U.S. Department of Justice
Washington, DC 20530

Supplemental Statement
Pursuant to Section 2 of the Foreign Agents Registration Act
of 1938, as amended

OMB NO. 1105-0002

For Six Month Period Ending JUNE 29, 2002
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant
CHARLES E. BUTLER & ASSOCIATES
d/b/a Japan Steel Information Center

(b) Registration No.
3544

(c) Business Address(es) of Registrant
60 East 42nd Street
Room 757
New York, NY 10165

2. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

(1) Residence address	Yes ☐	No ☒
(2) Citizenship	Yes ☐	No ☒
(3) Occupation	Yes ☐	No ☒

(b) If an organization:

(1) Name	Yes ☐	No ☒
(2) Ownership or control	Yes ☐	No ☒
(3) Branch offices	Yes ☐	No ☒

(c) Explain fully all changes, if any, indicated in items (a) and (b) above.

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, AND 5(a).

3. If you have previously filed Exhibit C[1], state whether any changes therein have occurred during this 6 month reporting period.
Yes ☐ No ☒ XX

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

1 The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (a waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

4. (a) Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☐ No ☐XX

If yes, furnish the following information:

Name	Position	Date Connection Ended

(b) Have any persons become partners, officers, directors or similar officials during this 6 month reporting period? Yes ☐ No ☐XX

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed

5. (a) Has any person named in item 4(b) rendered services directly in furtherance of the interests of any for... n principal? Yes ☐ No ☐XX

If yes, identify each such person and describe his service.

(b) Have any employee or individuals, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting? Yes ☐ No ☐ XX

If yes, furnish the following information:

Name	Position or connection	Date terminated

(c) During this six month reporting period, has the registrant hired as employees or in any other capacity, any persons who rendered or will render services to the registrant directly in furtherance of the interests of any foreign principal(s) in other than a clerical or secretarial, or in a related or similar capacity? Yes ☐ No XX

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed

6. Have short form registration statements been filed by all of the persons named in Items 5(a) and 5(c) of the supplemental statement? Yes ☐ No ☐XX

If no, list names of persons who have not filed the required statem...

II - FOREIGN PRINCIPAL

7. Has your connection with any foreign principal ended during this 6 month reporting period?

Yes ☐ No ☐XX

If yes, furnish the following information:

Name of foreign principal *Date of termination*

THE JAPAN IRON & STEEL EXPORTERS' ASSOCIATION - MARCH 30, 2002

8. Have you acquired any new foreign principal[2] during this 6 month reporting period?

Yes ☐ NoXX

If yes, furnish following information:

Name and address of foreign principal *Date acquired*

9. In addition to those named in Items 7 and 8, if any, list foreign principals[2] whom you continued to represent during the 6 month reporting period.

THE JAPAN IRON & STEEL FEDERATION (JISF)

(IT ACQUIRED THE JAPAN IRON & STEEL EXPORTERS' ASSOCIATION - SAME ADDRESS)

10. **EXHIBITS A AND B**

(a) Have you filed for each of the newly acquired foreign principals in Item 8 the following:

Exhibit A[3] Yes ☐ No ☐XX
Exhibit B[4] Yes ☐ No ☐XX

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes ☐ No ☐XX

If yes, have you filed an amendment to these exhibits? Yes ☐ No ☐XX

If no, please attach the required amendment.

2 The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a) (9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)
3 The Exhibit A, which is filed on form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.
4 The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets fourth the information concerning the agreement or understanding between the registrant and the foreign principal.

III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 7, 8, and 9 of this statement? Yes ☐ XX No ☐

If yes, identify each such foreign principal and describe in full detail your activities and services:

(SEE ATTACHED -- QUESTION 11)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity[5] as defined below? Yes ☐ XX No ☐

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places, of delivery, names of speakers and subject matter.

(SEE ATTACHED -- QUESTION 12)

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes ☐ No ☐ XX

If yes, describe fully.

5 The term "political activities" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government aforeign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) **RECEIPTS-MONIES**

During this 6 month reporting period, have you received from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes ☐ XX No ☐

If no, explain why.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies[6]

Date	From Whom	Purpose	Amount

(SEE ATTACHED -- QUESTION 14a)

Total ___________

(b) **RECEIPTS - FUND RASING CAMPAIGN**

During this 6 month reporting period, have you received, as part of a fund raising campaign[7], any money on behalf of any foreign principal named in items 7, 8, and 9 of this statement? Yes ☐ No ☐XX

If yes, have you filed an Exhibit D to your registration? Yes ☐ No ☐

If yes, indicate the date the Exhibit D was filed. Date ___________.

(c) **RECEIPTS-THINGS OF VALUE**

During this 6 month reporting period, have you received any thing of value[9] other than money from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal? Yes ☐ No XX

If yes, furnish the following information:

Name of foreign principal	Date received	Description of thing of value	Purpose

6, 7 A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. (See Rule 201(e).)
8 An Exhibit D, for which no printed form is provided, sets forth an account of money collected or received as a result of a fund raising campaign and transmitted for a foreign principal.
9 Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) **DISBURSEMENTS-MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8, and 9 of this statement? Yes ☐ XX No ☐

(2) transmitted monies to any such foreign principal? Yes ☐ No ☐ XX

If no, explain in full detail why there were no disbursements made on behalf of any foreign principal.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount

JISF

(SEE ATTACHED -- QUESTION 15)

Total

(b) **DISBURSEMENTS-THINGS OF VALUE**

During this 6 month reporting period, have you disposed of anything of value[10] other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8, and 9 of this statement?

Yes ☐ No ☒ XX

If yes, furnish the following information:

Date disposed	Name of person to whom given	On behalf of what foreign principal	Description of thing of value	Purpose

(c) **DISBURSEMENTS-POLITICAL CONTRIBUTIONS**

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value[11] in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office? Yes ☐ No ☒ XX

If yes, furnish the following information:

Date	Amount or thing of value	Name of political organization	Name of candidate

10, 11 Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V - INFORMATIONAL MATERIALS

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any informational materials[12]?
Yes XX No ☐

IF YES, RESPOND TO THE REMAINING ITEMS IN SECTION V.

17. Identify each such foreign principal.

THE JAPAN IRON & STEEL FEDERATION

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating informational materials? Yes XX No ☐

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

THE JAPAN IRON & STEEL FEDERATION (JISF)
FROM JAN. 29, 2002 - JULY 29, 2002 (SEE PAGE 5 - QUESTION 14)

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of informational materials include the use of any of the following:

☐ Radio or TV broadcasts
☐ Magazine or newspaper articles
☐ Motion picture films
☒ Letters or telegrams
☐ Advertising campaigns
☒ Press releases
☐ Pamphlets or other publications
☒ Lectures or speeches
☐ Internet
☐ Other (specify) ______

20. During this 6 month reporting period, did you disseminate or cause to be disseminated informational materials among any of the following groups:

☐ Public Officials
☐ Legislators
☐ Government agencies
☐ Newspapers
☐ Editors
☐ Civic groups or associations
☐ Libraries
☐ Educational institutions
☐ Nationality groups

☐ Other (specify) ______

21. What language was used in the informational materials:
XX☐ English ☐ Other (specify) ______

22. Did you file with the Registration Unit, U.S. Department of Justice a copy of each item of such informational materials disseminated or caused to be disseminated during this 6 month reporting period? Yes ☐XX No ☐

23. Did you label each item of such informational materials with the statement required by Section 4(b) of the Act?
Yes ☐XX No ☐

12 The term informational materials includes any oral, visual, graphic, written, or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

VI--EXECUTION

In accordance with 28 U.S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)	(Type or print name under each signature[13])
10/5/04	
	CHARLES BUTLER

13 This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

UNITED STATES DEPARTMENT OF JUSTICE
FARA REGISTRATION UNIT
CRIMINAL DIVISION
WASHINGTON, D.C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your Supplemental Statement:

1. Is your answer to Item 16 of Section V (Informational Materials - page 8 of Form CRM-154, formerly Form OBD-64-Supplemental Statement):

YES ___X___ or NO ________

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

YES ________ or NO ________

(If your answer to question 2 is "yes" please forward for our review copies of all material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)

[signature]
Signature

10/5/04
Date

Charles Butler
Please type or print name of signatory on the line above

President
Title

III. ACTIVITIES

QUESTION 11

For the Registrant, The Japan Iron & Steel Federation (JISF), we followed various developments in the United States relating to U.S.-Japan steel trade and also exchanged views - for informational purposes - with a variety of audiences

The Registrant also reports on studies, comments, statistics, etc., on a regular basis.

