UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) **Investigation Nos.:**
MAGNESIUM FROM ISRAEL) **701-TA-614 AND 731-TA-1431 (PRELIMINARY)**

REVISED AND CORRECTED

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
MAGNESIUM FROM ISRAEL	) 701-TA-614 and 731-TA-1431
	) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, November 14, 2018

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Nannette Christ, Director of Investigations and Douglas Corkran, Superviosry Investigator, presiding.

APPEARANCES:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Tyrell T. Burch, Program Support Specialist

Nannette Christ, Director of Investigations

Douglas Corkran, Supervisory Investigator

Julie Duffy, Investigator

Gregory LaRocca, International Trade Analyst

Lauren Gamache, Economist

Emily Kim, Accountant/Auditor

Henry Smith, Attorney/Advisor

Karl Von Schriltz, Attorney/Advisor

APPEARANCES:

Opening Remarks:

In Support Of Imposition (Stephen A. Jones, King & Spalding LLP)

In Opposition to Imposition (James R. Cannon, Jr., Cassidy Levy Kent LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

King & Spalding LLP

Washington, DC

on behalf of

US Magnesium LLC

Cameron Tissington, Vice President of Sales, US Magnesium LLC

Susan Slade, Vice President of Marketing, US Magnesium LLC

Jennifer Lutz, Vice President, Economic Consulting Services LLC

Bonnie B. Byers, Senior International Trade Consultant, King & Spalding LLP

Stephen A. Jones and Benjamin J. Bay - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Cassidy Levy Kent (USA) LLP
Washington, DC
on behalf of
Dead Sea Magnesium, Ltd.
Eli Lerer, Vice President, Dead Sea Magnesium, Ltd.
David Wanless, Sales Manager, ICL Americas
Kate Molamphy, General Counsel, ICL Americas
James R. Cannon, Jr., and Jack Levy - Of Counsel

Rebuttal/Closing Remarks:
In Support Of Imposition (Stephen A. Jones, King & Spalding LLP)
In Opposition to Imposition (Jack Levy, Cassidy Levy Kent LLP)

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P R O C E E D I N G S

(9:32 a.m.)

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

MR. CORKRAN: Good morning, and welcome to the United States International Trade Commission's Conference in connection with Preliminary Phase, Anti-Dumping and Countervailing Duty Investigation Numbers 701-TA-614 and 731-TA-1431, concerning Magnesium from Israel. My name is Douglas Corkran. I'm the Supervisory Investigator and I'll preside at this conference in conjunction with Nannette Christ, the Director of the Office of Investigations.

Among those present from the Commission staff are, to my right, Julie Duffy, to my left, Lauren Gamache, Emily Kim and Gregory LaRocca. They are, in order of presentation, our Investigator, our Economist, our Financial Analyst and our Industry Analyst, and we'll be joined shortly by our Attorneys, Henry Smith and Karl Von Schriltz.

I understand that parties are aware of the time allocations. Any questions regarding time allocations should be addressed with the secretary. I'd remind speakers not to refer in their remarks to business proprietary information and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the

court reporter.

All witnesses must be sworn in before presenting testimony. Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's hearing have been sworn in. There are no other preliminary matters.

MR. CORKRAN: Very well. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of the imposition will be given by Stephen A. Jones of King & Spalding. Mr. Jones, you have five minutes.

OPENING STATEMENT OF STEPHEN A. JONES

MR. JONES: Good morning, Mr. Corkran and members of the Commission staff. For the record, I'm Steve Jones from King & Spalding representing the petitioner, US Magnesium, LLC.

This case is about dumped and subsidized imports from Israel that have used progressively lower prices to maintain and increase their foothold in the U.S. market. The dumped and subsidized imports have driven down domestic magnesium prices during the period of investigation.

The adverse volume and price effects have devastated the industry's profits and return on investment. The estimated margins of dumping are very large, ranging

from 92% to 130% for the only Israeli producer, Dead Sea Magnesium. In addition, the government of Israel supports Dead Sea with subsidies of various kinds to improve its international competitiveness.

US Magnesium is doing everything it can to survive this unfair competition, but it recently reached the point where it could not reduce its prices any further and was forced to seek trade remedies.

As in the past, when US Magnesium sought relief from wave after wave of imports from China, the company may not survive if orders are not imposed. The scope of imported articles subject to investigation includes pure magnesium and alloy magnesium, whether the result of primary production or secondary production, and includes all forms and sizes of magnesium.

As the Commission determined in 2005 and has affirmed repeatedly ever since, there is one domestic like product that covers the various forms of magnesium. The domestic like product is coextensive with the scope definition in these investigations.

As the Commission is aware from previous magnesium investigations, the conditions of competition in this industry make the domestic industry highly susceptible to injury from unfairly traded imports. Magnesium is a commodity product and subject imports and domestic

production are highly substitutable.

Because imports from Israel and domestic production have been qualified by almost all U.S. customers, the competition is based primarily on price. In addition, electrolytic producers such as US Magnesium and Dead Sea must run their plants 24/7 to prevent the deterioration of electrolytic cells. So there is a strong incentive for US Magnesium to compete with dumped and subsidized imports by reducing prices to maintain production volume.

US Magnesium competes for business against Dead Sea at all of its key accounts. There is nowhere to hide. US Magnesium's lost sales and lost revenue allegations provide numerous examples of head-to-head competition with Dead Sea. Each year at each of its key accounts, lower-priced offers from Dead Sea force US Magnesium to reduce its prices for the coming contract period.

Where US Magnesium has refused to lower its price, it has lost the business, even if the difference in price was only a penny a pound. The domestic industry is materially injured by reason of dumped and subsidized imports from Israel.

First, the volume of subject imports is significant, both absolutely and relative to domestic production and consumption. Israeli imports are, by far, the largest source of imports in the U.S. market.

Second, the dumped and subsidized imports have depressed U.S. prices, forcing domestic producers to meet and beat lower priced imports to win sales. Subject imports have also suppressed U.S. prices by preventing necessary price increases to cover rising costs.

Third, the dumped imports have had a severe adverse impact on the domestic industry. The record will show that domestic production and capacity utilization have declined. Domestic shipments and market share have declined. Domestic employment has declined. And declining prices, coupled with increasing costs have decimated the industry's profitability and cash value.

Moreover, reduced capital expenditures resulting from lower profits have harmed the industry's long-term competitiveness. The threat of additional injury is real and imminent. While the domestic aluminum producers have been granted trade relief under both Section 232 and in AD/CVD cases, including a self-initiated case against common alloy sheet from China, low-priced imports from Israel threaten the domestic magnesium industry's ability to serve that protected market.

US Magnesium has invested heavily to improve its technology and it has the potential to expand capacity significantly. The dumped and subsidized imports, however, have driven prices down so far that US Magnesium has been

forced to postpone its expansion and has suffered negative returns on its investments.

If fair competition is restored, US Magnesium should be able to earn a positive return on its investments and further expand its capacity to serve a growing market.

If duties are not imposed and current financial trends continue, however, US Magnesium may soon be forced out of business. Thank you.

MR. BISHOP: Thank you, Mr. Jones. Opening remarks on behalf of those in opposition to imposition will be given by James R. Cannon, Jr., of Cassidy Levy Kent. Mr. Cannon, you have five minutes.

OPENING STATEMENT OF JAMES R. CANNON, JR.

MR. CANNON: Good morning. The petitioners described a pretty simple case in which there's a market share shift and imports are underselling domestic prices. That case, however, has several key flaws. The petitioner has failed to mention some key facts that sort of radically change the narrative here.

First, imports of magnesium from Israel are not increasing. From 2015 to 2017, subject imports fell 1,400 tons, 11%. In the interim period, they fell more, 15%.

Second, a significant portion of the decline of the domestic industry shipments is the result of ATI's decision to exit the titanium business. US Magnesium was

selling roughly 8- to 9,000 metric tons of magnesium to a joint venture with ATI that produced titanium.

The ATI facility was co-located near the US Magnesium plant, but ATI shut down the joint venture in late 2016 and left the market. A decline in U.S. shipments that is entirely due to ATI's decision to exit the market, cannot be attributed to imports of magnesium from Israel.

Third, the petitioners did not mention nonsubject imports. First, pure magnesium from Russia and Turkey increased 4,000 tons from 2015 to 2017, a 214% increase. These imports from Russia and Turkey undersold imports from Israel by a wide margin. Alloy imports from Taiwan were likewise significant in the market and undersold imports from Israel.

And although all of the domestic producer questionnaire responses aren't available yet, we estimate, using census data and our client's information about the market, that imports from Israel will account for less than 15% of the market. Nonsubject imports will account for as much as one-third of the market. And nonsubject imports have been increasing market share at prices well below the prices of imports from Israel.

In Mittal the Federal Circuit noted the legislative history that says that the Commission must examine other factors to ensure that it's not attributing

injury to other sources than the subject imports. When nonsubject imports are increasing in market share and are underselling the price of subject imports, the Commission must evaluate the impact of those nonsubject imports. The Commission must not make an affirmative determination where subject imports are a "tangential or minor cause" of injury.

Fourth, turning to the pricing data, we expect the record will show the imports of magnesium from Israel do not undersell domestic producers' prices in a significant manner. End users of magnesium are the automotive industry and the aluminum industry. Magnesium accounts for a tiny portion of their costs, particularly to make aluminum and also to make automobiles.

So disrupting the just-in-time delivery schedules for these manufacturers is a major problem and they, all of these customers value supply, chain, security. So as a result, a number of our customers contract with both of us, with multiple sources of supply. In those situations, we expect the record to show that we are not the low-priced supplier. We're a back-up supplier at a higher price. In fact, in many cases, Dead Sea Magnesium secures its business at prices equal to, or higher than, US Magnesium.

Given that we don't undersell U.S. producers, and given that U.S. producers did not lose market share to Dead Sea Magnesium on the basis of lower prices, the record shows

that there's no causal connection between imports from Israel and the trend in domestic shipments or their market share or their prices.

Because increasing imports of nonsubject magnesium undersold our average prices by a substantial margin, any decline in domestic industry shipments for revenues or profits is a result of the nonsubject imports. Those imports were sold at prices well below the prices of magnesium for Israel and for these reasons, any injuries suffered by the domestic industry is a result of competition with nonsubject imports, not with a declining volume of higher priced imports from Israel.

Finally, a word about American Lamb. The record here is unusually complete. There's only a handful of players. The Commission is very familiar with the industry. You've done three Sunset Investigations since 2011, and it's unlikely that any contrary evidence will arise in a final investigation.

The record will show by clear and convincing evidence that any injury suffered by the domestic industry is a result of ATI's closure, or nonsubject imports that are increasing their share in the U.S. market by underselling.

For these reasons, the Commission can make a preliminary determination on the basis of a factual record that almost certainly will not change in any material

respect in a final investigation. Thank you.

MR. BISHOP: Thank you Mr. Cannon. Would the members of the panel in support of the imposition of the Anti-Dumping and Countervailing Duty orders please come forward and be seated? Mr. Chairman, this panel has 60 minutes for their direct testimony.

(Pause.)

MR. JONES: For the record, I'm Steve Jones from King and Spalding. We'll begin our testimony with Mr. Tissington after he gets a drink of water.

STATEMENT OF CAMERON TISSINGTON

MR. TISSINGTON: Good morning. My name is Cam Tissington, and I'm the Vice President of Sales for U.S. Magnesium, LLC. I have more than 35 years of diversified experience as a business executive in the marketing, development and sale of magnesium. From 1982 to 1998, I was employed by the Dow Chemical Company in various capacities in Dow's magnesium business, including magnesium marketing manager and finally global commercial manager.

After Dow closed its business in 1998 due to unfair competition, I was hired by the Magnesium Corporation of America, the predecessor to U.S. Magnesium. My positions with U.S. Magnesium have focused on marketing and sales, so I've been on the front line of our battles against unfairly traded magnesium imports.

Based on my experience, I understand the history, the commercial realities, the economics and the technical aspects of the U.S. and global magnesium industry. U.S. Magnesium is headquartered in Salt Lake City, Utah and its production operations are located in Rowley, Utah, both 50 miles from Salt Lake City on the western shore of the Great Salt Lake.

U.S. Magnesium's production facility was established in 1972. The raw material for the plant is magnesium chloride, where it is derived from magnesium rich brines in the Great Salt Lake. We have an intricate system of solar evaporation ponds covering approximately 64,000 acres -- it's about 100 square miles -- in which magnesium chloride brine is concentrated and fed into the plant.

After drying and purification, the magnesium chloride is placed in electrolytical cells that separate the molten magnesium and chlorine. The molten magnesium is then transferred to the cast house where it is further refined. It is then cast into pure magnesium ingots or alloy magnesium ingots after we add alloy elements and magnesium scrap.

U.S. Magnesium sells pure and alloy magnesium in all segments of the U.S. market. We employ over 400 people and our production workers are represented by Local 8319 of the United Steelworkers, which support the petition. This

petition seeking an investigation of imports from Israel, is just the latest battle in U.S. Magnesium's decades-long battle against unfairly traded imports.

In numerous investigations over the last 25 years, the Commission has consistently determined that U.S. Magnesium has been materially injured by dumped and subsidized imports. The size and relatively high prices in the United States market have repeatedly been a draw for imports, and the commodity nature of the product, the importance of price and the need to produce continuously with minimal down time make U.S. Magnesium extremely vulnerable to unfair import competition.

Import relief granted and consistently continued in sunset reviews over the last 25 years, has enabled U.S. Magnesium to stay in business and continue domestic production in Utah. Because China dominates the global magnesium industry, with production capacity that far exceeds global demand, the anti-dumping orders on imports of pure, granular and alloy magnesium from China have been a lifeline that have enabled us to invest in new, more efficient and more environmentally friendly technology, and they've enabled us to reduce cost and add capacity.

Other countries that once produced magnesium but have not been as well protected against Chinese dumping, include Canada, Norway, France and India, which no longer

have primary magnesium industries. The United States has lost several producers to unfair import competition, including my former employer Dow Chemical and Northwest Alloys that was owned by Alcoa, Inc. We are very grateful for the Commission's affirmative determinations over the years that have helped us to survive. In fact, the last set of orders imposed in 2005 ushered in a period of prosperity for U.S. Magnesium that allowed us to reinvest in new technology and grow production capacity by 67 percent.

Unfortunately, we are now facing another grave threat from low-priced imports from Dead Sea magnesium in Israel. The composition of the domestic industry and the key conditions of competition have not changed significantly since the last time the Commission investigated dumped and subsidized imports.

U.S. Magnesium is by far the largest domestic producer, and we make primary, pure and alloy magnesium. U.S. Magnesium and MagPro, a much smaller producer in Tennessee, are the only U.S. producers of primary magnesium. MagPro is a relatively new domestic producer that was able to begin production after the anti-dumping orders covering imports from China were imposed.

There are also five producers of secondary alloy magnesium including MagPro and Advanced Magnesium Alloy Corporation or AMACOR, both of which support the petition.

In addition, there are U.S. producers of granular magnesium, commonly referred to as grinders.

The electrolytic cells used to produce primary magnesium will deteriorate if they are shut down, and the cost of rebuilding deteriorated cells is significant.

Therefore, there's a very strong incentive for producers using electrolytic process to keep the cells in constant operation. To be most cost effective, we must maintain continuous and steady production. In addition, we must maintain the highest possible capacity utilization for the plant to be economically viable.

As a result, there is a strong imperative to cut prices to maintain production volume when confronted with unfair import competition. The Commission has repeatedly recognized the importance of this condition of competition in the magnesium industry. In addition, maintenance of the electrolytic cells is very important. Cells must be rebuilt every four to five years. Cells that are not rebuilt lose their efficiency and productivity.

The petition and our questionnaire response provide you with the details about how our company is being injured by imports from Israel. The imports have exerted relentless and increasing pressure on U.S. Magnesium's prices. With rising costs for energy and other inputs, and declining magnesium market prices, U.S. Magnesium has been

caught in a cost-price squeeze, that have resulted in declining sales and profitability.

Dumped and subsidized imports from Israel have adversely impacted all facets of our business. Our production has declined. Our capacity utilization has declined. Our shipments and market share have declined, our employment has declined, and declining prices coupled with increasing costs have decimated our profitability and our cash flow.

In the petition, we provide details by customer regarding our lost sales and revenue to imports from Israel. In addition, dumped and subsidized imports from Israel have forced us to indefinitely put off the capacity expansion plans we announced in early 2014. In October 2016, we announced the deceleration of this expansion based on economic and market conditions.

Further deterioration in market prices driven by continually falling prices of Israeli imports have forced us to halt this expansion entirely. Prior to that, we had spent tens of millions of dollars on equipment for the expansion, including a modern spray dryer, gas turbine generator and electrification equipment.

We have not seen any return on these investments. Low and declining U.S. prices, fueled by declining prices of Israeli imports, do not provide economic

justification for further capital investment to stable or to increase our production.

In addition, we have been forced to reduce our capital investments significantly since 2014. Low market prices and the resulting diminished cash flow have forced us to delay rebuilding the electrolyzers. Dozens of cells that should have been rebuilt in 2016 and 2017 were not. This has significantly and negatively impacted our production rate and productivity.

Diminished productivity has in turn increased our energy costs. We are caught in a vicious downward financial spiral. Because we are forced to continue to postpone the rebuilding of electrolytical cells and defer all but very essential maintenance, aging electrolytic cells and cells that would have been taken off line will continue to result in increases to the unit cost of production.

If we are successful in obtaining orders to remedy the dumping and subsidization of imports from Israel, we would be in a position to rebuild the electrolyzers and catch up on deferred maintenance. Since its establishment, U.S. Magnesium has been able to withstand the assaults on the U.S. market by dumped and subsidized imports with the help of trade remedy laws.

We are now caught in another battle with imports that threaten our existence. We respectfully ask the

Commission reach an affirmative determination and allow these investigations to continue. Thank you.

STATEMENT OF SUSAN SLADE

MS. SLADE: Good morning. My name is Susan Slade.

(Pause.)

MS. SLADE: Okay. Is it working now? Okay. Very good, thank you. Thank you so much. Good morning. My name is Susan Slade, and I am Vice President of Marketing for U.S. Magnesium. I have more than 25 years of diversified experience in the magnesium industry. From 1989 to 1998, I was employed by Dow Magnesium in both technical service and sales capacities, with my primary focus being on the North American magnesium dye casting market.

After the closure of Dow's business in 1998, I worked in sales and marketing for a Canadian producer Noranda from 1999 through 2006. Since then, I've worked for U.S. Magnesium, first as Director of Marketing and then as Vice President of Marketing. I have a degree in Metallurgical Engineering from the University of Missouri-Rolla, and as part of my responsibilities I analyze the economics and technical aspects of the U.S. and global magnesium markets.

As Mr. Tissington noted, we are again in a fight for survival, trying to compete with unfairly traded imports

from Israel. The producer in Israel, Dead Sea Magnesium or DSM, has targeted the U.S. market. Dead Sea sells very little if any magnesium in their own country, and thus must rely on export markets for nearly all of its production.

