

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation No.  
CERTAIN WELDED LARGE DIAMETER ) 731-TA-919  
LINE PIPE FROM JAPAN ) (THIRD REVIEW)

Pages: 1 - 184

Place: Washington, D.C.

Date: Tuesday, July 30, 2019



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4 CERTAIN WELDED ) 731-TA-919

5 LARGE DIAMETER LINE ) (THIRD REVIEW)

6 PIPE FROM JAPAN )

7

8

9 Tuesday, July 30, 2019

10 Main Hearing Room

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at

16 9:40 a.m., before the Commissioners of the United States

17 International Trade Commission, the Honorable Rhonda K.

18 Schmidtlein, presiding.

19

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23 COMMISSIONER JASON E. KEARNS

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4 Asami Isomichi, Translator

5 Gregory Husician )  
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7 Jenlain Scott )

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## P R O C E E D I N G S

1  
2 (9:30 a.m.)

3 COMMISSIONER SCHMIDTLEIN: Good morning again, on  
4 behalf of the U.S. International Trade Commission I welcome  
5 you to this hearing regarding the Third Review of  
6 Investigation No. 731-TA-919 involving Certain Welded Large  
7 Diameter Line Pipe from Japan.

8 The purpose of this five-year review is to  
9 determine whether revocation of the antidumping duty order  
10 on Certain Welded Large Diameter Line Pipe from Japan would  
11 be likely to lead to continuation or recurrence of material  
12 injury within a reasonably foreseeable time.

13 Schedule setting forth the presentation of this  
14 hearing, notices of investigation and transcript order forms  
15 are available at the Public Distribution Table. All  
16 prepared testimony should be given to the Secretary. Please  
17 do not place testimony directly on the Public Distribution  
18 Table.

19 All witnesses must be sworn in by the Secretary  
20 before presenting testimony. I understand that parties are  
21 aware of the time allocations. Any questions regarding the  
22 time allocations should be given directly to the Secretary.  
23 Speakers are reminded not to refer in their remarks or  
24 answers to questions to business proprietary information.

25 Please speak clearly into the microphones and

1 state your name for the record for the benefit of the court  
2 reporter. If you will be submitting documents that contain  
3 information you wish classified as business confidential  
4 your request should comply with Commission Rule 201.6.

5 Mr. Secretary, are there any preliminary matters?

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

9 COMMISSIONER SCHMIDTLEIN: Very well. Let's  
10 begin with opening remarks.

11 MR. BISHOP: Opening remarks on behalf of those  
12 in support of continuation will be given by Laura El-Sabaawi  
13 with Wiley Rein. Ms. El-Sabaawi, you have five minutes.

14 OPENING STATEMENT OF LAURA EL-SABAAWI

15 MS. EL-SABAAWI: Good morning, Chairman  
16 Schmidtlein, Commissioner Kearns and Staff. I am Laura  
17 El-Sabaawi, Counsel for the Domestic Interested Parties in  
18 this Sunset Review.

19 The Domestic Line Pipe Industry is here today to  
20 ask you to maintain the critically important antidumping  
21 duty order on Certain Welded Large Diameter Line Pipe from  
22 Japan.

23 After suffering years of material injury, the  
24 Domestic Line Pipe Manufacturing Industry is finally in the  
25 very early stages of a recovery. With the antidumping duty

1 order on Japan in place and new antidumping and  
2 countervailing duty orders recently imposed on large  
3 diameter welded pipe from six countries, the condition of  
4 the U.S. Industry has finally begun to improve.

5 As the record shows in the first quarter of this  
6 year manufacturing facilities in the United States have  
7 restarted, more than 1200 employees have gotten their jobs  
8 back and U.S. Producers trade and financial indicators have  
9 seen some improvement.

10 Critical to this recovery is ensuring that  
11 Domestic Producers are not forced to again compete with  
12 massive volumes of dumped line pipe imports from Japan.  
13 Without this order it is very likely that unfairly-traded  
14 imports from Japan will once again surge into the U.S.  
15 Market stopping this burgeoning recovery and quickly  
16 reinjuring the U.S. Line Pipe Industry. We are here today  
17 to ask you to not let this happen.

18 You know this industry well. Just three months  
19 ago the Commission found that the Domestic Line Pipe  
20 Industry was materially injured during a Period of  
21 Investigation that largely overlapped with the period under  
22 review here. U.S. Producers' capacity utilization was  
23 extremely low throughout the Period of Review and the  
24 Domestic Industry's operating income margin was only 5.2  
25 percent last year.

1           U.S. Producers and their workers struggled  
2 through multiple rounds of production curtailments and  
3 layoffs. If the antidumping duty order on Japan were to be  
4 revoked these vulnerable Domestic Producers would experience  
5 a surge of material injury due to Subject Imports.

6           The Japan Order is fundamental to effective trade  
7 relief for the Domestic Industry. The conditions of  
8 competition affecting this industry are no different from  
9 five years ago or from three months ago. If the order were  
10 revoked there would be a significant increase in the volume  
11 of Japanese Line Pipe Imports into the U.S. Market.

12           The Commission has previously found that Japanese  
13 Producers have the ability and incentive to increase their  
14 line pipe exports to the United States significantly absent  
15 the order and this continues to be the case. Subject  
16 Producers have high levels of unused capacity and they are  
17 highly export oriented.

18           The large and attractive U.S. Market provides an  
19 ideal destination for Japanese oversupply. In fact, the  
20 large volumes of Japanese Imports of line pipe excluded from  
21 the antidumping order shows Subject Producers' continued  
22 interest in the U.S. Market. According to official import  
23 statistics, those imports have nearly doubled in the first  
24 half of this year.

25           Revocation of the order would also cause

1 substantial negative price effects in the U.S. Line Pipe  
2 Market. In the first Sunset Review, the Commission found  
3 that the Japanese Producers have a demonstrated track record  
4 of underselling Domestic Producers to win sales. This  
5 demonstrated track record has continued.

6 While volumes were relatively low due to the  
7 order, the Subject Imports that continued to enter the  
8 United States during the current review period did so at  
9 prices that substantially undersold the domestic like  
10 product. This underselling would be much more severe in the  
11 absence of the order. If the order went away, Japanese  
12 Imports would undercut U.S. Producers even more pervasively  
13 and pricing in the market would drop.

14 In fact, the Department of Commerce has found  
15 that dumping from Japan would be likely to recur at rates of  
16 more than 30 percent. These high volumes of unfairly priced  
17 Japanese Imports would have a severe adverse impact on the  
18 Domestic Line Pipe Industry.

19 In the original investigation the Commission  
20 found that virtually all of the indicators of the Domestic  
21 Industry's condition deteriorated, many of them very sharply  
22 because of Subject Imports. In previous reviewed it found  
23 that the Domestic Industry benefitted significantly from the  
24 antidumping order and that its revocation would have a  
25 substantial negative impact on the industry. The same is

1 true today.

2           Despite some very recent improvements the  
3 Domestic Line Pipe Industry remains in a precarious  
4 position. Were Japanese Imports to once again surge into  
5 the U.S. Market as they would in the event of revocation  
6 they would cripple U.S. Line Pipe Producers just when they  
7 are on the verge of recovery.

8           Therefore, on behalf of Domestic Industry Parties  
9 and the U.S. Line Pipe Industry, we ask the Commission to  
10 find that revocation of the antidumping duty order on  
11 certain welded large diameter line pipe from Japan would  
12 likely lead to the continuation of recurrence of material  
13 injury to the Domestic Industry and to keep the order in  
14 place for another five years. Thank you.

15           MR. BISHOP: Thank you, Ms. El-Sabaawi. Opening  
16 remarks on behalf of those in opposition to continuation  
17 will be given by Gregory Husician with Foley and Lardner.  
18 Mr. Husician, you have five minutes.

19           OPENING STATEMENT OF GREGORY HUSICIAN

20           MR. HUSICIAN: Thank you, Commissioners, Staff.  
21 I'm pleased to be here today on behalf of the two Japanese  
22 Producers: JFE Steel Corporation and Nippon Steel  
23 Corporation. We have today before us what we view as a  
24 fairly simple presentation. The calculus from our  
25 standpoint is quite simple. On the Japanese side, we have

1 two Japanese Producers that are strongly focusing on  
2 non-U.S. Markets.

3 The record shows that their sales to non-U.S.  
4 Markets have been increasing sharply over the Period of  
5 Review and that their focus is on these non-U.S. Customers.  
6 Second, the record shows that the Japanese Industry is going  
7 to be operating at strong capacity utilization. One of the  
8 two producers is already operating at basically full  
9 capacity and the second one has plans that are publically  
10 announced that it is going to close down one of its two line  
11 pipe mills. As a result, the Industry going forward is  
12 going to be operating at full capacity. Put it together and  
13 you have no ability of the Japanese Producers to increase  
14 their exports to the U.S. Market.

15 The second piece of the calculus is on the U.S.  
16 side. First, you have little interest in the U.S. Market.  
17 This is shown by the non-Subject exports to the United  
18 States. Right now the Commission has before it a controlled  
19 little experiment which there is a substantial category of  
20 line pipe that is not covered by the scope of this order and  
21 when you look at what's going on in that of those  
22 non-Subject line pipe orders, they were small and they were  
23 decreasing sharply over the period of review.

24 Further and unmentioned in the opening statement  
25 of the U.S. Industry is the presence of section 232 duties

1       which put a unique drag on sales to the United States. Put  
2       those two things together and you have a demonstrated and  
3       declining focus on the U.S. Market and no incentive to sell  
4       into the U.S. Market which is uniquely more expensive than  
5       sales into other markets.

6               Add it up and you have a classic case for  
7       revocation. There is no end of cases where the Commission  
8       has found that where there is no ability to sell meaningful  
9       quantities into the U.S. Market and no incentive to do so  
10      that Sunset Reviews and Orders should be revoked.

11             So basically, that's our entire case. Now that  
12      only took up about a minute of the opening statement so the  
13      question is what do I do for the other four? So I thought  
14      what would be helpful would be to tell you what you are  
15      going to be hearing from the U.S. Industry this morning and  
16      what you should be looking out for.

17             Reading their prehearing brief reminded me of  
18      watching a street magician. At the end you are left quite  
19      entertained, you want to know how the tricks were performed  
20      and you have a vague feeling you should check and make sure  
21      you still have your watch.

22             Going through their presentation, I think there  
23      are three things you should be looking out for as they go  
24      through the presentation. First, like any good street  
25      magician they are going to be looking to distract your



1 attention.

2 For example, the record strongly favors  
3 revocation and that it shows high and strongly increasing  
4 non-U.S. sales by the Japanese Producers, little capacity to  
5 increase sales into the U.S. Market and sharply falling,  
6 non-Subject line pipe sales into the United States which  
7 gives you that controlled experiment as to what would  
8 happen if these types of line pipe were not controlled or  
9 constrained by an antidumping order.

10 So rather than talk about the PO3 record, the  
11 U.S. Industry is going to spend a lot of time talking about  
12 what happened in the prior review, what happened in the  
13 Period of Investigation and they are even going to be  
14 talking about the record in the welded line pipe case that  
15 you just did a couple of months ago. But I suggest that  
16 every time they do you should be thinking well what's going  
17 on in this record that is before us in this review?

18 Second, you should be on the lookout for claims  
19 that are just not plausible. My favorites here are claims  
20 that the 25 percent section 232 duties "provide no  
21 meaningful advantage to the U.S. Line Pipe Industry" and  
22 that a U.S. Industry that is enjoying sharply rising prices,  
23 shipments, market share and sharply rising profits and that  
24 just had a massive new set of antidumping and  
25 countervailing duty orders placed on all their key

1 competitors is somehow vulnerable. So every time they talk  
2 about that, keep in mind the trends over the Period of  
3 Review.

4 Third, like any good street magic show you should  
5 expect to see a lot of exaggeration. My favorite here is  
6 the U.S. prehearing brief statement that the strongly  
7 performing U.S. Industry with all these good trends is only  
8 seeing "some modest improvements in production and financial  
9 indicators". I'm sure there will be some  
10 new favorites that will be added to the hearing this morning  
11 but those are a couple of the key things I think you should  
12 be looking out for. So we will be back this afternoon to  
13 focus on the facts of the record and the economic report  
14 that we provided and the Staff Report, which we believe  
15 strongly supports revocation.

16 In the meantime for the rest of the morning enjoy  
17 the show.

18 MR. BISHOP: Thank you, Mr. Husisian. Will the  
19 panel in support of the continuation of the Anti-Dumping  
20 Duty Order please come forward and be seated? Madam  
21 Chairman, this panel has 60 minutes for their direct  
22 testimony.

23 STATEMENT OF TIMOTHY C. BRIGHTBILL

24 MR. BRIGHTBILL: Chairman Schmidlein,  
25 Commissioner Kearns, staff, good morning. I'm Tim Brightbill

1 from Wiley Rein, on behalf of the American Line Pipe  
2 Producers Association. I will start with a brief review of  
3 the key facts from this investigation and review, and then  
4 you will hear from the domestic industry witnesses.

5           The outcome of this review is critical to the  
6 domestic certain welded large diameter line pipe industry.  
7 An Anti-Dumping Order has been effective in reducing the  
8 unfairly traded imports from Japan. While this domestic  
9 industry is just beginning to recover from material injury  
10 from non-subject sources, ratification would quickly derail  
11 this recent and ongoing recovery. Here are some of the key  
12 conditions of competition which are unchanged from five  
13 years ago and certainly from three months ago. And this is  
14 not magic, this is the staff report.

15           Domestic and imported large diameter line pipe  
16 are highly substitutable and largely interchangeable. You  
17 found this before; it's still true. Price is critical to  
18 purchasing decisions in these head-to-head bid competitions  
19 that decide high value projects. You found this before; it's  
20 still true. The Japanese industry is almost exclusively  
21 export oriented. You found that before; it's still true  
22 today. The U.S. market is large and attractive, but demand  
23 is likely to taper off in the foreseeable future. And, while  
24 the domestic industry has started to recover from recent  
25 material injury, now would be the exact wrong time to

1       jeopardize this recovery by allowing dumped Japanese imports  
2       back into the market.

3                       In terms of demand, demand for new pipeline in  
4       recent years has been good but projections are lower, or  
5       flat, for the reasonably foreseeable future. You see the  
6       average from 2013 to 2017 versus the average going forward  
7       of new pipeline miles and then you see projections for crude  
8       oil prices and natural gas prices from USCIA.

9                       The domestic industry has plenty of available  
10       capacity and can supply the market the entire market.  
11       Domestic industry capacity utilization remains unsustainably  
12       low. It was still less than 50% in the first quarter of  
13       2019. In 2018 it had more than two million tons of unused  
14       capacity. The industry has invested in production and  
15       broadened its technical capabilities. It can satisfy demand  
16       for in-scope merchandise. There is no need for dumped  
17       Japanese imports.

18                      With regard to Section 232, this will not  
19       mitigate future injury to the industry. As the Commission  
20       has ruled in other prior cases, Section 232 does not address  
21       dumping. Those measures can be revoked or modified at any  
22       time. The Commission itself has found that 25% Section 232  
23       tariffs are unlikely to restrain future volumes in other  
24       steel cases, as listed here and, for this industry, Section  
25       232 has had limited benefits for domestic producers because

1 their input costs increased as much as the tariffs on  
2 large-volume metal pipe.

3 Japanese producers would target the U.S.  
4 market upon revocation and significant volumes would be  
5 likely upon revocation. The Japanese industry is an export  
6 platform. It maintains significant capacity and production  
7 and could shift production from other products to certain  
8 welded large diameter line pipe. Demand in the Japanese  
9 industry alternative markets are likely to decrease, and the  
10 Japanese industry remains interested in the U.S. market. You  
11 know this from their sales of out of scope product, which  
12 demonstrate this. And you know this from the multiple  
13 requests for exclusion from Section 232 tariffs that also  
14 demonstrates this.

15 Japanese producers have continued to  
16 under-sell. The Commission found this is the Commission's  
17 quote "that the industry has a demonstrated track record of  
18 under-selling to win sales." From the original  
19 investigation, from the first review, and almost all  
20 comparisons, the second review, and even in this review,  
21 under-selling in the majority of comparisons. And Commerce,  
22 in its sunset review findings anticipates recurrence of  
23 dumping at margins at just over 30%.

24 Adverse price effects are likely. The staff  
25 report finds again and again that price is critical to

1 purchasing decisions. It was the most often cited top three  
2 factor in purchasing decisions and 11 out of 12 companies  
3 said that price is a very important factor. And, again, in  
4 the recent investigations of large diameter welded pipe from  
5 six countries, there is a great focus on the bidding process  
6 that occurs for these projects. So, given the importance of  
7 price and the bidding process, continued dumping and  
8 under-selling would likely depress and suppress prices.

9           Material injury is likely to recur. This  
10 domestic industry is vulnerable. Unfairly traded imports  
11 captured the demand growth during the period. Capacity  
12 utilization remains unsustainably low, as said earlier.  
13 Domestic producers were operating at a loss at the beginning  
14 of the period and even today margins remain too low to  
15 permit needed re-investment. There had been some initial  
16 improvements because of the trade relief, but the recovery  
17 is incomplete. And so, again, shown here, more than half  
18 the industry's capacity was idle in 2018 60%.

19           The financial performance of this industry  
20 remains depressed. Compare the operating results from the  
21 first sunset review, second sunset review, and this sunset  
22 review at only 5.2%. Capital expenditures also decreased  
23 during the period. So, with that in mind, the orders are  
24 important in order to have a sustained recovery for this  
25 industry. The U.S. market is large and attractive and will

1 remain so, but demand is going to flatten out. It is  
2 expected to taper off.

3 Japanese producers are almost exclusively  
4 export oriented. They have a demonstrated interest in  
5 capturing the U.S. market through under-selling. Demand from  
6 other markets is unlikely to absorb the Japanese industry's  
7 capacity and production. This industry U.S. industry has  
8 just begun to recover from the material injury that you  
9 found just months ago. A surge of dumped large diameter line  
10 pipe from Japan would quickly derail this recovery.

11 That concludes my presentation. Now we will  
12 hear from domestic industry witnesses starting with Ingo  
13 Riemer of Berg Pipe.

14 STATEMENT OF INGO RIEMER

15 MR. RIEMER: Good morning. My name is Ingo  
16 Riemer. I am the president and chief executive officer of  
17 Berg Pipe. I am grateful for this opportunity to appear  
18 before you today to speak about the current state of the  
19 U.S. welded large diameter line pipe industry in general,  
20 and Berg Pipe in particular, and the importance of  
21 maintaining the dumping order on U.S. imports from Japan.

22 Berg Pipe was founded in 1979 and has pipe  
23 manufacturing facilities in both Mobile, Alabama and Panama  
24 City, Florida. We produce line pipe in diameters ranging  
25 from 24 to 56 inches. Berg is continuously investing in new

1 technologies and expanding its production capabilities to  
2 meet customer needs. For example, in 2016 we installed new  
3 growth welding equipment, allowing us to weld two double  
4 random length pipes into one quadruple random length pipe at  
5 Panama City.

6 One year later, we installed a new etch  
7 milling machine at the same mill. We also have made  
8 significant technology upgrades in ultrasonic and X-ray  
9 equipment to enable Berg to comply with the most stringent  
10 specifications in the world. Quality and innovation applies  
11 not only to Berg's products but also to its people.

12 In fact, some of the very employees that  
13 joined Berg at its inception are still part of the Berg  
14 family today. Berg has gone through some tough times in  
15 recent years. Last fall, Hurricane Michael hit us hard.  
16 Our facility, workers and their families have yet to fully  
17 recover, and as you know from our prior testimony before the  
18 Commission, dumped and subsidized imports have taken a toll  
19 on Berg and its workers, causing significant layoffs and  
20 severe production curtailments.

21 Because of this harm and despite an existing  
22 dumping order on Japanese imports, we were forced to file a  
23 new trade case in January 2018 against Canada, Turkey,  
24 Greece, Korea, India and China. We are grateful that the  
25 Commission made an affirmative finding of material injury



1 with respect to all six countries earlier this year,  
2 resulting in dumping and subsidy orders.

3           Since then, we are slowly getting back on our  
4 feet and are beginning to see some improvements in the  
5 market. In fact, in summer 2018, soon after preliminary  
6 duties were announced, was the first time in more than two  
7 years that we were able to book a substantial project. As a  
8 result, our mills were finally able to move back up to a  
9 regular two shift operation after painful periods of one  
10 shift operations and idle time for almost two years because  
11 of unfair trade.

12           While this gives hope to our company, to our  
13 approximately 700 workers and their families, Berg and  
14 others in the domestic industry are by no means back where  
15 we need to be. Our recovery is incomplete. Domestic share  
16 of the U.S. market remains below where it was in 2016, and  
17 our industry was operating at less than 50 percent capacity  
18 utilization in the first quarter of this year.

19           In other words, U.S. producers are just  
20 starting to regain their footing and a new surge of dumped  
21 imports would set us back once again. If the order on  
22 Japanese welded large diameter line pipe were revoked, any  
23 gains made from the recently imposed orders would quickly  
24 disappear and the domestic industry's condition would  
25 rapidly weaken.

1                   I cannot stress enough that dumped Japanese  
2 welded large diameter line pipe imports remain a significant  
3 threat to Berg and to the rest of the domestic industry.  
4 Japanese product competes head to head with U.S. product.  
5 They are willing to sell at very low dumped prices all over  
6 the world, regardless of their distance to the markets.

7                   There is no doubt that the domestic industry  
8 would lose substantial sales, production and jobs to  
9 Japanese imports without the order in place. If the order  
10 were removed, dumped Japanese product would surge into our  
11 market and nullify the benefits of the recent orders. There  
12 is simply no merit to claims that dumped Japanese production  
13 wouldn't come here.

14                   Japanese producers remain heavily interested  
15 in the U.S. market. We have proof of this. The  
16 counter-exclusion request filed for Japanese welded large  
17 diameter line pipe in the Section 232 process simply  
18 confirms this continued interest. On the issue of Section  
19 232, I would just note that these tariffs have not and will  
20 not shield us from unfair import competition, as the  
21 Commission itself has found.

22                   Even with these duties in place, we continue  
23 to face significant import competition. The duration of the  
24 Section 232 program is unclear, and is subject to an  
25 exclusion process which U.S. importers of subject product

1 have and continue to actively use. I would also note that  
2 Section 232 has basically been a wash for domestic welded  
3 large diameter line pipe producers because we buy almost all  
4 of our steel domestically.

5 Any improvement in prices for line pipe has  
6 been offset by equal or greater increases in steel costs,  
7 which we cannot always pass on to our customers. In  
8 closing, Berg plays by the rules and we expect others to do  
9 so as well. All we ask for is a level playing field and  
10 that includes keeping dumped Japanese product under order.

11 On behalf of Berg Pipe, our workers and their  
12 families, we ask you to maintain the order on welded large  
13 diameter line pipe from Japan. Thank you.

14 STATEMENT OF JOHN STUPP, JR.

15 MR. STUPP: Good morning. My name is John  
16 Stupp and I am the president and CEO --

17 MR. BISHOP: Can you get closer to your  
18 microphone please?

19 MR. STUPP: My name is John Stupp and I'm the  
20 president and CEO of Stupp Brothers, Inc. and CEO of Stupp  
21 Corporation, our steel pipe manufacturing division. I  
22 appreciate this opportunity to testify. Stupp was founded  
23 in 1856 and has been a manufacturer of iron and steel  
24 products for national security and critical infrastructure  
25 applications ever since.

1                   Our pipeline involvement dates back to the  
2                   late 1940's. In 1952, Stupp began manufacturing pipe to  
3                   support the Korean War effort, before turning to energy  
4                   tubular products in Baton Rouge, Louisiana. We later added  
5                   a coating plant to our operations in 1994, and in 2008-2009  
6                   Stupp invested in a second pipemaking operation.

7                   Stupp has both ERW and HSAW capabilities to  
8                   produce welded line pipe in diameters ranging from 10 to 60  
9                   inches. Stupp is strongly committed to producing the  
10                  highest quality steel pipe in the United States, and has  
11                  been for decades. However, our operations will undoubtedly  
12                  suffer if the dumping order on welded large diameter line  
13                  pipe from Japan is removed.

14                  I testified in the original 2001 case, and  
15                  since the dumping order was imposed in late 2001, it has  
16                  been effective in keeping dumped Japanese welded LDLP out of  
17                  the U.S. market. This is not because the Japanese producers  
18                  have lost interest in our market. Rather it is because  
19                  without dumping, Japanese producers have been unable to sell  
20                  their pipe into the U.S. in substantial volumes.

21                  If the order was removed, dumped Japanese  
22                  imports would rush back into our market at unfairly traded  
23                  prices, and would harm U.S. producers and workers. There  
24                  are several reasons why. First, Japanese producers have  
25                  maintained substantial welded LDLP capacity and production

1 throughout the review period. They could produce even more  
2 by product shifting.

3 Japanese producers manufacture several other  
4 products on the same equipment using the same workers as  
5 welded LDLP, including OCTG, structural pipe and piling.  
6 Revocation of this order would give them the incentive to  
7 shift production from out of scope products back to in scope  
8 line pipe.

9 Second, Japanese producers are heavily export  
10 oriented, and the U.S. remains an important market to them.  
11 With virtually no home market for welded LDLP, Japanese  
12 producers rely almost entirely on exports to keep their  
13 production going. Even today, the U.S. market is one of  
14 Japan's top export markets for excluded line pipe sizes.  
15 This clearly demonstrates their continued interest in the  
16 market.

17 Third, even small volumes of dumped Japanese  
18 pipe in the U.S. market would reinjure the U.S. industry.  
19 There's a high degree of substitution between domestic and  
20 Japanese welded LDLP. Your staff report confirms this. We  
21 produce the full range of pipe covered under the scope of  
22 the order. In fact, there is even greater overlap in grade,  
23 diameter and wall thickness between domestic and Japanese  
24 product than in the last review period, given recent  
25 investments by Stupp and other U.S. companies to increase

1 capacity and improve product offerings.

