

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 ) Investigation Nos.:  
PRESTRESSED CONCRETE STEEL ) 701-TA-4326  
WIRE STRAND FROM BRAZIL, ) 731-TA-1024-1028 (Review)  
INDIA, JAPAN, KOREA, MEXICO ) AA1921-188 (Third  
AND THAILAND ) (Review)

**REVISED AND CORRECTED TRANSCRIPT**

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Wednesday,  
 September 30, 2009

Room 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable Shara L. Aranoff, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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 DANIEL R. PEARSON, Vice Chairman  
 DEANNA TANNER OKUN, Commissioner  
 CHARLOTTE R. LANE, Commissioner  
 IRVING A. WILLIAMSON, Commissioner  
 DEAN A. PINKERT, Commissioner

Staff:

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SHARON BELLAMY, Hearings and Meetings Assistant  
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JOSHUA LEVY, Economist  
MARY KLIR, Accountant/Auditor  
MARK REES, Attorney  
DOUGLAS CORKRAN, Supervisory Investigator

## APPEARANCES:

Embassy Appearance:

THE HONORABLE JOSE LUIS PAZ, Minister of  
Trade and NAFTA Office

SALVADOR BEHAR, Legal Counsel for  
International Trade

In Support of the Imposition of Antidumping and  
Countervailing Duties:On behalf of the Domestic Industry:

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Insteel Wire Products Co.

RICHARD WAGNER, Vice President and General  
Manager, Insteel Wire Products Co.

JON CORNELIUS, General Manager, P.C. Strand  
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APPEARANCES: (Continued)

In Opposition of the Imposition of Antidumping and  
Countervailing Duties:

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Deacero S.A. de C.V. ("Deacero"):

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International Relations and Trade Affairs,  
Deacero

MIGUEL A. GOMEZ, Senior Vice President of Sales,  
WireCo WorldGroup (Camesa)

THOMAS A. DANJCZEK, President,  
Steel Manufacturers Association

JEFFREY S. LEVIN, Esquire  
Mondial Trade Compliance Services & Solutions,  
Inc.,  
Bethesda, Maryland

I N D E X

	PAGE
STATEMENT OF THE HONORABLE JOSE LUIS PAZ, MINISTER OF TRADE AND NAFTA OFFICE	6
STATEMENT OF SALVADOR BEHAR, LEGAL COUNSEL FOR INTERNATIONAL TRADE	7
OPENING STATEMENT OF KATHLEEN W. CANNON, ESQUIRE, KELLEY DRYE & WARREN LLP	19
OPENING STATEMENT OF JEFFREY S. LEVIN, ESQUIRE, MONDIAL TRADE COMPLIANCE SERVICES & SOLUTIONS, INC.	23
TESTIMONY OF HOWARD WOLTZ, III, PRESIDENT AND CEO, INSTEEL WIRE PRODUCTS CO.	27
TESTIMONY OF JON CORNELIUS, GENERAL MANAGER, PC STRAND DIVISION, SUMIDEN WIRE PRODUCTS CORP.	35
TESTIMONY OF RICHARD WAGNER, VICE PRESIDENT AND GENERAL MANAGER, INSTEEL WIRE PRODUCTS CO.	42
TESTIMONY OF GINA BECK, ECONOMIC CONSULTANT, GEORGETOWN ECONOMIC SERVICES	49
TESTIMONY OF KATHLEEN W. CANNON, ESQUIRE	58
TESTIMONY OF PAUL C. ROSENTHAL, ESQUIRE	69
TESTIMONY OF THOMAS A. DANJCZEK, PRESIDENT, STEEL MANUFACTURERS ASSOCIATION	151
TESTIMONY OF ENRIQUE R. FERNANDEZ, VICE PRESIDENT OF INTERNATIONAL RELATIONS AND TRADE AFFAIRS, DEACERO	154
TESTIMONY OF MIGUEL A. GOMEZ, SENIOR VICE PRESIDENT OF SALES, WIRECO WORLDGROUP (CAMESA)	163
TESTIMONY OF JEFFREY S. LEVIN, ESQUIRE	172

P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-432, 731-TA-1024 to 1028 (Review) and AA1921-188 (Third review involving Prestressed Concrete Steel Wire Strand from Brazil, India, Japan, Korea, Mexico, and Thailand.

The purpose of these investigations is to determine whether revocation of the countervailing duty order on prestressed concrete steel wire strand from India, and the antidumping duty orders on prestressed concrete steel wire strands from Brazil, India, Japan, Korea, Mexico, and Thailand would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the secretary before presenting testimony. I understand

1 that parties are aware of the time allocations. Any  
2 questions regarding the time allocations should be  
3 directed to the secretary.

4 Speakers are reminded not to refer in their  
5 remarks or answers to questions to business  
6 proprietary information. Please speak clearly into  
7 the microphones and state your name for the record for  
8 the benefit of the court reporter.

9 Finally, if you will be submitting documents  
10 that contain information you wish classified as  
11 business confidential, your request should comply with  
12 Commission Rule 201.6.

13 Madam Secretary, are there any preliminary  
14 matters.

15 MS. ABBOTT: No, Madam Chairman.

16 CHAIRMAN ARANOFF: Very well then, would you  
17 please announce our Embassy witness.

18 MA. ABBOTT: Our first speakers on behalf of  
19 the Embassy of Mexico are The Honorable Jose Luis Paz,  
20 Minister of Trade and NAFTA Office, and Salvador  
21 Behar, Legal Counsel for International Trade.

22 CHAIRMAN ARANOFF: Good morning, and welcome  
23 to the Commission.

24 MR. PAZ: Good morning. My name is Jose  
25 Luis Paz. I am the Minister and Representative of the

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1 Secretary of the Economy here in Washington.

2 First of all, we would like to thank the  
3 Commission and the Commissioners for the opportunity  
4 to present the Government of Mexico's views in this  
5 case. As the Commission has noted, this is a very  
6 important for the Mexican government. We have been  
7 monitoring the case since it started. We have been in  
8 contact with the Mexican investigating authority who  
9 has shared with us their views on this case.

10 To present the Mexican government's views,  
11 let me introduce the legal counsel of the Mexican  
12 Secretary of Economy here in Washington, Mr. Salvador  
13 Behar.

14 MR. BEHAR: Thank you, Madam Chair,  
15 Commissioners. On behalf of the Government of Mexico,  
16 I would like to express my appreciation for the  
17 opportunity to present our comments with regard to the  
18 U.S. sunset reviews of Prestressed Concrete Steel Wire  
19 Strands, PCS, I will refer to it as PCS, from Brazil,  
20 India, Japan, Korea, Mexico, and Thailand.

21 For the record, which Mr. Paz stated, I am  
22 the legal counsel for international trade at the  
23 Embassy of Mexico from the Ministry of Economy here in  
24 Washington.

25 I would like to express as well that the

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1 views presented in this statement are shared by the  
2 Mexican investigating authority for antidumping and  
3 countervailing duties.

4 I would like to present the conditions of  
5 competitions nowadays underlying our mutual benefits  
6 since the NAFTA implementation in 1994, which helps  
7 explain why it is not likely that the Commission will  
8 find any harm to the U.S. industry in the requested  
9 revocation order requested by the U.S. on PC strand  
10 from Mexico.

11 The history and objectives of the NAFTA  
12 parties agree to pursue are well known by the  
13 Commission and the audience, so I won't get into those  
14 details, but just to get into the point that it was  
15 implemented in 1994 to extend the benefits of free  
16 trade flows within the territories of the U.S.,  
17 Mexico, and Canada. But besides NAFTA, other  
18 bilateral and trilateral initiatives have been  
19 implemented to promote regional integration.

20 The North American Steel Trade Committee was  
21 an industry-driven initiative implemented in 2003 to  
22 adequately address the international challenges the  
23 steel industries of Mexico, U.S., and Canada were  
24 facing.

25 In 2005, the Security and Prosperity

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1 Partnership of North America was announced by our  
2 leaders, instructing the ministers of trade to, and I  
3 quote, "create an architecture which would further  
4 enhance the security of North America while at the  
5 same time promote the economic well-being of our  
6 citizens and position North America to face and meet  
7 future challenges."

8 To implement the mandate given by the  
9 leaders, the North American steel strategy was  
10 developed to promote growth, competitiveness and  
11 prosperity in the region. The government  
12 representatives were incorporated to the NASTC to  
13 develop a prospective development agenda for the North  
14 American steel industry and hence incorporated in the  
15 SPP, the Security and Prosperity Partnership, steel  
16 strategy as a leading example of sectorial cooperation  
17 among governments and industries in the region.

18 The objective pursued in the NASTC is to  
19 raise the level of competitiveness in the region to  
20 adequately face the more competitive and demanding  
21 international counterparts. Therefore, it is not  
22 surprising that, since the implementation, almost all  
23 trade distortions adversely affecting North American  
24 steel markets have been eliminated within the region.

25 In the present time, the U.S. has revoked

1 almost all the AD/CVC investigations against Mexico,  
2 evidence of what can be seen by looking at the number  
3 of active investigations through the NAFTA' livelihood  
4 against the substantial number of cases revoked as  
5 time passed by. In other words, in the year 2000  
6 almost all the HS categories on steel products from  
7 Mexico were subject to AD/CVD investigations, but soon  
8 after, with the implementation of various regional  
9 initiatives among government and industries, almost  
10 all the steel AD/CVD investigations on steel were  
11 revoked leaving only few in course.

12 Trade remedies were an effective response to  
13 alleged dumped and subsidized steel imports when NAFTA  
14 was implemented. In 1994 and 2000, the ITC registered  
15 seven and 10 cases, open cases against Mexico products  
16 respectively. In 2004, the AD/CVD cases reached 16  
17 despite the economic crisis periods, in which the  
18 absolute import volumes were lower in some products,  
19 but the relative share of the overall NAFTA market  
20 held by imports was maintained stable or even grew  
21 across various product lines. However, since 2003  
22 there have been a downstream of trade cases; AD/CVD  
23 cases have plummeted down to only nine active cases in  
24 the present.

25 Now, allow me to present three important

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1 reasons why we believe Mexico should be excluded from  
2 this proceeding.

3 First, given the ambitious infrastructure  
4 programs in our country, the Mexican market presents  
5 an increasing demand of PC wire strand, and therefore  
6 a sudden and rapid increase of exports to the U.S. are  
7 very unlikely to happen. Mexico has consequently  
8 become a net importer of PCS in the past couple of  
9 years. According to our official import data, Mexico  
10 imports a significantly higher amount of PCS,  
11 especially from the U.S., than our total exports.

12 Second, the U.S. PCS industry has a  
13 formidable future before it, and therefore the  
14 continuation or recurrence of material injury in the  
15 reasonable foreseeable future by imports from Mexico  
16 is very unlikely.

17 Third, non-subject imports are absorbing the  
18 import market at very low prices that make it hard for  
19 the Mexican producers to compete for any appreciable  
20 portion of the U.S. market in a reasonably foreseeable  
21 period of time.

22 Let me address a little bit on the first  
23 point. The Mexican National Infrastructure Program,  
24 the NIP, established in 2007 to 2012, will demand  
25 great quantities of PCS wire strand now and in the

1 future, especially in highways, railroads, ports and  
2 airports; therefore, in the next several years,  
3 Mexican production of PCS will mostly remain in our  
4 country, as has happened in the past years since it  
5 will have to supply the increasing market demand in  
6 Mexico.

7 The investment on infrastructure by the  
8 Mexican government has become a reality, especially in  
9 the creation and broadening and remodeling of  
10 highways, railroads, ports and airports.

11 The latter is firmly reflected by our  
12 appropriations bill approved every year by the Congress  
13 where, since 2007, the NIP was incorporated.  
14 Consequently, the government has increased yearly the  
15 budget for the maintenance and creation of new  
16 infrastructure projects which require substantial  
17 volumes of PCS.

18 For example, in 2009 the budget for  
19 construction and modernization of highways, which  
20 includes construction of bridges, reflects an increase  
21 of 380 percent from 2007. The budget for rural  
22 highways, which also includes construction of bridges,  
23 shows the same trend with an increase of 247 percent  
24 from 2007, and the budget for conservation and  
25 maintenance of highway infrastructure in 2009

1 increased 227 percent in relation to 2007.

2 It is important to note that approximately  
3 26 percent of the projects budgeted in the 2009  
4 appropriations bill are projects carried forward from  
5 the 2008 budget, which demonstrates the commitment of  
6 the federal government to the steady and consistent  
7 investment in continuation of infrastructure projects  
8 being developed.

9 Several of the projects contained in the NIP  
10 will require considerable amounts of PCS, like the  
11 creation of 64 railroad overpasses, and the creation  
12 of a new subway lines in Mexico City. The number of  
13 public tenders made by the Ministry of Communication  
14 and Transportation evidence the materialization of  
15 this strong commitment to the National Program. For  
16 example, there were 87 projects that includes  
17 construction of bridges, subject to federal public  
18 tenders in the first half of 2009. During the same  
19 period there were 65 projects in the same nature  
20 subject to state and local public tenders.

21 For all the reasons I would like to  
22 emphasize the federal government's priority for  
23 developing infrastructure. In this respect, the NIP  
24 Is fundamental for the rapid economic developments in  
25 Mexico.

1           Other evidence of the thriving development  
2 of the Mexican PCS market can be seen in the trend of  
3 exports from the U.S. to Mexico. According to the  
4 U.S. export statistics, Mexico is the second largest  
5 market for the U.S. PC strand, just behind Canada and  
6 before Panama, and U.S. exports to Mexico have grown  
7 considerably in the recent years. Exports have  
8 increased 1,563 percent from 2007 to 2008, and roughly  
9 37 percent from '08 to '09, comparing January to April  
10 in those years. This increase is symptomatic of the  
11 ongoing growth of the Mexican market for this product.

12           Second, it is also unlikely that U.S. PC  
13 wire strand industry will be subject to the recurrence  
14 of material injury by reason of imports from Mexico  
15 within a reasonable foreseeable time. This is due to  
16 important infrastructure investment authorized by the  
17 American Recovery and Reinvestment Act of 2009 in the  
18 U.S., which increase significantly the demand for  
19 domestically-manufactured PC strand, especially with  
20 the application of the "Buy American" provision in  
21 hose projects.

22           We believe that the recovery act will  
23 dramatically increase the demand of still products --  
24 including the subject merchandise -- and the domestic  
25 production will not have the capacity to supply the

1 market, in particular due to the fact that the PCS  
2 should have to comply with the Buy American provisions  
3 and, therefore, should be U.S. domestic products made.

4 The continuation of this unfounded AD  
5 investigation and, therefore, collection of any AD  
6 duty against Mexican suppliers, will also harm the  
7 U.S. in view of the projects under the recovery act,  
8 as the domestic price will subsequently rise and  
9 supply will fall short.

10 For example, the recovery act provides for a  
11 \$29 billion investment in highway and bridge  
12 construction, repairs and improvements. These  
13 appropriations will result in a rapid increase of  
14 demand for the domestically-manufactured PCS since the  
15 money has to be spent within a very short periods of  
16 time.

17 Specifically the recovery act requires that  
18 50 percent of the highway funding to be committed in  
19 120 days, and 50 percent of the transit formula  
20 funding to be committed within 180 days, or the  
21 Department of Transportation can reclaim from those  
22 states' highway/transit funding in the bill.

23 Again, as explained before, we have to  
24 consider that all reliable forecasts indicate that  
25 demand for PCS in Mexico will continue to increase.



1 Economic growth in key sectors that consume the  
2 merchandise will also continue. Petroleos Mexicanos -  
3 - our own oil company -- our Federal Commission for  
4 Electricity, which is also state-owned company, and  
5 the National Commission for Water, as well as the  
6 subfederal government procumbent includes large  
7 projects to expand their facilities throughout the  
8 country, all of this consuming large amounts of the  
9 subject merchandise. With home market demand  
10 continuing to expand, Mexico is not likely to increase  
11 its exports volume of PCS to the U.S.

12 Third, it is also important to highlight  
13 that according to U.S. official import statistics  
14 imports of PCS from non-subject countries have  
15 dominated the U.S. import market for several years at  
16 very low prices. U.S. PCS producers are very well  
17 aware of this situation and earlier this year filed an  
18 antidumping and countervailing duty petition against  
19 imports of PCS from China.

20 Given these conditions, it would be very  
21 onerous and difficult for Mexican producers of PCS to  
22 re-enter the U.S. market since they have lost nearly  
23 all of their customers over the past years to non-  
24 subject imports.

25 In summary, production of PCS from Mexico

1 would not likely lead to continuation or recurrence of  
2 material injury to an in industry in the U.S. within a  
3 reasonably foreseeable time because:

4 The trilateral government/industry strategy  
5 has achieved its objective because it has benefitted  
6 North American producers in the steel sector by  
7 reducing distortions in commerce, facilitating trade  
8 and enhancing the steel market stability.

9 Second, the Mexican market is presently  
10 using, and will continue to use, a strong supply of  
11 PCS. Domestic consumption in Mexico has substantially  
12 increased within the past year due to the fact that  
13 the Mexican government's commitment to finish a vast  
14 number of infrastructure project, which might even  
15 increase in the reasonable foreseeable future ass to  
16 maintain high levels of domestic demands.

17 Third, Mexican producers will have to  
18 satisfy an increasing demand in Mexico, and therefore  
19 won't be in a position to export to the U.S. in a  
20 rapid and sudden manner.

21 Fourth, the demand for domestically-  
22 manufactured PCS in the U.S. will increase as well as  
23 it is required by the Buy American and Buy American  
24 clauses.

25 And lastly, it will be too costly for the

1 Mexican producers to re-enter the American market now  
2 dominated by very low-priced non-subject imports.

3 Finally, if the Commission should please  
4 make its determination as to Mexico with these  
5 consequential market conditions in mind.

6 Specifically, revocation of the Mexican order will not  
7 be likely to cause any harm to the U.S. industry.

8 With this I conclude my presentation and I  
9 appreciate the Commission's time. Thank you very  
10 much.

11 CHAIRMAN ARANOFF: Thank you very much. We  
12 appreciate you being here with us this morning.

13 MR. BEHAR: Thank you.

14 CHAIRMAN ARANOFF: Do any Commissioners have  
15 questions for these witnesses?

16 Commissioner Okun?

17 COMMISSIONER OKUN: Thank you very much for  
18 being here today, and offering your testimony, and  
19 appreciate also that you provided a written statement.

20 If you can work with the staff, you provided  
21 a number of percentage increases and specific numbers,  
22 can you make sure that we have English translations of  
23 the documents if they are available with respect to PC  
24 strand demand in Mexico and specifically how it  
25 relates to the NIP expenditures that you referenced in

1 your statement, that would be very helpful.

2 MR. BEHAR: Sure. The appropriations bill  
3 provided these last documents, but we will be happy to  
4 provide summary of it where all the infrastructure  
5 products can be referred as to it. That will be no  
6 problem.

7 COMMISSIONER OKUN: Thank you very much.

8 MR. BEHAR: If you don't mind, we can do  
9 that in a post-hearing submission.

10 COMMISSIONER OKUN: Yes. Thank you.

11 CHAIRMAN ARANOFF: Thank you.

12 Madam Secretary, I believe we are now  
13 prepared to proceed with opening statements.

14 MS. ABBOTT: Yes, Madam Chairman. Opening  
15 remarks in support of the imposition of antidumping  
16 and countervailing duties will be made by Kathleen W.  
17 Cannon of Kelley Drye & Warren.

18 MS. CANNON: Good morning, Madam Chairman,  
19 Members of the Commission and Staff.

20 I am Kathleen Cannon of Kelley Drye & Warren  
21 appearing today on behalf of the prestressed concrete  
22 domestic industry.

23 The evidence before you is compelling in  
24 establishing that revocation of the six PC strand  
25 orders at issue would cause material injury to

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1 continue or recur to the highly vulnerable PC strand  
2 industry. Let me review the basic statutory factors.

3 First, the statute instructs you to consider  
4 your prior injury determination and the behavior of  
5 the subject imports before the orders were imposed.  
6 Subject imports surged into this market by selling at  
7 dumped prices that undercut U.S. producer prices. The  
8 consequences were declines in domestic production,  
9 shipments, and employment, and the U.S. industry  
10 watched its profits fall to losses, leading to a  
11 Commission finding of material injury caused by  
12 cumulated subject imports.

13 A similar finding of material injury  
14 resulted in your earlier investigation of dumped  
15 imports of PC strand from Japan alone.

16 The second factor asked whether there was an  
17 improvement in the industry related to the orders.  
18 The answer is yes. Once the orders were imposed,  
19 imports from each of the six subject countries  
20 plummeted from pre-order levels. None of the subject  
21 countries demonstrated an ability to sell into this  
22 market at anywhere near prior volumes at nondumped  
23 prices. As a result in the decline of subject  
24 imports, the domestic industry's condition did improve  
25 significantly for a few years. Production, shipment

1 and employment all grew, profits improved, and the  
2 industry was able to undertake needed investments as  
3 fair trade conditions were restored. These  
4 improvements would not have been possible had these  
5 orders not be in place.

6           Unfortunately, these improvements dissipated  
7 quickly as dumped imports from China flooded into this  
8 market, which brings me to the third statutory factor  
9 -- vulnerability.

10           Despite initial improvements in the  
11 industry's condition after controlling subject  
12 imports, the surge in volumes of dumped imports from  
13 China have caused declines in the industry's trade and  
14 financial condition once again, causing the filing of  
15 a trade case against China earlier this year.

16           To add further to the industry's problems,  
17 the industry has been trying to battle these dumped  
18 imports during one of the worst economic recessions  
19 ever. The decline in demand for PC strand, coupled  
20 with lost sales and depressed prices caused by dumped  
21 imports from China, has placed the domestic industry  
22 in a severely weakened condition today. The outlook  
23 for demand for PC strand remains bleak and severely  
24 depressed notwithstanding the stimulus package.

25           This industry is highly vulnerable to injury

1 from any other source, especially dumped imports from  
2 six countries unleashed from the discipline of orders,  
3 and there is every reason to believe that subject  
4 imports will indeed cause injury to the U.S. industry.  
5 Subject producer capacity remains substantial and of  
6 even more concern large volumes of unused capacity  
7 exist. Each country continues to be a significant  
8 exporter of stranded wire and related products. The  
9 U.S. market is attractive both due to its openness and  
10 its higher prices for PC strand as compared to third  
11 country markets.

12 In the absence of antidumping duties,  
13 subject imports will be willing and able to quickly  
14 increase exports to the United States. As was true  
15 before the orders were imposed, import market share  
16 gains will occur by underselling domestic prices.  
17 Every single subject country undersold U.S. prices  
18 consistently before the orders were imposed. Price  
19 remains the key determination of sales in this market  
20 today. Not one of the subject producers even sought a  
21 review at Commerce to show any change in its pricing  
22 behavior after the orders were imposed.

23 Further, foreign producers, importers and  
24 purchasers told the Commission in questionnaire  
25 responses that they would anticipate an increase in

1 subject imports at low prices and would attempt to  
2 increase purchases of these lower-priced products if  
3 revocation occurred.

4 The present condition of the domestic PC  
5 strand industry is grave. If imports from the six  
6 subject countries are permitted to resume selling  
7 dumped, low-priced imports once again, the already  
8 fragile condition of this industry will deteriorate  
9 even further. More employees will be paid off, more  
10 equipment idled, and financial losses will intensify.  
11 To prevent recurrent injury from these imports to this  
12 highly fragile industry, an affirmative determination  
13 is warranted in this case. Thank you.

14 MS. ABBOTT: Opening remarks in opposition  
15 to continuation of orders will be by Jeffrey F. Levin  
16 of Mondial Trade Compliance Services & Solutions.

17 MR. LEVIN: Good morning, Madam Chairman,  
18 Commissioners, Members of the Investigation Team. My  
19 name is Jeff Levin. I am with Mondial Trade  
20 Compliance, and I am here today on behalf of the two  
21 companies that together comprise the PC strand  
22 industry in Mexico, Aceros Camesa and Deacero. On  
23 behalf of these companies, I thank you for the  
24 opportunity to participate in this proceeding, and I  
25 also want to thank the representatives of the

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1 Government of Mexico for their invaluable support in  
2 this matter.

3 Well, it has certainly been a little bit  
4 lonely on the Respondent's side of the aisle. I am  
5 not here to argue on behalf of Brazil, or India, or  
6 Japan, or Korea, or Thailand. I assume that they have  
7 their reasons for not participating in these reviews,  
8 and we are not in a position to discuss the merits of  
9 these proceedings as it applies to them. We are,  
10 however, well positioned to discuss the efficacy of  
11 the antidumping order as it applies to Mexico.

12 The companies that will testify before you  
13 today who have actively and cooperatively participated  
14 in all aspects of this proceedings should not suffer  
15 the penalty of standing alone in this matter, and for  
16 good reason.

17 Since the antidumping order went into effect  
18 in January 2004, the makeup and character of the  
19 playing field has changed considerably. Since that  
20 time both of these companies underwent single changes  
21 in ownership. Aceros Camesa was acquired by U.S.  
22 wire and wire products manufacturer, WireCo WorldGroup  
23 in 2005, and Deacero acquired Cablasa in 2007.  
24 Neither of the companies under the changed ownership  
25 structure have ever exported subject PC strand to the

1 United States.

2           Neither have engaged in unfair trading.  
3 Neither have taken any actions that have injured or  
4 threatened the U.S. PC strand industry. Both  
5 companies now have strong and embedded ties with the  
6 U.S. steel industry and with the North American steel  
7 community. They are allied with members of the  
8 domestic PC strand industry in matters of common  
9 cause. Such was not the case when the underlying  
10 investigations were conducted and the order  
11 implemented, but it is true today as it has been for  
12 several years.

13           At least two other events have shifted the  
14 grounds upon which this playing field lies. First,  
15 since the orders subject to these reviews went into  
16 effect the subject imports have been more than wholly  
17 displaced by imports from China, which have grown to  
18 dominate the import market in the U.S. Chinese  
19 imports in both absolute and relative terms have well  
20 exceeded levels ever recorded by subject imports,  
21 including imports from Mexico, and the U.S. and the  
22 global economies for the past year have suffered  
23 through a period of great recession which has directly  
24 and detrimentally impacted the very end-use markets in  
25 which this product is sold.

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1           Before the levels of economic activity and  
2 these end-use markets collapsed the domestic PC strand  
3 industry was doing very well indeed; not because of  
4 the subject orders, but despite the flood of imports  
5 from China, and as the Petitioners look forward their  
6 fortunes rest upon a recovery in these markets, aided  
7 from their perspective by an infusion of government  
8 appropriations which appears to have already yielded a  
9 significant improvement in many of the key industry  
10 indicators during the second quarter of this year.

11           While this Commission must wrestle with the  
12 inherently speculative analysis central to a five-year  
13 review, we respectfully submit that as the order on PC  
14 strand from Mexico had little, if any, connection to  
15 the condition of this industry during the period of  
16 review it will likewise have tangential, if any,  
17 relevance to the condition of this industry moving  
18 forward.

19           The burden has been placed on the  
20 controlling statute on the Petitioners to prove  
21 otherwise, and we respectfully submit that that burden  
22 is not met here. For this reason we respectfully  
23 submit that the revocation of the antidumping order on  
24 PC strand from Mexico is not likely to result in the  
25 recurrence of material injury to the domestic

1 industry, and we urge the Commission to issue a  
2 negative determination in this matter. Thank you.

3 MS. ABBOTT: Will the first panel in support  
4 of the continuation of orders please come forward?

5 Madam Chairman, all witnesses have been  
6 sworn.

7 (Witnesses sworn.)

8 MS. CANNON: Thank you, Madam Chairman. The  
9 first witness for the domestic industry this morning  
10 will be Mr. H. Woltz.

11 MR. WOLTZ: Thank you. My name is H. Woltz.  
12 I am President of Insteel Wire Products Company, a  
13 position I've held for 19 years.

14 I've been involved in the steel industry for  
15 over 30 years in a wide array of areas, including  
16 facility construction and start-up, marketing and  
17 investment justification. Insteel is the largest  
18 producer of PC strand in the U.S. and was a petitioner  
19 in the 2003 investigations that led to the imposition  
20 of the orders against five of the subject countries.

21 At that time these cases were filed dumped  
22 imports from Brazil, India, Korea, Mexico, and  
23 Thailand had reached nearly 85,000 tons and accounted  
24 for 22 percent of the U.S. market. Their increased  
25 market share was based not on selling a superior

1 product but on consistent undercutting of our prices  
2 through the use of unfair trading practices.

3 Due to these increasing volumes of low-  
4 priced imports our industry suffered declines in  
5 production and shipments in 2002. We watched our  
6 capacity utilization rate drop significantly, and we  
7 suffered operating losses. The facts led the  
8 Commission to find that increased volumes of low-  
9 priced subject imports caused injury to our industry  
10 and to the imposition of the orders. Once the orders  
11 were put in place in early 2004, our industry's  
12 condition improved significantly. The high levels of  
13 antidumping and countervailing duties applied led to a  
14 substantial decline in imports from each of the  
15 subject countries.

16 Moreover, not one of the subject countries  
17 had requested an administrative review at Commerce to  
18 demonstrate its no longer dumping at high levels so  
19 the original duty levels continue to apply today.

20 As a result of these trade remedies, we were  
21 able to increase our production and shipment volumes  
22 and increase our prices to profitable levels. Insteel  
23 took advantage of improved industry conditions to  
24 undertake needed capital investments, upgrade our  
25 facilities, reduce our operating costs, and improve

1 the quality of our products.

2 For awhile conditions in the U.S. PC strand  
3 industry improved and Insteel reported much improved  
4 results of operations. Unfortunately, the industry's  
5 recover from the onslaught of subject imports was  
6 halted by the entry of a new fierce competitor in our  
7 market, China.

8 From minimal import volumes at the time the  
9 underlying investigation was conducted, China surged  
10 into the U.S. capturing 40 percent of the market by  
11 2008. These inroads were similarly accomplished  
12 through unfair trading practices that permitted  
13 imports to undercut U.S. producer prices. To make  
14 matters worse, the PC strand industry has also  
15 suffered the effects of the economic meltdown that  
16 began late in 2008 as the world economy went into free  
17 fall. Demand for PC strand reflects a demand for  
18 construction projects. As construction spending  
19 declined in late 2008 and further in 2009, so too did  
20 demand for PC strand. In fact, as your data show,  
21 demand for PC strand declined at a faster pace than  
22 the rate of decline in overall construction spending  
23 this year.

24 That greater decline reflects to a large  
25 extent the inventory overhang by imports from China

1 which further reduced demand for PC strand in 2009.  
2 Even today, as most of that import overhang has been  
3 worked off, we are not seeing any significant increase  
4 in demand for PC strand as compared to earlier years.

5 I know that there has been much discussion  
6 and optimism expressed about increased demand for  
7 steel and other products following from the U.S.  
8 stimulus package. Unfortunately, this initiative has  
9 had no discernable impact on demand for PC strand, nor  
10 will Buy American provisions in the stimulus package,  
11 or otherwise, increase demand for our product or  
12 protect us from competition with unfairly traded  
13 imports. Most of the PC strand that is required to be  
14 certified as Buy America compliant is consumed by  
15 Department of Transportation projects. These Buy  
16 America regulations have their origin in 1932 and  
17 projects subject to these regulations have accounted  
18 for a consistent portion of our sales over the past  
19 decade. We do not expect any real change in that  
20 percentage as a result of the new stimulus package  
21 except to the extent that private nonresidential  
22 demand for PC strand falls off at a more rapid rate  
23 than the DOT-related Buy America demand falls.

24 In the earlier investigations the Commission  
25 found that Buy America sales constituted roughly 30

1 percent of the U.S. market. That 30 percent figure  
2 for Buy America sales has remained roughly level every  
3 year since the orders were imposed. I know that in  
4 the first half of this year your data show an increase  
5 in the percentage of Buy America sales. That increase  
6 does not reflect any real growth in Buy America  
7 projects, but instead simply reflects the effect of  
8 the huge inventory overhang that affected non-Buy  
9 America shipments. As we've contended previously, the  
10 vast majority of our market is not subject to Buy  
11 America requirements and is not insulated from injury  
12 due to imports if the orders are revoked.

13 I should add that even though sales subject  
14 to Buy America requirements we are affected by import  
15 pricing. Most of the same purchasers that purchase PC  
16 strand for Buy America projects also purchase PC  
17 strand for non-Buy America projects, and know the  
18 prices offered for those sales. The low prices  
19 offered by imports on non-Buy America sales have a  
20 depressing impact on Buy America sales because the PC  
21 strand provided in both cases is identical.

22 The spillover effect on Buy America sales  
23 from low import pricing was recognized by the  
24 Commission in the original investigations and would  
25 like recur if these orders are revoked.



1           Looking forward to the future, there is no  
2           real cause for optimism either. We project  
3           nonresidential construction, our primary demand  
4           driver, to continue to decline, particularly for  
5           commercial projects which have been most severely  
6           affected by the economic downturn. We also anticipate  
7           that residential construction will remain weak, which  
8           will continue to adversely affect shipments to  
9           customers in the housing sector.

10           Any additional infrastructure spending that  
11           may be associated with the stimulus package will not  
12           offset this overall decline projected in PC strand  
13           demand in 2009. Given the severe downward trend in  
14           nonresidential construction expending that is expected  
15           to continue, practically all knowledgeable observers  
16           expect further declines in PC strand shipments for  
17           2010.

18           The combined effects of the decline in  
19           demand for PC strand, the increases in dumped imports  
20           from China have once again led to a significant  
21           deterioration in the condition of our industry. Our  
22           production, shipments, employment, and profitability  
23           all declined between 2006 and 2008 as imports from  
24           China grew.

25           In the first half of 2009, we suffered even

1 further declines in all of these factors with the  
2 industry as a whole suffering its worse operating loss  
3 in decades. As you saw during the recent tour of our  
4 Sanderson facility, we've had to idle a large portion  
5 of the plant. We have reduced shifts. We have laid  
6 off workers, many of whom were long-term employees.  
7 We have also had to idle equipment and lay off workers  
8 at our Tennessee facility.

9           The very real effects of these dumped  
10 imports on our employees and their families as well as  
11 on Insteel's financial performance cannot be  
12 overstated. We feel that our industry is at a  
13 critical juncture. We already are facing the  
14 confluence of the injurious effects of unfairly traded  
15 imports from China and of the severe economic  
16 recession. Now in the sunset review we are also  
17 facing the prospect of losing orders against six other  
18 countries, each of which was previously proven to have  
19 dumped PC strand at significant levels, and none of  
20 which has shown an ability to sell into our market to  
21 any significant degree without dumping.

22           The PC strand producers in each of the  
23 subject countries have significant unused capacity  
24 that they're eagerly looking to export for relief.  
25 The U.S. market for PC strand is sizeable and

1 attractive in terms of price as Mr. Wagner will  
2 further explain. There is no doubt in my mind that if  
3 these orders are revoked imports will seize the  
4 opportunity to sell in our market once again at dumped  
5 prices, causing further injury to our industry.

6 If steps are not taken to address the  
7 massive threat from and injury we are suffering due to  
8 imports from China, the decimation of our industry has  
9 suffered today will worsen and we'll have to shutdown  
10 production facilities. That's why we filed new trade  
11 cases against China in May of this year and why relief  
12 with respect to those imports is badly needed.

13 If the threat from China is addressed, but  
14 the orders are revoked with respect to subject imports  
15 in this sunset review, we will find ourselves in an  
16 identical position to what we faced in 2002 when  
17 subject imports were found to have injured the  
18 domestic industry.

19 I would argue that replacing injury caused  
20 by China with injury caused by the six subject  
21 countries would be an unfortunate outcome of the  
22 processes we have undertaken. Accordingly, on behalf  
23 of Insteel Wire Products Company and its employees, I  
24 urge you to reach an affirmative finding and leave the  
25 orders against subject countries in place. Thank you.

