UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation No.:**
DIOCTYL TEREPHTHALATE (DOTP) FROM KOREA) **731-TA-1330 (PRELIMINARY)**

REVISED AND CORRECTED

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FROM KOREA	) (PRELIMINARY)

Thursday, July 21, 2016
Hearing Room A
U.S. International Trade Commission
500 E Street, SW
Washington, D.C.

The conference commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Elizabeth Haines, Supervisory Investigator, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

Sharon Bellamy, Program Support Specialist

Sonia Parveen, Student Intern

Keysha Martinez, Investigator

Jeffrey Clark, International Economist

Charles Yost, Accountant/Auditor

Jane Dempsey, Attorney/Advisor

Elizabeth Haines, Supervisory Investigator (Presiding)

APPEARANCES:

Opening Remarks:

Petitioners (Christine M. Streatfeild, Baker & McKenzie LLP)

Respondent (Mara M. Burr, Jochum Shore & Trossevin, PC)

In Support to the Imposition of Antidumping Duty Order:

Baker & McKenzie LLP

Washington, DC

on behalf of

Eastman Chemical Company

Cari Parker, Vice President, Chemical Intermediates and Fibers Manufacturing, Eastman Chemical Company

Dr. Stephen R. Cullen, Business Unit Director, Oxo and Plasticizers, Chemical Intermediates Business Organization, Eastman Chemical Company

Brian A. Yobst, Strategic Procurement Manager, Eastman

Michael K. Carrier, Esq., Senior Counsel, Global Trade and Compliance, Eastman Chemical Company

Thomas Rogers, Economist, Capital Trade, Inc.

Kevin M. O'Brien and Christine M. Streatfeild - Of Counsel.

In Opposition to the Imposition of Antidumping Duty Order:
Jochum Shore & Trossevin, PC
Washington, DC
on behalf of
ALAC International Inc.
    Ted Fisher, Director of Sales and Marketing, ALAC International Inc.
    Mara M. Burr - Of Counsel

Rebuttal/Closing Remarks:
Petitioners (Kevin M. O'Brien, Baker & McKenzie LLP)
Respondent (Mara M. Burr, Jochum Shore & Trossevin, PC)

I N D E X

P R O C E E D I N G S

MS. HAINES: Good morning, and welcome to the U.S. International Trade Commission conference in connection with the preliminary phase of the antidumping duty Investigation 731-TA-1330, concerning dioctyl terephthalate, DOTP, from Korea.

My name is Elizabeth Haines, I'm the supervisory investigator in the Office of Investigations, and I will preside at this conference.

Among those present from the Commission Investigative Staff are, to my far right, Charles Yost, accountant/auditor, Keysha Martinez, investigator, Jane Dempsey, attorney/advisor, and Jeffrey Clark, economist.

I would like to remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting testimony.

I understand parties are aware of the time allocations. Any questions regarding time allocations should be addressed with the Secretary.

Are there any questions?

Madam Secretary -- are there any preliminary matters?

MS. BELL: No, Madam Chairman.

MS. HAINES: Very well. Let us proceed with the opening remarks.

MS. BELL: I'll announce her to come up.

MR. O'BRIEN: Ms. Haines, would you mind if I close the door?

MS. HAINES: Sure.

MS. BELL: Opening remarks on behalf of Petitioner, Christine M. Streatfeild, Baker McKenzie LLP.

OPENING REMARKS OF CHRISTINE M. STREATFEILD

MS. STREATFEILD: Good morning, Madam Director and Commission Investigative Staff. I am Christine Streatfeild of Baker & McKenzie and I represent the Petitioner, Eastman Chemical Company.

We're here today to ask for relief from unfairly traded imports of dioctyl terephthalate from Korea. The record of this investigation makes clear that Korean import volumes are growing exponentially and that U.S. prices have been in a free-fall across the entire market.

Eastman is the only U.S. producer of the domestic like product, which is DOTP coextensive with the proposed scope of this investigation.

DOTP is a commodity product that is produced to

industry specifications and is highly interchangeable, regardless of source or the method of manufacture.

Price is the primary factor for purchasing decisions. Eastman produces DOTP at its two facilities in Kingsport, Tennessee, and Texas City, Texas. There is no question that Eastman's DOTP operations have been materially injured. And there's also no question on this record that it presents a reasonable indication that that injury is by reason of subject imports.

The data, for example, show a drop in Eastman's pricing, which tracks the declining Korean pricing. The data shows costs declining and price decreases overwhelming those declines.

Simply put, the data show that there's a reasonable indication that the subject imports are more than a minimal or tangential cause of injury.

When the Commission applies the statutory factors, it's evident that subject imports are the cause of the injuries suffered by Eastman. Subject imports are undoubtedly significant. They have increased, and that increase is significant.

Imports from Korea represented about 40 percent of imports in 2013 and 72 percent of all imports in the 12 months prior to April 2016. Korea is the leading foreign producer of DOTP, supplier of DOTP, during the entire

period of investigation.

Korean imports held a considerable share of U.S. consumption since 2013, and these imports have also increased relative to all U.S. imports.

As you will hear from our witnesses today, Korean product was virtually nonexistent in the U.S. market prior to 2010. The increase in Korean imports and the gains in market share would have been greater had Eastman not reduced its prices substantially to avoid even more lost sales.

Now, our witnesses today will explain that Eastman has lost substantial sales to lower-priced imports and has been forced to lower its prices to avoid further slippage. Our witnesses will also explain the financial impact that Korean imports have had on the business unit.

The result is millions of dollars in lost revenue, a planned expansion that's had to be shelved and declining costs that are swallowed up by more severely dropping prices.

We also believe that the data will show Korean imports underselling Eastman. The result is that the Korean product has driven down the price of DOTP in the U.S. market.

The Commission doesn't need to addresses threat of injury here, given the strong indication of present

material injury, but threat is even more stark.

The Korean producers have staggering overcapacity and have demonstrated a U.S. export focus. The upward trend of imports continues through April 2016, where, when import data is compared to the previous year to date data, Korean import volumes are up almost 16 percent, while average unit values have dropped 30 percent. This data is plain enough.

The domestic industry requests only a level playing field on which to fairly compete. We sincerely appreciate the Commission's time and attention to this investigation. Thank you very much.

MS. BELL: Opening remarks on behalf of Respondent, Mara M. Burr, Jochum, Shore and Trossevin, PC.

OPENING REMARKS OF MARA M. BURR

MS. BURR: Good morning. It's very nice to be here.

Madam Chair, members of the International Trade Commission, I am here on behalf of ALAC, an importer of the subject product DOTP. And we are here to refute in some respects the claims of the petitioner about injury in the market. Our witness will talk a little bit about the complexities of this market, the complexities of the market in the United States, and the complexities of the market globally.

We do find it interesting that the Petitioner does not address a few issues that are very important. First of all, the entry into force of the U.S.-Korea free trade agreement. As the International Trade Commission does the economic analysis of trade agreements, it is quite clear that for products that go to zero on entry into force, there is usually a substantial increase in imports if the producers are competitive in the market, which the Korean producers are.

So the period that we're talking about, 2013 to 2016, coincides with the entry into force of KorUS, as it's called, or U.S.-Korea free trade agreement, and that, in my experience, is how free trade agreements are supposed to work. You lower the duties, and imports increase for both sides. That's why the United States negotiates free trade agreements.

The result of KorUS was to remove a 6.5 percent tariff from the subject product, DOTP. This made Korea very competitive in the market because it went to a zero duty rate, where other countries continued to pay the 6.5 percent rate.

I think it's very important to also note that this is a product, an oil-based product, that is subject to fluctuations based on oil prices. And the inputs for DOTP are dependent on oil-, petroleum-based derivatives.

So of course, in the last few years, we've seen unprecedented drops in the price of oil. And I think that must be taken into account by the International Trade Commission as you look at the factors that both cause an increase in imports and pricing issues.

On the pricing issues as well, I think there is more complexity here than meets the eye. With respect to the amount of Korean imports coming into the United States and the capacity of the Petitioner, I think it's quite clear that the imports, although somewhat significant, are not significant in the market compared to the production capacity of the Petitioner. And that must be taken into account by the International Trade Commission.

For these reasons, we do not believe that the domestic industry has been materially injured, and we believe there are much more -- many more issues that need to be taken into account going forward, to get a basic understanding of how this market works, how this product is sold and why it is that Korean imports have increased.

It's also very important to note, as our witness will go over, that for the type of industry we're talking about, you need to have multiple suppliers, and multiple suppliers are very important. And, in fact, in Eastman's petition and in its annual report, it talks about time to time that there are shortages and where demand exceeds

production.

So for these reasons, we think it's very important that when looking at the entire market and looking at all of the factors, the International Trade Commission will come to the conclusion that the petitioner is not being materially injured by imports from Korea. Thank you.

MS. BELL: Petitioners can come forward.

MR. O'BRIEN: Good morning, Ms. Haines and Commission Investigative Staff. I am Kevin O'Brien from Baker & McKenzie, and we have several witnesses that would like to offer testimony this morning, and we welcome the Commission's attention to this important case.

I'd like to introduce the witnesses right now, if I can. To my immediate left is Ms. Cari Parker, vice president, chemical intermediates and fibers manufacturing, Eastman Chemical Company.

Following Ms. Parker's statement will be a statement by Dr. Stephen Cullen, business unit director, oxo and plasticizers, chemical intermediates business organization, Eastman Chemical.

And after Dr. Cullen, Brian Yobst will speak, the strategic procurement manager for Eastman.

We also have at the far end Michael Carrier, senior counsel, global trade and compliance, Eastman

Chemical. And following Mr. Yobst, Thomas Rogers will speak. He is our economist on behalf of capital trade.

With that, I will turn to Ms. Parker for our first witness statement.

MS. PARKER: Good morning, Ms. Haines and the rest of the Commissioners. I am Cari Parker, vice president of chemical intermediates and fibers manufacturing for Eastman. I am a chemical engineer by training, and I began working for Eastman in 1987.

I've held positions of increasing responsibility in several areas, including technology, human resources and manufacturing operations in Tennessee and Texas.

I've been associated with the plasticizer business since 2005, when I became a leader of plasticizer manufacturing in Kingsport. I subsequently held leadership positions in our technology organization, with responsibility for plasticizer process improvement and development.

I am currently responsible for global manufacturing operations for our chemical intermediates and fibers segments. More specifically, I'm responsible for Eastman's plasticizer manufacturing, including DOTP production units in Kingsport, Tennessee, and Texas City, Texas.

This case is of critical importance to our

company and to our DOTP operations in both Tennessee and Texas, and I very much appreciate the opportunity to be here to address the Commission this morning.

To provide some company background, Eastman is a global specialty chemical producer, headquartered in Kingsport, Tennessee. We've been producing in the United States since 1920. Eastman's founder, George Eastman, established our facility in Kingsport following the outbreak of World War I, which caused a scarcity of raw materials, including many chemicals, that were needed to make photographic paper. Photographic processes were of course a cornerstone business for our company at that time, as we were part of Eastman Kodak.

George Eastman was determined to provide an independent supply of chemicals and it's from his determination that many of Eastman's basic building blocks were developed, manufactured and perfected.

In 1994, Eastman Chemical Company split off from Eastman Kodak and became an independent corporation. Eastman's innovative products have made us a leader in the global chemical industry for more than 90 years. We have now roughly 15,000 employees, with about 6500 in Tennessee and another roughly 1000 in Texas at our Longview and Texas City sites.

We've received numerous corporate citizen

awards, including the Glassdoor Employee's Choice Award recognizing the best places to work for 2014, '15 and '16.

We received the CR Magazine Top 100 Best Corporate Citizens Award in 2015 and the Energy Star Award for five consecutive years from 2012 through 2016.

These awards show our commitment to the community and to those we employ in those communities. Eastman is the only U.S. manufacturer of DOTP and was the first-ever producer beginning in 1974.

We were manufacturing in Kingsport, Tennessee, then and today, after more than 40 years, we are still manufacturing at that site.

In 2011, we expanded our operations through the acquisition of a site in Texas City. Because of increased worldwide demand for DOTP, we wanted to expand our capacity, and as we evaluated options for that expansion, we learned that Sterling Chemicals, Incorporated had closed its Texas City plasticizer unit, laying off all of the workers and idling assets due to the reduction in demand for phthalate plasticizers.

Eastman acquired Sterling in 2011 for $100 million. A press release announcing this acquisition noted, this acquisition includes Sterling's plasticizer manufacturing assets in Texas City, Texas. Eastman plans to modify and restart the currently idled plasticizer

manufacturing facility to produce nonphthalate plasticizers, including Eastman 168 nonphthalate plasticizer. This additional capacity will enable the company's performance chemicals and intermediate segment to serve the growing demand for nonphthalate alternatives.

I was the first site leader after our acquisition of the Texas City site. I oversaw the retrofit of the plasticizer unit and the start-up in 2012. As part of this process, we hired previously laid off employees and transformed the site into a more productive asset.

