

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
HOT-ROLLED STEEL PRODUCTS) Investigation Nos.:
FROM CHINA, INDIA,) 701-TA-405, 406, and 408
INDONESIA, TAIWAN, THAILAND,) and 731-TA-899-901 and
AND UKRAINE) 906-908 (Second Review)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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) Investigation Nos.:
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 FROM CHINA, INDIA,) and 731-TA-899-901 and
 INDONESIA, TAIWAN,) 906-908 (Second Review)
 THAILAND, AND UKRAINE)

Thursday,
 October 31, 2013

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:34 a.m., before the Commissioners of the United States International Trade Commission, the Honorable IRVING A. WILLIAMSON, Chairman, presiding.

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P R O C E E D I N G S

(9:34 a.m.)

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-405, 406, and 408 and 731-TA-899-901 and 906-908 (Second Review) involving Hot-Rolled Steel Products From China, India, Indonesia, Taiwan, Thailand, and Ukraine.

The purpose of these five-year review investigations is to determine whether revocation of the countervailing duty orders on hot-rolled steel products from India, Indonesia and Thailand and the antidumping order on China, India, Indonesia, Taiwan, Thailand and Ukraine will be likely to lead to continuation or recurrence of material injury within a reasonable foreseeable period of 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 microphone and state your name for the record for
8 the benefit of the court reporter. If you will be
9 submitting documents that contain information you wish
10 classified as business confidential, your requests
11 should comply with Commission Rule 201.6.

12 Mr. Secretary, are there any preliminary
13 matters?

14 MR. BISHOP: Mr. Chairman, I would note that
15 all witnesses for today's hearing have sworn in.

16 (Witnesses sworn.)

17 CHAIRMAN WILLIAMSON: Before we call our
18 first witness, I also would like to call the
19 delegation of steelworkers from ArcelorMittal in
20 Cleveland. Welcome to this hearing. Thank you.

21 MR. BISHOP: Our first congressional witness
22 is the Honorable Joe Donnelly, United States Senator,
23 Indiana.

24 CHAIRMAN WILLIAMSON: Welcome, Senator
25 Donnelly.

1 MR. DONNELLY: Good morning.

2 CHAIRMAN WILLIAMSON: You may begin when
3 you're ready.

4 MR. DONNELLY: Thank you very much for the
5 opportunity to be here with you, and I will be
6 submitting a letter for the record as well. As I
7 said, thank you for the opportunity to appear before
8 you on a case that I believe is critical not only to
9 American steel producers, but also to the jobs that
10 support thousands of American families -- the unfairly
11 traded imports of hot-rolled steel.

12 As everyone knows, our economy is still
13 recovering from the devastating effects of the recent
14 recession. While many industries are on their way to
15 returning to prerecession form, others are still too
16 fragile to compete on an uneven playing field.
17 Unfortunately, steel is such an industry. All we ask
18 for is fairness.

19 Mr. Chairman, Hoosiers sent me to Washington
20 to help create the conditions for economic growth so
21 that Americans across our great nation can get back to
22 work. As you deliberate the matter before you, I urge
23 you to not only consider the recovering economy, but
24 also the American worker who suffers from the unfair
25 trade practices of other nations.

1 As you know from studying the steel market,
2 hot-rolled steel is central to the nation's economy.
3 Automobiles, construction vehicles, agricultural
4 vehicles. They all contain hot-rolled steel or steel
5 made from hot-rolled steel. America was built on this
6 product and continues to grow with its versatile uses.

7 It is used in many different ways, from building the
8 water tanks that allow our families to have water
9 pressure to its use in pipes and tubes that are
10 essential to our economy across the nation and across
11 the world.

12 A healthy economy creates high demand for
13 hot-rolled steel, but we all know our economy is still
14 recovering. It is well known that one reason for the
15 lack of growth in the steel using sector is the
16 persistence of massive trade deficits that are made
17 worse by market diluting practices employed by the
18 very countries with which we have these deficits.

19 China in particular comes to mind, which is
20 why trade remedies were implemented in the past. By
21 contrast, much of the growth in these countries comes
22 from making more steel than they can consume and
23 exporting it by whatever means necessary. Such unfair
24 practices have harmed the steel industry for decades.

25 The impact of unfair trade is not only

1 realized in board rooms, but in family rooms and at
2 kitchen tables. Indiana communities that were built
3 on a strong middle class have been left reeling
4 because of the unfair practices of some other nations
5 in the steel industry. I can assure you, Mr.
6 Chairman, cities and towns throughout my home state,
7 but throughout our country, like Gary, Hammond, Fort
8 Wayne, know this all too well.

9 Despite the past impacts of unfair trade,
10 the steel industry's presence in Indiana today
11 supports over 150,000 jobs. I have seen firsthand the
12 resilience of Indiana workers and American workers.
13 It's important to note this. They're not asking for
14 preferential treatment under the laws. They are
15 simply asking for fair and equal treatment.

16 We all know that good trade policies create
17 jobs, fuel economic growth and benefit consumers both
18 at home and abroad, and yet we must remember that
19 trade only works when everyone plays by the same
20 rules. That is why I'm here today. I'm asking you,
21 Mr. Chairman and to the group, for a level playing
22 field and to encourage the Commission to maintain the
23 existing antidumping and countervailing duty orders
24 against unfairly traded imports of hot-rolled steel.

25 To conclude, I want to note that I, like

1 many Americans, have been frustrated by Congress, both
2 the House and Senate, on our lack of focus on jobs.
3 The recent government shutdown was wrong and
4 embarrassing and had a stifling impact on our economy
5 and even delayed this important hearing. However, it
6 also served as an important reminder that we are a
7 stronger nation when we work together and we play by
8 the rules.

9 That is why I am pleased to be here before
10 you with a letter signed by a bipartisan group of 19
11 Senators asking this Commission to maintain the
12 existing orders. Clearly, this issue transcends
13 politics because of its direct relationship to
14 American jobs and its direct relation to one of the
15 most ingrained parts of what we believe as Americans,
16 which is fairness. Everyone plays by the same rules.

17 Mr. Chairman, I would like to submit this
18 letter for the record, and I would like to thank you
19 and to all of the Commissioners and the staff for all
20 the courtesies you have extended and for all your hard
21 work and your dedication not only to our economy, but
22 to our country and to fairness. Thank you very much.

23 CHAIRMAN WILLIAMSON: Thank you, Senator.
24 The letter will be put on the record. Are there any
25 questions for the Senator?

1 (No response.)

2 CHAIRMAN WILLIAMSON: Thank you very much
3 for coming.

4 MR. DONNELLY: Thank you, sir.

5 CHAIRMAN WILLIAMSON: We appreciate your
6 presence.

7 MR. BISHOP: Our next witness is the
8 Honorable Peter J. Visclosky, United States
9 Representative, 1st District, Indiana.

10 CHAIRMAN WILLIAMSON: Welcome back to the
11 Commission, Mr. Visclosky.

12 MR. VISCLOSKY: Mr. Chairman.

13 CHAIRMAN WILLIAMSON: You may begin when
14 you're ready.

15 MR. VISCLOSKY: Thank you very much. It is
16 good to be back and at the beginning would certainly
17 want to welcome Commissioner Kieff and wish him well
18 in his responsibilities and as a member of the
19 Congress of the United States to apologize to each of
20 you and your staffs for having had the October 3
21 hearing on this issue canceled because of our
22 inability to make certain decisions.

23 I would want you to know that I am an
24 institutionalist and am committed to bringing some
25 order to just the fiscal process of running this

1 government and will continue in that vein, but do
2 appreciate the opportunity to be with you today to
3 testify on the issue before the Commission. I have
4 also submitted a bipartisan letter on behalf of the
5 Congressional Steel Caucus of the House signed by 15
6 Members, including Chairman Tim Murphy and myself.

7 I am here to ask for your consideration to
8 maintain the current countervailing and antidumping
9 duties that are issued in this case. The Commerce
10 Department has already stated that the revocation of
11 the antidumping duty orders would likely lead to the
12 continuation or recurrence of dumping at margins as
13 great as 90 percent, and the revocation of
14 countervailing duty orders would likely lead to the
15 continuation or recurrence of countervailing subsidy
16 at rates of 563 percent.

17 It is estimated if you look at capacity
18 overseas that hot-rolled capacity in the country of
19 China has grown from approximately 175 million metric
20 tons in 2006 to approximately 385 million tons in
21 2012. In India, hot-rolled steel capacity has grown
22 from approximately 16 million metric tons in 2006 to
23 approximately 36 million metric tons in 2012.

24 In the United States, consumption between
25 2007 and 2009 of hot-rolled fell by 43 percent, and as

1 of last year U.S. consumption had not reached 2007
2 levels. Where is that steel going to go and where is
3 that incentive internationally to dump it?

4 I would simply close by saying that I have
5 always appreciated the consideration that the
6 Commissioners have given to each issue brought before
7 you. I trust in your fair consideration and do
8 appreciate again the opportunity to appear before you.

9 CHAIRMAN WILLIAMSON: Thank you very much.
10 The letter will be put on the record. Are there any
11 questions for the congressman?

12 (No response.)

13 CHAIRMAN WILLIAMSON: If not, we want to
14 thank you very much for coming. We appreciate your
15 presence.

16 MR. VISCLOSKY: Thank you very much.

17 CHAIRMAN WILLIAMSON: Okay. Thank you.

18 MR. BISHOP: Our next witness is the
19 Honorable Todd Rokita, United States Representative,
20 4th District, Indiana.

21 CHAIRMAN WILLIAMSON: Welcome to the
22 Commission, Representative Rokita. You may begin when
23 you're ready.

24 MR. ROKITA: Well, thank you and good
25 morning, Chairman. Good morning, members of the

1 Commission. I want to thank you for the opportunity
2 to share my views on why I believe that the Commission
3 should maintain the existing orders on hot-rolled
4 steel from China, India, Indonesia, Taiwan, Thailand
5 and the Ukraine.

6 Now, I'd like to start off by saying that in
7 full disclosure I would like the record to reflect
8 that I have a very close relationship with the nation
9 of Taiwan, having earned the highest civilian honor
10 which can be obtained by a non-Taiwanese citizen. I'm
11 proud of the friendship I have built with the
12 Taiwanese people, and I intend to continue working to
13 cultivate a close relationship between our two
14 nations, one which I believe will be very beneficial
15 for both sides.

16 I also want to put on the record that I have
17 previously testified before the Commission on behalf
18 of our domestic steel industry back in 2001. I
19 testified at the October 5, 2001, field hearing in
20 Merrillville, Indiana, at the time being the Deputy
21 Secretary of State of the State of Indiana. As I
22 noted in that hearing, I am from northwest Indiana
23 with over half my immediate and extended family living
24 in the region and relying directly or indirectly on
25 the steel industry. Throughout my life, I have seen

1 firsthand the trials, as well as the benefits, of
2 working in the industry.

3 The steel industry, when healthy, provides
4 Hoosiers and all Americans the opportunity to earn a
5 steady, quality income that allows workers a brighter
6 future for the children of tomorrow. It also allows
7 workers to experience the sense of pride that comes
8 from building things that last and serve as a
9 foundation for a better, stronger economy and stronger
10 tomorrow. However, I understand that there are many
11 challenges that steelworkers in Indiana face every
12 day. As I testified in 2001, when international trade
13 rules are broken Hoosier steelworkers and their
14 families are the ones hurt.

15 This Commission plays, as you know, a
16 critical role in enforcing not only our trade rules,
17 but the trade rules of the world, and I am hopeful
18 that you will conclude that an affirmative finding is
19 necessary in this case. The full enforcement of these
20 rules will help ensure that the hardworking men and
21 women that I grew up with and now represent are able
22 to compete on a level playing field.

23 Today I proudly represent Indiana's 4th
24 congressional district, after serving eight years as
25 Indiana Secretary of State. My district is a home to

1 two of the nation's largest steel producers, Nucor
2 Steel Indiana in Crawfordsville and Steel Dynamics,
3 Inc. in Pittsboro. Nucor Steel Indiana is one of the
4 leading hot-rolled steel producers providing good
5 wages for the workers in my district. It also
6 provides a sound basis to build the economic
7 infrastructure that attracts other manufacturers and
8 businesses.

9 SDI, which was created in 1994, has grown
10 from just three employees to over 6,600. Its first
11 mill was a hot-rolled mill, and its products,
12 including those manufactured in my district, are used
13 in a wide variety of sectors. Furthermore, AK Steel's
14 joint venture has started building a new plant in my
15 district, which will produce high quality iron ore
16 pellets, a critical steel making raw material.

17 I want to be clear from the beginning that I
18 absolutely support free trade. I believe in free and
19 competitive markets where the best companies and the
20 most innovative technologies win out. Continuing the
21 remedy on hot-rolled steel from these countries will
22 encourage both free enterprise and free trade by
23 ensuring that all sides play by the rules.

24 We have international trade laws, and while
25 we should encourage as much competition we cannot

1 allow countries to cheat by violating their
2 international treaty obligations. Furthermore, we
3 need to ensure that American steelworkers and makers
4 are not harmed when producers in other countries
5 choose to distort global markets in violation of
6 international treaty obligations by selling unfairly
7 traded products in our market.

8 As this Commission well knows, antidumping
9 orders and countervailing duty orders require that the
10 Commission find that material injury is likely to be
11 caused to the domestic industry, as well as the
12 Department of Commerce, to determine if the absence of
13 these orders would be likely to lead to a continuation
14 or recurrence of dumping and/or counteravailable
15 subsidy.

16 In this case, the Department of Commerce has
17 made the determination that dumping and/or a
18 counteravailable subsidy would be likely to occur if
19 your orders were sunset or revoked. As a result, it
20 is now up to this body to determine frankly whether,
21 and knowing that it's true, do dumping and foreign
22 subsidies really matter? Do they cause material
23 injury even if they do exist?

24 Commissioners, here is why they matter. The
25 past several years have been especially difficult for

1 manufacturing in the United States. The domestic
2 hot-rolled steel industry is no different. It is
3 operating at only 76 percent of its capability, and
4 its production capacity and shipments all declined
5 between 2007 and 2012. Throughout this period, the
6 industry has failed to earn the rates of return
7 necessary to remain economically viable, which has
8 resulted in the loss of 2,000 high quality production
9 jobs and the bankruptcy of a major steel producer, RG
10 Steel.

11 The steelworkers who have been fortunate to
12 keep their jobs have seen their hours slashed and pay
13 dramatically reduced. If you ask any of the
14 hot-rolled workers back home in my district, they will
15 tell you that the existing trade remedy is an
16 important reason why they still have jobs and can
17 continue providing for their families.

18 Now to be clear, the economy is still a
19 wreck. Construction spending remains weak, and demand
20 in the automotive and energy sectors has yet to fully
21 recover. And there are several reasons for this, most
22 notably the Keynesian economics that pervades our
23 society and this city right now. This is the idea
24 that we can somehow dig our way to prosperity by
25 digging even larger and deeper debt holes. Second,

1 the sad fact is is that activists and bureaucrats
2 continue to overregulate industries which they on the
3 whole have little experience in.

4 I make these two points to make this one.
5 Luckily, these facts concerning why our economy is the
6 way it is are irrelevant for your standard of review.

7 The particularly moribund condition of the industry,
8 however it has occurred, is a fact, though, that you
9 must consider and is certainly within your purview.
10 Given the weakened state of the domestic industry, I
11 fear that removing the orders would cause further
12 deterioration to an already vulnerable U.S. hot-rolled
13 steel industry.

14 Let me give you one example of why this is
15 so important. Nucor Steel Indiana is working to
16 produce the next generation of ultra thin cast sheet
17 at the cast strip facility in Crawfordsville. It is a
18 steel mill without a rolling mill in the space of a
19 grocery store parking lot. The cast strip process
20 eliminates the need for a separate rolling mill by
21 processing hot metal into hot-rolled steel without
22 reheating and rolling, saving both time and money.

23 It is a huge investment in capital and
24 technology for Nucor and one that they have been
25 working on for years. It is an innovative investment

1 that makes sense and will help America grow out of the
2 recession. Now, these kinds of long-term investments
3 are necessary in order for U.S. producers to stay
4 competitive in the global steel marketplace. However,
5 it is simply not possible to make these kinds of
6 forward thinking investments when your markets and
7 your rates of return are constantly being undercut by
8 unfairly traded goods.

9 As has been determined by the Department of
10 Commerce, each of the six countries under review has
11 targeted the U.S. with unfairly traded steel in the
12 past. Since the time of this first determination,
13 these countries have significantly increased their
14 capacity just in the past few years alone. They are
15 also heavily export oriented and can quickly divert
16 large shipments of hot-rolled steel to the most
17 attractive markets.

18 I understand, for example, that both India
19 and Taiwan exported many millions of tons of
20 hot-rolled steel in 2012 and are on track to ship even
21 more in '13. At the same time that producers in these
22 countries continue to expand their capacity, they are
23 being shut out of their traditional export markets due
24 to weak demand and conditions and global overcapacity.

25 Without this trade remedy in place, the U.S.

1 market will be the logical destination for their
2 unfairly traded imports. The U.S. hot-rolled market
3 is one of the largest and most attractive markets in
4 the world. Because we are an open economy, the U.S.
5 market is also highly accessible and has few barriers
6 to entry, which is a feat that we should all be proud
7 of. However, it also means that we are vulnerable to
8 predatory actions.

9 The current trade remedy has been
10 instrumental in creating a fair, competitive
11 environment for the domestic steel market, so on
12 behalf of the hard working families in my district and
13 across the country I respectfully ask the Commission
14 to carefully consider the evidence before you and vote
15 to maintain the trade remedy on hot-rolled steel from
16 China, India, Indonesia, Taiwan, Thailand and the
17 Ukraine.

18 Together we must work to ensure that
19 companies like Nucor, SDI, AK Steel and the other
20 domestic producers that you will hear from today have
21 the opportunity to modernize and grow without the fear
22 of sustaining financial damage from unlawful
23 practices. I thank the Commission members for your
24 time and indulgence.

25 CHAIRMAN WILLIAMSON: Thank you,

1 Congressman. Are there any questions for the
2 congressman?

3 (No response.)

4 CHAIRMAN WILLIAMSON: If not, then I thank
5 you very much for coming. Thank you.

6 MR. VISCLOSKY: Thank you.

7 MR. BISHOP: Our next witness is Perapat
8 Uthaisri, Minister-Counselor of Commercial from the
9 Royal Thai Embassy.

10 CHAIRMAN WILLIAMSON: Welcome, Mr.
11 Counselor. You may begin when you're ready.

12 MR. UTHAISRI: Thank you. Good morning, Mr.
13 Chairman, members of the Commission and Commission
14 staff. My name is Perapat Uthaisri, Minister-
15 Counselor of the Office of Commercial Affairs, Royal
16 Thai Embassy. On behalf of the Kingdom of Thailand, I
17 thank you for the opportunity to offer a few remarks
18 in this case.

19 The hot-rolled steel industry is very
20 important to Thai economy and the people of Thailand.

21 The hot-rolled steel industry directly employs some
22 4,000 people in Thailand. It also generates roughly
23 \$2 to \$3 billion each year. This industry also
24 generates thousands of additional related jobs in
25 other economic sectors in Thailand.

1 The Thai steel industry is also a source of
2 great pride in Thailand. It is recognized for
3 producing high-quality steel used in many different
4 applications. In particular, our steel mills continue
5 to support the thriving Thai auto industry. Indeed,
6 Thailand is now the seventh largest auto exporter in
7 the world, and it has one of the largest auto markets
8 in Southeast Asia. This large Thai auto market
9 consumes vast quantities of steel.

10 The Thai steel industry has changed and
11 evolved over the years. This change has been
12 remarkable. Thailand's steel-making operations now
13 compare favorably to some of the most sophisticated
14 operations in the world. This includes basic steel
15 making, as well as rolling and finishing operations.

16 Thailand has historically had three main
17 rolling mills -- Sahaviriya Steel Industries, Ltd. or
18 SSI, G Steel Public Company, Ltd. and GJ Steel Public
19 Company, Ltd. Thailand also has other related
20 downstream and finishing operations. Many of these
21 downstream operations include joint ventures with
22 outside investors. This includes such companies as
23 Thai Cold-Rolled Steel Sheet Public Company, Ltd. and
24 the Thai Coated Steel Sheet Company, Ltd. Most
25 recently, SSI purchased its own slab facility in the

1 United Kingdom.

2 This means all of the Thai steel mills are
3 now fully integrated steel producers. These
4 developments mean that Thai steel producers can now
5 focus on high-quality steel to service downstream
6 producers in Thailand. This includes the cold-rolling
7 and coating operations, as well as the growing
8 automotive market.

9 The Thai industry is now increasingly
10 focused on supplying its home market. This means that
11 it is unlikely Thailand will export large quantities
12 of steel to the United States any time soon. Indeed,
13 Thai steel producers have not shipped hot-rolled steel
14 at all to the United States since 2007. This reflects
15 a long-term change in steel trade between the U.S. and
16 Thailand rather than a reflection of the antidumping
17 and countervailing duty measures.

18 Despite the Thai steel industry's
19 advancements the past few decades, it still faces many
20 challenges. It is still recovering from the great
21 worldwide recession of 2009. It is also still
22 recovering from the devastating floods in Thailand in
23 2011. These events hit Thailand particularly hard,
24 causing financial and other losses in many sectors in
25 the Thai economy, including the steel sector. These

1 and a variety of other factors contributed to the
2 recent shutdown in operations of G Steel and GJ Steel.

3 Neither of these producers is fully operational at
4 the moment.

5 Importantly, the Thai Government responded
6 to these events with an unprecedented spending plan
7 intended to rebuild and improve its infrastructure.
8 The government's plan called for spending \$68 billion
9 to develop a high-speed railway and other important
10 transportation projects over the next seven years.
11 The highlight of the project is the creation of a new
12 high-speed rail system linking Bangkok to other main
13 regions of Thailand.

14 This new rail system will consist of some
15 200 trains, many of them built on double rail tracks.

16 This project will require massive amounts of steel.
17 This will help increase demand for steel in Thailand
18 for the next few years. This project will also help
19 stimulate the Thai economy. The spending plan is
20 expected to generated 500,000 jobs. It is also
21 expected to increase overall economic growth for one
22 full percentage point.

23 The Thai Government remains committed to
24 ensure free and fair trade, both at home and abroad.
25 The Thai steel industry has historically faced unfair

1 import competition in its domestic steel market from a
2 variety of sources, including China, India, Korea and
3 Indonesia. The Thai Government has responded by
4 pursuing trade remedies against such unfair trade
5 imports. This has resulted in antidumping duty orders
6 against hot-rolled steel from 16 different countries.

7 Most recently, the Thai Government imposed
8 additional safeguard measures against hot-rolled steel
9 containing alloys such as boron. This will help
10 prevent circumvention of existing AD orders. These
11 trade remedies will help the Thai steel industry
12 continue its focus on supplying its home market. They
13 will also help ensuring that G Steel and GJ Steel
14 recapture home market share lost to imports once they
15 fully restart operations.

16 The Thai steel industry will continue to
17 mature over the coming years. The Thai Government and
18 the Thai steel industry are now doing what they can to
19 make sure it happens consistent with international
20 trading rules. At the same time, the U.S. Government
21 should eliminate all unnecessary trade remedies in
22 place against Thailand. This includes the current
23 antidumping and countervailing orders against Thai
24 hot-rolled steel.

25 These orders were imposed more than a decade

1 ago. Things have changed since then. The Thai steel
2 industry has matured. It is focused more on its own
3 internal home market, including higher end auto
4 consumers. The Thai steel industry also continues to
5 focus on its construction market. This is
6 particularly true in light of the proposed massive
7 government spending plan for infrastructure projects.

8 In conclusion, Thailand remains committed to
9 free and fair trade. Any unnecessary import
10 restrictions should be eliminated, consistent with
11 international obligations. Removal of the antidumping
12 and countervailing order on hot-rolled steel will not
13 result in increased Thai exports to the United States.

14 All Thai hot-rolled producers remain focused
15 on the Thai home market. This includes SSI, as well
16 as G Steel and GJ Steel. G Steel and GJ Steel are
17 still not yet fully operational, but when they do come
18 back on line they will need to focus on displacing
19 home market share lost to imports during their
20 closure.

21 We trust that the Commission will undertake
22 a fair and objective examination of the facts. After
23 doing so, we believe the Commission will find that
24 imports of hot-rolled steel from Thailand are not
25 harming the United States steel industry. Thank you.

1 CHAIRMAN WILLIAMSON: Thank you, Mr.
2 Counselor. Any questions?

3 (No response.)

4 CHAIRMAN WILLIAMSON: Thank you very much
5 for coming. We appreciate your testimony.

6 MR. BISHOP: Opening remarks on behalf of
7 those in support of continuation of the orders will be
8 by Alan H. Price, Wiley Rein.

9 CHAIRMAN WILLIAMSON: Welcome, Mr. Price.
10 You may begin when you're ready.

11 MR. PRICE: Good morning, Chairman
12 Williamson and members of the Commission. Five years
13 ago, the Commission voted to continue the orders on
14 hot-rolled steel from China, India, Indonesia, Taiwan,
15 Thailand and the Ukraine. Since then, the domestic
16 industry has been affected by the most serious
17 economic crisis since the Great Depression.

18 Today, the U.S. industry is even more
19 vulnerable than it was during the first sunset review
20 or the original investigation period. U.S. producers'
21 capacity, production, shipments are lower today than
22 they were in 2001 or 2006. The domestic industry's
23 capacity utilization rate has remained well below
24 80 percent throughout the entire period of review,
25 even though more than seven million tons of U.S.

1 production capacity was shuttered during the review
2 period.

3 In fact, the industry has operated at a
4 capacity utilization rate of only 76.1 percent in
5 2012, which is much lower than any rate during the
6 period of investigation or the first review period.
7 There are fewer workers in the industry, fewer hours
8 worked, fewer wages paid than in 2006. The industry
9 has not earned the 16 percent minimum average EBITDA
10 to net sales ratio that McKinsey & Company reports is
11 necessary to support the steel industry over the
12 business cycle at any time during the period of
13 review.

14 At the same time, the producers in the
15 subject countries have been massively increasing their
16 hot-rolled steel production capacity even as worldwide
17 demand has slackened. This immense overcapacity,
18 fueled by state ownership in four of the six
19 countries, has pushed prices downward globally.

20 Demand in many of the developed markets have
21 not recovered from the recession. Demand in
22 developing markets like Indonesia and Thailand are
23 slowing much more quickly and severely than previously
24 anticipated, and countries that were once strong
25 economic growth performers such as China and India are

1 simply no longer. This has led to what the *Economist*
2 magazine has called "an inferno of unprofitability"
3 among steel producers worldwide.

4 The result of these market conditions is
5 that the producers of the subject countries are
6 anxiously hunting for new markets for their massive
7 excess production capacity. If the orders are
8 revoked, the United States would be an irresistible
9 target. Despite the recession, the United States is
10 the world's second largest consumer of hot-rolled
11 steel. Producers in the subject countries are already
12 shipping significant quantities of other flat-rolled
13 products such as corrosion resistant steel here.
14 Unlike third country markets, there are no tariffs,
15 and the prices here are attractive compared to those
16 available elsewhere.

17 There is no reason to decumulate the subject
18 countries. The Commission recognized five years ago
19 that all six countries operate under similar
20 conditions of competition. That remains true today.
21 All six countries have significant excess capacity.
22 All six countries face inadequate demand in their home
23 and near export markets.

24 All six countries can obtain better pricing
25 for their hot-rolled steel in the United States than

1 they can elsewhere. Moreover, given the fragile state
2 of the U.S. industry, even small volumes of hot-rolled
3 steel from any of the subject countries would have a
4 significant adverse impact on the U.S. steel industry.

5 The few participating foreign producers in
6 this review have argued that U.S. producers will not
7 be harmed by revocation because of the industry's
8 current market share and because the U.S. industry is
9 insulated from competition with subject imports. You
10 know these arguments all too well because you have
11 heard them before. The Commission rejected them as
12 unconvincing five years ago, and they are even less
13 convincing now given the domestic industry's extremely
14 weakened state.

15 Further, the vast majority of the subject
16 producers have failed to provide the Commission with
17 any information in these reviews, including all of the
18 producers in China, Indonesia and the Ukraine. Only
19 one producer from Thailand and two producers from
20 India have submitted data. The Commission should take
21 note of these very telling failures to respond and not
22 allow these producers to benefit from their
23 noncooperation.

24 That said, the record evidence supports
25 continuation of the orders as to all countries.

1 Indeed, the information provided by Taiwan shows
2 significant excess capacity, high export dependency
3 and prices far below that available in the U.S.
4 market.

5 The U.S. hot-rolled steel producers are on a
6 slow, difficult road to recovery from the recession.
7 Meanwhile, subject producers are eyeing our market,
8 hoping to offload some portion of their immense unused
9 capacity. If these orders are revoked there will be
10 one sure effect -- a return of dumped and subsidized
11 imports to the U.S. market causing material injury to
12 a weakened U.S. industry. Thank you.

13 CHAIRMAN WILLIAMSON: Thank you.

14 MR. BISHOP: Opening remarks on behalf of
15 those in opposition to continuation of the orders will
16 be by Frederick P. Waite, Vorys, Sater, Seymour &
17 Pease.

18 CHAIRMAN WILLIAMSON: Welcome, Mr. Waite.
19 You may begin when you're ready. Sure.

20 MR. WAITE: Thank you, Mr. Chairman, and
21 good morning to you and the members of the Commission.

22 My name is Fred Waite of the law firm of Vorys,
23 Sater, Seymour & Pease. I am speaking with you this
24 morning on behalf of the hot-rolled steel industries
25 of India, Taiwan and Thailand in opposition to the

1 continuation of these orders, which were first imposed
2 more than a decade ago.

3 Conditions in the U.S. steel industry have
4 changed dramatically since then, although you would
5 not know that from the claims from the domestic
6 industry, and conditions have changed significantly
7 since the Commission last examined these orders five
8 years ago in connection with the first sunset review.

9 The domestic industry has restructured and
10 consolidated even further since 2006. Now a few
11 companies control most of the domestic production in
12 this segment of the market.

13 Today, the U.S. hot-rolled steel producers
14 are stronger and financially healthier. Except for
15 the recession year of 2009, the domestic industry was
16 profitable throughout the period of review, realizing
17 operating profits of 5.6 percent in 2012, which is the
18 most recently completed full year data on the record.

19 The domestic industry also enjoys a 93 percent share
20 of the U.S. market. When you factor in imports from
21 their affiliates in Canada and Korea, the domestic's
22 market share could increase to 97 percent.

23 Moreover, a significant part of the market
24 is insulated from import competition. Dr. Button will
25 discuss this further during our panel's testimony

1 later today. At the same time that conditions have
2 been changing dramatically in the U.S. industry, there
3 have been equally important changes in the global
4 steel sector and especially among the countries
5 subject to this review.

6 Expanding demand at home and in nearby
7 markets and the increasing conversion of hot-rolled
8 coils into downstream, value-added products have
9 soaked up virtually all of their production of
10 hot-rolled steel. As a result, the subject countries
11 have reduced their total exports of hot-rolled steel
12 by more than 60 percent.

13 This includes China, the country with the
14 largest capacity, whose home market is still thriving
15 and internally absorbing ever greater amounts of its
16 hot-rolled coil production. In fact, China's
17 hot-rolled exports have fallen from 12 million tons in
18 2007 to less than 200,000 tons last year. Thailand's
19 exports have also fallen sharply, from over 900,000
20 tons in 2007 to 27,000 tons in 2012, as the domestic
21 Thai market consumed virtually all of the output from
22 that country's mills. Mr. LaFrankie will discuss the
23 booming home market in Thailand later today.

24 Like Thailand, India has also become a net
25 importer of hot-rolled steel as its economy continues

1 to grow at an impressive rate. Mr. Lunn will explain
2 in greater detail the effect of India's growth on its
3 consumption of hot-rolled steel during our panel's
4 testimony. Although Taiwan's exports have increased
5 during the period of review, the vast majority of
6 these shipments have gone to nearby markets in Asia
7 and often to companies affiliated with the Taiwanese
8 mills.

9 In addition, the producers in Thailand
10 internally consume almost one-half of their hot-rolled
11 coil production for conversion to further processed
12 value-added products. Representatives of the largest
13 steel producer in Taiwan are here today, and they will
14 discuss these developments further.

15 Contrary to Petitioners' claims, the
16 hot-rolled producers in these countries do not need
17 the U.S. market to keep their mills running at high
18 capacity utilization rates, nor do they need exports
19 to the United States to survive. Exports to the
20 United States from all of the subject countries have
21 dropped sharply during the POR from 229,000 tons in
22 2006 to 48,000 tons in 2012. During the period of
23 review, these imports have amounted to less than
24 one-tenth of 1 percent of the U.S. industry's
25 production.

1 Individually and collectively, these
2 countries account for only a negligible share of the
3 U.S. market. Together or separately, these countries
4 do not pose a threat to the U.S. industry, and
5 revocation of these orders will not result in the
6 continuation or recurrence of material injury to the
7 U.S. industry within a reasonably foreseeable time.
8 Thank you very much.

9 CHAIRMAN WILLIAMSON: Thank you, Mr. Waite.

10 MR. BISHOP: Would the first panel, those in
11 support of continuation of the orders, please come
12 forward and be seated?

13 (Pause.)

14 CHAIRMAN WILLIAMSON: Okay. I want to
15 welcome all the members of the panel to this hearing.

16 I want to express the Commission's appreciation for
17 you taking time away from your businesses and work to
18 present testimony today, and you may begin when you're
19 ready.

20 MR. LIGHTHIZER: Thank you, Mr. Chairman.
21 I'm Bob Lighthizer representing United States Steel
22 Corporation.

23 Before we begin, on behalf of the industry I
24 would like to welcome Commissioner Kieff to his first
25 hearing, and on a personal note this is my first

1 appearance before Commissioner Broadbent, so we salute
2 you both for your service. Thank you very much for
3 being here. Someone had suggested that since I used
4 to ride a horse to the old Tariff Commission I should
5 be the person that should welcome you.

6 This case is a textbook example of the
7 importance of our trade laws. To summarize, you have
8 no data from mills representing over 90 percent of
9 subject capacity because those mills refuse to answer
10 your questionnaires. Second, the last time these
11 companies had access to this market they almost
12 destroyed the entire domestic industry. The U.S.
13 producers who survived are trying to recover from what
14 may be the worst economic crisis this country has
15 faced since the great depression.

16 Meanwhile, China and the other producers
17 have contributed to a massive oversupply that is
18 disrupting markets all over the world. For several
19 years now our mills have found it impossible to make a
20 sustainable rate of return. Under these
21 circumstances, revocation of these orders would be
22 devastating.

23 The last time subject imports had access to
24 this market they did enormous harm. From '99 to '01,
25 our industry lost over \$6.6 billion, had nine

1 producers go into bankruptcy and saw many disappear
2 altogether. Fortunately, these orders have been
3 extremely effective, proving these mills cannot make
4 significant sales here without cheating.

5 Let's turn to the record. You have
6 questionnaire data from only 8.3 percent of subject
7 capacity. It would be outrageous and unfair for the
8 Commission to reward companies that refused to provide
9 critical information by revoking the orders. We
10 believe you should infer that the data they did not
11 provide would support keeping them.

12 The nonresponding mills have approximately
13 460 million tons of hot-rolling capacity, a figure
14 that far exceeds total capacity in this country. Even
15 if 1 percent of this were shipped here, the resulting
16 volume would be 70 percent larger than the imports
17 that devastated these mills in 2000. In any event,
18 your record contains overwhelming evidence on each
19 statutory factor.

20 Let's start with likely volume. The world
21 is burdened with over 213 million tons of excess
22 hot-rolling capacity, much of which was built by
23 market distorting policies in China. The next three
24 slides graphically demonstrate this problem. When
25 these cases were filed, Petitioners identified six

1 Chinese hot-rolling mills. In the last review, we
2 identified 35 Chinese producers. Now there are over
3 160 Chinese mills.

4 China has added roughly 400 million tons of
5 hot-rolling capacity since these orders were imposed,
6 a figure over five and a half times the size of the
7 entire American industry. Seeking to use as much of
8 this capacity as possible, the Chinese are not only
9 flooding Asia with exports, but are shipping
10 hot-rolled to every single continent.

11 World Steel Dynamics recently described
12 Chinese exports as a frightening prospect for
13 steelmakers around the world, and this has nothing to
14 do with fair, competitive advantage. Despite these
15 exports, Chinese mills still have more unused capacity
16 than our total capacity. Even a small portion of this
17 could destroy our market.

18 But China is not alone. The other subject
19 countries have almost 17 million tons of unused
20 capacity. These producers argue, as they always do,
21 that they have no interest in this market, but that is
22 absurd. This is one of the largest and most open
23 markets in the world, and prices are significantly
24 more attractive here than anywhere. Of course they
25 will ship here. Remember Japan? Two years ago their

1 mills also told you they were not interested in this
2 market. Now imports of hot-rolled steel from Japan
3 are running at a pace 10 times greater than they were
4 then.

5 Let's focus on the three countries
6 represented here today starting with Thailand. The
7 Thai producer SSI argues that it could have shipped
8 from '06 to '09, but chose not to. The facts are a
9 little different. In May of '06, their order was
10 conditionally revoked. Almost immediately Thai
11 producers shipped over 100,000 tons of dumped steel.
12 We urgently filed a changed circumstances request to
13 have them reinstated. That is why they stopped
14 shipping. Furthermore, the Commission has no
15 questionnaire data from two other Thai producers, who
16 together have almost five million tons of capacity.

17 Now to Taiwan. In the first half of this
18 year, Taiwanese mills exported over 2.3 million tons
19 of hot-rolled steel at prices almost \$100 below the
20 U.S. market. This fact alone shows they would likely
21 ship significant volumes here if they could.
22 Furthermore, independent analysis confirms that
23 Taiwanese mills have almost four million tons of
24 unused capacity. Indeed, Taiwanese mills are already
25 shipping large volumes of corrosion-resistant steel to

1 the United States. If they can ship coated, they can
2 ship hot-rolled.

3 And finally, India. There is a massive
4 volume of Indian capacity for which you have no
5 questionnaire data at all. As we've shown throughout
6 our brief and you can see here, Indian mills are
7 desperate to grow exports. One hundred percent pickup
8 in exports, no question. They will certainly come
9 here if they can.

10 These imports will have massive price
11 effects. The staff report shows that they are largely
12 interchangeable with domestic product, and price is
13 the most important factor in selling hot-rolled steel.

14 U.S. mills will have to cut their prices or lose
15 sales to imports. The likely impact will be
16 devastating. Domestic producers are already reeling
17 from the effects of the recent economic crisis which
18 has cost them an enormous volume of sales. While the
19 economy has improved somewhat, consumption is still
20 running well below historic levels.

21 Due to excess capacity abroad and poor
22 demand at home, U.S. mills have made very small
23 operating margins, and these figures are even worse if
24 the Commission values internal consumption using the
25 fairer cost plus downstream profits method. We

1 believe, as we've argued in the past, that this second
2 methodology is more accurate. I won't take the time
3 to walk through this issue now, but we will be happy
4 to if it's helpful.

5 The staff report cites a recent independent
6 study by McKinsey about the return needed for steel
7 producers to sustain themselves. That report was made
8 to the OECD Steel Committee, a key forum for industry
9 experts and government officials from around the
10 world. McKinsey concluded that steel companies need
11 to earn a 16 percent margin before accounting for
12 interest, taxes, depreciation and amortization if they
13 are to survive.

14 We did not do this in a single year of the
15 entire period of review. By the most conservative
16 measure, in the last six years the domestic industry
17 came up over \$14 billion short of the McKinsey
18 minimum. If you value internal consumption on the
19 basis of cost plus downstream profits, the gap is over
20 \$18 billion. This is profound.

21 Please consider this slide when you think
22 about vulnerability. \$18 billion less than
23 sustainability. Furthermore, by almost every possible
24 measure we are in worse shape now than we were when
25 you last looked at these orders. U.S. mills are in no

1 position to deal with unfairly traded imports.

2 Finally, I ask you to recognize that the
3 crisis facing our industry is part of a much bigger
4 problem with overcapacity, perhaps the worst ever
5 faced by the steel industry. As these figures show
6 and experts agree, the current situation is not
7 sustainable. Going forward, more mills will almost
8 certainly have to be shut down around the world.

9 The question before you today is this: Will
10 this imbalance be resolved by market forces in a
11 manner that rewards hard work and innovation, or will
12 we sacrifice U.S. workers and companies to unfairly
13 traded imports from abroad? We urge you to defend
14 true competition and keep these orders in place.
15 Thank you.

16 MR. LONGHI: Mr. Chairman, members of the
17 committee, good morning. I am Mario Longhi, Chief
18 Executive Officer of United States Steel Corporation.

19 That's a position I took on September 1 of this year.

20 I have been at United States Steel since 2012, and
21 before that I spent decades in the steel and aluminum
22 industries.

23 For me, it's an honor and a privilege to
24 lead United States Steel, one of the nation's truly
25 legendary companies, and I thank you for the

1 opportunity to give our perspective in this important
2 proceeding.