The United States is the primary outlet for DSM's magnesium production. While Europe would certainly be a more logical export market for DSM, massive imports of low-priced Chinese magnesium into the European market, make it less profitable for DSM to sell there. Chinese capacity to produce magnesium has grown exponentially over the years, but demand for magnesium in China has not kept pace.

As a result, the flood of Chinese product into export markets and enormous volumes of excess capacity from China have put significant downward pressure on global magnesium prices. At the same time, anti-dumping duties on all forms of Chinese magnesium coming into the United States result in higher prices here than those prevailing in third countries.

This makes the United States a very attractive market for DSM. It's also not surprising that Brazil, which also imposes anti-dumping duties on magnesium from China and other countries, is DSM's second largest export market. Magnesium is very much a commodity product. The chemical and physical specifications of domestic product and imports from Israel are identical.

As a consequence, price is the key factor in our customers' purchasing decisions. Most customers require that their suppliers go through a qualification process. However, once a supplier is qualified, quality is no longer an issue and it becomes all about price. We are frequently asked by our customers to lower our prices to meet or beat the prices offered by DSM. We're then forced into a no-win situation. We either have to lower our prices or lose the business.

In the past three years, we have both lowered our prices and lost volume in the face of competition from DSM. Frequently, the difference of even a penny per pound will determine whether or not we make the sale. In the magnesium industry, producers have a strong incentive to maintain production at high levels.

The electrolytic cells which we use in the production of primary magnesium will deteriorate if they are shut down, and the cost of rebuilding these cells is very high. Because of this, producers are incentivized to keep facilities in constant operation, and in order to be cost effective, producers must maintain continuous and steady production at high operating rates.

Moreover, magnesium production is a high fixed cost business. As a result of both of these factors, we will cut price in order to maintain production volumes in

the face of low-priced import competition. Like U.S. Magnesium, DSM also produces magnesium using the electrolytic process, and must maintain a high operating rate.

We compete for business with DSM at all of our key accounts. There is no part of the U.S. market that is a safe haven for us. Exports unfortunately are not a desirable option, due to the over-supply of Chinese magnesium in global markets and the consequent depression of global prices in those other countries. The level of pricing in the U.S. market is thus critical to our survival. We have no insulation and nowhere to hide. Our customers routinely -- are contacted by DSM with offers of product at prices below ours, and we have seen DSM's prices decrease steadily over the period of the investigation.

While we have had relief from dumped product from China, we now face dumped and subsidized imports from Israel. The lost sales and lost revenue information that we submitted with our petition provides numerous examples of the head to head competition with DSM. This information also demonstrates the many instances in which we had to lower our prices to keep the business, and importantly maintain our production levels.

The vast majority of our business is done

pursuant to annual contracts. Each year at each of our key accounts, customers routinely use the existence of offers of lower priced product from DSM to force us to reduce our prices for the coming contract period. We plan to elaborate on and certainly document these examples in our post-conference brief.

We can only lower prices for so long. Eventually, we have to start shutting down electrolytic cells and curtailing production. If we can't avoid this sort of death spiral, U.S. Magnesium will end up having to shut down, as so many other U.S. producers, including my former employer, had to do in the face of unfair competition.

I'd like to provide a little background on Dead Sea magnesium. DSM's parent company, ICL, was established in 1968 as a government-owned and operated company. DSM was started in 1996 as a joint venture between ICL and Volkswagen AG, with ICL owning 65 percent and Volkswagen owning 35 percent. In 2009, Volkswagen transferred its shares in DSM to ICL.

In 1995, the Israeli government sold its controlling interest in ICL to Israel Corporation. However, the Israeli government continued its strong interest in the company, in part through its ownership of special shares in both ICL, DSM and DSM's sister company, Dead Sea Works.

Through these special non-transferable shares, the Israeli government preserves the state's vital interest in ICL and DSM's magnesium operations.

This special relationship between DSM and the government has manifested itself in many ways. First, the government was pivotal in providing a variety of subsidies to build up the capital assets of DSM over the years. More recently, the Israeli government has taken steps to preserve the operations of DSM by providing subsidies that will allow DSM to remain an ongoing concern.

DSM faces daunting environmental challenges at its manufacturing facility in the Dead Sea. In order to stay in operation, DSM has to continuously siphon water from the Dead Sea to sustain the brine levels in its evaporation ponds from which it extracts magnesium. This has resulted in a significant lowering of the water levels of the Dead Sea, contributing to an environmental crisis and endangering the tourism industry in the region.

It has also created a buildup of salt in DSM's evaporation ponds. Unless they can lower the salt buildup levels in these ponds, they will face lower brine levels and thus reduced capacity to produce magnesium. The government of Israel provides a variety of assistance to DSM to ensure that they can continue to operate. This includes subsidies to help finance the construction of dikes, and to build a

new pumping station.

The Israeli government is also providing funding for DSM to undertake a massive salt harvesting project aimed at removing salt from the evaporation ponds and stabilizing the water levels in those ponds. U.S. Magnesium is a great company, with the ability to supply quality products to all of its customers. But we cannot compete with the deep pockets of the Israeli government.

We need your help to remedy dumping and subsidies, and we ask you to make an affirmative determination in this investigation. Thank you.

STATEMENT OF BENJAMIN J. BAY

MR. BAY: Good morning. I am Benjamin Bay with King & Spalding on behalf of US Magnesium. My remarks will address the scope and domestic like product issues relevant to these investigations.

The scope of these investigations covers primary and secondary magnesium, as well as magnesium made from blends of primary, secondary, and scrap magnesium. The scope also covers both pure magnesium and alloy magnesium and magnesium in all physical states, regardless of whether that magnesium is in cast, granular or molten form. Finally, the scope includes granular or powder mixtures containing more than 90 percent magnesium by actual weight.

In prior investigations, the Commission has

determined there to be one domestic like product, and the scope of these investigations closely follows the scopes of those prior investigations. In fact, the Commission has found there to be one like product consisting of both pure and alloy magnesium, produced using either primary or secondary production methods, in all physical forms--such as cast or granular--and in all sizes, in every investigation and review since its 2005 investigation into Magnesium from China and Russia.

This finding of one like product has been affirmed in all of the most recent review determinations on all three of the active antidumping duty orders covering Pure Magnesium from China, Pure Granular Magnesium from China, and Alloy Magnesium from China. The scope of these investigations is substantially the same as the scope of those orders. Therefore, as in those prior investigations, the domestic like product should be defined commensurate with the scope here.

Since the orders were imposed, the facts regarding the Commission's six like product factors have not changed. Accordingly, those factors demonstrate that the Commission should continue to find one domestic like product that is commensurate with the continuum of products found in the scope. I will now highlight the key facts relevant for each factor:

Physical characteristics and uses: All magnesium found in the scope share the same basic physical characteristics as a lightweight low-density metal with a high strength-to-weight ratio. While pure magnesium contains at least 99.8 percent magnesium by weight, alloy magnesium generally contains at least 90 percent magnesium and therefore maintains the same essential characteristics as pure magnesium. In addition, there is also significant overlap in end uses between pure magnesium and alloy magnesium, regardless of whether that magnesium is produced through a primary or secondary process.

Interchangeability: Because of these shared characteristics and end uses, the different forms and types of magnesium along the continuum are highly interchangeable. In addition, the final forms of magnesium, whether it is cast or granular, are also interchangeable. Cast magnesium can be easily ground into granular magnesium for those end users that require granular. In addition, granular magnesium can be melted and utilized in end uses where cast magnesium is traditionally used.

Channels of distribution: Both pure and alloy magnesium are sold directly to end users, typically by the same sales representatives, across a full but common range of applications.

Customer and producer perceptions: End users

generally view magnesium products as technically interchangeable and, therefore, have been known to base their purchasing decisions on price, and not the form of magnesium when incentivized to do so. This is evident from the history of the orders against China. After the order on pure magnesium from China came into effect in 1995, there was a dramatic increase of imports of granular magnesium at dumped prices into the U.S. market, leading to the imposition of the orders against granular from China in 2001.

After granular magnesium was covered, then imports of unfairly priced alloy magnesium significantly increased, leading to the imposition of duties on alloy magnesium from China in 2005. Because what these end users need is simply magnesium, and that there is a high degree of interchangeability between the different forms of this product, they perceive all forms of magnesium to be the same product.

While this perception is still present in the market, it is important to note that some end users do prefer to use only primary magnesium, leaving US Magnesium and Dead Sea Magnesium to compete head to head for these sales.

Common manufacturing facilities and processes: Primary production of pure magnesium and alloy magnesium

generally occurs in the same facilities and by the same employees, except for the additional labor and equipment necessary for the inexpensive extra step of adding alloying elements prior to casting in the production of alloy magnesium.

Using the same equipment, producers can switch from production of pure magnesium to alloy magnesium by simply adding the alloying elements. Producers can also switch from alloy to pure production by merely cleaning out the crucibles. In addition, the production of cast and granular magnesium is identical up to the grinding stage.

Price: Prices for all forms of magnesium are highly correlated and, as stated earlier, end users will, when incentivized to do so, make their purchasing decisions based on which product is priced lower due to the substitutability of magnesium products.

In short, the domestic like product definition for these investigations is straightforward. The Commission has repeatedly investigated and reviewed this product, and in doing so has found that there is one domestic like product consisting of all magnesium.

The facts supporting those prior determinations have not changed. Therefore, there is no basis for the Commission to reach a different conclusion in these investigations.

Thank you for your time, and I welcome any questions you might have.

STATEMENT OF JENNIFER LUTZ

MS. LUTZ: Good morning. I am Jennifer Lutz with Economic Consulting Services, testifying on behalf of US Magnesium.

And to start, I would like to thank Mr. Burch for bringing another microphone over here so I don't have to lean across the table.

As to the conditions of competition in the U.S. magnesium market:

First, demand for magnesium is a derived demand associated with the demand for down-stream products, including aluminum alloys and cast magnesium products such as auto parts. In these uses, the demand for magnesium tends to be price inelastic. That is, a change in price does not materially change the demand for the product.

Second, the electrolytic cells used by producers such as US Magnesium and the Israeli producer DSM, if shut down require rebuilding at great cost. To be cost effective, producers must maintain continuous production at a high level of capacity utilization. Because of this, in the face of price competition, a producer is generally compelled to cut price rather than reduce production volume.

Third, magnesium is a commodity. The magnesium

imported from Israel is fully interchangeable with U.S.-produced magnesium. In all material aspects of product chemistry, form, and quality, magnesium from Israel competes directly with domestically produced product.

Fourth, reflecting the fact that magnesium is a commodity product, the market for magnesium products is extremely price competitive. Because the chemical and physical characteristics of the domestic and imported product are comparable and governed by the same specifications, customers focus on price in the selection of a supplier.

Finally, a recent change in demand conditions concerns the U.S. consumers in the aluminum segment which have recently received significant trade relief in the form of national security related tariffs under Section 232 as well as recent AD/CVD relief with respect to imports of aluminum foil from China granted in April 2018, and the ongoing self-initiated AD/CVD investigation of imports of common alloy aluminum sheet from China in which the preliminary duties have already been imposed and the Commission is scheduled to vote on December 5th. While the market shows improvements in demand for magnesium in the aluminum segment, that improvement in demand has not been accompanied by improvements in magnesium prices.

The volume of subject imports of magnesium from

Israel is significant. Israel is by far the single largest import supplier of magnesium to the market, and accounted for over 45 percent of total imports during the POI. Imports of magnesium from Israel also gained market share in the 2015-2017 period.

The average unit value of total magnesium imports from Israel has declined significantly during the POI, falling from $2.01 per pound in 2015 to $1.90 per pound in 2016, to $1.77 per pound in 2017, and only $1.72 per pound in part-year 2018, a POI decline of 14.5 percent.

The average unit value of imports of alloy magnesium from Israel fell even more sharply from $2.13 per pound in 2015 to only $1.64 per pound in part-year 2018, a decline of 22.9 percent.

While the decline in import AUVs is consistent with US Magnesium's experience in competing with the subject imports during the POI, US Magnesium believes that the subject imports are sold to customers at prices below the import AUVs declared to Customs.

The Commission is familiar with industries that have high fixed costs, and thus need to spread those fixed costs over a large volume of production. This is true with respect to the domestic magnesium industry, but the need to maintain high levels of production is even more essential. Because a primary magnesium producer must operate

electrolytic cells continuously to avoid very costly shutdowns, the producer faces extremely strong economic pressure to respond to low-priced import competition by cutting its own prices to keep sales volume.

This is particularly important with respect to high-volume customers which command lower prices by virtue of the volume purchased. In order to keep its electrolytic cells operating, US Magnesium must retain these customers. However, at many U.S. customers, US Magnesium has faced low and declining prices offered by Dead Sea Magnesium and has been forced either to lower its prices or lose sales. Many of these instances are described in detail in the lost sales and lost revenue allegations submitted with the Petition, some of which have already been confirmed by purchasers. US Magnesium will provide additional documentation with respect to this price competition in its post-conference brief.

US Magnesium has suffered declines in virtually all indicia considered by the Commission during the POI. It recorded declines in production, shipments, and employment with respect to its financial performance. US Magnesium recorded significant declines in gross profits, operating income, and net income. Capital expenditures declined sharply.

As you've heard from Mr. Tissington, US Magnesium has used the relief received in prior cases to upgrade and

expand its production capacity. Prior to the POI, it announced plans to increase capacity further, and started to make significant capital expenditures during the POI in order to support this expansion. US Magnesium has been unable to complete and enjoy the benefits of the capital projects that it started but has had to put on hold.

The declining prices over the POI have occurred at a time when US Magnesium's production costs have increased. The company has canceled expansion projects and deferred maintenance. It has stretched the life of its electrolytic cells beyond their intended life, causing decreased productivity. Electrolytic cells are expensive to rebuild, and without sustained higher prices US Magnesium will be unable to invest in its production operations.

Although I have been focusing on the condition of US Magnesium, the data with respect to the industry as a whole, although incomplete, show significant declines in performance over the POI.

The industry suffered declining production and U.S. shipments. The number of PRWs declined steadily over the POI, along with hours worked and wages paid. The industry suffered reductions in net sales, gross profits, operating income, and net income. And the ratio of cost of goods sold to net sales increased over the POI, indicating that the domestic industry suffered a cost/price squeeze.

That concludes my testimony, and now I turn it over to Bonnie.

STATEMENT OF BONNIE BYERS

MR. BYERS: Good morning. My name is Bonnie Byers. I'm with King & Spaulding and I'm here on behalf of U.S. Magnesium.

I would like to address the issues of threat and vulnerability of the domestic industry. While there is abundant evidence of present material injury from imports from Israel, threat of injury is also real and imminent for several reasons.

First, the United States is a critical market for Dead Sea Magnesium as the company points out in its annual reports. Dead Sea sells little, if any, magnesium in its home market. Given its geographic proximity to Europe, Dead Sea would normally have a logistical advantage in selling to the European market, which Dead Sea says accounts are about 15 percent of global demand. But the European market is essentially closed to Dead Sea because it is supplied almost exclusively by China and Dead Sea cannot compete with the low prices of Chinese competitors.

Dead Sea is also precluded from selling into the Chinese market, which accounts for about 50 percent of global consumption, again, due to the problems of Chinese producers. In the United States, by contrast, anti-dumping

duties on pure magnesium and alloy magnesium from China create more favorable pricing conditions than in other markets. As a result, the United States is Dead Sea's largest market.

Second, Dead Sea Magnesium has a significant unused capacity that could easily translate into increased exports to the United States. In 2016, the U.S. Geological Survey reported that Dead Sea Magnesium had the capacity to produce 34,000 metric tons of primary magnesium. In that same year, USG reports that Dead Sea produced 23,000 metric tons, meaning that Dead Sea was only operating at 68 percent of their capacity, giving them the potential to ship another 11,000 tons to the United States.

Third, it is unlikely that Dead Sea would alter the volume of its shipments to the United States no matter how low prices go in the U.S. market. Dead Sea, thus, has an incentive to continue to ship to the U.S. regardless of whether it's profitable to do so and thus, it threatens the domestic industry with additional injury.

Fourth, as evidenced by the lost sales and lost revenue that we've provided in the petition, Dead Sea has consistently offered prices that are below those of U.S. Magnesium and thus, has depressed prices in the United States. As U.S. Magnesium's input costs have increased, the company has been unable to increase their prices due to

competition with Dead Sea and thus, imports from Dead Sea have also suppressed prices in the United States.

Fifth, as alleged in the petition, Dead Sea Magnesium benefits from a number of prohibited export subsidies; specifically, grants, tax reductions, and accelerated depreciation provided under the encouragement of capital investment law. Moreover, several of the other subsidies alleged in the petition, including government grants for Dead Sea salt harvesting project will permit Dead Sea Magnesium to maintain or even increase its production of magnesium from its containment ponds on the Dead Sea.

Finally, the domestic industry is vulnerable to subject imports. The declining demand in market prices for magnesium have caused U.S. Magnesium's financial performance to decline sharply, forcing it to postpone investments in its plant. As the Commission has heard from U.S. Magnesium in other proceedings, U.S. Magnesium has used the relief it has received from unfairly traded imports to invest in its plant, making it more efficient and increasing capacity as well as allowing it to recover valuable products that it sells to offset its costs.

In its current condition, however, U.S. Magnesium has been unable to implement its plans to increase capacity and cannot maintain the investments it has already made. Continued competition with unfairly traded imports

would only lead to more dire consequences for both U.S. Magnesium and the other members of the domestic industry. Thank you.

MR. JONES: Mr. Corkran, that concludes our presentation. We'd be happy to address your questions.

MR. CORKRAN: Thank you very much. We're going to take this opportunity to switch out some of our personnel as well. Before we do so, if I could, I'd like to ask one question of the panel before I need to leave for another engagement. And that is a lot of the discussion today talked about trends and trends that were adverse to the Petitioner over the last several years.

One of the things we heard in the Respondent's opening presentation was a discussion of import volumes from Israel. So, my question is if things are getting progressively worse, as you've testified, why do you look to imports from Israel as a cause in contrast, for example, to the issues that were raised in the opening, such as the ATI situation or certain non-subject import sources? What makes you focus on Israel?

MR. JONES: There's a lot in that question, so I think that we're going to answer -- several people are going to answer. Mr. Tissington is going to address the ATI situation, Ms. Slade the imports from other countries situation, and Ms. Lutz and I may have some comments after

they speak.

MR. TISSINGTON: ATI, in the opening remarks our relationship with ATI was really mis-categorized. We did not have a joint venture with ATI. ATI was a customer that built a fence-line plant to U.S. Magnesium at Rowley, Utah. We operated a toll agreement with ATI whereby in their production of titanium, their major byproduct is magnesium chloride. So, we would pick up the magnesium chloride from ATI's facility. We actually picked it up as a molten magnesium chloride.

We brought it into our electrolyzers. We processed it back into magnesium and sent 100 percent of the magnesium back to ATI. So, it was a toll venture that was really separate from the rest of our business. The rest of our business is the business we've always been in, which is taking Mg chloride from the Great Salt Lake, decomposing it to magnesium and chlorine and selling that magnesium to the merchant market.

