

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
CARBON AND ALLOY SEAMLESS STANDARD, LINE,
AND PRESSURE PIPE FROM JAPAN AND ROMANIA

) Investigation Nos.:
) 731-TA-847 AND 849
) (THIRD REVIEW)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CARBON AND ALLOY SEAMLESS STANDARD,) 731-TA-847 AND 849
LINE, AND PRESSURE PIPE FROM JAPAN) (THIRD REVIEW)
AND ROMANIA

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, August 8, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Vice Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Vice Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7

8

9

10

11 Staff:

12 William Bishop, Supervisory Hearings and Information

13 Officer

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15 Lawrence Jones, Investigator

16 Gregory LaRocca, International Trade Analyst

17 Emily Burke, International Economist

18 Joanna Lo, Accountant/Auditor

19 Patrick Gallagher, Attorney/Advisor

20 Douglas Corkran, Supervisory Investigator

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24

25

1 Opening Remarks:

2 In Support of Continuation (Kelsey M. Rule, Quinn Emanuel

3 Urquhart & Sullivan, LLP)

4 In Opposition to Continuation (Daniel J. Cannistra, Crowell

5 & Moring LLP)

6

7 In Support of the Continuation of the Antidumping Duty

8 Orders:

9 Quinn Emanuel Urquhart & Sullivan LLP

10 Washington, DC

11 on behalf of

12 United States Steel Corporation ("U.S. Steel")

13 William M. Buono, Director of Marketing Analysis and

14 Strategy, U.S. Steel Tubular Products

15 Daniel Flippo, District 9 Director, United Steelworkers

16 Kelsey M. Rule - Of Counsel

17

18 Schagrin Associates

19 Washington, DC

20 on behalf of

21 Vallourec Star, L.P.

22 Douglas Polk, Vice President of Industry Affairs,

23 Vallourec USA

24 Roger B. Schagrin and John W. Bohn - Of Counsel

25

1 In Opposition of the Continuation of the Antidumping Duty
2 Orders:

3 Crowell & Moring, LLP

4 Washington, DC

5 on behalf of

6 TMK-Artrom S.A. ("Artrom")

7 Adrian Popescu, President and CEO, Artrom

8 Mike Christopher, CEO, TMK Industrial Solutions LLC

9 Daniel J. Cannistra and Benjamin Caryl - Of Counsel

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11 White & Case LLP

12 Washington, DC

13 on behalf of

14 S.C. Silcotub S.A. ("Silcotub")

15 Tenaris Global Services (U.S.A.) Corporation ("TGS USA")

16 Gregory J. Spak and Frank J. Schweitzer - Of Counsel

17

18 Rebuttal/Closing Remarks:

19 In Support of Continuation (Roger B. Schagrín, Schagrín

20 Associates)

21 In Opposition to Continuation (Gregory J. Spak, White & Case

22 LLP)

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P R O C E E D I N G S

9:38 a.m.

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

VICE CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 731-TA-847 and 849, third review involving Carbon and Alloy Seamless Standard Line and Pressure Pipe from Japan and Romania.

The purpose of these five-year review investigations is to determine whether revocation of the anti-dumping duty orders on Carbon and Alloy Seamless Standard Line and Pressure Pipe from Japan and Romania would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

Schedule setting forth the presentation of this hearing, Notices of Investigation and transcript order forms are available at the Public Distribution Table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witness must be sworn in before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Speakers are reminded not to refer in their remarks or answers to questions to Business Proprietary

1 Information. Please speak clearly into the microphones
2 state your name for the record for the benefit of the court
3 reporter. If you will be submitting documents that contain
4 information you wish to be classified as business
5 confidential, your request should comply with rule 201.6.

6 Mr. Secretary, are there any preliminary matters?

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

10 VICE CHAIRMAN JOHANSON: Very well, let us begin
11 with opening statements.

12 MR. BISHOP: Opening remarks on behalf of those
13 in support of continuation will be by Kelsey M. Rule of
14 Quinn Emanuel, Urquhart and Sullivan.

15 Ms. Rule, you have five minutes.

16 STATEMENT OF KELSEY M. RULE

17 MS. RULE: Good morning Mr. Chairman and Members
18 of the Commission. Kelsey Rule with Quinn Emanuel appearing
19 today on behalf of the parties in support of the
20 continuation of these orders.

21 The Domestic Industry has yet to recover from the
22 injury caused by less than fair value imports of seamless
23 SLP pipe from Japan and Romania. As the questionnaire
24 responses and Staff Report make clear, this is an industry
25 that is vulnerable to injury. This is even more true today

1 than it was during the last five-year review.

2 Given the current vulnerable state of the
3 Domestic Industry the presence of any quantity of dumped
4 imports would have a significant negative impact on the
5 Domestic Industry's production, sales, revenue,
6 profitability, and employment. Additionally because small
7 diameter SLP Pipe from Japan and Romania overlap in every
8 relevant factor of competition it is appropriate for the
9 Commission to cumulate such imports in determining the
10 likely impact on the Domestic Industry of revoking the
11 orders on small diameter of small diameter SLP Pipe.

12 Imports from Japan and Romania have tremendous
13 potential to inflict harm on the Domestic Industry through
14 price suppression. As Congress found in its expedited
15 Sunset Review, the revocation of these orders will likely
16 result in continued dumping at margins between 14.25 and
17 107.8 percent. The mere offering of seamless SLP Pipe at
18 prices so far below normal value would significantly
19 distort the entire market.

20 The Japanese and Romanian industries are export
21 oriented and their producers can easily shift to the U.S.
22 Market. Both Japanese and Romanian producers of seamless
23 SLP pipe continue to have access to channels of distribution
24 in the United States through their affiliated entities.
25 Japanese producers are affiliated with the very same

1 distributors that purchase SLP pipe from the Domestic
2 Producers represented here today.

3 Romanian producers with the affiliated production
4 facilities in the United States have the ability to
5 supplement their existing product offerings with Subject
6 Imports. This is precisely the business model that was
7 touted by Paulo Roka, the Chairman and CEO of Tenaris S.A.,
8 on an investor call just three days ago.

9 During the call Mr. Roka acknowledged that his
10 company's Bay City, Texas operations, which have yet to
11 begin production, will always be supplemented by imports to
12 offer the full range of product sizes to its growing U.S.
13 Customer Base. This facility which is expected to produce
14 SLP pipe that is 4.5 inches in diameter and larger, will be
15 supplying small diameter SLP pipe from other Tenaris
16 operations outside the United States.

17 Given the vulnerable state of the Domestic
18 Industry and the ease with which Subject Imports could flood
19 the U.S. Market at less than fair value prices it is
20 imperative that the Commission vote to continue these
21 orders, thank you.

22 MR. BISHOP: Opening remarks on behalf of those
23 in opposition to continuation of the orders will be given by
24 Daniel J. Cannistra of Crowell and Moring. Mr. Cannistra,
25 you have five minutes.

1 STATEMENT OF DANIEL J. CANNISTRA

2 MR. CANNISTRA: Good morning. My name is Dan
3 Cannistra. I'm here on behalf of TMK and I'm presenting
4 opening comments on behalf of the Romanian Respondents. The
5 antidumping order on Romania has been in place since 2001.
6 A lot has changed over the past sixteen years. Most
7 notably, 2001 was six years before Romania even joined the
8 European Commission. Within the line pipe industry
9 in Romania there have likewise been significant changes
10 since 2001. At the time of the initial investigation there
11 were a series of independent producers in Romania, still
12 struggling with their historic reliance on Eastern European
13 Markets. At the time of the original investigation, most of
14 the production capacity within Romania had not even been
15 privatized yet.

16 After joining the EU in 2007, Romanian Producers
17 accelerated their reliance and ties to Western Europe, which
18 is now its longstanding local market. Over the same period,
19 each of the three remaining seamless pipe producers in
20 Romania became affiliated with multinational producers.
21 Indeed, as of today all three are affiliated with U.S.
22 Producers of seamless pipe. A critical fact in the
23 Commission's deliberate in this Sunset Review and a highly
24 unusual situation in a Sunset review.

25 An equally critical element in the global

1 integration of Romanian Steel producers is that all three of
2 them are also affiliated with producers of small diameter
3 pipe in countries without antidumping duties. This is
4 critical to the Commission's analysis as we don't need to
5 speculate as to the impact of removing the order.

6 Instead we can look at Argentina, Slovenia and
7 Russia where there are affiliates of the three Romanian
8 producers that have no antidumping duties to project the
9 likely impact of the removal of the antidumping order. All
10 three affiliated countries have affiliates producing
11 seamless pipe yet there has been no surge in imports from
12 these countries over the intervening sixteen years.

13 You will also hear testimony this morning that
14 within Romania there is no ability to shift production to
15 seamless pipe if the order was lifted and even more
16 importantly there is no economic incentive to do so, even if
17 the physical constraints were not present.

18 And finally, while it's not critical to the
19 Commission's analysis in this case, we do know that the
20 Commission in the companion Chinese dumping case concerning
21 seamless pipe in 2001 found a single like product comprised
22 of large and small diameter pipe. This was the position
23 advocated by the same U.S. Producers before you today. This
24 like product was just reaffirmed by the Commission in
25 February of 2016.

1 It was argued then that the industry had matured
2 since the 2001 Romanian case. It is unclear to us what has
3 changed again in the intervening 14 months to again change
4 the parameters of the like product and now once again
5 separate large and small diameter pipe. Thank you and we
6 look forward to testifying today.

7 MR. BISHOP: Would the Panel in support of the
8 continuation of the antidumping duty orders please come
9 forward and be seated.

10 Mr. Chairman, this Panel has been seated. They
11 have sixty minutes for their direct testimony.

12 VICE CHAIRMAN JOHANSON: Okay, you all may begin.

13 STATEMENT OF WILLIAM M. BUONO

14 MR. BUONO: Good morning, Mr. Chairman and
15 Honorable Members of the Commission. My name is Bill Buono
16 and I am the Director of Marketing and Strategy for U.S.
17 Steel and Tubular Products, a subsidiary of the United
18 States Steel Corporation -- a domestic producer of seamless
19 SLP Pipe.

20 I'm grateful for the opportunity to appear before
21 you today. I have 28 years of experience in the steel
22 industry. During that time I have appeared before the
23 Commission numerous times to discuss the impact that imports
24 have had on our business, our workers and our industry.
25 Today I am here to tell you that the Domestic Industry for

1 seamless, standard, line and pressure pipe cannot and will
2 not survive if this Commission revokes the antidumping duty
3 orders that have been in place since 2000 with respect to
4 imports from Japan and Romania.

5 Seamless SLP is a bread and butter product for
6 the Domestic Industry. In a normally functioning market,
7 these are the products we want to make. However, this has
8 not been the case when we are battling unfair imports and I
9 can tell you in the 15 years since these orders have been in
10 place we continue to battle unfair imports. They have never
11 left the market.

12 While the industry has been on the road to
13 recovery following the imposition of these dumping orders,
14 we are not yet there. As you may know earlier this year
15 U.S. Steel was forced to permanently close one of its mills
16 that produce seamless SLP Pipe the Lorraine #4 Mill in Ohio.
17 This was after we made a substantial capital investment in
18 this facility which was only completed in 2015.

