

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
STAINLESS STEEL SHEET AND STRIP FROM
JAPAN, KOREA, AND TAIWAN

) Investigation Nos.:
) 701-TA-382 AND 731-TA-800, 801, AND 803
) (THIRD REVIEW)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
STAINLESS STEEL SHEET AND STRIP) 701-TA-382 AND
FROM JAPAN, KOREA, AND TAIWAN) 731-TA-800, 801, AND 803
) (THIRD REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, July 25, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Rhonda K.
Schmidtlein, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7

8

9

10 Staff:

11 William R. Bishop, Supervisory Hearings and Information

12 Officer

13 Sharon Bellamy, Records Management Specialist

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15 Michael Szustakowski, Investigator

16 Abu Kanu, Investigator

17 Karen Taylor, International Trade Analyst

18 Cindy Cohen, International Economist

19 Emily Kim, Accountant/Auditor

20 Benjamin Allen, Attorney

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24

25

1 Opening Remarks:

2 In Support of Continuation (Kathleen W. Cannon, Kelley Drye
3 & Warren LLP)

4 In Opposition to Continuation (Jeffrey M. Winton, Law Office
5 of Jeffrey M. Winton, PLLC)

6

7 In Support of the Continuation of the Antidumping and
8 Countervailing Duty Orders:

9 Kelley Drye & Warren LLP

10 Washington, DC

11 on behalf of

12 AK Steel Corporation

13 Allegheny Ludlum, LLC d/b/a ATI Flat Rolled Products

14 North American Stainless

15 Outokumpu Stainless USA, LLC

16 Terrence L. Hartford, Vice President of ATI Defense,

17 Allegheny Technologies Incorporated

18 Des Schnur, Product Manager for Sheet and Strip, ATI

19 Flat Rolled Products

20 Geoff Pfeiffer, General Manager, Specialty Steel Sales,

21 AK Steel Corporation

22 Dan Lebherz, Manager, Specialty Products & Markets, AK

23 Steel Corporation

24 Chris Lyons, Vice President, Commercial, North American

25 Stainless

1 Brian Romans, National Sales Manager, North American
2 Stainless

3 Stephen J. Letnich, Vice President of Sales for Coil
4 Americas, Outokumpu Stainless, LLC

5 Brad Hudgens, Economic Consultant, Georgetown Economic
6 Services

7 Kathleen W. Cannon, John H. Herrmann and Grace W. Kim -
8 Of Counsel

9

10 In Opposition to the Continuation of the Antidumping and
11 Countervailing Duty Orders:

12 The Law Office of Jeffrey M. Winton, PLLC
13 Washington, DC

14 on behalf of

15 Hyundai BNG Steel Co., Ltd. ("Hyundai BNG")

16 Joo Seok Cha, General Manager, Hyundai BNG

17 Dong Jin Kang, Assistant Manager, Hyundai BNG

18 Sean Inkwon Kahng, Of Counsel, Kim & Chang

19 Jeffrey M. Winton & Daniel E. Parga - Of Counsel

20

21 Rebuttal/Closing Remarks:

22 In Support of Continuation of Orders (Kathleen W. Cannon,
23 Kelley Drye & Warren LLP)

24 In Opposition to Continuation of Orders (Jeffrey M. Winton,
25 The Law Office of Jeffrey M. Winton, PLLC)

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1 PROCEEDINGS

2 MR. BISHOP: Will the room please come to order?

3 CHAIRMAN SCHMIDTLEIN: Good morning. On behalf
4 of the U.S. International Trade Commission, I welcome you to
5 this hearing on investigation numbers 701-TA-382 and
6 731-TA-800, 801, and 803, third review involving stainless
7 steel sheet and strip from Japan, Korea, and Taiwan.

8 The purpose of these five year review
9 investigations is to determine whether revocation of the
10 countervailing duty order on stainless steel sheet and strip
11 from Korea and the anti-dumping duty orders on stainless
12 steel sheet and strip from Japan, Korea, and Taiwan would be
13 likely to lead to continuation or recurrence of material
14 injury within a reasonably foreseeable time.

15 Schedules setting forth the presentation of this
16 hearing, notices of investigation, and transcript order
17 forms are available at the public distribution table. All
18 prepared testimony should be given to the Secretary. Please
19 do not place testimony on the public distribution table.
20 All witnesses must be sworn in by the Secretary before
21 presenting testimony.

22 I understand that the parties are aware of the
23 time allocations. Any questions regarding the time
24 allocations should be directed to the Secretary.

25 Speakers are reminded not to refer in their

1 remarks or answers to questions to business proprietary
2 information. Please speak clearly into the microphones and
3 state your name for the record for the benefit of the court
4 reporter.

5 If you will be submitting documents that contain
6 information you wish classified as business confidential,
7 your requests should comply with Commission rule 201.6.

8 Mr. Secretary, are there any preliminary
9 matters?

10 MR. BISHOP: No, Madam Chairman.

11 CHAIRMAN SCHMIDTLEIN: All right, very well.

12 Let's begin with opening remarks.

13 MR. BISHOP: Opening remarks on behalf of those
14 in support of continuation of the orders will be given by
15 Kathleen W. Cannon of Kelley, Drye & Warren.

16 Ms. Cannon, you have five minutes.

17 OPENING STATEMENT OF KATHLEEN W. CANNON

18 MS. CANNON: Good morning, Chairman Schmidtlein,
19 Commissioner Williamson, and members of the Commission
20 staff. I am Kathleen Cannon of Kelley, Drye, appearing
21 today on behalf of the domestic producers of stainless steel
22 sheet and strip. Just six months ago, this industry
23 appeared before you in connection with its petition for
24 relief from dumped and subsidized imports of stainless sheet
25 from China. The surge in imports from China beginning in

1 2013 and continuing into 2016 devastated the domestic
2 industry.

3 Despite increasing demand, U.S. producers
4 suffered hundreds of millions of dollars of losses in both
5 net and operating income in 2015 and those losses continued
6 into 2016.

7 These financial losses occurred due to
8 substantial price erosion caused by surging volumes of low
9 priced imports from China. During the period covered by
10 that case, prices of stainless sheet plummeted to decade
11 lows, leading to declines in all of the U.S. industry's key
12 trade and financial indicators. Production and shipment
13 dropped. Workers lost their jobs. A facility was idled
14 and then closed. Planned investments were postponed or
15 canceled.

16 Following the issuance of unfair trade orders
17 against China in April of this year, the domestic industry
18 has begun to experience some initial relief. Those
19 improvements are fragile, however, and could easily be lost
20 if the orders at issue in this proceeding are revoked.

21 The record here shows that subject producers in
22 each of the three countries have significant idle capacity
23 available for export. In fact, and spite of the exclusion
24 of a few producers from these orders, the subject idle
25 capacity in each of the three countries today exceeds the

1 peak import volume from each country during the original
2 investigation. In other words, they have more than enough
3 capability to export even larger volumes than they did
4 before the orders were imposed. The cumulative excess
5 capacity at subject producer facilities could supply the
6 vast majority of the entire U.S. market.

7 Further, the U.S. market is a highly attractive
8 outlet for that excess capacity. Asian capacity to produce
9 stainless sheet substantially exceeds Asian demand, so
10 claims that the Japanese, Korean, and Taiwanese producers
11 will simply supply home or regional markets are unfounded.
12 Existing ties of the subject producers to U.S. importers and
13 purchasers, higher average unit values in the United States
14 relative to their other export markets, and the large and
15 open nature of this market make the United States a very
16 attractive outlet to the subject producers.

17 Notably, the comprehensive record data on idle
18 capacity and exports of subject countries comes from
19 independent sources given the dearth of the response to
20 foreign producer questionnaires. Only one of the seven
21 subject Korean producers, one of 10 Japanese producers, and
22 none of the eight subject Taiwanese producers submitted a
23 questionnaire response

24 Worse, the only respondent company that filed a
25 prehearing brief and is participating in this hearing,

1 Hyundai BNG, has submitted misleading and erroneous
2 information that has only served to confuse the record.
3 Hyundai BNG is not the same entity as Hyundai Steel.
4 Hyundai BNG does not account for a major portion of subject
5 Korean capacity. Most importantly, and again contrary to
6 its claims, Hyundai BNG is still very much subject to the
7 anti-dumping order. In fact, in November 2011, BNG has been
8 subject to a 19.6 percent dumping cash deposit rate.

9 When you look at the facts of record rather than
10 BNG's claims, you will find compelling reasons to leave
11 these orders in place. Subject producers and exporters have
12 a high level of unused capacity and are able and likely to
13 divert exports from third country markets and to shift from
14 cut to coiled plate exports to the U.S. market if revocation
15 occurs.

16 Purchasers have told you that price remains a
17 critical factor in their buying decisions. They have also
18 told you that they expect to see lower prices if these
19 orders are revoked. The domestic industry is in a highly
20 vulnerable condition just beginning to recover following an
21 onslaught of unfairly traded imports from China. Allowing
22 low priced and unfairly traded imports from the three
23 subject countries unrestrained access to the U.S. market at
24 this time would quickly cause the domestic industry to lose
25 sales, would cause prices to drop, and would cause material

1 injury to recur.

2 Accordingly, we urge you to reach an affirmative
3 determination to help ensure the industry returns to a
4 healthy condition. Thank you.

5 MR. BISHOP: Opening remarks on behalf of those
6 in opposition to continuation of the orders will be given by
7 Jeffrey M. Winton with the Law Office of Jeffrey M. Winton.

8 Mr. Winton, you have five minutes.

9 OPENING STATEMENT OF JEFFREY M. WINTON

10 MR. WINTON: Good morning, I'm Jeffry Winton of
11 my area. Sorry. That ruined my introduction. I'm Jeffry
12 Winton of the law firm named after myself here today on
13 behalf of Hyundai BNG Steel.

14 You've looked at this industry -- these
15 anti-dumping and countervailing duty orders twice before.
16 This is your third review. I think the question you have is
17 what's different this time? Why should you have a different
18 result?

19 And the simple answer is that, for at least for
20 Korea, POSCO, which is the 800 pound gorilla of the Korean
21 stainless steel sheet and strip industry, is now completely
22 out of this case. It was not out of this case when you
23 looked at this before it was subject to the anti-dumping
24 order, but the anti-dumping order was revoked with respect
25 to POSCO as a result of a WTO decision. And so now,

1 two-thirds of Korean production, the main exporter, is no
2 longer subject to this case.

3 Hyundai Steel, which is the third largest
4 exporter, has been out of the anti-dumping case since the
5 beginning. With respect to BNG, I was accused already of
6 misleading the Commission. That's not true. We explained
7 the situation precisely in our brief. The Commission in its
8 last review said at page 13 that ING -- excuse me, Incheon,
9 which is the predecessor of Hyundai Steel and BNG are
10 excluded from the anti-dumping order. The issue has not
11 been finally decided by Commerce only because no one's ever
12 requested a review of the anti-dumping order with respect to
13 BNG.

14 Both Hyundai -- the two Hyundai companies are
15 subject to countervailing duty orders. They have a
16 miniscule rate, .54 percent, according to Congress. So what
17 you have here is POSCO, which is about two-thirds of
18 production, is completely out of the case and Hyundai Steel
19 has an insignificant CVG rate, no anti-dumping rate at all.
20 They're not subject to anti-dumping.

21 And so the question is what more could come from
22 Korea if you revoke this order? It's all here already.
23 What is it that's restraining POSCO or Hyundai Steel from
24 exporting or BNG for that matter for exporting to United
25 States? It's not the anti-dumping and countervailing duty

1 orders. Any suggestion to the contrary is unsupported by
2 the evidence.

3 Revocation of the order with respect to Korea
4 will have no discernible adverse effect on the U.S.
5 industry, however, they are doing whether it's well or bad,
6 and therefore the order with respect -- orders with respect
7 to Korea should be revoked. Thank you very much.

8 MR. BISHOP: Would the panel in support of the
9 continuation of the anti-dumping and countervailing duty
10 orders please come forward and be seated? Madam Chairman,
11 all witnesses on this panel have been sworn in.

12 Ms. Cannon, this panel has 60 minutes for the
13 direct testimony.

14 MS. CANNON: Thank you, Chairman Schmidtlein.
15 Our first witness this morning will be Mr. Hartford.

16 STATEMENT OF TERRENCE L. HARTFORD

17 MR. HARTFORD: Good morning, Chairman
18 Schmidtlein and members of the Commission. I'm Terry
19 Hartford. I'm vice president of ATI Defense at Allegheny
20 Technologies. I've been employed by ATI and its
21 wholly-owned subsidiary Allegheny Ludlum for 36 years and
22 served as vice president and general manager of stainless
23 sheet and strip business unit at ATI from 2006 through 2015.
24 I also served as the vice chairman of the
25 specialty steel industry of North America. I appreciate the

1 opportunity to appear before you today in support of the
2 continuation of the orders against stainless sheet and strip
3 from Japan, Korea, and Taiwan.

4 ATI was a petitioner in the original cases in
5 the late 1990s. I was extensively involved in our company's
6 participation in those investigations, as well as in the
7 prior sunset proceedings. At the time the original cases
8 were filed, the stainless sheet and strip market were strong
9 and demand was increasing. Yet even with strong demand,
10 dumped and subsidized imports were able to quickly decimate
11 our market.

12 The extremely low prices of subject imports
13 caused our industry's market share to fall, our capacity
14 utilization to drop, and our operating profits to tumble
15 from 8.4 percent in 1996 to just 1.8 percent in 1998. This
16 rapid deterioration in the industry's financial condition
17 was directly caused by the increase in unfairly traded
18 imports. Fortunately, we were successful in obtaining
19 import relief. The playing field was levelled and the U.S.
20 industry was able to recover.

21 Since the completion of the last sunset review
22 in 2011, however, we were confronted with yet another wave
23 of dumped and subsidized imports of stainless sheet and
24 strip, this time from China. We filed the case against
25 imports from China in February 2016. And earlier this year,

1 the Commission agreed with us that the significant in
2 increased volumes of low priced imports from China were
3 causing material injury to our industry. And the orders
4 are now in place.

5 From 2014 to 2016, Chinese imports captured
6 market share at the direct expense of our industry by
7 undercutting our prices and deprived us of the ability to
8 make additional sales at a time when demand was strong in
9 the U.S. market.

10 The large volume of low priced imports from
11 China drove our total prices for stainless sheet and strip
12 down to levels that I had not seen since 20 -- or 2004. In
13 2015, base price levels for stainless sheet in our industry
14 fell to the lowest level in the 36 years I have been in the
15 industry.

16 As a result, our industry's production,
17 employment, and financial performance all declined over the
18 past few years and we are still trying to recover.

19 Because our industry is capital intensive,
20 producers must make significant investments to remain
21 competitive. In fact, ATI and our entire U.S. industry have
22 invested billions of dollars since the last sunset review to
23 remain globally competitive, producing excellent quality
24 products, and innovating to meet our customers' needs.

25 In early 2015, ATI completed the commissioning

1 of the world's most advanced hot rolling and processing
2 facility in Brackenridge, Pennsylvania at a cost of \$1.2
3 billion. This was the largest investment in ATI's history
4 and was justified in the basis of expanding our product
5 capability and reducing our cost structure. You'll be
6 hearing shortly from other witnesses about similarly
7 significant investments undertaken by their companies to
8 strengthen their competitiveness.

9 Unfortunately, the weak market conditions caused
10 by the onslaught of dumped and subsidized imports from China
11 has resulted in our Brackenridge facility running far fewer
12 days than planned. In addition, in December 2015, we were
13 forced to idle our stainless sheet plant in Midland,
14 Pennsylvania. In October 2016, we made the difficult
15 decision to close our Midland facility, resulting in the
16 loss of hundreds of jobs.

17 We are, however, keeping the assets that our
18 Midland facility in the event that market conditions improve
19 and we can justify resuming operations.

20 Given these circumstances, my company is very
21 concerned about the possible revocation of the outstanding
22 unfair trade orders against Japan, Korea, and Taiwan. The
23 poor financial condition of our industry caused by dumped
24 and subsidized imports from China makes it extremely
25 vulnerable to additional injury if the existing orders are

1 revoked.

2 Past behavior has demonstrated that subject
3 producers in Japan, Korea, and Taiwan will resume shipping
4 unfairly priced products to the large and open U.S. market
5 if the orders are terminated.

6 Producers in the subject countries maintain
7 large capacity, as well as excess capacity to produce
8 stainless sheet and strip and they remain interested in
9 serving the U.S. market. There is also substantial
10 overcapacity in the global market, driven largely by China.
11 That overcapacity situation in Asia is pressuring producers
12 in all Asian countries, including Japan, Korea, and Taiwan
13 to seek outlets for their production. The U.S. market will
14 be an inviting target for unfairly priced imports from the
15 subject countries if the discipline of the current orders is
16 removed.

17 In this price sensitive market, low priced
18 offers from the importers of the subject product would
19 quickly become the price that ATI and other domestic
20 producers would have to meet to make or retain a sale. That
21 import pricing pressure will quickly reverse the green
22 shoots of price and profit improvements our industry has
23 just begun to experience as a result of the imposition of
24 orders on China.

25 While our industry is now moving in the right

1 direction, we are still highly vulnerable to the resumption
2 of injury for unfairly traded imports. Any claims by
3 respondents that they would not return to the U.S. market or
4 would only sell in limited volumes are simply unrealistic
5 and implausible.

6 In preparation for my testimony this morning,
7 I've read the brief of Hyundai BNG Steel. Hyundai BNG
8 alleges that the volume of imports from Korea is not likely
9 to be significant because Korean producers have consistently
10 focused their sales in their home market and are interested
11 in growing markets outside of the United States.

12 I disagree. The Asian market is facing a
13 massive oversupply situation that would drive Korea to
14 increase its U.S. exports if given the chance to do so.
15 Exports of stainless sheet and strip to China by Korea and
16 other countries have been increasingly displaced due to the
17 massive growth in China's capacity and production.

18 In addition, increased exports by China into the
19 subject country's home markets have placed further pressure
20 on subject producers to look for new markets as sales in
21 their home markets are also being displaced.

22 Moreover, Korea, Japan, and Taiwan face a number
23 of import barriers in third country markets including
24 anti-dumping and safeguard duties, which also provide
25 incentive for them to sell to the United States if the

1 orders are removed. In fact, U.S. imports of stainless
2 sheet and strip from Korea and Taiwan have already been
3 increasing in recent years.

4 Absent the disciplining effect of these orders,
5 there will be nothing to prevent the over strained subject
6 imports from surging back into the U.S. market. The return
7 of an increasing volume of subject imports at unfair prices
8 will have a devastating impact on our sales, prices, and
9 profitability at a time we are just beginning to recover
10 from the onslaught of large volumes of unfairly traded
11 Chinese imports. ATI will not be able to return on the --
12 earn a return on the significant investments we have made to
13 support our customers. Our ability to obtain funds for
14 additional future capital improvements will also be
15 undermined.

16 Worse, additional closures or idling of U.S.
17 facilities could occur, resulting in the loss of even more
18 jobs. In short, revocation of any of the orders would lead
19 to history repeating itself. ATI and the other domestic
20 producers before you today urge the Commission to vote to
21 continue these orders against Japan, Korea, and Taiwan so
22 that we can prevent the recurrence of injury to our company
23 and our industry. Thank you.

24 STATEMENT OF GEOFF PFEIFFER

25 MR. PFEIFFER: Good morning, Madam Chairman and

1 members of the Commission. My name is Geoff Pfeiffer and I
2 am the general manager specialty sales at AK Steel
3 Corporation. I have been employed at AK Steel since 1999.
4 In my current position, which I assumed in July of 2013, I
5 am responsible for our company's sales and marketing of
6 stainless steels including stainless steel sheet and strip.

7 AK Steel is headquartered in Westchester, Ohio.
8 We produce stainless sheet at our facilities in Middletown,
9 Mansfield, Zanesville, and Coshocton, Ohio, as well as in
10 Rockport Indiana and Butler, Pennsylvania.

11 AK Steel is a leading supplier of stainless
12 sheet producing a broad range of grades, including the more
13 advanced precipitation hardening and duplex grades.

14 We're a world class producer of stainless steel
15 products and are routinely cited by our customers for our
16 superb quality and customer service.

17 While AK Steel also produces carbon steel and
18 electrical sheet products, stainless steel is a core product
19 for our company and is critical to our company's business.
20 We make stainless sheet products that compete with those
21 produced by all of the foreign producers that are at issue
22 in this sunset review.

23 Stainless sheet is used in a variety of consumer
24 and industrial applications, especially in applications
25 where corrosion resistance, heat resistance, or aesthetic

1 characteristics are designed. In particular, a stainless
2 sheet is used in automotive, housing, and construction
3 applications. Major purchasers include distributors, pipe
4 producers, automotive manufacturers, as well as
5 manufacturers of household appliances and equipment for food
6 processing and chemical handling. Automotive manufacturers
7 use stainless sheet particularly for automotive window trim
8 and exhaust applications.

