Testimony of Mr. Xuanmin Zhang

My name is Xuanmin Zhang, the general manager and director of Shanghai Matsuo Steel Structure Company. Because of scarce time, I will not be reading my statement at this hearing, but I am leaving a copy with you, and I will be honored to answer any questions that you may have. I have asked Ms. Eve Wang to read the summary of my prepared statement in English.

I have been working in the FSS industry for 36 years. My company has so far successfully completed over 400 projects in the last 20 years all over the world, including in the U.S., Europe, Japan, and Australia. Shanghai Matsuo is one of the few companies in China selling FSS to the United States. With the U.S. economy booming, FSS product from China is a good supplemental to the U.S. industry.

Also, FSS is just part of large projects, and the cost of FSS is a small element in consideration of the whole project. Timely delivery of high quality products is more important than anything else.

I left my family on the first day of Chinese New year to come today to testify and share my thoughts with you. I decided to do something which may be helpful to hundreds of employees at Shanghai Matsuo, to the industry, and my dear customers and friends in the U.S.

Finally, I would like to give best wishes to you all in the New Year.

matsuo

钢结构最终调查无损害听证会发言稿

Statement on Hearing in the Final Investigation on Fabricated Structural Steel from Canada, China, and Mexico

Xuanmin Zhang, Board member and General Manager of Shanghai Matsuo Steel Structure Co., Ltd.

January 28, 2020

Good afternoon, Commissioners,

My name is Xuanmin Zhang, the general manager and director of Shanghai Matsuo Steel Structure Co., Ltd. ("Shanghai Matsuo"). I have been working in fabricated steel structure ("FSS") industry for 36 years since the graduation from the University. Shanghai Matsuo is a Sino-Japan joint venture, with key managers appointed by the foreign partner. The company has so far successfully completed over 400 projects in the last 20 years all over the world, including the U.S. (e.g. Shell), Europe, Japan and Australia. It is my honor to stand here to present to you in this hearing, and I am attend this hearing today to share with you my understanding on this industry and reflection upon the current investigations.

Given to the time limit, I will highlight three points as followed:

A. My understanding of the FSS industry

From my perspective, FSS is a labor-intensive manufacturing product for buildings, infrastructure, oil and gas, petrochemical, electric power, mining and other fields. Most parts and components in a typical project are hand-made by massive blue collar workers as they are project, owner and application specific. There are few standard requirements and therefore every piece requires customer tailored, with various categories and differences in volume, length and shape. In my experience over the last 30 years, I come to the conclusion that good supply of FSS products depends on at least 3 elements as following:

- Large number of skilled and hardworking blue collar workers, experienced professional

engineers (such as assembling and welding workers) and project management personnel.

- Sufficient supply of raw material, components and fabrication chain to meet various, changing and sometimes immediate demand; and
- Good infrastructure including port and transportation for large cargos.

B. Transfer of global chain and Chinese industry

The earliest high-rise buildings for civil and industrial use in China were constructed in the city of Shanghai and Shenzhen in 1980s whose FSS components were imported from Japan. In 1980s, Japanese annual steel output reached more than 100 million metric tons, reaching to the height as a global center. However, Japan was too expensive and not welcomed by the environment protection and safety concerns, and gradually the whole industry was moved to South Korea, and then to China starting from 2000.

From the perspective global supply chain, FSS production has been moved from developed countries into China over the past 40 years, which is inevitable due to the industry specific or general reasons such as rising labor cost, environment and safety risk. Now, China has accumulated the advantages for FSS production and is one of the global centers for this industry. Having said that the above, I would like to remind you that China only exported a small portion (less than 10%) of its production to rest of the world. In the meantime, China has abundant and cheap labor, experienced and hard-working technicians, convenient transportation, and complete infrastructure facilities, thus the total cost is low. Regarding the output and the product variety, China's steel industry has developed a complete and irreplaceable supply chain, though low-end and labor-intensive, which not only meets the needs of domestic market of China, but also is a beneficial supplement to the developed countries' markets.

As far as I know, there are more than 3,100 FSS producers in China in 2018, mostly focusing on Chinese market (export accounted for only 7.36% of its total production). I have also learned that among the 63 Chinese FSS producers who were certified by AISC in China, less a dozen have ever made shipment to the US market. Why? U.S. customers are picky, setting higher and strict

requirements for product quality, delivery and payment. In another word, most of the AISC certified companies did not have a record of shipment to the U.S. at all.