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1                   MR. CORNELIUS: Good morning. I am Jon  
2                   Cornelius, the General Manager of the PC Strand  
3                   Division of Sumiden Wire Products Corporation. I have  
4                   been in the PC strand business for 13 years and served  
5                   as General Manager at Sumiden for three years.

6                   Sumiden was a petitioner in the original  
7                   investigation that led to imposition of the orders  
8                   under review and opposes revocation of any of these  
9                   orders.

10                  Sumiden produces PC strand in Dixon,  
11                  Tennessee, and Stockton, California. We used to  
12                  produce PC strand in Victorville, California, as well,  
13                  but that plant was closed in January 2002, due to the  
14                  injurious effects of the unfairly traded imports from  
15                  the five countries subject to the original  
16                  investigations here.

17                  Once those orders were imposed, Sumiden was  
18                  able to regain lost market share and to improve its  
19                  profitability, at least until China entered the  
20                  picture. When China began dumping PC strand in this  
21                  market at significant levels, our company's condition  
22                  deteriorated substantially again.

23                  As you have heard from Mr. Woltz, conditions  
24                  in our industry at present are dismal. At Sumiden  
25                  both our Stockton and our Dixon plants have

1 experienced prolonged shutdowns or production  
2 curtailments in late 2003 and again in 2009. Our  
3 production and shipments have plummeted in 2009, and  
4 we have been forced to reduce employment. Prices are  
5 depressed and profitability has declined. If the  
6 orders are revoked, Sumiden would be forced to reduce  
7 or cancel future investments as such investments are  
8 not justified if fair trade cannot be reasonably  
9 assured.

10 In light of the present conditions we are  
11 facing, Sumiden is extremely concerned about  
12 revocation of the orders as to the six countries  
13 proven to sell at dumped prices and cause injury to  
14 our industry. The information available to us  
15 suggests that if the orders are removed it is very  
16 likely that imports from each country will flood back  
17 into this market and will once again sell at low  
18 dumped prices to regain customers.

19 As you may be aware, Sumiden Wire Products  
20 is affiliated to Sumitomo Electric Industries, a  
21 producer of PC strand and other wire products in  
22 Japan. Sumitomo is not subject to the order against  
23 PC strand from Japan however because Commerce excluded  
24 Sumitomo from the order back in 1986, based on  
25 evidence of no dumping.

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1           Given Sumitomo's presence and participation  
2     in the Asian market, however, we have been able to  
3     obtain market information on a number of other PC  
4     strand producers in Japan, Korea, Thailand and India  
5     that we have provided to the Commission. The  
6     information we gathered shows that PC strand producers  
7     in each of those countries continue to have  
8     substantial and often increased capacity to produce PC  
9     strand. We have provided to the Commission our  
10    confidential estimates of current production and  
11    capacity for each of those producers that refused to  
12    respond to your questionnaires, of which there are  
13    many.

14           Siam Industrial Wire in Thailand and Tata  
15    Steel in India are massive producers of PC strand with  
16    huge capacity and production levels. Japan and Korea  
17    also have sizeable producers such as Shinkao Wire in  
18    Japan and Kiswire in Korea, as well as a number of  
19    other producers whose collective capacity is very  
20    large. If these capacity levels are turned to the  
21    U.S. market, there is more than enough to increase the  
22    exports higher than pre-order level.

23           Even more troubling, the economic downturn  
24    that we have suffered is affecting producers in the  
25    foreign countries as well. As a result of that

1       downturn much of the subject foreign producers'  
2       capacity is currently idle. Our information indicates  
3       that subject producers in Korea, Thailand, India, and  
4       Japan overall are operating at just over half of their  
5       capacity levels, leaving about 45 percent of their  
6       capacity unused.

7               Producers in each of those countries  
8       therefore are looking for an outlet market to which  
9       they can sell a substantial volume of idled capacity.  
10      The United States is one of the largest, most open and  
11      most attractive markets for PC strand suppliers in the  
12      world. We also know that each of the subject  
13      countries has remained a significant exporter of  
14      stranded wire and rope products worldwide even if they  
15      are not currently exporting PC strand to this market.  
16      The domestic PC strand market continues to be highly  
17      price sensitive, and importers are constantly looking  
18      for low-priced supply sources.

19              Given all of the unused capacity they have  
20      available, if the orders are removed subject producers  
21      will quickly resume selling into this market on the  
22      basis of low prices.

23              Although the market intelligence we received  
24      was limited to the Asian countries on which we were  
25      able to gather data estimates, I do not mean to

1 suggest that we are not concerned about increasing  
2 exports from Brazil and Mexico, the other two  
3 countries subject to these orders. The actions that  
4 Mexico took once the orders were imposed are  
5 particularly strong indications of their interest in  
6 selling into this market if they can avoid paying  
7 antidumping duties.

8           Immediately after the order was imposed,  
9 Mexican producer Cablasa, now Deacero, lightly zinc-  
10 coated its PC strand in an attempt to avoid paying  
11 antidumping duties. After a scope analysis by  
12 Commerce and review by the Court, it was found that  
13 this product was simply PC strand subject to the  
14 orders. We knew all along that the live zinc coating  
15 was being applied only to avoid the orders as the  
16 product was being subject to plastic and grease  
17 coating after importation, making the light zinc  
18 coating irrelevant.

19           Once the product was found to be in-scope  
20 merchandise, this circumvention account stopped.

21           Next, both of the Mexican producers, Camesa  
22 and Cablasa attempted to supply their U.S. customers  
23 by establishing U.S. PC strand operations in the  
24 United States. Camesa established operations in  
25 Rosenberg, Texas, while Cablasa set up operations in



1 Phoenix, Arizona. These actions provide further  
2 indication of the lengths these firms have gone in  
3 order to sell into the United States. Those U.S.  
4 operations, however, were shut down a couple of years  
5 ago, so their only means of supplying the U.S. market  
6 today is through imports.

7           It is not surprising to me that the Mexican  
8 producers would put significant efforts into selling  
9 into the U.S. market given its proximity and Mexico's  
10 general dependence on the United States as an outlet  
11 for its products. What is surprising to me is that  
12 neither Mexican producer ever went to Commerce to  
13 demonstrate that it had stopped dumping as our parent  
14 company, Sumitomo, did. That failure suggests a  
15 strong likelihood that both companies will sell into  
16 this market by dumping and undercutting our prices  
17 again.

18           In fact, Camesa's new affiliation with  
19 WireCo WorldGroup provides it with U.S. ties through  
20 which it can easily reach out to U.S. customers again.  
21 Notably, WireCo is an established U.S. wire producer.  
22 It does not manufacture PC strand, so it likely would  
23 look to Camesa to serve customers needing PC strand.

24           As to Brazil, public information indicates  
25 that Belgo Bekaert expanded its wire production

1 capacity significantly last year, and that future  
2 investments are planned. We believe that Belgo  
3 Bekhaert's capacity, like that of our subject  
4 producers, is also likely underutilized in this  
5 economic environment. All of these facts indicate a  
6 likelihood of increased imports from Brazil as well.

7 Based on the information available to us on  
8 each of the subject countries therefore, we believe it  
9 is highly likely that imports from each country will  
10 increase in this market if the trade remedies are  
11 removed. No country has been able to sell without  
12 dumping and they will no doubt use dumping practices  
13 to undersell is again to regain customers.

14 Although the main problem facing our  
15 industry currently is dumped imports from China,  
16 revocation of the orders against the six countries at  
17 issue here would also lead to further injury to our  
18 industry. A return of dumped imports from the six  
19 countries, particularly in this very difficult  
20 economic climate, will only worsen the already bleak  
21 outcome we face.

22 On behalf of Sumiden and the other industry  
23 members, I urge you to leave these orders in place.  
24 Thank you.

25 MS. CANNON: Our final industry witness will

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1 be Mr. Richard Wagner.

2 MR. WAGNER: Good morning. I am Richard  
3 Wagner, Vice President and General Manager of Insteel  
4 Wire Products. I've been working the PC strand  
5 business for over 32 years.

6 CHAIRMAN ARANOFF: Mr. Wagner, could you  
7 pull your microphone a little bit closer? Thanks.

8 MR. WAGNER: I've been working in the PC  
9 strand business for over 32 years in sales, marketing,  
10 and manufacturing. Insteel has competed for sales in  
11 the U.S. market over the years against both imported  
12 and domestically-produced PC strand. Insteel has PC  
13 strand production facilities in both Tennessee and  
14 Florida.

15 We would like to thank the Vice Chairman,  
16 Commissioners and Staff who visited our PC strand  
17 manufacturing plant in Sanderson, Florida, last week.  
18 I hope you found the tour helpful to understanding the  
19 product and production process, and we appreciate you  
20 taking the time to visit a facility of which we are  
21 very proud.

22 PC strand is a commodity product and nearly  
23 all of the PC strand sold in the U.S. market by both  
24 domestic producers and importers is half-inch 270 kit  
25 low-relaxation strand. All PC strand has the same

1 purpose -- to impart compression forces into concrete  
2 or pre-stress the concrete so the concrete can  
3 withstand tensile forces without cracking. Typical  
4 uses of PC strand include bridge decks, bridge  
5 girders, structural supports, and foundations in areas  
6 with expansive soils, often referred to as slab on  
7 grade projects.

8 Competition between U.S. producers and  
9 imports for PC strand sales occurs to all customers,  
10 it has been most pronounced in sales to post-tension  
11 customers, identical PC strand is sold to both pre-  
12 tension and post-tension accounts. The only  
13 difference in the way the PC strand is handled by the  
14 customers. A pre-tensioner tensions the strand before  
15 pouring concrete around it while a post-tensioner  
16 tensions the strand after the concrete is poured.  
17 Regardless the method of tensioning used, the ultimate  
18 end use is the same.

19 Imports from the subject countries and now  
20 from China tend to target post-tension accounts; not  
21 for any reason related to the product or the function  
22 of the strand, but simply due to the volumes involved.  
23 Individual post-tension customers tend to buy PC  
24 strand in much larger volumes than pre-tensioners  
25 purchase, so the imports target those larger accounts.

1           The domestic industry sells PC strand to  
2 both types of customers, but we have increasingly seen  
3 our sales to the large-volume post-tensioners decline  
4 as the lower-priced imports obtain those sales.

5           At Insteel we have been forced to  
6 continually reduce our sales to these customers  
7 because of an inability to compete originally with the  
8 low prices of subject imports, and more recently with  
9 the low prices of imports from China. Our percentage  
10 of sales to post-tension customers, however, is not an  
11 indication of a lack of interest in or ability to  
12 supply their needs. In fact, we continually try to  
13 sell PC strand to the large post-tension customers  
14 like Sunco.

15           If fair trade conditions are restored to  
16 this market by remedying the unfair Chinese trading  
17 practices, and leaving the subject orders in place, we  
18 are confident that we will retain our lost post-  
19 tension accounts. Domestic producers competed both at  
20 the time of the original investigations and today with  
21 imports for sale of PC strand to pre-tension and post-  
22 tension accounts. In fact, the witness on behalf of  
23 importers from China in the recent investigation of PC  
24 strand from China was selling strand to pre-  
25 tensioners.

1 I was involved in the original  
2 investigation, and subject imports undersold U.S.  
3 producers in both pre-tension and post-tension  
4 accounts before the orders were imposed. During the  
5 final investigation we submitted a list of our  
6 customers including both pre-tensioners and post-  
7 tensioners that purchase imported product. In fact,  
8 we lost sales to imports to both types of accounts.  
9 We will provide that customer list in our post-hearing  
10 brief.

11 This morning you also heard Mr. Woltz  
12 testify that PC strand subject to Buy American  
13 restriction is a small percentage of the U.S. market.  
14 From my sales experience, what I am seeing is that the  
15 percentage is even less than 30 percent and probably  
16 closer to 25 percent. In the past, some customers  
17 chose to purchase strand compliant with Buy America  
18 requirements even if they were not required to do so  
19 for all projects, so they would not have a mixed  
20 inventory of product to track. That practice,  
21 however, is disappearing because of price differences  
22 between domestic strand and imported strand.

23 Moreover, we sell a large volume of strand  
24 that is not subject to Buy America requirements for  
25 pre-tensioned and post-tensioned sales. In fact, the

1 vast majority of our post-tension sales are to non-Buy  
2 America accounts.

3           Regardless of whether our customers are pre-  
4 tensioners or post-tensioners, price is the  
5 predominant factor on which PC strand purchasing  
6 decisions are made. During the original investigation  
7 the prices at which we were forced to sell PC strand  
8 in the U.S. market were driven by the low prices of  
9 imports. If these imports were to return at dumped  
10 prices, subject producers would again be able to take  
11 many of our customers by underselling our prices,  
12 causing us to lower prices in order to retain other  
13 customer accounts.

14           We have submitted for the record information  
15 that Insteel has gathered on the prices at which  
16 subject producers are selling PC strand in competition  
17 with Insteel in third country markets. As our pricing  
18 data show, subject imports routinely undercut our  
19 prices in those markets and likely would in the U.S.  
20 market if left unchecked.

21           Over the past several years, including so  
22 far in 2009, Insteel has lost sales to Mexico, Brazil  
23 and Korea in third country markets because their  
24 prices were lower. Given Brazil's protected home  
25 market and export behavior in third country markets in

1 which we compete, we believe it is highly likely that  
2 imports from Brazil will surge into our market quickly  
3 and that it will do so at prices well below U.S.  
4 producer prices.

5 Brazilian producers are able to sell PC  
6 strand at such high prices in their protected home  
7 market where we cannot export that they can afford to  
8 and do sell at extremely low prices in export markets.

9 Similarly, the Mexican producers' low prices  
10 and the proximity of Mexico to the United States will  
11 make it easy for imports from Mexico to re-enter the  
12 United States. We have also heard that Deacero has a  
13 new PC production line that has not yet been  
14 installed. We understand that they are waiting for  
15 the results of this sunset review before deciding  
16 whether to install the line. From what we have seen  
17 of Mexican pricing practices in third country markets,  
18 we fully expect Mexican producers to be aggressive and  
19 active participants in the U.S. market at significant  
20 volume levels if the orders are revoked.

21 Further, our information indicates that U.S.  
22 market prices are generally higher than prices in  
23 third countries, providing further incentive for them  
24 to sell to the United States. The combined effects of  
25 unused capacity and open market and attractive U.S.



1 pricing will lead to quick increases in subject  
2 imports if the orders are removed.

3           There is no waiting period to become a  
4 certified supplier of PC strand in the United States  
5 nor a formal certification or qualification process.  
6 If a foreign producer is a recognized producer in the  
7 United States, as producers like Camesa and Deacero  
8 certainly are, they will be able to resume selling PC  
9 strand into the U.S. market immediately.

10           I can give you a recent example of why I  
11 expect low-price subject imports would quickly regain  
12 sales in the U.S. market absent the orders. Two weeks  
13 ago the company who had been importing PC strand from  
14 China before the trade case was filed came to Insteel  
15 and wanted to buy PC strand from us. He said that he  
16 was no longer purchasing Chinese strand due to the  
17 recent investigation, and that the prices he was being  
18 offered by European PC strand producers were too high.  
19 He was looking to purchase PC strand at a low price.  
20 If subject imports are permitted to return to the U.S.  
21 market at dumped pricing levels, I am certain that a  
22 company such as this one would begin purchasing  
23 subject imports immediately.

24           It is particularly difficult for Insteel to  
25 contemplate the challenges of losing sales and

1 competing with low-priced imports when prices of PC  
2 strand are already depressed. We are also  
3 experiencing increasing costs of wire rod, the major  
4 raw material input to PC strand, over the past several  
5 months. Competition from a resurgence of dumped  
6 imports will prevent us from pricing at levels that  
7 cover these costs.

8           Given our company's unhealthy condition and  
9 the unstable market, if the orders are revoked Insteel  
10 would potentially need to close its one facility and  
11 consolidate production at the remaining facility.  
12 Insteel is currently in a survival mode having cut  
13 jobs, capital expenditures and every other cost that  
14 is not immediately critical to sustain operations.  
15 When workers who have been laid off who I personally  
16 hired more than 20 years ago it becomes an even more  
17 difficult plight to face each day. Thank you.

18           MS. CANNON: Our next witness will be Ms.  
19 Gina Beck.

20           MS. BECK: Good morning, Madam Chairman,  
21 Members of the Commission and Staff. I am Gina Beck  
22 of Georgetown Economic Services. This morning I will  
23 discuss the likely volumes, prices and impact of  
24 subject imports if revocation occurs.

25           Prior to the imposition of the orders,

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1 subject imports increased significantly to the  
2 detriment of competing U.S. producers. Accumulated  
3 subject import volumes increased from 116 million  
4 pounds in 2000, to 167 million pounds in 2002, as  
5 shown in slide one. These volumes resulted in  
6 significant market share gains at the expense of  
7 competing U.S. producers, who saw their market share  
8 fall and shipments decline.

9           Once the trade cases were filed in January  
10 of 2003, and preliminary duties imposed mid-year,  
11 subject imports began to decline. Imports then fell  
12 even further when orders were imposed in early 2004 as  
13 the chart depicts.

14           In fact, as you see after the imposition of  
15 the orders, subject import volumes plummeted and  
16 remained at minimal levels during each year of the  
17 post-order period. The minimal subject import volumes  
18 sold with the orders in place, as compared to pre-  
19 order volume, indicates that subject producers are not  
20 able to see PC strand in commercial volumes in the  
21 United States under the discipline of the anti-dumping  
22 orders.

23           Record information indicates that the  
24 subject companies individually and collectively have  
25 substantial and often increased capacity to produce PC

1 strand, as compared with pre-order levels. Each of  
2 the subject companies have continued to produce PC  
3 strand and has sold PC strand outside of their home  
4 markets during the review period.

5 On an accumulated basis the subject  
6 companies capacity has expanded from 2002 to 2009,  
7 providing an even greater ability of these imports to  
8 flood the U.S. market if revocation occurs. Even more  
9 troubling is the level of capacity sitting idle at  
10 subject producer mills today.

11 The collective unused capacity of the  
12 subject producers in 2009 exceeds U.S. consumption  
13 given declines in U.S. demand. Subject countries  
14 therefore are positioned to flood the U.S. market with  
15 PC strand at levels far higher than pre-order volumes  
16 just by gearing up unused capacity.

17 Further, it is highly likely that the U.S.  
18 market will attract U.S. imports from these countries.  
19 As Mr. Wagner testified the prices at which PC strand  
20 is sold in the United States are higher than third-  
21 country prices, providing incentive for subject  
22 producers to sell into this market.

23 Each of the subject companies remains a  
24 significant exporter of stranded wire products and  
25 would likely look to the open and attractive U.S.

1 market as an outlet for idle capacity. Although I am  
2 somewhat constrained by confidentiality concerns to  
3 discuss specific producers, let me make a few points  
4 on each country.

5 For Brazil, Belgo Bekaert, the sole  
6 producer, has a protected home market, and is selling  
7 PC strand into third-country markets at aggressively  
8 low prices. It is highly likely that Belgo Bekaert  
9 will resume selling any unused capacity or even  
10 shipping sales from third-countries in the event of  
11 revocation.

12 For India, major producer Tata Steel failed  
13 to respond as did most other producers. Market  
14 intelligence indicates Tata has increased capacity,  
15 and has a high level of unused capacity, and remains  
16 export oriented. A brand new producer just opened a  
17 PC strand plant in May of this year in India, leading  
18 to additional capacity.

19 For Korea, major producer KisWire did not  
20 respond to questionnaires, nor did Man Ho Rope. Our  
21 information indicates increased capacity in Korea, as  
22 well as significant unused capacity and high levels of  
23 exports of related products.

24 From Mexico, the actions taken by the  
25 producers once the orders were imposed as Mr.

1 Cornelius discussed provides strong indication of  
2 their interest in selling into this market by whatever  
3 means are possible, although apparently selling non-  
4 dumped sales has not proven to be an option.

5 In fact, not only do they have unused  
6 capacity, but Deacero has another PC strand production  
7 line that we understand it will install if the orders  
8 are revoked. Given Mexico's proximity to the U.S.  
9 market, the importance of the market historically to  
10 the Mexican PC strand producers, and the ease of  
11 establishing sales by low price offers, it is highly  
12 likely that the imports from Mexico would retire to  
13 the U.S. market in large volumes if the orders are  
14 revoked.

15 For Thailand, Siam Industrial Wiring remains  
16 the major producer, but it failed to respond to the  
17 questionnaire. Our information indicates that its  
18 capacity is massive and heavily under-utilized, and  
19 available for export. Further, a new PC strand  
20 producer has also recently emerged in Thailand.

21 Finally, for Japan, major producer Shinko  
22 Wire and Suzuki did not respond to questionnaires.  
23 Our information indicates significant unused capacity  
24 in Japan today, and that Japan remains one of the  
25 major worldwide exporters of stranded wire products.

1                   Strong indicators of likely subject import  
2 volume increases are found in the statements by  
3 foreign producers and importers as to what will happen  
4 if the orders are revoked. As our next slide  
5 indicates, their quotes include that if these  
6 countries were allowed to ship PC strand to the U.S.,  
7 we would definitely use their products.

8                   We would meet with as many of these mills as  
9 we could to source the highest quality PC strand at  
10 the best price. We could easily start selling their  
11 PC strand if these duties were removed. Purchasing  
12 will shift and be allocated to the most competitive  
13 price offered.

14                   Those countries will sell more to the U.S.  
15 Lancwood examined importing products from Blanche  
16 should the order be revoked. In sum, all available  
17 information indicates that subject producers have  
18 large unused levels of capacity and likely will take  
19 advantage of revocation of the orders to put that idle  
20 capacity to use by increasing exports to the U.S.  
21 market.

22                   Large volumes of subject imports would make  
23 inroads into the U.S. market as they did before the  
24 orders were imposed by undercutting domestic prices.  
25 In the original investigation, as the next slide

1 indicates, the Commission found that imports from  
2 Brazil, India, and Korea, undersold U.S. strand in all  
3 possible comparisons in 14 out of 14 instances each.

4 Subject imports from Mexico undersold the  
5 U.S. product in 13 of 14 comparisons, while imports  
6 from Thailand undersold U.S. PC strand in 12 of 14  
7 instances. Imports from Japan undersold U.S. products  
8 in 12 of 15 instances.

9 Subject producers have not been able to sell  
10 in the U.S. market at fair prices under the discipline  
11 of the order. So it is likely that the pre-order  
12 pricing behavior of these producers would resume given  
13 the continued importance of price to purchasing  
14 decisions.

15 As purchasers and importers stated,  
16 "Purchase price is key." And if the orders are  
17 revoked, prices will drop dramatically. Domestic  
18 strand suppliers will be forced to lower their prices  
19 to compete with foreign suppliers. We would buy from  
20 subject companies if price was good.

21 PC strand would probably be cheaper if we  
22 were allowed to buy foreign strand. The additional  
23 supply will likely result in lower prices. As a  
24 general rule, we buy from whichever vendor at the  
25 lowest cost supplier.



1           The Commission's data also show that subject  
2 producers export AUVs were lower than the AUVs for  
3 U.S. shipments in nearly every period. The low prices  
4 at which subject producers have sold their PC strand  
5 in other countries is further indication that subject  
6 producers are likely to resume underselling U.S.  
7 producers' prices.

8           There is no doubt that imports freed from  
9 the discipline of the orders would quickly resume  
10 price undercutting to increase their U.S. market  
11 share, leading to further depressed U.S. prices.

12           Despite the initial improvement in the  
13 domestic industry's condition after the orders were  
14 imposed, the condition of the PC strand industry  
15 deteriorated rapidly in 2008 and interim 2009.

16           As you have heard from others this morning  
17 the domestic industry was significantly weakened as a  
18 result of competition from unfairly treated imports  
19 from China over the past several years. There were  
20 declines in virtually all domestic industry trade and  
21 financial variables over the 2006 to 2008 period, and  
22 further declines occurred in the first half of 2009.

23           As the next slide indicates, between the  
24 first half of 2008 and the first half of 2009,  
25 domestic production was down 47 percent. Domestic

1 shipments declined by 44 percent. The U.S. industry  
2 was operating at an anemic 37.8 percent capacity  
3 utilization rate.

4 Employment fell as lapses occurred, and  
5 production workers were down 25 percent. Even for  
6 those workers who kept their jobs, wages were down by  
7 38 percent and hours worked dropped by 42 percent.

8 The industry's financial condition similarly  
9 plummeted, with net sales dropping by 48 percent, and  
10 operating profits falling to losses of 7.5 percent in  
11 2009. As you can see, there were significant declines  
12 in all of the key trade and financial variables in the  
13 first half of 2009.

14 As the next slide indicates the operating  
15 loss of the U.S. industry in interim 2009 is even  
16 worse than the industry's loss in 2002 when the  
17 Commission found injury due to imports, nor is it an  
18 industry to make a profit when fair trade conditions  
19 are restored as some of the intervening years  
20 indicate.

21 But there can be no doubt that the  
22 industry's current condition is absolutely dismal.  
23 The record in fact demonstrates that the domestic PC  
24 strand industry is suffering its weakest performance  
25 in decades, and is extremely vulnerable to recurrence

1 of material injury.

2 Without the continuation of these orders the  
3 domestic industry will be forced to permanently shut  
4 down production plants and lay off even more  
5 employees. Thank you for your attention.

6 MS. CANNON: Let me close by addressing an  
7 important legal issue, accumulation. In reaching its  
8 decision here the Commission should exercise its  
9 discretion to accumulate imports from all six  
10 countries until the statutory factors are met and the  
11 conditions of competition sufficiently similar to  
12 warrant aggravating the likely effects of all imports  
13 in this review.

14 Initially, it cannot be said that imports  
15 from any of the subject countries would have no  
16 discernible adverse impact on the U.S. industry if  
17 revocation occurs. Each of the countries has  
18 maintained sizeable capacity and has significant  
19 excess capacity to export PC strand to the U.S.  
20 market.

21 Although a number of the subject producers  
22 failed to respond to questionnaires, we have obtained  
23 market intelligence, as well as information from  
24 public articles and reports on estimated capacity and  
25 production, as well as likely export behavior by those

1 producers.

2 That information, along with the  
3 questionnaire responses of other foreign producers,  
4 importers, and purchasers, shows the ability and  
5 likelihood that imports from each country will  
6 increase in significant volumes and will sell at low  
7 prices in the United States if the orders are revoked.

8 A number of the producers in fact have  
9 increased capacity or have even higher levels of  
10 unused capacity, as compared with pre-order levels,  
11 giving them the ability to export even higher volumes  
12 of PC strand to the U.S. market than the volume levels  
13 originally found to be injurious.

14 There would also be an overlap in  
15 competition among imports from all of these countries  
16 if revocation occurred. PC strand is a highly  
17 fungible product that U.S. importers and purchasers  
18 agree is always or frequently interchangeable,  
19 regardless of the source.

20 PC strand is generally sold to end-users,  
21 whether by domestic producers or importers, and  
22 competes for the same customer accounts, whether those  
23 accounts are pre-tensioners or post-tensioners.

24 Both domestically produced PC strand and  
25 imported PC strand is sold nationwide, with imports

1 from subject countries overlapping in the same ports  
2 of entry as well, generally those in Texas and  
3 California.

4 Imports from each country continue to be  
5 present, albeit on a reduced basis, during at least  
6 some of the review period, and likely they would all  
7 resume as simultaneous sales in the U.S. market if  
8 revocation occurred.

9 Given the evidence that each of the  
10 statutory prerequisites to accumulation is met, and  
11 that a likely collective injury would be caused by  
12 imports from these countries, the question is whether  
13 there is any reason not to accumulate imports from any  
14 country here.

15 Factors that the Commission has analyzed in  
16 the past to assess whether the subject countries are  
17 likely to compete under similar competitive conditions  
18 if the orders are revoked indicate that accumulation  
19 is warranted.

20 First, as a commodity product, PC strand  
21 competes largely on the basis of price. Subject  
22 imports from each country are likely to use low prices  
23 to increase their market penetration as they did  
24 before the orders were imposed. Purchasers reported  
25 that no other factor differentiates imports from the

1 various source countries.

2 Second, in terms of likely volume effects,  
3 each country has maintained substantial capacity to  
4 produce PC strand and some have increased capacity.

5 Third, each of the subject countries has  
6 unused capacity available for export. Given the  
7 capital intensive nature of production, and the need  
8 to retain skilled workers, each will be motivated to  
9 use the idle capacity for export if there is an  
10 outlet, such as an unrestrained U.S. market for their  
11 product.

12 Fourth, the volumes of imports from each of  
13 the subject countries has declined significantly  
14 following imposition of the orders. None of the  
15 countries has demonstrated an ability to sell into  
16 this market at pre-order levels without dumping.

17 Notably, not one of the subject countries  
18 has participated in an administrative review at  
19 Commerce to demonstrate that it has ceased dumping, or  
20 even reduced its levels of dumping, over the past five  
21 years.

22 Fifth, despite reduced volume levels, each  
23 country has continued to export some PC strand to the  
24 U.S. market. In fact, as Mr. Cornelius discussed,  
25 Mexican producers in particular have taken

1 extraordinary steps to continue to sell into this  
2 market post-order.

3 Sixth, each country is also an active  
4 exporter of stranded wire and rope products on a  
5 worldwide basis during the review period.

6 Seventh, the pricing behavior from each  
7 subject country as Ms. Beck described was the same  
8 pre-order, with each country consistently undercutting  
9 U.S. prices. Each country is likely to again under-  
10 sell U.S. prices, as many are currently doing now in  
11 third-country markets, if revocation occurs.

12 Collectively, these common competitive  
13 conditions provide strong support for a cumulative  
14 analysis of all six countries here. Let me close by  
15 addressing a couple of arguments that the Mexican  
16 producers have raised in an attempt to have Mexico  
17 excluded from accumulation.

18 Essentially, the Respondents contend that  
19 because they are situated adjacent to the U.S. border,  
20 and have close ties with the United States, including  
21 membership in North American Steel Trade Organization,  
22 they would not be likely to cause injury to the U.S.  
23 market.

24 In fact, for the very reasons they give, the  
25 opposite is true. Mexico's close proximity to the

1 United States has long made the United States a  
2 principal target market for its exports. Certainly  
3 the Mexican PC strand producers exported significant  
4 volumes here pre-order.

5 Their continued close ties to trade  
6 associations and other participation in the U.S.  
7 market enables them all the more to rapidly  
8 reestablish a significant presence in this market.  
9 The Respondent's claim that these U.S. ties would  
10 preclude them from being a detractive presence in this  
11 market is demonstrated to be false by their pre-or-  
12 post order behavior, or by their pre-order behavior.

13 Before the orders were imposed through the  
14 use of significant dumping practices the Mexican  
15 producers consistently undercut U.S. producer prices,  
16 just like the other subject producers.

17 Any claims that their past pricing behavior  
18 would not reoccur due to new ownership or otherwise  
19 should be subject to one simple question. If they are  
20 able to sell now without dumping, why did they never  
21 go to Commerce and ask for a review to demonstrate  
22 that changed behavior.

23 There is no record evidence to suggest any  
24 change that would make their imports any less  
25 injurious to the U.S. industry than they were pre-



1 order, and no justification to exclude Mexico from  
2 accumulation in this review.

3 Thank you. That concludes our affirmative  
4 testimony. I would like to just first introduce my  
5 colleagues; Mr. Paul Rosenthal, who also joins our  
6 panel, and will be happy to answer your questions, and  
7 to state that Mr. Joseph Napoli of American Spring  
8 Wire, who had originally planned to be here as a  
9 witness, was unable to come.

10 But we will be happy to answer any questions  
11 on behalf of American Spring Wire in post-hearing  
12 brief. And with that, we are happy to answer your  
13 questions. Thank you.

14 CHAIRMAN ARANOFF: Thank you very much. I  
15 want to welcome this morning's panel. We appreciate  
16 you taking time away from your businesses to come and  
17 answer our questions. It is always a really helpful  
18 way for us to gather information.

19 We are going to begin the questioning this  
20 morning with Commissioner Lane.

21 COMMISSIONER LANE: Good morning. I would  
22 like to start with you, Ms. Beck. On the slides that  
23 you presented, on slide six and seven, declines in  
24 trade and financial information on page six, and then  
25 the ratio of operating profit and loss, and the net

1 sales.

2 And those compare the interims between 2008  
3 and 2009. Do you have current information that you  
4 can provide or maybe you can just answer this, but do  
5 you have information after June of 2009 that shows  
6 that these same declining trends are continuing?

7 MS. BECK: I know from speaking with the  
8 producers that the volumes and such have continued to  
9 go down. If you want more specific information, we  
10 could get with the companies, and see what they have  
11 available.

12 COMMISSIONER LANE: I am really just  
13 interested in knowing whether or not the most recent  
14 information that you have show that these trends are  
15 continuing in the same direction.

16 MS. BECK: Well, from what I understand from  
17 the industry is that they are continuing to go in the  
18 same direction.

19 COMMISSIONER LANE: Okay. Thank you.  
20 That's good enough. Ms. Cannon, you answered most of  
21 my questions that I had about accumulation, but I do  
22 have one specifically. The Mexican producers argue  
23 that subject imports from Mexico are not likely to  
24 have even a discernible adverse impact to the U.S.  
25 market.

1           For their arguments, they discuss current  
2           and reasonably foreseeable demand conditions in the  
3           U.S. market, limits on competition because of Buy  
4           America, limits on competition due to import focus on  
5           post-tensioning applications, and given China's  
6           dominance of the import market since the original  
7           investigation.

8           How do you respond to that argument?

9           MS. CANNON: We don't believe that any of  
10          the factors that they list would limit their ability  
11          to sell into this market any more than it would limit  
12          any of the other subject countries. Specifically, the  
13          sales to post-tension and pre-tension sales as our  
14          industry witnesses addressed, occur by imports from  
15          all countries and occur by the domestic industry.

16          The Buy America market is very limited. It  
17          was 30 percent before the orders were imposed, and it  
18          has remained about 30 percent during the review  
19          period. So, the vast majority of the U.S. market  
20          remains open to Mexico and to all other subject  
21          producers.

22          There is nothing there that would inhibit  
23          their ability to sell into this market, and the China  
24          presence is not precluding Mexico from selling into  
25          this market, and I think maybe the best evidence that

1 we have found of that, and the fact that even if China  
2 is still here dumping, and these orders are removed,  
3 we think that Mexico and other countries will be back,  
4 is the evidence that Mr. Wagner described of what is  
5 going on in third-country markets.

6 We have been able to identify competition  
7 between Mexico and China in third-country markets at  
8 present, and so it appears that if they don't have a  
9 dumping order restraining them, and they are able to  
10 sell at whatever price they would like, they are  
11 perfectly able to compete with China. And maybe I  
12 could ask Mr. Wagner to elaborate on that, in terms of  
13 what is going on in third-countries, if you would  
14 like.

15 COMMISSIONER LANE: Yes, I would like that.

16 MR. WAGNER: We go to significant efforts to  
17 sell down in Central America, South America, and the  
18 Caribbean area, on a regular basis. We have a  
19 director of international sales who is dedicated to  
20 that.

21 And he reports regularly competing with  
22 Mexico, Korea, Brazil, in those areas, and an  
23 extensive list where China is participating, and those  
24 prices are at very low prices, which would be very  
25 injurious if they were here as well.

1                   COMMISSIONER LANE: With the emergence of  
2 China as the dominant force in the import market  
3 during the period of review, how do you respond to the  
4 Mexican producer's arguments that China will remain  
5 the dominant factor in the import market for the  
6 foreseeable future, and that there is little room for  
7 subject imports to reemerge as a significant factor in  
8 this market in the foreseeable future?

9                   MS. CANNON: Well, obviously our first  
10 response is that we have attempted to address China  
11 through the trade case that we filed. We actually  
12 agree with the Mexican producer's argument that China  
13 is a disruptive force in this market.