9 Given these applications, changes in demand for
10 stainless sheet in the U.S. market generally attract broad
11 economic trends, particularly with respect to the automotive
12 and construction sectors.

13 The increase in consumption for stainless sheet
14 over the past several years is consistent with the slow, but
15 steady growth in the U.S. economy.

16 These orders have been important to maintaining
17 price discipline in the U.S. market. Because imports from
18 the subject countries had to be sold at fair market prices
19 or be subject to the duties that would result and U.S.
20 purchasers paying fair market prices.

21 A limited volume of subject imports in recent
22 years is due to the inability of subject producers to sell
23 in the U.S. market without dumping, not due to any lack of
24 interest by those producers in our market.

25 The price discipline that these orders impose on

1 the subject imports is extremely import to the U.S.
2 industry. Stainless sheet is a product that competes
3 largely on the basis of price.

4 During price negotiations, our customers tell us
5 that the quality of our product is no different than the
6 imported products and that it is completely interchangeable
7 with subject imports. I am unaware of any U.S. producer or
8 even a major importer that has been unable to meet the
9 relevant applicable industry specifications.

10 As a result, we compete head to head with
11 imports. And the purchasers make or break decision of which
12 producer to sort -- source from comes down to price. That
13 means purchasers can easily seek out the best prices in the
14 market and change suppliers to obtain the lowest possible
15 prices.

16 Given these conditions of competition, there is
17 no doubt in my mind that revocation of the orders covering
18 Japan, Korea, and Taiwan would cause the volume of subject
19 imports from those countries to increase significantly and
20 the prices of those imports to spiral downward.

21 The stainless sheet producers in the three
22 subject countries have high fixed capital costs. Their goal
23 is to fill their capacity to lower their unit cost and
24 increase their profits. If these orders are removed, I
25 believe subject imports will return in large volumes and

1 with very aggressive prices just as they did before the
2 orders were imposed.

3 Given the large of unused capacity to produce
4 stainless sheet that exists in the subject countries, it is
5 reasonable to expect increased exports if the orders were to
6 be revoked. The only restraint on these imports now is the
7 unfair trade orders. If these orders are revoked, it is
8 very likely that imports from Japan, Korea, and Taiwan will
9 increase in the U.S. market and would disrupt a market that
10 is just beginning to improve after imports from China were
11 placed under orders in early April.

12 An influx of subject imports into the U.S.
13 market at unfair prices will have serious negative
14 consequences for our company and our industry. These dumped
15 imports will undercut our prices, making it impossible for
16 our products to compete and for AK Steel to earn a
17 reasonable rate of return. The deterioration in prices that
18 would result for revocation of the orders would lead to a
19 reduction in our revenue, our profits, and our ability to
20 continue to invest in capital improvements to maintain and
21 strengthen AK Steel's competitiveness.

22 Our production and shipment levels would also
23 suffer and decline. Even with the benefit of these orders
24 establishing price disciplines on unfairly traded imports
25 from the subject countries, the recent surge in imports from

1 China led to a significant deterioration in our industry.
2 As a result, the Commission found our industry to be injured
3 by imports from China earlier this year. With the order
4 against China being less than four months old, we're only
5 just beginning to recover from the injury caused by those
6 imports.

7 MR. PFEIFFER: Lifting these orders at this time
8 would be devastating to our industry. Our information
9 indicates that the Subject Producers overall have
10 substantial excess capacity. As a result, producers in each
11 of these countries are looking for an outlet to which they
12 can sell a significant volume of merchandise to use their
13 idled capacity.

14 The United States is one of the largest, most
15 open and most attractive markets to stainless sheet
16 suppliers in the world. As a result, increased volumes of
17 low-priced imports will come here if the disciplining
18 effects of the orders are removed. We also know that
19 producers in each of the Subject Countries have remained
20 significant exporters of stainless sheet worldwide, even if
21 they are not currently exporting to this market.

22 The U.S. Market continues to be highly price
23 sensitive. Given all of the idled capacity the Subject
24 Producers have available, if the orders are revoked those
25 Producers will quickly resume selling into this market on the

1 basis of low prices.

2 In conclusion, AK Steel like other Domestic
3 Producers here today strongly depends on these orders to
4 help ensure that fair market conditions prevail in the
5 highly competitive and price sensitive stainless sheet
6 market. The continuation of these orders is therefore
7 critical to the future of the U.S. stainless sheet and
8 strip industry and I urge you to leave the orders in place.
9 Thank you.

10 STATEMENT OF CHRIS LYONS

11 MR. LYONS: Good morning. I'm Chris Lyons, Vice
12 President of Commercial in North American Stainless, or NAS.
13 This morning I would like to discuss the significance of the
14 unfair trade orders on stainless sheet and strip from Japan,
15 Korea and Taiwan and why it is important that these orders
16 be kept in place.

17 I have been in the steel industry with NAS for 15
18 years. NAS maintains a modern, state-of-the-art steel mill
19 in Ghent, Kentucky on the Ohio River as well as processing
20 and distribution facilities in Illinois, Georgia, California
21 and Pennsylvania. We offer a broad line of stainless sheet
22 and strip products and are very proud of our consistent high
23 quality.

24 Our company participated in the original
25 investigations of the three Subject Countries. At that

1 time, NAS was a relatively new company. Our production of
2 stainless sheet and strip had just become integrated as we
3 had recently opened our hot rolling mill in Kentucky. Since
4 that time, we had made numerous investments in and
5 improvements to our operation.

6 In the spring of this year for example we
7 commissioned our new cold-rolling mill and bright annealing
8 line. This improvement entailed an investment of 150
9 million and took roughly two years to construct and install.
10 This new line is the most advanced production line of its
11 type in the world and it will allow us to serve the growing
12 market for bright finish stainless sheet in the United
13 States.

14 Our company is strongly committed to the
15 efficient production in the United States and has made the
16 investments necessary to achieve that objective. We can
17 only justify these investments however when we know that we
18 can maintain realistic pricing and a reasonable level of
19 market share in the future in order to earn a return that
20 will pay for the investments.

21 The trade orders you are analyzing in this Sunset
22 Review have helped maintain some level of discipline but
23 that has been a challenge given the changes in the market
24 since the time these orders were imposed. There are
25 countries that are now exporting stainless sheet to the U.S.

1 Market that didn't even have industries at the time of the
2 original investigation in 1998 and 1999. The most notable
3 change in the stainless sheet and strip market has been the
4 rise of China as the world's largest producer.

5 Earlier this year, I appeared before you to
6 request that antidumping and countervailing duties be
7 imposed on U.S. Imports of stainless sheet and strip from
8 China. As we discussed then, despite recent growth in the
9 U.S. Market, increasing volumes of low-priced imports from
10 China took all of that growth and caused declines in what
11 should have been a healthy market.

12 In fact, in 2015, our base prices reached the
13 lowest point we had ever seen. As a result, our financial
14 performance declined substantially. Our capital investments
15 in our new Bright Finish Line made sense in relation to the
16 longer term growth trends in the U.S. Market. The financial
17 hit we took in 2015 really changed the calculus of the
18 returns we were expecting to see on that investment.

19 Fortunately, the Commission agreed with us that
20 imports from China were causing material injury to our
21 industry. The imposition of duties on stainless sheet and
22 strip imports from China has helped us to improve our
23 earnings but these improvements are very tentative as the
24 orders were only put into effect less than four months ago.
25 Given that our recovery is just getting underway the last

1 thing we need right now is the elimination of price
2 disciplines that would enable producers in Japan, Korea and
3 Taiwan to enter the U.S. Market with unfairly traded imports
4 at prices that would result in a frenzy of undercutting and
5 price depression.

6 Some of the mills in the Subject Countries are
7 directly affiliated with mills in China. Taiwanese Producer
8 Yesco for example has substantial stainless sheet capacity
9 in China. In addition, U.S. Importers who have been buying
10 from China will undoubtedly seek new cheap sources of
11 supply. The recent imposition of the orders on imports from
12 China provides a direct incentive for both affiliated and
13 unaffiliated importers to ramp up their imports to replace
14 the declines in volumes from China.

15 As discussed during the Commission's hearing in
16 recent investigation on China, stainless sheet and strip are
17 sold on the basis of price. All producers are capable of
18 meeting the basic industry-wide quality standards so price
19 becomes the primary means of distinguishing among suppliers
20 and for winning a sale. This applies equally to producers
21 in Japan, Korea and Taiwan.

22 That the producers in these countries will return
23 to this market in significant volumes if the orders are
24 revoked is shown by the fact that many are already shipping
25 significant amounts of cut-to-length sheet and strip to the

1 United States. Because stainless sheet and coils can be
2 used with greater flexibility in manufacturing operations
3 and can be transported more efficiently and with less risk
4 of damage to product relative to cut-to-length products,
5 there was very little trade in cut-to-length material at
6 the time of the original investigations underlying these
7 orders.

8 As a result, cut sheets were not included in the
9 scope of the original cases. Many producers in the three
10 Subject Countries are now taking advantage of the exclusion
11 to ship cut-to-length sheet and strip to the market. This
12 demonstrates their continued focus on the U.S. Market and
13 means that these companies have already established sales
14 channels and customers in the U.S. Market. If the orders
15 were to be revoked, large volumes of coiled stainless sheet
16 would no doubt follow.

17 Japan, Korea and Taiwan continue to have large
18 industries producing stainless sheet. Further the U.S.
19 Market remains the largest in the world outside of China and
20 is very open in relation to the other markets in the world.
21 Numerous countries maintain unfair trade orders on imports
22 of stainless sheet from the three Subject Countries
23 indicating that the Subject Producers continue to sell on
24 the basis of low prices.

25 The existence of unfair trade orders in other

1 markets also makes U.S. Market that much more attractive if
2 the orders were to be revoked. To sum up, there are many
3 reasons for Subject Producers to resume shipping the Subject
4 Product to the U.S. Market in significant volumes and at low
5 prices if these orders were revoked. After the difficult
6 years that we have just been through, we continue to be
7 vulnerable and are not in the position to withstand such an
8 assault.

9 For that reason, we ask that these orders be
10 allowed to remain in place. That concludes my remarks.
11 Thank you for allowing me to address you this morning.

12 STATEMENT OF STEPHEN J. LETNICH

13 MR. LETNICH: Good morning Madam Chairman and
14 Members of the Commission, my name is Steve Letnich and I am
15 the Vice President of Sales for Coil Americas at Outokumpu
16 Stainless USA. Outokumpu produces stainless sheet and strip
17 at our state-of-the-art, fully integrated, stainless mill in
18 Calvert, Alabama.

19 Our Calvert mill was constructed on a Greenfield
20 site near the port of Mobile, Alabama and includes both a
21 melt shop and a cold-rolling mill. We are world class
22 stainless steel producers with one of the most advanced,
23 efficient production facilities in the world. Our product
24 offerings include the full range of stainless steel sheet
25 and strip products including 72-inch wide stainless sheet.

1 As a result, we can compete with stainless sheet and strip
2 produced by all of the Foreign Producers including Hyundai
3 BNG Steel.

4 We are a relatively new producer in the U.S.
5 Market. our parent company Outokumpu Otj acquired this
6 stainless steel production assets at the Calvert facility at
7 the end of 2012 from ThyssenKrupp Stainless, shortly after
8 construction was completed. As a result, we were not part
9 of the U.S. Industry at the time the Commission conducted
10 its last Sunset Review of the orders.

11 The Calvert facility was originally constructed
12 in 2007. Operations in the cold rolling mill commenced in
13 2010 and the melt shop began commercial operations in 2012.
14 The stainless portion of this project alone represents an
15 investment of over 1.5 billion dollars and the creation of
16 over 1000 direct jobs in Alabama as well as numerous
17 indirect jobs in the area.

18 Our parent company's decision to invest and
19 acquire the U.S. mill was made primarily because of the
20 expectation of a strong U.S. Market. Demand in the United
21 States was increasing and prices were healthy, unlike in the
22 European Union and other markets. The anti-dumping and
23 countervailing duty orders on stainless sheet and strip
24 resulting from the 1998 cases helped to provide stability to
25 the U.S. Market.

1 The orders therefore helped give our parent
2 company the confidence to carry out the investment plans in
3 the United States. Unfortunately recent years have been
4 very challenging for our company and our industry. Although
5 Outokumpu correctly projected that U.S. demand for stainless
6 sheet would remain strong we were not able to benefit from
7 that strong market.

8 Instead, dumped and subsidized imports of
9 stainless sheet and strip from China surged into the United
10 States decimating prices in the U.S. Market and taking away
11 sales from Outokumpu and the other Domestic Producers.
12 Rather than increasing sales and profits as should have been
13 the case after the acquisition of the Calvert Mill,
14 Outokumpu lost significant market share to the unfairly
15 traded imports from China.

16 Given the aggressive low prices of the Chinese
17 Imports our company's financial performance deteriorated as
18 well. Although we have begun to experience some benefit
19 from the trade relief we were recently granted from Chinese
20 Imports, Outokumpu is still recovering. In fact, as you can
21 see from our questionnaire response, our financial
22 performance is far from healthy. If the existing orders
23 against Japan, Korea and Taiwan are revoked we would likely
24 see a significant increase in the volume imports from each
25 of the Subject Countries as well as a substantial price

1 erosion in the U.S. Market.

2 Subject Producers in Japan, Korea and Taiwan
3 maintain significant excess capacity to produce stainless
4 steel sheet and strip and are focused on export markets for
5 a large part of that capacity. They also remain very
6 interested in the U.S. Market. Perhaps the best evidence of
7 their continued interest in our market and ability to supply
8 stainless sheet and strip to U.S. customers is the
9 significant sales of cut sheet by Subject Producers.

10 That the Foreign Producers are selling stainless
11 sheet in cut form, a less preferred form of the product
12 provides a strong indication that they would ramp up sales
13 of the Subject Product stainless sheet and coil form if the
14 orders were revoked. Given the substantial global
15 overcapacity that plagues markets worldwide, Foreign
16 Producers including those in Japan, Korea and Taiwan are
17 finding it increasingly difficult to compete in their own
18 home markets.

19 China, in particular vastly overbuilt its
20 stainless sheet and strip capacity with significant
21 subsidies from the Chinese government, even as their demand
22 growth slowed in recent years. As a result, Chinese
23 Producers are increasingly exporting their stainless sheet
24 and strip products including to the Subject Countries.
25 Exports from China to Korea and Taiwan from 2015 to 2016

1 increased by 25 percent forcing Subject Producers to look
2 outside of their home markets for a new outlet for their
3 products.

4 In fact, Subject Producers' export to certain
5 markets have increased so much that several third countries
6 including India have imposed their own antidumping duty
7 orders against stainless sheet and strip from Japan, Korea
8 and Taiwan. Most of these import barriers were imposed in
9 just the past 5 years. The existence of these import
10 restrictions provides a huge incentive for Subject
11 Producers to target their excess capacity to the U.S. Market
12 if the orders are revoked.

13 The deterioration in prices that would be caused
14 by revocation of the orders would lead to a further
15 reduction in our sales, our revenue, our profits and our
16 ability to continue to invest in capital improvements that
17 are necessary for our company to remain competitive. At
18 Outokumpu we have worked hard and succeeded in
19 manufacturing a quality product that meets our customers'
20 needs. These efforts however will be significant undermined
21 if Subject Imports are permitted to enter the United States
22 without the discipline provided by the orders.

23 In summary, these orders are extremely important
24 to Outokumpu. Without the remedial effects of the trade
25 orders our company and industry will once again deteriorate

1 and our existing investments as well as any further
2 investment in our Calvert facility would be put in jeopardy.
3 On behalf of Outokumpu and our employees, I urge the
4 Commission to reach an affirmative determination and
5 continue all of the orders. Thank you.

6 MS. CANNON: For the record I am Kathleen Cannon
7 and I will conclude our presentation by summarizing the main
8 arguments on behalf of the Domestic Industry in this case.
9 You should each have a pink confidential handout that will
10 accompany my remarks.

11 First, let's review the Foreign Producers who
12 remain subject to these orders as I think there is some
13 confusion about that. Pages 2, 3, and 4 of your
14 confidential handout set forth a list of the producers in
15 each country that are still subject to these orders. As you
16 see on Page 2, all of the Japanese Producers subject to the
17 order initially remain under order today. Only one small
18 Japanese Producer, Hitachi, responded to the questionnaire.
19 Despite stating it would participate in this Sunset Review
20 initially, Hitachi neither filed a brief nor is appearing at
21 this hearing.

22 On Taiwan, only two companies, Tung Mung and
23 Chang Mien were excluded from the Taiwanese order but
24 numerous other Taiwanese producers remain under order, as
25 you see on page 3 and none of them filed a questionnaire.

1 For Korea, despite what Hyundai BMG has argued
2 about the lack of significant Korean Producers that remain
3 subject to the orders there are many producers in Korea
4 subject to both the antidumping and the countervailing duty
5 orders including BMG itself as you see on Page 4. Only one
6 Korean Producer, Posco was excluded from both of these
7 orders and only one Korean Producer BNG submitted a
8 questionnaire response.

9 The next two pages in our deck, pages 5 and 6
10 show the successorship history on the two Hyundai companies
11 and their status under the orders today. We presented this
12 background because the information in BNG's brief is
13 misleading. First, Hyundai Steel and Hyundai BNG despite
14 sharing the Hyundai name are two different companies only
15 one of which, BNG filed a questionnaire response.

16 BNG attempts to merge these two companies
17 together by referring to them as Hyundai in its brief. BNG
18 also sites to a misstatement by the Commission in the last
19 Sunset Review that BNG was excluded from the antidumping
20 order. That is not the case as BNG well knows. As you see
21 on Page 5, BNG is the company formerly known as SAMI. BNG
22 remains subject to both the antidumping and the
23 countervailing duty orders.

24 Mr. Winton said this morning that they were
25 subject only because no changed circumstances final

1 determination had been reached by Commerce Department. In
2 making that claim first he recognizes that it is the
3 Commerce Department, not the Commission that makes orders on
4 exclusions. Second, I would point out there is no changed
5 circumstances review being conducted by Commerce at this
6 time so we are not waiting for a final determination and
7 third, absent a final determination by Commerce BNG remains
8 subject to the antidumping duty order.

9 The antidumping rate that is applicable to BNG
10 and that has been applicable to BNG for more than 5 years is
11 a sizeable 19.6 percent so when BNG states that it is not
12 subject to any meaningful constraint by these margins that
13 is not true. As chart 6 shows, there is another Korean
14 Producer called Hyundai Steel that was excluded from the
15 antidumping duty order but even it is still under order
16 subject to the countervailing duty order.

17 BNG has claimed that it accounts for most of the
18 subject Korean capacity and production after you exclude
19 Posco from the case. Again, that is not true. The chart at
20 page 7 of your handout it taken from an independent data
21 source which tracks PNG under its former name SAMI and sets
22 forth capacity by company. As you see, BNG does not account
23 for the majority of subject capacity in Korea. You are
24 missing a significant volume of Korean capacity and
25 production in your questionnaire data.

1 Page 8 shows the percentage of responding
2 producers in each of the three countries relative to total
3 subject production in each country. Most of the Foreign
4 Producers have refused to cooperate justifying use of
5 adverse inferences here. In particular, the Commission
6 should not rely on the limited data supplied by only the
7 two Foreign Producers who submitted questionnaires in lieu
8 of the independent and comprehensive data on the Subject
9 Industries as a whole.

10 Let me now turn to cumulation. The Commission
11 should cumulate imports from all three countries in reaching
12 its decision in this review. The Commission has
13 consistently found a reasonably overlapping competition
14 among these sources. The record in this review supports
15 that conclusion and BNG has not contested the overlap in
16 competition factor. BNG did contend that imports from
17 Korea would have no discernible adverse impact on the U.S.
18 Industry. We disagree.

19 As you see on Chart 9, before the orders were
20 imposed imports from Korea surged into the U.S. Market. As
21 significant as these surges were and even with Posco no
22 longer subject to this order, things look even more
23 threatening today. Take a look at the data on Page 10, a
24 very important chart. As you see idle capacity of just the
25 subject Korean Producers, excluding Posco, would allow them

1 to increase the volumes of exports to the United States well
2 past the peak import volume levels pre-order.

3 MS. CANNON: As page 11 shows, that idle capacity
4 would allow Korea to capture a substantial share of the U.S.
5 market, again well above pre-order levels. So when BNG says
6 once Posco is out there's nothing meaningful left in Korea,
7 that is not the case.

8 Further, while BNG contends that Korean exporters
9 are not interested in selling to the U.S. market and are
10 focused on other markets, look at the chart on page 12.
11 Imports of stainless sheet from Korea, most of which are
12 likely from Posco, have surged into the United States over
13 the past three years.