3 We're living through a time of significant
4 change for our company and major challenges for the
5 industry as a whole. I know that it will take a
6 monumental effort on the part of the steelmakers and
7 wise decisions from the nation's policymakers if this
8 industry and the manufacturing sector generally are
9 going to recover and thrive. But I also know that
10 given a fair playing field, our companies and our
11 employees can successfully compete against anybody.

12 No set of trade orders is more fundamental
13 or important than the one you're reviewing today
14 dealing with hot-rolled steel, the product at the
15 heart of all of our flat-rolled and much of our
16 tubular production. The history of these orders spans
17 one of the most consequential and damaging periods in
18 this industry.

19 First it was a massive wave of dumped
20 imports from Russia, Brazil and Japan in the late '90s
21 which caused grave damage even under strong market
22 conditions. No sooner had relief been imposed to deal
23 with that problem than we saw China, India and a host
24 of other countries lead a second surge of unfair
25 trade.

1 As the economy and demand faltered and in
2 the context of much larger import prices impacting the
3 entire steel industry, more than half of the industry
4 was driven into bankruptcy. There is no question that
5 these and the following years were among the darkest
6 hours the industry has ever seen. Aggressive and
7 painful steps to restructure were undertaken, and
8 eventually the industry returned to a low level of
9 profitability in the mid 2000s.

10 Unfortunately, the hoped for respite for the
11 industry to get back on its feet was short-lived. The
12 global financial crisis that struck in 2008 was a body
13 blow for this industry and other parts of the steel
14 industry. Profitability has remained at depressed and
15 wholly inadequate levels ever since. Just as an
16 example, our own company, United States Steel, has
17 never delivered an economic profit since 2008.

18 More than anything else, the fundamental
19 reality that has hampered this industry has been
20 global overcapacity. The severity of this problem has
21 been referenced and focused upon by the Obama
22 Administration, by President Bush and by President
23 Clinton. Indeed, President Bush has specifically
24 relied upon this issue in invoking the steel safeguard
25 measures in 2001 and tried to address it through

1 international negotiations. And for a number of
2 reasons, including improved economic conditions after
3 2003, those efforts languished.

4 Unfortunately, the underlying dynamic and
5 problem did not. According to one estimate, from 2007
6 through 2012 the world added almost 251 million tons
7 of new hot-rolling capacity. The six subject
8 countries at issue here accounted for over 214 million
9 tons of that new capacity, capacity that was not
10 justified by any market forces. Global production
11 data indicate that unused hot-rolling capacity grew
12 almost 132 million tons over the same period, a figure
13 almost twice as large as the entire U.S. industry.

14 For the past two years, this overcapacity
15 has driven down prices not just here, but all around
16 the world, and here it's appropriate to talk about
17 China in particular because government subsidies and
18 other forms of support for China's steel industry are
19 behind many of the problems facing steel producers
20 here and elsewhere.

21 As bad as things were when these orders were
22 put in place back in 2001, keep in mind that the
23 Chinese industry at that time had an estimated
24 capacity of somewhere around 20 to 25 million tons.
25 Current estimates place China's hot-rolled capacity at

1 around 425 million tons. And you should think about
2 that for a minute. Since these orders were put in
3 place, China has built the equivalent of more than
4 five combined businesses in the steel industry in our
5 country.

6 I don't believe that there is an analyst in
7 the world who thinks that capacity expansion has been
8 justified by market needs or driven by market forces.

9 That is why most estimates suggest that China alone
10 now has around 90 million tons of unused hot-rolling
11 capacity. It is impossible to exaggerate the
12 significance of this for producers around the world.

13 If foreign industries are not expressing
14 their worries about global overcapacity when they come
15 before this Commission, rest assured that it is the
16 dominant concern they think about at every other
17 moment. Because of overcapacity, they are losing
18 sales in markets at home and for export. Because of
19 overcapacity, their prices and profitability are under
20 tremendous pressure. Because of overcapacity, the
21 U.S. market would not merely be attractive to them.
22 It would in many cases be a life line for otherwise
23 unattainable operations.

24 That is why our current situation in some
25 ways is more dangerous than what it saw in 2001.

1 These countries, which dumped and devastated this
2 industry before, are now in many ways more desperate,
3 more frantic to find new markets and more impacted by
4 an even worse situation of global overcapacity.

5 The United States market remains the
6 largest, most open and most important in size and
7 value in the world and in many ways continues to be
8 the most exposed to harm and abuse. At the same time,
9 when we look abroad we face a myriad of market
10 barriers -- tariffs, taxes and distortions -- blocking
11 our sales, not to mention the effects of global
12 overcapacity and dumping in the limited number of
13 available export markets.

14 Our current trading situation in no way
15 resembles a balanced, reciprocal arrangement and has
16 nothing in common with true, market-based competition
17 for success. The threat posed by these subject
18 countries is only magnified when you consider the
19 difficult market conditions the industry already
20 faces. With demand for hot-rolled steel down
21 dramatically, with GDP growth at anemic levels and
22 with overall steel import levels up sharply since
23 2009, it is not hard to understand why hot-rolled
24 producers are in such a precarious position.

25 According to the data you collected, from

1 2007 through the first half of 2013 this industry had
2 an operating margin of either 5.9 percent or 3.7
3 percent, depending on how you valued the hot-rolled
4 steel that was internally consumed. Neither of these
5 figures even comes close to representing a sufficient
6 return for a capital intensive industry, including the
7 need for reinvestment, innovation, regulatory
8 compliance, satisfaction of retiree obligations and
9 providing a market return to stock and bond holders.

10 The U.S. economy grew by only two and a half
11 percent in the second quarter of this year, which is
12 definitely disappointing. Auto sales have improved,
13 but still below the seven million mark we saw in
14 almost every year from 1999 to 2006. Spending levels
15 for both residential and nonresidential construction
16 remain well below precrisis level. Shipments of weld
17 pipe, a major downstream use of hot-rolled steel, fell
18 from 3.1 million tons in 2007 to only two million tons
19 last year.

20 Putting it all together, the data shows that
21 U.S. hot-rolled consumption in 2012 was down
22 substantially from the 2006 level, and that
23 consumption fell by an additional 3.3 percent from the
24 first half of 2012 to the first half of 2013. To be
25 sure, American steel producers must and will do

1 everything in our power to be world class competitive.

2 From the standpoint of our company and even
3 beyond the massive restructuring we saw in the wake of
4 the steel crisis, we are currently engaged in a top to
5 bottom effort to cut costs, generate new efficiencies
6 and create value. But none of this will be enough if
7 our government does not enforce the trade laws.

8 No amount of hard work will allow us to
9 compete with capacity that in many cases is built and
10 maintained without any regard for market forces or
11 returns, and there is simply no scenario where we or
12 any American producer can generate sustainable profits
13 over the long term in a market defined by dumped and
14 subsidized imports.

15 The question you face, therefore, is this:
16 Will you revoke these orders, thus creating the
17 certainty, and I use that word carefully and
18 deliberately, of massive injury in this market if
19 subject mills are allowed to again trade here
20 unfairly, or will you allow market forces, rather than
21 foreign government distortions, to determine which
22 companies are in the best position to serve U.S.
23 purchases of hot-rolled steel?

24 I urge you to keep these orders in place and
25 give this industry the chance it needs and deserves to

1 continue to exist and have an opportunity to thrive.
2 Thank you very much.

3 MR. FERRIOLA: Good morning. Thank you,
4 Chairman Williamson and members of the Commission. I
5 am John Ferriola, President and CEO of Nucor
6 Corporation. I am grateful for the opportunity to
7 appear before you today to speak about the conditions
8 facing the U.S. hot-rolled steel industry and the
9 importance of these trade orders.

10 To put it bluntly, Nucor is in worse shape
11 now than it was when you last reviewed these orders in
12 2007. Since then, the Great Recession has devastated
13 demand, taking a heavy toll on Nucor and the
14 industry's commercial and financial performance. In
15 the past five years, thousands of workers have lost
16 their jobs. Millions of tons of capacity has been
17 closed.

18 Today, the U.S. hot-rolled steel industry is
19 operating at only 76 percent capacity, a lower figure
20 than even 2001 when the orders first took effect. Our
21 rates of return are nowhere near the 16 percent that
22 McKinsey & Company's independent analysis concluded
23 was needed to sustain the industry over time. In
24 fact, we have not been anywhere near those rates of
25 return since the recession took hold.

1 Indeed, if you look at our industry, our
2 vulnerability is also demonstrated by our bond
3 ratings. Nucor is the only major producer with
4 investment grade bond ratings, and even our ratings
5 have been cut for the first time in the company's
6 history. Analysts are looking at our industry, and
7 they have serious concerns about its long-term
8 prospects. All of these benchmarks -- profits, sales,
9 rate of return -- show that our industry is in poor
10 condition, and despite consolidation we are still
11 vulnerable.

12 This is not the first time I have appeared
13 before the Commission this year. In April, I
14 testified regarding the U.S. market for rebar and the
15 devastating effects that would result from revocation
16 of the orders on rebar from China and other countries.

17 So I want to thank you for your decision to keep
18 these orders in place for five more years, and I also
19 want to emphasize that the decision you make on hot-
20 rolled steel is just as important.

21 Hot-rolled is a fundamental component of our
22 business, and many of the same conditions that
23 categorize the global market for rebar are also at
24 play in the hot-rolled steel market. In particular,
25 we face a dangerous combination of massive, increasing

1 global overcapacity that is swamping demand.

2 Much of the massive global overcapacity for
3 hot-rolled steel is concentrated in the six countries
4 you are reviewing today -- China, India, Indonesia,
5 Taiwan, Thailand and Ukraine. These countries'
6 capacities now exceed global demand by hundreds of
7 millions of tons. This excessive supply has sent
8 hot-rolled steel pricing crashing worldwide. Despite
9 this, these countries are increasing their hot-rolled
10 capacity further. There is no balance between supply
11 and demand. They are just going to keep making more
12 and more hot-rolled steel.

13 And this is not just a China problem. While
14 China is a major contributor to the current
15 overcapacity crisis, producers in all of the other
16 countries are a big part of the problem. These other
17 producers have significantly expanded their capacity
18 and are planning further increases. China is bringing
19 online millions of tons of new capacity, as well as
20 increasing its production.

21 The Indian Government announced plans
22 earlier this year to triple the Indian steel capacity
23 by 2025. Indonesian producers also are rapidly
24 expanding capacity. So are producers in Thailand,
25 Ukraine and Taiwan. They already have plenty of

1 excess capacity, and still they are adding more.

2 At the same time, demand is very weak
3 wherever you look around the world. European demand
4 is abysmal. Demand is also weakening in the Middle
5 East and Russia. Developed Asian markets such as
6 Japan and South Korea are oversaturated with
7 hot-rolled steel. Demand growth is grinding to a halt
8 in many developing markets as well. In fact, economic
9 growth forecasts were recently downgraded for India,
10 Indonesia and Thailand.

11 So these six countries and global traders
12 are searching for new markets where they can offload
13 their massive production. They have maintained or
14 even increased their exports of hot-rolled steel since
15 the recession. They have exported nearly 24 million
16 tons of hot-rolled steel in 2013, and because they
17 have millions of tons of excess capacity they could
18 quickly ramp up their shipments here as well.

19 Let me emphasize. It does not take a lot of
20 tonnage to harm our pricing. Because steel is so
21 capital intensive, maintaining capacity utilization is
22 a critical component to financial performance.
23 Pricing for the entire market is set by marginal
24 sales, the kinds of products that each of these
25 countries make. They don't need huge market share to

1 have a huge impact on our bottom line. That was true
2 in the original investigation and is still true today.

3 If the orders on hot-rolled steel are
4 revoked, the United States will be the natural target
5 of these increases. The United States is the world's
6 second largest consumer of hot-rolled steel. While
7 U.S. steel prices follow global trends, they are
8 attractive compared to the prices available in other
9 markets.

10 Producers in China, India, Indonesia,
11 Taiwan, Thailand and the Ukraine are already supplying
12 the U.S. market with huge volumes of other types of
13 flat-rolled steel such as corrosion-resistant
14 products, so there is no reason to believe their
15 claims that their hot-rolled steel will stay in Asia.

16 I don't believe it and neither should you.

17 No matter what the product, producers in all
18 six countries use the United States as the dumping
19 ground for their excess steel capacity. Our market is
20 large, familiar and easy for them to access. The
21 United States offers them far better pricing than they
22 can get elsewhere, and they don't have to shift any of
23 their current sales. All they have to do is use their
24 current excess capacity, which is huge.

25 If the orders are revoked, these producers

1 will return with significant volumes and rock bottom
2 prices. They have every reason to do so, and they
3 will not pass up the opportunity. This is exactly
4 what happened after the antidumping duty order on
5 hot-rolled steel from Japan was revoked two years ago.

6 Japanese producers told the Commission that they
7 would not return to the U.S. market because they were
8 focused on Asia, Latin America and other destinations.

9 But what happened? The order was removed, and Japan
10 immediately increased its exports to the United States
11 by 680 percent and dropped its prices by 30 percent,
12 and the U.S. steel industry took another hit.

13 If the orders on any of these six countries
14 are revoked, the same thing will happen again. We are
15 still reeling from the recession. Our sales are down,
16 but our costs are up. Operating margins have suffered
17 as a result. We have fewer workers and our capacity
18 utilization rates are very weak, even though the U.S.
19 producers have closed more than seven million tons of
20 capacity since 2007.

21 U.S. producers have made tough but
22 responsible choices in the aftermath of the recession,
23 but we are still vulnerable to these imports. As we
24 struggle to adjust to the new realities of reduced
25 demand and higher costs, U.S. companies and their

1 workers should not be asked to shoulder the burden of
2 irresponsible capacity expansion in other countries.

3 On behalf of Nucor and the more than 1,700
4 Nucor teammates that produce hot-rolled steel, I urge
5 you to leave these orders in place. Thank you.

6 MR. MULL: Good morning. I am Daniel Mull,
7 the Executive Vice President for Sales and Marketing
8 of ArcelorMittal USA. I have held this position for
9 seven years and have worked in the steel industry for
10 40 years. I am accompanied this morning by Buster
11 Yonych, Director of Hot-Rolled Products for
12 ArcelorMittal USA. We appear today in support of the
13 continuation of all of these orders.

14 As you have heard from other industry
15 members this morning, the hot-rolled steel industry
16 has faced and continues to face a challenging time
17 following the economic crash in the fall of 2008.
18 Consumption in 2009 was half of what it was in 2006,
19 and demand in 2009 and 2010 fell to a 15-year low.
20 Capacity utilization was dismal, and the industry's
21 profitability was terrible during that period.

22 ArcelorMittal idled facilities and cut back
23 shifts and crews. Some of our employees were out of
24 work for much of that two-year period. Unfortunately,
25 our slow climb out of that hole has stalled, and we

1 are actually losing ground in 2013. The foreign
2 producers contend that the market is turned around and
3 that our industry has recovered. They claim that our
4 industry could easily withstand renewed competition
5 from unfairly traded imports. I strongly disagree.
6 The best word I can describe to use for the market
7 right now is that it's fragile.

8 Demand, production and shipments of
9 hot-rolled steel remain well below levels reached in
10 the years prior to the recession. Consumption in the
11 first half of 2013 fell compared to the first half of
12 2012. That appears to have been largely a result of
13 customers trimming inventory instead of placing new
14 orders. As you know, purchasers that are trimming
15 inventory are betting that prices and/or demand will
16 not increase significantly.

17 As with the U.S. economy generally, most
18 people in the steel industry continue to exhibit a
19 large amount of uncertainty about what the hot-rolled
20 steel market will look like next year. The experience
21 of the last few years has made purchasers cautious.
22 In addition to concern over economic uncertainties,
23 purchasers are acutely aware that raw material costs
24 have been highly volatile in recent years.

25 Because raw materials are a large component

1 of hot-rolled steel costs, purchasers have become very
2 conservative. This year, we have seen customers
3 generally ordering only what they immediately need.
4 Our industry has a lot of unused hot-rolled steel
5 capacity. We are hoping for and need further economic
6 recovery so that we can increase sales, production and
7 capacity utilization and sustain our workforce.

8 You should not assume, however, that a
9 slowly recovering economy will cure our ills. Even
10 with an increase in consumption in 2012, prices and
11 the financial condition of the industry actually
12 declined in the first half of 2013 and then fell
13 further. Allowing low-priced dumped and subsidized
14 imports into the market now would very quickly put
15 further downward pressure on prices and profit margin.

16 Global overcapacity is the biggest problem
17 facing the industry today. The region with the most
18 overcapacity is Asia where five of the six countries
19 subject to this review are located. Thailand is
20 bringing back online a large hot-rolling mill that had
21 been closed and will now need an outlet for capacity.

22 New capacity continues to be built in
23 Indonesia. The Taiwanese producers reported more than
24 four million tons of excess capacity in 2012, while
25 exporting almost another four million tons of

1 hot-rolled steel. Those producers continue to add new
2 capacity in 2013.

3 Indian producers have also been building a
4 lot of new capacity. You would expect the increased
5 capacity would put pressure on the Indian home market
6 and make prices fall. That has not happened. Rather
7 than selling this new capacity in India and depressing
8 their own home market prices, Indian producers have
9 been selling hot-rolled steel for export into a very
10 crowded Asian market to try to fill the capacity. The
11 U.S. market, with its higher prices and open access,
12 would be even more attractive to the Indian producers.

13 Of course, the massive excess capacity of
14 China worries everyone not just in the United States,
15 but around the world. China is the largest global
16 producer of hot-rolled steel, and it has the largest
17 excess capacity in the world. China does not
18 domestically consume all of its production of
19 hot-rolled steel, and it will not be able to consume
20 all of its capacity for many years, if ever.

21 The massive capacity and overcapacity in
22 China specifically, in Asia more broadly, will cause
23 all the Asian producers to look to the U.S. market as
24 an outlet for their product. Asia is not the only
25 region facing oversupply of hot-rolled steel. Europe,

1 where much of the Ukrainian product is sold, is also
2 facing significant overcapacity. Ukrainian producers
3 are export oriented and have a capacity overhang as
4 well.

5 Overcapacity is always in search of a
6 market. I have no doubt that absent this trade relief
7 imports from all the subject countries would again
8 quickly surge into the United States to injurious
9 levels. Our pricing level and current consumption
10 make the United States a large, attractive market for
11 excess capacity, particularly when compared to the
12 overcrowded Asia and struggling European markets.

13 If the subject imports are allowed into the
14 United States without the restraint of the orders,
15 they will have an immediate impact on U.S. producers'
16 prices. A large portion of hot-rolled sales are in
17 the spot market. Spot market prices will decline
18 immediately if these imports re-enter the market
19 without the restraint of orders.

20 The spot market is pretty transparent in
21 this regard. Prices are tracked and published in a
22 number of different public and private indices, and
23 most of our customers are aware of these import prices
24 and trends. Low prices of imports in the spot market
25 depress prices in all consuming market segments,

1 including the automotive market. The low import
2 prices become a point of reference for negotiations
3 with customers across all market segments.

4 Importers and purchasers of hot-rolled steel
5 are watching this case very closely. I think that
6 explains part of the reluctance of customers to commit
7 to purchases right now or to build significant
8 inventory. They know that if these orders are revoked
9 the supply of low-priced, hot-rolled steel in the
10 market will increase. Purchasers also know that if
11 that happens it will drive down prices very quickly.

12 In a very real sense, whether or not these
13 orders are maintained will likely determine whether
14 2014 will be a better year than 2013 or whether it
15 will be much worse. A recovery for my company and the
16 industry depends on retention of these trade remedies,
17 and I urge you to keep them in place. Thank you.

18 MR. MILLETT: Good morning, Chairman
19 Williamson. Good morning, Commission. Thank you for
20 your patience and for allowing me to share the views
21 and perspectives of each and every SDI employee. For
22 the record, my name is Mark Millett. I am the
23 President and CEO of Steel Dynamics. I'm accompanied
24 today by Thomas Scruggs, our Commercial Manager for
25 our Sheet Flat-Rolled Division.

1 I've been in the steel industry for over 30
2 years and am one of the three original founders of
3 Steel Dynamics, which we formed in 1993. It began
4 with one greenfield plant in Butler, Indiana. We are
5 now the fifth largest steel company with six iron and
6 steel plants, six finishing facilities, as well as one
7 of the largest scrap processing businesses in the
8 United States today. We have grown from the three of
9 us to now over 6,600 employees.

10 We have grown our business with good
11 technology, with good, hard work, great associates and
12 a no-frills approach to overhead. But even so,
13 enforcements of the unfair trade laws has been
14 critical to our business. We are one of the lowest
15 cost producers, but low costs don't always ensure
16 adequate returns on capital if foreign producers
17 undercut your comparative advantage through dumping or
18 through subsidies.

19 We produce only flat-rolled sheet at our
20 original Butler facility. Through investments in
21 technology, we have grown our capacity to three
22 million tons of hot-rolled steel. Half of this
23 capacity is consumed downstream for the production of
24 value-added cold-rolled and galvanized products.

25 But these facilities have limited

1 capability, and we must therefore sell more than half
2 of our hot-rolled coil on the merchant market. Our
3 ability to sell this hot-rolled steel at fair market
4 prices not influenced by unfair trade has a big
5 influence on our overall results, on our ability to
6 fund investments and our ability to keep our
7 employees' jobs secure.

8 SDI has made enormous investments in
9 upstream metallics for our steel mills. We purchased
10 a major midwestern scrap business, Omni Source, and we
11 have invested in iron technology, including an iron
12 ore mine in Minnesota. We thought it was essential to
13 control our own raw material inputs in a world in
14 which many foreign countries control scrap exports and
15 some indeed their iron ore exports.

16 SDI has publicly discussed plans for a new
17 greenfield hot-roll mill focused on flat-rolled for
18 the energy tubular products and for advanced high
19 strength automotive steels. However, we have shelved
20 these plans in part because of a perception that
21 unfairly traded imports would prevent us from making
22 an adequate return.

23 The countries that you're reviewing in the
24 sunset review today have enormous excess capacity to
25 increase exports of hot-rolled sheet into the United

1 States. They will do so at unfair prices and an
2 injurious volume not for us, but for the industry in
3 general, for our prices and for our workers.
4 Therefore, on behalf of all our associates at SDI we
5 ask that you not allow these unfair traded imports
6 back into the U.S. market simply. Thank you.

7 MR. SCHAGRIN: Good morning, Chairman
8 Williamson, and welcome, Commissioner Kieff. For the
9 record, my name is Roger Schagrin. I am counsel to
10 Steel Dynamics, SSAB and Gallatin.

11 Mr. Tobin Pospisil, who is the president of
12 Gallatin Steel, had prepared testimony for the
13 October 3 hearing, which unfortunately was postponed
14 because of the shutdown. In spite of his best
15 efforts, he has been unable to attend the hearing
16 today because of scheduling conflicts.

17 However, I would request that his written
18 testimony be accepted for the record of this
19 proceeding, and I've given 50 copies of that to the
20 Secretary.

21 CHAIRMAN WILLIAMSON: It will be done.
22 Thank you.

23 MR. SCHAGRIN: Thank you, Mr. Chairman. Mr.
24 McCall?

25 MR. McCALL: Good morning, Mr. Chairman and

1 members of the Commission. I'm David McCall, Director
2 of District 1 of the United Steel Workers. I'm a
3 fourth generation steelworker and a member of our
4 union's executive board. I'm also the chairperson of
5 several of our major steel bargaining committees,
6 which have facilities located in eight different
7 states.

8 I appreciate the opportunity to testify
9 before you again on behalf of thousands of steelworker
10 members who make hot-rolled steel. I too would also
11 like to extend my personal appreciation to the
12 steelworker members who are in the audience today and
13 ask them to stand up and be acknowledged.

14 USW members produce hot-rolled steel at over
15 20 facilities and supporting operations that account
16 for more than 20,000 union and management jobs.
17 Unfortunately, experience has shown us that these jobs
18 remain at risk from unfairly traded imports. My
19 fellow steelworkers and I are here today to show our
20 support for maintaining these orders.

21 The injury that the steel industry has faced
22 over the years from unfair trade has been felt first
23 and foremost by steelworkers. Our members and
24 retirees have suffered layoffs, forced retirements and
25 substantial reductions in company provided pensions

1 and healthcare over the last 15 years. For many of
2 these workers and retirees, unfairly traded imports
3 have cost them their entire life's work. As a result,
4 steelworkers have fought, sacrificed and done
5 everything possible to ensure the viability of this
6 industry.

7 To save steel industry jobs and to protect
8 the benefits and dignity of our retirees, we agreed to
9 consolidation of the steel companies, major workforce
10 reductions and changes in workplace rules to increase
11 productivity. Steelworkers have shown that they can
12 compete with imports from any country in the world as
13 long as the competition is fair.

14 As a matter of fact, the majority of the
15 steelworkers with me today are employed at
16 ArcelorMittal Cleveland Works where we produce blast
17 furnace grade steel at slightly under 1.2 man hours
18 per ton, a world class productivity measurement. We
19 continue to do our part to maintain the
20 competitiveness of the steel industry, but we don't
21 have the power to stop unfair trade. We count on our
22 government to make sure foreign producers play by the
23 rules by enforcing the trade laws.

24 During the recession of 2009, consumption
25 and production were at historical low levels. The

1 hot-rolled steel industry lost jobs, lost man hours,
2 shut down furnaces and rolling mills, deferred or
3 canceled capital expenditures and deferred Viva
4 payments. The last time USW representatives testified
5 before you on behalf of the hot-rolled steel industry
6 we were hoping that a full recovery would come soon.
7 That has not been the case.

8 From the steelworkers' point of view, the
9 recovery has been slow and incomplete. Demand for
10 hot-rolled steel hasn't reached prerecession levels,
11 and mills still have a lot of excess capacity. That
12 means that steelworkers remain unemployed and
13 underemployed. In fact, the steelworkers that
14 attended the 2011 hot-rolled steel sunset hearing were
15 from Sparrows Point, Baltimore. That facility is
16 closed today, and unfortunately those steelworkers no
17 longer have jobs.

18 According to the data you collected, the
19 hot-rolled steel industry lost about 4,000 steelworker
20 jobs during the 2009 recession. Four years later, we
21 have still not regained almost 1,700 of those jobs.
22 Seventeen hundred jobs may not sound like a lot, so
23 let me put that number into perspective. Steelworkers
24 in the hot-rolled steel industry worked nearly four
25 million fewer hours in 2012 than 2007, which

1 represents \$142 million in lost wages to steelworkers
2 in 2012.

3 The continuing effects of that recession
4 have cost steelworkers, their families, and their
5 communities about \$900 million in lost wages since
6 2007. That is a staggering sum. It demonstrates that
7 steelworkers in the hot-rolled steel industry continue
8 to suffer from the effects of the recession.

9 If unfairly traded imports are allowed back
10 into this market, all of the ground we have slowly
11 made up in the last five years will be threatened.
12 Any potential improvement in the market going forward
13 will be lost.

14 Looking at the low profit margins this
15 industry has posted since the recession worries us,
16 and it should concern you. The industry still has not
17 recovered from pre-recession levels. These low levels
18 of profitability are not going to support the kind of
19 investment commitments needed to ensure the long-term
20 viability of the industry, sustain steelworker jobs,
21 and provide financial security for our members and our
22 retirees.

23 It worries us a great deal if dumped imports
24 are going to be allowed back into the market again.
25 If that happens, it will be steelworkers, their

1 families, and retirees that will again be hurt most.
2 All of that foreign capacity should not be paid for
3 with steelworker jobs.

4 In 2007 this Commission continued these
5 orders and gave the hot-rolled industry a chance to
6 get back on its feet after a very difficult period. I
7 want to thank you for that.

8 On behalf of the union members who make hot-
9 rolled steel, the retirees that depend on the health
10 of this industry and all the communities they support,
11 I urge the Commission to grant our workers and this
12 industry the relief they need by continuing these
13 orders. Thank you.

14 MR. SCHERRBAUM: Good morning. I'm Joe
15 Scherrbaum, Vice President of Sales for United States
16 Steel Corporation. I appreciate the chance to testify
17 about these vital orders and would like to make four
18 important point.

19 First, the problems created by the economic
20 crisis are far from over. Your staff report shows
21 that U.S. consumption of hot-rolled steel fell by 3.3
22 percent from the first half of 2012 to the first half
23 of 2013. Over the same period, U.S. steel shipments
24 of flat-rolled products, including hot-rolled steel,
25 fell by 4.1 percent.

1 Second, global capacity for hot-rolled steel
2 is already impacting prices to this market. To some
3 degree, it undoubtedly helps explain why U.S. prices
4 for hot-rolled steel have fallen by roughly \$250 per
5 ton since the spring of 2011. If you now open this
6 market to a huge volume of unfairly traded steel from
7 countries with enormous volumes of excess capacity,
8 the effect on U.S. pricing will be catastrophic.

9 Third, you should absolutely reject the
10 notion that freight costs will prevent subject mills
11 from making sales here. We estimate that it costs \$23
12 per ton to ship hot-rolled steel from Shanghai to the
13 West Coast of the United States and \$39 per ton to
14 ship from Shanghai to the Gulf Coast. To put these
15 figures in perspective, the cost of rail shipment from
16 the American midwest is \$73.50 per ton to the West
17 Coast and \$62 per ton to the Gulf Coast.

18 Finally, I understand the Taiwanese mills
19 claim they have no interest in this market and that
20 factors like freight costs or exchange rates would
21 inhibit their shipments here.

22 You should know that Taiwanese mills are
23 increasively active in shipping hot-rolled steel to
24 Mexico, and in the first half of this year Taiwan was
25 the single biggest importer to the United States of a

1 major corrosion-resistant product, galvalume, a coated
2 flat product used in construction applications. Given
3 these facts, there is nothing to prevent Taiwanese
4 mills from shipping massive volumes of hot-rolled
5 steel to this market.

6 For all these reasons, we need relief to
7 stay in place. Thank you.

8 MR. ROSENTHAL: That concludes the domestic
9 industry's direct testimony. We'd like to reserve the
10 remainder of our time.

11 CHAIRMAN WILLIAMSON: Okay. Thank you. I
12 wanted to express Commission's appreciate to all of
13 the panels who have given their testimony this
14 morning.

15 This morning we'll begin our questioning
16 with Commissioner Aranoff.

17 COMMISSIONER ARANOFF: Thank you, Mr.
18 Chairman.

19 Welcome to everyone on the panel. On behalf
20 of the Commission, thank you so much for your
21 flexibility in canceling your plans for earlier this
22 month and making yourselves available today. Our
23 apologies that some of you won't make it home in time
24 for trick-or-treating tonight.

25 Let me start with just a basic question.

1 Over the period that we are reviewing here, the total
2 exports from all of the subject countries combined to
3 the entire world declined by a fairly significant
4 amount despite the existence that many of you pointed
5 to to global overcapacity and overcapacity in some of
6 these countries.

7 What specifically should the Commission look
8 to to conclude that this trend would reverse itself in
9 the event of revocation of these orders?

10 MR. PRICE: First of all, you have to be
11 careful in looking at the data. As we pointed out in
12 our brief, and was pointed out in many of the briefs,
13 there's a major issue as to the Chinese data. I don't
14 think that's in dispute, despite Mr. Waite's attempt
15 to use that data.

16 In fact, Thailand has had to impose a
17 safeguard case because they're dealing with how China
18 has essentially dropped Boron into all of its product
19 lines, shifting its tariff categories of everything
20 that was essentially a carbon product into an alloy
21 product for their own sort of VAT reasons and taxation
22 reasons. That creates appearance of, a substantial
23 appearance of an artificial decline in the imports.

24 In fact, Chinese exports are substantial and
25 expanding. They are a major problem in the market.

1 Once you correct for that, you see huge volumes of
2 hot-rolled steel exporting around the world.

3 COMMISSIONER ARANOFF: Okay.

4 MS. CANNON: Commissioner Aranoff, if I
5 could just supplement that. If you look at Exhibit 3
6 to the ArcelorMittal brief, the very first chart shows
7 the aggregate export volumes with the corrected
8 numbers for China that Mr. Price was referring to, and
9 you will see a significant increase in collective
10 exports, as well as the exports from China, on that
11 chart. So I think that's the one correction that's
12 needed for the boron issue, and that changes things
13 dramatically.

14 COMMISSIONER ARANOFF: Okay. This came
15 up --

16 MR. HECHT: Commissioner?

17 COMMISSIONER ARANOFF: I'm sorry. Go ahead.

18 MR. HECHT: Jim Hecht. If I could just add
19 one thought to that, too. In terms of the likelihood
20 of increasing exports from these countries, I
21 certainly would look at the increased level of excess
22 capacity, the capacity growth of these countries
23 through the period, and the fact that you would be
24 opening up, arguably, the most attractive available
25 export market in the world if you were to remove these

1 orders with the most attractive pricing. So we think
2 that would certainly have a huge incentive for the
3 countries at issue.

4 MR. ROSENTHAL: One more point, Commissioner
5 Aranoff -- Paul Rosenthal -- and that is the
6 information cited earlier about the declining demand
7 in those very same markets that the producers have
8 been most active in. So their products have to go
9 someplace else.

10 COMMISSIONER ARANOFF: Okay. Let me turn
11 just a little bit to pricing. This came up I think
12 right at the end of the direct testimony that we were
13 hearing, the fact that there have been price declines
14 since 2011. The suggestion was -- I think this was
15 Mr. Scherrbaum speaking -- that imports from Japan had
16 contributed to that by lowering their prices after
17 revocation of the relevant order.

18 What can you point us to on the record that
19 best indicates what is or the multiple things that may
20 be responsible for these price declines and the roll
21 of raw material costs relative to other causes.

22 MR. VAUGHN: Commissioner Aranoff, Stephen
23 Vaughn. I'll just sort of make an initial comment is
24 that one thing to sort of keep in mind in terms when
25 you're sort of looking at costs versus the prices, the

1 overall record shows that over the last few years
2 there has been a steady and a somewhat significant
3 decline in operating margin, so this is not simply a
4 case of costs going down and then prices going down
5 with costs.

6 It's clear from the record that prices are
7 going down faster than costs and that the industry's
8 operating margin, and the EBITDA margin, and all the
9 different profit margins that you can look at have
10 declined over the last few years. This is a change
11 because initially there was a bit of an improvement
12 coming out of the 2009 downturn, but in recent years
13 we've sort of seen an influxion, and now things have
14 started to go the other way.

15 MR. SCHERRBAUM: Commissioner, this is Joe
16 Scherrbaum with U.S. Steel. Another part that helped
17 the price fall from, as I testified, 2011 to present
18 was as we came out of the 2009/2010 time period there
19 was some inventory rebuilding that went on in the
20 system that drove demand up, to a degree,
21 artificially, and then the true markets really did not
22 increase from there so demand actually started to
23 lighten up through 2012 and into this year, which is
24 part of the reason why the prices fell as well.

25 COMMISSIONER ARANOFF: Okay. That's

1 helpful.

2 MR. FERRIOLA: One more point, if I may.
3 John Ferriola with Nucor. I've been in this industry
4 for 40 years and during that time there's always been
5 a very strong correlation between steel pricing, hot-
6 rolled steel pricing and other steel pricing and the
7 cost of raw materials.

8 That correlation has not existed for the
9 last several years. There's been a very significant
10 disconnect. I believe the reason for that disconnect
11 is because of the tremendous amount of overcapacity in
12 the world today. Steel is more available, and
13 therefore, it must be sold at a lower price. The
14 market finely determines the price of any product, not
15 the cost of manufacturing it.

16 MS. BECK: Commissioner Aranoff, if I may
17 also just add one point as the data and the staff
18 report show that the decline in raw materials just
19 over the first half of 2013 compared to the first half
20 of 2012. The decline was actually greater in the
21 prices than it was in the raw material decline, and I
22 think that evident in the financial decline in the
23 first half of 2013 as well compared to 2012.

24 COMMISSIONER ARANOFF: Thank you. That's
25 helpful, Ms. Beck.

1 There's been considerable discussion about
2 the McKinsey report and the issue of what kind of
3 margins are necessary over the long run to sustain the
4 steel industry.

5 Just to get this on the record, is it
6 accurate to apply that 16 percent margin, which is
7 referenced in relation to the steel industry as a
8 whole, to just hot-rolled steel production given, in
9 particular, that a substantial portion of hot-rolled
10 production is used as an input in higher value added
11 products?

12 MR. LONGHI: Madam Commissioner, I would
13 suggest that yes, because every other downstream
14 product derives from hot-rolled. If you look at the
15 requirement investments to maintain an efficient and
16 productive set of assets, it's really enormous.

17 The other reason why this is important, if
18 you look at the cycles, especially if you look at the
19 last 10 years, while we were undergoing tremendous
20 pressure from the market, as been described to you by
21 the material you have, all of that production that was
22 being built without me, everywhere else in the world,
23 was utilizing the latest technologies.

24 So we've been subdued over a long period of
25 time and not being able to really invest the size of

1 money necessary to really compete face-to-face with
2 them. So this is creating a distortion that's even
3 bigger going forward.

4 MR. FERRIOLA: I would like to add to that,
5 if I may, please. John Ferriola. We pull up points
6 to the 16 percent and it references the fact that you
7 need that type of a return because of the high amount
8 of capital investment in the industry.

9 When you look at flat-rolled products
10 compared to many of our other products in the steel
11 industry, the amount of capital is so much larger for
12 flat-rolled products than for other, as an example, a
13 rebar product or a merchant product.

14 It's much more capital, much more
15 technology, and much more innovation is required to
16 stay current in that market. So there's a lot more
17 investment required in hot-rolled product than in
18 other parts of steel.

19 COMMISSIONER ARANOFF: Okay. Mr. Chairman,
20 since my next couple of questions are complicated and
21 I've got 30 seconds left on the clock, I think I'm
22 going to stop there and not go over like we usually
23 do.

24 CHAIRMAN WILLIAMSON: Thank you for setting
25 that precedent.

1 Commissioner Pinkert?

2 COMMISSIONER PINKERT: Thank you, Mr.
3 Chairman. I join my colleagues in thanking all of you
4 for being here today.

5 I know that RG is not represented on this
6 panel directly but I wanted to ask a question in the
7 hope that somebody with experience in this industry
8 could help me to understand what's going on with that
9 situation. Is there any prospect for RG Wheeling, RG
10 Sparrows Point, or RG Warren to go back into
11 production?

12 MR. LONGHI: I imagine that once you spend a
13 significant amount of time with assets on the market
14 and you eventually find no buyers and they're
15 delivered into hands of liquidators, that sends a
16 pretty good signal of what the possibilities are.

17 MR. FERRIOLA: I would add to that that the
18 largest of those facilities, Sparrows Point, much of
19 the equipment has already been removed and liquidated
20 from that facility. At this point I would say it's
21 virtually impossible for Sparrows Point to restart
22 production.

23 MR. MCCALL: If I may as well. David McCall
24 from the steelworkers. I would agree that any future
25 steelmaking capability at Sparrows Point I think is

1 slim to none. The way that the facility has been
2 disassembled or demolished, I think any return to
3 steelmaking would be very difficult and would be a
4 huge capital investment.

5 With regard to Wheeling, I think it's a good
6 facility, relatively, the EAF equipment relatively
7 new, with a good hot mill, so the day may come as
8 demand increases that that facility, I think, has a
9 good opportunity for a restart.

10 In the Warren facility, there's a huge need
11 for capital investment in the blast furnace end at
12 that particular facility, so its ability for restart
13 would be much better than Sparrows Point, but not
14 great. Some of the downstream operations there are
15 viable. Again, if demand were to increase in the near
16 future, there may be an opportunity in Warren as well.

17 COMMISSIONER PINKERT: Mr. Lighthizer.

18 MR. LIGHTHIZER: Commissioner, I would just
19 add that, from our point of view, this is a case study
20 for vulnerability. I mean these facilities have been
21 on the market and no one wants to buy them at almost
22 any price. That's a pretty good indicator that this
23 industry is vulnerable right now.

24 COMMISSIONER PINKERT: Thank you. Now,
25 referring to the figure IV-1 on page 440 of the staff

1 report, what we see there in the average world price
2 for hot-rolled is a pretty sharp increase in 2008, and
3 then of course a decrease in 2009, and then fairly
4 steady after that. Was 2008 anomalous, and if so,
5 what was going on there that was driving up the world
6 price in 2008?

7 MR. LONGHI: One significant contributor to
8 that increase in prices, you need to, you have to put
9 China back in the picture. Remember that they were in
10 the, early in the decade they were producing at a rate
11 of about 25 million tons, they were gearing up to 500
12 million tons at that point. So there was such an
13 accelerated demand that was pushing prices up because
14 of that fundamental growth. So they were a
15 significant player in that regard.

16 When the economic recession hit in 2009 and
17 they moved down from growing at 12, 13 percent down to
18 about nine, eight and declining, the picture began to
19 change a little bit.

20 MR. SCHAGRIN: Commissioner Pinkert, this is
21 Roger Schagrin. There was a tremendous spike, as I
22 think Mr. Longhi was referring to, in prices of raw
23 materials in 2008. Iron ore prices, coking coal
24 prices, scrap prices hit almost all time record highs.