19 With the closure of this mill, which produced
20 small diameter pipe up to and including 4.5 inch pipe we are
21 now unable to service a portion of this market. Our
22 distributors must now source certain smaller sizes from
23 other producers. Before this mill was idled in 2016 it
24 employed hundreds of workers.

25 I can tell you this has been a painful time for

1 all of us, especially for the American workers who were
2 directly impacted by the mill closings as well as their
3 families and communities. Yet, there is hope on the
4 horizon. More than ever we are committed to becoming more
5 productive, more efficient and more competitive. When the
6 oil and gas market fully recovers, U.S. Steel will be there
7 to supply high quality and domestic seamless SLP pipe to
8 meet growing demand.

9 We only need to survive long enough for the
10 market to recover. Mr. Chairman, the continuation of relief
11 from unfair imports is a critical factor in our recovery.
12 The question before the Commission today is a simple one.
13 Will you give this industry the opportunity to recover from
14 the substantial injury caused by unfair imports by leaving
15 the orders in place or will you seal our fate by forcing us
16 to compete with unfairly dumped imports when demand for
17 seamless SLP pipe picks up again?

18 U.S. Producers and Purchasers agree that will
19 happen if these orders are revoked. Dumped imports of
20 seamless SLP pipe from Japan and Romania will enter this
21 market in greater volumes and drive down prices again
22 further crippling Domestic Producers.

23 Respondents claim that they will practice
24 self-restraint if the orders are lifted. Quite frankly,
25 this is hogwash. It was their lack of discipline that

1 wreaked havoc on the market in the past and continues to
2 threaten us today. Will you allow them to further injure us
3 and decimate this market?

4 As the U.S. Energy Market recovers, this market
5 will become more and more attractive to Foreign Producers
6 and really hoping that Foreign Producers will take a
7 measured approach to steel exports to the United States if
8 dumping duties are lifted is simply wishful thinking. Make
9 no mistake we have a long way to go to restore the
10 fundamental health of this industry. We need to regain the
11 market share lost to unfair imports when the demand for
12 seamless SLP pipe picks up again as it will. Lifting the
13 orders now will prevent that from happening. It will be a
14 death sentence to our business.

15 I would be remiss if I did not mention the
16 important role played by agencies like this one. Your
17 commitment to fairly enforce our trade laws is the only
18 reason there is a domestic steel pipe industry today and
19 your willingness to challenge the Domestic Industry to
20 adjust and restructure has helped create conditions in
21 which this industry can succeed in the global marketplace.

22 Permit me to be very clear, U.S. Steel is not
23 afraid of competition. We relish it. We have absolutely no
24 problem with imports. We were sandbagged in the late 1990's
25 by a torrent of unfairly dumped SLP pipe, so much so that

1 this dynamic market remains highly compromised. Lifting the
2 dumping orders now while we are so vulnerable would not
3 spark the kind of healthy market competition that makes
4 everyone in the industry better.

5 What would be the result of revoking these
6 orders? I think the answer is clear. Unhealthy,
7 unsustainable, non-market based prices and profitability
8 below what the market forces and market-based competition
9 would otherwise dictate and a continued spiral of rapid loss
10 of market share as dumped imports capture growing demand for
11 seamless SLP pipe when the energy sector picks up again.
12 Such an outcome constitutes substantial injury.

13 I urge the Commission to give us the time we need
14 to recover so that we can effectively compete again. I'm
15 very proud to be part of this industry. I'm proud to carry
16 on the traditions of United States Steel Corporation. Very
17 few companies can say that they have been in the same
18 business for over one hundred years. U.S. Steel is the
19 embodiment of American ingenuity, competitiveness and
20 strength. All we ask from the Commission is to be able to
21 continue on a level playing field, thank you.

22 STATEMENT OF DOUGLAS POLK

23 MR. POLK: Good morning, Chairman Johanson and
24 Members of the Commission. For the record, my name is Doug
25 Polk and I am the Vice President of Industry Affairs for

1 Vallourec. I've been with Vallourec Star and its
2 predecessors for thirty-four years and I've been in the
3 energy industry for over forty years. Vallourec Star
4 produces seamless line pipe at our plant in Youngstown,
5 Ohio. This facility consists of an electric arc furnace
6 where we produce our own billets for piercing in our
7 seamless pipe mills. When we purchased the mill from
8 Northstar Steel in 2002 there was only one seamless mill
9 with the size range of 5 to 10 inches. In 2011, at a cost
10 of over one billion dollars we added a second seamless mill
11 with a size range of 2 to 7 inches.

12 The principle product of our mills is OCTG. OCTG
13 production requires extensive finishing equipment while
14 seamless line pipe requires only testing after production.
15 Seamless line pipe is our 2nd most important product after
16 OCTG. Therefore, seamless line pipe is an important product
17 to help balance the mill's production. It has been a core
18 product for this plant from the beginning of this operation.

19 Like most of the industry, our production and
20 employment suffered from the 2015 downturn in energy prices
21 and from high import market share. We are recovering from
22 that downturn and recalling workers as demand recovers. We
23 do not want this recovery to be short-circuited by return of
24 unfairly traded imports from Japan and Romania.

25 Vallourec Star is part of Vallourec, an

1 international pipe and tube company based in Paris with
2 operations throughout Europe, Brazil, China, as well as the
3 U.S. Over the past decade we have seen our share price fall
4 from over 100 Euros per share to less than ten.

5 International energy tubular consumption, while cyclical is
6 not down very significantly from the levels of a decade ago.

7 The difference is an absolutely massive buildup
8 of seamless tubular capacity in China. China has the
9 capacity to supply the entire world market. As a
10 consequence every producer has suffered. There are a few
11 places for Japan and Romania to send their production other
12 than the markets that have imposed duties against the
13 Chinese. There is no doubt that because of Chinese
14 overcapacity producers in Japan and Romania have to find
15 markets like the U.S. for their excess production.

16 MR. POLK: There is no reason that a U.S.
17 customer would want to buy a Japanese or Romanian seamless
18 line pipe unless the price is lower than the U.S. industry
19 price.

20 So allowing these dumped products back into the
21 U.S. market will without question result in our both losing
22 volume and seeing additional price pressure. Losing volume
23 affects our employees directly and losing profits affects
24 our ability to reinvest. For these reasons, Vallourec Star
25 respectfully requests that you continue to the anti-dumping

1 orders against Japan and Romania. Thank you.

2 STATEMENT OF DANIEL FLIPPO

3 MR. FLIPPO: Good morning, Mr. Chairman and
4 honorable members of the Commission. My name is Daniel
5 Flippo and I'm director of the United Steelworkers District
6 9, which includes the states of Alabama, Florida, Georgia,
7 Mississippi, North Carolina, Tennessee, South Carolina, and
8 the Virgin Islands.

9 The USW is the largest industrial union in North
10 America with approximately 850,000 members. The USW has
11 consistently opposed the unfair trade practices of foreign
12 companies and governments. Not only do such actions violate
13 U.S. and international rules, but they also have a
14 devastating impact on American manufacturers and their
15 workers.

16 The USW represents hundreds of workers at
17 seamless standard line pipe production facilities in the
18 United States, including Oleo, TMK IPSCO, Koppel Tubulars in
19 Pennsylvania, and U.S. Steel seamless tubular operations in
20 Alabama, which is located in my district and in my hometown
21 outside of Birmingham, Alabama, which makes seamless pipe
22 used in oil and gas transmission and construction. For
23 those steel workers and their families, I ask the Commission
24 to maintain orders on seamless SLP pipe from Japan and
25 Romania.

1 The seamless pipe segment of the domestic steel
2 industry has been hit hard by unfair imports. In the import
3 relief that was granted by this Commission in 2000 is still
4 needed today. Since the last time this Commission looked at
5 the state of the domestic industry, we're seeing mill
6 closings and layoffs, as well as reduced production.

7 In real terms, that means less working hours and
8 less take home pay for our members that continue working.
9 But for hundreds of U.S. members at U.S. Steel Lorraine's
10 number 4 mill in Ohio, which was idled in 2016 and
11 permanently closed earlier this year, that meant lost jobs
12 and shattered lives.

13 Other companies have cut back hours and shut
14 down facilities over the last few years. By our estimates,
15 more than a quarter of the workers who produce seamless SLP
16 have lost their jobs since 2014. That's 1 in 4 steelworkers
17 in the segment of the steel industry that's seen job
18 displacement.

19 Let me ask you to this. Does this sound like an
20 industry that can afford to lose any more market share to
21 dumped imports? When demand comes back, the men and women
22 who lost their jobs will be ready to get back to work, but
23 only if dumped imports don't continue the pattern of
24 stealing U.S. market share. And this is a systematic
25 problem. Global overcapacity means every export-oriented

1 country now poses a dumping threat. There's just too much
2 steel out in the world. And it had to go somewhere.

3 In this climate, each and every anti-dumping
4 duty order is needed. Today, we're talking about Japan and
5 Romania. And I urge the Commission to consider these orders
6 in context.

7 The steel industry in the United States as a
8 whole is under siege by unfair imports. Export driven steel
9 industries in countries like Japan and Romania are eager to
10 expand their foothold in the United States market. Dumped
11 imports from these countries were found to cause injury to
12 the domestic market and workers in the past and there's no
13 reason to think they will start up again if these orders are
14 lifted.

15 Today, you're going to hear opposing counsel
16 talk a lot about foreign producers, why foreign producers
17 won't go back to dumping if these orders are revoked, but
18 don't be fooled. These companies don't care about the
19 damage they do in the United States industry. They want to
20 replace the U.S. industry. And there's absolutely no upside
21 to giving them the benefit of the doubt.

22 Some foreign companies have come to understand
23 that the United States will not be a dumping ground for
24 chief imports and started investing in the United States and
25 hiring American workers. As I am sure the Commission is

1 well aware, we'll need to be skeptical of the hyped up press
2 releases. We are actually counting on this Commission to
3 ask hard questions such as who makes the steel? Who
4 operates the furnace? Who does the rolling? Who does the
5 heat treating?

6 Time and time again, we've seen foreign
7 companies come in with promises of U.S. job creation, get a
8 bunch of tax breaks, do a lot of photo ops with government
9 officials, and then fill up their facilities with imported
10 foreign steel to sell to customers in the United States.

11 If an American worker isn't involved until the
12 very end of the process, then it's not really U.S. produced
13 steel. This industry and its workers aren't looking for a
14 hand out. The men and women who go to work in our country's
15 steel mills are the best in the world. We can't compete
16 with anyone when the playing field is level.

17 Because of dumped imports of seamless SL pipe
18 from Japan and Romania, our companies and workers are
19 struggling today. We need the reprieve afforded by the
20 dumping orders on seamless SL pipe from Japan and Romania.
21 And we time to recover before the next onslaught of chief
22 imports hits our market.

23 We hope the Commission will act to protect U.S.
24 workers and the industry from further injury caused by
25 unfair imports. It's the workers who are first to suffer

1 and the hardest hit. We are more than statistics. When we
2 lose jobs, people lose economic security, forcing difficult
3 decisions, impacting families, their communities, and their
4 loved ones.

5 On behalf of our union's members who make
6 seamless SL pipe and the communities that depend on them, I
7 urge the Commission to maintain the orders on imports of
8 seamless SLP from Japan and Romania.