14 This surge belies BNG's claim that Korean
15 producers are not interested in exporting to the U.S.
16 market. The evidence of what Korean producers are already
17 doing is a strong indication of likely further volume
18 increases from Korea if the Orders on the remaining Korean
19 producers are removed.

20 The record data indicate that there would be a
21 discernable adverse impact if Orders on the other two
22 countries were revoked, as well. Chart 13 shows the
23 significant increase in the import volumes from Japan
24 pre-order. And as Chart 14 shows, like Korea Japan could
25 export stainless sheet to the United States in volumes well

1 in excess of its peak pre-order volumes from its excess
2 capacity alone.

3 As you see in Chart 15, idle capacity in Japan
4 could capture a substantial share of the U.S. market.
5 Charts 16 through 18 show a similar pattern for Taiwan.
6 Surging volumes of imports into the U.S. market pre-order
7 substantial excess capacity that would allow Taiwan to
8 export significantly higher volumes than its peak pre-order
9 level if the Orders are not in place. And as Chart 18
10 shows, Taiwan could also grab a sizeable share of the U.S.
11 market simply by exporting its excess capacity.

12 And like Korea, Taiwan is already exporting
13 significant and increasing volumes of stainless sheet to the
14 U.S. market--no doubt a further indication of increases
15 absent the Order.

16 The idle capacity and likely volume levels of
17 subject imports are magnified to a far more injurious extent
18 once the imports are cumulated. Chart 19 shows that
19 cumulated imports from the subject countries rapidly and
20 significantly ramped up exports pre-order.

21 Chart 20 compares the cumulative idle capacity in
22 the subject countries today with the idle capacity existing
23 pre-order. Even though several subject producers have been
24 excluded from the Orders, including Korean producer Posco,
25 there is still more idle capacity to produce stainless sheet

1 at the subject producers in Japan, Korea, and Taiwan today
2 than there was for those industries in 1998.

3 Chart 21 shows how much of the U.S. market the
4 producers who remain subject to these Orders could capture
5 by exporting their unused capacity to the United States. As
6 you see, subject imports are positioned to displace huge
7 volumes of U.S. shipments and production if unfettered
8 access to the U.S. market is permitted.

9 BNG contends that Korean producers are not likely
10 to export their stainless sheet to the United States, given
11 expansion in worldwide demand and growth in other markets.
12 But what they ignore is the imbalance that exists in supply
13 and demand globally and particularly in Asia.

14 Just as you've heard about the overcapacity
15 situation for carbon steel, there is also substantial global
16 overcapacity for stainless steel, including stainless sheet.
17 This overcapacity is largely driven by China and is having a
18 substantial negative effect on the overall Asian market.

19 Chart 22 compares Asian capacity to produce
20 stainless sheet with Asian demand. As you see, there is
21 massive overcapacity in Asia. While Respondents like to
22 claim they would target their home or nearby Asian markets,
23 this oversupply in Asia is increasingly preventing that from
24 happening.

25 Overcapacity in Asia is pressuring the producers

1 in Japan, Korea, and Taiwan to find markets outside of Asia.
2 The recent imposition of Orders on China by the U.S. and by
3 the EU is also affecting Asia, as China increasingly targets
4 Asian markets with stainless sheet that it previously
5 shipped to the United States and the EU.

6 As Chart 23 shows, each of the subject countries
7 is already exporting significant volumes of stainless sheet
8 on a global basis. Those volumes could readily be diverted
9 to the United States market if the Orders are removed.

10 Collectively, as you see on the aggregate export
11 bar on the far side of Chart 23, a diversion of even a small
12 part of those exports to the U.S. market would be
13 catastrophic.

14 And while BNG claims there is no incentive to
15 export to the United States, that is also not true. Chart
16 24 compares the average unit values that each of the subject
17 countries obtains when selling stainless sheet into the
18 United States to the AUVs they earn in their other export
19 markets.

20 The U.S. AUVs for each country are among the
21 highest of all of their export markets, providing strong
22 incentive to export stainless sheet here. Further, as we
23 detailed in our brief, subject producers in each country
24 have affiliates or other sales arms already existing in the
25 United States through which to sell their products.

1 In addition, as you see in Chart 25, third
2 country barriers have been imposed against imports of
3 stainless sheet from each of the subject countries by a
4 number of other countries. These barriers also provide
5 incentive to export to the United States if the Orders are
6 removed.

7 `Mr. Lyons and Mr. Letnich describe the increases
8 in imports of cut sheet from subject countries. Those
9 import volumes are shown in Chart 26. Imports of cut sheet
10 from the subject countries have risen by 41 percent over the
11 review period. These increasing imports of cut sheet are a
12 further indication of the interest in and ties to the U.S.
13 market by the subject countries.

14 If the Orders are removed, there is no question
15 subject imports will once again use low prices to regain
16 U.S. sales as they did pre-Order. The U.S. stainless sheet
17 market remains highly price sensitive.

18 Chart 27 summarizes the pricing behavior of the
19 cumulative subject imports, both before and after the Orders
20 were imposed. Not only did the subject imports undercut
21 U.S. prices in the vast majority of comparisons pre-Order,
22 but even with the Orders in place subject imports have
23 continued to sell at prices below those of the U.S.
24 producers.

25 As Chart 28 shows, that underselling behavior is

1 true on an individual country basis as well. There can be
2 no doubt this underselling behavior will only get worse if
3 the Orders are revoked. In fact, as you see in Chart 29
4 purchasers have reported to you that they expect to see
5 lower prices if the Orders are removed. Allowing
6 significant volumes of low-priced subject imports
7 unrestrained access to the U.S. market at this time would
8 cause severe injury to the domestic industry.

9 As you know, the Commission found earlier this
10 year that the domestic industry has been materially injured
11 by dumped and subsidized imports from China. Chart 30 sets
12 forth some of the key facts of record that led to the
13 Commission's finding of injury in the China case.

14 As you see in that chart, there are declines in
15 production and sales, anemic capacity utilization,
16 plummeting net and operating income to losses. The domestic
17 industry took quite a battering at the hands of China, and
18 Orders on China were imposed only a few months ago.

19 Chart 31, the last chart, shows that during the
20 2014 to 2016 period covered by this review, the domestic
21 industry remains in a highly vulnerable condition as it
22 struggles to recover from the injury imports from China
23 caused. Its net sales are down. It has lost workers. And
24 it has suffered both net and operating losses in every year
25 of the review period.

1 There is no question the domestic industry is in
2 a very weak condition and in desperate need of recovery.
3 Removal of these Orders would be devastating to the domestic
4 industry and its workers. The slight improvements the
5 industry has begun to experience in 2017 would quickly be
6 reversed if the idle capacity in the subject countries is
7 dumped on the U.S. market.

8 Accordingly, we urge you to leave these Orders in
9 place. Thank you, and we would be happy to answer your
10 questions.

11 CHAIRMAN SCHMIDTLEIN: Alright. Thank you very
12 much. I'd like to thank all the witnesses for being here
13 today to help us understand this case. We appreciate it
14 very much.

15 I actually am first in line this morning to begin
16 the questioning for the Commissioners. So I want to make
17 sure I understand the facts here with regard to the Orders
18 that are in place and the rates that are applicable, since
19 that seems to be one of the main arguments of the Korean
20 Respondents.

21 And I appreciate the list of the Korean companies
22 that are still under Order. So just to make sure I
23 understand, on this list Hyundai Steel, which is subject to
24 the CBD Order, that is the .54 percent rate that the
25 Respondents referred to? Is that right?

1 MS. CANNON: That is correct, for Hyundai Steel.

2 CHAIRMAN SCHMIDTLEIN: Okay. So the other
3 companies on the list that are also subject to CBD Orders,
4 is that rate applicable to those companies, as well?

5 MS. CANNON: For the CBD portion of the Order,
6 yes.

7 CHAIRMAN SCHMIDTLEIN: For the CBD. Okay. And
8 the dumping margin of the 19.6 percent, which is the All
9 Others' rates, that's applicable to BNG Steel, Hyundai BNG
10 Steel?

11 MS. CANNON: That's correct.

12 CHAIRMAN SCHMIDTLEIN: Is that applicable to all
13 the other companies under the AD Order?

14 MS. CANNON: No. Some of the other companies
15 under those Orders are subject to other rates, and we can
16 probably document that better in our brief. But I know I
17 have a chart--let me see. So current rates, the dumping
18 rates, Taihon Electric is currently subject to a 58.79
19 percent rate, as are several of the other companies. Samwon
20 is subject to 7.88 percent. Daiyang is subject to 3.77.
21 These are the Commerce rates that are calculated, and they
22 don't list all of these companies. So any other company
23 showing up on the list that isn't specifically identified
24 would then be subject to the 19.6 percent All Others rate.
25 So basically you have Posco excluded. Hyundai

1 Steel excluded from the dumping Order. You've got Samwon at
2 7.8, Daiyang at 3.7. Tyhen Electric, Daikyung, and Dyne
3 Trading and Dosco at 58.79 percent. And everyone else at
4 the 19.6, which are pretty hefty rates.

5 CHAIRMAN SCHMIDTLEIN: Okay. So in terms of even
6 with a price-sensitive product, just to go right to the
7 argument that they make in their brief on this .54, is that
8 a minuscule rate in this market? Is .5 percent a minuscule
9 rate?

10 MS. CANNON: Yeah--

11 CHAIRMAN SCHMIDTLEIN: In a price sensitive--

12 MS. CANNON: Not in a price sensitive market. A
13 small rate can still have an effect. So we would not
14 concede that that's a small rate. We were simply attempting
15 to correct the record to show that they are not subject--BNG
16 itself is not subject to the .5 percent rate.

17 Given the price sensitivity in this market, even
18 very small rates will have an effect and have restrained
19 these imports.

20 CHAIRMAN SCHMIDTLEIN: Okay, that was my question,
21 was whether or not you disagreed with that.

22 Alright, so moving on to a slightly different
23 topic, I see in the prehearing report that demand--or U.S.
24 apparent consumption, i should say, actually went down from
25 2014 to 2015. Could somebody address why? What caused that

1 dip in demand? According to the prehearing report, it went
2 down almost 9 percent.

3 MS. HARFORD: Yes, Madam Chairman. Terry Harford
4 from ATI. I can't speak to all the issues that would have
5 caused that decline, but at the time we saw very tepid
6 overall economic growth within the U.S. market.

7 And I think another factor that probably drove a
8 decline in consumption was the decline in the oil and gas
9 business, which is a significant market sector, market
10 segment, for our business. With oil prices declining,
11 capital spending in the oil and gas and CPI markets,
12 declined significantly, and so that could have accounted for
13 some of the decline in apparent consumption.

14 CHAIRMAN SCHMIDTLEIN: Okay, thank you. So you
15 wouldn't--

16 MS. KIM: Commissioner Schmidtlein, can I just
17 add?

18 CHAIRMAN SCHMIDTLEIN: Sure.

19 MS. KIM: My name is Grace Kim. I believe in
20 2015, if I can remember correctly from the facts of the
21 China case, that there was a bit of destocking going on in
22 2015. That also caused the demand to decline in that year.

23 There was a big surge in 2014 and early 2015, and
24 then it kind of tapered off in the second half of 2015, if I
25 can remember correctly. And if anyone wants to--

1 MR. PFEIFFER: Yes, this is Geoff Pfeiffer from AK
2 Steel. We saw at the end of 2014 a surge specifically of
3 Chinese imports. There was a--the stocking company, such as
4 distributors, increased their stock significantly. And in
5 the second half of '14 and the first half of '15, and then
6 the second half of '15 there were plenty of stocks and
7 everyone destocked in the second half of '15. And that led
8 to the large price depression.

9 CHAIRMAN SCHMIDTLEIN: So when you say--are you
10 talking about them building up their inventory? Sorry, just
11 to try to understand the lingo.

12 MR. PFEIFFER: Yes.

13 CHAIRMAN SCHMIDTLEIN: Okay. So I see here, so
14 for nonsubject, the inventory does go up in '14, and then
15 drops in '15 for nonsubject, right? So China--I'm trying to
16 understand exactly what I guess the timeline is here.

17 So you're saying that the decrease in apparent
18 consumption was because distributors were building up their
19 inventory?

20 MR. PFEIFFER: No. They built up their inventory
21 in the first half of the year. And then in the second half
22 of the year, then there was plenty of inventory and they
23 destocked for the second half of the year.

24 CHAIRMAN SCHMIDTLEIN: I see. Okay.

25 MR. PFEIFFER: So the overall--

1 CHAIRMAN SCHMIDTLEIN: In '15?

2 MR. PFEIFFER: Yes.

3 CHAIRMAN SCHMIDTLEIN: So the overall effect shows
4 up in the consumption numbers.

5 MR. PFEIFFER: Yes.

6 CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank you.
7 And can somebody speak to what you believe demand will be
8 going forward for the foreseeable future?

9 MR. HARFORD: From an ATI perspective, when we--
10 our outlook over the next several quarters would be a
11 continued modest growth in demand, consistent with GDP
12 growth in the United States market.

13 Also, the difficulties from oil and gas and CPI
14 that I mentioned a minute ago I think could begin to turn
15 around if and when oil prices recover, and we do think that
16 they will eventually recover.

17 I think there is some upside growth opportunities
18 coming from oil and gas. So we would anticipate modest
19 demand growth in our market.

20 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Pfeiffer?

21 MR. PFEIFFER: This is Geoff Pfeiffer with AK
22 Steel. As I mentioned in my comments, that we see the same
23 thing, a modest demand going forward in the future based on
24 the overall GDP, or overall economy. And a lot of that is
25 based on the construction markets, and also the automotive

1 markets.

2 We see the housing construction market having
3 slow, modest increases in demand. And we see automotive
4 pretty much leveling off right now. That small increase, or
5 slow steady increase in demand, though, pales in comparison
6 to the capacity increases we've seen specifically in Asia.

7 CHAIRMAN SCHMIDTLEIN: And do you agree with the
8 Respondents that global demand is growing?

9 MR. PFEIFFER: We believe--this is Geoff Pfeiffer
10 again--we agree that global demand is increasing. We see
11 areas of the world such as Asia that have higher rates of
12 demand increase than the United States, but it's still
13 single-digit increases, which once again are not big enough
14 to eclipse the large increase in supply that has been
15 brought on with the large increase in capacity.

16 MR. HARFORD: I completely agree with what he
17 said.

18 CHAIRMAN SCHMIDTLEIN: Okay. So you see, there's
19 modest--you would call it modest growth globally, I presume?

20 MR. PFEIFFER: Yes.

21 CHAIRMAN SCHMIDTLEIN: Okay. Given that, when I
22 look at the prehearing report I see that domestic producers
23 are reporting a decrease in their exports to other markets.
24 So if demand is at least going up globally, why are exports
25 from the U.S. not going up, especially given the capacity

1 utilization here?

2 MR. HARFORD: Terry Harford from ATI. I can speak
3 to that from an ATI perspective. We talked at length in our
4 testimony about the challenges imposed on our industry from
5 the Chinese imports. And our industry was devastated. Our
6 company in particular, ATI, was devastated.

7 And one of the results from that period of time
8 was we ended up idling one of our facilities in Midland,
9 Pennsylvania. And as a result of that, we really have
10 reconfigured our sales profile to focus more on the U.S.
11 market and export less.

12 So we're devoting more of our remaining capacity
13 to support the U.S. market, and our exports are down.

14 CHAIRMAN SCHMIDTLEIN: So you couldn't compete
15 globally with the Chinese? Is that what you're saying?

16 MR.; HARFORD: At a subsidized or dumped price,
17 that's correct.

18 CHAIRMAN SCHMIDTLEIN: I mean even in those export
19 markets?

20 MR. HARFORD: That's correct.

21 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Pfeiffer?

22 MR. PFEIFFER: This is Geoff Pfeiffer with AK
23 Steel. I agree. AK Steel has a similar answer to that
24 question. And that is, that we have refocused our sales
25 more on the U.S., and the reason is that in other markets

1 all of the markets are being oversupplied by the excess
2 capacity, causing a price depression where there is dumped
3 steel. And, with a stronger dollar, AK Steel has reduced
4 the amount of exports, and we can do that in a--or we can
5 detail that more, or give more details in a posthearing
6 brief.

7 CHAIRMAN SCHMIDTLEIN: Okay. I would welcome
8 that. Thank you.

9 My time has expired. Commissioner Williamson?

10 COMMISSIONER WILLIAMSON: Okay, thank you. I also
11 want to express my appreciation to all the witnesses for
12 coming today and presenting their testimony.

13 You've kind of touched on this already, but maybe
14 you could sort of summarize it again. How effective are the
15 Orders on Korea, given the exclusion of major producers?

16 MS. CANNON: Kathy Cannon. I can start. The
17 remaining Orders are very effective against Korea. I
18 identified the margins remain significant. The import
19 increases we've seen we believe are largely from Posco.
20 That's who the industry is seeing in the market now. So we
21 think that that's an indication of what would happen with
22 the other companies as well.

23 But if you look at the chart in my handout on the
24 idle capacity that exists in Korea today, that these Orders
25 are keeping at bay, it is sizeable. And if those Orders

1 were removed, we are looking at a pretty substantial flood
2 of imports that likely would hit the U.S. shores from Korea
3 as well as from the other countries.

4 COMMISSIONER WILLIAMSON: You've made a lot of
5 reference to this idle capacity. How quickly does the steel
6 company turn that around? I mean, I'm assuming it takes
7 some planning. It takes some staffing changes and things
8 like that. I was just wondering, because it's come up so
9 often.

10 MR. HARFORD: I think the answer is, it depends.
11 And what I mean by that, it depends on if that idle capacity
12 is unused capacity in a plant that's up and running but not
13 running at its full capacity.

14 In that situation, that additional incremental
15 idle capacity could be restarted relatively quickly because
16 you have people there, you have maintenance folks and
17 engineers there, and that incremental capacity typically can
18 be restarted pretty quickly.

19 If you're talking about an entire facility that
20 is idled and not running, that probably takes a little bit
21 longer. That might take nine months or so. But excess
22 capacity in an existing plant can be turned on very quickly,
23 in a matter of weeks or maybe a month or two.

24 COMMISSIONER WILLIAMSON: Any information on
25 what the state of idle capacity of the Korean plants is? I

1 imagine it varies.

2 MR. HARTFORD: I can't comment on that. I don't
3 know.

4 MS. CANNON: I'm sorry, the state of idle
5 capacity at the U.S. plants?

6 COMMISSIONER WILLIAMSON: No, at the Korean
7 plants.

8 MS. CANNON: At the Korean plants?

9 COMMISSIONER WILLIAMSON: Yes.

10 MS. CANNON: Our best estimates of that
11 information based on the independent data sources in our
12 brief, but that's confidential, so I don't want to say too
13 much, other than it's a fairly large volume of idle capacity
14 at this point.

15 COMMISSIONER WILLIAMSON: I hear it so often
16 that I just wanted to dig a little deeper into it.

17 MS. CANNON: Sure. Commissioner Williamson, I
18 guess I would also add you know if you look at the
19 fluctuations in the capacity utilization levels you can see
20 that they really can ramp up and down fairly readily in the
21 industry because they can fluctuate significantly. You know
22 when the imports hit the U.S. industry, it'll go down a lot,
23 but when we can get the imports at bay, they can ramp up
24 fairly quickly and that's true of the foreign industries as
25 well.

1 And I would also add that in a sunset review
2 you're looking out at what might happen in the reasonably
3 foreseeable future, which is a pretty reasonably long
4 timeline with more than sufficient time for them to ramp up
5 the capacity they have available.

6 COMMISSIONER WILLIAMSON: Okay, thank you.

7 Another thing we hear quite often -- and it just
8 occurred to me, discipline effect of the orders, and how
9 does that play in respect to Korea if it were revocation? I
10 mean we talk about it a lot, but what does it really mean?

11 MS. CANNON: I think this was one of the central
12 points we were making. The contention of Respondents was
13 that the orders really are meaningless. They don't have any
14 restraining effect at all and I would disagree. I think if
15 you see in your data there're not a lot of imports coming in
16 from the companies that are subject to the orders and it's
17 not because they're not interested in selling here. It's
18 precisely because these orders are having an effect and once
19 the orders are removed against somebody like POSCO, look at
20 the increase in the imports from Korea that we have.

21 We're fairly certain from what the industry
22 members see in the market that most of those import volume
23 increases are POSCO once it got out from under. So these
24 orders, indeed, do have a restraining affect on each of the
25 subject countries.

1 COMMISSIONER WILLIAMSON: Okay. How do you
2 respond to Hyundai's argument that Korean producers are
3 focused primarily on markets that are growing more rapidly
4 than the United States? I mean if you're spending time in
5 Asia, you'd know.