25 We did, as you know, have something of a

1 bubble economy going on in the United States.
2 Tremendous amounts of construction fueled by not very
3 sane loan practices by a lot of banks making loans.
4 So I think, really, 2008 was kind of the bubble and it
5 was, in some part, driven by big spikes in raw
6 material costs.

7 However, what's amazing is that, you know,
8 looking at this Table IV-1, is that really since late
9 '10, early '11, that on a worldwide basis prices of
10 hot-rolled sheet have fallen. I think it's very
11 striking that as we pick up our newspapers every day,
12 and maybe with some bit of glee, you know, see that
13 our stock markets are at all time highs, in the U.S.
14 economy, in general, profits for not just service
15 companies, but industrial companies in the United
16 States are pretty much at all time highs, that the
17 steel industry, in general, is anomaly.

18 I would say for most of the companies at
19 this table who are publicly traded, their stock prices
20 have fallen anywhere from 50 to 90 percent since the
21 highs they reached in 2008. So that's another sign of
22 vulnerability.

23 I've always found in my career that the
24 investment community is a pretty good judge of whether
25 companies are hitting the right EBITDA numbers, you

1 know, what kind of returns you get on your capital.
2 You have a choice of investing in a wide variety of
3 companies. Why would anyone invest in a steel
4 industry that makes two, three percent profit margins
5 four years out of a recession? So, once again, I
6 think that supports findings of vulnerability here.

7 COMMISSIONER PINKERT: We've talked a lot
8 about the existence of global overcapacity. Obviously
9 you've referenced subsidies as one of the factors
10 going into that, but is there any economic logic
11 behind the global overcapacity or is there any other
12 logic that you can explain to this panel?

13 MR. LONGHI: I grew up in a country that was
14 under development, and it seems like Brazil's still
15 somehow in development. The social forces are
16 enormous in those places. I think you can duplicate
17 everywhere else, in China, in India, Taiwan, all of
18 those places.

19 They will develop infrastructure with a view
20 of the future 10, 20 years down the road, and they
21 will build that infrastructure in order to create jobs
22 and in order to create some kind of more better
23 development for those places, so there is no real
24 fundamental economic value driving all of those
25 investments. The social pressure is really

1 significant.

2 I actually was at a panel recently and one
3 of the representatives from India, we were discussing
4 some of these situations, and gentleman flat out
5 turned to me and said, listen, you in the United
6 States need to quiet down because we have lots of
7 hungry children that we're going to have to feed, and
8 we're going to have to keep employing people, and
9 we're going to do anything that it takes to do that,
10 and the steel industry is a very large contributor to
11 the creation of jobs, so we're going to keep doing it.

12 So the drive towards those investments is way very
13 different than just an economic analysis.

14 MR. ROSENTHAL: Commissioner Pinkert, I just
15 want to follow-up on that. If you look at the history
16 of the steel industry, it has generally been viewed by
17 most countries, most governments, as not just a driver
18 of economics, but a source of national pride.

19 If you want to have a national defense, you
20 want to have a steel industry first. If you want to
21 have jobs, you need to have a steel industry. So
22 there are those factors driving a steel business that
23 doesn't exist in every other, not just a product, but
24 every commodity.

25 I mean we were here recently on pasta. I

1 love pasta, but not everyone needs to have a pasta
2 business. But every company and every country wants
3 to have a steel business. The result is individual
4 decisions made around the world by governments
5 deciding this is where they have to be.

6 If you look again at the history of the
7 steel industry, many of the companies started out as
8 government-owned, certainly government-supported, and
9 protected by government policies. That's still the
10 case today. Even those that have been privatized over
11 the years still benefit greatly by government
12 intervention.

13 With all respect, we talk a lot about free
14 trade and markets but steel is unique in the amount of
15 government intervention and the lack of truly market
16 forces being allowed to operate in many parts of the
17 world.

18 COMMISSIONER PINKERT: Just a quick follow-
19 up on that, and you can answer my question or answer
20 the earlier one, Mr. Lighthizer, but does proximity to
21 raw materials play any role in terms of countries
22 deciding to get into that market? Mr. Lighthizer?

23 MR. LIGHTHIZER: Commissioner, I would say,
24 first of all, I've been doing this since the '80s when
25 we were negotiating trade agreements, and we had a big

1 crisis in the '90s, and now we have a crisis now which
2 I think is probably even more existential than the
3 previous two.

4 And I would underline what everyone says.
5 This has nothing to do with economics. Nobody's
6 building a steel industry in any of these countries
7 because they think they're going to make money out of
8 it. They hope that they can export so that at least
9 they're exporting their unemployment, and they hope
10 that it will lead to something downstream I mean
11 because -- but they feel they have to have a steel
12 industry in order to develop.

13 To underline one thing that Paul said, if
14 you look right now, China, they admit that 70 percent
15 of their hot-rolled production is owned by the
16 government. India, the biggest single hot-rolled
17 company, 86 percent owned by the government. That
18 means basically controlled by the government.
19 Indonesia, the biggest company that makes hot-rolled
20 steel, 80 percent owned.

21 You get to Taiwan, China Steel Corporation,
22 it's only 20 percent owned now by the government. It
23 was started by the government, but the government
24 appoints, you know, part of the board, the government
25 appoints the chairman of the board. I mean this is

1 part of government.

2 Our real pitch here, and it has been for
3 years and so I may be emphasizing this more than I
4 should because there are some new members, our
5 position is we can't compete with governments.

6 There's two things that go on here. You
7 have subsidies that create capacity, and then you have
8 closed markets. So they basically have their own
9 market, more or less, protected some way or another.
10 If you have a situation like China, you're actually
11 controlling the customers in the domestic market. And
12 what they tend to do is build too much capacity and
13 then they go to the only place they can go.

14 And if you look, most of these other
15 countries here are getting clobbered by China in all
16 their markets. I mean, they're actually being pushed
17 out of their markets. You have this kind of odd
18 effect going on where China's so big it's hurting the
19 other countries and they're all hurting economically
20 and looking for markets, and there's basically one
21 place they can sell this product. And it's true in
22 hot-rolled steel, it's true in pipe, it's true in
23 corrosion-resistant steel. The same phenomenon
24 happens.

25 Now your question about proximity, I mean,

1 one of the first countries that really followed this
2 government policy and followed it well was Japan. I
3 mean, we fought about Japan for most of the '80s.
4 They don't have proximity to raw materials in the
5 steel industry. And if you look at the map you put up
6 about China, you look at some of those places where
7 those mills are and granted, there's like 100,000 of
8 them right on the coast for export, but a lot of them
9 are in places where there's no raw materials at all.
10 They have made a political decision, and when it comes
11 time to reduce capacity, which has to happen, they
12 made another political decision that somebody else
13 should reduce their capacity.

14 COMMISSIONER PINKERT: I'm going to have to
15 stop you there. Thank you very much.

16 CHAIRMAN WILLIAMSON: Okay. Thank you.
17 Commissioner Johanson?

18 COMMISSIONER PINKERT: Mr. Price, we'll come
19 back to you in my next round.

20 CHAIRMAN WILLIAMSON: Thank you.
21 Commissioner Johanson?

22 COMMISSIONER JOHANSON: Thank you, Mr.
23 Chairman. I'd also like to thank the witnesses for
24 appearing here today, and I'd like to follow-up with
25 Commissioner Aranoff in expressing, for letting you

1 know we appreciate you being able to appear earlier.
2 We regret that this had to be postponed, but that's
3 what happened.

4 One aspect of this case that I have found of
5 interest is the relatively small market shares held by
6 subject imports in the original investigation. That
7 share increased from .8 percent in 1998 to 2.9 percent
8 in 2000. I fully understand that the domestic
9 industry was in dire straits back in 2001, but it is
10 now in better shape.

11 My question is whether if the orders, or
12 some subset of them, were revoked, would a similar
13 import penetration have the same adverse impact on the
14 domestic industry as it did back in 2001?

15 MR. SCHAGRIN: Commissioner Johanson, this
16 is Roger Schagrin. I make two observations. The
17 first, while the data you were looking at on market
18 share is based on total consumption, including
19 internal consumption, I think if you read the
20 Commission's determination in the original
21 investigation you'll find that the majority of the
22 Commission focused on the market share level and the
23 impact of the unfairly traded imports on the merchant
24 market segment of the industry, which is approximately
25 40 percent of the total market, so in reality, those

1 imports went from essentially zero to about eight or
2 nine percent of the merchant market.

3 I think, as you heard in the testimony this
4 morning, I mean a lot of your cases you would say,
5 gee, eight or nine percent? Even in the merchant
6 market that doesn't seem that significant. But hot-
7 rolled sheet is the ultimate commodity of products. I
8 mean it's a vanilla product. It's the base steel
9 product.

10 I think, as you've heard, particularly from,
11 whether it be the CEOs or the marketing folks of these
12 companies, in a commodity product like hot-rolled
13 sheet, much of which goes through service centers,
14 small amounts of unfairly traded product have an
15 inordinate and extremely quick impact in the U.S.
16 market. The Commission has seen that happen time and
17 again in cases over the past several decades.

18 So, yes, we believe first of all that these
19 foreign producers can ship as much, or more, than they
20 did during the period of the original investigation if
21 the orders were to be revoked, and that the market
22 share levels that they could achieve again would be
23 injurious again to this industry.

24 MR. MILLETT: Mark Millett with Steel
25 Dynamics. To reiterate that point, if you look at the

1 history of 2012, I believe, and I'll probably get my
2 months wrong, but there was an instance around
3 February and then again around August timeframe where
4 the spread of domestic to foreign pricing increased a
5 small degree, we were getting a little market strength
6 domestically, and immediately six weeks, eight weeks
7 later, there came a spike of imports and that
8 suppressed the market back down, not allowing us to
9 retain, again, an appreciable margin that allows us to
10 get the cost of capital.

11 MR. BLUME: Rick Blume, Nucor. One of the
12 points made in your question was around the idea that
13 we're much better off today. If you look at
14 utilization rates I think as one measure of well-
15 being, you have to say at 76 percent, those are
16 utilization rates that I haven't seen in my 35 years.

17 So it remains a very challenged environment.

18 I think, from a commercial perspective, as
19 we go forward, the real damage is not necessarily even
20 the volume, the small volume, but in many cases, the
21 offers. Certainly, steel buyers utilize the offers,
22 they utilize small import quantities, and it can have
23 a dramatic impact on pricing. That's really why
24 keeping these orders in place are so important.

25 The import threat is pervasive, it's

1 continuous, and we've faced it for quite a period of
2 time. Allowing these countries to import unfair
3 product is going to be injurious to this industry.
4 The industry, again I would put forth, remains very
5 vulnerable.

6 MS. CANNON: Commissioner Johanson, this is
7 Kathy Cannon with Kelley Drye. I'd just refer you to
8 Exhibit 1, Chart 5 of the ArcelorMittal prehearing
9 brief. We've set forth a comparison of the market
10 shares held originally by each of the countries, and
11 then collectively before the orders were imposed, as
12 compared to what their market share could be today
13 based on their idle capacity alone.

14 You will see that both for the market as a
15 whole and for the merchant market the volume, the
16 market shares that these countries could capture today
17 is far greater even than what they held pre order. I
18 think that's a very telling fact in this case.

19 MR. HECHT: Jim Hecht. Commissioner, Jim
20 Hecht. Just to follow-up on that, the size and scope
21 of these industries is just on an entirely different
22 scale now than it was then. They have over 100
23 million tons of excess capacity today. That's enough
24 to satisfy almost twice our entire consumption,
25 including internal consumption, and multiples of our

1 merchant market consumption.

2 So we think certainly even at the levels
3 they were then, for all the reasons stated, that would
4 have a huge impact on the market, but they could
5 satisfy an enormous portion of the market without
6 shifting a ton from anywhere else in the world.

7 MR. ROSENTHAL: One last point, if I may,
8 Commissioner Johanson. Paul Rosenthal. Mr. Ferriola
9 and everyone else has talked about the low capacity
10 utilization and how important it is in this capital-
11 intensive industry to maintain the highest possible
12 capacity utilization. That means that they fight for
13 every ton.

14 The reason why you see a very, very big
15 impact on price from a relatively small volume of
16 imports is because the domestic producers don't want
17 to give up that throughput that totally ruins their
18 profitability, and so the result is they lower their
19 prices, reduce their profitability, but maintain their
20 tonnage.

21 The result is you don't see as much in the
22 way of market share, but you do see a downward
23 pressure on prices and profitability because the
24 companies do not want to reduce their capacity
25 utilization any more than it's been.

1 MR. FERRIOLA: If I may, just one more
2 comment because I think it's an important one to
3 understand. Because there is so much excess capacity
4 in these countries, they can change their import level
5 into the United States very quickly without changing
6 their basic sales strategy. There's so much excess
7 capacity that they can maintain their whole markets
8 and still flood our market.

9 COMMISSIONER JOHANSON: All right. I thank
10 you for your responses. I found it informative.

11 It appears that of the seven revoked
12 countries -- and those countries are the Netherlands,
13 Brazil, Japan, Argentina, Kazakhstan, Romania, and
14 South Africa -- that only the Netherlands and Japan
15 currently have a significant presence in the U.S.
16 market.

17 The five that are not exporting to the
18 United States market had excess capacity, too. Why
19 aren't they exporting to the United States?

20 MR. VAUGHN: Commissioner?

21 COMMISSIONER JOHANSON: Yes, Mr. Vaughn?

22 MR. VAUGHN: Commissioner Johanson, I'd like
23 to address with -- first of all, I would point out
24 that with respect to Brazil, there has been an
25 increase in Brazil this year from 2012 to 2013. I

1 think they're now up to around 40,000 tons. So they
2 are starting to come back into this market.

3 Second of all, the Commission, in the last
4 investigation with respect to three of the countries,
5 Kazakhstan, South Africa, and Romania, you had
6 extensive sworn testimony from high ranking officials
7 at ArcelorMittal that those countries would not be
8 likely, that they would have exercised a veto power
9 and that they would prevent imports from those
10 countries from coming into this market in levels that
11 would be disruptive.

12 Then I think with respect to Argentina, we
13 can address this more in the posthearing brief, but
14 there were other, that was a sort of unusual, that was
15 a relatively smaller industry compared to some of the
16 things that you're looking at.

17 So those countries are all sort of I think
18 very distinguishable from the countries that we're
19 talking about at issue here. The Commission
20 distinguished these countries from those countries
21 back in 2007, and I think it makes sense to assume
22 that they will not act the same way today.

23 In other words, as you just heard from the
24 last round of answers, they have a great deal of
25 unused capacity, they have strong incentives to export

1 to the United States, and you know, this market only
2 had, last year the total commercial shipments of the
3 U.S. were around 21 million tons. That's what the
4 domestic industry shipped into the merchant market.

5 Even as long ago as 2000 these countries
6 shipped 2.7 million tons to the United States, which
7 is a very large figure in the context of 21 million
8 tons for these people. Given that those industries
9 are so much larger now than they were then, the threat
10 is that much greater.

11 COMMISSIONER JOHANSON: Yes, Mr. Mull?

12 MR. MULL: Yes. I just wanted to confirm
13 that there's several of those countries where we have
14 operations that we have curtailed any imports on hot-
15 rolled coming in, so, due to our local policy.

16 COMMISSIONER JOHANSON: All right. Thank
17 you for your response.

18 Mr. Ferriola, did you want to respond?

19 MR. FERRIOLA: No.

20 COMMISSIONER JOHANSON: Okay. My time has
21 expired. Thank you.

22 CHAIRMAN WILLIAMSON: Thank you.

23 Commissioner Broadbent?

24 COMMISSIONER BROADBENT: Thank you.

25 Appreciate the panel rescheduling the hearing for us

1 today.

2 I guess what strikes me in all the cases
3 I've done in my first year, that I've, we've not
4 looked at an industry where there's such a small level
5 of import competition. I mean 3.9 percent, to me, is
6 minuscule. I guess I'm a little uncomfortable with us
7 so concerned about that amount of competition. Why
8 should we be worried at this point?

9 MR. FERRIOLA: I'd like to respond, if I
10 may. John Ferriola. We've mentioned this several
11 times in the testimony and in previous answers. It is
12 amazing to me the small amount of imports, the impact
13 that can have on pricing in our market. We sometimes
14 jokingly say that a thousand tons of imports are sold
15 a hundred times in the marketplace.

16 Our customers -- Mr. Blume earlier responded
17 to, in a similar fashion. Our customers would use
18 that information. Even if a very small percentage of
19 the total market is imported, that small percentage
20 has a tremendous impact on our pricing ability in the
21 whole market.

22 COMMISSIONER BROADBENT: Okay.

23 MR. LIGHTHIZER: You know, could I also add
24 to that, Commissioner? Because I really think that it
25 is important when we look at this case that we focus

1 on the merchant market and the import penetration in
2 the merchant market.

3 A small overall penetration will still be a
4 large import penetration in the merchant market, and
5 that has an effect on prices, on profits in all of the
6 downstream products, all the captive production
7 products.

8 The other thing that I would say is this is
9 still probably a couple of billion dollars worth of
10 sales.

11 COMMISSIONER BROADBENT: It's a big market
12 overall. Yeah.

13 MR. LIGHTHIZER: Even in my Finance
14 Committee days I thought a couple of billion dollars
15 worth of sales was more than insignificant,
16 inconsequential, unimportant. Certainly more than
17 frivolous. If that is the legal standard for what
18 harm is, a couple of billion dollars I think has to
19 meet that standard.

20 COMMISSIONER BROADBENT: Of? What legal
21 standard?

22 MR. LIGHTHIZER: The standard for material
23 injury is harm which is not inconsequential,
24 immaterial, or unimportant. I'd be happy to discuss
25 that. We've had this --

1 COMMISSIONER BROADBENT: No, but I'm just --

2 MR. LIGHTHIZER: I know you're aware of it,
3 and you were up there. I was there in '79 when we put
4 in place that standard. The legislative history is as
5 clear as it can be that it was not intended to be a
6 rigorous standard, it's not intended to be a high
7 standard. In fact, the Congress in both the Ways &
8 Means Committee and Finance Committee staff report and
9 in colloquy on the floor said by adding material, it
10 was not meant to change the standard at all.

11 The previous standard was above de minimis,
12 essentially. That's how people articulated it. In
13 the '79 act they made it very clear that is where we
14 are. I just think that when Commissioners think about
15 these cases, if I was a commissioner, the first thing
16 I would think of is where is the bar exactly? How far
17 do I, do these people have to go to convince me that
18 there is material injury?

19 I think that, as a fundamental fact,
20 Commissioners have to come to realization that it's
21 not supposed to be a rigorous standard. I implore you
22 to look at the legislative history and to really
23 explore -- and we'll do it in our briefs if people are
24 interested -- just how low this standard is supposed
25 to be. The reality is it's supposed to be anything

1 that has significance, consequences. Anything above
2 de minimis.

3 In the '74 act, which was kind of picked up
4 in the '79 act, they said anything that's not
5 frivolous. So clearly, profit on a couple of billion
6 dollars worth of sales, in my judgment, is in that
7 category. But way beyond that, it has affect on all
8 the rest of our sales in a really fundamental way.

9 MR. HECHT: Commissioner Broadbent?

10 COMMISSIONER BROADBENT: Mr. Hecht?

11 MS. CANNON: Commissioner Broadbent?

12 MR. HECHT: I'm sorry.

13 MS. CANNON: I'm sorry.

14 MR. HECHT: Jim Hecht. For all the reasons
15 stated, we think three million tons in a merchant
16 market of 25 million tons would be very significant.
17 Having said that, keep in mind that these countries
18 exported around the world on the order of 23 million
19 tons last year at prices often \$100 or more a ton
20 below the prevailing price in the U.S. market.

21 On top of that, 100 million tons of excess
22 capacity that they could use today to ship in here, we
23 think the magnitude of shipments would be vastly in
24 excess of what you saw before, and those were highly
25 significant.

1 MS. CANNON: Commissioner Broadbent, Kathy
2 Cannon with Kelley Drye. I refer you, as I did
3 Commissioner Johanson, to Chart 5 in Exhibit 1 of the
4 ArcelorMittal prehearing brief. That compares the
5 subject U.S. market shares in the original
6 investigation, showing both the 3.9 percent share of
7 the total market, as well as roughly 10 percent share
8 of the merchant market that imports captured, but more
9 importantly, what unused capacity in the subject
10 countries could capture today.

11 Most of those numbers are confidential, but
12 I would note that Taiwan alone today from its unused
13 capacity could capture 16.8 percent of the merchant
14 market and 7.4 percent of the total market. I can't
15 refer to the other numbers, but on an aggregate basis
16 it is huge, the market share that these imports could
17 capture, simply from shifting, from putting to use
18 their idle capacity, which they have every incentive
19 to do in a capital-intensive industry.

20 So I think that factor is very important,
21 unlike other cases where it's simply a matter of
22 getting back to those pre order volumes.

23 COMMISSIONER BROADBENT: Good. Okay. Thank
24 you.

25 I wanted to look at the Skadden Power Point

1 here. On page 32 you're talking about this EBIT -- I
2 can't even pronounce this. How do you guys -- EBITDA
3 margin of 16 percent that needs to be provided to this
4 industry.

5 Where has this industry ever made those kind
6 of returns? I mean I've never seen it at the banner
7 year of 2008, 2009. Just before the downturn, I guess
8 2007 to 2008, we were really overheated and, you know,
9 favorable market conditions and you're still not
10 really anywhere near this level of profitability that
11 you're saying you need.

12 MR. MILLETT: Mark Millett with Steel
13 Dynamics. I can't represent the results of other
14 companies, but all years up to and including 2007, our
15 EBITDA margins were in the mid-20s to upper 20s.
16 Today, they are struggling to be in the nine to 10
17 percent range.

18 COMMISSIONER BROADBENT: Okay. Let's go to
19 page 16. Talk about the Japanese a little bit. Your
20 graph is showing this leap of imports from Japan and I
21 guess the discussion was that the, you quoted the
22 Japanese saying that this would be a modest effect if
23 the order came off, which it did. So so far they
24 haven't succeeded 300,000 short tons in the two years
25 since the revocation, so this is less than .5 percent

1 of the market. You're saying that this is
2 extraordinary and difficult competition to meet, is
3 that correct?

4 MR. LIGHTHIZER: Well, Commissioner, if I
5 could, what we're saying is -- and this is really
6 getting, I think, at the whole issue of cumulation.
7 At some point I hope we have a discussion about that.

8 There were Commissioners who took the
9 position that Japan was different, shouldn't be
10 cumulated because they were sort of Asian-oriented,
11 Asian market-oriented, they had a regional
12 orientation. There are certain Commissioners who
13 accept that kind of legal analysis.

14 Then there are others, like Commissioner
15 Pinkert, who take a different legal analysis, which is
16 the legal analysis which I personally think is more,
17 makes more sense.

18 What this is put in here is to say the
19 Japanese came here and said we should not be cumulated
20 because we are Asian market-oriented. The reality is
21 -- and then they said not just that it would be
22 modest, but modest to the point of insignificance.

23 They basically came and they said we're not
24 going to ship because we have all this home market, we
25 have all these Asian markets, we have, you know, no

1 excess capacity, we have just -- you're going to hear
2 the same thing this afternoon from the other side in
3 every single point.

4 What we're saying here, the Japanese said
5 that it in fact was not true. They're up to 200,
6 they're on a pace for about 270,000 tons. By the way,
7 this idea of their Asian orientation, they will ship
8 this year more than two million tons not to Asia.

9 So what we're really trying to do is
10 sensitize the Commission to this argument by
11 Respondents which they make every single time that
12 we're not really interested and we're different. The
13 fact is they are having a significant impact on our
14 market right now and it's because they were let out of
15 the case a couple years ago.

16 COMMISSIONER BROADBENT: I think we've got
17 some --

18 MR. FERRIOLA: I think it's important to
19 also to take a look at the impact. You know, we spoke
20 of the increase of the imports from Japan, but I think
21 it's also important to look at what did that mean?
22 What did that do to the industry?

23 If you look at the domestic industry during
24 those years, during the transition year, 2012, the
25 year after, and where we are today, net income,

1 operating income in terms of net of sales -- very key
2 component to measure success of a company -- 2011, the
3 transition year, 7.2 percent; the year following that,
4 2012, 5.6 percent; year-to-date, 4.5 percent. A
5 significant impact upon the profitability of the
6 domestic industry.

7 I would just like to make just one more
8 point, if I may, please, because we've had this long
9 discussion about the impact of only three percent of
10 the market share belonging to subject imports.

11 I would suggest to you that you must look at
12 what's happened to the industry during that period. I
13 mean, literally, millions of tons of capacity are
14 gone. Gone. Tens of thousands of jobs in the
15 industry are gone.

16 So when you look at three percent you say,
17 boy, that's a small number, but again, you have to
18 understand how that small percentage magnifies, you
19 know, when you look at the impact it has on pricing,
20 profitability, and the sustainability of our industry.

21 COMMISSIONER BROADBENT: That was during the
22 job loss. That was during the period when your
23 imports were controlled I mean under these orders that
24 have been in effect for 12 years. You're still having
25 loss.

1 MR. FERRIOLA: Yes. Very true. But others
2 weren't. So if we have a three percent during those
3 years and it had that impact, okay, without these
4 countries importing, what would happen if it increases
5 even by one percent if you evoke the orders on these
6 countries.

7 COMMISSIONER BROADBENT: Okay. My time's
8 expired. Thank you.

9 COMMISSIONER WILLIAMSON: Thank you.
10 Commissioner Kieff?

11 COMMISSIONER KIEFF: Thank you very much to
12 my colleagues for nicely capturing our collective
13 appreciation to the participants for coming and
14 presenting so much information, and also for nicely
15 capturing so many great questions.

16 So rather, being very attentive to the
17 presence of those questions and the answers, let me
18 ask a gloss on what's been asked before. See if that
19 helps us all move forward.

20 I'm looking, as I ask these questions for
21 this broad question -- which I hope to also ask the
22 other side, if you will -- is for us to, in a stylized
23 way, think of touch points, leverage points. Think
24 about, for example, the link between excess capacity
25 in Asia and price in the U.S.

1 So, as I understand it, we've got a lot of
2 excess capacity in Asia, and in the presence of these
3 orders we have price in the U.S. being higher. What
4 I'm trying then to figure out is can we look to, can
5 we touch, are there points of contact in our thinking
6 between what has happened with Japan and Brazil
7 looking backwards and what might happen looking
8 forwards, depending on how we act in this matter, with
9 respect to, for example, Taiwan, Thailand, and
10 Indonesia.

11 In other words, let's think of China. Your
12 demonstrative aides paint a different picture of
13 China. Let's put that aside for a moment. Let's
14 think about at least Taiwan, Thailand, and Indonesia,
15 and think about how, what comparisons we can make
16 between those three on the one hand and maybe Brazil
17 as a model on the other hand or Japan as a model on
18 the other hand.

19 I ask that those comparisons -- I'll ask the
20 other folks, too -- and I have in mind a couple of
21 thoughts. One is do we have confidence that Japan's
22 behavior since the change with respect to Japan is
23 menacing behavior or normal behavior? Do we have
24 reasons to be confident that it's menacing behavior?
25 Would those reasons be the same with respect to these

1 three, Thailand, Taiwan, and Brazil? Sorry. And
2 Indonesia. And then, how about Brazil?

3 So broad questions, lots of subparts.
4 Really, as much as you can provide today, that's
5 great, but if not, these are questions that have been
6 puzzling for me so you could follow up later as well,
7 but I invite as much as time would allow.

8 MR. BLUME: Rick Blume, Nucor. I would
9 answer that with two points. First of all, I don't
10 know why we would think that the behavior of these
11 subject countries would be any different than what we
12 saw with Japan.

13 There's a key point that needs to be stated
14 about also the behavior of Japan after the orders were
15 lifted. If you look at the values of the product that
16 they brought in, it came down dramatically.

17 I was a part of that hearing when the
18 Japanese made two points. They said we're not
19 interested in this market, number one, and even if
20 we're interested in the market, we're going to ship in
21 product at a high level, very sophisticated steels.

22 Well, then why do we see a dramatic drop in
23 the values of the steel that came in? It's because
24 the attack point to offload excess capacity is in the
25 merchant market. A small impact, a small volume did,

1 in fact, have an impact, as Mr. Ferriola stated, in
2 terms of the operating performance, the financial
3 performance. So I think, to me, the answer is very
4 simple. We will see similar behavior.

5 MR. SCHAGRIN: Commissioner Kieff, this is
6 Roger Schagrin. I would make two points in response
7 to your question. First is that I think this record
8 strongly supports a finding that there is
9 significantly greater excess capacity to produce and
10 export hot-rolled sheet from each of the three
11 countries you mentioned, Taiwan, Thailand, and
12 Indonesia, than there was from Japan at the time of
13 this Commission's negative determination. Each of
14 those three countries has much more excess capacity.

15 The Japanese did consolidate from four major
16 steel companies to two, and they did reduce capacity.

17 The exact opposite has happened in Taiwan, Thailand,
18 and Indonesia. They have all been rapidly expanding
19 their capacity during this period of investigation.

20 The second point is I think every member of
21 this domestic industry panel would agree that the
22 300,000 tons of unfairly traded imports of mostly
23 commodity hot-rolled sheet from Japan have had a price
24 effect in the U.S. market.

25 So given that -- and the record supports

1 that because during the time when those imports from
2 Japan have increased significantly, domestic prices
3 have fallen, domestic profits have fallen.

4 If this Commission, and if you in your,
5 maybe your first vote were to find that imports from
6 each of those three countries individually or
7 cumulatively are much more likely to be not 300,000
8 ton increase, but 500,000 ton or a million ton
9 increase, then imagine the price effect that would
10 occur in the U.S. market by the addition of that
11 additional tonnage of unfairly traded supply in this
12 commodity product.

13 That's why you should make an affirmative
14 determination in these sunset reviews as to all six
15 countries.

16 MR. KOPF: Commissioner, Rob Kopf with U.S.
17 Steel. I'd like to just add on to those two points.

18 I, like Mr. Blume, was here in 2011, and
19 frankly, listening to the opening testimony from the
20 other side this morning from Thailand, it was almost
21 like I was listening to Japanese argument once again.

22 They had infrastructure that they wanted to develop
23 after the tsunami, which was a very unfortunate event,
24 and they had no interest in this market. We heard
25 today that they want to do the same thing.

1 In Thailand they have two mills that aren't
2 operating right now. If they're going to develop
3 their infrastructure, why wouldn't they be opening
4 those mills and using that consumption internally?

5 I would also just reiterate that in the two
6 years since the Japanese imports have gone up here,
7 the spot price of hot-rolled here, in the U.S., has
8 gone down, as reported by, you know, independent
9 reporting mechanisms.

10 Lastly, talking about touch points and
11 menacing behavior, I think in 2006 the hot-rolled that
12 came in here from Thailand three months after the
13 conditional revocation of the order is evidence that
14 they will do it once again.

15 MR. LIGHTHIZER: Commissioner Kieff, I would
16 just like to make --

17 MR. LONGHI: I'll just take 20 seconds of
18 your time and give you two comments that I heard last
19 month in the World Steel Association meeting. The
20 first came from Japan where they said that their
21 economic policies are working and they're becoming
22 more competitive, and they're going to regain their
23 capability to export.

24 The second one came from the Brazilian
25 delegation that said as they have the World Soccer Cup

1 infrastructure investments and the Olympics coming in
2 the wake of it, the capacity they're building and
3 they've built are going to be temporarily well-served
4 over there. After that, they're going to be capable
5 of going after exports again.

6 MR. LIGHTHIZER: Could I just add one small
7 point, and that is that when you're doing this
8 analysis, please remember that you really don't know
9 what's going on in China, Indonesia, and the Ukraine,
10 and you know very little about what's going on in
11 India and Thailand because they've essentially
12 provided no data. I think institutionally that's
13 really an important thing to keep in mind.

14 MR. VAUGHN: Yeah. I mean I was just -- to
15 address the three countries specifically, I think the
16 threat here is much greater than the threat from
17 Japan, to be honest.

18 In the first place, to follow-up on what Mr.
19 Lighthizer said, you have two major producers in
20 Thailand that have been shut down. They have had
21 major, major problems. They did not provide this
22 Commission with data. That has left you with a very
23 misleading record.

24 We have done the best we can in terms of
25 trying to do research, you know, and find out what we

1 can about what's going on over there, but we are at a
2 disadvantage. I can tell you that there are roughly
3 five million tons of capacity that right now have no
4 market.

5 If you keep the order on China and, lift the
6 order on them, then you will be giving them access to
7 a market where China is not present. That could be a
8 huge deal for those countries.

9 With respect to Taiwan, Taiwan is heavily
10 export-dependent and has become more export-dependent
11 over the course of the period of investigation. They
12 are exporting all around the world and are active, and
13 are already very active in this market with respect to
14 corrosion-resistant steel and other products. They
15 have contacts here, they have customers here. It
16 would be very easy for them to increase their exports.

17 Then finally, with respect to Indonesia,
18 again as Mr. Lighthizer points out, we are flying
19 blind. They refuse to answer the questions, they
20 refuse to provide you with data.

21 However, if you look at what The World Bank
22 and other people are saying about Indonesia, they're
23 saying your current account deficit is too big, you're
24 too reliant on commodity exports, you should start
25 doing more manufacturing, and the value of your

1 currency is falling vis-a-vis the dollar.

2 All of these things are things that will
3 encourage them to export commodity-type products, such
4 as steel, to a market like the United States.

5 MR. PRICE: Alan Price, Wiley Rein. Let's
6 just touch on a couple of other issues. Going back to
7 Japan for one second, we saw a dramatic drop in the
8 AUVs. They went, basically fell 30 plus percent.
9 They're selling in the \$600 range versus the \$1,000
10 range. They said we were only going to, we really are
11 not competitive, it's only fru-fru kind of high end
12 products. Well, that was with the order in place.
13 Without the order, it changed dramatically.

14 The other thing that changed dramatically,
15 and this goes into one of the arguments I believe from
16 Taiwan on freight, is once you start looking at high
17 volume shipments, freight costs disintegrate. They go
18 down dramatically. We've gone through this
19 extensively in the rebar case.

20 If you look at what happened on Japanese
21 freight expenses, they just went down essentially from
22 \$150 a ton, we can't afford to go there, to \$40 a ton
23 or so, in that range.

24 So you move the product break bulk 20,000,
25 30,000, 40,000 tons at a time, 50,000 tons at a time

1 if you go high volume, so you have this natural
2 tendency, the way transportation works, to have to
3 move high volume, and that's what happens in the
4 competitiveness.

5 Turning to Taiwan for a second, we have
6 about four million tons of excess capacity in Taiwan.

7 Taiwan talks about we have this industry. Taiwan is
8 almost a classic example of an export platform. We've
9 talked about export platforms in some other cases and
10 what, and they just, they need to move volume. They
11 sell at very low prices in other markets.

12 They talk about their corrosion and their
13 cold-rolled production. Do you know most of that is
14 exported? Essentially, if you look at the Taiwanese
15 industry, over two-thirds of their total production is
16 exported. It's exported to the United States
17 ultimately, it's exported to other countries, and that
18 doesn't even count the pipe production that the hot-
19 rolled gets turned into into export.

20 There's no real logic for a Taiwanese steel
21 industry. They don't really have natural advantages.

22 They have four million tons sitting there ready and
23 poised to come to the U.S., and that's without
24 diverting it, and the entire business is essentially
25 an export platform wanting to export at low prices

1 around the world.

2 You have Thailand, which I think other
3 people have addressed, and I'll just stop and I won't
4 add any more there.

5 COMMISSIONER KIEFF: Mr. Chairman, I
6 apologize, but these are very helpful comments.

7 If you can provide more in writing later,
8 that's fine, or if we have time to talk more, that's
9 fine, but please.

10 CHAIRMAN WILLIAMSON: Okay. Thank you.
11 Good.

12 Mr. McCall, you've made it very clear that I
13 guess you would say the workers are the ones who got
14 hit the first and the hardest by the 2009 shutdown. I
15 was wondering if you could sort of say what -- going
16 forward, looking forward, are they any better position
17 or are they more competitive now than maybe earlier?

18 Then I want to look at the question of
19 whether or not is the U.S. industry more vulnerable,
20 and particularly are the workers more vulnerable?
21 Because we're not doing the economic stimulus, we're
22 not, the things that some of the other countries are
23 doing to, that are sort of driving demand in those
24 countries.

25 MR. MCCALL: Thank you, Mr. Chairman. From

1 the perspective of our productivity, I think we get
2 stronger every day. Beginning in 2002 and 2003 we,
3 with the companies that we represent, jointly
4 redesigned, restructured the kind of work that we've
5 been doing for decades and decades where production
6 rated workers and maintenance workers became
7 multifunctional and multiskilled.

8 Of course, with that had to come new
9 training programs, new educational programs that are
10 ongoing, just as the redesign and the restructuring
11 are ongoing all the time, too.

12 So I believe as part of our collective
13 bargaining agreements we are doing whatever needs to
14 be done in order to improve productivity on a daily
15 basis. Along with that is, you know, the need for new
16 investment, new capital for new technology, new
17 innovation, and so that means up skilling people on a
18 regular, routine basis as well.

19 So if you look at the man hour per ton
20 factor that we had, you know, a few decades ago or
21 where we have, you know, across, in other locations of
22 the world, we are clearly world-class in terms of that
23 productivity measurement.

24 Now, what advantage that gives us when you
25 have economies who at any cost will flood our markets

1 and send their unemployment to the U.S., alls we can
2 say is that we're the most competitive and the most
3 reliable workers and skilled workers in the world. So
4 we do our part in terms of competitiveness.

5 In terms of are we more vulnerable because
6 we're not doing more infrastructure building,
7 obviously I would say yes. I think growth in the
8 industry, growth in demand, growth in additional
9 workers to be able to meet that new demand I think
10 makes us stronger, makes us better.

11 As I say to our members all the time, we
12 can't worry about what we don't control. What we do
13 control is our productivity, our commitment to high
14 quality and on time delivery, and sustainability of
15 the company. So considering that, you know, I think
16 it's a good future that we have, as long as we have
17 that level playing field.

18 CHAIRMAN WILLIAMSON: Okay. Thank you.

19 Does anyone else want to add to that
20 question? If not, I'll -- yeah. I'm sorry. Mr. --

21 MR. BLUME: Yeah. Rick Blume, Nucor. You
22 know, one comment in terms of how our workers are
23 doing, and more importantly, our Nucor family members
24 are doing. If we look at the way our production
25 workers are compensated, it's pay for performance.

1 It's based on quality tons out the door, so the volume
2 impact when I spoke earlier about being at 76 percent
3 utilization, and yeah, a few years earlier it was
4 lower than that, but we seem to have flatlined at this
5 level because of the consistent threat of imports,
6 import offers, import volumes, et cetera.

7 Certainly our employees because of the pay
8 for performance are making less money, their families
9 are enjoying less money today, and frankly, we've been
10 asked the question when is it going to get back to
11 normal? That's a very, very difficult question to
12 answer.

13 CHAIRMAN WILLIAMSON: Is this the new
14 normal?

15 MR. BLUME: No. I hope not.

16 CHAIRMAN WILLIAMSON: Okay. Mr. Ferriola?

17 MR. FERRIOLA: If I may, I'd also like to
18 address part of your question where you talked about
19 if there was more stimulus, would there be better
20 conditions.

21 If there was more stimulus money there would
22 certainly be more demand and we would still have to
23 compete as we do in the United States on a profit
24 basis, on a market basis, where are companies are
25 expected to maintain a return for sustainability.

1 We would continue to compete against those
2 companies and countries in which that is not the case,
3 where they do not compete on a market basis, allowing
4 them to change the pricing to a level where they are
5 not interested in making profits, they're interested
6 in maintaining employment.

7 So even with more stimulus and more demand,
8 if we did not have safeguards for unfairly traded
9 steel, we would still struggle and our companies, and
10 our teammates and their families would still suffer.

11 CHAIRMAN WILLIAMSON: Thank you.

12 Mr. Hecht?

13 MR. HECHT: Yeah. Just a quick point. You
14 know, we've thrown around some of these tonnages and
15 does three million tons matter in the market. I mean
16 keep in mind Sparrows Point. You know, that's a steel
17 mill with a capacity around three million tons. So
18 when you think about the effect on workers and what
19 these tonnages mean, they're very significant
20 tonnages.

21 CHAIRMAN WILLIAMSON: Okay. Thank you. How
22 should we consider the nonsubject imports in our
23 analysis? You acknowledge in your briefs that
24 nonsubjects have shown increased volume over the
25 period of investigation. What role, if any, should

1 the nonsubject increased volume play in our analysis?

2 MR. SCHAGRIN: Chairman Williamson, this is
3 Roger Schagrin. I think, as this Commission
4 traditionally looks in sunset cases, that increases in
5 nonsubject imports just make the present industry that
6 you're looking at more vulnerable.

7 I mean they're certainly a contributing
8 factor to the price suppression that has occurred in
9 this industry over the past two years and the
10 decreasing profitability, and so the combination of
11 the increase in nonsubject imports, the affect of
12 those nonsubject imports on the U.S. industry makes
13 the U.S. industry more vulnerable to any increase in
14 the subject imports that would result from sunseting
15 the orders.

