and the *twelve* statements on record from U.S. purchasers.

Regardless of the outcome of the scope litigation, Deacero – the [ ] exporter of wire rod to the U.S. market – would continue to supply 4.75 mm wire rod if the order were revoked because the product is attractive to U.S. consumers and U.S. producers are unable or unwilling to make it.

<sup>&</sup>lt;sup>66</sup> Tr. at 73 & 75 (Nystrom), 74 (Kerkvliet), 74 (Ashby).

<sup>67</sup> Tr. at 75 (Nystrom).

#### **COMMISSIONER QUESTION #6:**

COMMISSIONER KIEFF (page 213): "{I}f I get the gist of the cumulation arguments, they at least hang to some significant degree on affiliated entities like Arcelor. And those affiliations that exist today existed during the last review and so in the post-hearing if you could just explain either why, whether that is a fly in the ointment for the reasoning you would like us to follow today, if so, explain it away."

RESPONSE: ArcelorMittal Las Truchas's affiliation with the ArcelorMittal Group is not a central focus of the decumulation argument for Mexico. Rather, we raised this affiliation to demonstrate that the Mexican industry has changed fundamentally since the POI and first sunset POR, such that Deacero is now the [ ] exporter of wire rod to the U.S. market.

In the original investigation, the Commission received questionnaire responses from two Mexican firms: Sicartsa – which accounted for [ ] in the POI<sup>68</sup> – and Hylsa (now Ternium). The ArcelorMittal Group, which operates wire rod facilities in the U.S. (ArcelorMittal USA) and worldwide, acquired Sicartsa in 2007.<sup>69</sup> Because of its affiliation with a U.S. producer, ArcelorMittal Las Truchas (the successor to Sicartsa) [

].70 Ternium, meanwhile, acquired Hylsa in 2005 and [

1.71

Deacero did not ship wire rod to the U.S. during the POI (1999-2001) or first sunset POR (2002-2007),<sup>72</sup> but was the [ ] Mexican exporter of wire rod to the U.S. market during the POR (2008-2013). Deacero, the [ ] wire rod producer in Mexico, accounted

<sup>68 1</sup>st Sunset CR at IV-31 n. 16.

<sup>69 1</sup>st Sunset Determ. at II-1.

<sup>&</sup>lt;sup>70</sup> Foreign Producer Ouestionnaire Response of ArcelorMittal Las Truchas at II-11.

<sup>&</sup>lt;sup>71</sup> Foreign Producer Questionnaire Response of Ternium at II-10 & II-12.

<sup>&</sup>lt;sup>22</sup> Tr. at 144 (D. Gutierrez).

for approximately [ ]% of wire rod imports to the U.S. during the POR.<sup>73</sup> Deacero is unlike Sicartsa (now ArcelorMittal Las Truchas) or Hylsa (now Ternium). For one, Deacero *predominantly* produces wire rod to service its core business: steel wire and downstream wire products (such as chain link fencing, barbed wire, and nails, among many others). For another, *nearly all* of Deacero's U.S. shipments consisted of 4.75 mm wire rod.

In short, the circumstances that existed during the original investigation and the first sunset review no longer exist.

<sup>&</sup>lt;sup>73</sup> See Deacero's Prehearing Br. at Exhibit 2 (modified version of Table I-13 that includes imports of 4.75 mm wire rod).

#### **COMMISSIONER QUESTION #7:**

COMMISSIONER KIEFF (page 213): "{T}he last request for the post-hearing and then I'll he done for the afternoon if that helps, is if you could also just be clear, is anyone this afternoon, making a full negative argument rather than a decumulation argument? And if so, please say some more about that in the post-hearing so that we don't lose track of it if you want us to keep track of it."

RESPONSE: We are not making a cumulated argument in this sunset review. For the reasons discussed in Deacero's prehearing and posthearing briefs, the grounds for decumulating Mexico are compelling. The record establishes that Mexican imports would likely compete under different conditions of competition than the imports from the other subject countries:

- Only the Mexican industry supplies 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;
- The Mexican industry's capacity utilization was high during the POR.
   Unlike the other subject industries, the Mexican industry does not have "massive excess capacity" and its capacity utilization rate has increased since the original POI;
- Mexican imports maintained a substantial presence in the U.S. market during the POR – without any discernible adverse impact on the domestic industry; and
- Mexican imports would have significant non-price advantages over the other subject imports by virtue of Mexico's proximity to the U.S. and close economic ties with the U.S. under the North American Free Trade Agreement.

The Commission should also consider that, whereas Mexican firms accounting for [ ]% of the industry's production responded to the foreign producer questionnaire, producers in Brazil, Indonesia, and Moldova failed to respond. As a result, the Commission has inadequate information for these subject industries, and Petitioners urge it to apply adverse facts available ("AFA") to fill in the gaps.<sup>74</sup> It would be patently unfair to cumulate

<sup>74</sup> See Wiley Rein Prehearing Br. at 6-8; Kelley Drye Prehearing Br. at 37; Tr. at 249 (Pickard).

Mexico under these circumstances. The "facts available" and AFA provisions are meant to encourage participation. In a proceeding with multiple subject countries, that incentive could be chilled if respondents know that their efforts to participate and provide information will be nullified by uncooperative respondents in other subject countries. Cumulation that extends the application of AFA (or even facts available) to cooperating subject industries is bad policy, and could "unreasonably assign culpability to imports that are not likely to contribute to . . . material injury."<sup>75</sup>

<sup>&</sup>lt;sup>75</sup> Nucor Corp. v. United States, 601 F.3d 1291, 1296 (Fed. Cir. 2010).

#### **COMMISSIONER QUESTION #8:**

CHAIRMAN WILLIAMSON (pages 213-215): "Thank you. I want to ask a couple of questions on decumulation and I"m not sure if they are quite the same questions as Commissioner Kieff or Not but I"m going to ask them. At least with Deacero, the argument with the on-going anti-circumvention litigation is a condition of competition that supports decumulation from Mexico, however the analysis is whether upon revocation, Mexican wire rod is likely to compete under different conditions of competition than wire rods from other countries. Can you explain how the litigation supports decumulation under that analysis?"

RESPONSE: In Section III.A of Deacero's posthearing brief, we discuss why significant differences in the conditions of competition support decumulation of Mexico. The Commission has broad authority under the statute in deciding whether to exercise its discretion to cumulate in a sunset review. Even where the subject imports meet the statutory elements of cumulation set out in 19 U.S.C. § 1675a(a)(7), the Commission still has discretion not to cumulate them in a sunset review. Accordingly, the Commission can consider other factors beyond its traditional "reasonable overlap of competition" and "differing conditions of competition" analyses.

In this case, the ongoing litigation addressing the scope status of 4.75 mm wire rod—
the [ ] size of wire rod exported from Mexico during the POR—is a relevant
consideration that further supports decumulating 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.

The Court of International Trade ("CIT") made a similar observation in *Usinor Industeel, S.A. v. United States*, 26 C.I.T. 1402, 1408 (2002) ("*Usinor III*"). In that case, the CIT remanded a cumulated final sunset determination back to the Commission for reconsideration based on a decision by the Court of Appeals for the Federal Circuit (*Duferco Steel, Inc. v. U.S.*, 296 F.3d 1087 (Fed. Cir. 2002)) that resulted in the reclassification of

<sup>&</sup>lt;sup>76</sup> Nucor Corp. v. United States, 601 F.3d 1291, 1295 (Fed. Cir. 2010) (interpreting 19 U.S.C. § 1675a(a)(7)).

<sup>&</sup>lt;sup>77</sup> Id. at 1293.

certain imports from one of the subject countries (Belgium) as nonsubject. Because the Commission's original determination relied upon data that now included nonsubject imports, the CIT remanded the determination and instructed the Commission to review the data without consideration of the nonsubject imports. The court also instructed the Commission to reconsider whether Belgian imports should be cumulated with other subject imports and review the effect of the *Duferco* ruling on the broader cumulated determination.<sup>78</sup>

<sup>&</sup>lt;sup>78</sup> *Id.* at 1407

#### **COMMISSIONER QUESTION #9:**

COMMISSIONER PINKERT (pages 188-189): "Thank you, now let's look at the flipside of what might appear to be chronic vulnerability on the part of the domestic industry and that is the testimony we heard earlier today about uneconomic increases in capacity in the subject countries. I know that the exhibit that was offered on the subject is confidential and you may not be able to comment on that exhibit in a public hearing, but if there is anything you can say, either here or in the post-hearing about this argument about uneconomic increases in capacity, I think it would be very helpful to us."

COMMISSIONER JOHANSON (pages 226-228): "Thank you Mr. Chairman and this question is for the Daecero witnesses. Can you all explain now or in a post-hearing brief what exactly is happening with the Saltillo plant, because I"m hearing two different things from when I look at the staff report and I believe the domestic industry"s briefs and what you all have stated today. And when you all address it in your brief, I believe it"s just in the footnotes, there is not a whole lot of meat there."

"I"ve been to Saltillo but it"s been a long time ago, I did like it there but that was before I was out of school, so I had no idea I would be here today talking about wire production in Saltillo, but if you can address this further in your post-hearing brief because what I am reading, I"m hearing two very different discussions regarding what is happening in Saltillo. It sounds to me from what you are saying once again that Deacero will conceivably be pulling back on production of steel wire rod."

CHAIRMAN WILLIAMSON (pages 110-111): "Mexico's respondents addressed on a footnote 90 of their brief some alleged capacity increases and this is on page 23 and 24 and I was wondering if anyone has any response either now or post-hearing to that. If you want to do it post-hearing, that's fine."

RESPONSE: We describe Deacero's production capacity for wire rod below. Deacero does not have plans to expand its capacity to produce wire rod. In fact, Deacero plans to *phase down* its production of wire rod at the Saltillo mill. Petitioners' assertions regarding future expansions in Mexico are either inaccurate (in the case of Deacero) or would be completed, if ever, well beyond the reasonably foreseeable future ([

Deacero has two facilities where it produces wire rod: the Celaya mill and the Saltillo mill.<sup>79</sup> The Celaya mill has four rolling lines, two of which can produce wire rod,<sup>80</sup> as follows:

- <u>Celaya mill 0</u>: On this rolling line, Deacero produces wire rod and coiled rebar.
- <u>Celaya mill 1:</u> On this rolling line, Deacero produces straight-length rebar. This rolling line does not have the equipment to produce wire rod (such as the finisher block, laying head, and cooling conveyer).<sup>81</sup>
- <u>Celaya mill 2:</u> On this rolling line, Deacero produces wire rod and coiled rebar.
- <u>Celaya mill 3:</u> On this rolling line, Deacero produces straight-length rebar and merchant bars. <sup>82</sup> This rolling line also does not have the equipment needed to produce wire rod (such as the finisher block, laying head, and cooling conveyer).

Since 2008, Deacero has had only one capacity expansion related to wire rod. This was the addition of Celaya mill 0 in January 2013, which has an overall rolling capacity of approximately 500,000 tons for wire rod and coiled rebar. The average production capacity for wire rod associated with Celaya mill 0 is fully accounted for in Deacero's reported average production capacity for 2013 ([ ] short tons).

<sup>&</sup>lt;sup>79</sup> Foreign Producer Questionnaire Response of Deacero at I-2. See also Deacero Section D Response (A-201-830) (Feb. 27, 2014) at D-5 (Exhibit 22).

<sup>80</sup> Tr. at 139 (S. Gutierrez).

<sup>81</sup> Tr. at 139 (S. Gutierrez).

<sup>82</sup> Tr. at 139 (S. Gutierrez).

<sup>83</sup> Tr. at 139 (S. Gutierrez).

<sup>84</sup> Foreign Producer Questionnaire Response of Deacero at II-12.

<sup>85</sup> Tr. at 140 (S. Gutierrez).

<sup>&</sup>lt;sup>86</sup> Tr. at 140 (S. Gutierrez); Foreign Producer Questionnaire Response of Deacero at II-2.

Deacero does not have any plans to expand its wire rod production capacity in the future.<sup>87</sup> To the contrary, Deacero's "next steel investment will be to convert the wire rod capacity at {its} Saltillo {mill} to SBQs, special bar quality, to meet Mexican demand, which currently relies on imports." In this regard, Deacero's CEO testified

Mexico is importing about 700,000 tons a year of bars, specialty bars, SBQs because there is no production in Mexico. So we want to convert that mill to SBQs okay.<sup>89</sup>

We provide an internal Deacero study regarding this project – which will convert the Saltillo mill's production to SBQs incrementally – in **Exhibit 23**.

Petitioners' claims that Deacero plans to expand its capacity to produce wire rod are inaccurate. First, citing the Staff Report, Petitioners contend that Deacero intends to add [

J<sup>90</sup> This expansion, however, refers to the addition of Celaya mill 0. As discussed above, this rolling mill line was completed in January 2013, and the average production capacity for wire rod for Celaya mill 0 is already reflected in Deacero's reported total average production capacity for 2013 ([ ] short tons).

Second, Petitioners contend that Deacero "[

7,,91

This project, however, has already been completed and is *unrelated to wire rod*. The rolling mill was constructed in Ramos Arizpe, Coahuila. As Deacero's CEO explained:

We have a third steel mill in Ramos Arizpe, which began operation in 2012. This facility is dedicated to producing merchant bars and I-beams. There is growing demand in Mexico for these products and insufficient supply from

<sup>&</sup>lt;sup>87</sup> Tr. at 140 (S. Gutierrez); Foreign Producer Questionnaire Response of Deacero at II-3.

<sup>88</sup> Tr. at 140 (S. Gutierrez), 227-228 (S. Gutierrez).

<sup>89</sup> Tr. at 227 (S. Gutierrez).

<sup>90</sup> Kelley Drye Prehearing Br. at 30 (citing CR at IV-43).

<sup>91</sup> Kelley Drye Prehearing Br. at 30 (citing CR at IV-43 n.14).

domestic mills. We cannot produce wire rod at this mill because we don't have the equipment. 92

The Ramos Arizpe facility is the new facility referred to in the confidential articles provided in Exhibit 9 of Kelley Drye's prehearing brief (references to Ramos Arizpe and Coahuila), as well as in the Prehearing Staff Report (at IV-43 n.14). In **Exhibit 24**, we provide a copy of Deacero's official press release (English version) concerning the Ramos Arizpe facility, as well as an article regarding the facility.

Lastly, Petitioners contend that a Mexican firm by the name of "[

J<sup>\*\*96</sup> As Petitioners themselves note, however, construction of this rebar/wire rod plant has not even begun. Thus, if construction even occurs, it would hardly constitute an expansion of wire rod capacity in the reasonably foreseeable future.

<sup>&</sup>lt;sup>92</sup> Tr. at 139-140 (S. Gutierrez); see also Tr. at 189 (E. Gutierrez) ("{I}n Ramos Arizpe we installed a new rolling mill to do {merchant} bars and structural. With a capacity of 500,000 tons per year, that cannot and will not produce wire rod.").

<sup>93</sup> PR at IV-43 n.14; see also Kelley Drye Prehearing Br. at Exhibit 9 (Deacero Steel Long Products Output to Reach 4 Million Tons Per Year By 2011).

<sup>94</sup> Tr. at 227 (S. Gutierrez).

<sup>95</sup> Tr. at 227 (E. Gutierrez).

<sup>&</sup>lt;sup>96</sup> Kelley Drye Prehearing Br. at 30 (citing Exhibit 9, Steel Business Briefing, New Induction mill builder targets Americas, Mexico, Mar. 27, 2014).

In sum, [

and Deacero plans to reduce wire rod capacity. Thus, there will be no capacity expansions in Mexico within the reasonably foreseeable future – let alone "uneconomic increases in capacity."

<sup>97</sup> CR at IV-43

#### **COMMISSIONER QUESTION #10:**

COMMISSIONER BROADBENT (pages 234-235): "Back to this legal question again, the petitions are arguing that the Commission has a legal obligation to treat 4.75 millimeter wire rod as subject merchandise. I just wanted to make sure I understand what your position is. Do we have to treat this as subject or not?"

RESPONSE: Although we agree with the Department of Commerce's ("DOC") remand decision, in which DOC concluded that 4.75 mm wire rod is nonsubject merchandise, we do not believe that the Commission is legally required to follow that decision until it is affirmed by a court. As discussed below, we believe that the circumstances underlying Diamond Sawblades Mfrs. Coal. v. United States, 626 F.3d 1374 (Fed. Cir. 2010) ("Diamond Sawblades V") are distinguishable from the facts concerning 4.75 mm rod presented in this case. However, even if the Commission considers 4.75 mm wire rod to be subject merchandise, the order on Mexico should still be revoked.

The Diamond Sawblades V ruling provides that in certain limited circumstances, determinations by the Commission on remand – prior to being affirmed by a court – will be binding. The Court found that for purposes of issuing antidumping orders, 19 U.S.C. § 1673d(d) requires the Commission to notify DOC of its remand determination prior to it being affirmed by a court, and this notification triggers DOC's duty to issue antidumping orders. While an argument could be made to extend the reasoning of Diamond Sawblades V to the present case – to argue that DOC's remand decision is currently binding on the Commission – Deacero does not believe Diamond Sawblades V extends that far. The CIT in NSK Corp. v. United States, 794 F. Supp. 2d 1374, (Ct. Int'l Trade 2011) ("NSK") indicated that Diamond Sawblades V was limited in application to those specific facts concerning the issuance of antidumping orders, and particularly the fact that strict statutory guidelines and

<sup>&</sup>lt;sup>98</sup> See Diamond Sawblades V, 626 F.3d at 1381.

timeframes applied.<sup>99</sup> In the present case, therefore, absent a clear statutory directive with respect to the implementation of scope rulings, we do not consider that *Diamond Sawblades* V can be used to create a general rule that government agencies are required to follow remand determinations before they have been affirmed by a court.

To be clear, DOC's remand decision would become binding on the Commission if it is affirmed by the CIT, even if DOC or Petitioners intend to appeal that decision to the Federal Circuit. The Court of Appeals has rejected arguments that CIT decisions do not "exist" until the time for appeal expires and has confirmed that a decision "issues" when judgment is entered. The CIT took this approach where a scope ruling (affirmed by the Federal Circuit) affected the data set relied upon in a sunset review determination; the CIT found that the ruling was binding and therefore remanded the determination for reconsideration, notwithstanding the possibility of further review. Moreover, Diamond Sawblades V held that it is "plainly wrong" to argue that an affirmative determination on remand is not a "final determination" simply because it is subject to further judicial review. The only way parties can avoid an affirmative CIT judgment going into immediate effect pending appeal is by seeking a stay. The only way seeking a stay.

In any event, even if the Commission considers 4.75 mm wire rod to be *subject* merchandise, the order on Mexico should still be revoked. The fact that the majority of

<sup>99</sup> Id. at 1376-77, 1379,

states, 732 F.2d 924, 934 (Fed. Cir. 1984); Smith Corona Corp. v. United States, 915 F.2d 683, 688 (Fed. Cir. 1990) (indicating that a decision of the CIT is of controlling effect when rendered). Petitioners' reliance on Timken is misplaced. Kelley Drye Prehearing Br. at 25-26. Timken held that an appealed CIT decision is not a "final court decision" within the plain meaning of 19 U.S.C. § 1516a(e). Timken, 893 F.2d 337, at 339. That provision is not implicated in this sunset review. In Diamond Sawblades V, the court clarified that the reasoning in Timken cannot be extended to other statutory contexts. 626 F.3d at 1382.

<sup>&</sup>lt;sup>101</sup> See Usinor Industeel, S.A. v. United States, 26 C.I.T. 1402, 1406 (2002).

<sup>102</sup> Diamond Sawblades V, 626 F.3d at 1382.

<sup>&</sup>lt;sup>103</sup> See Ct. Int'l Trade, R. 62; NSK Corp. v. United States, 431 Fed. Appx. 910 (Fed. Cir. 2011); Heartland By-Products, Inc. v. United States, 223 F. Supp. 2d 1317, 1332-33 (Ct. Int'l Trade 2002); Deering Milliken, Inc. v. Fed. Trade Comm'n, 647 F.2d 1124, 1129 (D.C. Cir. 1978).

Mexican imports during the POR – 4.75 mm wire rod – are currently subject to scope litigation strongly supports a decumulated analysis of Mexico. Under a decumulated analysis, the record contains affirmative evidence that revoking the order on Mexico would not be likely to cause material harm to the U.S. industry. 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 set forth in Deacero's briefs and noted repeatedly during the hearing, 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. If the order were revoked, Deacero would continue to supply 4.75 mm wire rod to the U.S. market. Therefore, Deacero's supply of 4.75 during the POR demonstrates its behavior and impact 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 future in the event of revocation.

#### EXHIBIT LIST

- 1. ANSA materials
- 2. Sidertul materials
- 3. Camesa materials
- 4. Deacero's home-market customer list for wire rod
- 5. Purchaser statements regarding 4.75 mm wire rod and summary sheet
- 6. Ivaco materials
- 7. Deacero declarations
- 8. Deacero's Questionnaire Response of July 22, 2011 (Excerpts)
- 9. Mexico's national infrastructure plan
- 10. International Monetary Fund, World Economic Outlook, April 2014
- 11. Mexico free trade agreements
- 12. Shipments to Colombia
- 13. Graphs price comparisons
- 14. Graphs U.S. producers' prices 2009-2011
- 15. AMM articles on reduced orders for Chinese wire rod
- 16. AMM, Insteel Expects Favorable Ruling in Trade Case
- 17. Carbon and Certain Alloy Steel Wire Rod from Mexico, 76 Fed. Reg. 33218 (Dep't. Commerce June 8, 2011)
- 18. Memorandum from Christian Marsh to Ronald Lorentzen, "Initiation of Minor Alteration Circumvention Inquiry on Wire Rod with an Actual Diameter between 4.75 and 5.00 Millimeters" (A-201-830) (May 31, 2011)
- 19. Deacero Case Br. (A-201-830) (Jan. 12, 2012) at Exhibit
- 20. Mexico's imports of wire rod by country
- 21. Memorandum from Christian Marsh to Paul Piquado, "Final Results of Minor Alteration Circumvention Inquiry on Carbon and Certain Alloy Steel Wire Rod With an Actual Diameter of 4.75 Millimeters (mm) to 5.00 mm" )A-201-830) (Sept. 24, 2012)
- 22. Deacero Section D Response (A-201-830) (Feb. 27, 2014) (excerpt)
- 23. Deacero study (special steels automotive) (regarding the conversion of the Saltillo mill to produce SBQ)
- 24. Deacero press release, Deacero invests to grow within the Mexican market; article

## EXHIBIT 1

### UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: 308
Administrative Review
for the Period 10/01/12 – 09/30/13
AD/CVD Operations Office II1
Business Proprietary Information has been ranged or deleted in the narrative response on pages A-4 – 6, 8 – 10, 13, 15, 17, 25 – 33, 36, and 38; and in Exhibits A- A-1 – A-6, A-9 – A-16, and A-20.

#### PUBLIC VERSION

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM MEXICO

RESPONSE BY DEACERO S.A.P.I. DE C.V. AND DEACERO USA, INC. TO SECTION A OF THE ANTIDUMPING DUTY QUESTIONNAIRE

David E. Bond Jay C. Campbell Ting-Ting Kao

WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

January 17, 2014

Counsel to Deacero S.A.P.I. de C.V. and Deacero USA, Inc.



I, Luis Eugenio Leal Rangel, Institutional Relations and Trade Affairs Manager, currently employed by Deacero S.A.P.I. de C.V., certify that I prepared or otherwise supervised the preparation of the attached Response to Section A of the Antidumping Questionnaire, filed on January 17, 2014, pursuant to the Administrative Review for the period October 1, 2012 -September 30, 2013, under the Antidumping Duty Order of Carbon and Certain Alloy Steel Wire Rod from Mexico (Case Number A-201-830). I certify that the public information and any business proprietary information of Deacero S.A.P.I. de C.V. contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. § 1001) imposes criminal sanctions on individuals who knowledly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the antidumping proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature:

Luis Eugenio Leal Rangel

Date: January 16, 2013

on the prices you charge to your U.S. affiliate) of the product as imported into the United States, and not as the further processed product.

ANSWER: The requested chart setting forth the quantity and value of Deacero's sales and entries of wire rod during the POR is provided in Exbibit A-1. All of Deacero's sales in the United States of wire rod were invoiced by Deacero USA, its U.S. affiliate, and are presented in the chart as "constructed export price" sales. Another U.S. affiliate, Mid Continent Steel & Wire, Inc. ("Mid Continent"), sold steel nails in the POR that were manufactured with wire rod produced by Deacero. Consequently, the quantity and value chart includes sales of further manufactured merchandise. For these sales, Deacero reports the quantity and value of the product as imported into the United States – not the further processed product, as instructed.

In the home market, Deacero sold wire rod to unaffiliated and affiliated parties. In the chart in **Exhibit A-1**, Deacero has separately reported the quantity and value of these sales. All sales to affiliates were made to Deacero sales personnel for marketing purposes; Deacero sales personnel did not resell wire rod during the POR.

Deacero also made home-market sales of wire rod through an affiliate, Aceros Nacionales, S.A. de C.V. ("ANSA"). Because ANSA sold the merchandise to unaffiliated home-market customers, Deacero includes ANSA's sales in the total quantity and value reported for sales to *unaffiliated* customers in Exhibit A-1. In turn, to avoid double counting, Deacero's sales to ANSA are not included in the total quantity and value reported for sales to *affiliated* home-market customers. ANSA's resales will be reported in Deacero's Section B database.

As indicated in the chart, the value of all sales and entries is reported in U.S. dollars and quantity is reported in kilograms ("KG").



## EXHIBIT 2

คอคาบอบซิด - อพระเซพ - ยรคลห์จะ.

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Journalist Registration		Keyword
■ Press requests ■ Press Office Contacts	The Gerdau Group acquires steel mil in Mexico	Periode
Selectione o país	3/28/2007  Gerdau will invest US\$ 259 million in the acquisition of all the	From: 3 18 2014 Up 4 18 2014
	Today (March 28, 2006), the Gerdau Group signed a contract for the purchase of all the shares of the Feld Group, which is the holding company of the Siderúrgica Tultitlán, a plant that produces rebars and profiles in Mexico. The Siderúrgica Tultitlán is located in the Mexico City metropolitan area. It has 550 employees and an annual installed capacity of 350,000 metric tons of steel and 330,000 metric tons of rolled products. Its production is mainly directed to the domestic market. With the mill's expansion plan underway, which should be finished by the end of the current year, its production capacity will reach 500,000 metric tons of steel and 430,000 metric tons of rolled products. "This acquisition is the landmark of the Gerdau Group's entrance into the Mexican market and it means another step towards the strategy of achieving profitable growth and expansion in the Americas. Besides, it reinforces the Group's position as a consolidating agent in the international steel sector," said André Gerdau Johannpeter, CEO of the Gerdau Group. Mexico is the 3rd largest steel producer in the Americas, just behind the United States and Brazil. In 2006, the country produced 16.3 million metric tons of steel. The transaction involves an amount of US\$ 259 million that will be funded from the Gerdau Group's cash generation. The acquisition is subject to the approval by the regulatory agencies of business competition in Mexico.	Annual Report  GO GERDAU  ANNUAL REPORT  Explore the Gerdau 2013 Annual Report.
		Related links  Multimedia Area Corporate Governance Company Profile



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# EXHIBIT 3







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Camesa is committed to fulfill the needs of the domestic and international markets. This commitment has led us into being a major player in the production of high quality high carbon steel general purpose rope, electromechanical cable, and high strength wire around the world.

With expertise from around the globe, we guarantee product availability and quick turnaround - flexibility that is critical for your business.

WireCo WorldGroup announces the appointment of Christopher L. Ayers as President and Chief Executive Officer, effective July 7, 2013

Mr. Ayers will replace interim CEO Stephan Kessel, who has served since April 2013. Mr. Ayers previously served as Executive Vice President, President of Global Primary Products at Alcoa.

LEARN MORE

WireCo Brasilian Subsidiary Enters into USD \$20 Million Contract with SBM Offshore

Contract consists of Manufacturing of Deep Water Mooring Rope Systems for Two FPSO Projects.

LEARN MORE

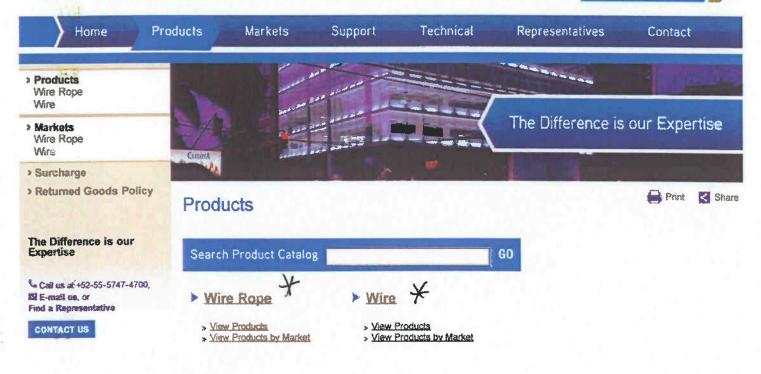
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# EXHIBIT 4

## A see page 17 of Exhibit 8-7

### UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: 876
Administrative Review
for the Period 10/01/12 – 09/30/13
AD/CVD Operations Office III
Business Proprietary Information has been ranged or deleted in the narrative response on pages B-3 – 4, 8 – 10, 15 – 16, 18 – 19, 22, 25, 31 – 33, 35 – 37, 46 – 47, 50, 54; C-6, 9 – 13, 19, 26, 39, 41, 43 – 44, 46, 48, 55; D-3, 6 – 9, 14, 17, 21, 28 – 29, 31, 36 – 37, 41, 48; E-4 – 6, 9 – 13, 17 – 20; and in Exhibits B-1 – B-16, B-18 – B-23; C-1 – C-21; D-1, D-4 – D-22; and E-1 – E-8.

#### **PUBLIC VERSION**

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL

WIRE ROD FROM MEXICO

RESPONSE OF DEACERO S.A.P.I. DE C.V. AND DEACERO USA, INC. TO SECTIONS B — E OF THE ANTIDUMPING DUTY QUESTIONNAIRE

David E. Bond Jay C. Campbell Ting-Ting Kao

WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

February 27, 2014

Counsel to Deacero S.A.P.I. de C.V. and Deacero USA, Inc.



I, Luis Eugenio Leal Rangel, Institutional Relations and Trade Affairs Manager, currently employed by Deacero S.A.P.I. de C.V., certify that I prepared or otherwise supervised the preparation of the attached Response to Sections B - E of the Antidumping Questionnaire, filed on February 27, 2014, pursuant to the Administrative Review for the period October 1, 2012 - September 30, 2013, under the Antidumping Duty Order on Carbon and Certain Alloy Steel Wire Rod from Mexico (Case Number A-201-830). I certify that the public information and any business proprietary information of Deacero S.A.P.I. de C.V. contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. § 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the antidumping proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature:

Luis Eugenio Leal Rangel

Date: February 27, 2014

### UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: 876
Administrative Review
for the Period 10/01/12 – 09/30/13
AD/CVD Operations Office III
Business Proprietary Information has been ranged or deleted in
Exhibits B-1 – B-16, B-18 – B-23; C-1 – C-21;
D-1, D-4 – D-22; and E-1 – E-8.

#### PUBLIC VERSION

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM MEXICO

EXHIBITS ACCOMPANYING RESPONSE OF DEACERO S.A.P.I. DE C.V. AND DEACERO USA, INC. TO SECTIONS B — E OF THE ANTIDUMPING DUTY QUESTIONNAIRE

#### **VOLUME I**

David E. Bond Jay C. Campbell Ting-Ting Kao

WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

February 27, 2014

Counsel to Deacero S.A.P.I. de C.V. and Deacero USA, Inc.

#### SECTION B EXHIBIT LIST

- Printout of Home Market Sales Database
   Sales Reconciliation
   equals reported sales
   of wice rod in Mexico
- 3. Reporting of Selling Expenses
- 4. SQH Internal Standards for Surface Defects and Decarburization
- RESIDH Chart of Specification/Grade Combinations for Maximum Total Residual Content
- 6. CUSCODH List of Customer Codes
- 7. CCUSCODH List of Consolidated Customer Codes
- 8. PAYTERMH List of Terms of Payment
- 9. BILLADJH Sample Billing Adjustment Documentation
- 10. EARLPYH Sample Early Payment Documentation
- 11. OTHDIS(1-n)H Sample Other Discount Documentation
- 12. INLFTWH Worksheet Calculation
- 13. WAREHSH Worksheet Calculation
- 14. INLFTCH Sample Calculation
- 15. COMMH/ SELAGENH Selling Agents
- 16. COMMH Sample Documentation for Per Unit Commission Expense
- 17. CREDITH Interest Rate Support
- 18. LATEPAYH Worksheet for Customer-Specific Factor Calculations
- 19. INDIRSH Worksheet Calculation
- 20. INVCARH Average Inventory Turnover
- 21. PACKH Worksheet Calculation
- 22. SAMPLEH Documentation for One Transaction
- 23. WARRH Documentation for One Transaction

### EXHIBIT B-7

(list of Deacwols wire rod customers in Mexico)

## **CCUSCODH - Consolidated Customer Code**

Consolidated	 	d Customer Name	
Customer Code	 		 

Consulidated Customer Code	Consolidated Customer Name	

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## EXHIBIT 5

#### BENEFITS OF USING 4.75 MM WIRE ROD INSTEAD OF 5.5 MM WIRE ROD

# **PUBLIC VERSION**

Converse of	OUDTONED ATTEMENT						
BENEFIT OF	CUSTOMER STATEMENT						
USING 4.75 MM							
WIRE ROD		1 Manual 2 2 3		18-11-1-1			
1) Production	[	[ ], President		[ ], President of			
equipment can	], stated:	and Co-owner of [		[ ] stated:			
be used to make		] stated:	stated:				
products with	*For our [	re.a		*Using 5.5. mm wire rod, we can draw down			
4.75 mm wire		*{W}e cannot draw 5.5 mm	"[	to [ ] inch wire, but that is the lower			
rod that cannot		wire rod down to [ ]		limitOur purchase of 4.75 mm wire rod from			j
be made with		wire (B)elore we began		Deacero has enabled (us) to expand into the			
5.5 mm wire rod:		purchasing 4.75 mm wire rod,		[ ] inch wire market. Although			
	<i>J.</i> *	į į	j Consequently, before	theoretically we could buy a new draft			
			we were able to [	machine that would enable us to draw down	İ		
				to [ ] inch wire using 5.5 mm wire rod,			
{		] With 4.75 mm		the cost of a new machine (approximately \$[			
į l		wire rod, we can draw down	j. Instead, we	]) would be prohibitively expensive.			
		to [ ] wire internally	had to [	Consequently, if we were unable to purchase			
l		at a huge cost savings. If we		4.75 mm wire rod, we would have to withdraw			
		use an outside drawer for [		from the [ ] inch wire market."			
		) wire, it costs us					
		roughly \$[ ] per ton (\$[ ]	Since we began to purchase				
		for shipping back and forth,	4.75 mm wire rod, we have been				***************************************
·		and \$[ ] for conversion	able to more efficiently utilize our				
		costs). In contrast, using 4.75	production equipment."				
		mm rod, it costs us only \${ }					1
1		to \$[ ] a ton to produce [					
<u> </u>		] wire internally."				······································	
2) Using 4.75	[	[ ]. President of	[	1.4.4.4			
mm wire rod	] stated:			] stated:			
enables		stated:	] stated:				
customers to	*{W}hen we start with 4.75 mm wire	<b>*</b>		*One advantage is that by starting with 4.75			
achieve physical	rod, which requires fewer	"4.75 mm wire rod allows us	*(U)sing 4.75 mm wire rod allows	mm wire rod, we get the physical properties			
characteristics	extrusions, we are able to [	to produce wire ranging from	us to produce wire at low tensile	we need in our wire product without [			
in finished		[ ]to[ ]inch and still	ranges required by our	). In fact, the only reason that 4.75			
products that	]. In addition, we are able	meet the customers' tensile	customers that purchase [ ]	mm wire rod was developed as a product was		'	
are not possible	to achieve a more accurate tensile	requirements (less than	inch wireUsing 4.75 mm wire	to increase [ ]. A more [			
with 5.5 mm	(hardness) in our finished product	[ ]PSI for [ ] inch	rod, we can produce low-gauge	y 34/n f			
wire rod:	when we use 4.75 mm rod. With	wire and less than [ ]	wire with less drawing, which	j. We [ I to determine the loss of f			
:	more extrusions, the tensile of the	PSI for [ ] inch wire). Even though we could, in	enables us to produce wire at the low tensile ranges required by	To determine and ross or f			
	wire increases, which means that the wire is more brittle and		certain customers."				
		practice, produce wire within	voicem customors.				
	susceptible to breakage. By using 4.75 mm and reducing the number	the same low gauge range using 5.5 mm wire rod, we					
		using 0.5 mm wire roa, we would not be able to meet the					
	of extrusions, the wire produced has		-				
	a lower tensile and is more pliable.	tensile requirements.					[
·	In turn, these more precise tensile	Consequently, we cannot use 5.5 mm wire rod as a	54 44 44				
	characteristics [	substitute for 4.75 mm rod in	*********				
	] and	1	******				
	extend tooling life."	our production of low-gauge wire."	****	1 R			
L		WIIE.	L	j			<u> </u>

# **PUBLIC VERSION**

BENEFIT OF	CUSTOMER STATEMENT					 <del></del>
USING 4.75 MM						
WIRE ROD  3) No heat	f	I F	[ ], COO of	[ ], President of [	·····	 
treatment	l stated:	L	j, coo di   stated:	[ ] stated:		
process is	) sidistic		1 100000	1 areina.		
required for 4.75	*The most important advantage of	1 stated:	"With 4.75 mm wire rod, we can	"Using 5.5 mm wire rod, we cannot produce		
mm wire rod	using 4.75 mm wire rod rather than	,	produce wire to the desired	[ ] inch to [ ] inch wire without		
used for certain	5.5 mm or larger wire rod is that	"With 4.75 mm wire rod, we	tensile range without having to	patenting Outsourcing for patenting is		
applications,	[ ] can draw the wire rod	can draw down to [ ] inch	anneal, further reducing our	expensive (freight plus patenting)With 4.75		
which	down further without having to	wire in a single step: one	production costs.*	mm wire rod, however, less reduction is		=
significantly	subject it to a heat treatment	pass through the draft		necessary to draw down to a [ ] inch to		
reduces	process (patenting for high carbon	machine. Conversely, to		[ ] inch wire. As a result, we are able to		
customers'	wire or annealing for low carbon	draw down to the same wire	:	produce wire in this range at the required tensile strength without the need for		
costs:	wire), which is used to restore the ductility of wires." The cost of	gauge using 5.5 mm wire rod, we would need to perform		palenting."		
:	palenting is identified as	three steps, which is more		paterning.		
:	approximately [ ] per ton.	costly. In the first run through				
	Further, this customer stated that	the draft machine, we could				
	4	draw 5.5 mm wire rod down to	•			
	•	[ ] inch wire. To draw				
; [		down to [ ] inch wire from				
,		that point we would need to				
: ,	<i>l</i> ."	perform heat treating and				
l ' '		then a second run through the draft machine. We estimate				
		that switching from 4.75 mm	<u> </u>			
· ·		to 5.5 mm wire rod would				
		Increase our costs to produce		<b>6</b>		
		[ ] inch wire by				
		approximately [ ]%."				