Among the activities undertaken were the following:

- AIIS National Convention (Apr. 7-9, Palm Beach, FL): Attended conference and provided report to client.

- AISI General Meeting (May 21-23, Chicago, IL): Attended conference and provided report to client.

- Steel Survival Seminar (June 17-19, New York, NY): Attended this 2-day meeting and also provided reports on various speakers.

✣ **Press Contacts:**

Had a variety of contacts with press representatives during the period and provided background information and comments. These press individuals included a number of trade publications in Pittsburgh, daily newspapers in Pennsylvania, Ohio, Illinois, West Virginia, Alabama, Washington, DC, New York, California, among others. Contacts with various wire services, financial writers.

✣ **Intelligence Report:**

Provided one or two reports weekly to the client to provide them with information on developments in the U.S. Distribution was also made to various member companies and others.

✣ **Other Reports:**

Also gathered various information from newspapers and websites and provided to client.

III. ACTIVITIES

QUESTION 12

For the Registrant, The Japan Iron & Steel Federation (JISF), during the six-month period through June 29, 2002, the activities included:

- **News Releases:**

  - *"Japanese Steel Executive: U.S. Mills Finally Admit Legacy Cost Are The Problem"* (Feb. 26, 2002).
  - *"Section 201 Steel Decision Is 'Plainly Wrong'"* - (Mar. 5).

- **Speeches:** On behalf of the Registrant, CBA developed speech opportunities including:

  - The Association of Women in the Metal Industries (Feb. 13, Oak Brook, IL): Shoichi Ueda, President and CEO Nisshin Steel USA, LLC made a speech at the Chicago Chapter's meeting.
  - Tampa Port Authority (Feb. 26, Tampa, FL): Presentation by Tsukasa Kose, President, Kobe Steel USA Inc. at the Port's annual meeting.
  - The Association of Women in the Metal Industries (Mar. 13, Cleveland, OH): Yasukazu Morooka, President, Sumitomo Metal USA Corp. made a presentation at the Cleveland Chapter.
  - Association of Steel Distributors (Apr. 23, Palm Springs, FL): Takahiro Kotani, Vice President, Kawasaki Steel America, Inc. spoke at the Association's annual convention.

  Information on News Release Distribution: Most of the news releases listed here were sent to about 30 journalists, primarily in Washington and Pittsburgh. Some of the news releases were also distributed via *PR Newswire* which reaches several hundred publications throughout the U.S.

- **Letter To The Editor:**

  - JSIC-New York Director Charles Butler responded to a commentary in *Business Week* (Jan. 29) on the ITC finding that foreign governments subsidize their steelmakers.

IV. - FINANCIAL INFORMATON

Question 14 (a) Receipts-Monies

Date	For Whom	Purpose	Amount
From Jan. 1, 2002 Thru June 29, 2002	JISF (JAPAN IRON & STEEL FEDERATION TOKYO, JAPAN)	FEE	$42,000
	JISF (JAPAN IRON & STEEL FEDERATION TOKYO, JAPAN)	EXPENSES	$16,771
			$58,771

IV. FINANCIAL INFORMATION

Question 15 (c) Disbursement-Monies

DATE	PRINCIPAL SUPPLIERS	PURPOSE	AMOUNT
For Period	AT&T	Telephone	$4,740.00
" "	American Express	Luncheons, hotels, travel, others	8,736.00
" "	Various	Postage/FedEx	57.00
" "	*American Metal Market*	Subscription	750.00
" "	*Iron & Steel Society*	Subscription	85.00
" "	*The Wall Street Journal*	Subscription	299.00
" "	*AM M* Steel Success Strategies	Registration	900.00
" "	*PR Newswire*	Dues/Releases	910.00
" "	Association of Steel Distributors	Registration	286.00
" "	Cash Outlays	Cabs, cocktails, tips, copies	975.00
" "	Helmsley-Spear	Office Space	3,560.00*
			$ 21,383.00

Japan Steel Information Center
60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/(212) 687-2481/FAX (212) 687-3357
February 26, 2002

CONTACT: Charles Butler
60 East 42nd Street, New York, NY 10165
212-687-2481/212-687-3357 (Fax)
ceb@ix.netcom.com

FOR IMMEDIATE RELEASE

JAPANESE STEEL EXECUTIVE: U.S. MILLS FINALLY ADMIT LEGACY COST ARE THE PROBLEM

TAMPA, FL – A top U.S. representative of the Japanese steel industry, in an address today before a Tampa steel conference, said that Japanese steelmakers and various independent sources have been pointing out that the current American steel crisis is not caused by imports and "major U.S. integrated mills finally admitted that legacy costs are one of the most serious problems."

Tsukasa Kose, President, Kobe Steel USA, noted that imports this year are 21 percent below 2000 and 28 percent less than 1998. Finished steel imports last year were the lowest since 1996, he added.

Mr. Kose told the Tampa Port Authority conference that real problems also included inefficient facilities, high labor costs, mini-mill competition and lack of proper investment.

In the decade of the 90s, he pointed out, Japanese steel mills' capital investment was almost $65 billion compared with about $25 billion for the United States and about $45 billion for the EU. Japanese mills have been able to remain competitive – and at a lower-cost level than the U.S. – by "improving our quality and reducing costs through continuous investment."

Pointing out a number of national and cross-border alliances and mergers among world steelmakers, he said that "it would be much better for American steel mills to take a global approach and expand their activities nationally and internationally to serve global customers. The wrong path is trade protectionism."

Japan has had its problems with low GDP growth and competition from low labor cost producers in Asia and Russia. Its steel production this year will be about 95 million metric tons. Steel consumption in Japan is down 20 percent over the past decade, he added. Strong sales to Southeast Asia and China have helped. He pointed out that 75 percent of Japanese steel exports go to this area.

\# \# \#

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/(212) 687-2481/FAX (212) 687-3357

March 5, 2002

CONTACT: Charles Butler
60 East 42nd Street, New York, NY 10165
212-687-2481/212-687-3357 (Fax)
ceb@ix.netcom.com

FOR IMMEDIATE RELEASE

SECTION 201 STEEL DECISION IS "PLAINLY WRONG"

NEW YORK – "President Bush's decision to limit fairly traded steel imports into the United States is plainly wrong," Hidenori Tazawa, Executive Vice President, NKK Steel America and Chairman of the Japan Steel Information Center said today.

"The Japanese steel industry is deeply disappointed that the President did not resist the demands of the U.S. steel industry and maintain free trade principles. We had been hopeful that the Administration understood that import limits were unjustified and would be potentially very harmful to U.S. consuming industries. Unfortunately today we found out that was not the case."

"There is no question that the foundation for the President's decision--the injury determination of the U.S. International Trade Commission, does not even meet the requirements of the U.S. Section 201 law, that imports must be *increasing* to cause injury. In fact, U.S. steel imports have been *decreasing* dramatically for years. Last year, imports decreased by 21 percent, and finished steel imports were the lowest since 1996 and this trend continues."

"The ITC's decision violates WTO rules on safeguard actions, which also require increasing imports, and a direct, substantial, link between imports and any injury to the industry. Again, the facts show that the U.S. industry's problems are primarily home-grown--uneconomic capacity, a "race to the bottom" on prices, mini-mill competition for integrated steelmakers, and hugely expensive labor contracts. The remedy--limiting imports--is therefore WTO-inconsistent. We are virtually certain that many U.S. trading partners will challenge this decision, and in time the WTO will invalidate it."

"Just as importantly, it will not save the U.S. industry. U.S. steelmakers have sought and received government protection for more than 30 years, yet they continue to have 'crisis' after 'crisis.'"

"Despite history, the facts, and the law, the President restricted U.S. steel imports. Any Administration effort to balance the interests affected by this decision will be cancelled out by the practical effect of the remedy --to raise consumer prices, threaten needed supplies, and create a 'ripple effect' in which many countries are already closing their borders to steel imports."

"We hope the President will quickly re-evaluate this regrettable, seriously flawed decision, and that the Administration will focus its efforts on international discussions on steel issues taking place in the Organization for Economic Cooperation and Development. Those discussions, not one-sided protectionist trade barriers, are how the real problems of the U.S. and global steel industries will be solved."