2 Claims that the Japanese do not compete  
3 against U.S. produced LDLP are simply not true. They were  
4 not true in the past and they are not true today. Without  
5 the anti-dumping order, our operational and financial  
6 indicators would quickly decline. Our production shipments  
7 and employment would drop, and our recent planned  
8 investments would be threatened.

9 In addition, any gains made since the recent  
10 trade orders on Canada, China, Greece, India, Korea and  
11 Turkey would be lost. Since the preliminary orders were  
12 announced, we started to ramp up our shuttered HSAW mill and  
13 since the orders were imposed we have hired more than 300  
14 workers and have planned to invest roughly 22 million in our  
15 mills over the next two years, to further increase  
16 production efficiency.

17 One of these projects involves substantially  
18 increasing the capacity of our HSAW mill. Please don't put  
19 the livelihood of our employees and our investments at risk  
20 by removing the dumping order on Japan. For these reasons,  
21 we urge the Commission to find that removing the  
22 anti-dumping duty order against Japan would likely lead to  
23 recurrence of material injury to the domestic welded large  
24 diameter line pipe industry. Thank you.

25 STATEMENT OF JASON NORRIS

1                   MR. NORRIS: Good morning. My name is Jason  
2 Norris. I am the President of Dura-Bond Pipe. Thank you  
3 for the opportunity to be here today to discuss why the  
4 antidumping order on welded large diameter line pipe from  
5 Japan should be maintained.

6                   I wanted to start by giving you some background  
7 on my company. Dura-Bond is a family-owned and operated  
8 business, founded in 1960 by my grandfather Jim "Buster"  
9 Norris who grew up in rural Alabama. I am proudly the third  
10 generation to be involved with the family business.

11                   Since its inception, Dura-Bond has always looked  
12 ahead, striving to be the best. In 1983, we acquired a  
13 coating mill in McKeesport, Pennsylvania and formed  
14 Dura-Bond Coating. Twenty years later, we acquired  
15 Bethlehem Steel's abandoned Steelton, Pennsylvania, facility  
16 where we now manufacture LSAW pipe in diameters ranging from  
17 24 to 42 inches.

18                   In 2012 we built a \$12 million coating mill in  
19 Duquesne, Pennsylvania, to support US Steel's McKeesport ERW  
20 Pipe Mill. By 2014, US Steel closed the ERW mill due to the  
21 surge of dumped imports, and 260 workers lost their jobs.

22                   Dura-Bond purchased this mill in December 2016 in  
23 hopes that the market would improve. Without an adjacent  
24 pipe mill, our new coating mill would soon also be shut  
25 down.

1           Over the years, Dura-Bond has invested heavily in  
2           its facilities, adding innovative processes and improving  
3           its techniques and equipment. These investments have always  
4           allowed us to stay on top but we have been at risk over the  
5           years due to unfairly traded imports. The trade orders  
6           imposed on Canada, China, Greece, India, Korea, and Turkey  
7           have been a big help and we are grateful for the  
8           Commission's affirmative determinations in these cases, but  
9           we are by no means out of the woods yet.

10           Dura-Bond and others in the industry are still  
11           suffering from low production and capacity levels. We have  
12           had to lay off an entire shift of production and coating at  
13           our Steelton mill in 2017, and we are waiting for a big job  
14           to turn things around.

15           This means that even small volumes of Japanese  
16           exports would have disastrous consequences for an already  
17           weakened domestic industry in the event of revocation. I  
18           have no doubt that without the order in place, Japanese  
19           welded large-diameter line pipe would quickly surge into the  
20           U.S. market once again, causing dramatic declines in the  
21           domestic industry's production, capacity, and employment.

22           Japanese producers have significant capacity,  
23           production, and excess capacity. They have almost no home  
24           market, so they rely heavily on exports to maintain  
25           production. In fact, Japanese exports of welded large



1 diameter line pipe were higher in 2018 than in '16.

2 Japanese producers may argue that these exports  
3 won't be targeted at the U.S. markets in the event of  
4 revocation, but I don't buy it. The U.S. market is a large  
5 market that remains one of the most attractive in the world.  
6 Domestic demand has been relatively strong, and our prices  
7 are generally higher than most global markets.

8 And with antidumping and countervailing duty  
9 orders now in place on several of the world's largest  
10 industries, competition for projects in alternative markets  
11 is likely to intensify. At the same time, demand growth in  
12 some of Japan's other large export markets is weak or  
13 declining. China is facing an economic slowdown, and the  
14 Middle East is building up its own local capacity. This  
15 makes the U.S. market a prime target for Japanese exports in  
16 the event of revocation.

17 Like they did five years ago, Japanese producers  
18 are once again claiming that what they produce is high-end  
19 and proprietary, and that it doesn't compete with the U.S.  
20 product.

21 The Commission didn't accept that argument then,  
22 and they should not accept it now. U.S. welded large  
23 diameter line pipe and Japanese imports are interchangeable.  
24 We compete head-to-head for the same bids based on price.  
25 Without the order in place, there will be nothing to prevent

1 large volumes of dumped Japanese welded pipe --line imports--  
2 -I'm sorry--welded large diameter line pipe imports from  
3 overwhelming the U.S. industry.

4 While we can compete among the best of them--  
5 foreign and domestic--we cannot compete against dumped  
6 imports. On behalf of Dura-Bond, its workers, and their  
7 families, we urge you to prevent this from happening and  
8 find that Japanese imports are likely to reinjure the  
9 domestic industry in the event of revocation.

10 Thank you.

11 STATEMENT OF JOHN NOLAND

12 MR. NOLAND: Good morning. My name is John  
13 Noland, Division Sales Manager for American Cast Iron Pipe  
14 Company. I've been with the company for over 25 years and  
15 in my current role since 2003. As division sales manager, I  
16 am responsible for our steel pipe division, American Steel  
17 Pipe. American was founded in Birmingham, Alabama in 1905  
18 and is an employee-owned company.

19 We manufacture a wide variety of metal  
20 products, one of which is ERW line pipe ranging from 12 inch  
21 to 24 inch in diameter for the oil and gas industry. In  
22 total we employ about 2,500 workers across the country.  
23 Roughly 150 of those hard working men and women produce ERW  
24 line pipe at our two mills in Birmingham.

25 American is fiercely committed to the well

1 being of its workforce and ensuring that our employees have  
2 a good, stable job to return to day after day. American is  
3 also committed to innovation and growth. We are here today  
4 because revocation of the dumping order on large diameter  
5 line pipe from Japan threatens both of those.

6 Like other domestic producers here today, our  
7 company has lost countless jobs to dumped and subsidized  
8 imports. As the Commission correctly found earlier this  
9 year, dumped and subsidized imports of large diameter line  
10 pipe from Canada, China, Greece, India, Korea and Turkey  
11 were materially injuring the domestic producers and workers.  
12 Commerce Department imposed duties and we are starting to do  
13 better. However, without the dumping order on Japan in  
14 place, we will be right back where we were less than a year  
15 ago, suffering from dumped foreign imports.

16 U.S. produced and Japanese large diameter line  
17 pipe are highly interchangeable and compete largely based on  
18 price. Before the order was imposed we lost significant  
19 bids to dumped Japanese large diameter line pipe. We simply  
20 couldn't compete with their unfair prices. This would  
21 happen again without the order.

22 Dumped Japanese imports would inevitably surge  
23 into the U.S. market, causing domestic production, capacity  
24 and shipments to fall. We would be forced to reduce shifts  
25 and employee head count. Our capital expenditures and

1 investments would take a significant hit. Japanese  
2 producers are asking the Commission to take their word for  
3 it that this won't happen again.

4           You will likely hear that the Japanese produce  
5 specialized product that the domestic industry can't  
6 produce, and the U.S. market is no longer a target. You  
7 didn't accept these claims five years ago and please don't  
8 do so now. First, Japanese line pipe is not a specialty or  
9 niche product. We would compete head to head with dumped  
10 Japanese pipe if it was allowed back into the market. Nor  
11 is it the case that Japanese producers have abandoned the  
12 U.S. market for good. The only reason that Japanese  
13 producers have not shipped here in the past few years in  
14 great numbers is the anti-dumping order and their main  
15 advantage is dumped pricing.

16           Japanese producers will have every incentive  
17 to rush their product back into the United States if given  
18 the green light to do so. The United States remains one of  
19 the top export markets for Japan because of certain sizes  
20 and dimensions that are excluded from the order. This  
21 demonstrates that we are still an important market for  
22 Japanese producers.

23           The same is true of the countless Section 232  
24 exclusion requests filed by the U.S. importers of Japanese  
25 welded large diameter line pipe. Simply put, the only thing

1 preventing large volumes of dumped Japanese welded line pipe  
2 from coming into the U.S. market is this order. On behalf  
3 of American and its employee-owners, we ask that you find  
4 and that you maintain the dumping order on large diameter  
5 line pipe from Japan. Thank you.

6 STATEMENT OF RUSTY FISHER

7 MR. FISHER: Good morning. My name is Rusty  
8 Fisher. I am the senior vice president, Sales and Marketing  
9 for Welspun Global Trade, the marketing arm of Welspun  
10 Tubular, LLC. Welspun is one of the largest producers of  
11 welded large diameter line pipe in the United States.  
12 Welspun's manufacturing facility in Little Rock, Arkansas  
13 employs roughly 900 hard-working men and women. I'm here  
14 today because the anti-dumping order on Japanese line pipe  
15 remains very important to Welspun's operations.

16 As the Commission is aware from your recently  
17 completed investigation, large diameter line pipe is  
18 overwhelmingly purchased on the basis of price and domestic  
19 product is easily substitutable with imported product,  
20 including Japanese imports. Welspun produces a wide range  
21 of highest quality line pipe to API standards.

22 If the price is low enough, U.S. producers  
23 will choose imports over domestic product almost every time.  
24 This is precisely what would happen in our market if the  
25 anti-dumping order on Japanese line pipe were revoked. Like

1 they did before the order was imposed, Japanese imports  
2 would use dumped pricing to win large jobs at the direct  
3 expense of the domestic industry, including Welspun.

4           These losses would come just when domestic  
5 line pipe producers are finally beginning to recover from  
6 the injury we suffered in the recent years from large  
7 diameter welded line pipe from six countries. Since the  
8 duties were imposed on these dumped and subsidized imports  
9 recently, the domestic industry is finally on the verge of  
10 recovery.

11           Last summer, Welspun was able to increase to  
12 three shifts on its ERW mill, and we increased employment in  
13 the first quarter of 2019 by 150 jobs compared to the first  
14 quarter of 2018. Our production and shipments also  
15 increased substantially this year. However, Welspun still  
16 has far to go to fully recover, and even these recent  
17 improvements are precarious.

18           An upturn is on the horizon for the domestic  
19 industry, but we remain highly vulnerable to injury if Japan  
20 order is revoked. Revocation of the order on Japan would  
21 very likely cause a surge of unfairly priced Japanese  
22 imports. In fact, Japanese producers have shown their  
23 continued interest in the U.S. market through their large  
24 shipments of pipe that are excluded from the order, and  
25 their request for exclusion for line pipe from the Section

1 232 tariffs.

2 Japanese imports would take our sales and  
3 depress pricing in the U.S. market. This would result in  
4 reduced production, employment, revenues, capital  
5 expenditures and investments for Welspun. The domestic  
6 industry as a whole would lose significant market share. We  
7 would likely have to work reduced shifts once again, and  
8 maybe even experience mill shutdowns.

9 Not only would Welspun feel the pain, so would  
10 those around us. Welspun is heavily invested in the Little  
11 Rock community. Welspun is one of the largest employers in  
12 the City of Little Rock, as well as Arkansas. It has been  
13 said that one job at Welspun creates another two to three  
14 jobs in Little Rock, with vendors and suppliers to our  
15 facility. So we hurt, the entire community and region  
16 hurts. In short, the Japan order is critically important to  
17 our industry. We ask the Commission to make an affirmative  
18 finding in the sunset review and keep the anti-dumping order  
19 on the Japanese line pipe in place. Thank you.

20 STATEMENT OF WES HENDRICKS

21 MR. HENDRICKS: Good morning. My name is Wes  
22 Hendricks. I am the Vice President of Commercial Pipe Sales  
23 for JSW Steel (USA) Inc. Thank you for the opportunity to  
24 testify on the critical importance of maintaining the  
25 dumping order for welded large diameter pipe from Japan.

1                   JSW has one of the largest steel mills in North  
2                   America, which houses both of our plate and our pipe  
3                   divisions. With high quality plate from JSW and other  
4                   suppliers, JSW's pipe mill produces LSAW pipe in one of the  
5                   largest mills in the world. We make a range of line pipe  
6                   from thicknesses up to 1 1/8th thick and diameters up to 48  
7                   inches.

8                   When I was here last November, I discussed a  
9                   large number of bids that JSW lost to the dumped and  
10                  subsidized imports from Canada, China, Greece, India, Korea  
11                  and Turkey. JSW's production and sales were down, its  
12                  profitability had fallen and we were operating at less than  
13                  fifteen percent capacity as a result.

14                  That was a life-threatening situation for our  
15                  company. The trade cases that were filed and the resulting  
16                  dumping and subsidy orders on the imports from these six  
17                  countries have helped. Our production, shipments and  
18                  capacity utilization are slowly moving back up. Our  
19                  employee headcount has improved since the relief went into  
20                  effect.

21                  Another positive result of these trade cases has  
22                  been JSW's ability to increase its investments in U.S.  
23                  Production and its workers. In June 2018, JSW announced a  
24                  new 250 million dollar investment to restart the electric  
25                  arc furnace and refurbish the hot strip mill and slab caster



1 of the former Wheeling-Pittsburgh Steel Mill in Mingo  
2 Junction, Ohio.

3 Last October, we broke ground on our new plate  
4 mill in Baytown which is also a 250 million dollar  
5 investment. This mill is the most technologically advanced  
6 and eco-friendly electric arc furnace, slab caster and plate  
7 mill in the world. Largely because of the new trade orders  
8 on large diameter welder pipe and the existing orders on  
9 Japan, we are currently also exploring the feasibility of  
10 adding another pipe mill to our Baytown facility. That will  
11 expand our product range and diameters and wall thicknesses  
12 even further.

13 These, and other potential investments for us are  
14 at risk, however, if the order on Japanese welded large  
15 diameter pipe is revoked. The U.S. Market remains a prime  
16 market for Japanese Producers. U.S. demand and prices are  
17 relatively strong and Japanese Producers have  
18 well-established distributor networks here.

19 Japanese producers have significant excess  
20 capacity and could easily shift production away from  
21 out-of-scope pipe and other products to ramp up shipments of  
22 the subject merchandise if these orders were removed.  
23 Significantly, any renewed presence of dumped imports from  
24 Japan in the U.S. Market would harm our ability to make the  
25 needed improvements and investments.



1           While the Commission often looks at vulnerability  
2           in the context of the financial indicia the Domestic  
3           Industry is not earning its cost of capital at or near the  
4           peak of the current cycle. I ask the Commission to examine  
5           vulnerability in the context of the cost of capital and not  
6           just operating margins.

7           I now turn to susceptibility. By susceptibility  
8           I mean the conditions of competition in the marketplace and  
9           whether these conditions of competition negatively transfer  
10          the effects of imports to the Domestic Industry, and in  
11          fact, in this case they do. The Subject and Domestic Pipe  
12          are highly substitutable and they compete primarily on  
13          price. These are findings the Commission has made  
14          repeatedly and in fact three months ago and the Commission  
15          found this in the current Staff Report.

16          Second, the Domestic and subject certain welded  
17          large diameter line pipe compete head to head on a project  
18          basis which heightens the transmission of the negative  
19          effects of dumping. Sometimes there are many buyers and  
20          many sellers in many channels of distribution and the  
21          Commission is want to try to trace the effects of imports  
22          through this indirect maze.

23          The Commission is very successful at it. Here,  
24          the Commission does not need to do that. In this  
25          investigation, the sales are made on a project basis where

1 imports and domestic product bid against each other. So we  
2 know where the sales are taking place, we know how they are  
3 competing, we know who won and we know why. In this  
4 industry, it's primarily because of price as the Staff has  
5 found which makes the Industry very susceptible to dumped  
6 imports from Japan.

7 Finally, the demand for certain welded large  
8 diameter line pipe is inelastic. That means that a lowering  
9 of the price does not expand the market significantly.  
10 These projects are determined by getting gas across the  
11 country and it's not as if a small drop in price is suddenly  
12 going to bring about a surge in new pipelines.

13 What this means is, for the existing projects  
14 that are in place dumped imports have replaced the Domestic  
15 Product on a nearly ton-for-ton basis. They do not increase  
16 the market and the dumping does not benefit the Domestic  
17 Industry through that increase.

18 So now let me turn given the vulnerability and  
19 susceptibility of the industry. So what's going to happen  
20 if you remove the orders, to the opportunity and motive of  
21 the Japanese producers? Well, first as you have heard and  
22 the Staff Report confirms, Subject Producers are export  
23 oriented. There is not a large market in Japan for these  
24 products.

25 Nonetheless, they have lots of capacity. Putting

1 two and two together it means you have to export it. What  
2 kind of capacity do they have? They have excess capacity to  
3 make the subject product. They have excess capacity on the  
4 same machinery and equipment to make the non-subject  
5 product.

6 They have divertible capacity, sales to third  
7 markets that the capacity could be used in the future to  
8 ship to the United States and they have divertible capacity  
9 for non-subject product that could be shipped to the United  
10 States. And what causes these shifts? Higher prices in the  
11 United States.

12 Are prices higher in the United States? You  
13 betcha. This is a large and key market and you saw that  
14 recently in another case. All the major producers in the  
15 world want to ship here because this is a large market and  
16 this is a high-priced market and Japan would undoubtedly  
17 take the same avenue and in fact the existence of the new  
18 order exacerbates, heightens the potential risk. Why is  
19 that?

20 The countries that are now under order are going  
21 to have to seek export markets other places in the world and  
22 who are they going to be competing with? Japan. So Japan's  
23 going to face more competition than the export markets. On  
24 the other hand in the United States they now suddenly have a  
25 market with orders on six countries. So squeeze the

1 balloon. Where does it go? The exports from the six  
2 countries go into the world, capacity from Japan heads to  
3 the United States should the orders be removed.

4 Finally, let me take a look at their economic  
5 report quickly. I suggest they not try to operate on  
6 themselves if their medical skills are an equivalent to  
7 their economic skills. First, contrary to Respondents claim  
8 the industry is not performing well in the context of the  
9 cycle particularly when you look at the cost of capital and  
10 you can see when people don't get their cost of capital the  
11 industry will downsize and shrink. That's what it means.

12 Japanese Producers contrary to Respondents claim  
13 have considerable excess and divertible capacity to produce  
14 certain welded large diameter line pipe and they wish you to  
15 believe that higher prices in the United States, although  
16 they compete everywhere in the world, will not encourage  
17 them to come to the United States when six of their  
18 competitors are now competing with them everywhere in the  
19 world and they're not competing with them in the United  
20 States.

21 They talk of a natural experiment but it is  
22 anything but. Subject and extruded pipe are different  
23 products that face different supply and demand conditions.  
24 When economists do natural experiments they make sure they  
25 are like laboratory experiments. Everything is controlled

1 but the individual factor they are focusing on.

2 In here, that is not the case. In fact the only  
3 natural experiment is to look at their exports and markets  
4 with dumping orders and markets without dumping orders. You  
5 can see that markets and dumping orders, like the United  
6 States, they are not having injurious effects and the prices  
7 are higher.

8 Finally, the comparison they use is somewhat  
9 inconsistent for the capacity figures they cite. Quickly to  
10 slides, this slide is indicative of the concepts I was  
11 talking about recently. You see that this is the divertible  
12 third market shipments. This is the excess capacity within  
13 the subject product. This is the divertible capacity to  
14 make non-subject products in those mills and this is the  
15 excess capacity there. In essence, everything in the home  
16 market can be turned to the United States should the prices  
17 become high enough and there is a lot of it. I refer you to  
18 the staff report. Finally, in terms of market  
19 switching I only ask you to look at the changes in volumes  
20 from the various countries over the three years and they  
21 suggest that depending on market conditions they will move  
22 in one direction or another. Do these firms have  
23 commitments at times? They do. When there are projects.  
24 But these projects are not extremely long-lived. They have  
25 to find new projects to keep the capacity going and they

1 will then shift countries to keep their mills open.

2 The country of choice and the price of choice,  
3 especially after these new orders is the United States.  
4 This is an odd, odd logic they have. There is now a dam  
5 against Japan and the other six countries and their  
6 conclusion from that is since we are dry now we can remove  
7 the dam.

8 That is the logic of their argument is that now  
9 that we see improvement because we have relief we could  
10 remove that relief and that given the conditions of  
11 competition, the incentives and the motives of the Japanese  
12 industry that has been demonstrated over the last three  
13 readings of the original investigation it is my opinion that  
14 removal of the orders will lead to a continuation of  
15 recurrence of material injury. Thank you.

16 MR. BRIGHTBILL: That concludes the domestic  
17 industry's presentation. We'll hold the rest of our time for  
18 any rebuttal and we're happy to answer any questions. Thank  
19 you.

20 COMMISSIONER SCHMIDTLEIN: Alright, thank you  
21 all very much for being here today. This morning we'll begin  
22 the questioning with me. So, let's just start with the  
23 respondents' main two arguments that Respondent's Counsel  
24 identified in his opening statement and I'd like to hear  
25 your specific response, right.



1                   So, the first argument is that and you've  
2 touched on it some in the testimony this morning is that the  
3 Japanese producers have shifted their focus to non-U.S.  
4 markets and that this is the best evidence, if I understand  
5 their argument correctly, that this is the best evidence of  
6 what their behavior would be if the Order were to be  
7 revoked. And if you look at the numbers of shipments of  
8 non-subject product from Japan or excluded out-of-scope I  
9 guess I should say or excluded product from Japan that those  
10 shipments have fallen sharply over the POI. So we should  
11 look at that as an analogy for what would happen if the  
12 Order were to be revoked in terms of what would happen to  
13 the volume of subject imports here.

14                   So let's start with that and if you'd like to  
15 respond to that specifically and I know the numbers are  
16 confidential but if you could, you know we don't have to  
17 talk about specific numbers but, if we could talk a little  
18 bit more than in generalities, that would be helpful.

19                   MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
20 can start and then domestic industry witnesses can testify.

21                   As far as the Japanese shifting their focus to  
22 non-U.S. markets, I think what we've already outlined is  
23 that they're able to shift back extremely quickly, and they  
24 will, to the large and attractive U.S. market. And the staff  
25 report and the Commission's evidence also show that many of

1 those non-U.S. markets are declining, are less strong, and  
2 are not going to be a focus going forward. So maybe I'll  
3 just stop there, and let the industry talk some more about  
4 that.

5 MR. RIEMER: Ingo Riemer with Berg Pipe. So the  
6 non-scope product is usually the heavy wall items that are  
7 not part of the scope. Those pipes are usually used in  
8 off-shore pipelines. So, the off-shore pipe market was not  
9 strong in the past years, especially in the period of  
10 investigation, due to the shale gas that is abandoned  
11 available on-shore. So there was not a lot of off-shore  
12 pipelines built in the period of investigation, that's why  
13 this out-of-scope product demand was rather low. And I would  
14 also to emphasize that, if you compare the first half of  
15 2018 imports from Japan, and compare that with the first  
16 half of 2019, it is a double of the imports. So they have  
17 increased in the recent year.

18 COMMISSIONER SCHMIDTLEIN: I don't know if  
19 you-all have any insight, but there was an increase in 2018,  
20 right, to these other non-U.S. markets? So I'm not sure if  
21 you can comment on that. In other words, there was a  
22 substantial increase in that year and a large proportion of  
23 their shipments went to, you know, particular regions so,  
24 there's a plausible argument for, "Well, we've shifted our  
25 focus," right?

1                   MR. BRIGHTBILL: Tim Brightbill, Wiley Rein  
2                   again. This is something that the Commission hears regularly  
3                   in sunset reviews and hears it from Japan. I think what Dr.  
4                   Kaplan showed you is the way that, because these projects  
5                   are large projects, they're lumpy, they're done on a bid  
6                   basis, it means that levels of shipments can shift from  
7                   country to country fairly rapidly, depending on what job is  
8                   won or lost. So, and that's why there's particular concern  
9                   when a country that has been demonstrated to dump projected  
10                  levels of dumping of 30%--underselling shown in every sunset  
11                  review, and in the original investigation. What would  
12                  happen if they came back into the market? In a bidding  
13                  process, where they are now dumping orders on six other  
14                  countries, we think the result is fairly clear, that Japan  
15                  would shift, just shift back to a much more attractive  
16                  market, which is here. And again, we'd love to hear domestic  
17                  views on that.

18                 COMMISSIONER SCHMIDTLEIN: OK, we'll get to you  
19                 in the OK. Dr. Kaplan and Mr. Clark, what do you all ...?

20                 MR. CLARK: Yes. This is John Clark with Stupp  
21                 Corporation and I think there's a comparable example where  
22                 you can look at our shipments from the domestic suppliers on  
23                 a year-by-year basis and they change from customer to  
24                 customer and state to state, depending on those projects.  
25                 That doesn't indicate that we have placed a higher focus on

1 customer A or customer B or one state versus another. It's  
2 an indication that we've been successful on a project in  
3 that region and it occupied several months of that year.  
4 So, for the shipments to divert from one country to another  
5 I don't think is an indication that they've changed their  
6 focus from the desirable market to simply an indication that  
7 they've been successful on a project in that region.

8 DR. KAPLAN: Commissioner there's, I think,  
9 three reasons why their analogy is inappropriate. The first  
10 is, is that the demand drivers for the subject and  
11 non-subject products are different, as was discussed here.  
12 So it's not as if you're looking at: they've chosen the same  
13 product for the same end-markets for a different market.  
14 Rather, the drivers are different.

15 The second thing that's different, going  
16 forward, is that there is capacity being built in certain of  
17 these end-markets right now which, going forward in the  
18 future, means that their opportunities in these markets will  
19 be diminished.