I don't want to downplay the relationship between ATI and U.S. Magnesium. It wasn't a joint venture, but it was an extremely important venture to us. It was a large amount of revenue and a large amount of profitability, so it was a very important business to us. We can certainly see how it impacted our financials versus our historic merchant metal business. In 2017, we didn't enjoy the ATI business.

Their plant closed in late 2016, so 2017 is void of an ATI relationship.

It's very easy for us to look at our merchant metal business, which is our historic business since 1972 and see what the impacts on that business are in the marketplace and that is a business that is one where we compete head-to-head with Dead Sea across the board, all product lines, all customers and it's very easy for us to see the impact on that merchant metal business versus our toll ATI business.

MS. SLADE: And to address the imports of subject imports as well as non-subject imports, during the period of investigation imports from Israel, the volume of imports did decline, as did U.S. Magnesium shipments declined to the U.S. market. From 2015 to 2017, we saw a period of declining demand, which was declining demand outside of the demand loss from the titanium reduction done by ATI.

Although, Israel's imports on a volume basis declined during the period of investigation, we did see their share increase in 2017. And also, importantly, even though the volume was declining the price was declining as well and so we were continually having to lower our prices in order to minimize market share loss to Israel.

We're certainly aware of the increased imports

to -- imports that came from Russia in 2017 and we've also seen those imports from Russia fall back significantly in 2017. With respect to Russia, we had a sunset review on duty orders from Russia several years ago. I don't recall the exact year. Maybe Steve will be able to clarify that, but the Russian producers made it very clear that they intended to have very little metal available for the U.S. market as they focused on titanium production. And generally, that has proven true with the exception of 2018. And again, we've seen their imports fall back in 2018.

With regards to imports from Turkey, we did see Turkey start to bring imports into the United States in 2017. That's the first year that their plant started up, started production. They brought material in for qualification and very quickly after that they subsequently shut their plant down we understand six months ago. When they did that, we understand that they sold their inventory to a trader into the United States to be moved and they're no longer producing and we don't expect those imports to continue any further. Thank you.

MS. LUTZ: I just wanted to add a few points to what Cam and Susan said. With respect to the ATI closure, we will, in our post-conference brief, supply financial data excluding the ATI volumes so you can see what has happened with these merchant sales.

The deferred investments that we've discussed; particularly, the new spray dryer would have been completely unrelated to the ATI business because it would be used to prepare the brine from the Great Salt Lake to put in the electrolyzer cells, whereas the ATI arrangement involved bringing in the magnesium chloride that didn't need that processing.

And with respect to the volume of imports from Israel, I think that one key point that you will see in the lost sales and lost revenue allegations is that U.S. Magnesium continually lowered its prices to maintain those volumes. If they had not done so, Dead Sea, presumably, would have enjoyed a significant increase in volume, but U.S. Magnesium might not be sitting here to tell you about it.

MR. JONES: Just a couple of follow-up points, your question, I believe, Mr. Corkran, started with the trends in imports from Israel. Under the statute, there's no requirement that imports -- subject imports be increasing over the POI. What the statute asks you to look at is whether the imports are significant. The imports from Israel are significant. They're by far the largest -- Israel's by far the largest source of imports accounting for I think about half total imports.

And as Ms. Slade noted, we've seen in the data

that imports from Israel have increased their market share. Even though declining, they've increased their share. So, we think that imports are significant within the meaning of the statute, both absolutely and relative to consumption and production.

I think I'll leave it there, unless you have a follow-up question.

MR. CORKRAN: No. And I want thank you very much. That was a very complete answer to a multi-element question. I very much appreciate it.

We are going to switch out now. Ms. Nannette Christ, the Director of the Office of Investigations, will be presiding over this proceeding and questioning will resume with Julie Duffy, our investigator. Thank you.

MS. DUFFY: Thank you for being here today. I really appreciate it. I just have a couple of questions. Following our first EPO release, do you have any concerns with our importer coverage? Specifically, are we missing any large importers, and I understand if you need to write those in the post-conference brief.

MS. LUTZ: Our understanding is that there is a single importer of subject merchandise and that's Dead Sea Magnesium and they're here and we have a questionnaire from them. So, we believe that to be complete. Non-subject import coverage seems to be fairly spotty. I don't know

what you've received since the first APO release, but we'll be glad to comment on that in our brief.

MS. DUFFY: Thank you. So, next, just continuing on to imports, so what would you say the best way to represent U.S. imports is? Would you say questionnaire data or official import statistics?

MR. JONES: I think the data -- I'm not going to characterize the questionnaire data. If we could respond in our brief on that, I think that would be better. I don't want to characterize the questionnaire data. Sorry about that.

MS. DUFFY: So, just to follow up on the three HTS members that you provided do you know are those relatively clean?

MR. JONES: As far as we know, the HTS numbers are clean. If by "clean" you mean they include subject merchandise and no non-subject products, I think they are. We're not aware of certainly any significant -- there's always the possibility of something being misclassified, but I don't think we're aware of any significant non-subject products that are in any of those three categories.

MS. DUFFY: Thank you. Just one more question, so in our U.S. producer questionnaire we asked for shipments by product type and we break it down between alloy magnesium and pure magnesium. Do you agree with these two product

types identified in the questionnaire?

MR. LUTZ: The pure magnesium is pretty straightforward, 99.8 percent, or higher magnesium content. Alloy magnesium is a little more complicated in that you have ASTM standard alloys, which are required by die casters and other casters in their production. There are also some alloy products that are not ASTM spec that often get used in the aluminum industry, for example, so that would be probably a relevant further breakout in product type.

MS. DUFFY: Thank you. Those are my questions for now. I'll pass it along to my colleagues.

MS. CHRIST: Thank you. And I appreciate your patience and flexibility as we meet multiple schedule requirements today. We'll turn it over to the attorney, Carl Von Schriltz.

MR. VON SCHRILTZ: Good morning. I'm Carl Von Schriltz. Thank you for being here to discuss the magnesium industry with us and the situation with imports from Israel.

I have a number of questions for you, starting with conditions of competition. In the petition you claim that demand for magnesium is derived from demand for downstream products and the demand for downstream products tracks general economic conditions. Obviously, over the course of the period of investigation, general economic growth has been very strong. So, if that's the case why has

demand for magnesium declined during the period?

MS. SLADE: Again, I'd be happy to try to address that. In 2015 through 2017, we did see a decrease in U.S. demand. It came from the largest segments, across the largest segments in the industry. It came from the aluminum alloy industry. We lost demand going to that industry. We lost demand going to the die-casting segment and we lost demand going to the metal reduction segment, which is the production of titanium.

In all those cases, it's essentially I will call the general trade situation where the industries were importing products from -- semi-processed products from other countries where manufacturing is cheaper. So, there might've been imported aluminum products coming to the United States that reduced the demand for pure magnesium in the United States. There might've been die castings imported from China. And certainly, in the titanium situation titanium was imported from Japan as opposed as to being produced in the United States.

Fortunately, we've seen a change in that trend, a reversal in that trend. And in 2018, we're seeing a significant rebound in demand and much of that increase is coming from the aluminum industry. And I think the big change in the aluminum industry is that there have been several trade remedies have been implemented for that

industry. A 232 remedy encourages more primary aluminum production in the United States. Anti-dumping orders on common alloy sheet, foil, and raw products encourage the production of aluminum products in the United States that contain modest amounts of magnesium. So, we feel fortunate that that demand is increasing into the aluminum industry in 2018 and we expect that to continue.

Unfortunately, as the prices for aluminum products are increasing with some of those trade remedies, we've not seen that change in magnesium. The price for magnesium has continued to decrease going into the aluminum industry.

MR. JONES: Mr. Von Schriltz, Steve Jones. Just a point of clarification. I think Ms. Slade covered it really well. We're aware, though, that the common alloy sheet from China case is not yet final. There's been a hearing at the Commission. The vote is, I believe, in a couple of weeks.

But there were preliminary duties imposed by Commerce, AD and CVD, earlier this year. The AD/CVD orders on aluminum foil, I believe, were imposed in the Spring of this year, and also the 232 tariffs were imposed in the Spring. So the aluminum industry is enjoying a very high level of protection right now, which is increasing the production of aluminum in the United States. And we're very

happy for that industry and its employees. But magnesium, the fortunes of the magnesium industry are going in the opposite direction.

MR. VON SCHRILTZ: To follow up, what about the other sources of magnesium demand? The die casters and the metal reduction, the titanium production? Is magnesium demand for those end uses still declining?

MS. SLADE: Yes, Susan Slade with US Magnesium. Again, specific to the die casting segment, demand started to increase in 2018 with the start-up of a new instrument panel for BMW X series that is assembled in South Carolina.

And fortunately, there have been two new die casters that have chosen to locate in the United States and we think that that provides some prospect for demand development in the die casting segment. On the metal reduction side, there has been no change in that demand since the shutdown of the titanium reduction plant.

MR. VON SCHRILTZ: Great. Thank you for that. We've heard a lot this morning about how the electrolytic cells that are used to produce magnesium have to be operated continuously or they'll deteriorate. If you shut them down, they'll deteriorate. What makes the cells deteriorate when they're not in operation?

MR. TISSINGTON: An electrolytic cell is -- Cam Tissington, US Magnesium -- an electrolytic cell is

basically a big steel box with a lot of ceramic lining in it. And into the steel box you put molten magnesium chloride at about 1500 degrees Fahrenheit. And then you pass a lot of energy through this cell to decompose magnesium and chlorine from the magnesium chloride.

Basically what happens in an electrolyzer is the magnesium chloride salt infiltrates into the brick and the mortar of the cell, so you may have a foot or two feet of mortar and brick inside the cell. It becomes impregnated with the magnesium chloride molten salt at 1500 degrees.

The problem with trying to shut down an electrolyzer is when you do so, you cool down all that salt that is being impregnated into the ceramics of that electrolyzer. So because those materials all have different coefficients of thermal expansion, you get cracking in the mortar, you get cracking in the brick if you try to cycle those things thermally.

So what happens is, if you do take the power off the cell so that it doesn't make magnesium and chlorine, you freeze off the cell, you freeze all those materials in the ceramic packages and they're basically, they need to be rebuilt at that time. That involves sending some people in with jack hammers to break up the ceramics and the mortar and stripping it all the way down to a steel shell to be rebuilt.

These cells are large, they hold a hundred ton of molten salt. They're not only large, but they're very expensive to try to rebuild with very specific mortar and brick packages, very, very tight tolerances on anodes and cathodes. Even though they look like just a big box, they're a very elaborate and complicated piece of equipment.

MR. VON SCHRILTZ: Thank you. So I'm wondering if DSM utilizes the same cells as US Magnesium, how can it operate at a low rate of capacity utilization, as you allege?

MR. TISSINGTON: Cam Tissington, US Magnesium. Not all electrolyzer feeds are equal. And I guess I would have to let DSM comment on the exact configuration of their cells, but they are different.

Their cells are of Ukrainian Russian technology. It was developed decades ago. They use a different salt. They use a two-salt system in their electrolyzers.

There are some commonalities. We both use steel shells, we both use ceramics. Their cells are smaller, lower amperage. But there are some similarities and there are some difficulties, certainly with cycling their cells as well.

MR. VON SCHRILTZ: Great, thank you. You've argued that US Magnesium prices are significantly higher than prices in the major third country markets due to the

orders on magnesium imported from China in the United States. Could you please provide information on magnesium prices in the major third country markets with your post-conference brief?

MR. JONES: Steve Jones, Mr. Von Schriltz. We'd be happy to do that.

MR. VON SCHRILTZ: Thank you. We heard from the respondents' opening statement that nonsubject imports have increased in the U.S. market over the period of investigation, or they alleged that they've increased. I haven't seen the data. Are nonsubject imports also a close substitute for domestically-produced magnesium and subject imports?

MS. SLADE: Susan Slade, US Magnesium. Yes, subject and nonsubject imports are both interchangeable with domestic product in all end-use markets and applications.

MR. TISSINGTON: Cam Tissington, US Magnesium. Could I add to Ms. Slade's comments? The imports that we see are imported from Turkey and, as I think Ms. Slade mentioned earlier, that facility probably shut down about six months ago.

Even though those imports came on strong, they were really in a qualification period, so they were bringing metal into the United States, they were positioning it with clients and trying to become qualified. So I wouldn't

consider, certainly as the sales person on the road, I would consider Turkey as an equivalent supplier.

Technically, magnesium is magnesium. It is fungible, it is technically certainly usable at all applications. But I didn't have to compete head-to-head with Turkish material that was undergoing trials.

In regards to the Russian supplier, I think when you look at the suppliers in the magnesium industry, the AA suppliers are US Magnesium and Dead Sea Magnesium, full service across all product lines, across all market segments. Both with direct sales representation.

When I compete against the product from Russia, technically it is magnesium and it is qualified at places. But it is certainly not as reliable. They're in the market, they're out of the market, they don't have direct representation, they handle things through brokers. It is a different sale for me.

When I compete with Dead Sea Magnesium, it is head-on, it's equal offerings, it gets down to negotiations of less than a penny a pound when we compete with those folks.

MR. JONES: Steve Jones. Just a point to follow up. In the documentation of the lost sales and lost revenue that we're planning to submit in our post-conference brief, you'll see in a number of the reports a distinct preference

among some aluminum alloying companies for pure primary magnesium.

In addition, there are a number of companies that want their magnesium in a specific form, a T-bar, which can be a huge block of magnesium, upwards of 500 pounds, even more than that. And Dead Sea and US Magnesium, as Mr. Tissington said, each company can do it all. They can provide a large quantity of pure primary to the large aluminum companies that prefer that, that need that, and they can also provide T-bars, both companies, which the aluminum companies, many of them want.

So again, while there is technical interchangeability and the Commission has found and it's true that magnesium can be, from really any source, can be technically be used for any application. There are preferences in the market, and as a practical matter, as a real matter, Dead Sea and US Magnesium are competing head-to-head at every key account in the market.

MR. VON SCHRILTZ: Thank you. To follow-up, I also heard from respondents that nonsubject imports from Taiwan are a factor in the U.S. market. How do those compare with domestically-produced magnesium and subject imports?

MS. SLADE: This is Susan Slade with US Magnesium. The imports from Taiwan are secondary alloy,

which is an alloy composition that does not meet the ASTM specification for die casting or casting compositions. So it's a secondary alloy that's used strictly as an alloying ingredient to the aluminum industry.

And as Mr. Jones mentioned, although many of the products are technically interchangeable, pure magnesium and secondary alloy, there are a number of customers who have preferences for primary pure magnesium over secondary alloyed magnesium for whatever reason.

And in the cases where -- and there are many aluminum consumers that want all of their requirements as primary pure magnesium, or they might prefer a portion of their requirements as pure magnesium and a portion as secondary alloy. Secondary alloy, if it contains 90% magnesium, you only get to count the 90% magnesium in that ingot as the magnesium content. The rest of it is filler.

So if their prices are lower, it's because they're only accounting for the price of the ingot. They have to use another 10% more secondary alloy in order to get the magnesium content that they're looking for.

In the cases where you have aluminum consumer that prefers pure magnesium over secondary alloy, we're strictly competing with Dead Sea head-to-head on price with no influence from the secondary alloy at that consuming location.

MR. VON SCHRILTZ: Thank you for your response. Moving on to price, I noticed in the petition that you don't really mention underselling. I'm wondering, are you alleging that subject import underselling is significant?

MR. JONES: Steve Jones, Mr. Von Schriltz. I think we'd like to address that in our post-conference brief. We're certainly alleging significant adverse price effects. And we'll address the underselling data on the confidential record. Thank you.

MR. VON SCHRILTZ: Thank you. I look forward to seeing that. And to follow up, I noticed in the petition, the average unit value of subject imports was higher than the average unit value of US Magnesium's commercial shipments during much of the period of investigation.

So given that, and given there wasn't an increase in subject import volume, what is the evidence that subject imports caused the price declines for domestically-produced magnesium?

MR. JONES: Steve Jones again, Mr. Von Schriltz. We will address this post-conference, obviously. But there is already and will be substantial evidence on the confidential record of head-to-head competition between US Magnesium and Dead Sea Magnesium, where US Magnesium has been continuously over the years forced to lower its prices to maintain volume.

That has happened and US Magnesium has made a tough choice, I think as Ms. Slade or Mr. Tissington, as one of them noted in their testimony, it's really a no-win situation. They've chosen to maintain volume and cut price. It got to the point earlier this year, just recently, where they decided they couldn't do that anymore. It was no longer sustainable.

But there is significant evidence of direct price competition and direct adverse effects of prices from Israel on the record and we'll be discussing that fully for you in our brief.

MR. VON SCHRILTZ: Thank you for that. You argue that US Magnesium experienced a cost price squeeze during the period of investigation, as its cost of goods sold increased while prices declined. What were the factors that contributed to US Magnesium's increasing costs?

MS. SLADE: Susan Slade, U.S. Magnesium. Again, I'll be happy to try to address that. In our manufacturing costs, the main increasing costs that we see are electricity. Electricity is a major component of our cost structure, and has continued to go up during the Period of Investigation.

Our cost of labor has gone up as well during the Period of Investigation, and there are a number of materials that we use in the rebuilding of our electrolytic cells that

have gone up dramatically just in the last couple of years.

The carbon that we use for our anodes in the electrolysis cells has gone up -- has skyrocketed, and as well as the steel materials that we use in the rebuilding of the cells.

So between electricity, labor and raw material cost, we've definitely seen an increase in the cost of our production on a material basis, and then we also have the unit cost of production going up as our electrolysis cells have extended past their useful life.

Without sufficient cash flow, we have delayed the rebuilding of electrolytic cells. Normally, they need to be rebuilt in a period of say four years.

We have electrolysis cells that are running now on six or seven years. When you get to that point, the electrolysis cells are much less energy efficient, so they require a lot more electricity per ton of magnesium produced, higher cost electricity for a ton of magnesium produced, and then we're in a high fixed cost environment. So when we have less units coming out of the same facility, we have less units to spread those costs across, our unit costs have increased as well as our raw material costs.

MR. VON SCHRILTZ: Thank you. Sort of to follow up, please if you could provide evidence of any price increase announcements that's were unsuccessful during the

Period of Investigation with your post-conference brief.

MR. TISSINGTON: U.S. Magnesium doesn't publish a producer price or -- Cam Tissington, U.S. Magnesium. U.S. Magnesium doesn't publish a producer price, and we don't put out general price announcements to the industry.

MR. VON SCHRILTZ: Okay, thank you. So moving on to the impact, given that it's sort of unclear that subject import prices were lower than domestic prices, and subject import volumes declined but according to your petition they increased their market share, why wouldn't declining demand explain the domestic industry's declining prices over the Period of Investigation?

MS. SLADE: Susan Slade, U.S. Magnesium. Sorry, technical difficulties. Susan Slade, U.S. Magnesium. Certainly demand did decline during the Period of Investigation, but the backbone of our financial harm is the lost sales to low priced imports from Israel. In addition to the lost sales, we've had to continually lower our price in order to prevent further lost sales or further lost market share. So really our harm comes from the lost sales and the lost revenue created by the unfairly traded imports from Israel.