14                   They have a huge volume of sales, and they  
15 are responsible for most of the imports. They are  
16 responsible for the lowest prices, and they are  
17 reeking havoc in this market, which prompted the  
18 filing of a trade case.

19                   We have a preliminary, you know, affirmative  
20 decision from the Commission, and we are proceeding  
21 forward with that trade case. So that has been our  
22 effort to try to address China. But I would then add  
23 as Mr. Wagner stated, that even if China is in this  
24 market, it doesn't inhibit Mexico or other producers  
25 from coming back in if they are permitted to sell at

1 dump prices, jus as they are doing in third countries.

2 COMMISSIONER LANE: So it is your position  
3 that if the orders went off of the subject countries  
4 that imports from those countries would be able to  
5 come into this market and compete with the Chinese  
6 imports that are already here?

7 MS. CANNON: If they are able to sell at  
8 dumped prices, absolutely.

9 COMMISSIONER LANE: Okay. Thank you.

10 MR. ROSENTHAL: Commissioner Lane, if I  
11 might add. Paul Rosenthal, Kelley, Drye, and Warren.  
12 The worst case scenario is competition between China,  
13 Mexico, and the other subject imports in the  
14 marketplace, and even worse than currently having the  
15 subject imports under order, or previously just with  
16 having China outside the market, it would be the  
17 perfect storm from the domestic industry's point of  
18 view.

19 COMMISSIONER LANE: Okay. Thank you. Are  
20 there any parts of the industry that are now currently  
21 benefiting from the stimulus package?

22 MR. WOLTZ: H. Woltz with Insteel. My  
23 observation would be no. That in our view a  
24 disproportionate part of the funding from the stimulus  
25 package that is addressed toward, quote,

1 infrastructure projects, is going to projects such as  
2 resurfacing, and repaving highways.

3 The emphasis on shovel ready design  
4 permitted engineered projects for immediate impact on  
5 the economy, just by definition, severely limits the  
6 impact of stimulus dollars on our industries by virtue  
7 of the fact that there are very few shovel ready  
8 bridges. It just doesn't happen like that.

9 So our own view is that the stimulus dollars  
10 are unlikely to have any effect in 2009, and a minimal  
11 effect in 2010, and we will see where it goes from  
12 there.

13 COMMISSIONER LANE: Okay. How do you  
14 respond to the argument that the economic crisis and  
15 its impact on current and reasonably foreseeable  
16 demand conditions in the United States market  
17 constitute a formidable barrier for any significant  
18 presence of subject imports in the foreseeable future?

19 MR. WAGNER: Richard Wagner, Insteel Wire,  
20 because they have lower capacity utilization  
21 themselves. It opens up supply and they seem to be  
22 willing to take all sorts of market distorting or  
23 dumping procedures or practices to move product, and  
24 keep their equipment running.

25 MR. ROSENTHAL: And I would add that there

1 is still demand, despite the economic downturn. What  
2 you heard from Mr. Wagner's testimony a few minutes  
3 ago was that a customer who had previously been  
4 sourcing from China was now motivated to look for  
5 other sources.

6 There is some economic activity, and there  
7 will be some sales. The question is will those sales  
8 go to the domestic industry, or will they go to dumped  
9 sales from the subject imports who might be  
10 unrestrained if these orders go away.

11 So it is not as if the economic downturn  
12 means that no one is selling into the U.S. market. It  
13 is a question of who is going to get those sales and  
14 at what prices.

15 COMMISSIONER LANE: Okay. Thank you. Mr.  
16 Cornelius, did you want to add something?

17 MR. CORNELIUS: Yes, Jon Cornelius. I was  
18 just going to add that the depressed economic  
19 conditions actually make the customers more willing or  
20 more interested to buy the cheapest strand possible.  
21 So I think it opens up even more opportunity for  
22 dumped strand conditions.

23 COMMISSIONER LANE: Okay. Thank you. Thank  
24 you, Ma'am Chair.

25 CHAIRMAN ARANOFF: Mr. Williamson.



1                   COMMISSIONER WILLIAMSON: Thank you, Ma'am  
2 Chairman, and I, too, want to express my appreciation  
3 to the witnesses for being here today. The Mexican  
4 Respondents argued that we should not accumulate  
5 Mexico because of the common ownership of Mexican  
6 production and U.S. steel operations. And I was  
7 wondering how do you respond to that argument?

8                   MS. CANNON: I really don't see how any  
9 common ownership or any ownership changes should  
10 affect your accumulation decision. Basically, you  
11 have two producers that are proven to be dumpers, that  
12 never went to the Commerce Department to show that  
13 they weren't dumping any longer.

14                   And the fact that Camesa was required by  
15 Deacero doesn't inhibit in any way their ability to  
16 sell into this market. Deacero has been subject to  
17 other Commission investigations, and we know that  
18 Deacero is aggressively selling in other products that  
19 maybe Mr. Woltz can elaborate on.

20                   And let me just finish. And then on Camesa,  
21 the Wireco connection, having that affiliation  
22 frankly, if anything, is properly more likely to give  
23 them some ties to the U.S. that would allow them to  
24 establish customer connections very quickly, because  
25 Wireco is already here, but not a PC strand producer.

1 And let me let Mr. Woltz expand on his Deacero  
2 experience.

3 MR. WOLTZ: In prior years, Insteel produced  
4 many products other than its current product  
5 portfolio, including galvanized fencing products for  
6 the agricultural industry. My own firsthand  
7 experience with competition with Deacero out of Mexico  
8 is that they are fierce competitors, with an extremely  
9 low pricing philosophy.

10 We competed with them probably for 8 to 10  
11 years, and Insteel wound up actually selling that  
12 business because of just the failure to ever realize  
13 an adequate return from that market.

14 MR. ROSENTHAL: Commissioner Williamson, I  
15 have one more thing to add. They are not making the  
16 argument that somehow their recent affiliations, their  
17 new owners, are producing the subject merchandise in  
18 the United States, and therefore have no interest in  
19 dumping.

20 That's not what they are saying here. So  
21 let's not get confused between their arguments, and  
22 some of the arguments that this Commission has heard  
23 in other cases.

24 COMMISSIONER WILLIAMSON: But they disclaim  
25 that they don't want to hurt interest that they have

1 here already.

2 MR. ROSENTHAL: But they don't have any  
3 producing interests in the subject merchandise.

4 COMMISSIONER WILLIAMSON: Okay. I just  
5 wanted a clarification on that. Thank you. Mexico is  
6 the only net importer out of the countries under  
7 review. How should that affect our analysis for  
8 accumulations in likely volume?

9 MS. CANNON: That shouldn't affect your  
10 analysis, because basically whether a country is a net  
11 importer or a net exporter really just goes to the  
12 question of what they are likely to do. Your basic  
13 accumulation analysis is guided by are they likely to  
14 increase exports similar to what other countries are  
15 likely to do.

16 And frankly the evidence from Mexico is even  
17 more compelling than some of the other countries,  
18 where you may have general information of them being a  
19 net exporter. But for Mexico, you have specific  
20 information that the U.S. is a key target market for  
21 them.

22 It has been traditionally a big market for  
23 Mexico over the years. We are their neighboring  
24 market, and we are the market that they are likely to  
25 look to, and on top of that, you have the various

1       circumstances that we described of all of the efforts  
2       that these producers have made to try to stay selling  
3       into this market over the years, whether it be by  
4       lightly galvanizing a product to get around the order,  
5       or establishing operations here for a while to try to  
6       continue to be participants in this market.

7                 But you couple that with the information  
8       generally on their proximity, on the available  
9       capacity, and on their behavior, I think you have more  
10      than sufficient indication of likely increased exports  
11      from Mexico, regardless of overall, whether they are a  
12      net importer or exporter.

13                COMMISSIONER WILLIAMSON: Do you have any  
14      information on the PCS products that they are bringing  
15      in, and whether or not -- I mean, why they would be  
16      importing some things, some PCS, but exporting other,  
17      rather than supplying from the domestic market?

18                MS. CANNON: They are not able to supply  
19      anything from the domestic market in terms of PC  
20      strand, because they don't produce anything currently.  
21      That was something that they had done.

22                COMMISSIONER WILLIAMSON: I am talking about  
23      in their domestic market, why they are importing even  
24      while they are exporting. I mean, is there any  
25      product differentiation regarding the PCS that they

1 are importing? I am just asking. I don't have any  
2 specific information on this.

3 MS. CANNON: To my knowledge, the product  
4 that is being exported to Mexico would be the same  
5 product that is being produced here, the half-inch to  
6 70K, that they would be likely to export here as well.  
7 The key is that they have unused capacity. So where  
8 is that going to go.

9 COMMISSIONER WILLIAMSON: Okay. Thank you.  
10 We have already discussed your view that the Buy  
11 America Act is having no impact. Now, Mr. Woltz, I  
12 think you mentioned something about the fact that a  
13 lot of the Buy America money would be in the  
14 Department of Transportation funded products.

15 And since I didn't have a written text, I  
16 didn't quite understand that point that you were  
17 making.

18 MR. WOLTZ: I think the point that I was  
19 trying to convey is that while there has been much  
20 publicity about new Buy America requirements that may  
21 affect government procurement in other areas, specific  
22 to the PC strand industry, the Buy America compliant  
23 product that we supply day in and day out is nearly  
24 exclusive to Department of Transportation projects.

25 And that those compliance certificates are

1 provided pursuant to regulations that have their  
2 origin in 1932. So it is well established, or it is a  
3 well established requirement in this market. It is  
4 not new.

5 And we don't expect that the Buy America  
6 fundamentals are going to change in any way. So to us  
7 the Buy America issue is the same in 2009, 2010, and  
8 2011, as it was in 1990, 1991, and 1992, for instance.  
9 That there just really is no change there.

10 COMMISSIONER WILLIAMSON: And you are saying  
11 that the stimulus money is not going or being used on  
12 the product, on those things that are covered by those  
13 regulations?

14 MR. WOLTZ: The best evidence that I could  
15 give you of that from personal observation is on my  
16 drive up here yesterday on Interstate 40. I ran  
17 across the first of the big orange and black signs  
18 that I have seen that says something like your  
19 stimulus dollars at work in providing jobs for  
20 Americans, and there are 20 guys out there repaving 10  
21 miles of Interstate 40.

22 It is maybe under some people's definition  
23 an infrastructure product, and as far as its impact on  
24 Insteel and the PC strand industry, it is zero.

25 COMMISSIONER WILLIAMSON: Okay.

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1 Commissioner Lane had asked some questions about  
2 future demand, but I don't think -- well, I was  
3 wondering if you could sort of elaborate on that.  
4 What are your anticipations for future demand in the  
5 U.S. market?

6 MR. WOLTZ: As we look out, we have a very  
7 pessimistic view of demand certainly for 2009. We  
8 believe that 2010 will be a lower apparent consumption  
9 year than 2009, and in general, it is my belief that a  
10 general economic recovery of substance is going to be  
11 required to see growth resume in the PC strand market.

12 I think that there are a host of variables  
13 that are going to impact that. For our planning  
14 purposes, we don't see it in the next three years. We  
15 believe that we are in for a very tough economic  
16 environment, and specifically very tough fundamentals  
17 in terms of consumption of PC strand and other  
18 infrastructure kinds of products.

19 COMMISSIONER WILLIAMSON: Would there be an  
20 anticipation that since this money would be used for  
21 some, let's say, bridge construction, the types of  
22 things that are not really shovel ready eventually?

23 MR. WOLTZ: I think that could happen, but  
24 the lack of the shovel ready nature of these projects  
25 means that it is going to be in the out years, and in

1 terms of the net impact on the industry, I think you  
2 have to weigh the stimulus dollars against the funding  
3 problems that also are going to take place related to  
4 State inability to finance DOT related projects.

5 So the implications for the net impact on  
6 spending for infrastructure I think is not very  
7 positive.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.  
9 I will save my other questions for later. Thank you  
10 for those answers.

11 CHAIRMAN ARANOFF: Commissioner Pinkert.

12 COMMISSIONER PINKERT: Thank you, Ma'am  
13 Chairman, and I thank all of you for being here today  
14 to help us to understand what is going on in this  
15 industry, and what is likely to happen to the  
16 industry.

17 I want to begin with some questions about  
18 some timing issues, and the first one has to do with  
19 the rise of the Chinese imports into the U.S. market,  
20 and whether that coincided with the pull back of the  
21 subject producers in the U.S. market, or whether the  
22 pull back preceded the rise of China in the U.S.  
23 market.

24 So I don't know if we can do that by means  
25 of graphs, or if folks can just talk about what the



1 timing was, but that would be very helpful.

2 MS. BECK: I can address it generally, and we  
3 are happy to provide the comparison in our brief. But  
4 the pull back of this subject of course definitely  
5 occurred prior to kind of the surge in China.

6 China started out small, and then grew and  
7 grew, and it was really in 2006, and 2007, and 2008  
8 where you see -- or, excuse me, starting in 2005, that  
9 you did start to see them emerging as a more dominant  
10 player. But already in '04, subject imports had  
11 really dropped.

12 COMMISSIONER PINKERT: Okay. Well, now  
13 several of the witnesses today have talked about the  
14 positive impact of the orders being offset to some  
15 extent by the rise of the imports from China, and if  
16 that is the right way to think of this, then looking a  
17 Table 4-1 in the staff report, I am wondering why 2005  
18 and 2006 weren't worse years for the domestic industry  
19 than they in fact were?

20 So just keying off of what you just said,  
21 Ms. Beck, I am wondering if you can help me to  
22 understand what happened when the Chinese imports rose  
23 in both absolute terms and in market share?

24 MR. ROSENTHAL: Commissioner Pinkert, I will  
25 answer this very specifically in a second, but I am so

1 glad that you asked this question in a particular way,  
2 because I was going to reserve some of my time at the  
3 very end to talk about what I see as a particular  
4 issue in this case, or arguably in the China case, and  
5 that I see in a lot of other industries.

6           Because what I think has happened here, and  
7 one of the reasons why we waited some time to file the  
8 China case, is that the industry did two things that  
9 is very common to other industries. What they did was  
10 they made decisions about whether to go after business  
11 that they were competing against with the Chinese at  
12 low prices.

13           And more so than perhaps in other periods,  
14 they decided to forego those sales and lose those  
15 volumes, and preserve their profitability. So if you  
16 look at that chart that Ms. Beck had, and I think it  
17 was the last chart which was derived from that Table  
18 C-4 in the staff report, what you see here is that the  
19 profitability started to decline in 2006, where you  
20 began to see the Chinese get more imports into this  
21 market.

22           But the domestic industry just said, you  
23 know what, we are going to give up on those sales. We  
24 are not going to go after those, and we are going to  
25 maintain our profitability. I would argue that the

1 industry in this case, and in many other cases that  
2 this Commission sees, the industry began to retreat  
3 more and more, and give up more and more sales, and  
4 retreated in niches.

5 And I would also as a general proposition,  
6 if I can make this into a CLE program for two minutes,  
7 I think the Commission sometimes spends too much time  
8 looking at net operating profits without getting  
9 behind some of those numbers, because industries are  
10 very, very innovative, and saying that we are going to  
11 maintain our profits.

12 In the long term, they can't preserve those  
13 because they are giving up volume, and they are  
14 shrinking into other niche markets. Commissioner  
15 Pearson often is very kind and full of praise to  
16 industries that come before this Commission, and says  
17 how can you do that. You are doing so well, despite  
18 all these other issues.

19 And the reason that they can do that is they  
20 give up lines of business, just as Mr. Woltz has said.  
21 They get out of particular customers. They get out of  
22 picture lines altogether, and they shrink, and shrink,  
23 and shrink.

24 And at some point, they don't have enough  
25 volume to cover all their costs, and so when that

1 happens -- and 2008 is a perfect example. In many  
2 instances, you would argue, gee, double-digit profits,  
3 over 10 percent net operating profits for the entire  
4 year.

5 That totally masks what was going on in that  
6 year as the industry was losing volume at a  
7 considerable rate, and their costs per unit were going  
8 up dramatically. With that, I will be quiet, but I  
9 would love to return to this general theme at a later  
10 point.

11 MR. WOLTZ: There is absolutely no doubt  
12 that when we look at our PC strand business, we look  
13 at the market as a whole. We intend to participate in  
14 every application, in every piece of the PC strand  
15 market.

16 But as competition in certain areas of the  
17 market becomes too tough, we obviously begin to pull  
18 back, and I know that much has been made of previous  
19 comments that I made that are reflected in the Insteel  
20 public filings about backing away from the post-  
21 tension business.

22 But in fact what we did was back away from a  
23 situation where we were going to be forced to lose  
24 money. We never stopped calling on post-tension  
25 customers, for example. We kept our contacts there,

1 in expectation that at some point in the future that  
2 we would actually be back in that business.

3 But we watched for as the chart represented,  
4 we watched for several years as our participation in  
5 the industry narrowed, and narrowed, and narrowed, as  
6 we fought really tough conditions in competition,  
7 primarily from dumped imports from China. So that is  
8 the way that we look at it as a producer, and not  
9 necessarily as an economist.

10 COMMISSIONER PINKERT: Well, let's talk a  
11 little bit about third-country markets for a moment.  
12 I noticed that in the earlier testimony that you  
13 talked about some of the subject countries competing  
14 against Chinese exports in third-country markets.

15 How success has -- well, just to take for an  
16 example, how successful has Mexico been in competing  
17 against Chinese exports in third-country markets?

18 MR. WAGNER: From what we could see, I would  
19 characterize it as holding their own. The Chinese  
20 have made inroads in other areas in the U.S., and  
21 certainly in the Caribbean, and in Central America,  
22 where they do compete with Mexico. But Mexico, they  
23 also meet those prices, and they get their share of  
24 the business.

25 COMMISSIONER PINKERT: Is there any ability

1 on your part to produce some numbers for the post-  
2 hearing on the success of the subject countries in  
3 third-country markets, vis a vis, China?

4 MR. WAGNER: Yeah, I think we have the data.  
5 We would have to put it together that way. Sure.

6 MS. CANNON: We will supply it for the post-  
7 hearing brief, Commissioner.

8 COMMISSIONER PINKERT: Thank you. I mean, I  
9 think it is a point that goes to the question of what  
10 happens in the United States if China continues to  
11 export in large volumes to the United States, and can  
12 the subject producers come in, in the absence of  
13 orders against them.

14 And so I think that would be very useful  
15 information. Another question that perhaps is for  
16 post-hearing. What are we supposed to do about  
17 assumptions on whether the Chinese exports will be  
18 under order for purposes of our determinations for  
19 these Sunset Reviews?

20 MS. CANNON: We will be happy to address  
21 that in the post-hearing brief, but I think that we  
22 tried to present the argument assuming either  
23 scenario, because we recognized that your vote in this  
24 case has to be made before your vote in the China  
25 case.

1                   And it is our position that if orders are  
2 imposed against China that they subject imports will  
3 likely just be back to where we started in 2002, and  
4 that even with China still in the market, if the  
5 orders against these countries are removed, you are  
6 going to see more aggressive competition among a  
7 greater number of proven dumped countries, and  
8 competing for the limited demand that is available  
9 here, just like we are seeing in third-country  
10 markets.

11                   So injury either way.

12                   COMMISSIONER PINKERT: Thank you.

13                   CHAIRMAN ARANOFF: One of the arguments that  
14 the Mexican Respondents have made about why it would  
15 be difficult for them to export significant volumes of  
16 PC strand to the U.S. market is that they lost their  
17 U.S. customer base, and would have to start from  
18 scratch in seeking customers, and qualifying their  
19 product.

20                   Since most PC strand is sold in a limited  
21 number of sizes and has to conform to ASTM standards,  
22 how long would it realistically take a U.S. purchaser  
23 to qualify a Mexican supplier if the purchaser were so  
24 inclined?

25                   MR. WOLTZ: H. Woltz with Insteel. It would

1 be measured in days, if not in hours.

2 CHAIRMAN ARANOFF: Okay. Is there any  
3 reason that the two Mexican producers, either of the  
4 Mexican producers, would not meet U.S. purchaser  
5 specifications?

6 MR. CORNELIUS: No.

7 MR. WOLTZ: No.

8 CHAIRMAN ARANOFF: Okay. And are you aware  
9 of whether the next level downstream, the purchaser's  
10 customers, place any limitations aside from known By  
11 America restrictions on where their suppliers would be  
12 purchasing PC strand?

13 MR. WAGNER: Commissioner, Richard Wagner  
14 with Insteel. From our observations and experience,  
15 the buyers do not place any such restrictions that we  
16 can see, and an example that I would like to present  
17 to you is a midwestern manufacturer of a product, and  
18 what we call Hollow Core.

19 It is used in a lot of commercial  
20 construction applications. It is a large multi-plant  
21 company, and they took on a corporate-wide purchasing  
22 initiative to make sure that they only had a certain  
23 level of class of supplier.

24 And they invited us to participate in that  
25 and it would cost us thousands of dollars to



1 participate in it, and our arm was twisted to  
2 participate in this so that we could all get better  
3 together.

4 And we did very well in it. They gave us  
5 extremely high marks, and they were very complimentary  
6 that we participated, and then we spent the next two  
7 years sharing the business with imports, who did not  
8 have to participate.

9 So I just want to say that there may be all  
10 sorts of new age kinds of ways to do things, but when  
11 it gets down to it, if there is money to be saved  
12 purchasing PC strand, it can be as simple as showing a  
13 copy of your certification, which is a piece of paper,  
14 that you meet ASTM, and offering a good price, and  
15 then shipping the product to them.

16 CHAIRMAN ARANOFF: Okay. I appreciate those  
17 answers. One question that came up right at the  
18 beginning this morning with the witnesses from the  
19 Mexican Embassy. I wanted to give you also an  
20 opportunity to respond either now or later.

21 Is there any way to get a good estimate of  
22 apparent consumption for this product in Mexico?

23 MS. CANNON: Not that we are aware of. I  
24 mean, we can look and see if we can find anything, but  
25 we haven't seen that.

1                   CHAIRMAN ARANOFF: Okay. I am certainly  
2 going to ask this afternoon, but if there is anything  
3 that you would like to provide on that subject,  
4 obviously the question of how much Mexican product is  
5 going into domestic demand, and how much that may have  
6 changed since last year, is of some interest.

7                   Okay. I want to go back to the argument  
8 that you were making on pricing, and that low prices  
9 on imported product can be a drag even on prices in  
10 the Buy America part of the market.

11                   And I just wanted to have you walk through  
12 the mechanism by which that happens. I understand the  
13 statement that purchasers might be purchasing for both  
14 kinds of markets, something that requires U.S. made  
15 products, and something that doesn't.

16                   And I can understand that that purchaser  
17 might not be happy to pay two different prices for the  
18 same product, but they can't go out and get an import  
19 supplier for the part of the market where they have to  
20 have domestic product. So what is the mechanism that  
21 translates the prices, the price effect there?

22                   MR. WOLTZ: H. Woltz with Insteel. In  
23 addition to the dual purchases that many of these  
24 customers make of Buy America and non-Buy America, the  
25 transparency of pricing is available. But the other

1 factor is as the imports gain more and more market  
2 share, and put pressure on the non-Buy America side of  
3 the market, the domestic competition level increases  
4 significantly.

5 And that is the way that it works today, and  
6 that is the way it has always worked, but there is  
7 definitely that the two markets go hand-in-hand.

8 CHAIRMAN ARANOFF: Okay. So I don't want to  
9 put words in your mouth, but you are saying that  
10 because domestic producers are forced to a greater  
11 extent into the Buy America part of the market, they  
12 compete more with each other, and that is one of the  
13 mechanisms by which the price effect translates?

14 MR. WOLTZ: Together with the transparency  
15 of what is going on, and the loss of market share to  
16 the domestic industry as a whole, yes, that's it.

17 MS. CANNON: Chairman Aranoff, I would add  
18 that this question came up at the China conference as  
19 well, where Mr. Tim Johnson, who is the president of  
20 Purchaser Suncoast was present, and he basically  
21 stated -- and we can confirm and put on the record the  
22 transcript pages.

23 But he basically stated that he knew what  
24 the prices were for both. He bought Buy America and  
25 non-Buy America. He was only willing to pay so much

1 more for the Buy America because it was the identical  
2 product.

3 So that was his testimony, too, from a  
4 purchaser advantage, that there just wasn't allowed to  
5 be that much of a difference in those prices.

6 CHAIRMAN ARANOFF: Right, and I can see why  
7 he would want to do that, but the only way he can  
8 achieve that is by finding another domestic producer  
9 who is willing to offer him a lower price on his Buy-  
10 America sale.

11 MS. CANNON: True, but apparently  
12 collectively the purchasers have all been doing that,  
13 and have been able to, partly because the domestic  
14 producers have been forced out of so much of the non-  
15 Buy America market, and their past utilization is so  
16 low that they have very little places to sell their  
17 product anymore.

18 CHAIRMAN ARANOFF: Okay. That's helpful.  
19 There has been a lot of testimony today about the fact  
20 that importers have focused on the post-tension part  
21 of the market, because the purchasers are large.

22 Which is interesting, because I know that  
23 there is a number of cases where you wouldn't see that  
24 pattern. You would see that the largest purchasers  
25 were the ones who were the most committed to

1 maintaining a U.S. supplier.

2 So what do you think accounts for the  
3 dynamic in this market of large purchasers that are  
4 willing to essentially switch, from what I can tell  
5 entirely to imports as the source?

6 MR. CORNELIUS: Jon Cornelius here. I would  
7 say the large purchasers have developed such a comfort  
8 level with the import suppliers that have been  
9 bringing dumped PC strand for such a long time into  
10 the U.S. that they don't have any concerns about  
11 supply, with that supply being changed.

12 And the attractiveness of that price,  
13 combined with that confidence, I think gives them the  
14 incentive to buy.

15 CHAIRMAN ARANOFF: The importers are  
16 inventorying the product in the U.S. so that they can  
17 get just in time deliveries?

18 MR. CORNELIUS: That's correct.

19 CHAIRMAN ARANOFF: Okay. On page 20 of  
20 their prehearing brief, and some of this is bracketed  
21 information, the Mexican Respondents provide some  
22 information comparing current home market prices for  
23 PC strand in the U.S., and Mexico.

24 Perhaps you need to do this in your post-  
25 hearing brief, but if you could comment on whether

1       these data are accurate and representative of current  
2       price levels in the two home markets, and ultimately  
3       whether there are other data, either public or  
4       proprietary, that we should be looking at to assess  
5       whether Mexican producers could obtain higher prices  
6       by selling their PC strand in the U.S. than in the  
7       home market?

8               MS. CANNON: We will do so in our post-  
9       hearing brief, Ma'am Chairman.

10              CHAIRMAN ARANOFF: Thank you. In your  
11       brief, you make a reference to an Indian government  
12       export tax on wire rods, citing I think to a newspaper  
13       article. Is there anything more official or in more  
14       detail that you have access to that would describe the  
15       size of the tax or the period of time that it has been  
16       in effect, or intended to be in effect?

17              MS. CANNON: We will look into that. The  
18       article was all that we had, but I will see if we can  
19       find anything more specific to answer that question.

20              CHAIRMAN ARANOFF: Okay. Thank you very  
21       much. I will turn now to Vice Chairman Pearson.

22              VICE CHAIRMAN PEARSON: Thank you, Ma'am  
23       Chairman. Permit me to extend my welcome also to the  
24       witnesses. I certainly learned a great deal at the  
25       tour of the Insteel facility in Sanderson, Florida, a

1 few days ago.

2 And I appreciate very much the time and  
3 effort that some of you took to help us understand  
4 that operation better. Not to disappoint Mr.  
5 Rosenthal, but I also should mention that I have great  
6 respect for your industry because you have been able  
7 to manage what seems to me to be reasonably well, or  
8 perhaps quite well, under difficult economic times.  
9 So I would just put that out there, too.

10 My first question deals with the basic  
11 supply and demand issues. Can the domestic industry  
12 produce enough PC strand to meet apparent consumption  
13 if there would be no imports into the United States?

14 MR. WAGNER: Richard Wagner with Insteel.  
15 The answer to that is definitely yes.

16 VICE CHAIRMAN PEARSON: Okay. Because in  
17 looking at the apparent consumption information  
18 available in the public version of the staff report,  
19 and then comparing it with the domestic production  
20 capacity, we see a gap that would suggest that it is  
21 not possible to produce enough domestically to meet  
22 all of apparent consumption.

23 At the current moment, yes, but looking back  
24 two or three years when we would have apparent  
25 consumption at one point in excess of -- what is it, a

1 billion pounds? Am I getting the decimal point in the  
2 right place?

3 MR. WAGNER: Yes. Absent dumped imports,  
4 additional capacities could very simply be put in  
5 place, and so as that market was growing, if you would  
6 look back at that growth curve, there is all sorts of  
7 options for us to provide that capacity.

8 But the return on capital would not have  
9 been there if we had to meet the prices that we were  
10 seeing with the dumped products.

11 VICE CHAIRMAN PEARSON: So you note the  
12 increases in capacity that we saw for the domestic  
13 industry over the period of review, and indeed they  
14 were ongoing, and steady, and so your suggestion is  
15 that if there were not imports in the market that it  
16 would not be a challenging thing for the domestic  
17 industry to add a couple of more production lines, and  
18 meet the entire domestic demand?

19 MR. WAGNER: Yes, I can assure you that  
20 certainly for Insteel's point of view, we would have  
21 invested to meet that capacity requirement, most  
22 definitely, as long as the return on capital was  
23 there, which we believed would have been there absent  
24 dumped imports.

25 VICE CHAIRMAN PEARSON: And how long would



1 it take for the industry to add perhaps a hundred-  
2 million pounds of additional capacity?

3 MR. CORNELIUS: Just as a general rule, to  
4 get one PC strand line ordered and installed is about  
5 a seven-to-eight month lead time.

6 VICE CHAIRMAN PEARSON: It is that quick?  
7 You can get the necessary permits and whatever one  
8 needs?

9 MR. CORNELIUS: Correct.

10 VICE CHAIRMAN PEARSON: Okay. So it is  
11 quicker than some other construction projects that  
12 firms get involved in?

13 MR. CORNELIUS: The equipment manufacturers,  
14 primarily out of Europe, have ramped up their  
15 operations to supply equipment to China, and are very  
16 large and organized production facilities that can  
17 produce.

18 VICE CHAIRMAN PEARSON: So particularly now  
19 at a time of economic slowdown, if one needs new  
20 equipment, you can get it really quickly?

21 MR. CORNELIUS: Maybe even faster.

22 VICE CHAIRMAN PEARSON: Okay.

23 MR. WAGNER: That's correct.

24 VICE CHAIRMAN PEARSON: Are inventories of  
25 imports currently having an effect on the U.S. market?

1 I think you might have made reference to this, Mr.  
2 Wagner. If not you, someone mentioned inventories of  
3 product in the U.S. market. Now explain to me a  
4 little bit more about how you are seeing that, and how  
5 that is influencing your business?

6 MR. WAGNER: There is still some impact from  
7 the inventory overhang that was in place when things  
8 came to sort of an abrupt halt last fall, and it still  
9 has some impact on us. We can see it begin to wane,  
10 and in fact since the investigation, we were able to  
11 begin shipping to two of the customers that had been a  
12 hundred percent import for a couple of years during  
13 the summer.

14 So, yes, there is some, and we can see it in  
15 some pockets beginning to correct itself, and yet in  
16 some areas there is still some inventory out there  
17 affecting our business.

18 VICE CHAIRMAN PEARSON: Do you have a sense  
19 of how long it might take for that inventory to be  
20 exhausted?

21 MR. WAGNER: Well, being the enteral  
22 optimist, we had hoped that it would have been over  
23 way before with the two customers that we had. So it  
24 is hard to speculate. I mean, at this point, I would  
25 hope certainly maybe by the year-end.

1                   VICE CHAIRMAN PEARSON: So within the  
2 reasonably foreseeable future that inventory should be  
3 gone, and the market should be back to what can be  
4 supplied domestically, plus basically non-dumped  
5 imports?

6                   MR. WAGNER: I would speculate that is  
7 probably so.

8                   MR. ROSENTHAL: Commissioner Pearson, just  
9 to clarify. At the end of the year, there will still  
10 be dumped imports in the U.S., because I don't think  
11 there will be an order on China in place then.

12                   But the good news has been that folks who  
13 were previously purchasing from China are now  
14 increasingly, although not exclusively, turning to  
15 domestic suppliers as an option. That has been a  
16 happy development, but there is no -- unless there is  
17 an order on China, there is no reason to believe that  
18 will be a permanent situation.

19                   VICE CHAIRMAN PEARSON: Of course. Those of  
20 you who are involved in the marketplace, do you have a  
21 sense that there are fewer imports from China entering  
22 at the current time, compared to a year ago?

23                   MR. CORNELIUS: Yes, that is our experience.

24                   VICE CHAIRMAN PEARSON: You are hearing that  
25 from customers and others?

1           MR. CORNELIUS: From our customer visits.  
2           It is similar to what as Mr. Wagner reported. We have  
3           customers that used to buy exclusively Chinese product  
4           that have reestablished contact, or that we maintain  
5           contact, but have placed inquiries for material that  
6           are new.

7           VICE CHAIRMAN PEARSON: Thank you. This is  
8           a question for Insteel. We read among other things  
9           that the gross loss for the year reflects a pre-tax  
10          charge of \$25.9 million for inventory write-downs to  
11          reduce the carrying value of inventory to the lower of  
12          cost or market resulting from the decline in selling  
13          prices for certain prices during the year relative to  
14          higher raw material costs under the FIFO method of  
15          accounting.

16          The gross loss for the first nine months of  
17          2009 also reflects the unfavorable impact of the  
18          consumption of higher costs inventory that was  
19          purchased prior to the recent collapse in steel  
20          prices.

21          Are you able to explain in public how your  
22          inventory valuation process works, and how it might be  
23          affecting your financials? And obviously I am not  
24          asking that you should say anything that would be  
25          business proprietary and that ought not to be said in

1 public. I am seeing this as an issue in the data and  
2 trying to understand it better.

3 MR. WOLTZ: H. Woltz with Insteel. I can  
4 try to shed some light on it first. First, let me say  
5 that the nature of the PC strand business is that raw  
6 material costs represent a very high percentage of  
7 costs of sales.

8 Volatility in raw material prices therefore  
9 is something that we have to live with, whether we  
10 like it, or whether we don't. It is a fact of life  
11 over time. Now I would say that while it is a fact of  
12 life, never before in the 31 years that I have been in  
13 this business have I seen what happened between  
14 January of 2008 and the end of 2008, and the first  
15 part of 2009.

16 The volatility is clearly unprecedented, but  
17 the fact that we had a collapse of steel prices in and  
18 of itself does not imply that Insteel, or any other  
19 company in the industry, was inevitably going to  
20 suffer these inventory valuation write-downs.

21 I think it is extremely important to  
22 understand that the write-downs that we took under  
23 generally accepted accounting principles are driven by  
24 not the collapse in our raw material costs, but the  
25 collapse in the selling price for our product.

1           On a monthly and quarterly basis accounting  
2           conventions require us to compare the selling value of  
3           PC strand to the costs of our wire rod, and when there  
4           is a lower cost of market issue, we are required to  
5           take that write-down.

6           So it is not that worldwide raw material  
7           prices collapsed that drove this. The fact is that it  
8           is the collapse of selling prices for PC strand driven  
9           almost entirely by dumped imports that caused these  
10          valuation adjustments to have to flow through cost of  
11          sales.

12           VICE CHAIRMAN PEARSON: Thank you for that  
13          explanation. My light is turning, and so I may come  
14          back to this issue in the second round. Thank you  
15          very much.

16           CHAIRMAN ARANOFF: Commissioner Okun.

17           COMMISSIONER OKUN: Thank you, Ma'am  
18          Chairman. I join my colleagues in welcoming all of  
19          you here today. I appreciate your willingness to  
20          provide your testimony and answer our questions.