20 And the third reason, is the orders on the six  
21 countries, which are all export-oriented as well, as you've  
22 just discovered the last three months ago. And they will be  
23 turning their sights on these other markets. And you've seen  
24 how ferociously competitive they are and what effects they  
25 have on prices. And I would expect that to occur in the

1 third markets based on these exact products competing  
2 against each other, not other products. I don't believe it's  
3 speculation, I believe that's an appropriate economic  
4 conclusion given their behavior, their export orientation,  
5 their efficiencies at entering other markets, their ability  
6 to price at low prices as they've done here, and the fact  
7 that they will be competing there and the fact that Japan no  
8 longer faces them in the United States. So, for all those  
9 reasons, I think it's an inapt analogy and reaches the wrong  
10 conclusion. Thank you.

11 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
12 I'd just point out, in a brief we also emphasized what the  
13 staff reported: that Asia, other than China, has seen little  
14 activity for this product and we also highlighted the delays  
15 that often happen in China. And finally, we mentioned that  
16 several countries have trade restrictions of their own  
17 applying to these products from Japan.

18 COMMISSIONER SCHMIDTLEIN: OK. Can you respond  
19 to again, I know you've touched on this in terms of their  
20 capacity, right, and that they have excess capacity. The  
21 respondents argue that, for one company, they are running at  
22 high capacity. For the other company, they've made a public  
23 announcement that they're going to be shutting down one of  
24 the lines, which is going to increase their utilization,  
25 given that they're lowering their capacity and, therefore,

1 going forward, they're both going to be operating at a high  
2 capacity utilization rate. So, is you-all's argument most  
3 about shifting, or is it based on current or expected  
4 excess capacity, as it exists right now?

5 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. It  
6 really is both. So there is, obviously, the ability to shift  
7 from non-subject products to subject. But there also is  
8 available capacity. The staff report shows that and the  
9 announcement of a plan to shut down, I think our industry  
10 witnesses can testify that is we view that with skepticism.  
11 It's not the case today. So today there is capacity and  
12 there's much more divertible capacity.

13 MR. STUPP: Jason I'm John Stupp at Stuff  
14 Corporation. To that end, I'm also skeptical because I don't  
15 know why we're here if the Japanese are booked out for a  
16 long time and they have no interest in this market. But a  
17 facility, our spiral mill, was closed down for 23 months. We  
18 never said it was going out of business and no facility is  
19 ever not capable of being brought back into business unless  
20 it's cut up for scrap.

21 COMMISSION SCHMIDTLEIN: Are you were you-all  
22 aware of this announcement with regard to shutting down this  
23 particular line that's been publicly made?

24 MR. STUPP: We heard it yesterday. I have not  
25 heard of it before.

1                   COMMISSIONER SCHMIDTLEIN: Anyone else? No? Mr.  
2                   Kaplan.

3                   MR. KAPLAN: I believe the press release has  
4                   the closure date timed after the vote. Miraculously, after  
5                   all these concerns about capacity, that's the target date.  
6                   I'd also ask that the Commission and staff look carefully at  
7                   the capacity numbers. I'll say this somewhat cryptically:  
8                   any changes in capacity numbers of the POI, unrelated to  
9                   closure, if there are any, and what accounts for them, there  
10                  are descriptions. But I would say any the reasons can be  
11                  squishy. They should be investigated further.

12                  It is not as if a mill was shut and then they  
13                  took a torch and destroyed the equipment. These mills, by  
14                  the way, have an enormous life. I've done anti-trust cases  
15                  where mills have been picked up from Louisiana and shipped  
16                  to China. There's pipe and flat-rolled mills that are moved  
17                  all 'round the world. There's mills that have been closed  
18                  for a long time, stayed in the same company, and been  
19                  reopened again, as Mr. Stupp talked about his own facility.  
20                  So, while the capacity is temporarily shuttered, if it, in  
21                  fact, does close, if, in fact, the vote goes a certain way  
22                  in October, it doesn't mean that it can't be reopened again  
23                  and reopened quickly. Typically, these things are kept in  
24                  shape so that they can be either be re-sold, moved, or  
25                  reopened. Does anyone want to speak to that here, about the

1 ability how quick you can reopen a mill?

2 MR. NOLAND: John Noland with American Steel  
3 Pipe. We've all experienced closure of the mills. We've  
4 announced it. Our mill was closed. One of our two mills  
5 was closed for the entire year of 2016. We reopened it once  
6 we had opportunity. If this order is revoked, they will  
7 have plenty of opportunity to either continue operating that  
8 mill or reopen it to supply the United States with line  
9 pipe.

10 COMMISSIONER SCHMIDTLEIN: Okay.

11 MR. NORRIS: Jason Norris, Dura-Bond Pipe. I  
12 would like to further the comments that John Stupp had made,  
13 that just because a mill is closed or shuttered doesn't mean  
14 that it's not going to come back into existence unless that  
15 equipment is cut up and scrapped. Both of my facilities in  
16 Steelton, PA and McKeesport, PA were two mills that were  
17 closed, and closed for good and were never supposed to  
18 reopen, and if there's an opportunity somebody's going to  
19 take that.

20 If the demand is so strong and they have one  
21 mill running at full capacity and the other mill's running  
22 at capacity, why would they need to shut a mill down? That  
23 doesn't make -- that doesn't make any sense.

24 MR. RIEMER: Ingo Riemer with Berg Pipe. I  
25 agree with my colleagues on that, so any shutdown mill can



1 be reopened again. But as a matter of fact, Japan also  
2 increased their capacity in the past I would say eight or  
3 ten years when they invested into a brand new JC Oline in a  
4 JFE. So they increased their capacity over there as well  
5 with new equipment.

6 MS. EL-SABAAWI: This is Laura El-Sabaawi from  
7 Wiley Rein. Just one more point on Japan and their  
8 capacity. While one mill may or may not be shutting down in  
9 Japan, JFE has also publicly announced that they're starting  
10 a new mill in the United Arab Emirates. So that mill is  
11 already under construction. Presumably all of the exports  
12 that went from Japan into the Middle Eastern markets will  
13 now be served by this new mill in the Middle East, which  
14 will open up additional capacity in the mills in Japan.

15 COMMISSIONER SCHMIDTLEIN: Okay, all right.  
16 Thank you very much. Commissioner Kearns.

17 COMMISSIONER KEARNS: Thank you. Thank you  
18 all for being here today. I appreciate your testimony.  
19 Commissioner Schmidtlein asked a few of the questions that I  
20 was planning to ask, but so just some follow-ups to that. I  
21 guess, okay, so you've made out the case for why we should  
22 be skeptical about Japan's capacity utilization numbers.  
23 How about the U.S. capacity utilization numbers? I mean  
24 they're kind of strikingly low.

25 One question I have I guess is, you know, at

1 the same time that your capacity is very low, I'm reading  
2 about how you have expanded recently and how you have plans  
3 to further expand. Can you help me understand why that is?  
4 Is it a difference between some producers versus others?  
5 You know, some producers may have high capacity utilization  
6 and are expanding; others have low capacity utilization, or  
7 how do you -- how do I make sense of that?

8 MR. BRIGHTBILL: Tim Brightbill. Again, I'll  
9 pass it off to the domestic industry. But the capacity  
10 utilization, the low levels of capacity utilization are  
11 real, and the people here before you today do have capacity  
12 today. At the same time, they're responding to the needs of  
13 their customers in terms of better products, new products  
14 and ability to supply. So maybe if everyone could testify  
15 as to available capacity.

16 MR. NORRIS: Jason Norris, Dura-Bond Pipe. We  
17 have a lot of excess capacity available right now. Our  
18 Steelton facility is only running in one shift. We had to  
19 lay off our second shift in 2017. It was approximately 180  
20 people. It consisted of a shift in the pipe mill, the  
21 coating mill and the double joint mill. That was  
22 devastating to the community.

23 I mean it's hard to -- it's hard to have to do  
24 that after a number of years of having people that you've  
25 trained. You just can't go and hire anybody to run pipe

1 mill equipment and provide the quality that you need to have  
2 in quality control. You know, it becomes personal when you  
3 have to do that. So they get upset at you and they feel  
4 like you're ruining their lives and upsetting their  
5 families.

6                   So you have to have a bright future or a good  
7 one way ahead of you to commit to having a second shift, and  
8 we just -- we don't have that right now. With running one  
9 shift, we're even nervous. Our other mill in McKeesport is  
10 also running on one shift, and we could start making pipe as  
11 soon as we get the steel. Right now, the demand is very  
12 soft and the last thing we would need is to have to worry  
13 about Japanese dumped imports, because that would start  
14 immediately.

15                   As soon as the order was revoked, they would  
16 start bidding immediately and that pricing pressure would be  
17 felt within weeks.

18                   MR. RIEMER: Ingo Riemer with Berg Pipe. We  
19 are currently running both mills on two shifts, and that is  
20 an improvement compared to the past two years, where we were  
21 running on one shift or even had extensive idle time due to  
22 dumped imports. We are glad that we were able to rehire our  
23 workers, but of course we could run on three shifts. So we  
24 are currently taking orders. It's not that we are rejecting  
25 orders. So we have capacity available.

1                   MR. NOLAND: John Noland with American Steel  
2 Pipe. We did have a -- we had a very good period of business  
3 say from once the preliminary duties were announced by  
4 Commerce, from then for probably the next 12 months, we  
5 tried to respond with increased capacity to handle the  
6 demand coming out of the Permian Basin.

7                   But this demand is cyclical. We have two  
8 mills. One of my mills will shut down later in August  
9 temporarily due to lack of work. So this business comes and  
10 it goes. When it comes, you have to respond to the  
11 customers. We are project oriented. So we're trying to  
12 make pipe faster for the customer. They're demanding this,  
13 that we make pipe faster and quicker when we're given these  
14 orders.

15                   But as of right now, we have all the capacity  
16 for the end of this year, the beginning of next year. We're  
17 ready to make pipe so --

18                   MR. STUPP: This is John Stupp. I'd like to  
19 make kind of a qualitative comment. We have been hiring a  
20 lot of people. We did make -- we plan to make one move that  
21 would increase our capacity, but we're really looking at  
22 doing it to try to improve our cost effectiveness. But the  
23 challenge is that in today's age, if you have a yo-yo and  
24 you're trying to hire people and then you have to let people  
25 go, the training needs of the current workforce are much

1 more demanding, and it's very hard to get a crew up to speed  
2 and actually producing effectively.

3 So with the recent trade cases being favorably  
4 determined, we are trying to increase the number of people  
5 we have available to make product. But it's not easy and if  
6 we let dumped Japanese product come in, I think a lot of  
7 those jobs are at risk and we're back in that same cycle.

8 COMMISSIONER KEARNS: Okay, thank you. You  
9 all also have already discussed third country markets, but  
10 I'd have to say that's a pretty key issue here. Ms.  
11 El-Sabaawi, I think you had referred to the UAE capacity  
12 increase. I just want to understand a little bit better,  
13 because obviously that's an important market. The Japanese  
14 capacity in that market, is it part of a joint venture or is  
15 it their own Japanese operations that are directly invested  
16 there?

17 MS. EL-SABAAWI: Laura El-Sabaawi from Wiley  
18 Rein. As far as I understand, it's a joint venture between  
19 JFE and I'm not sure who the other parties are. But the  
20 mill is going to be producing well over 200,000 tons of pipe  
21 that will obviously go to service those markets in the UAE,  
22 maybe Saudi Arabia which according to GTA export data were  
23 some of Japan's largest export markets.

24 COMMISSIONER KEARNS: So that production is  
25 not yet online, or is it? Have they started production?

1                   MS. EL-SABAAWI: I don't know all the details  
2 about it. I saw that the ground was broken on the mill at  
3 least two years ago. I'm not sure if it is in production  
4 yet or not.

5                   COMMISSIONER KEARNS: Okay, and anything you  
6 can tell us now or after the hearing as to how to think  
7 about the joint venture. In other words, you know, will  
8 Japanese producers be less inclined to supply the market?  
9 Will they be competing against this joint venture, or will  
10 they be more likely to work with their joint venture and  
11 kind of cede the market to the joint venture? Anything you  
12 can tell us now or after the hearing as to what kind of  
13 competition we should expect there, that would be helpful.

14                   MS. EL-SABAAWI: Yeah. We can certainly  
15 provide you more on that post-hearing. I would just say, I  
16 mean regardless, it's a lot more pipe that's going to come  
17 online and be produced in the Middle East and be consumed by  
18 those markets. So I think necessarily either way, that's  
19 going to diminish the availability of those export markets  
20 for the Japanese mills, for the mills in Japan.

21                   COMMISSIONER KEARNS: Okay, thank you. That's  
22 helpful.

23                   MR. BRIGHTBILL: Commissioner, Tim Brightbill,  
24 Wiley, Rein. Just one other point. As we highlighted in  
25 our brief, during the period -- another way to look at this

1 is the average unit values. The Japanese exports certainly  
2 had higher unit values when they were coming to the United  
3 States than all of the top export destinations for large  
4 diameter line pipe.

5 That includes Malaysia, Saudi Arabia,  
6 Indonesia, UAE and Singapore. So I think that's another  
7 indication of what would likely happen upon revocation.

8 COMMISSIONER KEARNS: Thank you. Dr. Kaplan.

9 DR. KAPLAN: Yes, and I think your experience  
10 at the recent investigation of the other six countries that  
11 were coming to the United States is further evidence of the  
12 high prices and the favorable nature of the U.S. market  
13 relative to other foreign markets. As I say, these other  
14 foreign markets are going to get worse as the U.S. has put  
15 in orders now. There are orders in Canada and I think a  
16 safeguards measure in Europe.

17 So if your markets are not those markets,  
18 you're going to be seeing all the competitors from those  
19 markets enter your markets. It really is kind of a perfect  
20 storm for the Japanese in the United States, where they --  
21 if they were, if they have access, their main international  
22 competitors no longer do, at least at dumped prices due to  
23 the other investigation.

24 COMMISSIONER KEARNS: Okay.

25 Okay. Thank you.

1                   MR. RIEMER: Ingo Riemer with Berg Pipe. would  
2 like to mention one fact. When you look at the destination  
3 for Japanese exports, the main destinations are Malaysia and  
4 Indonesia. This is not the final destination for the pipe.  
5 This is due to lack of coating ability in the past years.  
6 They used the coating facilities off shore in Malaysia and  
7 Quantong and in Bonton, Indonesia, just to ship through the  
8 pipes, coat them there, and then ship them out of Malaysia  
9 and Indonesia to the final destination.

10                   So Malaysia and Indonesia do not have a big line  
11 pipe market. They do not consume those pipes. They go then  
12 to markets in Australia, in the Middle East, in Europe, in  
13 former times to Canada but now they have orders in Canada.  
14 And there's no doubt that this will be then diverted to the  
15 U.S.

16                   COMMISSIONER KEARNS: So just to repeat back to  
17 you, so the sales that they have to Malaysia aren't really--  
18 that's not really here the pipe is consumed?

19                   MR. RIEMER: Ingo Riemer, Berg Pipe. Yeah,  
20 that's correct. This is just the pass-through destination  
21 because they are coating mills.

22                   In the meantime, I've heard that they have--they  
23 are building a coating plant in Japan so that they can avoid  
24 Malaysia and Indonesia, but the past numbers that appear in  
25 the investigation, those import numbers of exports to



1 Malaysia and Indonesia, are just travel-through  
2 destinations; it's not the final destination for the  
3 consumption of the pipe.

4 DR. KAPLAN: And we'd ask the staff to follow up  
5 on that, because we're a little--it's a little opaque to us.  
6 We've heard things, but--

7 COMMISSIONER KEARNS: Okay. And I thought, and  
8 maybe I'm mis-remembering, and I know it's business  
9 proprietary so I'm going to be careful here, but I thought  
10 there was something on your briefs that suggested otherwise.  
11 So if you can take a look at that and address it  
12 posthearing, that would be helpful.

13 MR. BRIGHTBILL: Tim Brightbill. We'll do that.

14 COMMISSIONER KEARNS: Okay, thank you.

15 COMMISSIONER SCHMIDTLEIN: Okay. Alright, the  
16 second main point that the Respondents argue has to do with  
17 the 232 tariffs. So I wonder if the industry witnesses  
18 could discuss in general what the effect of the 232 tariffs  
19 have been on the industry. And then, more specifically--I  
20 assume I know what your answer is going to be--but whether  
21 you agree or disagree with their argument that the 232  
22 tariffs which are 25 percent present a drag on sales into  
23 the U.S. of subject imports?

24 And, assuming you disagree, why doesn't that act  
25 to limit the volume of subject imports from Japan?

1                   MR. NOLAND: Jon Noland from American Steel Pipe.  
2                   So upon the imposition of the 232 tariffs, it was about two  
3                   months--actually, it started before, as rumor of the 232 was  
4                   going into effect, our steel input prices, and my company  
5                   buys almost exclusively domestic steel, our steel input  
6                   prices of the domestic steel producers raised their prices  
7                   over 35 percent in the course of about three months.

8                   So they were going to match whatever the import  
9                   prices were, and in fact due to such--there was such  
10                  uncertainty at the time from importers, that for a short  
11                  period there were very little imports, and they were able to  
12                  raise their prices beyond the 25 percent of the incoming  
13                  imported steel.

14                 So our input prices, which steel is way more than  
15                 half of our price, went up over the 25 percent. Now those  
16                 prices have since moderated somewhat, as also the world  
17                 price for steel has gone down. They've had to follow that  
18                 steel, too. But the 232 was put into place for the steel  
19                 manufacturers. They were able to raise their price to match  
20                 the incoming imports by at least 25 percent, and they're  
21                 still able to do that today.

22                 So us, as we are all converters, most of us don't  
23                 make our own steel, that is just something, a cost that we  
24                 have to pass through. So obviously the Japanese producers  
25                 and the other six countries, they don't buy their steel in

1 the United States. The steel that they buy is not subject  
2 to the 25 percent. So their input costs have not gone up  
3 like ours have.

4 So because we don't make our own steel, the fact  
5 that there's 25 percent on our product just protects us from  
6 completely going out of business. So other countries would  
7 just ship their steel in here in the form of pipe if they  
8 didn't have the 25 percent on pipe, as well.

9 MR. STUPP: This is John Stupp. I'd also like to  
10 add, and Mr. Nolan's point is correct that the 232 is  
11 primarily aimed at the steel--domestic steel industry.  
12 However, if the domestic pipe producers didn't have some  
13 similar production, then the domestic steel companies would  
14 not have the demand from our companies. And so, like the  
15 201 case back over 10 years ago, if pipe isn't linked to  
16 steel, then steel doesn't have the demand from pipe  
17 producers to keep up their production.

18 MR. NORRIS: This is Jason Norris, Dura-Bond  
19 Pipe. The 232s have been a wash for us. As Jon had  
20 mentioned, our steel prices went up. We buy, again, almost  
21 all of our steel from domestic sources, and the prices went  
22 up. So therefore the price of the pipe went up. So it was  
23 no benefit to us. That was designed for the steel  
24 manufacturers. And the steel manufacturers have improved  
25 not only their capacity but their quality and they're adding

1 capacity now and newer facilities that we will benefit from  
2 domestically.

3 Also, the 232s have to be, in my opinion, looked  
4 at as temporary measures. Nobody knows. They're at the  
5 whim of the Administration. They could be gone tomorrow.  
6 They were on Canada and Mexico, and we know that they're  
7 gone. Deals were cut with South Korea, and there's talk of  
8 other countries right now as well.

9 So that is certainly not protection. We haven't  
10 benefitted, and there's certainly no protection for us  
11 because of that.

12 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
13 think my slide six sort of summarized all the 232 reasons,  
14 but one thing I didn't mention there is what Mr. Norris just  
15 mentioned. The reason why there aren't 232 duties on Canada  
16 and Mexico is the USMCA agreement.

17 Well right behind USMCA, one of the leading  
18 candidates for a free trade agreement is Japan. So it's  
19 easy to imagine that a condition of a free trade agreement,  
20 even a partial one with Japan would be the removal of the  
21 232 tariffs.

22 COMMISSIONER SCHMIDTLEIN: Okay. And on slide  
23 six you also mentioned these two sunset reviews where we  
24 talk about the 25 percent 232s, tin and chromium-coated  
25 steel sheet from Japan, clad steel plate from Japan. I

1       assume those were expedited reviews? Do you remember?

2               MR. BRIGHTBILL: I don't recall. We can check  
3       and mention it in the brief.

4               COMMISSIONER SCHMIDTLEIN: Okay. And do you  
5       recall what we said in those? I haven't looked it up. You  
6       don't recall? We have so many cases that I wish I could  
7       say I recalled every time we--

8               MR. BRIGHTBILL: Yeah, we wholeheartedly approved  
9       of what you said.

10              (Laughter.)

11              COMMISSIONER SCHMIDTLEIN: Right. You agree,  
12       right, it was brilliant.

13              (Laughter.)

14              COMMISSIONER SCHMIDTLEIN: Okay, well we will  
15       look at it for sure.

16              Alright, another argument that the Respondents  
17       make is the attenuated competition argument, which I think  
18       they've made in other reviews here. But particularly they  
19       argue that the types of pipe that they are producing are  
20       either not offered by U.S. producers, or offered in limited  
21       quantities. And these are those types that are used in  
22       Arctic, or deep-water environments, or to transport  
23       corrosive materials.

24              Would the industry like to respond to this  
25       argument? Do you offer those types of pipe? Is that the

1 type of pipe that dominates this particular category--this  
2 particular scope?

3 MR. BRIGHTBILL: Tim Brightbill. The industry  
4 can respond, but those types of products are not what  
5 dominates the scope. What dominates the scope are the  
6 products that the domestic industry makes every day, and so  
7 does the Japanese industry. But maybe you all could comment  
8 on that.

9 MR. STUPP: This is John Stupp. Having  
10 participated in the original case, clearly the subject  
11 product was what we were arguing about then. And that was  
12 where the major source of competition was, and the reason  
13 the orders were put in place. The nonsubject material,  
14 which actually goes back to the original case, some of  
15 those products are able to be competed against by domestic  
16 manufacture now, and the Japanese seemingly have dominated  
17 still in that nonsubject, which is why we want the subject  
18 order to continue.

19 MR. RIEMER: Ingo Riemer with Berg Pipe. So what  
20 is currently defined in the scope is clearly within our  
21 production capabilities. And I would say even that since  
22 the initial case our capabilities have even further  
23 increased. I understand we cannot change the scope of the  
24 order, but we are even capable to produce product that is  
25 currently out of scope, and that hurts us when those

1 Japanese pipe come into the country. But we compete on  
2 them, and--but we are usually not successful if we compete  
3 against out-of-scope product in the U.S. with Japan.

4 COMMISSIONER SCHMIDTLEIN: So as Japan shifted  
5 in terms of its specialization with regard to these pipe,  
6 are they making more of this sort of specialized pipe for  
7 other markets, versus the type of pipe that's really the  
8 focus of the scope? Mr. Kaplan.

9 DR. KAPLAN: As you could see and Mr.  
10 Brightbill pointed out, the unit values of the Japanese  
11 product are below those in the United States. So they  
12 produce a broad range of products, as do we. During the  
13 original investigation, the industry limited the scope by  
14 the type of products they could successfully produce, and  
15 didn't want to interfere with a market where they didn't  
16 think they could participate well.

17 So all the scope products could be produced  
18 forever, and the Japanese competed in all those products and  
19 still do. I just wanted to emphasize that point, head to  
20 head since 2000 in the original case in those products. The  
21 Japanese still make them, we still make them. But I think  
22 the key point that was also made though is that the industry  
23 under these orders, first in Japan and now have invested  
24 significantly in both their capital and their workforce, and  
25 many of the products that couldn't be made during the

1 original investigation now can be made, because of the  
2 significant investments and facilities and in training.

3 So the industry has taken advantage of these  
4 orders to not only with respect to capacity, but with  
5 respect to their capabilities and with respect to their  
6 workforce and all of those things are at risk should this  
7 order be removed.

8 COMMISSIONER SCHMIDTLEIN: Okay. Commissioner  
9 Kearns.

10 COMMISSIONER KEARNS: Thank you. It makes it  
11 sound like we're newscasters here.

12 (Laughter.)

13 COMMISSIONER KEARNS: So just to stay on the  
14 subject of attenuated competition, a couple of points and I  
15 guess these are things that I'm expecting to ask the  
16 Respondents as well, but I wanted to hear from you. Dr.  
17 Kaplan, I mean you just made the point about if you look at  
18 the AUVs of the Japanese producers in third country markets,  
19 that seems to sort of belie the argument that they only  
20 produce specialty product; is that right?

21 DR. KAPLAN: Yes it does, and I mean I'm  
22 referring to kind of the indirect evidence that's not  
23 contained in the staff report. But the staff itself reached  
24 conclusions. I'm looking for the section on  
25 substitutability and the staff report under the conditions



1 of competition. I believe it's on page II-13 and here's  
2 what the staff says.

3 It says on the top of page II-14 based on the  
4 data, the staff believes that there is a high degree of  
5 substitutability between domestically produced certain  
6 welded large diameter line pipe and subject large diameter  
7 line pipe imported from Japan. So your own record from  
8 confidential questionnaires supports this, and we're giving  
9 additional evidence that's either inferential or anecdotal  
10 from direct experience, or market-based information. It all  
11 reaches the same conclusion.

12 COMMISSIONER KEARNS: Right. But also we have  
13 it in the staff report as proprietary I believe, but we have  
14 what the average unit values are of the Japanese producers  
15 into third country markets, and it is quite low. It seems  
16 to me that that is extremely strong evidence that not only  
17 that they produced not just the specialty products, but also  
18 that they would see that the U.S. market is quite appealing  
19 compared to the prices they're able to get for this product  
20 in other markets.

21 DR. KAPLAN: That's the conclusion.

22 COMMISSIONER KEARNS: I guess -- so this is --  
23 yeah, this sounds like not much of a question to you all,  
24 maybe more of a question to Respondents. But I guess my  
25 question is am I putting too much weight on that, or do you

1 think that that's right, that given how low the AUVs are for  
2 Japanese producers in third country markets, that's a huge  
3 hole in their case?