Shanghai Matsuo is one of the few companies specializing in overseas projects in China. It was founded in 1996 as a whole foreign (Japanese) owned company from 1997 to 2005, during which the annual output was 50,000 tons, exclusively for Japanese projects. Between 2006 and 2019, Shanghai Matsuo became a Sino-Japan joint venture and its production capacity was increased. However, we are not prioritizing the U.S. market (U.S shipment accounted for only 15% at the peak time).

C. US market and global supply chain

We note that demand for FSS products in the U.S.is growing and is far beyond the U.S. domestic supply. With the U.S. economy booming, there is a stronger demand in FSS products which will no doubt invite more import. So, the U.S. inevitably needs to import steel structures from the overseas. As for me, FSS product from China is a good supplemental to the U.S. industry. Imagine that the U.S. imposes high duty on such product, will the production even come back to the U.S.? I don't think so.

There is another point worth mentioning. As some of you may know, FSS product/component is just part of large projects, and cost of which is a small element in consideration of the whole project. For project owner, general contractor or any other stakeholder's sake, timely delivery of high quality products is more important than anything else. Please try to think of a case when supply of FSS components are delayed while everything else is prepared in the field. How much loss would it produce? I could hardly imagine.

In early 2019, Shanghai Matsuo successfully won 3 bids for U.S. projects. However, the initiation of AD and CVD investigations caused immediate freeze to these projects. Up to now, my customers told me that they have been looking for qualified suppliers in Asia and Middle East to substitute, but found none yet. The reasons are various, but I would like to share one of them to you: a Vietnamese company committed to fulfill the order, but there is no way for them to hire a functional large trucks to the port, again if they were able to product good products and make them available for shipment

on time!

Summary

As a conclusion, I would like to say:

- ✓ FSS industry requires raw material, workers, production management and comprehensive transportation conditions;
- ✓ Industry transfer is inevitable around the world;
- ✓ Chinese FSS industry is a good supplement to the U.S. economy. It helps project owners and contractors save the cost, improve the quality of a project and helps them better manage a project; and
- ✓ If the U.S. government is to eventually shut down the door to source Chinese FSS products, this industry will not come back to the U.S.;
- ✓ In the short run, there is no good substitute to fill the gap if Chinese products are out of the market, and it will cause significant increase of cost and pain to U.S. stakeholders from project owners to contractors.

We have built a long-term relationship with Bechtel, an American engineering and construction company with a history of more than 100 years in fulfilling the few U.S. projects. Since the 1990s, Bechtel has purchased a large quantity of FSS products for its core suppliers in China and fortunately Shanghai Matsuo was one of them. Since 2006, we have cooperated more than 10 big projects (3 of which are located in the U.S.). My good friend, Mr. Frank Elliott, then purchase manager of Bechtel Shanghai office, who had worked in China for many years told me repeatedly: key vendors to Bechtel are the precious wealth of Bechtel as it is similarly important for Bechtel to find and strengthen its relationship with a trustful partner, therefore there is a policy in Bechtel that it will not let its key vendors down, but will ensure their interest and profit for the sake of Bechtel's long term interest. Mr. Elliott passed away years ago, which made me sad for a long period, however, his view and passion in this industry and his word comes to me from time to time. If Mr. Elliott were still alive and presents here, I believe he will never understand the measures taken and to be taken by his government, and would not accept such results.

I am close to 60 years old, ready to enjoy my retirement life soon. However, the current investigations made my life harder. It is hard for me to understand, and I had decided to suspend my retirement as I could not leave with a peaceful heart. Upon consultation with my lawyer, I decided to do something which may be helpful to hundreds of employers at Shanghai Matsuo (who have been leaving their hometown and working in suburb of Shanghai for decades), to the industry, and my dear customers and friends in the U.S. Because of this, I left my family on the first day of Chinese New Year, and come all the way here, Washington DC, to share my thoughts sincerely with you. I really hope this will help you to make a final and fair decision.

Thank you! By the way, this year is Chinese Lunar Year of the Rat, and today is the fourth day of Chinese New Year. Here, I would like to give best wishes to you all in the New Year.

各位下午好！

我是张选民，上海松尾钢结构公司董事总经理。

我今年 60 岁了，从事钢结构 36 年。

在中国春节第一天，离开我的家人不远万里来到这里，作为专业人士希望以我的经历与各位交流看法，由于时间有限，请王律师代我宣读发言稿摘要。

钢结构最终调查无损害听证会发言稿

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Xuanmin Zhang, Board member and General Manager of Shanghai Matsuo Steel Structure Co., Ltd.