\# \# \#

Japan Steel Information Center
60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/(212) 687-2481/FAX (212) 687-3357

January 29, 2002

bwreader@businessweek.com

Letter to the *Business Week* Editor:

U.S. steelmakers have had major problems over the past several years and they put the blame on imports. The commentary (Jan. 24) by Aaron Bernstein states that the ITC has found that other governments routinely subsidize their steelmakers, allowing them to dump artificially cheap steel on the U.S. market.

This is totally inaccurate. In recent years, there have been very few findings of subsidization involving steel exports to the United States.

Japanese steelmakers, often the target of U.S. steelmakers dumping suits, for example, have never been accused of receiving government subsidies.

The problem is not imports but the fact that U.S. integrated steel mills are the highest cost producers in the world because of legacy costs, which are cited in the commentary, as well as a number of inefficient steel mills which also contributed to a lack of profitability.

U.S. Steel and others are asking for a massive government bailout which they themselves would criticize if the same bailouts occurred in foreign countries.

While *Business Week* endorses these massive bailouts, it should also reject the unwarranted further protectionism being sought by U.S. steel producers who want a 40 percent tariff on most steel imports.

Yours,

Charles Butler
Director
Japan Steel Information Center
60 East 42nd Street, Suite 757
New York, NY 10165
(212) 687-2481 – Day
(914) 472-0476 – Evenings

Japan Steel Information Center
60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/(212) 687-2481/FAX (212) 687-3357

June 26, 2002

JENNIE WILKINSON, *METAL BULLETIN* – JSIC RESPONSE

The U.S. government's decision to impose 30 percent duties on hot-rolled sheet and other steel mill products is wrong both legally and economically.

There is no question that the foundation for President Bush's decision did not even meet the requirements of the U.S. Section 201 law – that imports must be increasing to cause injury. And nowhere was this so clear than in the hot-rolled coil area. Overall imports of hot-rolled coil to the United States declined by 60 percent between 2000 and 2001 – to 2.2 million metric tons from 5.4 million metric tons.

This remedy is WTO inconsistent and several countries, including Japan and the EU, have filed appeals with that international body to rectify this situation. Furthermore, this tariff was placed on products already covered by high dumping duties. For Japan, these penalty duties, that were applied in mid-1999, ranged from 17 percent to 66.14 percent.

In 1998, Japanese shipments of this product amounted to 2.3 million tons.

Japanese exports of the same products in the following years were 25,000 (1999); 19,000 (2000); 7,000 (2001). The 1997 tonnage was 584,000 tons.

The successful dumping case had virtually eliminated Japanese shipments of this product. Now the U.S. government has imposed an additional tariff which has no rationale, since Japanese steel imports of hot-rolled sheets could not have been injuring the American market because of the low tonnage and U.S. law that determines that these products are fair once the penalty duty is attached.

Steel consumers and economists had warned the U.S. government that attempts to place further tariffs or other restrictions on imports would cause substantial price increases. These warnings were completely ignored and, according to published reports, hot-rolled steel prices have almost doubled. Domestic sources were indicating that hot-rolled prices were selling in the $200 range at the end of last year. Recent price increases put the product at around $380-$390 a ton.

An interesting footnote to the U.S. government's 201 remedy is that it has exempted 750,000 tons of hot-rolled coils earmarked for USS-Posco, a U.S. Steel joint venture. Steelscape, Mexican owned, got a 250,000 ton exemption. In other words, steel mills operating in the United States can obtain hot-rolled sheet without additional duties, while steel consumers cannot.

The U.S. is not self-sufficient in steel.

American steel mills themselves import about 10 million tons or more each year – 25% to 30% of the total import tonnage. Most of this is semi-finished steel, but these imports also include hot-rolled coils (the two examples listed earlier and others), cold-rolled sheet and wire rods.

Without this foreign supply, American mills would be in even worse shape in terms of satisfying the needs of American steel consumers.

In addition, 20 million tons or more of finished steel are needed. A good deal of that steel is also of a quality or specification that cannot be obtained in the United States.

At the time the remedy was announced, Japanese steelmakers predicted that it would result in higher prices for U.S. consumers, threaten needed supplies to American manufacturers and create a "ripple effect," in which many countries would close their borders to steel imports. All of this has happened.

We also noted that this program would not save inefficient American steel mills. Management problems, legacy costs and high cost of production have to be overcome and restricting the choices that can be made by American manufacturers does not solve any of these problems.

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by

Shoichi Ueda

President and CEO Nisshin Steel USA, LLC

At The Association of Women in the Metal Industries

On Wednesday, February 13, 2002 in Oak Brook, IL

Thank you very much for inviting me here this evening in these troubled times for both our steel industries. These have also been troubled times for your country. As a current New Yorker, I share with other New Yorkers in the pain that has occurred.

In my speech I will cover a few points, including a look at the American and Japanese steel industries, Japan's steel markets both at home and abroad, and comments on the steel trade debate.

Let's look at both of our steel industries:

Japanese steel production has had no growth in the past decade. Profitability has been a major problem for all world steelmakers. It is acknowledged that there is overcapacity in the world and there are also uneconomic or inefficient steel mills which market steel simply for cash flow.

Each country or area of the world has its own specific problems.

In Japan, we had a decade of very low economic growth - averaging a less than 2 percent and this has affected our domestic steel market where there was no growth. Our exports were affected by the Asian Crisis several years ago, as well as trade law action in the U.S.

Asia is our biggest export market and the U.S. has been a small market in the last decade or more, with only one exception, 1998.

Asian countries traditionally buy about 75 percent of our steel. Last year, for example, we exported about 30 million tons and only 2 million tons went to the United States - a little less than we would like to export but we do have a number of trade cases which restrict our opportunities.

In the United States, you have been blessed with unprecedented economic growth for almost a decade, with a downturn only occurring last year. U.S. steel shipments rose from 79 million tons in 1991 to 109 million tons in 2000 - a 40 percent increase. Still, most American steelmakers made little or no profits over the past several years. The integrated mills in the United States are considered the highest cost producers in the world as a result of the enormous legacy costs and the inefficient operations in certain facilities. Analysts believe they have to cut their cost substantially. Some mini-mills, on the other hand, have been relatively successful.

The U.S. steel solution to its problems, unfortunately, has been to restrict foreign competition rather than seek internal changes. I'll cover this area in more detail later on in my speech.

Prices last year plummeted in all the steel markets of the world. I'm sure you know the numbers for the United States. I should note that there has been a significant recovery in U.S. prices in the last two months. In Japan prices are down about 50 percent over the past 10 years because of a combination of a weak domestic market and also intense competition from low labor cost producers such as China, Korea, Taiwan and Russia.

And now we're facing a new problem - the Section 201 import restrictions in the United States. These cover all countries except for certain NAFTA products. Most major high-volume steel products, such as flat-rolled steel, are involved.

The U.S. 201 will change trading patterns and drive steel producers in Latin America, Russia and elsewhere to other markets, particularly Southeast Asia. The result will be further financial difficulty for Japanese steel producers.

According to one European Union study, the U.S. government has already imposed penalty duties in more than 130 specific cases. It has been estimated that about 50 percent of all of the finished steel imported into the United States, with the exception of NAFTA countries, is covered by high dumping duties. For Japan, the percentage is closer to 80.

Now we face the prospect of further penalty duties on top of those already imposed. This will make it impossible to sell in the United States.

At this time I would like to digress somewhat to talk about my company, Nisshin Steel.

We're the sixth largest integrated steelmaker in Japan and we specialize in stainless cold-rolled and coated carbon sheet. Like other Japanese steelmakers, we have been undergoing restructuring for many years to increase our competitiveness.

In 1993 we employed around 7,600 workers. This was reduced to 4,300 last year and our goal is 3,500 by next year.

Last year, all workers also took a 6 percent pay reduction.

In 10 years we will have cut our employment by 60 percent.

Our rationalization also includes the maintenance of very focused investment in the stainless steel market. For example, between 1988 and the year 2000, we invested over $1 billion for stainless operations alone.

These expenditures will allow us to remain competitive in stainless steel worldwide and maintain a very distinct quality edge.