## **PUBLIC VERSION**

BENEFIT OF	CUSTOMER STATEMENT						
USING 4.75 MM	444141111111111111111111111111111111111						
WIRE ROD					,		
4) Using 4.75	•		[ ], President of	[ ], COO of [	Į.	[ [	[
mm wire rod achieves a	1 stated:	1	[ ] stated:	] stated:			ļ , <b>"</b>
manufacturing	I stateu.	stated:	"{B}ecause less dies are needed	"Using less dies enables us to consume less	,	į ,	stated:
cost savings	"{U}sing 4.75 mm wire rod lowers	piateu.	to reduce 4.75 mm wire red to	electricity (because we are running less	stated:	stated:	stateu.
because it	our energy costs as well as capital	"{W}e can identify advantages	the desired size, we can use less	blocks to pull the rod through the dies) end	J. 2000.	Juney.	"Usina 4.75 mm
requires the use	costs by better utilizing our	when we use 4.75 mm wire	motors (or blocks) in the drafting	less lubricant (which is used to cool the rod in	"The use of fewer	<del>"</del> [	wire rod instead
of fewer dies,	equipment. We have machines	rod on our [ ]	process, which allows us to save	each die). By using 4.75 mm wire rod we	electric motors		of 5.5 mm wire
uses less	[	drawing machine. On this	electricity. With 4.75 mm wire	also have been able to speed up production,	reduces our		rod is more
electricity and lubricant, and	]. With 4.75 mm wire rod, we	machine, we are able to	rod, we also have more options	and increase productivity."	electricity bilis*		efficient and
increases	don't have to use the [	reduce to [ ] in one pass using 4.75 mm wire rod. in	in selecting from among our [ ] drawing machines, which gives		and "{u}sing 4.75 mm rod also		saves on the cost of replacing dies
productivity:	]. If we used 5.5 mm	contrast, using 5.5 mm wire	us more flexibility in the		enables us to		as frequently as
	wire rod, we would have to include	rod we were only able to	scheduling of production and		speed up		well as the
	at least one additional drawing block		maintenance.*		production and		electricity and
	on some of our machines. In our	We are able to limit downtime			increase		lubricant required
	operation this could affect as many	and increase our output of			throughput, which		to operate the dies."
	as [ ] machines. This means that, by using 4.75 mm wire	small diameter wire using 4.75 mm wire rod. We also			results in cost savinas."		ales."
	rod rather than 5.5 mm wire rod, we	lower our electricity usage			श्रवसमाप्तिकः		-
	can drop [	and the need to replace our				I*	
1		dies as often with this				_	
ĺ		product(W)e have found					
	J	that there are advantages to					
:	[ ] can also result in a saving of [	using 4.75 mm wire rod to produce !					
	a saving of [	hioanca (					į
:	] needed.	į.					
1	,	We have [					
1		,					
1		1					
		When we used 5.5 mm wire					
1		rod on [ ] of these machines, [					
1		macranes, [				1	
Į .		pushed the wire rod to its					
1		physical limits and					
		experienced significant					
<b></b>		breakage When we started					<b>j</b>
		using 4.75 mm wire rod, we significantly reduced					
:		breakage of the wire and				1	
		increased our output."					
<u> </u>	<u> </u>	I and an ampan	I		L	<del></del>	ائــــــــــــــــــــــــــــــــــــ

### McDermott Will&Emery

Boston Brussels Chicago Düsseldorf Houston London Los Angeles Miami Milan Munich New York Orange County Rome San Diego Silicon Valley Washington, D.C. Strateoic ellience with MWE China Law Offices (Shanchail)

David J. Levine Attorney at Law dlevine@mwe.com +1 202 756 8153

March 25, 2011

#### PUBLIC DOCUMENT

Case Number A-201-830
Total Pages: 6
Scope Inquiry (4.75 mm wire rod)
Office of AD/CVD Operations

The Honorable Gary F. Locke Secretary of Commerce Attn: Import Administration, Room 1870 U.S. Department of Commerce 14th Street and Constitution Avenue, N.W. Washington, DC 20230

Attn: Melissa Skinner, Jolanta Lawska

Re: Carbon and Certain Alloy Steel Wire Rod from Mexico

Dear Mr. Secretary:

On behalf of Illinois Tool Works Inc. ("ITW"), a U.S. industrial user of subject merchandise, we hereby respond in opposition to the requests of domestic wire rod producers that the Department determine that 4.75 mm wire rod is within the scope of the above-referenced antidumping order or, in the alternative, modify the scope of the order to include such wire rod under the anticircumvention provisions of the antidumping statute.

ITW is a global industrial company that operates over 800 different businesses. Among these are ones that produce various steel fasteners for automotive, commercial, and industrial applications. To produce fasteners, ITW purchases steel wire rod, ranging in nominal size from

4.75 to 16.7 mm, and converts that rod into wire. As a major purchaser of wire rod, ITW is well positioned to bring to the Department's attention certain key facts:

- 4.75 mm gauge wire rod is not a variant of larger-diameter rod, but rather is separate and distinct from other gauge rod. After 4.75 mm, the next gauges are 5.5 and 6.5 mm rod. ITW continues to purchase 5.5 and 6.5 mm rod from domestic suppliers, as it has done historically.
- 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, to reach the same desired wire size. Consequently, by starting with 4.75 mm 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.
- In addition to reducing wire manufacturing cost, use of 4.75 mm rod enables ITW to achieve 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.
- ITW would be more than willing to purchase 4.75 mm wire rod from domestic producers if they produced this gauge, but they do not, nor have they offered to do so at any time since ITW began purchasing 4.75 mm wire rod in 2009. ITW understands and accepts that U.S. mills do not produce 4.75 mm wire rod because to do so they would need to invest in adding additional rolling stands to their mills and slow their production processes. Moreover, in ITW's experience, U.S. mills do not like producing small diameter wire rod, which is costlier to manufacture; most U.S. mills charge a premium even for 5.5 mm rod.

The Honorable Gary F. Locke March 25, 2011 Page 3

The domestic producers chose not to include 4.75 mm wire rod in the scope of their original petition. If they believe they are now being injured by allegedly dumped imports of this product, they should file a new antidumping case. ITW does not believe that its Mexican supplier is dumping, but stands ready to cooperate with the Department and the International Trade Commission if such a case is filed.

Please contact us if you have any questions about this matter.

Sincerely,

David J. Levine Raymond Paretzky

Counsel to Illinois Tool Works Inc.

WDC99 1997916-1,006642.0038

#### **COMPANY OFFICIAL CERTIFICATION**

I, Michael Lynch, Vice President, currently employed by Illinois Tool Works Inc. ("ITW"), certify that I prepared or otherwise supervised the preparation of the attached submission of ITW's March 25, 2011 comments pursuant to the 4.75 mm scope inquiry of the antidumping duty order on Carbon and Certain Alloy Steel Wire Rod from Mexico, Case Number A-201-830. I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the Department may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that I am filing a copy of this signed certification with this submission to the U.S. Department of Commerce and that I will retain the original for a five-year period commencing with the filing of this document. The original will be available for inspection by U.S. Department of Commerce officials.

Signature:

Michael Lyngh

Date:

24 MARCL 2011

#### LEGAL COUNSEL CERTIFICATION

I, David J. Levine, with McDermott Will & Emery LLP, counsel or representative to Illinois Tool Works Inc. ("ITW"), certify that I have read the attached submission of ITW's March 25, 2011 comments pursuant to the 4.75 mm scope inquiry of the antidumping duty order on Carbon and Certain Alloy Steel Wire Rod from Mexico, Case Number A-201-830. In my capacity as an adviser, counsel, preparer or reviewer of this submission, I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the AD/CVD proceeding, the Department may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that I am filing a copy of this signed certification with this submission to the U.S. Department of Commerce and that I will retain the original for a five-year period commencing with the filing of this document. The original will be available for inspection by U.S. Department of Commerce officials.

Signature:

David J. Levine

Date:

# PUBLIC CERTIFICATE OF SERVICE Carbon and Certain Alloy Steel Wire Rod from Mexico Scope Inquiry

I hereby certify that on this 25th day of March, 2011, I caused copies of the annexed submission to be served on the following parties by first-class mail, postage prepaid.

Daniel B. Pickard, Esq. Wiley Rein LLP 1776 K Street, N.W. Washington, D.C. 20006

R. Alan Luberda, Esq. Kelley Drye & Warren LLP 3050 K Street, N.W. Washington, D.C. 20007-5108

David E. Bond, Esq. White & Case LLP 701 13th Street, N.W. Washington, D.C. 20005-3807

David J. Levine

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Scope Inquiry (4.75 mm wire rod)

I. My name is [	]. I am	the Chief Ope	erating Officer	for [	
], which is located in [		].	Founded in [	], [	] used
to manufacture [				].	Today, we
nanufacture [		] operations.	I have held n	ny curre	nt position
with [ ] for [ ] years, a	nd have worked	l in the wire inc	dustry since [	1.	

Statement of [

- 2. Steel wire rod is the raw material used in the manufacture of wire. The rod is reduced or drawn to the desired wire size by pulling the rod through a series of dies in a draft machine. Our draft machine has [ ] dies, each of which reduces the rod by approximately [ ]%. For each die, there is a spinning block (or motor) that pulls the rod through the die. Drafting is a cold-forming process.
- 3. Wire rod is offered in a range of standard, nominal sizes. We used to buy 5.5 mm wire rod exclusively, but switched to 4.75 mm wire rod supplied by Deacero after our previous supplier, [ ], shut down its [ ] plant. There are no wire rod sizes in between 4.75 mm and 5.5 mm.
- 4. Today, we consider Deacero's 4.75 mm wire rod to be a critical raw material for our business. The product has enabled us to achieve significant savings in cost and enhance our competitiveness. With 4.75 mm rod, it takes us one less draft (or die) to reduce to the same wire gauges that we previously produced using 5.5 mm wire. Using less dies enables us to consume less electricity (because we are running less blocks to pull the rod through the dies) and less lubricant (which is used to cool the rod in each die). By using 4.75 mm wire rod we have also been able to speed up production, and increase productivity.
- 5. In addition, using 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.
- 6. For the reasons described above, I estimate that using 4.75 mm rod instead of 5.5 mm rod reduces our production costs by approximately [ ]%.

7.	We also have expanded capability with 4.75 mm rod. Using our four-hole draft machine,
we can	reduce 5.5 mm rod down to a [ ]-gauge wire ([ ] inch) and 4.75 mm wire rod down
to a [	]-gauge wire ([ ] inch). Thus, we can produce lower gauge wire using 4.75 mm rod.
At the	present time, we do not sell the lower gauge wire because our traditional business has
been st	rong, and we do not have the extra capacity. However, it is nice to know that, with 4.75
mm wi	re rod, we have the capability to expand to the lower-gauge market if husiness conditions
change.	. Consumers of low-gauge wire include merchant wire manufacturers, the hay baling
industr	y, and the construction industry.

8.	I declare	under the	e penalty	of perjury	that the	foregoing is	true an	d correct t	to the	best of	of
	owledge.										

[		
[	]	

Dated: March 7, 2011

Executed in [

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

#### Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Anti-Circumvention Inquity

		Statement of [	1		
l. of [	My name is [	]. I am the [	], and [ ] located in [		<b>].</b>
Previ	ously, I was employed a ] as a [	] in [ ].	T so stated at the	] for [	1.
2. E	[ ] sells ]. We have [	wire rod in nominal o	cross-sectional di	ameters of 4.7	75 mm up to
3. [	We purchase 4,75 mm ]. At that time, several	= = = = = = = = = = = = = = = = = = = =	Deacero, and bega		this product in I. [
	1. In:	addition, we explained this [	i the benefits of the product.	his product to	several [
4.	When I was [				
			].		
wire rathe with canner and diam	From [ fits of using 4.75 mm wired down to fine wire size than 5.5 mm or larger to the having to subject it to aling for low carbon wire meter of 5.5 mm must ure ters of wire. In contrast cost of patenting is appropriate to the subject of the sub	res. The most important vire rod is that [ o a heat treatment prod e), which is used to re- idergo this heating prod, 4.75 mm wire rod c	ant advantage of a can draw the cass (patenting for store the ductility occass in order to a can be drawn direction. [	using 4.75 mr te wire rod do r high carbon of wires. W draw down to	ying to draw n wire rod own further wire or ire rod that has these very fine

].

associated with tooli Using 5.5 mm were r more heat. This add replaced sooner. The each die uses an elec-	rantage to using 4.75 mm wire rod relates to the costs and efficiencies ing and utilities. Drawing down wire rod generates heat and requires energy, od rather than 4.75 mm wire rod requires more drawing, thereby generating itional heat, in turn, wears out the dies more quickly and requires them to be additional drawing also requires more electricity and lubricant because tric motor. Using 4.75 mm wire rod instead of 5.5 mm wire rod is more in the cost of replacing dies as frequently as well as the electricity and operate the dies.
However, [	] are unable to obtain 4.75 mm wire rod from U.S. wire rod producers.
]. Our under	standing is that [
8. I declare und my knowledge:	er the penalty of perjury that the foregoing is true and correct to the best of
Dated: July 5, 2011	
Executed in [	

The U.S. International Trade Commission
Inv. Nos. 701-TA-417 and 731-TA-953, 957-959, 961, and 962
Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine

	Statement of	[	J		
1. My name is [	]. I am t	he [	], and [		,
], of [ Previously, I was employed at ].	at[]in[	] for [	] located in [	] as a [	Process 4
<ol> <li>We purchase 4.75 m</li> <li>At that time, severa</li> </ol>		from Deacero,	and began to purcl	hase this prod	luct in
]. In		plained the ben ] this product.	efits of this produc	ct to several (	-
3. As of today we have therefore lost the sales of the customers about the return cable to offer this to you again again, [ ] tells using the 4.75 and would refrom other suppliers and he	is business at of 4.75 to the mar in but no promise me that he used ally like to procu	We often ket. Our reply les. In my last vi way less tooling re it again. I asl	n have conversation has been hopefully sit to gand had way less ked him if he was	ons with these y soon we wi we spok s wire breaks able to purch	e Il be te of it while
4. I declare that the for	egoing is true and	d correct to the	best of my knowle	edge.	
			[	111000.41.4111.110.4111.77 <u></u>	
Dated: April 03, 2014					
Executed in [	The state of the s				

The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Scope Inquiry (4.75 mm wire rod)

]

Statement of [

1.	My name is [	]. I am the President of [	], a wire
prodi	acer located in [	]. I have worked in the wire industry for [ ] y	
inclu all of We p	ding nails, shopping e the company's operat	Il steel wire to companies that manufacture a wide rarearts, refrigeration grills, and display shelves. As Prestions, including the purchase of hot-rolled wire rod, our domestic and international sources, including 4.75 mm acero.").	ident, I oversee r primary input.
stand has t mm.	ard nominal sizes. For seen 5.5 mm (or 7/32. To my knowledge, the	y drawing steel wire rod through a hole in a die. Winder over 30 years, the most common size for industrial a inch) in cross-sectional diameter. The smallest nominare are no nominal sizes sold in between 4.75 mm and ountered 5.00 mm wire rod in the marketplace.	quality wire rod nal size is 4.75
scope rod i [ rod, v draw dowr rod i Altho [ would rod, v	e of the antidumping design important material holes, which means we can draw down to down any further, the to [ ] inch in [ from Deacero has emplied theoretically we design inch wire using 5.5 d be prohibitively expose would have to with	that U.S. producers are seeking to include 4.75 mm buty order on wire rod from Mexico. For our business ial input for which there are no substitutes. Our draw we can draw down wire rod in [ ] passes. Using a linch wire, but that is the lower limit. If we we esteel would fracture. With 4.75 mm wire rod, we are lipasses without material fracture. Our purchase of the lipasses without material fracture. Our custome the lipasses were unable to purchase draw from the lipasses without market. Our custome ture a variety of different finished wire products, included.	4.75 mm wire at machine has ag 5.5 mm wire re to attempt to re able to draw f 4.75 mm wire have market. It draw down to the target of target of the target of
wire highe at the	rod. For example, usi or gauge) with the tensi or required tensile stren	we do not consider 4.75 mm wire rod to be a substitting 4.75 mm wire rod we are unable to produce [ ile strength required by our customers. To produce highly, we need to use 5.5 mm wire rod. Consequently, ce any of the wire sizes we produce using 5.5 mm wire	] inch wire (or ther gauge wire we cannot use

6. I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: <u>Z</u>, 2011

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Anti-Circumvention Inquiry

		Statem	ent of [	]	
1.	My name is [	]. I am t		oany located in [	Service
I have	worked at [		] for 2g year		·j•
2.	[ ] pro	duces and sells wire	and wire products	to customers for [ ] To produce these pro-	ducts, we
-		th nominal, cross sec mm wire rod only fro			]. We
3.	We began buy	ying 4.75 mm wire ro	d from Deacero in	n [ ]. [ ]. Instead, we q	uickly
	_	luct had distinct adva elencies than 5.5 mm		e could use this product	differently
wire ro We are	ng machine. O od. In contrast e able to limit o od. We also lo	n this machine, we as , using 5.5 mm wire s lowntime and increas	e able to reduce to od we were only a se our output of sn		in one pass. 4.75 mm
5. [	Also, we have	e found that there are	advantages to usi	ng 4.75 mm wire rod to p	ive [
wire ro wire d the wi a resul When	od to its physic uring drawing, re on the drawing, t, this stage we we started using sed our output.	the wire can sever in ing machine, weld thould sometimes creating 4.75 mm wire rod	the middle of the e ends together, and a a bottleneck in o we significantly in ages, we currently	reakage. Due to the stress process. This forces us ad re-setup the drawing m	ished the s put on the to untangle nachine. As ]. wire and
6. intercl				rire rods are not always are wire for certain applic	ations due

to me [	] พะน	isc a [	
	]. [	] uses	aſ
]	When we are producing [	] wire for [	•
***	] we cannot use 4.75 mm wi		. ſ
		Using our [	, r
	1.	] for two reason	ns. First, the [
	] Also, the [		
			]
7. We find [			
	]		
8. I declare un my knowledge.	der the penalty of perjury that the	he foregoing is true and cor	rrect to the best of
Dated: July 18, 201	11		
Executed in [	1		

Before:
The U.S. Department of Commerce
International Trade Administration
Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Anti-Circumvention Inquiry

		Statemen	totf	J.	•
ĺ.	My name is [	L Iam the [		] of [	
Î,	],;	]. I have served as [			] since [
2.	[ The [	] that we produce inc	hide [		
recen	], we buy stee t periods we have	L. We have none	minal, cross se ised 4.75 mm I win	wire rod or	J. To manufacture om meters: [ ily from Deaccre, and in y from U.S. red mills.
1	We began purch ]. Sinc ]. We w	œ ľ	S mun wire roo	I.C.	] from Descero in
			Į,		
Purchi Idvan	ising and using 4.	out is request in 1922 veraff machine. For our 1931 man wire roderather stations in the manufactures in the manufac	men it is puite product lines, Mon udea m. i	d through a their are si	wire through an series of dies powered gnificant advantages to ameters. These oduction of a better
s. Sgulfi	women of the part a tribit.	om wire rod in the pro By starting with 4.75 ; r dies to draw down th	min with this	ather than	n applications results in argor dimneters, [ size, In contrast to [
ewer P pro	destric motors red litetion and increa	uces our electricity bil se throughput, which r	ls. Using 4.75 esults in cost:	mu rod a sovings. In	]: The use of so instiles us to speed addition; [
	I Conseque	ndly, belöng we wene a		ostead, we	had to [

vilizo ou	. Since we r production	began to purchase 4.7 equipment.	5 mm wire cod, we have been able t	o more efficiently
higher que with supe more like fewer ext we are ab 4.75 mm is more be extrusion tensile ch	ality wire wind of physical ly to occur, rusions, we release to achieve red. With a chile and sus a the wire prancionalics	ten we start with 4.75 characteristics. First in our experience, where able to [ a more accurate tensing extrusions, the tension properties to breakage, reduced has a lower to [	to using 4.75 mm wire rod. We are mm rod, which in turn results in a f, when more extrusions are performed with 4.75 mm wire rod, ile (hardness) in our finished production of the wire increases, which make using 4.75 mm and reducing the maile and is more pliable. In turn, the land extend to	inished product ed, a defect is: which requires  J. In addition, it when we use sans that the wire mumber of hese more precise soling life.
i d	ue to the adv	antages of 4.75 mm v	vire rod that I have identified above	ì
Ĵ				
8. I	declare unde ledge.	r the penalty of perior	y that the foregoing is true and com	ect to the best of
4 .			r	•
Datedi J	My12:2011	Γ	L	1.7
	•			
				ا

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Scope Inquiry (4.75 mm wire rod)

Statement of [
1. My name is [ ]. I am the Scheduler and Steel Purchaser for [ ]. We namufacture [ ] for automotive, housing, and defense applications. I have held my current position with [ ] for 20 years, and have worked for the company since [ ].
As Steel Purchaser, I oversee our company's purchase of steel wire rod, the raw material used in the production of steel wire. We purchase steel wire rod in nominal, cross-sectional diameters ranging from 4.75 mm to 9.5 mm. After 4.75 mm wire rod, the next highest nominal size is 5.5 mm (which is equivalent to 7/32 inch). In all my years of purchasing wire rod, have not encountered an offer for wire rod in a nominal size of 5.0 mm.
3. We first purchased 4.75 mm wire rod from Ivaco, a Canadian wire rod manufacturer, in July 2003. A copy of our purchase order is attached to this statement. Ivaco still offers 4.75 mm wire rod today, but they generally charge an additional [ ] per pound more for 4.75 mm than they charge for 5.5 mm, and they require a minimum tonnage (ar least [ ] tons). Most wire rod manufacturers do not produce 4.75 mm wire rod because it is significantly more costly to do so. By producing larger diameter wire rod, they can produce more tons per hour, spreading their costs over a larger output.
4. We currently use 4.75 mm wire rod to produce spring wire for customers that make [
These customers require low-gauge wire, ranging from [ ] inch to [ ] inch, for these applications. Without 4.75 mm wire rod, it would be too costly for us to produce spring wire for these applications and we would lose the business.
Wire rod is converted to finished wire of the desired size by passing the rod through a series of dies in a draft machine. With 4.75 mm wire rod, we can draw down to [ ] inch wire in a single step: one pass through the draft machine. Conversely, to draw down to the same wire gauge using 5.5 mm wire rod, we would need to perform three steps, which is more costly. In the first run through the draft machine, we could draw 5.5 mm wire rod down to [ ] inch wire. To draw down to [ ] inch wire from that point we would need to perform heat treating and then a second run through the draft machine. We estimate that switching from 4.75 mm to 5.5 mm wire rod would increase our costs to produce [ ] inch wire by approximately [ ]%.  6. In addition to the significant cost savings, using 4.75 mm wire rod allows us to produce wire at the low tensile ranges required by our customers that purchase [ ] inch to [ ] inch wire.

Tensile strength is a critical characteristic for wire. With excessive drawing, the tensile strength (or hardness) of the wire becomes too high, and the wire will become brittle and break. Using 4.75 mm wire rod, we can produce low-gauge wire with less drawing, which enables us to produce wire at the low tensile ranges required by certain customers.

7. I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: MARCA 8, 2011

The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Scope Inquiry (4.75 mm wire rod)

	Statement of [	1	
1. My name is [ operation located in [ company wes founded in [	]. I am the Presid ]. I have served as	ave worked for	
<ol> <li>We have [ ] drawing n draw intermediate wires down to to end users thet use wire in [ perform eny heat treetment on s</li> </ol>	o smaller diameters.		rom steel wire rod and to ]. We supply wire ]. We do not
<ol> <li>We purchese wire rod in not aware of any sizes between not offer wire rod in sizes below rolling stands necessary to prod</li> </ol>	en 4.75 mm and 5.5 m v 5.5 mm. It is my ⊔n	nm. To my know darstanding that I	
4. We buy 4.75 mm wire enabled us to expand our bus Sacond, 4.75 mm rod helps us	siness into the produ	ction of [ ] i	First, 4.75 mm rod has inch to [ ] inch wire
patanting. Patenting is a heat back to that of e rod. As when is elongated, and ite molecular and has a propanaity to break so that it has a lower tensile s (nor do we went this capability need to hire an outside comparthe same position of lacking texpensive (freight plus patentinour costs would be too high a	treatment process the rod is drawn down to a structure changes. V. Patenting is then nestrength. Beceuse we because it involves he ny to do it. (It is my unthe capability to patering). Consequently, if	of restores the most as smeller diameter of the work o	or to produce wire, the room, the wire becomes brittle to the molecular structure enting capability in-house a such es lead), we would many wire drawere are introducing for petenting is to uaing 5.5 mm wire rode for wire business in the
6. With 4.75 mm wire rod, inch to [ ] inch wire. As a tensile strength without the nethe elimination of patenting at expand our business, selling to ].	result, we are able to ed for patenting. Bec re significant, the use	produce wire in euse the cost ea of 4.75 mm wir	this ranga at the required vings we achieve through re rod hes enabled us to

7. Although we cannot substitute 5.5 mm wire roo to in the [ ] inch to [ ] inch diemeter range, we do wire in tha [ ] inch to [ ] inch diameter range however, 4.75 mm rod offers advantages. In particular, 4.75 mm rod to the desired size, we can use less mot which ellows us to save electricity. With 4.75 mm rod, from among our [ ] drawing machines, which gives	o use both types of rod when producing the depending on availability. Here, too, because less dies ere needed to reduce tors (or blocks) in the drafting process, we also have more options in selecting
production and meintenance.	
8. I declere under the penalty of perjury that the for my knowledge.	regoing is true and correct to tha best o
	Į.
Deted: 3-/5, 2011	
Exercited in (	

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Scope Inquiry (4.75 mm wire rod)

Statement of [ ]
1. My name is [ ]. I am President of [ ], a company headquartered in [ ]. I have served as [ ] President since [ ], and have worked in the wire industry since [ ].
2. At our production facility in [ ], we manufacture galvanized wire for a variety of applications, such as industrial, mining, and fencing. For this purpose, we purchase steel wire rod in nominal sizes ranging from 4.75 mm up to 9.5 mm (or 23/64 inch).
3. We started purchasing 4.75 mm wire rod from Deacero S.A. de C.V. ("Deacero") in 2010 because it enabled us to expand into the production of low-gauge / low tensile wire. After 4.75 mm, the next highest size wire rod is 5.5 mm, but we were not able meet the low tensile values required by our customers for low-gauge wire using this size. This is because the tensile (or hardness) increases as wire rod is reduced in cross sectional area. With 4.75 mm wire rod, we are able to produce smaller gauge wire using less reductions (or less drawing), which allows us to produce the wire to the required tensile levels. Conversely, because 5.5 mm rod requires more reduction, we are not able to achieve the required tensile levels with this size rod.
4. Specifically, 4.75 mm wire rod allows us to produce wire ranging from [ ] to [ ] inch and still meet the customers' tensile requirements (less than [ ] PSI for [ ] inch wire and less than [ ] PSI for [ ] inch wire). Even though we could, in practice, produce wire within the same low gauge range using 5.5 mm wire rod, we would not be able to meet the tensile requirements. Consequently, we cannot use 5.5 mm wire rod as a substitute for 4.75 mm rod in our production of low-gauge wire.
5. I estimate that, through the production of low-gauge wire using 4.75 mm wire rod, we have expanded our business by roughly [ ]%. We were unable to compete with our competitors (a few who are local producers and many more who import low-gauge wire from Mexico, Israel, and South Africa) for low-gauge wire business until we began using 4.75 mm rod.
6. U.S. rod mills do not have the capability to manufacture 4.75 mm wire rod. In this regard, I recall having discussions with representatives from [ ], who informed

me that they cannot produce 4.75 mm without substantial investments to upgrade their mills. However, Ivaco, a Canadian producer, offers 4.75 mm wire rod.

8. I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: March 6, 2011

Executed in [

The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Anti-Circumvention Inquiry Statement of [ I am the l of My name is I. I have worked at [ located in [ I vents, and have been in the wire business since produces and sells [ I in the [ produce these products, we buy steel wire rod with nominal, cross sectional diameters from [ | We began buying 4.75 We currently purchase 4.75 mm wire rod [ mm wire not from Deacero in [ ]. In the past, we [ I: We also have [ This product also became difficult to secure from ( believe there is a good reason that [ ]. Based on our experience, this product has clear benefits for customers. For us, 4.75 mms wife red has two significant advantages over 5.5 mm wife rod. One advantage is that by starting with 4.75 mm wire rod, we get the physical properties we need in ]. In fact, the only reason that 4.75 mm wire rod was our wire product without [ I. A more [ developed as a product was to increase to determine the loss of f Another significant advantage for us is that using 4.75 mm were rod lowers our energy costs as well as capital costs by better utilizing our equipment. We have machines [ 1. With 4.75 mm wire rod, we don't have to use the

I. If we used 5.5 mm wire rod, we would have to include	ett.
least one additional drawing block on some of our machines. In our operation this could affe as many as [ ] machines. This means that, by using 4.75 mm wire rod rather than 5	
fain wire rod, we can drop [  Jean also result in a saving of [	
needed. I believe that it more wire rod producers made 4.75 mm wire instead of 5.5 mm wire rod, it would be a [	
It is my view and miderstanding from the [	
6. The only disadvantage that I see with 4.75 mm wire rad is that it is a fairly small diameter wire rad. With rad of that diameter we can experience those [	
I than with 5.5 mm or larger sizes of wire rod.  7 C	
1 x x x x x x x x x x x x x x x x x x x	
8. I declare under the penalty of perjury that the foregoing is true and correct to the best my knowledge.	1
Dated: July 1/2 2011	

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Scope Inquiry (4.75 mm wire rod)

Statement of [

I. My name is [ ]. I am the President and co-owner of [ ], which is located in [ ]. Founded in [ ], [ ] manufactures [ ]. I first joined [ ] in [ ], and have worked in the wire industry since [ ].
<ol> <li>Steel wire rod is the raw material that we consume to produce [         ]. We purchase wire rod in nominal sizes ranging from 4.75 mm to 12.7 mm. After 4.75 mm rod, the next highest nominal size is 5.5 mm.</li> </ol>
3. Since the 1970s, U.S. wire rod producers have talked about making steel wire rod lighter than 7/32 inch (the equivalent to 5.5 mm), but, to my knowledge, none has followed through and done so. The U.S. producers prefer to make the heavier sizes, so that they can increase their output and save costs per ton.
4. We purchase 4.75 mm wire rod from Deacero, and consider it to be a very important material input for our business. In particular, Deacero's 4.75 mm rod has enabled us to expand into the production of [ ], which has been very profitable for us.
5. Wire rod is drawn or elongated into the wire of the desired size as it passes through a series of holes (or dies) in a drawing machine. Using our [ ] drawing machine, we cannot draw 5.5 mm wire rod down to [ ] wire. Consequently, before we began purchasing 4.75 mm rod, [
]. With 4.75 mm wire rod, we can draw down to [ ] wire internally — at a huge cost savings. If we use an outside drawer for [ ] wire, it costs us roughly \$[ ] per ton (\$[ ] for shipping hack and forth, and \$[ ] for conversion costs). In contrast, using 4.75 mm rod, it costs us only \$[ ] to \$[ ] a ton to produce [ ] wire internally.
6. Although most of our business is in [ ] ([ ] inch) and heavier wire – for which we use larger diameter wire rod – we have [ ] on the sale of [ ] wire. We therefore consider 4.75 mm wire rod to be a very important material input for our business.

7. Another benefit of using 4.75 mm wire rod is that it allows us to easily achieve the
required tensile level. [ ] specifications require a minimum tensile level of 75,000 psi
(pounds per square inch). If the wire rod is reduced too much, the wire at the end of the process
will be brittle and have too much tensile strength. We do not have this problem using 4.75 mm
wire rod because less reduction is required to draw down to the lower wire gauge. With 4.75
mm rod we are able to meet the tensile specifications for mesh wire without difficulty.

- 8. While we cannot use 5.5 mm wire rod in the same application for which we use 4.75 mm rod ([ ]), we also cannot use 4.75 mm rod as a substitute for 5.5 mm rod where the required diameters of the wires are larger than 4.75 mm rod can provide in terms of size and tensile strength. We use 5.5 mm wire rod to make cross wires.
- 9. I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Ī		
<u> </u>	*	
· ·		

Dated: May 8, 2011

Executed in [

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Anti-Circumvention Inquiry

		Statement of [		]		
	My name is [	]. I am th ]. I have		of [ nis capacity for [ ]	years, and v	vas
2. these [ [ make [ [ ]	]. W	ces and sells [ using steel wire rod currently purchase l. We have been buy	4.75 mm wire	rod [	] most	n
3. for our	_	here are two advanta	ges to buying	and using 4.75 m	m wire rod.	First,
	]. Second, [					
			]			
a wire	to tensile strength. than wire rod because	to be aware of when for the control of the control	J. The 4.7 an make it mo	5 mm wire also b	ehaves more	] is like
5.	Į j					
6. my kno	I declare under the owledge.	penalty of perjury tha	nt the foregoin	ng is true and corr	ect to the bes	st of
				[		]
Dated:	July 24, 2011 ted in [	]				

# EXHIBIT 6

# IVACO ROLLING MILLS

A HEICO COMPANY

SAFETY & HEALTH

TEAMWORK

QUALITY

**ENVIRONMENT** 

**CONTACT US** 

- Rolling Schedule
- Products
- · Customer Service
- Scrap Pricing
- Shipping and Processing
- Ferms & Conditions
- Certifications
- Mission Statement
- Supplier Login
- Customer Login

### Ivaco Rolling Mills

lvaco Rolling Mills is a world class producer of steet billets and hot rolled wire rod. Our facilities are located on the banks of the Ottawa River in L'Orignat, Ontario between Montreal and Ottawa, two major Canadian cities. The Company was established in the early 1970's and was acquired by Heico Holdings Inc. in 2004, Ivaco Rolling Milts is decicated to supplying high quality products to both the domestic and international markets.



Annual wire rod capacity of 850,000 tons

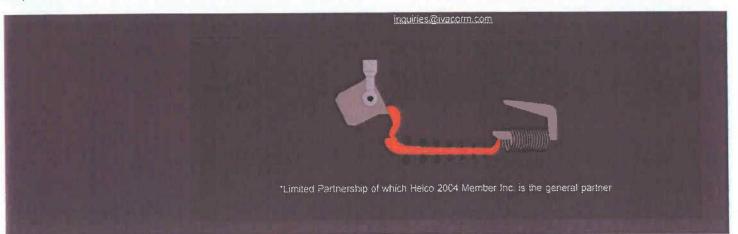
Wire rod diameters from 4.75mm to 25.5mm

Annual steet billet capacity of 460,000 tons

Workforce of 425 dedicated employees

Ivaco Rolling Mills is driven by our mission to impress our customers with the quality, dependability and performance of our products and service. As needs are identified in the marketplace, programs are initiated to develop products, processes, equipment and services to meet these requirements.

Ivaco Rolling Mills
P.O. Box 322, L'Orignal, Ontario, Canada K0B 1K0
(613) 675-4671
(800) 463-7637 (RODS)



# **IVACO ROLLING MILLS**

#### A HEICO COMPANY

SAFETY & HEALTH

**TEAMWORK** 

QUALITY

**ENVIRONMENT** 

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- Customer Login

#### **Products**

Ivaco Rolling Mills offers a wide variety of not rolled wire rod and continuous cast billets. Our products are engineered to endure the most demanding applications in the industry, and are clearly recognized for their high quality and reliability. The dynamic relationship between our rod mill and steel plant has been instrumental in perfecting product performance.