January 28, 2020

各位委员下午好！

我的名字叫张选民，上海松尾钢结构有限公司董事兼总经理。自从大学毕业后我就一直在钢结构行业工作，迄今已经36年了。我所工作的单位上海松尾钢结构有限公司是一家中日合资企业，主要管理团队成员来自日方。20多年来，我们做了400多个项目，遍布美国、欧洲、日本和澳大利亚等国家，其中包括壳牌在美国的多个项目。今天，我很荣幸能有机会，来到听证会现场，陈述一下我作为一名资深专业人士对钢结构行业的了解，以及我个人对此次“双反”调查的看法。

在有限的时间里，我主要谈三个方面：

A．我对钢结构行业的认识

虽然钢结构需要技术和管理，但在我看来，它不是高科技，不是高端（甚至不是中端）产业。实际上，它属于劳动密集型低端制造，主要用于建筑、基础设施、油气、石化、电力、矿业等领域。由于不同领域，不同项目，甚至不同业主要求各异，钢结构构件几乎都是非标准化的，构件种类繁多，大小长短不一，形状各异，设计规范及制作标准各有不同，且只有少数构件适合自动化机器人生产，绝大部分构件需要大量蓝领技术工人手工操作。以本人30多年钢结构研究、加工和销售的经验，钢结构产业至少需要满足以下三个条件：

- 大批能吃苦耐劳的蓝领技术工人（装配工、焊工）以及经验丰富的专业工程师和项目管理人员；
- 大型项目所需的原材料，工厂所在地要具备完整的钢材供应链和钢结构产业链，因为钢材的材质、规格、型号有时可以达到几十种甚至上百种；

● 工厂所在地要有配套的基础设施，码头距工厂不能太远且运输条件（公路）良好。

B．钢结构产业全球转移和中国产业状况

中国最早的全钢结构工业建筑和民用高层建筑诞生于上世纪八十年代初的上海（宝钢）和深圳（发展中心大厦），从地下到地上，全部从日本进口。八十年代日本钢产量已经超过1亿吨，建立了完整的供应链和产业链，日本成为全球钢结构制造中心。但是，随着日本人工成本不断增加，加之行业的环保风险、安全风险逐步显现，钢结构加工逐渐向韩国转移。2000年左右，大量钢结构生产开始转移到中国。

从以上可以看出，由于行业特点以及人工成本、环保风险、安全风险等因素，近四十年来，钢结构产业逐渐由发达国家向发展中国家转移。目前，中国已经形成完整的供应链以及充分竞争的钢结构产业（主要是满足国内市场需要，　出口量占比并不大——根据统计，从来没有超过10%）。由于中国劳动力充沛，技术工人素质高、能吃苦，运营成本相对较低，钢铁业不管是产量还是品种规格，都已形成完整的供应链。中国基础设施配套齐全，国际海运四通八达，所以，不可否认，这种低端的劳动密集型钢结构制造，在中国已经形成完整的产业链和供应链，无可替代，不但满足国内市场需要，也是对发达国家的有益补充，这是基本的事实。

2018年，中国钢结构协会会员有3100多家，但它们主要聚焦于国内市场（出口仅占7.36%）。需要澄清的是，虽然中国有63家钢结构企业获得AISC证书，但真正承接了美国项目的企业不超过十家。美国客户对产品质量要求较高，特别是交货期要求非常严格，付款方式苛刻，进入门槛较高。换言之，二十多年来绝大部分有AISC证书的中国企业在美国并没有项目业绩。

上海松尾是中国少数几家主要做海外项目的钢结构加工企业，它成立于1996年。1997年~2005年（日本独资），松尾的钢结构产量约5万吨，且全部是日本项目。2006年~2019年（中日合资），松尾的钢结构产量有所增加，但美国一直不是我们的主要市场（即使是高峰期的2018年，公司对美国出口也仅占15%）。

C．美国市场与钢结构全球供应

我们注意到，美国市场对钢结构产品的需求量不断增加，但美国国内产能有限，无法满足市场需求。美国钢铁协会公布的数据显示，2018年美国钢产量仅为9500万吨（二次世界大战期间美国钢产量是8000多万吨）。这意味着过去80年美国钢产量增加很少，这如何能满足美国市场的需求呢？如此小的钢产量，能吃苦耐劳的技术工人短缺，以及严格的环保政策，很难形成与美国经济规模相适应的钢结构生产能力以及完整的钢结构产业链供应链。

美国经济总量巨大，近几年复苏强劲，大项目不少，进口钢结构是必然的。因此，这种低端劳动密集型钢结构制造，中国对美国是有益的补充，利用关税将中国产品拒之门外，钢结构产业也不可能回流到美国。