9 Thank you for the important work you do. I look
10 forward to answering your questions. Thank you.

11 MR. SCHAGRIN: Mr. Chairman, for the record, my
12 name is Roger Schagrin of Schagrin Associates. And I'm just
13 happy to inform you that that concludes the domestic
14 industry presentation. And this panel would be happy to
15 answer the Commission's questions. Thank you.

16 MR. JOHANSON: Thank you for your presentation
17 this morning. The questions will begin with Commissioner
18 Broadbent.

19 COMMISSIONER BROADBENT: Thank you, sir. I want
20 to welcome the panel and appreciate you taking the time to
21 come today. Let's see, since the original investigation,
22 Romania joined the European Union and privatized its
23 industry. In looking at Romania's export data on page 4-28,
24 table 4-16 of the staff report, the data seemed to support
25 Romanian producers arguments that they are focused on the

1 regional European market. Why shouldn't the Commission find
2 this data convincing?

3 MR. BUONO: Ms. Broadbent, this is Bill Buono
4 from U.S. Steel. I mean, I believe that the U.S. market is
5 still the best market in the world for seamless standard
6 line and pressure pipe. And any steel company out there,
7 and we all produce the same product to the same
8 specifications that is accepted by all the end users. So
9 any producer would welcome the opportunity to get into or
10 back into the U.S. markets.

11 So you know, whereas today, the orders are
12 preventing them from dumping their product in here, if the
13 orders are left in, they will undoubtedly come back to this
14 market because it is the best in the world. Thank you.

15 MR. SCHAGRIN: And Commissioner Broadbent, this
16 is Roger Schagrin. So essentially your question goes to the
17 various factors the Commission can consider in trying
18 determine whether imports from Romania would have no
19 discernible impact. And while it is true that the Romania
20 exports are primarily focused on the European Union, which
21 makes sense, because they are an E.U. member, in addition to
22 those factors, the Commission should also be considering
23 what excess capacity the Romanians have. And in particular
24 as you can see in table 4-16 in 2014, before commerce
25 increased the dumping duties against one of the Romania

1 exporters from 0 to 15 percent at the end of an
2 administrative review, exports from Romania to the U.S. had
3 been 67,000 tons and then fell by almost two-thirds.

4 So we think actually that demonstrates that
5 Romanians remain very interested in the U.S. market. They
6 have enough excess capacity to increase exports to the U.S.
7 market. Changes in their dumping margins have had an effect
8 on their exports to the U.S. market. And even though most
9 of their exports are within the EU, normally, the U.S.
10 market has a much larger energy producer and the EU is a
11 larger and more sought after market than the EU market.

12 COMMISSIONER BROADBENT: Yeah, I appreciate that
13 distinction between 2014 and 2015, but still pretty small
14 percentage there. We're talking small quantities.

15 The Commission has previously found no
16 discernible adverse impact in cases whether corporate
17 affiliations in the likelihood that the foreign affiliate
18 would engage in injurious behavior against its U.S.
19 affiliate.

20 The second we saw in the seamless wire rod
21 review with Italy and Spain. Can you kind of summarize
22 again what distinguishes this case from those prior cases?

23 MR. POLK: If I understand your question
24 correctly, Mrs. Broadbent, you're asking if companies that
25 have U.S. operations --

1 COMMISSIONER BROADBENT: Well, I'm just -- it's
2 sort of more of a legal question in the sense that we -- the
3 Commission before us found that no discernable adverse
4 impact in a case where there were corporate affiliations and
5 no likelihood that the foreign affiliate would engage in
6 injurious behavior against the U.S. affiliate.

7 We found this in seamless steel wire rod with
8 Italy and Spain and I just wanted if you could put this case
9 into context with that other finding of the Commission. So
10 yeah.

11 MR. POLK: I'll defer to Ron.

12 CHAIRMAN ANDERSON: It's one of his, yeah, I
13 know.

14 MR. SCHAGRIN: Yeah, yeah. All right, Doug
15 knows the industry unfortunately.

16 COMMISSIONER BROADBENT: He's got to --

17 MR. SCHAGRIN: A question. So Commission
18 Broadbent, I think what distinguishes this case from the
19 seamless steel wire rod and several flat roll cases that
20 the Commission also found no discernible impact because the
21 relationship is that generally, you have one foreign
22 producer who's an affiliate with the U.S.

23 Here the unusual situation is you have three.
24 And we believe that really only one of those three has an
25 affiliation that would in any way affect their exports to

1 the United States.

2 If you'd allow me, let's look at those three.
3 One is Tenaris. Tenaris, worldwide company, has a
4 production facility in Romania making small diameter
5 seamless pipe. The U.S. mill that has begun at present,
6 they have no seamless pipe production in the United States.
7 They've made investment in a new seamless pipe mill in Bay
8 City, Texas, which is supposed to open later this year.
9 That mill will go from 4 and a half to 9 and a half inches.

10 So they in fact have stated publicly, as was in
11 Ms. Rule's opening statement that they intend to supply
12 small diameter from their foreign affiliates to stock at
13 that facility. So here in fact, the affiliation will
14 increase export to the United States. Nothing they export
15 from Romania will compete with any U.S. production.

16 A second Romanian company is controlled by
17 ArcelorMittal. To the best our knowledge, ArcelorMittal
18 does not have an API license at their facility in Ohio,
19 which produces seamless pipe. So they would be making
20 probably a small minority, some maybe seamless standard pipe
21 is a multiple stencil. I think if you ask these gentleman
22 from U.S. Steel and Vallourec, you'd find that virtually
23 their entire production in this product line is multiple
24 stencil to ASTM 106, ASTM 53, API 5L. That allows
25 distributors to sell these products across a wide variety of

1 applications.

2 ArcelorMittal's U.S. facility not having an API
3 license cannot multiple stencil and therefore cannot compete
4 in the broad market, which is probably 90, 95 percent of the
5 U.S. market.

6 So the only three of the Romanian producers,
7 which credibly and I believe very credibly can say that it's
8 affiliation with limited exports, would be TMK, because
9 TMK's mills in Koppel and Ambridge, I believe, only go up to
10 five and a half inches from 2 to 5 and a half. So there,
11 that U.S. mill is making the product subject to the Romania
12 order. So we believe and we'll fully elucidate these issues
13 in our post-hearing brief that that's what makes the no
14 discernible impact facts different in this review from
15 seamless steel wire rod and some other flat roller abuse
16 the Commission has had in the past several years.

17 COMMISSIONER BROADBENT: Thank you, Mr.
18 Schagrin, that was very helpful.

19 Mr. Polk, what impact has the administration's
20 and would be the prior administrations, but their decisions
21 regarding the Keystone Pipeline and the Dakota Access
22 Pipeline had on demand for seamless SLP pipe. Are there
23 going to be any expect differences in demand for small and
24 large diameter SLP pipe as a result?

25 MR. POLK: Yeah, the Keystone Pipeline and the

1 large lines are nice to have. Okay. And what is allowed is
2 takeaway capacity in a number of various shale play basins
3 throughout the United States. You know, the Bakken is one
4 of the ones that's a big example.

5 By allowing the commerce to occur, the takeaway
6 capacity that allows the drilling to go ahead and occur in
7 these basins, so the infrastructure that's created in those
8 basins has a need for the seamless line pipe. So we've seen
9 an effect of that in a positive manner.

10 The actual pipelines itself, the Keystone and
11 that type of thing, those are large OD (16:20) material and
12 they're welded. So they're not really seamless. The
13 material that we'd be talking in this particular case is
14 seamless, which is used for in field -- in field pad drilling
15 applications, so.

16 COMMISSIONER BROADBENT: Mr. Flippo, did you
17 have any comments on that?

18 MR. FLIPPO: From the standpoint of overcapacity
19 and the pieces relative to this question, I can speak to
20 only what it does for the workers. And U.S. Steel has what
21 we call the valley outside of Birmingham in Fairfield,
22 Alabama. That's a very old steel mill. Been there for
23 years. Many generations of families work on it.

24 I can tell the impact or we can tell the impact
25 not only from the union standpoint in organized labor, but

1 from a community standpoint just by what happens in that
2 valley.

3 And it seems that when the dumping is coming,
4 and we can't compete, the valley's empty. You don't have to
5 stand in line at the cafes. You don't have to -- you don't
6 have all the traffic problems. You can down to the valley
7 and it's just -- it's like a ghost town.

8 When these duties came on, you seen a bit more
9 activity in the valley. Our concern is, and I think a
10 legitimate concern, is that if we don't maintain these
11 duties, it'll go back to that ghost town. And from a
12 worker's standpoint, I've been in this business representing
13 workers, whether it was in the plant I come out of, or on
14 behalf of the international union for about 25 years. I've
15 had to deal with the effects of NAFTA in Mississippi in the
16 clothing industry. Had to deal with shut down of the paper
17 mills from different Chinese paper products coming over.

18 In my drive to help this industry, and we work
19 together a lot with our companies to try to keep work in the
20 facilities, comes from having to face workers that have put
21 their whole lives into making a product, doing all they can
22 and not being able to compete against countries that don't
23 have the same environmental standards, don't have the same
24 safety standards, don't have the same minimum wage
25 standards. The things that our companies have to do what

1 you want them to do.

2 But as workers, the only way we can help is by
3 producing that product. If the companies can't compete and
4 able to sell that product to where we can make it, it goes
5 back to those ghost towns. And it's -- I'll do everything I
6 can do every day to make sure that didn't happen to where I
7 don't have to go into a union hall and tell 500 people that
8 we're trying to negotiate a severance that will hold them
9 over for a month before they can find a lesser paying job.

10 COMMISSIONER BROADBENT: Okay.

11 MR. FLIPPO: Thank you.

12 COMMISSIONER BROADBENT: Thank you very much.
13 My time has expired. Thank you, Mr. Chairman.

14 MR. JOHANSON: I would like to again thank you
15 all for appearing here today and teaching us more about the
16 industry.

17 Mr. Buono, you mentioned that the Lorraine
18 number 4 plant has been shut down. I had the opportunity of
19 visiting that plant several years ago. What would be
20 involved in restarting this plant?

21 MR. BUONO: This is Bill Buono. That -- the
22 facility is closed, but none of the equipment has been
23 removed. It has all been mothballed, winterized. So I'm
24 not an engineer or an operator, but you know, it would
25 basically be the matter of bringing back the workers and

1 making sure all the equipment works again. So basically,
2 nothing has been taken out of that facility. It's been
3 mothballed.

4 MR. JOHANSON: Do you know how long it would
5 take to bring that back into production and what costs would
6 be involved?

7 MR. BUONO: I don't have those -- that data in
8 front of me or knowledge of it. We could probably address
9 that in the post-hearing.

10 MR. JOHANSON: Okay, that'd be -- that would be
11 useful.

12 MR. BUONO: Great.

13 MR. JOHANSON: Also, has U.S. Steel made any
14 other plans for this plant? And if you want, you could
15 address that post-hearing.

16 MR. BUONO: Yeah, we can address that as well.

17 MR. JOHANSON: Okay, thank you, Mr. Buono.

18 During these staff reviews, ITC staff visited
19 and toured Bentiler's Shreveport, Louisiana seamless pipe
20 facility that started production in 2016. Please explain
21 how the Bentiler facility will affect the industry and the
22 conditions of competition. Also, will overcapacity become
23 an issue once Bentiler and the Tenaris plants are fully
24 operational?