MR. VON SCHRILTZ: Okay. To sort of follow up on that, to what extent did declining demand explain the domestic industry's declining shipments, capacity,

production and rate of capacity utilization during the Period of Investigation?

MS. LUTZ: This is Jennifer Lutz with ECS. I'll try to touch on it briefly, but -- so the closure of ATI was a significant loss in volume for U.S. Magnesium, and they did close capacity in response to that. So that capacity was not an overhang on the market. With respect to -- I don't know the other numbers off the top of my head, so we'll discuss that in the post-conference brief.

MR. VON SCHRILTZ: Okay. Thank you for your response. Now I heard testimony this morning that subject imports prevented U.S. Magnesium from implementing its plans to increase capacity. Now I'm wondering, I just heard from you Ms. Lutz that when ATI shut down, U.S. Magnesium took some capacity out. So I've also heard testimony that demand declined.

So given ATI's closure and declining demand in general, why would U.S. Magnesium maintain plans to increase capacity?

MR. TISSINGTON: The ATI -- oh, Cam Tissington, U.S. Magnesium. The ATI situation is confusing from the outside, there's no question. The ATI production of titanium in the United States certainly did contribute to U.S. demand numbers. But it was a tolling arrangement, and the only part of U.S. Magnesium's facility that was really

involved with that were some electrolyzers that were used to toll ATI's magnesium chloride back into magnesium for them.

The expansion that we had announced back in 2014 didn't involve ATI at all. It involved everything from taking magnesium chloride out of the Great Salt Lake to producing magnesium.

So it included things like the biggest spray dryer in the world as my boss likes to call it. It involved a boron plant, electrification equipment, a turbine, a generator, associated equipment with actually increasing the nameplate facility of our merchant metal business.

So with the -- as Ms. Lutz said, with the shutdown of ATI that did remove production capacity on the electrolyzers for the toll arrangement, and it certainly reduced U.S. demand for magnesium, because a substantial amount of magnesium through that toll arrangement was used to reduce titanium sponge.

But it didn't impact the capacity of U.S. Magnesium's merchant metal facility. So based on U.S. Magnesium's desire to have a self-help program, which was to expand the size of the facility, to spread our fixed costs, reduce our unit costs, we desperately did want to expand that facility and spent tens of millions of dollars on the merchant metal side of that business to do exactly that.

But then when we got well into the program,

almost completed, we had to slow down and then pull back from that expansion.

MS. LUTZ: This is Jennifer Lutz with ECS. I just wanted to provide a little context, in that the announcement that U.S. Magnesium intended to increase its capacity was in 2014. So it was prior to the Period of Investigation, and U.S. Magnesium has been through trade cases before, and one thing that you always hear from respondents is U.S. Magnesium can't supply the domestic market.

They have used trade relief to try to be able to increase the amount of the market that they can serve. Right now, demand does not warrant that with the current supply situation, but they are always thinking about being able to supply more of the U.S. Market.

MR. JONES: Steve Jones Mr. von Schriltz. Just a point of clarification. As Ms. Slade noted, demand is actually much healthier this year and is improving, and really what's preventing the pursuit of the expansion plans that were announced is the low prices in the market.

Without fair prices in the market, there's no way that U.S. Magnesium can go forward with that expansion plan. It's not -- it would not be economically justified.

MR. VON SCHRILTZ: So to follow up, well why don't I ask first. What is your projection for demand in

the U.S. market? How will full year demand in 2018 compare with demand in 2017, and then how does demand in 2019 look?

MS. SLADE: Yes, Susan Slade, U.S. Magnesium. We'll have a better picture of actual demand in '18 at the end of the year. But year to date, we believe that demand is up more than ten percent in 2018 versus 2017, and we expect the demand increases to continue at those levels into 2019. Again, just to clarify Mr. Jones' point, in that demand is not the factor in our expansion.

In the anticipation of fairly traded market prices, we're preparing to bring on -- to finish the expansion that we've spent the vast majority of the capital has already been spent for that expansion, and fairly traded prices would allow us to justify completing that expansion, bringing it on in short order, and supplying more to the U.S. market.

So for us, it's not a demand decision. There's plenty of demand in the U.S. market for our products, and including another 13,000 tons. But at today's low market prices based on unfairly traded imports, we can't economically justify it.

MR. VON SCHRILTZ: Thank you for your response. So to discuss threat a little bit more, if DSM has an incentive to fill its unused capacity with increased exports to the United States, and you've alleged that they have

significant unused capacity, why did DSM's exports to the United States decline during the Period of Investigation, the volume of its exports?

MS. SLADE: Again, Susan Slade, U.S. Magnesium. I think -- I can only speculate on why their imports declined, but I would -- I would classify it as head to head competition against U.S. Magnesium as we -- as we compete directly for market share.

We certainly need to keep our electrolysis cells running. The best place for us to -- the only attractive place for us to put our metal is in the United States, with the United States being a higher priced market, versus the export markets where prices are significantly more depressed by an overhang of capacity from China and the United States.

We don't allow unfairly traded imports from China, so the prices are higher here. So it's important for us to sell our metal in the United States, and we have taken a tack that in the face of low-priced imports, we need to continue to lower our prices, to put as much metal here as we can.

MR. VON SCHRILTZ: Great. Thank you for your response. Thanks to everyone for answering my questions, and I have no further questions at this time.

MS. CHRIST: Thank you. We will now move on to the economist, Lauren Gamache.

MS. GAMACHE: Good morning. Lauren Gamache, Office of Economics. I'd like to thank you all for being here today, and I'd also like to thank my colleagues for their good questions, so I only have a few. These will mostly focus on what drives purchasers and their purchasing choices.

To start off, in your experience, what factors do purchasers consider when they're making -- when they're choosing who to buy from?

MR. TISSINGTON: Cam Tissington, U.S. Magnesium. You know, purchasers are a wide variety of folks in a wide variety of industries, because we serve a large number of industries. But when it's two comparable suppliers such as U.S. Magnesium and Dead Sea Magnesium, where we both supply all the products, we're both demonstrated reliable, it really comes down to price.

If it's folks like the folks that were handling the metal from Turkey, where they haven't gotten qualified and they don't have a history, then there's a lot of other factors that may come into play. But against two A suppliers in a commodity such as magnesium, it always comes down to price. I know that's an excuse because I'm a sales guy and we always say that. But in this case, these are two equal suppliers and it really does come down to price and purchasers frankly use that.

MS. GAMACHE: Thank you, and you had mentioned certain qualifications that are necessary. To the extent that you can, what are the typical sort of qualification processes that purchasers request?

MR. TISSINGTON: There is no set answer for that, because of the different types of industries we supply and how magnesium fits into that industry. For instance, somebody using it to grind powder for a flare is going to have different requirements than somebody that's going to throw it into a pot of aluminum to make an aluminum extrusion billet.

But generally, the qualification process may range from the very minimal, which is respond to our RFQ and say that we meet the chemical requirements of that material, to very elaborate qualification processes where you might have to supply sample material which is made into an automotive part, which is tested, and there might be a quality audit of your facility.

So it's a wide range depending upon the industry and depending upon the client in that industry. Both U.S. Magnesium and Dead Sea Magnesium have gone through that full gamut. We both supply the most extreme of those qualification processes, which is probably making parts and testing them.

MS. GAMACHE: Is it the automotive industry

usually?

MR. TISSINGTON: Cam Tissington, US Magnesium. The auto industry would be the folks who would be using die-cast or gravity-cast magnesium parts. And depending upon the application, the qualification process for Dead Sea or US Magnesium, can be very extreme. And in some of those cases, we are the only two qualified suppliers.

MS. GAMACHE: Thank you. How important is diversity of supply to your customers?

MR. TISSINGTON: Cam Tissington, US Magnesium. Apparently it is important. Certainly when I'm on the front lines selling product, I have never bumped into a purchaser who says that, gee whiz, US Magnesium, you're our only qualified supplier and we'd be happy to buy from you. So it's usually at least us and Dead Sea, and sometimes us, Dead Sea, and other suppliers as well.

MS. GAMACHE: Thank you. And does your firm every require sole-sourcing from your customers?

MR. TISSINGTON: Cam Tissington, US Magnesium. We would love to be sole-source, but, no, we can't require anything from purchasers that have lots of choices.

Even in the situation of our toll arrangement with ATI next door to us at Rowley, Utah, and you can't find Rowley, Utah in your Googgle Map, trust me, it was--even that agreement was multiple source.

MS. GAMACHE: Thank you. Just a couple of pricing questions. You had touched on this briefly, but I'd just like to confirm. Are there any public price indices that are commonly referenced either by you or your customers when discussing price?

MS. SLADE: Yes. Hi. Susan Slade. There are media publications that publish magnesium prices. Those-- our prices are not based on those prices. We don't reference any published prices in any of our current contracts. And, for that matter, we don't provide our contract pricing to any published--media publishing.

MS. GAMACHE: Thank you. And my last question, if we look at our specific pricing products, is any particular one more susceptible to large price variations? And if so, what drives that?

MR. JONES: Ms. Gamache, Steve Jones. I think we'd like to take a crack at that in the postconference brief. The clients obviously haven't seen the data and I think we'd like--counsel would like to look at the data and think about it before we give you an answer. Thank you.

MS. GAMACHE: Thank you very much. That concludes my questions.

MS. CHRIST: Thank you. We will now turn it over to Emily Kim.

MS. KIM: Good morning. Thank you, everyone, for

being here today. My name is Emily Kim, Financial Analyst. I have five questions.

In regards to alloy magnesium production, I was wondering if the other metal ingredients are all the same, or not. In other words, does the metal ingredient mixture change based off the product, or customer specifications, or the metal ingredient mixture is flexible in order to reduce the cost?

MS. SLADE: This is Susan Slade, US Magnesium. And the metal ingredients vary across alloy products. There are a number of different alloy products that are specified in ASTM that provide different properties in final casting. And so they vary between products, but the specification is firm in the range of those elements in each specific product.

MR. TISSINGTON: Cam Tissington, US Magnesium, if I could add something. Once the part designer has chosen the material, and chosen the specification for that material, there's no one downstream that can change that alloy composition.

For instance, if the designer puts AM-50 on the print, he wants AM-50. He doesn't want AM-60, or AM-20, or any other designation of alloy; he wants specifically what is on that print.

MS. SLADE: Susan Slade. May I add one other

thing. So we discussed alloy going to the casting industry. There is secondary alloy that goes to the aluminum industry, where the aluminum industry is just looking for magnesium content. And that may be more flexible in how much alloy ingredients are in the secondary alloy that they buy, based on what scrap the secondary alloy was produced from.

MS. KIM: Thank you. My second question is: What are the major category is direct labor and production process? Can you provide names of the labor positions?

MR. TISSINGTON: Cam Tissington, US Magnesium. Certainly we could provide the categories that are in our manufacturing group, if we could do that in a postconference brief.

MS. KIM: No problem. So my third question is that, actually I watched the YouTube video by US Magnesium that was posted three years ago. Were you in the video?

MS. SLADE: I was in a video a few years ago. I don't think 14 years ago.

MS. KIM: No, four years ago.

MS. SLADE: Oh, four years ago? Yes, I was in the video.

MS. KIM: Posted three years ago.

MS. SLADE: What did you think?

(Laughter.)

MS. KIM: I was trying to understand the

production process, and you didn't talk about production process too much. It was more of an advertisement.

MS. SLADE: I hope it worked.

(Laughter.)

MS. KIM: I'm not the buyer, so... But anyway, in the video it mentioned the company's high utilization of solar energy to cut emissions. And it also said that the production of magnesium is very energy intensive. So please describe how you manage different sources of energy--energy, gas, versus solar--in order to reduce your production costs.

MR. TISSINGTON: Cam Tissington, US Magnesium. We're probably the largest user of solar energy in the United States. As I mentioned in my testimony, we operate about 64,000 acres of solar evaporation ponds, about 100 square miles. And in those ponds, we take brine from the Great Salt Lake, which has about 0.4 percent magnesium, and we concentrate it in those solar evaporation ponds, strictly with the use of solar energy and a little bit of fuel to pump stuff around, to about 8-1/2 to 9 percent magnesium.

So when we look at our total energy demand, that is by far the largest use of energy in our system. Second would be the use of electricity in the electrolyzers to actually decompose magnesium chloride into magnesium and chlorine.

And then third would be natural gas. We use natural gas in our turbines to generate hot air to be able to dry our brine into a powder, a magnesium chloride powder. And to enhance or reduce our energy usage, we put a generator on each of those three turbines that we use in spray-drying so we can co-generate electricity, which is used to provide a significant portion of that facility's electricity.

So we manage each of those different sources-- well, God manages the sun and the solar evaporation maybe, but we manage those others, depending upon the different portfolios.

MS. KIM: The same energy issue. Where do you include energy cost of what's sold? And what is the percentage of solar energy used versus gas in the production?

MS. LUTZ: This is Jennifer Lutz with ECS. We'll have to check with the financial director on that. I'm not sure about the answer.

The solar energy, just to be clear, is passive. They're not using solar panels to operate anything in the evaporation fields. It's just ponds that are under the sun and the water is evaporating off and concentrating the product. So the solar doesn't show up in their costs anywhere, but I'll find out about the electricity.

MS. KIM: So solar energy that you generated, that doesn't--that energy doesn't go to the manufacturing process? Am I understanding correctly?

MR. TISSINGTON: Cam Tissington, US Magnesium. It's not--our use of solar energy is not solar panels, or solar arrays. It is simply the evaporation. In Utah, we get a few weeks over a hundred degrees Fahrenheit, and the evaporation rate is extremely high. And it allows us, as Jennifer Lutz said, to evaporate the water off of those brines and concentrate our feedstock.

So you don't see it as a cost item on our financials. And it's not a--there's no CapX, if you will, associated with solar energy. It is strictly evaporation from the sun.

MS. KIM: Okay. So you buy additional electricity to operate manufacturing process, right? So you mentioned that the energy of the electricity price costs increased a lot. That's why, you know, your production cost is higher. So am I understanding correctly?

MR. TISSINGTON: Cam Tissington, US Magnesium. Yes, exactly. We do buy electricity off of the grid to be able to run our electrolyzers and some of our plant facilities. That cost, the cost of a unit of energy, has certainly gone up through this Period of Investigation.

MS. KIM: Thank you. My next question, this is

really to the by-product. Please give us the detail on the process used to manufacture the magnesium by-product. In your answer, please provide how personnel and equipment are used in the process. So I just want to understand the general process of by-product.

MR. TISSINGTON: Cam Tissington, US Magnesium. We have a number of by-products, starting with our solar evaporation ponds. During this use of the sun that I described, one of the things that happens in our solar evaporation ponds is we precipitate out salt. And we go ahead and harvest those salts and sell those salts as a by-product.

In the actual plant facilities itself where we run electrolyzers to decompose magnesium and chlorine from mag chloride, chlorine then forms the basis for a lot of our chlorine-derivative by-products. We take the chlorine off of the electrolyzers. We move it to a chlorine plant where we clean it, purify it, compress it, and then we can use that chlorine to produce a number of chloride by-products such as hydrochloric acid, calcium chloride, ferric chloride, and those by-products are then sold to the local industries.

MS. KIM: Thank you. And my last question is, you stated that you had a tolling venture with ATI. So during the Period of Investigation, did you have a tolling

operation on behalf of companies other than ATI?

MS. LUTZ: This is Jennifer Lutz. The ATI agreement was the only tolling that US Magnesium did. They had some alloy magnesium tolled on their behalf by a third party.

MS. KIM: So ATI is the only company you did tolling for? Or there's other companies--

MS. LUTZ: That is the only company.

MS. KIM: Okay. Thank you for answering my questions, and I have no further questions.

MS. CHRIST: Thank you. We will now turn to the Industry Analyst, Greg LaRocca.

MR. LaROCCA: Hi, everyone. Thank you for coming. I am Greg LaRocca. I just have a few quick questions.

I was curious as to the impacts that US has from the steel 232. I know you guys spoke about aluminum, but I didn't hear any mention of the steel industry.

MS. SLADE: We haven't seen any significant impact from the steel 232 directly, because it's not an industry that is a major consumer of ours. Most of the steel industry consumes magnesium reagents that are not included under this--the scope of this investigation.

MR. JONES: Mr. LaRocca, Steve Jones. Just a point of clarification. So magnesium is used in the

desulfurization of steel, but magnesium reagents are a mixture of magnesium and other products, mostly lime, but other things can be used. And in the 2000-2001 investigation of granular magnesium from China, the scope did not include magnesium reagents. It included granular magnesium, but not magnesium--granular magnesium that had already been transformed, if you will, made into another product of downstream desulfurization reagent.

So that is the product. And I believe most of the steel industry in the United States is supplied by imports of desulfurization reagents. There may be some-- there are some mixed in the U.S., but mostly it's coming in from Canada and from China.

MR. LaROCCA: Okay, and that's it for me for questions.

MS. CHRIST: Thank you. Let me just check and see if there are any follow ups.

MR. VON SCHRILTZ: Oh, I have one. One question that I meant to ask, but I neglected to. I heard a lot of testimony this morning that DSM's prices are lower than US Magnesium's, that you've been forced to meet or beat the subject import prices to retain your business and keep the cells in operation.

How do you know that DSM's prices are lower?

MS. SLADE: Every year, as I mentioned, most of

our contracts are on an annual basis, and every year we engage in negotiations with consumers for the next year's requirements. And in that negotiation, oftentimes we are brought competitives from lower priced offers from Dead Sea Magnesium, and hopefully you'll see the details in the lost sales and lost revenue allegations where we have specific instances where they brought a price, asked us to lower our price to meet the Dead Sea price to participate in the business.

MR. VON SCHRILTZ: To follow up, so your customers regularly quote the Dead Sea prices to you during your negotiations?

MS. SLADE: Sometimes.

MR. VON SCHRILTZ: Thank you. I have no further questions.

MS. SLADE: And I may also comment that at the end of the negotiation, we obviously know what our price was. And if throughout the negotiation there was pressure, we know that if we didn't win the business we know that their determination for choosing another supplier was based on price.

MR. VON SCHRILTZ: Thank you, again.

MS. CHRIST: Alright, I'll just do a quick scan and see if there are any--

MS. DUFFY: Hi. I just have a few more questions.

We've heard about primary, secondary, and grinders. But we also heard about die casters. Can you just describe for us what a die caster does?

MR. TISSINGTON: Cam Tissington, US Magnesium. A die caster is just a specific type of caster. And typically a die caster is involved in the high-volume production of parts. And those parts, you know, typically in our industry go to the auto industry. But they might also go to the three C's, or the power tool industry. Whenever a designer wants to make a high-volume part, die casting is something that they take a look at.

So a die caster takes a magnesium ingot. He could take a pure magnesium ingot, but his preference would be an alloyed magnesium ingot. They melt it down. And they inject it under high pressure into a steel die, which has a cavity that looks like the widgets that they want to make.

They then extract that widget from the steel die and do a little bit of secondary, or a lot of secondary operations to it, and they have a part.

And a typical example would be a cam cover on an automotive engine. So that's typically an aluminum or a magnesium die casting, and that's the type of part you might see out of that process. There are other casting processes that also use magnesium, but they're usually lower volume. They could be permanent molD casting. They could be sand

casting, investment casting. Die casting is just one of the types of casting.