还有一个因素值得一提。各位委员可能知道，钢结构产品是大型工程的一个组成部分，成本只是其中一个很小的要素。对于业主和承包商来说，供应商及时、高质量地交付产品比什么都重要。试想，一个项目进行到某个阶段，需要钢结构产品到位并安装好，如果延迟交付或者质量不合格会带来多大的损失？我虽然不是业主，也没有在美国做过承包商，但我本人不敢想象这种后果。

2019年初，我的公司在美国有三个项目中标了，但后来由于“双反”调查，客户不得不中止在中国采购。截至目前，我的客户告诉我，他们在亚洲、中东一直没有找到合格的供应商。原因是多方面的，其中一个很有趣，我也想在此跟各位分享：客户找到越南企业，考察下来似乎可以生产，但后来卡壳了。庞然大物般的钢结构产品如何运输到港口呢？基础设施完全不配套，没有可供大型卡车行走和自如转弯的路！

结论和结束语

综上，我认为：

- ✓ 钢结构是一个低端行业，它不仅需要完整的原材料供应链、产业工人队伍、生产管理专业工程师，还需要综合配套（包括公路运输、港口码头等基础设施）；
- ✓ 全球范围内产业转移是一个不可扭转的趋势；

✓ 中国钢结构是对美国经济的一个有益补充，它不仅帮助大量业主和承包商节省了成本，而且还提高了很多重大项目的质量，帮助它们如期高质量完工；

✓ 即使美国政府将中国等国家的钢结构排除在外，这些制造业也不会回流到美国，其它国家短期内无法填补空缺，因此只会导致美国业主和承包商无所适从，增加成本和导致工程延期。

在美国项目中，我们与有100多年历史的美国工程公司——BECHTEL建立了长久的合作关系。从上世纪九十年代开始，BECHTEL就在中国精心培养钢结构核心供应商，采购了大批量钢结构，用于世界各地的工程项目，我们公司就是其中之一。自2006年以来，双方合作了十多个大型项目，其中有三个美国项目。我跟BECHTEL中国办公室的历任高管都是好朋友。至今我还记得，曾经担任BECHTEL上海办公室采购经理的Frank Elliott先生对我说过的话："中国钢结构核心供应商是BECHTEL的宝贵财富，无可替代。因此，BECHTEL不允许没有利润，更不允许关门。"Frank先生已经去世，他如果得知美国政府对中国钢结构产品征收高额关税，一定难以理解和接受。

我已经接近60岁了，很快就可以开始享受退休生活了。但是，美国政府对中国钢结构产品采取"双反"措施让我难以理解，难以接受，也难以安心享受个人的退休生活。因此，我告诉律师，我要帮助我所领导的企业数百名工人（他们多数来自上海以外的地区，背井离乡，在这个行业干了数十年），帮助钢结构行业，同时也帮助美国的相关客户和朋友。正因为如此，我在中国新年的第一天离开家人，不远万里来到华盛顿，就是想将我的所知所想告诉各位委员，希望对你们做出最终决定有所帮助。

谢谢！顺便说一下，今年是中国农历鼠年，今天是鼠年第四天，祝各位鼠年有好运！

Testimony of Maggie Zhao
Business Development Account Manager, Wison Petrochemicals (NA), LLC

Dear Commissioners:

My name is Maggie Zhao, from Wison in Houston, Texas. I've been with Wison for 4 years. My role is in business development and sales. I graduated from University of Houston with a bachelors in Geology and from LSU with a masters in Geology and Petroleum Engineering.

Wison has been selling modules to the US since 2017. Our modules combine piping, valves, and other loose pieces into a whole steel structure – which greatly decrease the onsite construction schedule and cost. Therefore, our product is much more complicated than just the FSS.

Wison has been successful in delivering these projects because of our engineering, procurement and fabrication capabilities. We were able to engineer more loose components into the modules to achieve the most cost-effective onsite construction.

- Since 2017, we've already completed 4 projects for Formosa and participated in biddings to companies such as Exxon and Air Products.

- Our fabrication yard in China faces international water, which simplifies the sea freight process. Once the modules arrive in Port of Calhoun for the Formosa project, it's only about 6 miles to the project site.

- Our modular concept is not feasible if the project requires lengthy in-land transportation. Such transportation limits the size of the module that can be built, which greatly restricts the quantity of loose pieces that could be incorporated.

- Our biggest project is EG-2, an ethylene glycol unit that is mainly used as a raw material to make polyester fibers and antifreeze. The overall contract value is $356 million dollars. The modules fabricated in China are less than 10% of it. Most of the cost occurs at the US construction job site for equipment installation, welding, insulation, and other labor-intensive activities.

Therefore, our modules are not purchased based on the FSS price, rather, they are purchased based on efficiency and cost saving characteristics at US construction sites. Thank you.