21           Mr. Wagner, if I could just follow up on the  
22          testimony that you have given about the pre-tension  
23          versus post-tension customers, and I just wanted to  
24          make sure that I understood the difference, and how  
25          that relates to Buy America.

1           So I think as I understood it, the pre-  
2           tensioners would be more likely to be where you have  
3           Buy America because that is the types of projects that  
4           they would be providing. They would be going to the  
5           bridges or the other things that would be subject to  
6           Buy America restrictions, as opposed to post-  
7           tensioners, or some both.

8           I am just trying to make sure that I  
9           understand. Is it more dominant in one or the other?

10           MR. WAGNER: Pre-tensioners and post-  
11           tensioners can both do Buy America type projects.  
12           Post-tensioners, if they are building a bridge, it is  
13           likely Buy America. If they are going to do slab on  
14           grade for a house, it is likely not.

15           So during a housing bubble, there may be an  
16           inordinate amount of non-Buy America strand for post-  
17           tensioners. But absent a housing bubble, you would  
18           have some mix of Buy America and non-Buy America  
19           requirements, which really looks similar to the mix of  
20           Buy America and non-Buy America requirements for the  
21           pre-tensioners.

22           So absent a housing bubble, they would look  
23           very similar, and just to clarify, because it gets  
24           kind of confusing, this little device here is PC  
25           strand, and when a post-tensioner has to use strand,

1 he buys this.

2 And when a pre-tensioner needs to use  
3 strand, he also buys this. So I just wanted to make  
4 sure that there is no confusion about that. There is  
5 not a difference in what we would sell them.

6 COMMISSIONER OKUN: Right. I got that part,  
7 because I was just still trying to -- and in looking  
8 at our data, and perhaps I will ask for post-hearing  
9 on the data that is in 35 with respect to the Buy  
10 America percentage of sales over time between post-  
11 tension and pre-tension to help me understand if there  
12 has been any change, or whether we expect any change,  
13 and why, in the nature of products or anything else.

14 I guess I am still also struck by -- and  
15 maybe you can reply in your response -- on why the  
16 stimulus dollars don't seem to be going to anything  
17 that comes before the ITC as best as I can tell in our  
18 recent cases.

19 So I am still wondering where my tax dollars  
20 are going, but that is a subject not for this hearing,  
21 but somewhere else, and I won't go down that. But  
22 also in the Buy America and that figure in 35, again  
23 for post-hearing, in some years there are huge  
24 differences in prices between the two.

25 And I know that you have given responses of

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1 where there is transparency in the market, and where  
2 U.S. producers are going to be competing to get a Buy  
3 America project, and you will see pressure because of  
4 the imports.

5 And maybe if you can look at that data, and  
6 explain the consistency with that, that would be  
7 helpful to me as well. A legal question for Ms.  
8 Cannon or Mr. Rosenthal. Several times in your  
9 testimony, and in your responses, you have mentioned  
10 that the subject country companies have not sought  
11 administrative review to try to sell into the U.S.  
12 market without dumping.

13 And I wondered just as an analytical or  
14 statutory matter how we should take that into account,  
15 because it struck me -- I mean, you know, obviously if  
16 they had sought administrative review, and they got a  
17 de minimis, and you're out, then you can say that is  
18 clear. I know what I would do with that.

19 If there is an anti-circumvention finding, I  
20 look at that, but I am trying to figure out whether  
21 the Commission has ever used that in saying that is a  
22 reason to say that we know that they will come back in  
23 the market and dump?

24 MS. CANNON: Well, I mean, I guess the first  
25 thing that I would refer you to is the statement of

1 administrative action, that says that when you have a  
2 pattern of imports that have not been able to sell at  
3 the same commercial volumes once the orders were in  
4 place, there is every indication that they are likely  
5 to come back and dump again if the orders are imposed.

6 So certainly the dumping behavior, which we  
7 think also translates to pricing behavior, you would  
8 anticipate would be the same, or if they would have  
9 shown the ability to sell into this market.

10 And the only question then is then is there  
11 some reason to think that they are no longer  
12 interested, and they have just abandoned this market  
13 because they have gone off to do something else.

14 And that is where the other factors come  
15 into play that we cited, in terms of do they have  
16 excess capacity. Have they shown some other export  
17 orientation, and those types of things.

18 COMMISSIONER OKUN: Right, but the thing  
19 about that is that the Commission has focused on those  
20 latter factors in trying to see if they have an  
21 incentive to come back in.

22 I guess on the first one, it is sometimes  
23 argued by Petitioner's counsel that if someone has  
24 been in here seeking administrative review, well, that  
25 certain shows that they are interested in the market,

1 and that they are going to come back in.

2 So it is one of those where I go what should  
3 I do if it is argued both ways. I am not saying that  
4 you are doing that today, but I believe that I have  
5 heard that before. So, whether it is seeking or not  
6 seeking administrative review, how much weight should  
7 I put on that, versus idle capacity in the country, or  
8 behavior in third-country markets?

9 MS. CANNON: Well, I think they are all  
10 factors obviously to be considered, and in each  
11 individual case, you would have to look at them, and  
12 the reason that we have emphasized it a little more  
13 today is frankly in response to some of the arguments  
14 that the Respondents have made, where they basically  
15 said, hey, if we come back in the market, we have  
16 never been proven to be dumpers.

17 We are not tainted by any of this, and the  
18 fact is that they have proven to be dumpers. They  
19 have never come in and shown that they weren't engaged  
20 in that behavior.

21 COMMISSIONER OKUN: I thought they were  
22 making that argument more in the sense that they had  
23 changed ownership.

24 MS. CANNON: They did change ownership, but  
25 changing ownership does not change their status at

1 Commerce. You have to come back in and prove that you  
2 are not dumping. So, technically as Commerce found,  
3 they are likely to dump again.

4 The change in ownership itself doesn't do  
5 anything. In fact, they are both successor companies,  
6 and had they come to Commerce, they would have just  
7 found that they were subject to the same rates of the  
8 prior companies.

9 COMMISSIONER OKUN: Right. I guess I  
10 thought it was two different arguments. I mean, I  
11 understand your argument, but then there was the  
12 ownership argument, which I think you have also  
13 addressed already, but this is a different change in  
14 ownership, and whether they were a U.S. producer, and  
15 that that might be a different incentive. Mr.  
16 Rosenthal.

17 MR. ROSENTHAL: I was just going to  
18 emphasize that last point, which is that they raised  
19 the argument, and they failed to prove why their  
20 change of ownership didn't require them to dump again  
21 into the market.

22 But the last point is that the only time  
23 that they really participated in a Commerce proceeding  
24 had to do with their efforts to circumvent the order,  
25 and you mentioned that you take that into account when

1 you are looking at their likely behavior going  
2 forward.

3 It may have been called a scope inquiry, but  
4 what was going on was that they took that product that  
5 Mr. Wagner described, and put a light coating of zinc  
6 on it.

7 COMMISSIONER OKUN: Some of something out of  
8 the magic hat?

9 MR. ROSENTHAL: Sure it is. This is the  
10 subject merchandise. They put a light coating of  
11 zinc, and viola, it looks exactly like the subject  
12 merchandise. In fact, it was, and that is exactly  
13 what the Commerce Department found.

14 It was circumvention, and Commerce made a  
15 determination that the merchandise that the Mexican  
16 producers were bringing in were within the scope, and  
17 the Court of International Trade confirmed that.

18 Now, I believe that that is very relevant to  
19 your analysis, to the extent that you are looking at  
20 circumvention, because that is what that was about.

21 That is the only time they chose to  
22 participate in the Commerce Department process, even  
23 though as Ms. Cannon pointed out, they could have  
24 chosen when they got new owners to show that the bad  
25 behavior earlier was from the old ownership, and we

1 are not doing that, and in fact we are not even  
2 dumping anymore.

3 They didn't do that, and that is very  
4 relevant, especially given the arguments that they  
5 have raised.

6 COMMISSIONER OKUN: All right. I appreciate  
7 those further comments on that. And then I wanted to  
8 follow up with respect to Mexico's status as a net  
9 importer, and how the Commission should view that in  
10 terms of looking at whether to exercise their  
11 discretion to accumulate.

12 And I know, Ms. Cannon, that you responded  
13 to that. You were asked about were they importing  
14 something different or not, and you had focused on  
15 that they do have excess capacity.

16 MS. CANNON: Yes.

17 COMMISSIONER OKUN: And I guess I was still  
18 trying to understand just that argument again, going  
19 back to what is their incentive to sell into the  
20 United States if they have excess capacity now, and  
21 they are a net importer.

22 What does that mean, both about the Mexican  
23 market, and the difference with the U.S. market, and  
24 so maybe you could just elaborate on that argument for  
25 me on why they would have a different incentive if the

1 orders are lifted with respect to their excess  
2 capacity than they do currently.

3 MS. CANNON: Okay. First of all, I would  
4 clarify that their status as a net importer or  
5 exporter under the data is based on total stranded  
6 wire. It isn't even specific to PC strand.

7 Secondly, what their behavior is right now  
8 with respect to PC strand is very much driven by the  
9 fact that they are subject to a dumping order, and  
10 they are not selling into this market.

11 So I don't know that the fact that their  
12 status as a net importer or exporter tells you as much  
13 as some of the other factors that are relevant to what  
14 their likely export behavior would be if the orders  
15 went away, which include the many factors that we have  
16 been going through; the circumvention, they are trying  
17 to get into the U.S. market by establishing facilities  
18 in Texas and Arizona, and the excess capacity.

19 And I am somewhat constrained by proprietary  
20 to discuss that very much, but I think that is kind of  
21 an important factor to look at when you listen to  
22 their arguments about likely sales in the Mexican  
23 market, and what they are going to do in the future,  
24 is the excess capacity situation, and what that means  
25 for future behavior and reestablishing ties here in

1 this market, where they have consistently sold as a  
2 critical market for them.

3 COMMISSIONER OKUN: Mr. Rosenthal.

4 MR. ROSENTHAL: One last point on that. I  
5 would argue that assuming that they are correct that  
6 they were a net exporter or importer of PC strand,  
7 although it is not clear that they are based on what  
8 Ms. Cannon said, I would argue that it makes them more  
9 likely to export to the U.S.

10 They don't have a protected home market.  
11 They need an outlet for their excess capacity. They  
12 obviously have competition at home. Where is that  
13 product going to go? Well, if they can sell in the  
14 U.S. because there is no longer any restraint by the  
15 dumping order, they are going to do that. So I think  
16 that their argument does not work.

17 COMMISSIONER OKUN: Okay. Well, my red  
18 light has come on, and so I will have a chance to  
19 return to that. Thank you.

20 CHAIRMAN ARANOFF: Commissioner Lane.

21 COMMISSIONER LANE: Mr. Cornelius, if this  
22 is a BPI question, or if your answer is BPI, you can  
23 answer post-hearing. Do you know the primary export  
24 market for Sumitomo, your Japanese parent company for  
25 its PC strand products?



1           MR. CORNELIUS: I don't know that  
2 personally. I could check and find out, and reply  
3 post-hearing.

4           COMMISSIONER LANE: Okay. Thank you.  
5 Within the import data do you have any facts or  
6 estimates as to what percentage of the import data for  
7 each of the subject countries is subject merchandise,  
8 and what percentage is non-subject merchandise?

9           MS. BECK: It is our understanding that the  
10 THTS numbers that comprise the data are all covered,  
11 and that it is all covered as subject merchandise.

12           COMMISSIONER LANE: Okay. Thank you. I  
13 want to go back to what this product is used for, and  
14 it appears to be primarily in bridges and parking  
15 garages, and things like that. And I have not read  
16 the stimulus bill, but isn't there anything in there  
17 that relates to bridge construction, or these other  
18 big projects that would seem to have good effect upon  
19 the economy if they were being built?

20           MR. WOLTZ: H. Woltz with Insteel. Maybe to  
21 shed some light on the issue. You may recall that  
22 when the stimulus bill was first being crafted, there  
23 were numbers as high as a hundred or 125 billion  
24 dollars that were going to be attributed to what we  
25 call infrastructure.

1           At the end of the day, for what we call  
2 infrastructure, the actual number that was included in  
3 the stimulus bill was closer to \$27 billion. So a  
4 hundred-billion under what the strongest  
5 infrastructure advocates were proposing.

6           And the reason is exactly back to this ready  
7 to go nature of projects that are actually going to  
8 employ people. Infrastructure projects just aren't  
9 it, and as a result over the negotiations for the  
10 stimulus package, the number of dollars that were  
11 ultimately devoted to infrastructure fell  
12 dramatically.

13           And while maybe not inconsequential if you  
14 assume that the spending is going to take place over a  
15 two to three year period, which we believe is correct,  
16 then the impact is more like 10 or 12 percent of the  
17 underlying base level of spending. It's just not an  
18 amount that is enough to get anyone excited.

19           COMMISSIONER LANE: Okay. A follow-up then.  
20 Is there money in the stimulus package for the type of  
21 construction that uses PC strand beyond the two-to-  
22 three year period? Let's say five years out.

23           MR. WOLTZ: Not for infrastructure  
24 designated projects. That is the best that I  
25 understand the whole issue and your question.

1           MR. ROSENTHAL: Commissioner Lane, I just  
2 wanted to go on record that we do have clients that  
3 are going to benefit from the infrastructure spending,  
4 and you will see them later this year. Unfortunately,  
5 they are not the PC strand producers. But I didn't  
6 want there to seem to be a failure of the entire  
7 government relations apparatus in Washington, D.C.

8           COMMISSIONER LANE: Then let me have a  
9 follow-up question for you. Have you read the  
10 stimulus bill?

11          MR. ROSENTHAL: I have read a couple of  
12 pages of it.

13          COMMISSIONER LANE: Okay. Thank you.

14          MR. ROSENTHAL: The ones that deal with Buy  
15 America for steel and iron products.

16          COMMISSIONER LANE: Okay. Thank you. We  
17 have heard some information that the States, of  
18 course, have not been able to take advantage of  
19 infrastructure spending also because of either lack of  
20 funding or the economic downturn, or that they weren't  
21 shovel ready projects.

22                 Do you have any specific information as to  
23 the cutbacks in the States, and if you don't, that's  
24 okay. You can just say that it is occurring, and I  
25 will believe you.

1           MR. WOLTZ: I can't cite it chapter and  
2           verse, but there is public information available on  
3           the magnitude of the cutbacks in many States, if not  
4           all, and they are substantial. But I am sure that we  
5           could research it and try to provide some information.

6           COMMISSIONER LANE: Okay. Thank you. Ma'am  
7           Chair, that's all I have.

8           CHAIRMAN ARANOFF: Commissioner Williamson.

9           COMMISSIONER WILLIAMSON: Thank you, Ma'am  
10          Chairman. I don't know if this specific question was  
11          addressed earlier, but you state that the PC strands,  
12          both pre-and-post tension, use price is basically  
13          identical.

14          However, the pricing data on Table V-2 and  
15          in V-3 show price differences between the two uses,  
16          and I was wondering how do you explain this?

17          MS. CANNON: The price differences are  
18          basically a reflection of the fact that most of the  
19          imports target the post-tension market, and the  
20          imports have the low prices, and they are the drag in  
21          that market, much more so than pre-tension.

22          Not to say that they are not in pre-tension  
23          as well, but they are not in the pre-tension sales to  
24          as great an extent, and so they have a more depressing  
25          effect on the post-tension market sales.

1           They also tend to be the larger volume  
2 accounts, which does account to some extent for lower  
3 prices. They are just given the bigger volumes  
4 involved, I believe, and anybody can comment or  
5 clarify.

6           MR. WAGNER: That's accurate, and it does  
7 create a drag at the pre-tension, because they will  
8 buy some of it when offered, and they will intensify  
9 their buying efforts on the domestic requirements side  
10 once they have a target price of a low import like  
11 that.

12           COMMISSIONER WILLIAMSON: Okay. Are there  
13 some people who might otherwise buy post-tension who  
14 would buy pre-tension because of the price difference?

15           MR. WAGNER: It is the same product.

16           COMMISSIONER WILLIAMSON: Okay.

17           MS. CANNON: You are not buying a pre-  
18 tension or post-tension strand. You are just buying  
19 it for the application exactly.

20           COMMISSIONER WILLIAMSON: Okay.

21           MS. CANNON: The product is otherwise  
22 identical.

23           COMMISSIONER WILLIAMSON: Okay. Good. Some  
24 of you have made reference to wire producers, and so  
25 there is a relationship between producers, wire

1 producers, and this PC strand is like a subset of  
2 that.

3 And I was just wondering how easy is it for  
4 somebody who makes other wire products to go into the  
5 PC strand business, and should we be taking that into  
6 account when thinking about capacity in other  
7 countries?

8 MR. CORNELIUS: Jon Cornelius here. In the  
9 world of wire production, the equipment necessary to  
10 make PC strand is very specific, and unique, and  
11 people generally will not have equipment that makes PC  
12 strand and other products.

13 So to the extent that someone wants to enter  
14 the PC strand business, they would have to make  
15 specific investment in the equipment necessary to do  
16 that.

17 COMMISSIONER WILLIAMSON: But is it more  
18 likely that if someone enters that, they may be a wire  
19 producer, and they decide to get that equipment? Is  
20 there any relationship there? And I forgot who said  
21 it, but several times I heard reference to wire  
22 producers, and that there was some relationship, and I  
23 was just trying to get a further clarification of  
24 that.

25 MR. CORNELIUS: Jon Cornelius here. I would

1       assume it is possible if you are familiar with the  
2       fundamentals of wire production, that you could choose  
3       to enter the PC strand business. There is no barrier  
4       there.

5                   COMMISSIONER WILLIAMSON: Okay. Good. I  
6       wanted to make sure that I wasn't missing something  
7       there. Thank you. What is indented PC strand provide  
8       to consumers, and why would some consumers want that?

9                   MR. WAGNER: This is Richard Wagner with  
10       Insteel. Indenting PC strand increases its surface  
11       area, and it also provides a different shape to the  
12       surface which causes it to bond to concrete better  
13       than a smooth strand.

14                   So when you have prestressing, or a  
15       prestessor, usually they are pretensioners, and they  
16       would almost always be pretensioners. If they have a  
17       short length, where the development of a bond between  
18       the strand and the concrete mechanically comes into  
19       question, then indenting the strand can give them some  
20       aided bond characteristics.

21                   Most typically we see this for railroad  
22       ties, which are relatively short, and when they  
23       release the strand, it has to hold in a short section  
24       of concrete.

25                   COMMISSIONER WILLIAMSON: Okay. And is it

1 mostly the domestic producers who are selling the  
2 indented product?

3 MR. WAGNER: I am not sure which ones do or  
4 don't, but indenting the strand is as simple as  
5 getting a device called a Turk's Head, and installing  
6 it on a wire drilling machine, and at that point, you  
7 are able to make an indented strand.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. WOLTZ: I might just add that it is not  
10 a very attractive product, because it is difficult to  
11 produce, and the market is extremely small. I would  
12 doubt that many other producers than Insteel produce  
13 indented product in the U.S.

14 COMMISSIONER WILLIAMSON: Okay. Thank you.  
15 How does the epoxy coated PC strand differ from the  
16 plastic covered PC strand, and what are the benefits  
17 and end-uses of both products, and do they serve  
18 different markets?

19 MR. CORNELIUS: Jon Cornelius here. First,  
20 epoxy coated strand is less than one percent of the  
21 overall market. It is a very small percentage of the  
22 strand market. Both the epoxy coated and the plastic  
23 coated product provide a corrosion barrier or  
24 protection against corrosion.

25 Beyond that there are some other technical



1 differences that do differentiate some of the  
2 applications, and the reasons that people choose the  
3 products, but as I said, the epoxy coated product is a  
4 very small percent, less than one percent of the  
5 overall industry.

6 COMMISSIONER WILLIAMSON: Okay. Thank you.  
7 And what is the galvanized PC strand, and how is it  
8 used?

9 MR. WAGNER: Galvanized PC strand is really  
10 rarely used in concrete because there is some  
11 unattractive problems that get caused when you  
12 introduce zinc to concrete. PC strand becoming zinc  
13 coated and calling it a galvanized PC is used mostly  
14 in perimeter railing.

15 Whereas, if you built a parking deck, or  
16 some other sort of structure where you don't want a  
17 pedestrian to fall over the side, or you don't want a  
18 car to park up so close that it abuts its bumper to  
19 the columns, then they use PC strand and have it  
20 galvanized, because it is a very tough product, and a  
21 very high tensioned product.

22 And the application for galvanized PC is  
23 extremely small. Again, less than a percent of the  
24 market.

25 COMMISSIONER WILLIAMSON: Okay. Why wasn't

1 that included in the original -- well, why was it not  
2 originally included in the scope of its original  
3 order?

4 MS. CANNON: Basically because there was no  
5 import issue with respect to that type of product.

6 COMMISSIONER WILLIAMSON: Is it being  
7 produced in the U.S. now?

8 MR. CORNELIUS: Jon Cornelius here. I don't  
9 believe it is being produced in the U.S. We are not  
10 producing it.

11 MR. WAGNER: I believe it is produced in the  
12 U.S. now, but not by any of the group that is here  
13 today.

14 COMMISSIONER WILLIAMSON: Okay. And is  
15 there much value added by galvanization?

16 MR. WAGNER: The galvanization corrosion  
17 protects the product. So if you took PC strand bare,  
18 and you used it in that application, then a pedestrian  
19 walking by there very soon could get a rust or  
20 oxidization on his clothes or whatever.

21 So that's why it is kind of unattractive to  
22 just have it out there bare. So galvanizing it would  
23 slow that process down and make it a cleaner product  
24 to be around people or cars.

25 COMMISSIONER WILLIAMSON: Okay.

1           MR. WAGNER: And in terms of adding value,  
2 from a cost basis, it is probably an additional -- it  
3 probably would cost the same to galvanize it as it  
4 costs us to make a bare strand if you start from the  
5 same raw materials. So it would double the cost of  
6 production.

7           COMMISSIONER WILLIAMSON: Okay. And do you  
8 know if any of the subject countries are producing it  
9 and are exporting it to the U.S.?

10          MR. WAGNER: I can't say for sure now. I do  
11 know that at one point that galvanized PC strand was  
12 made by at least one of the subject countries by  
13 memory back then.

14          MR. CORNELIUS: I believe Korea is importing  
15 that product.

16          COMMISSIONER WILLIAMSON: Okay. Thank you.  
17 Thank you for those answers, and I have no further  
18 questions.

19          CHAIRMAN ARANOFF: Commissioner Pinkert.

20          COMMISSIONER PINKERT: I just have a few  
21 follow-up questions. Going back to Commissioner  
22 Okun's questions about any inferences to be drawn from  
23 not requesting administrative reviews at the Commerce  
24 Department.

25          Wouldn't any inferences to be drawn from

1 that be encompassed in Commerce's Sunset determination  
2 and not relevant to the determination that we have to  
3 make in this case?

4 MS. CANNON: Oh, yes, I think that is  
5 correct, and Commerce has made findings that there is  
6 likely to be dumping again, and the reason that we are  
7 raising those issues here is simply in response to  
8 some of the Mexican Respondent's arguments.

9 But you are absolutely right. Commerce is  
10 the entity that makes the determination whether  
11 dumping behavior is likely to occur, and they have  
12 found that it is.

13 CHAIRMAN ARANOFF: Mr. Secretary, we didn't  
14 get the lights switched when Commissioner Pinkert  
15 began.

16 COMMISSIONER PINKERT: Okay. Concerning  
17 likely volume and likely market share going forward,  
18 given the fact that the subject countries essentially  
19 pulled out of the U.S. market after the orders went  
20 into effect, are we limited in our determinations on  
21 those issues to pre-order behavior by the subject  
22 countries, or is there some other set of data that we  
23 can look at regarding likely volume and market share  
24 going forward?

25 MS. CANNON: Well, certainly the capacity

1 data, I think, is very significant and relevant to  
2 your inquiry there, and as we said, we have got  
3 substantial or increased capacity at these countries,  
4 and even more importantly, huge unused capacity.

5 I mean, they have been subject to this  
6 worldwide economic crisis as well, and so they are  
7 sitting there with idle facilities, and they need an  
8 outlet for that product.

9 And by our measurement collectively, and we  
10 have done some more specifics on a confidential basis  
11 in the brief, of how much is available to each of  
12 those countries to export here, collectively it is far  
13 more than they exported pre-order.

14 So, yeah, we think that while pre-order  
15 behavior is indicative of what they have done in the  
16 past, current capacity and unused capacity is hugely  
17 indicative of likely volumes that would come here that  
18 would exceed even those pre-order levels.

19 MR. ROSENTHAL: Commissioner Pinkert, I do  
20 agree certainly with what Ms. Cannon said, but the SAA  
21 and common sense says that you start with the pre-  
22 order behavior, and then see what has changed.

23 Obviously, if pre-order behavior alone was  
24 all that mattered, you wouldn't have to endure this  
25 morning with us. So that is very indicative of what

1 would happen, I would argue, going forward, unless  
2 there is something that has changed.

3 And in this instance, the things that have  
4 changed have actually changed for the worse, because  
5 you have got not just the capacity utilization issue  
6 that was discussed at great length, but also the  
7 vulnerability that is obvious today, along with the  
8 Chinese presence in the marketplace, and the other  
9 factors that we have mentioned.

10 MS. BECK: And, Commissioner Pinkert, if I  
11 could just add in addition to the capacity and end-use  
12 capacity on a volume basis, also the pricing behavior  
13 now. Very recently in markets that are close to the  
14 United States, whether it be in Central America, or in  
15 South America, where these subject countries are  
16 underselling the U.S. prices.

17 COMMISSIONER PINKERT: And presumably we  
18 will have more information about how they are behaving  
19 with respect to Chinese exports and those third-  
20 country markets.

21 MS. BECK: Yes, we will definitely provide  
22 that for the post-hearing brief.

23 COMMISSIONER PINKERT: Thank you. Now, I  
24 know that this is a difficult question, and if you  
25 can't answer it, I will understand, but how does

1 Mexico rank with respect to the various subject  
2 countries in terms of a threat going forward to the  
3 U.S. industry?

4 MS. CANNON: Well, I'll start, and I would  
5 say that they're fine. I'd say they're very much up  
6 there because of their proximity and their past  
7 behavior. We think that they are actively interested  
8 in getting back into this market, and, you know, none  
9 of the other countries took the steps of trying to  
10 circumvent the order, trying to establish U.S.  
11 operations, trying to do the many things that we saw  
12 Mexico do once these orders went in place, which to us  
13 provide every indication of a consistent interest in  
14 trying to stay into this market no matter what they  
15 had to do to accomplish that goal.

16 So based on those behaviors, and the  
17 continued existence of capacity and unused capacity  
18 there, and the U.S. being one of their prime markets  
19 in their back door, in effect, we think they would  
20 rank very high. I hate to, you know, rank countries,  
21 but they would be way up at the top of threats to this  
22 industry.

23 COMMISSIONER PINKERT: I asked that question  
24 irrespective of the view about cumulation that we  
25 might embrace for this case, but I'm just wondering as

1 a matter of fact where the threat ranks. Mr.  
2 Rosenthal? Mr. Cornelius?

3 MR. CORNELIUS: Yes. John Cornelius here.  
4 I was just going to add that for all the countries  
5 that imported strand and dumped strand into the U.S.  
6 prior to this order and to date, there are established  
7 importers out there who are constantly seeking the  
8 world for the cheapest strand that they can source to  
9 supply a customer base that they've established in the  
10 U.S.

11 So to the extent that they would obviously  
12 inquire if the order was removed from Mexico as a  
13 sourcing option in their portfolio of suppliers that  
14 they call upon, that mechanism and that ease of entry  
15 back into this market I think is evidenced by their  
16 behavior prior to this order and expect them to be one  
17 of the basket of suppliers these importers would rely  
18 upon to again service their customers they've  
19 established in the U.S.

20 COMMISSIONER PINKERT: Okay. My final  
21 question has to do with an argument in the Mexican  
22 producers' brief about the fact that the Commission in  
23 the recent China prelim did not find that the domestic  
24 industry was presently industry but found an  
25 affirmative based on threat for purposes of the



1 preliminary determination.

2 I'm wondering, either as a legal matter or  
3 as a factual matter, is that relevant to what we are  
4 supposed to be determining in this case?

5 MS. CANNON: No. What the Commission found  
6 in the China case in terms of whether those imports  
7 were presently causing injury or threatening injury I  
8 don't think is relevant because there are other  
9 factors outside of what's relevant to a sunset inquiry  
10 that are pertinent here. What is relevant, I think,  
11 is the limited part of the analysis that went to  
12 vulnerability there, and with respect to that, the  
13 Commission split.

14 Three Commissioners found on the basis of  
15 the data at that time there was present vulnerability,  
16 and three Commissioners found that there was not, that  
17 there was a threat of injury. We would submit that  
18 the data or the findings at that point were only  
19 through first quarter. What's happened in the first  
20 half of the year has continued the trends that we saw  
21 and has shown the continued vulnerability of the  
22 industry.

23 What's happened since that all the way up  
24 until now with demand continuing to be down, with the  
25 industry facing a bleak outlook, with everything being

1 depressed and looking forward things being very bleak,  
2 that the vulnerability finding is very relevant here  
3 and that, you know, for those Commissioners that maybe  
4 didn't find that up through the data present then, we  
5 submit that the industry is highly vulnerable at this  
6 point.

7           So we think that aspect may be the only  
8 relevant part, but the causation of China and causing  
9 injury or not causing injury isn't particularly part  
10 of the Commission's analysis for this sunset review, I  
11 don't believe.

12           COMMISSIONER PINKERT: Just focusing on that  
13 vulnerability finding for a moment, is the fact that  
14 this is a sunset review and that was not a sunset  
15 review, does that fact have any bearing on our  
16 vulnerability finding in the one as opposed to the  
17 other?

18           MS. CANNON: Well, obviously you're  
19 undertaking different inquiries, so, you know, I leave  
20 that to you. Obviously, that is your judgment as to  
21 what is vulnerable and what is relevant to your  
22 analyses. You look at a lot of the same factors, but  
23 not all of the same factors.

24           In this case, for example, one of the things  
25 that's heightening vulnerability is the presence of

1 the Chinese imports, which wasn't part of that  
2 analysis and inquiry. So there are different factors,  
3 some of which overlap and some of which do not, that  
4 will affect the findings here.

5 COMMISSIONER PINKERT: Thank you. That's  
6 all I have but I do look forward to the posthearing  
7 submission and I appreciate the testimony today.

8 CHAIRMAN ARANOFF: Just one follow-up  
9 question I wanted to clarify on pricing practices in  
10 the industry. I'm always struck by the fact that  
11 there are a number of steel consuming industries that  
12 are able to pass on the cost of their steel input in a  
13 surcharge formula. That's not the case for your  
14 product, that your wire rod costs, there's no  
15 surcharge formula that goes into your prices?

16 MR. WOLTZ: H. Woltz with Insteel. No. The  
17 surcharge mechanism has never taken hold in our  
18 industry. Part of the reason is that we frequently  
19 are asked to serve projects that span multiple  
20 quarters and it's just not conducive. The industry,  
21 the customer consuming industry, just doesn't accept  
22 it.

23 CHAIRMAN ARANOFF: Okay. So what, if  
24 anything, are you able to do to address the volatility  
25 in wire rod prices?

1           MR. WOLTZ: Speaking for Insteel, we  
2 recognize the height in volatility of the market and  
3 we're just managing our business much more  
4 conservatively. We have changed our practices to  
5 recognize that volatility, and truthfully, it's just a  
6 major issue for everyone surrounding the industry from  
7 lenders to investors. It's certainly an increasing  
8 risk that we are unable to really get our arms around.

9           CHAIRMAN ARANOFF: So you can't have a  
10 surcharge formula that passes some of the risk on to  
11 your customers, and you don't have any kind of a  
12 hedging strategy that you've tried?

13           MR. WOLTZ: There's not a financial  
14 instrument that exists that would allow us to hedge  
15 our wire rod exposure. Purchasing more or less steel  
16 in certain environments may occur, but there comes a  
17 point when that speculation, which certainly speaking  
18 for Insteel we just don't want to do, we're more  
19 comfortable riding with the market forces than we are  
20 betting that we're smarter than a world market.

21           CHAIRMAN ARANOFF: Okay. So really the only  
22 thing you can rely on is your ability to predict what  
23 demand is going to be like going forward, however many  
24 period of weeks and months that it takes between when  
25 you order wire rod and when you sell a final product.

1           MR. WOLTZ: That's essentially correct. As  
2 the volatility has increased, we've been more  
3 conservative in all of those practices.

4           CHAIRMAN ARANOFF: Okay. Thank you very  
5 much. I appreciate those answers, and I don't have  
6 any further questions so I'm going to turn to Vice  
7 Chairman Pearson.

8           VICE CHAIRMAN PEARSON: Thank you, Madam  
9 Chairman. Mr. Woltz, you had indicated earlier that  
10 there's been a significant decline in the price of PC  
11 strand this year that worked into the inventory  
12 valuations that we talked about earlier.

13           What I see in the public version of the  
14 staff report is that average unit values for PC strand  
15 in interim 2009 were \$533, which was down from the  
16 \$560 in the previous year interim, so there was a  
17 reduction of some 4.8 percent in the value of PC  
18 strand. That does not strike me as a huge downward  
19 fluctuation, and I'm wondering if you could elaborate  
20 on that. Perhaps there's something that's not on this  
21 record that would be helpful.

22           MR. WOLTZ: I'm not sure that I'm in the  
23 position to speak about any specific number that comes  
24 out of a table that you're referring to there.  
25 Suffice it to say that between the middle of 2008 and

1       today the pricing deterioration of PC strand is much  
2       greater than the magnitude that you cite there.

3               VICE CHAIRMAN PEARSON: Okay. Then for  
4       counsel, for Ms. Beck, could you please document that  
5       for purposes of the posthearing? Because I have some  
6       considerable degree of confidence normally in the data  
7       in the staff report, particularly when, to the best of  
8       my knowledge, there's not been an ongoing discussion  
9       with counsel about data problems, so if we've got  
10      these prices wrong, I really want to know it.

11              MS. BECK: We'll address it in the  
12      posthearing brief, but I think, also, looking at some  
13      of the quarterly data that's been collected for the  
14      individual pricing products also helps somewhat to  
15      show, if you look even at third quarter 2008 what some  
16      of the drops are into 2009, I think looking at it on a  
17      weighted average basis on a quarterly period of time  
18      helps as opposed to just the first half of 2008  
19      compared to the first half of 2009 because some of  
20      these drops are amassed if you're looking --

21              VICE CHAIRMAN PEARSON: I would have seen  
22      the deterioration in the industry's performance far  
23      more a volume effect than a price effect here, so  
24      that's -- I'm just trying to understand the  
25      perspective of the people who are actually involved in

1 the business.

2 So then for anyone, is there anything on  
3 this record that would lead us to conclude what Mr.  
4 Woltz had mentioned earlier, that the decline in  
5 prices that we see was caused primarily by dumped  
6 imports rather than by decline in raw material values  
7 for wire rod or the sharp decline in demand that is  
8 quite evident on this record? Mr. Woltz, did you care  
9 to address that?

10 MR. WOLTZ: Well, as I stated when you asked  
11 me about the nature of the inventory valuations, it's  
12 not inevitable that raw material price declines result  
13 in offsetting declines of PC strand prices. The  
14 market just doesn't work that way.

15 I think through the period 2003 through 2008  
16 we've seen tremendous cycles of very strong business  
17 conditions followed by weak conditions where  
18 inventories become an issue and industry shipments  
19 fall, and admittedly, those cycles have not been as  
20 dramatic as what we've seen this year, but I think you  
21 would see that as prices ebbed and flowed during that  
22 period of time we were not forced, necessarily, to  
23 reduce PC strand prices and take deteriorated spreads  
24 between raw material costs and selling values simply  
25 because wire rod prices went down. It just didn't, it

1 didn't happen that way.