#### Rod Mill

With an annual capacity of approximately 850,000 tons, Ivaco Rolling Mills produces a wide variety of grades of which over 80% are destined for sophisticated high carbon, cold heading and weld applications. Supported by both EAF (electric arc furnace) and BOF (basic oxygen furnace) sourced billets, we are well positioned to satisfy the evolving needs of our customers. Reducing - sizing mills on both strands provide exceptional size control, tensile uniformity and mechanical descalability ensuring optimal quality.

Our current grade & size matrix is illustrated in the guidelines below, however traco Rolling Milts remains committed to developing new products in conjunction with customer needs.

Diameter Range: 4.75mm to 25.5mm - Please see our rolling schedule.

Diameter Tolerances: AISI - Half Tolerance may be available upon request.

Mechanical Procerties: We produce to ASTM Standards and/or customer specifications.

Scale: Surface scale suitable for either chemical or

mechanical descaling.

Grain Types: Sillcon-killed coarse grain (SKCG). Aluminum-killed fine grain

(AKFG), Aluminum or Vanadium treated grain refined (SKFG),

#### **Grades**

Carbon Grades 1006-1095 Alloy Grades 1300 Series 1500 Series 4000 Series 5000 Series 5100 Series 6000 Series 8600 Series 8000 Series 10818-10830

#### Qualities

Cold Heading Cold Rolling Cold Finishing High Carbon Welding Flating Deep Drawing Wool Wire Industrial Coiled Rebar

#### Coil Parameters

Nominal Coil Weight	(Inside Olam)	OD (Outside Gazin)	Length (Diam<12 (imm)	Length (Duta>12 (Lom)
3000 lbs	37*	48"	-38"	-38*
3350 lbs	37"	48"	~46"	-43°
3950 166	37"	48"	~50"	~48°
4200 lbs	37"	48"	-54"	~52"
8000 lbs	37"	48"	~72*	~73*

#### Steet Mill

The EAF (electric arc furnace) supplies the rod mill with over 50% of its annual billet consumption. The four strand, 75 ton heat casting capacity allows for added flexibility in producing a wide variety of customized grades. Recent upgrades to the steel plant have led to significant improvements in both efficiency and productivity, while improving our reputable quality. Our certified metallurgical laboratory was the first steelmaking facility in the world to be registered by NNLAP in accordance to the Fastener Quality Act.



trace Rolling Mills has established a dynamic, flexible framework for the on-going evolution of our product lines. The integration of sew technologies accompanied by an innovative and determined workforce will be instrumental in attaining continued growth.

### IVACO ROLLING MILLS

SAFETY & HEALTH

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**ENVIRONMENT** 

**CONTACT US** 

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- Terms & Conditions
- Certifications
- Mission Statement
- Supplier Login
- Customer Login 6



ng Mills Railin	

	WEITHWEST	irs/Decimal (Fractional		
475 mm 18751 316	550 nm 216 732	6.00 mm 234 " 15/54	650.0m; 256 * 1/4	7.00 mm 2/6 9/2
May 30 - 20F	May 7 - 17E	May 4 - 17D	May 3 - 17C	May 1 - 178
Jun 24 = 22J	May 23 · 20E	May 27 - 200	May 27 - 20C	May 26 · 208
Jul 21 - 25K	Jun 23 - 221	Jun 14 - 22H	Jun 14 - 22G	Jun 12 - 22F
Aug 18 - 27J	Jul 5 - 23P	Jul 2 - 230	Jul 2 - 23N	Jun 30 - 23M
	Jul 20 - 25J	Jul 18 - 251	Jul 18 · 25H	Jul 16 - 25G
	Aug 17 - 271	Aug 15 - 2714	Aug 15 - 27G	Aug 14 - 27F
750 mm 27 * 1964	800 mm 315 '515	8.30 mm 328 21/64	850 mm 335 * 11632	900 nm 354 12354
Apr 30 - 17A	May 25 - 198	May 17 - 19D	May 16 - 19C	May 15 - 198
May 25 · 20A	Jun 9 - 22D	Jul 14 · 25D	Jun 8 - 22C	Jun 8 - 228
Jun 11 - 225	Jul 15 - 25E		Jul 14 - 25C	Jul 13 - 25B
Jun 30 - 231.	Aug 13 - 27D		Aug 12 - 27C	Aug 11 - 27B
Jul 16 - 25F				
Aug 13 - 275				
9.50 mm 3/4* 3/8	1000 mm 394 * 2554	1030 mm 466 " 1362	10.50 mm 414 1 13/32	11:00 mm 430 * 7/16
May 15 - 19A	May 13 - 18J	May 13 - 181	May 12 - 18H	May 12 - 18G
Jun 7 - 22A	Jun 6 - 21M	Jul 11 - 241	Jun 5 - 21L	Jun 5 - 21K
Jul 13 - 25A	Jul 12 - 24J		Jul 11 - 24H	Jul 10 - 24G
Aug 11= 27A	Aug 10 - 26M		Aug 9 - 26L	Aug 9 - 26K
1).50cm.453.12054	1200 mm 472 1502	12.50 mm 493 * 31/64	13:00 mm 312:3354	13.50 mg; 531 17.52
11ay 10 - 13F	May 11 18E	May 10 - 180	May 9 - 19C	May 8 188
Jul 9 - 24F	Jun 4 - 21J	Jun 4 = 21)	Jun 3 - 21H	Jun 2 21G
	Jul G - 24E	G45 - 8 IuL	Jul 7 - 24C	Jul 6 - 24B
	Aug 3 - 25J	Aug 7 - 281	Aug 6 · 26H	Jul 24 - 26G
	1470 mm 578 13754	15.00 mm .593 19/32	15.90 mm 625 598	1650 mm 850 * 21,52
May 3 - 16A	Apr 30 - 16M	Apr 29 - 16L	Jun 1 - 21P	Apr 29 - 16K
Jun 1 - 21F	Jun 29 - 23K	Jun 1 - 21E	Jun 28 - 23S	May 31 - 21D
JU 5 - 24A	201. 20 25.1	Jun 28 - 23J	041120 200	Jun 28 - 231
Jul 23 - 26F		Jul 23 - 28E		Jul 22 · 250
VOI 4.5 201		021 20 252		Aug 21 28J
17.50 mm 689 " 11/16	1825 mm 718 " Z352	19.00 mm 758 14954	2025 mm 757 "5184	21.00 mm 828 153-64
Apr 24 - 163	Apr 28 - 161	Apr 27 - 16A	lmr 25 -160	
May 31 - 21C	May 30 - 21B	Jun 25 - 23A	Apr 25 - 16B	Apr 27 - 16H
Jun 28 - 23H	Jul 22 - 26B	Jul 21 - 28A	May 30 - 20L	Jun 27 - 23G
Juli 22 - 25C	Aug 20 - 28H		Jun 25 - 23B	Aug 20 - 28G
AUG 21 - 251	ACG 20 - 2019	Aug 19 - 27K	Aug 19 - 288	
				1
21.50 mm 844 27.72	23 00 pm 500 2502		25.5 mm 1.00 ** 1/1	
Apr 28 - 16G	Apr 26 - 16E	Apr 25 - 160	Jun 25 - 23C	
Jun 27 - 23F	Jun 27 - 23E	Jun 25 - 23D	Aug 19 - 28C	E STREET
Aug 20 - 28F	Aug 20 - 288	Aug 19 - 28D		
3HWM#MHIPH	The second second			A

Rulling dates are approximate and indicate the planned and of folling Delivery could be up to two weeks after the actual rating.

4.15 mm requires minimum of 750 tons to justify rolling.

# EXHIBIT 7

#### Before:

#### The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

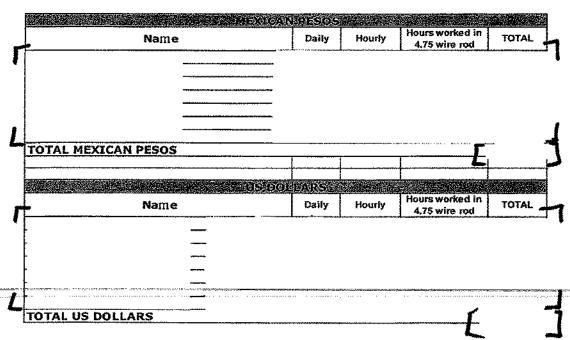
Carbon and Certain Alloy Steel Wire Rod from Mexico
Case No. A-201-830
Anti-Circumvention Inquiry

-

1.	My name is [	]. I am the [
	], and I have	held this position for [ ] years. I was responsible for overseeing the
ргојес	xt in [	to develop and perfect the production of 4.75 mm wire rod at Celaya.
Since	the developmen	t phase, I have been responsible for overseeing Celaya's production of 4.75
222 223	rive rod	· · · · · · · · · · · · · · · · · · ·

- 2. It took us many months to develop the capability to produce 4.75 mm wire rod that met our customers' specifications in a cost-effective way. While the difference in the diameter of a 4.75 mm rod and a 5.5 mm rod seems small, we incurred significant time and expense learning to produce and ship the product.
- 3. One of most important components of the costs incurred learning to produce 4.75 mm rod was the labor cost. [

]. In the ordinary course of business, we do not track labor costs to specific projects because the people involved are dedicated to producing new products and improving production. Based on my participation overseeing the project, I estimate that the labor costs for the project were as follows:



4. We have made the following expenditures for the production of 4.75 mm wire rod since the start of the project through the present date:



Finally, we had to conduct trials of 4.75 mm wire rod. I estimate that we had to run I tons as part of the testing process.

bours c	While we were working on producing 4.75 mm wire rod, the rolling mill could not be to produce other products. I estimated that the mill was down for approximately [ ] a during the period. During this time, we would have been able to roll approximately ] tons of larger diameter wire rod.									
7. to have the qua	Even after we were producing 4.75 mm wire rod for shipme problems with the production process. We received compality of the 4.75 mm wire rod that took us time to resolve.	ent to laints	custor from c	ners, we ustomer	continued s about					
8.	[									
			].							
9.	•									
	].									
10.	[									
			]	].						
		[		<del> </del>	Personal femores of the second					
Dated:	July 21, 2011									
Execut	ted in [									

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	The U.S. Department of International Trade Ad	mikistration		
	mart Administration, AD and Carian Alloy Sizel V	Vice Rod from Mexico		
	Gase No. A-201 Anti-Circumvention	-830		
	Statement of [		the Saltillo mill.	
for years, I was responsible	A Service and Thomas	Seen the	Tat Sattillo:	
Sathifo mill:  2 Dospite many weeks	of work we were not ab	s to produce 4.75 mise	vire tod at the	
	one in a surpression of the con-	and money, we couch	ded that if was not	
and larger on the same line (	vithout difficulties. onent of the costs incurre			
rod was the labor cost.		(1) 12 (1) 10 10 10 10 10 10 10 10 10 10 10 10 10	an eer voor voor van de versche voor voor van de versche voor van de versche van de versche van de versche van Versche voor voor van de versche van de versc	
			on his particulation	
overseeing the project. Lesh	MAICEMENT INTO CONS	ESOS III XIII XIII	E Sworkedin   Torres	
Name		国家科学····································	sworked in TOTAL Swire root	4
TOTAL MEXICAN PESOS				
Name	SE COS BOEL	. Hou	Cr /	
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TOTAL US POL ARS				

4 <b>4</b>	iddirtion to labor costs, w	e had to buy <b>C</b> is, and	43 442		
	ing parademptsty prod		we conducted trial r	ns. Lestimate	
6 W	ald we were working on whice other moducies the	producing 4.75 mm wir stimated that the fall is	re red, the rolling mi vas dosvir for approssi	malely [//o]	
hours don't I Y for 7 [	ig the period. During this soil lingue dismerer with	Shipe, we would have irec	been able to roll app	for for all ly	
8.1					
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Dated; Jul Executed	y 21, <b>2011</b>			V.	
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		<b>Ž</b>			

#### Before:

The U.S. Department of Commerce International Trade Administration Import Administration, AD/CVD Office III

## Carbon and Certain Alloy Steel Wire Rod from Mexico Case No. A-201-830 Anti-Circumvention Inquiry

#### Statement of Daniel M. Gutierrez Rodriguez

respo Mexi	My name is Daniel M. Gutierrez Rodriguez. I am the Vice President of Industrial Sales beacero, S.A. de C.V. In my capacity as Vice President of Industrial Sales for Deacero, I amonsible for all sales of wire rod, wire, and wire products in the industrial sector both in ico and abroad. I have been with Deacero for 18 years, and have worked in the wire rod and industry for the same 18 years.
for th	We started to sell 4.75 mm wire rod in the U.S. market in response to customer demand his product. In 2007 and 2008, we had customers like [ ] specifically esting this product. The volume of market demand for 4.75 mm wire rod that we identified fied the efforts associated with the development and production of this product at Deacero.
3.	We became aware of 4.75 mm wire rod because of customers like [

].

- 4. We conducted other market research and determined that our wire customers could benefit from this product. In particular, we saw an opportunity with certain customers, such as [ ].
- 5. This was a new product for us and it took time to develop and refine this product. During the [
  - ]. For example, [

],

6. Our sales of 4.75 mm wire rod [
]. The main reason is that 4.75 mm wire rod is a material with important benefits for the customer, such as cost savings (use of fewer dies and less energy) and allowing them to better use their production equipment. It is true that 4.75 mm

wire rod is [	
]. On average, we charge [ ] per ton for 4.75 mm wire compared to a 5.5. mm wire rod. It is also important to keep in mind that there is an	
J. So, there is [	300000 4 4
7. Deacero does not really [	
].	
j.	
8. I declare under the penalty of perjury that the foregoing is true and correct to my knowledge.  Daniel M. Gutierrez Ro	
Dated: July 14, 2011	

Executed in Monterrey, Mexico

# EXHIBIT 8

### UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: <u>153</u>
Anti-Circumvention Inquiry (4.75 mm wire rod)
Office of AD/CVD Operations
Business Proprietary Information has been ranged
or deleted on pages 1 – 2 and 4 – 35 of the narrative
response and in Exhibits 2 – 19, and 21.
Document May Be Released Under APO

#### **PUBLIC VERSION**

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM MEXICO

RESPONSE BY DEACERO S.A. DE C.V. AND DEACERO USA, INC. TO THE DEPARTMENT'S JUNE 1, 2011, MINOR ALTERATION QUESTIONNAIRE

> David E. Bond Kristina Zissis Jay C. Campbell WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

Counsel to Deacero S.A. de C.V. and Deacero USA, Inc.

July 22, 2011



I, Luis Eugenio Leal Rangel, Institutional Relations and Trade Affairs Manager, currently employed by Deaeero S.A. de C.V., certify that I prepared or otherwise supervised the preparation of the attached submission, dated July 22, 2011, responding to the Department of Commence's June 1, 2011, Minor Alteration Questionnaire issued to Deacero S.A. de C.V. and Deacero USA, inc. pursuant to the Anti-Circumvention Inquiry concerning the Antidamping Duty Order on Carbon and Certain Alloy Steel Wire Rod from Mexico (Case Number A-201-830). I certify that the information contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the antidumping proceeding, the Department may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that I am filing a copy of this signed certification with this submission to the U.S. Department of Commerce and that I will retain the original for a five-year period commencing with the filing of this document. The original will be available for inspection by U.S. Department of Commerce officials.

Signature:

Luis Eugenio Leal Hangel

Date: July 22, 2011

In response to Questions (e)-(i), Deacero was instructed by the Department to cover the period 2002 to the present. In Exhibit 10, Deacero provides investment data from 2001 to the present. During this period, Deacero has made total investments totaling \$US[

- ]. Of these total investments, **Exhibit 10** lists the main investments Deacero has made, including the investments in important assets (e.g., machinery, land and buildings) during the last 10 years, in machinery representing [ ]% of the total investments in this period. All of the investments that correspond directly to the production of wire rod are identified in the exhibit.
- 13. Please describe in detail your company's research and development initiatives and expenditures with regard to production of wire rod with diameters between 4.75 mm and 5.00 mm. Please describe in detail your company's research and development initiatives and expenditures with regard to production of wire rod with diameters between 5.00 mm and 19.00 mm. Please provide fully translated documentation supporting your response.

ANSWER: Deacero describes below the market research and product development (R&D) initiatives undertaken, and the expenditures incurred, with regard to the production of 4.75 mm wire rod and wire rod with diameters above 5.5 mm.

#### 1) 4.75 mm Wire Rod

a) Market Research Phase

Deacero learned initially about 4.75 mm wire rod from its [ ].

As explained in the statements in **Exhibit 11**, [

].5 [

].6

See, e.g., Exhibit 11 (statement of [

1.7 Deacero's

plants were fully booked and were not in a position to develop a new product at that time.<sup>8</sup>

During 2008, steel demand declined and Deacero further evaluated the market potential for 4.75

mm wire rod in the United States, including the needs of its wire customers.<sup>9</sup> Deacero

determined that the potential market demand for 4.75 mm wire rod justified making an effort to

develop the product.<sup>10</sup>

#### b) Development and Testing Phase

The Saltillo and Celaya steel mills began the development and testing of 4.75 mm wire in September 2008. For both plants, the initial development entailed the following activities:

• [

].

• [

].

• [

].

The trial process and the problems that arose once production began are described below for each mill. The Saltillo mill, which produced 5.5 mm wire rod without issue, failed to successfully produce 4.75 mm wire rod. Although the Celaya mill ultimately was able to produce 4.75 mm wire rod, this success came after a lengthy period of refining the production process and making substantial investments in the production line. The process and cost of

<sup>&</sup>lt;sup>7</sup> <u>Id.</u>, ¶¶ 2-3.

Id. ¶ 4.

See id.; (statement of Daniel M. Gutierrez Rodriguez, ¶ 3-5).

See id. (statement of Daniel M. Gutierrez Rodriguez, ¶ 2).

perfecting the production of this product confirm that it is not a simple minor alteration of wire rod in larger diameters.

#### 1) Saltillo Mill

The steel mill in Saltillo was the first mill to perform test runs in [						
	] were de	edicated to trying to produ	ace 4.75 mm wire rod at			
Saltillo.11 They spent an estim	nated total of [	] hours on this phase. 12	The mill conducted trial			
runs that required it to run [	] tons of mate	erial as part of the testing	process. <sup>13</sup>			

As soon as the testing phase ended and commercial production started, the Saltillo mill encountered significant problems. During the period Saltillo attempted to produce 4.75 mm wire rod, the mill performed a detailed analysis of possible changes in the production process that might make it possible to produce 4.75 mm wire rod. The mill took the unprecedented step of

].

Nevertheless, in spite of the mill's efforts, they concluded it was not possible to produce 4.75 mm wire rod at the mill and decided that they would cease production of the product.

[ ] at Saltillo stated: [

], ¶ 3).

<sup>13</sup> Id., ¶5.

<sup>&</sup>lt;sup>11</sup> <u>See</u> Exhibit 12 (statement of [

] stated that the mill "abandoned the attempt to produce 4.75 mm
wire rod at the Saltillo plant" for three main reasons:
• [
3
j
• [
• [
]
Deacero produced 5.5 mm wire rod at Saltillo, yet could not produce 4.75 mm wire rod at this
plant, despite significant investments of time and money over a [ ] period.
2) <u>Celaya Mill</u>
Celaya conducted test runs of the product shortly after Saltillo. At Celaya, [
engineers and technicians dedicated [ ]% of their time for [ ] initially adjusting the
equipment to prepare for production. 15 They spent an estimated [ ] hours during this phase,
incurring expenses of \$US[ ]. Once trials began, Celaya ran [ ] tons as part of
the testing phase. Like Saltillo, the Celaya mill also encountered problems after it had completed
the testing phase. <sup>17</sup>
14 <u>Id.</u> , ¶ 2). 15 <u>See id.</u> (statement of [ ], ¶ 3). 16 <u>See id.</u>

Although the Celaya mill eventually was able to successfully produce 4.75 mm wire rod, the process was not easy or quick. [ ] at Deacero's Celaya steel mill stated that, "Even after we were producing 4.75 mm wire rod for shipment to customers, we continued to have problems with the production process." The mill required time to adjust the production equipment, and it also required new equipment in order to properly run the very small diameter wire rod. The total cost of the new equipment Celaya has purchased in order to produce 4.75 mm wire rod is \$US[ ]. Mr. Salinas stated that Deacero received complaints from customers about "quality issues that took us time to resolve." He also cited three other issues that Deacero bad to address in order to successfully produce 4.75 mm wire rod:

• "

]."20

• "

]."21

• "

]."22

At Celaya, producing 4.75 mm wire rod was not an easy or minor modification of the process to produce 5.5 mm wire rod. [ ] explained that, "{i}t took us many months to develop the capability to produce 4.75 mm wire rod that met our customers' specifications in a cost-

<sup>18</sup> See id. . ¶ 7.

<sup>&</sup>lt;sup>19</sup> Id., ¶ 4)

<sup>&</sup>quot; Id., ¶ 8.

<sup>1</sup>d ¶9.

<sup>&</sup>lt;sup>22</sup> ld. ¶ 10.

effective way. While the difference in the diameter of a 4.75 mm rod and a 5.5 mm rod seems small, we incurred significant time and expense learning to produce and ship the product."<sup>23</sup>

2) R&D Initiatives for Wire Rod with Diameter 5.00 MM to 19.00 MM

Deacero started running the rolling mill at Saltillo in July 1979 mainly to provide

Deacero with wire rod for its own wire production. At that time, Deacero began producing 6.35

mm wire rod, followed by 7.8 and 5.5 mm. In order to sell wire rod in the home market,

Deacero continued to add more diameters at the mill in Saltillo. The rolling mill at the Celaya

plant started running in August 1998 to provide Deacero with wire rod for its wire production, to

produce wire rod for the domestic market and produce rebar. Initially, Celaya could produce

diameters of [ ] mm.

During the [

].

14. Please state how much money your company has spent on R&D for wire rod with diameters between 4.75 mm and 5.00 mm. over the past 5 years. Please state how much money your company has spent on R&D for wire rod with diameters hetween 5.00 mm and 19.00 mm over the past 5 years. Please provide financial statements translated into English to support your statements.

<sup>&</sup>lt;sup>23</sup> Id. ¶ 2.

# EXHIBIT 9

DOF: 29/04/2014

#### DECRETO por el que se aprueba el Programa Nacional de Infraestructura 2014-2018.

Al margen un sello con el Escudo Nacional, que dice: Estados Unidos Mexicanos.- Presidencia de la República.

ENRIQUE PEÑA NIETO, Presidente de los Estados Unidos Mexicanos, en ejercicio de la facultad que me confiere el artículo 89, fracción I, de la Constitución Política de los Estados Unidos Mexicanos, con fundamento en los artículos 90., 22, 26, 28, 29, párrafo primero, y 32 de la Ley de Planeación; y 90., 31, 32 Bis, 33, 36, 37, 39, 41 y 42 de la Ley Orgánica de la Administración Pública Federal, y

#### **CONSIDERANDO**

Que mediante Decreto publicado en el Diario Oficial de la Federación el 20 de mayo de 2013 se aprobó el Plan Nacional de Desarrollo 2013-2018, el cual contiene los objetivos, estrategias, indicadores y metas que regirán la actuación del Gobierno Federal durante la presente administración;

Que el Plan Nacional de Desarrollo 2013-2018 prevé como estrategia general elevar la productividad para llevar a México a su máximo potencial, por lo que se orienta la actuación gubernamental en torno a cinco metas nacionales: México en Paz, México Incluyente, México con Educación de Calidad, México Próspero y México con Responsabilidad Global, lo cual incluye además tres estrategias transversales: Democratizar la Productividad, Gobierno Cercano y Moderno, y Perspectiva de Género;

Que la meta nacional México Pròspero establece que una infraestructura adecuada y el acceso a insumos estratégicos, fomentan la competitividad y conectan el capital humano con las oportunidades que genere la economia, y prevé apoyar el desarrollo de infraestructura con una visión de largo plazo basada en tres ejes rectores: desarrollo regional equilibrado, desarrollo urbano y conectividad logistica, y

Que la Secretaria de Hacienda y Crédito Público, en coordinación con las dependencias competentes, elaboró el Programa Nacional de Infraestructura 2014-2018, conforme a las directrices previstas en el Plan Nacional de Desarrollo y, previo dictamen de esa Secretaria, lo sometió a consideración del Ejecutivo Federal a mi cargo, por lo que he tenido a bien emitir el siguiente

#### DECRETO

ARTICULO PRIMERO. Se aprueba el Programa Nacional de Infraestructura 2014-2018.

ARTÍCULO SEGUNDO. El Programa Nacional de Infraestructura 2014-2018 será de observancia obligatoria para las secretarías de Medio Ambiente y Recursos Naturales, Energla, Comunicaciones y Transportes, Salud, Desarrollo Agrario, Territorial y Urbano, y Turismo, así como las entidades paraestatales coordinadas por las mismas; las demás dependencias y entidades de la Administración Pública Federal se sujetarán a sus disposiciones cuando dicho programa incida en el ámbito de sus respectivas competencias.

ARTICULO TERCERO. Las dependencias y entidades que resulten competentes, de conformidad con el Programa Nacional de Infraestructura 2014-2018 y las disposiciones jurídicas aplicables, elaborarán sus respectivos programas anuales y anteproyectos de presupuesto. Estos últimos deberán destinar los recursos presupuestarios correspondientes para el eficaz cumplimiento de los objetivos y metas del Plan Nacional de Desarrollo y de dicho Programa Nacional de Infraestructura.

ARTÍCULO CUARTO. Las secretarias de Medio Ambiente y Recursos Naturales, Energia, Comunicaciones y Transportes, Salud. Desarrollo Agrario, Territorial y Urbano, y Turismo, con la participación que conforme a sus atribuciones les corresponde a las secretarias de Hacienda y Crédito Público y de la Función Pública, en los términos de las disposiciones jurídicas aplicables, darán seguimiento a la implementación de las acciones y al cumplimiento de los objetivos establecidos en el Programa Nacional de Infraestructura 2014-2018, y reportarán los resultados obtenidos con base en las metas e indicadores correspondientes.

ARTÍCULO QUINTO. La Secretaría de la Función Pública, en el ámbito de su competencia, vigilará el cumplimiento de las obligaciones derivadas de las disposiciones contenidas en el presente Decreto.

#### TRANSITORIO

ÚNICO. El presente Decreto entrará en vigor el día de su publicación en el Diario Oficial de la Federación.

Dado en la residencia del Poder Ejecutivo Federal, en la Ciudad de México, a veintiocho de abril de dos mil catorce.- Enrique Peña Nieto.- Rúbrica.- El Secretario de Hacienda y Crédito Público, Luis Videgaray Caso.- Rúbrica.- El Secretario de Medio Ambiente y Recursos Naturales, Juan José Guerra Abud.- Rúbrica.- El Secretario de Energia, Pedro Joaquín Coldwell.- Rúbrica.- El Secretario de Comunicaciones y Transportes, Gerardo Ruiz Esparza.- Rúbrica.- La Secretaria de Salud, María de las Mercedes Martha Juan López.- Rúbrica.- El Secretario de Desarrollo Agrario, Territorial y Urbano, Jorge Carlos Ramírez Marin.- Rúbrica.- La Secretaria de Turismo, Claudia Ruiz Massieu Salinas.- Rúbrica.- En ausencia del Secretario de la Función Pública, en términos de lo dispuesto por los artículos 18 de la Ley Orgánica de la Administración Pública Federal; 7, fracción XII, y 86 del Reglamento Interior de la Secretaria de la Función Pública, el Subsecretario de Responsabilidades Administrativas y Contrataciones Públicas de la Secretaria de la Función Pública, Julián Alfonso Olívas Ugalde.- Rúbrica.

DECREE by which the 2014-2018 National Infrastructure Plan is approved.

(translation)

At the edge, seal of the National Emblem that says: Mexican United States.- Presidency.

ENRIQUE PEÑA NIETO, President of the Mexican United States and exercising his faculties according article 89, subheading of the Mexican Political Constitution, and with authority based on articles 90., 22, 26, 28, 29, first paragraph, and 32 of the Planeation Law; and 90., 31, 32 Bis, 33, 36, 37, 39, 41 y 42 of the Federal Organic Law of the Public Administration, and

#### CONSIDERING

That through Decree published on the Official Federal Journal on May 20th of 2013, the 2013-2018 National Development Plan was published, that contains objectives, strategies, indicators and goals that will govern the performance of the Federal Government during this administration.

That the 2013-2018 National Development Plan, establishes as a general strategy, elevate the productivity to take Mexico to its maximum potential, so the governmental performance revolves around 5 national goals: Mexico in Peace, Inclusive Mexico, Prosperous Mexico and Mexico with Global Responsibility, which includes 3 transversal strategies: Democratize productivity, Close and Modern Government and Gender Perspective;

That the national goal of Prosperous Mexico establishes that an adequate infrastructure and access to strategic raw materials, breeds competitiveness and connect the human capital with the opportunities that the economy may offer, and looks forward to develop infrastructure with a long term vision, based on three governing axis: equilibrated regional growth, urban development, and logistical connectivity, y

That the Estate and Public Credit Ministry, in coordination with other competent entities, elaborated the 2014-2018 National Infrastructure Plan, according to the directives established in the 2013-2018 National Development Plan, and previous revision of that Ministry it was sent to the Federal Executive I represent, therefore I am publishing the following

#### DECREE

FIRST ARTICLE. It is approved the 2014-2018 National Infrastructure Plan.

SECOND ARTICLE. The 2014-2018 National Infrastructure Plan, is mandatory for the Ministry of Environment and Natural Resources, Energy Ministry, Communications and Transportation Ministry, Health Ministry, Agriculture Development Ministry, Territorial and Urban Ministry and the Tourism Ministry, also for the para-public entities coordinated by them; the other agencies and entities of the Federal Public Administration will be subject to this program when the program touches upon their areas of competence.

THIRD ARTICLE. The agencies and states that are competent, according to the 2014-2018 National Infrastructure Plan, and the legal dispositions that are applicable, will create the respective annual programs and budgetary projects. They should destine money to comply in an effective manner the objective and goals of the 2013-2018 National Development Plan and the National Infrastructure Plan.

FOURTH ARTICLE. The Ministry of Environment and Natural Resources, Energy Ministry, Communications and Transportation Ministry, Health Ministry, Agriculture Development Ministry, Territorial and Urban Ministry and the Tourism Ministry, with the participation that according to its competence belongs to the Estate and Public Credit Ministry and of the Public Function Ministry, in the terms of the applicable laws and regulations, will monitor compliance to the implementation of the action items in the 2014-2018 National Infrastructure Plan and will report the results based on the goals and proper indicators.

FIFTH ARTICLE. The Public Function Ministry, according to its atributions, will monitor the compliance of the obligation established in this Decree.

#### TRANSITORY

ONLY. This Decree will be in force the day of its publication in the Federal Official Journal.

FNGLISH / CONTACTO / DERECTORIO

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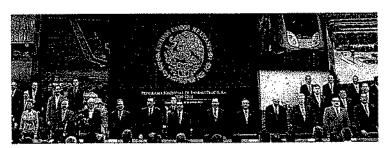
SALA DE FRENSA

ACCIONES

TRANSPARENCIA

PRESEDENCIA » BLOG » (SPRAESORS)CTURA

#### Programa Nacional de Infraestructura 2014-2018



ESCRITO POREnrique Peña Nieto Presidente de los Estados Unidos Mexicanos

28 de abril de 2014

El desarrollo de infraestruction, es la forma más tangible y concrete de transformar una Nación.

Gran parte de la competitividad, del crecimiento econômico y del bienestar social de los países, está determinado por contar con instalaciones de vanguardia, en acropuertos, carreteras, puertos, telecomunicaciones, trenes, centrales eléctricas, complejos petrolexos, gasoduetos, presas, hospitales, equipamiento urbano y desarrollos turisticos, entre otras.

En este propósito, hoy presenté el Programa Nacional de Infraestructura 2014-2018, en los términos establecidos en el Plan Nacional de Desarrollo 2013-2018 con en enfoque integral, transversal y social. Por primera vez, se incluyen seis sectores estratégicos: 1) comunicaciones y transportes, 2) energia, 3) hidráulico, 4) salud, 5) desarrollo mbano y vivienda, y 6) turismo.

En conjunto, el Programa Nacional de Infraestructura prevé ma inversión global de 7.7 billones de pesos. Para ser aún más precisos, se trata de una inversión de 7.7 millones de millones de pesos. Es como si todos y cada umo de los mexicanos, aportáramos alrededor de 70 mil pesos, para construir las obras que necesira el país.

Con las obras del Programa Nacional de Infraestructura, estamos cumbiando el rostro de México y construyendo juntos un mejor futuro para lodos. Este es el México moderno, dinámico y de progreso que veo, y es el México que juntos ya estamos construyendo.







Reforma ENERGÉTICA



Programa Nacional de — INFRAESTRUCTURA 2014 – 2018

Mi Foto con
EL PRESIDENTE

#### **AGENDA**

30 abr Firma del Memorándum de Entendimiento "Gasoducto Guatemala" en presencia de los Mandatarios de los Países Miembros del Mecanismo de Tuxtia

30 abr Inauguración de la VI Cumbre de la Asociación de Estados del Caribe AEC

30

Ceremonia de Clausura de la VI Cumbre de la Asociación de Estados del Caribe

(traviation)

## 2014-2018 National Infrastructure Plan 28 APR

WRITTEN BY Enrique Peña Nieto
President of the Mexican United States

The development of infrastructure, is the most tangible and concrete form to transform a Nation.

A great part of the competitiveness, economic growth, and the social wellbeing of the countries, is determined by having top of the line infrastructure in airports, highways, ports, telecommunications, trains, electric centrals, oil installations, gaso-ducts, dams, hospitals, urban equipment's and touristic developments amongst others...

With this purpose, I presented today the National Infrastructure Program 2014-2018, in the terms established by the National Development Plan 2014-2018 with an focus that is integral. transversal and social. For the first time 6 strategic sectors are included: 1) communication and transportation, 2) energy, 3) Hydraulic, 4) Health, 5) Urban development and housing and; 6) Tourism.

Altogether, The National Infrastructure Plan establishes a global investment of 7.7 billion Pesos. To be more precise, I mean 7.7 millions of millions of pesos. It is as if every Mexican contributed 70 thousand pesos, to construct the infrastructure needed for the country.

With the projects in the National Infrastructure Program, we are changing the face of Mexico, and constructing a better future together for everyone. This is dynamic, progressive and modern Mexico that I see and it is the Mexico that together we are building.

ENGLISM / CONTACTO / DIRECTORIO

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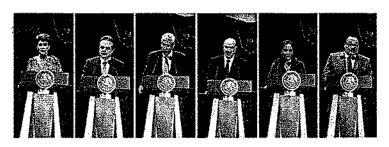
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TRANSPARENCIA

PRESEDENCIA  $\Rightarrow$  BLOG  $\Rightarrow$  EXPRAENCED CHERA

#### SEIS SECTORES ESTRATÉGICOS DEL PROGRAMA NACIONAL DE INFRAESTRUCTURA





ESCRITO PORStaff Presidencia Entipo de contenido de la Presidencia de la República

28 de abril de 2014

El Programa Nacional de Infraestructura 2014-2018 es la hoja de ruta que ya guía nuestros esfuerzos, para edificar el México moderno y competitivo, que queremos todos los mexicanos.

Es la estrategia general para construir las obras y concretar los proyectos, que contribuyan de manera importante a liberar el patencial de nuestro país. Por primera vez, se incluyen seis sectores estratégicos. Cada sector cuenta con un monto de inversión total y un objetivo general:

#### COMUNICACIONES Y TRANSPORTES

- · Inversiones por más de 1.32 billones de pesos.
- Objetivo: Contar con una infraestructura y una plataforma logistica modernas, que fomenten una mayor competitividad, productividad y desarrollo económico y social.

#### ENERGÍA

- Inversiones por prácticamente 3.9 billiones de pesos.
- Objetivo: Generar la infraestructura necesaria, para contar con energia suficiente, de calidad y a precios competitivos.

#### INFRAESTRUCTURA HIDRÁULICA

- Inversión prevista rebasa los 415 rail millones de pesos.
- Objetivo: Incrementar la infruestructura hidraulica, tanto para asegurar agua destinada al consuno humano y riego agricula, como para saneamiento y protección contra inundaciones.

#### SALUD

- Inversiones por un monto de 72 mil 800 millones de pesos.
- Objetivo: Contribuir a fortalecer y optimizar la infraestructura interinstitucional en salud, para garantizar el accesa efectivo a servicios de salud con calidad.

#### DESARROLLO URBANO Y VIVIENDA







— Programa Nacional de — INFRAESTRUCTURA 2014 – 2018



#### AGENDA.

30 abi Firma del Memorándum de Entendimiento "Gasoducto Guatemaia" en presencia de los Mandatarios de los Países Miembros del Mecanismo de Tuxtla

30 abr Inauguración de la VI Cumbre de la Asociación de Estados del Caribe AEC

30

Ceremonia de Clausura de la VI Cumbre de la Asociación de Estados del Comba

- · Inversiones por más de 1.8 billones de pesos.
- Objetivo: Impulsar el desarrollo urbano y la construcción de viviendas de calidad, dotadas de infraestrucura y servicios básicos, con el acceso ordenado del suelo.