The Texas City site included multiple manufacturing units over its many decades of history. Over a number of years, unit after unit was shut down. By the time Sterling closed the plasticizer unit at the end of 2010, only one other unit was operating. Eastman's acquisition revitalized the location and represented a new start. In fact, one of the first things we were able to do was rehire workers who had been made redundant when the plasticizer unit was closed.

We expanded our DOTP production in response to increased global demand. We were correct in our assessment that global DOTP would grow strongly, which was the reason behind the acquisition in Texas City and expansion in Kingsport. But we didn't anticipate the price effects caused by the Korean imports entering the U.S. at

increasing volumes and continually lower prices.

Our sales volume has grown significantly, but we had progressively lost market share over several years. Profitability has continued to deteriorate to the point that we can no longer justify additional capacity expansions in response to market need.

The product subject to this investigation, DOTP, is a nonphthalate plasticizer that is used primarily in the manufacture of plastics, and most importantly, flexible PVC consumer products. DOTP is a substance that is added to plastics to impart softness, making them easier to handle. It is used in PVC articles such as flexible flooring, vinyl wall coverings, mats and toys.

DOTP is what we would call a general purpose or primary plasticizer. That means it can be used for most flexible PVC applications as the main plasticizing component. And because of that, DOTP is used in commerce in large quantities.

Eastman recognized the emerging market need for an alternative to phthalate plasticizers for use in everyday consumer products. Furthermore, Eastman invested in capacity in advance of this emerging need so that material was available for those who needed to or chose to switch.

Eastman has also invested significantly in

developing the technical know-how to help our customers make the conversion from using a phthalate plasticizer to a nonphthalate plasticizer.

We are here today to ask the Commission for relief regarding the unfairly traded imports that are destroying our DOTP business. We have lost tens of millions of dollars in sales revenue due to the dumped imports. These considerable price and volume effects have devastated our bottom line, as you have seen in the confidential data contained in our questionnaire response.

We have suffered substantial declines in profitability from 2013 through today. This decline has directly affected our plans to grow the DOTP business. We've been forced to abandon expansion plans, which has an impact not only on our business segment but on the communities in which we are a significant employer.

The dumping of Korean product that has occurred has dramatically lowered the commercial price of Eastman's U.S.-produced DOTP due to the underselling by the Korean suppliers.

Our profitability in the market has been substantially reduced. These trends are not sustainable.

Eastman is known for high quality chemical products, including DOTP. We are a world-class company that routinely and successfully competes with the largest,

most sophisticated chemical producers in the world.

We seek only a level playing field. We've been producing this product in the U.S. for more than 40 years. Until 2010, we had a relatively modest volume of domestic sales of DOTP on which we realized an acceptable profit.

Coincidentally, there was basically no Korean DOTP in the U.S. market at that time.

During 2011 and forward, market conditions changed rapidly and precipitously. The Korean producers, LG Chem, Aekyung and Hanwha, entered the U.S. market in force and have undercut the U.S. price time and again.

We believe this is as a result of Korea having several times more capacity for DOTP production than is needed for its domestic consumption. Korean producers have rapidly sought western outlets for their excess capacity using price as a basis of competition.

By 2013, Korean imports were significant and on a staggering growth trajectory. Because DOTP is a commodity, those lower-priced Korean imports steadily increased market share. While demand has increased, for reasons we will further address, unrelenting price reductions have cut Eastman's price in half since 2013, well beyond any changes in raw material costs.

Eastman has attempted to differentiate itself from these Korean imports as a high quality, reliable

domestic supplier. However, significant import quantities have come into the U.S. market with only price as a basis of competition and supply is now wholly commoditized. This product is now generically referred to as DOTP.

We have made repeated price reductions in direct response to Korean competitive pricing, as we discussed in detail in our petition. We have done this to avoid further volume losses with our customers and to keep our lines running on a 24-hour, 7-day-per-week schedule, which is essentially to efficiently produce DOTP.

Confidential financial data contained in our petition tells the story, including millions of dollars lost as we face downward pricing pressure from our customers here. And we've been unable to justify further development and expansion of our DOTP lines. This means jobs have not been created and capital expenditures could not be justified.

Eastman can and does successfully compete in the U.S. market. All we ask for is a level playing field. For these reasons, we ask the Commission, on behalf of our management team and our employees, to make an affirmative determination here. Thank you.

MR. O'BRIEN: We will now hear from Dr. Stephen Cullen.

DR. CULLEN: Good morning. My name is Steve

Cullen, and I'm the business unit director for Eastman's oxo and plasticizer businesses. I have global profit and loss responsibility for the upstream oxo business, and that's the main raw materials that are used to make plasticizers, amongst other derivatives, as long as the downstream plasticizer businesses.

I have an honors degree in PhD and chemistry from the University of York in the U.K. and have been in commercial roles in the chemical industry for the whole of my career, which so far spans 22 years.

I've been with Eastman for 14 years and directly involved in the plasticizer business for the last 8-1/2 years.

I relocated to the U.S. in 2008 to take up the position of business manager for the plasticizer business, during one of the greatest periods of change in the industry.

In 2011 and 2012, I held a role focused on developing the long-term plasticizer business strategy, before resuming profit and loss responsibility as the business director for the plasticizer businesses in 2012.

I will testify today about the manufacturing process for DOTP and on other aspects of this product.

Eastman produces DOTP at its Kingsport, Tennessee, and Texas City, Texas, facilities. Eastman is

also integrated into the manufacture of the key raw materials used in the production of DOTP.

These are terephthalic acid, also known by the acronym PTA, and dimethyl terephthalate, known by the acronym DMT. Both of these are made at our Kingsport, Tennessee, location. The other key raw material is 2-ethylhexanol, also known by the acronym 2 EH, and that is made at our Longview, Texas, and also Singapore facilities.

Our DOTP manufacturing units are dedicated to the production of DOTP, both in Texas and in Tennessee. By this we mean that no other products are made on those lines.

Major global producers of DOTP use one of two methods, either transesterification or direct esterification.

Regardless of the production process that is used, the end molecule is DOTP, which is a distinct chemical entity.

Eastman chooses to use the first process that I mentioned, the transesterification process, and we do this for historical and operational convenience reasons. Eastman is one of the few remaining producers worldwide of DMT, so we have the option to use that available to us.

We could elect to use the PTA direct esterification process instead, as the two processes and

the products coming from them are fully interchangeable, and Eastman also manufactures PTA.

From a customer or end application perspective, the final product is DOTP, regardless of the method of manufacture.

Eastman's DOTP production generates methanol as opposed to water as a by-product with using the transesterification process. The methanol generated in our production process is recycled back into our DMT production, as opposed to the water which would be generated from the direct esterification process, which would have to be discarded.

We believe our highly integrated processes and methanol recycle makes Eastman amongst the most efficient producers of DOTP in the world.

As I mentioned, our DOTP is highly interchangeable with DOTP from Korea. The products have comparable specifications, comparable characteristics and comparable properties.

They have the same customers and the same end uses. This interchangeability means that producers are able to switch back and forth between sources of DOTP based on price. As a result, we have repeatedly been presented with lower competitive bids for Korean product as a direct substitute for our product.

Many of our customers have purchased Korean product in place of ours during the past three years. We describe in detail in our petition specific instances of lost sales and lost revenue to the low price Korean producers due to the highly interchangeable nature of U.S. and Korean DOTP and use in the same final applications.

My colleague, Brian Yobst, will discuss the regulatory framework governing plasticizers in the United States and how that has had an impact on the U.S. demand for DOTP in recent years.

However, it's worthwhile to take a moment to describe why DOTP is unique and not interchangeable with other plasticizer products and why its demand has grown so quickly in the U.S. over the last six-plus years.

DOTP has a specific chemical structure that imparts particular and increasingly desirable characteristics. It is a nonphthalate, as opposed to an ortho-phthalate, plasticizer or more commonly known as phthalate plasticizers.

Phthalates are a class of compounds that have been the industry standard plasticizers since at least the 1950s. Phthalate plasticizers have been increasingly subject to controversy over carcinogenic and reproductivity toxicity concerns seen in animal testing and, as a result, increasing regulatory scrutiny.

For example, by the EPA and its chemical action plan for phthalates, under the Consumer Product Safety Improvement Act of 2009 that introduced regulation prohibiting the sales of toys and mouthable children's products using the most common phthalate plasticizers.

And also in the findings of the subsequent Consumer Product Safety Commission chronic hazard advisory panel, findings and recommendations.

In addition, the two most commonly used general purpose phthalate plasticizers are listed under California's Proposition 65 as materials which are known to the state of California to cause adverse health effects.

We are not here to debate the highly complex science of those arguments, but rather to state the facts that regulation, consumer preference, and increasingly, the choice of brand owners, has driven a technology shift away from the use of traditional phthalate plasticizers and leading to a significant growth in the demand of nonphthalate plasticizers and, in particular, DOTP in flexible PVC products in the U.S.

Simply put, DOTP is perceived quite differently in the market to traditional phthalates by customers, regulators and the public.

I'd also like to take a moment to briefly explain the relevance of DOTP blends in this case. Cari

Parker has explained that DOTP is a general purpose, or primary, plasticizer and that some applications also utilize specialty or niche plasticizers in combination with the primary plasticizer.

This is generally done to modify the end product processing, rather than to change the properties of the final PVC article. Eastman does sell blends in the United States in small quantities for niche applications, representing a de minimis portion of our DOTP sales.

Our primary market for blends is in Europe for quite specific applications.

We do not believe that blends are being imported into the United States from Korea. We have not seen any. We included blends in this investigation to avoid the potential for foreign producers to bypass an antidumping order by first blending DOTP and then importing.

Again, we do not know of such imports at this point. We also do not know of any purchasers who import DOTP from Korea and then blend it in the United States prior to sale. So we do not believe the blends are a factor in the Commission's preliminary decision.

The Commission's questionnaire requested information about another chemical that Eastman produces, DBT, or which is otherwise known as dibutyl terephthalate.

DBT and DOTP are different chemicals. They have

different physical characteristics. A partial list of the foundational distinctions between these two chemicals includes that DOTP is a primary plasticizer, while DBT is a secondary or niche plasticizer. DOTP is a liquid at room temperature, while DBT is a solid.

DBT -- DOTP and DBT are used differently and stored differently. DBT is rarely used outside of blends, whereas only a negligible volume of DOTP goes into blends.

DBT is a specialty plasticizer that is generally used in combination with much greater quantities of another general purpose plasticizer, unlike DOTP, which in itself is a general purpose plasticizer.

Finally, DBT is sold through different channels of distribution. Eastman did not sell DBT in the U.S. to distributors over the past three years, while we have routinely sold DOTP to distributors.

As a final point, DBT pricing is generally higher than DOTP, and DBT pricing does not fluctuate in the same way that DOTP does.

DOTP pricing fluctuates mainly on supply-demand drivers, including the presence of competitive prices for Korean product and based on raw material import costs.

DBT pricing does not fluctuate like this.

I've previously noted the increase in U.S. demand for DOTP and would like to also point out that

Eastman has sufficient capacity to address these increases in demand in the U.S. market. Eastman's existing capacity could supply more than the current U.S. domestic consumption of DOTP.

At no point over the past three years have we been unable to supply customers with requested volumes of DOTP in the U.S. through demand exceeding our capacity. We have also described how we have invested in additional capacity in advance of market growth.

We announced in 2014 that we had completed an expansion at our Texas City facility and that we intended to further expand our DOTP capacity at a later date. However, as Cari Parker noted, despite significant volume growth, the impact of Korean imports has caused the profitability of this business to deteriorate to the point that we cannot justify further investment in expansion of our DOTP lines as we expected in 2014.

With respect to our costs, and particularly raw material costs, we explained in our petition how Eastman's cost of goods produced declined in recent periods. General purpose plasticizers are petrochemical products, and so under normal market conditions, selling prices would fluctuate on the basis of raw material inputs.

We would expect, then, that prices would have fallen based on the declining oil price in 2015, for

example. However, the declining DOTP pricing over the same period has far surpassed the raw material cost declines. So our revenue has declined over the same period that we saw increased imports, and these imports were at lower and lower prices.

Moreover, when oil prices increased again earlier this year, pricing of DOTP did not move up in kind. In fact, Eastman announced a price increase for DOTP to be effective April 1 of this year.

In the end, the situation after this announcement was that our overall average pricing was lower. This is an example of how Korean import material is so ubiquitous in the U.S. market that we have no pricing power in our home market.

We provided the specific cost numbers in our petition and the financial information makes the same point.

Finally, competition with Korean imports occurs both through the distributors or broker channel and on a producer to user direct basis.

In the producer to user direct channel, Eastman competes for orders with product that is usually packed in 20-metric-ton flexitainers, which is a bag contained inside a normal 20-foot shipping container, or in proper chemical isotainers, which are imported directly to the end user.

In the distributor/broker channel, Eastman mainly competes for orders directly at end customers with Korean DOTP that has been shipped to the U.S. in bulk sea shipments, stored in a local shore tank and which is then delivered to end users in tanker truck lots. Irrespective of the method by which Korean DOTP arrives at the customer, we have been required to set our pricing at or close to the Korean competitive pricing in order to maintain volumes even with our longtime customers.