4 DR. KAPLAN: I would add that it's completely  
5 consistent with all the other evidence. So we're looking at  
6 a 27 leg stool here, you know. You chop one of those off,  
7 the thing's not going to fall over, and I think that's a  
8 pretty strong leg upon which you could reach a conclusion  
9 about the substitutability of the products, but it's not  
10 dependent upon it.

11 COMMISSIONER KEARNS: Okay.

12 MR. BRIGHTBILL: Hi, Tim Brightbill, Wiley  
13 Rein. I agree there's sort of this perception that Japan is  
14 somehow only high end niche products, but our witnesses have  
15 already testified and they can again. I mean if they're let  
16 back in, they're going to be bidding on the same projects,  
17 these high volume projects that take up, you know, a shift  
18 for six months or nine months or 12 months.

19 MR. NOLAND: John Noland, American Steel Pipe.  
20 But they're going to make it on the same machinery. It's  
21 substitutable. It's not that they've built all these pipe  
22 mills that only make specialty steel and they can't make the  
23 bulk of the demand on the U.S. and the world, which is the  
24 traditional line pipe, onshore line pipe. They can make  
25 them on the same equipment and in much higher volumes.

1                   COMMISSIONER KEARNS: So I guess the only  
2 other question I have on this topic is I mean nevertheless,  
3 don't the exclusions that we have for a lot of these  
4 Japanese specialty products, doesn't that tell us something  
5 about their focus? Or is what you're saying, Mr. Noland and  
6 others, that even though they may be able to produce  
7 products that the U.S. at least when the scope was  
8 determined, that the U.S. couldn't produce.

9                   I hear you saying actually now you can produce  
10 a lot of that product. That doesn't mean that on the exact  
11 same equipment they could produce more run-of-the-mill sort  
12 of product. Is that your point?

13                  MR. NOLAND: Yes. I mean the demand, the  
14 worldwide demand and U.S. demand is more of what you're  
15 saying, the traditional line pipe. Not the specialty Arctic  
16 grades. This is a very small segment of the U.S. market and  
17 the world market.

18                  COMMISSIONER KEARNS: And you're saying for  
19 the Arctic grade material, that can be produced on the exact  
20 same equipment as the more run-of-the-mill equipment, or  
21 run-of-the-mill product?

22                  MR. NOLAND: Yes.

23                  COMMISSIONER KEARNS: Right, okay. Dr.  
24 Kaplan.

25                  DR. KAPLAN: The emphasis on those exclusions

1 was a demand side emphasis, not a supply side one. Japan  
2 could produce everything, but the domestic industry, when  
3 the original case was filed, did not want to put duties on  
4 products that at the time they had limited capability of  
5 producing. So it wasn't to meet the, you know, that's all  
6 Japan makes. It was there were some people in the United  
7 States that needed that for special end uses, you know, --  
8 service, deep sea service, and as everyone has testified,  
9 they've spent the time that the relief that was granted to  
10 now be able to produce that.

11 We're in the room and they're going yeah, we  
12 never would have filed it before, you know, with the same --  
13 we'd never file it today with the same exclusions. They're  
14 hurting us now because we can make it but, you know, so be  
15 it. That's just the way it worked given how old the orders  
16 are.

17 COMMISSIONER KEARNS: Okay.

18 MR. STUPP: This is John Stupp. Also over  
19 time, there's been some concern in the industry that there  
20 are products that are scoped fractionally above the in scope  
21 and out of scope. So a 750 wall thickness quoted at 751  
22 becomes an excluded product, and you know, the domestic  
23 industry has in 2001 basically said here's what we can make  
24 if the product's out of that scope, then we're not going to  
25 fight it.

1                   COMMISSIONER KEARNS: Okay, thank you. So I'm  
2 I guess new enough to the Commission that I can still ask a  
3 question like this, but so Dr. Kaplan and Mr. Brightbill,  
4 you've spent a lot of time talking about how Japan has  
5 virtually no home market sales. What I'd like to better  
6 understand is, I mean it seems to me that there's not a huge  
7 difference between home market sales and third country  
8 market sales.

9                   So help me understand why I should make it,  
10 you know, see them as export oriented as a big issue, where  
11 it seems to me like the real issue is, you know, are they  
12 producing for the U.S. market or do they have, you know,  
13 established relationships with others, regardless of whether  
14 or not they're a home market or in third countries. Mr.  
15 Brightbill.

16                  MR. BRIGHTBILL: Just to start, I think one of  
17 the important things is that the Japanese producers here  
18 today have established networks around the world, a  
19 distribution, a financing. So I'd like our witnesses to  
20 testify on that. But that's why it's important that the  
21 relative amount of home market sales is small. The way the  
22 Japanese industry is oriented is to have this network for  
23 exports, and they can -- that means they can more easily  
24 turn it here upon revocation.

25                  If maybe some people could add to that in

1 terms of the distribution capability and the finance  
2 capability.

3 MR. NORRIS: Jason Norris, Dura-Bond Pipe. A  
4 lot of the -- some of the Japanese mills have trading arms  
5 and they offer customers financing. The cost of money is  
6 extremely cheap in Japan. They need a place to invest it,  
7 and that makes them even that more powerful to compete with.  
8 Not only do they have the low price, but they'll finance the  
9 project for basically free and that's the way that it used  
10 to be.

11 As far as them having a premium product, if it  
12 is a premium product, normally people would be willing to  
13 pay a premium for that, right? When I was in college in the  
14 late 80's-early 90's, we were taught that the Japanese  
15 manufacturing was the best in the world, and that the United  
16 States was laughable. I think a lot of that is that  
17 perception carries forward today.

18 While the Japanese do have good manufacturing  
19 technical capabilities, there's no doubt that the domestic  
20 industry and the people sitting at this table right now can  
21 compete head to head with anyone from Japan or anyone else  
22 around the world.

23 COMMISSIONER KEARNS: Okay, Dr. Kaplan.

24 DR. KAPLAN: Yes. Traditional economic models  
25 start out with the home market, and when demand is met in

1 the home market at an equilibrium home market price, then  
2 you get an export supply curve. That has a different shape  
3 than the home market curve. So and it allows for more  
4 divertability, so and it has to do with transportation costs  
5 and home market networks.

6 So from a, you know, I teach Intermediate  
7 Trade Theory. That's kind of how you start out, and there's  
8 a long tradition of that. That's not necessarily always the  
9 case. There's different models. But you know, if you speak  
10 to your staff, if you go to the research division, you know,  
11 maybe those guys will -- you know, could kind of give us a  
12 small seminar on how economists view home markets and export  
13 markets and model this stuff. So there's a long tradition  
14 of that, just to let you know.

15 COMMISSIONER KEARNS: Okay, thank you.

16 MR. NOLAND: John Noland, one other point. It  
17 should be noted too that all the trading companies, the  
18 Japanese trading companies have offices in the United  
19 States. One of them even owns one of the largest  
20 distributors in the United States. Their channels of  
21 distribution are already here. They're ready for the  
22 revocation of these orders. They're interested in this  
23 market, very interested.

24 COMMISSIONER KEARNS: If I can just pick up on  
25 that, because Doctor, Mr. Brightbill, you mentioned this as

1 well, the distribution networks. In the U.S., I guess my  
2 question is, you know, I'm sure you have distribution  
3 networks in other ways besides this.

4 But given how much they sell of excluded line  
5 pipe in the U.S. to those customers, how much overlap is  
6 there between -- you know, are those the same customers that  
7 purchase product that's within scope?

8 And can you give us any kind of detail on that?  
9 Do you understand that question?

10 MR. CLARKE: This is John Clark with Stupp Corp.  
11 Those are exactly the same customers, and those purchases  
12 are made on the unique applications where they need those  
13 higher wall thicknesses, or lower temperature grades. It's  
14 exactly the same set of customers and the same relationships  
15 that they've got with those distributors.

16 And, Commissioner Kearns, you asked the question  
17 a minute ago whether--you know, is it important that they've  
18 established, the Japanese suppliers have established the  
19 relationships with these other countries?

20 And, you know, I think it's important to note  
21 that they've not only maintained the sales and distribution  
22 channels, but even the recently acquired additional  
23 distribution resources here. So there's not some extensive  
24 relationships with other countries that would prevent them  
25 from quickly re-entering the major part of the domestic U.S.



1 market. I think there's the motivation to do so. And the  
2 difference in the price of the domestic U.S. market versus  
3 the rest of the world would be a high motivation to do that.

4 So it would be harmful for the revocation of the  
5 orders.

6 COMMISSIONER KEARNS: Okay, Dr. Kaplan?

7 DR. KAPLAN: One other point, and I'm going to be  
8 slightly cryptic here, but in other pipe industries there's  
9 end users that are multinational and are used to using the  
10 product, and have it qualified on a worldwide basis.

11 And in some of those cases, there's a worldwide  
12 price, as well. So you have a situation where you have  
13 potentially here, but in other industries we know, pipe  
14 industries, where there are, you know, prices determined and  
15 qualifications met and distribution set up so that it's kind  
16 of seamless.

17 And there are country-specific, or end-user  
18 specific issues that maybe there's a bid that's different,  
19 but there's also ones that are based on more multinational  
20 relationships and contracts as well in other pipe  
21 industries.

22 COMMISSIONER KEARNS: Okay, great. Thank you  
23 very much. My time is up.

24 COMMISSIONER SCHMIDTLEIN: Okay. I just had a  
25 couple more questions. Another one of the arguments that

1 the Respondents make had to do with the new Buy America  
2 initiative. And so can you respond to that? Do you  
3 anticipate that that's going to impact your operations if  
4 it's finalized?

5 MR. CLARKE: This is John Clarke with Stupp. I  
6 don't see any impact whatsoever favorably for us in the Buy  
7 America, because the Buy America is specifically for  
8 federally funded projects. And I'm not aware of a federally  
9 funded pipeline that's been built in the United States.  
10 They don't build them. They're all private.

11 COMMISSIONER SCHMIDTLEIN: Okay. Alright?

12 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
13 Similarly, the early announcements of the Administration  
14 have had also no effect on this industry in terms of Buy  
15 America, for the same reasons.

16 COMMISSIONER SCHMIDTLEIN: For the same reasons.

17 COMMISSIONER SCHMIDTLEIN: For the same reason?  
18 Okay. Let's see if I had any other--okay, sort of switching  
19 gears a little bit on a different question having to do with  
20 the orders on CTL plate. Has that presented any sort of  
21 supply constraint for this domestic industry? The ADCVD  
22 Orders?

23 MR. RIEMER: Ingo Riemer with Berg Pipe. So one  
24 has to note that the domestic steel industry has done a lot  
25 of their homework. So I was testifying also in the CTL case

1 here a couple of years ago, and I have to admit that we were  
2 able to replace those plates that we were initially  
3 importing and we were able to replace that with domestic  
4 plate and coil, and it did not harm us.

5 So the domestic industry did their homework and  
6 can supply the needs that we have.

7 COMMISSIONER SCHMIDTLEIN: Alright.

8 MR. NORRIS: Jason Norris, Dura-Bond Pipe. We  
9 also manufacture our pipe, large-diameter pipe, with  
10 cut-to-length plate. I also testified at the hearing, and  
11 will also say that our domestic suppliers have stepped up  
12 their game and addressed some of the issues that we were  
13 concerned about back then when that case was heard. And  
14 right now that has no effect on our ability to have plates  
15 for making pipe.

16 COMMISSIONER SCHMIDTLEIN: Okay. Alright, I  
17 don't have any further questions. Commissioner Kearns, do  
18 you have more questions?

19 COMMISSIONER KEARNS: Just a few, not many.  
20 Actually just turning back to the Buy America issue, because  
21 I think from what I read in the staff report we call it Buy  
22 America but I think there is reference in the staff report  
23 to some Administration suggestions that, if I recall  
24 correctly, that line pipe--you know, we should find a way to  
25 make sure line pipe--maybe it doesn't say line pipe but I

1 thought it does--that line pipe sold in the U.S. should be  
2 made in the U.S. And that we should find a way--the  
3 Department of Commerce, I think, should find a way to figure  
4 out how to get there.

5 So it doesn't seem like it's just about  
6 government procurement. Do I have the facts right? And if  
7 that's right, then can you respond? I mean, where are we in  
8 that process?

9 MR. BRIGHTBILL: So, thank you--Tim Brightbill,  
10 Wiley Rein. I should clarify. The earlier Buy America  
11 pronouncements, first of all they were not mandatory. You  
12 are right, it was to the extent possible, this should be  
13 encouraged, and so forth. As far as we know, the Commerce  
14 Department did a report, which we've never seen. So there's  
15 been no effect from those earlier initiatives.

16 And then the more recent initiative, it relates  
17 directly to government procurement. And again, pipelines  
18 are not--are privately funded, and so that would--there's no  
19 expectation that that will have any effect.

20 COMMISSIONER KEARNS: Okay, thank you. And so  
21 the earlier decision was the one I was thinking of. Do you  
22 roughly recall how far back that was?

23 MR. BRIGHTBILL: Our industry recalls it quite  
24 well.

25 MR. NOLAND: I believe the President made that

1 statement on the first day of his Administration.

2 COMMISSIONER KEARNS: Okay. Okay.

3 MR. NOLAND: But nothing has ever come of that.

4 COMMISSIONER KEARNS: Okay, okay.

5 MR. CLARKE: This is John Clarke. He made that  
6 statement, but it was really more of sort of a challenge.  
7 "This is something we ought to do." There was never any  
8 order that came out of it, or anything that was enforceable.

9 COMMISSIONER KEARNS: Okay, thank you.

10 MR. STUPP: This is Mr. Stupp. I'd just like to  
11 add to that. The Commerce Department I believe worked  
12 pretty hard on trying to figure out how to do it, legally or  
13 through regulation. And as Mr. Brightbill said, they did  
14 issue a report to the Administration, but we've never seen  
15 it, and obviously nothing came out of it.

16 COMMISSIONER KEARNS: Okay. Okay, thank you.  
17 Turning back to the question I had asked at the beginning  
18 about U.S. capacity, and how I square that--you know, low  
19 capacity numbers with talk about expansions in the industry.  
20 And I have heard you all say something to this effect, so I  
21 just want to kind of get a sense of how true this is.

22 Are a lot of those expansions to enable you to  
23 produce products that are currently excluded from the scope?  
24 In other words, the products that Japan has been producing  
25 that you weren't able to produce in the past and now you're

1       able to produce it? Is that a big chunk of the expansion  
2       that we're talking about?

3               MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We  
4       might have to cover that in post-hearing, just in terms of  
5       what the capabilities are. I think it's a combination of  
6       increases to be better able to supply large quantity  
7       projects, but also not just new capacity but capacity to  
8       make new and better products that they couldn't make  
9       before.

10              COMMISSIONER KEARNS: Okay.

11              MR. NORRIS: Jason Norris, Dura-Bond Pipe. As  
12       Jon Noland had referenced earlier, capacity improvements are  
13       to satisfy our customers' demands. So we are project  
14       oriented. A project comes out, and the customer states that  
15       they need this amount of pipe delivered by this certain  
16       date. And if we don't have the capacity to do that, they'll  
17       just go to the next mill that does.

18              So there's plenty of competition here between us,  
19       so we never want to lose an order because we can't produce  
20       in the quantities and at the rates that the customers  
21       demand.

22              COMMISSIONER KEARNS: Okay, thank you. I also  
23       wanted to talk to you about the recently issued Antidumping  
24       and Countervailing Duty Orders on line pipe from other  
25       countries.

1                    Respondents argued that the new Orders  
2                    restraining the largest nonsubject sources of subject  
3                    merchandise. What changes do nonsubject import penetration,  
4                    if any, do you anticipate following these recently issued  
5                    ADCVD Orders?

6                    MR. BRIGHTBILL: This is Tim Brightbill, Wiley  
7                    Rein. I think Dr. Kaplan laid it out well. The Orders have  
8                    had, and we expect they'll have an effect on the six  
9                    countries, on their dumped and subsidized imports. But that  
10                    opens the playing field for Japan upon revocation to come  
11                    here and not have to compete with those six countries and  
12                    their major producers.

13                    And meanwhile, those six countries will go to  
14                    other markets where there aren't dumping orders and will be  
15                    more competitive with the Japanese product in those other  
16                    markets. So that's what we expect.

17                    COMMISSIONER KEARNS: Okay, thank you. Okay, I  
18                    have no further questions. Thank you.

19                    COMMISSIONER SCHMIDTLEIN: Great. Does staff  
20                    have any questions for this panel?

21                    MR. CORKRAN: Douglas Corkran, Office of  
22                    Investigations. Thank you. Staff has no additional  
23                    questions.

24                    COMMISSIONER SCHMIDTLEIN: Okay. Do Respondents  
25                    have any questions for this panel?

1 MR. HUSISIAN: No, we do not.

2 COMMISSIONER SCHMIDTLEIN: Alright, thank you  
3 very much. So we have now come--we will take a lunch break  
4 at this point. Let me remind you that the hearing room is  
5 not secure, so please take your confidential information  
6 with you. And we will reconvene in an hour at 12:35. We  
7 stand in recess.

8 (Whereupon, at 11:35 a.m., the hearing was  
9 recessed for lunch, to reconvene at 12:35 p.m., this same  
10 day.)

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1 Steel Corporation. Noriaki is the Senior Manager from  
2 Nippon Steel Corporation. And between them they can answer  
3 any questions you may have about the plans of the Japanese  
4 industry for both their non-U.S. export markets and for the  
5 United States.

6 We also have Mr. Honda here from Sumitomo  
7 Corporation. They are a trading company, and they're very  
8 familiar with the supply and demand within the United  
9 States, and the plans for the Japanese producers  
10 particularly Nippon Steel for the United States. And, Mr.  
11 Schelat who is here from a customer primarily of JFE who is  
12 familiar with some of the uses of line pipe.

13 We have a nice presentation that we're putting in  
14 ahead, but I thought it would make sense to start with a  
15 couple comments on what we saw this morning.

16 My general comment was, it was a very  
17 cut-and-paste presentation. I've done a lot of steel cases,  
18 and going back to my very first steel case which was  
19 cut-to-length plate, the presentation looked just like that.  
20 The one difference would have been in that case where we  
21 represented the French industry, Bird Steel Pipe was on our  
22 side, we actually did a Section E Verification for them and  
23 really the best you could come up with is food from the  
24 neighboring Burger King. Still kind of annoyed about that.

25 But other than that, the presentation was very

1 generic. It was--there wasn't a lot of discussion of the  
2 record. There were a few charts that were pulled out of it.  
3 But what didn't we see? I mean, what is the thing the  
4 Commission looks at the most in a sunset review? It's the  
5 trends analysis.

6           You look and say, well what's going on over the  
7 Period of Review? What's going on with prices? With  
8 revenue? With shipments? With profitability? What's the  
9 trend in that area? Is it good? And if so, will  
10 revocation change those trends? Is it bad? So revocation  
11 would pile on? We didn't see any of that discussion of  
12 trends, which is one of the key things that the Commission  
13 looks at.

14           We're going to fill in that gap. Because the  
15 trends in this POR sharply favor revocation, which is why  
16 they didn't talk about it. So that's the first thing.

17           We're going to have a lot of charts and graphs,  
18 and we're going to take you through the record so you  
19 understand what's really going on in this industry, for this  
20 POR, and how that impacts how you should look at the  
21 industry going forward.

22           A couple of responses to the economic report and  
23 the economic analysis that we saw. First of all, Kashima.  
24 That's the name of the line pipe line that is going to close  
25 for Nippon Steel. We mentioned it several times. Nippon

1 Steel mentioned it several times in their questionnaire  
2 response. They went through their whole brief and they  
3 didn't mention it. I mean, consider. There's two Japanese  
4 line pipe producers. One of them is basically having its  
5 capacity. Their case very much depends on their, the  
6 Japanese producers, supposedly having excess capacity and  
7 they don't even mention this.

8 One of the few things I said in my opening  
9 statement was we're going to be talking to you about Kashima  
10 and the closure and how this shows the Japanese are going to  
11 be operating at full capacity utilization. They went  
12 through Mr. Brightbill's remarks. He talked about excess  
13 capacity. He didn't mention Kashima. They went through an  
14 economic report, which was very much talking about capacity  
15 utilization; they didn't mention it at all.

16 If the Commission had not brought that topic up,  
17 it wouldn't have been addressed. So we're going to talk to  
18 you specifically about the impact this is going to have,  
19 because with JFE already at full capacity utilization, and  
20 with Nippon Steel closing it, it's going to have a big  
21 impact on the analysis. And not to steal too much thunder  
22 from our witness, they are, in the words of the U.S.  
23 industry, going to torch it. They're not putting a lock on  
24 it. They're not oiling the machinery and gently closing the  
25 door. It's going to be turned into a warehouse. It's not

1 going to exist.

2           They would have to start over, like a green field  
3 investment, in order to bring that capacity back. So keep  
4 in mind throughout this presentation what they aren't  
5 talking about, which is we need to look at the capacity  
6 utilization going forward.

7           Secondly, how did Dr. Kaplan put it? If this is  
8 the best economic report I can do, I shouldn't perform  
9 surgery on myself? I have to admit, if I knew that was a  
10 requirement to do an economic report, I probably wouldn't  
11 have taken it on. I didn't realize that was part of the job  
12 description. It kind of made me feel bad until I remembered  
13 something really important. Which is, if you're doing an  
14 economic report, one of the key things you need to do is be  
15 internally consistent.

16           So what were some of the things that they said?  
17 Well, one was demand is probably going to fall off in the  
18 U.S. market. Well what does the prehearing brief say? It  
19 says, quote, "U.S. demand has been, and is expected to  
20 remain relatively strong." That's not from our prehearing  
21 brief, that's from their prehearing brief.

22           So looking forward, don't listen to their  
23 economic report based on a sky-is-falling view of demand is  
24 good now, we're at the peak and things are going to fall  
25 off. Instead, look at it from the perspective of their

1       brief.

2                 Secondly, they made fun of what we call the  
3       controlled experiment, which is line pipe.  And how did Dr.  
4       Kaplan put it?  Quote.  "They are different products that  
5       face different supply and demand conditions."

6                 Okay, so what did they say about these nonsubject  
7       line pipes in their brief?  On page 32 of their brief where  
8       they're talking about it, they said "These exports" this is  
9       a quote, and it's talking about the nonsubject exports,  
10       "These nonsubject exports consist in large part of sizes and  
11       dimensions that are excluded from the AD Order on Japan, but  
12       that are very similar to subject merchandise."

13                Very similar to subject merchandise.  They're  
14       line pipe.  They're used for line pipe uses.  Yes, they can  
15       be thicker, but they're made on the same line in Japan.  
16       There are other forms of line pipe.  And, and this is the  
17       key, they are not subject to antidumping duty tariffs.

18                So if you want to see what the intentions are of  
19       the Japanese industry, compare what happened to the  
20       nonsubject sales of line pipe to the United States to their  
21       nonsubject sales to Asia.  That is the controlled  
22       experiment.  We're going to have the data on that and you're  
23       going to see it later on.

24                Finally, the Commission raised the good point,  
25       which is they asked about the Section 232 in prior cases.  I

1 would point you to page 60 of our brief, because they  
2 selectively pull a couple of cases where there was  
3 revocation even where Section 232 was in place. We're not  
4 saying Section 232 guarantees there should be revocation.  
5 Rather, Section 232 is an important condition of  
6 competition. As each of you said, it's basically a drag on  
7 exports to the United States. And consider what the  
8 Commission said in Stainless Steel Bar from Brazil, India,  
9 Japan, and Spain, and this is a quote, "The continued  
10 application of the 25 percent tariff imposed under the  
11 Section 232 trade action could serve as an additional  
12 deterrent to Spanish producers consider the U.S. as a  
13 potential export market. Given the dedicated focus of the  
14 Spanish industry on its home market and other EU markets,  
15 it's limited excess capacity, its existing corporate supply  
16 relationships and more attractive pricing in the EU, the  
17 Spanish industry has little incentives to return to  
18 exporting significant volumes of stainless steel bar to the  
19 U.S. market if the order were revoked."

20 That's the correct analysis. Section 232 is not  
21 an end-all and a be-all, but it's an important factor.  
22 Putting a 25 percent steel tariff on exports to the United  
23 States makes it harder to sell to the United States. Those  
24 tariffs don't exist when you sell into Asia, when you sell  
25 into the Middle East, when you sell into other countries.

1           That impacts the relative profitability of the  
2 two markets. It's not a question of whether it's helping or  
3 hurting the U.S. industry--although it obviously is--it's a  
4 question that goes to the essential character of the  
5 question before this Commission: Will the Japanese imports  
6 surge, as they say? Or are the imports going to remain  
7 small and stable, as we say?

8           One other thing, going back to Kashima, just one  
9 thing just really irked me that Dr. Kaplan said when he said  
10 isn't it convenient that it was only when this case came  
11 about that they announced the closure of Kashima?

12           We're well aware as attorneys, and our clients  
13 are well aware, that everything submitted in this case is  
14 under oath. The closure was publicly announced, and we have  
15 it up here, it's not just in our questionnaire response, it  
16 was publicly announced in the earnings for the 2018 earnings  
17 summary by Nippon Steel.

18           It had to be cleared with the union. It had to  
19 be set ahead of time. It's not something you turn on a dime  
20 like, oh, hey, why don't we just shut down a line pipe. It  
21 is going to happen. It will happen in October. It's  
22 publicly announced. People are being moved out of their  
23 jobs. They are going to clear it out and turn it into a  
24 warehouse.

25           To suggest that this was something that was made



1 up for purposes of this Commission, when we are here under  
2 oath, when I am here almost 30 years into my career as an  
3 International Trade attorney, I don't want to leave that  
4 unaddressed. Because that was beyond the pale.

5 It really is going to happen, and we will provide  
6 further details about it confidentially in our post-hearing  
7 brief. Because while it has been publicly announced, the  
8 way it's going to be done obviously is confidential.