MR. JONES: Ms. Duffy, Steve Jones. If I could just add to that. A die caster will, as Mr. Tissington said, put the alloy magnesium into a mold, or into a die. The part comes out. Typically quite a bit of scrap is generated from that process, and the die caster will recycle the scrap into its process again.

It's a process that we've termed over the years "run-around scrap." It's not leaving the facility; it's just being used internally and continuously being reused. And there's been some question in the past in the Commission's investigations as to whether that run-around scrap constitutes domestic production of magnesium. We've assumed that it does in our Petition and our industry support calculation, for example.

So we actually don't really think it is domestic production, but we appreciate that it's been an issue. And so we took a conservative approach in the Petition.

MS. DUFFY: Thank you for your response. I appreciate that. Just one more question to jump around. To the best of your knowledge can any out-of-scope products be produced on the same machinery that's used to produce magnesium?

MR. TISSINGTON: Cam Tissington, US Magnesium. The electrolytic cells are designed to produce magnesium, to decompose mag chloride into magnesium and chlorine. And that exact cell wouldn't be useful to decompose any other material, although similar cells could be used to--you know, in industries such as sodium, or lithium. But those particular cells are only designed for magnesium.

In the cast house, after we make molten magnesium in the electrolyzers and we transfer that primary pure magnesium to the cast house, that equipment is very typical of any cast house. You could in fact take a lot of that equipment and cast other materials such as aluminum or zinc, possibly, in that cast house. That's a very small portion of our operation. It's a very final portion of our operation. But you could actually maybe use some of that equipment. It wouldn't be very efficient for those other materials, because tool design in a magnesium cast house is different, but I guess you could try to retrofit something in there.

MS. LUTZ: This is Jennifer Lutz with ECS. I think what you could probably get from Mr. Tissington's answer is there's probably some equipment that could, but in practice most of the equipment is very specialized and is not used to produce any other products.

MS. DUFFY: Thank you both. I have no more

questions.

MS. CHRIST: Great. I will see if there are any follow-up questions?

(No response.)

MS. CHRIST: Thank you. I have just one question. I heard that US Magnesium and DSM, if there is a purchaser who is interested in getting pure product magnesium, then those are the two real options in the U.S. marketplace. Is that correct? Did I hear that correctly?

MR. TISSINGTON: Cam Tissington, US Magnesium. I might have stated that in my head-to-head competition with Dead Sea. There are certainly other producers of pure magnesium that are maybe not on the scope of a DSM or a US Magnesium that don't cover all the products and all the flavors, but there are certainly other producers of pure magnesium such as facilities in Russia that in certain places, and with certain customer preference, we compete against.

MS. CHRIST: Thank you. And--oh, sorry?

MR. JONES: Steve Jones. There's also a domestic producer in Tennessee called Mag Pro that is supporting the Petition that produces primary pure magnesium.

MS. CHRIST: Okay. And so to follow up that, you mentioned that some companies want to purchase 100 percent pure magnesium; others will have a portion of it pure, and

then the secondary or other. Do you know, is there an advantage for the purchasers to single source those two product categories? Or is it relatively straightforward for them to dual-source? Or is there some sort of bundling, or a contract advantage if both of those types are purchased from the same producer?

MR. TISSINGTON: Cam Tissington, US Magnesium. I don't think there would be any advantage to sole-sourcing. We do have--most of our agreements are one-year agreements. And we do have cases where those one-year agreements might be written for 100 percent of the consumer's requirements. It's always driven by the consumer, though. The consumer may choose to do that for ease of business, or whatever means they choose. In most cases, though, I think most of our sales are made to clients that choose to have multiple sources.

MS. CHRIST: Thank you. That ends my questions. And I guess before we move on to the next panel, I'd like to thank you all for coming to testify and answer our questions. We appreciate it. As you can tell, we had a lot of questions.

I would also like to take quick ten-minute break before we move to the next panel. Thank you.

(Recess.)

MR. BURCH: Mr. Chairman, the panel in opposition

to the imposition of anti-dumping and countervailing duty orders have been seated and they have 60 minutes for their testimony.

MR. CANNON: This is Jim Cannon. We'll proceed with the testimony of Eli Lerer.

STATEMENT OF MR. ELI LERER

MR. LERER: Good afternoon. My name is Eli Lerer. I am Vice President of Dead Sea Magnesium. I have degrees in Materials Engineering and Business Management from Ben Gurion University and have been with the company in various engineering and management roles for the past 24 years.

I have traveled from Israel to respond to this trade action. This afternoon I want to explain who we are and how to participate in the U.S. market. I will then turn things over to Dave Wanless, who can speak in greater detail about the conditions of competition in the United States.

Let me begin with a few words of introduction. Dead Sea Magnesium is part of the Israel Chemical Group, also know as ICL. ICL is a global specialty mineral and chemicals company operating bromine, potash, magnesium, and phosphate minerals. ICL has been in the business for the last 50 years in this publicly-traded company on both the Tel Vive and New York Stock Exchanges.

As an executive of ICL, I can assure you that

our company is 100 percent committed to providing you with complete, truthful, and accurate information to assist in your investigations. As a publicly-traded company maintaining our integrity is always the top priority. And I think you already know Dead Sea Magnesium is the sole producer of magnesium in Israel.

To the best of my knowledge, we account for all Israeli exports of magnesium to the United States and Israel is, in fact, the largest import source supplying to the U.S. market. This is not the first time that Israel has been targeted by U.S. Magnesium. Actually, this case marks the third attempt.

U.S. Magnesium first attempted to impose duties on Israeli magnesium back in the 2000/2001 period. I remember that case. After a long and costly defense, the Commission found that we were not the cause of material injury to the U.S. industry. And just last year, when the Administration was concerning potential trade mergers under Section 232, U.S. Magnesium argued for tariffs for magnesium imports, including imports from Israel. Again, U.S. Magnesium failed in their efforts.

I point out these two examples of trade actions by U.S. Magnesium not to emphasize that the company has a track record of losing, rather I point them out to highlight that we are well aware that U.S. Magnesium will not hesitate

to file a petition against us. For precisely this reason our magnesium business, Dead Sea Magnesium has always been extremely careful about how it behaves in the U.S. market.

If there is one word I would use to describe our corporate philosophy it would be discipline. We are not in the business of trying to grow U.S. market shares by charging prices that undercut U.S. producers. In fact, our data that we are priced higher than other import sources and we believe that our prices are often higher than the U.S. producers. More over, as you can see from the official import data, our shipments to the United States decreased in every year of the period of the investigation.

Let me be perfectly clear. We are not trying to injury U.S. Magnesium. We've been behaving in the U.S. market in a careful manner which should have discouraged U.S. Magnesium from bringing a trade remedy case against in the first place. Frankly, I am at a loss to understand why Israel is being targeted when other import sources are clearly the low price leader. Unfortunately, our effort at discipline has not paid off and now that we are being forced to defend ourselves, I am hopeful that the record evidence will prove our case in this preliminary phase.

We do not question U.S. Magnesium's claims that they are a sick company in need of help. I'm willing to take them at their word, but we strongly believe that we are

not the cause of U.S. Magnesium's problems and we hope the data you collect will prove our case.

Specifically, I want to highlight two key points. First, shipments from Israel declined in every year of the period of the investigation. And while we do not know the exact levels of total demand in the U.S. market, we do not believe that DSM increased its market share during this period.

Second, while it is true that our prices drifted lower during the period of the investigation, we were not the low price leader. Imports from other sources were the main reason for this downward price pressure. Soft demand was also a factor. More over, as I mentioned before, we believe that our prices were generally higher than U.S. producer prices.

I also want to stress that we most certainly a future threat to the U.S. Magnesium industry for several reasons. First, as I mentioned already, our past track record in the U.S. market demonstrates that we are disciplined. We are not in the business of undercutting U.S. producer prices in order to grow sales volumes. But there is one final thing I want you to understand that is unique to our company and our business strategy.

If you read our questionnaire response, you will see that our production capacity is significantly lower than

the nameplate capacity reported by USGS a few years ago. Today we are operating near 100 percent of our actual capacity. The reason why our capacity is lower is that is before the period of investigation we made a business decision to idle several electrolytic cells. Because the cells were allowed to stay idle they can no longer be put back into production without significant new capital expense.

Looking to the future, it is not realistic to forecast that we would authorize significant new capital expense to restore that lost capacity. Let me explain why. In Israel, when Dead Sea Magnesium produces a ton of magnesium, it also produces more than two-thirds of chlorine. Those chlorine tons gets consumed within the ICL Group for other chemical operations in Israel; mostly, at our bromine plant.

As a practical matter, our current magnesium production capacity has been aligned with ACL's maximum requirements for chlorine feedstock. The details behind all this are contained in our ITC questionnaire response. The key takeaway is that our ability to ship additional magnesium to the United States is constrained by our ability to consume in Israel the chlorine that DSM generates when it produces magnesium.

I think I will stop there and turn things over

to Dave Wanless, who runs our sales organization in the United States. But before I do so, let me say again that Dead Sea Magnesium is a responsible company and that we have worked hard to behave responsibly in the U.S. market. We hope your investigation will confirm our perspective and this investigation will be shutdown before it causes greater harm to Dead Sea Magnesium and to our U.S. customers. Thank you.

STATEMENT OF DAVID WANLESS

MR. WANLESS: Thank you, Eli. Good afternoon. My name is Dave Wanless, and I am the Senior Sales Manager for Dead Sea Magnesium in the United States. I'm based on Cleveland, Ohio and responsible for managing DSM's U.S. sales of magnesium. I have a degree in Economics and Business Administration and have more than 25 years of experience in the metals industry.

Over the years, I've held senior roles involving the production and sale of magnesium. I used to manage the MagReTech business, which recycled scrap magnesium and sold magnesium alloy in the U.S. market. I also have past experience working in the aluminum industry. I was a purchaser of magnesium when I worked at Alaris, where we evaluated purchase opportunities from all of the major sources.

So I think it's fair to say that I understand

the U.S. magnesium market, both from the sales side and from the buy side. I hope my testimony this afternoon will help you better understand the market and the conditions in which we compete, and if some of this information overlaps with what you have heard from the panel this morning, I apologize. But I want to make sure that everything is crystal clear for the record.

But first, let me start by describing the different product segments. The first segment is pure magnesium. This is the product with at least 99.8 percent magnesium by weight, and it is imported under tariff number 8104.11. In the United States, the sole supplier is U.S. magnesium. The major import sources include Israel, Russia and Turkey. In terms of end uses, there are several. There is a high purity or ultra-pure version of the product which gets used in the semi-conductor industry. But this niche segment represents less than five percent of the market. This ITC Product 1.

The heart of the market is for pure magnesium between 99.8 and 99.95 percent purity. That's where the vast majority of our sales are concentrated, and this is ITC Product 2. Depending upon the customer, pure magnesium can be used as a reducing agent for making raw products, and as a hardener in aluminum alloying.

The next segment is magnesium alloy. This is

ITC Product 3, and it is imported under tariff number 8104.19. The major alloys in the category are AZ-91D, AM-60 and AM-50. In the United States there are multiple suppliers. You have U.S. Magnesium that uses a primary production process, and others that recycle magnesium to make their alloy in a secondary production process.

The major import sources for magnesium alloy are Israel and Taiwan. End uses for magnesium alloy include die casting for making raw products and as a hardener in aluminum alloying. Another major segment is magnesium scrap, which falls within the product scope definition, and it is imported under tariff number 8104.20. In the United States, scrap typically enters the market as a byproduct of magnesium die casting.

On the import side, magnesium scrap similarly comes from magnesium die casters in countries such as Canada, Mexico and the UK. Israel does not ship magnesium scrap to the United States. This imported magnesium scrap is an important factor in the market. It gets consumed directly by some companies, such as aluminum producers who are looking for cheap magnesium units as a hardener in their production process, and even larger portion gets processed by U.S. producers, who convert this material into ingots for resale to magnesium consumers.

Finally, the scope of the case also covers

raspings, turnings, granules and powders of magnesium, which are imported under tariff number 8104.30. As you can see form the official import data, Israel shipped trivial quantities of these wrought magnesium products into the United States, and we do not consider ourselves to be a meaningful participant in this market segment.

To summarize, in the pure segment, U.S. Magnesium is the sole U.S. producer competing with imports, including imports from Israel, Russia and Turkey. In the alloy segment, multiple U.S. producers are competing against each other and imports, including imports from Israel and Taiwan. And for certain applications such as aluminum producers in search of cheap magnesium units as a hardener, there is a competition from imported scrap as well as recycled magnesium ingots that U.S. producers make by remelting scrap.

Let me next talk to you about demand trends in the U.S. As I just mentioned, there are several different market segments and distinct demand drivers in each segment, and unfortunately there is no public source of data with which to measure aggregate demand for magnesium.

During the period from 2015 to 2017, my sense is that aggregate demand for magnesium was relatively flat and may even have drifted a little lower. One driver was the closure of ATI's titanium production operation in the second

half of 2016, a facility which was co-located with U.S. Magnesium's plant.

According to USGS, ATI consumed one ton of molten magnesium for every one ton of titanium sponge it produced. So when the plant closed, it meant that U.S. Magnesium must have lost eight to nine thousand tons of annual demand for its products. While demand was flat or drifting slightly lower from 2015 to 2017, it is clear to me that demand is now increasing sharply in 2018, to a level that is probably higher than what we saw in 2015.

As far as I can tell, this upward trend in demand will continue into 2019. There are several reasons underlying the resurgence of U.S. demand for magnesium. First, overall GDP in the American economy is strong and growing. Second, America's primary aluminum industry seems to be getting stronger, supported by the President's Section 232 remedy. Third, U.S. companies are investing in increased capacity to produce die cast magnesium parts for America's auto industry.

Next, I want to describe how we compete and how we arrive at prices. While there are both spots sales and contract sales in this industry, I can tell you that most of our volume is sold pursuant to annual contract agreements that get negotiated in the fourth quarter for the following contract year.

Right now, we're in the middle of the mating season for 2019 contracts, and I suspect it is no coincidence that this petition was carefully timed to be filed during this period. The way things work is that the customer sends us RFQs, including their expected volume requirements for a particular product type. We are invited to bid for volumes on the basis of price.

To be sure, if a magnesium producer is an unreliable supplier or if their material is not yet qualified at that customer, then they will not be a competitive bidder. But not surprisingly, because magnesium is a commodity product, competition occurs largely on the basis of price. We all know what prices are shown in the import data, and customers also give signals about whether our prices are too high. Eli Lerer is has just told you that we have only limited volumes of magnesium available for production and sale in the U.S. market.

I can promise you that my objective is to get a fair market price, not to undercut U.S. producers or to grow market share through reduced prices. In fact, I believe our prices are generally higher than the U.S. producers. The main reason our prices have drifted lower is due to significantly lower import prices from sources like Russia, Turkey and Taiwan.

Now I just told you that demand was increasing

in 2018, and you can see from the public import data that our 2018 prices are lower than 2017. Let me explain. It is become -- it's because there is a time lag. Our 2018 prices were set in the fourth quarter of 2017, before U.S. demand started surging.

What was happening at the end of 2017? Three things were noteworthy. I refer you to the slide set.

(Pause.)

MR. WANLESS: I apologize for the technical delay.

(Pause.)

MR. WANLESS: Is this Slide 1? As you can see here, Russian import volumes have increased more than 190 percent over the prior period, and their import prices for pure magnesium were 24 percent lower than Israel's import prices. Moving to Slide 2, 2017 imports for pure magnesium from Turkey increased by more than 81 percent over the prior period, and their import prices were even lower than Russia, 25 percent lower than Israel's import prices.

If we move to Slide 3, prices -- okay. Prices for magnesium alloy from Taiwan were 31 percent lower than Israel's import prices. So we were negotiating 2018 contract prices in an environment of soft demand and surging non-subject imports at prices that were 24 to 31 percent lower than the Israeli price.

Not surprisingly, in the wake of stronger U.S. demand, prices for 2019 contracts are trending up, and this was already the case before the petition was filed. Now that the petition has been filed, I am getting lots of calls from our customers who are anxious about their supply chain. Not long ago, several customers told me exactly the same story.

They reported that U.S. Magnesium is unable to provide them with additional spot volumes of pure magnesium for the remainder of the year. Apparently, U.S. Magnesium is also telling them that they will be put on allocation for 2019. I find this particularly surprising that U.S. Magnesium would file this petition, claiming that we are taking volume from them when they are unable to fill new orders from their existing customers.

Not long ago, another customer confirmed for me that we are the only qualified source of supply. So it is not at all clear to me how our sales to this customer are injuring U.S. producers. I'll give you some more details concerning these accounts in our post-conference submission, but I want to echo what Eli Lerer told you at the start of our panel.

DSM's sales strategy in the United States has always been about discipline, discipline on volume and discipline on prices. We conducted ourselves responsibly in

the U.S. market, precisely so that we would not be targeted with a trade case. Frankly, I fail to understand why U.S. Magnesium has singled out DSM as the cause of its problems. Our import volumes have steadily decreased as U.S. demand is rebounding in 2018.

The record is clear that our prices are significantly higher than our lower-priced import sources, including pure magnesium from Russia, Turkey, as well as magnesium alloy from Taiwan. I think I'll stop there and turn things over to Mr. Levy, and we'll provide some additional perspective. Thank you.

STATEMENT OF JACK LEVY

MR. LEVY: Thank you David. This is Jack Levy from Cassidy Levy Kent. We seem to be having some technical difficulty. Give us just one minute to see if we can get the projector working. If not, we'll continue with the paper.

[pause]

MR. LEVY: Okay, with apologies, we're gonna work from paper today and do it old-school. So if I could turn your attention to our exhibits here. I'm starting from Page 4. I think by way of introduction, we heard a narrative this morning from petitioner that they are an injured company, and Israel is to blame. You've also heard from our witnesses, I think, in a very detailed and sincere fashion,

that they are not a cause of material injury to the domestic industry.

What I would like to do in my comments is to give a little more profile to what we think is causing injury to the domestic industry. And I'd like to do it, not by reference to our own claims or assertions, but rather using the words of US Magnesium and by reference to official import data of the U.S. government, two sources that I think are quite probative for purposes of this preliminary phase.

By way of introduction, it is worth noting, and I think Mr. Lerer flagged this for you in his testimony, that last year when the Administration was conducting a Section 232 investigation of imports of aluminum products, US Magnesium made a decision to weigh into that process.

And they urged the administration to impose duties, not just on primary aluminum, but also magnesium, which is a feedstock in the production of various aluminum alloys. They, I think as you heard, ultimately failed in that effort.

But the written explanation that they provided to the administration just more than a year ago, toward the end of this Period of Investigation, is extremely telling. And so I'd like to walk you through US Magnesium's own words about what was going on in the market for magnesium and why they need help. So turning to Slide 4, it is clear that the

closure of ATI in late 2016 was a cause of their problem. We heard testimony this morning where everyone admitted that it was a significant cause of their injury. But what did they say last year? Well, let's recite:

"In 2014, US Magnesium announced its plans to increase nameplate capacity to 26,500 metric tons. Instead it has taken capacity offline. In the United States, one significant U.S. consumer of magnesium, ATI, closed its titanium plant in Raleigh, Utah, causing U.S. demand for magnesium to decline. US Magnesium supplied this plant.