6 MR. HARTFORD: We disagree with that contention.
7 And I think, as Ms. Cannon said a minute ago, when you look
8 at the Korean companies that are not covered by the orders,
9 like POSCO they're extremely interested in the U.S. market
10 and shipping a lot of products here. When you look at a
11 product that currently isn't covered by the orders,
12 cut-to-length sheet, which I would call a bit of a loophole
13 in the existing orders, the growth of cut-to-length sheet
14 imports to the United States market is up 41 percent and so
15 I think that's a reflection that there is keen interest by
16 these three countries on penetrating the U.S. market.

17 Finally, the AUVs of the U.S. market versus
18 other countries make the U.S. more attractive, so I don't
19 buy the argument that they're less interested in the U.S.
20 than they are in other markets. So I think without the
21 orders they would resume shipping at low prices and high
22 quantities into the U.S. market.

23 COMMISSIONER WILLIAMSON: Is there something
24 about -- is the cut-to-length price any higher value or more
25 profitable or is the subject product more profitable than

1 the cut-to-length and therefore they wouldn't -- so there
2 would be incentive that even if you lifted the orders there
3 would be an incentive to go back to -- to shift to the
4 subject product.

5 MR. LYONS: The margin, as it relates to
6 cut-to-length versus coil, is not any notable change. The
7 value of coil comes from flexibility. There's a good
8 portion of our market that the end consumer requires product
9 in the form of coil, so from our perspective even though
10 there's a loophole that allows the subjects to, we'll say
11 enter product into our market through the form of
12 cut-to-lengths, there's an additional great threat that they
13 could then increase their flexibility of how they bring the
14 product in, bring in coil that could eventually be
15 cut-to-length or bring in coil that's sold into those end
16 markets that require coil products as opposed to just
17 cut-to-length.

18 COMMISSIONER WILLIAMSON: Okay, so it's better
19 to have the whole pie than part of the pie, is that what
20 you're saying?

21 MR. LYONS: Precisely.

22 MR. HARTFORD: Commissioner, I would add to that
23 that if the orders on coils were revoked they would have a
24 strong interest in increasing their coil shipments for some
25 of the reasons that Mr. Lyons said. The incremental cost to

1 go from a coil to a cut length is relatively small and the
2 incremental price to cover that added operation is
3 relatively small, so it's not as if the margin or
4 profitability on cut-to-length is any better than it would
5 be on a coil.

6 I think that they would shift to the coil
7 product because the overall demand for coils in the U.S.
8 market is higher than it is for cut-to-length sheet and gets
9 more attractive for both the producer and the consumer in
10 the United States because the shipping costs of shipping a
11 coil overseas versus shipping skids of cut-length sheets
12 overseas is less costly, overall, so I think you would see a
13 shift to coil product.

14 COMMISSIONER WILLIAMSON: The fact is you can
15 give them more sort of density.

16 MR. HARTFORD: It's a density question. A
17 footprint of 10-feet by 10-feet, whatever the number is, of
18 coil the density is much higher than a bunch of
19 cut-to-length sheets on a skid, so you could put more of it
20 on a ship and the cost per pound to ship it is lower.

21 COMMISSIONER WILLIAMSON: Okay, thank you.

22 Have any of you experienced supply constraints
23 during 2017, such as allocations, control auto entry, or
24 extended lead times and is anybody anticipating constraints
25 in the future?

1 MR. PFEIFFER: AK Steel has not experienced any
2 of those conditions in 2017.

3 MR. HARTFORD: Nor has ATI and we don't
4 anticipate them.

5 MR. LYONS: Chris Lyons, North American
6 Stainless. We have not experienced any control entry in
7 2017.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. LETNICH: And the same is true with
10 Outokumpu.

11 COMMISSIONER WILLIAMSON: Okay, thank you.

12 What has been the affect of the China orders on
13 supply in the U.S. market and has this lead to any tightness
14 of supply or difficulty in meeting orders?

15 MR. HARTFORD: Sir, could you repeat the second
16 half of your question, please?

17 COMMISSIONER WILLIAMSON: The impact of Chinese
18 orders on supply in the U.S. market and then has that impact
19 been in the form of tightness of supply or difficulty in
20 meeting orders.

21 MR. HARTFORD: From an ATI perspective, I would
22 say the answer to that is no. I think our market share has
23 improved modestly. Now the orders have only been in place
24 for a relatively short time, but as we all just said, we've
25 not seen allocations or controlled order entry programs that

1 would reflect tightness of supply, so I think the U.S.
2 industry -- ATI, certainly, is in a position to support the
3 U.S. market.

4 And as I had mentioned earlier in response to a
5 prior question, we have rededicated more of our capacity to
6 our domestic customer based as opposed to export customers.

7 COMMISSIONER WILLIAMSON: Okay.

8 MS. CANNON: Commissioner Williamson, I would
9 add that while the affect of the orders on China has been
10 significant in reducing those volumes, there hasn't been
11 tightness of supply and if you see in your staff report the
12 domestic industry's capacity utilization is running the low
13 70 percent range still even through 2017, so there's still
14 plenty of supply ability here.

15 COMMISSIONER WILLIAMSON: Okay, good. Okay,
16 thank you for those answers.

17 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

18 COMMISSIONER BROADBENT: Thank you. I want to
19 thank the witnesses for coming today.

20 Let's see, this is for Mrs. Cannon. So 15 years
21 ago there was injury determined from imports from eight
22 countries. Now we're looking at about three countries,
23 Korea and Taiwan and Japan, and Korea and Japan are only
24 partially covered by the orders. How much do you think of
25 the original industry was caused by producers that are still

1 under order and being considered today?

2 MS. CANNON: The original injury decision was,
3 of course, based on a cumulative analysis, so it's difficult
4 to dissect it and say how much was it; but what we have
5 tried to do in our brief, Commissioner Broadbent, is to
6 isolate the analysis to the particular producers that remain
7 subject to these orders and we've focused on how their
8 volumes would be, what their idle capacity levels are, what
9 the underselling behavior was as producers who are subject
10 to the orders here and traced it through. And so what we
11 found -- and actually, I was surprised to see on Korea, once
12 you take a major producer like POSCO out, how large the
13 idle capacity still is, which has obviously resulted from
14 other capacity expansions along the way or the introduction
15 of new suppliers since those orders were issued. So it has
16 morphed a bit, if you will, over the years, but it still
17 remains highly threatening and significant.

18 COMMISSIONER BROADBENT: Okay, as you know, we
19 just completed the investigation on stainless steel sheet
20 and strip from China. Did U.S. producers during that
21 investigation attribute any negative affects that they were
22 experiencing to import from POSCO?

23 MS. CANNON: During the China case?

24 COMMISSIONER BROADBENT: Yeah.

25 MS. CANNON: At that point, we were focused on

1 the imports from China. We were not focused on the imports
2 from Korea because China was the major threat and that was
3 why we went after China, specifically, in that case. We've
4 been watching Korea very carefully and it's been increasing
5 and frankly, increased somewhat more in response to some of
6 the declines that have happened by China. So it's a
7 situation that we are watching at this point, but it
8 certainly was not during the period you looked at for China
9 responsible for the injury that we were identifying at that
10 point.

11 COMMISSIONER BROADBENT: Okay.

12 MS. CANNON: I mean might it in the future, I
13 guess, is what I'm saying, it's potential; but we were not
14 attributing the injury we identified there to the Korean
15 imports.

16 COMMISSIONER BROADBENT: Okay.

17 What should the Commission make of the high
18 average unit values associated with subject imports from
19 Japan? Does this suggest a focus on more non-commodity
20 products in terms of Japanese imports?

21 MS. CANNON: Yes, I think the subject imports
22 from Japan, at present, have often been in higher commodity
23 price. And in fact, Japan sought exclusions from this order
24 for a number of products that are probably showing up in
25 those average unit values because since they didn't respond

1 to your questionnaires you weren't able to segregate the
2 subject from the non-subject product. They got exclusions
3 for razor blade steel and all types of specialized products.

4 And given that those are out from under the
5 order, our belief is that most of the imports from Japan at
6 this point are in those higher value excluded products and
7 that's why you're seeing those higher AUVs, but that's not
8 only what we would expect to see if the orders were removed.
9 They are plenty able to produce commodity products that are
10 currently subject to the orders, which we think would flood
11 in and you'd see a very different AUV picture if that
12 happened.

13 COMMISSIONER BROADBENT: Mr. Hartford, did you
14 want to add to that?

15 MR. HARTFORD: Well, I think Ms. Cannon said it
16 well. I was simply going to add the fact that the Japanese
17 industry is extraordinarily capable of producing standard,
18 commodity stainless products that we consume here in this
19 market. And if the orders were lifted, I would expect that
20 those commodity products would come back in a big way.

21 COMMISSIONER BROADBENT: Okay.

22 Ms. Cannon, according to Table 1-2 of the
23 pre-hearing report, all part sources have generally remained
24 between 16 and 20 percent of apparent U.S. consumption. To
25 what extent are imports, whether or not fairly traded, an

1 integral part of the U.S. market, given their relatively
2 consistent share of the U.S. market?

3 MS. CANNON: I would say that imports have
4 always been present in this market. The domestic industry
5 does not object to imports being present in our market. Our
6 concern is with the fair trading practices of the imports
7 and we have targeted imports where we have seen those
8 behaviors and not targeted imports when we have not seen
9 those unfair trading practices resulting injurious
10 behavior, so none of these cases are about blocking imports
11 from the U.S. market. As you recognized, they've always
12 been here. It's more a matter of making sure that they are
13 trading fairly and the three subject countries have a long
14 history of not trading fairly.

15 COMMISSIONER BROADBENT: Okay. I'm just trying
16 to think, we've got the stable share of total imports in the
17 U.S. market and we want to consider subject imports would
18 just displace other imports if their orders were revoked
19 rather than taking a larger share of the U.S. market.

20 MS. CANNON: While that's certainly possible,
21 that isn't what the industry just experienced with respect
22 to China. When those unfair imports came in, they displaced
23 the domestic industry sales much more than they displaced
24 other imports, which were more static over that period, and
25 that's why we have the same concerns that unfairly traded

1 imports from these countries would have the same affects on
2 the industry's market share.

3 COMMISSIONER BROADBENT: Have countries subject
4 to the original investigation exported higher volumes to the
5 United States following their order revocations?

6 MS. CANNON: To some extent, yes. Some of the
7 countries that were exempted from the order have increased
8 their exports to the United States following revocation.

9 COMMISSIONER BROADBENT: Did volumes increase
10 from specific countries or all countries? You're saying
11 just specific countries?

12 MS. CANNON: For some of the countries that got
13 out, we saw volume increases. For others, we did not see as
14 much volume increase, so it was mixed.

15 COMMISSIONER BROADBENT: Okay. In your
16 post-hearing brief, could you give us more information on
17 that? That'd be helpful.

18 MS. CANNON: Yes, we'd be happy to address that.

19 COMMISSIONER BROADBENT: Table 1-3, on page 121,
20 indicates that subsidy margins on Korean producers are very
21 low. How did these low subsidy margins affect the volume of
22 imports from Korea? Do the CVD orders have the same
23 restraining affect as AD orders through the administrative
24 review mechanism given that a lower Korean price would not
25 necessarily mean a greater likelihood of subsidization?

1 MS. CANNON: So for most of the companies listed
2 on Table 1-3, they are also subject to a dumping order, so
3 these margins are additive. So it's really the dumping
4 margin that's more restraining on them because they're much
5 higher. The only company that's only subject to a CVD
6 order, but not a dumping order that's here -- that's covered
7 by this case is Hyundai Steel, so it's just the one company
8 that is subject to this smaller .5 percent rate. And as we
9 discussed earlier, even any rate will have a restraining
10 affect on a company because it subjects them to a
11 discipline of the order and requires them to trade fairly.
12 And we've seen even very small rates affect companies
13 significantly, but here you're looking at the vast majority
14 of these Korean producers being subject to a dumping rate as
15 well, so actually they're not subject to a very small rate.

16 MR. HELLMAN: And just one quick, additional
17 point, if I may, Commissioner. The point with respect to
18 Hyundai is they did not submit a response to your
19 questionnaire, so it's very difficult to tell what affect
20 the subsidy margin had on their shipments. We just don't
21 know and obviously, they're not here today to support
22 revocation of the orders.

23 COMMISSIONER BROADBENT: Right.

24 Let's see, an article from the Economic Times on
25 July 24, yesterday, stated that U.S. steel company stocks

1 are trading at the highest level since 2011 thanks to supply
2 from a strong demand in China as well as capacity closures
3 in China.

4 You've argued that what happens in China affects
5 the rest of Asia's export behavior. Is there any indication
6 that we're likely to see more Asian export stay within Asia?
7 Mr. Hartford?

8 MR. HARTFORD: I haven't read the article, so I
9 can't comment on that at all. From everything that we see
10 and everything that we read from a stainless steel
11 perspective, not an overall steel perspective, but from a
12 stainless steel perspective, the Chinese have massively
13 overbuilt their stainless production capacity and we've not
14 seen meaningful idling of any of that capacity.

15 I mean, to the contrary, what we have seen
16 historically is given some global pressure on their capacity
17 they make take old capacity offline and have an announcement
18 about that at the same time new capacity is starting up and
19 so we've not seen a net change in stainless steel production
20 capacity out of China.

21 MR. LETNICH: And the one thing I'd note is
22 there are duties on the European Union and now here in the
23 States, so those tons would inevitably go to the Asian
24 market and not the home market of China.

25 COMMISSIONER BROADBENT: Okay, thank you very

1 much.

2 CHAIRMAN SCHMIDTLEIN: Okay, thank you.

3 A couple more questions, can those of you with
4 affiliates in non-subject countries talk about under what
5 circumstances you bring product in from those affiliates to
6 the U.S. market?

7 MR. PFEIFFER: We do not bring in any product
8 from other countries.

9 CHAIRMAN SCHMIDTLEIN: You don't?

10 MR. PFEIFFER: No.

11 CHAIRMAN SCHMIDTLEIN: Okay.

12 MR. LETNICH: We do bring in a small amount of
13 volumes. Typically, those would be special grades or
14 applications that the commercial mill in Calvert, Alabama
15 would not make.

16 MR. LYONS: We did bring in product from our
17 parent company in Spain. The primary focus of that was
18 attributed to our new investment that we just commissioned
19 this spring. It's a product that we did not produce. So
20 leading up to that construction and install where we started
21 bringing product from our parent company to start to
22 establish a marketplace here with our name and then
23 transition that product from our parent company supply to
24 our new supply in Kentucky.

25 In addition, we have a sister company in

1 Malaysia that is starting up that we did bring a very small,
2 insignificant volume into the market such that we could help
3 them with our startup. But again, it's a small percentage
4 of our total sales. We'll say less than 1 percent.

5 CHAIRMAN SCHMIDTLEIN: Okay.

6 MR. LYONS: If I could elaborate on my answer
7 really quickly, the special grades that we brought in those
8 are grades that some of the companies here today can
9 product. We just couldn't produce them.

10 CHAIRMAN SCHMIDTLEIN: Okay, thank you.

11 MR. HARTFORD: ATI has an affiliate in Shanghai,
12 China. And in our questionnaire, we submitted a response to
13 that. We prefer to handle that in a post-hearing brief.

14 CHAIRMAN SCHMIDTLEIN: Okay. That would be
15 helpful. In fact, I was going to ask if all of you could
16 provide that specific information in the post-hearing brief
17 with the specific numbers. That would be helpful.

18 MR. HARTFORD: And just one final comment there,
19 the event was truly an event. It was a one-time import of
20 very small quantities to satisfy a very unique need.

21 CHAIRMAN SCHMIDTLEIN: Okay, I appreciate that.

22 Shifting gears, with regard to the pricing data
23 in the staff report -- Ms. Cannon, this is probably a
24 question for you. Do you believe we should rely on the MEPS
25 data or the MEPS data that's in the staff report, given the

1 data we were able to collect through the questionnaires?

2 MS. CANNON: We believe that the average unit
3 value data that we've submitted is more indicative of what
4 the likely prices would be. That would be in one of the
5 charts that were in my handout because that's what they're
6 actually getting in the different markets as opposed to the
7 MEPS data, which is more broadly with just a general market
8 price and that's what we have been focusing on. But I would
9 also add that even if you look at the MEPS data it shows
10 U.S. prices are relatively high compared to other markets
11 for one of the most significant grades, that they're higher
12 than in Korea, for example.

13 I believe Japan, under the MEPS data, tends to
14 have some of the higher prices, but the Japanese market is
15 not as open to anybody as the U.S. market is and just so
16 having the higher prices isn't really going to be, alone, a
17 grounds to pull those products in, plus you have the
18 oversupply situation going on with demand in Japan
19 declining. So again, just that one factor isn't, we think,
20 going to indicate that that's going to pull things into the
21 market.

22 So do I dismiss the MEPA data entirely? No,
23 there's certainly something you should look at, along with
24 everything else, but we think the average unit value data
25 that shows what they're actually selling at is particularly

1 relevant to your analysis.

2 CHAIRMAN SCHMIDTLEIN: Is there a product mix
3 issue with regard to the AUV data?

4 MS. CANNON: There can be, yes, so it's hard to
5 draw exactly. We're struggling a bit here, honestly,
6 because we have no questionnaire or so few questionnaire
7 responses. And so, given that, we are trying to cobble
8 together from what we have the best information we can. So
9 yes, the product mix will affect average unit value data,
10 but it's, at least, indicative of what overall they're able
11 to obtain here.

12 CHAIRMAN SCHMIDTLEIN: Okay.

13 MS. KIM: Chairman Schmidtlein?

14 CHAIRMAN SCHMIDTLEIN: Sure.

15 MS. KIM: I'd just like to add one more point.
16 I think there was a greater disparity in the pricing data in
17 the MEPS data for 2015 and 2016. And one explanation, I
18 think, is you know the domestic industry was experiencing
19 the big increase in imports from China at that time that
20 really decimated the pricing here in the U.S. So I think
21 that was the explanation for the discrepancy during that
22 period. But then when you look at some of the pricing in
23 the 2017 period, you saw a big improvement in the pricing
24 comparisons there.

25 CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank

1 you.

2 I don't have any further questions, so
3 Commissioner Williamson.

4 COMMISSIONER WILLIAMSON: Thank you, just a few
5 questions. I'm not sure this has been addressed already.

6 Subject imports from Japan have been
7 significantly lower than in the original investigation.
8 That's despite de minimis dumping margins. Does this
9 suggest a lack of interest in the U.S. market by Japanese
10 producers?

11 MS. CANNON: Kathy Cannon. I'll start. No, we
12 don't believe so. We think that the Japanese producers are
13 very disciplined. They are not selling here at volume
14 levels that would cause them to have to go through
15 administrative reviews. If they were to start exporting
16 larger volumes at these very small rates, we would probably
17 ask for review to make sure that those margins weren't
18 there, and likely would find dumping again.

19 So we believe that even at a low rate, the
20 anti-dumping order is having a significant inhibiting effect
21 on Japan, but we also know, as we've documented, they have
22 huge idle capacity and are extremely export-oriented and
23 believe that they would actively export to the United States
24 if that order was not in place.

25 MR. HERRMANN: Commissioner Williamson, this is

1 John Herrmann. Just one additional point. There are quite
2 a number of Japanese companies that have a very significant
3 cash deposit rate, currently 57.87%. There are a few
4 companies with lower rates, but there are five Japanese
5 producers with a 59% cash deposit rate currently, so that
6 that may also be explaining the lack of shipments.

7 COMMISSIONER WILLIAMSON: Thank you for those
8 answers. Do you agree that domestic producers, particularly
9 NAS, are they price leaders in the U.S. market?

10 MS. CANNON: Let me start. I'm always a little
11 frustrated with this question because I believe the price
12 leadership question asked by the Commission asks if you're a
13 price leader on the up or the down side. And purchasers
14 often say, you know, NAS or somebody that's a large producer
15 in the market, but they don't necessarily indicate that
16 their leading price is down, and we just went through in the
17 China case, a very strong indication from all the purchasers
18 that it was China leading prices down, even though NAS was
19 mentioned by some as a price leader, simply being a big
20 company that comes out with price announcements frequently.

21 COMMISSIONER WILLIAMSON: Anybody want to add to
22 that?

23 MR. LYONS: Chris Lyons, North American
24 Stainless. The question of being a price leader is rather
25 sticky. As Ms. Cannon referred, we were here just six

1 months ago roughly, during a case where we had a party that
2 was very much leading the price in the market, and it was in
3 a direction that was negative.

4 So our focus is to try to promote our products
5 in a market such that we get a fair return. Whether or not
6 somebody wants to label us as a leader, that's really not
7 for me to say. We just want to try to maximize our
8 utilization in a consistent manner, such that we can get a
9 fair return on our product.

10 COMMISSIONER WILLIAMSON: Which leads me to my
11 next question which is about something you said in January
12 about prices. And you notice that NAS has seen some
13 improvement in pricing. It had announced increases in its
14 base price recently. This is what you said in January. So
15 I'm wondering whether, have domestic producers announced
16 additional price increases since January? And are these
17 prices increases sticking? And if not, why not?