9 So to begin, we thought we would begin with the  
10 economic case for revocation starting on the foreign  
11 factors. Now as you already know--

12 MR. BISHOP: Greg, I need you stick with the mike.  
13 The Court Reporter isn't picking you up.

14 MR. HUSISIAN: Okay, my apologies. As you know,  
15 there's differing views of the record. Their view is the  
16 Japanese have historically dumped within the United States;  
17 that we have excess capacity; that the U.S. market is quite  
18 attractive and large; and the U.S. industry is vulnerable.

19 So if you put them together, you have a Japanese  
20 industry that's poised to surge into the U.S. market. In  
21 other words, if I were to sum it up in a graph or a picture,  
22 it looks a lot like this (indicating). Godzilla is about to  
23 come and is going to destroy the U.S. line pipe industry.

24 Now necessarily we have a differing view of the  
25 record. We have a very simple calculus, as I talked about

1 this morning, which is that we have a focus on non-U.S.  
2 markets which can be seen by the sharply increasing sales to  
3 the markets. We have high future capacity utilization based  
4 on, we already know JFE is high, and we know about the  
5 situation for Nippon closing one of its pipe mills.

6 Section 232 duties are onerous and very expensive  
7 to pay, and they make the U.S. market very unattractive.  
8 And put together, we have the diminished ability and  
9 incentive to serve the U.S. market. And again this is  
10 proven by the nonsubject line pipe sales trends.

11 Further, if you look at the trends, the U.S.  
12 industry is strong and getting stronger over the POR. It  
13 has numerous trade protections, including new orders on six  
14 countries which represent nearly all import sources and  
15 which accounted for a great deal of the U.S. market. And if  
16 you put that all together, a minimal impact from revocation.  
17 Or, if you were to put this into one picture, you have Hello  
18 Kitty.

19 So what we thought we would do, and what would be  
20 most helpful would be to go through the economic report,  
21 which staff so ably put together, and to put it in the  
22 context of the actual claims of the U.S. industry. So we  
23 have taken three parts, three paragraphs from the U.S.  
24 industry where they summarize their case, and we're going to  
25 go through them one by one starting on the foreign side.

1           So the first thing they say is: Absent the  
2           antidumping order, they will undoubtedly focus their exports  
3           to the United States. Well, we like to go to the record.  
4           And what the record shows is that Japanese sales are up more  
5           than 65 percent to non-U.S. markets.

6           That is a big number, and that shows their focus  
7           on other markets.

8           Further, once again, our exports of nonsubject  
9           line pipe, which are not covered by any orders, fell by more  
10          than 35 percent. And the charts are in the record as  
11          Attachments J-3 and J-4.

12          Further, as we have said, the United States has  
13          these unique Section 232 duties which, as Commissioner  
14          Schmidtlein said, are a drag on exports to the United  
15          States. Second, they say the conditions of competition are  
16          largely unchanged from the prior review. And they focus on  
17          things like what is line pipe? And what does it do? But  
18          the economic conditions of course have sharply changed.

19          POR-2 had the largest recession in the last 75  
20          years. The improving price sales and profitability trends  
21          that my colleague Janlain is going to talk about are sharply  
22          different in POR-3 than they were in the last Period of  
23          Review. And, once again, they didn't have Section 232  
24          duties.

25          So even though the product is the same, and the

1 way it is used is the same, the economic conditions of  
2 competition have changed very much. And that's even before  
3 we get to the imposition of the antidumping and  
4 countervailing duty orders.

5 Now this chart right here, it's drawn from E-4,  
6 and not to worry, it does not include the one column that is  
7 APO, so staff doesn't need to scurry over and check that.  
8 This is showing just how big those orders were.

9 The blue line from the staff report is the import  
10 sources that are now covered by those new dumping orders.  
11 The little red chip at the top is what's not covered. These  
12 blue exports amount to, I think the exact figure is  
13 confidential, but to a great deal of the U.S. market. And  
14 those are now subject to large antidumping duties.

15 So not only is the industry performing well,  
16 whether measured by prices, sales, revenue, shipments,  
17 market share. This is the future. It is only going to get  
18 better, as Ms. Scott is going to discuss.

19 Next, they say we have the ability and incentive  
20 to increase our exports to the United States. Again,  
21 looking back to, as previously found. But again, there are  
22 so many changes. We have the sharply rising Japanese sales  
23 to non-U.S. markets. We have the closing of Kashima. They  
24 don't think it's worth mentioning. We think it is. It's  
25 not going to be the last time we mention it.

1           And what was Japanese capacity utilization in the  
2 last review? It was as low as 33 percent. I would submit a  
3 change from 33 percent to 100 percent is a big change. And  
4 once again we have Section 232.

5           Again they talk about the high levels of unused  
6 capacity, and the only thing I would note in addition to  
7 Kashima is this closure is part of long-standing efforts.  
8 The Japanese industry going back for more than a decade has  
9 been taking steps to right-size its capacity, and to balance  
10 what it can sell with what it can make. And this is all  
11 part of that long-term record. And once again, the closure  
12 is publicly announced.

13           So here it is for the first time in something that  
14 is not our questionnaire response. This is from the Nippon  
15 Steel Earnings Summary discussing fiscal year 2018 from May  
16 9th, 2019. As you see at the bottom, it publicly announces  
17 the closure. And the purpose is to establish a lean  
18 production framework and target the high-end market.

19           So this is the reality, and this is what you need  
20 to take into account when you're considering the incentives  
21 and the ability to sell to the United States.

22           Next they talk about the interest in the U.S.  
23 market being evident from the large volumes of nonsubject  
24 shipments into the United States. So this would be a true  
25 statement if by "large volumes" they're using it as a

1 synonym for small with declining volume.

2           The reality is, the shipments to the United States  
3 fell sharply over the POR, and in no time frame were they  
4 significant when compared to the huge size of the U.S.  
5 market. And they also amounted to a tiny percentage of  
6 sales into other markets. It's very clear that even when  
7 you have line pipes that are not subject to dumping duties,  
8 their overwhelming preference is to sell them into other  
9 markets, primarily Asia but also into the Middle East and  
10 other areas. Because, again, they're not subject to dumping  
11 duties and you can compare what they do with that exact type  
12 of nonsubject line pipe and compare it to what they do in  
13 other markets.

14           Once again, they talk about underselling and, as  
15 they like to do, they went back to the POI and to prior  
16 reviews. So one thing I would point out, the Japanese  
17 basically weren't selling subject merchandise into the  
18 market, so there's very few comparisons. There's nine  
19 total, and I can't go into the tonnage because it's  
20 confidential but it's extremely small. Trying to draw  
21 something out of this would be like taking a major league  
22 baseball batting average after two games and trying to  
23 extrapolate and say, look, this person is going to be  
24 batting 742. That's amazing.

25           It doesn't really tell you that much. More

1       importantly, I would point you to the variations within the  
2       pricing series, the six pricing series that were gathered.  
3       They compare things like the price ranges from 18 to  
4       24-inch-thick pipe. I mean, just think of the difference  
5       between an 18-inch pipe and a 24-inch pipe. There's more  
6       than twice as much steel in a 24-inch pipe, I believe.  
7       It's a big difference. So if you had a huge data set, then  
8       this might even out over time, but over such a small data  
9       set it's hard really to draw anything from the underselling  
10      data.

11                 But what we do know is, why do people undersell?  
12      It's to increase their market share and to pick up sales.  
13      And sales to the U.S. market were falling. It would be  
14      economically irrational for the producers to have been  
15      pricing the products as low as possible so they could sell  
16      less and less of it. So that right there tells you all you  
17      need to know about the underselling data.

18                 So what is the verdict if you were to put this  
19      together? We came up with something that we think will  
20      become a fixture of future cases, which is the Hello Kitty  
21      Injury Meter. So the question is: Are we Godzilla? Or are  
22      we Hello Kitty? And those are the nine main case, the nine  
23      main points that they make about the ability of the United  
24      States to be injured. And we find that in all nine of them  
25      it's not supported by the record.

1           So as you can see, Hello Kitty is quite  
2 embarrassed. So we're going to stop right there and move on  
3 to consider what the record actually shows. So it's  
4 summarized in Confidential Attachment J-9. Japanese sales  
5 are sharply rising to non-U.S. markets, and sharply falling  
6 to the United States. And this is especially true for  
7 nonsubject Japanese sales to the United States which are not  
8 covered by antidumping or countervailing duty measures.

9           Further, the closure of one of the two Nippon  
10 Steel lines means that going forward the Japanese industry  
11 is going to be at full capacity. And again, not only is it  
12 hard for them to sell into the United States, given that  
13 they would have to divert products from other long-standing  
14 customers, but the question becomes: Why would you do that?  
15 Why would you divert products from sales into Asia, or into  
16 other markets, when you would have to pay these large and  
17 onerous tariffs within this market?

18           So next up we thought it would be good for you to  
19 hear from the Japanese industry. We are going to start with  
20 Mr. Masaaki Doi from JFE Steel Corporation. He is going to  
21 talk to you about the role that line pipe sales play in both  
22 the foreign and the U.S. market.

23                           STATEMENT OF MASAASI DOI

24           MR. DOI: My name is Masaaki Doi. I am a General  
25 Manager of JFE Steel Corporation. I appreciate the



1 opportunity to appear before you today.

2 I have been at JFE Steel for 28 years. We have  
3 seen many trade cases in this time. As a result, I know  
4 when an antidumping order does not serve any purpose, and  
5 that is the case for the Japanese line pipe order.

6 Today I will be covering four points:

7 First, I will discuss the many efforts that JFE  
8 Steel has made to develop new customers outside the United  
9 States, including how quickly sales are growing in those  
10 markets.

11 Second, I will provide details regarding why JFE  
12 Steel will continue to concentrate on these non-U.S.  
13 customers going forward.

14 Third, I will discuss the various reasons why the  
15 U.S. market is not an attractive place to try to increase  
16 sales of line pipe in the future, regardless of whether an  
17 antidumping duty order is in place.

18 Fourth, I will discuss our sales of nonsubject  
19 line pipe into the United States and how this is a model of  
20 our future sales.

21 JFE Steel is a global steel maker with  
22 world-class technology. We try to participate only in  
23 markets where we have a technological edge and can exploit  
24 our many investments into high-tech steelmaking.

25 This includes our line pipe division which

1 specializes in high-end products that are suitable for  
2 extremely stressful environments such as "sour"  
3 applications, drilling in deep water, and drilling far  
4 beneath the surface. In these extreme environments, the  
5 quality of the line pipe is very, very important as a break  
6 is difficult or impossible to fix. It is for these  
7 environments that the JFE Steel products are especially well  
8 suited.

9           In the years since the original line pipe case,  
10 we have made every effort to identify worldwide markets that  
11 are well suited for the high-end line pipe that JFE Steel  
12 sells. While we have occasionally sold these types of  
13 high-end line pipe into the United States, in most cases we  
14 have found that the non-U.S. markets represent the best  
15 sales opportunities for us.

16           These efforts have fully paid off. In recent  
17 years, our sales to non-U.S. customers have more than  
18 doubled. And we know that our investment in developing  
19 these customers will continue to be our focus for years to  
20 come.

21           In several cases, we are delivering line pipe  
22 pursuant to long-term contracts, thereby locking in demand  
23 for years to come. In others, we are working with companies  
24 where we have developed long-term relationships and where we  
25 partner to develop the specific type of line pipe that they

1 need for their own unique, high-stress applications. Our  
2 relationships are long term, profitable, and take advantage  
3 of all of our investments in developing line pipe that is  
4 perfect for these high-stress applications.

5 In order to build and consolidate relationship  
6 with our customers, we often go through a costly and lengthy  
7 qualification process which also takes a lot of time and  
8 effort.

9 As a result of these long-term efforts to develop  
10 customers outside the U.S., JFE is operating at basically  
11 full capacity. This is not by accident. Over the last few  
12 years, we have carefully managed our supply and sales to  
13 keep them in balance.

14 We have submitted our business plans to the ITC.  
15 Although I cannot go into the confidential details in them,  
16 I can assure the Commission that they represent real sales  
17 opportunities intended to keep us in our current position:  
18 operating at full capacity utilization through serving the  
19 many non-U.S. customers that we have spent years developing.

20 We are committed to serving those customers, many  
21 of which we have worked with for many, many years. Having  
22 developed those relationships over so many years, we will  
23 not abandon them to pursue short-term sales opportunities in  
24 the United States, especially given how costly it is to pay  
25 Section 232 duties.

1           My understanding of the Sunset Review process is  
2           that the Commission is trying to predict how the Japanese  
3           producers will respond if there is no order, and how this  
4           might impact the U.S. industry going forward.

5           In this regard, I believe that the Commission  
6           need look no further than the Japanese sales of nonsubject  
7           line pipe into the States. We sell these forms of line pipe  
8           in limited quantities, often selling line pipe types not  
9           even made by the U.S. producers. As such, they represent  
10          the forms of line pipe where we are best able to serve the  
11          U.S. market. Yet even for these nonsubject forms of line  
12          pipe which have no dumping duties, our sales have been  
13          small and only to a few selected customers for critical  
14          forms. This shows our consistent business model and  
15          commitment to our customers in other markets.

16          In short, in order to use our limited capacities,  
17          we serve our long-standing customers in the first priority,  
18          both in the U.S. and elsewhere. We do not anticipate  
19          expanding beyond these select U.S. customers in particular,  
20          regardless of whether the line pipe order is revoked. Doing  
21          so would require us to abandon our long-standing customers  
22          in other markets. We have a commitment to these customers  
23          and we will not do so.

24          I will be happy to respond to any of your  
25          questions. Thank you.

1           MR. HUSISIAN:   Next we have, since there's two  
2   steel producers, we brought both of them before you today,  
3   Mr. Noriaki Yanohara who is here from Nippon Steel  
4   Corporation.  And he is going to talk about what is going on  
5   at that producer, including what is going on with their  
6   closure of one of their two line pipe facilities.

7                           STATEMENT OF NORIAKI YANOHARA

8           MR. YANOHARA:   My name is Noriaki Yanohara.  I  
9   am a Senior Manager of the Line Pipe Products Marketing  
10   Department at Nippon Steel Corporation.  In this position, I  
11   am well aware of both worldwide trends for line pipe sales  
12   and the ability of Nippon Steel to produce and supply line  
13   pipe products.  I appreciate the opportunity to appear  
14   before you today.

15                   Today I want to cover three main points:

16                   First, I will discuss the business strategy of  
17   Nippon Steel to develop new customers outside the United  
18   States, and why Nippon Steel will continue to concentrate on  
19   those customers and markets going forward.

20                   And second, I will discuss the efforts of Nippon  
21   Steel to balance its supply and demand for line pipe and why  
22   we are closing one of our two line pipe mills.  As a result  
23   of this closure, which has been publicly announced and will  
24   be occurring in the next few months, we will be at full  
25   capacity going forward.

1           And third, I will discuss our business strategy  
2           and why the U.S. market is not a major part of our business  
3           development plans.

4           Nippon Steel takes pride in using its innovative  
5           technology to develop steel products that can serve  
6           specialized needs. We invest considerable time and effort  
7           into developing new products that allow Nippon Steel to be a  
8           first choice when it comes to the hardest steel jobs. For  
9           line pipe, this means we have developed products that are  
10          suitable for the harshest environments, including in deep  
11          water, high pressure, and sour environments.

12          Our sales targets for these high-end pipes most  
13          often are outside of the United States. We work closely  
14          with our customers to develop long-term relationships. In  
15          some cases, we work to meet very specific line pipe  
16          specifications for very demanding environments and even go  
17          through a lengthy prequalification process. Our customers  
18          outside the United States are, and always will be, our main  
19          source of demand.

20          I have read the prehearing brief of the U.S.  
21          industry. I see that they make several claims about Nippon  
22          Steel and the Japanese industry that I knew are inaccurate.

23          First, they say that we have a lot of excess  
24          capacity. But this is not the case. We have publicly  
25          announced that we will be shutting our Kashima line pipe

1 factory. This will basically cut our capacity in half.

2 By shutting it, I do not mean that we will put a  
3 padlock on our door. Rather, it will no longer be an  
4 operating mill. We will remove all of our equipment. We  
5 will turn the building into a warehouse factory. We are  
6 reassigning workers to other jobs. Reopening the factory  
7 would be like starting an entire new mill, needing new  
8 permits, union approval, and entirely new equipment.

9 This is very important. By cutting our capacity  
10 basically in half to produce line pipe, we are taking the  
11 necessary steps to align supply and demand. The change is  
12 permanent, and it means we will be operating a very high  
13 capacity utilization in the future. The U.S. industry is  
14 wrong to say otherwise.

15 Second, I see the U.S. industry is speculating  
16 that our sales to customers outside the United States might  
17 fall, forcing us to divert sales to the United States. We  
18 will respond to this fully in our post-hearing brief, as our  
19 business planes and customers are confidential. But to be  
20 clear, Nippon Steel has worked hard to develop long-term  
21 customers outside the United States. We have spent a lot of  
22 time, effort, and money on these relationships, because we  
23 plan to work with these customers for many years to come.  
24 We will not abandon them.

25 We also do not have plans to sell a lot of

1 product into the United States. The U.S. market is right  
2 now a very difficult market. We have not been making major  
3 sales into the U.S. market, so we do not have the same types  
4 of sales network as a company that sells hundreds of  
5 thousands of tons of line pipe a year to customers in the  
6 United States.

7 Also, Section 232 duties make it very expensive  
8 to make any money when selling into the United States.  
9 Increasing sales into the United States just is not a  
10 priority when we have better relationships with other  
11 customers which we can supply without paying 25 percent  
12 tariffs.

13 While we anticipate making some sales, they will  
14 be strategic and small, and at prices that would be high  
15 enough to make a profit--even taking into account any  
16 Section 232 tariffs.

17 I am happy to respond to any of your questions.  
18 Thank you very much.

19 STATEMENT OF JENLAIN SCOTT

20 MS. SCOTT: Good afternoon. My name is  
21 JenLain Scott and I appear before the Commission today on  
22 behalf of the Japanese producers, to explain why the U.S.  
23 line pipe industry is in a strong and improving state, and  
24 this order on the Japanese line pipe has run its course and  
25 should be revoked. I'd like to start with the overview of



1 the state of the U.S. industry.

2 First, the domestic industry has been  
3 performing well, performed well over the Period of Review  
4 and is not in a vulnerable state. While you heard the  
5 opposite this morning, it is clear by both our prehearing  
6 brief and the staff report, the data shows the U.S. industry  
7 is in a stable and ever-increasing position.

8 For example, the staff report found apparent  
9 U.S. consumption of quantity increased over the annual  
10 period from 2000 to 2018, nearly tripling, and the  
11 industry's financial performance went from operating loss to  
12 operating profits. Furthermore, the U.S. industry has  
13 captured over half the domestic market, and with the current  
14 protections in place, the U.S. industry share is only  
15 likely to increase.

16 Next, based on -- the domestic industry is  
17 poised for success based on the current trends, even if the  
18 U.S. industry is trying to claim otherwise. Again, the  
19 Period of Review shows the industry is improving in many  
20 relevant indicators, sales, revenue, market share, domestic  
21 consumption, shipments, net value and even costs of labor.  
22 The United States is experiencing an energy boom which  
23 increases demand for line pipe for both the traditional pipe  
24 projects, such as transporting the oil and gas long  
25 distances, and the newer endeavors like shale extraction and

1 deepwater exploration.

2                   With these new projects come both long term  
3 demand for commitments and supply of line pipe, and the new  
4 need for maintenance and repair pipe.

5                   Third, the recent anti-dumping orders on line  
6 pipe from Canada, Greece, Korea and Turkey will cause the  
7 U.S. market share to dramatically increase. These imports,  
8 the imports from these countries were fast increasing and  
9 with the anti-dumping and/or countervailing duties now in  
10 place, the U.S. industry will be able to recapture a large  
11 portion of that market share.

12                   Further, the order on Chinese and Indian line  
13 pipe that was already in place has been maintained,  
14 continuing to protect the U.S. industry. Lastly, the  
15 Section 232 duties are in place and making imported steel  
16 products into the U.S. largely unattractive. For imports to  
17 be profitable, they need to be priced significantly higher  
18 than previous prices to offset the difference of the tariff.  
19 The Japanese producers do not find the U.S. market to be  
20 very attractive when these types of extreme duties are in  
21 place or can easily be put in place, even if the U.S.  
22 industry disagrees.

23                   I urge the Commission to focus on today, and  
24 that is what is currently going on in the U.S. industry,  
25 including the Section 232 duties.

1                   I'd next like to focus, as my colleague did,  
2                   on a specific section from the U.S. industry's prehearing  
3                   brief. First, the U.S. industry says the revocation of the  
4                   order would likely cause substantial deterioration of the  
5                   U.S. industry's commercial and financial indicators. I  
6                   would like to demonstrate, as my colleague did, that these  
7                   statements are not a true representation of the current U.S.  
8                   industry.

9                   The commercial and financial indicators of the  
10                  U.S. industry have been improving since 2000, as our graph  
11                  shows. It's due to -- in part due to a long term energy  
12                  boom. But not only has the consumption increased, but it's  
13                  actually that the consumption value has been improving and  
14                  outpaced consumption overall. This is a long-term trend  
15                  that will not be substantially impacted by the revocation of  
16                  this order.

17                 Additionally, the U.S. producers are gaining  
18                 market share, as evidenced by our chart also provided in our  
19                 prehearing brief. This is the backdrop that helps explain  
20                 the Period of Review trends, which again we should focus on  
21                 this Period of Review rather than the prior. Since the  
22                 industry is well-positioned and only getting stronger,  
23                 revocation would not do the damage and could not do the  
24                 damage that the U.S. producers are arguing. Next, I'll use  
25                 the -- this would result in renewed material injury to the

1 domestic producers. However, there is no such risk of  
2 renewed material injury because the U.S. producers are  
3 seeing more positive metrics in each relevant category. For  
4 example, the average operating income per ton has  
5 dramatically increased over the Period of Review.

6 Next, what is incredibly telling is the  
7 dramatic increase in shipments and value from the first  
8 quarter of 2018 to the first quarter of 2019. With the new  
9 anti-dumping order in place and not in effect during this  
10 Period of Review, the U.S. industry is poised to capture  
11 even more of the domestic market. This demonstrates not  
12 only that material injury is highly improbable, but that the  
13 industry is actually likely and going to improve.

14 Next, the U.S. argues that the U.S. is finally  
15 on the verge of recovery in this industry. However, it's  
16 inaccurate to say that the U.S. is only on the verge of  
17 recovery as the profitability has increased strongly over  
18 the Period of Review, and the additional protections poise  
19 the U.S. for even greater success, again showing the same as  
20 previously demonstrated by this chart.

21 Average operating income has increased over  
22 the Period of Review. Sales have increased, especially as  
23 the Period of Review due to have closed, and prices have  
24 increased. Next, the U.S. argues that it's currently in a  
25 vulnerable state. However, prices have steadily risen as

1 shown by both the average unit values and the five pricing  
2 series in the staff report.

3 As even stated in the staff report, domestic  
4 prices increased for certain products by up to 105.1 percent  
5 during January 2016 through March 2019. Next, the U.S.  
6 industry says a return of even modest volume of subject  
7 imports at dumped prices would quickly overwhelm the U.S.  
8 market. This claim that a modest volume of subject imports  
9 would quickly overwhelm is unreasonable, as the U.S. is  
10 receiving protections from nearly all import source.

11 Now I know that this is the chart for the  
12 non-subject merchandise. However, the subject merchandise  
13 or the overall anti-dumping duty chart is much larger and  
14 does not display as nicely as this one in a compact form.  
15 So this is purely an example of the protections that are in  
16 place for the U.S. industry.

17 The anti-dumping or countervailing duties  
18 orders was a large order and any slight increase of the  
19 Japanese exports would not greatly impact the industry.  
20 Further, with the Section 232 duties in place, the Japanese  
21 producers have no incentive to dump product into the U.S.  
22 market. Next, the U.S. industry says that the Japanese will  
23 take major projects and other sales from U.S. producers.  
24 However, as demonstrated here, the Japanese non-U.S.  
25 exports rose over the Period of Review, and the Japanese are

1 going to continue to focus, as you've heard today and in our  
2 prehearing brief, on other more profitable markets with less  
3 severe tariff regimes.

4           Additionally, the Japanese producer's exports  
5 for non-subject merchandise have decreased over the Period  
6 of Review, showing how the Japanese are going to continue to  
7 bring product into the United States. This directly  
8 contradicts the U.S. industry's belief that the Japanese  
9 producers would take major products from the U.S.

10           And lastly, the U.S. industry argues that any  
11 revocation of the order would have a significant adverse  
12 impact on the domestic industry. With the United States'  
13 long-term pricing, shipments and profitability increases, it  
14 is not on the verge of suffering a significant adverse  
15 impact. There's no evidence to show that small and stable  
16 imports from Japan would have such an impact, especially  
17 given the size of the market covered by the new  
18 anti-dumping and countervailing duty orders.

19           Additionally, increasing demand, increasing  
20 shipments and market share are trends that will continue  
21 throughout, as we move past the Period of Review. There's a  
22 strong and growing demand for certain large diameter line  
23 pipe, and there's no evidence to support that such small --  
24 the claim that such small and stable imports from Japan  
25 would have a significant adverse impact on the domestic

1 industry. In conclusion, the market demand increased in the  
2 U.S. throughout the Period of Review due to the energy boom.  
3 The industry has seen increased profitability of U.S.  
4 producers, and the trends accelerating over the Period of  
5 Review for both profitability and prices.

6 We now have coverage from the new anti-dumping  
7 and countervailing duty orders, which will only accelerate  
8 the favorable trends, as will the ongoing coverage from  
9 these Section 232 duties continue to protect the industry.  
10 This order has outlived its effectiveness and as the U.S.  
11 industry no longer needs the protection from Japanese  
12 producers who focus on niche products in markets other than  
13 the United States.

14 To demonstrate how the U.S. would benefit from  
15 a revocation of this order, I'd like to introduce our next  
16 witness Mr. Yuki Honda, director of the Mid- and Downstream  
17 Unit, Tubular Products from Sumitomo Corporation of America,  
18 to discuss how the Japanese deal is sold into the U.S.

