April 3, 2006

David Spooner
Assistant Secretary for Import Administration
US Department of Commerce
Central Records Unit
Room 1870
Pa. Ave and 14th Street
Washington, DC 20230
Attn: Weighted Average Dumping Margin

Re: Federal Register Notice, March 6, 2006, 71 Fed. Reg. 1189.
Request for comments on "zeroing" in anti-dumping investigations

Dear Mr. Spooner:

The following comments are made on behalf of the American Institute for International Steel (AIIS) in response to the Department of Commerce's request for comments regarding its proposal on zeroing. AIIS represents US importers, exporters, consumers and distributors of steel, port authorities, stevedoring firms and other logistics companies involved in the movement of steel products.

The DOC proposal is to eliminate zeroing for initial investigations and then only when it uses the average-to-average comparison. By making this proposal DOC is tacitly admitting that zeroing is inconsistent with WTO obligations and poor policy. While the DOC proposal is a start, it is not enough. Logical consistency suggests that zeroing should be eliminated in all its forms, initial investigations, administrative reviews, sunset reviews and all its methodologies, whether average to average or transaction to transaction.

While the legal and WTO issues surrounding this issue have been and will be discussed in detail by others, AIIS believes it is important to point out the negative commercial ramifications of zeroing on US manufacturing.

1. The scope of steel cases cover both commodity and high value added steel products under the same investigation, whether hot rolled sheet, galvanized sheet, wire rod, plates, etc.
2. Commodity grade materials traded in these categories are generally the source of the "positive" anti-dumping margins. These products are much more likely to be sold on a highly competitive price basis – such imports historically carry a 5-10% discount from

domestic producers' market prices in order to offset the cost associated with long lead times and larger volumes that need to be purchased.

3. On the other hand, the higher value products included in a scope are imported at premium prices, very often from the same offshore producer involved in the commodity trade.
4. These high value products may be imported because there is insufficient US capacity to produce them – or none at all – or the manufacturer may be limited by his end customer as to whom he is allowed to buy from – i.e. qualified suppliers.
5. It is these imports that are zeroed in this WTO-illegal process.

From an economic/public policy perspective, what is the impact of this process?

1. With even a small 5-10% anti-dumping duty, covered commodity grade products are eliminated from trade.
2. The US manufacturers who need the higher value product, however, all too often have to pay the anti-dumping duty for products that they cannot get domestically. The fact that it was not these products that were allegedly dumped of course cannot be ignored.
3. Consumers of the high value products paying anti-dumping duties for products that were not dumped negatively affects their competitiveness with imports of their finished products. In many steel consuming markets, steel is simply too large of a cost factor for such duties not to have an impact on such decisions as where to produce and some companies have moved their production operations overseas in response.
4. Of course, there are other elements of US anti-dumping law that make these decisions even worse for US manufacturers, such as the retroactive duty collection system that results in the importer not knowing what the actual duty owed will be for 2-3 years after the importation takes place.
5. The bottom line is that the imports that were not being dumped under any methodology are the ones that are hit with the duty. This is irrational economic policy and poor public policy.

Examples of this phenomenon abound. For example, commodity grade hot rolled and galvanized sheet from many countries were largely knocked out of the US market due to trade cases whose margins were calculated against the commodity product prices. However, since these cases have been in place, the actual duties are applied to the remaining high value added products imported by US manufacturers. Many of these imports are for the domestic auto industry, which purchases much of the high valued steel products sold in the US. Qualified suppliers, limited availability and other factors mean that these companies must continue to import the product and pay the dumping duties. One needs to ask how many US manufacturing jobs have been lost as auto parts suppliers have moved their manufacturing facilities to countries which do not engage in this self-destructive behavior?

Another element of this issue is that by using zeroing, DOC punishes offshore producers for business decisions identical to those that are regularly made by US steel producers. All steel producers charge premiums for high value added products whenever possible, making much more of their profits on these products. Commodity products are, when market conditions dictate, sold at much lower profit margins. This is basic market economics. This is the same behavior that offshore suppliers engage in and is punished by the insidious zeroing methodology.

AIIS strongly recommends that the DOC eliminate all forms of zeroing. By doing so, when DOC imposes an anti-dumping margin, it will more accurately reflect the complete export sales of the company to the US.

Sincerely,

David H. Phelps
President, American Institute for International Steel