25 MR. BUONO: This is Bill Buono. I'll give it a

1 shot first. I believe the Bentiler mill can produce from 2
2 inch through 4 and a half or maybe 5 and 9/16ths. So it's a
3 -- it's basically covers both products that we're talking
4 about today.

5 This market, and as the staff report shows,
6 there is a lot of imports still in this market. So another
7 domestic supplier would not negatively affect the market
8 because of the amount of imports that are still coming in.
9 So basically, it would be the opportunity to take more
10 supply for the domestic industry.

11 MR. JOHANSON: From the dumped imports. I
12 assume you would say direct.

13 MR. BUONO: Right, dumped imports.

14 MR. JOHANSON: Okay. Thank you, Mr. Buono,
15 again.

16 From press accounts, I read that over the past
17 five years or so, almost \$4 billion has been sent on just
18 three seamless SLP facilities, Vallourec's, Bentiler's, and
19 most recently that of Tenaris. I would like to hear from
20 the domestic industry witnesses on the timing of these
21 investments and how it was that all of these projects came
22 on line just in time for the historic oil slump.

23 I assume this wasn't part of the plan, but it is
24 somewhat remarkable that these plants came to fruition right
25 at the time that oil was -- the oil prices were tanking.

1 MR. POLK: It's a good question. Timing is
2 everything. And we made some significant capital
3 expenditures just about the time the business and everything
4 started coming online, about the business started going
5 down.

6 But we felt that the technology, the drilling
7 technology, that was occurring here in the U.S. was
8 something that we needed to be part of, we needed to enhance
9 our current production.

10 The downturn that occurred at 2015 was very
11 difficult. It took us down to minimum levels. We had to do
12 a lot of different things to keep our key people employed
13 and make sure that we're ready for bringing the industry
14 back up.

15 I can't speak for some of the other producers,
16 but I can tell you that Vallourec's position for the U.S. is
17 that we felt this was a key location in the world. Half the
18 drilling essentially goes on in the entire world. So you've
19 got 900 rigs right now in the U.S. That's half the world's
20 rig count at this point. So you -- if you're going to be in
21 the oil and gas business, this is the place to be.

22 So our commitment to the industry was -- has
23 been going on for years. And we just continue to make sure
24 that we're here closer to our customer and could be more
25 respondent to their needs, so.

1 MR. SCHAGRIN: And Commissioner Johanson, just
2 with my knowledge of the industry, it's a great question.
3 You know, first clearly, all of these three new plants were
4 planned when oil was \$100 a barrel. So and the rig count
5 was around 2000. So there was a lot of optimism about
6 demand in the United States just based on the Vallourec
7 plant, which went into an existing facility in Youngstown,
8 and the Bentiler and Tenaris plant are new, it takes three
9 to four years to get these plants going. You've got all of
10 the permit applications to make and all the air, water, you
11 know, permits, all the construction and the facilities.
12 These are gigantic operations as the staff report saw at
13 Bentiler. So between the planning and the startup of these
14 plants, the market collapsed.

15 Now it is coming back. The rig count, you know,
16 went from almost 2000 down to all time historic low of just
17 over 400 and is now back above 900. Unfortunately, it's
18 steadying off. It's I think after going up every week for
19 about four and a half or five months, the last two, three
20 weeks, it's either been steady or slightly declining. And
21 that's in line with the expectation that, you know, oil
22 prices and natural gas prices are plateauing.

23 So certainly, demand isn't going to come to the
24 rescue in the short term. Hopefully, it will over the very
25 long term. But I think for any of these companies who made

1 these investments in the U.S. market, the key to getting a
2 return on our investment depends not only demand coming
3 back, but on supply being fairly traded in the U.S. market.
4 So it's a combination of both.

5 In the meantime, just the addition of this
6 capacity, the U.S. market will be just domestic
7 capacity-wise over supplied for a while compared to demand,
8 certainly in a seamless SLP and in OCTG as well, which make
9 one scratch their head if we have more than enough domestic
10 supply for the entire U.S. demand, why the imports take more
11 than half the U.S. market. And that's a problem I'm hoping
12 President Trump wants to address in the 232.

13 VICE CHAIRMAN JOHANSON: Okay thank you Mr.
14 Polk and Mr. Schagrin. I was in Elk City, Oklahoma about
15 two years or so ago. I was actually on vacation out there.
16 There's a national battlefield there, and I remember talking
17 to the hotel operator. He stated how bad things had gotten
18 for him, just so quickly, how everything turned around with
19 oil prices dropping in that region of Oklahoma.

20 But as you mentioned Mr. Schagrin, the oil rig
21 count has gone up and actually quite dramatically. I was
22 quite surprised yesterday I looked at the staff report, and
23 the number was almost double from what it was maybe two
24 years ago or so. Has that provided much relief to the
25 industry to date?

1 MR. BUONO: This is Bill Buono. I'll take
2 that first, Mr. Johanson. It's all probably relative. As
3 Mr. Schagrin mentioned, the rig count dropped to roughly 400
4 rigs at the trough. To put that in perspective, the
5 Baker-Hughes Company, who is the proxy we used, I believe
6 has been publishing a rig count since about the 1920's.
7 That is the lowest number that they have ever recorded.

8 VICE CHAIRMAN JOHANSON: In what year was
9 that?

10 MR. BUONO: In the 1920s. So over 100 years
11 ago. So we started from a very, very low number. So yes,
12 we have more than doubled to get up to 900, but we are
13 still roughly 1,000 rigs away from the peak.

14 VICE CHAIRMAN JOHANSON: Does that take into
15 consideration the increased amount of oil each rig can
16 explore with horizontal drilling, etcetera.

17 MR. BUONO: There are efficiencies today that
18 allow more oil or gas from a particular well than in the
19 past. But as far as consumption of line pipe, seamless
20 standard line and pressure pipe, you know, that is based on
21 the number of wells. So you know, a rig may be more
22 efficient today than it was in the past, so you won't need
23 as many rigs.

24 But you know, you're still drilling a well for
25 each rig. So I guess there is a benefit today for the

1 bigger, stronger, faster rigs, so they're putting holes in
2 faster and deeper. So you won't need as many rigs to get as
3 much gas or oil. Did I confuse you?

4 VICE CHAIRMAN JOHANSON: No, no. Actually,
5 that helped clarify it. Well my time's about to expire, so
6 we will now turn to a question or the questions of
7 Commissioner Williamson.

8 COMMISSIONER WILLIAMSON: Thank you Mr.
9 Chairman, and I too express an appreciation for the
10 witnesses coming today. Just a couple of quick things. Is
11 the rig count metrically used for both oil and -- petroleum
12 and gas production? It's just a small, factual question.

13 MR. POLK: I'm sorry. Your question was?

14 COMMISSIONER WILLIAMSON: In thinking about
15 the ^^^^

16 MR. POLK: Is the rig count both oil and
17 natural gas?

18 COMMISSIONER WILLIAMSON: Yeah, right.

19 MR. POLK: Yes, yes.

20 COMMISSIONER WILLIAMSON: So that's the
21 proper metric. Also, what is ^^^^ another quick question.
22 I'm just cleaning up a couple of things in my head. I want
23 to get them out before I ask more substantive questions. In
24 an earlier hearing, I think it was about seven or eight
25 years ago, I heard that all of the pipe for the pipelines

1 had already been purchased basically.

2 Now that's also large diameter. It's not the
3 pipe that's covered by this. But I was just curious, is
4 that an accurate statement? It wasn't clear Keystone wasn't
5 going to increase the demand for pipe.

6 MR. POLK: Yeah, I guess I can speak to some
7 of that. The Keystone pipeline, a large percentage of that
8 pipeline material had been purchased, okay. But that is for
9 the main trunkline, which is very large. It would be 16
10 inch, 52 inch welded time material. Some of that had been
11 produced in the U.S. Some of it was -- a number of
12 different sources of material for that.

13 But the ancillary lines, the lines coming in
14 from the various fields had not -- that material has not
15 been purchased yet.

16 COMMISSIONER WILLIAMSON: Okay. So
17 completing Keystone would increase the demand for --

18 MR. POLK: Say again?

19 COMMISSIONER WILLIAMSON: Completing Keystone
20 would increase the demand for the auxiliary lines?

21 MR. POLK: It will assist. The Keystone
22 pipeline, and people kind of look -- the Keystone pipeline
23 was really designed for bringing in heavy crude from the
24 Alberta oil sands. There is some trunk line production
25 coming in from the Bakken and some other areas. But the big

1 takeaway for the Keystone was the Canadian oil sands.

2 COMMISSIONER WILLIAMSON: Okay, thank you.
3 Okay. Just quickly, you mentioned Artrom-Miller, it doesn't
4 have an ATI license for --

5 MR. SCHAGRIN: API, American Petroleum
6 Institute.

7 COMMISSIONER WILLIAMSON: API, yeah. Is that
8 very hard to get?

9 MR. SCHAGRIN: It's not hard to get if you
10 wanted in during this business, and you have the quality and
11 you're used to getting it. So I mean if they turn to --
12 that facility is really focused.

13 They're the main petitioner in the recent
14 cases on drawn over Mandrill seamless and welded drawn over
15 Mandrill Mechanical Products, and that facility is basically
16 focused on making seamless and mechanical tubing, much of
17 which they draw for the automotive industry. So it's very
18 much a different kind of plant than the kinds of plants that
19 Vallourec and U.S. Steel, or the Romanian plants or Japanese
20 plants subject to this investigation.

21 COMMISSIONER WILLIAMSON: Okay, good. Thank
22 you. Another question that's been bugging me. Without
23 getting into proprietary information, it seemed to me like
24 there was -- we know with the collapse in oil prices, demand
25 fell. But it also seemed like the imports weren't hurt as

1 much as the domestics. Is that an accurate statement? Why
2 did that happen?

3 MR. SCHAGRIN: Well they certainly gained
4 market share and it's because, you know, even when the U.S.
5 market isn't good, it's always the largest market in the
6 world. And so imports will come here and gain market share
7 even as the market is declining, and I think your comment is
8 an appropriate one.

9 I think it demonstrates, Commissioner
10 Williamson, the vulnerability of this industry, which has
11 been performing terribly and which is, you know, struggling
12 to get back to close to break even, even as demand has
13 doubled.

14 But demand, you know, fell by three-quarters.
15 It's doubled. It's still, the way the math works out, it's
16 only half of what it was in 2014 even in 2017. So it's a
17 vulnerable industry with extremely high import market share,
18 and the industry in a declining market has lost market
19 share.

20 COMMISSIONER WILLIAMSON: Mr. Filippo (sic),
21 I was just wondering, I thought back to the 2008-09
22 recession. It seems like labor took a much bigger hit than
23 the fall in demand, than say company profits and things like
24 that. I'm not sure that happened in this case with this
25 decline, and I was just wondering are the company really

1 kind of being reluctant to lay off as many workers as they
2 might have in the past.

3 MR. FLIPPO: I wish that were the case.

4 COMMISSIONER WILLIAMSON: Okay, I'm sorry.

5 MR. FLIPPO: And in my district and I'm also
6 on the International Executive Board, so I get the whole
7 perspective from Canada and the United States, which our
8 union represents. What we see now frankly is companies
9 having to react quicker, where before you would have a bit
10 of production, a bit of inventory laid back, and then you
11 would use the down time for either doing capital
12 investments, clean-up, preparing, you know, going forward.