19 STATEMENT OF YUKI HONDA

20 MR. HONDA: Yes, my name is Yuki Honda. I am  
21 the Director of the Mid and Downstream Unit in the Tubular  
22 Products Group at the Sumitomo Corporation of Americas.  
23 Sumitomo Corporation of Americas is a large trading company  
24 that sells line pipe in the United States. I am very  
25 familiar with the U.S. line pipe market, as well as how

1 Nippon Steel's line pipe serves U.S. customer needs.

2           The Nippon Steel line pipe we sell into the  
3 U.S. market occupies a very specific niche. Nippon Steel  
4 has never tried to be the company that sells all kinds of  
5 line pipe for all customers. Instead, the Nippon Steel is  
6 for customers seeking line pipe that can handle the harshest  
7 environments, such as deepwater application or oil  
8 application and so on.

9           Nippon Steel is never going to sell huge  
10 quantities of commodity grade line pipe at low prices. It's  
11 just premium product that is used in environments where  
12 quality, reliability and ability to meet the tightest  
13 specification that allows the customers to pay a premium for  
14 the product. The Nippon Steel line pipe we sell into the  
15 United States is not subject merchandise. Our sales of this  
16 non-subject merchandise, not impacted by the anti-dumping  
17 order and is sold in small quantities reflects how subject  
18 Japanese line pipe would be sold into the U.S. market if  
19 the line pipe order were revoked.

20           The sales will be of niche products that only  
21 few suppliers make, intended for customers who are willing  
22 to pay a premium for the kinds of high quality, close  
23 tolerance line pipe that Nippon Steel sells. Where such  
24 sales opportunities are not present, we do not pursue them.  
25 As you might imagine, the Section 232 duties negatively



1 impact the entire industry. the sales of steel products  
2 generally do not have a large profit margin, even for the  
3 kinds of high end steel products manufactured by Nippon  
4 Steel and sold by Sumitomo.

5 Neither we nor Nippon Steel have the margin to  
6 absorb the unexpected 25 percent duties that are applicable  
7 to only steel imported line pipe. Now it is required to pay  
8 by Nippon Steel or Sumitomo, or to pass on to our customers,  
9 and these duties accordingly restrict sales opportunity to  
10 only a few select customers who have such a need for  
11 specialty line pipe that they are willing premium prices  
12 plus original cost duty.

13 Our U.S. customers have no choice but to pay  
14 these Section 232 duties, only because they have no  
15 alternative. It is well known in the industry that for  
16 certain types of very thick wall pipes or for pipe needed in  
17 deepwater application, the U.S. industry often does not  
18 produce the type of pipe needed. This is where our ability  
19 to offer the high end Nippon Steel line pipe serves as a  
20 market niche that otherwise could not be supplied by  
21 domestic products.

22 As a participant in the U.S. line pipe market,  
23 I can also offer some insight into the impact of the recent  
24 anti-dumping duty cases on imports from Canada, Greece,  
25 Korea and Turkey. Unlike the Japanese imports, line pipe

1 from these countries were sizeable as these imports to  
2 converge market share and often were sold at low prices.  
3 Since the anti-dumping duty and countervailing duty orders  
4 were put in place on these countries, the imports from them  
5 have greatly diminished.

6                   Since these imports were serving a third or  
7 more of the U.S. market, driving out this sizeable supply is  
8 having a measured, positive impact the availability and the  
9 prices of U.S. production. We already are hearing reports  
10 that U.S. producer are quoting out sales of line pipe by  
11 many month, or even reporting that their capacity is sold  
12 out.

13                   Subject in such measured sources of line pipe  
14 to alleged anti-dumping and countervailing duty tariff is  
15 going to provide a large boost to the U.S. line pipe  
16 industry for years to come. In short, the U.S. industry is  
17 enjoying the record demand and comprehensive protections  
18 against the imports, and is set up to perform admirably for  
19 many years.

20                   In these circumstances, revoking the order on  
21 Japanese line pipe, which is intended to serve a small  
22 number of high end customers who are focused on operating in  
23 the harshest environments, is not going to change our sales  
24 strategy or going to hurt the strongly performing U.S. line  
25 pipe industry. Revocation of this order will not have any

1 real impact. Thank you, and I look forward to answering  
2 your questions.

3 MS. SCOTT: Next, I'd like to introduce Mr.  
4 Don Schelat from XL Systems, Incorporated, to discuss the  
5 products required and mainly produced by the Japanese  
6 producers for his line of work.

7 STATEMENT OF MR. DON SCHELAT

8 MR. SCHELAT: Thank you. My name is Don  
9 Schelat, and I'm the Global Materials Manager for XL  
10 Systems, and I appreciate the opportunity to appear before  
11 you all today. I've been at XL Systems for 11 years and  
12 worked in the industry for over 35 years. XL Systems is in  
13 the large OD conductor manufacturing business. Our casings  
14 are designed to provide well structure and wellhead, and we  
15 use welded line pipe as its pipe component.

16 Our market is primarily deepwater offshore.  
17 Our casings cannot ever be the weak point, which means that  
18 we rely on supplies of line pipe that are often made to  
19 tight tolerances, often utilizing specialized chemistries or  
20 stringent mechanical properties to provide the utmost  
21 fatigue resistance and longevity.

22 We need line pipe suppliers who can work to  
23 our highly specialized product requirements, including our  
24 need for tight tolerances for wall thickness, pipe diameter  
25 and excessive --, as well as to meet the special chemical

1 and mechanical property specifications often required by our  
2 customers. Further, we often need to be able to order in  
3 small quantities, whereas many line pipe consumers order by  
4 tens or even hundreds of thousands of tons. We often order  
5 in much smaller lots, sometimes as few as 100 tons.

6 Historically, we've never been able to order  
7 line pipe from the U.S. producers. You know, the U.S.  
8 industry is set up to manufacture, you know, common forms of  
9 line pipe generally in long production runs. The perfect  
10 situation for them is to receive a request for a quote on a  
11 large quantity of uniform line pipe made to a common  
12 specification, intended for use in horizontal, long  
13 distance transport.

14 They struggle with a company such as ours,  
15 which needs a specialized line pipe, often with these  
16 specialized mechanical and chemical properties in small  
17 quantities. As a result, we've been a customer of the  
18 Japanese producers, primarily JFE Steel for over 20 years.  
19 They're able to meet our unique needs, especially our need  
20 for specialty line pipe that may need to be specifically  
21 manufactured and shipped in small quantities.

22 Much of the line pipe that we order from JFE  
23 is outside the scope of the Japanese line pipe order. But  
24 for a few specialized uses, we need a form of API 5 airline  
25 pipe that falls within the scope. A good example is the 20

1 by 65 line pipe. In our experience, even when the U.S.  
2 mills can supply this type of in scope line pipe, they often  
3 can only supply it, you know, for lower stress uses such as  
4 horizontal line pipe projects.

5 In other highly engineered products for our  
6 vertical applications, U.S. mills just cannot meet the  
7 stringent requirements. Due to the many anti-dumping orders  
8 in place on this product, we have recently tried to purchase  
9 the product from U.S. mills, you know. Here's some of the  
10 examples of what we find.

11 You know, we've gone to Stupp, where they've  
12 told us generally they do not offer this product except as  
13 part of a larger run, and that would be a minimum of 2,000  
14 tons of the product. Typically we buy in the 500 ton range.  
15 As this didn't meet our ordering requirements, we didn't  
16 proceed with the technical qualification.

17 Through the Section 232 exclusion request,  
18 U.S. Steel has tried to push us to use seamless pipe, you  
19 know, at three times the cost for what we've historically  
20 paid. But we have over 20 years' experience manufacturing  
21 our product with welded pipe, and have qualified all our  
22 processes and products using welded pipe. It's another  
23 valid option, just to substitute an entirely different type  
24 of pipe.

25 When we return to them with detailed reasons

1       why we needed to get a quote for this type of pipe, we got  
2       no response. You know, we've been waiting six weeks for a  
3       response. We've even reached out to U.S. distributors, you  
4       know, like American piping products, one of the largest  
5       distributors, and they've told us that we should look to  
6       imports to source the type of product that we're looking  
7       for.

8                       We have no choice in these to pass on the  
9       tariffs or duties that are imposed on these raw materials.  
10      At the same times, our customers are hesitant to pay us for  
11      any of those imported tariffs or duties. Our only options  
12      are to see if we can manufacture outside in one of our  
13      international plants, or by using a TIB. TIBs only work for  
14      us if it's going to be resold out of the United States. If  
15      it's going into the Gulf of Mexico, Canada or Mexico, we  
16      can't use a temporary import bond.

17                      So you know, the impact of the anti-dumping  
18      orders, you know, has forced us to look at different  
19      manufacturing facilities outside the U.S. In short, you  
20      know, we think it's inaccurate for the industry to claim  
21      they can provide all the same types of products as the  
22      Japanese do. I don't think we can find that in the quality  
23      and quantities that we're typically looking for. I'm happy  
24      to answer any questions you might have. Thank you.

25                      MR. HUSISIAN: Okay. Greg Husisian again for

1 the of the U.S. brief where they talk about --

2 MR. BISHOP: Closer to the mic please Greg.

3 STATEMENT GREGORY HUSISIAN

4 MR. HUSISIAN: And what's going to happen in  
5 the U.S. market. My apologies, Mr. Bishop. The first thing  
6 is they say large volumes are going to come in, are not  
7 going to belabor the point, except to note that the  
8 non-subject line pipe orders, they cover products that the  
9 U.S. industry doesn't make. So there's less competition  
10 there.

11 They're the highest priced, very often thick  
12 walled pipe. So it sells at very high prices. In other  
13 words, it's the most profitable pipe. If they was any  
14 product that you were going to push into the U.S. market,  
15 it's that way. Yet even for that product, not subject to  
16 dumping duties, they're not pushing that kind of line pipe.  
17 We can't stress how important that is as a comparison.

18 Secondly, the U.S. industry talks about  
19 putting substantial downward pressure on prices, but as  
20 already discussed, when do you undersell? It's when you're  
21 trying to push more product into the United States. If you  
22 don't have the capacity to make it, if you would have to  
23 abandon your long-standing customers abroad, you're not  
24 going to use underselling and you're not going to push down  
25 prices. It just doesn't work, and again remember just how

1 much product is being taken out of this product by the new  
2 dumping orders.

3                   Instead of seeing downward pressure on prices,  
4 you're seeing a huge upward pressure and nothing the  
5 Japanese are going to do is going to change that. Third,  
6 the U.S. industry talks about the -- we have a willingness  
7 and ability to quickly move substantial quantities into the  
8 U.S. market. Again, we would refer you to the staff report,  
9 which shows the exact opposite and shows that the sales of  
10 non-subject line pipe are falling, and again it founders on  
11 the high capacity utilization.

12                   Once again, they go back to prior to the  
13 imposition of the order. I mean that was two decades ago,  
14 prior to the imposition of the order. The record now shows  
15 high capacity utilization, developing non-U.S. customers.  
16 It shows a vastly different situation and your rule is to  
17 look at what's going to happen in the reasonably foreseeable  
18 future, not two decades ago.

19                   They weren't at peak capacity back then, and  
20 the situation has changed quite a bit. Then again they talk  
21 about what we've attempted to do since the order's been in  
22 place, but the record again shows that for the non-subject  
23 merchandise, they have been doing the exact opposite, and  
24 everything is contrary to what they're saying.

25                   I'd like to talk about what's going to happen



1 to the U.S. industry. As my colleague did, she went through  
2 the trends analysis that the Commission does. They don't do  
3 it in their brief, she did it right here. That's what  
4 you're looking at. Is that improvement going to change if  
5 the U.S., if the U.S. industry sees a revocation of the  
6 Japanese line pipe order?

7 Here's what's going on. Look at the trends  
8 and their profitability. This was not a case where we had  
9 to go through and cherry-pick. Jenlain came to me and said  
10 which profitability chart should I use? Which pricing chart  
11 should I use? I said pick on; they're all good. And the  
12 BPI data is even better. We can't put it up here.

13 By every measure the Commission looks at, this  
14 industry is performing well and it has done increasingly  
15 well over the POR, and that's what you need to be looking  
16 at. That's the backdrop for considering revocation. So  
17 again, other than looking for what has been going on since  
18 the original investigation, we need to be looking at what's  
19 going on now, a market with new orders in place with Section  
20 232 duties.

21 Every factor that would push the industry to  
22 improve is there, and that is the reality, and that's what  
23 the record shows. So in terms of a summary, if we were to  
24 say what is the movie? Are we going to see the enraged  
25 Japanese line pipe monster come forward and create material

1 injury and wreak havoc? The answer is no. The U.S.  
2 industry should not be trembling in fear as it melts and  
3 burns in the reasonably foreseeable future. Instead, the  
4 situation we're going to see is to go back to the beginning,  
5 a very simple case. The Japanese are focused on non-U.S.  
6 markets and non-U.S. customers, and the record shows that  
7 there's not going to be any chance that there is going to be  
8 a return to material injury in the reasonably foreseeable  
9 future.

10 So with that, we stand ready to take any  
11 questions that you might have, or if you have any questions  
12 about our high quality non-dumped line pipe, we'd be happy  
13 to answer those as well.

14 COMMISSIONER SCHMIDTLEIN: Okay, all right.  
15 Thank you very much. I'd like to thank all of you for being  
16 here today as well and this afternoon we'll begin with  
17 Commissioner Kearns. COMMISSIONER KEARNS: All  
18 right, thank you. I'd also like to thank you all for being  
19 here today. We really appreciate your input. It makes our  
20 job a lot easier, so thank you for being here today. I  
21 wanted to start with the point about the attractiveness of  
22 the U.S. market. The domestic producers claim that the U.S.  
23 market has prices that would be attractive to Japanese  
24 producers.

25 They point out that the AUVs of the domestic

1 producers' U.S. shipments are generally much higher than  
2 that AUVs of the Japanese industry's exports to third  
3 country markets. How do you respond to this argument

4 MR. HUSISIAN: I should point out we have a  
5 translator who has been sworn in, Asami here, and in some  
6 cases they may need to understand the question, get a  
7 translation. So Asami, could you please translate that for  
8 us?

9 [QUESTION TRANSLATED.]

10 MR. HUSISIAN: Please, Mr. Doi.

11 MR. DOI: On the average, I realize that the  
12 U.S. prices are higher. However, the vast majority of  
13 demand in the U.S. are for those line pipe that are used for  
14 the simple or commodity type line pipe that is used on the  
15 ground, not the underground. So the competition of course  
16 is more severe or harsh when you're dealing with commodity  
17 type line pipe. But what we focus on is that type of line  
18 pipe. We focus on those pipe that are capable of handling  
19 harsher environments.

20 And on top of that, there are Section 232  
21 tariffs or duties. That makes the United States market very  
22 unattractive to us.

23 MS. SCOTT: Jenlain Scott, Foley and Lardner.  
24 I'd like to echo Mr. Doi's sentiments and explain again that  
25 the focus of the Japanese producers is on the niche

1 products, in particular with how they're changing and  
2 reorganizing their mills. But that we're not trying to  
3 dispute that the U.S. has different pricing structures or  
4 that certain line pipe is --

5 COMMISSIONER KEARNS: Right. But my question  
6 is if the Japanese industry is focused on the niche,  
7 high-end product, why are their average unit values and  
8 their exports to the rest of the world so incredibly low?

9 MR. HUSISIAN: There's two pieces of that,  
10 both of which are BPI. One, there was a data issue which  
11 we're working with the staff to resolve in the calculation,  
12 and secondly with regard to the specific types of pipe that  
13 are sold. So we're going to have to give the details on  
14 that into the confidential record, and we'll be certain to  
15 answer that fully.

16 COMMISSIONER KEARNS: Okay, thank you. And  
17 Mr. Schelat, just to understand your experience a little bit  
18 better. So the types of products you purchase from the  
19 Japanese suppliers, are those products that are out of the  
20 scope? You don't have to pay anti-dumping duties on those  
21 products?

22 (Off mic comments.)

23 COMMISSIONER KEARNS: So you said "yes." So  
24 you said -- yes, meaning those products are not subject to  
25 the anti-dumping duties?

1 MR. SCHELAT: Yes.

2 COMMISSIONER KEARNS: Okay. Okay, thank you.

3 MR. HUSISIAN: To be clear, the product he was  
4 talking about in his testimony was one example that is  
5 within the scope. But a lot of what they purchase is  
6 outside of the scope.

7 COMMISSIONER KEARNS: Okay.

8 MR. SCHELAT: Yes, but we don't purchase it  
9 because it's under the anti-dumping scope.

10 COMMISSIONER KEARNS: I see.

11 MR. SCHELAT: The example I used.

12 COMMISSIONER KEARNS: Okay. But oh so the  
13 product that you don't purchase because it's under the  
14 order, it's similar to the product that you do purchase  
15 that's excluded from the order? In other words, it is the  
16 deepwater kind of pipe and that sort of thing?

17 MR. SCHELAT: Yes.

18 COMMISSIONER KEARNS: All of it's the same  
19 sort of niche product you're saying?

20 MR. SCHELAT: Yes.

21 COMMISSIONER KEARNS: Yeah, okay. Thank you.  
22 This is probably a question for you Mr. Husisian. So you  
23 make a point that almost all imports now are covered by  
24 anti-dumping countervailing duty orders. I'm trying to  
25 figure out what I'm supposed to do with that, I mean given

1 that none of the statute -- I'm supposed to determine  
2 whether or not if we revoke the order with respect to Japan,  
3 whether or not that would lead to a continuation or  
4 recurrence of material injury.

5 So what's the response to that? What am I  
6 supposed to do with this information?

7 MR. HUSISIAN: Yeah, that's a good question.  
8 It's kind of like a waterfall hierarchy, because first  
9 question is if we revoke, are the volumes going to go up?  
10 If the volumes aren't going to go up, then you're probably  
11 not going to have a price impact. So that's where you get  
12 into --

13 MR. BISHOP: Greg, we're not picking you up.

14 MR. HUSISIAN: That's where you get to the  
15 piece on the foreign side about the non-U.S. customers and  
16 the capacity utilization. That gets to is more stuff going  
17 to come in. But then there's the next question is if some  
18 additional quantity comes in, what impact is it going to  
19 have on the U.S. industry?

20 The question is, the second piece is what  
21 impact would any increase, even if it's small, have on the  
22 U.S. industry? So that's when you get into well, it's going  
23 to be a bit muted because of the attenuated competition. So  
24 that's going to mute the impact, and then if the U.S.  
25 industry is very weak, then a small amount of additional

1 imports could have a big impact.

2 But if the U.S. industry is strong, then they  
3 may not even notice the big impact. So the place where --  
4 the reason why you started looking at the trends for the  
5 industry and the conditions of competition that are going to  
6 impact the future is to evaluate the strength of the  
7 industry, and whether any potentially small increase in the  
8 imports is going to have an impact.

9 What we're saying is with the U.S. industry,  
10 the trends all are going upwards during the POR, plus  
11 they're going to get turbo-charged by removing this big  
12 chunk of non-subject, for this proceeding, imports from  
13 Germany and Canada -- not Germany, from Turkey and Canada  
14 and those countries. The U.S. industry is going to be  
15 extremely strong. It's going to be doing even better than  
16 it is now. So the Japanese revocation is going to end up  
17 being a footnote.

18 COMMISSIONER KEARNS: Okay.

19 Okay. So now I want to get into trends and  
20 vulnerability later but I guess my question is, you know, I  
21 think what I'm hearing, part of the argument is if the rest  
22 of imports are more or less subject to orders already then  
23 how is it that imports from Japan can cause any injury to  
24 the U.S. Industry?

25 But my question is, that sounds a bit like the

1 original investigation where Japan on its own was found to  
2 cause material injury to the U.S. Industry. So if imports  
3 from Japan, granted it was a long time ago but if imports  
4 from Japan were significant enough in terms of volume and  
5 price to cause injury then why is it that it matters that  
6 there's orders in place on all other imports, even if it  
7 were all other imports, why would it matter?

8 It seems like we've already determined that  
9 imports just from Japan can cause material injury.

10 MR. HUSISIAN: I would refer you to the long term  
11 data that's in the record regarding the Japanese Industry.  
12 The capacity of the Japanese Industry has sharply fallen.  
13 This isn't, the Kashima this is not the first time they have  
14 cut their capacity so the Japanese Industry and its capacity  
15 today as compared to what it was back then -- vastly  
16 different and that's in the Staff Report.

17 The rising trend of sales into the non-U.S.  
18 Markets today vastly different from what you saw in the  
19 original investigation. It's almost 20 years ago. The  
20 Japanese Industry has not been waiting around saying "gee,  
21 wouldn't it be nice if the --" if it were to be revoked they  
22 would continue to balance their capacity to adjust it to the  
23 current market situation just as the U.S. Industry is doing  
24 for its own capacity.

25 So what happened back then, it's not the same



1 capacity situation, the same supply and demand situation,  
2 all that predated the huge energy boom, the long-term trends  
3 that Scott talked about. I mean the amount of line pipe  
4 consumed in this industry I think it's four times as great  
5 now as it was during the original investigation.

6 So on the U.S. side, it's quite different as well  
7 so you have a much smaller Japanese Industry, a much larger  
8 demand in the United States and you just have this order on  
9 top of all of it these six countries now under orders who  
10 were taking, I can't give the exact number but it was a big  
11 chunk of the market that is now suddenly under orders and is  
12 basically disappearing as we heard from Sumitomo.

13 It's a big deal. It is going to have a huge  
14 impact and I don't have the confidential record in that  
15 investigation but from what I can see it looks like the  
16 Commission got it right. Those imports were soaring into  
17 the U.S. Market and I can see why the Commission put an  
18 order on it but that's not the situation for the Japanese  
19 Industry and having taken out that huge chunk of  
20 non-subject imports, you know for those forms of line pipe  
21 is really going to take an industry that's already  
22 performing well and then turbo-charge it.

23 COMMISSIONER KEARNS: okay, thank you. My time  
24 is up.

25 COMMISSIONER SCHMIDTLEIN: Okay, thank you very

1 much. I guess just to follow up on this question about  
2 volume and so forth. So one of the things that I've noticed  
3 and looking at the numbers in the Staff Report and you make  
4 the point that the record shows Japanese sales are focused  
5 on non-U.S. Markets which are up more than 65 percent over  
6 the POR.

7           When I'm looking at the Staff Report on Page  
8 4-15, which I think is where you are getting these numbers  
9 and the focus on these other markets. In particular, Asia,  
10 there is quite a change in the interim period in 2019 from  
11 2018. You know, the number specifically is confidential but  
12 I don't know if you can address why that changed?

13           MR. HUSISIAN: Yes, I know exactly which number  
14 you are looking at and we can tell you about that. One  
15 thing I would allude to is you heard this morning the  
16 shipments into Malaysia which are going into Asia are often  
17 to a coating plant so that may not be the final destination  
18 for that. That's one thing and we will be able to explore  
19 that in our confidential submission.

20           The second one is there is often lumpiness in the  
21 orders because these are often big line pipe projects so  
22 they can be from quarter to quarter a lot of variation  
23 however if you look over a longer period it tells you what's  
24 going on. We can give you an explanation for I know exactly  
25 which quarterly comparison you are pointing to.

1           COMMISSIONER SCHMIDTLEIN: Right, so if the  
2 argument is this is our focus so the question is then why  
3 did it go down in the interim so much.

4           MR. HUSISIAN: Exactly.

5           COMMISSIONER SCHMIDTLEIN: And I guess you can  
6 further address that point about this is a coating plant so  
7 where is the pipe going on from Malaysia.

8           MR. HUSISIAN: Okay, exactly.

9           COMMISSIONER SCHMIDTLEIN: Right so -- which I  
10 assume, are you selling it to projects in Malaysia or it's  
11 really just going there to be coated and then it's being  
12 exported from Malaysia somewhere else? Just somewhere else?

13          MS. ISOMICHI: Translation.

14          MR. YANOHERA: I will respond to that.

15                 The pipes shipped from Japan to Malaysia, a  
16 portion of that is actually used by the National Petroleum  
17 Company in Malaysia but the majority of the pipe shipped  
18 there are coated and then shipped elsewhere such as  
19 Australia, Middle East and so forth where the pipe is  
20 actually used.

21          COMMISSIONER SCHMIDTLEIN: Okay, another  
22 question. You make the argument that non-subject product  
23 coming to the United States from Japan has dropped over the  
24 four years of the POI. So my question there is shouldn't we  
25 be looking at the year-to-year trend and if you look at the

1 year-to-year trend you do see a big drop from 2016 to 2017  
2 but then you see a big increase from 2017 to 2018. It  
3 doesn't reach the level it was in 2016 but not quite  
4 doubles from 2017 to 2018.

5 So doesn't that suggest it's a trend sharply  
6 falling isn't as clean as that statement might suggest.

7 MR. HUSISIAN: Yes, it's correct. In fact we put  
8 the chart up there three times but it does show that it's  
9 coming down and going back up. There's a couple of things  
10 when looking at that chart. First of all, because the  
11 Japanese sales are so tiny, even one shipment can impact it  
12 because what is not shown there is that in comparison to the  
13 overall market. So because they're so small a couple of  
14 orders can have a big impact.

15 Secondly, what is important about it is not only  
16 that it's falling but that it hasn't shot up because if you  
17 compare what's going on there, in any of the years including  
18 in 2018 the percentage that's going into the U.S. Market  
19 versus the percentage that's going into other markets you  
20 do see that consistent skyrocketing into other markets. In  
21 the United States you've got -- falls by quite a bit and  
22 then it goes up by a little bit but it never becomes big  
23 even though it's not subject to dumping orders.

24 So that's what is key to look at. So they claim  
25 we're salivating over the large and attractive U.S. Market

1 and we're just waiting for the dumping order to be done so  
2 we can just shove huge volume of products to surge into the  
3 United States as they say. Even if you were to look just at  
4 the 2017 to 2018 where they have that small increase, it  
5 still stays small.