16 CHAIRMAN WILLIAMSON: Thank you. Mr.
17 Lighthizer?

18 MR. LIGHTHIZER: Yeah. Mr. Chairman, I
19 would just add with respect to one specific country,
20 and that is Canada, because a lot of the Respondents'
21 briefs seem to make this kind of argument that somehow
22 we're invulnerable because a lot of stuff is coming in
23 from Canada.

24 I mean it requires some analysis to try to
25 think of what they're even saying, but let me say that

1 specifically speaking for us, large volumes of the
2 hot-rolled that's coming in from Canada are not being
3 brought in with us.

4 We will address confidentially in the brief
5 where they're coming from because, you know, that's a
6 confidential record. The fact asserted in their
7 briefs that this is somehow our steel coming in is, in
8 fact, wrong, and we'll address that.

9 The second thing I would say with respect to
10 that, Canada is that if we see unfair trade coming in
11 from Canada, rest assured, we will bring a case
12 against Canada, right? I mean we have in the past.
13 You know that. And we will do it again. That was, it
14 was an odd argument that I read, it was made in
15 several of the briefs, and I just wanted to address it
16 in this context. Thank you.

17 CHAIRMAN WILLIAMSON: Okay. Thank you.

18 Mr. Price?

19 MR. PRICE: Let me add one thing, first of
20 all in terms of vulnerability and the way other people
21 see the world. So Canada has orders on hot-rolled
22 sheet against China, India, Taiwan, and Thailand, and
23 they just renewed those orders in 2011, so they see
24 themselves as having vulnerability.

25 This is where it really starts -- and there

1 are orders around the world against almost every one
2 of these players. Ukraine is a popular country for
3 dumping orders. Canada -- excuse me -- has Ukraine,
4 not Thailand. I have to correct that. Okay. It's
5 Canada has China, India, Taiwan, and Ukraine. But
6 let's see how each of these places actually view them,
7 each other. It's kind of a curious thing.

8 Indonesia, hot-rolled coiled just renewed.
9 Put orders on place against China, India, Taiwan, and
10 Thailand. So they're saying Thailand is also a threat
11 out there, so they see this as being a big problem in
12 the ASEAN market. Thailand has orders on China,
13 India, Indonesia, Taiwan, and the Ukraine.

14 So they all seem to say there's a problem
15 out there, there's a big problem out there, but now
16 when they come to you they're saying world's fine.
17 Really? No.

18 CHAIRMAN WILLIAMSON: Okay. Thank you.

19 Mr. Ferriola?

20 MR. FERRIOLA: If I may make one more point.

21 When I think about -- your question was originally
22 about the impact of nonsubject countries and how do we
23 look at that. When I look at the nonsubject countries
24 and I look at the subject countries, I see a major
25 difference more on the subject countries. Much more

1 aggressive. They are increasing their capacity at a
2 greater rate, okay?

3 Those countries tend to be more export-
4 oriented. They have built an economy based upon an
5 export orientation. So there's a major difference
6 between the subject countries, all of them, and the
7 nonsubject countries that are importing today.

8 CHAIRMAN WILLIAMSON: Okay. Thank you for
9 those answers.

10 MS. BECK: Commissioner Williamson, hi.
11 Gina Beck from Georgetown Economic Services.

12 CHAIRMAN WILLIAMSON: Finished on time. Go
13 ahead.

14 MS. BECK: Just one follow-up point to the
15 nonsubjects also. I think it shows the attractive
16 nature of the U.S. market and a foreshadowing of what
17 the nonsubject, or, excuse me, what the subject
18 countries will do absent the orders.

19 Think one difference is both the levels.
20 The levels of the nonsubject now, if you compare them
21 with the potential levels of the subject countries
22 are, that will have a great, a much larger impact in
23 terms of the volume differences.

24 CHAIRMAN WILLIAMSON: Okay. Thank you.
25 Thank you for those answers.

1 Commissioner Aranoff?

2 COMMISSIONER ARANOFF: Thank you, Mr.
3 Chairman.

4 I'm going to ask some questions about the
5 Thai industry and the two missing Thai producers. I
6 recognize that you all have done as much research as
7 you can and that you just, you may not know any more,
8 but I wanted to give you a chance to respond to these
9 questions before I ask them this afternoon.

10 What is the most recent information
11 available about the legal and productive status of G
12 Steel and G&J Steel? Mr. Lighthizer?

13 MR. LIGHTHIZER: Yeah, Commissioner. First
14 of all I would restate the obvious point, and that is
15 that if they supplied information, we would have
16 information. The staff reports that GJ Steel began
17 production in March, and that's our understanding
18 also, although once again it's based on sort of
19 putting pieces together, it's not, you know, we don't
20 have real information from them.

21 With respect to G Steel, they have publicly
22 stated that by the end of the year they would be
23 running at 80 to 90 percent of capacity. Now, once
24 again I don't know, I can't verify this, but that's
25 the information that we get publicly.

1 We know that on June 30th G Steel filed
2 their financial statement with the Thai stock exchange
3 and therein said their business was production and
4 distribution of hot-rolled steel, so they, at least in
5 that context, claim to be doing it.

6 They claim that their outage they use for
7 annual maintenance, so they kind of build that in to
8 what they're saying. We know, I guess, that they
9 together have about 5.3 million tons of capacity.

10 I mean when you look at this case you say to
11 yourself if they're coming on line, this is pretty
12 much of a no brainer. If they're permanently gone,
13 then it's a more difficult case. I realize that.
14 Those are the kinds of things that we said we believe.

15 That they are in production now and expect certainly
16 in the foreseeable future to be fully up and
17 operational, and given their economic situation, you
18 have to assume almost entirely export-oriented.

19 COMMISSIONER ARANOFF: Okay. Mr. Price, why
20 don't you go ahead and then I'll ask the next part of
21 my question.

22 MR. PRICE: Okay. So just let me add to
23 this both G Steel and GJ Steel are state-of-the-art
24 CSP mills, very similar to Nucor's mill SDI's mills.
25 These are not old, antiquated facilities by any shape

1 or means.

2 We know with hot-rolled it can penetrate
3 very quickly. We saw what happened with Thailand in
4 the past. We'll provide some more information in our
5 posthearing brief because we have some specifics
6 that --

7 COMMISSIONER ARANOFF: Okay. Well, you
8 perfectly anticipated my next question, which was are
9 these old or new facilities. Is that something that's
10 of public record somewhere?

11 MR. PRICE: Yes, that's -- the types of
12 facilities, their ages are of public record. These
13 are essentially state-of-the-art electric furnace mini
14 mill operations. These are great mills. They can
15 turn on a dime. It's not like you have to restart a
16 blast furnace. You literally turn on the switch and
17 the furnace lights up.

18 COMMISSIONER ARANOFF: Okay. And I know
19 that at some point there had been articles or rumors
20 that these Thai facilities had been looking for new
21 business partners, or may be for sale or, and I'm not
22 quite sure exactly what was going on with that.

23 Is it everyone's understanding that there
24 hasn't been a change in ownership or management? It's
25 the same entities that there were before? Okay. Hand

1 way in the back.

2 MR. VAUGHN: Yeah. Commissioner Aranoff,
3 Stephen Vaughn. We did everything we could to
4 research this, and we'll keep researching it. As far
5 as we could tell, it was as Mr. Lighthizer said. They
6 seem to be out there, they seem to be trying to get
7 going again. To some extent, there's some evidence
8 they may be operating at this point.

9 Just to put in a brief comment, I mean this
10 shows the problem when you have three mills, I mean
11 three companies and the two companies that were shut
12 down don't provide data to the Commission. That makes
13 a huge difference in the tables that you guys have
14 with respect to capacity utilization in that country.

15 One of the reasons that the adverse
16 inferences is such an important concept is that
17 otherwise you really will set up an institutional
18 reason for the Respondents to pick and choose and just
19 have the people who are doing the best will respond to
20 the questionnaires and everybody else just hides the
21 data and we have to do the best we can to find it.

22 COMMISSIONER ARANOFF: Okay. Well, I
23 appreciate all those answers. I know that it's a
24 frustrating question for all of you, too. I will be
25 asking again this afternoon if one of my colleagues

1 doesn't get there first.

2 The Chairman was asking questions about
3 nonsubject imports and so I just wanted to circle back
4 to that for a minute and talk specifically about if
5 some of you could talk about the role in the U.S.
6 market right now of nonsubject imports from Canada and
7 Korea and how these relatively large volumes should be
8 considered in the Commission's analysis here.

9 MR. LIGHTHIZER: Well, I guess I, I think,
10 Commissioner, that I responded with respect to Canada.

11 With respect to Korea, I would say three
12 things. One, with respect to U.S. Steel, we don't
13 control where UPI gets their inputs. Number two, I
14 repeat what I said to the Chairman. If we think Korea
15 is engaging in unfair trade and injuring us, we will
16 bring cases against them and, in fact, have brought
17 cases against them as an industry.

18 Finally I would say with respect to some of
19 the allegations in there, they really involve
20 confidential information with respect to U.S. Steel
21 that we will put in our brief because there's
22 ownership questions and things like this that we will
23 put in our brief to answer that question.

24 Certainly we don't believe that there's
25 anything about imports from those two that in any way

1 make us invulnerable or help us financially.

2 MR. MULL: Dan Mull, ArcelorMittal. We
3 certainly are always looking at what comes in from
4 Canada, and as long as they're fairly-traded imports,
5 we think that's something that the industry
6 recognizes. Our concern is the unfairly traded
7 subsidized imports that most of these countries, I
8 should say all these countries, have.

9 COMMISSIONER ARANOFF: Okay. All right.

10 MR. SCHAGRIN: Commissioner Aranoff, this is
11 Roger Schagrin. I think as to Canada there's one
12 interesting issue because you will have a
13 representative, Essar, here this afternoon from India
14 which is participating. The other Indian producers
15 chose not to participate. I think that is something
16 the Commission can take into account.

17 Essentially, there's three major hot-rolled
18 producers in Canada. One is related to United States
19 Steel. They have operations in the United States, as
20 you're very well aware of. Another is related to
21 ArcelorMittal. They have a number of operations in
22 the United States, as you're very well aware of.

23 The other is Essar Algoma. Essar does not
24 have hot-rolled operation in the United States. They
25 do in India. They are probably the largest of the

1 three exporters of hot-rolled to the United States
2 from Canada. They have a significant sales force; a
3 sales force that could be utilized to sell Essar
4 India's products. They are a company that I believe
5 has lost money for a number of quarters in a row,
6 which means that they have to try to keep operating
7 and maintain cash flow.

8 So we can address this further in our
9 posthearing brief. Certainly, I think the Commission
10 can take into account the relationship of Essar India
11 and Essar Algoma in terms of the ability of Essar
12 India to penetrate the U.S. market with additional
13 hot-rolled sales.

14 COMMISSIONER ARANOFF: Okay. That's
15 helpful.

16 Mr. Price?

17 MR. PRICE: Yes. Real quickly. So I just
18 point the Commission to footnotes 3 and 4 on page IV-6
19 of the confidential staff report. So it gives some
20 fairly substantial, fairly straightforward information
21 that I can't talk about here but I think goes directly
22 to the Respondents' points.

23 MR. ROSENTHAL: And we'll also get you
24 information about the Canadian orders that Mr. Price
25 mentioned before and whether Essar India was part of

1 the petitioning group in those cases.

2 COMMISSIONER ARANOFF: Okay. Let me turn
3 for what remains of my time to a completely different
4 question that goes to conditions of competition. In
5 the last review, and I think at other recent times
6 when we've looked at this product, we've talked about
7 the phenomenon of light-weighting and the affects on
8 demand for hot-rolled steel.

9 I guess I wanted to ask for sort of an
10 update of where we are on that. Is that a phenomenon
11 that's accelerating? Has it kind of reached as far as
12 it's going to go into the market? How do you see it
13 affecting demand for your product in the U.S. market
14 in the near future?

15 MR. LONGHI: The acceleration of light-
16 weighting of vehicles, especially in the automotive
17 industry, is real and it's moving forward. Numbers
18 that are out there are in the range of 30 percent
19 lighter, which will certainly impact the amount of
20 volumes that we're going to be able to offer. The new
21 model vehicles that are coming out as early as next
22 year are going to begin to incorporate some of these
23 products. It's an intense battle with alternative
24 materials also.

25 So it's not just the battle that we have

1 with the capability of other countries to produce some
2 of those products. If you look at China, they're
3 producing more vehicles than the United States
4 nowadays, so they do have the qualifications to do
5 this.

6 As a matter of fact, we, as a company, are
7 being directly impacted by some of those substitutions
8 from overseas. I believe Mr. Johanson has visit one
9 of the facilities called Double G. We're in the
10 process of shutting it down because we're losing that
11 market segment for imports. So it's real. Light-
12 weighting is forcing a significant shift.

13 COMMISSIONER ARANOFF: Does light-weighting
14 affect, I mean obviously it affects the tonnage you
15 produce when someone needs a lighter weighted steel.
16 Does it have the same affect on capacity utilization,
17 or does it take more capacity time to produce a
18 lighter steel so that there's somewhat of a less
19 affect?

20 MR. LONGHI: You know, it will have some
21 impact on the amount that you can produce and, but
22 it's going to impact us also, so it's not that the
23 same cost base is going to be real. So in a market
24 where you're having newcomers playing from overseas
25 trying to penetrate, we may see, and we are already to

1 a degree seeing, the same kind of danger if we don't
2 watch it.

3 MR. BLUME: Rick Blume, Nucor. Commissioner
4 Aranoff, also, the light-weighting phenomenon that you
5 refer to really also ties back to the importance of
6 being able to reinvest in our business. It goes back
7 to the sustainability, the McKinsey report, because at
8 the same time, our end use markets like automotive,
9 and frankly, there are others that are demanding more
10 sophisticated grades, higher strength steels.

11 The only way that we're going to be able to
12 make in many cases what are very large investments is
13 to have an industry that has EBITDA margins that make
14 sense, that allow us to continue to do that. So I
15 think, from an investment standpoint, it's also a
16 critical issue.

17 COMMISSIONER ARANOFF: Okay. That's a good
18 point, and I understand that from the investment
19 standpoint. For posthearing, because I'm out of time
20 and then some, if you could talk about the extent to
21 which the subject countries are, you know, competitors
22 for these types of high end, lightweight products,
23 that would be helpful then. Thanks.

24 Mr. Chairman, I couldn't come in under time
25 twice.

1 CHAIRMAN WILLIAMSON: Okay. Thank you.

2 Commissioner Pinkert?

3 COMMISSIONER PINKERT: Thank you, Mr.

4 Chairman.

5 I said at the end of the last round that I
6 would give Mr. Price an opportunity to address this
7 question of the rationale for the global overcapacity.

8 MR. PRICE: Certainly. Like Mr. Lighthizer,
9 I've been very active in trying to work on this issue
10 and participating in a number of the OECD meetings
11 over the years on these issues.

12 The global steel market obviously is
13 saturated with overcapacity. When the world financial
14 crisis hit in 2008, capacity globally didn't stop
15 being built. It continued to build out, and it
16 continues to be built out.

17 Much of it is being built by countries that
18 simply lack raw materials -- China has some raw
19 materials; Taiwan, no real raw material basis for an
20 industry; Korea continues to build out, no real raw
21 material basis -- creating a huge overcapacity that
22 has very, very little logic.

23 You look at Taiwan today -- and it's where I
24 came back to this point a minute ago -- virtually all
25 the Taiwanese, the overwhelming majority of Taiwanese

1 flat steel production is exported. They keep adding
2 capacity. The largest company, even today its biggest
3 shareholder is the government of Taiwan.

4 You see Indonesia, the biggest principal
5 steel producer, government-owned. India. SAIL. Huge
6 steel producer. Biggest steel producer. Government-
7 owned. China. It's at least 70 percent government-
8 owned, and we've put together a report saying it's 90
9 percent government-owned. These industries exist for
10 government purposes. It is just a huge problem, and
11 unfortunately it needs to be dealt with.

12 The question is are U.S. workers here going
13 to be the ones that suffer because foreign governments
14 have decided to build out capacity, and are we going
15 to suffer due to unfair trade where it's been
16 established by lifting these orders or keeping these
17 orders in place so at least these workers have some
18 protection from the unfair trade that results from
19 that government built excess capacity.

20 MR. FERRIOLA: Yeah. If I may build on that
21 because the question keeps coming up is what is the
22 logic behind the overcapacity. I look at it in much
23 more simple terms, okay? The steel industry provides
24 huge employment opportunities, many, many direct jobs
25 for every ton of steel produced, and in addition to

1 that, it generates about five times that number of
2 jobs in indirect jobs.

3 For every job, direct job, there is about
4 five indirect jobs that are created in producing
5 steel. That's the logic behind this in these
6 countries. They are building these facilities not for
7 profit, but for employment. Very simply, I like to
8 say it this way. They are exporting a lot more than
9 steel. Their intention is to export unemployment.
10 That's why they're being built.

11 COMMISSIONER PINKERT: Mr. Rosenthal?

12 MR. ROSENTHAL: Just a couple of other quick
13 points. In the slides that Mr. Lighthizer used and
14 Commissioner Kieff referenced, yes, it's true. China
15 looks like the big behemoth, and compared to them,
16 everyone else looks small. But if you actually look
17 at the numbers for the individual other countries
18 named, they are quite significant in and of
19 themselves, and they are being built on the same
20 rationale as discussed before, because of government
21 policies and not necessarily sound economic bases.

22 And if you look at -- you know, only
23 compared to China do those countries look benign.
24 Individually and collectively, they represent a
25 tremendous amount of capacity that can easily swamp

1 the U.S. markets.

2 And I want to come back at another point,
3 and I won't use your time on this, this whole notion
4 of what is a little bit of market share and what that
5 can do in this kind of business. Thank you.

6 COMMISSIONER PINKERT: Do you want to
7 continue on that point?

8 MR. ROSENTHAL: I'll be forever grateful. I
9 want to make it very clear, you know, I understand
10 that the Commission is not required to cumulate in
11 this context, in the sunset context, but there is a
12 reason why the Commission in the first place and then
13 the courts and then the Congress have all said
14 cumulation makes sense, in particular in a case like
15 this, when you have the collective hammering effect of
16 several different companies' and countries' imports.
17 That's when you want to really cumulate.

18 We recognize the entire effort by the
19 Respondents is to say, oh, no, we're different, don't
20 cumulate us. But in fact, this is exactly the kind of
21 case where you should do cumulation. And I hope you
22 will do it in this instance.

23 But again, if you look at the companies and
24 the countries individually, each one of them on their
25 own have enough capacity to harm the U.S. industry.

1 And then I want to come back to one other thing, and
2 I'm glad that Commissioner Kieff early on in his
3 tenure here recognizes that what we're trying to do
4 here is try to anticipate what will happen if the
5 orders are revoked.

6 We can't be looking at what the import
7 penetration was during the period of investigation or
8 even necessarily in the original investigation. In a
9 lot of ways, you're like a parole board. And I heard
10 Mr. Waite, my friend, say, gee, our import penetration
11 is pretty low. Well, I'm sure a lot of folks up
12 before the parole board say, look, I haven't robbed
13 anybody yet. Of course not, you're in prison.

14 The same thing is the case here. They're
15 not in a position right now under the restraint of the
16 orders to get a lot of market share, but you've got to
17 figure out what is going to happen if they're no
18 longer restrained. And that's why these slides that
19 you saw about the large amounts of capacity, much more
20 than they had before in the original investigation,
21 and the shrinking size of the market overall, the
22 large proportion of the market that's part of merchant
23 market, makes even the relatively small import
24 penetration so devastating.

25 And the last point I want to make -- and I

1 will probably bore you again in closing -- is this is
2 such a capital-intensive industry. Capacity
3 utilization is so important. Every time they get a
4 sale -- an offer for sale in the market, these
5 companies have to make a decision: do I take this
6 sale at the lower price and keep my throughput going,
7 or do I lose the tonnage and lose all of that?

8 And so it's not irrational to say, I'm going
9 to take these sales to the lower prices that are being
10 offered because I don't want to have capacity
11 utilization below the 76 percent, therefore I'm going
12 to keep the import penetration low, but it's still
13 going to hurt me.

14 And so I urge you to recognize that import
15 penetration at low levels doesn't necessarily mean a
16 healthy industry. Thank you.

17 MR. FERRIOLA: If I may make just a point
18 building upon that, at Nucor, and I'm sure at many of
19 the other companies, when you look at the impact of
20 capacity utilization, and you make these decisions,
21 it's more than just a profit or an economic decision
22 that you're making. We have teammates that are
23 families that need the hours, that need to earn the
24 bonuses, and which we pay for production, tons safely
25 produced, high quality tons safely produced.

1 So please understand that all of this
2 discussion about capacity utilization, certainly it's
3 important. It has an impact on profitability. But it
4 goes beyond that. It goes beyond families and people
5 and teammates who want to work those hours, and
6 through no fault of their own, are losing that
7 opportunity because capacity utilization is going down
8 because of these unfairly traded products.

9 COMMISSIONER PINKERT: Thank you. All
10 right. Now, sticking with you, Mr. Rosenthal, for a
11 second here, let's say that we accept hypothetically
12 the argument that the subject producers have an
13 incentive to come into the U.S. market in greater
14 amounts in the event of revocation, and that they have
15 a desire to do that.

16 Do we have to take into account whether or
17 not the purchasers are focused on buying from domestic
18 sources? And I'm thinking in particular of the
19 submission we received from Ford. Is that a factor?
20 In other words, they've got the desire to come in.
21 They've got the incentive to come in. But can they
22 come in?

23 MR. ROSENTHAL: The answer is yes, they can
24 come in. And I understand what the Ford statement is,
25 and that the Ford intention is to retain the

1 purchasers -- purchase it from domestic sources. But
2 there is a reason why everybody, even Ford, would say
3 it's not such a bad thing if I'm purchasing to have
4 these imports come into the United States because it
5 will affect the prices in the spot market, and the
6 spot market affects the prices I get from the domestic
7 industry suppliers.

8 And so even if the auto companies or any
9 other purchaser don't buy a ton from the foreign
10 producers immediately because their presence in the
11 U.S. market will affect pricing, and all of these
12 contracts are tied to the spot market, it will have an
13 immediate deleterious effect on the domestic
14 producers. So that's point number one.

15 I don't know what Ford's ultimate intentions
16 are, but I've been told by others that at the right
17 price, even the most patriotic and other reasons, you
18 know, might be overcome.

19 COMMISSIONER PINKERT: Mr. Ferriola.

20 MR. FERRIOLA: If I may, again, 40 years in
21 this business, I could tell you hot-rolled product is
22 sold on price, price, price, okay? So you can hear a
23 lot of arguments about we cannot -- we have to buy
24 domestic, we have a preference towards domestic, and
25 it might be true that they have a preference towards

1 domestic. That preference is tied very, very directly
2 to the price that they get to satisfy that preference.

3 If you cannot match the price of the
4 importers, you will not get the business.

5 MR. MULL: May I just add one other thing?
6 In today's world, just like everything else,
7 everything is very transparent, and it's very fast.
8 And, you know, any type of impact on pricing,
9 certainly our contract-type of customers, like any
10 automotive account, appliance account, they watch that
11 daily, and they certainly monitor it. So any type of
12 additional imports coming in that come in and impact
13 the pricing, it will impact our contractual business.

14 MR. FERRIOLA: If I may just make one more
15 point. I apologize for breaking in again. But please
16 remember that that same argument of preference, those
17 same conditions existed in 2001, when the orders were
18 put in place, and again when the orders were sustained
19 in 2007.

20 COMMISSIONER PINKERT: U.S. Steel has been
21 very patient here.

22 MR. SCHERRBAUM: Yeah, thank you. Joe
23 Scherrbaum with U.S. Steel. Just one other point that
24 -- I agree with everything that was said. Also on
25 hot-roll, I mean, automotive is not the largest market

1 for this commodity merchant hot-rolled product. I
2 mean, the bigger markets are non-residential
3 construction, energy applications, large-diameter
4 pipe, and none of those markets are doing really well
5 right now.

6 So again, the pricing impact of these
7 imports would be very significant on the whole
8 picture, not just automotive.

9 COMMISSIONER PINKERT: But you agree about
10 the spot market impact that was testified to a second
11 ago.

12 MR. SCHERRBAUM: Absolutely.

13 COMMISSIONER PINKERT: Okay.

14 MR. BLUME: Rick Blume, Nucor. One other
15 point I would add to the discussion, and I agree with
16 the points made by my colleagues, is -- and I've been
17 participating in many of these case for quite some
18 time, and in every case the automotive guys have been
19 involved, participated, submitted briefs. Now, I
20 think that speaks a lot to their interest and the
21 effect of these imports.

22 COMMISSIONER PINKERT: Thank you very much.

23 I too have gone over my time twice. Do you want to
24 make a very quick comment?

25 MR. KOPF: Very quick comment. You just

1 asked the question, Commissioner Pinkert -- this is
2 Rob Kopf of U.S. Steel -- can they come in from
3 abroad. The point is they already are bringing in
4 other products from these countries to supply
5 automotive. There is no reason they can't on hot-
6 rolled.

7 COMMISSIONER PINKERT: Thank you, Mr.
8 Chairman.

9 CHAIRMAN WILLIAMSON: Thank you.
10 Commissioner Johanson?

11 COMMISSIONER JOHANSON: Thank you, Mr.
12 Chairman. While apparent U.S. consumption has
13 fluctuated between years, overall it is at a lower
14 level than during the original investigations or the
15 prior reviews. Please discuss whether U.S. demand for
16 hot-rolled steel is lower due to changes in the end
17 uses, technological advances, or other factors. Mr.
18 Ferriola?

19 MR. FERRIOLA: I would start by saying the
20 most important impact is the economy in general. You
21 know, I mentioned earlier in the testimony that non-
22 residential construction is at its lowest level in
23 easily 40 years. And as was pointed out just
24 recently, hot band, a product -- hot-rolled product
25 goes into many other applications. We seem to be

1 focused on automotive, but there is a large amount of
2 it that goes into non-residential construction, and
3 non-residential construction is at a very, very low
4 level.

5 COMMISSIONER JOHANSON: As I know, at least
6 just from reading the newspapers, U.S. manufacturing
7 is in an uptick on the whole. There are some
8 manufacturing returning to the United States, which I
9 assume your industry would welcome. How much has that
10 impacted sales for you all? I assume that has
11 benefitted you, and it will probably continue to. And
12 many people think this trend will continue, largely
13 due to lower energy prices in the United States. Mr.
14 Longhi?

15 MR. LONGHI: Yes. That's absolutely true.
16 The shale boom transformation that we're seeing in the
17 United States is certainly giving a higher level of
18 competitiveness to businesses that decide to stay here
19 or to come back here, which raises another point. How
20 can then someone else out there that does not have
21 this kind of condition, has to import material in,
22 process it, ship it up here, and doesn't have the
23 energy capability that we have to be able to bring at
24 lower prices than we do.

25 So it has a pretty big dimension of allowing

1 for us to do more business, but if we don't take care
2 of all these situations that are occurring, we're
3 going to be seeing that continue. In the energy
4 business, for example, the welded pipe, where hot-
5 rolled plays a significant role, this is drawing
6 significant attention on the part of all of these
7 people that have that spare capacity. They're just
8 looking at it. As soon as you end up taking rigs
9 going up and things of this kind, you can correlate
10 directly to the amount of material that gets offered
11 into the marketplace.

12 COMMISSIONER JOHANSON: Yes, Mr. Blume?

13 MR. BLUME: Yes. Rick Blume, Nucor. One
14 point that I would add to that, while I think there is
15 optimism in terms of what you read about resurgence
16 about of manufacturing, the reality is, as we look at
17 our revenue line over the last few years, it's
18 relatively flat. So in fact, we have not seen that
19 yet. And I would say at least at this point there is
20 optimism that ultimately that might occur, but the
21 results today don't show that.

22 COMMISSIONER JOHANSON: Mr. Mull?

23 MR. MULL: Yes. We're certainly hopeful
24 that that type of change is happening in the
25 manufacturing sector, but our projections for growth

1 in the marketplace is only a couple percent increase
2 in consumption next year. So, you know, it's still a
3 very modest growth, and basically it's related to the
4 general economy.

5 Hot-rolled is certainly tied directly to
6 economy and, you know, when the economy gets stronger,
7 and the growth would happen, I think we'd see the
8 pickup in demand for hot-rolled also.

9 COMMISSIONER JOHANSON: Mr. Price.

10 MR. PRICE: So let me just add one thing.
11 We've heard a lot of discussion about pickups in
12 demand in the United States. Modest is what you're
13 hearing, a couple percent. Is it transferring to the
14 benefit of the U.S. industry? Not necessarily at all.
15 It really won't if these orders are lifted.

16 But we hear about also in the Respondent's
17 briefs about, oh, there is going to be a boom in auto
18 consumption in a lot of these countries. This is
19 another line out of the McKinsey report. It's not one
20 we've emphasized. It's actually in the Nucor
21 questionnaire responses. This is an exact quote. "As
22 an effect -- " this is about automotive, where
23 essentially I guess everyone is going to own a car in
24 India and China and, you know, they won't be able to
25 drive anywhere because there will be no rooms on the

1 roads, but the quote is this: "As an effect, despite
2 the growth of the number of cars produced -- " this is
3 talking about light-weighting of cars -- steel
4 consumption will remain flat because, yeah, there may
5 be more growth, but not necessarily growth translating
6 into more tons of steel that are going to really
7 affect this industry in a material way.

8 So I wanted to point that out. You should
9 take a look at the report. There are other parts of
10 it.

11 COMMISSIONER JOHANSON: All right. Thank
12 you. Mr. Scherrbaum

13 MR. SCHERRBAUM: Joe Scherrbaum, U.S. Steel.
14 Just one other comment on another significant market
15 for hot-rolled steel. This is large-diameter welded
16 pipe, and I believe a couple of months ago in here
17 there was a sunset review hearing where a number of
18 our customers testified that that market actually,
19 which had been doing okay for them, is going
20 backwards. And there really are no significant
21 projects out there to drive demand for that product.
22 And I can tell you since they were here, you know,
23 we're dealing with them all the time and have seen
24 nothing in the way of significant inquiry or big
25 project that's on the boards for later. So again, the

1 demand in that area is regressing.

2 COMMISSIONER JOHANSON: Mr. Ferriola.

3 MR. FERRIOLA: Just one more point. I
4 apologize.

5 COMMISSIONER JOHANSON: No, no. This is
6 interesting.

7 MR. FERRIOLA: When you look at -- and we
8 talk in terms of a modest improvement in terms of
9 percentage of 1 or 2 percent. Please remember the
10 level that we are starting from. We are at such a low
11 level at 76 percent capacity utilization of 1 percent
12 impact, it's a lot different than if you're operating
13 at 90 percent when you're seeing 1 percent
14 improvement.

15 So we've started at from such a low level that
16 even with these modest continuous improvements, it's
17 going to take a very, very long time in order to have
18 any significant impact upon our ability to be
19 profitable.

20 MR. SCHAGRIN: Commissioner Johanson, this
21 is Robert Schagrin. You know, since we've talked
22 about demand forecast and light-weighting in very many
23 areas, I would point out, given my tubular background,
24 that the one area in which there isn't a lot of light-
25 weighting going on is in drilling for shale because in

1 those shale areas, they're actually using now heavier-
2 walled product than what was traditional because of
3 the horizontal drilling. And yet, because, as this
4 Commission is aware, because imports have taken the
5 vast majority of the growth in demand for energy
6 tubular goods in the United States, the U.S. hot-
7 rolled industry isn't really benefitting from the
8 growth in demand from shale drilling.

9 Hopefully that is something that between
10 Commerce and the Commission we will address in the
11 future.

12 MR. VAUGHN: Commissioner Johanson, Stephen
13 Vaughn for U.S. Steel. Just two points to put the
14 demand issue in perspective as well. In the first
15 place, we had very strong demand in the late 1990s,
16 and yet that demand was sort of overwhelmed by
17 imports, and the domestic industry suffered great
18 harm. In the second, there has been a significant
19 increase in demand throughout Asia, and there has been
20 many, many times in recent years where people have
21 come and testified to the Commission about growing
22 demand in Asia, growing consumption in Asia. And now,
23 when we look around at the Asian market, a lot of the
24 Chinese mills are losing money. Two of the big mills
25 in Thailand are shut down. The prices over there are

1 sort of even worse than they are here. And again,
2 it's because of oversupply.

3 I mean, this is a market that is
4 oversupplied on a scale that is just, you know, very,
5 very difficult to fathom, and it's in the hundreds of
6 millions of tons. And if you sort of look at all this
7 kind of people who are studying the industry and
8 talking about the industry in terms of going forward,
9 excess capacity is a problem, and there is no reason
10 to believe that any sort of short-term increases in
11 demand are going to solve that capacity, at least in
12 the reasonably foreseeable future.

13 COMMISSIONER JOHANSON: All right. I thank
14 you for your responses. I'd like to move on to
15 another issue, which kind of follows up on that one,
16 and that is the issue of energy costs. The United
17 States, as you all know, has become a larger energy
18 producer. Actually, this summer I was traveling
19 around the country just on vacation and saw drilling
20 rigs going up all over the place: West Texas, New
21 Mexico, Colorado, Utah. And I know in the mid-
22 Atlantic states, where some of you all have
23 production, there is a major increase in oil and gas.

24 I was wondering, how does that put you vis-
25 à-vis your competitors? Because looking at the

1 countries that are subject to this investigation, most
2 of those, it appears to me they're energy importers,
3 and they would be paying higher prices for energy.
4 Aren't you all benefitting from these lower-priced
5 energy, and does that not give you somewhat of an
6 advantage over these competitors? Mr. Ferriola?

7 MR. FERRIOLA: For that reason and many
8 others, given a level playing field, we would be very,
9 very competitive, and we would be able to out-compete
10 these competitors that you keep mentioning. The issue
11 again is that we're competing on a market basis, they
12 are not. We're looking to generate profits and
13 sustainability, they're looking to generate
14 employment.

15 So that's what keeps you at an unlevel
16 playing field, which means that despite the advantages
17 that we have in energy and others, other things, we
18 still are very challenged with imports.

19 MR. LONGHI: I would just add if I may that
20 this is on the cost side inefficiencies, but I think
21 at the same time in the energy field, you need to
22 remember that there is the product out there, and the
23 Commission has a case in front of it that we brought
24 dealing with the OCTG business, where roughly 50
25 percent now of all this product is being brought in

1 under not-fair conditions. So you got to remember
2 that other side, too.

3 COMMISSIONER JOHANSON: Yes.

4 MR. PRICE: Alan Price, Wiley Rein. I just
5 want to point the Commission to one interesting fact
6 from the staff report. And some of it is
7 confidential, so I'm going to read this off, so if you
8 look at total costs here. Look at page 339 of the
9 public staff report. On average, raw materials were
10 approximately 53 percent of the net sales value in
11 2007. Compare this to the percentage with the 2012
12 ratio to net sales value for raw materials on page 330
13 of the confidential staff report.

14 The fact that the ratio has increased
15 significantly during the POR discredits a lot of the
16 Respondent's arguments that somehow or other we're
17 getting this magical cost advantage out there right
18 now. And this is applies to a lot of things out here,
19 including the overall picture of cost. And it's not
20 just energy components, but you have to look at total
21 cost, and total cost, take a look a what they're
22 doing.

23 COMMISSIONER JOHANSON: All right. Thank
24 you for your responses. My time has expired.

25 CHAIRMAN WILLIAMSON: Thank you.

1 Commissioner Broadbent.

2 COMMISSIONER BROADBENT: Mr. Price, I'm not
3 sure I quite followed that. Now, why are not the drop
4 in energy prices helping your industry?

5 MR. PRICE: I'm not saying they're not
6 helpful. And by the way, we've had testimony in other
7 cases that natural gas prices are down. Actually,
8 more recently, sometimes they've actually gone up a
9 little bit very recently, as there's been recovery in
10 that. But overall, energy costs are going up because
11 there is a whole bunch of -- if you're buying
12 electricity, you're actually seeing increases as you
13 see conversions of coal plants to gas that actually
14 often increases your costs because the buyer has to
15 pay for that, the way this often works.

16 So it doesn't translate exactly the way you
17 think. The natural gas is a fairly small component of
18 direct usage in steel production. So it's not clear
19 that any of that transfers. But you have to look at
20 this as an overall cost number for raw materials, and
21 overall raw material costs are not -- are going not
22 down, but up, okay? And that's what -- and fairly
23 significantly.

24 So in terms of the market, you can't pull
25 one component at this and say to make something look

1 -- look at the entire thing, and this industry is not
2 seeing a windfall in the raw-material side. And it
3 has -- and so it is a fundamental challenge to what a
4 lot of the Respondents have said over the years about
5 raw materials and raw-material insulation and what is
6 going on there. The data in the record actually
7 doesn't support that at all. Just the raw numbers
8 don't.

9 COMMISSIONER BROADBENT: Okay. At the risk
10 of beating a dead horse, I wanted to get back to Japan
11 just for one second to walk myself through this once
12 more. Looking for the source on U.S. -- the effect on
13 U.S. prices, since we revoked the order on Japan, what
14 data are you using? The data that I see is AUV prices
15 have increased in 2011, and in 2012 compared to 2010,
16 which makes sense because demand is recovering.

17 But I'm seeing -- I'm having a hard time
18 seeing the real price effects. I understand the mix
19 has changed a bit in the Japanese exports as they have
20 been able to service their transplant auto companies.
21 But I really would like to see some data that shows
22 price effects on the Japan exports.

23 MR. PRICE: We'll be happy to submit in the
24 posthearing brief the pricing, and we have pulled the
25 official import stats on the numbers, and they're down

1 dramatically. So we'll be happy to go through that.

2 COMMISSIONER BROADBENT: But with an
3 explanation on the product composition of those
4 numbers.

5 MR. PRICE: Well, I think that part of it is
6 that they're able to move into essentially where they
7 were, where in selling high-priced products, and
8 limited their market share. Now all of a sudden -- in
9 very small categories, and now all of a sudden they
10 move large volumes, low prices, much more commodity,
11 essentially a much more baseline product. I won't use
12 the word commodity here, but a much more baseline
13 product. And just as we said, it would have come in.
14 It was going to be the baseline product. It was going
15 to be at low prices. And not only that, but the
16 transportation costs were going to go down radically
17 because of the way it all pays to sell this stuff is
18 to move high volumes and break fall, 20-, 30, 40-,
19 50,000 tons at a time. And that's exactly what we saw
20 happen.

21 COMMISSIONER BROADBENT: And so you're
22 saying that the transportation cost is \$40 a ton for
23 the Japanese --

24 MR. PRICE: \$40 to \$50 a ton is what it
25 shows up for in the official import stats. I think we

1 can actually say it's lower than that, but that's what
2 the official import data is, so we'll live -- we can
3 accept that for what it is.

4 COMMISSIONER BROADBENT: Okay.

5 MR. PRICE: And you have to remember, there
6 is transportation costs on the U.S. side for the U.S.
7 industry. And so it's not -- so I would just say as a
8 fundamental thing, the way the Commission should
9 consider this as it looks at its questionnaires is
10 whether the pricing underselling comparisons that you
11 generally do, which are sort of this landed basis, in
12 global logistics, the way this works today, it really
13 should be ex-plant for everyone, because that's the
14 way global logistics works today.

15 MR. VAUGHN: Commissioner Broadbent?

16 COMMISSIONER BROADBENT: Yes.

17 MR. VAUGHN: Stephen Vaughn. Looking at the
18 Customs data for average unit value for imports of
19 U.S. hot-rolled from Japan, in 2010 it was \$872 a ton.
20 In 2011, it was \$756 a ton. In 2012 it was \$623 a
21 ton. And in the first eight months of this year, it
22 has been \$556 a ton.

23 COMMISSIONER BROADBENT: In a very different
24 product mix.

25 MR. VAUGHN: Well, Commissioner Broadbent,

1 we don't necessarily have the product mix that we
2 have. What we do know is this. We know that after
3 the orders were revoked --

4 COMMISSIONER BROADBENT: I think the staff
5 has the product mix, right?

6 MR. VAUGHN: I don't -- I have not seen the
7 product mix from Japan on the record because they're
8 not a party in this case. But what the record -- what
9 information we have -- and again, given the fact that
10 so many producers did not respond to your
11 questionnaires, we're doing the best we can in trying
12 to put together a record on this case.

13 But what the record does show is this. Two
14 years ago the Japanese said they had no interest in
15 sending commodity grade-type products to this market.
16 They were totally focused on Asia. They had very
17 little interest in the U.S. market at all. It is now
18 clear that they are in fact serving lower grade hot-
19 rolled steel in the market than they were before. So
20 it seems very obvious that the claims and allegations
21 that they made two years ago did not prove out to be
22 correct.

23 We believe that part of this is because the
24 conditions in the Asian markets have gotten much worse
25 due to an oversupply in the world, and due to an

1 oversupply in Asia. As a result of that, we now have
2 roughly -- we're on pace to have roughly 300,000 tons
3 from Japan. We've also talked about how we think the
4 situation in these other countries, particularly in a
5 country like Thailand, where two mills have been shut
6 down, is even worse than the situation in Japan.

7 Let us assume that each of the six subject
8 countries were to ship 4- to 500,000 tons to the
9 United States. Then you would be looking at somewhere
10 between 2-1/2 and 3 million tons of imports just from
11 these countries, all unfairly traded.