Various estimates predict that consumption of stainless cold-rolled sheet will grow from 8 million tons in 1998 to more than 11 million tons by 2004. Production capacity was a little over 10 million tons in 1998 and should increase to over 12 million tons by 2004 so there's still a gap but it's getting narrower. The greatest growth in production and consumption will be in China.

There will be a number of newcomers which will make competition severe.

Like many world steel producers, Nisshin has a global outlook. We not only export our sheet, we also are linked with other producers. We are allied with Bao Steel in China, Acerinox, of Spain, and, in the United States, North American Stainless Steel which is owned almost 100 percent by Acerinox.

Ningbo Baoxin, a joint venture with Nisshin, is receiving our technology to produce high quality chrome-based stainless steel. In the future we will provide this material to emerging automakers in China. In addition, we have a long-term relationship and a 12 percent equity share in the Spanish company which uses our stainless technology and we share from their profits in Europe.

In the United States, we are supplying our technology to North American Stainless to produce high quality chrome-based stainless sheets for automotive applications.

The U.S. automotive market is huge. Last year, volume was more than 17 million cars - the second-best ever. The auto industry is a driving force behind the world steel industry.

One auto executive recently commented that the current worldwide market is about 55 million autos and that there has been a steady 10 million unit growth each decade for the last 50 years. This has benefited steelmakers. There is expected to be significant growth in South America. We will be participating in this global growth through our alliances.

With environmental issues very important in the U.S. and elsewhere, new regulations will continue to demand lower emissions. And consumers will continue to look for higher mileage and less maintenance.

The needs of auto companies and the demands of consumers played an important role in the U.S. and elsewhere for the steel industry. Let me touch more on the U.S. auto market and the involvement of the Japanese, including Nisshin Steel.

American automakers, whether they be the Big Three or transplants, basically buy about 90 percent of their steel from U.S. steelmakers. Very little is imported and those are only the highly specialized products.

Japanese mills enjoyed a very good specialized market in the U.S. automotive industry until the last few years. One product was stainless steel mainly for exhaust systems.

Japanese mills participated in the U.S. cold-rolled stainless sheet market, until a dumping case was filed in 1998. Now we basically cannot export to the U.S. Tariffs of almost 60 percent preclude us from reentering this competitive market. But, there needs to be competition so that the best products will win out.

About 20 years ago, the Big Three were facing a major problem. The galvanized steel used in Japan was much better than that the U.S. products. Japanese transplants, naturally, found that American steel didn't satisfy their needs and were dependent on Japanese steel imports.

Some major change was needed in the American market to satisfy these automakers. What happened was that Japanese steelmakers formed joint ventures with American producers using Japanese technology to provide high quality coated sheet for automotive use while improving upstream operations.

As a result, we reduced our galvanized exports from over a 1 million tons to 700,000 tons. However, 10 years ago, U.S. mills filed a successful dumping case against a large number of foreign exporters and our imports were further cut back. In recent years these imports averaged just above 100,000 tons annually.

Japanese joint ventures continue to supply the bulk of coated automotive sheet.

Nippon Steel had joined with Inland - now Ispat-Inland - to create I/N TEK and I/N KOTE - a billion dollar investment.

Sumitomo Metal Industries joined LTV to develop two galvanizing lines. Kobe Steel and U.S. Steel created two other galvanizing lines - Protec. NKK became a major investor in National Steel and provided its technology to that steelmaker for other coating lines.

The result was much better quality automotive steel for external body parts.

I should note here that Nisshin Steel has a joint venture with Wheeling-Pittsburgh for galvanized sheet, but it is not for automotive applications.

Japanese companies also provided technology and other know-how to American steelmaking for continuous casting, basic furnace operations and ladle refining to improve the quality of American steel.

I mention this to show that steel technology is global and American firms received great benefit from Japanese companies - as well as other foreign steelmakers.

Twenty years later, there still remain certain problem areas and automakers in the United States continue to need Japanese products for certain specialized applications, such as in stainless.

I think it's a big loss for the automaker and the consumer if new technology cannot be utilized to provide better products for automotive production and that's what these abusive dumping laws do. They keep out the innovation.

Now finally I'd like to look at the much publicized steel crisis. Let's look at overcapacity. Several meetings have been held and plans have been developed to reduce capacity worldwide.

In Japan, we faced an overcapacity problem more than a decade ago. There were 66 blast furnaces all over Japan in the mid-80s. As a result of radical restructuring in the early 1990s, that number was cut tremendously. Today we have about 39 blast furnaces.

At the same time we reduced our workforce. I mentioned Nisshin's numbers earlier. The six top steelmakers actually cut their employees by 60 percent from the mid-80s through 1999. The labor force today is 60,000, down from 140,000. Naturally, this tremendously improved labor productivity.

Cutting back on employment is not the only reason for productivity. Investment is also extremely important. As I noted earlier, Nisshin spent over a billion dollars in a decade or so just for stainless. Japanese steelmakers in the 1980s and the early 90s spent several billion dollars a year for a variety of equipment. We have the largest blast furnaces in the world with excellent productivity. Our average blast furnaces are two to three times larger than those in the United States.

Japanese steel also spent for energy conservation, ladle metallurgy, quality control and a number of other areas to make sure that the product is of the highest quality.

Today we believe we are competitive with all industrialized steelmakers and our only problem is low labor costs in certain other countries.

In the United States, there has been very low spending on equipment over the past decade - less than $24 billion. Therefore, a significant portion of the equipment is not up to world class.

Japanese steelmakers spent almost $65 billion and the EU spending was $45 billion in the same 10 years.

That is not the only problem for U.S. producers. Newspapers have reported in recent months the high legacy costs.

To be competitive, only the most efficient steelmakers should be operating. And something has to be done in connection with the legacy costs. I don't think a complete U.S. government bailout is the answer. This would be the same type of subsidy that American steelmakers have complained about in connection with other countries.

One solution offered by both the industry and the union - basically eliminating most foreign imports - is not the solution to U.S. steelmakers' problems. There has been substantial protection over the past three decades and that hasn't helped American steelmakers become more competitive.

But there is a more important reason not to restrict imports. They are absolutely essential for the American metalworking community. In fact, more than 25 percent of the foreign steel coming into the United States over the past several years has been purchased by American mills themselves. This includes principally semi-finished steel but also hot-rolled and cold-rolled sheets, as well as wire rods. U.S. manufacturers also need 20 to 30 million tons or more of imports, depending on the market.

With U.S. mills running near peak capacity in some recent years, high levels of imports were still needed.

Being a steelmaker in today's global market is not easy.

In order to survive you have to be highly innovative and management has to be on top of the situation day-by-day.

Markets are weak in Europe, Japan as well as the United States.

To overcome inherent internal problems and the static economic conditions, mega mergers are occurring - one was just finalized in Europe. There are several combinations emerging in Japan. NKK and Kawasaki will have an official merger. Nippon Steel, Kobe and Sumitomo Metal are involved in looking at an alliance. Nippon Steel also has a small investment in Nisshin Steel and this could also lead to some involvement.

There are also cross border alliances involving a number of Japanese, European and South American countries.

And all this has been done without government assistance.

It's the free market working. In the United States, as I mentioned earlier, there are major hurdles to consolidation - job security, legacy costs, inefficient mills. There must be consolidation and investors have to be encouraged to participate. And solutions need to be found through a cooperative effort of all parties.

But this effort should not involve establishing new laws or government programs to make imports the scapegoat. Imports are not the problem. Therefore, restricting them is not the solution. It only creates more world trade frictions, artificial market conditions, and negative implications for the U.S. and world economies.

# # #

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by
Tsukasa Kose, President Kobe Steel USA Inc.
at Tampa Port Authority
On Tuesday, February 26, 2002 in Tampa, FL

I. INTRODUCTION

Thanks to our moderator, Mr. Von Bulow, and the Tampa Port Authority for this opportunity to speak to you this morning.

It's a great pleasure to speak to such a well-informed group of experts who share my concerns for the steel trade issue in the United States and its effects on the U.S. economy. Since you will be hearing from other experts about the various aspects of this topic, I plan to give you information regarding market conditions in Japan and Asia, common strategies used by Japanese integrated steel mills, as well as comments from the Japanese steel industry on U.S. trade issues.

II. JAPAN and ASIA'S MARKET CONDITION

1. Japan

I would like to take a look at current market conditions in Japan.