13 Now because of frankly I think unfair imports
14 and a lot of dumping, companies simply can't keep that on
15 hand. So when they're hit, they cut and I don't mean this
16 to be -- come out wrong against our employers. They hit
17 what's easiest first, and frankly that's the head count. So
18 no, I don't -- I see them hitting it quicker quite frankly.

19 And I always put this and I appreciate I've --
20 in hearing the attorneys and the company folks that deal
21 within the industry, I deal with the workers. I see these
22 what you do in these tariffs kind of like a oxygen, building
23 an airplane. We represented flight attendants for years.

24 So I would sit down on a plane and watch the
25 flight attendants work. When you listen to what they say,

1 I'm actually looking at them working, and they always go
2 through the explanation about the air mass falling down, and
3 they always say put yours on first before you help someone
4 else.

5 That's kind of the way I see these tariffs.
6 We've still got to have ours on first until we can get
7 stabilized, until demand comes back enough to start helping
8 others, others being the outside. I don't see -- some say
9 that's protectionist. I say it's common sense. You've got
10 to help yourself before you help someone else. So that may
11 be a long answer Commissioner Williamson, but I appreciate
12 the opportunity.

13 COMMISSIONER WILLIAMSON: Thank you. I
14 understand the analogy. It is -- thank you. Commissioner
15 Broadbent had asked about the Romanian shipments to the
16 U.S., and some of this is proprietary. But I guess she
17 referred to Table 16, and I was also looking at the data on
18 Table 14, and of course they're from different sources.

19 One is the questionnaire data and the other is
20 -- I think it's the Romanian export statistics. You may
21 have to do it post-hearing, but I was wondering if anyone
22 can address that discrepancy and what -- which of the data
23 we should look at. If you want to deal with this
24 post-hearing, you can.

25 MR. SCHAGRIN: Yeah, because one of the two

1 tables is confidential there. But let us address that in
2 post-hearing, Commissioner Williamson, if you don't mind.

3 COMMISSIONER WILLIAMSON: No, that's fine but
4 it is relevant. Okay. I think y'all -- are y'all agreed
5 that we have a single domestic like product, you know, the
6 very small and large diameter and why do you support this or
7 why do you disagree if you do?

8 MR. SCHAGRIN: You know, as the like product,
9 I think Mr. Cannistra's statements were appropriate. It's
10 kind of funny that changes -- I'm probably more responsible
11 than anybody, having brought cases on small diameter
12 seamless pipe in 1995 for a company that only produced up to
13 three inches as the petitioner, that you know, going back
14 early on, there were -- it seemed like there were mills a
15 little bit like the U.S. Steel No. 4 mill that --

16 There were mills that either were very small
17 or larger. At the time back in the 90's, the only U.S.
18 producer that made both large and small was U.S. Steel, and
19 then by the time the China cases were being filed, there
20 were some changes being made. TMK made some modifications
21 in their mill in Ambridge, to make, add some larger sizes on
22 that mill.

23 Vallourec added a mill so they can make small
24 and large in the same facility. I don't think in the end,
25 as far as I can tell, Respondents at the beginning, I'm not

1 sure they raised the difference and requested the Commission
2 to do small and large. You have information on both. The
3 domestic industry said we're fine with you looking at it
4 small and large.

5 In this case, I don't think it makes a
6 difference because this industry, when you look at it either
7 small and large separately, small and large together, this
8 industry abysmal. I mean they just went through the two
9 worst years in probably the last 95 as was stated in terms
10 of drilling and demand, and they've just barely, you know,
11 recalling some workers now.

12 So if there was never a vulnerable industry,
13 it's this industry now, on whatever basis you define like
14 product.

15 COMMISSIONER WILLIAMSON: My time is expired,
16 but can I just follow up on this? Given that the Japanese,
17 I guess, can make a much wider range of pipe than the
18 Romanians, would they face different conditions of
19 competition if the orders were revoked?

20 MR. SCHAGRIN: No, because it's the one
21 market and the Japanese and Romanians would still compete
22 with each other, give the size of the small diameter market.
23 So no, they wouldn't face different conditions of
24 competition.

25 COMMISSIONER WILLIAMSON: Okay, good. Thank

1 you for those answers.

2 VICE CHAIRMAN JOHANSON: Commissioner
3 Broadbent.

4 COMMISSIONER BROADBENT: Thank you Vice
5 Chairman Johanson. Mr. Schagrín, I know you have a long
6 time experience in this field, and I just wondered whether
7 you could sort of put into context for us what's going on in
8 the Section 232 investigation and how that may or may not
9 relate to any decision we would make here in this case.

10 MR. SCHAGRIN: I'll try to be brief, because
11 I've spent it seems like every day, seven days a week for
12 the last maybe four and a half months on just the Section
13 232. But overall, in terms of its bearing on this case,
14 first anything that might happen in the 232, anything
15 because according to recent press reports it seems the most
16 likely is nothing, is speculative.

17 I think the Commission in terms of the record
18 before it should concentrate on this record and not take
19 into account any speculation as to what might happen in the
20 232. The only thing I would say is that the genesis of the
21 232 I think came out of a recognition from the White House
22 that the steel industry is vital to our national economic
23 security, and that the steel industry has been suffering
24 from high import levels caused by a massive world
25 over-capacity.

1 Those types of conditions that they took into
2 account are applicable in terms of just the record you have
3 in this investigation.

4 COMMISSIONER BROADBENT: But I mean it may not
5 be speculative by the time we make our decision, and isn't a
6 tariff on top of a quota, for example, to speculate a bit?

7 MR. SCHAGRIN: Obviously Commissioner
8 Broadbent, my answer would change if between -- you probably
9 won't reopen the record, but if between now and your vote
10 the President says I'm imposing 25 percent tariffs on all
11 imports of pipe and tube, including those from the European
12 Union and thus Romania. I think you could take that into
13 account, you know, or if nothing happens, you shouldn't even
14 take it into account. Or if something happens and it were
15 different, like the Europeans were excluded from any
16 relief, that you know, you could then take that into
17 account.

18 But yeah, I would agree with you. If a
19 decision comes down between now and your final
20 determination, I think it's certainly appropriate and within
21 your purview to take it into account. If it doesn't, then I
22 would say just the fact that there's an investigation
23 shouldn't enter into your decision-making in this sunset
24 review.

25 COMMISSIONER BROADBENT: Do you think the

1 dumping tariffs are the best way to get at the global
2 overcapacity problem in China, which seems to be the root of
3 the 232?

4 MR. SCHAGRIN: Personally no I don't, and
5 that is because the massive overcapacity in China, which is
6 still a non-market economy and has massive government
7 subsidization of money-losing enterprises, it just infects
8 the entire world market. So that we have imports from China
9 that could not come to the U.S. directly because of very
10 high dumping and/or countervailing duties, which go to
11 another country, have one transformation done such as steel
12 going from China to Korea, becoming pipe and tube coming to
13 the United States, and then, you know, we have a massive
14 amount of imports there.

15 Even in this product line, we have high duties
16 on seamless SLP from China, and then you had construction
17 companies first fabricating just what are called pipe
18 spools, which is pipe with a fitting and a valve to go say a
19 chemical plant and Commerce determined that those were
20 within the scope of the seamless SLP case from China, and
21 then we had companies moving just one step further,
22 summoning all the pipe module, which is just a pipe spool
23 inside a container, and we're asking them to extend the
24 scope.

25 There's literally hundreds of thousands of

1 tons of seamless SLP in those pipe modules being installed
2 now at a Sasall facility to convert natural gas into diesel
3 fuel in Louisiana. So once again, because there's so much
4 overcapacity in China, you get downstream products flooding
5 into the U.S. market, and we're asking that those be
6 considered in the 232 as well.

7 COMMISSIONER BROADBENT: Okay, thank you. Mr.
8 Polk, in light of China's overcapacity and assuming, as you
9 say, that producers are looking to divert and increase their
10 shipments to other markets, why aren't we seeing Romanian
11 global exports increase over the review period?

12 MR. POLK: I'm --

13 COMMISSIONER BROADBENT: Why haven't--why aren't
14 Romanian exports increasing right now, and during the review
15 period?

16 MR. POLK: Exports are increasing to the U.S.?
17 Because they're not allowed to come here at this point.

18 COMMISSIONER BROADBENT: But globally, too. I
19 mean their exports seem to be pretty level.

20 MR. SCHAGRIN: Well only because I have the data
21 in front of me, Commissioner Broadbent. They're actually
22 declining, and that's probably for two reasons. One, demand
23 has been declining because the energy issue is worldwide.

24 But secondly, I think--and we might want to use
25 some Global Trade Atlas information, the final--I believe

1 there was some information in the staff report. Chinese
2 export levels are so high that they kind of crowd out export
3 opportunities for other countries.

4 Now to be fair to the Romanians, and I'm sure
5 they'll bring this up, you know, they are lucky because,
6 even though it's now subject to appeals because I believe
7 the court in Europe made a negative determination or
8 remanded back to the Commission a decision on threat as the
9 seamless SLP from China into the EU, and that's now subject
10 to further appeals.

11 At least for the last six, seven, eight years,
12 and depending on how this appellate litigation moves forward
13 in the EU, the EU has also had duties against Chinese
14 imports of SLP into the EU.

15 So I think we readily admit those markets that
16 have duties against China are the only markets that are
17 attractive, and the markets that basically have those duties
18 in place are the U.S. and the EU. And that makes the U.S.
19 attractive to folks, they can say I don't have to compete
20 with the Chinese in the U.S. market, I can ship there. I
21 don't want to ship to Asian markets or Middle Eastern
22 markets because the Chinese are there.

23 MR. POLK: That's a fair statement. I mean the
24 U.S. is an accessible market, and people are trying to come
25 in here. The same as line pipe is quite dependent upon rig

1 count, this is a big energy producing area and it's an
2 attractive market. So everybody's trying to come in here.

3 COMMISSIONER BROADBENT: And what defines the rig
4 count demand? What the dynamics are that influence that in
5 the economy?

6 MR. POLK: Well, the current rig count is about
7 950. It had been in 2014, it had been about 1,960 rigs. In
8 about six months it dropped down to 450 rigs. It's come
9 back up to about 950 now. It's not anywhere as robust as
10 what it was before.

11 COMMISSIONER BROADBENT: Right.

12 MR. POLK: The rigs are more efficient. But the
13 fact of the matter is that we are drilling in the U.S. The
14 rest of the world's activity has been stifled because of
15 the low price of oil. So this is an active area and
16 everybody wants to come back into the U.S.

17 COMMISSIONER BROADBENT: And that's because--I
18 mean what increases the rig count? Is it just our economy
19 is growing? What brought the dip back from 450 to 900?

20 MR.; POLK: Well the price of oil came back up.
21 It had dropped down.

22 COMMISSIONER BROADBENT: It's just the price of
23 oil?

24 MR. POLK: Yeah, the price of oil, natural gas.
25 The price of oil and natural gas, primarily.

1 COMMISSIONER BROADBENT: But that impacts us
2 versus the rest of the world? I mean, you're not seeing
3 demand growing in the rest of the world because of the price
4 of oil going up?