2 MR. WAGNER: If I may add? As far as the  
3 imports go and the causation there, you know, during  
4 2008 the imported Chinese strand was coming in in very  
5 high volumes, very low prices, and it was being  
6 offered and sold that way.

7 As September, October 2008 hit and all this  
8 really bad financial news came out, everything stopped  
9 and all these inventories that they had already had in  
10 place and everything on the way, you know, washed into  
11 the United States and put incredible pressure on price  
12 during late 2008 and early 2009.

13 VICE CHAIRMAN PEARSON: Okay. Ms. Beck, is  
14 this an industry in which it's fair to characterize  
15 the variable cost of production as being relatively  
16 high compared to the fixed cost of production?

17 MS. BECK: It is my understanding that that  
18 is the case.

19 VICE CHAIRMAN PEARSON: Okay. Then, Ms.  
20 Cannon, going back to a point you made earlier with  
21 considerable enthusiasm, is this industry really  
22 vulnerable? I ask that because it did well  
23 financially throughout the POI until the 2009 interim  
24 period. It is a cyclical business that's subject to  
25 the normal fluctuation of the construction business.



1           The losses that we see in interim 2008  
2 appear to relate in a meaningful way to the inventory  
3 adjustments that we discussed earlier, and, to me,  
4 that seems unlikely to recur again, those sorts of  
5 inventory adjustments in the reasonably foreseeable  
6 future.

7           We have a relatively high ratio of variable  
8 costs to fixed costs so production can be shut down  
9 without having the same sorts of effects of a steel  
10 mill where you shut down a blast furnace. It's just  
11 not so terribly obvious to me that we would describe  
12 this industry as vulnerable. It's in a normal  
13 downturn in the business cycle, and within the  
14 reasonably foreseeable future one could posit that  
15 it's more likely things get better than get worse.

16           MS. CANNON: With all due respect, I'm going  
17 to disagree with a lot of those assumptions. Your  
18 first comment was the industry did well up through  
19 2008, and, as we stated earlier, we don't believe  
20 that's true. Just because the industry was making  
21 operating profits, this industry was not doing well.  
22 This industry was downsizing, reducing production, was  
23 reducing shipments, was losing significant market  
24 share to China, was losing sales, was losing accounts,  
25 was laying off employees.

1           So basically, on all the trade variables  
2           that we were looking at through 2008 -- and the  
3           profits were declining as well and they were able to  
4           maintain the profits simply because they decided not  
5           to continue to sell into the accounts, or weren't able  
6           to sell into the accounts, against the Chinese  
7           imports.

8           So I don't think it's true to say that they  
9           did well up until 2009. Where we are now is abysmal.  
10          it is not a reflection simply of a business cycle.  
11          It's a confluence of events that is comprised of  
12          Chinese imports killing the market, the worst  
13          recession and demand picture right now and going  
14          forward that we've seen in a long time, and, as you  
15          saw from the charts that Ms. Beck displayed,  
16          significant declines in virtually all trade and  
17          financial variables to very low points.

18          The inventory write offs that you suggest  
19          are perhaps a separate cause or a separate factor, I  
20          again disagree with that because, as Mr. Woltz  
21          testified, the problem was not the higher inventory  
22          cost, the problem was an inability for Insteel and  
23          other producers to sell at prices that covered those  
24          costs.

25          You always have volatility of costs in any

1 market, but when you can't put your prices at a level  
2 that cover those costs because of the Chinese imports,  
3 because of those dumped imports, that's what led to  
4 the problems that they've had.

5 So at this point I think there is no  
6 question in my mind and I think ample record support  
7 for a highly vulnerable industry, and virtually all  
8 trade and financial variables being down, and an  
9 extremely bleak outlook going forward on the demand  
10 side, and coupled with the presence of these dumped  
11 Chinese imports, to think of them adding to that by  
12 removing orders against six countries that have dumped  
13 and caused injury in the past seems to me, and I'm  
14 being enthusiastic but I, you know, very strongly  
15 believe that it seems to me a very vulnerable  
16 situation to invite dumped imports into this market.

17 VICE CHAIRMAN PEARSON: Right. Well, you  
18 took a step beyond where I was because I was just  
19 looking at vulnerability rather than whether we'd lift  
20 the orders, but your points, even though I don't agree  
21 with all of them, are well-taken and well-articulated.  
22 Madam Chairman, the light's changing so I'll turn it  
23 back to you.

24 MR. ROSENTHAL: May I just add one thing? I  
25 probably should take yes for an answer, at least for

1 most of these, but I do think it's important on one  
2 point to note that, yes, you can reduce variable costs  
3 by shutting down your, by stopping the buy raw  
4 materials and by shutting your production and laying  
5 off workers. That's what's happened here.

6 To me, that defines vulnerability. The fact  
7 that you're no longer having high priced inventory to  
8 write down does not provide any reason for optimism  
9 for this industry.

10 CHAIRMAN ARANOFF: Commissioner Okun?

11 COMMISSIONER OKUN: Thank you. I think I  
12 just have a couple of things to follow up on. One,  
13 Ms. Beck, I just want to make sure whether I heard you  
14 correctly just as I'm looking at what statistics we're  
15 looking at.

16 In response to a question from Commissioner  
17 Lane I thought I heard you say that the official  
18 statistics include only in scope subject product, and  
19 as I was reading the staff report, it looks to me like  
20 that's not what we have, so I just want to make sure I  
21 understood your response or that you don't think that  
22 there's --

23 MS. BECK: It's our understanding that, if  
24 there's a small portion of material that's not covered  
25 then I guess I wasn't aware of that, but that if we're

1 using the import statistics, that that is very  
2 comparable to what the subject merchandise is.

3 COMMISSIONER OKUN: Okay. If you could just  
4 clarify with staff.

5 MS. BECK: Sure.

6 COMMISSIONER OKUN: There are a couple in  
7 the staff report where you might want to just make  
8 sure that we understand which statistics we're looking  
9 at just for purposes of being --

10 MS. BECK: Okay. Will do.

11 COMMISSIONER OKUN: -- perfectly clear about  
12 that.

13 MS. BECK: Okay.

14 COMMISSIONER OKUN: Okay. I appreciate  
15 that. And then just, I had one follow-up just with  
16 respect to the attractiveness of the U.S. market with  
17 respect to pricing, and that is in terms of what  
18 prices to look at, and, you know, again, whether AUVs,  
19 well first, whether AUVs are an appropriate factor to  
20 look at here, and then also, in doing that, I mean,  
21 again, we have a lot of these break outs on the Buy  
22 American and pretension versus posttension.

23 I've understood what you've said about the  
24 posttension, pretension markets staying, you know, the  
25 imports taking these bigger customers and that's why

1 you see lower prices, but between the Buy American  
2 prices and the non-Buy American prices, if I'm looking  
3 at the attractiveness of the U.S. market, should I be  
4 looking at the non-Buy America prices in the U.S.  
5 market and then looking at the subject countries'  
6 export prices as a comparison of whether the U.S.  
7 market's attractive since they wouldn't be able to  
8 compete for the Buy American portion of the market?  
9 Okay.

10 MS. CANNON: We will look at that further.  
11 I understand you're generally saying they can't  
12 compete in those sales, and how the prices compare,  
13 and what they're selling at.

14 We'd have to look at that exactly more  
15 closely, but I think generally what our information  
16 indicates is when we were comparing the prices in  
17 third country markets that Insteel is seeing in  
18 exporting activities that their experience was U.S.  
19 prices were generally higher, and that wasn't just  
20 limited to a Buy America, that was for the general  
21 prices in the U.S. market at which they would expect  
22 the imports to be able to sell to non-Buy America  
23 accounts.

24 I can look at that more specifically for  
25 posthearing because it probably gets into confidential

1 information.

2 COMMISSIONER OKUN: Okay. I guess that part  
3 of your brief where I was reading wasn't clear to me  
4 that that wasn't just an aggravated -- aggregated  
5 price.

6 MS. CANNON: Right.

7 COMMISSIONER OKUN: If it's an aggravated  
8 price, I'd be very aggravated to have those prices. I  
9 don't know. Then, I think my last question is just  
10 another legal question. I know that you responded to  
11 Mr. Pinkert with respect to how do we treat the  
12 Chinese nonsubject products for purposes of our  
13 analysis, and I know in your brief you did both in the  
14 alternative.

15 I guess I just wanted your legal analysis  
16 for posthearing on how we from a legal perspective  
17 should do it. Would this be a case where the Court  
18 would expect us to have ESP and say, yes, we know how  
19 the China case will come out, and therefore, that  
20 means one thing, or is it one where we should just be  
21 saying, you know, we have to vote as of that day, and  
22 as of that day we will not know what's going to happen  
23 on the Chinese products? So if you could just provide  
24 that posthearing, I'd appreciate that.

25 MS. CANNON: I'll be happy to do that.

1           COMMISSIONER OKUN: Okay. With that, I  
2           don't have any further questions, Madam Chairman, but  
3           I want to thank all the witnesses for their responses,  
4           and I look forward to the posthearing briefs.

5           CHAIRMAN ARANOFF: Are there further  
6           questions from Commissioners? Commissioner Lane?

7           COMMISSIONER LANE: This is probably a  
8           really simplistic question but going back to the Buy  
9           American provisions, how is PC strand identified so  
10          that I would know whether or not it was made in the  
11          United States, or China, or one of the subject  
12          countries?

13          MR. WAGNER: This is Richard Wagner with  
14          Insteel. A supplier would provide a certification.  
15          It's a piece of paper and it has a statement that says  
16          that the product meets the Buy American statute. On  
17          that document it has a lot serial number group that  
18          would identify each pack of strands by its production  
19          lot internally. Then the customer could match that  
20          document to that.

21          Some producers may put a Buy America sticker  
22          on there just so they see that, but for the most part,  
23          what prevails to identify it is that the producer  
24          knows the identity of that coil of strands and he can  
25          match it to a certification that says it's Buy America



1 that also has that lot number on it.

2 COMMISSIONER LANE: Okay, but there's no  
3 identification on the actual strand itself.

4 MR. WAGNER: No. If you had uncoiled some  
5 of that strand and put it in situ or started to use it  
6 somewhere and then looked at it, you would not know it  
7 from any other.

8 COMMISSIONER LANE: So you're basically  
9 relying upon the honesty of the people that you buy  
10 the product from.

11 MR. WAGNER: Well, it goes beyond just the  
12 honesty. Usually they have inspectors from the DOT on  
13 their site and that state DOT is usually very  
14 sensitive to making a mistake on that and having a  
15 threat to their federal funding come into play, so  
16 there is some care taken out in the construction field  
17 to assure that that which is Buy America required has  
18 the proper certification.

19 COMMISSIONER LANE: Okay. Thank you.

20 CHAIRMAN ARANOFF: Vice Chairman Pearson?

21 VICE CHAIRMAN PEARSON: Ms. Cannon, let me  
22 get you to respond to an issue that I think that the  
23 Respondents will raise this afternoon. It would be  
24 possible to make the case that Mexico had excess  
25 capacity throughout the period of review and yet has

1       been largely content to serve its domestic market and  
2       has not aggressively increased exports to the world.

3                       Why should we think this pattern would  
4       change in the event the order is revoked?

5                       MS. CANNON:   Because they are subject to a  
6       substantial dumping duty that is impeding their  
7       ability to sell into this market and pay that duty  
8       right now, and that's what's been going on for the  
9       last five years.  If this order is revoked, that  
10      margin goes away and they have no impediment at all to  
11      selling into this market, and the record indicates  
12      that they are very likely to do so.

13                      There's specific information on your record  
14      that indicates that they are likely to do so that we  
15      can elaborate on more in the posthearing.

16                      VICE CHAIRMAN PEARSON:  But I wasn't so  
17      interested at the moment in their exports, or lack  
18      thereof, to the United States, but rather that  
19      throughout the POR they have not seemed to take a  
20      terribly aggressive export posture to the rest of the  
21      world, and yet, they've had this excess capacity, and  
22      so if they had been really pushing stuff out elsewhere  
23      in the world and then we lifted the order and made the  
24      United States market available to them, then I can see  
25      a pretty good argument that, hey, a bunch of that

1 production could easily swing into the United States,  
2 but they also may have the same cost structure as in  
3 this country with relatively low fixed costs compared  
4 to variable costs and they seem to be puttering along  
5 comfortably enough with some substantial unused  
6 capacity right through the POR producing when they can  
7 make some money doing so, and not producing otherwise.

8 I might be putting words into their mouth,  
9 but that's kind of what I think they're starting to  
10 say. So other than having one more country out of 150  
11 countries or whatever that they could export to once  
12 the order is revoked, what's the difference? I mean,  
13 what's going to excite the Mexican producers to get  
14 them to, you know, wake up from the siesta and start  
15 shipping product here?

16 MS. CANNON: The difference is which market  
17 it is. You cannot analogize the U.S. market as an  
18 export market for Mexican producers to all the other  
19 markets collectively. The United States is a very  
20 unique, and special, and preferred market to Mexico  
21 generally.

22 We have articles on the record here that  
23 show that the United States is Mexico's preferred  
24 export market for all products, and it was for PC  
25 strand as well. They don't necessarily have

1 historical practice of selling to the 100 and  
2 something other countries of the world, but they do  
3 want to be in this market, and that's what makes it  
4 different.

5 You shouldn't assume that because they're  
6 not exporting generally worldwide that they don't want  
7 to come back into the United States market.

8 VICE CHAIRMAN PEARSON: Okay. Just a  
9 related question to this for any panelist. If the  
10 Mexicans would ship more product to the United States  
11 and perhaps not service much of their domestic market,  
12 would that increase the opportunities for U.S. product  
13 to be exported to Mexico building on the current sales  
14 programs?

15 MR. WAGNER: This is Richard Wagner with  
16 Insteel. I want to kind of come back to your other  
17 question and that one.

18 VICE CHAIRMAN PEARSON: Please.

19 MR. WAGNER: If you look at where we and the  
20 Mexicans would try to export product, and there are  
21 countries that do not have a high level of  
22 consumption, so when I think about, you know, why  
23 would they not be importing more it's because where  
24 this import activity takes case is in countries that  
25 use relatively small amounts.

1           The U.S. industry size, even in its reduced  
2 rate now, dwarfs any of those countries by huge  
3 factors. So that's why I believe that they would  
4 definitely come here with plenty of product, because  
5 of their proximity, because of their past behavior,  
6 because of their hunger to have the volumes that are  
7 in the U.S. market.

8           VICE CHAIRMAN PEARSON: Okay. And then any  
9 comment on the possibility to export to Mexico?

10          MR. WAGNER: I left that out. The U.S.  
11 possibility to export, I think that the efforts that  
12 are made currently, I don't think that we have some  
13 capacity constraint in exporting more now. The  
14 constraint is at the prices that the third countries  
15 where we do try to export. We would have to lose  
16 money to get more business than we have, and we're not  
17 willing to do that.

18          So I would say the likelihood is very, very  
19 low. The capacity utilization here is already quite  
20 low. That hasn't been the issue, that if the Mexican  
21 product came in, took more market share, still had us  
22 running even less, that that would open up product.  
23 That's simply not so. We could turn on plenty more  
24 capacity right now if it was out there for us to have.

25          VICE CHAIRMAN PEARSON: Okay, but it is

1 correct to understand that at times the U.S. industry  
2 has been successful competing in Mexico for sales I  
3 suppose against Mexican producers as competitors.

4 MR. WAGNER: Yes. I could speak to that.  
5 It's a very small amount, it's a very few customers  
6 that have a brand loyalty that goes, you know, years  
7 and years back. Very small amounts of product.  
8 There's not a large amount of business where they  
9 would be willing to pay the kind of premiums they have  
10 to pay to get U.S. product. It's very small mom and  
11 pop operations that have a preference.

12 MR. ROSENTHAL: The market penetration for  
13 U.S. exports to Mexico is quite, quite small.

14 VICE CHAIRMAN PEARSON: Okay. Well, thank  
15 you very much. Madam Chairman, I have no further  
16 questions but I appreciate all the answers that the  
17 panelists provided.

18 CHAIRMAN ARANOFF: Okay. Does the staff  
19 have any questions for the panel?

20 MR. CORKRAN: Thank you, Madam Chairman.  
21 This is Douglas Corkran from the Office of  
22 Investigations. Staff has no additional questions.

23 CHAIRMAN ARANOFF: Mr. Levin, do Respondents  
24 have any questions for the panel?

25 MR. LEVIN: Thank you, Madam Chairman.

1 Respondents do not have questions for this panel.

2 CHAIRMAN ARANOFF: Okay. In that case, I'd  
3 like to thank this morning's panel for all of your  
4 time and all of your answers and the many more that  
5 we've asked you to provide in the posthearing  
6 submissions. We will be taking a lunch break. We'll  
7 take a one hour lunch break, so we'll be back at about  
8 two minutes before 1:45.

9 I want to remind everyone that this room is  
10 not secure, so if you have anything valuable or any  
11 confidential information, you should please take it  
12 with you lest it not be here when you return. With  
13 that, we will stand in recess for one hour.

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A F T E R N O O N    S E S S I O N

(1:40 p.m.)

1  
2  
3           CHAIRMAN ARANOFF: We're now ready to resume  
4 the hearing. Madam Secretary, can you please call the  
5 second panel.

6           MS. ABBOTT: The second panel in opposition  
7 to continuation of the orders is seated and all  
8 witnesses have been sworn.

9           CHAIRMAN ARANOFF: Please proceed, Mr.  
10 Levin.

11           MR. LEVIN: Thank you, Madam Chairman. Good  
12 afternoon, Madam Chairman. Good afternoon,  
13 Commissioners. Good afternoon, members of the  
14 investigation staff. We'd like to start off this  
15 afternoon with a short statement by Mr. Thomas  
16 Danjczek, President of the Steel Manufacturers  
17 Association.

18           MR. DANJCZEK: Thank you. Good morning,  
19 Madam Chairman and Commissioners. My name is Thomas  
20 A. Danjczek, I'm President of the Steel Manufacturers  
21 Association, the primary trade association for scrap-  
22 based electric arc furnace steel makers.

23           SMA is headquartered here in Washington and  
24 represents 34 North American companies, including  
25 manufacturers in Mexico and Canada, which together



1 operate 125 steel plants, employ about 60,000 people  
2 and represents about 70 percent of the steel  
3 production.

4 SMA also has 129 North American associate  
5 member companies which provides goods and services to  
6 the industry. Before coming to the SMA 11 years ago,  
7 I spent my entire career of 30 years in the steel  
8 industry. I started as an entry-level maintenance  
9 foreman for Bethlehem Steel before becoming  
10 superintendent, continuous caster, at Kaiser Steel and  
11 general superintendent, steel making, at Wheeling  
12 Pittsburgh Steel, eventually progressing to the  
13 general manager of their integrated plant.

14 I enjoyed 30 years of building, operating  
15 and improving steel making facilities in the United  
16 States. I am very familiar with the integral role  
17 that the steel manufacturer industry plays in the  
18 American economy and the interplay between U.S.-based  
19 producers and manufacturers in North America and the  
20 globalized economy.

21 SMA has taken strong positions against  
22 unfair trading and the injury which such action can  
23 cause to manufacturers, their employees and the  
24 communities they serve. When dumped or subsidized  
25 imports threaten the viability of our members our

1 association has taken appropriate actions in their  
2 support.

3 We have consistently defended the  
4 appropriate use of U.S. trade laws to preserve the  
5 principle of fair trade. We have not hesitated to  
6 speak out against unfair trade and distorted trade  
7 practices, for example, currency manipulation and  
8 subsidization in China.

9 At the same time, we recognize that the  
10 continuing integration of the North American steel  
11 industry has proved beneficial to manufacturers in  
12 each of the three NAFTA countries, to the hundreds of  
13 companies they support, these manufacturers and to the  
14 consumers in these nations.

15 If the participation of a Mexican or  
16 Canadian manufacturer serves the interest of  
17 integrated North American steel industries and the  
18 manufacturer does not engage in practices that  
19 threaten the operation of producers based in this  
20 country, we will stand behind the efforts of these  
21 companies to become productive and contributory  
22 citizens of the NAFTA community.

23 One of the manufacturers here today is  
24 Deacero. It has been a longstanding and active member  
25 of the SMA for many years. I have known Deacero and

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1 their executive management for over 10 years, long  
2 before the company became a producer of PC strand.  
3 The company's CEO is a member of SMA board of  
4 directors and serves on the association's executive  
5 committee.

6 SMA values the role which Deacero plays in  
7 our association. We are proud to include this company  
8 in our membership role, and are impressed by their  
9 recent expansion of manufacturing and distribution  
10 operations in Mexico and the United States. Deacero  
11 well compliments, not compromises, producers based in  
12 this country.

13 We urge the Commission to evaluate the facts  
14 for this review in a manner that supports the North  
15 American steel community. Thank you for your time and  
16 attention today. Thank you.

17 MR. LEVIN: Thank you, Tom. Our first  
18 industry witness will be Enrique Fernandez of Deacero.

19 MR. FERNANDEZ: Good afternoon,  
20 Commissioners and members of the investigation team.  
21 My name is Enrique Fernandez and I am the Vice  
22 President of Institutional Relationship and Trade  
23 Affairs with Deacero. On behalf of Deacero, I would  
24 like to extend my appreciation for the opportunity to  
25 appear before you today in this important proceeding.

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1           I would like to thank the members of the  
2 staff of the Embassy of Mexico for their support and  
3 assistance. I have spent my entire professional  
4 career in the steel industry. At Deacero, I start as  
5 purchasing vice president back when the steel  
6 production by the company totalled only 200,000 tons  
7 and the company had only one steel mill and two wire  
8 plants.

9           Throughout my years at the company I have  
10 witnessed it grow into one of the largest wire  
11 producer products in the world with three mini mills  
12 and 15 wire plants in Mexico and in the United States.  
13 Deacero is a family-owned and profit-oriented company  
14 that has been in existence for almost 60 years using  
15 the best technologies and production methods available  
16 to meet the highest quality standard required.

17           We are vertically integrated manufacturer,  
18 producing our own steel in mini mill facilities with  
19 an annual capacity of three million tons of liquid  
20 steel. Having spent so many years in the steel  
21 industry and with Deacero, I am familiar with all the  
22 products in the Mexico, NAFTA and the global market.

23           I have had the great privilege of  
24 representing Deacero before national and international  
25 organizations, including the DOHA round of the WTO

1 negotiation and the OECD steel committee.

2 I play also an active role representing  
3 Deacero in the steel community of the trade partners  
4 of NASTC of the United States, Canada and Mexico, and  
5 also with the trade of Japan and European Union as a  
6 member of the National Chamber of Iron and Steel  
7 Industry in Mexico.

8 I personal represent Deacero in many steel  
9 communities' organizations, many of them based in the  
10 United States, including the American Wire Producer  
11 Association, the Steel Manufacturer Association and  
12 the American Iron and Steel Institute. Deacero view  
13 itself as a member in good standing of the NAFTA  
14 community of the North American steel economy, and we  
15 have every reason to believe that our participation in  
16 these communities, in these economies and in this  
17 organization is held in high regard.

18 I feel compelled to state clearly in our  
19 many decades of international operation with more than  
20 20 countries, never been accused of unfair trading  
21 with respect to any of the product we sell. We have  
22 never taken any action that would threaten the  
23 competitive position of manufacturer in the United  
24 States.

25 We take great pride in our commercial

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1 integrity, our true sense of fair play and our strong  
2 desire to help create and maintain a level playing  
3 field, whether that is with respect to the product  
4 which is subject of today hearing, PC strand, or any  
5 of the more than 80 family of product of wire and wire  
6 products that we manufacture.

7           We are here today because in 2007 we  
8 purchased Cablesa, one of the PC strand manufacturer  
9 and exports that was subject to original antidumping  
10 investigation. Deacero was not previously in the PC  
11 strand industry. We purchased Cablesa, but we are not  
12 Cablesa. We have never dumped PC strand in the U.S.  
13 market. In fact, we have never exported product to  
14 the United States.

15           We have never taken any action that could be  
16 interpreted as an attempt to circumvent the  
17 antidumping order or to play fast and loose with the  
18 rules, such as applying a thin coat of seal on the  
19 product and calling it galvanized PC strand. Despite  
20 the fact, as I understand, it is under U.S. law that  
21 the antidumping order that applies to Cablesa now  
22 applies to my company.

23           We are untainted by fair trading. We have  
24 no incentive to stake out a market position in the  
25 United States that could pose a threat or indeed have

1 any significant impact on U.S. producers. Since our  
2 purchase of Cablesa our sale export has been all in  
3 the Mexican market.

4 We have not, and do not, export PC strand to  
5 any country at this time. All of our production is  
6 for domestic consumption. The vast majority of our  
7 shipments are of uncovered PC strand, although we will  
8 sell a smaller volume of covered strand. In those  
9 instances, the extrusion process for the evolution of  
10 covered PC strand is on ourselves.

11 We have a single manufacture plant for PC  
12 strand in our Morelia facility. Our production has  
13 increased and our capacity utilization has reached new  
14 heights in 2009, as can be seen from the numbers in  
15 our questionnaire response, but again, all of this  
16 production is dedicated to our home market where, as  
17 was reviewed this morning by the representative from  
18 the Embassy of Mexico, consumption in Mexico is  
19 growing.

20 Much of that increased production is the  
21 result of the ambitious national infrastructure  
22 program instituted by the government of Mexico which  
23 has, and will continue, to require high levels of PC  
24 strand consumption. Some of the increased consumption  
25 is also due to the fact that architects, civil

1 engineers and contractors in Mexico have become more  
2 and more aware of the advantage of PC strand use in  
3 their products.

4 We see home market demand for PC strand  
5 continue to grow for the foreseeable future. Our  
6 production and shipment to our home market has  
7 increased significantly in 2009, and we anticipate  
8 that a greater portion of our production capacity will  
9 be dedicated to PC strand for Mexican market.

10 Because our home market demand is strong and  
11 growing, Mexico is aside relieved, we mentioned this  
12 in the prehearing report, the only net importer of PC  
13 strand among the countries now covered by the order.  
14 In fact, the U.S. is a major supply to the Mexican  
15 market. We have played an active and cooperative role  
16 in the sunset review.

17 Our participation is primarily the result of  
18 my company's, the strong desire to clear its good  
19 name. We don't want to be lumped in with whatever  
20 reputation the company which we purchased has in the  
21 marketplace. We don't want to be viewed by the steel  
22 trade community, including those U.S. producers who  
23 are the Petitioners in these proceedings, as a company  
24 that trades unfairly.

25 We don't want to be seen as a threat to the



1 U.S. industry, and we have no reason, in fact, we have  
2 no basis to cause them harm now, in the reasonably  
3 expected future or at any time. We work with these  
4 companies. We are associated with them in trade  
5 organizations.

6 My good name and the well-earned respect,  
7 reputation of my company depends on several things,  
8 but not the least of which is how I, and we, conduct  
9 ourselves in the marketplace. We will be doing  
10 everything that we can to preserve our good reputation  
11 as we continue to develop our production abilities and  
12 our customer relations.

13 With more than 30 years of operation in the  
14 U.S. market of steel wire product, we are actively  
15 participating in this proceeding to have the option of  
16 selling this product too, but even if we were not  
17 burdened with the 77 percent dumping margin that was  
18 assigned to Cablesa it will be very difficult to begin  
19 selling to the United States market.

20 If we want to start exploring the  
21 possibility of export sales to United States, we need  
22 to start from scratch. By now and since the day we  
23 entered the PC strand business we have not export any  
24 of the product to any countries, including the United  
25 States. We do not have customers. We have not been

1 precertified or prequalified by any potential  
2 customers.

3 We would have limited, if any, opportunity  
4 to sell product into the portion of the United States  
5 market that is protected by Buy American or Buy  
6 American requirement, which I understand from the  
7 prehearing report now total about 50 percent of the  
8 total of U.S. market for PC strand.

9 With our capacity utilization already high  
10 and with consumption for PC strand growing in our home  
11 market, we would have minimal product available for  
12 export even if we're presented with sales  
13 opportunities. Also, we will need to compete in the  
14 U.S. market against cheaply priced imports from China  
15 which has grown to dominate the import market in this  
16 country.

17 Whether or not the Chinese product is dumped  
18 or subsidized, we could not sell in the United States  
19 at a price that approached the prices we have seen for  
20 U.S. imports from that country. In fact, our current  
21 selling price in Mexico is roughly equivalent to what  
22 I believe is the prevailing price of the U.S.  
23 manufactured product for Deacero.

24 Selling below cost is not an option. Among  
25 other things, this is not only supports our position

1 that we would not have a harmful price impact on U.S.  
2 manufacturer in PC strand, but it also demonstrate the  
3 continuing integration of the North American steel  
4 markets.

5 If there is a reasonable indication that the  
6 U.S. PC strand industry is threatened with a material  
7 injury by reason of the import from China as this  
8 Commission found a few months, those very same imports  
9 percent are fundamental obstacles to us. Back in  
10 2002, import from Mexico reached a peak of about  
11 26,000 tons.

12 For the reason I just mentioned, the  
13 potential for Mexico, Deacero and Camesa together to  
14 attain in the near term a level of export to the U.S.  
15 and even come close to that volume is light.

16 The potential for attempting a level of  
17 exports that could pose a threat to the domestic  
18 industry within a reasonable foreseeable time is, in  
19 my option, basing upon experience and the knowledge of  
20 the market, nonexistent.

21 If it is not likely that our exports to the  
22 U.S. will increase significantly, even if the order is  
23 terminated and if it is not likely the price of any  
24 such export will be on a level with U.S. market  
25 prices, we cannot see how we are in a position to

1 threat the U.S. industry with material injury. As far  
2 as I know, Mexico is the only country that has  
3 participated in this review and we are the only  
4 country that is appearing today.

5 This should evidence our seriousness of  
6 purpose and our good intents. We believe that  
7 producer in Mexico, such as us, who are playing by the  
8 rules and who participate and contribute to the North  
9 American steel community should not continue to suffer  
10 the penalty for whatever bad acts were done by  
11 companies that no longer exist.

12 For this reason, we respectfully urge the  
13 Commission to issue a negative determination and to  
14 revoke the antidumping orders of PC strand. On behalf  
15 of Deacero, we thank you for this opportunity and for  
16 your attention to our testimony. I will be pleased to  
17 respond any questions that you may have. Thank you.

18 MR. LEVIN: Thank you, Enrique. I would  
19 like to now turn to Miguel Gomez who is the Senior  
20 Vice President of Sales for WireCo WorldGroup, the  
21 parent company of the other PC strand manufacturer in  
22 Mexico, Aceros Camesa. Miguel?

23 MR. GOMEZ: Thank you. Good afternoon,  
24 Commissioners and members of the investigation team.  
25 My name is Miguel Gomez and I'm the Senior Vice

1 President of Sales for WireCo WorldGroup, the parent  
2 company of Camesa.

3 On behalf of Camesa, I also want to thank  
4 the Commission for the opportunity to present  
5 testimony in support of the Mexican producers of  
6 prestressed concrete steel wire strand, or PCS wire  
7 strand, in this important proceeding. I have been  
8 with WireCo for over seven years and I have been  
9 closely involved with sales operations throughout that  
10 time.

11 I now have direct responsibility over  
12 Camesa's sales operations on the products subject in  
13 this review, as well as other products manufactured by  
14 the company, including hard run steel wire, tire bead  
15 wire and wide-rolled. On behalf of Camesa and the PC  
16 strand industry in Mexico, we respectfully submit that  
17 the domestic PC strand industry will not suffer a  
18 recurrence of material injury within a reasonable  
19 foreseeable time if this order is revoked.

20 Camesa is the largest producer of PC strand  
21 in Mexico, and, to the best of our knowledge, my  
22 company, along with Deacero, accounts for all PC  
23 strand production in that country. As you know, prior  
24 to WireCo's acquisition of Camesa in 2005, Camesa was  
25 a Respondent in the antidumping investigation of PC

1 strand and was assigned a dumping margin of 63  
2 percent.

3 WireCo didn't have any relation to Camesa  
4 during the original period of investigation. WireCo  
5 does not produce PC strand in the United States. We  
6 tried for a short period to do so but were  
7 unsuccessful in that effort and ending up moving that  
8 limited production equipment to Mexico in conjunction  
9 with our manufacturing operations in Cuautitlan in the  
10 Mexico City area.

11 We have not imported the product from any  
12 source for a number of years. In fact, WireCo has  
13 never imported the PC strand from Camesa since our  
14 acquisition of the company in 2005. Camesa has not  
15 exported PC strand into the United States since 2003,  
16 whether before or after the change in ownership.

17 Also, we don't export to third country  
18 markets in South America and Canada. WireCo's reason  
19 for acquiring Camesa was simple. As a growing  
20 international corporation which could compliment its  
21 range of products, WireCo wanted to expand its product  
22 range to include PC strand, as well as other products,  
23 such as bead wire, and was attracted to Camesa's well-  
24 established and highly regarded brand in third country  
25 export markets.

1           In fact, Camesa is now WireCo's global brand  
2 for all its steel wire which the company produces  
3 regardless of where the wire is manufactured. Let me  
4 be clear about this. We, along with Deacero, have  
5 actively participated in this review to clear the  
6 company's name, and, yes, so that we can have the  
7 opportunity to export into the U.S. in adequate  
8 circumstances without the duty deposit requirement  
9 that we inherited from the former ownership.

10           Our ability to export to the U.S. is not a  
11 critical market factor for Camesa. We have other  
12 product lines, we have a strong domestic demand for  
13 this product and we are proud of the other export  
14 markets that we have been successfully developing  
15 through the highest quality product available and  
16 through fair trade practices.

17           The notion that we will suddenly inundate  
18 the U.S. market should this order be terminated or  
19 that we are in any position to threaten domestic  
20 producers is quite honestly pure speculation and  
21 without foundation. In his testimony a few minutes  
22 ago, Mr. Fernandez of Deacero listed several reasons  
23 why it is very unlikely that imports from Mexico will  
24 increase significantly within a reasonable foreseeable  
25 time if this order is revoked.

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1           Those reasons hold true with respect to  
2           Camesa as well, and the fact that the company is owned  
3           by a U.S. producer of wire and wire products does not  
4           change that forecast. We do not have customers in the  
5           United States for PC strand. We do not have a market  
6           presence. We are not precertified by any potential  
7           customers. Also, WireCo has distribution channels and  
8           commercial relationships in the U.S. These are not  
9           for PC strand.

10           We need to face the same Buy American  
11           obstacles as does Deacero, and we, too, would need to  
12           combat cheaply priced imports from China, which is the  
13           dominant import force in this country, to find a  
14           viable market niche. Because of these several factors  
15           that will limit the volume of potential U.S. imports  
16           from Mexico, the volume of strand that may be shipped  
17           to the U.S. market will simply not be sufficient to  
18           influence domestic prices to any significant degree.

19           As WireCo itself suffered material injury by  
20           dumped imports of other wire products, we do not see  
21           anything to gain by establishing any sort of market  
22           foothold in the United States through unfair trade  
23           practices. As part of the U.S. steel industry, we  
24           have been on the receiving end and we have no design  
25           or intent to dish out what we in the past have



1 incurred.

2 Yes, Camesa is to some degree export-  
3 oriented, as most sophisticated manufacturing  
4 operations now are in a global economy. As I noted  
5 before, we sell PC strand to Canada and to South  
6 American markets, but even at the peak exports level  
7 during the period of WireCo's ownership, Camesa's  
8 export to these third countries accounted for little  
9 more than 20 percent of our total volume of shipments,  
10 and even that relatively low level has been reduced to  
11 less than 10 percent this year.

12 As there have been no imports from Mexico in  
13 several years, I cannot see how termination of this  
14 order could have a harmful impact on U.S. producers in  
15 the reasonable foreseeable future. I can see how the  
16 industry recorded some improvement for a short time  
17 way back when after these PC strand orders were first  
18 issues, but since then, the condition of the PC strand  
19 industry was influenced by factors that have nothing  
20 to do with these orders.