6 It definitely doesn't surge and we're just acting  
7 the exact opposite of what they said whereas if you look at  
8 the Asian Market, especially if you look at it in absolute  
9 terms you know the exact figure is APO but it's like orders  
10 of magnitude greater.

11 COMMISSIONER SCHMIDTLEIN: Okay, well I'm looking  
12 at 4-25 which I think is total exports and if you look at  
13 that to the United States and then to all of the markets I  
14 mean the United States as in comparison to all the other  
15 markets they are shipping to is a pretty big destination.

16 MR. HUSISIAN: Yes, it is.

17 COMMISSIONER SCHMIDTLEIN: Especially when you  
18 take into account, I mean I guess Malaysia does, Malaysia  
19 goes way up in 2017 and then comes back down. It's big,  
20 there's this coating plant there. I don't know, are there  
21 coating plants in any of these other countries?

22 MR. HUSISIAN: I believe that Malaysia is the  
23 main coating plant that is used. Is that correct? (To  
24 someone in the audience).

25 MR. YANOHARA: And Indonesia.

1 MR. HUSISIAN: Malaysia and Indonesia.

2 COMMISSIONER SCHMIDTLEIN: Malaysia and  
3 Indonesia. Okay, which is also one of the larger  
4 destinations. So if you take that into account it's still a  
5 fairly large number. You know what I'm looking at, you can  
6 look at it too, in fact, I think it's public information  
7 what these total export numbers are but if you're trying to  
8 put it into context as to how big of a market is the United  
9 States for Japanese product overall these would be other  
10 destinations? Right?

11 MR. HUSISIAN: Yes, we will give you the figure.  
12 It's a small amount of U.S. total shipments. It's a small  
13 amount of total Japanese shipments. It's a small amount  
14 when compared to other markets. You have to put the numbers  
15 into the context of the size of the industry.

16 For example, the non-Subject Imports that are  
17 being taken out of the market, they're, I think, they're  
18 approaching a billion dollars a year. So you may look at it  
19 and say oh, there's millions of dollars of this but that's  
20 just for the non-subject piece of it. It's a multibillion  
21 dollar market.

22 So if you put the United States into the context,  
23 even of both subject and non-subject and compare it to total  
24 JFE and Nippon production, total JFE and Nippon total sales,  
25 the increase into the other markets I think that's the most

1 telling. If you compare the increase in sales over the POI  
2 to Asia and compare the amount of the increase to the United  
3 States I believe it's more than 100 thousand tons  
4 difference.

5 The amount of the increase in Asia I believe is  
6 over 100 thousand tons and into the United States you're  
7 talking about, even if you just looked at 2017 to 2018  
8 you're looking at a couple thousand tons. It's a much, much  
9 different level of increase showing a much different level  
10 of attractiveness of the markets.

11 COMMISSIONER SCHMIDTLEIN: OK. Alright, well, I  
12 invite you to address that in the post-hearing brief. Since  
13 this is a project-based business where you're bidding on  
14 projects, and the vote for this case is I think it's in  
15 September, maybe. I don't have the exact date in front of  
16 me I'm not sure what the lead-time is on when these projects  
17 are put out for bid, but have you all identified projects  
18 that would be up for bid in the United States, either in the  
19 fall of 2019 or any time in 2020, that you would be that you  
20 are capable of producing the product that they would be  
21 putting out the RFP for?

22 MR. DOI: In the U.S. is your question in the  
23 U.S.?

24 COMMISSIONER SCHMIDTLEIN: I guess, yes. In the  
25 U.S. I'm assuming that the only reason I'm hesitating is I

1       assume that there are projects that are: the pipes being  
2       purchased in the U.S. I don't know if it crosses the border  
3       into Canada or something, but that the buyers are here in  
4       the U.S.

5                       MR. DOI: So the final destination being the  
6       United States?

7                       COMMISSIONER SCHMIDTLEIN: Yes.

8                       MR. DOI: So, in response to the  
9       questionnaires, we have submitted a list of projects that  
10      the JFE is focusing on. Those projects listed are all  
11      dealing with high-end high-performance products to be  
12      supplied to longstanding customers.

13                      COMMISSIONER SCHMIDTLEIN: So my question is  
14      really: are there projects that you've identified that are  
15      going to be bid in the reasonably foreseeable future that  
16      you would bid on? It's not that hard, right?

17                      MR. DOI: So, all of the projects identified in  
18      the list are non-U.S. projects?

19                      COMMISSIONER SCHMIDTLEIN: I know, but I'm  
20      asking you here today. I'm not asking about the list you've  
21      already identified. Are you aware of any projects that  
22      either JFE or Nippon would bid on in the reasonably  
23      foreseeable future? Are you aware of any projects that are  
24      going to be put out to bid?

25                      MR. DOI: So there are several projects that



1 I'm aware of in the U.S. However, they are all terrestrial  
2 projects so we're not interested in those.

3 COMMISSIONER SCHMIDTLEIN: Because they're not  
4 under water. Is that what you mean?

5 MR. DOI: Yes, very simple specifications  
6 terrestrial obligation. We are not interested.

7 COMMISSIONER SCHMIDTLEIN: I see. OK. So you  
8 wouldn't intend to put OK. And then what about I'm sorry if  
9 I've confused the company you are Mr.? You're JP. OK.  
10 Nippon? OK. Mr. Yanuhara.

11 MR. YANUHARA: I will explain the purchase  
12 orders we're getting. We did also submit, in response to the  
13 questionnaires in advance, all those projects that we are  
14 targeting. And it's listed, or described, in the list.  
15 However, it sort of includes certain confidential  
16 information. I'm not going to identify certain specific  
17 project names. For 2019, first of all, we have received an  
18 order from for a project in the Middle East.

19 COMMISSIONER SCHMIDTLEIN: I'm focused on the  
20 U.S.

21 MR. YANOHARA: We have none in the U.S.

22 COMMISSIONER SCHMIDTLEIN: So you have none? So  
23 you have no projects either you intend to bid on in the  
24 reasonably foreseeable future that are currently subject to  
25 this Order?

1 MR. YANOHARA: That's correct. If I may  
2 supplement with our situations involving our capacity;

3 COMMISSIONER SCHMIDTLEIN: Go ahead. Yes.

4 MR. YANOHARA: So for 2019 we've actually  
5 received another order from Saudi Arabia. And we have also  
6 another project which is already awarded to us involving  
7 Australia for the year 2020-21. And those projects that I  
8 have just mentioned, which are already determined, or  
9 decided, have occupied all of our capacities right now. So,  
10 under the circumstances, we have no plan, or intention, to  
11 place a bid for any subject-size new project that may be  
12 available in the United States.

13 COMMISSIONER SCHMIDTLEIN: OK. So, I guess for  
14 me, that sort of raises the question then of, if you have no  
15 interest in this market, then why go to all this trouble to  
16 come to the United States to get the order revoked?

17 MR. HUSISIAN: Thank you. I just want to bat  
18 with my colleague. I've never been in a sunset review where  
19 that question hasn't come up. And the reason for this one is  
20 simple: this is an expensive product. Even a few thousand  
21 tons of it, which would be a rounding error within the  
22 industry I think the current duty rate is 30%--I mean, it  
23 quickly adds up to a seven-figure amount of sales. So, if  
24 not enough sales for the U.S. industry to even notice, for  
25 this specialty kind of projects, it makes up for a

1 cost-effective reason why it makes sense to come and ask for  
2 a sunset review.

3 COMMISSIONER SCHMIDTLEIN: What sales are those  
4 that you're talking about? Are those not project-based? Are  
5 they some other type of sales or are you just talking about  
6 the deep water?

7 MR. HUSISIAN: Like Mr. Schelet has a good  
8 example. Right now he is only purchasing non-subject  
9 merchandise. But there's some products where they would like  
10 to bring in small quantities, for example, as he said, a  
11 couple hundred tons here and there of the subject  
12 merchandise. But he doesn't do that because it's subject to  
13 the duties.

14 Those sales don't go to U.S. industry because  
15 they can't make the project, or they're not willing to  
16 supply it. JFE Steel is his main supplier for line pipes so  
17 he would like to go to them, but they can't support him  
18 because of the dumping order even though he's a good  
19 customer of theirs for other forms of line pipe. So even a  
20 few thousand tons a year of the product coming into the  
21 market can add up to significant duties, especially if you  
22 start putting on top of it some Section 232 duties.

23 So it makes sense to try to lift it so they  
24 can serve their customers in the United States, many of  
25 which are bringing in non-subject line pipe. But the amount

1 that they're going to be able to bring in is going to be  
2 very modest because of things like they, you know, the new  
3 orders that they have just gotten, which we just found out  
4 about yesterday, for example, that are going to take them  
5 the month.

6 So there can be - we're not saying they're  
7 never going to sell any product into the United States. What  
8 we are saying is, the amount of product they're going to  
9 sell is going to be very modest. They're going to have no  
10 incentive to drive down the prices because it's the most  
11 costly to produce price. It's expensive to make high  
12 tolerance very much in round pipe that's for heavy wall  
13 thicknesses. There's no incentive to cut the prices. So if  
14 you're not going to see a big increase in volumes and you're  
15 not gonna see a big price impact, it's not gonna have an  
16 impact overall, even though it would be useful to the  
17 Japanese industry to have this order revoked.

18 COMMISSIONER SCHMIDTLEIN: OK. Alright, I will  
19 turn it over to Commissioner Kearns at this point.

20 COMMISSIONER KEARNS: Thank you. Mr. Yanohara,  
21 I think you just mentioned that you have some new projects  
22 in mind with respect to Saudi Arabia and Australia and that  
23 those will take up all of your existing capacity. Is that  
24 right?

25 MR. YANOHARA: Maybe not all the capacity, but

1 I would say, the vast majority.

2 COMMISSIONER KEARNS: OK. So then help me  
3 understand why you all are reducing your capacity right now?  
4 It sounds like you are constrained by existing capacity and  
5 yet you are cutting that capacity. Why would you do that?

6 MR. YANOHARA: Regarding that point, I would  
7 have to explain our line pipe sales strategy.

8 First of all, our line pipe products have the  
9 products of long-standing or long-term investment and  
10 technological development that we put in. So it's a highly  
11 value-added product. Of course, in order to develop such a  
12 product, it requires tremendous amount of cost and time.

13 So we cannot be competitive in the commodity  
14 market in terms of selling high-end products that are very  
15 costly.

16 MR. YANOHARA: So our strategy is to focus on  
17 the high-end market. So, in order to do that, we want to put  
18 all of our capacity being focusing on the high-end market.  
19 By doing so we would be able to increase our profit margin.  
20 So, as a part of that strategy, the management decision was  
21 made to close the Kashima plant.

22 MR. HUSISIAN: If I may --

23 COMMISSIONER KEARNS: yeah, please.

24 MR. HUSISIAN: I have one thing. One thing I've  
25 learned about this industry every time I do a new product, I

1 learn something new about the steel industry. Unlike a  
2 rolling mill, where you just kind of run different things  
3 through it, it's not enough just to say "capacity." You have  
4 to say, "capacity to make ... what." That's why you have a  
5 situation like with the U.S. industry where, even though  
6 they have excess capacity, they're still investing in making  
7 more capacity because your capacity has to be useful for the  
8 type of orders you're trying to serve. And what I've learned  
9 from talking to JFE and Nippon Steel is, they would prefer  
10 to have smaller capacity that's very much tailored to their  
11 markets. That's why they'll do things like, shut down a pipe  
12 mill that isn't focused on the high-end market and turn it  
13 into a warehouse, so they can focus their investment in  
14 capacity on the particular types of products where they can  
15 make the biggest margins.

16 COMMISSIONER KEARNS: OK, and so that I guess  
17 that implies that the facility that you are shutting  
18 down the Nippon is shutting down was producing more of a  
19 commodity type of product and you decided to get out of that  
20 type of business? Is that right?

21 MR. YANOHARA: Yes, if I may add. Of course,  
22 even at the consumer area, we did produce, in the past, some  
23 high-end products. But we just wanted to focus our  
24 management resources and, reflecting our R&D effort, or  
25 outcomes, into a certain specific area so that technological

1 improvement and so forth are all reflected in that, sort of,  
2 area. That's our management strategy.

3 COMMISSIONER KEARNS: OK. So, the Kashima plant  
4 focused mostly on the commodity type of product?

5 MR. YANOHARA: It's actually it wasn't that the  
6 new Kashima mill was not concentrated really on producing  
7 commodity line pipe but, I would say, 30% of the production  
8 was.

9 COMMISSIONER KEARNS: OK. So Kashima does  
10 produce so, first of all so you do produce commodity  
11 products that, at least with respect to Kashima, 30% of what  
12 that factory produces is commodity?

13 MR. YANOHARA: Of course, they were not  
14 necessarily destined for the United States.

15 COMMISSIONER KEARNS: Right. And what about  
16 your other facilities, do they produce any commodity grade?

17 MR. YANOHARA: So, in the past, even at the  
18 Kashimi mill, we used to. We produced commodity pipe as  
19 well. However, based on our recent management strategy to  
20 concentrate on high-end products, we no longer produce any  
21 commodity type of line pipe anymore.

22 COMMISSIONER KEARNS: OK. And when was that  
23 strategy decided upon?

24 MR. YANOHARA: So this was publicly officially  
25 announced in May along with our financial statement issued

1       that month.

2                       COMMISSIONER KEARNS: Just to be clear, I know  
3       that you made the decision, I think in May, to shut down the  
4       Kashima plant. But is it also clear that, in May, Nippon  
5       made the decision to move to to change its strategy and to  
6       begin only producing high-end?

7                       MR. YANOHARA: I think you can understand it  
8       that way.

9                       COMMISSIONER KEARNS: OK. Thank you. So  
10      anything you can do, post-hearing, to document the decision  
11      just two months ago to change your corporate strategy to  
12      only produce high-end pipe, you think you can send to us  
13      that would help document that, would be helpful.

14                      MR. HUSISIAN: Our understanding is the  
15      decision was made before then, but it was publicly announced  
16      then, so we'll get you information about the decision-making  
17      process. The basic point is that, by cutting their capacity  
18      in half, they can focus on the most profitable stuff and get  
19      rid of the common. We'll provide the details on both when  
20      the decision was made and the impact that will have going  
21      forward and how right-sizing their capacity will allow them  
22      to dump the loaded word to dump the smaller amount of common  
23      stuff and concentrate on the high-end. We'll provide that  
24      and see what we can provide publicly and what's  
25      confidential.



1                   COMMISSIONER KEARNS: That's great. Thank you  
2                   and, as you anticipated, not just when the decision was made  
3                   but, as you said, anything leading up to that. But focused  
4                   on, not just down-sizing, but down-sizing to only produce  
5                   commodity grade, that would be helpful. Thank you very much.

6                   COMMISSIONER SCHMIDTLEIN: OK. Just to follow  
7                   up on that, just so I'm clear: how do you define high-end  
8                   versus commodity?

9                   MR. DOI: For example, those that are used  
10                  off-shore or in what's called the sour environment or under  
11                  high pressure environment. And, of course, these product  
12                  have not just one property, but a variety of physical  
13                  properties and those are our products have a compound effect  
14                  of certain particular properties. And those are the complex  
15                  products and we produce those as high-end products.

16                  COMMISSIONER SCHMIDTLEIN: OK. So maybe in the  
17                  post-hearing you could be a little bit more specific. I  
18                  heard you say "high pressure." Is "high pressure" are there  
19                  pipes that are used in a high pressure environment that you  
20                  consider to be terrestrial, which is a term that we heard a  
21                  few minutes ago?

22                  MR. DOI: So we're talking about deep  
23                  water 2,000 to 3,000 meters under water, where you install a  
24                  pipe or a pipeline. And for that sort of environment, what's  
25                  required is a smaller diameter thicker walled pipe.

1                   COMMISSIONER SCHMIDTLEIN: OK. Just so I don't  
2 understand: so both JFE and Nippon are moving to totally  
3 produce just high-end pipe? Neither company is going to  
4 produce what you all are referring to as "commodity" pipe  
5 anymore? Or is it just Nippon that is cutting its capacity  
6 so it's only going to produce high-end pipe?

7                   MR. DOI: As a plan, we wanted to focus on  
8 high-end products.

9                   COMMISSIONER SCHMIDTLEIN: Does focus mean  
10 exclusive? Are you going to produce any commodity product.

11                  MR. DOI: What I mean more specifically is we  
12 want to focus on those products that are being purchased by  
13 longstanding customers.

14                  COMMISSIONER SCHMIDTLEIN: Are those high-end  
15 products or are those commodity products?

16                  MR. DOI: So in terms of the size of the pipe  
17 there are certain sizes that are applicable to subject  
18 products however specifications are much more stringent or  
19 strict by the customers. We wanted to focus on those types  
20 of products.

21                  MR. DOI: And because the commodity line pipe,  
22 the competition is too harsh and it's not profitable.

23                  MR. HUSISIAN: I could maybe clarify that high  
24 end comes up in two contexts. The first is non-subject line  
25 pipe which is the really, really big stuff. The things the

1 U.S. Industry doesn't make. You can make that on the same  
2 production line as you make the Subject Merchandise.

3 If you look at both JFE and Nippon Steel, even  
4 for their production for other markets they mostly make what  
5 would be considered non-subject line pipe that came to the  
6 United States. So that stuff is pretty much always high end  
7 and then there's high end within the Subject Merchandise  
8 which is towards the very top in terms of the tolerances and  
9 at the thick end of it and the chemistry that can handle the  
10 sour environments which basically means, you know, corrosive  
11 ground.

12 The capacity utilization situation is different  
13 for the two companies. For Nippon, they are not like in  
14 2017 at full capacity utilization. The U.S. Industry is  
15 correct about that. They are not at full capacity  
16 utilization so that's why they made the decision to chop off  
17 one of their two line mills because they said rather than  
18 trying to fill our capacity with you know common  
19 specifications wouldn't it be better if we have smaller  
20 capacity and instead could then push everything and only  
21 quote out on the high end.

22 So the situation for the Nippon Steel is they  
23 were not at capacity utilization but they will be at  
24 capacity utilization through their right-sizing of capacity.  
25 JFE is a different situation which is based on their current

1 product mix and their current sales mostly outside the  
2 United States, mostly of non-subject line pipe throughout  
3 the POI they were at high capacity utilization.

4 So it's a little different story. They both have  
5 the same strategy but JFE was maybe a little bit quicker;  
6 I'm getting to it, and they can focus on the high end and to  
7 basically to just sell the way they are whereas Nippon had  
8 to make a capacity adjustment. That's why when you are  
9 looking at our charts right, we're talking about going  
10 forward, they will be at high capacity utilization.

11 Because the U.S. Industry is correct. If this  
12 were 2016, we're not at full capacity. But going forward,  
13 we will be.

14 COMMISSIONER SCHMIDTLEIN: Okay, so in terms of  
15 how you all are defining this high end versus commodity some  
16 of the high end is in-scope Subject Merchandise, right?

17 MR. HUSISIAN: Most of it is out of scope.

18 COMMISSIONER SCHMIDTLEIN: Most of it is out of  
19 scope, okay. So when we look at exports from Japan to other  
20 destinations of in-scope product, right. So my question is,  
21 and I'm looking again at page 4-15 which shows the short  
22 tons going to the different regions. This is in-scope,  
23 right. This is not non-subject.

24 So my question there is how much of these  
25 shipments, you know all the shipments. Again, this is all

1 by definition in scope. So my question is how much of these  
2 shipments are comprised of how you all are defining this  
3 high-end which is I assume mostly deepwater sour environment  
4 type projects?

5 MR. HUSISIAN: We have to get back to that. That  
6 was not part of the questionnaires and we can give you the,  
7 you know, the breakdown of which percentage that would be  
8 considered. A good proxy is sour or high pressure or deep  
9 water, but as I've learned just from talking to the industry  
10 is this other example as well.

11 If you are going vertically there's often  
12 different stresses then if you're just putting up a pipeline  
13 horizontally and it's buried three feet under the ground.  
14 So we can get back to you on what the breakdown of that is  
15 but the key thing to know is often because the capacity can  
16 be used to make subject or what would be considered  
17 non-severe came to the United States, it's -- you would say  
18 it's not should we make more or less product for the United  
19 States, it's like should we make even different types of  
20 product that would need to be covered by the dumping order  
21 as well.

22 If you look at the data, the vast majority of  
23 what the Japanese Producers make on their line pipe  
24 facilities is non-Subject line pipe but we can give you the  
25 breakdown of this specifically, what it would be, but again

1       you have to take into account that it includes Nippon which  
2       used to make more of the common specifications but in the  
3       future will not.

4               COMMISSIONER SCHMIDTLEIN: Okay, and I'm sorry if  
5       this has already been asked but what does Nippon plan to do  
6       with all the equipment? Are you going to sell it? Are you  
7       going to repurpose it for other types of pipe production?

8               MR. YANOHARA : So the specific decision has not  
9       been made but we are not considering selling the equipment.

10              COMMISSIONER SCHMIDTLEIN: So if you're not  
11       selling it, what would you -- what are the options. Can you  
12       say?

13              MR. YANOHARA: So what's being considered right  
14       now as a policy is to break down all the equipment parts and  
15       then dispose of those parts and so therefore they are not  
16       going to be used again as a production line.

17              COMMISSIONER SCHMIDTLEIN: All right. Slightly  
18       different question here, maybe for counsel. This morning  
19       you heard the response to the question about the Buy America  
20       executive order and their response was that doesn't really  
21       add any protection because these are not government  
22       projects. These purchasers are not the government. So what  
23       is your response to that?

24              MR. HUSISIAN: As a technical matter to respond  
25       just this part of the Buy American Act, that is correct.

1 The Buy America Act governs government contractors in what  
2 you need to do but it's broader than that. What we cited,  
3 this administration has taken a variety of measures to help  
4 the line pipe industry.

5 In April of 2019 they announced ways that they  
6 are going to expedite maybe line pipe approvals, they are  
7 taking steps to increase the amount of line pipe that is  
8 going to be American. It's like an interlocking set of  
9 items as well.

10 The Buy American one in particular is I believe  
11 aimed at steel in general and the impact on the line pipe  
12 industry of that particular one may be small but if you look  
13 at the variety of executive orders and orders out for  
14 comment that the U.S. Industry has it should increase  
15 demand. This is again over and above an industry that's  
16 already performing well and has the new dumping orders.

17 It's just another factor for the Commission to  
18 take into account because you have to guess what's going to  
19 happen in the reasonably foreseeable future and we'd be  
20 happy to detail that interlocking web of the ways in which  
21 the Administration is helping. It's just to say it goes  
22 beyond Section 232 obviously is a big boost but there's  
23 other things the industry is taking that will boost demand  
24 and shift demand to U.S. Producers and we'd be happy to  
25 detail that.

1                   COMMISSIONER SCHMIDTLEIN: Okay, alright.

2                   Commissioner Kearns?

3                   COMMISSIONER KEARNS: Thank you. I wanted to  
4                   turn back to the chart on page 4-25. As we discussed a few  
5                   minutes ago a lot of these are destined for the Middle East,  
6                   looking at Saudi Arabia, UEA, Iran, Kuwait. I guess my  
7                   first question is, you know we heard this morning that if I  
8                   remember it right, I think it's something north of 200,000  
9                   tons of production are being added I think in the UAE or at  
10                  least in the Middle East more generally of line pipe  
11                  production.

12                 Given your dependence on that region, you know my  
13                 question is how would you respond to that? I mean if we  
14                 have 200,000 tons of new production coming online in that  
15                 area, what's that going to do to exports from Japan?

16                 MR. DOI: So we are establishing a new joint  
17                 venture AGPC in Abu Dhabi right now.

18                 MR. DOI: In the Middle Eastern Region there has  
19                 always been a lot of demand for line pipe.

20                 MR. DOI: And there are two purposes or objective  
21                 to establish this joint venture.

22                 MR. DOI: The first objective is to capture this  
23                 already strong demand in the Middle East which we expect is  
24                 going to be active as well in the future so we would like to  
25                 be locally capturing that demand.



1           MR. DOI: So it's not that JFE is going to  
2 produce the same kind of thing that it's been producing in  
3 Japan. It's not a replacement.

4           MR. DOI: And the second objective is it involves  
5 our strategy so we would like to go into the details in our  
6 posthearing brief.

7           MR. HUSISIAN: As a general matter that goes back  
8 to the way I formulated it, you have to look at capacity for  
9 what -- different markets, different applications have  
10 different needs. That's why you can have the situation  
11 where a producer might have excess capacity yet be adding  
12 capacity and this is designed to serve that market.

13           I also would note the complete inconsistency the  
14 way the U.S. Industry is approaching this because when you  
15 talk about CSI and say well doesn't that mean JFE will serve  
16 the U.S. Market using CSI? They say no, no, no. You can't  
17 say that. That would be speculative. But when JFE puts a  
18 plant in the Middle East and all of a sudden that's going to  
19 be taking away the JFE Sales.

20           The reality is that JFE or any steelmaker enters  
21 into these joint ventures because they are looking to serve  
22 the demand in that market and EOW capacity is not the same  
23 as LSAW capacity which is not the same as HSAW capacity and  
24 you can make different kinds of line type.

25           They've identified the particular market niche

1 that's needed for this new facility but it's simplistic from  
2 either matter of economics or from line pipe economics to  
3 say "oh you're building this therefore you're doing it  
4 because you want to free up Japanese capacity to sell into  
5 the United States." If that were going to be your  
6 strategy then you would just build another plant in the  
7 United States or build it in Mexico or someplace that's not  
8 subject to an order or for that matter ship from the UAE  
9 into the United States where there is no order. The point  
10 is the capacity is not fungible.

11 COMMISSIONER KEARNS: And so what kind of  
12 products are you exporting from Japan to Saudi Arabia and to  
13 these other Middle Eastern countries? What kind of product  
14 is that?

15 MR. DOI: So in the case of JFE we shipped linen  
16 pipe for sour service.

17 MR. DOI: And another one is structural pipe  
18 which is for using rig platform.

19 COMMISSIONER KEARNS: Okay, out of the chart I'm  
20 looking at I don't believe would include structural pipe but  
21 I hear you on sour and then does Nippon also sell to the  
22 Middle East markets?