5 MR. POLK: We are more efficient in the U.S. than
6 the rest of the world. So we can reach a break-even point
7 and start drilling sooner than the rest of the world. You
8 know, the break-even point for some of the Third World
9 countries are pretty high.

10 But the other thing that makes it attractive is
11 simply because you have capital here available to finance
12 drilling. So you have a working financial market that
13 allows risk taking that occurs here and reacts much quicker
14 than NOCs for national oil companies.

15 COMMISSIONER BROADBENT: Okay, great. Alright,
16 I'm just trying to get a handle on statistics that we should
17 really look at that would help us project this damage that's
18 going to come from Romania to the domestic industry. I
19 mean, where are the numbers in the record that you would
20 really point us to?

21 MR. SCHAGRIN: I see the lights, but I'll make it
22 very quick. I would say looking at the capacity utilization
23 rate for the U.S. industry, the losses, the massive losses
24 over the last two years--

25 COMMISSIONER BROADBENT: No, but I mean with

1 respect to the Romanian export.

2 MR. SCHAGRIN: Well I mean as you're determining
3 no discernible impact, it's not only looking at the
4 Respondent's side but the vulnerability in the industry in
5 the U.S. operating at 30 percent operating margins, and
6 there's a lot less discernible impact of, you know, 20, or
7 30, or 40,000 more tons in the market than an industry
8 that's losing money.

9 I think on the Romanian side it is available
10 capacity and their ability to shift exports from other
11 export markets to the U.S. market. And I think as you're
12 looking at that, you should not deflect away from the data
13 itself by relying on the Romanian's assertions that because
14 of their relationships in the U.S. that they just wouldn't
15 ship here.

16 COMMISSIONER BROADBENT: Okay, but they've
17 decreased their overall capacity. The capacity utilization
18 rate is down. They're focusing on other markets. I mean
19 there aren't a lot of numbers to look at in Romania right
20 now that would worry us.

21 MR. SCHAGRIN: I mean I know their story. I think
22 that, based on your precedence and your history, I believe
23 it's appropriate for the Commission to still find that they
24 should cumulate Romania with Japan because the available
25 Romanian capacity and their availability to shift export to

1 the United States means that they will still have a
2 discernible impact on this market.

3 COMMISSIONER BROADBENT: I appreciate that. Thank
4 you, Mr. Schagrin.

5 VICE CHAIRMAN JOHANSON: So we discussed this
6 morning what is happening with the rig count and how
7 dependent the domestic industry is on the U.S. oil and gas
8 sector. What other sectors of the economy impact sales of
9 this pipe?

10 MR. BUONO: This is Bill Buono. I'll take a shot
11 at that first. As you mentioned, there is a portion of this
12 product that is directly tied to the drilling and observe--
13 generally the smaller diameter lines that are connecting the
14 individual wells on the pad.

15 This product is also used in the downstream
16 applications from power plants, to chemical plants, to paper
17 mills. So, you know, the strength of the rest of the energy
18 complex, as well as the strength of the economy.

19 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
20 Buono. And one reason I'm asking this is that the Romanian
21 industry states that it's selling predominantly now in the
22 European Union. And since EU does not produce a lot of oil,
23 I'm wondering where pipe sold by Romania to EU, how it is
24 being used. That's something I plan to ask them this
25 afternoon, but--

1 MR. SCHAGRIN: But I would say, Commissioner
2 Johanson, first they are a pretty large producer of oil on
3 the North Sea.

4 VICE CHAIRMAN JOHANSON: Right.

5 MR. SCHAGRIN: In the North Sea. That would be a
6 100 percent seamless market. You would never put under
7 water any kind of welded pipe--

8 VICE CHAIRMAN JOHANSON: Due to threats of oil
9 spills?

10 MR. SCHAGRIN: Yeah, exactly. So I mean it still
11 is major, but then, you know, given the size of the EU,
12 they--these products would go into chemical plants,
13 petrochemical plants, energy production facilities.

14 In the U.S., given the abundance of natural gas
15 and the increased investment in those areas, we would think
16 that that would augment the energy demand for seamless SLP.
17 But unfortunately in the U.S.--maybe not in Europe--the
18 companies building these plants are using primarily imported
19 fabricated components. It's just amazing.

20 I mean, we brought this recent scope request on
21 behalf of the USW because President Gerard was just stunned
22 when in the local Pittsburgh newspaper it was stated that
23 for the new Effling Cracker Plant being built by I think
24 it's Chevron, Texaco--Shell, I'm sorry, by Shell, in
25 Aliquippa, Pennsylvania, which is about 10 or 15 miles north

1 of Pittsburgh, all of the factory components were being made
2 in China to be brought into Aliquippa, Pennsylvania, to be
3 assembled.

4 And all those products are seamless SLP. And
5 that's one of the problems. So in the U.S., the industry
6 has not been supplying as much to those other user
7 industries, and much more the focus on three-quarters more
8 of the demand is just related to oil and gas production and
9 movement.

10 VICE CHAIRMAN JOHANSON: Alright, thank you, Mr.
11 Schagrin.

12 On pages 12 to 13 of its prehearing brief, the
13 Respondents TMK-Artrrom indicated that in the first five-year
14 reviews and the second reviews, five Commissioners analyzed
15 subject imports from Romania separately from other subject
16 imports.

17 This was based on a likelihood that the remaining
18 industry would continue to focus on non-U.S. markets, and
19 that shifting production to other pipe products was unlikely
20 due to global demand and prices.

21 Since these previous reviews, the Romanian
22 industry's production capacity has continued to decline,
23 despite its increasing capacity utilization. In light of
24 the previous analysis and recent events, what effects do you
25 feel that this will have on import volumes?

1 MR. SCHAGRIN: Well first I would say, honestly,
2 while both of the Romanian briefs, you know, cite the number
3 of Commissioners who found that Romania shouldn't be
4 cumulated based on no discernible impact, that in those
5 reviews, as of course they state, the majority of the
6 Commission did cumulate.

7 So the Commissioners who did not cumulate based
8 on no discernible impact were in the minority in both
9 reviews.

10 I think the biggest standard--and that's why all
11 of these reviews rest on separate records--the Romanian
12 industry has downsized. They likely have less available
13 capacity today to ship to the United States, although
14 probably from much more efficient facilities than 5, 10, or
15 15 years ago, than they had then.

16 The level of demand in the United States for
17 seamless SLP is nowhere near the level. Compared to the
18 last review, it is down by more than half. So I mean we
19 have to take it in context.

20 Has their capacity fallen by more than half since
21 the last review? I don't think so. Is their availability
22 to ship here fallen by more than half since the last review?
23 No. But U.S. demand has fallen by more than half.

24 So I think when the Commission looks at the
25 record and votes based on this record with this level of

1 U.S. demand, that you should make a finding that you should
2 cumulate all other provisions for cumulation are met. The
3 only question is whether Romania would have no discernible
4 impact. And that's why I say, to me no discernible impact
5 is not just looking at the foreign side of the equation,
6 it's looking at will it have no discernible impact on the
7 U.S. market?

8 And if the U.S. market demand has fallen by half,
9 you're putting that no discernible impact analysis into a
10 different context. And based on that, I think this
11 Commission should unanimously cumulate and continue these
12 Orders. Because this is a very, very, very vulnerable
13 industry.

14 VICE CHAIRMAN JOHANSON: Thank you again, Mr.
15 Schagrin. And continuing on the subject of no discernible
16 adverse impact, on pages 13 and 14 of the Respondent
17 Tenaris's prehearing brief, Tenaris contends that there
18 would be no discernible adverse impact from subject imports
19 if the Order on Romania were revoked.

20 The Respondent's argument is based on the lack of
21 a certain product in the U.S. market that they have brought
22 into the United States. Without disclosing business
23 proprietary information, can you address the lack of a
24 certain product in the U.S. market? And would you consider
25 this to be a niche product? And if you want to address this

1 posthearing, I understand.

2 MR. SCHAGRIN: We'll do that posthearing,
3 Commissioner.

4 VICE CHAIRMAN JOHANSON: Okay. I assumed that
5 would be the case. Thank you, Mr. Schagrin.

6 Do subject imports from Japan, which range in
7 size up to 16 inches in diameter and those from Romania
8 which do not exceed 4-1/2 inches in diameter, face different
9 conditions of competition in the U.S. market? And would
10 they face different conditions of competition if the Orders
11 were revoked?

12 MR. SCHAGRIN: No, because the Japanese industry
13 in the small diameter is probably the second largest in the
14 world after China. And so, you know, there's no doubt that
15 the Japanese or Romanians in small diameter seamless have
16 the same conditions of competition in the U.S. market. It's
17 not as if the Japanese focus only in the larger sizes. They
18 have massive capacity in small diameter product, as well.

19 VICE CHAIRMAN JOHANSON: Thanks for your response.
20 And this is an issue which was addressed to some extent by
21 the Respondents in their opening statement.

22 Do U.S. producers with foreign affiliates in
23 Japan, Romania, or nonsubject countries, rationalize
24 production by producing some low-volume products overseas
25 and then importing? Would you expect this behavior to

1 change if Orders were revoked?

2 MR. SCHAGRIN: Yes, we would because if you look
3 at the match-up on the Tenaris facilities and the Tenaris
4 business plan, the Tenaris facility in Bay City will start
5 at 4-1/2 and this Order covers product up to 4-1/2. So it's
6 rational behavior for Tenaris to augment their product line
7 by importing and supplying the market with what they produce
8 in Bay City, and with what they import.

9 I will also put some stuff in the posthearing
10 brief. You know, after this Commission--rightfully so,
11 based on looming conditions in 2006, '04, '05, and '06 were
12 three great years for this industry, sunset the Order
13 against Argentina where the only producer, Tenaris. We'll
14 give you the data in our posthearing brief that shows that
15 imports from Argentina have increased significantly since
16 the Orders were sunset.

17 VICE CHAIRMAN JOHANSON: Thank you, Mr. Schagrin.
18 My time is about to expire.

19 Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you.

21 Mr. Buono and Mr. Polk, do your firms benefit as
22 a result of the Buy American provisions as the legislation
23 currently stands? I guess we're talking about this product.

24 MR. BUONO: For this product, the majority of
25 the product probably does not fall under a Buy American

1 provision. Most of the oil and gas industry is not
2 necessarily public money. So, you know, I would say that
3 there are occasions where we do get requests for some, maybe
4 a college or a university job where they'll request Made in
5 America type literature or backup, but for the most part
6 it's not falling under that provision.

7 MR. POLK: It negligible. We just don't see much
8 of it in our end of the business, the Buy American
9 requirement.

10 COMMISSIONER WILLIAMSON: Okay, thank you. Since
11 the last reviews, the remaining industry has contracted due
12 to one of the three producers shutting down production in
13 the late 2015. What is your response to the Romanian
14 industry's argument about decreased overall capacity,
15 current capacity utilization rates, and focus on other
16 markets? Some of this you may have already addressed,
17 but...

18 MR. SCHAGRIN: This is Roger Schagrin. We
19 disagree with their assertions. No doubt they had some
20 reduction in capacity. They still are a relatively small
21 country. They still have three major producers and, you
22 know, publicly we can state that they do have excess
23 capacity, and they do have an ability to shift their export
24 markets. And just in 2014 they had 67,000 tons of exports
25 to the U.S. market. And we believe in fact that it was only

1 the increase in the antidumping duty against one of the
2 Romanian exporters through the administrative review process
3 that reduced their exports.