18 MR. LYONS: Yes, there has been an additional
19 price announcement. There was one in April of this year that
20 came -- so it was the second of 2017. As it relates to
21 price, a discussion, I would like to cover that in
22 post-hearing brief, if possible.

23 COMMISSIONER WILLIAMSON: Sure. Okay. I'd also
24 be interested in anybody's reaction to the MEPS data. This
25 is on Prehearing Report Table 4-22 through 25. Those

1 statements sort of indicate some price increases in 2017.
2 So it seems like these prices are better this year than in
3 prior years. Anybody want to comment on that? Now or
4 post-hearing?

5 MS. CANNON: Commissioner Williamson, we
6 probably need to do that post-hearing because those numbers
7 were all taken out of the public version of the staff
8 report, so we probably should address that in a proprietary
9 submission.

10 COMMISSIONER WILLIAMSON: That's fine. Good.
11 And with that, I have no further questions. I want to thank
12 the witnesses for their answers.

13 CHAIRMAN SCHMIDTLEIN: Thank you. Commissioner
14 Broadbent.

15 COMMISSIONER BROADBENT: Yeah, thank you. I'm
16 just looking here for a second. I actually don't think I
17 have any further questions. I appreciate it. Thank you.

18 CHAIRMAN SCHMIDTLEIN: Okay. I actually have
19 two more questions. So on Page 413 of the Prehearing
20 Report, where it shows the geographic location of where
21 subject imports are entering the United States, you see that
22 Japan primarily enters through the eastern ports. Korea
23 comes in mostly through the western ports, and Taiwan comes
24 in through the southern ports. So my question is, does this
25 have any effect on our analysis of the overlap of

1 competition between the subject imports with each other?

2 MS. CANNON: No, I would say no, because if you
3 look historically, these imports have been sold on a
4 nationwide basis and the challenge here is that you're
5 dealing with such a small import volume that these are
6 relatively isolated incidences of sales and not indicative
7 of where the imports would enter, if the orders were
8 revoked.

9 If the orders were revoked, we'd be looking at a
10 panoply of producers and importers who would be selling
11 throughout the United States as they did pre-order. But I
12 would also say, even if you look at this chart, you are
13 seeing overlap in certain areas by these companies, which is
14 sufficient to find the overlap in competition to support
15 cumulation.

16 CHAIRMAN SCHMIDTLEIN: So historically, did the
17 subject imports from these various countries come in at
18 different ports? Or are you saying they usually come in
19 this way, but then are distributed across the United States?
20 And the final sale occurs.

21 MS. CANNON: Honestly, I would have to look back
22 to see what ports they entered, but I know that --

23 CHAIRMAN SCHMIDTLEIN: Okay. Just curious.

24 MS. CANNON: -- once they entered, they were
25 sold throughout the United States by the importers,

1 regardless of what ports. But if you're looking
2 specifically at where they entered, I'd have to look back at
3 that from the original case, if that's on record.

4 CHAIRMAN SCHMIDTLEIN: Okay. All right. My
5 second question has to do with a point that was made in the
6 Commission's decision in the second review, where an
7 argument was made by POSCO with regard to the fact that
8 there was not going to be a discernible adverse impact given
9 their focus on hot-rolled stainless steel and their capacity
10 for cold-rolled.

11 And I'm looking at Footnote 90 in the second
12 review. So I'm wondering, and this is probably for the
13 post-hearing, you may not know the answer to this, but do
14 you have any information about whether that dynamic still
15 occurs in terms of how much capacity POSCO has for
16 cold-rolling stainless steel sheet and strip?

17 MS. CANNON: I think we would be able to get
18 that information. It would probably be through a
19 confidential source, so it's probably best to address that
20 post-hearing.

21 CHAIRMAN SCHMIDTLEIN: Okay. All right. And
22 with that, I have no further questions.

23 COMMISSIONER BROADBENT: I have one more
24 question. Let's see, Page 4-21 of the Prehearing Report on
25 Page 4-21, shows that Japan's top eight destinations were in

1 Asia. None of their top listed destinations were outside of
2 Asia. Does this indicate that Japan is primarily interested
3 in shipping to Asia, whereas the other two countries are
4 more globally focused?

5 MS. CANNON: I would say that Japan's export
6 markets are listed as Asia, but Japan's historical presence
7 is also in the United States and has been in the United
8 States in the past. And part of this reflects some of the
9 testimony you heard earlier about the barriers that Japan is
10 facing in other markets, certainly to the United States as
11 well.

12 So those barriers, coupled with the Asian
13 oversupply situation we've testified to, we know that demand
14 in Japan itself is declining. China has massive
15 overcapacity, so all of these factors are gonna start
16 pushing Japan just like they will China and Taiwan to look
17 at other export markets. And the U.S. is one of the most
18 attractive of the export markets available now.

19 MR. HERRMANN: Commissioner Broadbent. One
20 additional point for you, and you may have been out of the
21 room when we were discussing this a moment ago with
22 Commissioner Williamson. There are a number of Japanese
23 producers that are subject to quite high cash deposit rates
24 approaching 60% and that may be having a significant impact
25 on their shipments to the United States relative to other

1 export markets as well.

2 COMMISSIONER BROADBENT: Okay. Thank you. I
3 have no further questions.

4 CHAIRMAN SCHMIDTLEIN: All right. Thank you
5 very much. I think that concludes Commissioner questions.
6 Do staff have any questions for this panel?

7 MR. SZUSTAKOWSKI: Thank you, Chairman
8 Schmidtlein. Staff has no questions.

9 CHAIRMAN SCHMIDTLEIN: Thank you. Do those in
10 opposition or in support of revocation, I should say, have
11 any questions for this panel?

12 MR. WINTON: Actually we do, but just a few, I
13 hope. This is for Ms. Cannon. I was looking at your
14 presentation at Page 7, and I wanted to confirm a few
15 things. First, on the fourth line down, I can't read the
16 names, but there are two names listed. Which of those
17 actually appears in your source document?

18 MS. CANNON: The name that appears in the
19 document is Sammi.

20 MR. WINTON: Sammi? Okay, I see. And is there
21 today a stainless steel producer named Sammi?

22 MS. CANNON: I'm sorry?

23 MR. WINTON: Is there today a stainless steel
24 producer named Sammi? Is there a company named Sammi that's
25 producing stainless steel?

1 MS. CANNON: Not to our knowledge. To our
2 knowledge, that name was changed to Hyundai BNG, but with
3 respect to this product, but you all are probably more
4 familiar with the name. We're trying to --

5 MR. WINTON: No, but it's got pictures in your
6 source document, it gives the wrong name, then? Is that
7 what I'm understanding?

8 MS. CANNON: The source document that we've
9 relied on is one that the Commission has relied as well.

10 MR. WINTON: But it gives the wrong name, right?

11 MS. CANNON: It appears to give the predecessor
12 company --

13 MR. WINTON: Are you aware that in 2009 POSCO
14 acquired additional shares in Thainox, giving it a total of
15 85% ownership of Thainox Stainless?

16 MS. CANNON: I'm aware that there have been a
17 lot of changes within these companies, but we are relying on
18 Commerce policy --

19 MR. WINTON: Answer yes or no. Come on. It's
20 not that hard. You either know it or you don't.

21 CHAIRMAN SCHMIDTLEIN: Mr. Winton, I'm sorry.
22 You're gonna have to let her answer the question. Okay?
23 This isn't a cross-examination.

24 MS. CANNON: We are aware that there have been a
25 lot of changes within these companies and we were planning

1 to document this further in our post-hearing brief, but we
2 are relying here on specifically the Commerce findings with
3 respect to Hyundai BNG and its margin under this order.

4 MR. WINTON: I'm sorry. We're talking about
5 Page 7 which is supposed a document you got from some other
6 source and it lists the fourth company you say gives the
7 wrong name. The sixth company, you don't know that it was
8 acquired by POSCO, and in fact, it's no longer, there's no
9 longer a stainless producer named Thainox. Well, you don't
10 know that one way or the other, but I will document that.

11 I have a question about this page. At the top
12 of the page, you have a percentage. That percentage does
13 not include Hyundai Steel, correct?

14 MS. CANNON: I'm sorry. What percentage are you
15 looking at, Mr. Winton?

16 MR. WINTON: At the top of the page.

17 MS. CANNON: At the top of the page. On Page 7?

18 MR. WINTON: Percentage. Yes.

19 MS. CANNON: The percentage does not include
20 Hyundai Steel, that is correct.

21 MR. WINTON: Thank you.

22 CHAIRMAN SCHMIDTLEIN: Okay. All right. So
23 with that, we have concluded our questions for this panel.
24 So I will dismiss you at this time. Thank you all very much
25 again.

1 And since we are so far in advance of the lunch
2 hour, I think we will proceed to the second panel.

3 (End Panel 1 11:22 a.m.)

4 (Lunch break 11:28 a.m.)

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1 A F T E R N O O N S E S S I O N

2 MR. BISHOP: Will the room please come to
3 order?

4 CHAIRMAN SCHMIDTLEIN: Good afternoon. So we
5 are going to start this afternoon with those in support of
6 revocation, and Mr. Winton, you may begin when you're ready.
7 Oh, I'm sorry. Are there any preliminary matters?

8 MR. BISHOP: Madam Chairman, I would note that
9 the panel in opposition to continuation of the anti-dumping
10 and countervailing duty orders have been seated. All
11 witnesses on this panel have been sworn in. Mr. Winton, you
12 have 58 minutes.

13 CHAIRMAN SCHMIDTLEIN: Perfect. All right,
14 thank you. You may begin.

15 MR. WINTON: Thank you, and I'd like to thank
16 the Commission for your assistance this morning. My name is
17 Jeffrey Winton, here again on behalf of Hyundai BNG Steel.
18 I'm joined today with to my right, Dong Jin Kang, who's a
19 manager of Hyundai BNG. Next to him is Joo Seok Cha, who's
20 the general manager of the Overseas Department. Beyond him
21 is Sean Inkwon Kahng, who's a distinguished lawyer at the
22 Korean law firm of Kim and Chang, but actually is a
23 U.S.-admitted lawyer, and then at the far end is my
24 associate, Daniel Parga.

25 Mr. Kang, who actually goes by the name of

1 Steve when he's trying to sell pipe, I'm sorry pipe is the
2 other case, coils, coils, steel coils, is going to give a
3 short presentation and then I have a few comments to make
4 and then we look forward to the Commission's questions.

5 STATEMENT OF DONG JIN KANG

6 MR. KANG: Good afternoon. My name is Dong
7 Jin Kang. I am a manager in the Overseas Department at
8 Hyundai BNG Steel. My general manager, Joo Seok Cha is also
9 here with me today. I appreciate the opportunity to address
10 the Commission today, and to clear up some of the
11 misunderstanding reflected in the U.S. producers'
12 submissions in this review.

13 My company, Hyundai BNG, is the second largest
14 Korean producer of cold-rolled stainless steel sheet, which
15 is our name for the product you call stainless steel sheet
16 and strip. We produce cold-rolled coils by purchasing hot
17 rolled stainless steel coils from domestic or foreign
18 suppliers, and then rolling them to the desired
19 characteristics.

20 We are known for making an extremely high
21 quality bright annealed product with superb surface
22 characteristics. In all honesty, we consider our product to
23 be the best in the world, and we sell at premium to
24 customers that need the highest quality surface
25 characteristics. Our sales of those high quality bright

1 annealed products represent about 70 percent of our
2 company's total sales of stainless steel coils.

3 But although we excel in quality, in quantity
4 terms the Korean producer POSCO is by far the dominant
5 Korean producer of stainless steel coils. POSCO is the only
6 Korean producer of hot-rolled stainless steel coils, and
7 according to the available information, POSCO accounts for
8 about 67 percent of Korean production and sales of
9 cold-rolled stainless coils.

10 My company, Hyundai BNG, accounts for roughly
11 another 20 percent of the cold-rolled stainless steel coil
12 production and sales. Our sister company, Hyundai Steel, is
13 the third largest Korean producer, accounting for maybe
14 another 7 to 10 percent. So between POSCO and the two
15 Hyundai companies, you have about 90 percent of the Korean
16 production.

17 I can't speak for POSCO, but I know that our
18 company is operating at full practical capacity, and in
19 practical terms, our capacity is actually shrinking. When
20 we first calculated our capacity, we assumed an average coil
21 thickness of slightly under one millimeter. But each year,
22 our customer seems to be shifting to thinner products. It
23 takes longer to produce one ton of a thinner coil than a
24 thicker coil.

25 So if we originally calculated our capacity at

1 300,000 tons per year, today we are probably only capable of
2 producing around 250 to 260 tons per year. Hyundai Steel's
3 factory, as I recall, was initially rated to produce about
4 200,000 tons per year. But they shut down some production
5 lines about a decade ago to reduce their nameplate capacity
6 to 100,000 tons.

7 They have been subject to the same shifts in
8 customer demand to thinner products, which means that their
9 practical capacity today is probably less than 100,000 tons.
10 It is our understanding that like us, they are operating
11 full practical capacity, given their current product mix.

12 There have been a number of other changes in
13 the corporate structure and company name since you first
14 looked at the Korean stainless steel industry almost two
15 decades ago. My company, Hyundai BNG, was known as SAMME
16 Steel when you first look at the industry. Since that time,
17 we were spun off from SAMME, and then a controlling interest
18 in our company was purchased by Incheon Steel, which is one
19 of the Hyundai Motor Group companies.

20 By the way, there is still a SAMME Company,
21 but it is a trading company that is not affiliated with BNG.
22 The SAMME Trading Company does not handle steel products at
23 all. In the meantime, Incheon Steel was renamed to be INI,
24 and then was renamed again to be Hyundai Steel. So despite
25 the name changes, we and the other Korean producers have

1 remained focused primarily on our domestic market.

2 As indicated in our prehearing brief, about 60
3 percent of the Korean industry sales are made for domestic
4 consumption. At Hyundai BNG, we make a substantial
5 proportion of our sales to the Korean manufacturers who
6 supply Hyundai Motors Worldwide operations with mufflers and
7 manifolds. You can understand why the relationship with
8 Hyundai Motors gives our business stability. But it also
9 makes it quite difficult for us to cut off existing
10 customers to pursue new opportunities.

11 While the other smaller Korean producers do
12 not all have the same corporate relationships with
13 customers, most of them have long-standing relationships
14 with purchasers that they cannot afford to jeopardize. Of
15 course, we do export our products as well. As I mentioned,
16 Mr. Cha and I work in the Overseas Sales Department, and it
17 is our job to sell our products outside of Korea.

18 What we see is that the global market for
19 cold-rolled stainless coils has been growing dramatically,
20 and is expected to continue to grow. For example, materials
21 presented by the International Stainless Steel Forum, which
22 we provided in our response to your questionnaire, show that
23 worldwide demand for stainless sheet increased by more than
24 40 percent from 2010 to 2015.

25 We expect global demand to continue to grow by

1 somewhere between 6 to 10 percent for the foreseeable
2 future. In a global sense, the main growth area will be in
3 Asia, especially China and the emerging economies of
4 Southeast Asia. But our company is actually more focused on
5 opportunities for our products in Europe, the Middle East
6 and Japan.

7 The European market is our important export
8 market. We have long-standing customer relationships there,
9 and make a substantial proportion of our sales there under
10 annual contracts. We also do not have to worry about
11 competition from Chinese suppliers into Europe, because of
12 the existing European anti-dumping measures on Chinese
13 cold-rolled steel -- stainless coils.

14 Prices in the European market are currently
15 somewhat more attractive to us because the flight costs from
16 Korea to Europe are lower than to the U.S. or other North
17 American markets. I am not all that familiar with the U.S.
18 trade laws, but the continued existence of this case seems
19 quite strange to me.

20 When the case was filed, the main target case
21 had to be POSCO, the biggest Korean producer and exporter.
22 But POSCO was excluded about six years ago, and the Hyundai
23 Companies are both operating at full practical capacity, and
24 do not have any real ability to increase production to try
25 to export additional tonnage to the United States.

1 Perhaps the order once served some purpose,
2 but today they have clearly outlived their usefulness.
3 Thank you for your attention, and we look forward to
4 answering whatever questions you may have for us.

5 MR. WINTON: I have just a few additional
6 comments to make. We heard this morning about this sharp
7 increase in imports from Korea, primarily we're told
8 presumably POSCO since the order was revoked with respect to
9 POSCO, and I think I'm trying to find the page in the
10 presentation. I had this marked, and then I unmarked it and
11 so I've lost it.

12 In any event, since I can't find things, yeah.
13 Here, page 12. You see an increase which is confidential,
14 but in our brief we submitted total sales by POSCO on a
15 global basis. It's in the attachment to our brief, and I
16 can't tell you what the number is because it's confidential,
17 but it is many, many, many multiple times the exports you
18 see here.

19 From POSCO's point of view, this increase to
20 the United States which the Petitioners are complaining
21 about is peanuts. It's also peanuts compared to total U.S.
22 imports, which according to the staff report are something
23 like 350,000 tons a year. So we have POSCO we're told
24 massively increases imports in percentage terms, but in
25 actual tons compared to total imports into the United States

1 compared to POSCO's total global sales, it's insignificant.

2 Now I asked Mrs. Cannon earlier about the
3 information contained in her presentation on the capacity of
4 Korean producers, and especially the two producers SAMME and
5 TAIHAN on page seven of her presentation. The reason I did
6 that is I think there's a great significance to this
7 information, and frankly either sloppy or potentially
8 unethical work on behalf of Petitioners' lawyers.

9 They had a source of information. That
10 information listed a producer named SAMME. That was not
11 helpful to them, so they told you they looked it up and said
12 oh, that's not SAMME. It's Hyundai BNG. But they didn't
13 bother to tell you, maybe they didn't know, maybe they
14 didn't bother to look it up, that the producer they have
15 identified as TAIHAN actually no longer exists.

16 As I mentioned earlier, TAIHAN was purchased,
17 I think POSCO acquired 85 percent of the shares of TAIHAN in
18 2009. TAIHAN I believe is now called POSCO ATS. It's a
19 different company, and it's controlled by POSCO. That has a
20 significance because this is not -- one has an obligation
21 when it presents information to a tribunal to do one's
22 homework and update information, especially when one knows
23 that the source is not up to date.

24 But beyond that, if you're going to talk about
25 the impact of excluding POSCO, you have to consider the fact

1 that POSCO controls TAIHAN. I'm not going to say what
2 actually happens, but I have worked in this area long enough
3 to know the Commerce Department's theory of collapsing. The
4 Commerce Department's theory of collapsing goes something
5 like this. You have two companies, one of them subject to
6 duties, one of them not subject to duties. They're under
7 common control, right?

8 The company that's not subject to duties
9 exports; the company that is subject to exports to the
10 United States and tells the company that is subject to
11 duties to sell in the domestic market. It's Commerce's
12 theory of collapsing; it's why Commerce treats companies in
13 that situation as if they are one.

14 So the fact that POSCO owns TAIHAN means that
15 TAIHAN's production and sales are controlled by POSCO, and
16 POSCO of course is excluded from the anti-dumping and
17 countervailing duties here. Now there is some discussion,
18 accusations about the status of Hyundai BNG under the
19 anti-dumping order, and Mrs. Cannon said something which
20 simply is not true.

21 She said that Hyundai BNG's exports, she knows
22 for a fact are subject to the all others rates in this case.
23 That's not the way the process works, and let me tell you I
24 have been advising clients on this issue since 1985. I
25 actually do know what I'm saying on this and many other

1 subjects, but certainly on this subject.

2 Hyundai BNG itself is not subject to any
3 anti-dumping duties. When Hyundai BNG exports, it exports,
4 period. It has no relationship with U.S. Customs. Instead,
5 it's the importer of record who has the relationship with
6 U.S. Customs. The importer of record is required to declare
7 when it imports the merchandise who is the manufacturer.
8 It's required to declare what duties it believes are imposed
9 on that import, and it submits that in a form to Customs.

10 Customs then reviews the form. Customs can
11 modify the duty that's imposed or could simply accept that
12 what the importer has told them is correct. That is the
13 process. If Customs says, if the importer says hey, we
14 think Hyundai BNG is subject to the Hyundai Steel situation,
15 it's excluded, right. It can -- if it believes that, it can
16 declare it on the import declaration and Customs has to
17 review that.

18 If Customs says no, Hyundai BNG is subject to
19 the all others rate, then the importer has the opportunity
20 to go to Commerce and say Customs got this wrong, right?
21 It's not subject to the all others rate and they do what's
22 called a changed circumstance review for Commerce to
23 determine whether it's subject to the all others rate or
24 not.

25 Until Commerce has made that decision, the

1 best you can say is this is like Schrodinger's cat in
2 quantum physics, right? It's both dead and alive until you
3 open the box and Commerce actually decides, right? Because
4 until Commerce tells Customs, we don't know -- you know, we
5 haven't imported. We don't know what Customs is doing.