"US Magnesium has recently invested in the equipment needed to expand capacity, but has shut down sales that supplied ATI. The closure of capacity has the effect of raising per unit production costs, making it more difficult for US Magnesium to compete in the long term. In addition, the planned reductions in production volume make it likely that US Magnesium would have to terminate skilled workers."

So what you see here is that by US Magnesium's own frank confession just last year, the closure of ATI is a very, very big reason for their problems during this period of investigation.

Moving on to Slide 5. We have told you in our prepared testimony, that in the pure magnesium segment that Russia and Turkey were low-priced leaders and a big cause of

the problem. But don't take us at our word. Take US Magnesium at their word. What did they tell the U.S. government last year?

"Imports of pure magnesium from Russia and Turkey have increased significantly in recent months. These additional volumes have resulted in price declines that are harming US Magnesium's financial condition, employment and ability to invest in capacity to supply the U.S. market."

And the next passage is quite interesting as well. In 2012, they say, "Israel accounted for over 80% of total imports of pure magnesium, but by the first quarter of 2017, Israel accounted for only 46% of imports. With imports from Russia gaining significant share at very low prices. It's easy to see how imports from Russia gained share.

"The AUV of such imports was only $1.31 a pound in the first quarter of 2017. Total imports of pure magnesium have increased in 2017 with imports from low-priced sources such as Russia and Turkey accounting for the increase. This price is significantly below US Magnesium's prices, allowing imports from Russia to displace US Magnesium at numerous, numerous customers."

I think this passage is telling for two reasons. First, they are pointing out that Russia and Turkey are culprits, driving prices lower and displacing them on a

volume front. But also I think quite notably, they are drawing a contrast between growth and low-price leadership from Russia and Turkey on the one hand, and on the other hand, Israel, who has declining volumes.

The same can be witnessed through the official government data. And let's turn to Slide Number 6. And here, quite simply, we have a visual in the pure magnesium segment of import volumes. The blue is Israel. The red is everyone else. What's going on with the Israeli volume from 2015 to 2016 to 2017? And from the interim 2017 to interim 2018? Well, quite clearly, the blue bars are going down.

And in 2017, this environment in which US Magnesium is providing their commentary, nonsubject imports are surging. Clearly from a volume perspective, US Magnesium has got it right. Russia and Turkey were their problem. And we can see that as well from the average unit values of the official import data on a landed duty-paid basis.

Turning to Slide 7, what we see here in the blue line are the Israeli prices as reported by the U.S. census data. And where are the Russia and Turkish prices? They are significantly lower, just as Mr. Wanless testified. And here again, US Magnesium had it exactly right. Nonsubject imports, Russia and Turkey, were low-price leaders during this period. And were indeed a cause of their problem.

Let's turn next to Slide Number 8. And let's talk about the other major segment in this market, which is alloy, magnesium alloy. And you've heard testimony from respondent witnesses, from Dead Sea Magnesium, that Taiwan was a low-price leader in this segment. And don't take our word for it. Let's see what US Magnesium has told the U.S. government. They say:

"A similar pattern exists with respect to imports of alloy magnesium. Israel has consistently been the largest supplier of alloy magnesium, account for over 50% of total imports in 2012 and 2013. But by 2016, Israel accounted for only 31% with imports of secondary alloy magnesium made from scrap produced from Chinese alloy magnesium, increasing sharply.

"Scrap from extremely low-priced Chinese alloy magnesium, used in overseas die casting operations, also finds its way into the United States as secondary alloy magnesium. The main import source of this secondary alloy magnesium, among them, first on their list, Taiwan.

"The dynamics described above have placed considerable pressure on US Magnesium prices and thus, US Magnesium's viability."

Here again, by US Magnesium's own admission, Taiwan is a significant cause of injury, particularly in the magnesium alloy segment. And if I could just digress a

moment. I think we heard some testimony this morning from US Magnesium that, "Hey, wait a minute. What's coming from Taiwan is a non-ASTM alloy. So it's 90% magnesium and 10% filler. And that's not what die casters use."

Fair enough. But this is still a magnesium alloy. It's a 90/10 product. And aluminum producers who are looking for magnesium units as a hardening agent, they are consuming this product for alloying, and it competes in the U.S. market and it is an anchor that drags down prices for all alloy products. And oh, yes, ASTM alloys can also be consumed in that segment if the price is right.

This can also be corroborated by reference to the official census data. Let's turn to Slide 9. Here we see imports of magnesium alloy. So again, we're focusing on the alloy segment. And what do we see in terms of imports from Israel, the blue bar? Are Israeli volumes going up from 2015 to 2017? No, they're going down. And they're pretty much flat in the interim periods.

And, oh, by the way, total imports are going down over most of the POI. So it's an interesting environment, though, particularly when you look at the interim period, there's growth. But the growth is not coming from Israel. The growth is coming from nonsubject sources. Israel was not a cause of any price-based injury in this segment and certainly does not portend to be any threat.

How can we say this? Well, let's turn to Slide 10 and let's look at unit prices. Israeli price is in blue, Taiwanese price is in red along the bottom. Who's the low-price leader here? Who's depressing the prices of Israel? I think it's pretty clear. It's nonsubject imports, the likes of Taiwan.

Turning to Slide 11. When we look at US Magnesium's comments to the U.S. government last year, they also speaks quite candidly about the role of scrap in the U.S. market. Mr. Wanless talked about it, how magnesium scrap enters the United States through two channels. Some of it is directly consumed for aluminum alloying functions, where the end user is just using those magnesium units directly, and other scrap is being consumed by U.S. recyclers, who will remelt it, make magnesium ingot and sell it into the U.S. market. And so what did US Magnesium have to say about the role of scrap last year?

"While overall import volumes of traditional forms of magnesium have not increased significantly, the nontraditional forms have made significant gains in acceptance among magnesium consumers. While magnesium scrap is used in many of the same applications as primary magnesium, the AUV of such imports was less than half of the AUV of imports of primary alloy and two-thirds of the AUV of imports for primary pure magnesium. Magnesium waste and

scrap is being imported in increased quantities and used in various applications, driving down primary magnesium prices."

So here again, US Magnesium is telling you there is yet another explanation for their price-based injury during the Period of Investigation.

I think in what you can see from this collective evidence is, it paints a picture of a company, Dead Sea Magnesium in Israel, that is indeed disciplined. That their import volumes are decreasing progressively over the Period of Investigation. And that they are not endeavoring to displace any U.S. producers through low-price leadership, and they believe that their pricing is generally on par with, if not generally higher than, U.S. producers.

And you've also heard testimony that Dead Sea Magnesium is essentially operating close to their capacity, and that their ambitions to grow in the U.S. market is constrained by their own needs for chlorine within Israel, which is produced in tandem with their magnesium. That's what you've heard from us. Who are the threats in the eyes of US Magnesium when they spoke to the U.S. government last year? Well, let's see what they say.

They say, "Despite the enormous level of unused capacity in China, capacity continues to be added there. Increases in third country magnesium capacity are also

planned and underway. A slide presentation at the International Magnesium Association's 2017 Conference shows plans to add capacity in Canada, India, Turkey, Iran, Australia. Given the level of oversupply in the magnesium market, a significant portion of this increase in capacity is likely to be aimed at the U.S. market."

They're listing who they view as the threat from a unutilized and future capacity point of view. Notably absent from this list is Israel. Why? Because whatever nameplate capacity Israel might've once had, those electrolytic cells were made idle well before this period of investigation. And for those that are actively in use, Dead Sea Magnesium is operating at or near 100% of their actual capacity.

We heard testimony this morning from US Magnesium that when they let their electrolytic cells go idle, they essentially become dead cells and they're useless, and gosh, is it expensive to restore them. So once it's lost, it's lost, and it's irrecoverable in any economic sense. And so therefore, it is so important for them not to lose volume.

Fair enough. That's their economics. But when you hear testimony from Dead Sea Magnesium that their cells have already been idled, that they are essentially left with the capacity that they have today, which is their current production levels, somehow, for US Magnesium, the laws of

physics fail to apply in Israel on the Dead Sea.

And I would respectfully submit to you that the laws of physics apply equally in Israel as they do in Utah, and that this capacity is lost capacity, or in the words of Mr. Lerer in describing it to me, it's "dead capacity".

So there you have it. There's no cause of material injury by reason of subject imports during the Period of Investigation. There are lots of reasons behind material injury. But frankly, it ain't us. And when you look at the behavior of Israel in the market over time, and when you reflect on what capacity they have that remains, they do not pose a future threat.

I think I would simply close with Slide 13. And if you look, here you have a picture of total imports of merchandise under consideration. So we're looking at HTS subheadings of pure magnesium, alloy, scrap and then there's a subheading for, you know, raspings and turnings and powders and such.

And when you look at it in the aggregate and you look at this picture and you look at imports from Israel and this blue bar, does this paint a picture of a country source that is wreaking havoc in the U.S. market? Or that threatens future injury?

Mr. Jones testified in his opening remarks, I believe, that Israel is, in his words, "by far the largest

source of imports." Well, that might be true if you're counting by country. But if you look at total imports, Israel is less than half of total imports of magnesium, quite clearly.

The lion's share of imports of magnesium is nonsubject imports. It's the red bar, and the red bar is important. And is Israel a grave threat? In the words of Mr. Tissington? Frankly, not at all. There's no additional capacity.

To be sure, DSM is an export-oriented company. There's no denying that. But their behavior in the global market has been one of the discipline. This is a company that "walks the talk". And the notion that the U.S. market is the only place where they wanna sell is belied by the record evidence.

So I think we're gonna leave it there and we look forward to your questions. But hopefully, it's beginning to come through that US Magnesium has painted a less than complete picture of what's been going on in the market and what is causing their problems. And hopefully, with your hard work, you could help the Commissioners to discern what is happening by reason of subject imports and what is happening by reason of other causes, including nonsubject imports, the closure of ATI and the like.

And so again, we thank you for your time and

attention, and we look forward to your questions. Jim, do you have anything to add?

So we'll leave it there.

MR. CORKRAN: Thank you all very much, both for your presentation today and for traveling to be here at the International Trade Commission. We very much appreciate it and find it very helpful.

And with that, I'm going to turn to our Investigator Ms. Julie Duffy to begin questioning.

MS. DUFFY: Hello. Thank you all for coming today. I appreciate your time in speaking with us today.

I am going to begin by repeating a question that I asked earlier. What way do you think is best to represent U.S. imports? Is it better to look at questionnaire data? Or use official import statistics?

MR. LEVY: Thank you, Ms. Duffy. Jack Levy for DSM. Obviously when we are looking at quarterly pricing data, you have 100 percent coverage for subject imports in the form of DSM's questionnaire response. And obviously for U.S. producer prices you must rely on U.S. producer questionnaire responses.

For purposes of looking at trade flows and market share trends, and measuring aggregate demand, here again you're going to have no choice but to rely on U.S. producer questionnaire response.

But with regard to import volumes in the aggregate, our position is that you're going--

MR. BURCH: You need to talk directly into your mic.

MR. LEVY: Our position is that you're going to have much more robust, complete, and accurate coverage if you rely on the official import statistics.

Our position, just to be clear, is that there are four relevant subheadings, not three, for purposes of tracking merchandise under consideration consistent with the product scope description. The Pure category, the Alloy category, the Scrap category, and then the category for Raspings and Turnings and Powders, and the like.

And so let us not forget the Scrap category, as I mentioned, which I'm not sure gets as much profile in some of these discussions. But our position is that these are clean, as you said it earlier this morning. These are clean tariff subheadings that are coterminous with the scope. And you can meaningfully track total imports by reference to these data.

MS. DUFFY: Thank you. So just to be clear, the scrap HTS number is 810420?

MR. LEVY: I am referring back to the testimony of Mr. Wanless who testified that the scrap was 810420, correct.

MS. DUFFY: Thank you. Just to switch gears now a little bit, are you aware of any third country antidumping or countervailing duty orders that Israel is subject to regarding magnesium?

MR. LEVY: Jack Levy for DSM. We are. As discussed in our questionnaire response, Brazil maintains an order against imports of magnesium from China. I think we heard some testimony this morning from US Magnesium that the world market is awash in cheap Chinese magnesium, and therefore DSM has nowhere to sell but the United States where there is protection, for lack of a better word, from unfair trade practices perpetrated by China.

That is an incomplete explanation, because the Brazilian market is insulated from unfair trade from Chinese product. And it is the case that Dead Sea Magnesium participates in the market at prices that are not unlike the U.S. market.

MR. CANNON: Jim Cannon. If I could just put a footnote on Jack's response, I thought you asked if Israel was covered by other dumping orders. To the extent that was your question, the answer is, no.

MS. DUFFY: Thank you. I appreciate that. One more question. Are you aware, or do you know the extent to which magnesium enters the United States under bond? Are you aware of that at all?

MR. LEVY: Jack Levy for DSM. We are not aware of significant imports under bond. But we can look at that more closely. It is the case that there are some sales into the Canadian market, and so we will endeavor to understand the extent to which that is a phenomenon.

MS. DUFFY: Thank you. I have no further questions at this time.

MR. CORKRAN: Thank you very much. And with that we will turn to our attorney, Mr. Karl Von Schriltz.

MR. VON SCHRILTZ: Thank you, Doug. Thank you to all the witnesses for being here to discuss magnesium with us.

My first question is for the lawyers. Do you agree with Petitioner's proposed definition of the domestic like product?

MR. LEVY: Jack Levy for DSM. For purposes of the preliminary determination, we agree with the Petitioner's proposed definition of the domestic like product, consistent with past determinations of the Commission.

MR. VON SCHRILTZ: Thank you. Do you agree with the Petitioner that subject imports are a close substitute for the domestic like product?

MR. LEVY: Jack Levy for DSM. I think you've heard from our witnesses that there is a high level of

technical interchangeability between imports from various sources and U.S.-produced product.

Putting aside important considerations like qualification in a particular customer account, and the reliability of a supplier, products are otherwise viewed as fungible and compete on the basis of price with perhaps some narrow exceptions in niche segments of the market.

MR. VON SCHRILTZ: Thank you. Are there any notable differences between subject imports and domestically produced magnesium in terms of product mix and quality?

MR. LEVY: Can you please repeat the question?

MR. VON SCHRILTZ: Yes, of course. Are there any notable differences between subject imports and domestically produced magnesium in terms of product mix, the segments that subject imports serve versus the segment served by the domestic industry, and quality?

MR. LEVY: The short answer is, no. I think the one qualification is--and we could speak to it on the proprietary record, the balance of sales between say pure magnesium and alloy magnesium may be different as between different suppliers. But in terms of the actual products within those segments, we see no meaningful difference.

Mr. Cannon has pointed out that there is, to our knowledge, no scrap sales from Israel to the United States. And there is little, or zero sale of raspings and powders

and turnings from Israel to the United States. So with regard to these particular products, there's no meaningful overlap in quantity. The overlap is concentrated on pure magnesium and alloy magnesium.

MR. VON SCHRILTZ: And what about the end-use markets for magnesium? Are there any differences between the customers that are served by subject imports and the customers that are served by the domestic industry?

MR. LEVY: No.

MR. VON SCHRILTZ: Why did the subject import volume decline during the Period of Investigation?

MR. WANLESS: I would say that--Dave Wanless from DSM--I would suggest that was due to competitive market events, or we simply--there was--primarily, and there's also, we--can you hear? Is that okay? Alright, so we are involved in going head to head in a competitive environment, so depending on what our success rate is, that will impact the amount of material that's coming in.

We were also involved, especially on the die casting side of the market, in program sales. And what I mean by that is sales into the auto industry where the programs have usually some timeline to them. Six years or less. And as those programs roll off, then that does impact the volumes that we would bring in.

MR. LEVY: Jack Levy for DSM. I think on this

question of declining volumes, I think something else worth highlighting is I think there's no dispute not only that subject import volumes decline in every year of the POI, they also declined in interim 2018. This is the one period where, by US Magnesium's own admission, demand is growing to the tune of 10 percent.

So here in 2018, by their own admission, demand is growing by 10 percent, as subject imports are declining and declining measurably, and so why are they declining? As Mr. Wanless testifies, because of competition.

MR. WANLESS: Let me add one note to that, as well as Eli Lerer has mentioned, and as I mentioned in my testimony, that there is a limited capacity that we have available.

MR. VON SCHRILTZ: Thank you. So I'm wondering if magnesium is a commodity product, and if a price is sort of a determining factor for purchasers, how was DSM able to maintain AUVs that were substantially higher than the AUVs for nonsubject imports?

MR. WANLESS: Dave Wanless, DSM. I would say that there's two main factors. And the first and foremost would be that, as mentioned in earlier testimony, that several customers have purchasing strategies which include a mandate that they must be multiple sourced. And so at that point in time, we become--even though we are the second

source--we, because of our reliable position in the market, we've presented them with an option for that second source. And in some cases we're allowed, or able to charge a rent for that, for providing that option.

MR. VON SCHRILTZ: Okay. And I'd also like to ask a question that's similar to one that I asked the Petitioner this morning. You say that it's the fourth quarter when you typically engage in negotiations with your customers for the next, the annual contract covering the next year. During your negotiations with customers, how typical is it for customers to quote competing prices to you?

MR. WANLESS: I would say it's rare that they would quote a competing price. They may send signals, but it's very rare that we would be given a price, a specific price.

MR. VON SCHRILTZ: To follow up, so what kind of signals would your customers provide you with?

MR. WANLESS: Dave Wanless, DSM. I--we're going to get into some very colloquial language, but usually, you guys have gotta--you know, you're too high. I mean, simple statements like that might give some indication of higher levels relative to our prior prices, where we need to be. I would say that's probably the most frequent. So referring to our selling price in a prior period.

MR. LEVY: Jack Levy for DSM. So, Mr. Von Schriltz, I think what you've heard is that the nature of the feedback from customers is often just that, it's directional: You're too high. That is substantially the basis for DSM's understanding that their prices are typically at or above U.S. producer prices.

We suspect that that is the essence of US Magnesium's assertions that their prices are higher. Obviously the proprietary data will do the talking, but I think that the Commission is no stranger to the fact pattern that sometimes customers take liberties with the facts in order to get the lowest possible price.

MR. WANLESS: I would just add to Jack's comments that there are--even when we're receiving these signals, there have been several situations--this is speaking to our belief that our prices are higher than our competitors'--there have been several situations where we've, I'll use the term, disengaged, but we've ended the negotiation without responding to their signals.

MR. VON SCHRILTZ: And why would you end negotiations without responding to their signal?

MR. WANLESS: We believed that we were at the correct market level.

MR. CANNON: This is Jim Cannon. So I have a question for Dave, if you'll indulge me. So, Dave, have you

ever stopped at a certain price and had the customer surprisingly come to you anyway?