As many of you know, our economy has been struggling for the past 10 years. Our GDP growth has been static, as you can see the average growth over the past several years has been between two and three percent. It is estimated that GDP growth will be negative in 2001 and 2002. Real GDP growth rate for fiscal 2001 is expected to be a minus 1.1 percent. The outlook is not optimistic. This lack of growth has directly affected our domestic steel consumption, which was down 20% in 10 years. Our crude steel production in fiscal 2001 is expected to be 103 million tons, 3% less than the previous year. In 2002, the production forecast for crude steel is about 95 million tons.

2. Asia

The Asian market has helped us maintain production. Southeast Asia and China import over 70 million tons of steel a year, while their exports are a little over 40 million tons. China is the largest importer, exceeding 20 million tons, followed by Taiwan with 13 million tons and The Republic of Korea with about 12 million tons. On a consumption basis, China is the largest steel consumer in the world - over 140 million tons, Korea uses 38 million tons and Taiwan, 21 million tons.

China has steadily increased its consumption over past decade. Its 56 million tons of consumption in 1991 rose to over 140 million tons in 2000. Japan was once China's largest steel supplier but Russia has supplanted us in recent years. Overall, about 75% of our exports go to Southeast Asia and China.

Korea is the number one customer for Japan with 6 million tons, a several-fold increase from 10 years earlier.

Most of our exports are high quality products, indispensable to Japanese transplants. Japan benefited from the growth of Asian economies in the 1990's and also suffered briefly during the Asian crisis in 1997. Recently, we have seen the Asian countries slowly rebuild their economies. However, the growth has not been exuberant.

With the current domestic situation, we are hugely dependent on the Asian markets just as they are dependent upon high quality steel from us to maintain their economic growth.

Japanese steel companies have also established a number of joint ventures in Asian countries such as cold-rolling mills and galvanizing mills, which enabled transplants to have the local procurement of steel. Japanese mills have provided technologies to those ventures and are also obtaining new markets for our products as substrate for ventures.

III. COMMON STRATEGIES USED BY JAPANESE STEEL MILLS

I would like to take a moment to briefly explain the strategies commonly used by Japanese integrated steel mills, however, please keep in mind that each mill's strategies may vary.

We pride ourselves on having purchased highly advanced technologies from all over the world when we built our modern mills decades ago. Today we are sharing our own advanced technologies with steel producing countries around the world.

In order to strengthen their international competitiveness, Japanese steel mills have been making continuous efforts to restructure existing businesses and facilities, reduce workforce, develop new investment opportunities, maintain R&D, establish global supply systems, and form domestic and international alliances.

1. Restructuring: Reduction of Workforce

We have taken a number of steps to increase our cost efficiency. For example, in 1984 Japan had 66 standing blast furnaces. Last year the number was down to 39 with 31 operating. In the mid-80s Japanese steel producers employed 140,000 workers and today that number is below 60,000. The industry underwent a major restructuring program in the early 1990s because we anticipated a decline in domestic consumption. In the last few years, most companies have taken further steps to greatly reduce their workforce to increase competitiveness. As a result, efficiency increased by 36 % to about 1,115 tons per-man per-year. That compares with our calculation of 550 tons per-man per-year for the United States.

For example, last year, Kobe Steel implemented emergency measures to counter the effects of deteriorated market conditions. We are reducing the number of employees even more, reorganizing divisions, as well as downsizing our head office. For fiscal 2002 and 2003, we are planning to lower hourly wage costs and reduce the compensation of our directors and corporate officers. These measures are intended to strengthen our earnings and help us to reduce our debt, to make the company more competitive.

2. R&D/Investment

Despite the cutback in production, Japanese steel producers have maintained investment because of our increasing emphasis on higher quality products. As you can see from this chart, our capital investment in the early 1990s averaged between $7 and $9 billion annually and did not decline until the late 1990s. Japan spent almost $65 billion in the 1990s compared to less than $25 billion for the United States. Incidentally, you will note that the EU spending was also fairly high at around $45 billion. Improving our quality and reducing costs through continuous investment have allowed us to remain competitive in the world market.

3. Globalization, Building International Alliances

To keep pace with the increasing globalization of automotive companies and other steel-consuming industries, Japanese steel producers have been challenged to build systems to enable their customers to procure steel products on a global scale. As an example, Japanese automakers that established factories in the US were not satisfied with the steel from American mills.

Some major changes were needed in the US market to satisfy these automakers. What happened was that Japanese steel companies contributed to the progress of the American steel industry through transference of technology for the manufacturing of high-grade coated steel for automobiles, as well as through equity participation in various joint venture operations.

Nippon Steel joined with Inland, now Ispat-Inland, to create I/N TEK and I/N KOTE. Sumitomo Metal Industries joined LTV to develop two galvanizing lines.

NKK became a major investor in National Steel. Kawasaki Steel invested in California Steel and Nisshin Steel had a joint venture with Wheeling-Pittsburgh for galvanizing lines.

As for Kobe Steel, we formed a joint venture with U.S Steel called PRO-TEC in 1990, which now supplies 1 million tons of coated sheet to "The Big Three" and Japanese transplants. PRO-TEC makes coated high strength steel, a material increasingly used in automotive production. This material helps make cars lighter, without sacrificing safety. Therefore, carmakers are paying greater attention to this innovative material.

Japanese mills also formed alliances with European mills and Asian mills using similar concepts to those used in the United States.

4. Domestic Alliances

As for domestic alliances, the merger of NKK and Kawasaki Steel, to form JFE Company, is scheduled for October 1, 2002. JFE Company should improve production and sales efficiency, resulting in a stronger single competitor. Last year Nippon Steel and Kobe Steel agreed to explore areas of collaboration. And Sumitomo Metal also agreed with Nippon Steel for the same kind of collaboration. Nisshin Steel, in which Nippon Steel has a small ownership, is also cooperating with this company in certain areas.

As for Kobe and Nippon's agreement, we are looking at ways of providing mutual support in steel production and are seeking to find possibilities for collaboration in other areas. These mergers and collaborations between the integrated steel mills are expected to result in strengthening of the competitiveness of Japanese steel industry.

IV. KOBE'S BACKGROUND

1. Kobe Steel

Let me take this opportunity to explain what Kobe Steel is and the steel products we export to the United States. Currently, we are the fifth largest integrated steel mill in Japan and we're also the most diversified with less than 40% of sales coming from the steel sector. The remainder comes from aluminum, copper, machinery, engineering, and construction equipment. We roll aluminum flat products in joint ventures with Alcoa and we make and sell construction equipment in partnership with CNH Global of the Fiat Group. A new project that will soon begin is our wholesale power supply business. Within our steel works in Kobe, we are building two power plants that will supply 1.4 million kilowatts of electricity annually to a regional power company. The first plant will go into commercial operation in April 2002 and the second in 2004. The power supply business will provide a steady and stable source of revenue and make Kobe Steel a much more diversified company.

2. Kobe's Export

I would like to describe Kobe Steel's exports to the USA. We pride ourselves on being one of the world's best producers of high quality wire rods and bars for automotive applications. As you know, almost two years ago there was a section 201 case on wire rods, and high quality wire rods were excluded from remedies because of the quality and the lack of availability of that product in the United States.

Our main exports of wire rods to the United States are high tensile steel tire cord grades, suspension spring grades, valve spring grades and bearing grades. All of them are manufactured into vital parts for automobiles. Perhaps the greatest hurdle we have had to overcome was the earthquake of Kobe City in January of 1995, when our wire rod mill ceased operations for several weeks. We managed to supply our wire rods without any negative consequences to our customers, and at that time we realized that almost 50 percent of the valve springs used in automobiles all over the world are made from Kobe Steel's wire rods.

V. STEEL TRADE ISSUES

1. Overview

Finally, let me touch upon the major steel trade issues in the United States and the so-called steel crisis. In decades past, Japan was a major steel exporter to the United States - at least several million tons a year, but in the past two decades, our exports have declined considerably as we focused more and more on Asia. We still look at the U.S. as an important market for highly specialized steel, much of which cannot be obtained from the American steel mills in the quality or quantity needed by American steel users. American mills' products simply cannot meet certain customers' requirements, whether or not those mills acknowledge that fact. We have been pointing out that the current American steel crisis is not caused by imports but by problems inherent in the U.S. integrated steel industry. These are inefficient facilities, lack of proper investment, high labor costs, high legacy costs and mini-mill competition.