#### TURISMO

- · Inversiones por más de 180 mil millones de pesos.
- Objetivo: Desarrollar infraestructura competitiva, que impulse el turismo como eje estratégico de la productividad regional y deumador del bienestar social.



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ÚLTIMA ACTUALIZACIÓN: 29/04/2014

#### NOTAS RELACIONADAS



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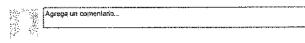


MAYOR Y MEJOR INFRAESTRUCTURA



PROGRAMA MACIONAL DE INFRAESTRUCTURA 2014-2018

Comentar



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SALA DE PRENSA ACCIONES BLOG MULTIMEDIA **GOBIERNO** Staff Presidencia Agenda Reforma Educativa Presidente Fotos Comunicados Reforms Energetica Primera Dama Enrique Peña Nieto Videos Reforma Hucendaria Discursos Oficina de la Presidencia Entrevisus Reforma Financiera Interactivas Estado Mayor Gobierno de la República Reforma en Mi foto con el Presidente Licitaciones Telecommicaciones Servicia Sucial Nuestro México Primer informe de Gobierno Podcasts Catrinere Plan Nacional de Desarrollo. Estructura de Ciobiemo 2013 - 2018 haiciativas

30

Mensaje a Medios de comunicación México, Guatemala y Secretario General de la AEC

#### **AUTORES**



Staff Presidencia Equipo de contenido de la Presidencia de la República » ver artículos



Enríque Peña Nieto Presidente de los Estados Unidos Mexicanos » ver artículos

(translation)

### Six strategic sectors of the National Infrastructure Plan

28 APR



WRITTEN BY Presidential Staff
Content Presidential Staff

The National Infrastructure plan 2014-2018 is the map that is already guiding our efforts to create a modern and competitive Mexico that all Mexicans want.

Is the general strategy to build and finish projects that contribute in an important way to liberate our country's potential. For the first time, 6 strategic sectors are included. Each sector has a total amount and a general objective:

#### COMMUNICATION AND TRANSPORTATION

- Investment over 1.32 billion pesos (millions of millions).
- Objective: Have modern infrastructure and a logistical platform that will contribute to more competitiveness y, productivity and social and economic development.

#### **ENERGY**

- Investment of practically 3.9 billion pesos (millions of millions).
- Objective: Generate the necessary infrastructure to have sufficient energy with quality and competitive pricing.

#### HYDRAULIC INFRASTRUCTURE

- Investment over 415 thousand million pesos.
- Objective: Increase the hydraulic infrastructure, to ensure water destined to the human consumption and agricultural watering, for repairs and protection against flooding's.

#### HEALTH

- Investments worth 72 thousand 800 million pesos.
- Objective: Contribute to strengthen and optimize inter-institutional health infrastructure,
   to guarantee access to health with quality

#### URBAN DEVELOPMENT AND HOUSING

- Investments for more than 1.8 billion pesos (millions of millions).
- Objective: Impulse urban development and the construction of quality housing, with infrastructure and basic services, with orderly access to land.

#### **TOURISM**

- Investments for more than 180 thousand million pesos.
- Objective: Develop competitive infrastructure that will impulse tourism as strategic axis of regional productivity and creator of social well-being.

# EXHIBIT 10

# World Economic Outlook

## Recovery Strengthers, Remains Uneven

NTERNATIONAL MONETARY FUND

### World Economic and Financial Surveys

### WORLD ECONOMIC OUTLOOK April 2014

**Recovery Strengthens, Remains Uneven** 



#### ©2014 International Monetary Fund

#### Cover and Design: Luisa Menjivar and Jorge Salazat Composition: Maryland Composition

#### Cataloging-in-Publication Data

#### Joint Bank-Fund Library

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- 3. Economic policy Periodicals. 4. International economic relations Periodicals.
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Disclaimer: The analysis and policy considerations expressed in this publication are those of the IMF staff and do not represent official IMF policy or the views of the IMF Executive Directors or their national authorities.

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Table A2. Advanced Economies: Real GDP and Total Domestic Demand<sup>1</sup>

(Annual percent change)

										,	,		10	urth Quarter	
	Average 1996-2005	anne	2207	0008	2000	2010	2011	2012	2013	P 2014	rojection 2015		- - 	Project 2014:Q4 2	
teal GDP	1990-2003	2006	2007	2008	2009	2010	2011	2012	2010	2014	2013	2015	2010.04	2014.04 2	010.04
	2.8	3.0	2.7	0.1	3.4	3.0	1.7	1.4	1.3	2.2	2.3	2.1	2.1	2,1	2.4
Advanced Economies United States	3.4	2.7	1.8	-0.3	-2.8	2.5	1.8	2.8	1.9	2.8	3.0	2.2	2.6	2.7	3.0
turo Area <sup>s</sup>	2.1	3.3	3.0	0.4	-4.4	2.0	1.6	-0.7	-0.5	1,2	1.5	1.5	0.5	1.3	1.5
Germany	1.2	3.9	3.4	0.8	-5.1	3.9	3.4	0.9	0.5	1.7	1.6	1.3	1.4	1.6	1.7
France	2.2	2.5	2.3	0.1	-3.1	1.7	2.0	0.0	0.3	1.0	1.5	1.9	0.8	1.2	1.6
Italy	1.4	2.2	1.7	-1.2	-5.5	1.7	0.4	-2.4	1.9	0.6	1.1	0.9	-0.9	0.7	1.4
Spain	3.7	4.1	3.5	0.9	-3.8	-0.2	0.1	1.6	-1.2	0.9	1.0	1.3	-0.2	1.1	0.9
Netherlands	2.7	3.4	3.9	1.8	-3.7	1.5	0.9	-1.2	-0.8	8.0	1.6	2.1	8.0	0.6	1.7
Belgium	2.2	2.7	2.9	1.0	-2.8	2.3	1.8	-0.1	0.2	1.2	1.2	1.5	1.0	1,1	1.3
Austria	2.4	3.7	3.7	1.4	-3.8	1.8	2.8	0.9	0.4	1.7	1.7	1.4	0.5	2.3	1.3
Greece	3.7	5.5	3.5	-0.2	-3.1	-4.9	<del>-</del> 7.1	-7.0	-3.9	0.6	2.9	2.8	2.5	2.3	3.2
Portugal	2.5	1.4	2.4	0.0	-2.9	1.9	-1.3	-3.2	-1.4	1.2	1.5	1.8	1.6	0.7	2.0
Finland	3.7	4.4	5.3	0.3	-8.5	3.4	2.8	-1.0	-1.4	0.3	1.1	1.8	-0.5	2.1	0.0
Ireland	7.6	5.5	5.0	<b>~2</b> .2	-6.4	-1.1	2.2	0.2	-0.3	1.7	2.5	2.5	-0.6	-1.3	0.5
Slovak Republic	4.2	8.3	10.5	5.8	4.9	4.4	3.0	1.8	0.9	2.3	3.0	3.6	1.4	2.9	3.0
Slovenia	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-1.1	0.3	0.9	1.9	1.9	-0.9	1.5
Luxembourg	4.8	4.9	6.6	-0.7	-5.6	3.1	1.9	-0.2	2.0	2.1	1.9	2.2	1.8	2.1	1.7
Latvia	6.9	11.0	10.0	-2.8	-17.7	-1.3	5.3	5.2	4.1	3.8	4.4	4.0	3.9	4.2	4.0
Estonia	6.9	10.1	7.5	-4.2	14.1	2.6	9.6	3.9	0.8	2.4	3.2	3.7	0.9	6.1	3.3
Cyonus <sup>4</sup>	3.5	4,1	5.1	3.6	-1.9	1.3	0.4	-2.4	-6.0	-4.8	0.9	1.9			
Maita		2.6	4.1	3.9	-2.8	3.3	1.7	0.9	2.4	1.8	1.8	1.7	2.9	2.0	1.1
iapan	1.0	1.7	2.2	1.0	-5.5	4.7	-0.5	1.4	1.5	1.4	1.0	1.1	2.5	1,2	0.5
inited Kingdom	3.4	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.8	2.9	2.5	2.4	2.7	3.0	1.9
Canada	3.3	2.6	2.0	1.2	-2.7	3.4	2.5	1.7	2.0	2.3	2.4	2.0	2.7	2.1	2.4
(orea <sup>5</sup>	4.8	5.2	5.1	2.3	0.3	6.3	3.7	2.0	2.8	3.7	3.8	3.8	4.0	3.3	4.1
Australia	3.7	2.7	4.5	2.7	1.5	2.2	2.6	3.6	2.4	2.6	2.7	3.0	2.8	2.4	3.1
falwan Province of China	4.4	5.4	6.0	0.7	-1.8	10.8	4.2	1.5	2.1	3.1	3.9	4.5	2.3	2.2	5.9
Sweden	3.1	4,3	3.3	-0.6	5.0	6.6	2.9	0.9	1.5	2.8	2.6	2.4	3.1	2.1	2.6
Hong Kong SAR	3.4	7.0	6.5	2.1	-2.5	6.8	4.8	1.5	2.9	3.7	3.8	4.0	2.9	3.9	3.8
Switzerland	1.7	3.8	3.8	2.2	<b>~1.9</b>	3.0	1.8	1.0	2.0	2.1	2.2	1.7	1.9	2.6	2.0
Singapore	5.3	8.9	9.0	1.9	-0.6	15.1	6.0	1.9	4.1	3.6	3.6	3.8	5.5	2.6	4.5
Zech Republic	3.0	7.0	5.7	3.1	-4.5	2.5	1.8	-1.0	-0.9	1.9	2.0	2.4	1.3	1.1	2.0
youngy Yearn webanac	2.9	2.3	2.7	0.0	-1.4	0.6	1.1	2.8	0.8	1.8	1.9	2.1	1.3		1.3
stad	3.6	5.8	6.9	4.5	1.2	5.7	4.6	3.4	3.3	3.2	3.4	3.5			3.3
Denmark	2.1	3.4	1.6	-0.8	-5.7	1,4	1,1	-0.4	0.4	1.5	1.7	1.8		2.0	1.8
Vew Zealand	3.5	2.8	3.4	-0.8	-1.4	2.1	1.9	2.6	2.4	3.3	3.0	25	1.6	4.7	1.5
celand	4.6	4.7	6.0	1.2	-6.6	-4.1	2.7	1.4	2.9	2.7	3.1	2.3	2.3	32	1.5
ceand San Marino	4.0	3.8	7.1	3,4	<del>-9</del> .5	-5.0	-8.5	-5.1	-3.2	0.0	2.2	2.9			
• • •	• • • •	5.0		44.	U. <b>.</b>	0.0	0.0	41.							
<i>Memorandum</i> Major Advanced Economies	2.6	2.6	2.2	-6.3	-3.8	2.8	1.6	1.7	1.4	2.2	2.3	1.9	2.2	2.1	2.3
**	0.3	4.0	2.2	0.5	-0.0	2.0	1.0	1-1	1	6		,	4	•••	
teal Total Domestic Demand	• •								40	2.0	0.0	* 0	1.0	4.0	•
Advanced Economies	2.9	2.8	2.3	-8.4	-3.8	2.9	1.4	1.1	1.0	2.0	2.2	2.0			2.
United States	3.9	2.6	1.1	1.3	~3.8	2.9	1.7	2.6	1.7	2.6	3.1	2.2			3. 1.
Euro Area	2.0	3.1	2.8	0.3	-3.7	1.2	- 0.7	-2.2	-1.0	0.9	1.0	1.4			1.
Germany	0.6	2.8	2.0	1.0	2.3	2.3	2.8	-0.2	0.5	1.4	1.3 1.0	1.3 1.7			1.
France	2.3	2.4	3.2	0.3	2.6	1.8	2.0	0.9 5.1	0.4 -3.0	1.0 0.5	0.7	0.9			1.
Italy	1.8	2.1	1.4	-1.2 ar	-4.4 6.2	2.1	-0.9 -2.0	- <del>0</del> .1 4,1	-3.0 -2.7	0.5	0.3	0.7			î. O.
Spain	4.4	5.2	4.1	0.5 1.3	6.3	-0.6 2.9	~2.0 0.4	2.3	1.8	1.5	0.6	1.1			0.
Japan United Visedam	0.7	0.9	1.1	-1.6	4.0 6.3	2.9	-0.4 -0.1	1.2	1.9	2.8	2.3	2.3			2.
United Kingdom	3.8	2.4	3.4		-0.3 2.7	5.2	2.9	2.2	1.8	2.0	2.0	1,9			2.
Canada Other Advanced Economics 6	3.4	3.9	3.4	2.8 1.5	-2.7 -2.9	5.7	2.9	2.0	1.9	2.5	2.7	3.2			3.
Other Advanced Economies <sup>6</sup>	3.3	4.2	5.0	1.0	₩.₩	J. (	2.3	2.0	. 1,0	4.2	٤.,	¥ 164	4.0	1.7	5.0
Memorandum	2.8	2.4	1.7	-0.8	-3.8	2.8	1,4	1.5	1.3	2.1	2,2	1.9	2.0	2.0	2.2
Major Advanced Economies	2.5	2.4	1.7	<b></b> (3.5	-3.0	2.0	1,4	1.0	1,3	4.1	2,2	1.3	۰۴٬۰۷	<b>4.√</b>	ڪ

In this and other tables, when countries are not listed alphabetically, they are ordered on the basis of economic size.

From the fourth quarter of the preceding year. \*Excludes Latvia.

Owing to the unusually large macroeconomic uncertainty, projections for this variable are not available. The national accounts data for 2013 refer to staff estimates at the time of the third review of the program and are subject to revision.

<sup>\*</sup>Korea's real GDP series is based on the reference year 2005. This does not reflect the revised national accounts released on March 26, 2014, after the WEO was finalized for publication. These comprehensive revisions include implementing the 2008 System of National Accounts and updating of the reference year to 2010, As a result of these revisions, real

GDP growth in 2013 was revised up to 3 percent from 2.8 percent.

In this table, Other Advanced Economies means advanced economies excluding the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and Euro Area countries but including Latvia.

Table A4. Emerying Market and Developing Economies: Real GDP (continued)

(Annual percent change)	Average	Average										<b>Projections</b>			
	1996-2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	20			
atin America and the Caribbean	2.9	5.6	. 5.8	4.3	-1.3	6.0	4.6	3.1	2.7	2.5	3.0	3			
Intigua and Barbuda	3.9	12.7	7.1	1.5	-10.7	-8.6	2.1	2.8	0.5	1.6	1.9	2			
rgentina <sup>5</sup>	2.3	8.5	8.7	6.8	0.9	9.2	8.9	1.9	4.3	0.5	1.0	2			
he Bahamas	4.0	2.5	1.4	-2.3	-4.2	1.0	1.7	1.8	1,9	2.3	2,8	2			
Barbados	2.0	5.7	1:7	0.3	-4.1	0.2	0.8	0.0	-0.7	-1.2	0.9	2			
Belize	5.7	4.7	1.2	3.8	0.3	3.1	2.1	4.0	1.6	2.5	2.5	2			
							5.2	5.2	6.8	5.1	5.0	ŧ			
Bolivia	3.3	4.8	4.6	6.1	3.4	4.1					2.7	;			
3razil	2.4	4.0	6.1	5.2	-0.3	7.5	2.7	1.0	2.3	1.8		,			
<u> Chille                                   </u>	4.3	5.8	5.2	3.2	-0.9	5.7	5.7	5.4	4.2	3.6	4.1	4			
Colombia	2.3	6.7	6.9	3.5	1.7	4.0	6.6	4.2	4.3	4.5	4.5	4			
Osta Rica	4.5	8.5	7.9	2.7	<b>-</b> 1.0	5.0	4.5	5.1	3.5	3.8	4.1	,			
Dominica	1.9	4.6	6.0	7.8	-1.1	1.2	0.2	-1.1	0.8	1.7	1,7				
Dominican Republic	5.2	10.7	8.5	5.3	3.5	7.8	4.5	3.9	4.1	4.5	4.1	4			
cuador	3.0	4.4	2.2	6.4	0.6	3.5	7.8	5.1	4.2	4.2	3.5	٠ ;			
I Salvador	2.7	3.9	3.6	1.3	-3.1	1.4	2.2	1.9	1.6	1,6	1.7	;			
arenada Arenada	5.9	-4.0	6.1	0.9	-6.6	-0.5	0.8	-1.8	1.5	1.1	1.2	:			
								3.0	3.5	3.5	3.5	;			
Guatemala	3.3	5.4	6.3	3.3	0.5	2.9	4.2		4.8	4.3	4.0	'			
Suyana	1.6	5.1	7.0	2.0	3.3	4.4	5.4	4.8							
łaiti –	1.0	2.2	3.3	0.8	3.1	-5.5	5.5	2.9	4.3	4.0	4.0	:			
Honduras	3.8	6,6	6.2	4.2	-2.4	3.7	3.8	3.9	2.6	3.0	31				
lamaica	0.6	2.9	1.4	0.8	-3.4	-1,4	1.4	-0.5	0.5	1.3	1.7				
Vlexico	3.4	5.0	3.1	1.4	-4.7	5.1	4.0	3.9	1.1	3.0	3.5				
Vicaragua	4.1	4.2	5.0	4.0	-2.2	3.6	5.4	5.2	4.2	4.6	4.0				
Panama	4.9	8.5	12.1	10.1	3.9	7,5	10.9	10.8	8.0	7.2	6.9				
Paraguay	1.2	4.8	5.4	6.4	-4.0	13.1	4.3	-1.2	13.0	4.8	4.5				
Peru	3,3	7.7	8,9	9.8	0.9	8.8	6.9	6.3	5.0	5.5	5.8				
			4.8	3.4	-3.8	-3.8	-1.9	-0.9	1.7	2.7	3.0				
St. Kitts and Nevis	3.9	4.6						-0.3 -1.3	-1.5	0.3	1.0				
St. Lucia	2.0	7.2	1.4	4.7	-0.1	-0.7	1.4		2.1	2.3	2.9				
St. Vincent and the Grenadines	3.8	6.0	3.0	0.5	-2.0	-2.3	0.3	1.5							
Suriname	3.4	5.8	5.1	4.1	3.0	4.2	5.3	4.8	4.7	4.0	4.0				
Trinidad and Tobago	7.9	13.2	4.8	3.4	-4.4	0.2	2.6	1.2	1.6	2.2	2.2				
Uruguay	1.2	4.1	6.5	7.2	2.2	8.9	6.5	3.9	4.2	2.8	3.0				
Venezuela	1.6	9.9	8.8	5.3	-3.2	-1.5	4.2	5.6	1.0	-0.5	=1.0				
* *		7.2	•••												
Middle East, North Africa, Afghanistan,							2.0	4.0	2.4	2.2	4.4				
and Pakistan	4.9	5.7	5.8	5.1	2.8	5.2	3.9	4.2	2.4	3.2					
Afghanistan		5.4	13.3	3.9	20.6	8.4	6.5	14.0	3.6	3.2	4.5				
Algeria	4.3	1.7	3.4	2.4	1.6	3.6	2.8	3.3	2.7	4.3	4.1				
Bahrain	4.9	6.5	8.3	6.2	2.5	4.3	2.1	3.4	4.9	4.7	3.3				
Diibouti	1.2	4.8	5.1	5.8	5.0	3.5	4.5	4.8	5.0	6.0	6.5				
Egypt	4.8	6.8	7.1	7.2	4.7	5.1	1.8	2.2	2.1	2.3	4.1				
iran	5.1	6.2	6.4	0.6	3.9	5.9	2.7	-5.6	-1.7	1.5	2.3				
		10.2	1.4	6.6	5.8	5.5	10.2	10.3	4,2	5.9	6.7				
lraq Landan	4.8	₹U.Z 8.1	8.2	7,2	5.5	2.3	2.6	2.7	3.3	3.5	4.0				
Jordan Konsan			6.2 6.0	2.5	-7.1	-2.4	6.3	6.2	0.8	2.6	3.0				
Kuwait	5.0	7.5					2.0	1.5	1.0	1.0	2.5				
Lebanon	3.5	1.6	9,4	9.1	10.3	8.0									
Libya	3.1	6.5	6.4	2.7	-0.8	5.0	-62.1	104.5	-9.4	-7.8	29.8				
Mauritania	3.3	11.4	1.0	3.5	-1.2	4.3	4.0	7.0	6.7	6.8	6.5	1			
Maracco	4.4	7.8	2.7	5.6	4.8	3.6	5.0	2.7	4.5	3.9	4.9				
Oman	3.1	5.5	6.7	13.2	3.3	5.6	4.5	5.0	5.1	3.4	3.4				
Pakistan	4.6	5.8	5.5	5.0	0.4	2.6	3.7	4.4	3.6	3.1	3.7				
				17.7	12.0	16.7	13.0	6.2	6.1	5.9	7.1				
Qatar	9.7	26.2	18.0						3.8	4.1	4.2				
Saudi Arabia	3.3	5.6	6.0	8.4	1.8	7.4	8.6	5.8							
Sudan <sup>6</sup>	15.5	8.9	8.5	3.0	4.7	3.0	-1.2	-3.0	3.4	2.7	4.6				
	9.7	5.0	5.7	4.5	5.9	3.4									
Syria <sup>7</sup>	2.7														
	5.0	5.7	6.3	4.5	3.1	2.9	-1.9	3.6	2.7	3.0	4.5				
Syria <sup>7</sup> Tunisia United Arab Emirates	5.0 5.8					2.9 1.7	-1.9 3.9	3.6 4.4	2.7 4.8	3.0 4.4	4.5 4.2				

# EXHIBIT 11



FOREIGN TRADE INFORMATION SYSTEM

OAS # SEDI # DESD



Agreements

Disciplines

Trade Policy Developments

Countries

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#### INFORMATION on MEXICO



- TRADE AGREEMENTS
- Trade policy documents
- Bilateral investment treaties

- Disciplines
- Trade-related links
- Trade data links

#### TRADE AGREEMENTS: in force | signed but not in force

Multilateral Agreements | Free Trade Agreements
Framework Agreements | Partial Preferential Arrangements

Agreement/Partner(s)	Date o	f Signature	Text of the Agreement	Trade Policy Developments	
WTO members	01 January 199 (Contracting Pa since 24 Augus	rty to GATT 1947	8)	n.a.	
ree Trade Agreements					
Agreement/Partner(s)	Date of Signature	Date of Entry into Force	Text of the Agreement	Trade Policy Developments	
Central America (Costa Rica, El Salvador, Guatemala, Honduras y Nicaragua)	22 November 2011	D	7	0	
Peru (ACE 67)	6 April 2011	1 February 2012	E457	۵	
Bolivia (ACE 66)	17 May 2010	7 June 2010		Ð	
lapan	17 September 2004	1 April 2005	0	0	
Jruguay (ACE 60)	15 November 2003	15 July 2004		•	
European Free Trade Association (EFTA)	27 November 2000	1 July 2001	0	a	
srael	10 April 2000	1 July 2001	<b>2</b>	0	
Chile (ACE 41)	17 April 1998	1 August 1999	7	ð	
European Union (EU)	8 December 1997	1 July 2000	0	9	
Colombia	13 June 1994	0	200 7	23	
NAFTA (Canada - Mexico - United States)	17 December 1992	1 January 1994	Ð	ð	
Framework Agreements					
Agreement/Partner(s)	Date of Signature	Date of Entry into Force	Text of the Agreement	Trade Policy Developments	
MERCOSUR (ACE Nº 54) - framework agreement	5 July 2002	5 January 2006	7	9	

Argentina (ACE N° 6)  24 August 2006  1 January 2007  n.a.  MERCOSUR (ACE N° 55) - auto sector agreement 2002  Brazil (AAP.CE N° 53)  3 July 2002  2 May 2003  Paraguay (AAP.R 38)  31 May 1993  1 July 1994  Panama (AAP.A25TM N°14)  22 May 1985  24 April 1986  n.a.  Ecuador (ACE 29)  30 April 1983  6 August 1987  n.a.  Trade Policy Developments  Agreement/Partner(s)  Date of Signature  Text of the Agreement	Agreement/Parlner(s)	Date of Signature	Date of Entry into Force	Text of the Agreement	Trade Policy Developments
Brazil (AAP.CE N° 53) 3 July 2002 2 May 2003 3 Paraguay (AAP.R 38) 31 May 1993 1 July 1994 2 Panama (AAP.A25TM N°14) 22 May 1985 24 April 1986 1 Paraguay (ACE 29) 30 April 1983 6 August 1987 n.a. 2 TRADE AGREEMENTS SIGNED but not in FORCE  Free Trade Agreement/Partner(s) Date of Signature Text of the Trade Policy	urgentina (ACE N° 6)	_	1 January 2007	7	n.a.
Paraguay (AAP.R 38)  31 May 1993  1 July 1994  Panama (AAP.A25TM N°14)  22 May 1985  24 April 1986  n.a.  Ecuador (ACE 29)  30 April 1983  6 August 1987  n.a.  TRADE AGREEMENTS SIGNED but not in FORCE  Free Trade Agreements  Agreement/Partner(s)  Date of Signature  Text of the Trade Policy	MERCOSUR (ACE N° 55) - auto sector agreement		ø	15p 7	23
Panama (AAP.A25TM N°14)  22 May 1985  24 April 1986  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  10.2  1	Irazil (AAP.CE N° 53)	3 July 2002	2 May 2003	180 A	
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TRADE AGREEMENTS SIGNED but not in FORCE  Free Trade Agreements  Agreement/Partner(s)  Date of Signature  Text of the Trade Policy	'anama (AAP.A25TM N°14)	22 May 1985	24 April 1986	E100 7	n.a.
Free Trade Agreements  Agreement/Partner(s)  Date of Signature  Text of the Trade Policy	Ecuador (ACE 29)	30 April 1983	6 August 1987	n.a.	8
Agreement/Partner(s) Date of Signature		RCE		T. 5 . 7 (b	
		Date o	f Signature		
Panama 3 April 2004 n.a.	Agreement/Partner(s)				

#### Colombia Wire Rod Imports 2011-2013

IMPORTS 7213.91.10.00 - 7213.91.90.00 - 7227.90.00.10 YEAR 2011

By Country Kilograms

Country of Origin	Volume	FOB USD Value	% of Volume
MEXICO	96,925,827	74,654,623	54.67%
VENEZUELA	30,972,580	21,219,003	17.47%
BRAZIL	30,536,887	20,223,613	17.22%
TRINIDAD AND TOBAGO	11,109,945	8,215,950	6.27%
CHINA	5,304,369	4,004,009	2.99%
UNITED KINGDOM	1,711,061	1,678,235	0.97%
SPAIN	583,471	509,550	0.33%
LUXEMBURG	138,648	109,054	0.08%
FINLAND	4,114	9,051	0.00%
TOTAL 2011	177,286,902	130,623,088	100.60%

Source; Bacex

IMPORTS

7213.91.10.00 - 7213.91.90.00 - 7227.90.00.10

YEAR 2012 By Country Kilograms

Country of Origin	Volume	FOB USD Value	% of Volume
MEXICO	98,622,916	70,781,689	49.73%
TRINIDAD AND TOBAGO	44,965,615	30,910,293	22.67%
VENEZUELA	18,635,518	12,867,858	9.40%
BRAZIL	18,586,814	12,861,844	9.37%
SPAIN	8,452,979	5,388,056	4.26%
TURKEY	3,604,850	2,487,347	1.82%
CHINA	2,998,397	1,995,864	1.51%
UNITED KINGDOM	2,037,813	2,041,086	1.03%
HONG KONG	246,340	160,860	0.12%
ECUADOR	90,590	75,466	0.05%
LUXEMBURG	36,250	26,517	0.02%
UNITED STATES	31,754	48,916	0,02%
CHILE	400	884	0.00%
TOTAL 2012	198,310,236	139,646,680	100.00%

Source: Bacex

Mexico's average participation in total imports (2011-2013)

63.28%

Safeguard Quota

174,452,000 kgs.

Estimated Mexico's Share of the Quota based on average participation

110,397,215 kgs.

Mexico's average annual exports to Colombia (2011-2013)

128,810,663 kgs.

Deacero's average annual exports to Colombia (2011-2013)

kg

NOTES:

Quantities on the import data include medium and high carbon wire rod, which are excluded from the safeguard measure. Mexico has an import duty advantage over other countries because of the Free Trade Agreement with Colombia.

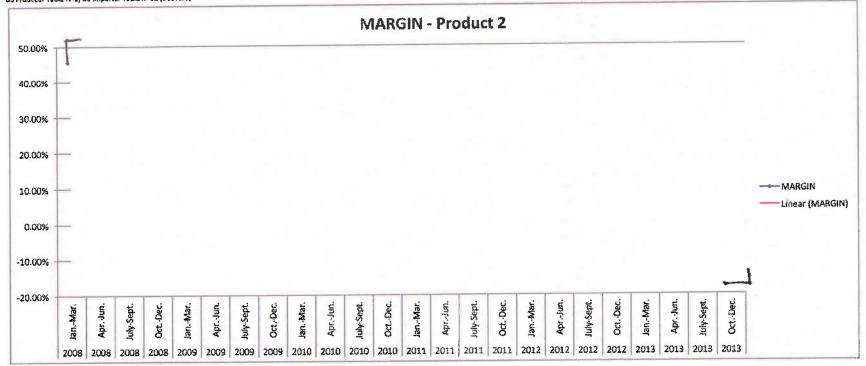
Mexican wire rod pays 0% import duty on Colombia, so importers will prefer to buy from Mexico than from other countries subject to import duties.

IMPORTS
7213.91.10.00 - 7213.91.90.00 - 7227.90.00.10
YEAR 2013
By Country
Kilograms

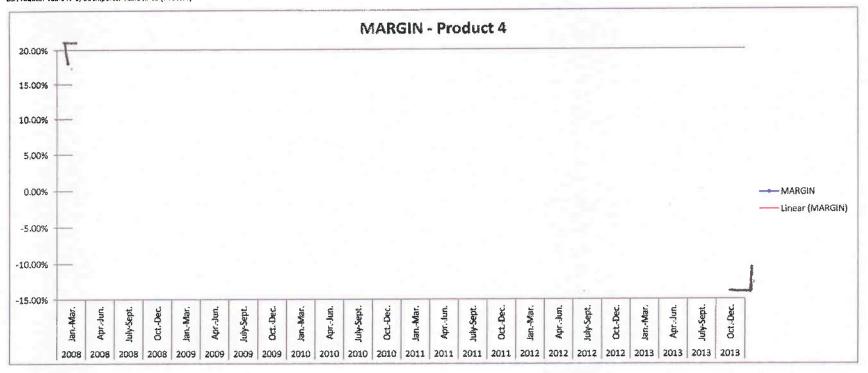
Country of Origin	Volume	FOB USD Value	% of Volume
MEXICO	190,883,245	120,361,524	81.21%
CHINA	21,119,268	11,610,370	8.98%
8RAZIL	9,509,971	5,689,116	4.05%
JAPAN	9,060,839	5,290,130	3.85%
TRINIDAD AND TOBAGO	1,829,272	1,192,462	0.78%
UNITED KINGDOM	1,772,989	1,570,794	0.75%
SPAIN	460,830	370,837	0.20%
BELGIUM	353,771	194,574	0.15%
UNITED STATES	22,564	28,267	0.01%
ITALY	20,900	21,240	0.01%
UKRAINE	9,380	6,144	0.00%
FINLAND	7,692	17,005	0.00%
COSTA RICA	90	63	0.00%
TOTAL 2013	235,050,811	146,352,526	100.00%

Source: Bacex

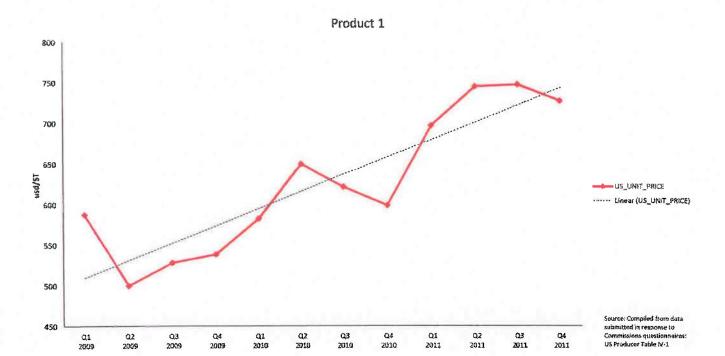
Source: Compiled from data submitted in response to Commissions questionnaires: US Producer Table IV-1; US Importer Table III-3b (Deacerd)

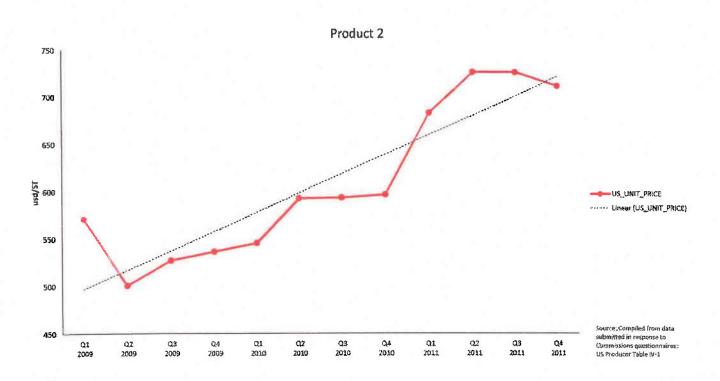


Source: Compiled from data submitted in response to Commissions quest'onnaires: US Producer Table IV-1; US Importer Table IB-3b (Deacero)



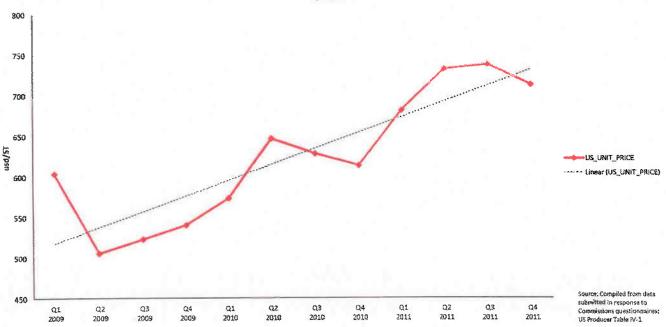
## **Domestic Industry**



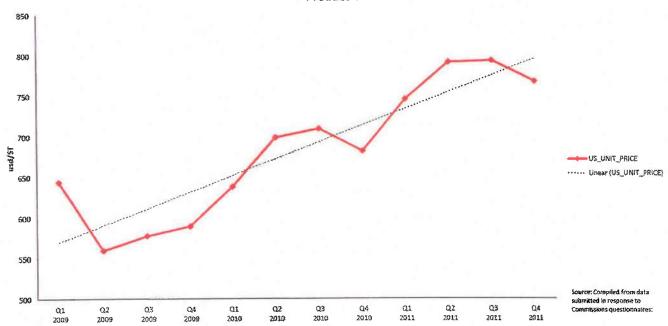


## **Domestic Industry**



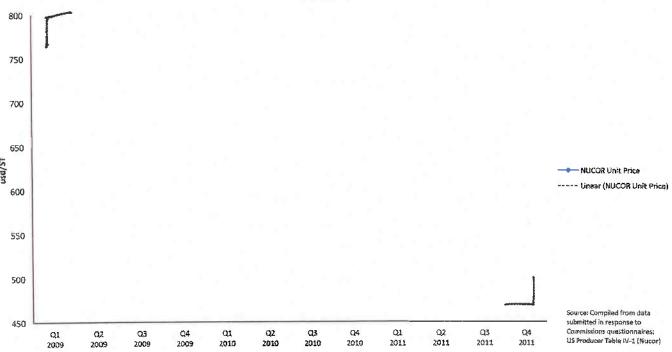




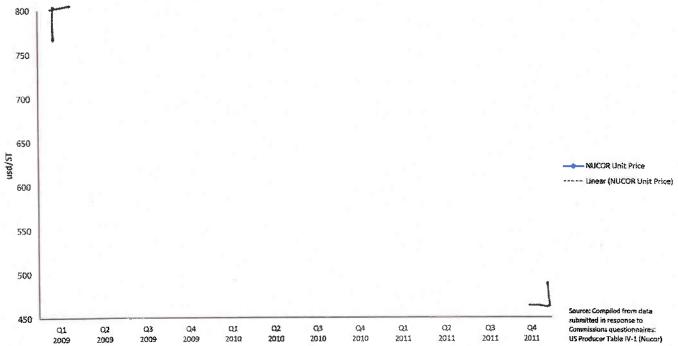


### **NUCOR**



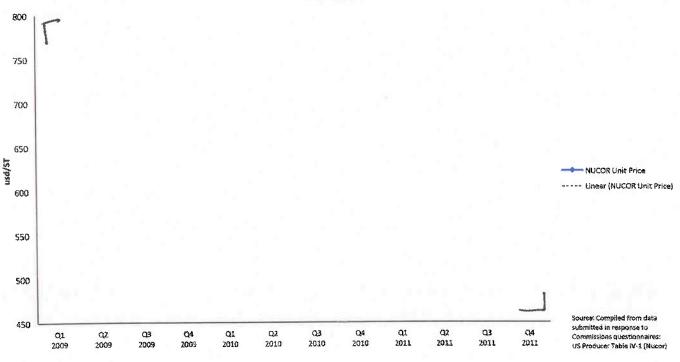




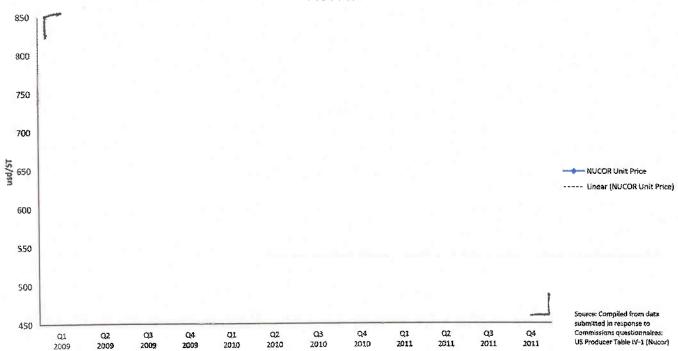


## **NUCOR**

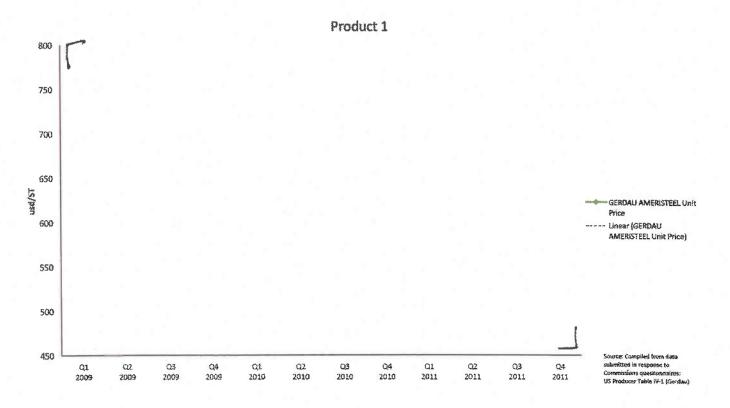


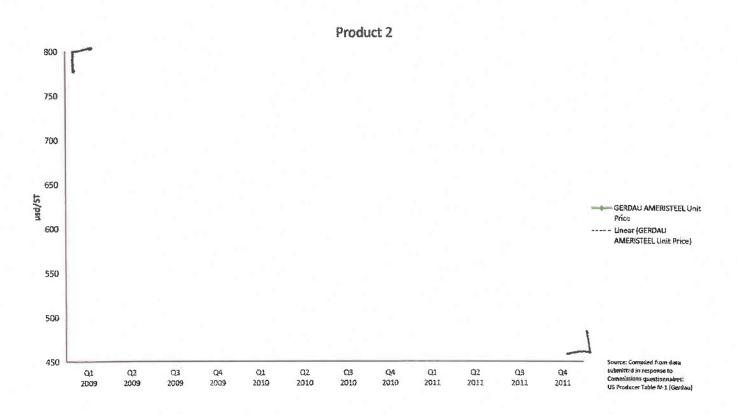




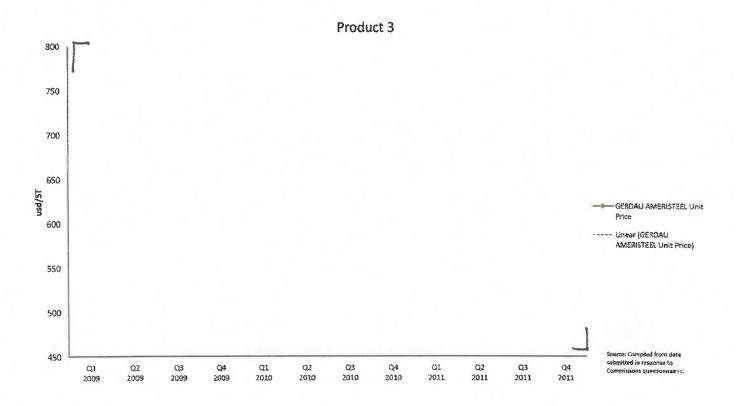


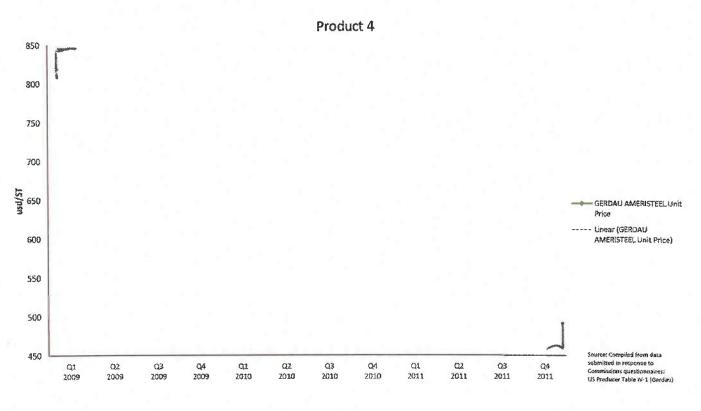
## **GERDAU AMERISTEEL**





## **GERDAU AMERISTEEL**





# American Metal Market

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## Chinese wire rod exporters pull back offers

Feb 18, 2014 | 05:02 PM | Stacu Irish



NEW YORK — Chinese wire rod exporters have pulled back on offers to the United States for February over fears that retroactive duties could be applied to imports of Chinese material, market sources told *AMM*.