6 If we were to import, an affiliate of ours
7 were to import and Customs said you're subject to
8 anti-dumping duties, we could go to Commerce and at that
9 point Commerce would make a decision, and we would find out
10 what Commerce thinks. Neither Mrs. Cannon nor I can
11 guarantee with 100 percent accuracy what Commerce will do
12 because after all, it's Commerce not us.

13 However, I can tell you, as we stated in our
14 prehearing brief, that Commerce has addressed this issue or
15 a very closely related issue in the context of the
16 countervailing duty case. There is a review in the
17 countervailing duty case after Incheon acquired SAMME.
18 Incheon is now Hyundai Steel. SAMME is now BNG. Commerce
19 looked at it and said for countervailing duty purposes,
20 we're treating them as one company.

21 There's never been a review of the
22 anti-dumping case since Incheon acquired a controlling
23 interest in SAMME. So Commerce has never addressed this
24 issue. I think that's what you can say, but if Commerce
25 were to address this issue, I think all of the reasons that

1 led Commerce to say it's one company for purposes of the
2 countervailing duty case would lead it to say it's one
3 company for the purposes of the anti-dumping case, and it
4 should be excluded because Incheon, INI, Hyundai Steel has
5 been excluded and it controls BNG.

6 But Commerce hasn't made that decision. Now
7 you did say in the second review that you understood that
8 both companies were excluded from the anti-dumping order,
9 and I think that's certainly a reasonable assumption to
10 make. But the truth of the matter is until Commerce
11 actually rules on this, all we know is we're not importing.
12 If somebody's importing, if they are paying duties, they may
13 be paying duties and saying fine, we'll pay the duties.
14 They may not be paying duties and Customs may be saying
15 it's fine that you don't pay duties.

16 We don't know because it's not us. So I think
17 the best anyone can say on this is that we don't know. But
18 when you open this box, when Commerce opens this box,
19 there's no question this cat is dead. So we have this --
20 yeah, but it's not to me terribly important, whether BNG is
21 excluded. That's not our argument here, right.

22 You have POSCO, which can export multiples,
23 has the ability to export multiples of what the total
24 imports into the United States are. POSCO's capacity is
25 greater by a factor than total imports into the United

1 States, and yet POSCO is not flooding the U.S. market with
2 imports, even under Petitioner's. It's a small increase,
3 you know percentage terms.

4 I love percents. You go from one ton to five
5 tons and Petitioners are screaming 500 percent increase.
6 But in actual absolute terms, it's nothing despite the
7 condition. So you have POSCO, which is not subject to
8 anything, could be exporting to the United States, isn't in
9 any significant capacity and yet Petitioners say to you if
10 you revoke the order, that the other companies are going to
11 flood the U.S. market because, I didn't quite get the
12 explanation of that.

13 We know that Hyundai Steel, Hyundai BNG are
14 operating at full practical capacity. They have
15 relationships with their customers that make it difficult
16 for them to switch. They have long-standing relationships
17 in Europe. This is -- the notion that they're going to
18 flood the U.S. market is simply unsupported by the evidence
19 and the record.

20 But in any event, if there is an ability of
21 Korean producers to export and a desire to export more to
22 the United States, POSCO would be doing it already and it's
23 not. And so there's no reason here to keep these
24 anti-dumping and countervailing duty orders, especially
25 there may be the other countries. I think one of the

1 Taiwanese producers is operating.

2 POSCO is so large compared to the other Korean
3 producers. This not one small producer. So this is
4 two-thirds of production, I think, is what our information
5 is in Korea, all right, the only producer of hot-rolled coil
6 in Korea, and they're excluded completely. Hyundai Steel
7 subject to .54 countervailing duty. Now technically in an
8 investigation, .54 is as a matter of law de minimis.

9 In an annual review under Commerce's
10 regulation, .5 is de minimis; .54 is just above de minimis.
11 But in any event, it's clearly insignificant. With that,
12 thank you for your attention and for your indulgence with
13 our lunch plans, and we look forward to your questions.

14 CHAIRMAN SCHMIDTLEIN: Okay. Thank you very
15 much. I'd like to thank the witnesses for being here today
16 and traveling to help us understand this case, and we will
17 start with Commissioner Williamson this afternoon.

18 COMMISSIONER WILLIAMSON: Okay, thank you. I
19 also want to thank the witnesses for coming today and
20 presenting their testimony.

21 Okay. You remember that of course the orders
22 on Korea no longer are having any effect because of the
23 exclusion of POSCO and Hyundai in the low CVD margins. What
24 about the other producers in Korea? You discuss it in your
25 brief, but can you elaborate on why we should find that an

1 order with no current margins does not have a disciplining
2 effect on the foreign exporters? So I asked the same
3 question to the producers this morning, but what do we mean
4 by disciplining effect?

5 MR. WINTON: It's clear that the orders have
6 no disciplining effect on POSCO, right, because POSCO is not
7 subject.

8 COMMISSIONER WILLIAMSON: Can they -- so if
9 they were -- can they be reviewed at any point?

10 MR. WINTON: No. My understanding is no,
11 because as a result of the WTO case they were excluded from
12 the beginning. Although they weren't excluded from the
13 beginning, I actually was the lawyer at the WTO, so I know a
14 little bit about this for the Korean government, when this
15 was brought. The Korean government challenged the original
16 determination by Commerce of dumping in the investigation on
17 the grounds that Commerce improperly used zeroing --

18 COMMISSIONER WILLIAMSON: Yeah, the whole
19 series. The series in cases, right.

20 MR. WINTON: And so Commerce eventually
21 agreed, after much resistance and recalculated dumping
22 margins and found de minimis for POSCO. So they're out for
23 all time. What has happened in some recent situations with
24 companies who have been out forever, there are new cases
25 brought against them. I think we had that in orange juice

1 from Brazil a few years ago, where you have a company that
2 was excluded from an investigation.

3 But my understanding, and Mrs. Cannon can of
4 course agree or disagree, is that to bring a company like
5 that, you have to bring a whole new petition. You can't
6 just ask for a review that says well, they weren't dumping
7 before. They are dumping now. Commerce -- this is a long
8 explanation ^^^^ but Commerce has taken a different
9 position.

10 If you were revoked after the investigation
11 through the review process you have the order revoked as to
12 that company, Commerce has said we can reinstate that. But
13 that's different than if you're excluded from the beginning
14 because you were not dumping in the investigation, which is
15 where POSCO is, which is where Hyundai Steel is.

16 COMMISSIONER WILLIAMSON: Okay. So it has to
17 be a new investigation if the domestic industry felt there
18 was dumping.

19 MR. WINTON: Yeah. They'd have to bring a new
20 petition.

21 COMMISSIONER WILLIAMSON: Okay.

22 MR. WINTON: But I'm sorry. I didn't --
23 because there's another part of your question that I didn't
24 answer, which is okay, POSCO's not subject. What about the
25 other Korean producers, right? So if the other Korean

1 producers say gosh, you know, let's export to the United
2 States, you know, what does that do to -- do they have to
3 take -- you know, POSCO presumably is making the sales that
4 can be made in the United States, right, you know.

5 So somebody else makes the sale in the United
6 States. That creates an opportunity for POSCO. It's just I
7 don't understand how that's supposed to work in a market
8 context, that POSCO without any discipline, exporting from
9 Korea, is able to make only a certain quantity of sales,
10 despite the fact that they have huge capacity and they own
11 TAIHAN and all this, but other companies are going to come
12 in and be able to export. I don't understand how that works
13 in the market dynamic.

14 COMMISSIONER WILLIAMSON: Okay. I'm sure the
15 Petitioners might have some views on how that might work,
16 but I'll let them make those points. Okay.

17 You do know that the Commission does cumulate
18 based on known -- does a cumulative based on adverse impact.
19 Can you point me to any cases that are familiar, that are
20 factually similar, where the foreign industry was of this
21 size, the size of the Korean industry in capacity
22 utilization, export orientation and yet the Commission found
23 no likely discernible adverse impact? I think because you
24 were making an argument.

25 MR. WINTON: We prefer to answer that in a

1 post-hearing brief, if that's okay.

2 COMMISSIONER WILLIAMSON: Okay, and I guess
3 at the same time are there any other arguments you'd like to
4 make even now, you want to make regarding cumulation?

5 MR. WINTON: The Commission, of course, has
6 the discretion whether to cumulate or not in these reviews,
7 and I think whether you find that there's no discernible
8 adverse impact, I think it certainly is the case that the
9 situation for the Korean producers is different than the
10 Japanese and Taiwanese producers because the biggest Korean
11 producer is not subject to anti-dumping or countervailing
12 duty, and that has an effect on the Korean market and the
13 Korean, you know, where people sell. So I think the
14 Koreans face a different situation than other countries do.

15 COMMISSIONER WILLIAMSON: So different than
16 the other companies that were not under the orders would not
17 want to go after part of the U.S. market, and why?

18 MR. WINTON: Well according to our
19 understanding, you know, you have POSCO, Hyundai Steel,
20 Hyundai BNG. It's over 90 percent of the Korean industry,
21 right, and POSCO has no restrictions. Hyundai Steel, in our
22 view, has no effective restrictions, little countervailing
23 duty, .54 percent. But you know, I think in terms of what
24 it costs to ship product to the United States and marine
25 insurance and things like that, you know, it's --

1 COMMISSIONER WILLIAMSON: I was shocked, kind
2 of surprised by that? Isn't Korea to Europe a lot farther
3 than going across the Pacific?

4 MR. KANG: Yes. Distance-wise, I believe it
5 is but --

6 COMMISSIONER WILLIAMSON: And the volume of
7 trade is not insignificant across the Pacific, which usually
8 also affects rates?

9 MR. WINTON: Right, but one of the issues is
10 demand, right, you know. You have a lot of demand for
11 shipping to go from Asia to the United States, and that
12 drives up prices, right. Less demand for shipments from
13 Asia to Europe. There's -- and also there are more
14 opportunities for backhaul at certain times of the year.

15 You know, you have -- sorry. You have to
16 have, if you have a full ship going from Europe to Korea and
17 then Korea back to Europe, that's cheaper than if you have
18 an empty ship going from the United States to Korea.

19 COMMISSIONER WILLIAMSON: Understood, yeah.
20 Yeah, I used to work for the Port Authority in New York/New
21 Jersey, and we used to joke that we used to ship the cartons
22 in which the VCRs came in back to Asia.

23 MR. WINTON: But in any event, there are
24 strange things now going on with shipping rates I suppose,
25 but we have seen this in various cases where, you know, the

1 market is determining shipping rates to be what they are,
2 and but our information, yeah.

3 COMMISSIONER WILLIAMSON: Mr. Kang, anything
4 you want to elaborate on that?

5 MR. KANG: Okay. Yeah like Jeffrey said, if
6 we -- if we ship in a full cargo to Europe, and then we ship
7 back in full containers, the cost of freight will stay low.
8 But like what he said, if we -- if we ship in full
9 containers to the United States and the containers come
10 empty to Korea, then the shipper has to --

11 COMMISSIONER WILLIAMSON: No, I understand
12 all that, okay. But I was just still a little surprised,
13 and also I didn't realize the trade with Europe was that
14 balanced.

15 MR. KANG: More balanced.

16 COMMISSIONER WILLIAMSON: Okay, okay, good.
17 As I said, it just struck me, so I wanted to make sure I
18 understood. I think you didn't answer my question. Are
19 there other arguments you want to make regarding cumulation,
20 or do you want to do those post-hearing too?

21 MR. WINTON: We'll address it in the
22 post-hearing brief. We have, you know, there are a number
23 of small Korean producers. But the big producers are
24 Hyundai and -- the two Hyundai companies and POSCO. They're
25 different stories, you know. With Hyundai BNG, a very large

1 percentage of their sales is, as Mr. Kang, Steve was
2 saying, are sort of a captive market, right. They're
3 supplying the companies that make mufflers and manifolds
4 for Hyundai Motors.

5 That, you know, and they're not going to, you
6 know, if Hyundai Motors needs the product, they're not going
7 to say hey wait, we're going to export to the United States,
8 right. We don't want to sell to you. They don't export to
9 Hyundai Motors in the United States. They export to the
10 suppliers who make the parts in Korea for Hyundai Motors.

11 So at least in the BNG context, and I don't
12 think other stainless producers in the other countries have
13 that kind of captive supplier relationship that Hyundai BNG
14 has.

15 COMMISSIONER WILLIAMSON: Okay, but that's
16 only a small part of it. Are there any -- if the Commission
17 does cumulate all the subject countries, are there any
18 arguments you would make for a negative determination on a
19 cumulated basis, or do you want to do that post-hearing too?

20 MR. WINTON: We certainly can address it in
21 the post-hearing, and I see the red light is on. But I can
22 always talk. It's up to you if I answer it.

23 COMMISSIONER WILLIAMSON: But if you want to
24 do it post-hearing, that's fine.

25 MR. WINTON: Okay, terrific.

1 COMMISSIONER WILLIAMSON: Thank you. Okay,
2 thank you.

3 CHAIRMAN SCHMIDTLEIN: Okay. So I want to
4 make sure I understand this argument about the anti-dumping
5 order and BNG. So and correct me if I'm wrong. So if I
6 understand it, so BNG has not been exporting subject product
7 to the United States, and your argument is if they did, that
8 you would file at the Commerce Department or Customs and
9 make an argument with regard to company control that would
10 possibly result in BNG not being subject to the all others
11 rate. Is that the argument basically?

12 MR. WINTON: It's a little different.

13 CHAIRMAN SCHMIDTLEIN: Okay.

14 MR. WINTON: First of all, if you look at our
15 questionnaire response, I don't think we can say we had zero
16 exports to the United States. We did not have any imports.
17 We are not the importer of record. We are not -- we don't
18 have an affiliate that's acting as importer of record.

19 The people who import from us tell Customs.
20 Whatever they tell Customs we don't know, and they either
21 pay duties or don't pay duties. We don't know.

22 CHAIRMAN SCHMIDTLEIN: So you don't know what
23 the duty rate that is applicable to your product coming into
24 the United States? BNG does not know?

25 MR. WINTON: No. We -- honestly, we don't

1 know what people are doing. We think there's a good
2 argument that it should be zero, that it should be excluded.

3 CHAIRMAN SCHMIDTLEIN: You've never checked
4 into that. As you sit here, you have no idea what duty is
5 being paid on your product? That's what you're telling me?

6 MR. WINTON: I certainly don't.

7 CHAIRMAN SCHMIDTLEIN: Mr. Kang, do you know
8 what duty rate is being applied to the product that was
9 coming into the United States? You have no idea, BNG. I
10 find this hard to believe, that you all have no idea what
11 duty rate is being applied by the importer of record that's
12 bringing your product into the United States?

13 MR. WINTON: No idea may be too strong. We
14 have some suspicions, but we don't know for a fact and it's
15 not something -- we can address this some more in a
16 confidential submission. But honestly and truly, you know
17 if -- what they will tell you, and I don't want to put words
18 in his mouth; he can tell you this.

19 The customers who are buying from them buy
20 their product because they need the high quality product
21 which only BNG can supply, right?

22 MR. KANG: Yes, they do.

23 MR. WINTON: All right, and if those
24 customers, you know, pay 19 percent duty because this is the
25 only place they can get it, great. If they tell Customs we

1 don't think there's a duty and Customs says you're right,
2 there's no duty, that's great. But it's not our problem.
3 Our problem is they pay the price that we charge them and
4 after that it's up to them.

5 CHAIRMAN SCHMIDTLEIN: Then why are you here?
6 I mean if you don't know what the current rate is, it
7 doesn't seem -- it's not a problem. They pay it because
8 they need your product, then why are you here?

9 MR. WINTON: Well, it's -- I wonder that many
10 times. Sorry. You know, we've been talking about this and
11 they can answer for themselves. The truth is we don't know
12 what the situation is. We have some customers who come to
13 us and say we need the product, come to them and say we need
14 the product and they deal with it and if they pay the duty,
15 great, you know. Nobody's asked us to do a review.
16 Nobody's asked us to apply for a changed circumstance
17 review.

18 But as I said, we don't know and there's
19 uncertainty. And so, you know, it would be better not to
20 have uncertainty, but you know, I can't -- unlike Mrs.
21 Cannon, I'm not going to stand up here and say they are
22 definitely excluded from the order. But I'm also not going
23 to say they're definitely subject to the all others rate.
24 The truth is we don't know, and that is the truth.

25 We think, if the issue were raised, it would

1 be pretty clear what the answer would be, but we don't know.
2 Is that uncertainty? Yes. Would it be better not to have
3 uncertainty? Yes. Is it worth going to Commerce given the
4 limited volume that they're exporting to the United States?
5 Nahh, it hasn't been worth it. The main reason we're here
6 --

7 CHAIRMAN SCHMIDTLEIN: But if -- well,
8 wouldn't it be worth it though if you're saying they may --
9 you don't know. They could be paying a 19 percent rate
10 right now, the importer of record. If that isn't the
11 appropriate rate because of an argument with regard to
12 corporate control, right, wouldn't it be worth asking the
13 importer of record to go to Commerce to make that argument
14 already, in order to eliminate that rate?

15 MR. WINTON: The importer of record could
16 certainly do it. They're the ones paying the duty. It's
17 not worth it to us in a sense. You know, there's a sense
18 here too, you know, POSCO came to you in the second review
19 as the biggest Korean exporter and said, you know, get rid
20 of this case and you said no, right.

21 POSCO's out. We're the second biggest
22 exporter. We're coming to you and we're saying get rid of
23 this case, because it doesn't make sense anymore. You know,
24 it just doesn't make sense anymore and that's the thing, you
25 know. We as you may have noticed, we are not investing in a

1 350 page brief here. I haven't hired an economist to make
2 arguments. I haven't prepared pretty charts.

3 We think it's a very simple argument, you
4 know. I appreciate that Mr. Kahng and Mr. Cha came here. I
5 thought it's great that they're here to answer your
6 questions. But honestly, I think we could have handled this
7 even without them, because our argument is very simple. Why
8 are we here? The biggest Korean producer is completely out
9 of this case, you know. Not the biggest by a little, the
10 biggest by multiple Korean producers out of this case. Why
11 is this still going on?

12 And that's really our argument, and we think
13 this is a pretty, you know. If we were required to do
14 something like this, like Petitioners have done with 350
15 pages, we wouldn't be here.

16 CHAIRMAN SCHMIDTLEIN: Okay. Can you tell me,
17 when we looked at the numbers, the imports from Korea have
18 gone up over the Period of Review. Can you tell me what
19 accounts for that? In fact, of the three countries, I
20 believe the other two declined, but Korea went up. Well, I
21 take that back. Taiwan actually went up as well.

22 MR. WINTON: I don't think it's BNG's.

23 CHAIRMAN SCHMIDTLEIN: So what -- what
24 accounts for the increase from Korea? Is this POSCO?

25 MR. WINTON: Presumably, but we don't know.

1 It's not us. That's what we know. It could be Hyundai
2 Steel, you know. We are a sister company, but they control
3 BNG. BNG doesn't --

4 CHAIRMAN SCHMIDTLEIN: Could it be some of the
5 other smaller producers in Korea?

6 MR. WINTON: Possible. Some of them have
7 reasonably low rates.

8 CHAIRMAN SCHMIDTLEIN: Possible that they
9 could be?

10 MR. WINTON: Yeah.

11 CHAIRMAN SCHMIDTLEIN: Okay.

12 MR. WINTON: I would just -- honestly, you
13 know, I want to speak for my client, but they don't know,
14 you know. We have information. We can get information on
15 global exports by producer and we've submitted that to you
16 in our prehearing brief. But we can't get information on
17 market-specific exports by producer.

18 CHAIRMAN SCHMIDTLEIN: But I guess you
19 wouldn't disagree. Somebody in Korea is interested in the
20 U.S. market?

21 MR. WINTON: Everybody in Korea is interested
22 in the U.S. market, but it's a question of how much. You
23 know it's great to say imports from Korea have increased by,
24 you know, 200 percent, but if that's from one ton to three
25 tons, it's not a meaningful increase, right. It would be

1 one thing you have 350 tons of imports into the United
2 States in the last, you know, each year for the last few
3 years.

4 Imports from Korea, you know, POSCO could by
5 itself export 350 tons if it was interested, but it isn't.

6 CHAIRMAN SCHMIDTLEIN: Well, in your brief at
7 page six, you talk about potential supply constraints here
8 in the United States, and that Korea could ameliorate the
9 shortage of products. Can you expand on that? How much do
10 you think Korea could ameliorate the shortage of product if
11 the order was lifted? Would it be by the amount we're
12 seeing in the increase over the POR, for instance, as to put
13 -- can you give me a ballpark on what you think that might
14 be?

15 MR. WINTON: We'd have to, you know. We know
16 what BNG's situation is and, you know, they're pretty much
17 at full practical capacity, after you take into account the
18 dimensions of the product, you know. Could they eke out a
19 few thousand tons? Probably if, you know.