Basically, regardless of how DOTP enters the U.S., Eastman is competing with Korean DOTP for orders from end users, 20 metric tons at a time.

Because the main basis for competition centers on price, the effect of these increasing volumes of Korean imports has been to drive down market prices.

In summary, low-priced imports from Korea have seriously damaged our DOTP business and the trends indicate that increasing import volumes of unfairly priced product will continue. So we ask on behalf of our company and its many stakeholders for an affirmative determination. Thank you.

MR. O'BRIEN: We will now hear from Mr. Brian Yobst.

MR. YOBST: Good morning. My name is Brian Yobst. I am currently a strategic procurement manager at

Eastman, where I have responsibilities for procurement of raw materials supporting Eastman's adhesives business. I have been in the chemical industry for more than 20 years and with Eastman for 15 years. I was a manufacturing supervisor, a global pricing manager and was the business unit manager of the general purpose plasticizer business unit until moving to procurement in May of this year.

In my business unit manager role, I oversaw the business that includes DOTP and was in charge of profit and loss management, oversight of significant customer negotiations and execution of our business strategy for DOTP.

I would like to start with an overview of the conditions of competition for DOTP in the U.S. market. DOTP is a commodity product that is highly price-sensitive. Demand for DOTP in the United States has increased over the past three years, while prices have plummeted.

The reason for the increase in demand are the ongoing technology shift toward nonphthalate plasticizers, as you have heard. There are federal and state regulations that ban or restrict the use of certain phthalate plasticizers in specific end uses, or require labeling of articles containing certain phthalate plasticizers.

As a result, DOTP has emerged as the leading phthalate alternative for the manufacture of consumer

goods.

For example, our petition includes a description of California's Proposition 65, which is intended to alert California citizens to the presence of chemicals that may cause cancer, birth defects or reproductive harm.

The California Prop 65 list includes several phthalates, but does not include DOTP.

The trend that has emerged is that DOTP has replaced phthalates in various applications, such as textile printing, flooring and of course children's toys.

For Eastman, in the U.S., the largest end use for DOTP is flexible flooring products. As we have seen an increasing trend that major brand owners are restricting use of phthalates in the manufacture of their products, we've also seen major retailers, like Home Depot, Lowe's, Menard's and Lumber Liquidators, make public statements indicating they would phase out vinyl flooring products containing phthalates.

In 2015, Home Depot instructed a half dozen suppliers to phase out their use of phthalates in vinyl flooring sold in its stores by 2016. Brand owner choices such as these have been the main driver for the dramatic increase of U.S. consumption of DOTP over the past six-plus years.

In addition, DOTP not only has a comprehensive

and clean toxicological profile, such that it does not appear on any restricted lists, but in fact it has received positive risk assessments from several competent bodies, including EPA and governmental agencies around the world. In terms of other plasticizers, they are plainly not substitutes for DOTP in this regulatory environment.

DOTP is sold in the United States to distributors and end users. End users of DOTP produce vinyl flooring for the retailers such as those I've just described. In Eastman's experience, the majority of our product is sold to end users, with a much smaller portion sold to distributors. We do see seasonal sales trends with stronger sales typically in March through October. This aligns with the building and construction cycles and could be influenced by the demands in the flooring market.

At Eastman, we stand behind our reputation for quality and service, and we work tirelessly to maintain our customer relations.

As a result, we have made long-standing customers for DOTP. Over the past several years, Eastman has experienced increased price pressure with specific references to competitive Korean pricing. We were forced to take Korean prices into account in key contract negotiations. In an attempt to not lose further share, we have had to make substantial price concessions. Even then

we have lost sales if we did not match the Korean offer. We have had sales and contracts lost in the face of this competition. We experience the impact of the Korean DOTP every day with price pressure and volume impacts across our customer base.

We provide specific instances of lost sales, lost volume, lost revenue in our petition, but we ask the Commission to consider that the pricing in the entire DOTP market has dropped over this period.

The effect of these low prices is magnified when the Commission views them in conjunction with the volume surge. We have seen a dramatic increase in imports from Korea. Such imports virtually did not exist prior to 2009. Import statistics show remarkable increases. Imports increasing nearly 500 percent between 2013 and 2015.

The percentage is significant enough, but the volumes are also huge. These numbers show that the Korean imports have captured an increasing portion of the U.S. market, both in absolute terms and relative to other countries.

Other countries' market share have dropped off compared to the Korean's. That means that during a period of considerable increases of demand in the United States, imports for the rest of the world have lost share to the Koreans.

Korean's customs authority reports export data, and data going back to 2005 makes the very same point. Export statistics show that the Koreans sent no product to the United States until 2008, and even in 2008, the volumes were minuscule.

But exports began growing exponentially year on year after 2008, from about 1000 metric tons in 2010 to more than 25,000 metric tons in 2015. From either the U.S. import or the Korean export frame of reference, these growth trends are unmistakable.

I would also like to take a moment to discuss the future. As the import trends make clear, the U.S. has become a critical market for Korean exports of DOTP. We believe that the Korean manufacturers export a majority of their DOTP production. We believe that the Korean producers have installed capacity for DOTP production that is several times the size of the U.S. market or the Korean market.

We have also -- as we have also described, the rapidly growing for demand of DOTP in the U.S. has made our market a target for their excess capacity using price as a lever for competition.

This combination of overcapacity, increased U.S. shipments and aggressively low prices has been detrimental to our business.

The Korean producers have excess capacity beyond their domestic demand for DOTP. We believe this excess could more than blanket the U.S. market. Also, the U.S. market is vulnerable to further serious injury because of the years of declining price trends. The history of DOTP imports to the U.S. market compels the conclusion that these pricing trends will continue absent antidumping relief.

One final point in closing. We have seen a significant drop in profitability, despite the fact that our volumes have increased. This happened because of the dramatic drop in prices that resulted from import pricing tactics.

We have had to sell more for less and the effect has threatened the health of our business. For these reasons, we ask the Commission to make an affirmative finding that Eastman has been injured by the Korean imports and faces ongoing threat of future injury as these trends are set to continue.

We welcome the opportunity to answer your questions. Thank you.

MR. O'BRIEN: Thank you. We will now hear from Thomas Rogers of Capital Trade.

MR. ROGERS: Good morning. As Kevin said, I'm Tom Rogers of Capital Trade. You just heard from the

industry witnesses -- experts on the product, the company's results, market trends and the impact of increasing imports on their business.

Nearly all -- because it's a single product or a single producer industry, nearly all of the data in this case is proprietary. So I'm just going to make some general observations about the public record.

As you've heard, it's a commodity product, and the basic framework through which the Commission should evaluate the impact of imports on the domestic industry in this case is that basis.

As the Commission knows from its experience in many other cases, the key competitive feature of a commodity market is that competition is based largely, if not exclusively, on price. And that price-based competition is the lens through which you should focus when you do your analysis.

Now, it's through price that the Korean exporters have gained their tremendous increases in shipment volumes and market shares. It's through price that the Korean product has captured sales from Eastman, resulting in lower sales volumes to existing customers and driving down prices across key accounts.

And it's the continually lower prices combined with these surging volumes that have undermined Eastman's

profitability and pose an imminent threat of continued injury.

I'll address these points in the slides that we've handed out. First slide, subject import quantities. This shows imports of Korean DOTP.

As you can see, for the HTS code 2917.39.2000, and this is the category which Eastman believes that most, if not all, imports of merchandise are entered, subject imports more than doubled, from 12,300 short tons in 2013, to more than 28,000 short tons in 2015.

Through the first five months of this year, imports from Korea are up a further 6-1/2 percent as compared to the year earlier period. So they keep going up.

While nonsubject imports are present in the market, their volume is down in 2015. They are sold at higher prices, and they have been eclipsed by the surging shipments from Korea.

Another source, the importer questionnaire data that you are compiling will show a similar trend, but regardless of the source, whether it's the questionnaires or the data -- your census data, the record evidence is a dramatic increase in imports, that's unambiguous.

While it's outside the Commission's normal investigation period, it's also instructive to note that

Korean producers are not, as you've heard, they are not traditional long-term market participants.

Eastman has been in this business for a long time, the Koreans have not.

As shown in slide 2, you can see from zero shipments in 2009, the Korean imports entered the market in 2010 and have increased sharply ever since.

Now, turning to demand, the company witnesses described how demand for DOTP has been spurred by its nontoxic profile. Demand has increased significantly throughout the period, and so have the company's shipments. Imports from Korea, however, have rocketed up at an even greater rate. Korean producers obviously have been determined to ramp up volumes and capture share.

U.S. shipment data are proprietary, so we will provide further analysis of the share trends in our brief. But suffice it to say, Eastman has lost significant share to Korean DOTP over the past three-plus years.

Now, the large Korean volume and share increase has been achieved through aggressive pricing. In the third slide, this shows that the average unit value for Korean DOTP has dropped precipitously from approximately 2000 -- and it's the red line in this chart, from approximately $2000 per short ton in January 2013, beginning in the third period, to less than $900 per short ton in May of 2016, the

last month for which data are available.

Clearly, there is significant price depression. The chart also shows Korean exporters are price leaders, and Korean DOTP is priced far below nonsubject imports.

And I might add that that price difference there is far less than the 6-1/2 percent tariff cut that was mentioned this morning, so that cannot be the explanatory variable here.

As you've heard, Eastman has benefited from lower raw material costs. However, the cost decline has been overwhelmed by this Korean pricing.

The proprietary figures are masked, but in slide 4, we put together a bar chart which illustrates the sharp rise in the company's COGS to net sales ratio. And this is because the prices have fallen faster and farther than the company's costs. And the questionnaire data that you have will confirm this significant price suppression.

Now, looking again in a commodity market, you would expect to see the prices of competing products moving together. And assuming that all importers provide their data fully and accurately, the ever-lower prices of the Korean DOTP, we expect, will show significant underselling.

And the direct impact of this underselling is transmitted into the market through the numerous instances

of lost sales and lost revenue. As detailed in the petition, low price competition from Korea has hit Eastman across a range of its key accounts. And the impact of such competition is direct, as many contracts have meet-or-release provisions. Thus, each new Korean offer puts downward price pressure on Eastman.

With respect to the specific pricing data collected by the Commission, all Korean DOTP competes against Eastman's product, whether it's product 1 or your product 2. That is, the price of a 20-metric-ton truckload of this commodity chemical impacts the price of the identical product sold in bulk in a railcar and vice versa.

But regardless of how the pricing data are examined, the big picture here is clear. Prices for DOTP have fallen precipitously, and through their aggressive pricing, the Korean producers have exported an increasing volume of product to the United States.

Questionnaire data will show unambiguously that the domestic industry has suffered material injury caused by these ever lower-priced imports. Thank you.

MR. O'BRIEN: I'm Kevin O'Brien, I would now like to summarize some of the reasons why we believe there is a reasonable indication that the domestic industry is materially injured or threatened by reason of imports of DOTP from Korea.

The Commission defines the U.S. industry as the producers as a whole of a domestic-like product and the domestic-like product is the product which is like, or in the absence of like, most similar in characteristics, with the article subject to an investigation.

Eastman is the only U.S. producer of DOTP. The product has the same chemical and physical characteristics as the subject imports. It is interchangeable from a customer perception and use standpoint. It is sold through the same channels of distribution, to the same customers, and it competes primarily on price.

DOTP is a commodity product, and while Eastman has a strong brand and a reputation for quality and service, Korean producers have -- are formidable suppliers with very sophisticated supply chains, and U.S. purchasers make their decisions on the basis of price.

The U.S. Customs data shows that the subject imports enter through multiple ports of entry throughout the United States and continually during the period of investigation. These imports compete with Eastman's DOTP in spiraling price declines throughout the United States.

Also, as shown in the Customs data, the average unit value of the subject imports declined sharply from the beginning of the POI to the end of the POI. This data is consistent with the data mined data, which we also

submitted. The average unit price has dropped continually, irrespective of the cost of raw materials.

To recap briefly some of the testimony, conditions in the market took a turn for the worse when the Korean producers grossly overbuilt their capacity and targeted the United States for their unfairly priced imports. While demand is increasing, Eastman could not foresee the onslaught of Korean product beginning prior to the POI but continuing throughout the POI and to the present. Given the enormous Korean production capacity, which we have included in our petition, there can be no doubt that the Koreans are committed to directing their exports to the United States.

I would also like to make a point about the lost sales and revenue data which the Commission will be reviewing. Eastman is confident that the data will show repeated instances in which customers decided to go with the low-priced commodity product from Korea. However, in a larger sense, the low quotes go well beyond the specific competitive situations. They destroy the U.S. market in its entirety.

This is because when Eastman lowers a price to meet one customer quote, it inevitably encourages an even lower quote to the next customer by the Korean exporters.

With this dynamic, it is not long before lower

prices are pervasive throughout the U.S. market and a new floor is reached, until the cycle repeats.