12 Now, the merchant market for this industry
13 is 25 million tons. So all of a sudden 10 percent of
14 the merchant market is gone to unfair trade from these
15 six countries. That is the lesson to be learned here.
16 These are not small volumes. If you start taking away
17 500, 600, 1,000 tons a year, in a short -- in these
18 six countries, and you cumulate those countries, and
19 you put them together, that is a large share of the
20 merchant market gone very quickly. And that's why we
21 think this information is relevant to your analysis.

22 COMMISSIONER BROADBENT: Okay. I'd like to
23 switch gears here a little bit to talk about exports.

24 We've seen a lot of arguments that excess capacity
25 and high capacity compared to demand will lead

1 countries to increase their exports. But I look at
2 the foreign industry data, and a lot of these subject
3 countries are non-export-oriented right now. And it's
4 sort of similar to the U.S.

5 I mean, we have roughly a lot of excess
6 capacity, and we don't export substantial volumes
7 relative to our production. Why doesn't the U.S.
8 export much, since there are large amounts of hot-
9 rolled available to be exported? Can anybody give me
10 a perspective on this? And shouldn't we be exporting
11 more?

12 MR. FERRIOLA: I'll take a first pass at
13 that. We would love to export more. And if the world
14 pricing supported exporting at profitable numbers, we
15 would do it. But that's an indicator of just how bad
16 the pricing is worldwide and why these countries keep
17 coming back into the United States market. Relative
18 to the rest of the world, on all the very challenging
19 prices to remain profitable and sustainable, they are
20 higher than most of the rest of the world. Again, the
21 reason is we must support a market-driven approach in
22 which we have to be profitable.

23 COMMISSIONER BROADBENT: So you're saying
24 there is no higher prices abroad that you would have
25 access to? When I look at the data, I see some higher

1 prices out there that would be good markets for you.

2 MR. FERRIOLA: I'm not going to say that
3 there is none. But believe me, we would love to
4 export. We would love to be able to increase our
5 capacity utilization. We have two teams that are
6 dedicated to exporting. We have not been able to find
7 those markets in which it is profitable to do so.

8 Again, let me back that up because we do
9 export a little bit of our product. We export
10 about -- and, of course, production is somewhere in
11 the neighborhood -- it's public information -- about
12 somewhere about 8 percent. Most of that is going into
13 NAFTA countries.

14 MR. ROSENTHAL: Commissioner Broadbent, Paul
15 Rosenthal. Just I would refer you to the Skadden
16 chart number 11. It talks about the Chinese mills
17 flooding not just the Asian markets, but are shipping
18 hot-rolled steel all over the world. That's what the
19 U.S. industry and actually the other subject countries
20 have to compete against as well. It's not a great
21 surprise that facing Chinese competition with a
22 devalued currency, it's very, very hard for U.S.
23 producers and others to compete in Asian and other
24 markets.

25 You add to that for some of these other

1 countries the number of trade cases, import
2 restrictions, some of their export markets have been
3 shut down. So those are some of the things that you
4 need to factor into your analysis.

5 COMMISSIONER BROADBENT: But, I mean,
6 looking at a country like Indonesia, I mean, they're
7 not exporting anything. And to the extent that they
8 are selling anything, it's going to very locally in
9 Asia there.

10 MR. ROSENTHAL: Again, look at who they're
11 competing against. They're competing against China
12 and some of these other very voracious competitors in
13 the Asian market. They could, however, given prices
14 in the U.S. market, if the import restraint is
15 restricted -- is lifted here, they can easily ship to
16 the U.S. market, assuming you keep the order on with
17 respect to China.

18 I'm not sure how well they'd be able to
19 compete against the Chinese in the U.S. market. They
20 could certainly compete against others in the U.S.
21 market.

22 COMMISSIONER BROADBENT: Okay. Do you --
23 oh, I'm running out of time here. I've got some more
24 questions, but I'll get them on the next round. thank
25 you very much. I appreciate it.

1 CHAIRMAN WILLIAMSON: Thank you. Given that
2 there are very price comparisons identified during
3 these reviews -- I'm sorry.

4 COMMISSIONER ARANOFF: Mr. Chairman, did you
5 skip a commissioner?

6 CHAIRMAN WILLIAMSON: Commissioner Kieff,
7 I'm sorry.

8 (Laughter.)

9 CHAIRMAN WILLIAMSON: After that profound
10 question you asked the first time -- thank you. This
11 is why I have colleagues up here to keep me straight.
12 Sorry.

13 COMMISSIONER KIEFF: Each of you have been
14 asking me questions that have helped me a great deal,
15 so I would have been happy either way, as you like.

16 So what I'm -- I'm struggling a little bit.
17 Let me tell you why. It could be that our hands are
18 in effect tied by the statute and by the finding by
19 Commerce that -- and maybe for good reasons -- that,
20 look, as you've each pointed out, there are a lot of
21 parts of the world where the business of steel
22 production is being done for reasons other than
23 business. Therefore, if that comes here, it will hurt
24 our industry.

25 That's a nice, short paragraph. The end,

1 end of the brief, end of the opinion, end of the day,
2 end of the discussion. And that may be. Assuming
3 it's not, or assuming we get there, but we get there
4 and we want to have a greater degree of confidence
5 that our thinking is precise and accurate, precise and
6 accurate -- as many of you have pointed out, there
7 haven't been fulsome responses from all corners of the
8 world. That decreases the chance of accuracy. And
9 the 100-page, well-written briefs we've received from
10 each of you, and the long day, and the inherent
11 complexity and processing questions and answers, that
12 decreases precision.

13 So we could be inaccurate and imprecise for
14 a lot of reasons. So what I'm struggling with here is
15 trying to increase my own confidence that we
16 understand collectively what is happening. And so,
17 for example, can you tell us more, me more, about the
18 world market for steel and the high amount of excess
19 capacity, and how that flows the mechanisms by which
20 it flows around the world and into and around the
21 United States, and what impacts that has -- those
22 things have on prices in the United States.

23 So, for example, you know, you could imagine
24 that steel flowing into Canada substitutes for steel
25 in Canada, and we don't have an order against Canadian

1 steel in this market at the moment, but it could be
2 bumped over. So, you know, you could get a
3 substitution within a country. And as one of you had
4 pointed out earlier, you could get a substitution
5 within that particular country within a particular
6 company.

7 So, you know, I could be -- I could own a
8 steel business that has plants in -- I think the
9 example given earlier was both India and Canada -- and
10 I could rationally choose to send my Indian production
11 not to the United States, and my Canadian production
12 to the United States, but I could as a producer not in
13 the United States be indifferent among those choices
14 and accomplish my same goal, which might be to dump.

15 Can you -- and I'm asking this question
16 because I think in a sense it helps your case. But it
17 also hurts your case. Here is how I see it hurting
18 your case. I see it hurting your case because if it
19 turns out that there is just so much excess capacity
20 in the world market for steel right now that there are
21 leaks, sieves, substitutions, replacements, and other
22 effects occurring, then I don't know that we can say
23 with confidence that the impact of the Japanese return
24 is good or bad or neutral, and I don't know that we
25 can predict with accuracy whether a potential return

1 of steel from some of these countries might be good,
2 bad, or indifferent.

3 For example, there might be a natural demand
4 in the United States for, let's say, Japanese steel
5 because that seems to have returned. There could be a
6 bad demand, but there could be a pernicious demand, in
7 other words, a demand for a price that's a dumped
8 price or a subsidized price. But there could be a
9 natural demand. And I don't take you, I think, as
10 arguing that we should use these orders to target the
11 natural good demand that might exist for some of these
12 foreign sources.

13 So this complexity problem is a problem for
14 me, and any light you can shed on it would help.

15 MR. LIGHTHIZER: Could I just -- I'm sure a
16 lot of people have comments on that because it's a
17 kind of a profound question. I for one would take a
18 step back and ask what is my function. I don't
19 believe your function is to determine what is in the
20 good of the country or the good of the economy, right?

21 I mean, your function is to look at our industry and
22 see whether if unfair trade comes in, it will have a
23 more than *de minimis* negative effect on us.

24 So it's hard for me to see how there is good
25 demand for unfair trade. There may be for people who

1 want to have cheap stuff, I mean, other people, but
2 not the people that you're looking at or considering
3 or charged to think about.

4 So I would say there is no category where
5 unfair trade in any way has any positive effect.

6 COMMISSIONER KIEFF: But then just to press
7 on that, are you then -- are we back to the one-
8 paragraph, one-minute discussion? In other words, are
9 we -- once Commerce has told us that a subsidy is
10 occurring someplace else, is the fact -- is it the
11 case that our hands are so tied that then we're done?

12 MR. LIGHTHIZER: No. I mean, I think that's
13 a great fundamental question. And in my judgment --
14 and that's why I sort of started before. I hope that
15 you look at the legislative history, you look at the
16 new report.

17 COMMISSIONER KIEFF: Oh, yeah.

18 MR. LIGHTHIZER: And we'll give them to you
19 because your staff probably already had anyway, right?

20 And an interesting colloquy between Senator Hines and
21 Senator Ribicoff, who was in fact the floor manager
22 and the chairman of the Trade Subcommittee, and what
23 they were trying to say is, okay, what are we telling
24 the ITC about what the level of impact should be. And
25 to me, as a commissioner, that's the first question,

1 because at this level, you all fail, and at this
2 level, you all pass.

3 And I think it is so fundamental for you to
4 come to grips with that. I believe that it's clearly,
5 clearly laid out that it's not a rigorous standard,
6 that it's a low standard. I believe that in this case
7 you would pass the most rigorous standard because you
8 have a 100 million tons of stuff coming here and no
9 place else for it to go.

10 COMMISSIONER KIEFF: So I think I'm hearing
11 you, but then it sounds like we were -- and, you know,
12 everyone makes mistakes -- we were wrong, you're
13 saying, in our prior orders with respect to, for
14 example, Japan and Brazil.

15 MR. LIGHTHIZER: Oh, I categorically think
16 you were wrong. Well, let me restate that. I don't
17 think you -- I'm sorry. I don't think you were *all*
18 wrong.

19 (Laughter.)

20 MR. LIGHTHIZER: I think that the majority
21 of you were wrong.

22 MR. ROSENTHAL: It was a split vote.

23 MR. LIGHTHIZER: And you were wrong --

24 MR. ROSENTHAL: We'll tell you who was right
25 and who was wrong, if you want to know.

1 MR. LIGHTHIZER: Well, both because of the
2 standard, and you were probably more profoundly wrong
3 on this question of cumulation, which I hope we can
4 talk about because it's really going to get to how you
5 make this decision, and there are two ways to go.
6 There is this conditions of competition way to go, and
7 then there is this -- we'll just for want of a better
8 word call it the Pinkert way to go. And there are two
9 articulated ideas, one of which -- the concept is that
10 you have ten million -- you have a million tons. Is
11 it just as bad if it comes in from ten people or one?
12 And my theory being that the idea of cumulation is,
13 yeah, it's just the same.

14 So then you have a statutory standard. Does
15 it compete? Is there a -- really, you would almost
16 say a detectable adverse impact. And then you decide
17 what do you do next. Some would say let's look at
18 conditions of competition, condition of competition,
19 which, by the way, is in a different subsection, and
20 really refers to us. But setting that aside, you
21 clearly have discretion to do whatever you want to do
22 in the law. So there is no question.

23 How do we use the discretion? What the
24 Pinkert approach says is if the standards are made,
25 then you cumulate unless there is a persistent

1 condition that substantially reduces competition. In
2 other words, he looks at the effect of all of these
3 little people in our market. What the other looks at
4 is, is there a competition in *their* market that
5 somehow should exclude them, like they want to ship at
6 home or something else.

7 In our judgment, the better policy and the
8 one more consistent with congressional intent -- but
9 I'm not saying the one that would necessarily be
10 reversed or something. I'm just saying trying to, you
11 know, divine what Congress wants me to do. Is this
12 kind of idea to look at we will cumulate unless it has
13 -- there is something going on that has a substantial
14 impact on reducing competition of that product here.

15 COMMISSIONER KIEFF: I mean, I hear you, and
16 I appreciate the different perspectives. Did anyone
17 else -- because I'm almost out. Please.

18 MR. ROSENTHAL: Commissioner Kieff,
19 obviously if it were as simple as that one paragraph,
20 we wouldn't be here all day. So you do have something
21 to do other than affirm that Commerce has found that
22 the imports would be subsidized. You have to
23 determine what would happen to those subsidized
24 imports.

25 And I will add that part of what I know the

1 Commission and certain commissioners in particular
2 have struggled with in the past in the steel business
3 is there is the persistent overcapacity. And some of
4 you said, when are we ever going to be able to get rid
5 of some of these orders. And the answer is tied up
6 with your question, too, is when, for example, the
7 domestic economy is so robust that the industry is
8 doing well, so that it can afford to have imports at
9 some level, preferably imports that are not dumped or
10 subsidized.

11 But then I do agree with Mr. Lighthizer that
12 there is no such things as a good, unfairly traded
13 import. But there are conditions where overcapacity
14 is reduced, and then that, by the way, would have been
15 2008. It might have been the year when if this order
16 were up, people might have said, gee, you know, maybe
17 the industry is not vulnerable. We can look at other
18 things.

19 But now is not the time. And for much of
20 the last number of years is not the time because of
21 all the overcapacity. So you do have to look at both
22 sides of the equation. How much overcapacity is
23 there? How vulnerable is the domestic industry? And
24 given that, the perniciousness of the imports I think
25 point to a particular conclusion. It is longer than a

1 paragraph analysis, though, and you need to try to
2 figure out if there is anything else going on there.

3 In this case, I don't think there is a lot
4 more going on than we've discussed.

5 COMMISSIONER KIEFF: I'm acutely aware of
6 the generosity of my colleagues. Thank you. I look
7 forward to more later.

8 CHAIRMAN WILLIAMSON: Okay. But to continue
9 in that vein, can you at least -- since Indonesia is I
10 guess the smallest producer in this group, and they're
11 supposed be becoming a net importer in a couple of
12 years, can you address Indonesia? Assuming one is
13 allowed to look at it separately, which Mr. Lighthizer
14 would question.

15 MR. PRICE: So one of the things going on in
16 Indonesia is there is a massive capacity build going
17 on in Indonesia. Each one of these countries, you
18 look at them, and it's not just the status quo. It's
19 not that we only have an overcapacity, but we have new
20 capacity being built, India building massive amounts
21 of new capacity after we switch -- ramping up their
22 hot-rolled exports substantially this year and finding
23 these wonderful close -- I'm saying this facetiously -
24 - ASEAN markets all of a sudden in Europe: Belgium,
25 Spain, Italy.

1 I know these are real natural transportation
2 costs, local hubs to them. Bottom line is these
3 producers all are building excess capacity. They have
4 capacity or they are right now putting on capacity.
5 They will send product here.

6 Secondly, U.S. pricing is attractive. If
7 you think pricing is attractive in Europe, I will tell
8 you it's not. I think there was a good chart earlier
9 from Skadden that showed pricing in Europe was much
10 lower. And yet you see India now going to Europe in
11 substantial volumes.

12 Indonesia at this point, faced with the
13 prospect of being able to sell in the United States,
14 we think it would be a substantial volume, and we
15 think it would have a substantial negative impact on
16 the U.S. market.

17 CHAIRMAN WILLIAMSON: Okay. Mr. Vaughn?

18 MR. VAUGHN: Yeah. Commissioner Williamson,
19 I would like to -- I agree with all the points Alan
20 made with respect to the facts on Indonesia, and we've
21 tried to do what we can in terms of the facts on
22 Indonesia. And we'll write more about that. But I
23 would also like to make an argument to the Commission
24 about adverse inferences.

25 I think you have a real institutional

1 problem here. If Respondents can come to believe that
2 there is no difference between the status of company
3 that fills out questionnaires and the status of a
4 company that doesn't fill out questionnaires, then I
5 as an attorney for Respondents -- were I an attorney
6 for Respondents, I'd have to say I would recommend
7 that any respondent who has data that would argue
8 against lifting the case not submit questionnaire
9 responses.

10 CHAIRMAN WILLIAMSON: Yes. I understand
11 that point. But I was just wondering about Indonesia,
12 given its size. I mean, that's a very fair point.

13 MR. VAUGHN: I also think -- I mean, I think
14 in terms of its size, I think that, you know -- I
15 think that what you have to understand is that this is
16 -- and this sort of goes to our point that I wanted to
17 clarify in general.

18 The argument that we're trying to make here
19 is not that like the U.S. is vulnerable, and the rest
20 of the world is doing great, okay? The argument is
21 that the U.S. domestic industry is extremely
22 vulnerable at a time when the entire global steel
23 industry is facing major problems.

24 These are very difficult times, not just in
25 the United States. In many situations in a lot of

1 these markets in Asia, the situation is even worse,
2 and that's why you're seeing shutdowns and problems
3 over there, and lower prices than you see here. Under
4 those circumstances, we simply -- if Indonesia has
5 access to this market, and other countries such as
6 China continue to be locked out of this market, we
7 believe that they would continue -- they would start
8 shipping aggressively.

9 Now, we think that under these
10 circumstances, if you start having, you know, several
11 hundred thousand tons coming in from those or even
12 more -- they have well more than that in terms of
13 unused capacity -- then as you start talking about
14 jobs being lost, plants being shut down, people not
15 being able to run shifts that they would have run
16 otherwise -- and that's in addition to the price
17 effect, which is going to run throughout the entire
18 U.S. market.

19 So the notion that, you know, you're just a
20 little country, just let us cheat a little bit, it
21 won't hurt that much, given that you have an industry
22 here where, you know, 8 million tons of capacity have
23 gone out of business, basically, in the last few years
24 already --

25 CHAIRMAN WILLIAMSON: Okay. I get your

1 point.

2 MR. VAUGHN: Okay.

3 CHAIRMAN WILLIAMSON: Is that okay? Because
4 I want to get a couple of other quick questions in.
5 Does someone else have something on this?

6 MS. BECK: Commissioner Williamson, Gina
7 Beck of GES. Yeah, because your original question was
8 what is going on in Indonesia. I think a significant
9 point is not only does it have currently existing
10 excess capacity, which is significant despite the size
11 of the country, but that they're also currently
12 undergoing expansions.

13 We've pointed to it in our brief at page 26
14 of our brief. And those expansion plans will be
15 completed over the next year and two.

16 CHAIRMAN WILLIAMSON: Good. Okay. Thank
17 you. Let's move to another question. Given that very
18 few price comparisons identified during the reviews
19 failed to show any underselling whatsoever, what facts
20 support your contention that subject imports would
21 likely undersell the domestic-like product if orders
22 are revoked? Admittedly, there wasn't much trade.
23 Tell us what are your points there.

24 MR. ROSENTHAL: They're in jail. Of course
25 they're not going to be able to undersell in this

1 current market. The question is what are they going
2 to do if they're not under a restraint. And I admit,
3 given the data you've got on the record, obviously on
4 underselling it's hard for you to make projections on
5 that. You've got to look at the other factors we
6 pointed to.

7 MR. SCHAGRIN: Mr. Chairman, this is Roger
8 Schagrin. Rather than you writing in your
9 determination that they were in jail, which I'm not
10 sure there is substantial evidence there, I think what
11 the Commission normally has done in terms of your
12 precedents and should do here is that you would
13 utilize the period of investigation and see that at
14 that time there was such significant underselling.
15 Then I think you can also utilize the information that
16 -- given that pricing is the most important issue for
17 customers, which your record shows, based on your
18 extensive investigation here, that -- and the excess
19 capacity of these foreign producers, that they would
20 be likely to increase their exports to the U.S. market
21 through underselling.

22 With the additional capacity to the U.S.
23 industry, U.S. customers are not going to buy imports
24 from these six countries at a price above U.S.
25 domestic producer prices. So I think those two things

1 combined would provide you with substantial evidence
2 to find that increased imports from these countries
3 would likely undersell the U.S. industry and cause
4 price suppression or depression.

5 CHAIRMAN WILLIAMSON: Thank you. I know we
6 don't have any get-out-of-jail-free cards here, but --

7 MR. SCHERRBAUM: Joe Scherrbaum. Another
8 comment I'd make, if a number of these countries are
9 already exporting other carbon flat-rolled products
10 other than hot-rolled into this country, particular
11 cold-rolled and corrosion-resistant for -- at prices
12 that are significantly under domestic market prices,
13 that's not a reason to believe if they had excess on
14 hot-rolled they'd do the same thing.

15 CHAIRMAN WILLIAMSON: Okay. Thank you. Mr.
16 Kopf, did you --

17 MR. KOPF: Mr. Scherrbaum covered what I
18 wanted to make.

19 CHAIRMAN WILLIAMSON: Okay, good. Thank you.

20 MS. CANNON: Chairman Williamson?

21 CHAIRMAN WILLIAMSON: yes.

22 MS. CANNON: Kathy Cannon, Kelley Drye. I
23 also would refer you to the comments of the purchasers
24 in the staff report as to what they expect to happen
25 to the prices, and they're uniformly talking about

1 anticipating price declines if these orders are
2 revoked.

3 CHAIRMAN WILLIAMSON: Okay. Thank you. I
4 was wondering -- I mean, I think I know what you're
5 going to say on this. But I would ask how do you
6 respond to the subject producers' arguments that they
7 no longer maintain contacts with U.S. downstream
8 producers who use hot-rolled steel, and it would take
9 some time to reestablish these contacts, much less to
10 actually make sales. You've already mentioned that
11 they're selling other products. Is there something
12 else?

13 MR. BLUME: Yes, Chairman Williamson. My
14 response to that -- Rick Blue from Nucor -- is that
15 one of the key areas or portals for imported steel,
16 certainly through the service center sector, is the
17 service centers that help bridge that gap in many
18 cases between end users and consumption of the steel
19 and the producers, the subject producers.

20 So there is certainly an active, vibrant
21 distribution system already in place.

22 CHAIRMAN WILLIAMSON: Okay.

23 MR. SCHAGRIN: Chairman, Roger Schagrin. A
24 lot of these major foreign steel producers also have
25 relationships with international steel trading

1 companies, and those trading companies can purchase
2 the steel from these foreign producers, then
3 immediately get emails out to all of the service
4 centers that they're already servicing in the United
5 States and transmit that pricing information and
6 availability very quickly. It is a very, very easy
7 market to penetrate.

8 CHAIRMAN WILLIAMSON: Okay. Thank you.

9 MR. PRICE: Just to show how easy it is to
10 penetrate, I read the Thai brief with great interest
11 on this, and they say, oh, it's hard to penetrate, and
12 so forth, how can we do it. The order was tentatively
13 revoked. Three months later, 100,000 tons. I mean,
14 that's, you know, five ships just loaded up and sent.

15 I mean, customer relationships, oh, this is really
16 hard to do. These trading companies, service center
17 distribution, we have an open, easy market. And I
18 can't think of a more -- you know, a better proof of
19 that than that chart that was in the Skadden slides
20 earlier today.

21 CHAIRMAN WILLIAMSON: Okay. Thank you.
22 Just one last question. How should the Commission
23 consider the impact of exchange rate fluctuations on
24 hot-rolled steel prices? Mr. Lighthizer?

25 MR. LIGHTHIZER: Mr. Chairman, clearly the

1 normal analysis is that falling exchange rate makes it
2 more likely that you will export. And in fact, we
3 believe that is true. I would suggest, however, that
4 that -- and this is more for future reference -- that
5 the opposite is not only true because that phenomenon
6 is true basically as a fair trade phenomenon. But
7 increasing exports -- I mean increasing exchange rate
8 values may not necessarily lead to less exports
9 because in that case you're dealing with something
10 that's an unfair trade. You're dealing with subsidies
11 or dumping.

12 But as a general matter, when you see
13 countries -- it is our position that when you see
14 countries whose currency is dropping, that will tend
15 to increase exports. And clearly that's the case with
16 Indonesia, to go back to your original question. I
17 mean, they are in a desperate shape right now. I
18 mean, it's not '97, but it's not good. And they have
19 World Bank problems, they have debt problems. They
20 have all these balancing current account problems.
21 And their currency is dropping, and they really need
22 to export.

23 CHAIRMAN WILLIAMSON: Okay, good. Thank
24 you. Thank you for those answer. Commissioner
25 Aranoff?

1 COMMISSIONER ARANOFF: No further questions.

2 CHAIRMAN WILLIAMSON: Mr. Pinkert?

3 COMMISSIONER PINKERT: No further questions.

4 CHAIRMAN WILLIAMSON: Commissioner Johanson?

5 COMMISSIONER JOHANSON: We've been here a
6 long time this morning, but I have one more question
7 for you all. And it's just more for background for
8 me. I've had the opportunity to visit a number of
9 steel plants the past two years or year and a half
10 since I've been a member of the Commission. And one
11 thing that strikes me is one of your inputs, which is
12 scrap.

13 It's my impression that it has sometimes
14 been a problem obtaining enough scrap or scrap prices
15 have fluctuated somewhat significantly at times. I
16 was wondering, what is happening with scrap right now?

17 MR. FERRIOLA: I'll answer that. If you
18 look over the last year and a half, scrap pricing
19 really has stabilized. Although there is a still
20 challenge that we are exporting a lot of our scrap
21 from the United States, pricing on scrap has
22 stabilized within a band of about \$20 to \$30 over the
23 last year and a half.

24 COMMISSIONER JOHANSON: Okay. That's very
25 useful. That concludes my questions, and thank you

1 all again for appearing here today.

2 CHAIRMAN WILLIAMSON: Commissioner
3 Broadbent?

4 COMMISSIONER BROADBENT: Yes. This is just
5 a request for the record. If we could get a sense of
6 where the demand for this product is, which segments
7 of the industry, if it's in energy or construction or
8 autos, and what you're predicting in the future for
9 demand growth for this product, both in the U.S.
10 market and in the Asian market. Thank you.

11 And with that, I have -- oh, I have one
12 question for Mr. Lighthizer. When you were riding
13 your horse to the U.S. International Trade Commission
14 building way back when, were there really rats in the
15 basement?

16 (Laughter.)

17 MR. LIGHTHIZER: As I recall, there were
18 rats everywhere.

19 CHAIRMAN WILLIAMSON: Okay. Thank you.
20 Commissioner Kieff.

21 COMMISSIONER KIEFF: Just to invite for
22 however you like to provide it later more information
23 on our prior conversations because I look forward to
24 thinking about that stuff. And thank you all very
25 much.

1 CHAIRMAN WILLIAMSON: Thank you. There are
2 no further questions for commissioners. Does staff
3 have any questions for this panel?

4 MR. CORKRAN: Douglas Corkran, Office of
5 Investigations. Thank you, Mr. Chairman. Staff has
6 no additional questions.

7 CHAIRMAN WILLIAMSON: Okay. Do those
8 opposed to the continuation of the orders have any
9 questions for this panel?

10 (No response.)

11 CHAIRMAN WILLIAMSON: No? Okay, fine.
12 Well, I think it's time for our lunch break. And so
13 we will reconvene at 1:30. I'm sorry. It's 1:30 now,
14 so we'll reconvene at 2:30. A quick lunch. Just to
15 remind everybody this room is not secure, so if you
16 have any business confidential proprietary
17 information, please take it with you. And we'll see
18 you all at -- and I want to thank this panel for their
19 testimony, and we will reconvene at 2:30. Thank you.

20 (Whereupon, at 1:34 p.m., the hearing in the
21 above-entitled matter was recessed, to reconvene at
22 2:33 p.m. this same day, Thursday, October 31, 2013.)

23 //

24 //

25 //

26

1 sales, and the continuing recovery in construction,
2 two key end uses for hot-rolled steel.

3 These macroeconomic trends have supported
4 the U.S. hot-rolled steel industry's own recovery.
5 With respect to hot-rolled steel. The prehearing
6 report indicates a solidly increasing apparent U.S.
7 consumption from the recessionary level in 2009
8 through 2012, with a small dip in the first half 2013.

9 Notwithstanding the recent dip, the Commission's
10 perspective is forward-looking, and the projections
11 are for continued steel market expansion, as appears
12 to be endorsed by the ongoing stream of price increase
13 announcements by the domestic producers.

14 U.S. hot-rolled production has been
15 increasing since 2008, but with a marginal dip in the
16 first half of 2013, reflecting the dip in consumption.

17 During the POR, the hot-rolled industry has also been
18 increasing its capacity, which grew each year in the
19 2008-2012 period, and grew further in the first half
20 of 2013.

21 Capacity utilization increased each year
22 since 2009, and even held relatively steady in the
23 first half of 2013. Following the production trend,
24 the domestic industry's employment increased as the
25 number of workers grew each year from 2009 to 2012,

1 and grew still higher in the first half of 2013. The
2 U.S. industry's total shipments increased strongly
3 from 2009 through 2012, with a dip paralleling
4 apparent consumption in the first half of 2013. The
5 increase in U.S. commercial shipments was even greater
6 than that for total U.S. shipments.

7 The domestic producers' U.S. shipments
8 market share remained relatively steady over the POR,
9 and even increased in the first half of 2013 to a very
10 strong 94.1 percent, its highest level since 2007.
11 Furthermore, the domestic industry's market share only
12 for the open-market shipments increased in the first
13 half of 2013 to 86.5 percent, which is also the
14 highest since 2007.

15 Finally, with respect to financial
16 performance, the U.S. industry has had positive,
17 profitable operating income performance ever since
18 2009. Given these facts and the domestic industry's
19 performance, the domestic industry should not be
20 viewed as vulnerable. The Commission concluded in the
21 2011 reviews of Brazil, Japan, and Russia that the
22 domestic industry was not in a vulnerable condition,
23 and it should conclude so again in these reviews.

24 An additional important factor that the
25 Commission should incorporate into its analysis is the

1 fact that the domestic hot-rolled industry benefits
2 from a large group of U.S. purchasers, which report
3 having strong commercial self-interest in purchasing
4 domestic steel, which has the effect of sheltering a
5 major portion of the domestic industry's shipments
6 from subject import competition.

7 The Commission's questionnaire data indicate
8 that the U.S. purchasers have a strong and pervasive
9 preference for buying hot-rolled steel domestically or
10 from North American mills proximate to the customers'
11 location. Although especially evident in the auto
12 sector, this preference is in fact market-wide.

13 First, as to the auto sector, the U.S. auto
14 producers are important consumers of hot-rolled steel
15 flat products as well as the downstream steel products
16 such as cold-rolled steel and coated products that are
17 produced by the domestic producers from internally
18 consumed and transferred hot-rolled steel.

19 A consistent theme in the public version of
20 the prehearing brief of Ford Motor Company is the
21 great importance that Ford places on sourcing its
22 steel from U.S. or Canadian steel producers as opposed
23 to sourcing it from overseas producers. The
24 preference is evident in the data contained in
25 confidential Exhibit A, which I will describe shortly,

1 that has been provided to you so that you can have the
2 confidential data before you during our testimony.

3 Ford's cited reasons for its steel sourcing
4 preference include the desire for geographic proximity
5 of the steel producer, the need for a very high level
6 of consistency in the steel quality, and the desire to
7 have technical assistance from steel producers readily
8 available.

9 Ford states with clarity, quote, "Ford's
10 preference and practice of purchasing hot-rolled steel
11 produced in North America is grounded in the North
12 American producers' fundamental advantages in local
13 proximity to Ford's operations and reliability of
14 supply."

15 Ford further states, "Purchasing domestic
16 product is very important to Ford. Domestic producers
17 offer shorter lead times, local technical support, and
18 the ability to meet Ford's just-in-time delivery
19 requirements," closed quote.

20 The other U.S. automotive producers have
21 also expressed their points of view on this topic in
22 their U.S. purchaser's questionnaires, and we have
23 included the basic facts as to their steel purchasing
24 activity on confidential Exhibit A.

25 I urge the Commission to review these data

1 and the detailed analyses of the automakers'
2 statements on these points as contained in Taiwan
3 Respondent Shang Chen Steel's prehearing brief
4 beginning at page 3 and Exhibit 1, and also in the
5 prehearing brief of Thailand Respondent Sahaviriya
6 SSI.

7 The flip side of the U.S. auto sector's
8 purchases of steel is the volume of steel sold by the
9 domestic steel producers to the U.S. auto sector. In
10 fact, the U.S. hot-rolled steel producers sell a large
11 volume of steel that goes into automotive
12 applications. As indicated in confidential Exhibit B,
13 questionnaire question Roman IV-18 of the U.S.
14 producers' questionnaire asks the U.S. steel producers
15 for the percent share of their total hot-rolled steel
16 commercial shipments that were destined for the
17 automotive applications in 2012 and part-year 2013.

18 Based on these domestic steel producer
19 responses, it is clear that the U.S. steel producers
20 make very large commercial shipments of hot-rolled
21 steel to the auto sector. Given the auto sector's
22 preference for domestically-sourced steel, it may be
23 reasonable to conclude that this U.S. steel industry
24 commercial volume is likely to be protected from
25 import competition.

1 U.S. producers' questionnaire Roman IV-18
2 additionally asks for the percent share of the U.S.
3 producers' internal consumption and internal transfers
4 of hot-rolled steel that is converted into downstream
5 products such as cold-rolled steel and coated
6 products, which ultimately go to the automotive
7 applications.

8 Given the auto sector preference for
9 domestic sourcing of hot-rolled steel, it further
10 appears reasonable to assume that the auto sector
11 preference for U.S. sourcing would be applicable with
12 respect to the auto sector's purchases of cold-rolled
13 and coated products as well.

14 This assumption is certainly reasonable
15 given that the Commission itself noted in the sunset
16 review on corrosion-resistant steel from Germany and
17 Korea that the auto sector, quote -- in the auto
18 sector, quote, "Purchasers have a strong preference
19 for domestic supply, as evidenced by the fact that
20 96.4 percent of their corrosion-resistant requirements
21 have been supplied by the domestic industry," closed
22 quote.

23 Thus, with this assumption, an additional
24 very large portion of the domestic industry's hot-
25 rolled shipment volume is likely protected from import

1 competition. Combining these data for the U.S. steel
2 industry's hot-rolled steel commercial shipments and
3 hot-rolled steel internal transfers and related
4 shipments ultimately going for auto sector
5 applications, a truly substantial portion of the U.S.
6 steel industry's shipment volume would be effectively
7 protected from import competition.

8 Beyond the auto sector, U.S. purchasers have
9 also expressed a market-wide preference for buying
10 from domestic mills. In the U.S. purchasers'
11 questionnaire question Roman III-12, the U.S.
12 purchasers were asked whether buying domestically was
13 an important factor in their firm's purchase
14 decisions. The answer was resoundingly that it was
15 very important, as indicated in confidential Exhibit
16 C.

17 Of the responding U.S. purchasers, only a
18 few indicated that buying domestically was not an
19 important factor, while the great majority of
20 purchasers indicated that it was important and
21 identified the portion of their purchase volumes that
22 was covered by such preference.

23 The U.S. purchasers' responses indicate that
24 a very larger portion of their purchase volumes in
25 2012 and part-year 2013 were subject to a domestic

1 sourcing requirement or preference based on one, law,
2 for example, Buy America; and two, a requirement
3 placed on them by customers; or three, the purchasers'
4 own company policies.

5 Confidential Exhibit C provides the bottom-
6 line percentage of the total purchaser volumes that
7 were covered by legal, customer, or company policy
8 requirements for buying domestic steel. As you can
9 see, the figures are commercially very important. The
10 complete details underlying this calculation will be
11 provided in the posthearing brief.

12 The overall point is that a major portion of
13 the U.S. hot-rolled steel producers' shipments is
14 effectively protected from subject import competition
15 with or without the current orders in place. An
16 additional important dimension of the protected nature
17 of the U.S. market for domestic producers arises in
18 the fact that much of the imports from the two largest
19 non-subject supplier countries, Canada and Korea,
20 appears to arise because of related party
21 relationships between U.S. steel producers and the
22 related Canadian or Korean affiliate plants.

23 At least three of the domestic producers,
24 including U.S. Steel, ArcelorMittal, and Evraz, have
25 relevant Canadian production operations.

1 Additionally, U.S. Steel is a joint venture partner
2 with the Korean producer, POSCO in USS-POSCO
3 Industries, which is an importer of hot-rolled steel.

4 In 2012, for example, Canada and Korea were
5 the sources for 56 percent of the total U.S. hot-
6 rolled flat product imports. To the extent that such
7 imports are brought in by U.S. producers or their
8 affiliates, they are under the control of U.S.
9 producers and are effectively sheltered from potential
10 future competition from subject imports.

11 Clearly, these imports are not vulnerable to
12 being displaced by the subject imports. The
13 implications of these facts with respect to the
14 portion of the U.S. market that is effectively
15 controlled by the domestic producers is highly
16 significant for this Commission investigation. As
17 noted earlier, the domestic producers already hold a
18 very high share of the U.S. market, with a 93.3
19 percent share of the total market, and an 84.7 percent
20 share of all the open market shipments in 2012.

21 In 2012, the imports from Canada and Korea
22 constituted 3.7 percent of total apparent U.S.
23 consumption, and 8.5 percent of U.S. open market
24 consumption. As shown in the slide seven, the
25 combination of these Canadian and Korean import shares

1 with the domestic industry's market shares, as
2 reported in the prehearing report, suggest that
3 sourcing for an extraordinarily large portion of the
4 U.S. hot-rolled steel market is already controlled by
5 domestic producers.

6 In 2012, approximately up to 97 percent of
7 the total apparent consumption may have been supplied
8 by domestic producers or sources associated with them,
9 and about 93.1 percent of the open-market shipments
10 may have been similarly supplied by the domestic
11 producers or associated sources.

12 These figures grow even larger in part-year
13 2013, when the total market share figure rises to 97.2
14 percent and the open market figure increases to 93.7
15 percent. There is no indication that the domestic
16 industry has objected to these imports from Canada and
17 Korea. Indeed, the import share of the U.S. markets
18 has been very stable over the POR, and the combined
19 market share of the domestic producers and these
20 imports has been virtually unchanged over the past six
21 and a half years.

22 The fact that the U.S. producers are secure
23 in maintaining control over such a huge share of the
24 U.S. market is supported by the strong preference of a
25 large portion of U.S. purchasers for sourcing steel

1 domestically or for mills such as those in Canada that
2 are proximate to the U.S. customers.

3 It may be that some portion of the imports
4 from Canada is not purchased from Canadian affiliates
5 of U.S. hot-rolled steel producers. Nonetheless,
6 these unaffiliated import volumes are not likely to be
7 displaced by subject imports in light of the U.S.
8 purchasers' preference for buying from sources
9 relatively proximate to the purchasers' location.

10 Therefore, while the customers' future
11 sourcing at such volumes may vary between domestic
12 versus Canadian mills, the customers' selected source
13 is not likely to be one from the very distant subject
14 country mills.

15 Thank you.

16 MR. LaFRANKIE: Good afternoon. I'm Robert
17 LaFrankie of Hughes Hubbard & Reed, counsel to
18 Sahaviriya Steel Industries, Limited, or SSI, one of
19 the two -- one of the three Thai producers of hot-
20 rolled steel.

21 Information presented today and in
22 Respondent's briefs demonstrate that the domestic
23 industry will not suffer injury, even if the
24 Commission cumulates subject imports from all
25 countries. Let me reiterate that the facts in this

1 case strongly support revocation for all countries on
2 a cumulated basis. Nevertheless, I'm here today to
3 stress that Thailand should not be cumulated with the
4 other subject countries. There are two reasons for
5 this.

6 First, any imports from Thailand would have
7 no discernible adverse impact on the U.S. industry.
8 Second, the conditions of competition for Thailand
9 warrant decumulation.

10 Turning first to discernible adverse impact,
11 Thai importers are too small to have any adverse
12 impact on U.S. producers. Thailand is a small player
13 in this case, and it has never had a large presence in
14 the U.S. market. Its market share has never been
15 higher than 3/10ths of 1 percent. Thailand shipments
16 have steadily declined over time to the point that it
17 has essentially abandoned the U.S. market.

18 In fact, Thailand has not shipped subject
19 merchandise to the U.S. in more than five years.
20 Thailand's withdrawal from the U.S. market is not
21 linked to the dumping and countervailing duty orders.

22 There was no dumping order in effect against the
23 largest Thai producer during the first two and one
24 half years of the current review period, that is, from
25 January 2007 until May of 2009.

1 Yet still there was no flood of Thai
2 imports. Instead, Thai producers serviced their home
3 market. Given these facts, Thailand could not
4 possibly have a discernible adverse impact on the
5 domestic industry.

6 Second, aside from Thailand's insignificant
7 presence in the market, there are unique conditions of
8 competition for Thailand that also warrant
9 decumulation. Most importantly, Thai producers sell
10 almost exclusively in their home market. The staff
11 report and SSI's questionnaire show that Thai
12 producers sell virtually *all* of their hot-rolled steel
13 to Thai customers. Very little Thai hot-rolled steel
14 has been exported at all the past few years.

15 SSI's worldwide exports have dropped sharply
16 since 2011 with exports now accounting for less than 1
17 percent of its sales. In other words, more than 99
18 percent of SSI sales are made to home market
19 customers.

20 Our brief discusses in detail the unique
21 competitive conditions that ensure Thailand will focus
22 on its home market. I will highlight a few of them.