23 MR. DOI: Currently we only sell sour service  
24 line pipe.

25 COMMISSIONER KEARNS: To the Middle East?

1 MR. DOI: Yes.

2 COMMISSIONER KEARNS: Okay and what product does  
3 JFE intend to produce through the joint venture that you're  
4 establishing in the UAE and the United Emirates.

5 MR. DOI: So we are to provide both sour service  
6 line pipe and non-sour service line pipe targeting UAE and  
7 other regional countries in the Middle East and Near East.

8 COMMISSIONER KEARNS: Okay. Okay, thank you. I  
9 want to go back to the argument about the controlled  
10 experiment Mr. Husisian. I mean, it seems to me that given  
11 that the products that are outside of the scope are by  
12 definition products that at least at one point could not be  
13 produced by the U.S. firms. Isn't the answer to what  
14 you are saying that the reason why there might be a decline  
15 in the shipments of those products is for those very  
16 specialty products that aren't interchangeable with  
17 commodity grade line pipe, demand went down for those  
18 products? Is that not the answer to the question as to what  
19 we learned from the fact that your significant decline in  
20 imports from the United States of the out of scope line  
21 pipe?

22 MR. HUSISIAN: Two pieces of that one I want the  
23 industry experts to go to. The first one is I don't think  
24 you can look at the sales of the non-subject line pipe to  
25 the United States without also looking at what's going on

1 with non-subject sales to other markets. When you look at  
2 how much they're going up to other markets it becomes very  
3 clear where they are allocating production.

4 COMMISSIONER KEARNS: The only thing I know about  
5 this market, which is huge volatility because of these  
6 projects, right? I mean sometimes you just have a big  
7 project, a deep water drill or an arctic situation and other  
8 times you don't so it seems to me that given every other  
9 number I see here is shooting up and down all over the  
10 place, it doesn't seem all that surprising that you might  
11 see it going down with respect to the U.S. You're  
12 suggesting that actually the only reason why those numbers  
13 are going down is because the Japanese producers are more  
14 focused on third country customers.

15 MR. HUSISIAN: I don't think they're focused to  
16 other places. A lot of it is driven by when can you get  
17 Section 232 exclusions because remember the line pipe, just  
18 because it's not in subject doesn't get you out of the line  
19 pipe 25 percent tariffs which depends a lot on whether the  
20 U.S. Industry objects, whether you can get an exclusion and  
21 things like that. So you have to look at a lot of  
22 factors as to what -- do they have other markets that they  
23 can go to, other customers, can they get exclusions for  
24 Section 232 because again you're dealing with a small amount  
25 so it tends to be more volatile. So it would be a little

1 bit simplistic to just say "oh, well it must mean demand has  
2 fallen off for that" so you're not supplying it because you  
3 also have to take into account the status of exclusions, the  
4 timing of any exclusions you can get.

5 COMMISSIONER KEARNS: So are you then saying  
6 because of 232 what's happening in the U.S. Market for these  
7 out-of-scope line pipe products is that U.S. Producers are  
8 now supplying those sales?

9 MR. HUSISIAN: I don't know that but the people  
10 in the U.S. Industry might know that and pipe it's harder to  
11 tell because the U.S. Industry --

12 COMMISSIONER KEARNS: I think we heard from Mr.  
13 Schelat this morning that's not the case. That when Mr.  
14 Schelat goes to the U.S. Industry they say -- what was it  
15 200? I can't remember the number that you gave but four  
16 times more than what you typically buy they're not willing  
17 to sell to him unless it's four times that size.

18 MR. SCHELAT: Well that was U.S. Steel was going  
19 to substitute a seamless product for what would have that  
20 kind of markup. Typically, the U.S. Mills don't supply the  
21 majority of the pipe that we buy that's not included in the  
22 order

23 COMMISSIONER KEARNS: So I'm just trying to  
24 understand. What we're hearing is, I hear it, these out of  
25 scope line pipe is no longer being sold by the Japanese

1 producers into the U.S. Market because of 232. It also, I  
2 don't know, I'm hearing it's also not sold by U.S. Producers  
3 but -- so what's going on.

4 MR. HUSISIAN: There's a variety of things. One,  
5 in the last 20 years in some cases the U.S. Industry has  
6 expanded and can make certain types of non-subject line pipe  
7 but you have to look at the particular order. Often they  
8 can't so sometimes that can be the situation. Another  
9 situation could be the Japanese don't want to supply it  
10 because it's not a very popular use.

11 In other cases it could be there's a non-U.S.  
12 customer that's taking up their capacity. It would depend  
13 on their particular manufacturer because JFE throughout the  
14 POI has been at peak capacity utilization and Nippon during  
15 parts of it has not. It would almost have to go order by  
16 order to determine whether, what was the factor.

17 What we do know is that in general line pipe  
18 shipments to the rest of the world has skyrocketed and in  
19 the United States they have fallen. They did go up a little  
20 bit between 2017 and 2018 but they certainly are not  
21 mimicking what is going on in the rest of the world where  
22 you had started with a very big base of several hundred  
23 thousand tons of shipments and it went up by 65 percent.

24 COMMISSIONER KEARNS: OK, my time's expired.  
25 Thank you.

1                   COMMISSIONER SCHMIDTLEIN: Do you have any  
2 other questions then?

3                   COMMISSIONER KEARNS: I think I do.

4                   So, one other point I wanted to talk about.  
5 So, I hear you, Mr. Husisian, about vulnerability. That all  
6 the trends are in the right direction but and it isn't the  
7 point that, while the trends may be in right direction, the  
8 absolute numbers in terms of the U.S. industry's capacity  
9 utilization, its operating income, etc. are not particularly  
10 strong. In fact, I was thinking a moment ago about we were  
11 thinking, the U.S., I mean the Japanese industry, has found  
12 the need to downsize because of its capacity utilization  
13 numbers and they want to specialize in high-end product but,  
14 of course, the U.S. industry's capacity utilization are way  
15 worse than that.

16                   So, if the Japanese industry feels the need to  
17 completely change strategy in order to increase its capacity  
18 utilization, how am I supposed to square that with the fact  
19 that the U.S. industry has much worse capacity utilization  
20 and is not doing particularly well, I would say, in terms of  
21 its operating income? Doesn't that indicate that, while  
22 things may be improving, it's still vulnerable?

23                   MR. HUSISIAN: Let me take each of them  
24 separately. This is the investment paradox for this, which  
25 is: why is this industry, which has what would appear to be

1 bad capacity utilization, consistently investing in new  
2 capacity? And, if you look at the staff report, it's not  
3 just in this POR, and it's not just what they mentioned this  
4 morning about investing. They've got future plans, as I  
5 talked about this morning, and they've investigated new  
6 capacity since 2006. And the reason they've been doing that  
7 is because it's "capacity for what?" The demand in the U.S.  
8 market has changed quite a bit.

9 We no longer base our putting very long  
10 horizontal line pipes to bring oil from Alaska, or something  
11 like that. Instead, we're fracking. We're putting pipes in  
12 the ground that then need to spread out. It's much harsher  
13 environments. We're drilling deeper than we used to. It  
14 requires different capacity.

15 Now what most industries, what you can do you  
16 have two things that you can do with that. If you're  
17 investing in new capacity, the question becomes, what do you  
18 do with your old capacity? If you shut it down, which is  
19 what Nippon is doing, and the reason it's shutting it down  
20 is that they can use it for a warehouse, then your capacity  
21 utilization goes up.

22 Now imagine Nippon instead said, we don't  
23 think we're ever going to use it, but we don't have any  
24 other use for it, it would look like you had excess  
25 capacity, but you've done you've taken the exact same thing.



1                   COMMISSIONER KEARNS: I guess, I'm sorry. Maybe  
2                   when I asked the question I was too focused on capacity  
3                   utilization but, in general, not just on capacity  
4                   utilization, but on their operating margins and so forth.  
5                   While the trend seems to be, the very recent trend seems to  
6                   be improvement, we nevertheless found, not too long ago,  
7                   that the U.S. industry was materially injured. And, if you  
8                   look at the numbers now in absolute terms, not the trends,  
9                   it doesn't seem like the U.S. industry's doing particularly  
10                  well. In fact, I think it's not doing particularly well.  
11                  Would you disagree with that? Do you think this industry's  
12                  healthy?

13                  MR. HUSISIAN: I would disagree that steel, in  
14                  general, is not a huge margin industry. It's not  
15                  semi-conductors or Apple Computer where you see, you know,  
16                  35 or 40% profit margins. So that's the first thing to look  
17                  at is: is what's going on?

18                  Secondly, I think the trends analysis does  
19                  help you explain what's going on in the industry especially  
20                  when you've got the turbo-boost coming of such a big impact.  
21                  Remember, look at the market share for those six countries.  
22                  If you go to E4, it was huge. The U.S. industry talked about  
23                  how they only have about half of the market. Well, that  
24                  wasn't it's not the Japanese who are taking the rest of it.  
25                  It was those non-subjects, and they were coming in at what

1 the Commission had found was very low prices. So, if the  
2 U.S. industry was not performing well during the POR, even  
3 if you were to accept that, what's the reason for it? It's  
4 not Japanese subject imports, which are basically zero. It's  
5 those non-subject imports. And it would be entirely  
6 unreasonable to attribute that material injury to the  
7 Japanese.

8 COMMISSIONER KEARNS: No, no, I'm not. Just to  
9 be clear, I'm not attributing it to the Japanese. The  
10 question is: is the U.S. industry vulnerable?

11 MR. HUSISIAN: So, in the reasonably  
12 foreseeable future, the question is: what will the  
13 profitability of the U.S. industry be? And you're taking out  
14 basically half of the market and subjecting them to large  
15 tariffs. That's what the reasonably foreseeable future is.  
16 This is a sunset review. We're talking about what's going to  
17 happen in the next two or three years, and what we're saying  
18 is: you know what, the U.S. industry is performing pretty  
19 well. Look at it. And they were getting better but, oh my  
20 God, what is going to happen in the future when almost half  
21 of the market disappears? That's the profit margin you need  
22 to look at: what's the profit margin going to be in a year  
23 or two from now when those non-subject imports are taken out  
24 of the market?

25 COMMISSIONER KEARNS: OK. OK. Thanks very much.

1 I have no further questions.

2 COMMISSIONER SCHMIDTLEIN: OK. Do the staff  
3 have any questions for this panel?

4 MR. CORKRAN: Douglas Corkran, Office of  
5 Investigations. Thank you very much. Staff has no additional  
6 questions.

7 COMMISSIONER SCHMIDTLEIN: OK. Do those in  
8 support of you have any questions for this panel?

9 MR. BRIGHTBILL: No questions.

10 COMMISSIONER SCHMIDTLEIN: OK. Great. I will  
11 dismiss you at this time. Thank you very much, again, for  
12 your testimony and we will prepare for closing statements  
13 and rebuttal.

14 Those in support of the order have 16 minutes  
15 from direct plus 5 minutes for closing for a total of 21  
16 minutes. Those opposed have zero minutes from direct plus 5  
17 minutes for closing for a total of 5 minutes. So we will  
18 begin with those in support.

19 MR. BISHOP: Closing remarks and rebuttal on  
20 behalf of those in support of continuation will be given by  
21 Timothy C. Brightbill of Wiley Rein and Dr. Seth Kaplan of  
22 International Economic Research. Gentlemen, you have 21  
23 minutes.

24 CLOSING STATEMENT OF DR. SETH KAPLAN

25 MR. KAPLAN: Good afternoon. Just a couple

1 points to make in rebuttal.

2 I think the first point's a conceptual one.  
3 Respondents talked about trends. But this is a sunset review  
4 and it's inherently a "but for" exercise. In a threat case  
5 you try to predict the future by looking potentially at  
6 trends and other information. But here the situation is  
7 whether you remove an order and so it's going to shift  
8 things. An extrapolation of trends is not appropriate;  
9 imports are zero, or low. And, I think, you've correctly  
10 focused on the opportunity and motive should the order be  
11 removed.

12 Second, there's a considerable focus on the  
13 non-U.S. market. But the reason their shipments increased to  
14 the non-U.S. market is that they're not selling here and if  
15 they want to sell their capacity, that's where it has to go.  
16 So, that really doesn't tell you much in the "but for"  
17 context that you're looking at.

18 I want to emphasize the point again about  
19 vulnerability that Commissioner Kearns noted. The industry's  
20 profits were 12% during a former review. Five percent  
21 doesn't cover the cost of capital in the industry. The  
22 market share is low. The operating capacity utilization is  
23 low. All those are signs of vulnerability.

24 With respect to any trends if we're looking at  
25 the state of the market, the Commission typically does not

1       rely on quarterly data because of seasonality and the  
2       part-year issues. This is taken very seriously at the bar.  
3       People delay cases by a quarter or two, recognizing the  
4       Commission doesn't put great weight in quarterly data. And  
5       yet so much of their case, even in a trends case, which we  
6       believe is not appropriate, is based on one quarter of data  
7       in 2019 and that is different than the Commission's normal  
8       practice in terms of how they rely on the record.

9                 They seem to imply that the six country orders  
10       will eliminate those imports and no longer well they'll no  
11       longer be present in the U.S. market. In fact, Canada,  
12       Turkey, Greece, and Korea are continuing in the U.S. market,  
13       but under the orders the prices have risen. And that's the  
14       intent: it's not a quota. The intent is to make trade fair  
15       and so there is this participation. What the presence of the  
16       Japanese would do, not take sales but drive prices down in  
17       this bid process, so you'd see, in the context of what the  
18       Commission often views as loss sales and loss revenue.

19                Finally, I would refer you to page 421 of the  
20       staff report, which is table 410, which is the overall  
21       capacity and production on the same equipment. And the staff  
22       had a problem in the sense of, how do you allocate capacity  
23       correctly to the subject and non-subject. And they decided  
24       to do it based on production. So, in essence, production  
25       capacity for the subject or non-subject rises and falls with

1 the production share. I think that's a way to do it. I think  
2 that can conceal certain things as well. So, I think, for  
3 purposes now, rather than getting into that, I'd just ask  
4 you to look at the overall capacity. And as compared to  
5 let's say the capacity of the subject products there was an  
6 allocation and just look at how much larger it is.

7 That's the problem. That's the overhang. And  
8 it's not even all non-subject line pipe. I ask you to look  
9 at other products, which is several lines from the bottom of  
10 that table. And look at the volatility there as well. You  
11 know, this is what corporations and companies do: they  
12 profit maximize. They switch between products and product  
13 lines, subject to some constraints, to make money. And the  
14 U.S. is a fine market now and it has become a finer one  
15 since those other orders. And looking at both the switching  
16 internationally and the switching domestically, and the  
17 product switching, I think there is nothing but you could  
18 expect then that they would try to maximize profits and to  
19 do that, they would increase the volume and lower the prices  
20 of shipments to the United States, should the orders be  
21 removed. Thank you.

22 CLOSING STATEMENT OF TIMOTHY C. BRIGHTBILL

23 I'd also like to thank both Commissioners for their  
24 excellent questions this afternoon that I think highlighted  
25 some of the key inconsistencies in Respondent's theory of the

1 case. There was some talk this afternoon about high end  
2 versus commodity products. I think we'll take some time to  
3 point out some things on that in the post-hearing brief.

4 You heard things like we want to focus here or  
5 specialty products, a lot of other undefined terms. It's  
6 very fuzzy from Respondents, but we think the record  
7 evidence is clear, as Commissioner Kearns said. Japan by  
8 itself did cause material injury with respect to subject  
9 merchandise, and clearly could do to again upon revocation.

10 We also heard that the JFE joint venture is  
11 not going to produce any standard line pipe in the Middle  
12 East. I think we heard that. That seems unlikely. We'll  
13 take another look at the transcript. But for a joint  
14 venture there, it seems very likely that subject merchandise  
15 will be produced.

16 We'd also point out that JFE has an ERW mill.  
17 It's one of the few mills that makes up the 26 inch product,  
18 and that's not heavy wall product. It's not offshore  
19 product. We can also give a list of multiple projects where  
20 U.S. producers big against Japan and Canada outside of the  
21 United States, and lost the bid to Japan for standard  
22 subject products, standard line pipe, large diameter line  
23 pipe.

24 Wanted to talk about Japanese exports to the  
25 United States. Respondents said at no time were they

1 significant. According to your data and import data in  
2 2016, 108,000 metric tons. 2018, 51,000 metric tons. Last  
3 12 months, 66,000 metric tons or six percent of all imports.  
4 That's not negligible, that's significant. It's very  
5 significant in terms of this case and certainly it can have  
6 an impact on the market.

7 Active selling in the United States. In the  
8 second review, the previous review, the Commission found  
9 with regard to this order Japanese producers are currently  
10 actively selling large diameter line pipe in the United  
11 States. Japanese exports of subject and excluded large  
12 diameter welded pipe products remained substantial during  
13 the POR, and Japanese producers JFE and Nippon have  
14 maintained distributor networks for welded large diameter  
15 welded pipe in the United States, that would likely be used  
16 for certain welded large diameter line pipe upon revocation.  
17 That was accurate in that review and it's accurate here as  
18 well.

19 As far as Respondent's comments on the trends,  
20 we're very comfortable with the trends and with all of the  
21 analysis in the staff report, and in some cases the trends  
22 show that we are starting to do better. Why? We said why,  
23 because of the removal of dumped and subsidized imports from  
24 six countries out of the U.S. market.

25 But the trends also show in many ways this



1 industry, as Dr. Kaplan pointed out, is still weaker than  
2 five years ago, ten years ago or 15 years ago, which is why  
3 revocation would be, likely be injurious. With regard to  
4 Kashima, I would refer to Respondent's own Slide 5, which  
5 states that the closure of Kashima Works end of October 2019  
6 has a word "planned" in parenthesis. So that seems less than  
7 certain when they say in their own flash report from May  
8 29th that their closure is characterized as a planned.

9           Then we also heard this afternoon I believe  
10 that what they're doing with the equipment is still under  
11 consideration. Section 232, Chairman Schmidtlein you had  
12 asked if the two cases we cited were expedited or not.  
13 Those were full reviews. They were from earlier in the  
14 Section 232 tariff period. I think your analysis of Section  
15 232 from earlier this year is very apropos, where you said  
16 --

17           Where the Commission said "Although duties  
18 under Section 232 cover subject imports from all sources,  
19 the duties do not appear likely to slow the influx of  
20 subject imports. Moreover, the Section 232 duties have  
21 increased raw material costs to suppliers, rendering them  
22 more susceptible, more susceptible to further injury from  
23 the subject imports." So I think that's relevant as well.

24           On non-subject Japanese imports, we think  
25 there is limited -- that's of limited importance in showing

1        what subject imports would do upon revocation. Some of  
2        those are specialized products. They necessarily are  
3        demanded less in the U.S. and are subject to different  
4        drivers. But to the extent it shows anything, it shows that  
5        imports were substantial during the Period of Review, and  
6        they doubled the first half of the year 2019 compared to  
7        2018. So the trend analysis of Respondents is wrong.

8                        I could do more, but I think I'll give some  
9        time back and just say to summarize, domestic producers are  
10       just beginning to recover from material injury by reason of  
11       dumped and subsidized imports. Revocation would quickly  
12       derail the recovery. The conditions of competition are well  
13       known. Domestic and imported product are highly  
14       substitutable, largely interchangeable. Price is critical  
15       to purchasing decisions.

16                      The domestic industry's capacity utilization  
17       is unsustainably low, less than 50 percent in the first  
18       quarter in its real capacity as you heard from our witnesses  
19       this morning. Section 232 will not mitigate future injury.  
20       Your 232 analysis in the cases earlier this year was highly  
21       instructive and still applies today.

22                      The Japanese industry has a demonstrated track  
23       record of underselling. It's documented in the staff  
24       report. The domestic industry is vulnerable and is  
25       susceptible to recurrence of material injury. Demand from

1 alternative markets is unlikely to absorb the Japanese  
2 industry's significant capacity and production.

3 Two other small points. As I pointed out,  
4 Japanese imports have doubled in the first half of 2019 and  
5 also increased from 2017 to 2018. So clearly Section 232 is  
6 not a bar to Japanese imports. Nippon's own SEC filings  
7 specifically mention the risk of "a slowdown of economic  
8 growth in developing markets, especially in Asia." That's  
9 Nippon's own SEC filings.

10 So the question is would revocation of the  
11 orders on large diameter line pipe from Japan lead to  
12 continued or a recurrence of material injury in a reasonably  
13 foreseeable time, the answer is a definitive yes. Three  
14 months after your last vote would be the exact wrong time to  
15 jeopardize this domestic industry's recovery by allowing  
16 dumped Japanese imports back into the market. Thank you  
17 very much.

18 MR. BISHOP: Thank you, Mr. Brightbill and Dr.  
19 Kaplan. Rebuttal and closing remarks on behalf of those in  
20 opposition to continuation will be given by Gregory Husisian  
21 of Foley and Lardner. Mr. Husisian, you have five minutes.

22 CLOSING STATEMENT OF GREGORY HUSISIAN

23 MR. HUSISIAN: Thank you. My fondest wish is to  
24 get through the entire closing without you telling me to  
25 lean closer to my microphone.

1 (Laughter.)

2 MR. HUSISIAN: I have to say, Dr. Kaplan is the  
3 gift that keeps on giving. I sat down and I asked Jenlain,  
4 I said what am I going to say that I haven't said already?  
5 And then I just listened to Dr. Kaplan and my closing  
6 statement wrote itself.

7 First of all, he says look at their capacity, and  
8 their capacity utilization, and then ask yourself where else  
9 will they go to fill the capacity other than to the United  
10 States?

11 Just imagine you're in the JFE Steel, or Nippon  
12 Steel boardroom and they say, where can we increase sales?  
13 And you say let's go to the United States. They have  
14 Section 232 duties and they impose duties with no finding of  
15 unfair trade injury, and there's no such duties elsewhere.  
16 I think that's where we should dedicate our capacity. And  
17 while we're at it, we'll abandon some of our customers we've  
18 spent so long developing in Asia.

19 I don't think you're going to get very far in  
20 your career if that's the kind of sales strategy you're  
21 going to advocate.

22 Secondly, Dr. Kaplan gets up there and he says  
23 don't listen to them about the impact of these orders.  
24 We're not seeing a fall-off in the orders; we're just seeing  
25 prices go up. Well the whole point of these orders is

1 looking at what's going to be the fate of the U.S. industry  
2 in the reasonably foreseeable future? Prices go up.  
3 Profits go up.

4 They just conceded that they're going to be  
5 better off because of these orders. And that is the U.S.  
6 industry, and you have to consider whether or not it's  
7 vulnerable, and whether or not there's going to be something  
8 that is going to change things going forward.

9 Third, despite all the discussion of Kashima, Dr.  
10 Kaplan goes back and once again refers to a table in the  
11 staff report where it talks about the capacity utilization  
12 of the Japanese producers historically and not reflecting  
13 what's going on in the future.

14 You can't ignore that the Japanese industry is  
15 doing just what they should be, just what you should be  
16 doing if you're a U.S. company, which is they're  
17 right-sizing their capacity so they can focus on their  
18 strengths. And considering what's going to happen, you  
19 could even put aside the condition of the U.S. industry.  
20 The question is: What is going to be the impact of  
21 revocation? And if the Japanese producers are  
22 resource-constrained, that gives you your answer right  
23 there. Even before you get to the condition of the U.S.  
24 industry.

25 So I would say that that is three things that I

1 am really glad that I got to follow them in the closing  
2 statement. The reality is, this industry you have to look  
3 at at what is going to happen in the reasonably foreseeable  
4 future? And there has to be some kind of impact of the  
5 revocation.

6 This market? You'd be crazy to sell into this  
7 market. There are Section 232 duties. And as the  
8 Commission has recognized, it's not the be-all and end-all,  
9 but it's something you need to look at.

10 It goes to the attractiveness of the market. And  
11 the fact that they're trying to come in here and minimize  
12 the duties, they just always change the subject. They say,  
13 oh, it's not helping us as much as you might think because  
14 our raw materials went up. That doesn't have anything to do  
15 with the operative question, which is are they a drag on  
16 exporting for the United States?

17 You don't need to be an economist. You don't  
18 need to be a failed economist like I apparently have to  
19 recognize imposing 25 percent duties in an industry that  
20 doesn't have huge profit margins makes it harder to sell  
21 into the United States.

22 This is an industry that is performing well, that  
23 has had the majority of the import competition, the vast  
24 majority that the U.S. industry has conceded is now being  
25 forced to raise its prices, and it's just not going to be

1 hurt by revocation.

2 So I would ask you to consider the record. The  
3 staff report is very well put together. It very much  
4 supports us. You don't have to just look at quarterly data.  
5 We are happy to provide responses to the questions that the  
6 Commission has asked, and we think if it's done well we are  
7 going to have the same results here that we had in the last  
8 couple of cases I've been before the Commission on which is  
9 a favorable injury determination.

10 I thank you for your time, and if you have any  
11 further questions for us feel free to communicate them  
12 through the staff.

13 MR. BISHOP: Thank you, Mr. Husisian.

14 Madam Chair, that concludes rebuttal and closing  
15 remarks.

16 COMMISSIONER SCHMIDTLEIN: Alright, thank you  
17 very much to both sides.

18 Post-hearing briefs, statements responsive to  
19 questions, and requests of the Commission, and corrections  
20 to the transcript must be filed by August 8th, 2019.  
21 Closing of the record and final release of data to parties  
22 will be September 5th, 2019. And final comments are due  
23 September 9th, 2019.

24 With that, this hearing is adjourned.

25 (Whereupon, at 3:17 p.m., Tuesday, July 30, 2019,

1 the hearing in the above-entitled matter was adjourned.)

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## CERTIFICATION OF REPORTER

TITLE: In The Matter Of: Certain Welded Large Diameter Line Pipe from Japan

INVESTIGATION NO.: 731-TA-919

HEARING DATE: 7-30-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Third Review

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

DATE: 7-30-19

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: Duane Rice  
Signature of 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.

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