Under such conditions, it is almost impossible to raise prices to virtually any customer.

The testimony earlier today was that Eastman tried to put through a price increase effective April 1. Not only was the price increase ineffective, prices continued to decrease.

Another point which comes very clearly from the petition is that the Korean producers are highly export-oriented. The capacity put in place and the production by Korean companies far exceeds any domestic demand in Korea. The Korean producers are fully able to execute on their plan to gain market share in the United States.

I'd also like to say a few words about price suppression.

Price suppression really takes two forms, one when the U.S. price is being dragged down by lower import pricing. The second is the inability to raise prices due to the price floor that has been established.

So when the Commission considers whether there is price suppression, the Commission, we believe, should also take into account that while raw materials dropped during the POI, raw material costs also increased during

the POI, yet you have not seen that reflected in pricing. The pricing continues to decrease because of the inability of Eastman to pass through any increase in price, given the prevailing market conditions.

With respect to the pricing data, I'd like to make two points. One that has been made previously that product 1 and product 2, while they are being reported separately, they compete against each other. Whether -- whether a supplier imports in a boatload of product or imports in a smaller quantity, the end user is generally interested in buying 20 metric ton quantities. And that's the point of competition most of the time, and Eastman is competing for those 20 metric ton quantities. Again, regardless of how the product comes into the country.

The other point is the Commission has requested quarterly pricing data, which is very commonly requested. In this market, we are in such a situation that prices are changing monthly. So quarterly pricing data can mask competitive underpricing because, frankly, prices at the beginning of the quarter are going to be dramatically different than prices at the end of the quarter, because prices have declined in the subsequent two months of the three-month quarter.

As indicated in our petition, the adverse market conditions have affected Eastman's capital investments.

Eastman had planned to expand its facilities, but those plans have now been mothballed. There is no way under the current circumstances that additional investments could be justified.

I'd like to now turn to threat. Because we believe that the record will show that Eastman faces an imminent threat of material injury. In this regard, the volume of imports is likely to increase. Imports are increasing rapidly at the present time, and it's interesting to note that of the monthly 2015 and year-to-date 2016 data that was provided, two of the three highest months are in 2016, namely February and April.

So the imports are not only increasing, but they are -- the recent imports are even larger than the early 2015 volumes. So size and frequency are increasing.

Second, the volume of imports frankly will increase because prices are continuing to dive. And as prices get lower, frankly, the Korean producers are encouraged to put more and more product into the U.S. market.

And third, the Korean -- the subject producers are export-oriented. These are multinational companies. They have a very large overcapacity of product, and they are very familiar with penetrating export markets.

We believe this is convincing proof of the

intention of these large multinationals to penetrate further the U.S. market. There can be little doubt that but for the present investigation, imports of the subject product will inflict material injury to the domestic industry in the imminent future.

That completes our statements. I would like to reserve the remaining time for rebuttal.

MS. HAINES: Thank you very much. That was very helpful. We appreciate you traveling all this way. Sorry it's a little hot in D.C. these days.

We'll turn first to Ms. Martinez for questions.

MS. MARTINEZ: Good morning. Thank you for being here today. Your testimony has been very helpful. I have a few questions, and I apologize if it's a little disorganized. I wanted to start with according to Ms. Parker's testimony -- I just wanted to go into a little bit more detail on the capacity expansions in your Kingsport facility. What were those exactly, the timing of those.

And for the acquisition of the Texas facility, is DOTP the primary product that is produced there? When did production of DOTP start there?

DR. CULLEN: I'll answer that question, Steve Cullen from Eastman. With regard to the Kingsport facility, that plant has existed and been manufacturing

DOTP for many years. However, we have on several occasions executed different -- I would describe them as debottlenecks, to progressively increase capacity, actually in advance of growth in the market.

We use a 24-month forecasting period, so we're looking ahead at what we believe our future supply is going to need to be.

We could see from that process that we were going to need additional capacity, which was why we -- when we identified and then moved to acquire the Texas City facility in advance of future needs for capacity, and then restart that plant.

Basically, it was the fastest way that we could add capacity in advance of when it was needed.

In response to the second question about Texas City, the Texas City plasticizer plant only makes one product, which is DOTP.

MS. MARTINEZ: When did that start production?

DR. CULLEN: It started production in April 2012.

MS. MARTINEZ: Thank you. Are there differences in quality or other factors between the domestic product and the product being produced abroad or the product being imported?

DR. CULLEN: This is Steve Cullen from Eastman.

To our knowledge, no, there's not. The materials are wholly interchangeable.

MS. MARTINEZ: And Mr. Cullen, you had mentioned that no other products are made on the DOTP lines. In theory, could there be? What would that entail? Have you produced other products on those? Any additional detail you could provide would be helpful.

DR. CULLEN: In regards to the plant in Kingsport, Tennessee, that has made other products in the past, several years ago. Certainly since my involvement in the business, I would say from 2010, 2011 onwards, the product has been wholly dedicated to the manufacture of DOTP.

The Texas City assets, I think it was in the testimony, originally made other plasticizer products, phthalates basically. But we converted those specifically for the manufacture of DOTP.

So could those units produce other products? In theory, yes. That would take, depending on what product you were looking at at the time, various amounts of modification, capital investment and time, sometimes significant amounts of time. It would depend exactly what was involved, the extent of that.

Generally, converting a dedicated chemical plant to the manufacture of another product is not a trivial

event. It's something we do as part of our business, but you're talking generally about millions of dollars of capital modification and significant amounts of time.

MR. YOBST: This is Brian Yobst, just one clarifying point. I believe the last time we made another product on the assets -- my understanding is the last time we made another product on the assets in Kingsport that currently produce DOTP was in or around 2012, fairly small quantity.

MS. MARTINEZ: Thank you. Do you know if the Koreans use the same manufacturing process as Eastman? Or do you have any insights into that?

DR. CULLEN: This is Steve Cullen from Eastman again.

My understanding is that Korean producers use the direct esterification process, which is reacting terra phthalic acid PTA with 2-EH, 2-ethylhexanol.

MS. MARTINEZ: So is there a reason why you would prefer -- or do one process over the other? I'm just trying to understand.

DR. CULLEN: Sure. In the case of, for example, the Korean producers, I don't believe there is any DMT produced in Korea. Certainly I don't think any of the three producers we've mentioned today do manufacture DMT.

In the case of Eastman, we manufacture both DMT

and PTA, so we have the choice. And really, for historical reasons and for operational convenience, we choose to use the transesterification process. Actually, Eastman is one of the few remaining producers of DMT globally. There's a very limited number of producers. It's in single figures globally.

MS. MARTINEZ: Thank you. That's helpful.

Just touching on the blends, is there a -- why would an end user prefer to use a blend over DOTP? What are those specific applications?

DR. CULLEN: This is Steve Cullen from Eastman.

I think, as I said in my testimony, the use of blends generally is to aid the processing, and I'll give you a couple of examples, as opposed to kind of modifying the properties of the end material.

So, for example, you might add a specialty plasticizer in small quantities with the main volume general-purpose plasticizer to help the fusion, so that the fusion of the PVC into the final article happens faster or at lower temperature. That's one example.

A second example would be if the PVC product is being applied as a liquid, which the industry term is plastisol, you might add a specialty plasticizer to reduce the viscosity of that plastisol that would allow it to be processed in a more useful way.

But in both of those cases, and in most cases certainly involving PVC, the main volume of plasticizer that is used would be a general-purpose plasticizer.

MS. MARTINEZ: So you mentioned that the primary market for these blends is Europe, but you would say there's also a small market here in the U.S. for those blends?

DR. CULLEN: Yes, both of those -- that is correct, yes. We do -- the majority, vast majority of volume that we sell as blends, does go to Europe for specific applications there. We do sell a very small quantity as blends in the U.S. And I think as we said, we would describe that as de minimis. It's really a very, very small proportion.

MS. MARTINEZ: Okay. Thank you.

Moving on to the import data, do you know what products are coming in under the primary HTS number? I understand that it's a basket category. Do you think that most of what's coming in under that HTS is DOTP? And what would the other products be?

MR. ROGERS: This is Tom Rogers. Just looking at the data that we've seen, there are basically three sources on the record. One is the DataWeb, which is the 2917 number. The second is from Datamyne, which is looking at shipping manifest data. And that's data that the import

figures there were selected based on specific product definition. So looking specifically for DOTP.

And then the third source of data, of course, are your questionnaires.

We think there are some other products that could be coming in under this basket category, but looking at the figures and comparing the totals from the Datamyne figures and from your questionnaire data, that's not so clear.

So there -- the total volumes are in line with each other, the trends are in line with each other. So it seems to me, based on this evidence, that most of what's coming in under that category would be subject product.

MS. MARTINEZ: And you're not aware of any specific products other than DOTP that would be --

MR. ROGERS: No. We don't have the entry information for that.

MS. MARTINEZ: So would you agree that questionnaire data would provide the most accurate data set for this investigation, in terms of imports?

MR. O'BRIEN: We think the Datamyne data is highly relevant, because that is recorded by DOTP or -- DOTP comes in under another name as well.

But we know -- we know for a fact that that -- that those products are DOTP and are coming in.

So I think the questionnaire responses set a floor, so you can be confident that at least the quantities in the questionnaire responses are accurate. But we believe that the numbers are actually higher, the actual volume coming in, based on the Datamyne data.

MS. MARTINEZ: Thank you. So I'm just trying to get a better sense of the timing. It was mentioned that Korean imports weren't really in the market until around 2010. Can you comment on sort of the timing of the Korea-U.S. free-trade agreement and those tariff reductions, how did that play into it, and also the environmental regulations, what was the timing of that and how did that affect demand?

MR. YOBST: This is Brian Yobst. I can address the question about increases in demand.

As we mentioned, a number of regulatory drivers in our petition, in our comments today, have really prompted brand owners to make decisions to choose to exit phthalate use and switch over to nonphthalate use. And that's the fundamental driver for the growth in the market.

As far as specific relationships with the free-trade agreements, I can't really comment on that.

MR. O'BRIEN: We believe the effective date was March of 2012, and that one of the effects was it had -- whether it was a primary effect or not, I think it's quite

clear that the perception was the U.S. market demand was increasing.

And if you noticed that rest of world imports are -- have decreased, in particular imports from China have decreased. So what -- I think it is fair to say that the free-trade agreement had an effect, but it had an effect of displacing other imports that were coming in.

MR. ROGERS: This is Tom Rogers. I'd just like to add that, you know, the free trade agreement, it was a one-shot deal. It cut the rate at that point.

The imports have continued to come in at ever-larger volumes, suggesting that, you know, that effect is long gone and they're just continuing to pour product in.

DR. CULLEN: This is Steve Cullen.

I think one other comment about that. If the price effect was a function of the removal of duty under the free-trade agreement, then you would have expected to see a step down and then a flattening of price. And clearly, that's not the case. The price has continuously and progressively continued to decrease. So that's not a function of the removal of duty.

MS. MARTINEZ: Thank you. That's helpful.

How do you respond to Respondents' argument that demand sometimes exceeds production and so you need those

imports to meet the demand?

DR. CULLEN: As I think I said in response to your earlier question, we have continuously increased our capacity either by small debottlenecks at the existing plant in Kingsport in advance of our forecast of what future demand is going to be.

As I also mentioned, we use a 24-month ahead rolling planning process called SNOP, to be able to predict two years ahead what we think demand is going to be so that we can then plan capacity with time to be able to respond to that.

And part of that process, the outcome of that was, you know, we identified a future need to increase capacity, which we did by acquiring the Sterling Chemicals company and the Texas City facility in 2011 and brought that on stream in 2012.

And as you -- we've also testified, and you can see from press releases, after bringing that on stream, we then continued to expand in advance of demand by expanding in 2014.

So what I would say is we have predicted the growth in the market by identifying this switching and technology shift, we call it, from phthalates, and operationally have been projecting what demand would be and adding capacity in advance of that consistently through --

actually the last eight years or so, and making acquisitions in advance of that to meet that demand.

MR. O'BRIEN: I would only add that the questionnaire response that we provided includes our capacity data and also includes data that's directed to exports.

And if you look at our capacity data, I think it's pretty plain that we have the ability to serve the U.S. market.

MS. MARTINEZ: Thank you. Looking at just global export trends, I notice that Korea is more focused on the Asian markets, such as China and Vietnam. Can you comment on this? It seems like from your testimony that, you know, you're saying that Korea is very focused on the U.S. market. But it seems like a lot of their exports in this category are still going to Asian markets.

DR. CULLEN: I don't quite know how to answer the question. But yes, we look at statistics of exports from Korea, where Korean producers choose to sell their products is a -- is a matter for them. How they do that is a different question. That's what we're here to answer today.

But I think what it demonstrates is the excess capacity that we've talked about that Korean producers have over and above domestic demand, and the majority of their

production is being exported to whatever location that that is.

What's clear is one of those destinations, and a significant destination, is the United States. And the way that that is being done is the -- is the impact on the domestic market, which is the reason behind our petition.