23 First, the overall market for steel in
24 Thailand is strong, and it continues to grow. Demand
25 for steel in Thailand has increased more than 7

1 percent each year for the past decade. This is even
2 stronger growth in the overall Thai economy, which
3 itself has continued to grow.

4 Second, the Thai auto industry has seen
5 explosive growth the past few years. Thailand is now
6 known as the Detroit of Asia. It is the seventh
7 largest auto exporter in the world, and it has one of
8 the largest auto markets in Southeast Asia. Total
9 auto production has doubled since 2007, from 1.2
10 million units to 2.4 million units.

11 Much of the growing demand for hot-rolled
12 steel in Thailand is fueled by its thriving auto
13 industry, which demands high-end steel. Thai
14 producers such as SSI remain focused on supplying this
15 growing end of the Thai market.

16 Third, the Thai construction industry also
17 remains strong, as it requires much steel to continue
18 rebuilding after the floods of 2011. Construction
19 demand will remain strong in light of the government's
20 massive spending plan for transportation and other
21 infrastructure projects. This includes \$68 billion to
22 upgrade transit systems, highways, airports, and the
23 creation of a high-speed train with double rail
24 tracks.

25 From an economic standpoint, therefore,

1 demand for steel in Thailand is strong, and it will
2 remain that way. Demand is about evenly split as
3 between the high-end segment and the low-end segment
4 of the market. Steel used for construction accounts
5 for about half of total steel demand, followed by
6 higher-end applications for automobiles, machinery,
7 and appliances.

8 A similar trend exists specifically for hot-
9 rolled steel, with about a 50/50 split as between the
10 construction market and the so-called high-end market,
11 which for hot-rolled steel includes autos, appliances,
12 and inputs for cold-rolling.

13 In addition to these economic factors, there
14 are a number of other unique conditions of competition
15 for Thailand that further ensure Thai producers will
16 continue to focus on the home market.

17 First, Thailand remains a net importer of
18 steel. Imports have historically accounted for a
19 large portion of domestic Thai steel consumption, as
20 the three Thai producers have generally not been able
21 to satisfy Thai demand for steel. This trend has
22 continued during the review period, as imports have
23 increased to fill the void created by the shutdown of
24 G Steel and GJ Steel.

25 Thus, even if these two producers were to

1 become fully operational, they will first need to
2 focus on reestablishing their presence in the home
3 market by displacing imports to regain lost home
4 market share.

5 In addition, Thailand has now imposed an
6 unprecedented number of trade remedy measures against
7 imports of hot-rolled steel, including dumping orders
8 against 16 countries. Most recently, Thailand imposed
9 extensive safeguard measures against imports of hot-
10 rolled steel. These trade remedies will assist all
11 Thai producers' efforts to expand home market share.

12 Finally, SSI recently acquired a slab-making
13 facility in the United Kingdom. With this purchase,
14 all Thai producers are now essentially fully
15 integrated steel producers. This means all Thai
16 producers are now more closely tied to the price of
17 raw materials than to the world market price of slab.

18 These unique competitive conditions further
19 justify Thailand's decumulation. These conditions
20 also make clear that Thailand will continue to focus
21 on its home market and not the U.S. market if the Thai
22 orders are revoked. Once decumulated, the Commission
23 must find that Thai producers are not likely to injure
24 the U.S. industry for all the reasons being discussed
25 here today.

1 The U.S. industry is strong and profitable,
2 and it is not vulnerable. Clearly, any small volume
3 of imports from Thailand alone cannot injure the U.S.
4 industry. The Commission should issue a negative
5 determination for Thailand.

6 That concludes my testimony. And before
7 turning the panel over to the Taiwanese, I just wanted
8 to mention that my client, Sahaviriya Steel, very much
9 wanted to come today. They had actually come for the
10 last meeting that was postponed, and given the short
11 notice, they weren't able to make it today. But they
12 had worked very hard on their testimony, and they
13 wanted to make sure that I read it to you today, with
14 your indulgence. It's a short statement.

15 "Good afternoon. My name is Kune Wanna,
16 president of the Commercial Division at Sahaviriya
17 Steel Industries. I have worked at SSI for 23 years,
18 and I have much experience in the steel industry. As
19 I will discuss today, SSI and all Thai producers
20 remain focused on serving the Thai steel market, which
21 is currently thriving and is expected to continue to
22 grow in the future.

23 "Toward this end, we have a very specific
24 strategy we are pursuing to serve the home market.
25 There are three main parts to this strategy. First, a

1 very important part of our strategy involved SSI's
2 recent acquisition of Teesside Cast Products, a steel-
3 making facility in the United Kingdom. With the
4 purchase of this facility in 2011, SSI now owns a
5 fully integrated steel producer that has the ability
6 to make slab.

7 "Previously, SSI had relied only on
8 purchasing and importing slab on the world market from
9 a variety of sources, including Russia, Brazil,
10 Turkey, and the Ukraine. This situation was not ideal
11 for SSI, as the imported slab from these different
12 sources was of varying quality and not always suitable
13 for making the high-end product demanded by many of
14 our home market customers.

15 "Now SSI has much more control over the
16 quality and quantity of slab it receives for its
17 rolling operations. This is particularly important in
18 producing the higher quality hot-rolled steel SSI
19 sells in the home market. SSI has now integrated
20 Teesside into its Thai operations. We received our
21 first shipment of slab from Teesside in May of 2012.
22 While the Teesside shipments started slowly, they have
23 steadily increased over time, and they now account for
24 more than 80 percent of the slab SSI uses in its
25 rolling operations in Thailand.

1 "Second, SSI is increasingly focused on
2 serving the higher end of the Thai hot-rolled steel
3 market, particularly the Thai auto industry. This is
4 a particularly attractive market for SSI. The Thai
5 auto industry has been consistently strong and dynamic
6 with total overall growth of more than 100 percent in
7 the past five years.

8 "Our strategy to acquire Teesside goes hand
9 in hand with our focus on the higher end of the Thai
10 steel market. As I mentioned, by acquiring Teesside,
11 we now have better control over the quality of slab
12 used in our rolling mill. This enables us to further
13 expand our reach into the auto market, which demands
14 the highest quality steel.

15 "Many auto producers require that we
16 prequalify our slab sources. This is very time
17 consuming, and it is something we have been working on
18 with our new Teesside facility. But this investment
19 in time and money is well worth the effort, as this
20 will ensure we have a long-term relationship with our
21 most important automotive customers, particularly
22 those producers owned by Japanese auto firms. One of
23 our goals is to increase our sales to the major
24 Japanese-owned auto producers in Thailand, as they
25 currently source most of their steel from Japan.

1 "And finally, the third aspect of our home
2 market strategy is to displace imports in the
3 commercial grade of the home market. Imports account
4 for a large share of Thai home market consumption,
5 particularly in the commercial grade of the market.
6 Although SSI now focuses on the higher end of the
7 market, it has not abandoned the lower end of the
8 market. The commercial grade remains a large and
9 important segment of the Thai hot-rolled steel market,
10 comprising more than 50 percent of the total hot-
11 rolled steel market in Thailand.

12 "SSI still serves the lower end of the
13 market because it has historically done so. SSI also
14 continues to serve the lower end of the market because
15 of the continued need to do so. This need is even
16 greater now with the continued uncertainty regarding
17 the two other Thai producers.

18 "I think I can safely say our strategy is
19 working. Our total home market shipments have
20 increased dramatically the past few years, nearly
21 doubling from 2007 to the present. In fact, the home
22 market now accounts for virtually all of our
23 production, as we have essentially stopped exporting
24 steel. This trend will continue.

25 "We expect additional growth not only in the

1 auto market, but also in the construction sector,
2 which is expected to remain strong amid continued
3 rebuilding after the 2011 floods, and the Thai
4 government's much anticipated plan to spend 68 billion
5 on infrastructure in the coming years.

6 "SSI will continue to focus almost
7 exclusively on the home market. It has no real
8 economic incentive to export hot-rolled steel to the
9 United States. The antidumping and countervailing
10 duty orders against Thailand serve no legitimate
11 purpose. Those duties are no longer necessary and
12 should be terminated.

13 "This includes my remarks. Thank you for
14 this opportunity to address you today."

15 MR. FAN-CHIANG: I am C.K. Fan-Chiang,
16 manager of Sales Section-4, Marketing Department, of
17 China Steel Corporation, Taiwan. I am responsible for
18 hot-rolled steel.

19 China Steel has two affiliates who are also
20 Taiwan hot-rolled producers, that is, Chung Hung Steel
21 and Dragon Steel. Between us, we account for the vast
22 bulk of Taiwan hot-rolled production. There is only
23 one other far smaller Taiwan producer, Shang Chen.

24 I understand that you have received 100
25 percent questionnaire responses from Taiwan. But

1 perhaps we can be of more help to you today, to assist
2 you in your factual inquiry.

3 Taiwan will at best ship negligible
4 quantities of subject hot-rolled to the United States,
5 even if the antidumping order is revoked. The reasons
6 for this did not exist at the time of the Commission's
7 last consideration of this matter, that is, the first
8 sunset review five years ago -- we did not participate
9 -- and the original injury investigation ten years
10 ago.

11 First, Taiwan hot-rolled producers now focus
12 on Asia. We now have very close ties to downstream
13 Asian producers using hot-rolled. We have dedicated
14 hot-rolled supply to them to produce downstream
15 nonsubject higher value-added products, such as cold-
16 rolled. Petitioners' generalized claims as to hot-
17 rolled demand generally, wrong as they are, do not
18 apply to our need to supply hot-rolled for downstream
19 operations.

20 Ten years ago, at the time of the original
21 ITC hot-rolled antidumping investigations, the U.S.
22 market was far more important to Taiwan. Ten years
23 ago, the small Asia market was not important. But now
24 the huge Asia market is Taiwan's focus. Taiwan hot-
25 rolled exports outside of its home market are

1 relatively small.

2 China Steel supplies its Vietnam, India, and
3 Malaysia affiliates with hot-rolled to make higher
4 value-added downstream products. China Steel also has
5 coil centers in China, Vietnam, and Thailand, to whom
6 it supplies Taiwan hot-rolled. These China Steel coil
7 centers are joint ventures with local producers
8 consuming hot rolled.

9 The October 1, 2013, issue of *SBB* reported
10 Taiwan hot-rolled producers facing strong demand and
11 sales, and significantly rising prices, both within
12 Taiwan and more generally. That is correct. Taiwan
13 hot-rolled prices have increased significantly since
14 August 2013.

15 And any offshoring from Taiwan of
16 manufacturers who consume hot-rolled occurred over
17 five to ten years ago, and not since. Actually, even
18 where Taiwan manufacturers who consume hot-rolled
19 moved offshore, Taiwan hot-rolled producers still
20 supply them. An example, one Taiwan auto parts
21 producer kept its Taiwan facility, consuming hot-
22 rolled, but then also built a China one. China Steel
23 now supplies both facilities with hot-rolled from
24 Taiwan. So offshoring increased demand for Taiwan
25 hot-rolled.

1 Taiwan and China have an Economic
2 Cooperation Framework Agreement, ECFA. ECFA reduced
3 the China import tariff on hot-rolled from Taiwan from
4 3 percent to zero. So ECFA facilitated Taiwan sales
5 to China. In contrast, the Taiwan import tariff on
6 China hot-rolled was 0 percent before and after ECFA.

7 Anyway, China hot-rolled is low or poor
8 quality, limiting China's ability to sell into Taiwan.

9 Taiwan seeks bilateral agreements with Asian
10 countries generally, to further bolster Asia trade.
11 So Taiwan has to do with China too. Taiwan already
12 has such a bilateral agreement with New Zealand.
13 Taiwan is now negotiating one with Singapore.

14 Second, because of skyrocketing oil prices
15 over the last five years, over doubling, shipping
16 costs from Taiwan to the U.S. have also climbed
17 sharply. High freight costs have a particularly large
18 impact on lower value steel products such as hot-
19 rolled, as compared to higher value-added products
20 such as corrosion-resistant steel, which higher value-
21 added products Petitioners seem to prefer to discuss
22 as to freight costs.

23 Freight is important to whomever absorbs the
24 freight cost. Here, China Steel/Taiwan does, not
25 purchasers. So it is not clear why Petitioners

1 consider U.S. purchaser views as to freight costs.

2 Petitioners also cite to average import data
3 from all countries as to freight costs as allegedly
4 showing lower freight costs over time. If so, it is
5 simply because more imports are now from closer
6 countries to the USA, such as Canada. That only
7 further renders Taiwan less competitive, with its much
8 higher freight costs to the United States.

9 Finally, we do not understand how
10 Petitioners can claim that shipping costs do not
11 matter, while at the same time claiming that hot-
12 rolled is a price-sensitive product.

13 Third, the Taiwan dollar has appreciated 11
14 percentage points vis-à-vis the U.S. dollar over the
15 last five years, i.e., again since the Commission last
16 looked at Taiwan hot-rolled. That is a *huge* loss of
17 competitiveness for Taiwan.

18 In contrast, the Japanese yen has
19 depreciated, so facilitates Japan exports. Perhaps
20 that explains the relatively small niche Japanese hot-
21 rolled exports to the USA after revocation of the
22 antidumping order as to Japan, as to which Petitioners
23 now complain, wrongly.

24 Fourth, Taiwan is operating at full
25 effective production capacity already as to hot-

1 rolled. Our hot-rolled order books are full. We
2 believe that an updated staff report reflecting the
3 latest Taiwan producer questionnaire responses will
4 reflect Taiwan's essentially full hot-rolled capacity
5 utilization. Those updated questionnaire responses
6 properly account for: a) internally transferred hot
7 rolled to make downstream products from hot-rolled; b)
8 the effective decline in Taiwan hot-rolled production
9 capacity from Taiwan's transition from commodity low
10 grade hot-rolled to more specialized, niche, high
11 value hot-rolled for auto, structural, and mechanical
12 uses, and the now smaller individual production runs
13 for custom-made products that are eco-friendly or
14 special specifications for auto uses.

15 In any event, upcoming necessary maintenance
16 and repair as to China Steel's blast furnaces will
17 remove over 3 million short tons of Taiwan hot-rolled
18 supply within the next three years, over a 20 percent
19 reduction in Taiwan hot-rolled capacity.

20 Fifth, across the board, Taiwan exports of
21 low value-added products, not just hot-rolled, to the
22 United States have significantly dropped, again due to
23 skyrocketing freight costs and Taiwan NT dollar
24 currency appreciation.

25 Sixth, China Steel's hot-rolled mill is over

1 30 years old, so fully depreciated. That minimizes
2 fixed costs. Even with Dragon Steel's new mill, low
3 overall depreciation costs, there is no incentive to
4 sell and price to cover fixed costs.

5 Finally, seventh, China Steel Taiwan sells
6 high-end grades and specifications, especially as to
7 export. They are priced at a comparatively high
8 level, given market value and manufacturing cost. As
9 a result, Taiwan export prices to the third countries
10 would not be less than U.S. market prices going
11 forward.

12 Anyway, our interest is using hot-rolled in
13 our Asian downstream facilities to produce higher
14 value-added, higher-priced, nonsubject goods. We want
15 to keep those downstream facilities running also to
16 cover the fixed costs to which Petitioners refer. Our
17 downstream facilities producing nonsubject from hot-
18 rolled are much newer than our hot-rolled facilities,
19 so less depreciation and higher fixed costs.

20 In the original U.S. hot-rolled
21 investigation against Taiwan, now ten years ago, we
22 filed a full responses to the United States Department
23 of Commerce questionnaires aimed to determine our
24 dumping margin. We did as quickly as possible. We
25 regrettably could not meet Commerce deadlines. So

1 Taiwan was subject to the petitioner adverse facts
2 alleged dumping margin.

3 Later, another U.S. antidumping
4 investigation started, now as to cold-rolled. There,
5 more experienced, we met Commerce deadlines. We got a
6 low dumping margin, indeed, the lowest of the some 20
7 investigated exporters from the some dozen countries
8 accused of dumping.

9 We could have applied for a Commerce annual
10 review to reduce our hot-rolled dumping margin from
11 the adverse facts petition alleged rate applied to us
12 in the original investigation, to a dumping margin
13 based on our actual situation. But for reasons
14 discussed above, there was really no value to do so.
15 The market and situation changed. We would make
16 negligible U.S. hot-rolled sales even if there were no
17 antidumping import duties.

18 Thereafter, in case after case abroad, where
19 trade actions have been brought against Taiwan hot-
20 rolled, we got no or low dumping margins, and
21 especially relative to far higher dumping margins for
22 other countries. For instance, Thailand imposed a 33
23 percent tariff on China hot-rolled, but none on
24 Taiwan. All this created huge opportunities for
25 Taiwan in those Asian countries. Perhaps we can thank

1 the education we received in the U.S. trade actions.

2 China Steel has no interest in the Canada
3 plate cases to which the Petitioners refer. The
4 Taiwan export quantities are *de minimis*. Again, North
5 America is not our interest. Asia is.

6 We understand that under pertinent
7 Commission precedent the conditions exist for a
8 separate Commission sunset decision for Taiwan alone.

9 First, Taiwan has had, and will have, no
10 discernible impact on the U.S. hot-rolled market.
11 Indeed, we have not sold subject hot-rolled to the
12 U.S. in years. Nor do we believe that Taiwan overall
13 has. The ITC staff report indicates some *de minimis*
14 Taiwan hot-rolled sales to the USA. We think that
15 should be explored further. It seems data error.

16 Second, Taiwan is subject to special
17 conditions of competition, as discussed above.

18 Third, if Taiwan did sell to the USA, it
19 would be high quality niche products, such that Taiwan
20 would not be competing with other subject countries.
21 Taiwan sells the best quality among the subject six
22 countries. In fact, the ITC staff report already so
23 said.

24 So perhaps you are wondering why we traveled
25 all the way from Taiwan to testify before you today,

1 when we were not interested in selling hot-rolled to
2 the United States. We wish to correct the record as
3 to Petitioner claims and clear our good name. We are
4 not injurious dumpers. We don't want such U.S. claims
5 used against us in other markets that are more
6 important to us.

7 Also, the ITC asked questions and wishes
8 information in this sunset review. We wish to
9 cooperate with the ITC. We believe it is good form to
10 cooperate with foreign governments.

11 Anyway, we have minimized resources devoted
12 to this matter. We focused on providing information
13 on our own, as to our understanding of what the ITC
14 desires to make a decision.

15 We hope that we were helpful as to your
16 informational needs. Thank you.

17 MR. WAITE: May I have a time check from the
18 secretary, please?

19 MR. BISHOP: You have 18 minutes remaining.

20 MR. WAITE: Thank you. Good afternoon, Mr.
21 Chairman and Members of the Commission. Again, my
22 name is Fred Waite, with the law firm of Vorys Sater,
23 and I'm here on this panel on behalf of Shang Chen
24 Steel Company, a Taiwanese producer of hot-rolled
25 steel products.

1 You have already heard from the rest of the
2 Taiwanese industry, China Steel and its two
3 affiliates, Chung Hung and Dragon Steel. All of the
4 producers in Taiwan have submitted questionnaire
5 responses to the Commission, as well as prehearing
6 briefs. Thus you have complete participation and a
7 complete picture of the hot-rolled industry in Taiwan.

8 My testimony this afternoon will be focused
9 on the factors that the Commission considers in making
10 its decision regarding decumulation. Shang Chen and
11 the entire Taiwanese industry believe that the
12 Commission should not cumulate Taiwan with imports
13 from other subject countries because Taiwan is likely
14 to compete in the U.S. market under different
15 conditions of competition.

16 First, as you have already heard from the
17 witness from China Steel, the Taiwanese producers sell
18 hot-rolled products almost exclusively in their home
19 market and nearby markets in other Asian countries.
20 As the prehearing report confirms, their shipments to
21 customers in Taiwan and Asia accounted for almost all
22 of their open market shipments during the period of
23 review, ranging from 95 percent to virtually 100
24 percent in any given year.

25 These are the natural markets for the

1 Taiwanese mills, and demand in Asia, including Taiwan,
2 has been strong and growing during the POR. Moreover,
3 it is projected that high levels of consumption and
4 demand in these markets will continue into the
5 foreseeable future.

6 Second, the Taiwanese industry dedicates a
7 significant portion of its output of hot-rolled
8 products to the internal production of downstream
9 value-added products such as cold-rolled sheet,
10 galvanized sheet, and pipe. During the POR, the
11 Taiwanese industry's internal consumption grew,
12 reaching almost one-half of its total production of
13 hot-rolled steel in 2012.

14 In fact, all four of the mills in Taiwan
15 reported increases in their internal consumption of
16 hot-rolled over the period. This trend is expected to
17 continue. Since 2010, the industry's sales of hot-
18 rolled within Asia plus internal consumption have
19 accounted for 97 percent or more of total production
20 of hot-rolled in Taiwan.

21 Third, U.S. imports of hot-rolled products
22 from Taiwan have displayed different pricing patterns
23 than other subject imports. Admittedly, most of the
24 data is stale because no Taiwanese producer has
25 shipped subject merchandise to the United States

1 during the period of review. However, the pricing
2 data from the original investigation show that imports
3 from Taiwan oversold the domestic industry 64 percent
4 of the time. By contrast, the other subject countries
5 consistently undersold the domestic industry in most
6 comparisons.

7 In the first sunset review, Taiwan oversold
8 the domestic industry in every comparison. By
9 contrast, Ukraine undersold the domestic industry 100
10 percent of the time, and China undersold 60 percent of
11 the time. Thus the results for Taiwan are
12 dramatically different from those of the other subject
13 countries.

14 Finally, there is unlikely to be any
15 discernible impact on the U.S. industry by imports of
16 hot-rolled steel from Taiwan. During the POR, subject
17 merchandise from Taiwan was absent from the U.S.
18 market. The responses of all the Taiwanese producers
19 confirm that the industry had no shipments of subject
20 merchandise to the United States since 2007.

21 This is not surprising, given that the
22 Taiwanese industry has concentrated virtually all of
23 its production of hot-rolled steel products on
24 customers in the home and nearby Asian markets and on
25 internal consumption for the production of value-added

1 downstream products.

2 These markets and applications are strong
3 and growing, and the Taiwanese industry is dedicated
4 to serving them into the foreseeable future and
5 beyond. Revocation of the order would not alter these
6 facts. Thank you.

7 MR. LUNN: Good afternoon. My name is Mark
8 Lunn. I'm a partner at the law firm of Dentons, here
9 today representing Essar Steel.

10 I've had the opportunity to work in India
11 since 1998, more or less since the time of the
12 original investigation in this case. One of the most
13 fascinating parts of my work in India has been
14 watching the country grow and develop. The population
15 has grown from just over one billion people in 2000 to
16 1.22 billion in 2012, and the growth rate of 1.6
17 percent is expected to continue for the foreseeable
18 future.

19 Urbanization, which was 28 percent in 2000,
20 has increased to 31 percent in 2012. Moreover, the
21 population is also very young. India has a median age
22 of 28. All of these young, urban people need more
23 infrastructure, which means more steel.

24 Since 2000, in Mumbai, I've seen large areas
25 that previously were abandoned manufacturing areas in

1 the heart of the city be developed with skyscrapers
2 and shopping malls. I've seen highways built in
3 Gujarat, a subway built in New Delhi, new bridges
4 connecting Delhi with Noida, and effectively entirely
5 new cities built.

6 For example, the city of Gurgaon outside of
7 Delhi was at most a village in 2000 that I had never
8 heard of. It now has a population of over 1.5 million
9 people, and it rivals Delhi as the commercial center
10 of the area.

11 Basically, the country of India today is
12 very different from 2000, and similarly the steel
13 industry is very different. I'm here today to discuss
14 why if the order as to India is revoked, there will be
15 no discernible effect on the U.S. industry.

16 Since 2000, steel markets globally have
17 changed. Industries have restructured and new markets
18 have emerged. The most significant change over the
19 last 13 years is the growth in new markets around the
20 world. Asia now accounts for over half of the world's
21 consumption of steel, and that is not expected to
22 change.

23 As the global market changed, so did the
24 Indian market. As the economy in India grows, so does
25 the demand for steel. Since 2000, the Indian economy

1 has grown by an average annual rate of nearly 8
2 percent. If you go to slide one, you can see as the
3 GDP has grown, so has the per capita demand for steel.

4 The per capita demand for steel, which was 27 kilos
5 in 2001, has grown to 58 kilos in 2011, and is
6 expected to grow to 115 in 2020.

7 Even with this growth, per capita demand for
8 steel in India will continue to lag behind other
9 nations. India's per capita demand for steel of 57
10 kilos in 2012 is significantly below the level of
11 China, at 477, not to mention 306 in the United
12 States, and 1,114 in South Korea.

13 If you look at slide two, it shows the
14 progression since 2006 of the comparison of production
15 and consumption of steel in India. As you can see, in
16 2006, the production and consumption were basically
17 equal. They were consuming basically the same amount
18 of steel as they were producing. Today, India is a
19 net importing country.

20 If you go to slide three, you can see in
21 2011-2012, India imported 7 million tons of steel
22 while it exported only 4 million tons. Where is the
23 increased consumption of steel going in India? We've
24 heard earlier how important the auto industry is to
25 the U.S. steel market. The same is true in India.

1 If you go to slide four, automobile
2 production in India has grown by a compound annual
3 rate of 13.2 percent from fiscal year 2008 to 2012,
4 and is expected to grow by 13 percent from 2012 to
5 2021. The additional cars will require additional
6 roads. During the period 2007 to 2012, India added
7 10,228 kilometers of new roads. Moreover, since 2000,
8 India has undertaken massive investments in
9 infrastructure, as can be seen from slide five.

10 Infrastructure and construction grew by 9.6
11 percent compound annual rate from 2002 to 2012, and
12 this is projected to grow 8.5 to 9.5 percent from 2012
13 to 2021. The same is expected in other areas as well.

14 All of these developments have resulted in increased
15 demand, domestic demand, in India for steel. This
16 demand is across the steel spectrum, including hot-
17 rolled coils, which is a subject of today's hearing.

18 As you can see from slide six, the
19 consumption of hot-rolled coils is expected to more
20 than double between 2012 and 2020, and as with all
21 steel products, the distribution will be spread evenly
22 across a number of sectors.

23 Indian steel producers continue to export to
24 a wide number of countries. No one market dominates.

25 There is no reason to believe that Indian producers

1 will abandon these other markets or their home market,
2 for that matter, to divert substantial quantities of
3 hot-rolled coil to the United States in the event this
4 order is revoked as to India.

5 The Indian economy has grown, and will
6 continue to grow. With that growth will come an
7 increased demand for steel. As U.S. producers are
8 uniquely situated to provide steel to the U.S. auto
9 industry, Indian producers are in the best position to
10 service its auto manufacturing and infrastructure
11 sectors.

12 For the foreseeable future, this will
13 consume the vast majority of steel in India.
14 Therefore, little if any steel will be available for
15 the export to the United States if this order is
16 revoked as to India, and revocation of the order will
17 have no discernible effect on the U.S. industry.

18 Thank you.

19 MR. WAITE: Thank you, Mr. Chairman. That
20 completes our panel's testimony.

21 CHAIRMAN WILLIAMSON: Thank you. I want to
22 express the Commission's appreciation for your
23 testimony. We particularly want to express
24 appreciation for the witnesses who have come across
25 the Pacific for this hearing. In fact, who have come

1 across the Pacific twice, and we really appreciate the
2 effort you've shown. And we understand that Mr. C.K.
3 Fan Chiang and Mr. Chien-Chung Chu, and I guess Ms.
4 LunFan Lin, must leave by 4:30.

5 So what I propose to do is ask commissioners
6 if they have questions for them to focus on those
7 first, and then we'll go to questions for everybody.
8 And this afternoon we're starting with Commissioner
9 Pinkert.

10 COMMISSIONER PINKERT: Thank you, Mr.
11 Chairman, and I thank all of you for being here today.

12 I note that there are two former Commerce Department
13 colleagues on the panel, and I welcome them as well.

14 I want to begin with a question for the
15 Taiwanese representatives. I know that you have to
16 get going, and I wanted to ask you about the increase
17 in hot-rolled steel capacity in Taiwan over the review
18 period. As you know, the domestic industry argues
19 that the Asian market is severely oversupplied with
20 hot-rolled steel. So if that's true -- and you can
21 certainly contest that, but if it's true, why would
22 there have been the increase in capacity over the
23 review period?

24 MR. FAN-CHIANG: (Through Ms. Lin as
25 Interpreter) As far as I know, there are three main

1 importing country areas, North America, Europe, and
2 Asia.

3 And the situation is quite different now
4 because in Asia country, the demand for Asia country
5 has more than doubled in comparison with ten years
6 ago.

7 As far as everybody knows, that the hot-
8 rolled products are very base material, so it will be
9 kind of a low-profit product.

10 So in order to increase the profit, so we
11 have several downstream operations, capacity increase,
12 including that we have our cold-rolled plants
13 expansion, and also we have several Asia affiliates
14 also operating in the downstream operation.

15 So our capacity expansion is mainly focused
16 on to a supply to our own downstream end use and also
17 our affiliate operation in Asia countries. Thank you.

18 COMMISSIONER PINKERT: Thank you very much.

19 Now, Mr. LaFrankie, you testified both for
20 yourself and for your business representative about
21 the trend in terms of Thai exports and how there is
22 much more focus on the domestic market now. What I
23 want to ask you is were Thai exports pushed out of
24 India, or did they leave the Indian market for their
25 own reasons?

1 MR. LaFRANKIE: Yeah. They're leaving and
2 have left all markets for their own reasons, which
3 again is to focus on the home market, for a variety of
4 reasons, one of which is the home market is really
5 growing. Also, it can't be avoided that at least
6 recently two of the three producers are shut down and
7 remain shut down, and that has created a void in the
8 home market, which again they need to fill.

9 And just while I'm mentioning, if I can
10 clear that point up a little bit, there has been some
11 confusion about who shut down, who is not shut down.
12 There is G Steel and GJ Steel. They're two separate
13 companies, although G Steel does own almost 50 percent
14 of GJ Steel, so they're affiliates.

15 But currently, what is in the staff report
16 is correct, up to a point, that GJ Steel has restarted
17 its operations, but not completely. And I think the
18 best information I have is they are supposed to get to
19 50 percent by the end of the year. But as far as I
20 know, they're not that high. And G Steel is still
21 completely shut down. They have been shut down for a
22 year, and it's not clear what is going to happen with
23 them.

24 And in fact, I found it interesting when you
25 asked the questions earlier about who knew what was

1 going on with them. I would suspect that
2 ArcelorMittal would know more than I would because
3 they had looked into purchasing them. And for
4 whatever reason, I suspect they didn't think it was a
5 good investment. They walked away from the deal.

6 But beyond that, the two companies, one is
7 completely shut down, one is partially operational.

8 COMMISSIONER PINKERT: Thank you. So just
9 to have a complete answer on this broader question
10 about the reason for leaving these different markets,
11 is it your testimony that the Thai exports to India,
12 Indonesia, and Vietnam were not pushed out of those
13 markets by government policy or anything of that sort,
14 but again left because the home market was more
15 attractive?

16 MR. LaFRANKIE: Yes, that's my
17 understanding, that the focus is on the home market
18 now. You know, could there be a time lag in terms of,
19 you know, you have longer-term contracts that you have
20 to deal with? But as far as I know, right, you know,
21 there are shipping costs and everything else. But the
22 focus is on the home market. It's growing. There has
23 been reconstruction efforts because of the flood,
24 which is still ongoing. And there is continued
25 spending for that as well as anticipated government

1 spending about to come into the pipeline moving
2 forward.

3 But, yes. And particularly there has been
4 growth in the automotive sector as well. And the Thai
5 economy has been strong, other than the setbacks that
6 everybody had in 2009 and of course the flood. But,
7 yes, there has just been a continued emphasis on the
8 Thai market.

9 COMMISSIONER PINKERT: Right. And so it's
10 your testimony that it wasn't the governments of
11 India, Indonesia, or Vietnam that took any action
12 against those exports.

13 MR. LaFRANKIE: Yeah. I'm not sure what you
14 mean by actions. I mean there's no dumping cases
15 other than Indonesia which has been in effect. I'm
16 not sure what other actions you'd be referring to.

17 COMMISSIONER PINKERT: Well any sort of
18 government policy, whether it be related to customs or
19 related to antidumping or anything else that might
20 have caused that departure from those markets, rather
21 than simply a desire to focus on the home market.

22 MR. LaFRANKIE: As far as I'm aware it's
23 market based. Other than there is an Indonesian
24 dumping order.

25 COMMISSIONER PINKERT: Thank you.

1 COMMISSIONER JOHANSON: I would also like to
2 thank the witnesses for appearing here today,
3 especially those of you from Taiwan. Welcome back
4 again. Sorry it didn't work out the first time that
5 you were here, but we do appreciate you being present
6 today.

7 Taiwanese producers state that they are
8 focusing on sales of their product in Asia, but China
9 has added significant capacity in recent years in the
10 production of hot-rolled steel. Has higher Chinese
11 production resulted in lost sales for Taiwanese-
12 produced hot-rolled steel in Asian markets?

13 MR. FAN-CHIANG: (Through Ms. Lin as
14 Interpreter) Overcapacity problems in China has been
15 a long problem, it has been a problem for a long time.
16 As far as I know there is untraded prices. They
17 indicated that the new prices of the new Chairman of
18 China, they would like to conduct some policy in order
19 to have some reduction in their steel industry.

20 So based on as far as I know the Chairmen of
21 China they like to reduce the capacity. According to
22 the press the amount should be about to 18 million
23 tons.

24 China's main focus in the steel industry,
25 our products are mainly focused on low end products.

1 Because China steel and also Taiwan industries, we are
2 mainly focused on high end products, so the impacts on
3 ours are not so big. Thanks a lot.

4 COMMISSIONER JOHANSON: How about the trade
5 agreement between China and Taiwan which was entered
6 into fairly recently. Has that resulted in increased
7 exports of hot-rolled steel from China to Taiwan?
8 Because I believe your tariff has gone down from maybe
9 three percent to zero percent.

10 MR. FAN-CHIANG: The ACFA agreement to this
11 for Taiwan, the Taiwan part that, because for Taiwan
12 the import duty against China is before ACFA and after
13 ACFA are both zero percent, so actually there are no
14 impact on Taiwan side because before ACFA our import
15 duty for Chinese imports already is zero. But because
16 of the ACFA, China's import duty for Taiwan, Taiwan's
17 exports, they would decrease from three percent to
18 zero percent so kind of facilitates our exports rather
19 than has an impact.

20 COMMISSIONER JOHANSON: Thank you. In my
21 head I got the tariffs mixed up, I got them backwards.
22 We have to read a lot of material when we prepare for
23 these, so thank you for answering that question.

24 I have another question for you, focusing
25 again on China. I asked before if China had squeezed

1 Taiwanese product out of other Asian markets. I'm now
2 going to ask, has Chinese product squeezed Taiwanese
3 produced steel out of the Taiwanese market?

4 MS. LIN: You mean hot-rolled, right?

5 COMMISSIONER JOHANSON: Hot-rolled steel,
6 yes.

7 MR. FAN-CHIANG: As far as I know, China
8 means as the exports only the low end products. So
9 the high end products usually were using their
10 domestic order sector. So the exports are mainly on
11 low end products.

12 So China's policy has changed to high
13 specialized products and also custom made products.
14 So we are seeking for more high profit and high value
15 aided products, so that would be different from
16 China's export policy that is mainly focused on low
17 end products.

18 We also submitted an updated response
19 recently, I think maybe today or yesterday, and we
20 added some material, mentioned that we are focusing on
21 more variety of products and we have less production
22 quantity in the visual realms. So in our updated
23 response you can see that we provide the numbers of
24 our specifications ordered by our customers.

25 So you can see that there has been a

1 consistent growing of our specifications made. In the
2 POR our specifications ordered by our customers has
3 been growing. That being said, we are kind of in a
4 transition to a more variety of the steel industry for
5 hot-rolled products.

6 COMMISSIONER JOHANSON: If Taiwan is
7 focusing on higher end hot-rolled products, who is
8 supplying lower end hot-rolled products to the
9 Taiwanese market?

10 MR. FAN-CHIANG: Because Taiwan is also open
11 market, so there are some imports, we also have some
12 imports. So we of course China steel, we also offer
13 some commercial grade, but we are in a transition to
14 more variety. In the two higher, commercial grade, we
15 are seeking to develop more variety and also more high
16 end products.

17 COMMISSIONER JOHANSON: So the commercial
18 grade is a lower grade product, is that correct?

19 MS. LIN: Correct.

20 COMMISSIONER JOHANSON: This question
21 follows what we've been discussing right now and that
22 is the whole issue of hot-rolled steel being a
23 commodity product. One of the witnesses this morning
24 for the Petitioners stated that hot-rolled steel is a
25 commodity. And we all know it's a commodity, but

1 there are gradations within that commodity, I assume
2 you would agree.

3 The witness also stated, from what I recall,
4 the price, that the issue in the sale of hot-rolled
5 steel is price. And that is really what it is.

6 Can you comment on that?

7 MR. FAN-CHIANG: If you only see the hot-
8 rolled part, of course it is a commodity, but because
9 it's the base material for a lot of downstream
10 products, so it is also, when it becomes the input of
11 the downstream production, then hot-rolled value
12 becomes different.

13 So hot-rolled products have very different
14 kinds of specifications. Some specifications are used
15 only for downstream products such as tin plate used
16 for cans. They have specifications, when we are
17 producing this kind of hot-rolled, it's used for the
18 tin plate.

19 COMMISSIONER JOHANSON: And even if Taiwan
20 is producing higher end hot-rolled steel product, the
21 U.S. market is large. There are many different uses
22 for hot-rolled steel. Why could we not expect
23 Taiwanese product, even the higher end product, to
24 enter the U.S. market if the order goes away?

25 MR. FAN-CHIANG: When we make selling

1 decisions we need to consider a lot of factors
2 including of course our cost of selling and the
3 manufacturing. Because the distance between Taiwan
4 and U.S. are quite far, so there would be high
5 transportation costs, would cause a problem for us to
6 access to U.S. markets. Also our, in Taiwan dollars,
7 building a POR, our appreciation has reached about 11
8 percent. So quite a difference in export to the U.S.
9 markets.

10 Furthermore, that because we are trying to
11 target for the high end product, so if we did sell to
12 U.S. we will mainly, we will consider to sell to auto
13 sector, but usually the auto sector, they require some
14 certification process. Usually as far as I know, the
15 certification process from the auto companies usually
16 would take about two or three years and sometimes even
17 five years, so that makes, even we would like to sell
18 to U.S., maybe it would be after three or five years
19 that would be only possible to get certification, not
20 even start to sell. But gather certification from the
21 auto companies.

22 Especially when the shale gas started to
23 explored, and if successful, the shale gas is
24 successfully explored, then it will make the energy
25 costs for U.S. industry even lower and it will become

1 more competitive. So such competitive, it will be
2 hard for us to enter into the U.S. market. Even
3 harder.

4 COMMISSIONER JOHANSON: Thank you for your
5 responses. My time has expired.

6 CHAIRMAN WILLIAMSON: Commissioner
7 Broadbent?

8 COMMISSIONER BROADBENT: Thank you.

9 I understand that our Taiwanese friends have
10 to leave fairly soon, so I'll just give a couple of
11 questions in your direction.

12 When I came in you were talking a little bit
13 about a commitment that China had made to reduce
14 capacity for production of steel due to environmental
15 challenges and so forth that they're facing. I didn't
16 quite understand the specifics of it. I've read about
17 it in the press.

18 Could you tell me what you understand China
19 has said they are going to do in terms of the
20 reduction of steel production?

21 MS. LIN: You mean about the details or how,
22 the content we know?

23 COMMISSIONER BROADBENT: The Chinese have
24 made some announcement that they're going to reduce
25 steel production

1 MS. LIN: Yes.

2 COMMISSIONER BROADBENT: Could you describe
3 that to me, what it is, where they made it, what
4 they've committed to?

5 MR. FAN-CHIANG: As far as I know from doing
6 the research in the past days, I think that China has
7 announced that they would like to reduce the capacity.
8 This is a long time problem and they have to solve
9 this problem for a long time, but they think that
10 before they change of the Chairman, they think that
11 maybe in order to keep the economic growth rate, so if
12 that is not come so well in the past days.

13 Due to the change of Chairman I think they
14 kind of want to restructure the steel industry for
15 hot-rolled products, so like the announcement said,
16 they would like to reduce the capacity to a
17 significant amount.

18 COMMISSIONER BROADBENT: But I guess they
19 haven't been very specific, and that's okay. I just
20 was wondering if you knew more about it than I do, but
21 I know USTR is probably interested in getting a firm
22 commitment from them given the overcapacity situation
23 that we're seeing.

24 Mr. Fan-Chiang, you mentioned that China's
25 ability to sell hot-rolled steel to Taiwan is limited

1 because of the poor quality of the Chinese product.
2 Can you explain why you consider Chinese hot-rolled
3 steel to be of low quality?