2. Consolidation

In December of last year major U.S. integrated mills finally admitted that legacy costs are one of their most serious problems and petitioned the U.S. government to bail them out to allow consolidation. If such a bailout were proposed by the Japanese or European steel industries, U.S. mills and the U.S. government would immediately criticize it as an unfair subsidy. We are basically opposed to this kind of government assistance to steel industries. If the U.S. government does help the U.S. steel industry, legacy cost assistance should be restricted to the workers and retirees whose facilities are closed and it should be accompanied by a complete and real restructuring of the U.S. steel industry. We are completely against the position of U.S. mills that section 201-import protection is a precondition for their consolidation. This is a bad bargain. Once they are shielded from reasonable global competition, the problem will remain the same as it has been throughout the last 30 years of protection. Trade barriers will not save uncompetitive U.S. steel mills, nor will massive subsidies.

3. Import Trend

Let me review U.S. steel imports trends.

U.S. steel imports increased gradually since the beginning of the 1990s. But last year, we saw a tremendous decline. Steel imports in 2001 were under 30 millions short tons, 21% below 2000 level and 28 % less than 1998. Finished steel imports were the lowest since 1996. Look at these levels in relation to the U.S. Section 201 law, which requires an increase in imports before any injury can be found. WTO rules allow member countries to temporarily protect troubled industries when imports suddenly surge. That is not the case here.

4. Case of Galvanized Sheet

We all know that duties have already been applied to many products as a result of successful U.S. dumping and countervailing duty cases. There have been more than 130 injury determinations on steel products over the past years. There are estimates that 50% or more of steel imports from non-NAFTA countries are now covered by U.S. penalty duties.

Let's look at one case as an example. In the mid-1980s Japanese steel producers were shipping well over a million tons of galvanized sheet to the United States. Then we entered into a number of U.S. joint ventures and a good amount of that steel was then to be supplied locally. Our exports declined by almost 50% by the early 1990s. Despite that decline, U.S. mills filed dumping cases against Japan and all other major exporters of galvanized sheet.

The result was a 80% decline in our exports. In the latter half of the 1990s, our tonnage of that product averaged between 100,000 and 200,000 tons.

5. Semi-finished

I want to mention one more fact about U.S. steel imports.

While U.S. steel mills complain about imports, they themselves are the largest importer. Big mills' purchases of semi-finished steel alone increased four-fold during the decade of the 1990s to over 8 million tons. By the way, the big mills also import well over a million tons of hot-rolled coils a year, as well as some other products.

This steel comes from the same countries that they accuse of dumping and subsidization. It's fine for them to buy the semi-finished steel. But does it make sense that they don't allow their customers to buy finished steel from these same foreign suppliers?

VI. CONCLUSION

Despite these facts, the American steel industry still wants to apply a 40 percent extra tariff. Together with the already implemented penalty duties, the actual duties will be much higher. Such section 201 protection will shut out most imports.

And it is obvious that the benefit to the U.S. steel mills will be more than offset by the higher costs and limited supplies that many U.S. steel-consuming companies are going to face. In a time of worldwide economic slowdown, putting up new protective barriers is a serious mistake.

I'd like to say that many independent studies have shown that the U.S. trade law process is not fair to foreign steel exporters and is also extremely unfair to American steel consumers.

The way to be competitive is not to shut out the competition but to rationalize, modernize and consolidate whenever possible. It would be much better for American steel mills to take a global approach and expand their activities both nationally and internationally to serve global customers. The wrong path is trade protectionism.

Thank you for allowing me the time to address you this morning.

\# \# \#

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by

Yasukazu Morooka, President Sumitomo Metal USA Corp.

At The Association of Women in the Metal Industries

On Wednesday, March 13, 2002 in Cleveland, OH

Introduction:

I'm happy to be here with AWMI in Cleveland. I feel this is my second hometown. I've made more than 60 trips to your city over the last four years because of the activities of Sumitomo Metal Industries with our long-term partner LTV.

Naturally, I was very disappointed in the closing of the mill, but I'm now optimistic that it will be revived through the asset purchase by Wilbur Ross Group.

My company, Sumitomo Metals has had a long-term relationship with LTV and its predecessor companies. We date back to 1958 when the Japanese steel industry was beginning to rebuild from the wreckage of World War II.

It was "Jones & Laughlin", which was merged into LTV many years ago, who provided us with the advanced U.S. flat rolling technology and allowed us to become a state-of-the-art flat-rolled steel producer.

For the next two decades our relationship was dormant but we still maintained an ongoing dialogue. In the 1980s we were happy to provide our technology to J&L. Among numerous technical assistance, a full range of technical system for the continuous caster at the Indiana Harbor Works and technical services for the seamless tube production at the Campbell Works were memorable.

I should also point out that other Japanese steel companies had similar relationships with American integrated mills which supplied assistance during the 1950s when we were restarting our steel industry.

In the mid-1980s LTV became interested in looking abroad for a state-of-the-art coating facility and it only seemed natural that Sumitomo Metal would offer help. The result was the creation of L-SE in 1985 and L-SII in 1989 - both the joint ventures to produce automotive quality galvanized sheet. And I'm happy to say that both units operated profitably for many years.

In 1999, L-SII was converted from electro-galvanizing to hot-dipped galvanizing and our interest was sold to Bethlehem Steel.

The one joint venture, LSE, we share with LTV, although it is very healthy financially, was forced to go into hot-idle late last year, because it depended upon LTV's cold-rolled coils for production and we could no longer receive that material because of the closing. My company, Sumitomo Metal, could supply the cold-rolled coils, but there is a very high duty pending because of an anti-dumping case last year.

But the good news is that it is back in operation. We received an order for Rouge Steel, and US Steel whose coating line, Double Eagle, which is also a joint venture - between them - had a major fire in December.

More than 90 percent of the product we made at LSE was for exposed, or external panel, for automotive customers because of its high quality.

Let me tell you a little more about our activities with LTV. You know about the first bankruptcy in 1986 that lasted 7 years. We sought to help the company at that time and invested $200 million - half as equity and the other half as a convertible loan.

In 1995 we joined with LTV and British Steel to invest in a new mini-mill, Trico, in Alabama. The total cost for the project was $465 million and Sumitomo's share was $116 million for an ownership of 25 percent. That operation started in 1997 and went bankrupt, unfortunately, in March of 2001. The mill was held on hot-idle since then, and in January of this year, Nucor received permission from the bankruptcy court to buy this facility at a bargain price of $120 million.

There has been a significant amount of Japanese investment in steel facilities in the Midwest. And most of the investments concentrated on galvanized sheets for automotive use because the quality available from existing facilities was not world class. Japanese steel producers provided both the technology and the investment to form basically 50-50 ventures with an American partner.

Nippon Steel joined with Inland - now Ispat-Inland - to create I/N TEK and I/N KOTE.

Kawasaki Steel made a direct equity investment into Armco Steel - now AK Steel.

NKK made a major investment in National Steel and provided Japanese technology to install new coating lines and other equipment. Unfortunately, National Steel filed Chapter 11 last week right after President Bush announced that US government will not take care of steel legacy costs.

Here in Ohio, Kobe Steel and U.S. Steel built 2 galvanizing facilities under the name of Protec.

And finally, Nisshin Steel and Wheeling-Pittsburgh jointly financed another 2 coating lines although this is not for automotive sheet.

I would also like to mention California Steel Industries which also has a Kawasaki Steel investment and a Nucor structural steel plant which involves Japanese mini-mill, Yamato.

But the biggest push, as I mentioned, was to make better galvanized sheet for auto parts. These projects were successful. And, as a result, we cut our exports of galvanized sheet to the United States from well over 1 million tons in the 1980s to around 600,000 to 700,000 tons in the early 90s.

Then in 1992 U.S. mills filed a broad range of dumping cases against all suppliers of flat-rolled sheet. I might say we are fortunate that we were found innocent in three of the four major categories but our galvanized sheet along with all other countries, was found to be causing injury and our exports were cut back even more significantly. Over the past several years we averaged between 100,000 and 200,000 tons.

So while we lost out on these exports - which we believe were really fair - Japanese mills continued to supply the bulk of coated automotive sheet through U.S. joint ventures.