20 CHAIRMAN SCHMIDTLEIN: What about the other
21 producers in Korea?

22 MR. WINTON: Hyundai Steel we assume is
23 exporting whatever it wants to export already, because they
24 have no dumping and an insignificant countervailing duty.
25 The other producers, you know, we can look into it. But we

1 don't --

2 MR. KANG: We don't really know, and even if
3 they had so much idle capacity, that would be only really
4 tiny amount anyways. So it wouldn't be impacting the U.S.
5 steel industry as much as --

6 CHAIRMAN SCHMIDTLEIN: So some product would
7 come here, but you just don't think it would be that much?

8 MR. KANG: It would be very little, less than
9 -- I can't tell the numbers right now, but it would be
10 really small amount. So the U.S. steel industry will have
11 very little impact from the other producers of stainless
12 steel sheets and strips.

13 CHAIRMAN SCHMIDTLEIN: But that's based on --
14 what do you base that on?

15 MR. KANG: That's based on the capacity of our
16 Korean -- the capacity of Korean producers of stainless
17 steel sheets and strips.

18 CHAIRMAN SCHMIDTLEIN: So you think we should
19 look -- if we looked at available excess capacity as a proxy
20 for determining how much could possibly come to the United
21 States, that would be a legitimate way to measure how much
22 might arrive?

23 MR. WINTON: No, I don't think that's right.
24 You know, it would be one thing if all of the Korean
25 producers were subject to remedy and restrictions, right,

1 and you'd say they have this capacity and this is what the
2 Commission usually does in these cases. You say you're all
3 subject to restrictions. We get rid of the restrictions,
4 you have the capacity, you can increase, right?

5 The difference here is why isn't that
6 happening already? Because we have a lot of capacity that
7 isn't subject. I mean a lot of capacity, and I apologize
8 for not giving you the numbers. But you know, POSCO is
9 two-thirds of production in Korea plus they own TAIHAN and
10 then you add Hyundai Steel.

11 You know, this capacity exists and it's not
12 subject to restrictions, and it's not coming to the United
13 States and you're saying but if we lift the order on a
14 little producer like Pyongyang or something like -- Poongsan
15 that they're going to flood the U.S. market when POSCO can
16 and Hyundai Steel can. It doesn't make sense to me.

17 CHAIRMAN SCHMIDTLEIN: Okay. Well I see my
18 time is up. So I'm going to -- I'm going to pass it back to
19 Commissioner Williamson. We go back and forth here.

20 COMMISSIONER WILLIAMSON: Let's turn to a
21 different subject. What effect are you seeing from China in
22 the Korean market and in other markets you sell to? Are you
23 facing Chinese competition?

24 MR. KANG: Yes. Since the U.S. has imposed a
25 duty to Chinese origin stainless steel sheet industry, I

1 believe this March, the Chinese has also anti-dumping duties
2 to the European market. So now the Chinese are -- but the
3 Chinese has nowhere to go. So what they're doing now is
4 they're actually -- the government is trying to control the
5 capacity of the stainless steel strip production capacity.

6 So I don't think that has a discernible
7 adverse impact to our domestic market.

8 COMMISSIONER WILLIAMSON: You said it's not
9 adversely affecting your domestic market?

10 MR. KANG: No.

11 COMMISSIONER WILLIAMSON: What about your
12 export sales, say in Asia markets?

13 MR. KANG: Other Asian markets? Well, I'm not
14 really sure about other Asian markets because we're not
15 exporting that much amount of --

16 COMMISSIONER WILLIAMSON: Yeah, and I guess
17 the Chinese are shut out of Europe, aren't they?

18 MR. KANG: Yeah, yeah. We're exporting mostly
19 to Europe, and we're -- and the Europe shut out the Chinese
20 so to our view, we do not have any much impact. We don't
21 compete with the Chinese products in the first place, so we
22 don't really care what the Chinese do.

23 COMMISSIONER WILLIAMSON: So because of quality
24 differences?

25 MR. KANG: Yes, quality difference.

1 COMMISSIONER WILLIAMSON: Good. Thank you. How
2 do you respond to the domestic producers arguing that
3 because subject producers have U.S. affiliates, or at least
4 some of them, it would be relatively easy for them to
5 increase the exports to the United States if the Orders were
6 revoked?

7 MR. KANG: Sorry? I didn't understand that.

8 COMMISSIONER WILLIAMSON: Some of the Korean
9 producers have U.S. affiliates. So they already have--

10 MR. KANG: Right, but I think when you--

11 COMMISSIONER WILLIAMSON: --a network in the U.S.

12 MR. WINTON: I'd have to go back, but my
13 recollection is one of the U.S. affiliates they mentioned
14 was SAMI, which is not actually an affiliate anymore.

15 COMMISSIONER WILLIAMSON: So you're saying Hyundai
16 BNG doesn't have any--

17 MR. WINTON: Hyundai--well Hyundai. Of course
18 Hyundai BNG, Hyundai Steel, Hyundai Motors, you know,
19 they're in the United States. So that is true. But that's
20 not how they've been selling.

21 The other, I think they mentioned Tayhan Electric
22 has a subsidiary in the U.S., but Tayhan is not a U.S.
23 producer. It was bought by Posco. Posco certainly has
24 affiliates in the U.S.. Hyundai Steel has affiliates in the
25 U.S., which handle both--they handle Hyundai Steel products.

1 I don't think they handle BNG products--no, they don't.

2 COMMISSIONER WILLIAMSON: What about, to what
3 extent are some of the other producers selling cut-to-length
4 that's not covered by the Order?

5 MR. KANG: We don't know about--

6 MR. WINTON: We honestly don't know about exports
7 of cut-to-length to the United States. If it's happening,
8 it's not happening from BNG, right?

9 MR. KANG: Cut-to-length? Like the sheets, right?

10 COMMISSIONER WILLIAMSON: Yes.

11 MR. KANG: We...

12 (Pause.)

13 COMMISSIONER WILLIAMSON: Okay, if it's not
14 relevant to you, okay.

15 MR. WINTON: We need to--to my understanding, let
16 us talk about this afterwards, not on your time, and we'll
17 submit something in the posthearing.

18 COMMISSIONER WILLIAMSON: Okay. Thank you. Do
19 you have issues with the data used by the Commission to
20 determine foreign producer capacity? And do you have any
21 issues with the other side's estimation of production and
22 excess capacity? You've already indicated some.

23 MR. WINTON: We have some sources on capacity
24 which I think we can submit to you. We have some anecdotal
25 evidence. For example, we understand that Hyundai Steel has

1 reduced its capacity, as Mr. Kang explained earlier, which
2 is not shown in some of the published statistics we've seen.

3 And as I discussed this morning, the information
4 submitted by Petitioners is outdated, clearly outdated in a
5 number of respects.

6 COMMISSIONER WILLIAMSON: And how should
7 that affect our determination, which is the key question.

8 MR. WINTON: We will provide you what we think is
9 the best information on capacity that we can find in Korea.

10 COMMISSIONER WILLIAMSON: Okay, thank you. And it
11 does make a difference.

12 Okay, so nonsubject imports from Korea and Taiwan
13 are now pretty close to the levels of subject imports from
14 those countries over the original Period of Investigation.
15 Does this indicate that other producers in those countries
16 would likely export significant volumes to the United States
17 if the Orders were revoked?

18 MR. WINTON: I'm having a silly moment. Of
19 course--

20 COMMISSIONER WILLIAMSON: That's okay. It's
21 afternoon, so--

22 MR. WINTON: Of course we don't think that.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. WINTON: We don't think, as was explained, we
25 don't think that you're going to see significant exports

1 from the subject producers. So we think that what you're
2 seeing from Korea now is what you're likely to see. You
3 know, if there's an opportunity for Korean producers to
4 export to the United States, it's being taken advantage of
5 now by the nonsubject Korean producers and they're not
6 going to be additional opportunities except in maybe a small
7 amount.

8 COMMISSIONER WILLIAMSON: Okay. Domestic
9 producers argue that their industry is vulnerable
10 particularly because of the lingering impacts of the Chinese
11 imports. Would you agree that the domestic industry is
12 vulnerable? And if not, why not?

13 MR. WINTON: No, I don't agree that they're
14 vulnerable. They got the relief that they asked for. For
15 God's sakes, they come in. They say imports from China are
16 hurting us. You've imposed relief. And then they say,
17 okay, but we still, you know, we need additional relief
18 because imports from China were hurting us.

19 Sorry, I don't think it works that way. They got
20 the relief they--

21 COMMISSIONER WILLIAMSON: Well I guess they're
22 saying they already got this relief. They already got this
23 relief. Then they had to get some more. And does that
24 mean--

25 MR. WINTON: But they admit they're doing better.

1 You know, say it's been six months--it isn't--but they're
2 doing better. The injury has been remedied. If I thought
3 that there would be a flood of imports from Korea if the
4 Order were revoked, would I be concerned about the U.S.
5 industry? I wouldn't be concerned about the U.S. industry,
6 but you might be concerned about the U.S. industry. But we
7 don't see any reason to believe there's going to be a flood
8 of imports from Korea.

9 We think whatever is coming from Korea is here
10 already, and they've told you they're doing better because
11 of the relief you gave them from China. So we don't see
12 they need additional relief.

13 COMMISSIONER WILLIAMSON: Okay. Last question.
14 You point to supply constraints in the U.S. market between
15 2014 and '16. Are there any supply constraints in the U.S.
16 market currently? And are there likely to be any on the
17 horizon or in the near future?

18 MR. WINTON: We based our argument on the
19 information collected by the staff. As Mr. Kang has
20 testified, this is the first time he's been to the United
21 States, I think, or Washington. You know, their market is--

22 COMMISSIONER WILLIAMSON: He picked a good week.
23 It's hot.

24 MR. WINTON: No, no, it's beautiful today. Today
25 is--thank you for arranging that. The short answer is, we

1 don't have personal knowledge about shortage in the U.S.
2 market, except to some extent as we said we do have
3 customers that come to us for small quantities who say we
4 need your product, and we sell them. But we don't have
5 systematic information about shortages in the U.S. market,
6 and we were relying on the information collected by the
7 staff which says that purchasers say they can't get the
8 product.

9 COMMISSIONER WILLIAMSON: Okay. Good. Thank you.
10 That's all the questions I have. Thank you.

11 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Kang, you
12 referred to BNG as being at full practical capacity. Could
13 you expand on what that means?

14 MR. KANG: Oh, yes. Like I mentioned, initially
15 when we calculated our capacity our capacity was based on
16 one millimeter thickness. But now the trend is going
17 thinner. So to make something thinner takes longer time,
18 which means our capacity is going down.

19 So in the year if we can make 300,000 tons of one
20 millimeter thickness coils, now that we're making average of
21 0.6 to .7 maybe, so that means it takes much longer. So our
22 capacity--sorry, our actual practical capacity is now about
23 260, 70 at the most. So it is--so, yeah.

24 CHAIRMAN SCHMIDTLEIN: So you're saying that the
25 numbers reported in your questionnaire response have

1 changed? Is that what you're--is that the argument you're
2 making?

3 MR. KANG: Initially it was like 300,000 tons.

4 CHAIRMAN SCHMIDTLEIN: And when you say
5 "initially," when are you talking about?

6 MR. WINTON: So when they calculate, if you ask
7 them what's their capacity, they'd say 300,000 tons. Why?
8 Because they've always said it's 300,000 tons, because
9 that's what they calculated based on the machine.

10 And we're now--you know, we reported to you. You
11 said what's our capacity? We say 300,000 tons. Because
12 that's what, you know, it's actually--there's some
13 nonsubject you have to take into account and things like
14 that.

15 But what he's saying is, that's what we reported
16 to you as our capacity, but you should be aware that that
17 capacity is based on a certain assumption of product mix.
18 And with a different product mix, the capacity is lower.
19 Because as he's saying, you put a ton of steel in, but to
20 make it thinner you've got to roll it longer, which means
21 you have a slower production process, less output.

22 And so while you may say, hey, you're not
23 producing 300,000 tons, which is true, he's saying, right,
24 but it's all we--practically all we can produce because it's
25 smaller. Now, you know, in terms of what numbers we should

1 report in the questionnaire, we reported what they--you
2 know, if you had done a verification and come to Korea and
3 said what's your capacity, the numbers they have are 300,000
4 tons. That is what they have.

5 But in practical terms, given the market now,
6 they can't actually do that.

7 CHAIRMAN SCHMIDTLEIN: And so can you elaborate on
8 that? So, you know, how much of your production is now
9 committed or dedicated to this other type of product? Is it
10 just for the Korean market? Is that for export markets?
11 When does this start? Do you expect it to change?

12 MR. WINTON: We'd prefer to answer this in a
13 posthearing brief. But just to be clear, this isn't a
14 different product. You take coil, right? You roll it. You
15 put coil in and you roll it. You roll it a certain amount--

16 CHAIRMAN SCHMIDTLEIN: It's thinner, right.

17 MR. WINTON: --and it's thinner. And my
18 understanding, because this issue came up, is customers in
19 the export markets and in the Korean market, both, right?

20 (Pause.)

21 We'll address this in the posthearing.

22 CHAIRMAN SCHMIDTLEIN: Okay. And do you have
23 information about the capacity utilization at the other
24 Korean companies?

25 MR. WINTON: We may. We know--we have information

1 on total sales, and we have information on capacity. I'm
2 not sure that we have information on production and
3 inventory--

4 CHAIRMAN SCHMIDTLEIN: Right. But what you can
5 deduce from total sales.

6 MR. WINTON: We will check.

7 CHAIRMAN SCHMIDTLEIN: Okay. Okay, so Mr. Winton,
8 I think this is a question for you, and I referenced this in
9 the conversation with this morning's panel. In the second
10 review decision at footnote 90, the Commission addresses an
11 argument that was made by Posco with regard to the fact that
12 they at that time were arguing that they had a high rate of
13 capacity utilization, a lack of exports, and so forth, and
14 that this meant there was going to be no discernible adverse
15 impact.

16 And the Commission rejected that argument because
17 Posco accounted for a certain percentage of the cold-rolled
18 capacity in Korea, and that the other producers who could
19 export to the United States accounted for the remaining
20 percentage. The numbers were confidential.

21 This morning you mentioned Posco's capacity for
22 cold-rolled, which I think you said sixty--or capacity,
23 their share of the cold-rolled capacity in Korea at 67
24 percent, is what I thought the number was. BNG, I didn't
25 catch exactly what you said, was something between 20 and

1 30?

2 MR. WINTON: I think we said of production, using
3 production sales, Posco is 67 percent, I think we said in
4 our original questionnaire response. We see different
5 numbers, but 67 percent. We said that BNG was 30 percent.
6 And the Hyundai Steel was about 7 to 10.

7 CHAIRMAN SCHMIDTLEIN: Okay. So given that the
8 Commission has already rejected an argument similar to this,
9 how would you argue--you know, what would your argument be
10 for us to reach a different conclusion here?

11 Are you familiar with footnote--what I'm talking
12 about, the second decision--

13 MR. WINTON: I'd have to look back it. I don't
14 remember it offhand. But the issue here is, you know, with
15 Posco and the other Korean producers, right, before they're
16 all subject to the Order. And you say what happens if we
17 lift the Order on everybody? And you come to a conclusion.

18 Here, Posco is already out. Whatever Posco can
19 export to the United States, they are exporting. There's
20 absolutely no constraint on Posco's ability to export. And
21 frankly, there is really no constraint on Hyundai Steel's
22 ability to export, except this .54 percent countervailing
23 duty. But realistically there's no constraint.

24 That product is coming in. If it's going to come
25 in, why wouldn't it come in? Of course it's coming in. I

1 think it's a very different situation than trying to predict
2 what would happen when all of those companies are subject,
3 or Posco is subject. Hyundai Steel was never subject. But
4 Posco is subject, Posco the 800-pound gorilla of the
5 industry is subject, and now you're saying Posco and the
6 seven dwarfs, or whatever it is, now all become nonsubject,
7 which is what you looked at in the second review, is a very
8 different thing than Posco is already here. Now what impact
9 are the seven dwarfs going to have I think is a different
10 story.

11 CHAIRMAN SCHMIDTLEIN: But isn't it the same
12 premise, that Posco doesn't account for, and even Hyundai
13 Steel added with Posco doesn't account for 100 percent of
14 the cold-rolled production capacity in Korea.

15 So because of that, the Commission couldn't say
16 there would be no discernible adverse impact by lifting the
17 Order. So isn't it the same argument that we've already
18 addressed in that second review?

19 MR. WINTON: I don't think so, because here's--you
20 know, Posco in the second review they're selling a certain
21 amount in Korea, a certain amount in other countries, and
22 whatever they're selling into the United States. I don't
23 know what the numbers are.

24 Now they're given an opportunity to sell to the
25 U.S. market, which we're told is so much more attractive

1 than the Korean market they would give up sales in Korea to
2 sell more to the United States. So they should take all of
3 their capacity and shift it to the United States, creating a
4 hole in Korea for the other companies to fill.

5 That's a different dynamic than what you were
6 talking about in the second review. We were saying we let
7 everybody into the U.S. market.

8 It's do you think that Posco and its controlled
9 affiliate Tayhan and Hyundai are, you know, not selling as
10 much--you know, that they are capacity constrained to the
11 point that they are giving up sales that they otherwise
12 could make?

13 I just, you know, I don't see any evidence of
14 that kind of constraint. I think Posco is selling as much
15 as it can in the United States not because of capacity
16 constraints but because of what the opportunities are. They
17 have limited opportunities in the United States. And as I
18 said, when you look at the quantity that they've sold to the
19 United States, total imports from Korea after Posco has been
20 left out, compared to Posco's total production and tayhan's
21 total production, it's just peanuts.

22 So you would have to say, you know, Posco could
23 export more but it doesn't. Or Posco can export more,
24 despite the fact that they have capacity to export more--
25 they do have capacity to export more. They don't export

1 more. But we would when Posco can't? The argument doesn't
2 make sense to me. How would we sell if Posco can't sell in
3 the United States? Which is really what you're seeing from
4 the evidence.

5 CHAIRMAN SCHMIDTLEIN: Let me just follow up.
6 When you talk about the opportunities available elsewhere,
7 what countries are you specifically--I know you referred to
8 Asia in particular. What countries in Asia are you talking
9 about where there are opportunities for the Korean producers
10 to export?

11 MR. WINTON: It's not just Asia. You know,
12 there's a--a lot of the demand has shifted to Mexico, I
13 believe. There's demand in Europe in different markets. I
14 think Italy is a major market for this product.

15 From BNG's point of view at least, they're not
16 trying to compete in Southeast Asia very much. That's not
17 where they see their opportunities.

18 MR. KANG: We're looking Middle East. And--

19 CHAIRMAN SCHMIDTLEIN: Would that be a new market
20 for you?

21 MR. KANG: No, it's not a new market for us, but
22 it's--since the American sanctions to the Iranian market is
23 now lifted, to my knowledge, so they'll be developing much
24 faster pace. So there are buildings going up, and so there
25 will be new demands for stainless steels, and there will be

1 more cars in Iran. So I think we'll be exporting more to
2 the Middle East.

3 CHAIRMAN SCHMIDTLEIN: Okay.

4 MR. KANG: And also maybe Japan. We'll be
5 exporting to Japan maybe, because the--it was like three
6 years ago there was this huge tsunami struck in the
7 northeast of Japan, and they are trying to rebuild it. So
8 there's now more huge demand from that, too.

9 CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank you.

10 Commissioner Williamson? No more questions? Oh,
11 okay. Commissioner Broadbent, do you have any questions
12 that you'd like--sorry to put you on the spot.

13 COMMISSIONER BROADBENT: That's okay. I think I
14 have a couple left over here.

15 Thank you very much for appearing, and I'm sorry
16 I'm late, but I will review the transcript closely.

17 Let's see. Please explain whether the five
18 Third-Country Trade Remedy Orders on Korea detailed on page
19 4-32 of the prehearing report, indicate any greater
20 likelihood that Korea will export to the United States upon
21 revocation of the Order?

22 MR. KANG: No, ma'am. To my knowledge, no.
23 Actually, we have very limited allocations for exports in
24 the first place. Our production -- yearly production is
25 around 250,000 tons and we try to focus more to the domestic

1 market, not the export market. Our company's strategy is to
2 shrink the export quantity and increase more in the domestic
3 market because domestic market is more expensive -- I mean
4 more profitable. So even with these restrictions -- we have
5 restrictions with other countries; I don't think there would
6 be a discernible adverse impact to the U.S.

7 MR. WINTON: Another thing to bear in mind is
8 these remedies applied to POSCO and other companies, so this
9 may increase imports from POSCO to the United States, but
10 that's going to happen whether you revoke the orders or not.