Anti-dumping and countervailing duty petitions were filed Jan. 31 with the U.S. Commerce Department's International Trade Administration (ITA) and the U.S. International Trade Commission (ITC) on behalf of ArcelorMittal USA LLC, Charter Steel, Evraz Rocky Mountain Steel, Gerdau Ameristeel U.S. Inc., Keystone Consolidated Industries Inc. and Nucor Corp. (amm.com, Jan. 31).

Wire rod import transaction prices are holding steady at \$570 to \$580 per ton c.i.f. Port of Houston for March and early April delivery.



A source at a Chinese wire rod producer whose main export market is the United States said that it hasn't had any bookings to the United States for February as people are worried about paying duties.



"I usually buy from China but I haven't had any new offers. I've spoken to traders who are not offering. I don't expect to see any offers from China. They will be prepared to back away from the U.S. market as they may need to pay duties," one Midwest wire rod buyer said. "U.S. importers may be forced to find alternative markets such as Turkey, Egypt, the United Arab Emirates and Spain. I don't believe there will be any offers from China to the United States. I think China will sell to other markets."

Wire rod buyers in the United States rushed to the import market in December and January to replenish inventories from China ahead of the widely expected trade case.



"The trading companies that we deal with are refusing to quote offers from China. People have got imports from China arriving until June; there is too much risk to import after June 1. The margins will be 100 percent, take my word for it. Trading companies are not taking the risk," one East Coast buyer said.

Some 24,999 tonnes of wire rod from China are expected to arrive in the United States in February, down from 67,955 tonnes last month, according to import license data through Feb. 14 from Commerce's Enforcement and Compliance division. U.S. wire rod imports totaled 63,277 tonnes in January 2013.

"I haven't heard of any Chinese wire rod offers since the Chinese New Year (holiday). There have been no offers from China. The traders are the importers and they haven't been offering because they will be liable to pay the duties," said one wire rod buyer in the South.

## American MetalMarket

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### Wire rod case could lift Turkey exports

Feb 25, 2014 | 12:29 PM | Stacy Irish

LONDON — Turkey could be the next big exporter of wire rod to the United States if anti-dumping and countervailing duties are imposed on Chinese wire rod shipments in an ongoing trade case, U.S. market sources told AMM.

U.S. market participants have been reluctant to agree to new wire rod purchases from China due to fears of import duties.

The U.S. Commerce Department has initiated dumping and subsidy investigations of imports of carbon and certain alloy steel wire rod from China (<u>amm.com</u>, Feb. 21) after a coalition of domestic producers filed a trade complaint in late January (<u>amm.com</u>, Jan. 31) alleging dumping margins between 99.32 and 110.25 percent and subsidy rates above de minimis levels.

"It's too risky to import from China. Trading companies are not taking the risk. There is still the option of importing wire rod from Turkey due to the currency weakness and its weak economy," an East Coast buyer said. "There will be countries that will try to fill the void of China, but it comes down to the price. Chinese wire rod is the most competitive. I think Turkey will be the next big importer. They will fill the void from China in the interim. Turkey has the connections in the U.S. and they have done business with them before."

\*

U.S. importers have several thousand tons of wire rod on order from China that is scheduled for delivery between March and June, according to market participants, but they are not expecting any deliveries after June due to fears of retroactive duties.

Nearly 68,000 tonnes of wire rod were expected to arrive in the United States from China in January followed by at least 26,000 tonnes in February according to import license data through Feb. 18 from Commerce's Enforcement and Compliance division.

"The anti-dumping case against China will be a game changer for the U.S. market. We expect the case to be successful. If that turns out to be true, we expect the domestic mills to have plenty of room to raise prices," a Midwest buyer said. "Turkey has traditionally been a major player in the U.S. wire rod market. They have been strangely absent the past year. If China is out of the market, we expect Turkey to be back in the game in a big way."

AMM's wire rod import transaction prices are holding steady at \$570 to \$580 per ton c.i.f. port of Houston (amm.com. Feb. 18).

China has the most competitive prices for wire rod compared with Turkey or other potential suppliers, such as Ukraine or Spain, market sources said, likely because China uses iron ore to produce wire rod rather than ferrous scrap.

"I had an offer from Turkey at \$620 to \$630 per ton c.i.f. port of Houston and China was offering \$575 to \$585 c.i.f. port of Houston. China was in the market before the Chinese New Year (holiday), but I haven't heard of anything since then," a U.S. wire rod producer source said. "Before China came on to the scene two to three years ago, Turkey was a big exporter of wire rod to the U.S. It makes sense for them to be the next big exporter to the United States. However, their wire rod export prices are not as competitive as Chinese wire rod prices."

## American Metal Market

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### China wire rod case drives new imports

Mar 18, 2014 | 02:52 PM | Stacy Irish

NEW YORK — U.S. wire rod buyers have expressed surprise at attractive new import offers from Turkey, Russia, Spain and Portugal that have been driven by an ongoing trade case vs. Chinese product.

While new offers for early summer delivery from those four countries are higher than previous prices from China, it's not by much, buyers said.

"We're getting offers from Turkey, Portugal and Russia that are slightly higher than previous Chinese wire rod prices, and it was not what we were expecting," one U.S. wire rod buyer told AMM. "There are no more Chinese wire rod offers to the U.S. That game is over."



Since the end of January, sources indicated that wire rod offers from China have dried up due to the pending trade case, effectively forcing buyers to find new markets (amm.com, Feb. 18).

However, wire rod was sold at between \$580 and \$590 per ton c.i.f. Port of Houston last week, with most offers from Turkey for late May or June delivery, sources said. That's up from \$570 to 580 per ton c.i.f. Port of Houston before the Chinese New Year holiday.

The lack of Chinese offers could continue. The U.S. International Trade Commission last week found indication of material injury to the U.S. industry (amm.com, March 14).

Market sources added that several thousand tons of wire rod from China is currently en route to U.S. shores ahead of final determinations in the trade case.

But with so much uncertainty, others said imports might not be the best bet.

"I have not heard much, as we have only been spot buying domestic to fill in around large import buys inked in the third and fourth quarter (of 2013)," a second rod buyer said. "I had an offer from South Korea at \$32.50 per hundredweight (\$650 per ton) for June/early July delivery. We did not buy on this offer and expect to be in a holding pattern with the rest of the industry for another month or two."

The U.S. Commerce Department will issue its preliminary countervailing duty determination by April 28 and its anti-dumping determination by July 10.

## American Metal Market

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## Wire rod import prices rise, China offers shrink

Mar 31, 2014 | 04:05 PM | Stacy Irish



NEW YORK - U.S. wire rod import transaction prices have risen as lower-priced offers from China have dried up, market sources told AMM.

Wire rod was sold last week at \$610 to \$620 per ton c.i.f port of Houston for May and early June delivery, mostly from Turkey, sources said, up from \$580 to \$590 per ton previously.



"Turkey has been knocking at my door with wire rod offers," one wire rod buyer said. "The lower offer prices from China have dried up."

Wire rod offers from China have disappeared since the end of January due to a pending trade case, sources have said, effectively forcing buyers to find new markets (amm.com, Feb. 18).

U.S. wire rod buyers have been purchasing material from a variety of sources, including Russia and Spain, but Turkey has been the most attractive source due to its competitive prices, AMM has been told.

Some importers booked medium to large wire rod tonnages from China at the end of last year and early this year, which are expected to arrive in the United States in April and May.

"Turkey is a big market but there are offer prices from other countries. Wire rod is being sourced from Turkey, Spain and Russia. People still have material on order from China, so they do not need to buy for at least a month," one wire rod trader said.

The lack of wire rod offers from China could continue, as the U.S. International Trade Commission in mid-March found indication of material injury to the domestic industry (amm.com, March 14).

## American MetalMarket

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### Insteel expects favorable ruling in trade case

Apr 18, 2014 | 01:04 PM | Thorsten Schier

NEW YORK — Insteel Industries Inc. expects a favorable ruling in the pending trade case against Chinese wire rod producers and sees no shortages in the U.S. rod market as a result, the company's top executive said.

"We believe that the trade case will be successful and result in significant duties being imposed on Chinese rod exports, causing them to become uncompetitive and resulting in their exit from the U.S. market," president and chief executive officer H.O. Woltz III said April 17 during an earnings conference call.

The U.S. Commerce Department is expected to give its preliminary anti-dumping decision July 10 (<u>amm.com</u>, <u>March</u> 14), while the International Trade Administration (ITA) recently postponed a preliminary determination in its countervailing investigation until June 30 (<u>amm.com</u>, <u>April 11</u>).

#### INSTEEL INDUSTRIES INC.

(in thousands except per share)

	2014	2013
2nd qtr. ended M	arch 29	March 30
Net sales	\$91,436	\$82,873
Net income	3,522	3.714
Per share	0.19	0.20
6 months ended l	March 29	March 30
Net sales	\$178,654	\$168,760
Net income	6,269	6,116
Per share	0.34	0.34

"We expect transaction prices for foreign rod to rise, but we do not expect the trade case to result in shortages," Woltz said in anticipation of a favorable verdict.

Despite its low price, shutting out Chinese rod might well be a boon for large consumers such as Insteel.

"The Chinese have a habit ... of just executing a very undisciplined commercial plan in this market, and the ramification of that is about all purchasers end up paying the same prices and larger purchasers like Insteel frequently lose the value of their purchasing power," he said.

Rather than squeezing producer margins, prices in end-market segments that use imported rod will likely rise as consumers go to other—typically higher-priced—foreign sources, Woltz said. "We think there'll be a resetting of selling prices in those segments where import rod is used," he said.

Despite this assertion, and also because any impacts from the trade case are only expected to be felt in Insteel's fiscal fourth quarter, the company is stocking up on Chinese wire rod as long as it's still available, Woltz said.

Barring a sharp rise in ferrous scrap prices or a drastic pickup in demand, U.S. wire rod prices and finished product prices will likely stay in a narrow band in the near term, according to Woltz. "Our pricing power is weak and is likely to remain relatively weak until we see more robust demand for our products," he said.

The Mount Airy, N.C.-based company's net income fell 5.2 percent in its fiscal second quarter compared with the same period last year despite net sales increasing 10.3 percent.

The results "were favorably impacted by the increase in shipments, which was largely offset by lower spreads between selling prices and raw material costs and higher unit conversion costs," the company said in a statement on its <u>earnings</u> results.

Insteel's capacity utilization for the period was 51 percent compared with 46 percent a year earlier.

The company expects an improvement in market conditions in the coming months as "we are ... seeing continued improvement in private nonresidential construction, our primary demand driver, and a heightened degree of optimism that the slow growth recovery may be gaining momentum," Woltz said in the statement.



HTSUS subheadings 7311.00.00.60 or 7311.00.00.90. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under the investigation is dispositive. [FR Doc. 2011-14029 Filed 6-7-11; 8:45 am]

BILLING CODE 3510-DS-P

#### **DEPARTMENT OF COMMERCE**

International Trade Administration

[A-201-830]

Carbon and Certain Alloy Steel Wire Rod From Mexico: Initiation of Anti-**Circumvention Inquiry of Antidumping Duty Order** 

AGENCY: Import Administration. International Trade Administration, Department of Commerce.

DATES: Effective Date: June 8, 2011.

FOR FURTHER INFORMATION CONTACT: Jolanta Lawska or Eric B. Greynolds, AD/CVD Operations, Office 3, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-8362 and (202) 482-6071, respectively.

SUPPLEMENTARY INFORMATION: In separate submissions filed on February 11, 2011, ArcelorMittal USA LLC Gerdau Ameristeel U.S. Inc., and Rocky Mountain Steel, a division of Evraz Inc. NA, (collectively ArcelorMittal USA, et al.) and Nucor Corporation and Cascade Steel Rolling Mills, Inc. (collectively, Nucor/Cascade) requested that the Department of Commerce (the Department) initiate a scope inquiry, under 19 CFR 351.225(k)(2) to determine whether wire rod with an actual diameter between 4.75 and 5.00 millimeters (mm) is within the scope of the antidumping (AD) order on carbon and certain alloy steel wire rod from Mexico.1 See Notice of Antidumping Duty Orders: Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, 67 FR 65945 (October 29, 2002) (Wire Rod Order). Alteroatively, petitioners argue that the Department should initiate an anti-circumvention inquiry with regard to two Mexican firms, Deacero S.A. de C.V. (Deacero) and Ternium Mexico S.A. de C.V. (Ternium), and find that wire rod with an actual diameter between 4.75 and 5.00 mm produced by these firms constitutes a "minor alteration" or a

"later developed product" thereby resulting in shipments of such wire rod from Deacero and Ternium falling within the scope of the Wire Rod Order. See 19 CFR 351.225(i) and (j); see also sections 781(c) and (d) of the Tariff Act of 1930, as amended (the Act)

On March 14 and 23, 2011, Deacero filed comments rebutting petitioners' arguments. On March 24 and 25, 2011, petitioners responded to Deacero's comments. On March 25, 2011, Illinois Tool Works Inc. (ITW) filed comments objecting to petitioners' allegations. On March 28, 2011, the Department extended until May 16, 2011, the deadline for determining whether to initiate an inquiry into petitioners' allegations. On April 18, 2011, petitioners responded to the comments of ITW. On May 3, 2011, Deacero responded to the comments made in petitioners' March 24, and 25, 2011, submissions.

#### Scope of the Order

The merchandise subject to this order is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, 5.00 mm or more, but less than 19.00 mm, in solid cross-sectional diameter.

Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) Stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars and rods. Also excluded are (f) free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selectium, or more than 0.01 percent of tellurium).

Also excluded from the scope are 1080 grade tire cord quality wire red and 1080 grade tire bead quality wire rod. This grade 1080 tire cord quality rod is defined as: (i) Grade 1080 tire cord quality wire rod measuring 5.0 min or more but not more than 6.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.15 mm; (vi) capable of being drawn to a diameter of 0.30 mm or less with 3 or fewer breaks per ton, and (vii)

containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.006 percent or less of nitrogen, and (5) not more than 0.15 percent, in the aggregate, of copper, nickel and chromium

This grade 1080 tire bead quality rod is defined as: (i) Grade 1080 tire bead quality wire rod measuring 5.5 mm or more but not more than 7.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.2 mm; (vi) capable of being drawn to a diameter of 0.78 mm or larger with 0.5 or fewer breaks per ton; and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of soluble aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.008 percent or less of nitrogen, and (5) either not more than 0.15 percent, in the aggregate, of copper, nickel and chromium (if chromium is not specified), or not more than 0.10 percent in the aggregate of copper and nickel and a chromium content of 0.24 to 0.30 percent (if chromium is specified).

The designation of the products as "tire cord quality" or "tire bead quality" indicates the acceptability of the product for use in the production of tire cord, tire bead, or wire for use in other rubber reinforcement applications such as hose wire. These quality designations are presumed to indicate that these products are being used in tire cord, tire bead, and other rubber reinforcement applications, and such merchandise intended for the tire cord, tire bead, or other rubber reinforcement applications is not included in the scope. However, should petitioners or other interested parties provide a reasonable basis to believe or suspect that there exists a pattern of importation of such products for other than those applications, enduse certification for the importation of such products may be required. Under such circumstances, only the importers of record would normally be required to certify the end use of the imported merchandise.

All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The term petitioners refers collectively to AxcelorMittal USA, et. al. and Nucro/Cascade.

The products within the scope of this order are currently classifiable under subheadings 7213.91.3010. 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91,6090, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0020, 7227.20.0090, 7227.20.0095, 7227.90.6051, 7227.90.6053, 7227.90.6058, and 7227.90.6059 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

#### Initiation of Minor Alterations Anti-Circumvention Proceeding

Section 781(c) of the Act provides that the Department may find circumvention of an AD order when products which are of the class or kind of merchandise subject to an AD order have been "altered in form or appearance in minor respects \* \* \* whether or not included in the same tariff classification." Based on the arguments and information contained in petitioners' allegation, we find that there is a sufficient basis to initiate an anti-circumvention inquiry pursuant to section 781(c) of the Act and 19 CFR 351.225(i) to detarmine whether wire rod with an actual diameter measuring between 4.75 mm and 5.00 mm results from a minor alteration, and thus, a change so insignificant as to render such wire rod subject to the Wire Rod Order. For a summary of the comments received from interested parties and further discussion of the Department's basis for initiating this minor alteration inquiry, see the accompanying Memorandum to Ronald K. Lorentzen, Deputy Assistant Secretary for Import Administration. "Initiation of Minor Alteration Circumvention Inquiry on Wire Rod With an Actual Diameter Between 4.75 and 5.00 Millimeters," (Initiation Memorandum), of which the public version is on file in the Central Records Unit (CRU), Room 7046 of the main Department of Commerce building.

As explained in the Initiation Memorandum, the Department has declined to initiate on petitioners' allegation that the wire rod at issue constitutes a later-developed product as described under section 781(d) and 19 CFR 351.225(j). We based our determination on information submitted by Deacero that indicates that a Japanese firm made small-diameter wire rod (e.g., rod with diameters as narrow as 4.2 mm) commercially available prior to the filing of the petition.

In addition, we have declined to initiate a scope inquiry under 19 CFR

351.225(k)(2) as requested by petitioners. As explained in the Initiation Memorandum, we find that the petition from the underlying investigation as well as information from the International Trade Commission (ITC) referenced in the petition indicates that the diameters referenced in the scope of the Wire Rod Order pertain to actual diameters. Therefore, we find that wire rod with an actual diameter of less than 5.00 mm is not within the scope of the Wire Rod Order.

Our finding under 19 CFR 351.225 (k)(1), that wire rod with an actual diameter that is less than 5.00 mm is not within the scope of the Wire Rod Order, is consistent with our decision under 19 CFR 351.225(i) To initiate a minor alteration anti-circumvention inquiry concerning wire rod with an actual diameter between 4.75 mm and 5.00 mm. In Nippon Steel the Court of Appeals for the Federal Circuit (CAFC) found that the Department may be precluded from conducting a minor alteration inquiry in instances in which the product is well-known prior to the order and was specifically excluded from the investigation. See Nippon Steel Corp. v. United States, 219 F.3d 1348, 1356 (Fed. Cir. 2000) (Nippon Steel). The Wire Rod Order does not specifically exclude wire rod with an actual diameter between 4.75 mm and 5.00 mm and, thus, the conditions necessary to preclude a minor alteration inquiry are not present. The Department reached the same conclusion in this regard in the Wax Candles from the PRC Inquiry Prelim, which was upheld in the Wax Candles from the PRC Inquiry. See Later-Developed Merchandise Anticircumvention Inquiry of the Antidumping Duty Order on Petroleum Wax Candles from the People's Republic of China: Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order, 71 FR 32033, 32037 (June 2, 2006) (Wax Candles from the PRC Inquiry Prelim), see also Later-Developed Merchandise Anti-Circumvention Inquiry of the Antidumping Duty Order on Petroleum Wax Candles from the People's Republic of China: Affirmative Final Determination of Circumvention of the Anti-Dumping Duty Order, 71 FR 59076-59076 (October 6, 2006) (Wax Candles from the PRC Inquiry), and accompanying Issues and Decision Memorandum (Wax Candles from the PRC Inquiry Decision Memorandum).

We are initiating this minor alteration anti-circumvention inquiry on Deacero and Ternium, the Mexican firms identified by petitioners in their circumvention allegations. However,

within 45 days of the issuance of the initiation of this inquiry, if the Department receives sufficient evidence that other Mexican manufacturers are involved in the production of wire rod with an actual diameter between 4.75 mm and 5.00 mm, we will consider examining such additional manufacturers.

In accordance with 19 CFR 351.225(1)(2), if the Department issues a preliminary affirmative determination, we will then instruct CBP to suspend liquidation and require a cash deposit of estimated duties on the merchandise from firms covered by the determination.

The Department will, following consultation with interested parties, establish a schedule for questionnaires and comments on the issues. The Department intends to issue its final determination within 300 days of the date of publication of this initiation.

This notice is published in accordance with sections 781(c) and 781(d) of the Act and 19 CFR 351.225(i).

Dated: May 31, 2011.

#### Ronald K. Lorentzen,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 2011-14047 Filed 6-7-11; 8:45 am]

#### DEPARTMENT OF COMMERCE

International Trade Administration [C-570-938]

Citric Acid and Certain Citrate Salts from the People's Republic of China: Preliminary Results of Countervailing Duty Administrative Review

AGENCY: Import Administration. International Trade Administration, Department of Commerce. SUMMARY: The Department of Commerce is conducting an administrative review of the countervailing duty order on citric acid and certain citrate salts from the People's Republic of China for the period September 19, 2008, through December 31, 2009. We preliminarily find that RZBC Co., Ltd. ("RZBC Co."); RZBC Import & Export Co., Ltd. ("RZBC I&E"); RZBC (Juxian) Co., Ltd. ("RZBC Juxian"); and RZBC Group Co., Ltd. ("RZBC Group") (collectively, "RZBC" and Yixing Union Biochemical Co., Ltd. "Yixing Union Co.) and Yixing Union Cogeneration Co., Ltd. ("Cogeneration") (collectively, "Yixing Union") received countervailable subsidies during the period of review. If these preliminary results are adopted in our final results of this review, we will instruct U.S.



# International Trade Administration

Washington, D.C. 20230

A-201-830

Anti-Circumvention Inquiry

Business-Proprietary Document Office 3; Operations: EBG

MAY 3 1 2011

MEMORANDUM TO:

Ronald K. Lorentzen

Deputy Assistant Secretary for Import Administration

FROM:

Christian Marsh

Deputy Assistant Secretary

for Antidumping and Countervailing Duty Operations

RE:

Anti-Dumping Duty Order on Carbon and Certain Alloy Steel

Wire Rod from Mexico

SUBJECT:

Initiation of Minor Alteration Circumvention Inquiry on Wire Rod

with an Actual Diameter between 4.75 and 5.00 Millimeters

#### Summary

In separate submissions filed on February 11, 2011, ArcelorMittal USA LLC, Gerdau Ameristeel U.S. Inc., and Rocky Mountain Steel, a division of Evraz Inc. NA, (collectively ArcelorMittal USA, et al) and Nucor Corporation, and Cascade Steel Rolling Mills, Inc. (collectively, Nucor/Cascade) requested that the Department of Commerce (the Department) initiate a scope inquiry, under 351.225(k)(2), to determine whether wire rod with a diameter between 4.75 and 5.00 millimeters (mm) is within the scope of the antidumping (AD) order of the above-mentioned proceeding. See Notice of Antidumping Duty Orders: Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, 67 FR 65945 (October 29, 2002) (Wire Rod Order).2 Alternatively, petitioners argue that the Department should initiate an anti-circumvention inquiry with regard to two Mexican producers, Deacero S.A. de C.V. (Deacero) and Ternium Mexico S.A. de C.V. (Ternium), and find that wire rod with a diameter between 4.75 and 5.00 mm produced by these firms constitutes a "minor alteration" or a "later developed product" thereby resulting in shipments of such wire rod from Deacero and Ternium to fall within the scope of the Wire Rod Order. See 19 CFR 351.225(i) and (j); see also sections 781(c) and (d) of the Tariff Act of 1930, as amended (the Act).

The term Wire Rod Order refers exclusively to the order covering the Mexican proceeding.



This memorandum uses the term petitioners to refer collectively to ArcelorMittal USA, et. al. and Nucro/Cascade.

We find that a formal scope inquiry, as described under 19 CFR 351.225(e) and (k)(2), is not warranted in this case and that the Department determines, pursuant to 19 CFR 351.225(d) and (k)(1), that wire rod with an actual diameter that is less than 5.00 mm is outside the scope of the Wire Rod Order. Similarly, we also find that an anti-circumvention, later-developed product inquiry is not warranted. However we determine to initiate an anti-circumvention scope inquiry to determine whether wire rod with a diameter between 4.75 mm and 5.00 mm constitutes merchandise altered in form or appearance in such minor respects that it should be included within the scope of the Wire Rod Order.

#### Applicable Regulations

Scope Inquiry Pursuant to 19 CFR 351.225(k)

The regulations governing the scope determinations can be found at 19 CFR 351.225. On matters concerning the scope of an AD order, our initial basis for determining whether a product is included within the scope of an order are the descriptions of the product contained in the petition, the initial investigation, and the prior determinations of the Department (such as prior scope rulings) and the International Trade Commission (ITC). See 19 CFR 351.225(d) and 351.225(k)(1). Such scope determinations may take place with or without a formal scope inquiry. See 19 CFR 351.225(d).

Conversely, where the descriptions of the merchandise contained in the petition, the initial investigation, and the prior determinations of the Secretary and the ITC are not dispositive, the Department will consider the additional factors set forth at 19 CFR 351.225(k)(2). These criteria analyze the following: (i) the physical characteristics of the merchandise; (ii) the expectations of the ultimate purchasers; (iii) the ultimate use of the product; (iv) the channels of trade in which the product is sold, and (v) the manner in which the product is advertised and displayed. These factors are known commonly as the <u>Diversified Products</u> criteria. <u>See Diversified Products Corp. v. United States</u>, 6 CIT 155, 572 F. Supp. 883 (1983). The determination as to which analytical framework is most appropriate in any given scope inquiry is made on a case-by-case basis after consideration of all record evidence before the Department.

2. Anti-Circumvention Scope Inquiry Pursuant to 19 CFR 19 CFR 351.225(g), (h), (i), and (j)

The Department may include in the scope of an order merchandise that: (g) underwent minor assembly after importation into the United States; (h) underwent minor assembly in a third country prior to importation into the United States; (i) is altered in form or appearance in minor respects; or (j) constitutes later-developed merchandise.

#### **Product Description**

#### Scope of the Order

The merchandise subject to this order is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, 5.00 mm or more, but less than 19.00 mm, in solid cross-sectional diameter.

Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars and rods. Also excluded are (f) free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phospborus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium).

Also excluded from the scope are 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod. This grade 1080 tire cord quality rod is defined as: (i) grade 1080 tire cord quality wire rod measuring 5.0 mm or more but not more than 6.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.15 mm; (vi) capable of being drawn to a diameter of 0.30 mm or less with 3 or fewer breaks per ton, and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.006 percent or less of nitrogen, and (5) not more than 0.15 percent, in the aggregate, of copper, nickel and chromium.

This grade 1080 tire bead quality rod is defined as: (i) grade 1080 tire bead quality wire rod measuring 5.5 mm or more but not more than 7.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no inclusions greater than 20 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.2 mm; (vi) capable of being drawn to a diameter of 0.78 mm or larger with 0.5 or fewer breaks per ton; and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of soluble aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.008 percent or less of nitrogen, and (5) either not more than 0.15 percent, in the aggregate, of copper, nickel and chromium (if chromium is not specified), or not more than 0.10 percent in the aggregate of copper and nickel and a chromium content of 0.24 to 0.30 percent (if chromium is specified).

The designation of the products as "tire cord quality" or "tire bead quality" indicates the acceptability of the product for use in the production of tire cord, tire bead, or wire for use in other rubber reinforcement applications such as hose wire. These quality designations are presumed to indicate that these products are being used in tire cord, tire bead, and other rubber reinforcement applications, and such merchandise intended for the tire cord, tire bead, or other rubber reinforcement applications is not included in the scope. However, should petitioners or other interested parties provide a reasonable basis to believe or suspect that there exists a pattern of importation of such products for other than those applications, end-use certification for the importation of such products may be required. Under such circumstances, only the importers of record would normally be required to certify the end use of the imported merchandise.

All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The products under investigation are currently classifiable under subheadings 7213.91.3010, 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91.6090,

7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0020, 7227.20.0090, 7227.20.0095, 7227.90.6051, 7227.90.6053, 7227.90.6058, and 7227.90.6059 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

#### 2. The Petition

The petition states that the merchandise covered is carbon and certain alloy steel wire rod. See Memorandum to the File from Eric B. Greynolds, Program Manager, Office 3, AD/CVD Operations, "Excerpts from Petition," (May 16, 2011) (Petitioner Memorandum), which is on file in the Central Records Unit (CRU), Room 7046 of the main Department of Commerce building. The petition further states that the characteristics and uses of carbon and certain alloy steel wire rod "were fully explained in the recent section 204 investigation" conducted by the International Trade Commission (ITC). The petition then quotes the following from the ITC 204 investigation:

Wire rod is a hot-rolled intermediate steel product of circular or approximately circular cross section that is typically produced in nominal fractional diameters from 7/32 inch (5.6mm to 47/64 inch (18.7 mm), and sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire drawers.4 The most common diameter produced is 7/32 inch for drawing into industrial quality wire rod. Wire rod sold in the United States is categorized by "quality" according to end use. End-use categories are broad descriptions in which there is an overlap of metallurgical quality, chemistry, and physical characteristics. Quality and commodity descriptions for 11 major types of wire rod, as indicated by the Iron and Steel Society, are presented in Table I-2. Industrial quality wire rod reportedly accounts for the majority of wire rod consumed in the United States. It is primarily intended for drawing into industrial or standard quality wire that, in turn, is used for the manufacture of such products as coat hangers, wire mesh, and chain link fence. Most of the industrial quality wire rod is produced and sold in 7/32 inch (5.5 mm) diameter, which is also the smallest cross-sectional diameter that is hot-rolled in significant commercial quantities. Industrial quality wire rod is manufactured from low or medium-low carbon steel.6

See Petitioner Memorandum. The Petition further states that for purposes of the investigation subject merchandise is:

wire and wire products).

5 Ductility, hardness, and tensile strength of the steel are positively correlated with carbon content. Alloying clements can be added during the melt stage of the steelmaking process to convey various characteristics to the wire clements can be added during the melt stage of the steelmaking process to convey various characteristics to the wire

Iron and Steel Society, Steel Products Manual: Carbon Steel Wire and Rods, August 1993, at 36.

The use of the term petition refers to the petition filed with regard to wire rod from Mexico (A-201-830).

Wire drawers (also referred to as redrawers) manufacture wire and wire products and may be independent of the wire rod inanufacturers or may be related parties (about 18 percent of domestically produced certain steel wire rod was consumed in 2000 by U.S. wire rod manufacturers or by related redrawers in the production of downstream

... certain hot-rolled, carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter.

Id.

### 3. The ITC

In its most recent sunset review of the <u>Wire Rod Order</u>, the ITC defined the domestic like product in the same terms as in the underlying investigation:

Wire rod is a hot-rolled intermediate steel product of circular or approximately circular cross section that typically is produced in nominal fractional diameters from 7/32 inch (5.6 mm) to 47/64 inch (18.7 mm) and sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire drawers . . . Most of the industrial quality wire rod is produced and sold in the smallest cross-sectional diameter that is hot-rolled in substantial commercial quantities (7/32 inch or 5.6 mm).

See Caron and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Investigation Nos. 701-TA-417 and 731-TA-953, 954, 957 – 959, 961, and 962 (ITC Sunset Review).

## Products Subject to Inquiry Request

Petitioners state that the product covered by their scope inquiry request under 19 CFR 351.225(k) is certain carbon and alloy steel wire rod with an actual diameter between 4.75 mm and 5.00 mm. Petitioners state that their anti-circumvention inquiry allegations pertain to wire rod with a diameter between 4.75 mm and 5.00 mm produced by Deacero and Ternium.

## Summary of Arguments

# 1. February 11, 2011, Submissions of ArcelorMittal USA, et al and Cascade/Nucor

In their February 11, 2011, submissions, petitioners contend that Deacero and Ternium shipped 4.75 mm wire rod to the United States with the express purpose of circumventing the Wire Rod Order. Petitioners request that the Department initiate a scope inquiry under 19 CFR 351.225(k)(2) to determine whether wire rod with an actual diameter between 4.75 mm and 5.00 mm is within the scope of the Wire Rod Order. Alternatively, they request that the Department initiate an anti-circumvention scope inquiry under 19 CFR 351.225(i) and/or (j) to determine whether wire rod with an actual diameter between 4.75 mm and 5.00 mm constitutes a "minor whether wire rod with an actual diameter between 4.75 mm and 5.00 mm constitutes a "minor alteration" or a "later developed product" thereby resulting in shipments of such wire rod from Deacero and Ternium falling within the scope of the Wire Rod Order.