MR. WANLESS: I would say, yes, and that has happened on more than one occasion. To elaborate on that, I believe that there are some non-price factors that contribute to customers' purchase decisions, including one I referred to just earlier, which is the multi-sourcing. But there's also factors regarding our reliability of supply, which is extremely important.

If I can give a very quick anecdote, I think everybody's aware of a situation that happened with the F-1 Ford's F-150 program not long ago where their supplier, a magnesium supplier, had a fire in their plant and which shut their plant down. As it turns out, they were a sole-source supplier.

My point here is that because it was a sole-source supply, you shut down the production of the highest-volume passenger vehicle in the country. Now it was a fire that shut them down, but potentially it could be their supply source.

So there are several customers that we have that look at us as a highly reliable supply source. And so in that respect, they will then maintain a position in their supply base for us.

MR. VON SCHRILTZ: I think I heard testimony this

morning from you that the prices declined during the Period of Investigation because of nonsubject imports, competition from lower priced nonsubject imports, and also declining demand.

Which was the more important factor, your mind? Or can you say that declining demand was more important than nonsubject imports? Or that nonsubject imports were more important than declining demand? Or maybe the two causes differ depending on the point of what year in the period you're talking about?

MR. WANLESS: If you really got the supply demand dynamic and really that's all that's changing, so that's what's driving the prices lower.

MR. VON SCHRILTZ: So, the Petitioners argue that the prices in the U.S. market are significantly higher than prices in Third Country markets and that this gives DSM an incentive to increase its exports to the U.S. in the imminent future.

Now, I've already heard your testimony that you're operating at full capacity utilization, so you claim that you don't have any capacity with which to increase exports to the United States, but are U.S. prices higher than prices in other Third Country markets, including Brazil?

MR. LEVY: I think we'd like to give you a

complete response in post-conference with proprietary data, but suffice it to say, and I think I alluded to this when misheard Ms. Duffy's question, but it is the case that many markets around the world are washed and dumped Chinese magnesium. Notwithstanding that fact, DSM does sell into some of those markets because of relationships. And remember, the ICL Group is selling a full menu of products to many of these customers, but also, importantly, the Brazilian market is protected from dumped imports from China and Brazilian market prices are healthy and not unlike the United States. So, we'll provide a little more concrete data in our post-conference submission, but the notion that if given the choice DSM would sell a greater portion of product in the United States to the exclusion of other countries is not correct and again, it is belied by years of behavior on the part of DSM.

MR. LERER: May I add on one word "discipline." You are right, but our discipline is to stand in our current quantities and as much higher prices that we can. This is the answer for why we are not selling all the material in the States.

MR. WANLESS: And if I could add one comment to Jack and Eli, I would also I referred to our reliability. We feel we have a responsibility to our customers and we have customers in other markets that we feel in a similar

way towards.

MR. VON SCHRILTZ: So, to follow up you feel that your reputation for reliability would be an impediment to shifting exports from Third Country markets to the U.S.?

MR. WANLESS: Sir, I'm not sure I --

MR. VON SCHRILTZ: Why don't I rephrase the question? So, you stated that the U.S. is not the only market that you serve. You also serve Third Country markets, including Brazil apparently. What would prevent DSM from shifting its exports to those countries to the U.S. market if the U.S. prices are higher than prices in those Third Country markets?

MR. WANLESS: Well, the commitment we have to our customers is not necessarily related to the price that we get from them.

And by the way, I think there was some mention in earlier testimony today about the lower level of prices, for example, in the European market, which is not necessarily true. There are consumers in those markets that pay higher prices. They have higher requirements. But I would say that the decision to support those long-term relationships is not entirely dependent on price. And in fact, in some cases it may not necessarily be the determining factor in our continued support.

MR. LEVY: Mr. Von Schriltz, let me just add a

little more color. In my years practicing before the Commission, I have never before encountered a Respondent whose corporate strategy is to conduct itself in the U.S. market where priority one is to avoid getting tagged with a dumping case, but that is exactly the way in which Israel and Dead Sea Magnesium has behaved during this period of investigation and in the years prior. And I think when you look at the data on this record what you see is quite stunning.

You see a company that has walked the talk. And while no one is questioning that U.S. Magnesium has problems or you know I think in Ms. Slade's language is in a death spiral it's not our fault.

MR. VON SCHRILTZ: I'll ask you a question I also asked of the Petitioner. What are your projections for demand in the U.S. market for the year 2018 and 2019?

MR. WANLESS: Our response would be that, for the most part, 2018 most of the customers give a forecast forward and most of those forecasts are relatively accurate. I'm talking about short-term forecast, one to three months. So, we have a sense in that we sense that we will be slightly -- you know have a positive result this year, on budget, and that we see growth from the prior period and that we see that 2019 is showing, as far as indications, again, we're in the middle of the negotiation season, so we

can't forecast at this point what 2019 will be for us. But at this point certainly the demand, the RFQs that we're receiving from the customers are showing positive signs with respect to growth in the market.

MR. VON SCHRILTZ: I have a question about those cells that you've idled and you claim -- well, consistent with what I heard from the Petitioner's panel this morning it would be very expensive to bring those cells back into operation. Why do you keep those cells around? Why don't you scrap them?

MR. LERER: Well, the production of the magnesium on the electrolyte cells is that you don't need to calculate how many cells you need in order to produce your annual magnesium production. However, the cells have a lifetime about three and a half years -- between three and half years to four years. So, you must leave some cells in order to take out an old cell and to put a new one back. So, you cannot just say, okay, I will concentrate on the number of cells according to the production and I will destroy all the others. Always you need to maintain some cells in order to replace the old one. This is how it works.

MR. VON SCHRILTZ: So, does that mean that you're planning to refurbish those cells that are idle eventually?

MR. LERER: No. It's old cell is getting out. New cell is getting in. But the total number of cells is the same. Again, the issue here, if I may say, is not the magnesium production. Unfortunately, it's the chlorine production. It means that I need to find the solution for the chlorine that we are producing.

As I mentioned in our testimony, for one ton of magnesium I'm producing more than two tons of chlorine. So, the issue now is what to do with the chlorine. So, the main source of receiving our chlorine is our bromine plant. Just for information, in order to produce let's say for one ton of chlorine they are producing two tons of bromine. But the bromine has the decision how much chlorine they need to receive from Dead Sea Magnesium and they have a five-year plan and actually this is the amount they need. They don't need more than that in terms of bromine cells under ISL Corporation, so this is our current number of cells. All the rest just need huge capital to rebuild.

MR. WANLESS: Just a couple of points of clarification, just on the first point, what Eli was suggesting is that those other cells are maintained in order to when you need to do repair work on the cells that are being utilized, you can shift that production to those cells while you do the repair on the other cell, but you're not increasing your capacity.

And I think on his second point, just as a point of clarification, is that what Eli's suggesting is if you look at the chlorine gas market in Israel there are no other outlets and there's no way to store substantial amounts of that material, so that has an impact on our production.

MR. LEVY: And Eli, could you just give us a little more color about what it would cost, theoretically, to restore some of these dead cells that have gone unused for many years?

MR. LERER: It's around $450,000 one cell -- to repair one cell. Each cell producing two tons per day of magnesium and if you multiply it by two this is the chlorine amount producing. So, let's assume we want to increase in 1,000 tons, so you need to divide 1,000 tons per year to 365 days and then to divide it into two this is the number of cells that you need to increase.

More over, the cells feedstock is coming from chlorination cells, so we need also a chlorinator before the electrolyzer cells because the cost of the chlorinator is about $500,000, so all-in-all this is the capital expense that we need in order to increase our capacity.

MR. VON SCHRILTZ: Thank you for that. Getting back to my original question, though, so I heard testimony that you've got some cells that are idle and you use those idle cells to produce magnesium when you're refurbishing

other cells. The cells need to be -- apparently, they need to be maintained. Every couple of years they need to be realigned or something. That's what the Petitioners' panel said. So, when you do that to these cells you've got these backup cells that you can use and then you've got these dead cells and these are the cells that Mr. Levy just referred to and these are cells that have been taken out production and they've deteriorated to the point where they can't be used. Do you have dead cells like that?

MR. LERER: You have the exact number of cells that you need in order to produce your amount of magnesium -- yearly amount of magnesium. However, I know -- I have a timetable what is happening according to the age of these cells during the -- so, for example, if I know that this year I need to change five cells. I need to take out five old cells and to put in five new cells. So, the maintenance budget for this year is to take fives cells to rebuild them and to replace the old one with the new one. There are no other extra cells.

Moreover, it continuous process, so in continuous process you cannot just take out cell and put in cell. It's a process that takes more than three months of rebuild the cell and plus one month to increase it to the cycle of the production. So, all-in-all, it's a very challenging plan, so you are doing just what you need to do

during the --

MR. VON SCHRILTZ: I wanted to understand the chloride that you produce that is apparently you view as a limitation on your magnesium capacity. Is there not a global market for chloride?

MR. LERER: Unfortunately, you cannot ship chlorine by sea, so just in isotones and by trucks is by rotation. And as you know, Israel is an isolated country, so we can use it only into the country and the bromine is the main customer of it.

MR. VON SCHRILTZ: And is there any way that you could just dump the chlorine that you don't need in the desert?

MR. LERER: In my mental point of view, you cannot do it. You need to neutralize it. It's real issue in terms of the authorities. You cannot do it. And I will not speak about the cost of the neutralization of one ton of chlorine. It's very costly, but the money is not the issue here. It's the environmental permits. You are not allowed to do it.

MR. VON SCHRILTZ: Okay, thank you for your responses to my questions. I have no further questions at this time.

MR. CANNON: Thank you, Mr. Von Schriltz. And now we'll turn to our economist, Ms. Lauren Gamache.

MS. GAMACHE: Hello, everyone. I'd like to thank you all for being here. We really appreciate it and the testimony has been really helpful. I'd also like to thank my colleagues again for their good questions, so I only have a few.

From your customers' perspective, you had mentioned reliability of supply and diversity of sources. Are there other factors that your purchasers find to be very important when they're deciding who to buy from?

MR. WANLESS: I would say that those are two primary factors. As mentioned earlier, that much of the product that's sold in the U.S. is sold under an ASTM specification and that essentially becomes a table stake so that you need to provide the product that's requested. Some customers have exceptional specifications above and beyond that, but normally, those can be met. I would say that reliability and diversification are two primary considerations as communicated to us by the customers.

MS. GAMACHE: Thank you. We'd heard earlier today that there is a large variation qualification processes, depending on end user and sector. One, do you agree with their characterization of qualification processes and if you could share your experiences with those, if your firm has failed any sort of qualifications, either now or in your post-conference brief.

MR. WANLESS: I can share with you to the extent that we have never failed a qualification. And again, most of the product that's sold is sold under a specification -- a general specification, so that's the first phase of qualification. However, there are some more exceptional qualification processes. I'm thinking, for example, in the nuclear industry; however, most of those qualifications were completed years ago and as far as the customer base there's not a lot of change in the customer base, so most of the qualifications are completed. Now, the one thing I will say is a core part of the customer base, the aluminum industry, depending on if there's a lapse in supply you may have to re-qualify at some point, but usually what they'll do is take into consideration prior qualifications. So, usually, it's not an overly cumbersome process.

MS. GAMACHE: Thank you. Has DSM ever required sole sourcing as the condition of a sale to a customer?

MR. WANLESS: Never.

MS. GAMACHE: Okay, my last couple of questions have to do with pricing and the pricing of product, specifically. To start, how well do you believe the pricing products capture competition in the market?

MR. WANLESS: Dave Wanless, DSM. Are you referring to the indexes, like for example a Platt's or--

MS. GAMACHE: That will be my next question.

I'm--no problem--I'm referring to the three specific pricing products that we collected pricing data for.

MR. LEVY: So, Jack Levy for DSM. The short answer is we think that the pricing products do a good job both in terms of coverage and for facilitation of apples to apples price comparisons between U.S. producers and subject imports.

The one question I had, as I looked at the pricing products and that I posed to Mr. Wanless, was I saw that product three was for ASTM-specified magnesium alloy, and understanding that there are three or four such specifications that are all in that same bucket, the question was could there be differences in product mix that could distort price comparisons. And I was educated by Mr. Wanless that by and large those alloys are all priced quite similarly in the marketplace such that it does in fact provide for reasonable comparisons.

MS. GAMACHE: Thank you. And now, Mr. Wanless, could you speak a little bit about the public pricing indices, either that your customers refer to regularly, or DSM?

MR. WANLESS: As mentioned before, and we've just mentioned again, the Platt's--I'm going to speak t my experience coming from the aluminum industry, which constitutes the majority of my career. That's a market that

uses pricing index--published pricing indexes such as Platt's, as one example. But those indexes are actually based off actual transactions. They're based off the London Metals Exchange Price. There is no terminal market for magnesium anywhere in the world.

And so that these price indexes that you see, generally speaking, are surveys. And as we sometimes describe, they're surveys of self-interested parties, but they are still the same surveys.

So I think that the depiction that was made earlier today I would agree with, and note that those prices are for spot quotes. And as we've described the nature of our business, which is predominantly a contract-based business, and I can tell you that it's a substantial amount, that therefore a spot price is not necessarily reflecting the market.

And so I would say that those prices may reflect the price that somebody who has spot capacity is willing to let a price go for that particular point in time, but it is not necessarily reflective of the number of loads that might get shipped that day.

MS. GAMACHE: Thank you.

MR. CANNON: So this is Jim Cannon, and I just thought I heard you ask whether also these price indices such as Platt's factor into negotiations where customers

might use those prices, or inquire.

And so if that is what you were asking, perhaps Dave would like to answer that, too.

MR. WANLESS: Thank you, Jim. Thanks for that clarification. Dave Wanless, DMS. I would say that it is rarely the case. We do have customers from time to time ask if we would consider pricing based off an index, but it's very rare that that is the case. Now I will reserve any more information on that for postconference submission.

Sorry, Jim just added, another qualification you added said do the customers cite Platt's prices to us? Very rarely. I would say that in the past, it was more the case but over the last couple of negotiating seasons I would say that it becomes much less of the conversation.

MS. GAMACHE: Okay, thank you. And my last question is if any of our specific--any of the three pricing products that we collected data for, if any of those are especially prone to large fluctuations in price? And if so, why?

MR. LEVY: We'll speak to that in our postconference, thank you.

MS. GAMACHE: Alright, thank you. That concludes my questions.

MR. CORKRAN: Thank you, Ms. Gamache. And now we'll turn to our financial analyst, Ms. Emily Kim.

MS. KIM: Good afternoon. My name is Emily Kim, and I really thank you, everyone, for being here today. And I have just one question.

So Israeli Government planned to levy a tax of 40 percent on the production of natural resources, including magnesium, effective in 2007, according to the news articles published in 2014 and '15. What is the current status of this tax levy? And if the tax was imposed, what are the impacts to DSM and the magnesium cost in price?

MR. LERER: Eli Lerer, DS Magnesium. Are you referring to the last tax, the Shashisky tax? This is what you refer? Well, in the--mainly the tax was--the basic of the tax was that Dead Sea Magnesium is a natural source, and it belongs to the population of Israel and not for the owner of ICL. So they said we would like to impose higher tax about your revenues. And all what you are producing out of the Dead Sea water we will impose tax.

However, from that point of time the main product that we were producing is potash. The price of the potash decreased dramatically all over the world. So no tax was put on ICL on that form.

But on let's say a yearly base, there is negotiation between the financial department of ICL to the government, Financial Ministry. So I'm not so sure about what is the current status, but we can supply it later on.

MS. KIM: Thank you, and I have no more questions.

MR. CORKRAN: Thank you very much, Ms. Kim. And now we'll turn to our Commodity Industry Analyst Mr. Gregory LaRocca.

MR. LaROCCA: Hi, all. Thanks for coming. I just have a few quick questions. Building off of Ms. Kim's question, I noticed that recently there's a Reuters' article that came out regarding Dead Sea Magnesium. And one of the issues was the environmental challenges of extracting water from the Dead Sea.

Could you please talk a little bit about that?

MR. LERER: Eli Lerer, Dead Sea Magnesium. Well I assume the issue here is not Dead Sea Magnesium. The issue here is ICL, our mother company. We are not talking about Dead Sea Magnesium.

In any case, the resources of that operation of Dead Sea are coming from Dead Sea itself. So Dead Sea work, which is potash manufacture on Sidon side, is producing about 4 million tons of potash per year. He is pumping water, salty water, from Dead Sea to the operation points. So the issue now with the environmental government is what is let's say the percentage responsibility of Dead Sea work and pumping this water from the drying of the real Dead Sea.

So this is still under discussion, but I can give

you a figure. Dead Sea, the real Dead Sea, not the evaporation ponds, has dried about one meter per year. This is the rate of the reduction of the level of the sea, and about 30 percent is because of the pumping water of Dead Sea work. No connection to Dead Sea Magnesium.

MR. LaROCCA: I have one more question. With regards to off-specification for pure magnesium, you guys really don't give much of a figure for that unless it's already counted in the testimony for Mr. Wanless. Can you talk a little bit about off-specification pure magnesium?

MR. WANLESS: Your question is that we don't seem to show a very big number for off-spec material?

MR. LaROCCA: Yeah, I'm just curious if it counts for any of your imports at all.

MR. WANLESS: No. We--the small number that you would have seen is in fact some material that was returned by a customer because of actually the way that the customer had stored the product. It had deteriorated, and I think you know that in the subject of magnesium it has a relatively short shelf life due to the oxidation of the external layer, which renders it to have too much contamination.

So we at a point cleaned up some material and we actually resold it into the market. That's it. We do not sell off-spec material from our production.

MR. LaROCCA: Excellent. That's it for me.

MR. CORKRAN: Thank you, Mr. LaRocca. And I would like to thank all the members of the panel for the questions, and all the members of your panel for the very helpful information.

I have a couple of additional questions. One--and I hope I'm phrasing it a little bit differently than a similar question that Mr. Von Schriltz asked--but given that there doesn't seem to be any argument in characterizing this particular product as commodity like, and placing importance on price, why is it that Israel is the single largest source of import supply in the U.S. market?

MR. WANLESS: Dave Wanless, DSM. I would say that the largest part of that is to do with the two elements that we've discussed previously, which is diversity of supplies, which is driven by the customer's procurement strategies. And the fact that DSM has participated in the market for such a long period of time consistently. We have not gone in and out of the market, as other import suppliers have.

And that has a significant contribution, I believe, to the amount of material that the customers request from us.

MR. CORKRAN: So DSM is viewed as a long-term reliable supplier in the U.S. market?

MR. WANLESS: I don't know the--I wasn't around

for the beginning, Eli was, but from the time the plant was commissioned I believe in 1996, it was shortly thereafter that we had started our participation in the U.S. market, and we've maintained that role ever since. And I know that that is a significant factor in the customer's decision with respect to how they support us, as well.

MR. CORKRAN: Okay, and you talked a bit about--we had testimony today about the importance of contracts in the U.S. market, and the contract season. Where do imports from Russia, imports from Turkey, where do they fit into this? Do you see them during the contract season? Are they part of the negotiations that are being conducted and you are a part of?

MR. WANLESS: Dave Wanless, DSM. Yes, they are.