21 As has been the case for the past several  
22 years, and as I believe will continue to be the case  
23 for the reasonably foreseeable future, imports from  
24 China and the state of the American economy,  
25 especially in the end use markets for PC strand, will

1 be the definitive factors that drive the condition of  
2 the U.S. industry.

3 First, let me talk about China. As we state  
4 in our questionnaire response, the large volumes of  
5 imports from China that continue to enter the U.S.  
6 market and which have more than replaced the imports  
7 into the U.S. supply by Mexico and the other countries  
8 named in this proceeding will make it very difficult  
9 to compete in the United States, even if this order is  
10 removed.

11 At their highest level ever in 2002, imports  
12 of PC strand from Mexico into the United States total  
13 about 26,000 net tons and imports from all six  
14 countries involved in this review total about 83,000  
15 tons. Those totals accounted for seven percent of the  
16 U.S. market for the Mexican imports alone and about 22  
17 percent of the market for the six countries combined.

18 In contrast, by 2008, even as construction  
19 and related end uses for PC strand is low towards the  
20 end of the year as the economic crisis began to fully  
21 unfold, PC strand imports from China total about  
22 190,000 tons and a 40 percent market share. The  
23 Commission found that inventories of PC strand from  
24 China already in the country total about 25,000 by the  
25 end of June of this year.

1           Since at least 2005 when WireCo acquired  
2 Camesa, China has been the 800 pound gorilla in the  
3 U.S. import market, and it will remain so for quite  
4 some time even if an antidumping order is put into  
5 place sometime down the line. In a very practical  
6 sense, imports from China simply crowd out other  
7 foreign supply sources.

8           As to the economy, I don't think there is  
9 anybody here that can accurately predict what the  
10 demand for PC strand will be in six months, nine  
11 months or in a year, whether in the United States or  
12 in Mexico, but there are one or two things that we do  
13 know. First, although the domestic producers have  
14 been pained by the economic downturn that is being  
15 eased by the huge allocation of monies for  
16 infrastructure projects in the United States.

17           Camesa does not see any indication that it  
18 will benefit from the American Recovery and Investment  
19 Act. Second, the Mexican government has itself  
20 invested large sums into infrastructure projects under  
21 the National Infrastructure Program discussed earlier.  
22 Camesa will, and has, benefitted from that program and  
23 hopes to continue to do so for some time.

24           Together, what this means for Camesa is that  
25 there will be limited opportunities in the U.S. market

1 while demand in Mexico will require that the vast  
2 majority of our production remains in our home  
3 country. Even in the face of mounting imports from  
4 China the U.S. PC strand industry has done quite well  
5 over the past few years with impressive increases in  
6 production, shipments, revenues and profit.

7 All this occur while the imports from China  
8 more than displace the imports subject to these  
9 reviews and capture far more market share than these  
10 imports ever held at their peak. The industry has  
11 started to face difficulties once the economy imploded  
12 in late 2008 like pretty much every other  
13 manufacturing industry in this country.

14 The antidumping orders that went into place  
15 had little to do with the improvements that the  
16 domestic industry enjoyed over the past several years.  
17 These orders have nothing to do with the difficulties  
18 that this industry may have had over the past year.  
19 They will have little, if any, impact on the state of  
20 this industry moving forward.

21 If there is no relationship between these  
22 orders and the condition of the industry, then there  
23 appears to be no purpose in keeping these orders in  
24 place. We are a Mexican company, but under the  
25 direction of U.S. ownership. Whatever gain we may

1 realize by selling PC strand to the U.S. market will  
2 be completely eradicated and to our own detriment if  
3 it's realized by measures that injure the domestic PC  
4 strand industry.

5 Like the Petitioners here today, we are  
6 hoping for nothing more than the opportunity to  
7 participate on a level playing field and according to  
8 the rules of fair and open trade. For these reasons,  
9 we respectfully urge the Commission to issue a  
10 negative determination and to revoke the antidumping  
11 duty order on PC strand.

12 On behalf of Camesa, we thank you for this  
13 opportunity and for your attention to our testimony.  
14 I would be happy to respond to the Commission's  
15 questions.

16 MR. LEVIN: Thank you, Miguel. Good  
17 afternoon again, Commissioners, members of the  
18 investigation team. In concluding our affirmative  
19 testimony, I would like to make a few brief points in  
20 further support of the arguments which we have already  
21 presented in this proceeding, and several of these  
22 issues I am sure will be further discussed in our  
23 post-hearing brief.

24 The controlling statute instructs that an  
25 anti-dumping duty order will be revoked pursuant to a

1 five-year review unless this Commission makes a  
2 determination that revocation "would be likely to lead  
3 to the continuation or occurrence of material injury  
4 within a reasonably foreseeable time." The Court of  
5 International Trade has determined that the term  
6 "likely" means probable, and that is the standard  
7 which this commission has applied in five-year  
8 reviews.

9 In turn, probable establishes a presumption  
10 that this result will occur, or according to the  
11 dictionary definition that the result is without much  
12 doubt. The plain language of the statute therefore  
13 places the burden on the Petitioners here to establish  
14 the probable recurrence of material injury if the  
15 order is terminated. We respectfully submit that this  
16 burden is not met in this instance. I'm sorry. Is my  
17 microphone on? Okay. Okay. Thank you.

18 Less than three months ago, the Commission  
19 determined that the domestic PC strand industry was  
20 not suffering material injury by reason of imports  
21 from China although they did find that there is a  
22 reasonable indication that the industry is threatened  
23 with material injury by reason of those imports.  
24 Indeed, at the time of the preliminary determination,  
25 three out of six commissioners did not even find that

1 this domestic industry was in a vulnerable position.

2 If you compare the publicly available data  
3 relating to the several domestic industry indicators  
4 for the first three months of 2009 as related in the  
5 China determination and the first six months of 2009  
6 as related in the prehearing report prepared for these  
7 proceedings, the condition of the industry has  
8 actually improved quite a bit during the second  
9 quarter of this year. Production increased by 13.5  
10 percent between the first and second quarters of this  
11 year. U.S. shipments increased by 27 percent.  
12 Revenue increased by 10 percent.

13 The industry's capacity utilization went up,  
14 and the operating loss incurred during the first  
15 quarter reversed and moved into the black in the  
16 second quarter. If the industry is not suffering  
17 present material injury from imports from China,  
18 imports that far out distance the peak levels recorded  
19 by subject imports here in both relative and absolute  
20 terms, then this industry is surely not suffering  
21 material injury by reason of the imports subject to  
22 these reviews.

23 As far as I can tell, the Petitioners are  
24 not claiming that they have continued to suffer  
25 material injury during the period of review by reason

1 of the subject imports. Therefore, the issues before  
2 this commission in these reviews is whether it is  
3 probable that material injury by reason of the imports  
4 subject to these reviews will recur should the orders  
5 be terminated. Again, I respectfully submit that the  
6 evidence of record does not support this probability.

7 I have been using the plural term "orders."  
8 Although, as discussed in our prehearing brief, we are  
9 asserting that decumulation is appropriate in these  
10 reviews. As we know from the statute, cumulation is  
11 discretionary, not mandatory in five-year reviews.

12 Our argument is primarily premised not on  
13 the traditional four factors analysis employed by the  
14 Commission for cumulation, although we note that  
15 several factors limit the interchangeability of  
16 subject imports and domestically manufactured PC  
17 strand such as the significant and growing share of  
18 U.S. market protected by Buy American requirements and  
19 the concentration of domestically manufactured PC  
20 strand in pretensioned applications in contrast to  
21 subject imports much more concentrated in post-  
22 tensioned applications.

23 We note that imports from Mexico at least do  
24 not share channels of distribution with other subject  
25 imports and domestically manufactured product since



1       there have been no imports from Mexico for years, and  
2       we note that imports from Mexico and other subject  
3       imports as well as domestically manufactured product  
4       are not simultaneously in the market for that same  
5       reason.

6                 Rather, our argument on decumulation is  
7       based primarily on the statutory exception that allows  
8       an analysis of the probable effect of subject imports  
9       from just one country subject to the grouped orders if  
10       the Commission determines that such imports, in this  
11       case imports from Mexico, are likely to have no  
12       discernable adverse impact on the domestic industry.  
13       I do not know whether a manufacturer of PC strand in  
14       other countries subject to these reviews are  
15       positioned to make a similar argument.

16                 I do not know why no other foreign industry  
17       opted to participate in these proceedings, and I am  
18       not in a position to impugn their motivation. Perhaps  
19       they simply decided that they can live with the anti-  
20       dumping margins assigned to them. Perhaps they have  
21       made a commercial decision to forego the U.S. market  
22       maybe seeing the dominance that China has established  
23       here.

24                 Maybe, because many of the other foreign  
25       producers, the Belgo Bekaerts, the Tata Steels, the

1 KisWires of the world are large multinational  
2 manufacturing entities with many other product lines  
3 in many other export markets, and this fight was just  
4 not worth their while, but it is apparent from the  
5 active participation of the Aceros Camesa and Deacero  
6 throughout this process and the very strong interest  
7 that the government of Mexico has demonstrated in this  
8 proceeding that that's not where we are.

9 We can only speak for ourselves, and for the  
10 same reasons why we submit that the PC strand industry  
11 in the United States is not likely to register a  
12 recurrence of material injury within a reasonably  
13 foreseeable time by reason of imports from Mexico, we  
14 submit that these imports to the extent that any will  
15 indeed enter the marketplace will not have a  
16 discernable adverse impact on that industry. It is  
17 not at all likely that imports from Mexico will  
18 increase significantly.

19 The companies before you today under their  
20 current ownership infrastructure have never sold PC  
21 strand to the U.S. Market. They have no customers.  
22 They have not been prequalified by any potential  
23 customers. They would need to find a niche within  
24 that subsection of the market that is not protected by  
25 Buy American requirements, and they would have to

1 battle against imports from China which crowds the  
2 import market at prices against which these companies  
3 simply cannot compete.

4 As Mr. Fernandez noted a few minutes ago, to  
5 be competitively priced against imports from China,  
6 they would have to sell below cost, which is not a  
7 viable option for them even if they were so inclined,  
8 which they're not, and they don't have a whole lot of  
9 product which they can even dedicate to the U.S.  
10 market.

11 Almost all of their sales are dedicated to  
12 the Mexican market where demand is growing to the  
13 extent that Mexico alone among the six subject  
14 countries subject to these reviews is a net importer  
15 with the U.S. itself being a major foreign supplier to  
16 that market. Just to make a little side note here,  
17 I'm sure this will come up in the questions, yes there  
18 is that nuance in the prehearing report as to whether  
19 or not Mexico is a net importer of the stranded wire  
20 products as a whole or just PC strand.

21 It is true, as related in the prehearing  
22 report, that does relate to stranded wire products as  
23 a group under the six-digit tariff schedule heading.  
24 Nevertheless, Mexico is a net importer of PC strand  
25 specifically as well. Demonstrative of the continuing

1 integration of the North American Steel Market, any  
2 sales that they would make would be at prices on the  
3 same level as U.S. prices.

4 On this point, and without getting into  
5 confidential data, I note the prehearing report, which  
6 allows a comparison of the average unit value of the  
7 Mexican producers' whole market sales to the unit  
8 value of U.S. producers' sales to the U.S. market, I  
9 am familiar with the traditional line of argument that  
10 foreign suppliers will increase their exports to the  
11 U.S. market because they can obtain higher prices here  
12 for that product, but that's just simply not the case  
13 in this instance.

14 In any case, the volume of imports from  
15 Mexico, even if they were to somehow ratchet up to  
16 preorder levels in the face of the obstacles we have  
17 reviewed today would simply be too small to have a  
18 discernable impact on U.S. producer prices.

19 I submit that if it is unlikely that the  
20 volume of imports from Mexico will be significant if  
21 the order is terminated, and if it is unlikely that  
22 the price of any such imports would have a significant  
23 impact on U.S. producers' prices, then it is unlikely  
24 that subject imports from Mexico would have an adverse  
25 impact on the domestic industry.

1           The realistic perspective is that as these  
2 orders either against Mexico by itself or in  
3 conjunction with those against the other countries  
4 subject to these reviews had but a fleeting beneficial  
5 impact on the condition of the U.S. PC strand industry  
6 as evidenced by the responses of the domestic  
7 producers to the Commission's questionnaire  
8 maintaining these orders will have no determinative  
9 impact on the condition of the industry as we project  
10 to the reasonably foreseeable future.

11           This industry did quite well during the  
12 period of review in the face of a flood of imports  
13 from China registering double-digit operating income  
14 margins that are an envy of most manufacturing  
15 industries. It did quite well despite the flood of  
16 imports from China because activity consumption in the  
17 principal end-use markets was robust.

18           As that activity slowed substantially during  
19 the latter half of 2008 and into 2009, the  
20 extraordinarily good fortune of the domestic PC strand  
21 industry began to temporarily reverse. All this  
22 occurred independent of the existence of the orders  
23 subject to these reviews.

24           Likewise, as we look into the reasonably  
25 foreseeable future, imports from China and levels of

1 consumption in the end-use markets for PC strand will  
2 be the determinative factors to how well the domestic  
3 industry fares over the next few months.

4 For these reasons, we respectfully submit  
5 that revocation of the order on PC strand from Mexico  
6 is not likely to have a significant adverse impact on  
7 the condition of the domestic industry, and for this  
8 reason, we respectfully urge the commission to issue a  
9 negative determination in this review.

10 On behalf of this panel and the  
11 representatives of the government of Mexico that  
12 appeared earlier here today and on behalf of Tom,  
13 thank you. We thank you for this opportunity to  
14 present this testimony, and we would be happy to  
15 respond to the Commission's questions and provide  
16 further information in our posthearing brief.

17 CHAIRMAN ARANOFF: Thank you very much.  
18 Welcome to the afternoon panel, and thank you  
19 particularly to those of you who travelled quite a  
20 distance to be with us today. We're going to begin  
21 the questioning this afternoon with Commissioner  
22 Williamson.

23 COMMISSIONER WILLIAMSON: Thank you, Madam  
24 Chairman, and I do want to express my appreciation to  
25 the witnesses for taking the time to come and

1 participate in this proceeding. It's always very  
2 helpful to us when we can have your representatives of  
3 foreign suppliers here participating in our  
4 proceedings, so I express my appreciation for that.

5 I want to get to sort of one of the key  
6 questions first. We had some discussion about this  
7 this morning, and I guess it gets to the question of  
8 the role of the Commerce Department and who's  
9 responsible for determining whether or not a company  
10 is engaged in unfair practices. I was wondering why  
11 you hadn't participated in the commerce portion of  
12 these proceedings, and shouldn't you have had this  
13 question addressed there?

14 MR. LEVIN: We appreciate the conversation  
15 and discussion on that this morning. We understand  
16 from a legal perspective that it may be inferred as it  
17 states in the statement of administrative action that  
18 the fact that a company has not requested an  
19 administrative review is evidence of the fact that  
20 they are unable to sell in the U.S. market without  
21 dumping. I understand that from a legal perspective.

22 From a practical commercial perspective, we  
23 are talking about companies that have no experience in  
24 the U.S. market. They were not involved in the  
25 underlying investigations. They recently purchased

1 these PC strand manufacturers in Mexico. They have  
2 spent their time and resources developing sales to the  
3 whole market and to some extent the third country  
4 export markets.

5 As we all know, the conduct of an  
6 administrative review at the Commerce Department is a  
7 costly and complicated and quite honestly chancy  
8 proposition, and they have made a decision at least at  
9 this point to dedicate their resources to other means  
10 rather than to fighting to reduce the anti-dumping  
11 deposit requirement through the administrative review  
12 process at the commerce department.

13 I do not necessarily buy into a conclusion  
14 that the fact that a company has not requested or  
15 underwent administrative review is ipso facto evidence  
16 of their inability to sell to the U.S. market at  
17 something aside from dumping prices. I also do want  
18 to underline the fact that under the current ownership  
19 structures, these companies have never exported to the  
20 United States.

21 Although, they have inherited the estimated  
22 dumping margins from the initial investigation, they  
23 have not actually made any exports that would  
24 demonstrate dumping or lack of dumping. They have  
25 just not participated in the U.S. market.



1                   COMMISSIONER WILLIAMSON: Okay. Thank you  
2 for that statement. I guess you also understand the  
3 constraints of which we operate and the motion that we  
4 have here.

5                   MR. LEVIN: I understand, and that's why it  
6 started with SAA, and I understand where the analysis  
7 has to go. I just urge an injection of commercial  
8 practicality into the analysis.

9                   COMMISSIONER WILLIAMSON: Okay. Thank you.  
10 Let's go to one of the questions we do have to deal  
11 with, and you've argued against cumulation here, and I  
12 think one of the arguments you had made was based on  
13 the common ownership of the U.S. Steel-related  
14 operations, present ownership of the company.

15                   I was wondering if you can point to any  
16 cases in the past where the Commission has decided not  
17 to make its decision on cumulation based on the  
18 relationships that we have here where the us  
19 operations do not produce the subject products?

20                   MR. LEVIN: I would be happy to conduct the  
21 necessary research and respond to that in the post-  
22 hearing brief, if I may?

23                   COMMISSIONER WILLIAMSON: Okay. Thank you.  
24 That will be helpful. Another question I would like  
25 to get to is the question of the role of the Buy

1 America Act. As you recall, the witnesses this  
2 morning testified that the U.S. industry sees little  
3 benefit from the stimulus package because the types of  
4 projects, bridges and things like that, aren't really  
5 shovel ready.

6 I notice that there was a lot of mention  
7 about the stimulus package in Mexico, and in the  
8 Embassy's testimony this morning they talked about  
9 including bridges in the things that were covered, but  
10 I what I didn't get is any indication of how much of  
11 their stimulus money would be going for things like  
12 repaving of roads in the near term versus bridges that  
13 may take longer to plan and all that.

14 I was wondering if you can say anything  
15 about the stimulus package and how it's been operating  
16 in Mexico and how much benefit that it's been for  
17 domestic PC strand producers in Mexico?

18 MR. GOMEZ: Well, we have participated in  
19 new business in Mexico. I think there is a lot  
20 construction right now going on down there, but to  
21 tell you the truth, we don't really know what will be  
22 the whole impact. I mean, the Mexican government has  
23 announced that it's willing to give a lot of money  
24 let's say to these projects, but in reality we have  
25 only started to see a couple of them I think.

1           We are expecting to see much more to come  
2 probably, but I think the government has been probably  
3 somewhat slow to give this money.

4           COMMISSIONER WILLIAMSON: Gee, governments  
5 share the same tendencies. Okay. You can understand  
6 that impact whether it's the comparable impact. This  
7 would be helpful to us. I was wondering if you did  
8 have any predictions or estimates about the future  
9 demand for PC strand in the U.S. market. I mean, I  
10 realize that you're not here now, but since you are a  
11 global company, I was wondering whether or not you had  
12 any insights on that.

13           MR. LEVIN: We just don't have the  
14 experience in the U.S. market to be able to make any  
15 forecasts, anything beyond speculation. The only  
16 thing that I can note aside from the testimony as much  
17 as I understood it from the domestic industry this  
18 morning is one of the statements I believe it is in  
19 Insteel's SEC filing quoted in the pre-hearing brief  
20 that the difficulties that they are facing will be  
21 mitigated to some extent by projects and  
22 appropriations under the Recovery Act, but beyond  
23 that, we are just not in a position to state any  
24 forecast.

25           COMMISSIONER WILLIAMSON: Okay. What about

1 the future demand in Mexico apart from this stimulus  
2 money and how quickly that gets put out?

3 MR. FERNANDEZ: As I said, we are new in  
4 this market for us even though we are in the wire  
5 business for so many years, PC strand is a steel, but  
6 it is a quite different business because of the use of  
7 this product, and what we had been doing as I said is  
8 to learn about this and to educate our schools, the  
9 universities, the college of architects, the college  
10 of civil engineers in order to make them demonstration  
11 regarding the benefits of the use of this product  
12 compared with the use of rebar.

13 We have been really successful in this step  
14 by step. We have to go slowly in order to convince it  
15 because in the universities, they don't teach them  
16 about this specific use of this product, but we as a  
17 company have this program in order to promote, and we  
18 have been in very success of the result of our first  
19 steps in this matter within Mexico way of doing  
20 things.

21 Let me tell you something. We use the  
22 product differently than in the United States. We  
23 don't use it in Mexico mainly for flooring like here  
24 in the United States, and so we are educated to see  
25 the benefits also to use not only in typical bridges

1 and highways and things like that, but also in  
2 buildings and in flooring of the housing.

3 COMMISSIONER WILLIAMSON: So you're  
4 envisioning a wider range of uses in Mexico than is  
5 common here in the U.S.?

6 MR. FERNANDEZ: Sorry?

7 COMMISSIONER WILLIAMSON: You're envisioning  
8 a wider range of uses or wider applications?

9 MR. FERNANDEZ: We are. In these two  
10 different uses that it is not currently used in Mexico  
11 right now. In other words, to educate it to use it  
12 instead of the other way. Sorry for my English.

13 MR. LEVIN: Commissioner Williams, my  
14 understanding is residential housing slab on grate  
15 construction in Mexico is a growing market. It really  
16 did not exist five, six, seven years ago and that  
17 there's an increased awareness and an increased use of  
18 that construction method in Mexico, so the answer the  
19 yes.

20 COMMISSIONER WILLIAMSON: Okay. Thank you.  
21 What about in terms of just general construction. My  
22 light is red. I'll come back to this. Thank you very  
23 much.

24 MR. LEVIN: Okay.

25 CHAIRMAN ARANOFF: Commissioner Pinkert.

1                   COMMISSIONER PINKERT: Thank you, Madam  
2 Chairman, and thank all of you for being here today to  
3 help us to understand this industry and what may occur  
4 in the event of revocation. I want to begin with Mr.  
5 Danjczek just so that I understand your testimony. Do  
6 you have any testimony on the likely impact of  
7 revocation of the order?

8                   MR. DANJCZEK: Definitely not, sir.

9                   COMMISSIONER PINKERT: Okay. So your  
10 testimony is limited to the membership in the  
11 organization and the role that Mr. Fernandez company  
12 plays within the organization?

13                  MR. DANJCZEK: That is accurate, yes, sir.

14                  COMMISSIONER PINKERT: Did you have  
15 something to add, Mr. Fernandez?

16                  MR. FERNANDEZ: No.

17                  COMMISSIONER PINKERT: Okay. Now, I want to  
18 begin with some of the timing issues that I talked  
19 about earlier today, and in particular did the rise of  
20 China as a major, major exporter to the U.S. market  
21 push the Mexican imports out of the U.S. market, or  
22 was that a separate event in time?

23                  MR. LEVIN: It was close in time, and I  
24 would need to go back the year-by-year charts in the  
25 prehearing report, but it was an independent action.

1 I mean, Mexico effectively was removed from the market  
2 as a result of the underlying investigation. China  
3 came in either coincident with that occurrence or  
4 shortly thereafter, and within a very, very short  
5 amount of time displaced in absolute and relative  
6 terms much more than the share of the subject  
7 countries during the initial period of investigation.

8 COMMISSIONER PINKERT: Thank you. Now, I  
9 think Mr. Gomez talked a little bit about competition  
10 in third country markets, and I just want to ask the  
11 entire panel if you have any testimony on the ability  
12 of Mexican exports to compete with Chinese exports to  
13 third country markets?

14 MR. GOMEZ: Yes. In general, we are not  
15 competitive with China. However, we have been limited  
16 successful in some cases because of our location. I  
17 mean, if we pick a country, for example, let's pick  
18 Chile, for example, if they import product from China,  
19 it's probably going to take a couple of months in some  
20 cases, so even though we are not competitive to that  
21 level price-wise, we can probably deliver from Mexico  
22 into Chile in a week, so it's just a matter of  
23 convenience.

24 However, I think there is something  
25 important here because I also heard today in the

1 morning that there was some concern that what will  
2 happen if the orders are revoked. If we think about  
3 Canada, I think the Canadian market is probably  
4 similar, certainly not in size but probably behavior  
5 to the U.S. market, and we haven't really been that  
6 successful there either.

7 There are no restrictions for us, and we  
8 have exported somewhat, but we are competitive with  
9 Canadian manufacturers, but we are certainly not  
10 competitive with China.

11 COMMISSIONER PINKERT: What role does China  
12 play in the Canadian market?

13 MR. GOMEZ: It's a very important player. I  
14 don't really have numbers to support this, but I think  
15 we'll probably have the same market share as it does  
16 in the states.

17 COMMISSIONER PINKERT: Is there any way in  
18 the post-hearing for you or for Mr. Levin to put  
19 together some numbers about the competitiveness of the  
20 Mexican exports with the Chinese exports in third  
21 country markets?

22 MR. LEVIN: We'll do everything we can,  
23 Commissioner.

24 COMMISSIONER PINKERT: Thank you. Mr.  
25 Fernandez, do you have anything to add to that?



1 MR. FERNANDEZ: No. I agree.

2 MR. LEVIN: And if I may, Commissioner, just  
3 so it doesn't, and with due apologies, Miguel, get  
4 lost in translation, when you say you are not  
5 competitive with imports from China, you're not  
6 meaning that you do not compete with imports from  
7 China. You mean that your product is not  
8 competitively priced as compared to imports from  
9 China?

10 MR. GOMEZ: Yes, that's exactly right. What  
11 I meant is our price is not as low as that from China.

12 COMMISSIONER PINKERT: Let me see if I can  
13 do a little clarification on that as well. My  
14 question goes to whether or not you're able to obtain  
15 business in markets where the Chinese exports are  
16 significant, so whether your price is higher or your  
17 price is lower than the Chinese price, if you're able  
18 to obtain business, that would be relevant to the  
19 question of what might happen in the event of  
20 revocation. Does everybody understand what I'm  
21 getting at?

22 MR. FERNANDEZ: Yes.

23 MR. GOMEZ: Yes, and I think we are somewhat  
24 successful in that effort. As I stated before, that  
25 will probably be based on the service that we provide

1 just because of the fact that it's more convenient to  
2 get it from a closer location, but once again, not  
3 because of price. Definitely on price we are always  
4 at a higher level.

5 COMMISSIONER PINKERT: Let me follow up on  
6 that a little bit. I understand the testimony that  
7 we've heard today about the difficulty that the  
8 Chinese exports present to the Mexican producers, and  
9 we've also heard testimony about the difficulties that  
10 the Chinese exports provide for the U.S. producers,  
11 but can you help me to understand exactly what the  
12 problem is from the Mexican producers points of view.

13 When you try to export into a market where  
14 China has a very significant presence, what sort of  
15 problems does that present for you?

16 MR. GOMEZ: Yes, everything is priced.  
17 Everything is priced. I mean, those are price-driven  
18 markets.

19 MR. FERNANDEZ: We don't have that  
20 experience. We only sell in Mexico really. We don't  
21 really have this situation with a third country.

22 COMMISSIONER PINKERT: Okay. And now let's  
23 focus on Mexico for a moment as well. What  
24 difficulties have the Chinese exporters experienced,  
25 if any, in exporting to the Mexican market, or is

1       there some explanation that you can give me as to why  
2       they are not a significant presence in the Mexican  
3       market?

4               MR. GOMEZ: I think probably China will be  
5       probably the third player right now from the import  
6       standpoint just after the U.S. and Spain I think, and  
7       I think the main challenge that they have right now is  
8       that they are the newcomer. They haven't been in the  
9       Mexican market for years, but they are a real threat  
10      right now. They have some presence through brokers  
11      that they have just started in the Mexican market.

12             COMMISSIONER PINKERT: Mr. Fernandez?

13             MR. FERNANDEZ: Yes. I agree with that, and  
14      we really think that China normally in other products  
15      they move it through distributors, not directly  
16      selling to the final user. Perhaps in Mexico that's  
17      part of the situation. They have no sales force  
18      directly to the main products where they are using it.  
19      Could it be a north, but that's my experience of other  
20      type of products, but not in this case. It couldn't  
21      be the same. They don't have this commercial  
22      representation base in Mexico. It couldn't be.

23             COMMISSIONER PINKERT: So it may have  
24      something to do with distribution?

25             MR. FERNANDEZ: We don't know if the imports

1 are distributors, but I don't think that they are  
2 final user. I don't know it.

3 COMMISSIONER PINKERT: Now, as you all know,  
4 Petitioners argue that there's a substantial level of  
5 excess capacity in Mexico and that excess capacity  
6 could be diverted to the United States, or I should  
7 say they claim that it's likely to be diverted to the  
8 United States in the event of revocation. Do you have  
9 any response to that? Is the calculation incorrect,  
10 or is there something else that you would dispute?

11 MR. GOMEZ: In our case, we certainly have  
12 excess capacity, but it's certainly limited. I think  
13 the definition of excess capacity will depend on the  
14 demand that we have, and as I stated before, we are  
15 very busy in Mexico right now, so if you ask me about  
16 the present, I will say well, we don't have excess  
17 capacity, but we have certainly had at least the first  
18 part of this year.

19 MR. FERNANDEZ: We don't really think that  
20 we have excess capacity. You can check the  
21 questionnaires. 2009 was a very good year for us, so  
22 we don't see it in that way.

23 COMMISSIONER PINKERT: Thank you. Thank  
24 you, Madam Chairman.

25 CHAIRMAN ARANOFF: One thing that we

1 sometimes see when an anti-dumping duty order goes  
2 into effect is that the one or more subject producers  
3 may set up a production facility in the United States  
4 in order to serve the U.S. market. That's neither a  
5 good thing nor a bad thing. It's just sometimes a  
6 logical result of the order going into effect, and in  
7 fact both of the original subject Mexican producers  
8 did set up production facilities in the U.S.  
9 Although, neither of them stayed very long.

10 What, if anything, should we make of that in  
11 looking forward into the future?

12 MR. FERNANDEZ: Okay. In this case of  
13 Deacero, we have never been operate any equipment  
14 since we bought Cablasa, so we don't really have that  
15 experience.

16 MR. LEVIN: On the Deacero side, that all  
17 occurred before Deacero purchased Cablasa.

18 MR. FERNANDEZ: Deacero. Yes, Deacero we  
19 never did.

20 MR. LEVIN: Miguel?

21 MR. GOMEZ: In the case of Camesa, we  
22 decided to shut down our operation in Texas basically  
23 because of a couple of things. The first thing is  
24 that the market intelligence gathered show us that  
25 there was growing capacity on the U.S. manufacturer

1 side, and the second thing was the presence of China,  
2 so we thought that we'll be much better off by sending  
3 our line back to Mexico, and that's what we did.

4 CHAIRMAN ARANOFF: Okay. So that was  
5 machinery that was purchased to serve the U.S. market  
6 but ultimately ended up being used to serve the  
7 Mexican home market?

8 MR. GOMEZ: Yes, that's exactly right, and  
9 as I stated before, we have been busy, so we don't  
10 really have intentions to open again a plant in the  
11 States.

12 CHAIRMAN ARANOFF: In testimony this  
13 morning, witnesses on the other panel stated that  
14 Deacero has a new PC strand line that's I guess  
15 sitting in a box waiting to be installed pending the  
16 outcome of this review. Do you want to respond to  
17 that?

18 MR. FERNANDEZ: Yes, of course. We have two  
19 machines, and they're working in Mexico. We don't  
20 have any package machine ready to export to the U.S.  
21 market. The machines that we have are working, and we  
22 have no extra machine and have no intent to have a new  
23 one.

24 CHAIRMAN ARANOFF: Okay. And the two to  
25 which you're referring, that's capacity you've had for

1 a while, or capacity you've recently added?

2 MR. FERNANDEZ: It was a capacity at the end  
3 of last year beginning of this year, the extra  
4 capacity, and you can see it in our questionnaire  
5 report.

6 CHAIRMAN ARANOFF: Okay.

7 MR. FERNANDEZ: It went up yes, because both  
8 equipment are working.

9 CHAIRMAN ARANOFF: Okay. Thanks for  
10 clarifying that. One of the things that I asked this  
11 morning, and I want to ask again, you had argued in  
12 your brief that because these companies under the  
13 current ownership don't have any customers in the U.S.  
14 for this product that you would be starting from  
15 scratch and would have to get the product qualified,  
16 et cetera, et cetera.

17 I asked the domestic producers this morning  
18 realistically given that this is a fairly common  
19 product has to meet an ASTM qualification. How hard  
20 is it to get certified? They said a matter of days.  
21 Would you agree with that? That's not really a  
22 barrier to entry?

23 MR. GOMEZ: Well, personally there is no  
24 doubt that this is a commodity product. However, in  
25 as in any other product, you need to get established

1 in your relationship with a customer, so that will  
2 take a little time, so I don't know if that will take  
3 probably months, but that's the case that we have seen  
4 in the past because also this is a commodity product.  
5 Sometimes, there are specific requirements as far as  
6 packaging, for example, or some other requirements.

7 I mean, it is not necessarily the technical  
8 part. It's just that they want to see that you are a  
9 reliable source, and that you are there to stay with  
10 them, so that's going to take a little time as in any  
11 other business I think.

12 CHAIRMAN ARANOFF: Okay. So what I hear you  
13 saying is it takes time to build a relationship with  
14 any new customer, but it's not because of any inherent  
15 difficulty in qualifying the product itself?

16 MR. GOMEZ: That's right.

17 CHAIRMAN ARANOFF: Okay. Thank you. I want  
18 to go back. I know my colleagues have visited this  
19 question, but we probably haven't asked it every  
20 possible way to ask it yet, and this has to do with  
21 demand in the Mexican home market because I really  
22 think that's probably the key factual issues that's in  
23 front of us in this review.

24 First of all, the domestic producers allege  
25 that there was a real falloff in demand in Mexico in



1 2009 for this product, which would certainly be  
2 consistent with what's gone on everywhere else in the  
3 world, but I'm not sure that's what I heard all of you  
4 saying, so let me just ask you. As compared to 2008,  
5 has there been a significant falloff in consumption of  
6 PC strand in Mexico in 2009?

7 MR. FERNANDEZ: Yes. As you can see in our  
8 questionnaire, we increased our production and  
9 increased our shipment in constructions in Mexico due  
10 mostly to this infrastructure, some of the  
11 infrastructure process in some states of Mexico, and  
12 the other thing is in order to educate new users and  
13 try to find out the market for us is to understand the  
14 market and educate it of the advantages.

15 Yes, we saw a really difference between 2008  
16 against 2009 despite the economic situation that  
17 worldwide is occurring.

18 CHAIRMAN ARANOFF: Okay. So no downturn in  
19 demand?

20 MR. FERNANDEZ: Yes.

21 CHAIRMAN ARANOFF: Okay. Is that the same  
22 experience that Camesa has had?

23 MR. GOMEZ: Well, I will like to correct a  
24 little in the sense that Mexico is not isolated.  
25 Mexico has observed the same kind of phenomenon I

1 think that the rest of the world has, and we have  
2 probably been fortunate to some extent not to suffer  
3 to the same level as other economies I would say  
4 specifically talking about construction, so we have  
5 been to some extent fortunate.

6           There was a reduction at least in our case.  
7 We saw a reduction in demand during the first half of  
8 this year, and I think now it's getting better pretty  
9 sadly because the new infrastructure projects going  
10 on.

11           CHAIRMAN ARANOFF: Okay. We've heard a lot  
12 of talk about the infrastructure projects, and it's  
13 been a little bit conflicting because I know, Mr.  
14 Gomez, you said that some of the Mexican central  
15 government infrastructure plan that it's been slow to  
16 be implemented. I thought I heard you say that there  
17 weren't that many projects underway yet that used your  
18 product?

19           MR. GOMEZ: That's right.

20           CHAIRMAN ARANOFF: Okay. But then I heard  
21 Mr. Fernandez talking about projects maybe that are  
22 being paid for by the state in Mexico, and so I guess  
23 what I'd just like to ask for the post-hearing is it  
24 would be great if we could get closer to quantifying  
25 what's going on in terms of what projects there are

1 that are underway or committed and how much volume of  
2 PC strand we're actually talking about because the  
3 generalizations only are going to take us so far.