MR. O'BRIEN: Yeah, I guess I would add the following point. In addition to the very large capacity of the Korean producers, who are in themselves very large multinational companies, one of their markets had been China. Frankly for products which end up in the United States, flooring and other products. But the Chinese chemical market has built its own capability over recent years.

So while some -- there may still be some increase in exports from Korea to China, there is quite a bit of Chinese capability in its own right. So the Koreans are left with a substantial overhang of capacity and a Chinese market that simply cannot take it.

So hence, the U.S. market is seeing increasing amounts.

MS. MARTINEZ: Thank you. I think I just have one more question at this time.

So there was -- I saw a news release that BASF, which is a U.S. importer, has plans to produce DOTP in

early 2017. How do you think this will affect the market? Any insights? Or can you comment on that?

MR. O'BRIEN: I think we would like to comment in the posthearing brief on that. We are extremely reluctant to comment on another company's plans in terms of how firm or unfirm they are, whether they will change, whether they won't change. We'll be happy to take those points up in the post-conference brief, if that's okay.

MS. MARTINEZ: Yeah, that's fine. Thank you.

MS. HAINES: Turn now to Mr. Clark.

MR. CLARK: Good morning. Again, I want to say thank you for coming today to answer our questions.

I'd like to look a little bit at substitutability. So there were traditional plasticizers that were used. Some of those have been displaced because of -- it sounds like primarily regulatory issues.

But there must be some other nonphthalate plasticizers that are out there. How much does DOTP compete with those? Could any of those be used on these flooring applications, or do those go to different applications?

DR. CULLEN: This is Steve Cullen from Eastman.

Yes, there are a number of different plasticizers on the market. And we mentioned the traditional ones being the phthalate, type of phthalate

chemistry.

Actually, I think the largest driver for the growth of demand for DOTP or for nonphthalate alternatives has been brand owner choice or consumer choice.

Regulation is actually, if you look at it fairly narrow, around toy applications. But so yes, there are other technologies, there are other plasticizers that would fit into that nonphthalate category. However, to our knowledge and belief, they're very, very minor market uptake of those in the United States.

So as the replacement for the traditional phthalate type in the applications that have chosen to do that, DOTP has been, by far, the most successful.

MR. CLARK: What has made DOTP so much more desirable? Is it cost? Is it because of some other environmental concern or some other awareness of the public? Is it just it's -- you know, its properties are better suited to PVC or these particular applications?

DR. CULLEN: This is Steve Cullen.

I'll try and answer that. I think a number of reasons -- I mean, these would be my opinion. But firstly, it was readily available, so the product had been in commerce in the U.S. since 1974, so I think was known to people.

Eastman has invested many millions of dollars in

toxicity testing. So when you're looking to replace, you know, a traditional phthalate product, because of the controversy around its toxicological profile, and we could spend all day debating that, it's quite a debatable subject, but we were able to provide data because of the investments that we've made to show that its toxicological profile was comprehensive and also was clean, so there was no kind of question marks.

So when you're making a substitution from a product where there are question marks, you want to go to one where there are no question marks. And we had the data available to be able to do that.

In addition, availability was a question. Market needed to be available in sufficient quantities at the time that people wanted to shift. We had existing capacity already in place with room to grow, and then as I've also said, we've been adding to that capacity in advance of the increasing demand.

From a performance point of view, it's, you know, a good replacement for the traditional phthalates.

So I see a number of different reasons that contribute to that. Other products were either an offer in the market or, you know, available that maybe didn't have all of those profiles. And I think it's the combination of those factors that has meant that of all the options that

were out there, DOTP has been the one that has been the most successful.

I say that that's not only true in the U.S., actually, that's been true on a global basis, in the -- where people have required -- or wanted to replace traditional phthalates with an alternative DOTP on the global basis has been the one that has been chosen. And I think that also explains why excess capacity has been, you know, developed in other markets such as Korea.

MR. CLARK: Thank you. When did -- so Sterling shut down their plant in 2010, and you purchased their facility in 2011 in anticipation of some of the changes that were enacted in 2012. Again, was that -- was that looking at regulations such that you anticipated the increase in demand so you -- how far in advance was that known, so that you were able to make those -- I mean, was that part of your planning for the increased DOTP or again was that just an awareness of where the public was going, where demand was going to be?

DR. CULLEN: This is Steve Cullen.

Really, the -- so yes, you're correct, the plasticizer plant of Sterling Chemical was announced was closing down at the end of 2010. So at that point looking forward, I was involved in the strategy work at that time in trying to predict how far is this conversion going to go

and what capacities or demand do we see in the market?

So projecting forward as to what capacities we thought we might need to supply demand in the U.S. market meant that Sterling Chemical was a good fit for us.

You mentioned about changes in 2012. I think the only change we've mentioned today in 2012 was the free trade agreement between the U.S. and Korea. Really, the acquisition had nothing to do with that. It was adding capacity at the right time that was suitable for what we needed to do in advance of the market needing that capacity online.

MR. CLARK: You're right, I'm sorry about that. I had 2012 in my mind and because of the rest of the timing, I just put the two together, sorry.

So I just want to ask about -- you're saying regulations aren't really driving this, it's pretty much just demand and what customers want. But you did mention that California had some issues with some of the products on its Proposition 65.

What is going to happen now as a result of the new TSCA, the Toxic Substances Control Act, and how is that going to hopefully try to unify things across states and it will be uniform for federal regulations?

DR. CULLEN: This is Steve Cullen.

This would be purely my opinion. I guess nobody

really knows. But in my opinion, the switch from -- of brand owners, brand owners who are selling consumer products, generally products that have a fairly high human contact, has really increased the use of nonphthalate plasticizers to the point I don't think -- I don't think we can see people going back.

So Proposition 65 refers only to California. It means that any article that's sold in the state has to carry a label that it may contain a product known to the state to have some adverse health effects. That in itself I think is a driver why a brand owner who makes a great consumer product that they love to sell into the market doesn't want a label on it saying it's got something bad in there.

The science of that is debatable, and widely debatable, no need to get into that.

So I think that's really the driver, with the new TSCA regulation preempting some of the state situations, will that have an impact? I don't know. I think the consumer trend personally is that brand owners just want to get away from the controversy and get back to what they're good at, which is selling their branded consumer goods to people and moving on. And I think things will move on from that.

MR. O'BRIEN: If I could just add, Mr. Yobst

mentioned during his testimony that Home Depot and Lumber Liquidators just came out with an instruction that they don't want any phthalates in their flooring products. And that's without regard to any particular piece of legislation. But it will surely -- it and actions like that will drive demand foundationally.

MR. CLARK: Okay. Thank you.

I guess I'd like to look a little bit at just some of the raw material issues. You talked about how your raw material costs have gone down. Other than the input of oil, what else is going to drive raw material costs? What is going to affect any of your availability or your competitors' availability for raw materials?

MR. CULLEN: I can answer that. I guess there were two sets of questions in there. One was around what drives the cost of those raw materials.

I think if you think of the DOTP molecule in two parts, two halves, there is the part that's made either from terephthalic acid or from our case, DMT and then there's the 2-ethylhexanol part.

The DMT or PTA part is a petrochemical derivative, so the raw material is paraxylene, which is a by-product from oil refining, so is directly linked and driven with oil price. Although it has its own market, so its own market is subject to supply demand in the same way

as any derivative.

So that's on the PTA/DMT side. On the 2-ethylhexanol, the main input there is propylene, which is -- either comes from by-products of oil refining or from cracking, naphtha or shale gas.

And increasingly also from being produced on purpose.

The other input would be basically they call sin gas, which comes from natural gas. So the price drivers for oxyl alcohol would be propylene and natural gas, and each of those has their own market as well which will move with supply and demand.

In terms of availability of those materials, they're basic petrochemicals. And generally they're available in the millions of tons as opposed to the thousands or hundreds of thousands of tons that we're talking here in the plasticizer, plasticizer arena.

MR. CLARK: And so the availability for both processes would basically be the same, you're basically giving derivatives from oil for both the processes. So any impact that there would be for Eastman would also affect your competitors; is that correct?

DR. CULLEN: We produce in the U.S. so if there -- the availability supply demand dynamics, if there was something in specific to the U.S., it would be specific

to us, that doesn't happen very often.

Producers in Asia, for example, would be subject to the dynamics in Asia and the availability in Asia. But generally, these are very, very broadly traded commodities, petrochemical commodities, in both those regions produced in millions of tons, very basic materials.

MR. CLARK: Okay. Thank you. I'm trying to look at some of the pricing issues.

How much does volume impact the pricing? One of your comments was it doesn't really matter anymore because everybody is so aware of what the import prices are. And yet I'm sure if you're going to sell somebody, you know, a small container of DOTP, you're going to sell it at a price premium just because packaging is suddenly so much more expensive relative to the product.

MR. YOBST: Brian Yobst. I'll take that question.

As was mentioned, DOTP in the U.S. is typically moved from producers to consumers in approximately 20 metric ton units. Tank trucks would be Eastman's typical mode of shipment to our customers. We also have railcars.

Most users of any scale are purchasing at a minimum of a full truckload quantity. So that 20 ton -- or 20 metric ton, container size that was mentioned earlier is sort of the standard of the industry.

So when we look at customers, most of Eastman's customers for plasticizers for DOTP would either be buying trucks, quantities, 20 metric tons, or a small segment buying 80 metric ton railcar quantities. Smaller quantities than a full truckload would be packaged goods and they tend to be handled by Eastman through our distributor channel.

So typically, customers, whether a medium-sized customer or a very large customer, is buying in 20 metric ton units.

The question you asked is how does pricing vary. Well, I believe, as the market has been more inundated by the Korean pricing, any differentials between customers size-wise and consumer size-wise, they greatly diminished over the period of inquiry here.

From our perspective, and this would be an opinion, when importers bring in a 20 metric ton quantity, they're really not as concerned with the size of the customer. They tend to put pricing in a narrower range than we have seen historically.

So I believe largely the price premium differentials for small customers versus large customers are smaller than they have been prior to this period.

MR. CLARK: You just said that some of your -- some of your sales through your distributors would be perhaps in different sizes. Would that -- I guess would

those be for specialty applications? Would that be anything that's of greater concern, whether it's, I don't know, in the medical industry or, you know? We're talking about toys of course, but toys have got to be huge volumes. I'm not sure what -- how extensive the stuff would be in other applications.

I'm just wondering, what would be these smaller purchases and is that, again, something that's unique?

MR. YOBST: Typically, as I mentioned, small purchases, package quantities, are typically handled through our distributors. So they are the supplier to those end users. We don't have good visibility into where those products go because our competitor -- I should say our distributors downstream from us.

But typically, those folks are handling smaller quantities for the small user, who wouldn't typically buy the full 20 metric ton container.

But as we have noted in our petition, under confidential information, the share of our distributors is noted there, and I think that was the perspective in where it's at.

MR. CLARK: Thank you. If somebody wanted to go back and forth between the Korean and Eastman's DOTP, would there be anything that would prevent them from doing that? Is there any concern about the product not being the same?

Is there any concern about mixing of the product, anything along those lines, that would prevent somebody from switching back and forth and saying today I'm getting a cheaper price from you, I'll buy it from you, yesterday I got it from them because they offered the best price.

MR. YOBST: Brian Yobst. I'll take that.

Based on the examples we have provided in the petition, we have identified a number of customers that buy both Eastman product and Korean product based on price. So we can only presume -- only can presume they're using them interchangeably.

MR. CLARK: Thank you.

MR. YOBST: How they manage their inventories, you'd have to ask the customer.

MR. CLARK: Is there any difference in geographical sales that you've been able to identify? I am sure that Eastman sells pretty much nationally, and you mentioned before that the Korean imports come into multiple ports. But is there a preference? Since Eastman is in Texas and Tennessee and Korea is on the Pacific, it would seem like the West Coast would tend to buy more Korean than the East Coast would.

DR. CULLEN: This is Steve Cullen.

I would say that the material is ubiquitous. It's available readily in all regions of the U.S.

MR. CLARK: Okay. Thanks. How important are lead times to some of your purchasers? Does that -- is that something that's going to affect whether they're going to buy from you as opposed to somebody from Korean imports, or is there enough inventory in the U.S. that it's just about shipping from wherever it is in the U.S. anyway, it's not about having it made to order in Korea and then shipped across the ocean?

MR. YOBST: This is Brian Yobst.

Eastman's understanding would be that there is significant quantities of DOTP imported from Korea stored in the U.S. and made available to the U.S. market. There's also another segment that's imported directly. So from that perspective, the material is available in similar transit as Eastman's product.

MR. CLARK: Okay. Thank you. As far as just general availability of the product, do you -- do you want to try to maintain your plant operating continuously, so you produce to put it in inventory and sell things from inventory, you don't make things to order? Is that the easiest way to -- you operate your plant continuously and then you shut it down I guess so that you're away from your business cycle, your seasonality? You said March through October is when there's the greatest demand because of the construction industry. So would you do your maintenance

during whatever, late fall, Christmastime and just try to produce as much as you can, to put it in inventory?