4 Their exports also seemed to be sensitive to
5 level of duties. From that, we would draw the conclusion
6 that if this Commission were to remove duties altogether
7 that they can get right back up to that 70,000-ton level
8 from 2014, and that would have a very injurious impact on
9 this industry at the present time, and in a reasonably
10 foreseeable time frame.

11 COMMISSIONER WILLIAMSON: Now I think you have
12 also argued that the Romanian producer that shut down that
13 they could get started again, and that you assume there
14 would be a surge in Romanian capacity.

15 And I was wondering, if that company is a fairly
16 small one how could that starting up again lead to a surge
17 in exports to the U.S.?

18 MR. SCHAGRIN: Well some of this information we'll
19 have to address in the posthearing brief.

20 COMMISSIONER WILLIAMSON: Sure.

21 MR. SCHAGRIN: But, similar to U.S. Steel's answer
22 to Chairman Johanson's question, is that there's a
23 difference between a mill being dismantled for parts, you
24 know, and you physically take the mill apart and it's gone
25 and it can never be restarted, and a mill such as the U.S.

1 Steel Mill in Loraine where if demand levels return, and
2 U.S. Steel management made the decision that that mill
3 could be restarted profitably, they would recall workers, do
4 the appropriate maintenance, make sure workers were properly
5 retrained for safety reasons, and get the mill reopened
6 again.

7 And so the real question is: Is the Romanian mill
8 situation one where it was completely dismantled? Or is it
9 similar to U.S. Steel No. 4 mill in Loraine.

10 COMMISSIONER WILLIAMSON: But given I guess--
11 there's still the size question as to how much of an impact
12 that would have. But you can address that posthearing.

13 Just on the Fairfield Mill, did they produce the
14 full range of pipe? Or was it particularly--

15 MR. BUONO: This is Bill Buono. The Fairfield
16 Mill starts at 4-1/2 inch outside diameter, and it goes up
17 through 9 and 7/8ths. The other mill that we have in
18 Loraine, Ohio, the number three seamless mill, starts at
19 10-inch and goes up--goes through 24-inch. So it covers the
20 latter half of the large OD product.

21 COMMISSIONER WILLIAMSON: But neither one then
22 was producing what--where the remaining was concentrated
23 small--

24 MR. BUONO: The other mill in Loraine, referred to
25 as the Loraine No. 4 Seamless Mill, made the 2-inch through

1 the 4-1/2-inch product.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. BUONO: That's the one that has been closed.

4 COMMISSIONER WILLIAMSON: Okay. Okay, thank
5 you. What could be the cause of large fluctuations in the
6 price of raw materials over the POI? I mean I know we've
7 seen a general decline in commodity cost prices.

8 MR. POLK: It's scrap. Scrap obviously affects
9 the pricing level, we use electric ark furnaces, which scrap
10 price is a major driver of our market -- not necessarily
11 market, but our cost, alright. Market pricing is dedicated
12 by other things, obviously, too.

13 COMMISSIONER WILLIAMSON: Okay, thank you.

14 The remaining Respondents state that their focus
15 is on higher-value steel pipe and tube and that even in the
16 event of revocation of the orders they will continue to
17 focus on these products. How do you respond to this? It's
18 not a novel argument, but go ahead.

19 MR. BUONO: I'll take a shot at this first. You
20 know it's hard to believe that they would not want to supply
21 seamless standard line and pressure pipe. I mean that is a
22 very good product. It's a very nice product to running your
23 facility. As mentioned before, it flows through your
24 finishing facilities better than an oil-country product
25 because you're not threading it. You're not putting a

1 coupling on it. So it's hard to believe that they would
2 pass up an opportunity to make more of this product, in my
3 opinion.

4 COMMISSIONER WILLIAMSON: Okay. Anyone else?

5 MR. POLK: Obviously, they'd try to seek the
6 optimum level of production in their facilities and try to
7 balance it as necessary.

8 COMMISSIONER WILLIAMSON: Okay. Before I
9 forget, Mr. Polk, you talked about basin in talking about
10 where the increased demand might come for this product and
11 just trying to get my geography straight, what basins were
12 you talking about there; were they offshore or where they on
13 land?

14 MR. POLK: Oh, okay. I'm sorry. I'm sorry.
15 Well, for the pipelines, if you're talking about some of the
16 key pipelines it'd be the Bakken, the Permian, the Oklahoma,
17 Woodward. You still have the Barnett occurring in the Eagle
18 Ford down in Texas and then the Haynesville up in North
19 Louisiana, and then, of course, the huge Marcellus, which is
20 in the Pennsylvania/Ohio area.

21 COMMISSIONER WILLIAMSON: Okay, thanks. For
22 some reason I was always thinking basins were always
23 offshore, but okay, real helpful. I'm just a geography
24 buff, so it's useful to know. Okay, thank you. I think
25 that's all the questions I have for now.

1 VICE CHAIRMAN JOHANSON: Okay, Commissioner
2 Broadbent?

3 COMMISSIONER BROADBENT: Yes, I had one question
4 for Mrs. Rule. The Bay City facility has not yet initiated
5 operations and the plant will not reach full production for
6 I think a number of years. Between the initiation of
7 operations this fall and the plant reaching full production,
8 the Orders on Romania will vote. Will there be an increase
9 of imports of small diameter seamless pipe from Romania
10 during the time period and what will Tenaris do to supply
11 the market during the Bay City buildup?

12 MS. RULE: Well, I think the facility hasn't
13 begun production yet, but they've begun receiving imports
14 and they've begun their rig-direct product offerings, so
15 opening up another channel distribution, particularly for
16 the small diameter pipe that that plant won't produce at all
17 I think that's opening up a pretty lucrative opportunity to
18 sell directly in the Permian Basin to rigs, especially as
19 the rig count keeps climbing higher.

20 COMMISSIONER BROADBENT: Good, thank you.
21 Alright, I have no further questions, Mr. Chairman.

22 CHAIRMAN JOHANSON: Thank you, Commissioner
23 Broadbent.

24 The two current Romanian producers have U.S.
25 affiliates of which both are U.S. producers or are about to

1 become as is the case with Tenaris. To what extent should
2 the Commission consider these relationships in its
3 cumulation analysis?

4 MR. SCHAGRIN: There's actually three Romanian
5 producers with affiliates in the U.S. Only two of them are
6 here today, one is not, but there's actually three Romanian
7 producers of seamless SLP and they all have affiliations in
8 the U.S. And I think as I explained earlier to Commissioner
9 Broadbent, this fact pattern is very, very different than
10 fact patterns you have had in seamless steel rod and in --
11 I believe it was plate from South Africa and hot rolled
12 sheet from one of the Eastern European countries where there
13 was essentially one foreign producer with a U.S. affiliate
14 that made the entire size range of the product subject to
15 the sunset review.

16 Here you got a very unusual situation where the
17 Romanian affiliate of Tenaris makes a product subject to the
18 dumping order, which Tenaris will not produce in the United
19 States. So I would argue totally unlike those other fact
20 patterns here the fact pattern of this case supports a
21 finding that the affiliation will, in fact, increase the
22 imports if the orders is sunset because it follows a
23 business model publicly announced by that parent company
24 that they're opening a mill in the United States and then
25 they're going to import from all of their other affiliates

1 in the world all the different products that they don't make
2 in that mill and use that mill as the base for supplying the
3 entire U.S. market. So it's a very, very different fact
4 pattern than the other sunset reviews this Commission has
5 looked at with affiliated parties.

6 CHAIRMAN JOHANSEN: Thanks, Mr. Schagrin for
7 that explanation.

8 This is a question for the two steel producers
9 here, Mr. Polk and Mr. Bono. How do you all allocate
10 production among your products, especially for those that
11 you also used to make oil-country tubal goods? Are
12 production allocations of products determined annually,
13 quarterly?

14 MR. BUONO: We roll on a monthly schedule and we
15 accept orders from the oil country and the seamless standard
16 line pipe based on the demand for our customers and the
17 rolling schedules as they're set out, so there really is
18 not, as you say, an allocation. It's not necessarily
19 first-come/first-serve, but it is as we fill the facilities
20 and the different units then we will take additional
21 seamless standard line pipe if we have room or oil country
22 if we have room, so there is not allocation. It's not
23 something that we look at and only allocate you know "X"
24 percentage to any particular product.

25 MR. POLK: Our load levels on the facilities are

1 really based upon our order basis, okay, and we have a
2 fairly short order cycle, so it's not a predetermined
3 allocation by any means. It's just what is our order intake
4 associated in a time period and then we work from that
5 standpoint.

6 VICE CHAIRMAN JOHANSON: Thanks, Mr. Polk and
7 Mr. Bono. How has the ongoing investigation on imports of
8 mechanical tubing affected your decisions on product mix?
9 This is for U.S. Steel and Valourec.

10 MR. BONO: We really don't participate in that
11 market, the mechanical tubing market.

12 MR. POLK: And neither do we.

13 VICE CHAIRMAN JOHANSON: Okay. Thanks, to both
14 of you.

15 And I have just one final question. On page 12
16 of the domestic producers pre-hearing brief, you all mention
17 the threat of the remaining producer that shut down -- that
18 producer that was shut down might start producing again.
19 You indicated that the company's production that was shut
20 down was quite small. Can you explain why you assume that
21 there will be a surge of remaining capacity and how that
22 will translate into higher production and increase exports
23 to the United States.

24 MS. RULE: If I may, I believe what the
25 Commission should be looking at in this review is when

1 you're evaluating discernable impact you have to take into
2 account the vulnerable state of the domestic industry, so
3 even a relatively small increase in exports from Romania to
4 the United States if they're coming in below normal value
5 will have a serious impact on the domestic industry, so
6 these numbers should be seen as relative to the current
7 situation.

8 VICE CHAIRMAN JOHANSON: Thank you, Ms. Rule. I
9 appreciate your response and did anyone else want to reply
10 to that question? No? Okay, that concludes my questions.
11 Commissioner Williamson and Commissioner Broadbent, no other
12 questions? Okay.

13 Let me see here, I'm just Commissioner for a day
14 -- Chairman for a day. I've been a Commissioner for a bit
15 longer than that.

16 Does staff have any questions for this panel?

17 MR. CORKRAN: Thank you, Mr. Chairman, staff has
18 no additional questions.

19 VICE CHAIRMAN JOHANSON: Do Respondents have any
20 questions for this panel?

21 MR. CANNISTRA: No, I do not.

22 VICE CHAIRMAN JOHANSON: Okay, thank you.
23 Alright, then this panel has concluded. We have a difficult
24 decision right now to make. It's 11:20. Usually, we break
25 for lunch between the Petitioner and Respondent panels. I

1 think, given the early hour, we will continue right now with
2 the Respondents, especially, given that we have a rather
3 small contingent of Commissioners at this moment, I don't
4 think we're going to be going a real long time.

5 So with that, I ask the Respondents to come
6 forward; although, if you'd like to take a five-minute
7 break, we could do that. Why don't we do that? Why don't
8 you all come back at 11:25? Thank you again to the
9 Petitioner panel.

10 VICE CHAIRMAN JOHANSON: Before we begin, do we
11 have any preliminary matters?

12 MR. BISHOP: Mr. Chairman, I would note that the
13 panel in opposition to continuation of the anti-dumping duty
14 orders have been seated. All of these witnesses have been
15 sworn.

