BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Certain Oil Country Tubular Goods from India, Korea, Philippines, Saudi Arabia Taiwan, Thailand, Turkey, Ukraine and Vietnam	Inv. Nos. 701-TA-499-500 and 731-TA-1215-1223

Testimony of Buddy Brewer

Good afternoon my name is Buddy Brewer. I am the CEO of Borusan Mannesmann Pipe US Inc. Prior to coming to Borusan, I have worked in the U.S. OCTG industry for over 30 years. I worked at North Star Steel (now Vallourec Star), Lone Star Steel (acquired by US Steel) and other pipe manufacturers and processors. I am accompanied here today by Semih Ozmen, the President and CEO of Borusan in Turkey.

1. Borusan is the leading Turkish producer of OCTG and has been supplying the U.S. market since 1998. Borusan estimates that it accounted for approximately 85 percent of Turkish exports to the United States but total imports from Turkey only accounted for less than 2.5 percent of the U.S. market.

2. In my testimony today, I want to focus on the most important fact concerning Borusan and that is our decision to open a U.S. production facility. It is the reason that imports of OCTG from Turkey have not caused material injury to the domestic industry and will never threaten or cause such injury.

3. About 2 years ago, Borusan made the final decision to invest \$150 million to build a new greenfield welded OCTG manufacturing facility in Baytown, Texas, which is near Houston. Our facility is now completed and we began commercial operations in March of this year. When fully operational, we will have a pipe forming capacity of 300,000 tons per year in sizes ranging from 4 ½ inches up to 10 ¾ inches. Our facility also features two threading lines and a heat treatment facility, which is coming on line this month. Our plant uses U.S. produced hot-rolled steel coil sourced from Nucor, Severstal – Mississippi plant, and ArcelorMittal – Indiana plant, and we employ approximately 200 workers at this time.

4. During the Commission's period of investigation, Borusan exported welded, plain end OCTG to the United States. Beginning in the second quarter of 2013, Borusan US became the importer of record. Borusan maintained its small position in the market based on its well-deserved reputation for quality and reliability. Borusan's strategy has

always been cognizant of market conditions. During the period of investigation, Borusan's exports – and those of Turkey overall – declined as the market slowed down in 2013. Our pricing has never been aggressive.

5. Borusan's decision to establish production in the United States presented a number of advantages to Borusan.

6. First, Borusan in Turkey does not have a heat treatment facility and until this year had no threading capability either. This meant that Borusan could supply only plain-end J-55 grade. There are a limited number of processors in the Houston area so this was often a source of bottlenecks and significant costs. By developing our own dedicated threading and heat treatment capabilities here in the U.S. for our own pipe production, we avoid these problems.

7. Second, certain end users just will not accept imported material for a variety of reasons. By investing in the United States and producing OCTG here that we can also process, we can compete on the same terms as other U.S. producers. This has become the investment model here in the U.S. OCTG industry. Many of the so called "domestic mills" are owned by foreign steel companies who have invested here to get access to the prime segments of the U.S. market. Just like every major U.S. mill, including U.S. Steel, we will continue to import certain sizes from our foreign firm that are

outside of the size capability of our U.S. mill. I do not understand how these foreign invested companies and U.S. Steel, can simply exclude their importing sources and bring a case against my source of imported product in Turkey. How can it be that Turkey's imports are injuring U.S. producers while much larger imports from petitioners have no effect on domestic producers? That makes no sense.

8. So let's compare. In the first 4 months of 2014, *182,000 excluded* tons total of OCTG was imported from Argentina, Brazil, France, Italy, Russia, and Mexico while less than *48,000* tons were imported from Turkey. Mexico alone imported double the amount that came in from Turkey, but they're excluded. And the same countries had import licenses for 69,000 more tons in May while Turkey had licenses for 8,000 tons. It is not a coincidence that four of the petitioning companies own OCTG plants in at least one of those countries, and Tenaris owns OCTG plants in four of those countries plus has a joint venture with a Japanese company. Japan imported another 68,000 tons of excluded imports from January through April.