4 MR. LEVIN: Generalizations can be awfully  
5 frustrating sometimes. We have the good fortune of  
6 having such good cooperation of the Embassy of Mexico  
7 and government official's down in Mexico City, who  
8 we've been in pretty constant communication with over  
9 the last couple of months. We are in fact working on  
10 a specific list of projects that would use PC strands,  
11 and with the authorization and approval of the  
12 Embassy, we'd be happy to submit that.

13 With your authorization, to submit that in  
14 our post-hearing brief.

15 CHAIRMAN ARANOFF: You know, we really  
16 appreciate receiving that, and the more specific you  
17 can be about the volumes and whether the money is  
18 committed versus they've just been kind of announced,  
19 but not really funded. The more specific that you  
20 could be, the better. It's going to help your case.

21 MR. LEVIN: I really don't mean to make the  
22 pun, but we'll put it down as concretely as possible.

23 CHAIRMAN ARANOFF: Thank you very much. I'm  
24 going to turn to Vice Chairman Pearson.

25 VICE CHAIRMAN PEARSON: I also would like

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1 to extend my greeting to all of you on the afternoon  
2 panel. I very much appreciate your presence here. I  
3 was getting my feet stuck in concrete there. I got to  
4 get my head out of it I guess. Do you have some  
5 knowledge of the relative production costs for PC  
6 strand in Mexico compared to the U.S., and I ask that  
7 because both of your firms have had some experience  
8 producing PC strand in the United States recently and  
9 then have ceased production.

10 MR. GOMEZ: No. I personally don't have the  
11 data.

12 MR. FERNANDEZ: Neither did I compared with  
13 American.

14 VICE CHAIRMAN PEARSON: So I guess one could  
15 look at the information we have on the record and draw  
16 an inference, but it must cost less to produce PC  
17 strand in Mexico because those operations continued,  
18 and the plants in the United States were closed.

19 MR. GOMEZ: Well, we shut down our  
20 operations a few years ago so we can probably put  
21 something together, but it couldn't be up-to-date  
22 information. I think something important to bear in  
23 mind here is that the most important part of the cost  
24 of PC strand is a steel rod. I think what you said,  
25 it's perfectly right in the sense that it's logic to

1 think that the cost in Mexico will be somewhat lower  
2 than the cost in the states. However, the  
3 differential I think is probably minimal.

4 VICE CHAIRMAN PEARSON: Okay.

5 MR. GOMEZ: But we can give you some  
6 information in the post-hearing session whatever  
7 information we can come up.

8 VICE CHAIRMAN PEARSON: Mr. Levin?

9 MR. LEVIN: Commissioner Pearson, I don't  
10 have data offhand, but let me just understand your  
11 question correctly. You're talking about the  
12 production costs in Mexico?

13 VICE CHAIRMAN PEARSON: Versus the  
14 production cost in the United States. I'm just trying  
15 to understand the conditions of competition.

16 MR. LEVIN: Right.

17 VICE CHAIRMAN PEARSON: Perhaps Mexico has  
18 some inherent advantage in the production of PC strand  
19 that we don't have in the United States. If that  
20 exists, it would be nice to understand it, rather.

21 MR. LEVIN: Okay. Well, we'd be happy to  
22 supply information on the production cost in Mexico.  
23 I really don't think that these guys have access to  
24 data for whatever limited production their companies  
25 did for that short time in the United States, but if

1 it's helpful for your analysis to have their  
2 production costs in Mexico, yes, we can put that  
3 together.

4 VICE CHAIRMAN PEARSON: Perhaps, that would  
5 be of some help because of course we have information  
6 on domestic prices.

7 MR. LEVIN: We'll explore historical data to  
8 see if there's anything that we can pass along.

9 VICE CHAIRMAN PEARSON: Yes. It was a  
10 little bit unusual in this record to have both Mexican  
11 producers have some U.S. production and then not have  
12 it during the POR. It's not a fact pattern we see  
13 very often, so I was just trying to understand what  
14 led to that.

15 MR. LEVIN: I understand. We will be happy  
16 to pass along whatever data we can get a hold of.

17 VICE CHAIRMAN PEARSON: One question we  
18 probably can resolve right now, would it be correct to  
19 assume as consistent with the discussion with this  
20 morning's panel that the industry in Mexico would be  
21 understood to have relatively high variable costs  
22 compared to the fixed costs of production?

23 MR. GOMEZ: Yes, I do agree with that.

24 VICE CHAIRMAN PEARSON: Okay.

25 MR. FERNANDEZ: Yes, I will agree with that.

1           VICE CHAIRMAN PEARSON: So at a time of  
2 really slow demand, if it's necessary to shut down a  
3 line for some weeks or some months, there's an  
4 employment loss, and it's a problem for the workers  
5 and to some degree for the company, but the company  
6 probably can survive a short downturn in demand.

7           MR. GOMEZ: Yes.

8           VICE CHAIRMAN PEARSON: Yes.

9           MR. FERNANDEZ: We are beginners in this  
10 production.

11          VICE CHAIRMAN PEARSON: Yes. Okay. If  
12 there is anything that you would want to put on the  
13 record for purposes of the post-hearing in terms of  
14 why the U.S. operations were closed, I would be  
15 curious, but I don't know that it is dispositive of  
16 the decision that we will have to make here.

17          MR. LEVIN: I am happy to do so.

18          VICE CHAIRMAN PEARSON: Okay. Why didn't  
19 the Mexican producers expand exports to third-  
20 countries much during the period of review? As we  
21 discussed this morning, the exports of Mexico to  
22 third-countries have gone up and down a little bit,  
23 but it has not been that big a factor in the overall  
24 business strategy of the Mexican industry would be my  
25 interpretation. Mr. Gomez.

1           MR. GOMEZ: Yes. I think the short answer  
2 to that would be China again. What we have seen in  
3 other countries is probably a resemblance of what we  
4 see in the States. China has been growing and it is  
5 very difficult to compete with them price-wise.

6           MS. FERNANDEZ: Sir, I have no comments with  
7 regard to that.

8           VICE CHAIRMAN PEARSON: Okay. Mr. Levin,  
9 perhaps now, but maybe for the purpose of the post-  
10 hearing, could you explain what seems to be the  
11 difference between the testimony of the Mexican  
12 producers that they don't currently have much excess  
13 capacity, and the data that we have in Table 4-17 of  
14 the staff report, and that is on page 4-41.

15           Because we are showing what looks to me like  
16 some meaningful amount of excess capacity. Is that  
17 really there? Why are we showing it and the producers  
18 aren't thinking of it as a substantial excess  
19 capacity? Comments now or in the post-hearing.

20           MR. LEVIN: I would like to if I may reserve  
21 it for the post-hearing brief, specifically because we  
22 would be getting into some BPI data. There are  
23 differences here.

24           VICE CHAIRMAN PEARSON: Okay. Fair enough.  
25 Okay. Now, these are not BPI, because these are in



1 the public staff report. If we go back and look at  
2 the actual shipments by Mexican producers into the  
3 United States during the years 2000 to 2003 -- and  
4 this would be Table 101 -- those are substantial  
5 numbers.

6 I mean, as high as almost 53 million pounds  
7 of PC strand in that year, in 2002. The domestic  
8 industry, I think, is challenging us to explain this  
9 empirical evidence. The ability of Mexican producers  
10 in the not-too-distant past to put large, relatively  
11 large volumes, of PC strand into the United States.  
12 Why wouldn't that happen again if we revoke the order?

13 MR. LEVIN: I think the answer to that,  
14 Commissioner Pearson, is longer what we have specified  
15 in the pre-hearing brief, and as we testified here  
16 today. Were they appreciable volumes? Yes.

17 Were they appreciable volumes by companies  
18 under former ownership structure, and not the current  
19 ownership structure? Yes. Have there been changes in  
20 the U.S. market since the Mexican product exited from  
21 the U.S. marketplace? Again, yes.

22 And to a large extent that is the Chinese  
23 imports, which have displaced the subject imports,  
24 which have more than displaced the subject imports.

25 Is it theoretically practical to ratchet up

1 to the 26 thousand net tons that Mexico peaked at in  
2 2002? Yes, it is theoretically possible for that to  
3 happen. In the world of commercial practicalities  
4 would that happen?

5 We don't see the signs of it because of the  
6 obstacles for reentry into the market that we have  
7 been discussing, and because of the fact that the  
8 imports from China have become a tour de force in the  
9 U.S. market in the interim period.

10 VICE CHAIRMAN PEARSON: Okay. Any other  
11 observations?

12 (No response.)

13 VICE CHAIRMAN PEARSON: Oh, my light is  
14 changing, and so I think I will just take advantage of  
15 that and pass to Commissioner Okun.

16 CHAIRMAN ARANOFF: Commissioner Okun.

17 MR. LEVIN: Ma'am Chairman, if I may, may I  
18 ask for leave for the Commission to authorize Mr.  
19 Danjczek to excuse himself from the panel for a prior  
20 appointment?

21 CHAIRMAN ARANOFF: Yes, I did get a note  
22 that he needed to leave. Was four o'clock right?  
23 That was the note that I got, or do you need to leave  
24 earlier than that?

25 MR. DANJCZEK: I need to leave by four

1 o'clock.

2 CHAIRMAN ARANOFF: Well, let me ask. Does  
3 anyone have a question for Mr. Danjczek that you need  
4 to ask before he leaves?

5 COMMISSIONER LANE: Yes.

6 CHAIRMAN ARANOFF: Commissioner Okun, do you  
7 mind if Commissioner Lane asks a question?

8 COMMISSIONER OKUN: No.

9 CHAIRMAN ARANOFF: Okay. We are going to  
10 let Commissioner Lane ask his questions.

11 COMMISSIONER LANE: Mr. Danjczek, I am a  
12 little confused as to exactly what your position is on  
13 either the revocation of this order, or keeping the  
14 order in place. Are you advocating that the order be  
15 revoked as to all six countries?

16 MR. DANJCZEK: I will answer you as  
17 specifically as I can. I work for a trade  
18 association, and I have a board of directors that  
19 directs me in my activities.

20 COMMISSIONER LANE: Okay. Let me ask you  
21 this.

22 MR. DANJCZEK: And I think I can answer it  
23 if I may, and that is that I went to my board, to my  
24 executive committee, and said that I would like your  
25 permission to comment on the friendship, and the

1 support, and the observation of how Deacero conducts  
2 business.

3 But with the understanding that I have no  
4 comment whatsoever either on the strength, or the  
5 weaknesses, or the credit of this case because I am  
6 not knowledgeable, Commissioner. I am merely  
7 commenting that Deacero has been a creditable member  
8 of the North American Steel Community. But I am not  
9 commenting on the case whatsoever.

10 COMMISSIONER LANE: Okay. Thank you. I was  
11 getting somewhat confused as to what it was that you  
12 were saying. So that clears it up, and thank you.

13 MR. DANJCZEK: I cause that confusion a lot.  
14 Thank you.

15 COMMISSIONER LANE: Okay. Thank you.

16 CHAIRMAN ARANOFF: Did anyone else have a  
17 question? Commissioner Pearson.

18 VICE CHAIRMAN PEARSON: Mr. Danjczek, I want  
19 to thank you for being here to present --

20 MR. DANJCZEK: I beg your pardon?

21 VICE CHAIRMAN PEARSON: Not a problem. To  
22 present a character reference for your member. It is  
23 a wonderful thing to do. I an not sure that anyone  
24 would ever step forward and give a character reference  
25 for me.

1 (Laughter.)

2 VICE CHAIRMAN PEARSON: So thanks for being  
3 here.

4 MR. DANJCZEK: Mr. Pearson, if you remember,  
5 I have had the pleasure of being here before, even at  
6 times when it has caused my members money. We were  
7 here for the small diameter electro case, and for the  
8 refractory case. And our principles speak for  
9 themselves, but our friendship to our members also  
10 speak.

11 MR. LEVIN: If I can just add a thought. I  
12 have worked with these guys for a few months now, and  
13 when they said before in their testimony that one of  
14 the motivating, if not the motivating reason, for them  
15 participating in this proceeding, and for being the  
16 only foreign Respondents to participate in this  
17 proceeding, is to clear their good name.

18 That's genuine. I mean, these guys just  
19 don't like the fact that they purchased companies that  
20 are labeled as unfair traders before a U.S. agency,  
21 and they want to come here and do what they can to  
22 clear their good name.

23 I know that it sounds sort of mawkish and  
24 weird for an ITC proceeding, but it is genuine, and it  
25 is for that reason that Tom was asked, and as you very

1 correctly characterized, Commissioner Pearson, to  
2 serve as a character witness.

3 CHAIRMAN ARANOFF: Well, Mr. Danjczek, thank  
4 you very much for coming in today, and feel free to  
5 leave whenever you need to.

6 All right. Mr. Secretary, I am sure that I  
7 have thoroughly confused everyone now, but let's just  
8 start Commissioner Okun's time again shall we?

9 COMMISSIONER OKUN: Now I am thinking about  
10 my character witnesses. Okay. Thank you very much.  
11 I very much appreciate the testimony that you have  
12 given, and responses, and your willingness to be here,  
13 particularly in traveling long distances as my  
14 colleagues have observed.

15 You have committed to provide post-hearing,  
16 and a number of things related to demand in Mexico  
17 that I think would be very important as has been  
18 noted. I wondered as part of that, you, in your brief  
19 at page 5, footnote 12, had a footnote referencing the  
20 National Infrastructure Program.

21 And we had tried to pull that up and we  
22 couldn't access it. So as part of that post-hearing  
23 submission, if you could provide that to us as well.

24 MR. LEVIN: It is being worked on as we  
25 speak.

1                   COMMISSIONER OKUN: Okay. That's great.  
2                   One of the things when I looked at it, what I was  
3                   trying to figure out is there a Buy Mexico provision,  
4                   anything like the U.S. provision, for the  
5                   infrastructure projects, or the NIP, in Mexico?

6                   MR. LEVIN: One of my very exact questions  
7                   from our little preparation meeting yesterday  
8                   afternoon, and I have been told absolutely no.

9                   COMMISSIONER OKUN: Okay. So when you are  
10                  talking about U.S. presence, and Chinese presence,  
11                  Spanish presence, in the Mexico market, they will also  
12                  be able to get on these same projects that you have  
13                  talked about?

14                  MR. FERNANDEZ: Yes, Ma'am. There are no  
15                  restrictions of that kind in Mexico.

16                  COMMISSIONER OKUN: Okay. Thank you. And  
17                  you may have responded a bit, and I just wanted to  
18                  make sure that I understood it. One of the -- I know,  
19                  Mr. Levin, that you had clarified that while the staff  
20                  report, the status of Mexico as a net importer was to  
21                  the code that they were also a net importer for the PC  
22                  strand product as well. And so I got that  
23                  clarification and you provided information on that.

24                  MR. FERNANDEZ: Yes.

25                  COMMISSIONER OKUN: But one of my questions

1 was that of the material that is coming in from other  
2 countries when there is excess capacity as we have  
3 discussed, is it product that is serving particular  
4 customers, or what can you tell us about exports into  
5 Mexico, and how you compete against those?

6 MR. FERNANDEZ: Okay. Mexico is an open  
7 country. We have treaties with more than 40  
8 countries. So it is an open country to get in, and  
9 regarding the -- we have found some competition from  
10 Spain and from China regarding the marketplace.

11 So they are perhaps not playing fair play as  
12 the -- for instance, the exports that we receive, or  
13 the imports that we receive from the United States,  
14 they arrive in the country in a fair price, a fair  
15 place, and so finally the customer will decide if they  
16 would rather buy it from an American company, or from  
17 a Mexican company.

18 Both are neighbors, and so both are easy,  
19 and to arrive through Mexico is to arrive through the  
20 United States border towns.

21 So I think that is my answer.

22 COMMISSIONER OKUN: Well, maybe just a fewer  
23 response on that. When the question was asked of the  
24 Petitioners panel this morning, Ms. Canon had  
25 responded why when we were asking about whether the



1 net importer status should matter, she had touched on  
2 a number of things, probably more than I am going to  
3 remember right now.

4 But I remember a couple of things  
5 specifically, and one is that if there is excess  
6 capacity, and the U.S. is a big market, a very large  
7 market, and it is nearby, and as we understand it,  
8 Mexican producers compete in Canada, wouldn't it make  
9 sense that they would want to spend excess capacity if  
10 the order were lifted into the United States.

11 And I think I have heard some of your  
12 responses to that, which is, yes, we do want to send  
13 some product, but it wouldn't be an overwhelming  
14 amount. But I just wanted to have you comment a  
15 little bit further.

16 Are there any differences that you see  
17 between the Canada and the U.S. markets, in terms of  
18 if the order were lifted, and would there be a reason  
19 to send more product into the United States based on  
20 the size of the market, the prices.

21 If you could just comment more on that for  
22 me, and for both you, and Mr. Fernandez, and Mr.  
23 Gomez.

24 MR. GOMEZ: Sure. I think here is no  
25 question about the location in Mexico. I mean, the

1 relationship with the States will certainly be a  
2 factor. I mean, there is no doubt about that.

3           However, I don't think our presence in the  
4 States will increase dramatically, let's say, because  
5 we are busy in Mexico, and as you said, we are a net  
6 importer. So we are not aggressive as somebody  
7 mentioned today before, and how come we have been  
8 losing market share in our own country, where our  
9 prices are good, but we keep being undercut in price  
10 specifically by some U.S. companies.

11           So I think the short answer to that is we  
12 have been somewhat successful in our country, but I  
13 don't think the case in the U.S. will be completely  
14 different. I think we have been successful in South  
15 America to some extent, and probably in Canada.

16           I think it will probably be the same in the  
17 States. We don't anticipate that we will be in  
18 enormous market for us, or that it will be a great  
19 advantage for any reason.

20           COMMISSIONER OKUN: Before I turn to Mr.  
21 Fernandez on that, in terms of price levels in the  
22 countries that you have talked about, in Canada, in  
23 South America, would you expect the U.S. to be more  
24 attractive on price, and that you could get a better  
25 price in the United States than in those other

1 markets?

2 MR. GOMEZ: Well, it is difficult to say  
3 because we are not in these markets right now.

4 COMMISSIONER OKUN: Mr. Fernandez, did you  
5 have anything to add on that?

6 MR. FERNANDEZ: Really, we don't have  
7 experience regarding commerce outside of Mexico. We  
8 are brand new.

9 COMMISSIONER OKUN: Okay. And I know that  
10 in response to Commissioner Pinkert's question, you  
11 are going to be providing more information about --  
12 specific information about your market share, and  
13 prices in third-countries, including Canada, and I  
14 will look forward to seeing that as well.

15 MR. LEVIN: If I may, Commissioner Okun,  
16 they can get a better price for it in their home  
17 market.

18 COMMISSIONER OKUN: And let's make sure in  
19 post-hearing that you tell me which prices you are  
20 looking at, because I think there is some  
21 disagreement, or I imagine that people are looking at  
22 different prices, and so I want to make sure that I  
23 understand what you are comparing and why, and what  
24 the Petitioners have used as a comparison, you would  
25 disagree with, and be specific about that.

1 MR. LEVIN: I'd be happy to.

2 COMMISSIONER OKUN: Okay. That would be  
3 helpful. A legal question for you, Mr. Levin, with  
4 respect to how to evaluate the presence of the non-  
5 subject, particularly non-subject, or I mean  
6 particularly Chinese non-subject in this market in  
7 making our analysis.

8 And one of the questions that of course has  
9 come up is by nature the timing of the votes. We will  
10 not have voted on the China case when we vote on this  
11 case. What legal difference does that make to our  
12 analysis?

13 MR. LEVIN: I would like to if I may go into  
14 a little detail on that question in the post-hearing  
15 brief. That being said, we get into a sort of pseudo  
16 Bratsk analysis in this context. The Commission is  
17 not directed to conduct a Bratsk type analysis in  
18 Sunset reviews.

19 But they have been instructed to evaluate  
20 the role that interchangeable, price competitive,  
21 fairly traded imports have played in the U.S. market  
22 during the period of review, and what role those  
23 imports would play going forward.

24 So the role of the Chinese imports is  
25 important. Our basic position is, first of all, for

1 purposes of the proceeding right now, imports from  
2 China have to be considered fairly traded. There has  
3 been no unfair trade determination as of yet.

4 The imports from China have grown to  
5 dominate the U.S. import market over the last several  
6 years. In my mind, there is an issue as to whether or  
7 not there is a causative relationship between the  
8 imports from China and the condition of the domestic  
9 industry over the past several years.

10 And therefore there is an issue raised as to  
11 whether or not the existence of these orders have  
12 actually had any demonstrable impact on the condition  
13 of the domestic industry over the period of review.

14 And looking forward whether or not the  
15 termination of these imports would have any  
16 demonstrable impact on the condition of the industry  
17 moving forward, and I would like to if I may go  
18 through a little bit more detail on that in the post-  
19 hearing brief, because I think that is a central  
20 issue.

21 COMMISSIONER OKUN: Okay. I appreciate that  
22 very much, and I think I may have failed to ask the  
23 Petitioners' panel, but I am sure Ms. Cannon and Mr.  
24 Rosenthal, you in your post-hearing brief will also be  
25 looking at non-subjects in the Sunset context,

1 nd if there is anything that in particular that you  
2 would like to add on the legal approach to that  
3 question. Thank you, Ma'am Chairman.

4 CHAIRMAN ARANOFF: Commissioner Lane.

5 COMMISSIONER LANE: Thank you. Mr.  
6 Secretary, do you want to change the light for me,  
7 please. Thank you. Mr. Levin, as I understand it,  
8 you are arguing that we ought to exercise our  
9 discretion and not cumulate Mexico with the other  
10 countries, and then you are asking that we go negative  
11 on Mexico.

12 MR. LEVIN: That is correct.

13 COMMISSIONER LANE: Okay. What is your  
14 position if we cumulate Mexico with the other  
15 countries?

16 MR. LEVIN: I still think that termination  
17 of the orders is the correct decision. Beyond that,  
18 as I indicated before, I can't impugn the motivations  
19 or project what the other countries are positioned to  
20 do.

21 COMMISSIONER LANE: Well, can you give me  
22 your best argument that revocation of the orders on  
23 the cumulated subject imports would not lead to  
24 recurrence of material injury to the domestic  
25 industry?

1           MR. LEVIN: Surely. My best argument is  
2           that just as the obstacles to significant reentry into  
3           the U.S. market by exports from Mexico would preclude  
4           a finding that there is likely to be a significant  
5           increase in volume because there would not be a  
6           significant increase in volume, it is unlikely that  
7           there would be a significant adverse impact on prices,  
8           and hence the condition of the domestic industry.

9           And therefore a negative determination would  
10          be appropriate. Basically, it all comes back to the  
11          root, the same barriers to reentry and significant  
12          volumes, whether for imports from Mexico, or imports  
13          from the other countries, apply across the board.

14          COMMISSIONER LANE: Okay. Let me ask the  
15          two industry witnesses. Do your companies export any  
16          product now into the United States? Not the subject  
17          product, but any other product?

18          MR. FERNANDEZ: Yes, we have been exporting  
19          products to the United States for the last 30 years.  
20          Wire products.

21          COMMISSIONER LANE: Okay. And Mr. Gomez?

22          MR. GOMEZ: Yes, we do export wire and wire  
23          rope.

24          COMMISSIONER LANE: Okay. So it is fair to  
25          say then that your companies, even though they are new

1 companies, still have customers in the United States?

2 MR. GOMEZ: Yes, but they are wire and rope  
3 customers. They are not PCS strand customers because  
4 those markets are different.

5 COMMISSIONER LANE: Okay. Now you have  
6 customers for the subject product in Canada.

7 MR. LEVIN: Camesa.

8 COMMISSIONER LANE: Okay. Camesa. Could  
9 you tell me how you transport your product from Mexico  
10 to Canada?

11 MR. GOMEZ: Sure, absolutely. We have been  
12 doing it by truck. I mean, that does not mean that we  
13 can't do it by other means.

14 COMMISSIONER LANE: Okay. And so why should  
15 -- I mean, we have the NAFTA Agreement, and that  
16 includes Canada, the United States, and Mexico, and  
17 Mexico is exporting the product to Canada.  
18 Why should we not believe that if the orders come off  
19 that you would seek to come back into the United  
20 States again?

21 MR. GOMEZ: Well, we will like to export  
22 into the U.S. as we said before, but I think that the  
23 most important part is that even when we don't have  
24 any constraints in any other countries in the world,  
25 we haven't exported that heavily in any of those



1 markets.

2 So what I am saying is that I don't think  
3 that the U.S. will be substantially different in any  
4 respect to other markets for us.

5 COMMISSIONER LANE: Okay. In your post-  
6 hearing brief can each of you provide your capacity  
7 utilization for each one of your companies, and how  
8 much unused capacity each one of you have at the  
9 present time?

10 MR. LEVIN: Commissioner Lane, just for  
11 clarification, for all products, or for PC strand in  
12 particular?

13 COMMISSIONER LANE: Oh, PC strand.

14 MR. LEVIN: Okay. The data is on the  
15 record.

16 COMMISSIONER LANE: I thought that it was  
17 maybe combined.

18 MR. LEVIN: No, both companies have  
19 submitted foreign producers questionnaire responses.

20 COMMISSIONER LANE: Okay. Well, then just  
21 so that I can find it easily would you provide it  
22 again for me, please.

23 MR. LEVIN: Absolutely.

24 COMMISSIONER LANE: Okay. Thank you. All  
25 right. Mr. Levin, can you -- I think one of the basis

1 for your argument that we should exercise our  
2 discretion not to cumulate is that product coming in  
3 from Mexico would have no discernible adverse impact  
4 on the domestic industry.

5 Can you point to a case where we have  
6 actually quantified what a discernible adverse impact  
7 would be?

8 MR. LEVIN: Offhand, I cannot point to a  
9 case that actually quantified what is meant by  
10 discernible adverse impact. I can point to cases  
11 where that statutory exception was used as the basis  
12 for de-cumulation, and I believe there have been cases  
13 with specific regard to Mexico.

14 But I will look back. I think that the  
15 Commission through several Sunset review  
16 determinations has really had a difficult time  
17 wrestling with what exactly is meant by discernible  
18 adverse impact, because this Commission has been given  
19 no guidance in the legislative history, or the  
20 statement of administrative action, as to how that  
21 term should be applied.

22 There is some vague direction that it is  
23 dependent on the likely volume of imports, and the  
24 likely price effect of the imports, which is very,  
25 very much like the basic statutory standards for

1 Sunset reviews.

2 COMMISSIONER LANE: Well, then, Mr. Levin, I  
3 would invite you to make a suggestion as to what you  
4 believe the phrase "no discernible adverse impact"  
5 means.

6 MR. LEVIN: Unfortunately, I spend part of  
7 my evenings actually thinking about that.

8 COMMISSIONER LANE: Well, you can go ahead  
9 and --

10 MR. LEVIN: And I do have an answer that I  
11 would love to pass on in the post-hearing brief.

12 COMMISSIONER LANE: Okay. That sounds good.  
13 Thank you. Okay. On page 3 of your pretrial brief,  
14 you state that in the case of both Camesa and Deacero  
15 the new ownership is untainted by unfair trading, and  
16 has no incentive or intention to stake out a market  
17 position in the United States that could pose a threat  
18 or indeed have any significant impact on U.S.  
19 producers.

20 Do you have any tangible evidence -- for  
21 example, company documentation or forecast -- to  
22 support that statement?

23 MR. LEVIN: We will take a look at that. It  
24 is a statement of good intent. It is a statement  
25 based on the fact that these companies have never been

1 accused of unfair trading or injurious actions under  
2 the current ownership structure. I'm not sure if  
3 there is anything that is set forth in documentation  
4 besides the possibility of an affidavit.

5 COMMISSIONER LANE: Okay. On page three of  
6 the domestic producers' pre-hearing brief, they  
7 maintain that actions taken by Mexican producers  
8 following imposition of duties, including setting up  
9 PC strand operations in the United States market that  
10 have since been shutdown, and trying to export a  
11 light-weight same coated product to avoid duties  
12 demonstrate the continued importance of the United  
13 States market for Mexican producers. Could you  
14 respond to that statement, please?

15 MR. LEVIN: We've discussed a little bit  
16 about the nature of the U.S. operations. We'll go  
17 into it a little bit more in the post-hearing brief.

18 COMMISSIONER LANE: Okay, thank you.

19 MR. LEVIN: Can I just add one thing,  
20 because it's a point that was brought up repeatedly  
21 about this lightly coated zinc stuff?

22 COMMISSIONER LANE: Let me get to it in my  
23 next round.

24 MR. LEVIN: Fair enough.

25 COMMISSIONER LANE: Thank you.

1 CHAIRMAN ARANOFF: Commissioner Williamson?

2 COMMISSIONER WILLIAMSON: Thank you, Madam  
3 Chairman. You have been asked by Chairman Aranoff in  
4 post-hearing to kind of help us sort out this question  
5 of demand in Mexico for PC strand and whether it's  
6 going up or not. And I, also - in taking into account  
7 also think about, I know the IMF predicts that  
8 Mexico's GP would fall 7.2 percent in 2009. So, in  
9 addressing that question, I guess taken into account  
10 the overall economic - what's happened to the economy  
11 in general and are you saying that construction  
12 industry demand has been - is not tracking the general  
13 economy, and sort of tie that into your response,  
14 because I think that's partially adding to the  
15 confusion as to -

16 MR. LEVIN: If I may, instead of trying to  
17 take a swing at it offhand, if I can look at the  
18 numbers and address it in the post-hearing brief.

19 COMMISSIONER WILLIAMSON: Yes, I suggest it  
20 for post-hearing brief.

21 MR. LEVIN: Yeah, absolutely.

22 COMMISSIONER WILLIAMSON: You will address  
23 that question in post-hearing -

24 MR. LEVIN: Absolutely.

25 COMMISSIONER WILLIAMSON: - as something

1 else to take into account.

2 MR. LEVIN: Sure.

3 COMMISSIONER WILLIAMSON: Thank you. The  
4 other thing I was worried about, I think you've raised  
5 some question about whether or not Mexico is a net  
6 importer of PC strand and raise questions, I think,  
7 about the data and I wasn't sure whether the data you  
8 had - you're thinking about is on the record. Or have  
9 I missed something there?

10 MR. LEVIN: The data is on the record  
11 insofar as the six-digit headings for strand and wire  
12 products. It is not on the record with respect to PC  
13 strand, in particular. What is on the record is  
14 Mexican exports to the United States and to third-  
15 country markets. These two companies comprise all of  
16 the exports from Mexico. The missing piece is imports  
17 into Mexico of PC strand. I believe we referenced the  
18 Mexican tariff codes in the pre-hearing brief where  
19 that can be discerned. But, we'll be happy to spell  
20 it out.

21 COMMISSIONER WILLIAMSON: Okay, thank you.  
22 In post-hearing, that would be appreciated.

23 MR. LEVIN: Absolutely. If I can also take  
24 the opportunity to make one clarification point,  
25 Commissioner Williamson?

1 COMMISSIONER WILLIAMSON: Sure.

2 MR. LEVIN: I hate to eat into your time.  
3 The U.S. tariff schedule headings for PC strand do  
4 include non-subject merchandise. They include  
5 galvanized PC strand. And, therefore, some of the  
6 numbers that you see in the tariff schedule data, the  
7 U.S. Census Bureau data, under those headings are  
8 indeed non-subject merchandise. Mexico has not  
9 exported any subject merchandise since certainly the  
10 two companies have changed ownership, certainly no  
11 later than - well, no, I can go back further, since  
12 pretty much the beginning of the period of review,  
13 there's been no exports from Mexico to the U.S. of  
14 subject merchandise. There were probably some -

15 COMMISSIONER WILLIAMSON: You're saying  
16 subject merchandise is not the galvanized, is that  
17 what you're saying?

18 MR. LEVIN: That's correct.

19 COMMISSIONER WILLIAMSON: Okay.

20 MR. LEVIN: That's correct. Galvanized PC  
21 strand is not.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. LEVIN: The thinly coated zinc stuff  
24 certainly is.

25 COMMISSIONER WILLIAMSON: Yes.

1 MR. LEVIN: And that's showing up in 2004  
2 data, perhaps early 2005. I'm not entirely clear.  
3 Aceros Camesa and Deacero have not exported since  
4 then.

5 COMMISSIONER WILLIAMSON: Okay. Thank you.  
6 To what extent is the distinction that we see in the  
7 U.S. about sales of post-tension and pre-tension also  
8 true about sales in Mexico PC strand, in terms of - or  
9 is that - if you have any information on that, that  
10 would be helpful.

11 MR. LEVIN: Let me just make sure I'm  
12 hearing the question correctly. Is there a  
13 distinction between pre-tension -

14 COMMISSIONER WILLIAMSON: Well, in a sense  
15 of what they're - what's been said is that the imports  
16 have been predominately the -

17 MR. LEVIN: Post-tension.

18 COMMISSIONER WILLIAMSON: - post-tension and  
19 domestic sales have been pre-tension.

20 MR. LEVIN: Right.

21 COMMISSIONER WILLIAMSON: And I was just  
22 curious whether or not that's true in the Mexican  
23 market, too. And it may well not be since PC strand  
24 is just being - shall we say being introduced.

25 MR. GOMEZ: There is no distinction in the



1 Mexican market. We supply product to every single  
2 customer despite the final application. And we have  
3 done the same in the past in the U.S. I mean, I don't  
4 think in the U.S. it would be different necessarily  
5 than what is the case in Mexico.

6 COMMISSIONER WILLIAMSON: Okay, good. Thank  
7 you.

8 MR. FERNANDEZ: I agree with that.

9 COMMISSIONER WILLIAMSON: Okay, thank you.  
10 Do you agree with the domestic producers that AUVs or  
11 average unit values are useful tools for price  
12 comparisons in these reviews? What is your view about  
13 how they should be used?

14 MR. LEVIN: I think they're a helpful tool,  
15 just like quarterly price and comparisons are a  
16 helpful tool. I don't have any fundamental question  
17 about the accuracy of the AUVs that are reported in  
18 the pre-hearing brief.

19 COMMISSIONER WILLIAMSON: Okay, thank you.  
20 And I actually have no further questions.

21 VICE CHAIRMAN PEARSON: Commissioner  
22 Pinkert?

23 COMMISSIONER PINKERT: Thank you, Mr. Vice  
24 Chairman. I just have a few legal issues and one or  
25 two factual questions to clear up. First of all, in

1 terms of successorship, I just want to be clear that  
2 Deacero is a successor for Commerce Department  
3 purposes to Cablasa.

4 MR. LEVIN: We wish that were not the case;  
5 but, yes, it is.

6 COMMISSIONER PINKERT: Okay. And there  
7 wasn't any kind of procedure at Commerce to determine  
8 successorship?

9 MR. LEVIN: There was no procedure to  
10 determine successorship, no. Deacero inherited the  
11 dumping margins that were assigned to Cablasa and the  
12 fact that there had been no administrative reviews  
13 requested or effectuated under the Mexican order means  
14 that the Commerce Department used the rates determined  
15 for the underlying investigation as the rates for this  
16 proceeding.

17 COMMISSIONER PINKERT: Thank you. Now,  
18 turning to some of these issues concerning the  
19 attractiveness of the U.S. market relative to third-  
20 country markets, I understand that there's been some  
21 discussion today about AUVs and some of the pricing  
22 data. But, I would just like to get the business  
23 perspective on the attractiveness of the U.S. market  
24 relative to third-country markets. I know that Mr.  
25 Gomez, you have some experience with third-country

1 markets. Can you give me your perspective on that?

2 MR. GOMEZ: Well, as we stated before, I  
3 don't think that our interest in the U.S. will be  
4 greater than the interest that we have in other third  
5 countries. Certainly, as I mentioned before, our  
6 location would be an asset. But, we don't have  
7 particularly a specific interest in the U.S. more than  
8 we have interest in other countries.