MR. YOBST: Actually, I think as Steve Cullen mentioned, plasticizer business uses a 24-month planning cycle, so we anticipate our customers' demand, forecast their demand, and produce to that forecasted demand. Taking into account any planned outages for maintenance or other issues.

So we really fundamentally produce to forecasted demand.

MR. CLARK: Okay. Thank you. Just trying to look through my notes here and see if I have any other questions that I haven't addressed so far. I think I'll stop for now. Thank you for your answers.

MS. HAINES: Thank you. We'll turn to Ms. Dempsey now.

MS. DEMPSEY: Like my colleagues, I also wanted to thank you all for coming to testify before the Commission. Your testimony has been very helpful. I don't have many questions. I want to start off asking, several of you have testified that DOTP competes primarily on the basis of price. But are there any nonprice factors that go into customers' purchasing decisions? And how important are those nonprice factors?

DR. CULLEN: This is Steve Cullen. I'll try and

answer those. To be honest, I would say we've tried to increase the number of nonprice factors that we are able to provide other sources of value to our customers. And I wish we'd been more successful than we have.

For example, we branded the product, we actually sell it under a brand name Eastman 168. But DOTP is so ubiquitously available in the U.S. market, all customers, the whole market refers to it by its generic name, DOTP.

So we would look at trying -- other value adding services that we are able to provide.

For example, we have very significant capabilities and know-how in technical service. So when you're converting from the use of a traditional phthalate product to DOTP, hopefully Eastman 168 but DOTP, that requires sometimes some reformulation. So we have some capability in being able to know how to do that and help our customers do that.

An example of what we see is that we find, in my belief, we have a very high market share in those first conversions, because people need our help. I think our stature, our reputation, knowledge in the market, encourages people to work with us during that phase.

Then once they get back to routine, where they're making their consumer product, just now it's nonphthalate as opposed to phthalate, then the supply

totally commoditizes, and those nonprice factors become largely irrelevant and it does come down wholly to price.

MS. DEMPSEY: Following up on that, in any of your lost sales or revenue allegations with respect to purchasers, did purchasers ever give you any nonprice reasons that they decided to go with the Korean product?

DR. CULLEN: Brian, if he could answer that, having been the business manager through that phase.

MR. YOBST: About the only comment I would say at a very high level is some purchasers would desire to have multiple suppliers, so that's, as I'm in procurement now, that's actually, you know, a choice to -- for the purchaser.

So dual supply is a reason for customers to choose to buy product from folks other than Eastman.

DR. CULLEN: Actually, going back to those nonprice factors, a significant reason behind our acquisition of the Texas City site was that we would then have two manufacturing plants on different site locations to make the same product.

So from a supply security point of view, we felt that that was very important in -- for us to do as the original supplier.

So we could have chosen to have built a new plant in Kingsport next to the existing plant, but we felt

that actually having a second one on a different site, in a different state, was very important from a strategic supply security point of view.

MR. O'BRIEN: I would only add that on the issue of more than one supplier, while that may be a preference for a customer, whether or not the ratio is 90 to 10 or something less than that, is going to be driven by price.

In other words, the customer may want the security of having a second source, but that by no means means the supply will be split. It will be very heavily toward the lowest price supplier, with the other one just as a safety valve.

With respect to Dr. Cullen's point just now, it is important to recognize the sophistication of the Korean producers. These are world class, multinational, very sophisticated companies that have their supply chains into the United States very well established.

So Eastman has two producing locations in the United States, that's nice. But it only goes so far. These are very -- frankly, very, very formidable Korean producers as well.

MS. DEMPSEY: Thank you. I just have one more question with respect to nonsubject imports on the market. I know you said their share has decreased during the period of investigation.

I just want to hear what your thoughts are on nonsubject imports' impact on the market and whether DOTP from those nonsubject countries are readily interchangeable with the subject imports and the domestic like product.

MR. ROGERS: Well, I think the question of interchangeability is for the company to discuss, but DOTP is a commodity product, so I think that's been established.

With respect to the volume of nonsubject, just looking at the data, it appears that they have been squeezed out. I think the bulk is coming from Canada and Mexico and if you look at the import data, you see those volumes going down.

So in my mind looking at the data, I see them being squeezed out by the Korean imports.

MR. O'BRIEN: And the point that I would make is that Mr. Rogers showed -- prepared a chart showing the pricing of the subject imports versus the nonsubject imports, and that I think tells a very important story that the nonsubject imports are simply not causing the damage.

MS. DEMPSEY: Thank you. And to follow up, one last thing, you mentioned that it is the nonsubject import pricing which is above that of subject import pricing is not solely due to the Free Trade Agreement. Is that accurate?

MR. ROGERS: Just looking at the absolute

difference in the pricing, it's certainly more than 6-1/2 percent tariff. So that is not the explanatory variable there for that spread. The gap is significant, and the Korean pricing is much lower than the nonsubject imports, looking at that over time.

And you also see that that spread is growing. So tariff cut was a few years ago, but the spread between the Korean pricing and the nonsubject pricing is higher, or the Korean price is dropping faster, shall we say.

MS. DEMPSEY: Thank you. I have no other questions. Thank you.

MS. HAINES: Turn to Mr. Yost.

MR. YOST: Good morning. I join with my co-workers and colleagues in welcoming you here this morning. It's still morning.

I have a couple of questions, and getting back to demand, which I know we've kind of beaten to death this morning.

But if I take from your statements on the regulatory and consumer preference factors, demand for non-ortho phthalates is growing. Is that uniform across the spectrum of non-ortho phthalates? Or is it particularly affecting DOTP?

DR. CULLEN: This is Steve Cullen. I think it particularly has been the case with DOTP. So of the

different flavors, if you like, of nonphthalates that are available, DOTP has been the most successful at replacing the phthalates. It's been the product of choice, if you want to call it that.

MR. YOST: So if I look at Eastman's list of nonphthalic plasticizers, you know, and it has fairly extensive list of I don't know 30 or so items, you would say that the Eastman S 168, which is the subject product here, is growing the fastest or growing the most in relation to other plasticizers?

DR. CULLEN: This is Steve Cullen again.

I think you need to consider that we tried to outline, there were two classes of plasticizer, if you like. So the first one being the general purpose plasticizers.

Those are the largest volume materials and generally commodities.

MR. YOST: And that would include DOTP?

DR. CULLEN: DOTP would fall into that category. So those are used in the largest proportion in an article. In many cases, actually is the sole plasticizer. So the volumes involved there generally will tend to be the largest.

The other materials on our list, we don't have any other nonphthalate general purpose plasticizer products

in our portfolio. The other 29 or whatever that number is that you mentioned really would fall into the specialty category.

So in the specialty category, a similar scenario is playing out that traditional phthalate specialty plasticizers are being replaced, and that's why we have those products in our portfolio. But that's really not part of the subject discussion today.

Q So in your sales, DOTP is by far the greatest -- the greatest single sale of this list?

DR. CULLEN: Yes, it's our largest product today.

MR. YOST: I see. Then on the question of raw materials, I notice, Mr. Cullen, you mention that Eastman is one of the -- one of the last DMT, dimethyl terephthalate, producers in the U.S. How about the Koreans? If I understood you correctly, they don't use DMT in the -- in their process?

DR. CULLEN: The first part of your question is correct, yes, we're the last producer of DMT in the U.S.

My understanding of the companies we mentioned, LG Chem, Aekyung and Hanwha, I believe are all using the direct esterification process based on TPA.

I think I may have said DMT was not available in Korea. I'm not sure if that is actually true. I would

have to check and come back on that.

But my belief is the Korean producers do not use the transesterification process.

MR. YOST: Okay. Are there public -- are there publicly available price indices for these three inputs, TPA, DMT and 2 EH?

DR. CULLEN: There are trade data companies who provide service that you can buy that would give pricing indexes.

I guess they're publicly accessible, but you have to pay to get them. Companies like ISIS or IHS or there's other market -- market services that do report on those -- on those types of industries.

MR. YOST: Then post-conference, if you have those available, would you please submit them confidentially?

DR. CULLEN: Do you mean the actual data or the -- or the names of those kind of providers?

MR. YOST: The actual data.

DR. CULLEN: Okay. There is maybe some confidentiality -- I'm sorry, copyright questions that we'd have to address, but we can look into that after the conference.

MR. O'BRIEN: Sure.

MR. YOST: Okay. Okay. Then I think Mr. Rogers

referred to the ratio of sales to cost is increasing. With the testimony being that raw materials have decreased, then the most obvious category that increased would be our category of other factory costs.

Would you please submit post conference the categories and the increasing costs, in that particular category.

MR. O'BRIEN: Certainly, we'll do that.

MR. ROGERS: This is Tom Rogers. I think also the -- we can certainly provide the cost breakdown. But I think the reason -- the main reason for the change in the ratio is the fact that the prices have declined so dramatically. The end price, the selling price of the product?

MR. YOST: Okay. One final question. I notice also in Eastman's product list that there's a product called 168 SG. Does that differ in any significant degree from 168 to the DOTP, or is it included in the subject product.

MR. O'BRIEN: It is included in the subject product. It is DOTP, yes.

We would prefer to address it in the post-conference brief, in terms of the actual difference. But it's DOTP.

MR. YOST: That's fine. Thank you very much.

That concludes my questions.

MS. HAINES: Thanks. I have just one question. In the opening statement for the Respondents, they were talking about, as you said, their preference to have multiple suppliers in case of shortages. Was there any time during the period of investigation where you were unable to meet demand? A purchase request?

DR. CULLEN: Hopefully, I tried to address that during my comments that no, during the period we're talking about here, there's not been a case where we've been unable to supply because demand is exceeding our capacity.

MS. HAINES: That's all I had. Thank you very much. This was extremely helpful. We appreciate you traveling all this way.

MR. O'BRIEN: Thank you.

DR. CULLEN: Thank you.

MS. BELL: Will Respondents please come forward.

MS. BURR: Thank you. And just a note of introduction. The information that Mr. Ted Fisher will provide, who is the director of sales and marketing for ALAC, importer of DOTP from Korea, we have taken much of the information provided for based on the experience of the company and what was provided to us in the petition by Eastman, the public version of the petition.

So I would just like to note that for the panel.

With that, Mr. Ted Fisher.

MR. FISHER: Good morning. My name is Ted Fisher. I am the director of sales and marketing for ALAC International. I want to thank the ITC for the opportunity to participate in this conference and concerning the preliminary antidumping investigation for DOTP from Korea.

I've worked in the vinyl industry for 21 years, 16 years in a small manufacturing company as a plant manager and a general manager, purchasing raw materials and processing them into finished goods, and five years on the supply side, supplying raw materials to ALAC's diverse range of customers.

ALAC International is an importer of chemicals and chemical products founded in 2004 headquartered in New York, New York, has 15 employees and is a certified minority supplier to approximately 100 customers that range in size from small family-run businesses to global multinational firms.

ALAC imports DOTP and DIMP from Korea and our primary supplier is Aekyung Petrochemical. Among the U.S. distributors, ALAC is unique in both its shore terminal positions that allow us to provide truckload quantities on short lead time of both DIMP and DOTP.

We understand the Petitioner, Eastman Chemical, is claiming there has been an increase in the amount of

DOTP imports from Korea and that those imports are causing material injury to the sole producer in the United States.

The plasticizer market in the United States is much more complicated than portrayed by Eastman in its petition, and the conditions of competition have been impacted by a number of factor related to demand, cost of production, shortages and transportation costs. I'd like to address each of these in turn, please.

The plasticizer market is global, ever evolving and highly competitive. One of the primary general purpose plasticizers in the U.S. is DIMP produced in the U.S. by Exxon. DIMP dominated the plasticizer market in the United States for several years, up until increased regulatory pressures as noted earlier with the 2013 listing of DIMP on California Proposition 65, and the 2014 regulatory requirement for products sold in the state of California containing DIMP, to have a toxic warning label.

Even with these regulatory pressures, DIMP is still the dominant general purpose plasticizer in the United States. These regulatory pressures, however, increased demand for DOTP, and Eastman became the largest and according to its petition the sole U.S. producer of DOTP. Eastman is the dominant supplier of DOTP in the United States and is certainly benefiting from the shift from DIMP to DOTP.

In fact, Eastman expressly addressed this issue in its 2015 annual report that was attached to its petition. Eastman reported the plasticizer product line is expected to benefit from the recovery in the North American building and construction industry and the shift in vinyl flooring production to the United States from Asia Pacific. So Eastman sees its plasticizer business on the cusp of expanding, not decreasing as it alleges in its petition.

It should also be noted that plasticizers are evolving as chemistry and technology evolves. And market pressures to make products more environmentally friendly. The next generation of plasticizers is likely to be biobased, made from more environmentally friendly products, safer for consumers and the environment. It is only a matter of time and the speed of technology that will determine the time for the next generation of plasticizers to take the preeminent position in the marketplace.