9. Third, our new facility will incorporate proprietary connections allowing us to participate in that high value segment of the market.

10. Fourth. The market considers that the highest and most easily audited standards for quality control are found in US domestic mills. Many end users and, therefore, distributors will pay a "domestic premium" for U.S. made OCTG.

11. Once Borusan decided to establish a U.S. operation, we considered several options. Buying an existing, used facility and equipment would have been cheaper and faster, and we evaluated several options, including the Lakeside Steel facilities later purchased by JMC Steel Group. In the end, we determined that this facility was not competitive, and opted instead to construct a greenfield facility. Borusan's decision to make this investment was based on our evaluation of the long term fundamentals of the U.S. OCTG market, which we believe are very strong, and on the inherent advantages of being a U.S. supplier. Borusan was well aware of the other investments and capacity expansions that were in the works at the time, as well as of the competition from imports. But Borusan concluded that the U.S. OCTG market's long term prospects were strong, and that the presence of import competition did not diminish the value of entering the U.S. industry. That is why we went forward with our investment, and I have no doubt that other domestic producers – many of whom are much larger and have made much bigger investments – came to the same conclusions.

12. Once our U.S. plant is fully operational, Borusan's exports of OCTG to the Untied States will be greatly reduced. We plan to import only sizes which our U.S. facility is not able to produce.

13. As our U.S. plant becomes the primary source of supply to this market, Borusan in Turkey will shift its focus to developing opportunities to supply the Turkish OCTG market. We will also shift some of our capacity out of OCTG and into the other five types of pipe we produce and sell in Turkey.

14. Although the Turkish market has historically favored the use of seamless OCTG in the oil and gas sector, we are finding that Turkish drillers – particularly privately owned companies as distinct from the state petroleum agency – are increasingly open to using welded OCTG. In addition, Turkey has a significant and expanding geothermal drilling industry, which also consumes welded OCTG. We included with our brief a study of the OCTG market in Turkey. The lack of threading capacity in Turkey, was a problem which we solved this year by obtaining an API threading license.

15. As I already mentioned, Borusan has always been a careful and responsible participant in the U.S. market. Our imports did not increase over the period of the Commission's investigation – they declined, as did overall

imports from Turkey. We have always priced responsibly. We have no interest in creating market disruption or price drops in the U.S. market where we have made a $150 million investment.

16. And, with the opening of our Baytown plant those imports will continue to decline in the foreseeable future. So, why have we been included in this trade case? The answer, I suspect, has to do with intra-industry, domestic competition. As all of the new domestic OCTG capacity comes on stream, some U.S. producers have felt pressure to fill out their mills and to have the products from their new facilities accepted in the market place. This is particularly true for those producers who are re-purposing older mills or who don't have a long track record of production in the United States. This has lead to price-cutting, which is one reason why OCTG prices have been soft over the past year or so.

17. We have largely avoided this problem of price cutting because of Borusan's reputation for quality, and because we have built a brand new mill, and hired very experienced, proven mill operators to run it. We have also invested a lot of time in bringing customers to our mill as it was being constructed, so they can assure themselves of what they are getting. But to really compete successfully in this market in the long run, we need to be able to offer our customers a complete range of sizes and products, and as I

mentioned, there are some sizes that we can't currently produce here and will need to continue to import from Turkey. Virtually every other major U.S. producer including Tenaris, Vallourec Star and TMK IPSCO and even U.S. Steel, follow a similar strategy. By potentially denying us the ability to bring in OCTG from Turkey to fill out our product line, I believe the major domestic producers are seeking to gain an advantage in competing with our domestic production.

18. My understanding has always been that the unfair trade laws are intended to protect domestic businesses and workers from unfair *foreign* competition. It is not supposed to be a tool for large domestic producers to try to squeeze out new *domestic* competitors. The U.S. trade laws should not be used in this way.

19. On behalf of Borusan's 200 U.S. employees, we ask you to carefully evaluate the merits of this trade case and to take into consideration Borusan's unique situation.

20. Thank you.