9 COMMISSIONER PINKERT: I did understand your  
10 testimony about that. But, I'm wondering on a more  
11 general level how attractive the U.S. market is  
12 relative to third-country markets. For example, are  
13 prices in the United States generally more attractive  
14 than in the third-country markets that you've got some  
15 knowledge of?

16 MR. GOMEZ: Well, we don't have prices in  
17 the U.S., so it's difficult for me to answer that  
18 question. However, I can answer about the rest of the  
19 countries and pretty much it depends on China. Once  
20 again, if China is there, we are normally not  
21 competitive and the only reason we are sometimes  
22 successful to ship product, to supply product to the  
23 customer is because of the added value that we  
24 provide, meaning the service, the delivery, and  
25 whatever.

1                   COMMISSIONER PINKERT: Thank you. Mr.  
2                   Fernandez, I notice that you were shaking your head,  
3                   so I wanted to give you an opportunity to put your  
4                   thoughts on the record.

5                   MR. FERNANDEZ: Certainly. We don't have  
6                   this kind of experience outside of the Mexican market,  
7                   that we are really exploring the Mexican market. So,  
8                   we don't have any experience outside of Mexico.

9                   COMMISSIONER PINKERT: Thank you. Now, you  
10                  heard earlier today, Mr. Levin, about the response to  
11                  my question about vulnerability in the prelim in the  
12                  China case versus vulnerability in the sunset review.  
13                  Do you have any thoughts about whether the issue is  
14                  the same, whether it's a different issue, whether the  
15                  facts are the same or different -- just thoughts about  
16                  that vulnerability finding in the preliminary  
17                  determination in the China case?

18                  MR. LEVIN: If I may, I would like to  
19                  address that in the post-hearing brief. As I  
20                  indicated in my testimony, however, the data that the  
21                  Commission have before it at this point through six  
22                  months indicates that the industry, the domestic  
23                  industry did quite a good deal better in the second  
24                  quarter than it did in the first quarter. I know that  
25                  you had asked for data through September of the

1 domestic industry. I'm interested to see that, as  
2 well. But to the extent that there was a live issue  
3 as to whether or not the domestic industry is in a  
4 vulnerable condition after one quarter, I think that  
5 issue is alive at the end of the six-month period.  
6 And, yeah, I do think vulnerability is a relevant  
7 issue for this Commission amongst many other issues,  
8 as it tries to project forward to see what's going to  
9 happen under different really hypothetical scenarios.  
10 And this is complicated by the fact that you have a  
11 parallel proceeding against China that's going on, on  
12 sort of the same track, but not quite.

13 COMMISSIONER PINKERT: Thank you. One last  
14 question and this question is only relevant to the  
15 extent that we cumulate in the sunset review. But, do  
16 you have a view about whether the Commission can apply  
17 adverse inferences to non-responding entities when  
18 those entities are being cumulated with responding  
19 entities for purposes of the sunset review  
20 determination?

21 MR. LEVIN: We do not take a position on the  
22 application of adverse inferences to non-responding  
23 foreign producers in this proceeding.

24 COMMISSIONER PINKERT: And that would be  
25 true even if we were to cumulate?

1           MR. LEVIN: That would be true even if we  
2 were to cumulate.

3           COMMISSIONER PINKERT: Thank you. Thank  
4 you, Mr. Vice Chairman and Madam Chairman.

5           CHAIRMAN ARANOFF: Mr. Fernandez, in our  
6 questionnaires, we often ask producers to provide  
7 business plans or other sorts of planning documents  
8 and it's not that frequent that the companies on  
9 either side of a case take us up on that request.  
10 But, I did want to ask you when your company made the  
11 decision to acquire the PC strand assets, did you do  
12 any kind of analysis that would show us what you were  
13 thinking at the time about your reasons for acquiring  
14 the business and how it was going to fit in with your  
15 company's business plans? Are there any  
16 contemporaneous documents that you could show us in  
17 that regard?

18           MR. FERNANDEZ: Okay. We are a family-owned  
19 company. I understand that in other organizations,  
20 they have these procedures or programs. In our  
21 company, and I've been working there for 28 years,  
22 they have the decisions in the family owners of the  
23 company. And in this particular case, it was -  
24 because it was the opportunity to enter a new market,  
25 to grow a profile of - we have 80 family of products -

1 that is wire and wire products. So, one of the  
2 decision is the opportunity, let's go into the cable  
3 side. Let me tell you that this is only one of the  
4 products. It is not their product of Cablasa. It's  
5 one of the products, the cables. So, it's a new  
6 opportunity for us and the decisions, it is not  
7 written. It is family-owned decisions to this or  
8 that.

9 CHAIRMAN ARANOFF: Okay. I understand what  
10 you're saying.

11 MR. FERNANDEZ: Do you understand?

12 CHAIRMAN ARANOFF: I understand what you're  
13 saying. Okay, thank you. I'm looking down the list  
14 of arguments that you made in favor of discretionary  
15 non-cumulation, Mr. Levin, and I look down and the one  
16 that I know we've looked at before, at least as one of  
17 a number of factors, is net importer status. Some of  
18 the others are a little bit farther afield of the kind  
19 of things that we've looked for before. For example,  
20 this sort of good North American citizen argument is I  
21 think a considerable extension on our usual - the  
22 thing that we do look at, which is a relationship with  
23 a significant domestic producer. When you go to write  
24 your post-hearing brief, if you could go back and look  
25 at what you had on those points and see if that's your

1 best argument on discretionary factors, that would be  
2 really helpful.

3 MR. LEVIN: I look forward to it, Madam  
4 Chairman.

5 CHAIRMAN ARANOFF: Thanks. Two more notes  
6 for post-hearing. We had some discussion earlier  
7 about how the data we have in the staff report on  
8 Mexico's net importers status is actually - it  
9 includes non-subject products. And you stated, Mr.  
10 Levin, that, in fact, Mexico is a net importer for  
11 this particular product. I don't think we have data  
12 on the record yet for that. Are you planning to  
13 submit something that's going to show us that?

14 MR. LEVIN: Yes. I was reviewing before  
15 what we had and what we didn't have. We have Mexican  
16 exports to the U.S. and to the world because these two  
17 companies comprise the full Mexican industry. I  
18 believe that there was a reference in the pre-hearing  
19 brief - I should know this about my own brief - for  
20 the Mexican tariff codes that apply specifically to PC  
21 strand. The long and the short of it, yeah, we'll put  
22 it down in black and white.

23 CHAIRMAN ARANOFF: Okay. And the Mexican  
24 tariff codes that were tracked, their imports of PC  
25 strand, do they have the same problem that U.S. code



1 does, it's going to include non-subject merchandise?

2 MR. LEVIN: No. My understanding actually  
3 is that there are specific tariff codes for PC strand  
4 under the Mexican tariff schedule.

5 CHAIRMAN ARANOFF: Okay. Okay, good.  
6 That's helpful. And, similarly, I just wanted to  
7 follow-up with a question that I think Commissioner  
8 Okun was asking -- I think it was Commissioner Okun --  
9 with regard to the significance of the excess capacity  
10 data - maybe it was Vice Chairman Pearson - that we  
11 see on our record, specifically anything that you can  
12 add post-hearing to address the issue of why what  
13 looks like excess capacity on paper does or does not  
14 create an export imperative for either of the  
15 companies.

16 MR. LEVIN: Absolutely.

17 CHAIRMAN ARANOFF: Okay. Thank you, very  
18 much. With that, I don't have any further questions.  
19 Let me turn to Vice Chairman Pearson.

20 VICE CHAIRMAN PEARSON: Thank you, Madam  
21 Chairman. A quick clarification. Earlier, you  
22 discussed the transportation of PC strand to Canada,  
23 which is done by truck. Is it safe to assume that if  
24 the order is revoked and you begin moving some  
25 material into the United States, that it also most

1 likely would travel by truck?

2 MR. GOMEZ: Well, the means of  
3 transportation I think it's pretty much irrelevant. I  
4 mean, we can certainly ship by vessel. We can do it  
5 by truck or whatever. I think we have been doing it  
6 lately by truck; but, you know, I mean, we can do it  
7 by any other means.

8 VICE CHAIRMAN PEARSON: Do you have a  
9 facility on the water so that -

10 MR. GOMEZ: No, we don't.

11 VICE CHAIRMAN PEARSON: So, you don't go  
12 from a truck to a vessel to -

13 MR. GOMEZ: That's right, yes.

14 VICE CHAIRMAN PEARSON: But just the actual  
15 logistics of moving product from your production  
16 facilities to the world, not a particular problem?

17 MR. GOMEZ: Yes, that's right.

18 VICE CHAIRMAN PEARSON: Okay. There has  
19 been discussion of the galvanized PC strand imports  
20 from some years ago that Commerce found within the  
21 scope. Did that occur before the current ownership of  
22 these two facilities?

23 MR. LEVIN: Absolutely. We have nothing to  
24 do with it. We don't want to be associated with it.  
25 We think it's an abomination. I mean, quite honestly,

1 we feel as strongly about it as the domestic industry.  
2 It was not Deacero that did it. It was Cablasa. And  
3 that's why I do think it's important to distinguish  
4 the actions of Cablasa from the current market posture  
5 of Deacero and I know it's important to them.

6 VICE CHAIRMAN PEARSON: Well, let the record  
7 show that we all agreed that we don't like  
8 circumvention very much, okay?

9 MR. LEVIN: Absolutely.

10 VICE CHAIRMAN PEARSON: I think this is my  
11 last question. In some cases, we have seen situations  
12 where producers, who have been operating under orders  
13 for some period of time, have developed accounting  
14 systems or other business practices that would allow  
15 them to estimate with some degree of accuracy whether  
16 an individual sale into the United States would be  
17 found by the Department of Commerce to be dumped or  
18 not. Are you familiar with that type of procedure and  
19 is that something that either of your companies have  
20 considered implementing?

21 MR. LEVIN: No, sir.

22 VICE CHAIRMAN PEARSON: Okay.

23 MR. LEVIN: In terms of creating a model in  
24 order to try to predict what the outcome of an  
25 administrative review would be, no. In terms of the

1 selling price to the U.S. should they have that  
2 opportunity, I think it is fair to say that it would  
3 reflect as closely as possible their selling price in  
4 their own home market.

5 VICE CHAIRMAN PEARSON: Okay. Well, I know  
6 that some firms that have had to live under the  
7 discipline of orders for extended periods of time have  
8 done that, particularly those that are trying to go  
9 through the administrative review process and have the  
10 order revoked specifically to that firm. So, I was  
11 just wondering whether your clients had taken that  
12 approach to thinking about the pricing of exports to  
13 the United States. But, thank you for the  
14 clarification.

15 Madam Chairman, I believe I have no further  
16 questions. I would like to thank this panel, very  
17 much, for being with us this afternoon and have a good  
18 trip back to Mexico.

19 CHAIRMAN ARANOFF: Commissioner Okun?

20 COMMISSIONER OKUN: Thank you. My  
21 additional questions were covered by my colleagues, so  
22 I don't have any other questions. But, I thank you,  
23 again, for your participation today.

24 CHAIRMAN ARANOFF: Commissioner Lane?

25 COMMISSIONER LANE: I don't have any

1 questions. I am assuming that galvanized is the same  
2 as lightly zinc coated and that you answered that  
3 question?

4 MR. LEVIN: I'm sorry, Commissioner Lane,  
5 no, it's not the same.

6 COMMISSIONER LANE: Okay.

7 MR. LEVIN: Galvanized PC strand - and you  
8 guys may know the answer and the domestic industry may  
9 know the answer exactly what the technical  
10 specification that galvanized PC strand is; but if it  
11 meets that specification, then it is non-subject  
12 merchandise.

13 COMMISSIONER LANE: Okay. So, the question  
14 that I was asking before was about the allegation that  
15 lightly zinc coated product was being done in order to  
16 come into the U.S. market. And if the U.S. market was  
17 not important to the Mexican producers, why were the  
18 producers doing lightly zinc coated product?

19 MR. LEVIN: If I may, Commissioner Lane, as  
20 I indicated before, we don't agree with those business  
21 tactics.

22 COMMISSIONER LANE: Okay. So, this was done  
23 before -

24 MR. LEVIN: Absolutely.

25 COMMISSIONER LANE: - before these two

1 present owners owned the company?

2 MR. LEVIN: Absolutely.

3 COMMISSIONER LANE: Okay, fine. Thank you.

4 CHAIRMAN ARANOFF: Are there any further  
5 questions from Commissioners?

6 (No further questions.)

7 CHAIRMAN ARANOFF: Does the staff have any  
8 questions for this panel?

9 MR. CORKRAN: Douglas Corkran, Office of  
10 Investigations. Thank you, Chairman Aranoff. Just a  
11 couple of very brief questions. In light of some of  
12 the discussion about the various trade statistics,  
13 some of which at the global level are six digits and  
14 do include other wire products and the U.S. trade  
15 statistics, which, to the best of my knowledge,  
16 include only some galvanized PC strand, I was  
17 wondering, does this panel agree with the testimony  
18 this morning that galvanized PC strand is relatively  
19 small? I believe the estimate was about one percent  
20 of the U.S. market perhaps and that it had a fairly  
21 distinct application in terms of being used for  
22 perimeter railings. Is that pretty much your  
23 understanding, as well?

24 MR. LEVIN: I'm not sure if I can quantify  
25 the percentage of PC strand that's classified under

1 the tariff schedule headings that are, in fact,  
2 galvanized. I can speak on behalf of these companies.  
3 I know that they have not exported subject  
4 merchandise. Let me leave it at that, because beyond  
5 that, it's confidential. And I can't speak for other  
6 countries, obviously, what's showing up under the  
7 import tariff schedule headings for the other  
8 countries. For Mexico, to the extent those numbers  
9 showing up under the tariff schedule headings, it is  
10 non-subject merchandise, at least from - certainly  
11 from 2007 on and earlier in more likelihood. My  
12 understanding is that the galvanized PC strand does  
13 have some specific applications in parking garages and  
14 the like, where there is an exposure to the element  
15 and, therefore, there needs to be some weather  
16 resistance. But, I can't quantify what percentage of  
17 the overall family of PC strand it represents.

18 MR. CORKRAN: Thank you. I'm sorry, I  
19 didn't mean to put you on the spot about the one  
20 percent estimate. I really meant more the  
21 characterization that it tended to be a fairly small  
22 subset of PC strand.

23 MR. LEVIN: Well, I think that's a fair  
24 characterization.

25 MR. CORKRAN: And then the second question I

1 had, and I think you may have alluded to it a little  
2 bit in your response, either here or confidentially in  
3 your brief, could you discuss whether and to what  
4 extent there are exports of galvanized PC strand from  
5 Mexico to the United States?

6 MR. LEVIN: Indeed, in the post-hearing  
7 brief. That's confidential.

8 MR. CORKRAN: Thank you, Madam Chairman.  
9 Staff has no additional questions.

10 CHAIRMAN ARANOFF: Thank you. Do the  
11 domestic producers have any questions for this panel?

12 MR. ROSENTHAL: No, we don't.

13 CHAIRMAN ARANOFF: Thank you. Time  
14 remaining, supporters of continuation of the order  
15 have 13 minutes left for their direct presentation,  
16 plus five minutes for closing, for a total of 18  
17 minutes. Those opposed to continuation have 14  
18 minutes remaining of their direct presentation and  
19 five minutes for closing, for 19 minutes total. We  
20 would normally combine those unless there is any  
21 objection.

22 (No objection.)

23 CHAIRMAN ARANOFF: Not hearing any  
24 objection, I will then thank the panel sitting in  
25 front here for all of your time and answers this



1 afternoon and ask you to reseate yourselves in the  
2 back. And we will proceed with the closing arguments,  
3 as soon as Mr. Rosenthal and Ms. Cannon are ready.

4 MR. LEVIN: Madam Chairman, Commissioners,  
5 thank you, very much.

6 MR. FERNANDEZ: Thank you, very much.

7 (Panel excused.)

8 MR. ROSENTHAL: I think it was Woody Allen  
9 that said that 90 percent of life is just showing up.  
10 That is not, however, the standard in sunset reviews.  
11 The Mexican producers have distinguished themselves  
12 amongst the Respondents by actually showing up here,  
13 but they have not presented the arguments for  
14 revocation of the order as to them or as to the  
15 subject producers overall.

16 There has been discussion off and on by the  
17 Respondents about the NAFTA and the purposes of NAFTA.  
18 But as we all know, NAFTA really is irrelevant to the  
19 Commission's decision in this case. And to the extent  
20 that we talk about NAFTA at all, I'm here to bury  
21 NAFTA - actually to praise NAFTA, not to bury it.  
22 NAFTA was wisely drafted not to address whether a  
23 NAFTA producer could be accused of dumping and go  
24 through the procedures in the relevant countries,  
25 which has been done in this particular case.

1 Certainly, NAFTA doesn't exempt any producer from the  
2 rigors of the sunset review. Nor does NAFTA or a  
3 dumping proceeding have anything to do with the  
4 producers' reputation.

5 And I sympathize with the Respondents. I  
6 understand. I hear their concern about their  
7 reputation, but this is not the right forum to present  
8 that. And, also, humorously, they would probably do  
9 better at the Department of Vehicles for character  
10 witnesses and reputation issues than they would here.  
11 This is not the place to go to clear yourself.

12 I would argue that the Commerce Department  
13 is not the place to clear your reputation either. The  
14 review at the Commerce Department is to show that  
15 you're not dumping and they haven't done that. We've  
16 talked about what that means in this process. At a  
17 minimum what it means is that the Commission is not  
18 supposed to be revisiting the Commerce Department's  
19 determination that if the order is revoked, that the  
20 Respondents, including the Mexican Respondents, will  
21 continue or recur with their dumping behavior. It has  
22 nothing to do with reputation. It's most likely to  
23 happen if there's no longer a restraint.

24 I quoted William Shakespeare on the issue of  
25 the NAFTA, but let me just also make another quote or

1 reference and that has to do with the past as  
2 prologue. As the colloquy with Commissioner Pinkert  
3 earlier revealed, what the SSA talks about is starting  
4 with what happened prior to the order going into  
5 effect, what was the behavior then. And you can use  
6 that not as the conclusion, but as the leaping off  
7 point for analysis as to what is likely to happen  
8 after the order is removed. Well, we know that one  
9 thing that the Respondents didn't do or the Mexican  
10 Respondents didn't do in this case and that was to go  
11 to the Commerce Department and show that they weren't  
12 dumping. They provided their reasons such as they  
13 were. They, from my point of view, weren't  
14 particularly compelling and I recognize there's no  
15 obligation for them to do that. But, they having not  
16 done that, they cannot complain about the Commerce  
17 Department's finding that they're likely to dump in  
18 the future.

19 What did they do, if they didn't go to the  
20 Commerce Department to show that they weren't dumping?  
21 Well, they tried to circumvent the order. There's no  
22 dispute about that. I was glad to hear Respondents'  
23 counsel distance himself and his clients from the  
24 behavior of the predecessor Mexican producers, who did  
25 try to circumvent. But, as a practical matter, what

1 you have to look at in this review is the behavior of  
2 the Mexican producers and their interest in the  
3 Mexican - actually the U.S. market post-order and  
4 their efforts to go in there. Now, opposing counsel  
5 may distance himself and his clients from the  
6 circumvention activities, if he can, but he cannot  
7 really with any credibility claim that the Mexican  
8 producers are not very, very much interested in the  
9 U.S. market and if not the most vital export market to  
10 them.

11 Please turn to page 442 of the staff report.  
12 It's confidential, but what it will tell you is the  
13 importance of the U.S. market and the export  
14 orientation of the Mexican producers and I would  
15 submit to you what the Mexican producers would do if  
16 the order were no longer a restraining factor. And by  
17 the way, at no point during this testimony today did  
18 the Mexican producers claim that they weren't going to  
19 export to the U.S. market. That's obviously why  
20 they're here today. They were just claiming that they  
21 would not be exporting in a way that would be  
22 injurious to the U.S. producers, and I'll come back to  
23 that in a second. But, clearly, WireCo had testified  
24 earlier that Camesa is the largest producer of PC  
25 strand in Mexico. Camesa plans to export PC strand to

1 the United States, if the duty is removed, and Camesa  
2 is export-oriented. Can't dispute that. And I would  
3 be very curious to see what the formulation is by  
4 opposing counsel in response to Commissioner Lane's  
5 request for a standard non-discernible impact. There  
6 is no way given the testimony, given what is on the  
7 record, that Respondents can meet any standard, no  
8 matter how low the standard is that opposing counsel  
9 devises.

10 And by the way, I would very much request  
11 that the witnesses for the other side be here on our  
12 behalf at the final injury investigation with respect  
13 to China, because the record is replete with  
14 information about the injurious impact of China on the  
15 U.S. producers, the severe competition that the  
16 Chinese are subjecting the U.S. market to. But,  
17 they're also, by the way, many admissions about how  
18 the Mexican producers are actually able to compete  
19 against the Chinese in certain markets. One of the  
20 more important admissions came from one of the  
21 witnesses, who said price is always important, its  
22 key, and the Chinese are very, very low priced, but we  
23 can compete with them in markets where we have a  
24 geographic advantage. Well, one of the markets he had  
25 mentioned was Chile. I don't know if you notice this,

1 I'm not a geography major, but the U.S. is slightly  
2 closer to Mexico than Chile, at least it's pretty  
3 close at the southern part of the United States. And,  
4 certainly, if the Mexicans can export to Canada going  
5 over the United States by truck, they can certainly  
6 ship here and compete with the Chinese in this market  
7 based on their own admissions.

8 And by the way, also the testimony today  
9 revealed that the Chinese are major suppliers to the  
10 Canadian market, but by Respondents' own statements,  
11 they are competing in Canada with the Chinese, even  
12 though they've got the United States as a geographic  
13 over land by the in between. So, if they can compete  
14 in Canada against the Chinese, if they can compete in  
15 Chile against the Chinese, they can compete in the  
16 U.S. against the Chinese.

17 And by the way, that all assumes the  
18 existence - no existence of a dumping order against  
19 the Chinese in the Chilean and Canadian markets. If  
20 there is a dumping order against the Chinese, as there  
21 should be, that would give the Mexicans all the  
22 ability to come back and do exactly what they did  
23 prior to the imposition of the order in this  
24 particular case.

25 And that brings me to another bit of

1 testimony. It's a response to the question by the  
2 Commissioners by opposing counsel. At one point early  
3 in the questioning, Mr. Levin made a very, very clear  
4 statement that the Mexican exports to the U.S. were  
5 declined prior to the time that the Chinese came to  
6 the market. And by the way, there is no dispute in  
7 the record, you look at the record, the chart that Ms.  
8 Beck had up on the screen showed that the imports  
9 began to decline after the petition in January of  
10 2003. They went to very, very low levels. And,  
11 therefore, there's no dispute that the Chinese really  
12 didn't begin to enter the market until a couple of  
13 years later. So, it was clearly the order against  
14 Mexico and not the Chinese that inhibited the Mexican  
15 exports to the United States.

16 At a later point in the testimony, Mr. Levin  
17 began to blow that response and seemed to claim that  
18 it was the Chinese presence in the U.S. market that  
19 somehow inhibited the Mexican producers here. Not  
20 true. Go back, look at the record, and you'll see  
21 that's clearly not the case.

22 However, questions about the other efforts  
23 after the Mexican dumping order went into effect  
24 concerning the establishment of operations in the  
25 U.S., we will be glad to tell you more about this.

1 But based on the information that was available to the  
2 U.S. producers, the facilities that were set up in the  
3 U.S. by the Mexicans were really -- really, shoestring  
4 might be too strong a word, but they were not  
5 particularly efficient operations. They were not  
6 really designed the way the Mexican operations are in  
7 Mexico or certainly not up to the same standards as  
8 the U.S. producer's standards. So, it was not all  
9 that surprising that those facilities were not very  
10 efficient. But, it's not an inherent inefficiency; it  
11 was the way those particular facilities were set up  
12 because they were really not full-scaled arguably  
13 fully thought out operations.

14 By the way, we talked about the - we're not  
15 trying to project what will be in the future in these  
16 cases. No one here is able to predict what the  
17 economic future is and it's always inherently  
18 difficult to know what will be. But, you asked that  
19 question not to Petitioners and to Respondents; you  
20 asked that question to the importers and the  
21 purchasers and the producers. We saw earlier some of  
22 those responses in their questionnaires. They said  
23 that they, these folks would have an economic interest  
24 against what they just said. They made admissions  
25 against their interest here that there would be more



1 products sold in the U.S., more volumes and at more  
2 prices and that there will be - they didn't reach the  
3 ultimate conclusion about injury, but they had no  
4 doubt in the importers' statements that there will be  
5 high volumes of imports at lower prices if these  
6 orders are revoked.

7 I won't get into the cumulation questions  
8 now. We'll do that in our post-hearing brief. But, I  
9 would argue that there is not one factual or legal  
10 basis for distinguishing the Mexican products from the  
11 other subject country's products for purposes of  
12 analysis of cumulation.

13 By the way, it's important, and I know I've  
14 said this in other cases, when we get admissions like  
15 this, when we get quotes like this, to focus on that  
16 because I think they should bear more scrutiny and  
17 carry more weight with members of the Commission that  
18 they sometimes do. We expect, you should expect, I  
19 know you do, that when we get responses by anybody,  
20 that they're putting their best foot forward, if you  
21 will. And sometimes we'll get a dispute about whether  
22 the data you're getting, particularly on pricing,  
23 makes any sense. And when I see Respondents say,  
24 well, my capacity is 100 percent and I'm not going to  
25 injure anybody, you know, I take that with a grain of

1 salt. I think you do, too. And I'm sure that you  
2 take certain - hard to believe certain Petitioner's  
3 statements with a grain of salt, too. But when you  
4 get somebody making a statement against their own  
5 economic interest, as you see in these instances, you  
6 have to take that with a great more - it ought to  
7 carry a lot more weight than what you normally see.

8 In response to questions by Commissioner  
9 Pinkert concerning the competitiveness of the Mexican  
10 product here and elsewhere, I mentioned the geographic  
11 arguments, but as I also mentioned, this is another  
12 admission that you have to pay attention to when Mr.  
13 Gomez basically said that they've been successful in  
14 getting business vis-a-vis China, both in Mexico and  
15 Chile and also in Canada because of service,  
16 competitive pricing, although he claims that the  
17 Chinese are below them, but they are competitive. And  
18 one of the things that I know you are wrestling with  
19 and we've analyzed this in a couple of different ways  
20 in our brief is what to do about whether you assume  
21 China is restrained, as a result of an order, or not  
22 and how you analyze that. I cannot believe, I will  
23 say this and this is not a legal matter, but I cannot  
24 believe at the end of the Chinese dumping  
25 investigation, knowing what you know today, that you

1 will not reach an affirmative determination in that  
2 case. I think the facts are that strong. And with  
3 all due respect, I know it's bad form for me to argue  
4 with an affirmative preliminary injury determination  
5 or threat determination, I think it should have been  
6 current injury and I think that there shouldn't be any  
7 question about vulnerability. All right, I've said  
8 it.

9 But even if you don't buy all of that, even  
10 if you don't buy that at all, I do think that - you  
11 assume that there's no order vis-a-vis the Chinese, I  
12 don't see how you cannot conclude that revocation  
13 would cause absolute chaos in this marketplace by  
14 having unrestrained Chinese imports and unrestrained  
15 imports from any of the other Respondent countries,  
16 let alone all of them. So, from my point of view, any  
17 way you look at this, whether you've got the comfort  
18 of an order with higher prices from the Chinese, which  
19 would allow a level of pricing that will allow the  
20 imports from Mexico and the other Respondent countries  
21 to come in, or you don't have that order, either way,  
22 revocation would cause serious harm to the domestic  
23 producers.

24 Now, let me just go last through this  
25 vulnerability question. Mr. Levin claims that there's

1       been improvement between the first and second  
2       quarters. With all due respect again, I don't believe  
3       you can look at these numbers and not understand that  
4       this is a vulnerable industry. They're laying off  
5       people, wages are down, profits are down. There's  
6       only a certain amount of room where they can, as I  
7       said earlier, lay off or dispense with variable costs.  
8       At some point, they've got to ship product and make  
9       money on those sales, if they're going to survive.  
10      And laying off workers to me is injury. Shutting down  
11      production lines is injury. Things have to be looked  
12      at in that way, in my view, to examine vulnerability.

13                 One last point having to do with the actual  
14      - I'm going to save this for the post-hearing brief.  
15      Let me just conclude by saying that all of the  
16      information on the record today supports an  
17      affirmative determination and that these orders should  
18      be kept in place. Thank you.

19                 CHAIRMAN ARANOFF: Thank you, Mr. Rosenthal.  
20      Mr. Levin, you can begin whenever you're ready.

21                 MR. LEVIN: Thank you. I'll be much  
22      briefer, especially since we just came off of about  
23      two-and-a-half hours of testimony and a terrific round  
24      of questions from the Commissioner. We appreciate it.  
25      We look forward to providing more of the detailed

1 information, more of the detailed analysis and the  
2 supporting factual information that the Commission has  
3 requested for our post-hearing brief.

4 I'm always struck by the inherent catch 22  
5 of a respondent's role in a sunset review. If a  
6 respondent doesn't show up, then more likely than not  
7 the order is continued for whatever reason, lack of  
8 interest, lack of opposing arguments, et cetera, et  
9 cetera. But if a respondent does show up and presents  
10 the information required and presents the argument,  
11 then they stand exposed to a petitioner's accusation  
12 that says, aha, this shows that they're interested in  
13 coming back into the U.S. market. Well, of course,  
14 that's why we're here. We're interested in the  
15 opportunity to come back to the U.S. market. There is  
16 no great secret, nor is there anything nefarious about  
17 that. If there was something nefarious about that,  
18 then let's dispense with the whole sunset review  
19 process in the first place.

20 The two companies in Mexico very, very  
21 purposely and very studiously stand here exposed  
22 amongst the many PC strand producers around the world  
23 that are subject to the antidumping orders, in order  
24 to, yes, clear their good name. Is this an  
25 appropriate forum to clear their good name? It's not

1 a bad place to come forward and say, we aren't the  
2 same companies that these orders were imposed on. And  
3 I'm not sure that the Division of Motor Vehicles is  
4 going to work any better for them. And I'm not sure  
5 that the companies that traveled here are really  
6 deserving of that sort of sarcasm as they stand here  
7 exposed and put their best foot forward and put their  
8 best arguments forward while nobody has showed up.  
9 The question here is not whether or not the Mexican  
10 producers are interested in the opportunity to sell to  
11 the U.S. market. They are. Of course they are, just  
12 like the U.S. producers are interested and, in fact,  
13 sell to the Mexican market.

14 But that's not the point here. The point is  
15 whether or not the Petitioners have met the statutory  
16 legal standards to keep these orders in place for five  
17 years, whether or not there is a likelihood that there  
18 would be a significant volume of imports within a  
19 reasonably foreseeable time, whether or not there is a  
20 likelihood that there's going to be significant  
21 adverse price effects, whether or not there's going to  
22 be a significant likelihood of adverse impact to the  
23 PC strand industry.

24 Yeah, the domestic PC strand industry can  
25 characterize themselves as vulnerable, just like every

1 other single manufacturing, service, and financial  
2 industry in the United States can characterize  
3 themselves as vulnerable in this point in time. The  
4 question is whether or not they are going to suffer a  
5 recurrence of material injury if these orders are  
6 revoked. And we submit that that is not the case and,  
7 hence, a negative determination is warranted. And why  
8 do we argue that? Well, we argue that because in the  
9 face of a huge increase in imports from China, this  
10 industry did rather well. I would love to be  
11 representing an industry that faced a 40 percent  
12 market import penetration and still registered  
13 operating profit margins in the mid double digits for  
14 several years in a row. That's a pretty enviable  
15 position. And if they were able to do that in the  
16 face of a flood of imports from China, then there is a  
17 legitimate question as to whether or not the orders  
18 that went into place had any real relevance to the  
19 condition of the industry over the period of review.  
20 As we very clearly admitted, yeah, there was probably  
21 some beneficial impact to the domestic industry as  
22 soon as those orders went into effect, 2003, maybe  
23 2004. But after that, that industry did really well  
24 in the face of imports that far exceeded the volume  
25 and market share that the imports that are subject to

1 the orders ever held.

2           And I'm wondering why when this industry was  
3 here a few months ago and claiming injury against the  
4 imports from China, knowing that this sunset review  
5 was right around the bend, actually it was in process  
6 at that point, how come these subject imports were  
7 never mentioned as a cloud on the horizon to the  
8 domestic industry? It wasn't mentioned in their brief  
9 and it wasn't mentioned or referenced in the  
10 Commission's determination. I've represented  
11 petitioners in antidumping investigations. I'll tell  
12 you two things: first of all, the responses that the  
13 domestic producers applied or provided in their  
14 questionnaire responses about the likely probable  
15 effects of the antidumping orders, I could have  
16 written those. Mr. Rosenthal was talking about taking  
17 some of the statements with a grain of salt. Those  
18 boilerplate responses, what else are the domestic  
19 producers going to say in this sort of proceeding?

20           But the other thing that I'll say is that if  
21 I was domestic petitioner's counsel in a preliminary  
22 investigation with a sunset review going on, I would  
23 have at least made passing reference to the fact that,  
24 well, amongst the other problems that this industry is  
25 facing, China and, you know, historically poor



1 economic conditions will be even worse shape if the  
2 subject orders subject to today's review are revoked.  
3 It wasn't even mentioned, not a cloud on the horizon.  
4 And maybe that has something to do with the fact that  
5 just as these orders have little, if any, impact on  
6 the condition of this industry over the past several  
7 years, revocation of these orders will have little, if  
8 any, impact on the condition of the domestic industry  
9 as we look forward into the reasonably foreseeable  
10 future.

11 It's a brave thing for these companies to  
12 stand here exposed and make the bet arguments that  
13 they can possibly make, in fact to the greatest extent  
14 possible and knowing that they are going to be  
15 criticized, if not belittled, by the domestic PC  
16 strand industry for doing so. I don't think they  
17 should be penalized for standing here alone. It's up  
18 to the Commission, obviously, to determine whether or  
19 not we can successfully convince you to decumulate.  
20 Their thresholds, their standards, you have to reach  
21 your determination that can be upheld by a court of  
22 judicial review. I understand that. But the fact  
23 that they have taken the proceeding seriously enough  
24 does mean something before this Commission, as well as  
25 before the Department of Motor Vehicles.

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1                   For the reasons that we stated in our  
2 testimony and the responses to the Commission's  
3 questions, in light of the information that we  
4 provided in the pre-hearing brief and the information  
5 that we look forward to providing in the post-hearing  
6 brief, we do respectfully submit that the legal  
7 standards for continuing these orders and specifically  
8 the order on PC strand from Mexico has simply not been  
9 met and we respectfully urge the Commission to revoke  
10 this order. Thank you, very much, for all of your  
11 time and attention on what's been a long day. Thank  
12 you.

13                   CHAIRMAN ARANOFF: Thank you. Post-hearing  
14 briefs, statements responsive to questions and  
15 requests of the Commission and corrections to the  
16 transcript must be filed by October 9, 2009. Closing  
17 of the record and final release of data to the parties  
18 will take place on October 30, 2009 and final comments  
19 are due on November 3, 2009. I want to thank once  
20 again everyone who participated in today's hearing and  
21 thank the Commission staff for helping us to prepare  
22 for this. And with that, this hearing is adjourned.

23                   (Whereupon, at 4:40 p.m., the hearing in the  
24 above-entitled matter was concluded.)

25 //

**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Prestressed Concrete Steel Wire Strand  
**INVESTIGATION NO.:** 701-TA-432, 731-TA-1024-1028,  
AA1921-188  
**HEARING DATE:** September 30, 2009  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: September 30, 2009

SIGNED: Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: David Jones  
Signature of Court Reporter