4 MR. FAN-CHIANG: For China market because
5 the industry is still relatively young in comparison
6 to other countries, and they are kind of first grade
7 still companies such as Ball Steel, its quality is
8 kind of the higher than other steel companies but they
9 still don't export their higher products to exports.
10 Usually the exports to other countries kind of the
11 second grade of steel companies. So that's why I
12 consider the reality is that the quality export to
13 other countries usually is the lower grade.

14 COMMISSIONER BROADBENT: Does this condition
15 affect its exports to other markets? Are they limited
16 in what they can sell to different Asian markets
17 because of the quality?

18 MS. LIN: You mean the limitation will also
19 apply to other countries?

20 COMMISSIONER BROADBENT: Yeah.

21 MR. FAN-CHIANG: For this part I'm not so
22 sure.

23 COMMISSIONER BROADBENT: Thank you.

24 Mr. Fan-Chiang, you mentioned that the high
25 freight costs limit shipping steel long distances.

1 For the record could you give us your estimates for
2 port to port shipping costs from Taiwan to the United
3 States?

4 MR. FAN-CHIANG: AS far as I know the ocean
5 freight costs to the West and South U.S. is about 72
6 to 80 per ton. For Eastern side is about 90 to 100
7 per ton.

8 COMMISSIONER BROADBENT: I think we had
9 testimony this morning from Petitioners that it was
10 more in the range of 40 per ton. Is that realistic?

11 MR. FAN-CHIANG: We have, for this question
12 we have asking our cooperating ocean companies. The
13 quote I just quoted is based on our ocean supply,
14 ocean transportation suppliers.

15 COMMISSIONER BROADBENT: If you could supply
16 any information you have on that for the record, that
17 would be very helpful.

18 MS. LIN: I think we have included that in
19 our prehearing brief.

20 COMMISSIONER BROADBENT: Great. I'm sorry I
21 missed it.

22 I just wanted to, I think I understood that
23 there was an earthquake in Taipei maybe today or
24 yesterday, but that no one was hurt, and I'm just
25 grateful for that. I hope everyone is safe there. It

1 sounded like it was pretty nerve-wracking.

2 Thank you for coming so far, and we
3 appreciate your testimony.

4 CHAIRMAN WILLIAMSON: Thank you.

5 Commissioner Kieff?

6 COMMISSIONER KIEFF: I add my thanks and
7 appreciation for the long travel twice, and the
8 serious exchange of information.

9 To follow my colleague's question about
10 shipping costs, can you give an estimate of the
11 shipping cost to some place closer like inside Asia
12 but still by boat from Taiwan?

13 MR. FAN-CHIANG: Based on the exhibit we
14 submitted in our prehearing brief, the freight costs,
15 ocean freight costs ship to some Asia countries about
16 15 to 35 per ton. To Middle East it's about 40 to 50
17 per ton.

18 COMMISSIONER KIEFF: Forty to 50 per ton
19 for?

20 MS. LIN: To Middle East. For Southeast
21 Asia is about 15 to 35.

22 COMMISSIONER KIEFF: Of this are you
23 including in these numbers the cost of putting the
24 steel on the boat? Or is this only the cost of moving
25 on the boat?

1 MR. FAN-CHIANG: I'm not sure about that. I
2 can check with my ocean freight supplier and then
3 reply in posthearing.

4 COMMISSIONER KIEFF: That would be great to
5 follow up so that we could have an understanding of
6 what seems to be the cost of moving the steel onto the
7 boat and then moving the steel once it is on the boat
8 near or far.

9 MS. LIN: The loading fee is not very big,
10 even if -- No matter is including or included, the
11 loading fee is not a very big amount.

12 COMMISSIONER KIEFF: Interesting.

13 A different question then. Is it correct
14 that the Taiwanese producers send to the U.S. steel
15 other than hot-rolled steel covered by this order?
16 Something not part of this case. Is it correct that
17 this steel that is not part of this case is shipped to
18 the U.S. from Taiwan?

19 MS. LIN: You mean the hot-rolled products
20 are not subject to order? Not hot-rolled. You mean
21 cold-rolled?

22 COMMISSIONER KIEFF: Cold-rolled or
23 corrosion resistant or any of the different products
24 that are different from this order.

25 MS. LIN: Mr. Fan-Chiang is responsible for

1 hot-rolled so he is not so sure about, so maybe he can
2 check and reply later.

3 COMMISSIONER KIEFF: Yes. And let me tell
4 you the reason why I'm asking, and then ask if you
5 could provide explanation also for the reason. We are
6 being asked to predict what will happen in the future
7 if we lift the order. The people who were here this
8 morning, one of the things they said is that if we
9 lift the order Taiwan hot-rolled steel will come to
10 the U.S. and they want us to infer, to guess, that
11 this will happen in part because non-hot-rolled steel
12 from Taiwan comes to the U.S.

13 So if it is correct that non-hot-rolled
14 steel from Taiwan comes to the U.S., can you help
15 explain to us why we would expect hot-rolled steel
16 would not come to the U.S. if we lift this order?

17 MS. LIN: As far as I know, we have OCTG
18 export to the U.S., OCTG products export to U.S. But
19 it's obvious that because these downstream products
20 are using hot-rolled as a raw material, so we are
21 export these downstream products to U.S. and we of
22 course -- Why is that? Because the downstream product
23 has a higher profit margin. When the product with
24 higher profit margin, that means that in comparison
25 with hot-rolled, the profit would be more so the

1 freight costs would be relatively small. Percent, in
2 terms of a percentage.

3 If we choose to export the downstream
4 products to the U.S. and then it will be impossible
5 for us to export hot-rolled. We are mainly focused on
6 the high end, also downstream product in order to earn
7 more profit. That's why we are choosing that it would
8 be our downstream products would be, like OCTG that
9 would be a more higher value added products.

10 COMMISSIONER KIEFF: So you're saying that
11 you ship those other products because you get more
12 profit on them, but not on this.

13 MS. LIN: Because there is a base material,
14 so is the profit margin for hot-rolled is relatively
15 low. The different products, you cannot say that you
16 sell OCTG to the U.S. and then you mean that you could
17 sell any kind of steel products to the U.S. because
18 they are kind of different level of products, cannot
19 be compared. Neither apple to apple comparison.

20 COMMISSIONER KIEFF: Are you asking us then
21 to make the inference that there will be no hot-rolled
22 steel imported into the U.S. if we lift this order?
23 Or are you asking us to make the inference that there
24 will be a small amount from Taiwan, but it won't have
25 an adverse impact on the U.S. market?

1 MS. LIN: You are asking whether there are
2 no sales volume or small sales volume?

3 MR. FAN-CHIANG: I think if the order is
4 revoked it's because we were trying to sell the high
5 end product, so I think for example it is possible for
6 us the auto sector would be the more high profit
7 product. So maybe we will try to compact with the
8 auto sector in order to get a certification process,
9 and after maybe three or five years certification
10 process then we can starting to sell a very small
11 amount to U.S.

12 COMMISSIONER KIEFF: Thank you very much. I
13 have no further questions.

14 CHAIRMAN WILLIAMSON: Thank you.

15 You mentioned the Taiwanese dollar has
16 appreciated significantly. I was wondering if you
17 could explain further what impact you think that would
18 have on the potential sale of hot-rolled to the United
19 States.

20 MS. LIN: You mean for auto sector or --

21 CHAIRMAN WILLIAMSON: For the subject
22 product, given the appreciation in the exchange rate.

23 I think you did mention you thought it would be hard,
24 but I thought there might be further elaboration on
25 that or additional points you wanted to make.

1 MS. LIN: Appreciation?

2 CHAIRMAN WILLIAMSON: Yes. Exchange rate.

3 MR. FAN-CHIANG: Because the higher product
4 is kind of low profit product, so appreciation rate
5 percentage will be reached by about 11 percent, so it
6 is already too high for these kind of low profit
7 products.

8 CHAIRMAN WILLIAMSON: Has it appreciated
9 against other currencies in Asia? Has the Taiwanese
10 dollar appreciated against other currencies in Asia?
11 How has that affected sales in Asia, in other Asian
12 markets?

13 CHAIRMAN WILLIAMSON: I did not make this
14 comparison so I cannot answer now. So maybe I could --

15 CHAIRMAN WILLIAMSON: If you have anything
16 post hearing that's useful.

17 Also, as you may recall, this morning
18 Petitioners had argued that because Taiwan was selling
19 other product, other steel products to the U.S., that
20 it would not be hard to reenter the U.S. market if the
21 orders were lifted.

22 I think you suggested that because of the
23 relatively low value of hot-rolled compared to some
24 other products that you would not be as interested in
25 doing that.

1 I guess my question is, if you have the
2 capacity to ship, would you, what do you say about the
3 Petitioner's argument that it would be very easy for
4 you to come back into the market and reestablish
5 connections?

6 MR. FAN-CHIANG: Our capacity, because we
7 cannot say specific figures here, but our capacity has
8 kind of already been fully occupied because we have
9 some sponsoring products we need to produce in Taiwan
10 home market, and we'll have some commitment to our
11 Asia sponsoring operation. Also there are still some
12 Asia exports and our own domestic market. This all
13 add together. And furthermore, we have three blast
14 furnace need to repair and maintenance in next three
15 years and that will cause our reduction in capacity
16 about three million tons so it will be hard for us,
17 because kind of our capacity is fully arranged
18 already.

19 CHAIRMAN WILLIAMSON: Thank you for that.

20 No further questions here.

21 Commissioner Aranoff?

22 COMMISSIONER ARANOFF: Thank you, Mr.
23 Chairman, and welcome to this afternoon's panel.

24 Continuing with the Taiwan producers. In
25 your brief you argued and you've also said today that

1 you focus on investments that are made in downstream
2 production facilities that do or will captively
3 consume Taiwan produced hot-rolled steel. Has the
4 share of your production or total production in Taiwan
5 that's captively consumed increased over our period of
6 review? And what is the likely trend in the
7 reasonably foreseeable future?

8 MS. LIN: You are asking about the status of
9 the capacity increase or?

10 COMMISSIONER ARANOFF: The share of hot-
11 rolled production in Taiwan that's captively consumed
12 producing downstream products.

13 MS. LIN: So including our internal
14 consumption and also our transfer to our affiliates in
15 Asian operations, that include about 80 percent of our
16 hot-rolled consumption.

17 COMMISSIONER ARANOFF: Has that changed over
18 the last five years? Is it growing or about the same?

19 MS. LIN: I'm not so sure about the exact
20 figures. I can calculate that and submit in the
21 posthearing brief.

22 COMMISSIONER ARANOFF: Thank you very much.

23 The customers, the affiliated customers
24 either in Taiwan or outside of Taiwan to whom you sell
25 hot-rolled steel, are they legally required to

1 purchase their hot-rolled steel from you?

2 MS. LIN: Our affiliates?

3 COMMISSIONER ARANOFF: Yes. Not open market
4 customers, but affiliated customers, the 80 percent
5 that you just described. Are they required legally by
6 contract or some other manner to purchase their hot-
7 rolled steel from your company?

8 MS. LIN: Not legally required, but we have
9 the investment there, so from the business perspective
10 we need to supply them, otherwise they cannot operate.

11 COMMISSIONER ARANOFF: Are you currently or
12 have you recently sold hot-rolled steel to any
13 countries in North or South America other than the
14 United States?

15 MS. LIN: We also sold hot-rolled to Middle
16 East.

17 COMMISSIONER ARANOFF: But nowhere in North
18 or South America?

19 MS. LIN: We don't have any sales to Canada
20 and the U.S. in the past five years, during the POI.
21 We have no sales to either Canada or U.S.

22 COMMISSIONER ARANOFF: For posthearing if
23 you could check any other sales in North or South
24 America. So Mexico and all points south.

25 MS. LIN: Mexico we have some sales, but

1 it's very small volume and our sales to Mexico market
2 are in the auto sector. So these are niche products
3 and the unit price are relatively high for us. So
4 it's our sales to Mexico are small volume and also
5 high unit price.

6 COMMISSIONER ARANOFF: Okay.

7 You've referred a number of times to high
8 end products or high value products that you try to
9 sell or would like to sell. For your posthearing
10 submission can you define for us which products you
11 count as being high end or high value, and then let us
12 know what percentage of your total production is of
13 those products as compared to the more merchant
14 quality or whatever you would call the rest of
15 production?

16 MS. LIN: We can calculate that. In our
17 updated questionnaire response submitted recently we
18 have included kind of this kind of information. We
19 added the specification number that we have been
20 ordered by our customers and we also listed in that
21 number how many belong to the high end. We can
22 describe more specifically. We just want to stress
23 that usually when we say about the high end we are
24 meaning most about the auto sector and the tooling and
25 the machinery or structure, like that. We will

1 explain more in detail in our posthearing brief.

2 COMMISSIONER ARANOFF: Thank you very much.

3 Mr. Chairman, that's all my questions for
4 the witnesses from Taiwan.

5 CHAIRMAN WILLIAMSON: Thank you.

6 Unless any other commissioner has questions
7 for Taiwan we'll go back to the regular order and
8 thank the Taiwanese producers for answering all our
9 questions.

10 Commissioner Pinkert?

11 COMMISSIONER PINKERT: Thank you, Mr.
12 Chairman.

13 Just one more follow-up about the Thai
14 exports to India, Indonesia and Vietnam. I asked you
15 about government policy in those countries, but were
16 the Thai exports pushed out of those markets by
17 producers from other countries?

18 MR. LaFRANKIE: Not that I'm aware of.
19 Particularly not for SSI. If you're referring to the
20 Chinese maybe, most of their exports have also gone
21 down. So I don't think it's based on that factor.

22 COMMISSIONER PINKERT: If you can look into
23 that and supplement in the posthearing, I think that
24 would be helpful. Thank you.

25 Turning to Dr. Button, if you can or if

1 anybody else on the panel can, please comment on the
2 pros and cons of valuing internal consumption and
3 transfers to related firms based on the cost-plus
4 downstream profit method.

5 MR. BUTTON: Thank you, Commissioner.

6 I've read the analysis by the Petitioners,
7 I've read the staff report commentary on values. The
8 input into your downstream products, I believe the
9 constructed share value method is in fact the way to
10 go. As you're aware, that has been the traditional
11 method. I believe there's no double counting. I
12 don't think there is distortion. I don't think it
13 overstates the profit. I think it most appropriately
14 recognizes the specific conditions of competition of
15 supply and demand forces that are in the hot-rolled
16 market itself. In that respect I think it is the
17 preferable way rather than the cost difference
18 valuation method.

19 COMMISSIONER PINKERT: I think one aspect of
20 this issue is whether you might end up with a value
21 that implies a sale to the unrelated party at greater
22 than the actual price of the sale to the unrelated
23 party. Don't you want to control for that?

24 MR. BUTTON: The underlying assumption here
25 is that the commercial sales represent a true arms-

1 length price. The commercial sales of your hot-rolled
2 product into the market. And if for the purposes of
3 your profit and loss calculation you wanted to
4 transfer into your downstream activities that good at
5 a market price, then I believe your commercial sales
6 represent the best surrogate for what that price would
7 be.

8 COMMISSIONER PINKERT: Just to be clear on
9 this. If you have downstream sales of a finished
10 product, should the sale, the price of that
11 transaction represent some kind of control or cap on
12 the total internal transfer plus profit calculation?

13 MR. BUTTON: If a producer chooses to cross-
14 subsidize within its own operations, that's one thing
15 it certainly can do.

16 I think in terms of what the Commission's
17 goal here is, is to find out what the profitability is
18 for the like product, and valuing it truly in market
19 forces, you buy slab, you put that in as a cost. If
20 you sell to your affiliate producing a downstream
21 product, regardless of what it does with that, it is
22 mostly a reflection of the supply and demand forces to
23 value that at the commercial price you sell the same
24 product to someone else at.

25 COMMISSIONER PINKERT: Turning back to

1 Thailand, I understand that there's an antidumping
2 order on exports from China into Thailand of hot-
3 rolled steel with added boron. Is that a significant
4 segment of the hot-rolled steel exported from China
5 into Thailand?

6 MR. LaFRANKIE: Are you referring to the
7 safeguard action? Because there was a recent
8 safeguard action which was geared toward getting at
9 the boron aspect.

10 In terms of my understanding of what was
11 happening is that there was an antidumping order and
12 there was some circumvention because of boron added,
13 similar to the situation we had seen here many years
14 ago. The Thais responded to that and initially had a
15 preliminary decision I believe earlier this year which
16 was recently finalized, and yes, that has only
17 recently taken effect and as far as I know it is being
18 effective. It was geared for that problem from China.

19 There are some specific carve-outs in the
20 way that the, which I'd have to do in a posthearing,
21 in terms of the way it is being applied and the scope.

22 But to answer your question, yes, it was
23 geared toward that and I think you might be referring
24 to the safeguard action.

25 COMMISSIONER PINKERT: There was an

1 underlying antidumping order and then there was a
2 safeguard added for the boron? Is that what you're
3 saying?

4 MR. LaFRANKIE: That's right.

5 COMMISSIONER PINKERT: Has that action
6 effectively limited hot-rolled steel exports from
7 China into Thailand?

8 You mentioned the carve-outs, but I'm just
9 trying to get a flavor for the overall amounts there.

10 MR. LaFRANKIE: I think it has. It's very
11 recent. It literally as put into effect I want to say
12 the end of September. I'd have to double check on
13 that, but as far as I know, it is being effective but
14 I'd have to check the statistics and it is very
15 recent.

16 COMMISSIONER PINKERT: Thank you.

17 For the entire panel. The domestic industry
18 argues that the Asian market is oversupplied with hot-
19 rolled steel. And I had asked a question of the
20 Taiwan producers on this earlier, but do you agree
21 with that? And if so, then what implications does
22 that have for shipments into the United States in the
23 event of revocation?

24 MR. WAITE: Commissioner Pinkert, it's Fred
25 Waite.

1 Starting with the specific and going to the
2 general, starting with Taiwan, I think you heard the
3 witnesses from China Steel mention that they have
4 revised their questionnaire response to the Commission
5 because, as I understand it, of a misunderstanding of
6 the standards in the questionnaire for reporting
7 capacity of hot-rolled coils and how that would relate
8 to downstream applications as well. And as a result
9 of that you will find that for Taiwan the four million
10 ton overcapacity figure or unused capacity figure that
11 the Petitioners mentioned this morning will evaporate,
12 and in fact that Taiwan is operating at very close to
13 full capacity.

14 I rely on the China Steel submission for
15 that because if you look at the confidential responses
16 to the foreign producers questionnaires by all of the
17 Taiwanese producers, you will see that my client is a
18 very small part of the picture. AS a result, our
19 client's experience, while it mirrors China Steel,
20 it's China Steel that really drives the conditions and
21 the circumstances in Taiwan.

22 Moving beyond that to Asia as a whole, again
23 mindful -- And I'm speaking now of Southeast Asia and
24 East Asia, Commissioner? Or are you taking a more
25 expansive view to include India in that equation and

1 perhaps even Ukraine as part of the former --

2 COMMISSIONER PINKERT: I would include
3 India, but not Ukraine.

4 MR. WAITE: That makes sense to me too,
5 geographically.

6 You've heard from the representatives of
7 Thailand and India that they have now become net
8 importers of hot-rolled, so in those markets it does
9 not appear that the overcapacity, if there is any
10 overcapacity, has been having an effect of driving
11 those producers into export markets.

12 If you look at Indonesia as well as China,
13 and I understand there is the issue of the data from
14 China because of the boron-laced hot-rolled coils.
15 It's something, as Mr. LaFrankie mentioned, we've seen
16 on other products. I do understand the Commission
17 staff is looking into that and hopefully as it pursues
18 it will get to the bottom of that. But in terms of
19 overall capacity in Asia, I would say that among the
20 subject countries you do not see that overall
21 capacity. Putting China in perhaps a special category
22 as I think everyone puts China into a special
23 category. But the other subject countries in Asia
24 appear not to have overcapacity because they are
25 essentially serving home markets, nearby geographic

1 markets and internally for value-added products. And
2 in the case of Taiwan you have the interesting twist
3 where the internal consumption occurs not only in
4 Taiwan, but it occurs in Vietnam, India and Malaysia
5 because of the affiliations that China Steel, again
6 the major actor in the Taiwanese hot-rolled market,
7 has operations in those countries, affiliated
8 operations, that use that hot-rolled to make these
9 value-added downstream products.

10 Was I responsive to your question?

11 COMMISSIONER PINKERT: Yes.

12 If I could get a quick comment on that from
13 the other attorneys on the panel that would be
14 helpful.

15 MR. LUNN: I would agree. I do think,
16 setting China aside, India as I mentioned is a net
17 importer. It's not quite 50/50 in terms of imports
18 and exports, but the major export markets for India
19 are the Middle East, but they are exporting to
20 Vietnam, Thailand, Bangladesh. So other countries in
21 Asia as well.

22 I can't say whether there's overcapacity,
23 but the Indians are able to compete with them and they
24 don't have overcapacity in India.

25 COMMISSIONER PINKERT: The last word to Mr.

1 LaFrankie on this question.

2 MR. LaFRANKIE: I would say in Thailand
3 there's no evidence of capacity expansion or
4 overcapacity. It's quite the opposite. As was
5 mentioned we're a net importer by quite a large
6 amount. And certainly for SSI, their capacity has
7 been stable throughout the period. G Steel and GJ
8 Steel, we don't have the actual data, but my
9 understanding there's been no capacity expansion.

10 COMMISSIONER PINKERT: So is it fair to say,
11 summarizing the testimony, that to the extent that
12 there's oversupply in Asian markets it would be driven
13 by China? Is that what you're saying?

14 MR. LaFRANKIE: I think that's the logical
15 conclusion of what we're saying.

16 COMMISSIONER PINKERT: Thank you.

17 Thank you, Mr. Chairman.

18 CHAIRMAN WILLIAMSON: Thank you.

19 Commissioner Johanson.

20 COMMISSIONER JOHANSON: Thank you, Mr.
21 Chairman, and I'd like to thank the other witnesses
22 for appearing here today in addition to the Taiwanese
23 witnesses with whom we've already spoken.

24 This is a question for all three countries
25 which are represented here right now -- Thailand,

1 Taiwan and India. It deals with the question of
2 energy costs in the Asian countries which are subject
3 to the order vis-a-vis their competitors in the United
4 States.

5 The three countries represented at the table
6 right now are not major producers of energy as far as
7 I know. In fact in that part of the world, I think in
8 the Spratley Islands there's a lot of disputes
9 regarding energy.

10 I was wondering how much of a disadvantage
11 are your producers at compared to U.S. producers? Mr.
12 Lunn?

13 MR. LUNN: I'll start with India. I'll give
14 you a better answer in the posthearing brief, but very
15 briefly India does have a fair amount of gas
16 production. I do believe they're net importers of
17 energy. But compare that to the fact that they have
18 very large deposits of high quality iron ore and coal,
19 so I don't know, you can't just look at one input and
20 see how that compares. I think they probably have a --

21 CHAIRMAN WILLIAMSON: Mr. Lunn, can I just
22 pause for just a second. Our Taiwanese friends have
23 to leave and I just wanted to express our deep
24 appreciation to them for coming again. I realize it
25 involved quite a bit to come testify and we want to

1 express the Commission's appreciation for you
2 testifying today.

3 Thank you and have a good trip.

4 Thank you, and continue.

5 MR. LUNN: I was just saying that I think
6 India probably has a comparative advantage in terms of
7 iron ore and coal, and I would have to check and see
8 what their advantage or disadvantage is in terms of
9 energy.

10 I know my client has its own energy
11 generation facility that powers its plant.

12 COMMISSIONER JOHANSON: All right.

13 I think it's been a big issue in India in
14 the past, though, in the not too recent past.

15 MR. LUNN: Energy is definitely an issue.

16 COMMISSIONER JOHANSON: The reliability of
17 energy to a certain extent.

18 MR. LUNN: Maybe that's the better way to
19 put it. My client's got their own electric generation
20 facility but they do in the northeast produce, there
21 is oil and gas production in India. I do believe
22 they're net importers.

23 COMMISSIONER JOHANSON: I didn't realize
24 there was oil and gas production. I guess there's a
25 lot of places, but not enough always.

1 Would anyone else like to comment on the
2 issue of energy?

3 MR. WAITE: Yes, Commissioner Johanson, it's
4 Fred Waite again on behalf of the Taiwanese.

5 As was I think mentioned earlier, Taiwan is
6 not a major energy supplier. It's more in the
7 position of a rapidly and now industrialized country
8 that relies more on technology, logistics, educated
9 manpower, many of the things that we in the United
10 States have traditionally relied on in competing with
11 countries that may have competitive advantages on
12 energy or labor or certain raw materials.

13 And the fact that the U.S. manufacturing
14 base, even in the dark days of the oil embargo, still
15 was able to be competitive. In fact one of the most
16 competitive economies in the world facing energy
17 shortages. And as Mr. Lunn said, energy is one factor
18 and it's an important factor, but it is not the only
19 factor. But it is certainly, given the developments
20 that we've seen in this country, it has to be going
21 forward with the appropriate public policies a
22 tremendous advantage for the U.S. manufacturing sector
23 to have not only low cost energy supplies available in
24 ample quantities, but a secure, non-interruptible
25 supply of energy.

1 So that's perhaps another reason why a
2 Taiwanese mill looking at markets around the world
3 would not be particularly interested in trying to
4 compete in the United States on those grounds.

5 COMMISSIONER JOHANSON: Thank you, Mr.
6 Waite.

7 Mr. LaFrankie?

8 MR. LaFRANKIE: I'd have to say for
9 Thailand, I would agree overall. The U.S. clearly has
10 advantages in terms of energy costs. Whether it's
11 natural gas, coal, or whatever. Thailand is not known
12 as having huge reserves of energy so it's a net
13 importer of that.

14 In terms of an actual quantifiable
15 difference for Thailand, I'd have to think about it.
16 It would depend, I think, on the type of producer.
17 SSI had traditionally just been a re-roller, but now
18 it's got its own integrated slab operation which is in
19 the UK. The other two, G Steel, GJ Steel, had been
20 more in the nature of Nucor remelt shops, so I think
21 there's definitely some potential for advantage. I'd
22 want to look into quantifying it.

23 COMMISSIONER JOHANSON: Thank you. That
24 would be helpful.

25 I'd now like to talk on China. This is a

1 question I posed to the Taiwanese witnesses earlier.
2 Mr. Waite, you can comment further on it if you'd
3 like, but this question specifically targeted or at
4 least primarily targeted towards Thailand and India
5 since we have not yet heard from them on this issue.

6 But the issue of China. China right now has
7 massive capacity which has come on-line in recent
8 years. And it's in the center of Asia. I assume that
9 it has impacted producers, or sales of Thai produced
10 and Indian produced hot-rolled steel in Asian markets,
11 perhaps in the home markets of those two countries,
12 and Taiwan as well.

13 Could you all comment on that?

14 MR. LaFRANKIE: Just to clarify. Your
15 question is that Chinese exports to Thailand --

16 COMMISSIONER JOHANSON: Have there been
17 exports to Thailand? And if not to Thailand has it
18 affected sales of Thai steel in other markets in the
19 region?

20 MR. LaFRANKIE: There have been some exports
21 of Chinese steel to Thailand but not a significant
22 amount, and particularly recently those have fallen
23 off. I think partly it's just been a trend with
24 Chinese exports that they have fallen off as they're
25 servicing the home market. That's part of it.

1 I think part of Mr. Pinkert's question,
2 Thailand has taken steps to protect its market from
3 unfairly traded imports, including Chinese and many
4 others. That's a question of stopping unfair trade.
5 So that was a dumping order and then a following up of
6 the safeguard action. So in that sense there has not
7 been a flood of Chinese exports into Thailand.

8 In terms of Chinese exports around the world
9 displacing Thai exports to those countries, I haven't
10 seen evidence of that. Again, I'll look into it, but
11 our sense is that again the Chinese exports have
12 fallen off and so it's more of a market-based
13 situation at least for Thailand.

14 COMMISSIONER JOHANSON: Actually, let me
15 follow up with you just for a minute dealing with the
16 issue of the quality of steel. The Thai witnesses who
17 just departed say they produce a higher-quality steel
18 and that China produces a lower-quality hot-rolled
19 steel. I assume that would be a factor of importance
20 in Thailand given the high percentage of hot-rolled
21 steel in Thailand used in auto production. Is that
22 the case?

23 MR. BUTTON: That's right, and particularly
24 for Thailand, who's very focused at least certainly
25 SSI, very focused on the high end market. I think as

1 I said in my testimony, it's still about a 50/50 split
2 depending what you're talking about, if you want to
3 sort of segment the market as between commercial grade
4 construction material as opposed to high end. What
5 does high end mean? It can mean certain applications
6 for the automotive sector. It can mean specialty
7 applications for machinery, equipment, metal
8 packaging. Also inputs into the cold-rolling
9 operations. So along those lines the high end is
10 definitely segmented from the low end.

11 Within the high end, in terms of details
12 it's getting beyond in terms of the technical experts,
13 but a lot of it is based upon specification and high
14 tensile strength.

15 And in terms of another aspects of quality
16 which the Thais have found, which has really driven
17 their reason to acquire their own slab mill, was just
18 the failure, for specific applications, particularly
19 in the automotive sector where you have to go through
20 a rigorous testing and approval process which can take
21 as much as a year. They can be tested and if it fails
22 on an application it can be a defect, it can be
23 inconsistent quality, and it can be just providing a
24 product that is not what it's supposed to be, so there
25 are many different factors in that.

1 COMMISSIONER JOHANSON: Thank you.

2 Mr. Lunn, would you like to comment?

3 MR. LUNN: Just briefly.

4 Based on the staff report I don't see any
5 Chinese exports to India, but I know my clients do
6 compete with the Chinese in the Middle East and in
7 Africa in particular. But other than that, I will put
8 the question to them and get you a better answer in
9 the posthearing brief.

10 COMMISSIONER JOHANSON: That would be
11 helpful if you could, because as you all know from
12 this morning, the Petitioners put a great emphasis on
13 the high capacity in China. So that would be helpful.

14 My time is about to expire in about 30
15 seconds, so I will stop at that. Thank you. I
16 appreciate your answers.

17 CHAIRMAN WILLIAMSON: Thank you.

18 Commissioner Broadbent?

19 COMMISSIONER BROADBENT: Thank you.

20 I wonder if the panel could give me their
21 thoughts on the McKinsey Study that the Petitioners
22 cited this morning on a level of return, the EBITDA of
23 16 percent that seems in their view to be minimum
24 profitability for this industry to be sustainable.

25 Does anybody know the background on that and

1 what the OECD, who was commissioning the study and how
2 you put that into the context of the discussion today?

3 MR. BUTTON: Commissioner Broadbent, Ken
4 Button.

5 Overall what I would say just to start with,
6 I think there's great basis for the Commission to be
7 cautious, perhaps skeptical, with respect to the 16
8 percent EBITDA profit margin being a benchmark that
9 needs, that is in fact real. Of course it was
10 mentioned a great deal this morning.

11 Why should you be cautious?

12 As far as I'm aware, the entirety of the
13 source of the 16 percent figure is a single page
14 PowerPoint that was presented attached to a
15 presentation at an OECD steel committee dealing with
16 the issue of overcapacity in the steel industry.
17 Perhaps there is more to it, but basically it's just
18 one page. It gives a few statistics. Let's assume a
19 cost of debt of eight percent, a cost of equity of ten
20 percent. So you can handle debt at 2.5 times your
21 EBITDA figure and so forth, and it leads to a figure
22 of okay, you need a minimum of EBITDA return of 16
23 percent. That means your earnings before interest,
24 taxes, depreciation, amortization as a percentage of
25 your sales is 16 percent.

1 This figure, the McKinsey figure is global.
2 It's not specific to the U.S. or the U.S. conditions
3 of competition. It's not specific to the hot-rolled
4 industry. We're unclear as to what it is relating to.
5 So that's a reason for being cautious or skeptical
6 about a benchmark.

7 Third, during the 16 years for which the
8 Commission has financial data that would permit
9 calculations, the U.S. producers achieved the 16
10 percent EBITDA threshold only three times -- 2004,
11 2005, 2006 -- which the McKinsey Report itself
12 describes as a period of an immense credit bubble for
13 the global economy. It was very unusual
14 circumstances. That's three out of 16 years and none
15 during the POR.

16 Therefore in this sense from McKinsey's
17 perspective it seems that the U.S. industry simply
18 should not be here. Well, it is here. It very much
19 is here in fact.

20 A fourth point would be that the hot-rolled
21 industry is here, and as I described in my testimony,
22 the U.S. industry controls effectively as much as
23 about 97 percent of the U.S. hot-rolled steel market.

24 So it's there.

25 Has there been enough capital for the

1 industry? Well, a fifth reason for skepticism or
2 caution is that the U.S. producers have found capital
3 sufficient for investing during the period to the
4 extent that, for example, large amounts of capital are
5 used for acquisitions of other U.S. producers during
6 the 16 year period as indicated in the staff report
7 figure I-2 where you can see the consolidation process
8 of the industry that went from 21 to 14, companies
9 buying other companies.

10 Moreover, the industry has in fact built new
11 facilities during this period, and they've been
12 increasing their capacities. During each of the last
13 four years capacity increased.

14 So for these reasons, I think the Commission
15 should be very, very cautious of what may be an
16 artificial benchmark threshold that has, frankly, very
17 limited relevance for this particular investigation on
18 the hot-rolled steel market.

19 Thank you.

20 COMMISSIONER BROADBENT: Any other comments?

21 Okay. Have we discussed the revocation of
22 the order in Japan and the lessons you all would
23 advise us to take on that experience?

24 MR. BUTTON: Commissioner Broadbent, if I
25 can comment as well, there's been a good deal of

1 discussion about Japan and Brazil and what has
2 happened. The note that there has been an increase in
3 imports from Japan and Brazil. I would simply note
4 that as the 2012 data, that the increase in imports
5 from Japan results in a penetration import market
6 share for Japan of about 0.3 something percent. The
7 import penetration for Brazil is I think two one-
8 hundredths of a percent. So in neither case do I see
9 hard evidence of those having had a negative effect on
10 the U.S. market. Specifically as to price.

11 There was discussion about how very small
12 volumes, even including these volumes, could have a
13 negative effect on the price in the market.

14 What has been the recent price history? The
15 recent history is that prices have been increasing.
16 There have been price increase announcements in recent
17 months by U.S. Steel, Nucor, NLMK, AK Steel, Severstal
18 North America, and ArcelorMittal.

19 Reference this morning was made to
20 independent pricing sources such as the steel bench
21 marker, which likewise shows us there's been a turn.
22 Prices are rising for multiple weeks.

23 My sense is that the imports from Brazil and
24 Japan and let us note all of the other non-subject
25 imports listed by the staff report in Table Roman

1 IV-4, with regards to the other countries be it Russia
2 and others, those products have been coming in and
3 they haven't prevented this increase in prices
4 recently. So I just think there needs to be caution
5 about how you interpret the small increases that have
6 occurred following that revocation of the Japanese or
7 Brazilian orders.

8 COMMISSIONER BROADBENT: This is for Mr.
9 Lunn regarding India.

10 If India is a net importer, why does India
11 export four million tons of hot-rolled steel? What's
12 going on there? Push/pull demand situation.

13 MR. LUNN: This probably differs a little
14 bit from company to company, but I think it's a lot
15 like manufacturers don't want to have one source of
16 supply. Producers of all the steel companies I've
17 represented prefer to have some portion of their goods
18 going to export markets. It gives them a little bit
19 more stability and they view it as a better business
20 model so they want to maintain certain
21 discreet export markets. That's not the majority of
22 their sales, but as prices fluctuate, as markets
23 fluctuate, they want to be able to move with those.

24 COMMISSIONER BROADBENT: Why do you think
25 the United States is not a bigger exporter?

1 MR. LUNN: You would have to ask them. And
2 I do think, in some products, GOES, for example, that
3 you're going to learn a little bit about later in the
4 year, they were a major exporter for a number of
5 years. So I don't think there's any particular reason
6 that they can't be a significant exporter. I think
7 it's probably because they've got such a large
8 percentage of the U.S. market that they don't bother.

9 COMMISSIONER BROADBENT: For Mr. LaFrankie
10 regarding Thailand.

11 You mentioned that SSI primary sources slab
12 from a new affiliate in the UK. Why is it not
13 prohibitive to import slab from that far away?

14 MR. LaFRANKIE: It's certainly more
15 expensive. It's not prohibitive in terms of the
16 market that they're after which is their whole
17 strategy now is to go what they call the high end
18 premium value products. As I think you heard from the
19 Taiwanese, you tend to get a higher price, you get a
20 higher margin on that. So that's all part of the
21 strategy.

22 But their costs are higher, there's no
23 mistake about that, particularly now because they're
24 in a startup operation. But certainly they are
25 focused on the high end in the Thai market. That's

1 the strategy. I think I would agree that at some
2 point it would become prohibitively expensive to
3 source your slab from the UK which is pretty far away
4 from Thailand, roll it into plain vanilla, as
5 Petitioners want to call it, commodity grade product
6 and ship it to the United States.

7 COMMISSIONER BROADBENT: A broader question,
8 give us some advice on how we approach cumulation in
9 this case for all the countries involved.

10 MR. LaFRANKIE: I think we all have our own
11 view on that and I'll let everyone speak for
12 themselves because there's definitely a lot of
13 arguments on that.

14 I think for Thailand we're arguing two
15 different things. On the one hand we're saying
16 there's no discernible adverse impact and there are
17 certain factors to look at. We view that as
18 mandatory, if you think those factors are met.
19 Obviously that's within your discretion to determine
20 whether the factors are met.

21 In our case we're focusing on the volume.
22 It's been very small forever, even before the order
23 was in place. It's never been larger than three-
24 tenths of one percent. There's just no interest in
25 the market.

1 It's also similar, we think we can put this
2 in the posthearing, to the situation involving Brazil
3 most recently, and also Argentina I believe in the
4 earlier sunset review.

5 We're also arguing conditions of competition
6 as pointed out in our brief. All the different
7 factors for Thailand, particularly their focus on the
8 home market, their new slab facility, and their focus
9 on high end in the home market.

10 COMMISSIONER BROADBENT: I can say this, I'm
11 now the only non-lawyer on the panel, it's my
12 understanding we can't do both of those at the same
13 time, right? Under the law. You're arguing both of
14 those for --

15 MR. LaFRANKIE: I'm arguing in the
16 alternative.

17 COMMISSIONER BROADBENT: So you're giving us
18 a choice.

19 MR. LaFRANKIE: I'm giving you a choice. I
20 would prefer the mandatory one. But if you find that
21 factor is not met, because I realize that's a tough
22 standard, you still have discretion based on all the
23 other factors. Particularly for Thailand, with our
24 focus on the home market, to decumulate under your
25 discretion.

1 I'm not arguing for both. It's in the
2 alternative.

3 COMMISSIONER BROADBENT: Got it. Thank you.
4 Mr. Waite?

5 MR. WAITE: Fred Waite on behalf of Taiwan.
6 Without belaboring the point because I think
7 Mr. LaFrankie walked through the alternative theories
8 that we on behalf of the Taiwanese industry are also
9 advocating, and that is with no discernible impact the
10 responses of the entire Taiwanese industry, and I
11 would emphasize once again, you have data on the
12 entire Taiwanese hot-rolled industry in this review.
13 Those responses show that none of those companies
14 shipped subject merchandise to the United States
15 during the review period.

16 The staff report shows some imports of hot-
17 rolled, but our belief is that those imports, of
18 course, would be non-subject hot-rolled, not part of
19 this investigation. They simply show up in the same
20 harmonized tariff schedule sub-headings as subject
21 merchandise.

22 And in terms of conditions of competition, I
23 think the witnesses from China Steel both here and in
24 their prehearing brief, and we hope we on behalf of
25 Shang-Chen Steel in our prehearing brief rehearsed the

1 conditions of competition which we think are, if not
2 unique to Taiwan, are extremely important in analyzing
3 whether or not Taiwan should be decumulated in terms
4 of your analysis of deciding whether or not there is a
5 likelihood of recurrence or continuation of injury if
6 the order on Taiwan is revoked.

7 MR. LUNN: The statute clearly gives you the
8 authority to decumulate when you believe that one of
9 the countries, a revocation of the order as to one of
10 the countries will have no discernible effect.

11 COMMISSIONER BROADBENT: Thank you.

12 Sorry to go over.

13 Oh, Mr. Button, I apologize.

14 MR. BUTTON: Let me just briefly play
15 utility infield here, on no particular country, but as
16 to no discernible impact. As I've discussed earlier
17 in my testimony, a point we're making is that the
18 domestic market is in many respects sheltered. We
19 noted the role of the auto sector and others.
20 Domestic consumers preferring domestically produced
21 product. Therefore the ability of products from these
22 other countries, including in the auto sector, is not
23 likely to penetrate or to have an adverse effect on
24 the prices of the products in these markets. And with
25 respect to the nature of the commodity we've heard

1 about hot-rolled steel being hot-rolled steel, price
2 is everything.

3 I believe if you look at the commentary of
4 the auto producers and others who require proximity,
5 these companies are as purchasers price sensitive
6 after you've got people that are qualified, after you
7 have selected potential sources that are proximate.
8 And then among those, yes. This is why those
9 purchasers will rank price at least in the top three.

10 So this is afterwards, the proximity and so forth is
11 important in sheltering the domestic producers from
12 imports from any of these countries.