Now let me look at what some call the steel crisis. I don't have to tell you about what has been happening because your newspapers have reported on developments day-by-day for the past few years.

One fact which doesn't seem to make the newspapers is that American steelmakers enjoyed unprecedented economic growth through all of the 1990s. The downturn only occurred last year despite all the rhetoric. U.S. steel shipments increased from 79 million tons in 1991 to 109 million tons in 2000. That is a 40 percent increase.

But there were problems. During most of that period many American steelmakers made little or no profits. And, naturally, they blamed imports. But that's not the real reason. (Just recently it is becoming very clear.)

The integrated steel mills in the United States are considered the highest cost producers in the world. There have been a number of independent studies by analysts and economists that have made this very clear. Why are they high cost? The primary reason is legacy costs which U.S. mills wanted, but the U.S. government refused, to absorb. The other reason is that there were various facilities that were not world class and were inefficient.

In contrast, many of the mini-mills have been profitable and some had record earnings over the past few years. I assume one of the reasons is that they have non-union workers and no legacy costs. They also have modern equipment that is state-of-the-art and, by the way, is almost mostly foreign.

I should point that these comparisons were made a few years ago and the dollar has strengthened greatly since that time. For example, the Japanese yen was 118 to the Dollar at that time and is now 132 to the dollar. Therefore the cost gap is even wider.

For years, analysts have said that the integrated mills need to cut their costs by $50 to $60 a ton and most of this is legacy costs in which they have very little control.

There is one area where there could be some control and that is the union workers. I read recently that the new CEO of Bethlehem Steel, who came from Chrysler Corporation, found that the union's work rules prohibit an operator from replacing electric bulbs in his shop alone. They have to call a maintenance worker that big job.

I'm happy to say that at our joint venture - L-SE - we have eliminated many of these work rules. Maintenance has been a part of every operator's job. The workers are multi-skilled and paid by skills. They are on a salary, not on an hourly basis. We have 11 management-labor committees that constantly review activities such as safety, quality, productivity, in order to increase performance, which directly related to gain-sharing and profit-sharing.

This agreement has been called the model USWA agreement. But it does not prevail in most plants in the United States. Even LTV's integrated steel did not use it.

One of the reasons given for the bankruptcy of LTV and other companies is imports as I'm sure you are well aware. However, we in the Japanese steel industry, as well as others in the United States, in Europe and elsewhere, don't accept that accusation. Here are a few facts for you to consider:

Number one: The United States has not been self sufficient for decades. Not only do most American manufacturers supplement their domestic supply with foreign steel, but also American steelmakers themselves have to import huge amounts of foreign steel to maintain their own operations. Over the last few years, steel imported by U.S. mills ranged from 8 to 10 million tons - about 25 percent of all the steel coming into this country.

Most of it is semi-finished steel which they then run through their finishing mill. They also import hot-rolled carbon sheet - well over 1 million tons a year; some cold-rolled, some wire rods and other products. If it weren't for foreign steel, industrial activities in the United States would suffer tremendously.

Fact number two: U.S. steelmakers, especially the integrated mills, face severe internal problems. There have been a number of inefficient steel mills operating in the United States for many years - some kept afloat by government subsidies, some by enterprising entrepreneurs who worked the mills for cash flow.

And the final fact, which I mentioned earlier, it is legacy costs. These costs are not caused by imports.

The big steel mills certainly have their problems and they have gone to President Bush to bail them out again.

The Japanese steel industry is deeply disappointed by the President's preliminary 201 remedy action. There is no question that the foundation for his decision, the injury determination by the ITC - doesn't even meet the requirements of the U.S. law. Imports must be increasing to cause injury. In fact they have been decreasing for quite some time. Last year imports were down by 21 percent and finished steel imports were the lowest since 1996.

We (also) don't believe that protectionism will save inefficient American steelmakers. There have been 30 years of one type of government protection or another and yet the industry continues to have crisis after crisis.

Protectionism is not the answer. It has been tried many, many times over the past three decades and the industry still has major problems.

Those of you who have been in the industry for a few decades like I have been may know of the Voluntary Restraint Arrangements, the Trigger Price Mechanism, the quotas imposed by President Reagan and continued by President Bush, Sr. And you may also know of several Buy American laws and many dumping cases. Foreign steel exports have been bombarded by U.S. government programs and the U.S. trade law.

And these trade laws are extremely favorable to American steel producers as many independent studies have shown.

The theory behind protectionism - and this has been proposed many times by U.S. steelmakers - is that if they had some breathing space of 2 years, 3 years or so, they would become competitive. Well, it simply has not happened.

After the government programs end, the industry always turn to dumping cases once again. They don't want the competition.

There's one area where there is some hope and that is solving world overcapacity. I frankly think that the overcapacity number is probably inflated due to political reasons in the United States. But there is certainly uneconomic inefficient facilities operating both here in the U.S. and worldwide.

In Japan we came to grips with this problem over 10 years ago. In the mid-1980s we had 66 blast furnaces operating, some small but most of them very large. Individual steel mills made decisions in the early 90s to close several of these. And I should point out that some of them were very efficient but we knew that our domestic consumption was going down and we didn't want to have an overcapacity problem.

Today, we have 39 blast furnaces of which only 31 are operating. I will note that steel companies at times decide to keep one furnace on idle and when relining occurs the idled one is started up and the other one goes on idle so that the same capacity is maintained.

We've also cut our workforce sharply. The decline in steelworkers in Japan since 1989 is more than 40 percent and the top 6 steelmakers actually cut their employment by 60 percent from the mid-1980s through 1990. We are now down to less than 60,000 workers and further rationalization and cost cutting continues.

But you can't just save money by eliminating workers. You need to have efficient equipment. The philosophy in Japan has been to spend a large amount of money to improve the steelmaking process using state-of-the-art equipment.

In the 1980s Japanese steelmakers spent several billion dollars a year. In the 1990s we reduced that spending somewhat but still spent almost $65 billion in the decade. That compares with less than $24 billion for the United States, based on AISI data, and $45 billion for the EU.

The spending in Japan went for energy conservation, ladle metallurgy, quality control, etc. We believe that we are competitive with all other industrialized countries and our only problem is low labor costs in certain countries which is very hard to overcome.

Japanese Steel-makers' Consolidation, World-wide Alliances

In spite of these efforts to become competitive, the world economic and industrial circumstances require further competitiveness.

First, in EU, the steel industry initiated cross border consolidation among the member nations. Thyssen-Krupp, Usinor-Arbed-Aseraria, British Steel-Hoogovens, Mannessmann-Valourec are formed crossing the borders to become more competitive.

Japanese steel makers are also going to consolidate themselves and to form two large steel groups in Japan. NKK and Kawasaki Steel is going to merge in October 1, 2002 to form "JFE" Steel Group, the world largest steel producer. They are expecting $600 million saving for the first year of merger.

Nippon Steel, Sumitomo Metal and Kobe Steel agreed to discuss possible collaborations, a tie-up looser than merger. Nippon Steel and Nisshin Steel, a stainless steel manufacturer, are also discussing collaboration in stainless business.

Sumitomo Metal and Nippon Steel have already been collaborating in such areas as seamless pipes, structural beams, welding material, and stainless sheet products. Further cooperation in steel making, flat roll, purchasing, transportation, and maintenance is being discussed.

On the other hand, worldwide tie-up is also going on. This movement was derived by the auto companies' globalization. For example, Toyota Motor is now manufacturing automobiles in the US, France, and Thailand, as well as in Japan. They design a "world-car" in US or in Japan and manufacture it at multiple locations worldwide under the same specifications. To do so, they need the same steel for specific parts in every auto plant, regardless of its location.

To meet this requirement, Nippon Steel tied up with Usinor to supply the same grade of steel in Europe. They also tied up with Baoshan in China, Posco in Korea. They have joint ventures with Ispat-Inland here.

Sumitomo Metals signed agreements with Corus and Valourec and Mannessmann for technology exchange. We also signed an agreements with Timken for the special steel technologies.

Kawasaki is discussing a technical agreement with Thyssen-Krupp for automotive steel. They are also discussing with AK Steel.

Kobe Steel tied up with Voest-Alpine of Austria, in addition to their relations with US Steel.

<u>Conclusion:</u>

As you can see, Japanese steelmakers, as well as those in Europe, are involved in various alliances - both nationally and cross-border. This rationalizes and strengthens all of our steel industries and allows us to be truly global.

