

Kelly Parkhill, Director for Industry Support and Analysis
Import Administration, Room 3713
Department of Commerce
14th Street and Constitution Ave., NW.
Washington, DC 20230

Dear Ms. Parkhill:

The following comments are submitted by Sony Electronics Inc. ("Sony") in response to the Steel Import Monitoring and Analysis System ("SIMA") Advanced Notice of Proposed Rulemaking published on August 25, 2004 at 69 Fed. Reg. 52211. In the notice, the Department of Commerce ("DOC") solicited comments about potential modifications to SIMA. Our comments fall into three categories: (1) Ongoing scope modification procedures; (2) Modification of existing scope; and (3) Blanket licenses.

1. Ongoing Scope Modification Procedures

In the Federal Register notice, the DOC stated that it is considering whether it should modify the scope of the current system to either cover additional products or remove certain products from licensing and monitoring. Sony welcomes this invitation and will recommend scope exclusions in the second section of this submission. However, we think that it would be prudent to establish ongoing procedures to remove specialty steel products, particularly those that were never subject to Safeguard measures, from the scope of SIMA. The DOC maintains post investigation scope procedures for other statutory trade remedies such as antidumping and countervailing duties. Scope procedures should be established within SIMA so that products not reasonably and properly subject to monitoring can be removed from system coverage. Such exclusions will eliminate the costly administrative burden associated with obtaining licenses on an entry-by-entry basis, a burden that constitutes a non-tariff trade barrier to importers.

Sony recommends that the proposed regulatory procedures for ongoing scope determinations be strictly circumscribed. The following factors should weigh into the Department's determinations:

- a. Whether the subject of the request for scope exclusion is a product that was excluded from safeguard measures - Under the current system, even steel that was subject to product-specific safeguard exclusions must be licensed upon import into the U.S. It is our contention that the exclusion of a product from the safeguard measures, continues to be a relevant factor as to whether the imports of that product represent a threat to the domestic industry. As all product exclusions were determined during a recent timeframe and SIMA is a fixed duration program, the exclusions are material indicia that such products do not threaten domestic steel producers.
- b. Whether the steel is a specialty steel with physical and chemical characteristics engineered to fulfill a specific and limited application in the U.S. - Specialty steel products are characterized by unique properties that cannot be duplicated within a commercially reasonable period. Such steel must be imported from specialty producers. It is generally not in competition with other types of steel produced in the U.S. and therefore should not be subject to monitoring.
- c. Whether a significant majority of U.S. producers of steel do not oppose scope exclusion - If there is no significant opposition, this is a strong indication that the underlying purposes of the safeguard measures will not be undermined by a lack of licensing and monitoring.
- d. Whether U.S. mills can reliably produce the specialty steel, meeting the requisite physical and chemical characteristics, in the necessary commercial quantities - There is no point to monitoring imports of a product that U.S. producers cannot manufacture. This factor relates to factor b, insofar as the DOC must take notice of the special characteristics before it can determine whether steel with the required properties can be produced in the

U.S. Even if such steel can be produced domestically, the DOC must appraise the risk to domestic users that a domestic steel mill will discontinue production. In that event, it is highly unlikely that a new source can be secured quickly, as specialty steel production requires stringent testing prior to commercial production. For example, certain steel used in the production of Sony's television, cathode ray tubes ("CRT's") must have specific magnetic properties so as not to interfere with the tubes' tightly controlled electron beams. Without scrupulous testing, there is an unacceptable risk that the tubes will malfunction.

e. Whether import data up to the time of scope exclusion indicates relatively low import volumes - Low import volumes is another indication that the purposes of the safeguard program, limited in duration, will not be undermined by the lack of monitoring during the finite period of time during which SIMA will remain in effect.

Each of the above factors bears on whether licensing and monitoring of the products at issue meaningfully contributes to the purposes of the safeguard program. If the value of such licensing and monitoring is limited, no license should be required.

2. Modification of Existing Scope

In submissions to the USTR Director of Steel Trade Policy in support of its safeguard exclusion requests, Sony relied upon factors such as those listed in 1 above for the following products:

- * SCM 415 hot-rolled steel (X-144) - Highly specialized steel for CRT frames for which exclusion was not opposed by any of the larger integrated U.S. mills. Sony continues to use SCM 415 because it uniquely meets the demanding specifications of its Trinitron technology.
- * SCM 415 (Modified) Hot-Rolled Steel (X-142.19) - This unique steel could not be produced and, to the best of our knowledge, still cannot be produced in the U.S. Exclusion from safeguard measures was not opposed by the U.S. integrated mills.
- * NST 490 Hot-Rolled Steel (X-142.25) - This product has highly unique magnetic properties necessary for CRT production. It is not available from domestic suppliers and the integrated U.S. mills admitted that they could not match its chemical specifications. A relatively insignificant 2,500 tons of this product continues to be imported yearly.
- * Coated Steel for Heat Shrinkable Bands (X-142.10) - This specialized coated steel sheet is used to produce explosion-proof bands for CRT's. They equalize external atmospheric pressure to provide the necessary protection. The steel bands are unique because of the combination of high magnetic properties and tensile/yield strength.
- * Tin Free Steel for Inner Magnetic Shield (X-142.9) - This product has magnetic specifications that cannot be met domestically. No U.S. mills objected to safeguard measures exclusion and it is still not produced in the U.S.

Sony requests that each of the above products, which were subject to product specific exclusions, be excluded from licensing requirements. Sony also requests that another specialty steel product used only for CRT production, Self Thermal Compensation Plates made from stainless steel type SUS 304 be excluded from licensing requirements because it is imported in low volumes specifically for CRT production.

3. Blanket Licenses

Sony requests that the DOC make the licensing process simpler. Instead of having to get licenses on an entry-by-entry basis, importers should be

provided with the option of obtaining a general blanket license provided that all imports of the covered product are subject to the same information about the product (including HTSUS number) and parties (manufacturer, exporter, importer). This number can be provided in the entry summary and used as the means to track and accumulate data on all import transactions of the covered product including port of entry, dates and values. This would substantially reduce the burden associated with having to procure numerous licenses for the exact same product.

In conclusion, Sony supports the DOC's efforts to improve the SIMA program. SIMA should be limited in scope to only those products that have a meaningful relationship to the underlying purposes of the safeguard program. Specialty steel products, especially products that have not been determined to cause injury or threaten injury to domestic producers, should not be subject to licensing requirements. The DOC should institute procedures for ongoing licensing requirement exclusions. Products with special qualities necessary for Sony's domestic CRT production should be excluded from the scope immediately. Finally, the licensing requirement should be simplified with a blanket license that can be used for multiple imports.

Respectfully submitted,

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