Petitioners contend that the scope language is not dispositive of the question of whether wire rod an actual diameter between 4.75 mm and 5.00 mm falls within the scope of the <u>Wire Rod Order</u>. They argue that although the scope covers wire rod "of approximately round cross section, 5.00 mm or more," the scope language does not explicitly state whether it applies to

actual diameter or nominal diameter plus or minus the industry tolerance. Petitioners argue that the American Society for Testing and Materials (ASTM) category A510, the general standard for wire rod, provides that a 5.5 mm wire rod may be delivered within, plus or minus, 0.4 mm of the specified diameter and still meet industry specifications. They further argue that, while ASTM A510 does not specify the tolerance for 5.0 mm wire rod, the same tolerance applies to wire rod with a nominal diameter of 5.0 mm. Thus argue petitioners, wire rod sold to a 5.00 mm nominal diameter could be produced with an actual diameter ranging from 4.6 mm -4.7 mm to 5.3 mm. As a result, wire rod of an actual diameter between 4.75 mm and 5.00 mm falls within the scope of the Wire Rod Order.

Petitioners claim the facts of their request mirror those examined in the Pasta froro Italy and Turkey Scope Rulings. See Memorandum to Richard W. Moreland, Deputy Assistant Secretary, AD/CVD Enforcement Group I, "Final Scope Ruling With Respect to the Antidumping and Countervailing Duty Orders on Certain Pasta from Italy and Turkey," (May 24, 1999) (Pasta from Italy and Turkey Scope Rulings). According to petitioners, the pasta scope covered pasta packaged in bags of five peunds or less, but did not expressly state whether an industry tolerance applied. Petitioners argue that the Department ultimately found ambiguity in the scope of the pasta order based on the existence on an industry tolerance that was not expressly roentioned in the scope and, as a result, the Department applied the scope criteria in 19 CFR 351.225(k)(2) to determine that the slight increase in package weight did not constitute a different product outside the scope of order. Id. Thus, petitioners argue that the facts of the instant request require the Department to conduct a scope inquiry under 19 CFR 351.225(k)(2).

Petitioners contend that an analysis under 19 CFR 351.225(k)(2) will demonstrate that wire rod with an actual diameter between 4.75 mm and 5.00 mm falls within the scope of the Wire Rod Order. For example, they argue that wire rod with an actual diameter of 4.75 mm is produced in an identical manner and to the same specifications as wire rod with an actual diameter of 5.00 mm. Petitioners argue that, as with subject wire rod, wire rod with an actual diameter between 4.75 mm and 5.00 mm is sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire redrawers. Petitioners add that drawing wire rod to an actual diameter of 4.75 mm does not alter the wire rod's metallurgical qualities or chemistry. They further contend that wire rod with an actual diameter between 4.75 mm and 5.00 mm is sold as a direct substitute for, and is interchangeable with, subject wire rod. See the February 11, 2011 submission of ArcelorMittal USA, et al at Exhibit 2, which contains an affidavit from an employee at one of petitioners' plants. As such, petitioners argue that the physical characteristics of wire rod with an actual diameter between 4.75 mm and 5.00 mm is the same as wire rod with an actual diameter of 5.00 mm and therefore fulfills the "physical characteristics" criteria described under 19 CFR 351.225(k)(2)(i). Petitioners further assert that producing wire rod with an actual diameter between 4.75 mm and 5.00 mm does not require retooling and that such wire rod enters under the same HTS categories as wire rod with an actual diameter greater than 5.00 mm. In addition, they argue that the Department has previously found that slight differences in physical characteristics did not constitute a different product outside of the scope. See, e.g., Affirmative Final Determination of Circumvention of the Antidumping Order on Folding Metal Tables and Chairs from the People's Republic of China, 74 FR 20920, 20921 (May 6, 2009) (Folding Tables from the PRC Scope Ruling).

Petitioners also argue that the wire rod at issue fulfills the "end-use" criteria enumerated under 19 CFR 351.225(k)(2)(ii). Petitioners argue that wire rod with an actual diameter between 4.75 mm and 5.00 mm is sold to the same customers for the same end uses as wire rod with an

actual diameter greater than 5.00 mm. They contend that in both instances, the wire rod is sold to wire redrawers for subsequent drawing into carbon and certain alloy wire that, in turn, is used to manufacture such downstream products as nails, strand, and chain link fences.

Petitioners also argue that the expectations of the ultimate purchaser, as enumerated under 19 CFR 351.225(k)(2)(iii), are the same with regard to wire rod with an actual diameter between 4.75 mm and 5.00 mm and wire rod with an actual diameter greater than 5.00 mm. They contend that both types of wire rod share the same metallurgical qualities, chemistries, and physical characteristics, in the U.S. market and, as a result, the expectations of the purchasers are the same.

Petitioners contend that the channels of trade, as described under 19 CFR 351.225(k)(2)(iv), are also the same with regard to wire rod with an acutal diameter between 4.75 mm and 5.00 mm and wire rod with an acutal diameter greater than 5.00 mm because both types of wire rod are sold directly to the same wire redrawers. See ArcelorMittal USA, et al's February 11, 2011, submission at Exhibit 2, which contains affidavits from members of the domestic industry stating that [

Petitioners acknowledge that it appears that Deacero and Ternium are not advertising the wire rod at issue in the United States or Mexico. Nonetheless, they assert that the wire rod at issue fulfills the "advertising" criteria under 19 CFR 351.225(k)(2)(v) as evidenced by the fact issue fulfills the "advertising" criteria under 19 CFR 351.225(k)(2)(v) as evidenced by the fact issue fulfills the "advertising" criteria under 19 CFR 351.225(k)(2)(v) as evidenced by the fact issue fulfills the "advertising" criteria under 19 CFR 351.225(k)(2)(v) as evidenced by the fact that Deacero and Ternium are selling wire rod with an actual diameter between 4.75 mm and 5.00 mm in the United States for the same purpose and the same customers as wire rod with an actual diameter greater than 5.00 mm. They claim the lack of advertising indicates that Deacero and Ternium are attempting to conceal sales of wire rod that should, in fact, be subject to the Wire Rod Order.

Alternatively, petitioners argue that, if the Department does not proceed with a scope inquiry pursuant to 19 CFR 351.225(k)(2) or finds that that the wire rod at issue is outside the literal scope of the Wire Rod Order, the Department should find that the wire rod at issue produced by Deacero and Ternium is nonetheless within the scope pursuant to an anti-circumvention finding. Petitioners contend that monthly imports of wire rod from Mexico increased significantly in November 2009 and have continued to increase through 2010. Citing to import data and proprietary affidavits from members of the domestic industry; petitioners claim the vast majority of this surge is attributable to wire rod with an actual diameter less than 5.00 mm that was produced by Deacero and Ternium. See Petitioners' February 11, 2011, submission at Exhibit 7. Petitioners argue the import data demonstrate the existence of circumvention on the part of Deacero and Ternium.

Petitioners argue that wire rod with an actual diameter between 4.75 and 5.00 mm constitutes merchandise that has been altered from an in-scope product in such a minor way that it should be considered within the scope of the Wire Rod Order. See 19 CFR 351.225(i). Petitioners argue that the Department made a similar finding in the CTL Plate from Canada Scope Ruling. See Final Determination of Circumvention of the Antidumping Duty Order: Cutto-Length Carbon Steel Plate from Canada, 66 FR 7617, 7618 (January 24, 2001) (CTL Plate from Canada Scope Ruling). Petitioners explain that in determining whether minor alterations constitute circumvention of an order, the Department examines five criteria: 1) overall physical characteristics; 2) expectations of ultimate users; 3) use of merchandise; 4) channels of marketing, and 5). cost of any modification relative to the value of the imported products. Petitioners argue that criteria one through four are met for the same reasons as discussed above.

Concerning the fifth criteria, they argue that the cost of modifying wire rod to an actual diameter below 5.00 mm is minimal. Citing to a proprietary affidavit from a member of the U.S. industry, petitioners claim that producing wire rod with an actual diameter of 4.75 mm wire rod from 5.00 mm wire rod is f

USA, et al's February 11, 2011, submission at Exhibit 2.

To the extent that the Department finds that the wire rod at issue does not constitute a "minor alteration" as described under 19 CFR 351.225(i), then petitioners argue, in the alternative, that the wire rod at issue should be included in the scope of the Wire Rod Order because it meets the description of later-developed merchandise under 19 CFR 351.225(j). Petitioners argue that the legislative history defines "later-developed" products as ones "... that contain features of technologies not in use in the class or kind of merchandise imported into the United States at the time of the original investigation. See S. Rep No. 40., 100th Cong., 1st Sess. 101 (1987).

For the same reasons as discussed above and in accordance with 19 CFR 351.225(j), petitioners contend that the wire rod at issue is the same as that described in the scope of the Wire Rod Order with regard to overall physical characteristics, expectations of ultimate users, ultimate uses of the merchandise, channels of trade, and advertising and display of the merchandise. Petitioners further assert that the wire rod at issue also fulfills the Department's commercial availability test, an additional criteria that the Department has utilized to determine whether a product constitutes a later-developed product. See Later-Developed Merchandise Anti-Circumvention Inquiry of the Antidumping Duty Order on Petroleum Wax Candles from the People's Republic of China: Affirmative Final Determination of Circumvention of the Anti-Dumping Duty Order, 71 PR 59076-59076 (October 6, 2006) (Wax Candles from the PRC Inquiry), and accompanying Issues and Decision Memorandum (Wax Candles from the PRC Inquiry Decision Memorandum). On this point, petitioners contend that the wire rod with an actual diameter of 4.75 mm was not "produced in Mexico before the order was put in place and did not become commercially available until after the issuance" of the Wire Rod Order. See Cascade/Nucor's February 11, 2011, submission at Exhibit 2, which contains an affidavit from a member of the domestic industry. Petitioners contend that the facts of their anti-circumvention allegation mirror those of the Wax Candles from the PRC Inquiry, in which the Department found that the candles at issue constituted a later-developed product requiring their inclusion in the scope.

## Deacero's March 14 and March 23, 2011, Submissions

Deacero argues that 19 CFR 351.225(k)(1) requires the Department to consider not only the scope of the Wire Rod Order but also the petition itself and determinations by the ITC. Deacero argues that a review of the petition and ITC determinations demonstrates that the scope of the Wire Rod Order refers to actual, not nominal, diameters. As such, Deacero argues petitioners' claims that wire rod with a diameter between 4.75 mm and 5.00 mm are covered by the scope are without merit. Deacero argues that the petition defined subject merchandise by reference to an ITC report issued prior to a section 204 investigation, which stated that wire rod is typically produced in nominal diameters of 5.5 mm, the smallest diameter sold in commercial quantities. See Deacero's March 14, 2011, submission at Exhibit 2.

Deacero argues that ASTM AS10, the standard for steel wire rod, recognizes 5.5 mm to be the lowest nominal size for wire rod and that its customers have not seen such merchandise

for sale. See Deacero's March 14, 2011, submission at Exhibits 4 and 7. Therefore, because the industry does not appear to offer or recognize wire rod with a nominal diameter of 5.00 mm, the petition, argues Deacero, must have been referring to actual diameters. As such, Deacero argues the wire rod at issue is outside the scope of the Wire Rod Order.

Deacero further argues that interpreting the scope of the <u>Wire Rod Order</u> according to petitioners' "nominal diameter plus tolerance" approach is untenable because it would require U.S. Customs and Border Protection (CBP) to determine which coils or parts of a coil (if any) out of an entire shipment have actual diameters equal to or greater than 4.60 mm, which petitioners' claim is the low end of the tolerance for wire rod produced to a nominal diameter of 5.00 mm. Further, Deacero notes that even under petitioners' infeasible approach, some of the wire rod sold by Deacero would still fall outside the scope. This is due to the fact that the wire rod with a nominal diameter of 4.75 mm sold by Deacero has a tolerance of 0.20 mm, which would result in wire rod with an actual diameter of 4.55 mm being outside the scope.

Deacero contests the notion that the Pasta from Italy and Turkey Scope Rulings may serve as a precedent for including the wire rod at issue in the scope of the Wire Rod Order. Deacero argues that, unlike the Pasta from Italy and Turkey Scope Rulings, the petition and prior ITC determinations demonstrate unambiguously that petitioners intended the scope of the Wire Rod Order to refer to actual diameters. Second, Deacero argues that the facts of the Pasta from Italy and Turkey Scope Rulings dealt with the industry practice of overfilling packages in order to make the packages exceed the nominal, maximum five pound weight limit specified for inscope merchandise. In contrast, contends Deacero, the variance of the wire rod at issue can be positive or negative, thereby making it impracticable to identify which, if any, 4.75 mm wire rod has an actual diameter that is equal to or greater than 4.60 mm, the nominal minimum diameter minus the variance.

Deacero argues that the CTL Plate from Canada Scope Ruling and CFS from Indonesia Scope Ruling are more applicable to the wire rod at issue. See Cut-to-Length Carbon Steel Plate from Canada Scope Ruling (January 16, 1998) (CTL Plate from Canada Scope Ruling); see also Coated Free Sheet Paper from Indonesia, Korea, and the People's Republic of China Scope Ruling (October 17, 2007) (CFS from Indonesia Scope Ruling). According to Deacero, in these two rulings, the Department found the products at issue to be outside the scope of the order because they were outside the chemical or weight restrictions set forth in the scope of the respective orders.

Deacero also asserts that petitioners' anti-circumvention arguments are unfounded. Citing to testimonials from its U.S. customers, Deacero argues that wire rod with a nominal diameter of 4.75 mm is purchased because it offers significant commercial and technological benefits, namely that it enables wire drawers to perform less processing to produce wire, thereby reducing costs. See Deacero's March 14, 2011, submission at Exhibit 7; see also Deacero's March 23, 2011, submission, which contains additional U.S. customer testimonials. Deacero further argues that its customer testimonials demonstrate that 5.5 mm and 4.75 mm wire rod do not serve as substitutes for each other. Id. According to Deacero, the customer testimonials demonstrate that the use of 4.75 mm wire rod as the starting point in the production process lessens the need for multiple redrawing of the merchandise which, in turn, results in tensile characteristics that are superior to that 5.5 mm wire rod. Id. Deacero adds that it is also a consumer of the 4.75 mm wire rod it produces and that, contrary to petitioners' claims, Deacero sells 4.75 mm wire rod in the Mexican market as well as in Canada. See Deacero's March 14, 2011, submission at Exhibits 7. and 15. Deacero further argues that the fact that it sells 4.75 mm

in Canada, where no antidumping order exists on such products from Mexico, demonstrates that 4.75 mm wire rod is a legitimate product produced in the ordinary course of business. On this basis, Deacero argues that petitioners have not met the standard for initiating a minor alterations inquiry under 19 CFR 351.225(i).

Deacero also contests petitioners' claims that 4.75 mm wire rod constitutes a laterdeveloped product. Deacero argues that petitioners' claims that 4.75 mm was not commercially available before the original antidumping investigation rests solely on a claim from a [

] at one of petitioners' plants. Deacero asserts that this claim is false. Citing to a technical report issued by Kawasaki Steel, Deacero contends that the Japanese firm developed a four-roll mill production process that enabled it to produce wire rod in diameters as low as 4.2 mm in response to "customers' need to reduce processing costs" and that Kawasaki Steel "successfully put" the small diameter wire rod "into commercial operation" in 1998. See "successfully put" the small diameter wire rod "into commercial operation" in 1998. See Deacero's March 14, 2011, submission at Exhibit 9. Deacero notes that Japan has never been subject to a U.S. dumping order on wire rod and, thus, Kawasaki Steel's the development of the product cannot be viewed as an attempt to avoid U.S. dumping duties. On this basis, Deacero asserts that the wire rod at issue cannot be considered a later-developed product.

# 3. Cascade/Nucor's March 24 and ArcelorMittal USA, et al March 25, 2011, Submissions

Petitioners contend that the omission of the word nominal from the scope of the Wire Rod Order cannot be taken as conclusive evidence that petitioners' intended to define the diameters in the scope in actual terms. Petitioners further note that the ITC report referenced in the petition discussed 5.5 mm to 5.6 mm wire rod. If, as Deacero claims, the petition sought to mirror the language of the ITC report, then the scope of the Wire Rod Order would have referred to a minimum diameter of 5.1 mm or 5.2 mm. Petitioners further argue that the record of the ITC's unrelated section 204 investigation is not one of the documents that the Department's regulations permit it to take into consideration when determining the clarity of the scope. Petitioners further argue that the scope of the Presidential Order that was the subject of the section 204 investigation and the section 201 order on which it was based, specifically excluded Mexico and, thus, is not relevant to the scope of the Wire Rod Order. In addition, petitioners contend that the scope of the 201 order contains no modifier indicating whether the referenced diameters were meant to be determined on a nominal or actual basis.

Petitioners argue that Deacero's arguments concerning 4.60 mm wire rod is speculative because Deacero has not demonstrated that it in fact produces such merchandise. They add that Deacero's argument on this point fails to address the issue that is actually before Department, which is whether wire rod with an actual diameter between 4.75 mm and 5.00 mm should be covered by the scope of the Wire Rod Order. Petitioners contend that the issue of whether wire rod with an actual diameter of 4.6 mm would be covered by the scope is one that is the proper subject of a separate scope inquiry. Thus, argue petitioners, Deacero bas not rebutted the contention that the scope language of the Wire Rod Order is ambiguous and requires a scope inquiry under 19 CFR 351.225(k) in order to determine whether the wire rod at issue is subject to the Wire Rod Order.

Petitioners reiterate their argument that the Department should initiate an anticircumvention inquiry in the event that it declines to initiate a scope inquiry under 19 CFR 351.225(k). Petitioners contend that Deacero bas failed to rebut their allegations that wire rod of an actual diameter between 4.75 mm and 5.00 mm fulfills the minor alteration and laterdeveloped criteria for circumvention as specified under 19 CFR 351.225(i) and (j). According to petitioners, Deacero's comments focused primarily on the purported commercial availability of 4.75 mm wire rod prior to the imposition of the Wire Rod Order. However, petitioners argue that Deacero bas not submitted any evidence that 4.75 mm was commercially available in the United States or Mexico, the relevant markets in this case, before the imposition of the Wire Rod Order.

Petitioners dispute Deacero's claim that the Pasta from Italy and Turkey Scope Rulings are not applicable because they dealt with packaging volumes that exceeded the parameters of the scope whereas the tolerances of the wire rod at issue can be positive or negative. First, the scope whereas the tolerances of the wire rod at issue can be positive or negative. First, petitioners argue that industry practice is to ship merchandise whose actual diameters are below the nominal diameter in order to save on freight and steel costs, as opposed to producing merchandise with a diameter that exceed the nominal specification. Second, petitioners dismiss Deacero's arguments concerning the practicality of interpreting the scope in the manner requested by petitioners. Petitioners argue that practicality is not one of the criteria the Department may analyze under 19 CFR 351.225.

Petitioners also contest Deacero's claims concerning the CTL Plate from Canada Scope Ruling and the CFS from Indonesia Scope Ruling. They point out that more recently the Department has found that the alteration of the chemical content of CTL plate constitutes Departmention. See Affirmative Final Determination of Circumvention of the Antidumping Duty circumvention. See Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China, 74 FR 40565 (August 12, 2009) (CTL Plate from the PRC Scope Ruling). They also claim that the Department's finding in the CFS from Indonesia Scope Ruling hinged on the fact that the request was filed too late in the underlying investigation to be considered rather than on the merits of the parties' arguments.

# 4. Illinois Tool Works Inc.'s (ITW) March 25, 2011, Submission

ITW reiterates the points contained in the customer testimonials of Deacero's March 14 and March 23, 2011, submissions. ITW states that after 4.75 mm, the next available nominal gauges for wire rod are 5.5 and 6.5 mm. ITW states that wire rod with a nominal diameter is separate and distinct from wire rod with nominal diameters of 5.5 mm and 6.5 mm. ITW notes that 4.75 mm allows it to achieve significant cost savings by reducing the number of times the wire must be redrawn. It also states that the reduction in the redrawing process results in a finished product that is less brittle than products produced from 5.5 mm wire rod. Lastly, it states that U.S. mills do not produce 4.75 mm wire rod.

## Nucor/Cascade's April 18, 2011, Submission

Petitioners contend that ITW's comments are unhelpful in the Department's analysis of the scope of the Wire Rod Order and do not support Deacero's request that the Department find the wire rod at issue outside the scope pursuant to 19 CFR 351.225(k)(1). Petitioners argue that ITW's comments are more properly addressed in the context of a full scope and/or circumvention inquiry.

#### Deacero's May 3, 2011, Submission

Deacero's disputes petitioners' claims that the language of the section 204 investigation is not relevant to the Department's analysis under 19 CFR.351.225(k). Deacero points out that, in defining the scope, the petition quotes the ITC's report. The petition, notes Deacero, cites to language from the ITC report that wire rod is a product with a nominal diameters of 5.6 mm to 18.7 mm and then immediately afterwards defines the scope of the underlying AD investigation as wire rod with a diameter of 5.00 mm to 19.00 mm. Deacero argues that, read in context, the petition makes petitioners' intent unmistakable, namely that they sought to define the scope of the Wire Rod Order to include wire rod with a nominal diameter of 5.5 mm and possibly having an actual diameter of 5.00 mm.

Deacero further contends that petitioners have failed to challenge the testimonials of Deacero's U.S. customers that 5.00 mm wire rod is not a recognized nominal size and, thus, the customers' claims must be viewed as accurate. Because the minimum diameter used in the petition is not a recognized nominal size, argues Deacero, the petitioners must not have intended to define the scope of the Wire Rod Order based on nominal diameter.

Deacero disputes the notion that if the petition sought to mirror the language of the ITC report, then the scope of the Wire Rod Order would have referred to a minimum diameter of 5.1 mm or 5.2 mm. Deacero argues that the 5.00 mm diameter included in the scope of the Wire Rod Order merely constitutes petitioners' desire to incorporate an additional buffer of 0.10 mm. Deacero further argues that ASTM AS10 defines nominal sizes from 5.5 mm to 19.0 mm (in 0.5 mm increments) to the tenth of a millimeter, while defining the industry tolerance (plus or minus 0.40 mm) to the hundredth of a millimeter. Thus, argues Deacero, in setting the lower limit of the scope of the Wire Rod Order to 5.00 mm, the petitioners clearly intended to define the scope based on actual diameter range.

Lastly, Deacero states that it sells 4.75 mm on a nominal-diameter basis, with a tolerance of plus or minus [ ] mm. Thus, argues Deacero, none of its shipments of 4.75 mm fall under the scope, which is defined based on actual diameters ranging from 5.00 mm to 19.00 mm. According to Deacero, this is particularly true given that, as noted by petitioners, wire rod producers always ship light by shipping "the narrowest wire rod while remaining within industry tolerance. See Petitioners' March 25, 2011, submission at 7.

### Department's Analysis:

### Scope Ruling Under 19 CFR 351.225(k)

In discussing the interpretive process the Department should follow in making scope rulings, the Court of Appeals for the Federal Circuit (CAFC) stated:

The critical question is not whether the petition covered the merchandise or whether it was at some point within the scope of the investigation. The purpose of the petition is to propose an investigation ... A purpose of the investigation is to determine what merchandise should be included in the final order. Commerce's final determination reflects the decision that has been made as to which merchandise is within the final scope of the investigation and is subject to the order. Thus, the question is whether the {final scope of the order} included the subject merchandise.

See <u>Duferco Steel</u>, Inc. v. <u>United States</u>, 296 F. 3d 1087, 1096 (Fed. Cir. 2002) (Duferco). The CAFC also commented that "a predicate for the interpretative process {in a scope inquiry} is language in the order that is subject to interpretation." <u>Id</u>. at 1097. Through these statements, the CAFC found that the appropriate place to begin the analysis as to whether a product is within the scope of an antidumping or countervailing duty order is to review the scope language of the antidumping duty order itself. Furthermore, the CAFC stated that "{s} cope orders may be interpreted as including subject merchandise only if they contain language that specifically includes the subject merchandise or may be reasonably interpreted to include it." <u>Id</u>. at 1089.

In accordance with <u>Duferco</u>, the Department must first examine the language of the scope of the <u>Wire Rod Order</u>. We find the language of the scope of the <u>Wire Rod Order</u> is ambiguous as to whether wire rod with an actual or nominal diameter between 4.75 mm and 5.00 mm constitutes subject merchandise. However, 19 CFR 351.225(k)(1) states that the Department will also take into account descriptions of the merchandise contained in the petition as well as determinations issued by the Department and the ITC.

Language in the petition describes subject merchandise with reference to the ITC's section 204 investigation stating that the "... characteristics and uses of carbon and certain alloy steel wire rod were fully explained" in the ITC's investigation. See Petitioner Memorandum. The petition goes on to quote the portion of the ITCs section 204 investigation that defines wire rod as merchandise with a cross-section that is "typically produced in nominal fractional diameters..." ranging from 5.6 mm to 18.7 mm. Id. Therefore, petitioners' own description—in a contemporaneous proceeding—of the merchandise in question leads us to conclude that the scope of the Wire Rod Order refers to actual diameters and not, as petitioners later contend, to nominal diameters. As a result, we further conclude that wire rod with an actual diameter that is less than 5.00 mm is outside the scope of the Wire Rod Order.

We disagree with petitioners' argument that the section 204 investigation is not a determination that the Department should consider as part of the scope inquiry at issue. As noted above, pursuant to 19 CFR 351.225(k)(1), the Department must take into account information contained in the petition. Concerning the inquiry at issue, the petition itself makes reference to the ITC section 204 investigation in the context of the scope definition and quotes the ITC's description of wire rod in that proceeding at length. Therefore, it is entirely appropriate to consider information from the ITC's section 204 investigation when reaching our decision under 19 CFR 351.225(d) that the wire rod at issue is not covered by the scope of the Wire Rod Order.

## 2. Anti-Circumvention Inquiry Under 19 CFR 351.225(j), Later Developed Product

We find that there is an insufficient basis to initiate an anti-circumvention inquiry into whether the wire rod at issue constitutes a later-developed product as described under 19 CFR 351.225(j). As noted above, the Department generally considers five factors in determining whether later-developed merchandise should be considered part of an order. However, as indicated in the Wax Candles from the PRC Inquiry, the Department also considers the commercial availability of the product at issue at the time of the imposition of the order to determine whether the product, in fact, constitutes a later developed product. See Later-Developed Merchandise Anticircumvention Inquiry of the Antidumping Duty Order on Petroleum Wax Candles from the People's Republic of China: Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order, 71 FR 32033, 32037 (June 2,

2006) (Wax Candles from the PRC Inquiry Prelim), in which the Department found that the examination of the five factors enumerated under section 781(d)(1) of the Act are predicated on the Department determining that the product at issue constitutes a later-developed product. The Department upheld this decision in the Wax Candles from the PRC Inquiry. See Wax Candles from the PRC Inquiry Decision Memorandum at Comment 4. On this point, we find that a technical report from Kawasaki Steel indicates that the firm developed a four-roll mill capable of producing wire rod with a diameters as narrow as 4.2 mm in the 1990s and that such small diameter wire rod was put into commercial operation in 1998. See Deacero's March 14, 2011, submission at Exhibit 9. Based on this information, we conclude that such small diameter wire rod was commercially available prior to the issuance of the Wire Rod Order and, as a result, the standard for initiating an anti-circumvention inquiry under 19 CFR 351.225(j) is not met.

Petitioners do not dispute Deacero's claims concerning the information in the Kawasaki Steel technical report. Instead, they argue that the later-developed product standard requires that Deacero demonstrate that Mexican firms made the small-diameter wire rod at issue commercially available prior to the issuance of the Wire Rod Order. However, we find petitioners did supported this interpretation of the commercially available standard with reference to prior findings by the Department or the courts. Therefore, we find that the standard for initiating an anti-circumvention inquiry under 19 CFR 351.225(j) has not been met.

## 3. Anti-Circumvention Inquiry Under 19 CFR 351.225(i), Minor Alteration

Concerning the allegation of minor alteration under 19 CFR 351.225(i), the Department examines such factors as 1). overall physical characteristics; 2) expectations of ultimate users; 3) use of merchandise; 4) channels of marketing; and 5) cost of any modification relative to the value of the imported products. See, e.g., Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Steel Plate from the People's Republic of China, 74 FR 33991, 33992 (July 14, 2009) (CTL Plate from the PRC Prelim), unchanged in the CTL Plate from the PRC Final. Each case is highly dependent on the facts on the record, and must be analyzed in light of those specific facts. Thus, although not specified in the Act, the Department has also included additional factors in its analysis, such as commercial availability of the product at issue prior to the issuance of the order as well as the circumstances under which the products at issue entered the United States, the timing and quantity of said entries during the circumvention review period, and the input of consumers in the design phase of the product at issue. Sec 74 FR at 33992-33993.

Affidavits from members of the U.S. industry included in petitioners' February 11, 2011, submission address the five factors enumerated above. Specifically, the affidavits attest that wire rod with actual diameters between 4.75 mm and 5.00 mm does not differ in any meaningful way from and is substitutable with wire rod covered by the scope of the Wire Rod Order. See, e.g., ArcelorMittal USA, et al's February 11, 2011, submission at Exhibit 2 that contains a proprietary affidavit from an employee at one of petitioners' plants in which the employee states that wire rod with a diameter between 4.75 mm and 5.00 mm is substitutable with wire rod with a diameter greater than 5.00 mm. Concerning the fifth factor, the affidavits allege that the relative cost to modify wire rod to a diameter below 5.0 mm is minimal. See Petitioners' February 11, 2011, submission at Exhibit 2, which contains an affidavit from members of the domestic industry claiming that the difference in cost of producing 4.75 mm wire rod from 5.0 mm wire rod is [ Further, citing to import data

and affidavits from members of the domestic industry, petitioners allege that imports of the small diameter wire rod at issue from Deacero and Ternium spiked significantly during calendar years 2009 and 2010. See Petitioners' February 11, 2011, submission at Exhibit 7.

As indicated above, petitioners have provided evidence that subject merchandise has been altered in minor respects and evidence of circumvention. The evidence of circumvention is in the form of information concerning a surge in imports of the allegedly circumventing merchandise in combination with affidavits that this merchandise is now being used instead of subject merchandise. Deacero has submitted affidavits alleging the opposite in terms of possible use. We have determined that the evidence submitted in petitioners' allegation is sufficient for purposes of initiation, and will consider and address the information and arguments raised by all parties, including the respondent, in the context of the Department's inquiry. Accordingly, based upon petitioners' allegation, we are initiating an anti-circumvention inquiry under 19 CFR 351.225(i).

Our finding under 19 CFR 351.225 (k)(1), that wire rod with an actual diameter that is less than 5.00 mm is outside the scope of the Wire Rod Order, is not inconsistent with our decision under 19 CFR 351.225(i) to initiate a minor alteration anti-circumvention inquiry concerning wire rod with an actual diameter between 4.75 mm and 5.00 mm. In Nippon Steel the CAFC found that the Department may be precluded from conducting a minor alteration inquiry in instances in which the product is well-known prior to the order and was specifically excluded from the investigation. See Nippon Steel Corp. v. United States, 219 F.3d 1348, 1356 (Fed. Cir. 2000) (Nippon Steel). The Wire Rod Oder does not specifically exclude wire rod with an actual diameter between 4.75 mm and 5.00 mm and, thus, the conditions necessary for the Department to be precluded from conducting a minor alteration inquiry are not present. The Department reached the same conclusion in this regard in the Wax Candles from the PRC Inquiry Prelim, which was upheld in the Wax Candles from the PRC Inquiry.

### Recommendation

Pursuant to 19 CFR 351.225(i), we recommend initiating an anti-circumvention inquiry into whether wire rod with an actual diameter between 4.75 mm and 5.00 mm exported to the United States by Deacero and Ternium constitutes merchandise altered in such minor respects that it should be included in the scope of the <u>Wire Rod Order</u>. If you agree, we will serve a copy of this memorandum to all interested parties on the scope service list via first class mail, as directed by 19 CFR 351.225(n) and 19 CFR 351.303(f), and will notify CBP of our determination.

	•
Agree	Disagree

Ronald K. Lorentzen
Deputy Assistant Secretary
for Import Administration

Rundak Loventer

May 31, 2011

Date

# EXHIBIT 19

## UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: 45
Anti-Circumvention Inquiry (4.75 mm wire rod)
Office of AD/CVD Operations
Business Proprietary Information
is contained on pages 9 - 23, and in Exhibit 3.

**PUBLIC VERSION** 

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM MEXICO

CASE BRIEF OF DEACERO, S.A. DE C.V. AND DEACERO U.S.A.

> David E. Bond Kristina Zissis Jay C. Campbell WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

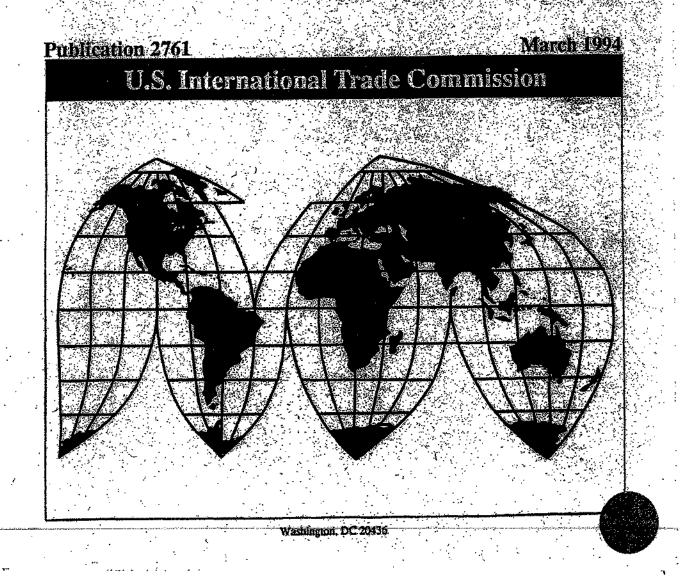
Counsel to Deacero, S.A. de C.V. and Deacero U.S.A.

January 12, 2012

# EXHIBIT 2

## Certain Steel Wire Rod From Brazil and Japan

Investigations Nos. 731-TA-646 and 648 (Final)



rod. During 1992, \*\*\* percent of Atlantic Steel's production was internally consumed for its production of galvanized and annealed wire, and \*\*\* percent was sold to other wholly owned subsidiaries of Ivaco.

### Bethlehem Steel, Bar, Rod & Wire Division

Bethlehem Steel produced cold-heading quality rod and rimmed steel at its Sparrows Point, MD, facility until September 1992, when it ceased all production of rod. Its partial-year production accounted for \*\*\* percent of U.S. production of certain steel wire rod during 1992. On January 29, 1992, Bethlehem announced its decision to exit the bar, rod, and wire industry, offering its Bar, Rod, & Wire Division for sale. Unable to complete a transaction for the entire division, Bethlehem announced, on May 15, 1992, that it was initiating "an orderly phasing down" of the division, exiting the business "as quickly as possible." That phasing down was completed in September 1992. In December 1993, Bethlehem announced that it had signed an agreement of sale with an affiliate of Veritas Capital, Inc., for Bethlehem's former Bar, Rod & Wire Division in Johnstown, PA, and Lackawanna, NY. The sale is contingent upon completion of certain sale-related items, and closing is expected in 1994. Veritas indicated that it intends to implement a substantial modernization program in the Bar, Rod & Wire Division, including installation of a continuous bloom caster in Johnstown.

### CF&I

Primarily a steel rails producer, CF&I produces steel wire rod, wire products (e.g., welded fence, barbed wire, and nails), and reinforcing bar at its plant in Pueblo, CO. On November 7, 1990, CF&I filed for protection under Chapter 11 of the Bankruptcy Code. The principal reasons for the Chapter 11 filing were the company's pension plan obligation, which was underfunded by an estimated \$145 million, and health insurance costs. A federal bankruptcy court approved the purchase of CF&I by Oregon Steel Mills, Inc. (a Portland-based producer) in March 1993, whereby Oregon Steel would purchase CF&I for \$100 million to upgrade the Pueblo facility. CF&I accounted for \*\*\* percent of U.S. production of certain steel wire rod during 1992.

### Charter Rolling

X

Charter Rolling of Saukville, WI, produces hot-rolled carbon and certain alloy steel wire rod in sizes ranging from 4 mm (0.157 inch) to nearly 22 mm (0.89 inch) and cold-heading wire in size diameters from 0.062 inch up to 0.859 inch, which is drawn in-house.

### Connecticut Steel

Accounting for \*\*\* percent of total U.S. production of certain steel wire rod, Connecticut Steel produces low-carbon wire rod at its rolling facility in Wallingford, CT. \*\*\*. During 1992, \*\*\* percent of Connecticut Steel's production of certain steel wire rod was consumed internally to produce wire mesh.

### Co-Steel Raritan

Accounting for \*\*\* percent of U.S. production of certain steel wire rod, Co-Steel Raritan produces a wide range of high- and low-carbon and alloy rod products at its facility in Perth Amboy,

Press Release, Bethlehem Steel Corp. May 15, 1992.
 Press Release, Bethlehem Steel Corp. Dec. 22, 1993.

<sup>4 \*</sup>CF&I Gets Nod on Reorganization," Metal Producing, Mar. 1993, p. 6.

Directory of Wire Companies of North America: 1991, p. 45.