13 CHAIRMAN WILLIAMSON: Thank you.

14 Commissioner Kieff?

15 COMMISSIONER KIEFF: Thanks everybody.

16 Let me try some short quick ones and see how
17 these work out.

18 For example, for Dr. Button, you're an
19 economist, you're a consulting economist so you're
20 doubly aware of real world economics. All those folks
21 here earlier today presumably were billing time.
22 There was some cost.

23 Is this really not an impact on them and
24 that's why they were here? Or is this an impact on
25 them and that's why they were here? I don't get it.

1 It seems to me you're saying assume away all of that
2 energy, all of that billed time, all of that cost.
3 Why were they doing it?

4 MR. BUTTON: You're asking for kind of a
5 very much a hard-nosed view of economic interest.
6 Economists can tell you that many business people can
7 say a barrier to entry, there's no such thing as a bad
8 one if it lets you raise prices, period. So that may
9 be, from somewhat a cynical point of view, is that
10 they want to keep out all the product they can,
11 whether or not it would be "injurious" or not.

12 I think that may be a reason.

13 COMMISSIONER KIEFF: I think they came
14 pretty close this morning to basically telling us that
15 it's their view, at least for some of them, that once
16 the Department of Commerce has decided that there is a
17 subsidy or a dumping effect. In other words, an
18 unfair practice, we should come pretty close to acting
19 pretty much as night follows day. That there's an
20 injury from that.

21 In other words, it's in a sense up to them
22 to tell us whether they're injured, and they tried
23 really hard today to do that. They spent a lot of
24 money. That cost must have been less to them than the
25 benefit of winning. Right?

1 MR. BUTTON: I would make a couple of
2 points.

3 One, I don't think it's up to them to
4 determine for you whether or not they're injured. You
5 folks make an independent determination as to what
6 constitutes the likelihood of material injury in the
7 foreseeable future yourselves.

8 But I can just tell you a couple of things
9 on that. There are other sides to that story. Will
10 in fact those imports have a negative effect as they
11 say? You've got two other views on this that
12 conflict. Those two other views, one is the
13 purchasers. They say we aren't going to buy the
14 stuff.

15 That's why in my testimony, that's why in
16 these confidential exhibits that you've got, you've
17 got the purchasers who have given you their
18 questionnaires, told you what it is they buy and from
19 whom and what they feel about it. That's their
20 belief. That's a legitimate point of view.

21 Then the foreign producers.

22 So what are they doing? What for them is
23 the reality likewise. They're selling to Asia to
24 affiliates, things of this nature.

25 COMMISSIONER KIEFF: But you're not going so

1 far, are you -- Are you going so far as to say that
2 because they're not shipping the subject product to
3 the U.S. today, they won't ship it to the U.S.
4 tomorrow if we lower, if we drop the order?

5 MR. BUTTON: I'm not saying because they
6 didn't they won't. What I'm telling you is the panel
7 here, folks are telling you we have, as of today
8 looking forward, specific economic self-interest
9 reasons for not shipping to the United States. And
10 you're going to judge those.

11 COMMISSIONER KIEFF: That's fair.

12 I guess what I heard this morning was in
13 effect our job is to -- Look, if we thought there was
14 some kind of invidious game being played, they're here
15 to erect barriers to entry via some mechanism outside
16 of the underlying facts of the case, we should kind of
17 sniff that out and -- But absent that -- I think what
18 they were saying is any harm that we can discern is a
19 harm that we should be aware of at least in the sunset
20 review setting. Maybe not in the initial case but
21 certainly in this case.

22 Let me ask this question. What if they came
23 forward with evidence that -- What if they went out on
24 the street and they found a witness who said I love
25 steel, and golly gee, I'd love to buy Thai steel if it

1 were just allowed into the country at a slightly lower
2 price than U.S. steel. If they found two of those
3 folks, would that be enough?

4 MR. BUTTON: No. Why do I say that? I
5 think in a Commission investigation such as this
6 you've got a very systematic and thorough way of
7 gathering specific evidence. In the producer
8 questionnaires, importer questionnaires, purchasers,
9 foreign producers, and so forth. You have a lot of
10 facts. A lot of people that have signed and sworn and
11 affirmed that these are the economic facts as they see
12 them.

13 Let me just note. This morning I think, and
14 I'll leave it to the counsel, but I believe the
15 threshold for injury was perhaps improperly described
16 as virtually negligible. You will decide what
17 material injury is, but I believe it has to in that
18 sense be material.

19 You also heard a description of the
20 condition of the situation of the U.S. industry in
21 terms of vulnerability which hasn't been discussed in
22 this panel much. They're very much saying it's a
23 situation of the glass is half full. We'll tell you
24 more likely that it's half empty. They're saying it's
25 half empty, we're going to say it's half full. Why?

1 The reason is that right now all of the indicators,
2 USGNP manufacturing production and the specific
3 indicators for the U.S. industry are going up.

4 In 2011 when you determined that they were
5 not vulnerable, it was not that situation. They were
6 going down. The point being is, the economic
7 environment here for them, it is going to exacerbate
8 any negative effects. In fact it's going the other
9 direction. You've got the U.S. consumers telling you
10 no, we are not going to buy the imports in large
11 quantities because of their cheap price because we
12 have other non-price factors that direct us. And you
13 have these folks telling you that they don't intend to
14 sell here.

15 COMMISSIONER KIEFF: Let me try this for the
16 counsel then, and let me ask a couple of questions and
17 then we can explore them in the time allowed or you
18 could explore them in followup submissions.

19 For the three of you what I'm, I just want
20 to mention questions asked earlier and then whatever
21 we can do with them, great.

22 One of them is, can you provide information
23 about the marginal shipping costs to the United States
24 over the shipping cost to other parts of the world?
25 Because it seems like a part of your argument is the

1 steel won't come here because it's expensive to ship
2 here.

3 So to assess that as a lawyer, I'm just
4 curious what is the real difference? Can you
5 highlight that in the postsubmission filing?

6 Number two, can you highlight the reasons
7 why you won't ship covered steel even though you seem
8 to be shipping non-covered products? And in
9 particular I'd be curious why, is there something
10 about the U.S. consumer of steel that makes the U.S.
11 consumer of steel say I really, really won't buy
12 foreign supplied covered product, but I really am
13 happy to buy foreign supplied non-covered product?
14 What's going on there? Can you highlight why it's
15 appropriate to make that inference?

16 Can you also explain or provide briefing on
17 why your colleague at the bar this morning maybe was
18 wrong in explaining the standard of injury. Maybe the
19 standard's not as small as he presented.

20 Then could you lastly maybe give some
21 touchstone analysis or comparative analysis about
22 whether your countries today in this case resemble or
23 don't the situations that Brazil and Japan found
24 themselves in in the last review period and to the
25 extent your colleagues this morning felt that even

1 those should not have been discontinued. Could you
2 explain why yours are better cases for
3 discontinuation? Or at least as good of cases?

4 I unfortunately only have 30 seconds, but
5 you're welcome to follow up in whatever way you'd
6 like. Those are the things that are weighing on my
7 mind.

8 MR. LaFRANKIE: I would just respond briefly
9 we'll be happy to put answers in in more detail in the
10 postconference brief.

11 Just a couple of comments particularly on
12 the shipping costs. We can do that and I can look
13 into it. There is a difference. Off the top of my
14 head we've heard things in the neighborhood of ten
15 percent is not out of the question. But we can
16 confirm that it's a function of where you go and how
17 far and everything else.

18 In terms of coming here for the market,
19 there are a variety of reasons I think as we've made
20 clear, Thailand just is not that interested in the
21 U.S. market. It's partly a variety of factors,
22 prices, but also which segment. It's just not in line
23 with what Sahaurrya is intending to do at the moment
24 which is to pursue a high end market in Thailand where
25 they're getting good money, good profits, and there's

1 a lot of demand.

2 If they were to ship to the U.S. or anyone
3 else from Thailand, it's not that easy to break into
4 that high end market, particularly in the automotive
5 sector where you have to be qualified, and
6 particularly where you have U.S. auto producers
7 telling you that they don't want it anyway. So
8 there's that factor too.

9 In terms of the other -- I don't quite
10 understand this argument about shipping other
11 products. Cold-rolled is the one that jumps out. I
12 checked the statistics before we came. I don't
13 believe Thailand is shipping a lot of cold-rolled
14 steel to the U.S., and if they are, it's not coming
15 from one of three producers of hot-rolled steel in
16 Thailand. They don't make it.

17 So I don't quite understand that there's
18 some connection that --

19 COMMISSIONER KIEFF: Are you doing
20 galvanized?

21 MR. LaFRANKIE: To the U.S., not that I'm
22 aware of. Certainly our company is not. We make hot-
23 rolled steel. So there's some idea that because
24 someone else in Thailand is shipping a different
25 product to the U.S., somehow that gives you a leg up

1 in the hot-rolled industry. I don't get it. But
2 we'll be happy to comment more about that as well.

3 COMMISSIONER KIEFF: Thank you all.

4 CHAIRMAN WILLIAMSON: I want to follow up,
5 while addressing Commissioner Kieff's question, could
6 you, in talking about the shipping costs, the
7 Petitioners talked about volume. The more you ship
8 the less it's going to cost. And to the extent that
9 India and Taiwan are shipping other steel products,
10 other products, that would imply that they started
11 shipping more of a subject product here, that the cost
12 would come down.

13 So to the extent that you can factor that,
14 address that argument, I think it would be helpful.

15 MR. LUNN: Maybe I didn't understand when
16 the Taiwanese were responding. I think you also have
17 to look at it in terms of the shipping cost as a
18 percent of the value of the product being shipped.
19 That's what they were trying to say. If you ship
20 cold-rolled or plate which is much more valuable than
21 hot-rolled, it's going to cost the same. You're
22 shipping a ton of steel. So the shipping cost is
23 going to be the same but the price, the value of the
24 goods you're shipping is much higher. Therefore as a
25 percent of the goods that you're shipping, the

1 shipping becomes less of an issue. That was what they
2 were saying earlier and I would agree with that

3 So because you can ship plate, which sells
4 for, it was selling for \$800, \$900,000 a ton, versus
5 hot-rolled which is more in the \$400, \$600 a ton
6 range, you can see that all of a sudden your shipping
7 cost effectively gets cut in half almost.

8 CHAIRMAN WILLIAMSON: I understand that
9 point. I'm just, what I'm saying though, if you're
10 shipping a mix of product, if you're getting either
11 volume discounts or there's a whole lot more
12 competition in the market because of the supply, that
13 also affects shipping costs. There are some tradeoffs
14 there.

15 MR. WAITE: I think that is correct,
16 Chairman Williamson. And just to take a further
17 avenue that Mr. Lunn started, not only do you have the
18 issue of the relative value of the product versus the
19 shipping cost which obviously is going to be a
20 significant factor, although I'm not sure how
21 significant it is within this country. I just ordered
22 a small box of pens from Office Depot and I received
23 them yesterday and they came in a box like this, but
24 in terms of what we're talking about here, obviously
25 if you have a full shipload, the rates are probably

1 going to be somewhat different than if you just book a
2 partial shipload.

3 In addition to that, we can get for you as
4 the Taiwanese representative said, the various
5 shipping rates to the various destinations, and also
6 whether there are any volume discounts.

7 The final point I would make, and I'm not
8 sure that I fully understood this morning when one of
9 the Petitioner's witnesses was talking about what
10 values the Commission should be looking at in terms of
11 comparing either average unit values or pricing. And
12 I thought I heard the argument that you should use an
13 FOB or ex-works price.

14 The Taiwanese witnesses pointed out to you
15 that from their point of view since they sell on a
16 delivered basis and you will probably find many if not
17 most foreign mills sell to customers on a delivered
18 basis, the freight is extremely important because that
19 goes into the buildup of your cost and of course it
20 has a direct effect on the effective price that you're
21 receiving for your product because the overall price
22 is going to be netted out of freight and handling and
23 customs duties and whatever other additional expenses
24 may be involved.

25 So it's not all that complicated, but I

1 think we have to realize there are a couple of moving
2 pieces here. We will attempt to give you a puzzle
3 that gives all those moving pieces so that all of you
4 who have asked about this will be able to derive and
5 see exactly what we're talking about when we say that
6 freight costs will be a disincentive for these
7 companies and these countries to ship this product,
8 hot-rolled coil, and especially plain vanilla hot-
9 rolled coil to the United States.

10 CHAIRMAN WILLIAMSON: Thank you. And you
11 will take into account the arguments that we heard
12 this morning in presenting that to us.

13 MR. WAITE: Yes, sir.

14 CHAIRMAN WILLIAMSON: I'm not a logistics
15 expert even though I used to work for a port
16 authority, but I'm interested to see what it is.

17 Mr. LaFrankie, some of you talked about the
18 U.S. automakers only want to buy from domestic
19 producers. Of course there's an awful lot of shall we
20 say non-U.S. name plate or foreign manufacturers who
21 are producing autos in this country. I assume, some
22 of them producing cars in Thailand are supplying the
23 steel companies there, some of them are supplying
24 product to them.

25 I just wonder to what extent do those kind

1 of relationships, can they get translated to the U.S.?
2 Or once you cross the Pacific it's a whole new ball
3 game?

4 MR. LaFRANKIE: I can speak to Thailand. I
5 think the way the situation is set up in Thailand does
6 not translate that way. The Thai auto market is
7 dominated by Japanese-owned companies. There are some
8 U.S. companies, I think Ford --

9 CHAIRMAN WILLIAMSON: My point, there are a
10 lot of Japanese owned companies producing cars here.
11 So the relationships that are in Thailand, can they
12 get transferred to the U.S.?

13 MR. LaFRANKIE: It certainly isn't going to
14 get transferred to Thailand.

15 What's going on in Thailand, the Thai
16 companies are trying to, a lot of the hot-rolled going
17 into the Japanese owned companies in Thailand is
18 coming from Japan. Because of that relationship.
19 Because of the quality. Because that's why they put
20 them there. They wanted to make a car in Thailand and
21 they were going to supply it with their own steel.

22 Part of what SSI is doing, it has created
23 joint ventures with coating operations and cold-
24 rolling, to get a foothold into the Japanese auto
25 market and displace the imports coming in from Japan.

1 In that sense there has been a movement for a
2 localization effort in Thailand. Partly driven by the
3 fact that during the tsunami in Japan it really
4 hampered the flow of hot-rolled steel that the
5 automakers in Thailand needed. They realized we can't
6 just rely on Japan anymore so we're going to turn to
7 Thailand if possible.

8 I don't know if that's responsive, but there
9 are relationships in Thailand. I don't think they're
10 going to translate into the Thais being able to export
11 automotive steel to the U.S.

12 CHAIRMAN WILLIAMSON: Thank you. You got
13 right at the point.

14 Mr. Button?

15 MR. BUTTON: Chairman Williamson, if you
16 have handy there our Confidential Exhibit A, it's
17 obviously APO data, but I would just have you take a
18 look at the list of auto companies that are shown
19 there and their purchasing practices. That might
20 address the point that you've just been making. A
21 question you've just made to us.

22 CHAIRMAN WILLIAMSON: I'll take a look at
23 that. Thank you.

24 I asked this morning about non-subject
25 imports and increasing volume and how that should

1 affect our analysis. Do you all have any comments on
2 that that we should take into account here?

3 MR. BUTTON: I would just very briefly
4 recite the point I made and emphasized, the non-
5 subject imports are not under any constraint. They
6 could be drawn in here in any volumes and so forth,
7 but they do not appear to have had any kind of
8 negative price effect on that.

9 The same thing I believe, the volumes that
10 you've seen from both Brazil and Japan are certainly
11 low and they're contemporaneous with increases in the
12 U.S. prices.

13 The last point is that with respect to the
14 analysis we've presented to you about Canada and Korea
15 and related party relationships, whether or not the
16 domestic steel producers, a particular domestic steel
17 producer might like or not like the fact of those
18 flows, those flows are not likely to be replaced by
19 imports from the subject imports. If they have their
20 source in related party relationships, there would be
21 no incentive by them to switch from Canada or Korea to
22 one of these countries.

23 MR. WAITE: And Chairman Williamson, just a
24 footnote to that. If you look at the table, Roman IV-
25 2 in the prehearing staff report, it lists total

1 imports from non-subject countries, and it's also
2 revealing, I believe, that these are countries that
3 have no restraints on their shipments to the United
4 States on hot-rolled coils and they include a number
5 of powerhouses of hot-rolled production. Yet in total
6 they represent less than five percent of the domestic
7 market.

8 CHAIRMAN WILLIAMSON: Thank you for those
9 answers.

10 One last question. how do you respond to
11 the domestic producers' argument that higher average
12 AUVs for exports to the U.S. market compared with
13 other markets will make the U.S. more attractive to
14 subject importers if the orders are revoked?

15 You can do it posthearing.

16 MR. BUTTON: Can you repeat the question?

17 CHAIRMAN WILLIAMSON: The domestic witnesses
18 argued that higher average AUVs for exports to the
19 U.S. market, we can take those, compare them to AUVs
20 for exports to other markets, will make the U.S.
21 markets more attractive. You can sell your product
22 for more here.

23 MR. BUTTON: A key condition of competition
24 that we're trying to describe of the U.S. market is
25 that it is not entirely price driven as they are

1 suggesting. There are a number of important non-price
2 factors such as the auto sector and the others that
3 we've described where proximity and other things are
4 important.

5 You've heard here discussion today that
6 increasingly there are issues of particular quality.
7 I believe that there's perhaps been an overemphasis on
8 prices entirely determining what is purchased and
9 ignoring the specific needs and self-interests of the
10 purchasers who have non-price factors on their minds.

11 CHAIRMAN WILLIAMSON: Thank you.

12 Commissioner Aranoff?

13 COMMISSIONER ARANOFF: Thank you, Mr.
14 Chairman.

15 Thanks to everyone for your patience this
16 afternoon.

17 Mr. LaFrankie, in your prehearing brief you
18 state that SSI focused on its home market when the
19 antidumping duty order was revoked for two years
20 during the period of review, but the domestic
21 producers presented a very different picture of that.

22 In fact I know this morning they mentioned something
23 about five shiploads of steel immediately on the
24 water, something to that effect.

25 What can you tell us or put on the record

1 that supports or disproves these various versions of
2 the facts?

3 MR. LaFRANKIE: I'd like to clarify that.
4 They told you part of the story and it's not
5 completely accurate, so let me try to give you a
6 bigger picture and I'll be happy to supplement it in a
7 posthearing brief.

8 They presented a picture that the order was
9 revoked and all of a sudden shipments of whatever it
10 was, 100,000 tons shot in immediately from SSI
11 specifically because that's the only company that was
12 revoked.

13 The reality of the situation is that SSI had
14 been shipping under a zero percent deposit rate.
15 That's why it got revoked. It got the equivalent of
16 three zeros, so that takes time. That had been in
17 effect I believe since 2004.

18 So there's no big impact, all of a sudden
19 the order's revoked. They already had a zero.

20 Now granted, you still have to go through
21 the reviews to confirm the zero, but they had been
22 doing that. That's part of the issue. There had
23 already been a zero in place. The order was revoked
24 because they had not been dumping for three years.
25 Specifically under the Commerce Department rules, you

1 get three zeroes, you get revoked. That was revoked I
2 believe in May of 2006 after a zero had already been
3 in effect for two years.

4 It's not clear from the statistics that all
5 of that shipment was from SSI. They are making
6 assumptions. It's possible. It's possible it's from G
7 Steel or somebody else. It's possible it was parsed
8 out. It's possible part of the shipment was before
9 May. I don't know. But in any event there was not
10 some massive shipment right as soon as the order was
11 revoked.

12 Even if there was, the order was still
13 revoked for another two years after that and there
14 were no more shipments.

15 There were some statements, yes, the
16 Commerce Department was, they filed for a changed
17 circumstance review. SSI challenged that. It took 18
18 months before Commerce would even accept that on its
19 fact to implement the changed circumstance review.
20 Then ultimately there was a finding of dumping.

21 From our perspective SSI was not dumping at
22 all. The only reason there was a dumping margin
23 generated was because the Commerce Department changed
24 the date of sale, which because of exchange rates
25 generated a dumping margin.

1 In any event, I can lay this out in the
2 posthearing, the timing, to show that it's not as it
3 was presented. In fact SSI, and even the shipment
4 itself, that tonnage was less than some tonnages
5 previous to the imposition of the order at all.

6 COMMISSIONER ARANOFF: I appreciate that
7 explanation, and anything further that you want to add
8 would be fine.

9 We talked a lot about or some about G Steel
10 and GJ Steel and what their current status is and what
11 their likely future status is, but one thing that we
12 haven't talked about was why they shut down in the
13 first place.

14 The domestic producers argue in their brief
15 that that shows there's a weak home market demand in
16 Thailand. Do you want to respond to that?

17 MR. LaFRANKIE: That's not why they've shut
18 down. As I mentioned earlier, I'm not sure if you
19 were in the room at the time or not, but it's two
20 separate companies. So part of the issue with both of
21 them is that they are like Nucor, scrap-based
22 operators. Thailand is not known for its scrap.
23 They'd have to import 80 percent of it primarily from
24 the United States. It's very expensive. It's more
25 expensive than here. And part of the reason, they're

1 in dire financial problems. Part of the reason for
2 this was they had purchased huge quantities of scrap
3 material at a time when it was a very high price. The
4 market changed and they were stuck with huge
5 inventories of scrap at very high cost which put them
6 into obvious problems.

7 On top of that there's been a history of,
8 for lack of a better word, just looking at the public
9 record, mismanagement. They've had situations where
10 they have, it was a different company several years
11 ago. There was Nucor Thai. There was a different
12 company ten years ago. So it's gone through different
13 iterations.

14 I don't think it's fair to say that it's a
15 result of the Thai economy now.

16 There were situations, obviously the world
17 recession which didn't help the situation, and the
18 Thai floods. That did not help the situation.

19 So I think it's a variety of factors ,many
20 of them unique to those companies.

21 COMMISSIONER ARANOFF: My understanding is
22 that unlike the company that you are representing,
23 these other two companies were producing in what you
24 might call the lower end of the market. That they
25 were setting up pretty much commodity hot-rolled.

1 MR. LaFRANKIE: That's right. SSI is more
2 distinguished that way from those two producers in
3 terms of being able to produce much higher quality
4 product as compared to those. G Steel and GJ Steel,
5 they do have higher end of the low end market, if you
6 want to call it that. They do have pickling and
7 oiling and skin passing operations. But yes, G Steel
8 and GJ Steel definitely focus more so on the
9 commercial grade.

10 COMMISSIONER ARANOFF: Let me turn to
11 another subject that's been touched upon during the
12 hearing. I'll start with this.

13 Ford made a submission to the Commission in
14 support of revocation and didn't really give a reason.
15 There's some evidence to suggest that auto producers
16 are most interested in using domestic production.
17 That's an argument that's been made. I don't want to
18 get too close to the actual numbers.

19 Why do you think that Ford has come forward
20 in support of revocation of the orders if it hasn't
21 admitted preference for domestic production?

22 MR. BUTTON: That's not an economist sort of
23 question. Counsel here is trying to decide. All I
24 can suggest is in terms of what they are trying to say
25 is that they're making a statement of self-interest in

1 their economics. Why they bothered, Ford would have
2 to say.

3 But I think there's reason in the record for
4 credibility that their point of view is widespread.

5 COMMISSIONER ARANOFF: Let me get at sort of
6 the same issue from a different direction which is the
7 domestic producers testified this morning that if even
8 a small amount of imported hot-rolled steel enters the
9 market from wherever, and it's low priced, that the
10 mechanisms in the market are such that that
11 immediately brings down the spot market price to
12 whatever that low price was and very soon, very
13 quickly, also can affect contract prices because those
14 contract customers, which obviously would include the
15 auto companies, are sitting there watching that every
16 day.

17 I wanted to know, and this is an economist
18 question, do you agree, Dr. Button, that that is an
19 accurate description of how prices behave in the
20 market?

21 MR. BUTTON: It is not an accurate
22 description of how prices have behaved recently in the
23 U.S. market in the presence of the new flows of
24 imports from Japan and Brazil and others. Prices are
25 rising. The domestic producers have announced new

1 price increases. Six of them I mentioned to you. So
2 this is an environment where despite those things
3 prices are rising.

4 What it challenges, the point of view that
5 they have does not acknowledge that there can be non-
6 price factors in the market. They've quoted the
7 statement, prices among the top three items identified
8 as important. Well, I'm not sure I recall any
9 Commission investigation in which price was not among
10 the top three items suggested as important for a
11 purchase decision.

12 But the point here is for the purchasers,
13 they reduce the relevant, credible potential suppliers
14 to a subset and then they view price.

15 As far as the auto producers, they say we
16 need those who are proximate or have some sort of
17 relationship with us. Among them, then yeah, we'll
18 negotiate like crazy. I think that's the message.

19 COMMISSIONER ARANOFF: I understand your
20 argument that the non-subject imports that came in
21 during the period have not brought down prices. Were
22 they in fact lower priced? Do we know that? If they
23 weren't lower priced there wouldn't be any reason to
24 expect them to bring down prices according to the
25 mechanism that the domestic producers posit.

1 MR. BUTTON: Just taking the staff report
2 IV-2, and not knowing exactly to whom they went, but
3 we've got prices from Russia at \$448 and so forth.
4 There are a number of prices, actually \$548, and
5 others, it was mentioned in Netherlands and Japan,
6 \$599 and so forth. There are relatively low prices
7 shown as having entered and that hasn't dragged down
8 the market. They're here. More volumes of these
9 could have come in. Commoditized, low end, whichever,
10 but it did not have the effect apparently of crashing
11 the price.

12 COMMISSIONER ARANOFF: I appreciate that
13 very much. That's very helpful.

14 Thank you, Mr. Chairman.

15 CHAIRMAN WILLIAMSON: Commissioner Pinkert?

16 COMMISSIONER PINKERT: Thank you, Mr.
17 Chairman. It's late in the day but I have a couple
18 more questions.

19 Starting with India. Does India import
20 steel products because it has a limited capacity to
21 process the hot-rolled? Is that what's going on?

22 MR. LUNN: No, I don't believe so. If you
23 talk about processing in terms of cold-rolling,
24 galvanizing, and so forth, they have capacity to do
25 that.

1 They may be bringing in some cold-rolled or
2 galvanized or some of the other plate so I'm not quite
3 certainly, but they do have the capacity to produce
4 cold-rolled, hot-rolled, plate, galvanized and so
5 forth.

6 COMMISSIONER PINKERT: For the posthearing
7 if you could try to give us some numbers about the
8 capacity in India to perform those, that would be
9 great. Thank you.

10 Over to Taiwan. Is it a common practice in
11 Taiwan to include contract terms that would provide
12 for a raw material surcharge if the price of the raw
13 materials rises by whatever the amount is that might
14 trigger them?

15 MR. WAITE: I will have to ask our client
16 and also our friends from China Steel to respond to
17 that, Commissioner Pinkert.

18 COMMISSIONER PINKERT: Thank you very much.

19 So that will be in the posthearing
20 submission if you can get that information?

21 MR. WAITE: Yes, sir.

22 COMMISSIONER PINKERT: Thank you.

23 With that I have no further questions for
24 the panel. Thank you very much.

25 CHAIRMAN WILLIAMSON: Thank you.

1 Commissioner Johanson?

2 COMMISSIONER JOHANSON: Thank you, Mr.
3 Chairman. I also have no further questions. It's
4 been a long day and I think most of our questions have
5 been answered. But I would like to thank you all for
6 being here today and for spending a lot of time on
7 this. Thanks again.

8 CHAIRMAN WILLIAMSON: Commissioner
9 Broadbent?

10 COMMISSIONER BROADBENT: I'd just like to
11 thank the witnesses. I have no further questions.

12 CHAIRMAN WILLIAMSON: Commissioner Kieff?

13 COMMISSIONER KIEFF: I agree. I think we've
14 tried to show you our thinking so that you can help
15 guide us in that. Thank you.

16 CHAIRMAN WILLIAMSON: Thank you.

17 I also have no further questions.

18 Does staff have any questions for this
19 panel?

20 MR. CORKRAN: Douglas Corkran, Office of
21 Investigation. Thank you, Mr. Chairman. Staff has no
22 additional questions.

23 CHAIRMAN WILLIAMSON: Do those in favor of
24 continuation of the orders have any questions for this
25 panel?

1 MR. ROSENTHAL: Paul Rosenthal, Kelly Drye.
2 No questions. Thank you.

3 CHAIRMAN WILLIAMSON: Thank you.

4 I think it's time for closing statements.

5 Those in support of continuation have six
6 minutes direct and five minutes for closing for a
7 total of 11 minutes.

8 Those in opposition have seven minutes for
9 direct and five minutes for closing for a total of 12.

10 Our custom is to combine those.

11 I want to thank this panel for their
12 testimony and we'll ask you to move back and then
13 we'll have our closing statements.

14 (Whereupon, a short recess was taken.)

15 CHAIRMAN WILLIAMSON: Mr. Rosenthal, you can
16 begin when you're ready.

17 MR. ROSENTHAL: Thank you. It's been a long
18 day and I know some of us still need to go home and
19 trick-or-treat. Not for our kids or grandkids, but
20 for ourselves.

21 I want to make a few quick points to kind of
22 clean out some of the detritus and then I'll make some
23 summary comments.

24 First, Mr. Button had claimed that there
25 have been many price increases announced by the

1 domestic industry but he failed to mention that those
2 price increases for the most part did not stick, and
3 in fact prices in 2013 are below those in 2012 for
4 this industry.

5 Dr. Button's slide that he presented
6 concerning how well the economy is doing in
7 manufacturing and generally elsewhere was very
8 encouraging and it may be true that the economy is
9 improving in general, but as we pointed out, that
10 improvement has not trickled down particularly well to
11 the domestic producers of hot-rolled steel because
12 we're not sharing in that increased demand. As you've
13 heard, the projections are for very anemic improvement
14 in demand in the near term.

15 Commissioner Broadbent asked about the
16 McKinsey Report. It's complicated, but I do think you
17 need to go back and look at the difference between
18 EBITDA and net operating profit which is a particular
19 measure that this Commission normally looks at. There
20 are different numbers. So it's not surprising that
21 you haven't seen a lot of net operating profit to
22 sales ratios of 16 percent. But as pointed out by the
23 domestic witnesses earlier today and as acknowledged
24 by the Respondents' presentation, there have been
25 times not too long ago where domestic producers were

1 hitting that number. The big issue is how do you have
2 a sustainable industry?

3 Yes, it's true that the industry in the last
4 number of years hasn't hit that number. The result is
5 the casualties you've seen, such as at Sparrow's
6 Point, at other places that have been mentioned. Nine
7 bankruptcies in this period.

8 So yes, the industry's still here, but it's
9 shrunken and doing less well.

10 So unless the industry gets an adequate
11 return on its investment it's not going to be able to
12 make the investments to stay in business in the long
13 term and that's the point of the McKinsey study. How
14 do you sustain yourself in the long term?

15 I'm not an expert and I'm not going to
16 critique or support the McKinsey analysis, but you
17 should read it yourselves and make your own judgments.
18 They didn't do it on behalf of the domestic industry.
19 This is an independent report to the OECD.

20 I will say that there's a discussion also
21 concerning imports from Korea and Canada in Dr.
22 Button's presentation and I think if I'm not mistaken
23 that he called the non-subject imports from Korea and
24 Canada as having huge market shares. I'll have to go
25 back and check the transcript, but that's what I

1 thought I heard.

2 Those market shares, by the way, were 2.2
3 percent for Canada; and 1.5 percent for Korea.

4 We agree those are significant market
5 shares, and I'll point out that the more important
6 part about our concern is that we're concerned about
7 market shares of countries that are trading unfairly.

8 Those shares, and particularly shares at
9 much higher levels that you have focused on before as
10 shares in the merchant market where some of the most
11 aggressive and pernicious competition takes place is
12 the greater concern.

13 Which reminds me that when the Commission
14 did its original investigation you saw the market
15 share, as I think Commissioner Broadbent talked about
16 in the overall market, but the Commission in that
17 investigation did focus on the merchant markets for
18 the most part and found higher market shares for the
19 cumulated imports that we've been talking about.

20 By the way, that was a 6-0 affirmative
21 determination by the Commission. It was not a
22 particularly close case despite the so-called
23 relatively low market shares because the Commission
24 understood that A, cumulation was important and this
25 is exactly the kind of case where it should be

1 employed; and B, that even relatively low levels of
2 volumes can still have a tremendous effect on an
3 industry, especially one that's capital intensive and
4 needs high capacity utilization and is very, very
5 price sensitive.

6 By the way, on the cumulation issue, the
7 Respondents continue to say -- First of all, China we
8 acknowledge is terrible and we're not like them at
9 all. And yet we're different from everybody else.
10 And yet every difference that they named to try to
11 disassociate themselves from the other countries they
12 were sitting next to were exactly the same basically
13 we focus on our home market and nearby Asian markets
14 and we intend to focus just on the consumption of hot-
15 rolled and basically every argument they've made
16 doesn't really differentiate them from their next door
17 neighbor at this table or among the other subject
18 countries.

19 This is a case where you should exercise
20 your discretion to cumulate in the sunset review.

21 Now I want to turn to Commissioner Kieff's
22 question which is an overriding question that really
23 implicates all the questions that the Commissioners
24 have had today concerning given the overcapacity and
25 the undisputed unfair pricing practice, subsidization

1 and dumping associated with the product, how do we
2 know that the subject imports will come into the
3 United States and cause material injury?

4 As Congress and the Commission have
5 recognized, this is a counter-factual inquiry. We
6 can't look at the recent past to discern what's going
7 to happen. As we know, the imports have been under
8 restraint. The Commission has to use the best
9 information available that it has. And unfortunately,
10 we don't have much in the way of precision. Maybe you
11 can be more concise. But it's difficult. You have to
12 use your common sense based on the facts that you've
13 received.

14 We've given you quite a few facts that point
15 to the inexorable conclusion that given the excess
16 capacity and the nature of this industry, those
17 imports are going to come here.

18 I'll just name a few now and we'll expand on
19 those. You've seen some of them already. There are
20 dumping orders and other restraints that restrict the
21 ability of the subject imports to go to other markets.

22 There's export orientation by all these countries
23 that are subject.

24 And there is competition by China in Asia
25 and other markets that wouldn't otherwise be export

1 markets for these countries.

2 There is declining demand in Asia and in
3 some of their home markets.

4 And the market prices here in the U.S. are
5 higher than market prices they could get elsewhere.
6 Commissioner Williamson just asked that question again
7 about AUVs.

8 So we think those are pretty strong points.

9 Mr. Button, Dr. Button in response to the
10 last set of questions said well, you should ask the
11 purchasers, and we agree. Take a look at your staff
12 report. We summarized the important purchaser answers
13 when it came to the pricing and volume effects of the
14 revocation of the orders. At page 83 of the
15 ArcelorMittal brief and page 91, 92 of the
16 ArcelorMittal brief quote purchasers and importers
17 about what the volume effects will be and what the
18 price effects will be.

19 I can't talk about the individual responses
20 because they're confidential, but to a person, to a
21 company, they all said prices would go down, volumes
22 would go up.

23 That's not the domestic producers talking.
24 That's not the foreign producers talking. That is a
25 collection of responses by folks who are not us

1 telling you what's going to happen if these imports
2 are able to come into the market without restraint.

3 So yes, we agree with Dr. Button. Listen to
4 what the purchasers have to say and you will reach
5 your conclusion that the revocation of these orders
6 likely will result in higher volumes and lower prices
7 of imports and injury to the U.S. market.

8 One of the things that it was obvious as we
9 were talking about the relative lack of demand or the
10 decreased demand in the U.S. versus other markets, and
11 we agree with the other statements that were made,
12 that demand is somewhat depressed elsewhere in the
13 world. The U.S. only looks good because even though
14 we're not doing great, we're better than everybody
15 else. Mr. Mull had commented to me, we're like the
16 best house in a bad neighborhood. I've been told
17 that, and I can't let October 31st go by without more
18 references to Halloween. My colleague, Alan Lubberda,
19 essentially had said that the Respondents have already
20 trick-or-treated at every house in Asia and there's no
21 more candy for them there now, so now they have to
22 come to the U.S. market.

23 If you revoke the orders it's like turning
24 on the porch light and inviting them over to our
25 house. So I have to say that this is a clear

1 invitation to imports to come into this market and
2 essentially have their way with our candy.

3 I'm sorry. That's the best way I can put
4 it.

5 I'm just going to conclude with a quote that
6 I thought about a while ago when we were first
7 contemplating this hearing. It's a quote by the poet
8 Ogden Nash who had written, "Everybody wants to be a
9 wow, but not everybody knows exactly how."

10 I know the first thought that comes to mind
11 is well, he must have been talking about international
12 trade lawyers. You heard u all here trying to answer
13 your questions. But I really think it's more
14 analogous to countries and governments who have
15 decided they want to be in the steel business.
16 Everyone wants to be in the steel business in the
17 worst way, and often they are in the worst way because
18 there's no way they can be in the steel business
19 without resulting in overcapacity, subsidization,
20 closed markets, and unfortunately, unfair trade
21 practices. There's no way at this point in the
22 history of this industry and in the current time that
23 foreign producers can sell in the U.S., the subject
24 producers can sell in the U.S. without dumping,
25 without subsidization, and without causing material

1 injury to the domestic industry.

2 So accordingly, I request that the
3 Commission make an affirmative determination in this
4 case.

5 Thank you.

6 CHAIRMAN WILLIAMSON: Thank you.

7 MR. LUNN: Good afternoon one last time.

8 It's Mark Lunn on behalf of the Respondents
9 in this case. I think I get this slot because
10 everybody knows I can keep it short, and I will do
11 likewise today.

12 I think Commissioner Kieff in his question
13 captured really well the thrust of this morning's
14 presentation. I took away from that two points. One,
15 that in the view of the domestic industry one ton of
16 imports is an injurious ton of imports and every
17 import is an unfairly traded import. And you just
18 heard that again from Mr. Rosenthal when he said, when
19 he talked about imports, all morning when they talked
20 about imports, they were always referring to unfairly
21 traded imports.

22 There's not a huge amount. The U.S.
23 producers have a large share of the U.S. market, but
24 there are imports into this country and they are
25 fairly traded imports. They're not depressing prices.

1 That is the fact that we have today.

2 The rule that the U.S. industry wants you to
3 follow which is every important is injurious, is not
4 what the law tells you to do. The law tells you to
5 look at what will happen if this, will there be a
6 recurrence of material injury in the reasonably
7 foreseeable future if this order is revoked?

8 I believe that the facts before this
9 Commission show that it will not be. The U.S.
10 industry was not vulnerable in 2011. It's not
11 vulnerable today. The U.S. industry has got a very
12 large percentage of the market share. They're
13 shielded from imports for a large portion of their
14 sales here in the United States. And that's not going
15 to change.

16 There's no evidence on the record that if
17 this order is revoked there's going to be a huge
18 increase in imports. They keep on coming back to
19 Japan. Japan, I believe, had 200,000 tons of imports
20 in the United States in 2012. But you never heard
21 them use that number this morning. Every time they
22 referred to it, it was always a percentage increase
23 which was I don't know, 500 or 600 percent increase,
24 some large number. They never said, by the way, it's
25 from a very low base.

1 It's like 0.3 percent of the U.S. industry.
2 Mr. Rosenthal just said that Canada and Korea, they're
3 not that important. They're only 2.2 and 1.1 percent.

4 So for some reason Canada and Korea, they're
5 okay, even though they're substantially larger than
6 Japan. But Japan's a problem. They're causing
7 injury. Even though if they're causing injury
8 presumably there would be another case filed against
9 them.

10 I believe that if the Commission looks at
11 the facts of this case, that the U.S. industry is
12 doing well, prices are going up, it's not a vulnerable
13 industry, and the subject countries pose no threat to
14 the recurrence of material injury. You should vote
15 negative.

16 Also on the individual countries that were
17 here today. Thailand, Taiwan and India. These are
18 countries that are not going to resume substantial
19 exports to the United States. Each for a different
20 reason.

21 If you revoke as to any of these countries
22 there will be no discernible affect on the U.S.
23 industry. So we do believe that the facts support
24 revocation of all the orders, but if you go onto look
25 at the individual countries I believe there's a strong

1 legal justification for revoking as to the three
2 countries that were before you today.

3 Thank you.

4 CHAIRMAN WILLIAMSON: Thank you.

5 Posthearing briefs, statements responsive to
6 questions and requests of the Commission and
7 corrections to the transcript must be filed by
8 November 8, 2013. Closing of the record and final
9 release of data to parties is by December 10, 2013.
10 Final comments are due by December 12, 2013.

11 With that, I want to thank all those who
12 participated in this hearing today, and this hearing
13 is adjourned. Thank you.

14 (Whereupon, at 5:50 p.m., the hearing in the
15 above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Hot-Rolled Steel Productions from China, India, Indonesia, Taiwan, Thailand and Ukraine

INVESTIGATION NO.: 701-TA-405-406, 731-TA-899-901 and 906-908

HEARING DATE: October 31, 2013

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: October 31, 2013

SIGNED: LaShonne Robinson
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: Edwin Wesley
Signature of Court Reporter