We believe that's the path to steel success. We hope that American steelmakers strengthen themselves through consolidations and other methods, and hopefully take the global approach, not the protectionist path.

Here is one final chart to show the top suppliers of foreign steel to the U.S.

Thank you very much.

# # #

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by

Takahiro Kotani, Vice President, Kawasaki Steel America Inc.

At the Association of Steel Distributors

On Tuesday, April 23, 2002 in Palm Springs, FL

It is a great pleasure to be here this morning to address members of the Association of Steel Distributors.

One of the topics I was asked to talk about is the Section 201 decision. I'm sure you've heard more than you've wanted to hear about this program over the past several weeks. There was the expected reaction of other governments - creation of their own safeguards to protect against diversion, threats of retaliation, and very harsh criticism of the Bush Administration's trade policies.

Naturally, I agree with the unfairness of the remedy but I want to skip that aspect in my presentation and discuss the commercial ramifications of the U.S. President's action as seen through the eyes of a representative of a private steel company that has done business in the United States for many years.

Firstly, let me give you my view on the losers and winners as a result of the President's action.

Over the short-term, the big losers are small and medium-sized American manufacturers who buy steel on a spot basis. Many of them are customers of yours.

Among steel exporting countries, the EU and Japan are the biggest losers, followed by China and Taiwan.

The current winners are American steel mills - for the short-term.

Many foreign steel exporters are also winners. Canada and Mexico are excluded from the remedy. Over 100 developing countries, including a major importer, Turkey, will also pay no tariffs. Brazil and Russia have their slab exports exempted.

Another big winner is foreign manufacturers who have cheaper steel abroad and can export products to the United States on a competitive basis.

Over the long-term, there will be other interesting developments.

The tariffs will be phased out over three years, making the playing field more level, with the exception of continued outstanding penalty duties involving a number of other trade cases.

The big winners will be those profitable American steel companies that can continue to make money in a more competitive market. Other U.S. steel mills - if they don't take drastic steps to rationalize - will be in the same position they are today - uncompetitive.

The large foreign steel exporters will be stronger because they will take this 3-year opportunity to look into more alliances and mergers to better serve multinational steel consumers. The American metalworking community will continue to have problems as foreign manufactured products establish strong customer relations here during those three years as U.S. costs increased.

There will be more manufacturing sourced outside the United States as a result of the high tariffs.

The Big Three automakers and others have already shifted some production to other countries and if they are forced to pay significantly higher prices for steel, that trend will be accelerated.

The structure of the American steel industry may also change. I expect more foreign interest in picking up certain American steel assets to avoid further protectionism. Brazil has already purchased Heartland Steel and now is looking at Sparrows Point of Bethlehem. An advantage of having a U.S. operations is obvious - you get much better treatment when it comes to import restraints. Let me look a little more at the 201 to show you why.

5.2 million tons of slab have been exempted and this does not include the 1.5 millions of tons coming from Mexico and Canada. Another million tons of hot-rolled bands have been exempted to satisfy rerollers on the West Coast which have foreign interests. USS-Posco hopes to get 750,000 tons and Steelscape, Mexican-owned, can buy 250,000 tons duty-free.

While I'm on the topic of exemptions, I will give you more details. Actually about 10 million tons of the 30 million tons of steel imported last year will be covered by the new tariffs. For Japan a little more than half of our imports are covered by 201 tariffs. Exemptions were granted because American steel mills cannot supply the product. There were more than 1,000 requests of which about one-third were granted and more may come. American steel mills have opposed many of the applications.

These exemptions provide a new business model for Kawasaki Steel and other major steel exporters. It actually simplifies our business because for the next few years we will be concentrating most of sales efforts on those products which are exempted. Naturally, we also have to contend with existing anti-dumping penalties and new ones which are expected to be filed.

Even before the 201, about 50 percent of non-NAFTA steel imports already had some type of penalty duty. The additional 30 percent duty makes some foreign steel impossible to sell.

Let me just review American imports. The top suppliers last year were the EU, Canada, Brazil and Mexico. They accounted for more than one-half of all imports. The top slab exporters were Brazil, Mexico and Russia.

The top finished steel suppliers were the EU, Canada, South Korea, Japan and Mexico.

Now for a look at globalization. In the United States and elsewhere, the first step was international trade in steel. In the U.S. this was followed by foreign joint ventures. In the mid-1980s, Japanese mills began to provide extensive capital and technology to develop world-class steel production with its American partners. Most of the partnerships involved the production of automotive galvanized sheets where there was an absolute need to improve quality both for the Japanese transplants as well as the Big Three. In the 1980s, American steel mills had neither the capital nor the technology to modernize and Japan provided both. About a dozen joint ventures or direct investment occurred.

In addition, there were at least two dozen examples of foreign investments in American steelmaking since the mid-80s. These ranged from taking over existing mills to creating new facilities. Many of these are mini-mills.

About one-half of all the steel shipped today in the U.S. comes from a steel mill which has a foreign interest.

Most of this initiative came from foreign countries. American steel mills themselves have not taken a global outlook with the single exception of U.S. Steel in Slovakia.

True globalization is occurring elsewhere in the world. In Europe there have been a number of cross-border mergers. Europe has also established alliances with other countries, such as in Japan and South America.

In Japan, mergers are also developing and we have alliances and joint ventures with many European steelmakers as well as producers in Southeast Asia, South America and elsewhere.

This follows a global trend in which other industries such as telecommunications and automotive have become truly global.

My company, Kawasaki Steel, has alliances with AK Steel, as well as two steel mills in Korea. Just recently, we agreed to an alliance with Thyssen-Krupp, in conjunction with our new partner, NKK.

NKK has invested in National Steel and also has a technical partnership with Dofasco.

Nippon Steel has an extensive working relationship with Posco of Korea, Boashan of China, and Usinor, which is now a part of Arcelor. Through these alliances, partners jointly share R&D and also seek to meet the needs of global customers, wherever their factories are.

Now let me say a few words about our partner NKK. We have an agreement to form JFE Corp. which we both feel will provide significant savings and efficiencies in steelmaking. The first step will take place this October and then JFE Steel Corp. will be established in April of next year - the complete merger of both of our operations.

We are the second and third largest producers in Japan, but only have four steel plants. We each have one in the Tokyo area and another pair in Western Japan. They are both in very close proximity and that's very advantageous to cost-cutting.

Nippon Steel is taken up the challenge and has been talking to Sumitomo Metal Industries, Kobe Steel and Nisshin Steel.

Kawasaki Steel is very positive about its ability to make major improvements in internal production activities and to emerge a much stronger combined company than we were separately.

Finally, many of you may be interested in what's happening in Japan and Asia.

Japanese steel growth has been relatively static in recent years, with domestic consumption down 20 percent in the past decade and production below the levels of earlier years. We are dependent on the Asian market. While there was a crisis several years ago, there has been considerable improvement and it appears that most of these countries are coming back to their normal strong levels. China, in particular, has shown very good growth.

Taiwan, which has a heavy dependence on the U.S. market, will be slower to recover but this will also occur.

About three quarters of our exports go to the Asian market. Right now the prospect looks very promising for continued economic recovery in Asia into the second-half of this year. I am also hoping that Japan's economy will pick up in the second-half as well.

I should point out that we continue to improve our productivity year by year. The key has been a high level of capital spending. In the 1990s it was more than double that of the United States. And we were at a much higher level in the 1970s and 1980s. We also cut our employment significantly over the past decade or more.

To conclude:

While various governments continue to have acrimonious discussions over the 201, private business will seek out ways to cope with the changed trade environment in the United States.

We have had to do this many times over the past three decades. There have been 30 years of steel protectionism through one U.S. government program or another.

Producing low-cost, high-quality steel, we feel that we are world competitive. But more is needed and that is why we are taking the global approach to have alliances with a number of different countries throughout the world in order to better serve global customers. With mergers and partnerships we can continue to be a world-class supplier wherever the customer is.

In the long run we are confident that we can maintain a good customer relations and provide them with the best product for their success.

We would hope that U.S. steelmakers take the same approach rather than a protectionism path. For all of us, it is better to have a competitive steel industry to serve our customers and keep steel as the material of choice. To restrict the commercial availability of steel will only hurt the steel economy, our customers, and eventually the same steel producers who seek protection.

# # #