# EXHIBIT 20

### Mexico's Imports of Wire Rod by Country Tariff Subheadings 7213 and 7227 Volume - Kilograms

	I			ADIMING MICHAEL		<u></u>	
COUNTRY	2008	2009	2010	2011	2012	2013	
Austria			61,630	138,084	108,906	236,358	
Brazil	47,616	7,266,909	2,947,885	31,461	554,309		
Canada	63,040	680,296	322,798	1,460,999	3,246,225	850,660	
Chile			30				
China	31,200	2,601	200	4,942,826	9,344,293	7,047,832	
France	51,750				36,517		
Germany	2,835,821	1,017,711	1,595,198	19,738,690	7,615,612	8,926,563	
Guatemala			4,215				
Hong Kong				1	744	1,150	
India					67		
italy	135,391	3	5,524	5	214,096	235	
Japan	551,590	61,545	957,022	1,811,137	94,933	286,116	
Korea		157	70				
Mexico						40,000	
Netherlands	6,731		41,165				
Norway					0		
Pakistan						0	
Portugal					21,528,019		
South Korea	2	97	361	860	4,809,476	6,219,025	
Spain	105,158	457,584	2,596,748	2,401,266	3,507,325	904,660	
Sweden	5,547						
Switzerland	15	30	984,046	758,029	642,223	211,870	
Taiwan	113,731	13,936	44,089	31,117	45,469	21,799	
Trinidad and Tobago		26,747,936	ĺ				
Turkey				10,283		19,982	
Ukraine			25,370				
Unidentified countries			55				
United Arab Emirates						40,647	
United Kingdom (Great Britain & Northern Ireland)	102,494			79			
United States of America	26,885,820	20,724,727	20,496,486	23,061,533	<del></del>	22,076,664	
TOTAL	30,935,906	56,973,532	30,082,892	54,386,370	71,443,898	46,883,561	

Source: Secretaria de Economía - SIAVI (Mexican Ministry of Economy) http://www.economía-snci.gob.mx/

# EXHIBIT 21

A-201-830 Circumvention Inquiry
Public Version
Office 3; Operations: JL; EBG

DATE:

September 24, 2012

MEMORANDUM TO:

Paul Piquado

Assistant Secretary

for Import Administration

FROM:

Christian Marsh

Deputy Assistant Secretary

for Antidumping and Countervailing Duty Operations

RE:

Antidumping Duty (AD) Order on Carbon and Certain Alloy Steel

Wire Rod from Mexico

SUBJECT:

Final Results of Minor Alteration Circumvention Inquiry on

Carbon and Certain Alloy Steel Wire Rod with an Actual Diameter

of 4,75 Millimeters (mm) to 5,00 mm

### Background

On December 20, 2011, the Department of Commerce (the Department) issued the Preliminary Determination in the above-mentioned AD circumvention inquiry. See Carbon and Certain Alloy Steel Wire Rod from Mexico: Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order, 76 FR 78882 (December 20, 2011) (Preliminary Determination), and accompanying Issues and Decision Memorandum (Preliminary Decision Memorandum). On January 12, 2012, Deacero S.A. de C.V. (Deacero) submitted its case brief. On January 23, 2012, ArcelorMittal USA LLC, Gerdau Ameristeel U.S. Inc, Rocky Mountain Steel, and Members of the Wire Rod Producers Coalition (collectively, the Coalition) and Nucor Corporation (Nucor) submitted rebuttal briefs. No party requested a hearing.

As discussed below, we continue to find that Deacero's shipments of certain alloy steel wire rod (wire rod) with an actual diameter of 4.75 mm to 5.00 mm produced in Mexico and exported to the United States by Deacero are circumventing the Order. In addition, we continue to find that our affirmative final determination applies solely to Deacero because information supplied by Ternium Mexico S.A. de C.V. (Ternium), the other respondent included in petitioners' initial circumvention filing, indicates that it did not produce or sell merchandise subject to this circumvention inquiry. We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues for which we received comments from parties.

<sup>&</sup>lt;sup>2</sup> See Notice of Antidumping Duty Orders; Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, 67 FR 65945 (October 29, 2002) (Order).



The Department refers to the Coalition and Nucor collectively as petitioners.

- Comment 1: Whether Initiation of a Minor Alteration Inquiry is Contingent Upon Whether the Products at Issue Existed Prior to the Investigation
- Comment 2: Whether the Products at Issue Were Commercially Available Prior to the Investigation
- Comment 3: Whether the Department Should Perform the Minor Alteration Five-Prong
  Analysis by Comparing 4.75 mm Wire Rod to All Wire Rod Listed in the Scope
- Comment 4: First Prong of the Minor Alteration Analysis Physical Characteristics
- Comment 5: Second Prong of the Minor Alteration Analysis Expectations of the Ultimate
  Users
- Comment 6: Third Prong of the Minor Alteration End Use of Products at Issue
- Comment 7: Fourth Prong of the Minor Alteration Analysis Channels of Trade and Advertising
- Comment 8: Fifth Prong of the Minor Alteration Analysis Cost of Any Modification Relative to the Total Value of the Products at Issue

### Scope of the Circumvention Inquiry

The merchandise subject to this circumvention inquiry consists of wire rod with an actual diameter of 4.75 mm to 5.00 mm. This merchandise, produced by Deacero, entered the United States under Harmonized Tariff Schedule (HTS) classification 7213.91.3093.

### Discussion of the Issues:

Comment 1: Whether Initiation of a Minor Alteration Inquiry is Contingent Upon Whether the Products at Issue Existed Prior to the Investigation

Deacero argues that as an initial matter, the Tariff Act of 1930, as amended (the Act), clearly requires that there must have been an alteration of the subject merchandise. Deacero contends that it therefore follows that a product that existed prior to an original investigation and that petitioners did not include within the scope cannot be considered an alteration of the subject merchandise. Deacero argues that the mere fact that there may be a minor difference between a product and subject merchandise cannot, on its own, serve as the basis for finding the product within the scope.

Deacero further argues that this conclusion is supported by the Court of International Trade's (CIT) ruling in Hylsa, which in turn relied upon the Court's findings in Wheatland See Hylsa S.A. de C.V. v. United States, 22 CIT 44 (1998) (Hylsa), see also Wheatland Tube Co. v. United States, 973 F. Supp. 149 (CIT 1997) (Wheatland). Deacero argues that in Hylsa, the CIT determined that the Department could not treat line pipe as a minor alteration of the subject merchandise (standard pipe) because line pipe existed in the U.S. market at the time of the

investigation. Deacero argues that in <u>Hylsa</u> the CIT therefore ordered the Department to terminate the minor alteration inquiry and, in doing so, noted that petitioners should not be relieved of the legal consequences of failing to include a particular product within their scope definition. <u>See Hylsa</u>, 22 CIT at 49.

Deacero argues that in Nippon Steel, the Court of Appeals for the Federal Circuit (CAFC) confirmed the approach taken in Hylsa when it ruled that the Department is not prohibited from conducting a minor alternation inquiry simply because the product at issue falls outside the scope of the order. Deacero argues that the CAFC distinguished the product at issue in Nippon Steel from those addressed in Hylsa and Wheatland on the basis that the products in the two latter cases were well known at the time the orders were issued and did not involve products produced by means of insignificant alternations. See Nippon Steel v. United States, 219 F.3d. 1348, 1356 (Nippon Steel). Thus, Deacero argues that these three cases, when read together, establish that the Department may not treat a product that existed before the original investigation and that was not included in the scope of the order as an alternation of subject merchandise.

Deacero claims that this principle (<u>i.e.</u>, that the Department must consider whether a product is, in fact, an alteration of subject merchandise before conducting the five-prong analysis), is reflected in the Department's approach in later-developed merchandise inquiries. See Carbon and Certain Alloy Steel Wire Rod From Mexico: Initiation of Anti-Circumvention Inquiry of Antidumping Duty Order, 76 FR 33218 (June 8, 2011) (Initiation) and accompanying Issues and Decisions Memorandum (Initiation Memorandum) at 13 – 17: "The examination of the five factors enumerated under section 781(d)(1) of the Act are predicated on the Department determining that the product at issue constitutes a later-developed product." Deacero contends that the Department must likewise determine whether a product existed prior to the original investigation, and therefore can be considered an alteration of the subject merchandise, before applying the five-prong circumvention analysis.

Petitioners dispute Deacero's arguments and contend that the minor alteration statute, section 781(c) of the Act, does not require that the altered product has been developed after the investigation. According to petitioners, section 781(c) of the Act indicates Congress' concern that foreign preducers were making minor changes, subsequent to the issuance of AD orders, in an effort to bring products outside the literal scope of the orders. Petitioners further argue that the legislative history concerning section 781(c) of the Act instructs the Department to apply the five-prong test when conducting a minor alteration inquiry. See Omnibus Trade Act, Report of the Senate Finance Committee, S. Rep. No. 71, 100th Cong., 1st Sess. 100 (1987). Petitioners argue that the five-prong test does not involve making any determination that the product at issue existed at the time of the investigation.

Petitioners note that section 781(d) of the Act contains a circumvention provision involving later-developed merchandise. Petitioners explain that sub-paragraph (d) directs the Department not only to apply the five-prong test but also examine whether the products at issue were developed after the investigation. Petitioners contend that reading this last provision into the minor alteration analysis would render that analysis superfluous as it would do nothing not already done by the later-developed product analysis. Petitioners argue that the Supreme Court bas stated that a statue should be construed to give effect to all its provisions, so that no part will be inoperative or superfluous, void or insignificant. See Corley v. United States, 129 S. Ct. 1558, 1560 (2009) (Corley).

Petitioners argue that the cases cited by Deacero to support its views concerning the

minor alteration analysis are not relevant to facts of the instant proceeding. Petitioners contend that Hylsa and Wheatland dealt with the "propriety of Commerce's conducting a scope rather than a minor alteration inquiry." See Target Corp. v. United States, 609 F.3d 1352, 1362 (Federal Circuit 2010) (Target Corp.), in which petitioners claim the CAFC explained that reliance on cases addressing conventional scope inquiries is misplaced. Petitioners further argue that the CAFC has repeatedly explained that Wheatland's "broad language... must be interpreted in light of the issue before the court." See Nippon Steel, 219 F.3d at 1352. Petitioners contend that, while the Wheatland Court found that the minor alteration provision of the Act "does not apply to products unequivocally excluded from the order in the first place," the Court did so in the context of addressing whether it was arbitrary for the Department to conduct a scope inquiry. See Wheatland, 161 F.3d at 1370.

Petitioners further assert that the CAFC has determined that Wheatland held that the Department justifiably had decided to conduct a scope investigation but that Wheatland did not hold that the Department had no authority to conduct a minor alteration inquiry. See Nippon Steel, 219 F.3d at 1355. On this basis, petitioners argue that Wheatland is not relevant to the instant proceeding because it did not involve a minor alteration inquiry. See Nippon Steel, 219 F.3d at 1356.

In addition, petitioners cite to several past decisions to argue that the Department's long-standing practice in minor alteration inquiries does not involving determining whether the products at issue existed at the time of the investigation. See, e.g., Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China, 76 FR 50996 (August 17, 2011).

Department's Position: We disagree with Deacero's argument that the existence of the products at issue prior to the initiation of an investigation precludes the Department from conducting a minor alterations analysis. Section 781(c)(1) of the Act states that the class or kind of merchandise subject to an AD order shall include articles altered in form or appearance in minor respects whether or not included in the same tariff classification. As evidenced by the legislative history, when conducting a minor alteration inquiry, section 781(c) of the Act instructs the Department to examine the following five criteria: 1. overall physical characteristics; 2, expectations of the ultimate user; 3, end-use; 4, channels of trade and advertising; and 5. cost of any modification relative to the total value of the products at issue. See Omnibus Trade Act, Report of the Senate Finance Committee, S. Rep. No. 71, 100th Cong., 1st Sess. 100 (1987). The Department's practice reflects the legislative intent. See, e.g., Affirmative Preliminary Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate from the People's Republic of China, 74 FR 33991, 33992 (July 14, 2009), unchanged in Affirmative Final Determination of Circumvention of the Antidumping Duty Order on Certain Cut-to-Length Carbon Steel Plate From the People's Republic of China, 74 FR 40565 (August 12, 2009).

In addition to the criteria above, the Department has in prior anticircumvention proceedings considered other factors as relevant to the circumvention allegation. These factors include: (i) the circumstances under which the subject products entered the United States, (ii) the timing of these entries during the circumvention review period, and (iii) the total quantity of the merchandise entered during this period. See Brass Sheet and Strip from Germany; Negative Preliminary Determination of Circumvention of Antidumping Duty Order, 55 FR 32655 (August 10, 1990); see also Preliminary Determination of Circumvention of Antidumping Order: Cut-to-

Length Carbon Steel Plate From Canada, 65 FR 64926 (October 31, 2000). We disagree with Deacero's claim that Hylsa, Wheatland, and Nippon Steel preclude the Department from conducting a minor alteration analysis in instances in which the products at issue existed prior to the initiation of an investigation. In Nippon Steel, the Court explained that Wheatland differed from the facts of Nippon Steel in "critical respects," namely that Wheatland:

... involved a scope determination (whether the antidumping duty order covered a particular product) rather than, as here, a minor alterations inquiry into whether alterations in a product took it outside the scope of the order.

See Nippon Steel, 219 F.3d at 1356. The Nippon Steel Court further stated that, "Although (in Wheatland) the Court held that Commerce justifiably had decided to conduct a scope investigation, it did not hold that Commerce had no authority to conduct a minor alterations inquiry." See Nippon Steel, 219 F.3d at 1356. In addition, the Nippon Steel Court held that Wheatland:

... does not cover Commerce's decision to institute a minor alterations inquiry in the present case since, as {Wheatland} stated, such an inquiry properly covers products that are so insignificantly changed from a covered product that they should be considered within the scope of the order even though the alterations remove them from the order's literal scope.'

See Nippon Steel, 219 F.3d at 1357, citing Wheatland, 973 F. Supp. 149 at 1371. Thus, based on the above, we reject Deacero's claims that Wheatland and Nippon Steel stand for the proposition that the existence of a product prior to the initiation of an investigation precludes the Department from conducting a minor alterations analysis of said product. In light of our finding in this regard, we determine that the initiation of a minor alteration inquiry is not contingent upon whether the product at issue existed prior to the investigation.

Comment 2: Whether the Products at Issue Were Commercially Available Prior to the Investigation

Deacero notes that the Department has found that 4.75 mm wire rod was commercially available prior to the investigation. See Initiation Memorandum at 14. Deacero further argues that petitioners' own past statements indicate they understood that the product was excluded from the scope of the Order, despite their earlier claims that the scope of the order was ambiguous. Deacero cites to the 2005 petition in which petitioners included 4.75 mm wire rod and specifically distinguished the scope of the 2005 petition from the scope of the Order. See Antidumping Duty Petition, Volume I, Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China, Germany, and Turkey, (November 10, 2005) at 8, "Note that the scope of this investigation differs from previous investigations in that the lower diameter limit of the previous investigation was 5.0 mm while this case covers CASWR, products beginning at 4.75 mm." Deacero further argues that industry reports support the finding that 4.75 mm wire rod was commercially available in the United States prior to the imposition of the Order. See the

<sup>3.</sup> Our determination in this regard applies with equal measure to Hylsa, the findings of which were based upon those of Wheatland.

Kawasaki Steel Technical Report No. 47 (Kawasaki Report), which was included in Deacero's March 21, 2011, submission; see also Certain Steel Wire Rod from Brazil and Japan, Investigation Numbers 731-TA-646 and 648 (March 1994) (ITC 1994 Final Determination), United States International Trade Commission (ITC) Pub. 2761 at 162-163, which according to Deacero demonstrates that the firm Charter Rolling produced 4.75 mm wire rod in the United States in the 1990s.

Thus, argues Deacero, because a minor alteration inquiry cannot be initiated if the product at issue existed prior to the investigation and because record evidence demonstrates that 4.75 mm wire rod was commercially available in the United States at the time of the investigation, the Department is compelled to issue a negative final determination.

Petitioners argue that the Kawasaki Report was not released until 2002, long after the commencement of the wire rod investigation and that the report does not indicate whether small diameter wire rod was commercially available outside of Japan, if at all. Though the Kawasaki Report mentions that it developed and introduced 4-roll mills capable of producing small diameter wire rod in 1998, petitioners argue that the report does not provide information on the period in which Kawasaki began commercial production of small diameter wire rod. Petitioners therefore argue that it was incorrect for the Department to determine in the Initiation Memorandum that 4.75 mm wire rod was commercially available before or during the investigation.

Petitioners further argue that an accurate reading of the ITC 1994 Final Determination indicates that it does not provide any information on the alleged sale of 4.00 mm to 5.00 mm wire rod by Charter Rolling. Petitioners further argue that information from Deacero indicates that Charter Rolling [

] See Deacero's July 22, 2011, (Questionnaire Response (First QNR Response) at Exhibit 18. Thus, petitioners argue that to the extent that Charter Rolling produced small diameter wire rod, it did so well before the filing of the wire rod petition.

On this basis, petitioners argue that, even if the Department improperly hinges its ability to conduct a micor alteration analysis on whether 4.75 mm wire rod was commercially available, record evidence clearly demonstrates that such products were not commercially available in the Uoited States at the time the wire rod petition was filed.

Department's Position: As explained above, we reject the notion that the existence of the products at issue prior to the initiation of an investigation precludes the Department from conducting a minor alterations analysis of said product. For the same reasons, we have reached the same conclusion with regard to commercial viability.

Comment 3: Whether the Department Should Perform the Minor Alteration Five-Prong
Analysis by Comparing 4.75 mm Wire Rod to All Wire Rod Listed in the Scope

Deacero argues that in the <u>Preliminary Determination</u> the Department adopted a biased approach in which it compared the attributes of 4.75 mm wire rod to subject wire rod, namely 5.5 mm wire rod.<sup>4</sup> Deacero asserts the Department should have based its analysis of physical characteristics by comparing 4.75 mm wire rod to the full spectrum of subject wire rod.

<sup>4.</sup> We use the term subject wire rod to refer to diameters of wire rod listed in the scope of the <u>Order</u>, e.g., wire rod with diameters ranging from 5.00 mm to 19.00 mm wire rod.

Petitioners counter that in conducting the five-prong analysis, the Department relied on comparisons of 4.75 mm to 5.00 mm as well as all other diameters of subject wire rod. Petitioners note that the Department supported its findings in the <u>Preliminary Determination</u> by noting that the ITC found that "all categories" of wire rod are hot-rolled products that are sold in irregularly wound coils "spanning at least 11 major categories of products" and that the Department concluded "... that both subject wire rod and wire rod with a diameter of 4.75 mm to 5.00 mm are hot-rolled intermediate steel products." <u>See</u> Preliminary Determination Memorandum at 7.

Department's Position: We disagree with Deacero that it is improper to compare the products at issue (i.e. wire rod with a diameter of 4.75 mm to 5.0 mm) to wire rod with a diameter of 5.5 mm for purposes of conducting a minor alternation inquiry under section 781(c) of the Act. As an initial matter, we note that the minor alteration analysis requires a comparison of the products at issue to subject merchandise. Wire rod with a diameter of 5.5 mm is listed in the scope of the Order and, therefore, we find that comparing 5.5 mm wire rod to the products at issue is appropriate.

Deacero's argument implies that the Department should have instead based its minor alternation analysis on a comparison of the products at issue to larger diameter wire rod listed in the Order (e.g., wire rod with a diameter of 19 mm). Such an argument assumes that a distinction exists in the scope of the Order between smaller and larger diameter wire rod products. We find that no such distinction exists. Rather, information on record characterizes subject wire rod as a single product. For example, the ITC described wire rod as a "product" that is "typically produced in fractional diameters from 7/32 inch (5.6 mm) to 47/64 inch (18.7 mm). See Preliminary Decision Memorandum at 7, citing to Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Pub. 3546 (October 2002) (ITC Report) at I-5. The ITC further determined that:

all categories of wire rod are intermediate circular, hot-rolled products that are sold in irregularly wound coils . . . comprising a continuum spanning at least 1 l major categories of products, defined by end-use ranging from low-carbon wire rod . . . to highest-end products.

<u>Id.</u>, emphasis added. On this basis, we determine that it is appropriate for the Department to compare the products at issue to subject wire rod with a diameter of 5.5 mm when conducting its minor alteration analysis.

Notwithstanding our finding in this regard, Deacero incorrectly asserts that in the Preliminary Determination the Department conducted the minor alteration analysis hy exclusively comparing the products at issue (i.e., wire rod with a diameter of 4.75 mm to 5.0 mm) to wire rod with a diameter of 5.5 mm. In the Preliminary Determination, the Department compared the products at issue to a variety of subject wire rod. For example, in the Preliminary Determination the Department determined that wire rod of grade [ ] with a [ ] diameter has the same minimum and maximum tensile strength as 4.75 mm wire rod of the same grade. See Preliminary Decision Memorandum at 4. The Department further found that the chemical content of Deacero's wire rod varied solely by grade, not by diameter. Id. The Department similarly noted that the ITC Report demonstrates that it is chemical content (such as carbon content), and not diameter, that distinguishes one wire rod product from another in terms of such

characteristics as ductility. Id.

Therefore, as reflected in the <u>Preliminary Determination</u>, in conducting its analysis, the Department plainly relied on various comparisons. Based on this analysis, we reject Deacero's claims that the Department's comparisons were somehow improper or biased.

### Comment 4: First Prong of the Minor Alteration Analysis - Physical Characteristics

Deacero argues that industry data confirm that there is a cut off between large diameter wire rod and small diameter wire rod, which it defines as less than 5.5 mm. See Kawasaki Report at 44-45. Deacero further contends that ignoring the diameter difference of 4.75 mm wire rod to 5.5 mm wire rod due to the lack of differences in chemical properties and tensile strength would lead to absurd results in that the chemical content and tensile strength for any steel products are primarily a function of grade. Thus, argues Deacero, under such a flawed approach, products such as billets, 4.00 mm wire rod, 19.5 mm wire rod, and 0.69 mm wire would be considered minor alterations of subject merchandise.

Deacero explains that in the <u>Preliminary Determination</u> the Department, as part of its physical characteristics analysis, concluded that subject wire rod, such as rod with a diameter of 5.5 mm, can be drawn into the same products as 4.75 mm wire rod, provided that additional steps, such as cold-drawing, are employed. <u>See</u> Preliminary Decision Memorandum at 6-7. Deacero argues the Department's conclusion fails to consider the competitive advantages of 4.75 mm wire rod. Deacero argues that the Department ignored the costs associated with the extra processing required on larger diameter wire rod products compared to 4.75 mm wire rod. Deacero cites to previously submitted affidavits from its customers attesting to the cost savings associated with using 4.75 mm wire rod in its wire drawing production processes. It adds that the Kawasaki Report also mentions the secondary processing steps that can be eliminated through the use of 4.75 mm wire rod.

Deacero further argues that it is the Department's practice to find that product alterations that are beneficial to the overall physical characteristics are a factor that favors a negative circumvention finding. See Preliminary Results of Anti-Circumvention Review of Antidumping Order: Corrosion-Resistant Steel Flat Products from Japan, 68 FR 19499, 19503 (April 21, 2003) (Preliminary Results of CORE from Japan), which states "The information on the record demonstrates that boron is beneficial to the overall physical characteristics of the final product." Thus, asserts Deacero, in the final determination the Department should address the advantages to customers of using 4.75 mm wire rod rather than subject merchandise.

Deacero argues that in the <u>Preliminary Determination</u> the Department failed to address evidence that 4.75 mm wire rod requires more precise adjustments to the production process than subject merchandise. Specifically, Deacero claims that the Department ignored the fact that the subject merchandise. Specifically, Deacero claims that the Department ignored the fact that the are are a large of a large of a large of the fact that the are are also are a large of 
Petitioners argue that the Department properly examined the diameter, the chemical content, and the minimum and maximum tensile strengths of all diameters of wire rod at issue

and concluded that difference in diameter did not, by itself, constitute a meaningful difference in physical characteristics. See Preliminary Determination Memorandum at 4-5. Petitioners further argue that wire rod is produced in a range of different diameters and that Deacero provide no evidence of a bright line distinction between wire rod with diameters of 4.75 mm to 5.00 mm and subject wire rod.

Petitioners contest the notion that the Department's approach in the <u>Preliminary</u> <u>Determination</u> would result in a finding of insignificant differences for the same grades of billets, wire rod, and wire. Petitioners assert such a claim is absurd as each product type is produced by different industries. Petitioners argue that the Department provided Deacero with several opportunities to submit information to support its claims that the physical characteristics of wire rod with diameters of 4.75 mm to 5.00 mm differ significantly from subject wire rod but that Deacero itself acknowledged that diameter was the only difference. <u>See</u> Preliminary Determination Memorandum at 5.

Determination on the extent to which 4.75 mm wire rod differs from subject wire rod and not on the purported differences in downstream products. Petitioners claim that in CORE from Japan, the Department determined that there were "commercially and metallurgically viable reasons" for the producers to add boron to the CORE steel. See Preliminary Results of CORE from Japan, 68 FR at 19502, unchanged in Final Results of Anti-Circumvention Review of Antidumping Order: Corrosion-Resistant Carbon Steel Flat Products From Japan, 68 FR 33676 (June 5, 2003) (CORE from Japan). Thus, argue petitioners, in CORE from Japan, as in the instant proceeding, the Department focused on the physical characteristics of the subject merchandise and not, as Deacero claims, on the physical differences of the downstream products produced from subject merchandise. Id. Petitioners further argue that the Department has already dismissed Deacero's argument that the Department must assess the physical characteristics of the downstream product. See Preliminary Decision Memorandum at 6.

Petitioners contend that, contrary to Deacero's claims, the Department performed a detailed examination of the information on the record concerning the production process and concluded that this information failed to distinguish the production process for wire rod with diameters of 4.75 mm to 5.00 mm from that of subject wire rod. See Preliminary Decision Memorandum at 6, in which the Department discusses the [ ], [

], and number of stands utilized to produce 4.75 mm wire rod and subject wire rod. Petitioners also contend that the Kawasaki Report fails to identify any significant physical differences between 4.75 mm wire rod and subject wire rod. In addition, petitioners argue that in the Preliminary Determination the Department properly rejected Deacero's claims that an internal study demonstrated the physical differences between 4.75 mm wire rod and subject wire rod. See Preliminary Decision Memorandum at 5. Petitioners argue that the purported physical differences mentioned in the internal report are not mentioned in Deacero's mill certificates or even in the Department's matching criteria.

Petitioners state that information from Deacero indicates that its Saltillo mill, in fact, has the capability to produce 4.75 mm wire rod but that Deacero chose to concentrate its production at the Celaya mill. See Deacero's October 5, 2011, submission at 1 (Second QNR Response). Petitioners further state that information from Deacero indicates that the Celaya mill [

l as the Saltillo Mill and, thus, Deacero's decision to produce 4.75 mm wire rod exclusively at its Celaya mill is a business decision and does not reflect any heightened difficulty or special production process for 4.75 mm wire rod. See Deacero's July

22, 2011, submission at Exhibit 8.

Department's Position: We continue to find that the products at issue and subject wire rod are indistinguishable in any meaningful sense in terms of overall physical characteristics. Deacero claims that diameter is the "key physical difference between 4.75 mm wire rod and subject wire rod." See Deacero's July 22, 2011, Questionnaire Response (First QNR Response). However, as noted in the Preliminary Determination, data submitted by Deacero indicate that the minimum and maximum tensile strength of its wire rod products vary by grade and not by diameter. See Preliminary Decision Memorandum at 4. In addition, data from Deacero indicate that chemical content also varies solely by grade and not by diameter. Id. at 5. Thus, the data from Deacero indicate that wire rod products of the same grade will not vary in terms of tensile strength and chemical content, even where the products are of different diameters. Id.

A metallurgical analysis submitted by Deacero confirms this conclusion. See Second QNR Response at Exhibit S-6 containing a study that compares the metallurgical properties of 4.75 mm and 5.50 mm wire rod. Regarding the study, Deacero acknowledges that within each grade, "all characteristics of the rod, besides diameter, were identical." Id. Further, information from the ITC indicates that it is carbon content, as opposed to diameter that distinguishes one wire rod product from another in terms of such physical characteristics as ductility. See

Preliminary Decision Memorandum at 5.

We disagree with Deacero that the Department must consider competitive advantages when determining whether the overall physical characteristics of 4.75 mm wire rod are distinct from subject wire rod. The proper focus of this prong is on the extent to which 4.75 mm wire rod is distinct from subject wire rod. The first prong of the minor alterations analysis contains no requirement to examine the overall physical characteristics of the downstream product.

We also disagree with Deacero that <u>CORE from Japan</u> should compel the Department to reach a negative circumvention finding. In <u>CORE from Japan</u>, the Department examined whether the respondent circumvented the order by means of adding boron to CORE steel in a manner that constituted a minor alternation under section 781(c) of the Act. <u>See Preliminary Results of CORE from Japan</u>, 68 FR at 19503, unchanged in <u>CORE from Japan</u>, 68 FR at 33676. In that proceeding, the Department ultimately determined that there were "metallurgically viable reasons for the addition of boron" and that the addition of boron was "beneficial to the overall physical characteristics of the product." <u>Id.</u> On this basis, in <u>CORE from Japan</u> the Department determined that the product at issue did not constitute a minor alteration and, thus, was outside the scope of the order. Therefore, in <u>CORE from Japan</u> the Department focused on the extent to which boron altered the physical characteristics of the product at issue. As discussed above, we

find that the 0.25 mm difference in diameter between 4.75 mm wire rod and subject wire rod does not constitute a meaningful difference in terms of overall physical characteristics for purposes our minor alterations inquiry. As such, the facts of the instant proceeding are distinct from those of <u>CORE from Japan</u>.

Regarding Deacero's Saltillo mill, the extent to which the mill is unable to produce 4.75 mm wire rod on a commercially viable basis does not alter the fact that there are no meaningful physical differences between 4.75 mm wire rod and wire rod listed in the scope of the Order (e.g., 5.5 mm wire rod).

We further disagree with the presumption that an affirmative finding would lead to results in which such products as billets, 4.00 mm wire rod, 19.5 mm wire rod, and 0.69 mm wire would be considered minor alterations of subject wire rod. As petitioners point out, the examples cited by Deacero represent products produced by different industries, e.g., wire producers, wire rod producers, and billet producers. Further, Deacero's hypothetical examples ignore the fact that overall physical characteristics comprise only one of five factors that the Department examines as part of its minor alteration analysis. Thus, it is incorrect to assume that in the context of a proceeding conducted under section 781(c) of the Act, the Department would refuse to distinguish between wire, billet, and wire rod products simply because they share physical similarities in terms of chemical content and tensile strength.

Lastly, we acknowledge that it may be less costly to draw 4.75 mm wire rod down to narrower gauges of wire compared to larger diameters of subject wire rod, but such impacts on the cost of production are properly evaluated under the fifth criterion of the minor alteration analysis and not under the criterion that deals with overall physical characteristics.

Comment 5: Second Prong of the Minor Alteration Analysis - Expectations of the Ultimate Users

Deacero argues that the Department failed to provide an adequate explanation to support its findings in the <u>Preliminary Determination</u> that the expectations of end users do not differ with regard to wire rod with diameters of 4.75 mm and subject wire rod (e.g. 5.5 mm wire rod). On this point, Deacero asserts that it began producing 4.75 mm wire rod [

J over 5.5 mm wire rod, thereby demonstrating that the expectations of its customers differed with regard to 4.75 mm wire rod compared to subject wire rod.

Deacero also argues that the Department did not give proper consideration to customer affidavits related to benefits of using 4.75 mm wire rod rather than using 5.5 mm wire rod. According to Deacero, the record evidence shows that "customers have very different expectations for 4.75 mm wire rod versus 5.5 wire rod" and that the use of 4.75 mm wire rod provides significant benefits to its customers. See Deacero's January 13, 2012, case brief at 15; see also id. at 17 - 18, in which Deacero cites to previously filed customer affidavits that state that the use of 4.75 mm wire rod leads to fewer breakages, eliminates the number of times that

Further demonstrating how the expectations of ultimate users differ with regard to 4.75 mm wire rod, argues Deacero, is the fact that customers purchase 4.75 mm wire rod when AD considerations are not an issue. Deacero argues that the Canadian producer Ivaco, which is not subject to an AD order, continues to produce and sell 4.75 mm wire rod to customers in the U.S. market. See Deacero's March 14, 2011, submission. Deacero also states that it sells 4.75 mm

wire rod in countries other than the United States. Thus, Deacero argues that ultimate users' demand for 4.75 mm wire rod demonstrates the benefits of the product.

Moreover, Deacero urges the Department to follow its approach in <u>CORE</u> from Japan, where Deacero claims the Department's negative determination was based, in part, on giving proper consideration to customers' statements and on the fact that the product at issue, CORE to which boron was added, "was better able to meet specific expectations of the ultimate user." <u>See</u> 68 FR at 19503.

Petitioners argue that the Department addressed the issue of the expectation of the ultimate users in the <u>Preliminary Determination</u> and properly concluded that Deacero failed to demonstrate that the expectations of such users are different with respect to 4.75 mm wire rod versus subject wire rod (e.g., 5.5 mm wire rod). According to petitioners, the Department concluded that "5.5 mm wire rod can be drawn into the same products as 4.75 mm wire rod, provided that additional steps (such as cold-drawing) are employed. See Preliminary Decision Memorandum at 6-7.

Petitioners argue that Deacero fails to address the Department's basis for its decision in <u>CORE from Japan</u>. According to petitioners, in <u>CORE from Japan</u> the Department based its findings on the fact that there were "commercially and metallurgically viable reasons for the addition of boron in the context of the Continuous Annealing Process" and that "the addition of boron is not immaterial to the performance characteristics of the final product." <u>See</u> 68 FR at 19502.

Petitioners further argue that the customer affidavits submitted by Deacero failed to demonstrate that the use of 4.75 mm wire rod results in fewer conversion costs than the use of larger diameter wire rod. Specifically, petitioners assert that the evidence provided by Deacero demonstrates that most of Deacero's customers testimonials do not identify cost saving of more than the current 20 percent AD deposit rate, thereby suggesting that Deacero's customers use 4.75 wire rod merely as a substitute for 5.5 mm wire rod. Petitioners further argue that Deacero's sales of 4.75 mm wire rod to countries other than the United States were [ ] and, thus, fail to demonstrate the existence of a demand for 4.75 mm wire rod in markets where no AD duties on larger gauge wire rod are in place.

Department's Position: We find that there is little record evidence of any significant difference in the expectations of ultimate users; however, record evidence demonstrates that 4.75 mm wire rod and subject wire rod (such as 5.5 mm wire rod) are manufactured into the same types of products (e.g., wire mesh, nails, etc.) and, therefore, have the same end uses. We find this similarity in end use engenders similar expectations among ultimate users. In its Section 204 Investigation, the ITC stated that "wire rod is primarily intended for drawing into industrial or standard quality wire that, in turn, is used for the manufacture of such products as coat hangers, wire mesh, and chain link fences." See Memorandum to the File from Eric B. Greynolds, Program Manager, Office 3, AD/CVD Operations, "Excerpts from Petition," (May 16, 2011) (Petition Memorandum), quoting Certain Steel Wire Rod Investigation No. TA-20406, USITC Pub. 3451 at I-3, August 2001 (Section 204 Investigation). In the underlying investigation of the instant proceeding, the ITC similarly found that standard industrial quality wire rod is drawn into nails, coat hangers, mesh for concrete reinforcement bar, and fencing. See ITC Report at I-7. The ITC further determined that "all categories of wire rod are intermediate circular, hot-rolled products that are sold in irregularly wound coils . . . comprising a continuum spanning at least 11

major categories of products, defined by end-use ranging from low-carbon wire rod . . . to

highest-end products." See ITC Report at 9, emphasis added.

Information from Deacero and its customers also indicates that the ultimate uses of 4.75 mm wire rod do not differ from subject wire rod. In its submissions, Deacero initially claimed that 4.75 mm wire rod can be used to produce downstream wire products that cannot be made using subject wire rod (e.g., 5.5 mm wire rod). See, e.g., First QNR Response at 25. However, in response to supplemental questions from the Department, Deacero revised its prior statement stating that larger diameter wire rod cannot [

]. See Second QNR Response at 9, emphasis added. Thus, rather than contend that it is not possible to draw 5.5 mm wire down to the same gauge as 4.75 mm wire rod, Deacero merely states that 5.5 mm wirerod cannot be [

] provided that additional production steps are applied. Our conclusion in this regard is supported by statements from Deacero's customers. In affidavits, customers of Deacero state that [

]. See Second QNR Response at 9,

foomote 12. In a separate affidavit, a customer acknowledges that it could produce [

I from 5.5 mm wire rod with the [ ]. See First QNR
Response at 27. Moreover, we find that there is no information on the record demonstrating that
5.5 mm wire rod that has been drawn down to 4.75 mm wire cannot be made into the same
products as wire rod that was initially drawn down to 4.75 mm.

Further, we find Deacero's arguments that its sales of 4.75 mm wire rod to countries other than the United States demonstrates differences in the expectations of ultimate users are not persuasive given that such sales are [ ] (e.g., []) percent in 2008, [] percent in 2009, and [] percent in 2010) relative to Deacero's U.S. sales of 4.75 mm wire rod. See First QNR Response at Exhibits 9 and 16.

To the extent that use of 4.75 mm wire rod results in variable cost savings in end-users' production of downstream products relative to subject wire rod, we find that these cost savings have not been demonstrated to be significant enough to outweigh the fact that 4.75 mm wire rod and subject wire rod are used to produce the same products and thus, create similar expectations among ultimate users. See Section 204 Investigation at I-3, ITC Report at I-7, and Second QNR Response at 9, footnote 12.