Plasticizer market is very competitive, and as production increases in the United States, without a corresponding increase in demand, the price decreases. Eastman noted in its 2015 annual report that some products are sensitive to periods of supply and demand imbalance, either when incremental capacity additions are not offset by corresponding increases in demand, or when demand exceeds existing supply.

Eastman is currently the sole U.S. producer of DOTP, and its production capacity is very large. But as it admits in its annual report, there are times when demand exceeds existing supply.

This can be a common occurrence in the plasticizer market and is one of the reasons that our buyers have multiple suppliers of plasticizer, so when demand is very high, they have the ability to use other sources.

In this respect, DOTP imports play a fairly small role in the overall market for plasticizers, but the increased imports simply correlate to the increased demand for DOTP in the United States.

It's also important to note that as the sole U.S. producer of DOTP, Eastman not only leads in the production of the product, but is also setting the price for DOTP on a monthly basis. The import prices may fluctuate a bit, because of the time lag on when the import price is agreed to and when it actually reaches the U.S. market, the price for imported DOTP is negotiated by the importer and set approximately three months before it enters the U.S. market.

So if the market forces that impact the price during that period, the importer must endure those fluctuations. On average, it takes 45 to 75 days for DOTP

in bulk to reach the East Coast of the U.S. from Korea.

There have been new developments that have impacted both DOTP production and price. The first, as mentioned earlier, is the implementation of the U.S.-Korea Free Trade Agreement, and the reduction of tariff from 6.5 percent to zero in 2012.

Second, as mentioned earlier, oil prices have dropped to their lowest level in many years, and this led to lower DOTP production costs. These factors made DOTP imports from Korea less expensive at a time when DOTP in the United States was increasing.

In Eastman's annual report, it highlights that its adhesives and plasticizers product line had sales revenue of $1.2 billion, accounting for 12 percent of Eastman's total sales.

As the sole U.S. producer and largest supplier of DOTP in the United States, it is absurd for Eastman to claim that the small amount of imports from Korea are setting prices in the U.S. DOTP market. I would therefore disagree with the statement in their petition claiming that it has experienced material injury in the form of significant loss of profits, decline in market share, drop in prices and wages and lost sales.

In 2014, Eastman announced that it was expanding its capacity to produce DOTP in the United States,

increasing its production capacity to 200,000 tons. Eastman included the following language in its 2015 annual report. "Increase in the relative use of nonphthalate, rather than phthalate, plasticizers in the United States, Canada and Europe has accelerated and is expected to continue to increase more than general economic growth due to the increasing regulatory requirements and consumer preferences. In addition, the plasticizer product line is expected to benefit from the recovery in the North American building construction industry and the shift of flooring production to the United States from Asia Pacific."

Another major producer, as mentioned earlier, of plasticizers, BASF, announced in October 2015 that it planned to convert existing production capacity in Texas of DIMP and DPHP over to DOTP. Such expansion in DOTP production is inconsistent with Eastman's claims of material injury due to lost sales, lower average unit value and decreasing market share in the United States due to imports from Korea.

The recovery in the building and construction industry is taking place but perhaps not as quickly as Eastman anticipated. In the relocation of the vinyl flooring production has similarly taking longer to materialize than first expected.

It is more likely that these factors that have

adversely affected demand have caused the alleged negative impact or material injury to Eastman's plasticizer business than have imports from Korea.

In addition, Eastman is moving its plasticizer line to a newly created chemical and intermediates segment of the company, according to its annual report, combining plasticizers and chemical intermediates into the same segment will better optimize the oxo stream and benefit the overall -- the company overall.

It is not clear if this adjustment caused any disruptions for the plasticizer business that should be considered.

I have explained that the DOTP market is complex and can experience fluctuations based on demand, availability, supply, quality of supply, input of production costs, as well as transportation costs.

Over the last few years, all of these factors have come into play with an increase in the demand for DOTP in the United States and a dramatic decrease in the cost of production and transportation costs. Imports of DOTP from Korea have increased over the last few years, and the reasons are very clear.

Korean companies produce a high quality DOTP and work to ensure there is a sustainable supply of product. As production costs decreased, so did the cost of

production and with KorUS coming into force, removing the significant 6.5 percent tariff, Korea became more attractive as a supplier.

To the extent that Eastman is claiming that it has experienced any problems in its DOTP business, it may be more accurately attributed to Eastman's market projections and announced production expansion, rather than increases of DOTP imported from Korea. Thank you.

MS. BURR: Happy to take any questions.

MS. HAINES: Thank you very much.

Ms. Martinez.

MS. MARTINEZ: Good morning. Thank you for your testimony. As a preliminary matter, do you agree with the petitioner's domestic like product definition.

MS. BURR: I think at this point we would like to address that in the post-conference brief. We think that the petition is what it is. We do note that it is a heavily competitive market and that there is some interchangeability in the products. But we have not addressed that in our testimony today.

MS. MARTINEZ: That's fine, thank you. I guess I'm just trying to make sense of -- you mentioned that perhaps Eastman overprojected maybe, and due to capacity expansions -- I guess I'm just trying to understand your argument a little bit better.

Because they are clearly able to supply the market. So in terms of -- so you're saying that these capacity expansions were not necessary or can you just explain that a little bit?

MR. FISHER: The press release announcements that I've read in the industry publications indicated -- and as indicated here today, are that Eastman's DOTP production capacity exceeds the U.S. market, which would imply that they have material available for export as well, similar to the materials that are exported from other countries and imported to the U.S.

MS. MARTINEZ: Thank you. So how would you explain the import trends, in terms of the presence of nonsubject sources and how they decreased over the period?

MR. FISHER: As a commodity, certainly petrochemical commodities of scale are important. The impact of the Korea Free Trade Agreement certainly contributes to this, as does the overall domestic demand for the product.

So the demand for DOTP is increasing, at the same time, other factors are coming into play that make the Korean imports more competitive.

MS. MARTINEZ: You mentioned in your testimony that there is a shift in flooring production from Asia to the U.S. Can you explain that a little bit more why and

how is that affecting the market?

MR. FISHER: The regulatory pressures mentioned by both parties, as well as some of the press announcements from large retailers as it relates to phthalate content in flooring, as previously mentioned, caused a fundamental shift in the flooring industry to move from DIMP plasticizer and other phthalate-based plasticizers to DOTP during this period of investigation.

They are, to my knowledge, the largest single consuming segment of the market of this material.

MS. MARTINEZ: But just your mentioning that there's a shift from Asia in flooring production.

MR. FISHER: There has been announcements of additional plants being built in the Southeast, and my understanding is that these plants are coming online, taking longer to come online than originally announced or perhaps longer to build than originally announced. Even once they're up and running, they still have to get the billable product coming out at the acceptable rate.

So you have a series of announcements, saying this segment of demand will occur at this period of time, but it's taking longer.

MS. MARTINEZ: I understand. Thank you for that. I don't think I have anymore questions at this time.

MS. BURR: I'd just like to clarify on that

point, the quote that Mr. Fisher used is from Eastman's petition, from the annual report they attached to their petition. So we are using Eastman's language.

MS. HAINES: Mr. Clark.

MR. CLARK: Thank you. Thank you for coming in this morning.

You mentioned that DIMP is still a major plasticizer. In what products does DIMP go and why is that not being replaced yet, if there are concerns? Why are we concerned about flooring but not about whatever products the DIMP goes into?

MR. FISHER: I'd like to answer that based on my experience and market knowledge, but with the understanding that I'm not an expert in toxicology or these matters.

I failed to mention earlier that over the last 10 years, I've also spent a tremendous amount of time and effort outside of work advocating on behalf of the U.S. vinyl industry through the plastics association based here in Washington, D.C.

I was two term chairman of their flexible vinyl group. I was chairman of the material supplier council, and I'm in my third term on the board of directors. So I've made a number of trips up the Hill to promote, defend and advocate for the entire U.S. vinyl industry.

During this time of personal advocacy efforts, I

have seen a growing trend in the nonregulatory deselection of different raw materials. What that means is that the shift in public perception, regardless of the media source, is driving sourcing selections from the big box retailers.

So they have mandated certain products not contain or though phthalates, as you note accurately earlier.

California adding DIMP to Proposition 65 certainly accelerated that interest. But these chemicals exist because of their unique properties, and they are not exclusively or wholly interchangeable. Some products simply can't use other plasticizers. And so the producers that I have worked with that were unable to convert easily or cost-effectively have chosen to label their product.

The other thing with regards to Prop 65 is that there are exposure levels associated with the label requirements. I'm not an expert in this regard, but some of the producers that use other plasticizers because of their performance properties have decided that the exposures did not require labeling. So you have the ability to label, you have the ability to assess your exposure level, or you have the ability to reformulate into a nonphthalate or nonregulated plasticizer. All of these play into the initial growth in demand for DOTP, I believe, and essentially, the continuing market presence of the

other plasticizers.

MR. CLARK: Well, thank you. But I'm trying to get at which end products that would be. Are we concerned about flooring because children are on flooring and that's a toxicology issue that a child might be near flooring? And if there's, you know, phthalates in there, that that could be an issue, a child could potentially chew at a corner or something?

Why is that our industry of concern and not others, where the DIMP you're saying is still the major general plasticizer?

MR. FISHER: DIMP has a larger market share as a general plasticizer I believe than DOTP. Certainly, DIMP and the related orthophthalates, the high molecular weight orthophthalates.

DOTPs -- the flooring industry's transition to DOTP, I'm speculating, you know, but I would assign it more to marketability than to performance.

And the flooring industry recently was awarded safe use determinations for DIMP by California in accordance with Prop 65, for DIMP content at specific levels in specific materials. So there is the ability to use it, but I think the wholesale transition is more of a marketing related driver.

Does that answer your question?

MR. CLARK: Yes, thank you.

Do you see any other issues that are going to affect the use of DOTP? Again, part of what I was getting at with the first panel was asking, okay, well, is to say is the TSCA going to affect anything? Are there other state regulations? Is there anything other than public perception and marketing that's really driving this?

MR. FISHER: My opinion is that public perception and marketing are primary drivers, there are -- as noted by the prior panel, the toxicology is widely debated and can be widely debated. It's a rabbit hole probably not best gone down.

MR. CLARK: Okay. Thanks. So do you import solely from Korea? Do you import from anybody else? Do you -- do you ever source domestically?

MR. FISHER: ALAC's model is import of not only plasticizers but resins and other specialty products used in the vinyl industry from producers in Asia, because of prior experience and existing relationships. And because every single product on our product line exists because U.S. customers asked if we could source it.

We do import from other countries. Prior to the implementation of the Korea Free Trade Agreement, a considerable volume of the plasticizer was imported from Taiwan. We also import product from mainland China.

But that removal of the 6.5 percent tariff for a commodity product was a significant advantage for the Korean producers.

MR. CLARK: Okay. Thank you. Have you changed the way that you're importing from Korea? Have you changed the volumes, the size of the containers, the amount that you're importing at a certain per quarter or per month or whatever?

MR. FISHER: The materials are imported via bulk cargo vessels, typically 1000 metric tons. This volume can increase or decrease in a certain range depending on availability of product at the time the ship calls on Korea, and the pricing of the product at the time. But there have been no significant changes in the volumes over the period of investigation, with the exception of most recently a decrease in volumes of DOTP due to availability from our producer.

MR. CLARK: Has there -- if you can disclose this here, who are you selling it to? And are you -- are they changing what they're asking for? Are they totally satisfied with the product you're giving them and not asking you to vary it in any way? Does anyone need a particular purity, grade, a niche?

MR. FISHER: The cargos are tested and certified for regulatory phthalate compliance by a CPSC-accredited

laboratory that verifies the quality and integrity of the material. We have a long established track record of consistently supplying compliant and quality material.

The fact that we have our own bulk terminals and take possession of the material in Korea makes us very unique. The other distributors that are not global petrochemical companies with their own production systems, pulling from a tank, don't have their own short terminal inventories at anywhere near the volume that our company does.

This creates short lead times and reliability of supply. Using a similar forecast model, we allocate material based on anticipated customer demand, and that's -- that assures the security of supply, which is paramount, along with competitive pricing and quality.

MR. CLARK: What I was going to follow up with then, is do you sell out of inventory? You make sure that you're forecasting and you try to make sure that you have enough on hand, so you're selling out of your inventory in the U.S. You're not going back to a supplier and saying, here's the order, can you fill this, and how soon can you get it to me?

MR. FISHER: No, because of the transport lead times, you have to manage your inventories locally based on the customer forecasts.

MR. CLARK: Thank you. Do any of your -- are your customers fairly loyal, dedicated customers? Are they also -- do some of them source from the U.S. -- from Eastman, and do they switch back and forth depending on availability or price at any given time?

MR. FISHER: The majority of our customers multiple source their primary raw materials as a matter of security for their manufacturing operations.

Within that ratio, we do maintain a consistent position. We sell based on security of supply, quality and competitiveness, not exclusively price. And that maintains that position, more of a -- more of a true supplier position as opposed to a broker.