11 COMMISSIONER BROADBENT: To what extent can we
12 use the experience of the domestic industry during the
13 original period of investigation 15 years ago where the
14 Commission found price depression and adverse impact on the
15 industry when we only have three of the original eight
16 countries are still subject to the orders and several of the
17 largest producers in those remaining three countries are no
18 longer subject to the orders?

19 How do we distinguish and compare the original
20 investigation with the situation that's facing our now just
21 as a way to summarize what your message has been, Mr.
22 Winton?

23 MR. WINTON: I don't, as your question suggests,
24 it's not a comparable situation and you have a problem --
25 it's a problem in every sunset review, frankly, because a

1 lot of companies look at these cases and say we're going to
2 do other things, right? The United States doesn't want us.
3 We're going to focus on other markets and then five years
4 later we come to you and you don't have any information
5 about what's going on in the market today because BNG is
6 exporting virtually nothing and other subject companies are
7 not exporting.

8 You have non-subject companies, but you don't
9 really care about what they're doing and so it just becomes
10 a problem, but I think that's a problem in every sunset
11 review. And obviously -- and I think if we all think back
12 to what the nineties were like, 15 years is a very long
13 time. I wouldn't suggest that any of us are the same that
14 we were 15 years ago, maybe better, but not the same.

15 COMMISSIONER BROADBENT: Okay. Then staff
16 wanted me to ask this other question and you can do it on
17 the record or later when you're supplying your post-hearing
18 brief. Can you reconcile the Korean shipment and export
19 data in Table 4-13 and explain if power or if these
20 estimates should be corrected.

21 Table 4-13, excuse me, and be careful on the
22 confidentiality. I don't quite know.

23 MR. WINTON: I think we had a comment on this,
24 which was it seemed to us -- if this is the table I'm
25 thinking of -- that you had included some non-subject HGS

1 codes in here.

2 COMMISSIONER BROADBENT: Okay.

3 MR. WINTON: And we had information from the
4 Korean Steel Association, which is you know obviously their
5 export data and it was different, but we think it was
6 because of those HTS codes.

7 COMMISSIONER BROADBENT: Okay. So in your
8 post-hearing, could you just write that out? Thank you. I
9 appreciate it. I think that concludes my questions and I
10 appreciate being recognized.

11 CHAIRMAN SCHMIDTLEIN: Alright, thank you very
12 much. Commissioner Williamson? No? Alright, so that
13 concludes Commissioners questions.

14 Do staff have any questions for this panel?

15 MR. SZUSTAKOWSKI: Thank you Chairman
16 Schmidtlein, staff has no questions.

17 CHAIRMAN SCHMIDTLEIN: Alright, thank you.

18 Do those in support of continuation have any
19 questions for this panel?

20 MS. CANNON: The domestic industry has no
21 questions.

22 CHAIRMAN SCHMIDTLEIN: Thank you.

23 So now we will move to closing statements.
24 Those in support of continuation have 16 minutes from
25 direct, plus 5 minutes for closing, for a total of 21

1 minutes.

2 Those in opposition to continuation have 40
3 minutes from direct, minus 2 minutes for the prior
4 questions, plus 5 for closing, for a total of 43 minutes.

5 You may begin when you're ready, Ms. Cannon.

6 CLOSING REMARKS OF KATHLEEN W. CANNON

7 MS. CANNON: For the record, this is Kathleen
8 Cannon. I'd first like to thank the Commission for your
9 attention today.

10 Let's start with the dumping margin that's been
11 the subject of a lot of discussion. I don't ever been to a
12 hearing where a foreign producer has claimed it does not
13 know its own anti-dumping rate. And although counsel stated
14 it had not claimed that Hyundai BNG was excluded from the
15 anti-dumping order, it did, in fact, claim that in its brief
16 at page 3, which started this discussion.

17 He also said repeatedly -- Mr. Winton said we
18 just don't know what the rate is. We should, but we don't.
19 And that is very disturbing. There are published rates by
20 Commerce in every case. There are liquidation instructions
21 by Customs in every case, including this case. We will put
22 them on the record so that you can see them. They are
23 specific rates that name every company. They either say
24 you're excluded and if you're excluded, you're out. If you
25 are not listed by name and you are not listed by exclusion,

1 you are subject to the all-others rate and that is what BNG
2 is subject to in this case.

3 So let me unpack a little bit of the arguments
4 that were made today. First, there was a statement that
5 they were citing to the ITC findings on exclusion in the
6 last review. Well, as you know, the ITC is not the agency
7 that makes finding. The ITC referred to findings that it
8 perceived to be by Commerce that were applicable to Hyundai
9 Steel, not Hyundai BNG, which is an understandable mistaken
10 when the Commission is trying to sort this out or perhaps
11 when any other company was trying to sort this out. It's a
12 little unbelievable that Hyundai BNG itself doesn't seem to
13 know what its rate should be.

14 Respondents have contended and alluded to a
15 bunch of different findings, but none of those findings have
16 been relevant to Commerce. First, they talked about TAIHAN
17 and what TAIHAN'S iterations were, but Commerce has made no
18 findings about the collapsing of TAIHAN and POSCO that would
19 alter that company's rate.

20 Mr. Winton also claimed that there'd been a
21 review of SAMME since Incheon acquired SAMME. I think maybe
22 he was referring to the countervailing duty analysis, which
23 is inapplicable to the dumping case, but what is true is
24 that there was a review by Commerce of this particular
25 circumstance -- and I'll put this on the record as well.

1 There's a Federal Register notice dated June 28,
2 2002 where the Department says, and I quote "The Department
3 continues to find that INI is a successor in interest to
4 Incheon and that INI should retain the deposit rate assigned
5 to Incheon by the Department for all entries of the subject
6 merchandise produced or exported by INI and that INI's
7 acquisition of SAMME has not changed the status of either
8 company as separate legal entities."

9 So Commerce specifically recognized SAMME, which
10 has no become BNG, to be a separate entity and not subject
11 to this exclusion. When a company isn't subject to an
12 exclusion, as I mentioned, they are then subject to the
13 all-others rate. And while Mr. Winton says he doesn't know
14 what that rate should be, he also said he was the lawyer
15 working on the WTO dispute that involved the zeroing issue.
16 As part of that process, he should be well aware that what
17 resulted from that WTO decision was a recalculation of the
18 rates that ended up with liquidation instructions that
19 Customs sent out, and I will also put these on the record,
20 where Customs said that the new all-others rate is 19.6
21 percent, which is what applied to SAMME and now applies to
22 BNG.

23 I think, in the end, the whole discussion about
24 Commerce's process and changed circumstances reviews and
25 what importers do and what they know and what they don't

1 know was very disturbing for us to listen to because the
2 implication was that perhaps even though they know what
3 their rates should be that importers may not be paying what
4 the rate is. The rate is 19.6 percent. And frankly, after
5 this hearing, we will be going to Customs and Border
6 Protection to discuss and make sure that the rate that these
7 importers are paying on any BNG imports is 19.6 percent
8 because now we're concerned that perhaps the confusion
9 about who's a Hyundai and which one is Hyundai Steel that's
10 out and which one is Hyundai BNG that's in has made its way
11 into what's actually going on in the market and that the
12 rates are not properly being enforced because of those
13 confusions, so we will be looking into that much more
14 carefully.

15 They also said that it doesn't matter what the
16 rate is anyway after we had this whole discussion, but in
17 fact, BNG was the one that put this point in issue by
18 claiming that the rate was meaningless. Well, now that you
19 know the rate is 19.6 percent it isn't meaningless. But
20 even if there was a lower rate, as we discussed this
21 morning, it would still be meaningful. This is a highly
22 price-sensitive market, so even a very small rate can have
23 a significant affect.

24 Perhaps equally importantly is what we haven't
25 talk at all about today and that is that the really salient

1 finding here is what Commerce said is going to happen if the
2 orders get revoked. Commerce said if the orders get revoked
3 here that the Korean companies are likely to dump at a rate
4 of up to 58.79 percent. That's the key rate. That the
5 salient finding in terms of revocation here.

6 They also claim that the order is having no
7 affect and they said if it did POSCO, who is out from under
8 the order would be exporting more, and they told you to look
9 at Chart 12 that we gave you. And they said, oh, that's
10 just peanuts. I think that was the word I heard Mr. Winton
11 say a couple times.

12 I'd like you to compare Chart 12 to Chart 9 in
13 our packet. Chart 9 in our packet shows the imports of
14 stainless steel from Korea that took place when there was
15 the original investigation. Look at the volumes then and
16 the volumes now and ask yourself if that's peanuts and
17 certainly more than sufficient to have a discernible adverse
18 impact and it is. We're talking about them turning their
19 attention very much so on the U.S. market.

20 Mr. Winton asked me this morning about who I was
21 referring to in the chart that I cited, whether it was SAMME
22 or BNG and I said it was SAMME. I was expecting maybe some
23 challenge that those weren't the same entities, but in fact,
24 I understood them to say and acknowledge that they are, that
25 BNG is the new SAMME, which means that all the capacity data

1 that we pointed to is very much relevant.

2 I'm a little confused about their reference to
3 their own capacity in response to your questions because it
4 sounds like there's something they're calling a practical
5 capacity or an allocated capacity that's been reported and
6 may not be the full capacity, which would encourage the
7 staff to look at more specifically. But I'm equally
8 concerned about claims by their witness that Hyundai Steel,
9 which is not here today, has a practical capacity that's
10 full.

11 Hyundai Steel did not submit a questionnaire
12 response to you and there's no basis to rely on their claims
13 that that capacity is full any more than there is a basis
14 for them to submit what they've referred to as antidotal
15 evidence on Korean capacity that they would like you to rely
16 on in lieu of the questionnaire data that Korean producers
17 were supposed to submit.

18 And here's where the adverse inference provision
19 of the statute, I think, comes in. I know the Commission
20 has been hesitant in the past to use that provision against
21 companies that cooperate, but here's a situation where we
22 have independent data. I'm not even talking adverse data.
23 Independent data from a source the Commission routinely
24 relies on and that information has been gathered by your
25 staff and we've supplemented specifics on that data in our

1 brief. That data is the data the Commission should rely on
2 this situation, not estimates of their producers and not
3 antidotal evidence that they may provide.

4 They also admitted today that, of course, they
5 find the U.S. market attractive, so where's that capacity
6 going to come. We know it's going to come here. They
7 attempted to talk a bit about Asian demand growth and said
8 it was still strong. We did not disagree that it was strong
9 this morning. We simply said that it isn't close to Asian
10 capacity and there's really no question there's many, many
11 documents out there showing and corroborating the Asian
12 oversupply situation that will force those products into
13 the U.S. market.

14 And I'll conclude where Mr. Winton started this
15 morning. He began by asking you what's different now than
16 in the last review. Well, one of the most important
17 differences is the vulnerability of the U.S. industry right
18 now. In the last review, the Commission did not find the
19 industry to vulnerable and yet, you still found that these
20 subject imports would cause injury if the orders were
21 revoked.

22 Take a look at the record now. You have a
23 highly vulnerable industry that has been beaten up by China.
24 If you let these subject imports loose on the industry now
25 in the condition that it is in -- the highly vulnerable

1 condition that it's in, material injury will continue or
2 occur at a much more rapid rate than you were even
3 anticipating last time and that's a very salient factor for
4 your analysis.

5 And with that, I conclude my statement and I
6 thank you very much for your attention.

7 CHAIRMAN SCHMIDTLEIN: Thank you, Ms. Cannon.

8 MS. BELLAMY: Closing remarks for those in
9 opposition to the continuation of orders, Jeffrey N. Winton,
10 the Law Office of Jeffrey N. Winton. You have 43 minutes,
11 Mr. Winton.

12 CLOSING REMARKS OF JEFFREY M. WINTON

13 MR. WINTON: I suppose I should try once more to
14 explain the situation with the dumping margin. It's quite
15 frustrating because it's actually a very simple point that I
16 cannot seem to convey simply.

17 If you don't export, if you're not the importer,
18 which we are not, if we were the importer of record of our
19 product and we said to Customers here is what we think the
20 deposit rate is or something, we could go to Commerce and
21 say Customs is applying the wrong deposit rate or we claim
22 this deposit rate. We want a different deposit rate because
23 we think you should do it and we could go to Commerce and
24 get a change of circumstance review, but that hasn't
25 happened because we haven't imported. It's really that

1 simple.

2 We assume that people who buy from us pay
3 whatever the appropriate duty is. We assume that Customs
4 reviews it, but there's no -- and maybe Ms. Cannon will
5 correct me, but I haven't seen anything that says the
6 deposit rate for Hyundai BNG is this percent. She keeps
7 talking about an all-others rate, which she assumes is the
8 correct rate and which I assume is not the correct rate if
9 it were ever raised to Commerce, which it hasn't been
10 because we don't export. You know we certainly don't
11 import.

12 But as I said, Hyundai Steel clearly, not
13 Hyundai BNG -- Hyundai Steel clearly is excluded from the
14 anti-dumping order. It's not a question. And everything we
15 stated -- and I can read you the sentences from our
16 pre-hearing brief -- is factually accurate. SAMME Steel was
17 initially subjected to the anti-dumping order. A major
18 interest in SAMME was subsequently purchased by Incheon,
19 leading Commerce to conclude that the two company
20 subsidiary is one. And a footnote, in a review of the
21 countervailing duty order, blah, blah, blah. We talk about
22 that. And we say Commerce has not conducted a review of the
23 anti-dumping order with respect to Incheon, SAMME or the
24 corporate's successor since Incheon purchased a majority
25 interest in SAMME. Commerce hasn't made this decision.

1 They haven't done it.

2 It may be a separate entity, but Commerce's
3 collapsing rule is not a question of whether you're a
4 separate entity and we can submit the regulation to you and
5 precedents about how Commerce does its collapsing analysis,
6 but it hasn't happened in the anti-dumping case only because
7 it hasn't been raised. It was raised in the countervailing
8 duty case and in the countervailing duty case Commerce said
9 you treat them as one entity -- not one entity, one company
10 subject to one rate, but whatever.

11 You want us to say that -- you know you said
12 before that Hyundai BNG was subject. You want to say it's
13 subject. It's kind of irrelevant because the issue here is,
14 as far as I'm concerned, when you have a company that is, by
15 far, the largest producer in Korea -- by far, the largest
16 producer in Korea and it's not subject to anti-dumping
17 duties or countervailing duties. It can export as much as
18 it wants to the United States. What is the rationale for
19 saying, but there would be more if other companies could
20 export? I mean what is the constraint on POSCO? I don't
21 see any. We'll submit capacity information compared to
22 shipments for the POSCO and its affiliates and you can see
23 how much they could export to the United States, if they
24 wanted to, and if there were opportunities here.

25 And then they say, well, if POSCO can't export

1 -- isn't able to export more despite having capacity, how
2 are the other Korean producers supposed to do it? That, to
3 me, is the fundamental question.

4 As I said, the exports that POSCO has made to
5 the United States in the scheme of things are peanuts. You
6 compare it to total imports into the United States, peanuts;
7 compared to the total size of the U.S. market, peanuts;
8 compared to POSCO's total capacity, peanuts, right?

9 Mrs. Cannon says, well, but it was just as big a
10 peanut in the original investigation. But the original
11 investigation you cumulated it with, what, seven other
12 countries, eight other countries? That's the purpose of
13 cumulation, right, the hammering impact of thousands of
14 small blows, I think, is how it was described in the 1970s
15 when the Commission first adopted this process.

16 Well, here you don't have thousands of small
17 blows. You have one small blow and it's peanuts. It's not
18 injurious by itself, which is the question. And as I said,
19 there's no reason to believe if POSCO can't export more to
20 the United States despite having the capacity that other
21 Korean producers would be able to export more.

22 Finally, we had a discussion about the capacity
23 of various Korean producers and I pointed out that the
24 information relied upon by Mrs. Cannon was incorrect,
25 facially incorrect. It referred to a company that no longer

1 exist, that she admits no longer exists. And also actually
2 in two instances, one, she changed. One she didn't changed,
3 but it refers to two different companies that don't exist.

4 I don't care about the capacity figures. In
5 fact, a higher capacity number for Hyundai Steel is fine
6 with me. You want to say Hyundai Steel has several million
7 tons of capacity I'm totally okay with that because the
8 point is, if Hyundai Steel has several million tons of
9 capacity, you have to ask yourself why isn't it all coming
10 here to the United States because the 0.45 percent
11 countervailing duty isn't restricting them. And the answer
12 is because the opportunities for Korean producers they don't
13 see it here.

14 You know for whatever reason, this is not where
15 they're focusing. This is not what they're looking for.
16 The opportunities here are not -- if there were
17 opportunities, they would sell, especially, if they have all
18 the capacity that Mrs. Cannon says. They would be exporting
19 here and they're not, and that's Hyundai Steel, not Hyundai
20 BNG. It's not subject to any anti-dumping. It's subject to
21 countervailing duty.

22 One final point I would make to you which goes
23 to this why haven't we done reviews. Why haven't we gone to
24 Commerce, right? It's easy to say you know why -- why do we
25 come here, you know. Well, to come here we have to spend a

1 day -- you know fly over, prepare a presentation, do a
2 questionnaire response, we answer your questions as best we
3 can and we do a post-hearing brief. When a company like
4 Hyundai BNG goes to Commerce, right, the first thing
5 Commerce says is, wait a second, we want to know about all
6 your affiliates. All their affiliates, right? It's not
7 just Hyundai Steel, the Hyundai Motor Groups, everything
8 with Hyundai in the name in Korea. You know all of these
9 relationships. It is a massive, massive undertaking and
10 right now Commerce is showing zero tolerance -- I mean zero
11 tolerance for any mistakes that you make in providing that
12 information.

13 POSCO had a situation in countervailing duties
14 cases on hot rolled and cold rolled products where they
15 neglected -- you know the hundreds of subsidiaries POSCO has
16 they didn't identify one or two, you know, and they tried to
17 correct it later. Commerce said, sorry, too late, 48
18 percent duty. You know that is the situation.

19 I have another case where my client, heaven
20 forbid, in analyzing 280,000 lines of data for their cost of
21 production made some calculation errors, tried to correct it
22 with Commerce. Oh no, we can't correct errors now. It's
23 too late. It was a month before verification, 74 percent
24 duty. That's the world of the Commerce Department. I would
25 not advise any client who doesn't have to absolutely go to

1 Commerce to go anywhere near them right now because their
2 practice right now is to look for procedural ways to whack
3 people with punitive duties and that's just the reality. So
4 you could say, gee, what we ought to do. You know we think
5 you know whatever Customs is applying now we don't know
6 because we don't import. Say it's 19 percent. We think it
7 should be zero. We think we should be excluded. We should
8 go to Commerce because we expect fair treatment from
9 Commerce. It just doesn't exist. It simply doesn't exist
10 right now.

11 You know it would be nice to say it's the
12 current administration, but it's not just the current
13 administration. These things happened under the previous
14 administration. You know we come to the Commission because
15 -- and I think history shows we don't expect favorable
16 treatment from you. We don't expect you to -- but we do
17 expect fairness from you. You're independent and I think
18 each of the Commissioners in the 32 years I've being doing
19 this I've had respect for every Commissioner has tried to do
20 the right thing and that's all we ask you and it's why we
21 come to you and why we don't go to Commerce because right
22 now I would not advise a client ever to throw themselves on
23 Commerce's good graces and ask for fairness. It just
24 doesn't exit.

25 What you do in this case, whether you agree with

1 us or not, you know we have explained the situation as best
2 we can as honestly as we can. We have limited knowledge
3 because we're not exporting, haven't been since 1999. You
4 know maybe some small tonnages. We're not doing it. It's
5 not a big thing for us. We're not pushing it. We don't
6 know what's going on in the U.S. market, but we know there's
7 something wrong, strange -- wrong, strange, odd here that a
8 case that predicated on cumulation with eight other
9 countries, that was predicated on the massive presence of
10 POSCO is, by far, the biggest Korean producer who was found
11 to be dumping. Those facts don't exist any more and so we
12 ask the Commission to consider whether without those facts
13 you should keep these orders in place and we look forward --
14 you know we trust you to do what you think is right and we
15 look forward to whatever answer you come up with.

16 Thank you very much.

17 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Winton.

18 So this brings us to the end of our hearing.

19 Post-hearing briefs, statements responsive to questions and
20 requests of the Commission and corrections to the transcript
21 must be filed by August 3, 2017. Closing of the record and
22 final release of data to parties will be August 23, 2017 and
23 final comments are due on August 25, 2017.

24 I'd like to thank all the witnesses again for
25 being here today. And with that, this hearing is adjourned.

1 (Whereupon, at 2:07 p.m., the hearing was
2 adjourned)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Stainless Steel Sheet and Strip from Japan, Korea, and Taiwan

INVESTIGATION NOS.: 701-TA-382 and 731-TA-800, 801, and 803

HEARING DATE: 7-25-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Third Review

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 7-25-17

SIGNED: Mark Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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.

SIGNED: Duane Rice
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I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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