MR. CORKRAN: One of the questions I was wondering about, when you look at some of the variability in supply from these sources, are they more often--are they well represented in terms of spot sales? Or, to your knowledge, are they contract sales?

MR. WANLESS: Dave Wanless, DSM. I would say that my understanding of their commercial experience in the U.S. is such that there's probably a split between the two. I think that if you look at the majority of the contracted agreement based sales, I think those would be held by the Petitioner and ourselves.

MR. CORKRAN: And that was sort of the point that I was drilling down to. Because at the end of the day, then, when you talk about alternative causes of injury, and you're pointing to the very, very low relative average unit values of imports from Turkey, from Russia, and Taiwan, would they even cumulatively have the level of impact as prices from Israel, if the two main competitors for contracts are going to be DSM and US Magnesium?

MR. LEVY: So--Jack Levy for DSM--I think you heard testimony from Mr. Wanless that published indices like Platt's don't get a lot of profile in this industry. But one thing that does get a lot of profile is the published import statistics. So month to month, everyone in the industry understands what the average unit price is from Russia, from Turkey, from Taiwan, for a given type, be it pure or alloy and the like.

So that very much factors into the conversations that producers and customers are having about price. And so I think against that backdrop it's easy to understand that even a relatively modest volume that's being imported can have ripple effects across the market in terms of price. Although I think that it's probably most pernicious in the mating season when calendar year contracts are being negotiated. And maybe you can talk a little bit more about how that plays out during the mating season.

MR. WANLESS: So what you have is most--I'm speaking now of the Russian material. I believe when the Turkish material was coming in there was a sole importer or trader. The Russian material is marketed through a series of traders, or a number of traders, which all attempt to leverage that same volume.

So whereas the producer may decide they were going to import let's say for example 4,000 tons, if there's five traders that becomes 20,000 tons. And that, you chase--if I can explain it this way--you chase that 4,000 tons around the market. And you have success. But it's there. And I would say not at every stop do we have to fight against that, but there are a significant number, especially in the aluminum sector, where we are fighting against the Russians. And then when the Turkish came in, as well.

So there's a bit of it where I talked about signaling before, and the information that we get provided by our customers, there's an element of that that we have to interpret. And so depending on what they're signaling to us, they can embellish. They can overstate. So there is an element that that 4,000 tons--and I'm using that again as an example--but that can become a much bigger number, something much more significant to the market.

And I think the other thing is, you look at the

market in the context of what the assumed aggregate demand would be, less US Magnesium's capacity, and say, okay, that's--there's some people fighting for that part of the market. So as opposed to that 4,000 tons being a component of the aggregate demand, it's really a component of a smaller amount. So I think it has more competitive power.

MR. CORKRAN: Okay. Thank you. That's an interesting dynamic that's going on there. One of the questions that deals more with DSM's exports, there are some regional aluminum producers. Are those markets available to DSM for sale within your own region? Or are those markets largely closed to DSM?

MR. LERER: Eli Lerer, Dead Sea Magnesium. Actually we can sell only in Europe. If you are asking if we can sell to the Middle East countries, the answer is no.

MR. CORKRAN: And do you agree with the characterization that we heard this morning that the price environment in the European market is very challenging, and that makes it a difficult market to sell into?

MR. WANLESS: Yes. To properly characterize the European market, there are consumers in that market that we would define as premium consumers, ones that have either a tighter specification for their material requirements, and their prices are de-linked from the core European market, which is characterized by being what we refer to as a

rest-of-world market, one that has access to the Chinese ingot.

So it's not as if in Europe you can make an exclusive determination about the nature of that market. There are several opportunities in that market. So I can't get into specifics, of course, but those are available.

MR. CORKRAN: I'm going to switch gears a little bit, because your use of the term about premium consumers reminded me of something that I've been hearing earlier, too, about certain customers in the United States.

Can you maybe define a little bit what you might mean by "premium consumers"? And indicate what are they looking for. Are those the type of customers that would, for example, maybe buy only primary magnesium, or only pure magnesium? Or are there some characteristics that are common to premium consumers?

MR. LEVY: Let me see if I can get this started. I think as an introductory matter, it's worth noting that the Commission got it right with the pricing products and identifying that there is a highly pure or ultra pure segment of the pure magnesium type. And so, I think this is a segment I think you heard testimony where 99.95 plus percent magnesium by weight was a level of purity that was important; particularly, in the semi-conductor end use segment.

So, I think this is a illustrative -- again, it's an ultra pure magnesium that is premium in an important respect and commands, all else being equal, a premium for certain customers. Similarly, within the pure magnesium segment there may be certain customers that place a higher importance on consistency of quality. But again, at the end of the day it is an ASTM-specified product and everyone is competing on the basis of price, coupled, of course, with qualification and reliability.

And I don't know if you can give additional examples about segments of the market or if that's best for post-conference submission.

MR. WANLESS: I think I can just qualify or add to what Jack had said, which when I say premium those are the ones that place the highest importance on the reliability and diversity of the produce -- excuse me, of their supply base.

MR. CORKRAN: I think I got a lot of what I was looking for in that question, but if you can elaborate a little bit in your post-conference brief; mainly, in terms of some of the primary categories that we're looking at, right, where you've pure and alloy divided out and whether that's something that you're more likely to see with one or the other. But I appreciate it. I think those answers were very, very helpful.

I believe that is it for my questions, but let me turn to the panel to see if there are additional questions. Yes, Mr. Von Schriltz?

MR. VON SCHRILTZ: Yes, I actually have a question and a request. So, you talked a lot about the negotiating process that you're undergoing right now with a lot of customers and about the price signals. Generally, they don't quote prices, but they might give you signals whether you're too high. Do you know who you're competing against during these negotiations?

MR. WANLESS: Sometimes, not necessarily, though. They don't include that in the signal or in the information, necessarily.

MR. VON SCHRILTZ: And I heard testimony actually in response to some of Doug's questions that it's usually DSM and U.S. Magnesium that serve these major customers. So, generally, if you're in negotiations with a larger customer are you pretty confident that you're competing against U.S. Magnesium?

MR. LEVY: Mr. Von Schriltz, I think we'd like to give you a robust answer post-conference, but I think one of the things that will be interesting for the Commission to observe to the extent to which there is overlap in the top ten customer lists of the various U.S. producers on the one hand and DSM on the other hand. And that information is

proprietary, but I think should be very telling.

MR. VON SCHRILTZ: Okay, thank you for your answer.

And then I have a request. You quoted liberally from U.S. Magnesium's submission in the 232 investigation. And I don't know if it'd be more appropriate for me to ask you or ask U.S. Magnesium. We'd like a copy of that full submission. Would U.S. Magnesium be willing to provide that to us? Thank you. No further questions.

MR. LEVY: Mr. Von Schriltz, that submission has two versions, as I understand it, a proprietary version and a public version. We've only seen the public version, but if you're requesting it from U.S. Magnesium, you may actually want the proprietary version to see what's been redacted. So, I would ask you to simply calibrate your request to address that question.

MR. VON SCHRILTZ: Okay. Well, I'm used to having words put in my mouth by counsel, but I guess it would be helpful to have the proprietary version, if that's possible from U.S. Magnesium. Thank you.

MR. CORKRAN: Thank you, Mr. Von Schriltz. Any additional questions? No? With that, we will dismiss this panel with our thanks. We will take five minutes to collect ourselves and then have closing comments. Thank you very much.

MR. BURCH: Closing and rebuttal remarks on behalf of those that support the imposition will be given by Stephen A. Jones of King & Spalding. Mr. Jones, you have ten minutes.

CLOSING STATEMENT OF STEPHEN A. JONES

MR. JONES: Thank you, Mr. Corkran, members of the staff. Again, for the record, I'm Steve Jones from King & Spalding, representing the petitioner, US Magnesium. Let me start out with some areas of agreement, because I think there are several here.

There's agreement, at least for the preliminary investigation on the domestic like product definition, there's agreement that there's a high level of substitutability between subject imports and domestic production. There's agreement that demand was flat to declining during the 2015-2017 Period of Investigation and then increased sharply in 2018.

There's agreement, I believe, the witness from Dead Sea Magnesium said, "Competition occurs largely on the basis of price" in this market, and we agree. I think there was agreement that magnesium is a commodity product. And we certainly agree with the statement of counsel, Mr. Levy, that markets around the world are awash in dumped imports from China. And I just note that that makes markets like the U.S. and Brazil, which are protected from imports from

China, especially important. It's no surprise, therefore, that Dead Sea Magnesium's two largest export markets are the United States first, and Brazil second.

I'd like to turn to the nonsubject import issue. We testified to this in our testimony and in answers to questions. I'll just review what we said. Russia imports spiked in 2017, but Russia has not been a constant presence in this market since the 2010-2011 Sunset Review, where they came to the Commission, they said, "We're not focusing on magnesium, we're focusing on titanium, and therefore, we're not gonna be exporting a lot of magnesium to the United States." And we didn't believe them at the time. We challenged that.

But that turned out to be true. So Russia has not been a constant presence in this market. During this Period of Investigation. Turkey, a new producer, new plant, had a very minimal impact in the market. Not qualified at many customers. And then ceased production this year. So the spike that you see in 2018 from Turkey is, I'm sure, dumping of inventory in the U.S. market, but since they've ceased production, they're not a candidate for a trade investigation. And Taiwan, very small quantity, is just not a factor at many major accounts.

But who is the constant presence, the constant primary competitor that the key large volume aluminum

accounts, it's Dead Sea Magnesium. And I think, just before the break, at the conclusion of your questions, the testimony from Dead Sea was very clear, that it's head-to-head against US Magnesium at many, if not all of the key accounts in the U.S. market.

Let me address the 232 filing that US Magnesium made. There was a suggestion made that we did not identify Israel as a source of injury in that filing. And we did. It's just simply inaccurate. There's a lot that's changed since then. June, 2017, we were looking at import data through the end of March, probably, first quarter import data, so since then, Russia has receded, Turkey has closed, Taiwan is down significantly. A lot has changed. What hasn't changed is Dead Sea's presence in the market. And its aggressive price competition at the key aluminum accounts.

There's a question for Mr. Von Schriltz about the relationship between demand and price that I don't think we answered real well. And I'd like to take another crack at that. Demand does not necessarily correlate to price in the magnesium market. For example, in 2009, which was a year of depressed demand across virtually every industry in the United States, including the magnesium industry, US Magnesium enjoyed relatively high prices and solid profitability.

So keep in mind as the Commission has repeatedly found over the years, and I believe, as Ms. Lutz testified this morning, the demand for magnesium is price and elastic. Increased demand does not necessarily result in higher prices. And decreased demand does not necessarily result in lower prices. The key driver in US Magnesium's profitability is not demand, it is price. And the need to drop price to maintain volume. Those are the key factors in US Magnesium's business.

Scrap. There was a lot of testimony about scrap. Scrap's not part of the scope definition. It's not covered by the scope. So to the extent that any of the slides Dead Sea Magnesium was using includes imports of scrap, it's not accurate. It's not covered by the scope.

Couple of final points. Dead Sea's presentation seemed to suggest that the Commission makes a negative determination here unless the Commission finds that Israel is the only source of material injury, or threat of material injury. That's not the law. Imports from Israel need only be a material cause of injury, not the only cause, not the most important cause, a material cause.

So if the Commission finds that there is a reasonable indication that imports from Israel were a material cause of material injury or threat of material injury to the domestic industry, it must make an affirmative

determination in this preliminary investigation.

I'd like to make a point about discipline. We heard that word several times in Dead Sea's presentation. In 2001, when Israel was investigated by the Commission and by the Department of Commerce, the Department of Commerce found very high margins of dumping and very high subsidy rates. The margin of dumping was 28% and the subsidy rate was 16%. That was a long time ago. But to suggest that they can't be dumping or accepting subsidies because they're a disciplined company is just fallacious.

I'd also like to respond to the suggestion that US Magnesium is "a sick company". When market pricing is fair, US Magnesium has been a very successful, profitable company. But US Magnesium, unlike Dead Sea Magnesium, is exposed to the market, and it can't sell below its costs, and it can't rely on the deep pockets of its government.

All US Magnesium asks for is a fair market, free of Israeli dumping and subsidies and it is very confident that it will do extremely well under fair market conditions. Thank you very much for your attention today.

MR. BURCH: Closing and rebuttal remarks on behalf of those in opposition to the imposition will be give by Jack Levy and James Cannon of Cassidy Levy Kent. You have ten minutes.

CLOSING STATEMENT OF JACK LEVY

MR. LEVY: Thank you very much. I think we agree with Mr. Jones that there are lots of sources of agreement. It makes for a simpler analysis in the preliminary phase, and one that facilitates a preliminary negative, because there are not a lot of loose ends to iron out. We're in agreement on basic conditions of competition and the definition of a like product.

This scope issue with regards to scrap, that's not our issue. There are no scrap shipments from Israel to the United States. We simply note it as a condition of competition in any event. It's very clear according to US Magnesium that low scrap prices are an anchor on market prices for magnesium in any event.

I think we also agree and I don't think Mr. Lerer's reference to US Magnesium as a sick company was meant to be pejorative. I think it might just be a difference in language. But I think it's fair to say, and if we take Ms. Slade's terminology, that they're in a death spiral, let's just simply say that they are materially injured for purposes of the preliminary phase. We'll use the statutory language.

They have said that, whether you look at their production or their shipments or their profits or their employment that they are in a death spiral. To the extent their injury is pronounced in, say, 2017, I think where we

start to differ with them is on the issue of causation. I think it's in this area where, you know, to quote Ricky Ricardo, "They got a lotta 'splaining to do."

I think they have a serious issue with regard to causation. Because we know, and I did not get much profile from them, that their tolling venture, their strategic alliance with ATI came to an abrupt conclusion in the second half of 2016, and that was significant by their own assessment.

How significant? Well, we know that they sued ATI for about $125 million of resulting injury. So that gives you some sense of the order of magnitude of the injury and its materiality. And we know that there's a correlation between 2017 and the termination of that relationship with ATI.

The Commission needs to look at present injury on the one hand during the POI, and threat of injury with reference to the future on the other hand. And I think we heard a little bit of conflation today about what was happening during the POI with respect to present injury.

In 2017, which is a key year for analysis, I think petitioner would have you believe that, "Pay no mind to Russia, pay no mind to Turkey, they're either gone or they have other priorities in life." But that wasn't the world that we lived in in 2017.

In 2017, in relation to the prior year, what happened? Imports from Russia went up 190% at prices 24% lower than Israel. Imports from Turkey went up 81%, 25% below prices from Israel. And imports in the alloy segment from Taiwan remained 31% lower.

So what we see here is a tremendous price depressive effect courtesy of nonsubject imports in 2017 and during the mating season and that depressed prices which carry forward into what we see in contract prices for calendar year 2018. That was the cause of the material injury to US Magnesium and the U.S. industry, more generally, during this Period of Investigation.

And I'm sorry, but Russia and Turkey and Taiwan don't get a free pass because US Magnesium thinks that looking to the future, they're not a concern. That's just not the way it works.

When Mr. Lerer spoke about discipline in the marketplace, what was he talking about? Was he here to disprove the allegations of dumping and subsidization? No. That's what he was talking about. We accept that for purposes of the preliminary phase, you must adopt the fiction that there is dumping, and there is subsidization.

This is a question about causation of injury and what he was talking about is a company that has done everything within its power to not get targeted with a trade

case, to not give US Magnesium an excuse to say that they're injurious. They have behaved themselves in a way that is, by definition, non-injurious.

You know, they say that Russia and Turkey and all the others, nonsubject imports, should get a free pass, but what's happening in 2018? In the present tense? When demand is rebounding. By everyone's account, Israeli volumes are down. They're down by 1,480 tons or 15-, almost 16% in interim 2018.

At the same time, that demand is growing. That's what we mean by discipline. Discipline meaning in an environment of rising demand, you're not grabbing share. To the contrary. And why is that happening? Because of discipline on price.

You've heard sworn testimony that they try to price at a fair price, that it's at or above U.S. producers. And they believe that generally they're above U.S. producers. Why? Because their customers place a premium on having them as a backup for reliable supply, that their customers value multiple suppliers. So they don't have the Ford F-150 type crisis. They need multiple suppliers and Israel is a steady and reliable supplier, even if it is at a higher price.

There's no doubt that prices have drifted lower, but in this regard, Dead Sea Magnesium is a victim, just

like US Magnesium. Because there are other nonsubject imports that are an anchor, pulling down everyone's prices. And so there is no present injury.

And when we look to the question of future threat, you've heard sworn testimony from Mr. Lerer that they are capacity-constrained, there's only so much chlorine that this plant can throw off and the amount of chlorine that the ICL group can absorb, effectively places a limit on how many electrolytic cells are allowed to remain intact. And they are producing today very close to their actual capacity.

And that the CAPEX required to ramp that up would be substantial. But again, going back to basics, they have no interest in being anything other than a disciplined, noninjurious participant in the U.S. market. They are not out for share grab at any price. That's what the Russians do. That's what the Turks did. This is what the Taiwanese do.

This is what happens when there's scrap in the market. And so what you have in Israel is frankly a poster child for responsible participation in the U.S. market. Mr. Lerer used the word discipline, and I can think of no better word to sum up the Israelis. A year now, when demand is up, Israeli volumes are down 16%. That should tell you everything.

And one final point. We've heard the demand is up this year, and it's going up next year again. The mating season started before this petition was filed. And before this petition was filed, what's happening? Prices are going up. And the negotiations continue to portend increased prices in 2019. So whether it's from a volume and capacity point of view, or from a price point of view, there's absolutely no evidence that Israel is a future cause of material injury to the domestic industry.

Simply put, this is a clean and simple case. And it is the basis for a preliminary negative. And I don't say that lightly. Because the Commission rarely issues a preliminary negative finding. But now, more than ever, when the Commission is so busy, when U.S. manufacturing is rebounding and so desperately in need of these feedstocks, let us not burden the industry or this Commission with a frivolous case.

And we respectfully submit that the proprietary record evidence is that there's no basis for moving forward. There's not even a reasonable indication that Israel is to blame, and I think it is most telling that not once this whole day did petitioners ever utter the word "underselling". We respectfully submit that there is pervasive overselling on this record, and that speaks volumes about who is really to blame in this industry.

Thank you very much for your time and for your work and we look forward to submitting our post-conference submissions next week.

MR. CORKRAN: Thank you very much. On behalf of the Commission and the staff, I'd like to thank the witnesses who came here today and the counsel who came here today to help us gain a better understanding of the product and the conditions of competition in the magnesium industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, November 19th. If briefs contain business proprietary information, a public version is due on Tuesday, November 20th.

The Commission has tentatively scheduled its vote on these investigations for Friday, December 7th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, December 10th. Commissioners' opinions will be issued on Monday, December 17th. Thank you all for coming, and with that, this conference is adjourned.

(Whereupon the meeting was adjourned at 2:14 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Magnesium from Israel

INVESTIGATION NOS.: 701-TA-614 and 731-TA-1431

HEARING DATE: 11-14-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 1-14-18

SIGNED: Mark A. 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: Charles Hardy
Proofreader

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.

SIGNED: Gaynell Catherine
Court Reporter