There are segments of the market that are exclusively price driven. When there's excess material, you can engage those segments. But for the most part, it's not the majority of our business.

MR. CLARK: Are there lead time considerations for any of your sales? Is there -- does somebody say, well, I need this, and they haven't anticipated their needs well enough, so they're not able to give you enough lead time such that you're unable to supply them, such that they would then have to turn to Eastman or some other importer or someone that's closer by, because maybe they're far enough away that it would take too long to transport it?

MR. FISHER: Trucking is the weak link in bulk chemical distribution. I'm not familiar with Eastman's logistics.

We work with a very broad range of carriers and brokers and can typically, perhaps not 100 percent of the time, deliver as needed. We have situations arise where we get calls on extremely short notice, significantly less than the standard one-week lead time, and are able to deliver as needed. And that, in turn, generates customer loyalty and builds the relationship and establishes our position as a reliable supplier.

MR. CLARK: Do you have multiple warehouses whenever you're managing your inventories that you're able to respond to things at a regional -- even with the short lead times?

MR. FISHER: If you -- our liquid terminals are on the East Coast, so really if you look -- if you plotted our customer base, you would see a relationship to that. There's a practical limit to the transportation costs.

MR. CLARK: Okay. Thank you. I guess just again trying to get back to any kind of difference between the product. Do you feel that the product is total -- totally a commodity, the DOTP, there is never a difference? Is there ever a time that somebody would contact you trying to make a purchase and then they say, well, I need to

buy -- I want to buy something that's U.S.-made or I need something that has been tracked since, I don't know, the raw materials were purchased, so they need to know -- need to have its origin and tracking so that for whatever certification they need, that they would -- either buy America, or because of, I don't know, again I think of the medical industry or the toy industry or whatever, something where it's --

MR. FISHER: Sure. Country of origin considerations. And I guess supply chain traceability may impact sourcing decisions for highly regulated components of the marketplace. Historically, we work with more of the general purpose type applications.

MR. CLARK: Just trying to get a sense of what all is going on here. Clearly, the bulk of the stuff is going to be more generic. So only a few customers are ever going to need --

MR. FISHER: The regulated phthalate compliance is key to some customers, and that's something that we establish on a -- with every shipment.

MR. CLARK: Thank you. Those are all the questions I have for now. Thank you.

MR. FISHER: Thank you.

MS. HAINES: We'll turn to Ms. Dempsey.

MS. DEMPSEY: Good afternoon. Thank you for

your testimony.

I know you said you would address the domestic like product in your posthearing brief. Can you make sure you do that with respect to the six factors the Commission generally considers, and also address whether you agree with Petitioner's definition of the domestic industry?

MS. BURR: Yes.

MS. DEMPSEY: So from your testimony, I understand that there are several other substitute products for DOTP. Did I understand that correctly? Or you said it's a heavily competitive market and --

MR. FISHER: Plasticizer.

MS. DEMPSEY: Plasticizers, okay.

MR. FISHER: Is a global and very competitive market.

MS. DEMPSEY: What other nonphthalate substitutes are there for DOTP?

MR. FISHER: DOTP is the only product in our product line. So these comments would be based on my general market knowledge, not a working expertise with them, supplying them to customers.

But BASF has a product that they market in this area known as Dinch, D-i-n-c-h, as a nonphthalate alternative.

There are also blends of other products, perhaps

not a unique plasticizer but compounders can use multiple inputs to achieve the plasticizer requirements in a formulation using different inputs.

MS. DEMPSEY: So would those blends incorporate nonphthalate plasticizers or phthalate plasticizers?

MR. FISHER: They wouldn't be purchased as a blend. They would purchase the individual components and then incorporate them into their compound. And yes, in this regard, they would be nonphthalate.

MS. DEMPSEY: Would you agree with Petitioner that DOTP is the consumer's primary choice in using a nonphthalate plasticizer?

MR. FISHER: I would agree with that. I would also agree that its acceptance in the marketplace, based on my experience, on the supply side as increased as the premium between DOTP and other general purpose decreased.

MS. DEMPSEY: Thank you. Have purchasers ever come to you to supply DOTP because Eastman would not supply them or could not supply them or cited a shortage?

MR. FISHER: I'm not aware of any systemic shortages that have brought sourcing to us. The -- excuse me. The most common reason is multiple supply chain, active multiple supply chains.

MS. DEMPSEY: Some of the other reasons would -- would you consider pricing of DOTP to be a primary reason

for purchasers to come to you?

MR. FISHER: Pricing has to be competitive. Typically, in my experience, when somebody is establishing -- I'm sorry.

MS. DEMPSEY: Take your time.

MR. FISHER: Too much traveling.

In my experience, establishing active and maintaining active multiple supply chains, the suppliers involved have to be competitive with one another. That doesn't necessarily mean the -- that doesn't necessarily mean you have to have a lower price every time. They're going to maintain multiple supply chains at comparable pricing.

Does that answer your question?

MS. DEMPSEY: And you would agree that DOTP is a commodity product.

MR. FISHER: I would.

MS. DEMPSEY: Other than having a multiple supply source and possibly being price competitive, are there any other reasons that you know that imports are -- or subject imports have increased?

MR. FISHER: Well, I can speak to my own personal experience.

MS. DEMPSEY: Right.

MR. FISHER: That's security of supply. Lead

time and security of supply. Those are the nonprice factors that our company offers.

MS. DEMPSEY: Do you know if DOTP is interchangeable from all sources, such as those from nonsubject countries?

MR. FISHER: Based on the customers that I've worked with that qualify material from multiple suppliers, I believe they're interchangeable.

MS. DEMPSEY: Last question, you can address in your post-conference brief. But can you address the factors that the Commission considers in determining threat of material injury? Thank you.

MS. HAINES: I will turn to Mr. Yost.

MR. YOST: Thank you very much for your testimony. I have found it very, very interesting. I have really just one question, and I will ask this of the petitioners as well for them to address in their post-conference brief.

Do customers -- I mean, do sales contracts, supply contracts, have raw material escalator or deescalator clauses in them?

MR. FISHER: We have been approached by some of the largest consumers to utilize these kinds of pricing models. Their required pricing has been below what we can supply at. So we don't currently supply based on those

models.

MR. YOST: But those models have -- let's say they use, you know, a floor price or they use an index for the inputs of TPA, DMT, 2 EH, for example, and say, well, if those prices go below, then the price of the DOTP will be adjusted downward or upward as the case may be.

MR. FISHER: We have been approached with similar opportunities and have been unable to accept them.

MR. YOST: I see. Do customers come in and say, well, we'd like to buy but it has to be sometime in the future, you know, future delivery, and try to build in that kind of an escalator or deescalator clause?

MR. FISHER: It doesn't apply to our current model.

MR. YOST: Okay. Okay. So my question for Petitioners was, do sales supply contracts have raw material escalator/deescalator clauses, and if so, approximately what percentage of your sales are based on such contracts? Thank you. And that ends my questions.

MS. HAINES: Thank you very much. We appreciate your traveling all this way. It was very helpful, thank you.

MS. BELL: Petitioners can come forward for closing statements.

CLOSING REMARKS OF KEVIN M. O'BRIEN

MR. O'BRIEN: Thank you, Ms. Haines and Commission Investigative Staff, for your time and attention today to listen to our presentations.

I would like to just briefly respond to some of the testimony you've heard from ALAC and then briefly summarize how we see the case.

We believe the issue of whether or not DOTP is a commodity and whether it's interchangeable amongst suppliers is not in dispute. I think -- I think that is the case. I think you've heard testimony from both parties that that is the case, and I believe that the responses you receive in the questionnaires will bear that out.

So as a commodity, it is a particularly price sensitive product.

The issue was raised of the effect of DINP. But that is one of the phthalate products that consumers are moving away from. So the fact that it's a big presence in the market, while it's interesting, it's not particularly relevant to the Commission's decision in this case.

There's no dispute that demand for DOTP is growing. It's growing as a result of consumer preference.

There's also no dispute that during the period of investigation, there certainly were times when raw material costs have declined.

Now, one would think with increasing demand and

declining raw material costs, that profitability should at least be stable or increase. But, in fact, from the financial data, it's quite apparent that that has not occurred. The profitability from being relatively healthy at the beginning of the period of investigation has now been substantially reduced.

That is due to unfair pricing. And the unfair pricing aspect, of course, is the Commerce Department's determination to make. But that is the cause of what is eliminating the profitability from the marketplace.

The -- again, it's undisputed that Eastman has the capacity to supply the needs of the U.S. market. There hasn't been any shortages during the period of investigation. There's no dispute about that.

In terms of establishing the price in the market, the facts simply do not bear that out.

As mentioned during our testimony for Eastman, as recently as April 1, Eastman tried to pass on a price increase. It was thoroughly unable to do so, couldn't pass on an increase of any -- of any percentage whatsoever, and in fact, prices continued to decline.

So the idea or the proposition that Eastman is a price setter in the market is simply incorrect. Eastman is being buffeted by the low cost imports and has no ability to raise the price, even in the face of increased raw

material costs.

There was mention of the expansion plans by Eastman, and certainly, capacity has been expanded. But plans for further expansion have been mothballed. There is no business commercial justification for continuing to increase capacity, when the adequate profitability is simply not in the market any longer.

So something has to change for -- for Eastman to be able to justify a new capital investment.

Much of what was said on behalf of ALAC's witness Eastman would agree with. With respect to the Korean producers and suppliers being very formidable competitors. Like Eastman, they also have certifications for -- by CPSC and other agencies to supply product for various applications. They do have long track records of quality, and they -- they have very impressive facilities, where they can bring in product by the boat load and store it domestically so that there is no lead time advantage that Eastman can take advantage of because the subject merchandise is just as available in U.S. storage tanks for delivery on order by U.S. customers.

Again, bearing out that decisions are made on price, not on lead time or delivery.

With respect to the multiple sources, we've been over that. And while it is true that some customers may

want to have more than one source, the issue of how much gets sold to a particular customer is primarily a basis -- made on the basis of price.

So that a customer that Eastman would be essentially, essentially selling most of its product to, those customers have moved away from that relationship and have sourced much more Korean product because the pricing is better.

So we believe most of these facts are not in dispute. And as we said at the beginning of our presentation this morning, Eastman is looking for a level playing field. The -- we believe the issues of the like product are not in dispute, the issues of domestic industry are not in dispute, the issues of the volume increase and the price deterioration and the effects on Eastman's financials are not in serious dispute.

So we believe the Commission should find that there's a reasonable indication of material injury by reason of the subject imports.

With respect to threat of imports, we believe that the capacity, which we mentioned several times today and is documented in our petition, is overwhelming in terms of the ability of the Korean producers to direct the subject products toward the U.S. market.

So in addition to present material injury, we

believe there is an indication of the threat of future industry -- injury as well. And we would ask that the Commission so find.

Thank you very much.

MS. HAINES: Thank you.

CLOSING REMARKS OF MARA M. BURR

MS. BURR: On behalf of ALAC, we do appreciate the opportunity to be here today, and just in summary, we want to thank the International Trade Commission and the panel for the questions and the discussion of the industry.

From ALAC's perspective, even the amounts and the increase of imports coming in from Korea pale in comparison to the capacity that Eastman has. So to say that a small amount of imports coming in could actually impact the price in the way that's being described is very hard to -- hard to swallow.

We also know that there are other factors that impact the price of this product. And it is not just the fact that Korean producers are targeting the U.S. market. We would -- we would disagree with that statement.

We believe that the Korean producers are efficient, they are high quality. They did take advantage of a reduction in the tariff, in the Korea U.S. -- or the U.S.-Korea Free Trade Agreement, KorUS. It should be noted that KorUS began negotiations in 2005, concluded in 2007,

entered into force in 2012, and obviously producers did know of the zero tariff that was coming online. So certainly they had a chance to look at their products and look at the U.S. market, as well as other markets, because we do know that the Koreans export to other markets, not just the U.S.

So as a small company that imports product from Korea, ALAC would see a very difficult business proposition in imposing duties on these imports from Korea and does not see how Eastman has established material injury or the threat of material injury by reason of imports from Korea.

So we would hope that you would find in the negative on that question.

Thank you.

MS. HAINES: Thank you. On behalf of the Commission and the staff, I would like to thank the witnesses who came here today, as well as the counsel, for helping us gain a better understanding of the product and the conditions of competition in the dioctyl terephthalate DOTP industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post conference briefs is Tuesday, July 26. If briefs contain business proprietary information, a public version is due on

Wednesday, July 27.

The Commission has tentatively scheduled the vote on these investigations for Friday, August 12, and it will report its determinations to the Secretary of the Department of Commerce on Monday, August 15.

Commissioners' opinions will be issued on Monday, August 22.

Thank you all for coming. The conference is adjourned.

(Whereupon, at 12:21 p.m., the conference was concluded.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Dioctyl Terephthalate (DOTP) from Korea
INVESTIGATION NO: 731-TA-1330 (Preliminary)
HEARING DATE: 07-21-16
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.

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SIGNED: Mark A. Jagan
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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

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