Moreover, the process of drawing wire rod down to various different diameters involves drawing the rod through different sized dies to get the desired diameter. See First QNR Response at customer affidavit from [ ], Exhibit 18, paragraph 5. Wire rods can only be drawn down so far before heating is required to permit additional drawing. Id. If drawn too far without heating, the wire rod will become brittle and break. The drawing and heating steps are essentially the same for larger diameters and smaller diameters. Id at Exhibit 18, paragraph 6. Deacerco argues that the 4.75 mm wire rod is so different from 5.5 mm wire rod that it should not be treated the same. However, we find that the differences between 4.75 mm wire rod and 5.5 mm wire rod, are really no different than the differences between, for example, 5.5 mm wire rod and 6 mm wire rod or 6 mm wire rod and 6.5 mm rod, up to 19 mm wire rod, the largest diameter wire rod covered by the Order. Wire rod of a 4.75mm diameter is merely on the low end of the spectrum of wire rod. While the number of heatings required may vary depending on what gauge of steel rod one starts with and how many times and how far it has been drawn, we find that these differences are not significant such that 4.75 mm wire rod

qualifies as a different product than that covered by the order.

Concerning CORE from Japan, as explained above, we find the facts of that case are distinct from those of the instant proceeding. In <u>CORE from Japan</u>, the Department determined that there were "commercially and metallurgically viable reasons for the addition of boron in the context of the Continuous Annealing Process." In the instant proceeding, we have not reached such a conclusion. Rather, we find that there is not sufficient evidence of a commercially viable reason for the small reduction in the diameter of the wire rod. But for a 0.25 mm difference in diameter, 4.75 mm wire rod is not distinct from subject wire rod in terms of physical characteristics or use, and there is little evidence of any significant difference in the expectations of ultimate users.

### Comment 6: Third Prong of the Minor Alteration - End Use of Products at Issue

Deacero disputes the Department's finding in the <u>Preliminary Determination</u> that end use does not differ between 4.75 mm wire rod and subject wire rod, such as 5.5 mm wire rod. In particular, Deacero argues that the Department inappropriately relied on portions of the ITC's <u>Section 204 Investigation</u> for its <u>Preliminary Determination</u> because, according to Deacero, the Section 204 investigation covered only wire rod with diameters between 5 mm and 19 mm. <u>See</u> Petition Memorandum.

Further, Deacero notes that in assessing the use of 4.75 mm wire rod, the Department has inappropriately considered whether the product is substitutable for the same uses as subject wire rod. Deacero contends that the Department's analysis about the end uses for 4.75 wire rod is too broad. Citing to customer affidavits, Deacero argues the record evidence clearly demonstrates that its customers use 4.75 mm wire rod to produce specific products that cannot be made using 5.5 mm wire rod and, therefore, the two products are not substitutable.

Petitioners support the Department's finding in the <u>Preliminary Determination</u> that Deacero did not demonstrate that the end use differs with regard to 4.75 mm wire rod and subject wire rod. Petitioners claim that Deacero's argument that 4.75 mm wire rod can be drawn to narrower gauges and, thus, make smaller products than 5.5 mm wire rod is without merit because the record evidence indicates that many of the smaller end products noted by Deacero can be produced using 5.5 mm wire rod.

Petitioners explain that the fact that the <u>Section 204 Investigation</u> focused on wire rod with diameters of 5.00 mm to 19.mm indicates that 4.75 mm wire rod was not commercially available at the time of this investigation. Therefore, petitioners argue that the Department's finding that the uses for 4.75 mm wire rod are not distinct in the manner in which subject wire rod is used is consistent with the Department's regulations and supported by record evidence.

Therefore, petitioners argue that Deacero's claim that the Department should consider substitution for specific products is without basis. According to petitioners, 19 CFR 351.225(k)(2)(iii) states that that the Department should consider the ultimate use of the product, therefore there is no requirement that the Department must include every possible gauge of every possible product produced on every machine at each of the downstream products.

Department's Position: As discussed above, record evidence from Deacero and its customers indicates that 4.75 mm wire rod and subject wire rod can be manufactured into the same types of products, which include such products as wire mesh and nails. The Section 204 Investigation states that wire rod is "primarily intended" to be drawn in to wire that is "... in turn... used for

the manufacture of such products as coat hangers, wire mesh, and chain link fences." See Petition Memorandum. The ITC reached the same conclusion in the underlying investigation when it found that standard industrial quality wire rod is drawn into nails, coat hangers, mesh for concrete reinforcement bar, and fencing. See ITC Report at I-7. Thus, the determinations reached by the ITC concerning the end uses of wire rod are no different from the end uses for 4.75 mm and subject wire rod as described by Deacero and its customers. Therefore, we disagree with Deacero's claim that information from the ITC, such as the Section 204 Investigation, is irrelevant to our analysis of end use. Moreover, as noted above with respect to Comment 5, Deacero has not demonstrated the 4.75 mm wire rod can be used to produce products that 5.5 mm wire rod cannot be used to make. On this basis, we continue to find that 4.75 mm wire rod and subject wire rod are not distinct in term of their end use.

# Comment 7: Fourth Prong of the Minor Alteration Analysis - Channels of Trade and Advertising

Deacero disputes the Department's finding in the <u>Preliminary Determination</u> that Deacero has not provided any basis to conclude that the channels of trade and advertising differ with regard to 4.75 mm wire rod and subject wire rod. Deacero contends that in prior cases, the Department has determined that, even where respondents use the same channels of marketing to sell the product at issue as the products subject to the order, this factor does not support an affirmative determination. <u>See CORE from Japan</u>, 68 FR at 19503: "In this case, showing the same channels of marketing were used does not support a finding of circumvention;" <u>see also Brass Sheet and Strip From West Germany; Negative Preliminary Determination of Circumvention of Antidumping Duty Order, (Brass Sheet from Germany) 55 FR 32655, 32657-58 (August 10, 1990). Deacero further argues that it has not sold other wire rod products in the United States since it started selling 4.75 mm wire rod and, therefore, it is not possible to apply the fourth prong of the minor alterations analysis to its operations.</u>

Petitioners argue that the Department correctly found in the <u>Preliminary Determination</u> that Deacero used the same channels of trade and advertising to sell 4.75 mm and subject wire rod, such as 5.5 mm wire rod. Petitioners state that Deacero's arguments are without merit because Deacero's organization chart indicates that the firm uses the same channels of distribution to market 4.75 mm wire rod and subject wire rod. Therefore, petitioners argue that these similarities in terms of marketing and channels of trade support an affirmative final determination.

Further, petitioners claim that the cases cited to by Deacero are not relevant to the facts of this case. According to petitioners, in <u>CORE from Japan</u> the Department repeatedly stated that the decision was based on the specific facts of the case. <u>See</u> 68 FR at 19499. As to <u>Brass Sheet from Germany</u>, according to petitioners, the Department based its negative determination on other facts that outweigh the similarities in advertising and channels of trade. <u>See</u> 55 FR at 32655.

Department's Position: As explained in the <u>Preliminary Determination</u>, Deacero has acknowledged that it does not advertise or market its wire rod products. <u>See</u> Preliminary Decision Memorandum at 7 – 8, referencing First QNR Response at 33. This acknowledgement is supported in an affidavit from Deacero's sales staff. <u>See</u> First QNR Response at Exhibit 11, in which the Vice President of Industrial Sales for Deacero states that the firm "does not really

Deacero indicates that it uses the same personnel to sell wire rod with diameters between 4.75 mm and subject wire rod (e.g., 5.5 mm and wire rod). See id. at Exhibit 5, which lists Deacero industry sales and export sales staff. Thus, we continue to find that Deacero has not provided any basis to conclude that the channels of trade and advertising differ with regard to the products at issue and subject wire rod.

We disagree with Deacero that the similarity between 4.75 mm and subject wire rod in terms of marketing and channels of distribution is irrelevant due to the fact that Deacero does not sell wire rod with a diameter larger than 5.00 mm in the United States since it began selling 4.75 mm wire rod in the market. As noted above, Deacero conducts no marketing whatsoever of its wire rod products, including other non-U.S. markets in which Deacero sells 4.75 mm wire rod. Thus, rather than being irrelevant, this information demonstrates the lack of a distinction between 4.75 mm wire rod and subject wire rod in terms of marketing and channels of distribution.

We also disagree with the notion that <u>CORE from Japan</u> and <u>Brass Sheet from Germany</u> should lead the Department to ignore these similarities in marketing and channels of trade. Though the Department issued negative determinations in those proceedings based on the totality of evidence examined under the minor alterations analysis, the Department did not ignore the fourth prong of the analysis dealing with marketing and channels of trade, as suggested by Deacero. Rather, the Department conducted an analysis of the fourth prong and found that the marketing and channels of distribution of the products at issue and subject merchandise were the same. <u>See CORE from Japan</u>, 68 FR at 19503; <u>see also Brass Sheet from Germany</u>, 55 FR at 32655.

Comment 8: Fifth Prong of the Minor Alteration Analysis - Cost of Any Modification Relative to the Total Value of the Products at Issue

Deacero argues that the Department previously has considered the cost of modification and R&D expended (in absolute terms) as evidence to support a finding that the overall cost was significant. See CORE from Japan, 68 FR at 19503. Deacero argues that the fabrication cost of producing 4.75 mm wire rod is higher than the cost of producing subject wire rod (e.g., 5.5 mm wire rod). Deacero claims that it demonstrated that the cost of production at the wire rod rolling stage was higher for 4.75 mm wire rod than 5.5 mm wire rod by [ ] percent in 2008, [ ] percent in 2009, and [ ] percent in 2010. See Second QNR Response at 5 and Exhibit S-3. Deacero further argues that, in order to produce 4.75 mm wire rod at the Celaya and Saltillo mills, it made significant investments ([ ] USD for Celaya and [ ] USD for Saltillo. Deacero argues that its experience developing and funding the production of 4.75 mm wire rod is

consistent with statements made by U.S. producers, such as [ ], to Deacero's U.S. customers that they cannot produce 4.75 mm "without substantial investments to upgrade their mills." See First QNR Response at Exhibit 18.

According to petitioners, evidence on the record demonstrates that the costs Deacero claims it incurred to begin production of 4.75 mm to 5.00 mm wire rod were not significant either in absolute terms or by comparison to the value of its sales of 4.75 mm to 5.00 mm wire rod. Petitioners argue that Deacero reported making total investments of US\$ [ ] from 2001 to the present and that its submissions to the Department "lists the main investments Deacero has made, including the investments in important assets (e.g., machinery, land and buildings) during the last 10 years" and that "all of the investments that correspond directly to the production of wire rod are identified in the exhibit." See First QNR Response at 12 and Exhibit 10. Yet, argue petitioners, Deacero's ten-year list of "main investments" in "important assets" fails to include the [

] <u>See</u> First QNR Response at Exhibit 10. Thus, assert petitioners, Deacero did not separately record the expenses it claims it incurred to set -up the production of 4.75 mm to 5.00 mm wire rod as "main investments" or as "important assets" in its accounting records. <u>See id</u>.

Petitioners further argue that the absolute amount Deacero claims it spent to set-up ] percent (i.e., just represents [ production of 4.75 mm to 5.00 mm wire rod of US\$ ]) of the US\$ [ 1 Deacero invested in its plant and equipment from 2001 to the present, and represents a little more than [ percent 1) of Deacero's average annual investment (i.e., a little more than [ since 2001. See Deacero's January 23, 2012, Case Brief atexpenditures of US\$[ 23. Petitioners further argue that the miniscule absolute value of the total expenditures claimed by Deacero for 4.75 mm to 5 .00 mm wire rod is artificially inflated because it includes amounts and also includes costs Deacero claims it incurred at its Saltillo Mill where it does not preduce 4,75 mm to 5.00 mm wire rod. See First QNR Response at 18 and Exhibit 12.

Finally, petitioners disagree with the notion that the Department should determine that Deacero's cost of modifications relative to the value of the imported product is significant because Deacero reported it costs [ ] percent to [ ] percent more per-ton to produce 4.75 mm to 5.00 mm wire rod than for 5.5 mm wire rod. See Deacero's January 23, 2012, Case Brief at 23. Petitioners argue that Deacero did not, provide any information on the per ton prices Deacero charged its U.S. customers for 4.75mm to 5.00mm wire rod. Id.

Department's Position: We continue to find that the costs incurred to develop and produce 4.75 mm wire rod are not sufficiently large to distinguish it from subject wire rod or persuade the Department to issue a negative final determination. Data from Deacero indicate that the cost to modify its production facilities to produce wire rod with diameters of 4.75 mm to 5.0 mm were percent of the value of U.S. sales of such wire rod products. See First QNR Response at Exhibit 9; see also Second QNR Response at 7.

However, even without reference to this ratio, available information on the record dispels the notion that the R&D expenses Deacero incurred to develop 4.75 mm wire rod were significant. For example, as petitioners point out, Deacero's ten-year list of "main investments" in "important assets" fails to include the expenditures Deacero incurred at the Celaya and Saltillo

production during 2008. <u>Id.</u> Further, we find that the absolute amount Deacero spent to develop and produce 4.75 mm wire rod is miniscule compared to the average annual plant and equipment investments made by the firm since 2001. <u>See</u> Deacero's January 23, 2012, Case Brief at 23.

### Conclusion

We determine that wire rod with actual diameters of 4.75 mm to 5.0 mm and subject wire rod are indistinguishable in any meaningful sense in terms of overall physical characteristics of the merchandise, the expectations of the ultimate users, the use of the merchandise, and the channels of marketing. Further, we determine that the costs incurred to produce wire rod with actual diameters of 4.75 mm to 5.0 mm are insignificant relative to the total value of Deacero's U.S. sales of such wire rod products during the same period of time. Accordingly, we determine that shipments, by Deacero, of wire rod with an actual diameter of 4.75 mm to 5.00 mm constitutes merchandise altered in form or appearance in such minor respects that it should be included within the scope of the Order.

We further find that our affirmative final determination applies solely to Deacero because information supplied by Ternium indicates that it did not produce or sell merchandise subject to this circumvention inquiry.

### Recommendation

On this basis, we recommend that, pursuant to section 781(c) of the Act and 19 CFR 351.225, the Department issue an affirmative final circumvention determination in which it finds that Deacero's shipments of wire rod with an actual diameter of 4.75 mm to 5.0 mm constitute circumvention of the <u>Order</u>. If this recommendation is accepted, we will continue to instruct U.S. Customs and Border Protection to suspend liquidation and collect cash deposits equal to the all others rate of 20.11 percent <u>ad valorem</u> for all entries of wire rod with an actual diameter of 4.75 mm to 5.00 mm, produced and/or exported by Deacero that are entered or withdraw from warehouse on or after June 8, 2011, the publication date of the <u>Initiation</u> in the <u>Federal Register</u>. 5

Agree	Disagree
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ssistant Secretary for Import Administration	

Deacero has never been individually examined by the Department during the history of the <u>Order</u>. For this reason Deacero's shipments of subject merchandise are subject to the all others rate.

# EXHIBIT 22

## UNITED STATES DEPARTMENT OF COMMERCE

Case No. A-201-830
Total Pages: 876
Administrative Review
for the Period 10/01/12 – 09/30/13
AD/CVD Operations Office III
Business Proprietary Information has been ranged or deleted in the narrative response on pages B-3 – 4, 8 – 10, 15 – 16, 18 – 19, 22, 25, 31 – 33, 35 – 37, 46 – 47, 50, 54; C-6, 9 – 13, 19, 26, 39, 41, 43 – 44, 46, 48, 55; D-3, 6 – 9, 14, 17, 21, 28 – 29, 31, 36 – 37, 41, 48; E-4 – 6, 9 – 13, 17 – 20; and in Exhibits B-1 – B-16, B-18 – B-23; C-1 – C-21; D-1, D-4 – D-22; and E-1 – E-8.

### **PUBLIC VERSION**

IN THE MATTER OF:

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM MEXICO

# RESPONSE OF DEACERO S.A.P.I. DE C.V. AND DEACERO USA, INC. TO SECTIONS B — E OF THE ANTIDUMPING DUTY QUESTIONNAIRE

David E. Bond Jay C. Campbell Ting-Ting Kao

WHITE & CASE, LLP 701 Thirteenth Street, NW Washington, DC 20005-3600 (202) 626-3600

February 27, 2014

Counsel to Deacero S.A.P.I. de C.V. and Deacero USA, Inc.



I, Luis Eugenio Leal Rangel, Institutional Relations and Trade Affairs Manager, currently employed by Deacero S.A.P.I. de C.V., certify that I prepared or otherwise supervised the preparation of the attached Response to Sections B - E of the Antidumping Questionnaire, filed on February 27, 2014, pursuant to the Administrative Review for the period October 1, 2012 - September 30, 2013, under the Antidumping Duty Order on Carbon and Certain Alloy Steel Wire Rod from Mexico (Case Number A-201-830). I certify that the public information and any business proprietary information of Deacero S.A.P.I. de C.V. contained in this submission is accurate and complete to the best of my knowledge. I am aware that the information contained in this submission may be subject to verification or corroboration (as appropriate) by the U.S. Department of Commerce. I am also aware that U.S. law (including, but not limited to, 18 U.S.C. § 1001) imposes criminal sanctions on individuals who knowingly and willfully make material false statements to the U.S. Government. In addition, I am aware that, even if this submission may be withdrawn from the record of the antidumping proceeding, the U.S. Department of Commerce may preserve this submission, including a business proprietary submission, for purposes of determining the accuracy of this certification. I certify that a copy of this signed certification will be filed with this submission to the U.S. Department of Commerce.

Signature:

Luis Eugenio Leal Rangel

Date: February 27, 2014

### PUBLIC VERSION

### II. General Information

The production process, financial accounting, and cost accounting information requested helow is necessary for the Department to hetter understand your company's operations, its products and production processes, and its financial and cost accounting practices. Therefore, you should provide complete narrative responses to each of the items listed helow.

### A. Products and Production Processes

Provide a description of your company's production process for the merchandise under consideration. Your description should address each of the items 1 through 8 listed helow.

Provide a description of your company's production facilities. If production of
the merchandise under consideration takes place at more than one facility,
identify each facility and describe the production activities that take place at
each facility. Identify all products manufactured at each facility, including
products not under consideration.

ANSWER: Deacero is vertically integrated. It produces wire rod; upstream products, namely steel billet; and downstream products, such as black wire, galvanized wire, barbed wire, nails, and fencing. As listed below, Deacero has three production facilities at which it produces billet from steel scrap, two facilities at which it produces wire rod from billet, and another facility at which wire rod may be heat treated:

<sup>&</sup>lt;sup>5</sup> If you have already provided a description of your company's production process in response to section A of this questionnaire, you may repeat that description or refer to the page numbers in that part of your response where the information is presented. However, your response must address each of the items noted in parts II.A.1 through 8 of this section of the questionnaire. If it does not, provide the description of your company's production process in this section of your response and supplement it accordingly with the requested information.

### PUBLIC VERSION

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Facility	Туре	Production Activities
Deacero Saltillo Autopista Saltillo Monterrey Km 8.5, Ramos Arizpe Coahuila, Mexico 25000	Steel mill and wire plant	At the steel mill, Deacero produces steel from scrap, steel billet, wire rod, and rebar. In a separate facility at the same location, Deacero produces steel wire.
Deacero Celaya Carretera 45 Panamericana Tramo Celaya – Salamanca Km. 64.8 Poblado de Chinaco, Villagran Guanajuato, Mexico 38260	Steel mill and wire plant	At the steel mill, Deacero produces steel made from scrap, steel billet, wire rod, and rebar. In a separate facility at the same location, Deacero coats wire rod and produces steel wire.
Deacero Ramos Arizpe Carretera Monclova Km 4 Numero 2125 PC 25900	Steel mill	At the steel mill, Deacero produces steel made from scrap and steel billet.
Deacero Planta Alambres Morelia Oriente 4 # 1565 3era. Etapa Cd. Industrial, Morelia, Michoacan Mexico, CP 53130	Wire plant	At this facility, Deacero coats and heat treats wire rod, and also produces steel wire.

2. Provide a flowchart of the production process for the merchandise under consideration. Please supplement your flowchart with descriptions of each stage in the process.

ANSWER: Deacero describes each stage in the production of wire rod below:

- 1. Steel Billet. Scrap steel is first melted in an electric arc furnace. Next, the chemical composition of the molten steel is modified in a refining furnace through the addition of various additives to achieve the desired grade. Lastly, the molten steel is formed into billet using a continuous casting process. The billet either passes directly to the rolling mill or is stored for sale or future production.
- 2. Steel Wire Rod. The billet is reheated in a furnace and then successively reduced in the rolling mill (consisting of a roughing mill, an intermediate mill, and a finishing mill). After passing through the finishing mill, the wire rod is cooled, coiled into concentric loops, and placed on a conveyor belt for additional cooling. The coiled wire rod is readied for shipment or

# EXHIBIT 23



# EXHIBIT 24



### Deacero invests to grow within the Mexican market

The new plant at Ramos Arizpe is ready to supply the current deficit of light profiles

The Mexican Federal government has made a recent announcement about the new "National Infrastructure Plan and the National Oevelopment Plan" (2013-2018), which is mounting the expectation from the national steel-making industry.

The new framework for the Mexican infrastructure sector, along with the steady economic forecast, are consistently suitable with Mexican steel companies making investments to cater their home market, such as Monterrey-based Oeacero SA de CV which has already fully commissioned a new plant on the northern state of Coahuila.



Currently, the Mexican steel market is experiencing a strong deficit of merchant bars and light structural products, which are being produced for the first time by 0eacero at the new facility previously mentioned. This investment has as its main purpose to competitively substitute imports of these specific products and to satisfy the needs and requirements of the local customers that cannot be procured by the current domestic supply.

The "Acería Ramos Plant", Oeacero's third steel mill, is located at the industrial city of Ramos Arizpe. The construction phase of the plant initiated on September 2010; the steel mill operations started on 2013, while the rolling mill reached its startup curve during 2012.

The steel mill can produce up to 1.5 million tons of crude steel per year and 500,000 tons of finished products (beams, flats, squares, rounds, channels, and angles) per year. The variety of light profiles manufactured at this complex range in size from ½" to 10"depending on the product. This third steel mill does not generate an increase of semi-finished steel capacity as it will create efficiencies by closing a smaller steel mill in the same state and stop operations at electricity peak hours thus reducing costs.

Worldwide, Oeacero has been recognized as an innovative and sustainable company with cutting edge infrastructure and high performing procedures. Oeacero is ranked as the largest steel recycler in Mexico. Furthermore, the company reutilizes 98% of the material residues from the different production stages.



The overall concept of "Acería Ramos Plant" reinforce Deacero's commitment to the core values that have position the company on the highest international quality standards. Along with the state of the art steel and rolling mills, the plant also features key technological improvements such as peripheral equipment for water waste treatment, a smoke extraction system and two electrical substations that will add up to the company's efficiency efforts to reduce water usage, power consumption and air emissions.

With more than 50 years of market experience in the steel making industry, Deacero is a successful, dynamic, and privately owned company who has achieved its growth by establishing a highly competitive position to satisfy the demands of the national and international markets.



SIDERURGIA Octubro del 2013 » Graso REFORMA

 Con inversiones conjuntas de Dis, 3 mil 900 millones. AHMSA, Terdum Méxicoly Deacem culminan gigantesico proyectos con la mira puesta en sustituir importaciones frente à la creciente demanda de acerce especiales en el Pats

#### Afrodo Goozalez

Tresponedel sem culminaren elgarnescos propertos qua en caricato sustain in versiones por I mil 900 millones de didanes, un são en el 2012 Al-(os Hornes de Mérico (A HMSA), Temium AFricay Descrip

Tienen la mira puesta en sostituir importaciones frentea la cruciente demarala de acens especiales que renuge con las inversereste armaterarantometrices quellegan abtexto deale have tallos contaperspectiya de detoror unmercaily junto con ice amscioses proyectoses inflateauxitus; come a orinchey productor

El pasado 8 de julio, AHMSA arranos oficialmente en Manciova su Complejo Indistrial El Sérix

Donneses después, el 18 de septiembre, en Pesqueria, Marvo León, légifel baxdera rodel Complejo Industrial Ternium

Yminenandoyaestdenoperacknes, anprodefinalizar dafione especial arranque de la Manta Aceria Ramos de Descero, en Ramos Arizpe, Coshulla.

Con su proyecto "El Pénix", cuya laversión alcanzó 2 mil 300 m llores de dóis rea y que emprendió desde hace 5 años, resurge AHMSA para capitalizar uma ola de maevas

Además de productoras de carros de errocarril, de maquinacia pesala y de dixine perocratic prevapor estrocas. Esta expansión alimentará a diclass propens deinversión conspros missos her vice perime into him surface imperación.

Link Zamudo Mischielsen, director general de Althas A, des que de las 690 mal toricistas azaraka descaros estacialesciae ahoraselmportan la empresametituirăel /Opercientacon su producción nacional

(jeus 450 mil teneladas de placa de acero soldran de su molino "Stechri", um navelndustris (questance un klidusetrische la made cara de la segunda de dos sideritr gicza me tiene en su complejo exclavado en Monclova.

"Ofrecenos abura placade acuro de hasta 96 pulgadas de ancho, cuando el mirino que se unixem de 64 migadis", explica/amudio, locampenuites miniscor las necesidades de plataformas mari-

Señaia que la producción del comple jo deAHMEA que ocupamil 200 hectáreas. crecerá en un 40 por ciento.

"Auensutamosis capacidad de produc-



#### INSIGHA DE TERRITA

Conel inico de las primeras pruehas de prodacción de lámbra solada en frio y la instalación de legispo degnivanizado, el Controlinchastrial Termiani Pesqueria enclenda a otro gigante.

Se propectio insignia en México, que inició operaciones para venta nacional y de exportación desde julio, anoque la inauguración oficial fueseptiembre.

La inversión es de mil 800 millones de difaces para mevosaceros que proveerán a la industria automotriz.

Máximo Vedaya, presidente ejecutivo de Ternium México, indica en un recorrido por las instalaciones de la masva plunta que levanta en Pesqueria, que el empleo alcanzó su cispida en la construcción con 3 mil 500 personas y en su operación genera 600 empleos directos de operarios, técnicas e ingenieras vol 50 indiactos.

"Tenences 40 logenieros que se capacitaramentapón en la tecnología demiestro socia Nippon Sicel para transmitir conocimientaras personal de Ternitus".

La planta producirá más de 1.5 millenes de toneladas a males de lámina rolada en frío y 400 millioneladas de lámina galvanizada con características tecnológicas inexistentes hasta shora en México para proveer a la judostria amomentiz.

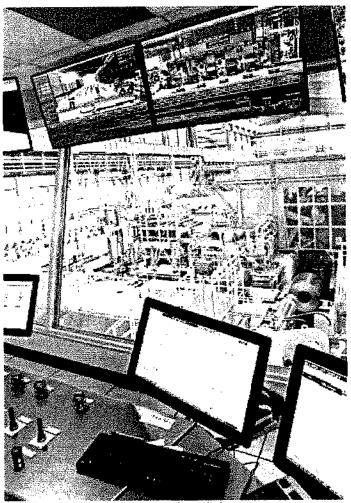
El corazóntecnológios del complejo ladustrial loconstituye el centrodel complejo endonde la láminade acero recibe el balo de aino para galvantzarla.

En otro extremo está la planta de Tenigal, que es la linea de galvanizado, en la que Ternicos invierte 31 por ciento de 130 milllones de délares y el resto, 49 por ciento, lo aporta Nippos Steet.

Paolo Rocca, presidente de la firganitación Techint, grupo al que pertenece Ternious, diceque este nuevo complejo es el más moderno en su tipo de América Latina, estratégico para el sistema industrial de Méxicoy represental amayor inversión en Nuevo León en los últimos Haños.

A través de sus dos lineas productivas principales, enstro procesos frios y servicios de alta tecnología para su funcionamiento, este centro producirá essi à millores detoneis das de acero, que permitrim la sustitución de las portaciones y contribuirá a una mayor competitividad de la industria nocional.

Beneficiará a las consunidades cercanas



El Centro Industrial Ternium Pesquena fue inaugurado en aspitembra.

através de capacitación y desarrollo recubigica así como impulsa de prove edores y generación de derrama económica que contribuiráa una mejor calidad de vida.

### MOLE DE DEACERO

Con una inversión de 100 miliones de dificies, la empresa regiomentana Exacero inció operaciones en marzo de su Franta Aceria Rassos, un provecto que arranció enseptiembre del 2010 y que tan selo en su construcción dio empleo en promedir a mil 500 trainipidores diarios.

Rabl Gutièrrez Muguerza, director de Deacera señalaque la planta lieneumacapacidad de producción de munillón 500 miltonelados amasies en la see ría, que inició operaciones en marzo, y 500 miltonel adasanna les ensu fase de la miltoción, que arrancó operaciones desde febrero del 3012.

-Estamos generando 500 empleos directos y 3 mll indirectos y está arran-

**> >** ?

SID ERURGIA. Octobre del 2019 se serpo REFORMA

### Tercia de ases

Tanado en el 2013, tres icenes del acere culminaren proyectes contenersiones concenas a los 4 mil millones de dobres.

#### AHMSA

Proyector Compățio Indissitiai "El Fénix" Mandal munido para costrucion:

Metecial	Total	Equityalents at
Concretes	178,000 m²	4 estedos Ázteca
Acoro comunicat	\$1,000 toneladas	6 terres Elfri
Edicios y navos:	12 hectives	14 canchine de futbol segorar
Eredpo maczniecz	10,000 torretadas	200 beomologis
Cable electrico:	2,100 Hometres	Distancia entre Tipans y Durango
Tuberas.	150,000 metros	Dos veces la distancia de México e Toluca
rate. G & Paudon of the	n de ffore Store Milit	

#### Y LAS HUEVAS INSTALACIONES

Con la nueva infrancimenta, la empresa atendera de manera mas eliciante sectores curan háperas o automotici.

	•
C	pacing affebral
ã	to Horao B: 1,5 de ambio (scero locado sin chatano)
	sea de Placa "Stackal": 1 placa de aceso
***	rens de Arco Electrico: 1.2 acero l'apitic (con base en ambio, chaixre y bilgesta de Merre)
31	Mild Cla Miles Classic Sec. 1.7 General Miles Contrated on California America America America Contrate
	ros de rantalumia secundaria: 12 de ecero korido
N	acontra coloria continua: 1.2 de refinación de acero iculdo

#### Patrick Milita

### LEBRIUM MEXICO

Properto: Centro Industrial Estatum en números Inversión: Cis. 1.100 millones Capacidad: Acaro faminado no frio:

1,5 milliones detector/site
Acerto galvantzado: 400 000 toro,/a/to
Inicio de Construcción: 2010
Horas/homber en construcción: 13 milliones
Terresor 438 hoctares.
Eritemión construida: 153 hactares.
Rares tadustriales: 8

Lineas principales de producecion: 2 (Decepado-Tanden Continuo Feo Tarnium y Galvanizado Conlinuo Tarigoli Espano instalado: 21 (100) ronaladas

Personal en operacion: 3.200 personas

Parent Translation

### DEACERO

Proyecto: Planta Acesta Ramos
Inversión: Dis 500 miliones
Capacitáed annali
Acesta: 1.5 miliones de tons, jaho
Lamisraciten: 500 miliones, jaho
Lamisraciten: 500 miliones, jaho
Lamisraciten: 500 miliones, jaho
Lamisraciten: 500 miliones, jaho
Lamisraciten: 500 miliones
Acesta: namo del 2013
Lamisraciten: pierco del 2012
tinicio de la construccion: septembre 2010
Trabisraciones en construccion: 1000 cinicio
Gineaciter: Romos Arizpo, Costaria,
intersestructura Constructer
Farrocarrili 21 km de visa
Vielidades: 171 milion
Planta trabelora de Aguer 17 milioni/pros
Estruccion de Hermos: 3 milion miliono
Estruccion de Hermos: 3 milion miliono
Estruccion de Hermos: 3 milion miliono

cando la operación en plazos para producir perilles de acero que no produciamos con una capacidad de producción de medio millón de toneladas anuales, así como la generación de mil emple os directos y Smil indirectos.

"Enlosútimos dos años redizamos una inversión de 800 miliones de didares y este año lovamos a hajara 300 miliones de dólores y ya tenenos una capacidad de produc-



Rasi Oction de Muquenza, director de Deacero.

ción de 4 millones de mueladas en el grupo", menciona

Uniferrez Magnerza agrega que en el mercado de perfiles de ocero para la constracción participamempresascomoxidorúngico de Guadalaja na Altos biornos de México y Gerdan.

Considera que el mencado de productos largos de acero representa cerca de la mitad de las ventas de acero a nivel nacional, como es el caso de perfiles, varilla y alambrón.

Elempresario atradeque incibicación de la meva planta obedece a que un estudio de localización reveir que ca unisconveniente por los costos de transportación de la ceateria urbua y dei producto terminado.

"El terreno se seleccionó considerando los acresos a carreteras nacionales, visa da ferrocarril, gasoásctos y lineas de transmisión eléctrica".

Indica que junto con la planta, se construyé infraestructura como 21 k Bôntetros de vias de ferrocartil, ITA mil met os de vialidades povimentadas una planta de tratamiento de agua con capacidad de IT milimento de la porta de la marca de la marca de la milima de la filma de la milima del milima de la milima del milima de la mili

"Este proyecto fue concebido desde as inicio para abastecer el mercado doméstico".

La plania produce perfiles est ruciumles y comerciales que son deficil arios en México y es por ello que el objetivo es sustituir competitivamente las importaciones de estos productes.

"Annadoaesso, se prevé un sexenio fa vorable que permitirá una demanda sólida como parte del prondstico de crecimi lemo económico y los pisnes de infraestructura del Gobierno federal" con claye.

(translation)

With joint investments of 3 thousand 900 million,

AHMSA, Ternium México and Deacero finish gigantic

Projects, with their sights set on substituting imports

Due to the growing demand of special steels in Mexico.

Three steel icons just finished gigantic projects that together account for investment worth 3 thousand 900 million dollars, just in 2013: Altos Hornos de Mexico (AHMSA), Ternium Mexico and Oeacero.

They have their sights set on substituting imports against the rising demand of special steels that it resurging with the investment of the auto-assembly industry that is coming to Mexico since 2 years, with the perspective to detonate the market alongside with the ambitious infrastructure projects like water and gas ducts.

With its project "The Phoenix", which its investment reached 2 thousand 300 million dollars and that had been undergoing for the past 5 years, AHMSA resurges to capitalize on a new wave of investments of auto-assemblers.

Also, of producers of railway cars, of heavy machinery and of ducts for gas, water and others.

This expansion will feed those investment projects with more sophisticated steel, which as of now are provided by imports.

"We increased our production capacity of <u>iron ore, liquid steel, slab and plate</u>, that will go from 3.8 million tons to 5 million tons per year" He noted.

TERNIUM'S INSIGNIA

The plant will produce more than 1.5 million tons a year of cold-rolled sheet and 400 thousand tons of galvanized sheet with technological characteristics not existent in Mexico as of now, to provide for the car industry.

**DEACERO'S MOLE** 

With an investment of 500 million dollars, the Monterrey Company, Deacero initiated in March representations of its plant Steel Mill Ramos Arizpe, with a project that that started in September 2010 and that only in its construction gave jobs, in average to 1,500 workers daily.

Raul Gutierrez Muguerza, Deacero's Director, stated that the plant has a liquid steel capacity of a million and a half tons which started operations in March, and 500,000 tons a year of hot-rolling capacity, which started operations in February 2012.

"We are creating 500 direct jobs and 3 thousand indirect ones; the operation is gradually moving to produce steel profiles that we were not producing with the 500,000 tons capacity also creating 1,000 direct jobs and 5,000 indirect ones".

"In the last 2 years we made an investment of 800 million dollars and this year we will lower that amount to a 100 million dollar investment and we have a production capacity of 4 million tons in the group" he mentioned.

Gutiérrez Muguerza added that in the steel profile market for construction the main competitors are Siderúrgica Guadalajara, Altos Homos de México and Gerdau.

He considers that the long steel products in Mexico represent half of the sales of steel nationwide, as is the case of steel profiles, rebar and wire rod.

The entrepreneur added that the location of the new plant was determined with a localization study that revealed that it was more convenient because of the transportation cost of the raw material and finished product.

"The land was selected considering access to national highway, train rails, gas pipes and electric transmission lines".

He indicated that with the plant, infrastructure of approximately 21 kilometers of railway infrastructure was constructed; 174 thousand metros of paved ways, a water treatment plant with a capacity of 17 cubic milliliters per hour and a smoke extractor system of 3 thousand 600 cubic meters per hour.



"This project was conceived since the beginning to cater only to the domestic market"



The plant produces structural and commercial profiles, in which Mexico has a large deficit, therefore the goal is to substitute imports in a competitive manner of these products.

"Also, it is expected that this presidential term will be favorable, that it will allow a steady demand as part of the economic growth prognosis and the infrastructure plans of the federal government", he revealed.

Project: <u>Plant Acería Ramos</u> Investment: 500 million dollars

Annual Capacity: Steel mill: 1.5 million tons per year

Rolling mill: 500,000 tons per year

Initiation of operations: Steel mill: March 2013

Rolling mill: February 2013

Initiation of construction: September 2010

Workers in construction: 1,500/daily Location: Ramos Arizpe Coahulla

Constructed infrastructure: Railway: 21 kilometers

Paved ways: 173 thousand m2

Water-treating plant: 17 thousand cubic meters per hour

Smoke extractor: 3 thousand 600 m3/ per hour