16 VICE CHAIRMAN JOHANSON: All right. You all may
17 begin.

18 MR. CANNISTRA: Good morning, Chairman Johanson,
19 Commissioners Broadbent and Williamson. We have a panel
20 here, two industry witnesses and I have two prepared legal
21 testimony. We'll start with Adrian Popescu, the CEO of
22 TMK-Artrom. Thank you.

23 STATEMENT OF ADRIAN POPESCU

24 MR. POPESCU: Good morning, Chairman,
25 Commissioners. Thank you for this opportunity to testify.

1 My name is Adrian Popescu --

2 MR. BISHOP: Can you put your mic a little bit
3 closer please?

4 MR. POPESCU: My name is Adrian Popescu and I'm
5 the President and CEO of TMK-Artrom, one of the two
6 remaining producers of small-diameter seamless pipes. I'm
7 also President of the Romanian Steel Pipe Association. I
8 have worked in the steel pipe industry for more than
9 thirty-two years and I am president of TKM-Artrom since
10 twenty-five.

11 I am here today to explain evolution of the
12 Romania seamless pipe industry, production capacity, product
13 and customers focus and demand in Romania. In 2000, when
14 the Commission originally issued anti-dumping order, Romania
15 was transitioning from communist to a free-market democracy
16 and developing closer ties to European Union.

17 At the time, there were three Romanian producers
18 of seamless pipes, subject: Silcotub, Republica and
19 Petrotub. This was all that was made. Atrom S.A.,
20 TMK-Artrom's predecessor company did not produce seamless
21 pipes and was in the process of privatization.

22 When the Commission originally found that the
23 imports from Romania and other country, material injury to
24 this industry, Artrom was not even part of the subject for
25 industry. Likewise, they use Department of Commerce have

1 never interest to get out from subject export or
2 specifically found that Artrom is dumping imports in the
3 U.S. market.

4 In 2006, Artrom joined the TMK Group of
5 companies and changed its name to TMK-Artrom. It began
6 upgrading its technology and equipment to the high
7 performance and state of the art levels. Most important, in
8 2007, a new pipe manufacturing line was put into operation
9 in Artrom. A Cross Piercing Elongator, we call it CPE that
10 gave Artrom the capacity to produce high quality seamless
11 pipe products ranging from seamless pipe covered by the
12 anti-dumping. At the bottom of the value chain to the much
13 higher value and price mechanical tubing boilers pipes.

14 In 2007, Romania became a member of the European
15 Union single market and company integrated framework. EU
16 membership eliminated intra-EU import/export documents and
17 inspections and removed Romania from the EU anti-dumping
18 duty orders on seamless pipes.

19 These events further strengthened the Romania
20 seamless pipe industry's already strong ties to the EU
21 market. Today, the Romanian industry is fundamentally
22 different from what it was in 2000, and even in 2011, when
23 the Commission last reviewed this order.

24 The overall production capacity for the Romanian
25 seamless pipe industry, which covers production of any

1 product not covered by this anti-dumping order, declined by
2 61% since 2001. In 2004, the company at Republica Bucharest
3 went out of business. ArcelorMittal Roman, the successor of
4 Petrotub has exited the small-diameter seamless pipe
5 industry by closing its production line for such products in
6 2015.

7 ArcelorMittal Roman permanently closed one
8 small-diameter production line three or four years ago, and
9 closed operation its other small-diameter line in 2015. The
10 small-diameter line is remaining. Its obsolete due to aging
11 machinery that has not been maintaining well and I seriously
12 doubt that the average in production with massive capital
13 investment that will take years to be completed.

14 Arcelor Roman has three remaining mills that
15 produce only large-diameter pipes that are also struggling
16 operating only when Arcelor's Slovakian mill OSTRAVA, their
17 sister company is overbooked. As a result of this
18 restructuring, only Artrom and Silcotub remain as a viable
19 small-diameter seamless pipe producers in Romania.

20 Artrom is operating today at full capacity on
21 its production line used to produce small-diameter seamless
22 pipe. Our local market is absorbing most of this capacity
23 in valued industrial application. Today, our local and
24 European market is rising constantly in terms of demand in
25 prices, and our production facility for small-diameter pipe

1 are fully booked until the first quarter of 2018. The
2 automotive and energy sectors are leading sources for
3 increased demand.

4 Our capacity is mostly dedicated to serve those
5 value-added product. Today we are forced to refuse all the
6 pushback orders for the lower valued small-diameter
7 commodity pipe to open up the capacity for higher valued
8 products. Artrom focuses its production capacity on higher
9 value-added products such as mechanical tubes, boiler tubes,
10 cold-drawn tubes, precision tubes for hydraulic cylinder.
11 We are also focused on developing value-added product made
12 from our pipes like automotive companies and further
13 industrial application.

14 We are today a Tier 1 and Tier 2 supplier for
15 major automotive companies. We also focus on large-diameter
16 pipes product that are produced on different production
17 equipment. These products command much higher prices and
18 profits and are key part for our business model. Our gross
19 margin on large-diameter products are two to three times
20 more than the small-diameter products.

21 While our profitability for large-diameter
22 products is anywhere from two to seven times higher than
23 small-diameter products. This is why we have made
24 significant recent capital investments of more than \$200
25 million U.S. dollar in our mechanical tubing and

1 large-diameter capabilities to move even further up the
2 value chain. We have increased our ultrasonic testing
3 capacity and modernize our finishing line on our
4 large-diameter.

5 We have also installed fully equipped plant for
6 hydraulic cylinder pipes and finished automotive components.
7 In addition, we modernize our steel production in Romania to
8 be much more dedicated to our main customer in manufacturing
9 mechanical application.

10 Currently, when starting a new heat treatment
11 line that we not increase our over-capacity, but will enable
12 us to further focus on high-value products using mechanical
13 application oil and gas exportation. This heat treatment
14 line was designed to be able to treat all capacity. Our
15 plan is to reduce, eliminate as much as possible, commodity
16 small-diameter pipe production in favor of larger size, and
17 value-added product for mechanical application.

18 In addition to focusing on higher-value product,
19 we also have many long-standing customer relationship and
20 commitments, most which are located in European Union.
21 Though we deported our sales to EU as exports. We view
22 Romania and the European Union as today our home market. We
23 supply many of the largest European pipe and distributors
24 with a full range of pipe and tube products, but the gain we
25 focus on high-value products and only produce in scope

1 products to complement the customer order mainly consisting
2 on majority high-value product.

3 It makes no economic sense to ship any sales of
4 small-diameter seamless pipe from this long-standing
5 customer to United States or else, as we would also lose the
6 high-value product sales to those customer if we were to
7 push to provide them in the full range of required products.

8 Finally, I would like to briefly discuss demands
9 in Romania. In general, the Romania economy is booming,
10 growing at roughly 4% to 5% annually, being the second most
11 dynamic economy in the European Union. Most importantly,
12 there's a massive new demand for our high-valued products
13 for new gas drilling zones in the Black Sea and the Romanian
14 oil basin.

15 The most recent estimation of Romania's oil
16 reserve are over \$200 billion. Companies such as Exxon, OMV
17 Petrom, and Black Sea Oil and Gas, have already made public
18 their tenders for drilling rights and for steel pipes. And
19 gas extraction is expecting to begin in 2018. Hunt Oil is
20 becoming extremely active in the Romania oil basin and
21 demands much more pipe that was originally predicted by the
22 whole industry.

23 The Romania automotive industry both automotive
24 and components, has more than doubled in the past decade.
25 Thus, as the Romanian seamless pipe industry will increase

1 focus on its domestic market, export over the next ten years
2 will be significantly reduced.

3 Based on all the above, quite honestly, we have
4 neither the ability nor the incentive to increase export of
5 small-diameter pipes to United States whether anti-dumping
6 orders continue or not.

7 My colleague, Mike Christopher, will now explain
8 for the TMK-Artrom's role in the U.S. market. But
9 essentially any minimal sales of small-diameter pipes in the
10 United States we'll occasionally make, is only to complement
11 other high-value product not covered by this anti-dumping
12 order and focuses on products not available from U.S.
13 producer. Thus, revocation anti-dumping order would have no
14 impact on the U.S. industry, but to remove the current 13
15 percent nuisance import duty.

16 Additionally, I would like to make a very short
17 comment regarding the closing shutdown capacities in
18 Romania. I was, as I mentioned, I work in this industry
19 thirty-two years. I am the president of Artrom since
20 twenty-five. In 2007, when Romania joined EU, one of the
21 most important chapters negotiate between '92 and 2007,
22 between West European countries, and Romania was a steel
23 industry.

24 In this chapter, referring to the steel
25 industry, it was named restructuring the steel industry.

1 All the steel companies have been pipes, and other products
2 have been evaluated and Romania was obliged to shut down
3 capacities which were not economically viable before it
4 joined the EU.

5 One of the major pipe companies in Romania was
6 Republic Bucharest. One of the oldest and major capacity
7 have been shut down, is located immediately Bucharest, was
8 shut down, demolished and scrapped. This was a condition,
9 because the European Union sent experts to witness such
10 mills have been scrapped.

11 Today, in the place where it was Republica
12 Bucharest, a major pipe producer, producing only
13 small-diameter pipes at a time, it is a mall and an
14 apartment area. So it's very easy, because the name is
15 Republica of this apartment area.

16 The other capacity which is shut down was
17 Petrotub, or ArcelorMittal. They had two 6-inch mill, which
18 were ever in the past to produce small-diameter pipes, both
19 of them were extreme obsolete just after the Second War, one
20 or scrapped. The other recently has been shut down and as I
21 said here, whoever is working in this business, looking to
22 this mill, can't understand that the normal company will
23 never stop such a mill.

24 Moreover, ArcelorMittal, which is our
25 competitor, but I have to admit, they have OSTRAVA, in

1 Slovakia Republic. A second mill, which is much newer and
2 much better equipped to replace Petrotub. Therefore,
3 Romanian shutdown capacity have been, in my opinion, an
4 obviously definitive and forever. Thank you, and I'm very
5 happy to answer to your question.

6 STATEMENT OF MIKE CHRISTOPHER

7 MR. CHRISTOPHER: Good morning, Chairman and
8 Commissioners. My name is Mike Christopher and I am the CEO
9 of TMK Industrial Solutions, the wholly owned U.S. affiliate
10 of TMK-Artrom. I have been in the steel pipe and tube
11 industry for thirty-nine years, having previously worked for
12 TMK IPSCO and its predecessor, LA Master Supply and MC
13 Tubular Products. While working for MC Tubular Products, I
14 represented the major Japanese tubular mills for some nine
15 years selling both small- and large-diameter products.

16 Additionally, I sold seamless mechanical and
17 high-nickel alloy tubular products. My testimony will
18 explain TMK-Artrom's and TMK Industrial Solutions roles in
19 the U.S. market, the U.S. demand for seamless pipe and
20 briefly discuss the Japanese seamless pipe industry.

21 TMK Industrial Solutions is exclusively
22 dedicated to marketing TMK Group's seamless steel industrial
23 pipes in North and South American markets. The TMK Group
24 has the largest steel pipe production capacity in the world,
25 and operates more than thirty production sites in the United

1 States, Canada, Romania, Russia, Oman and Kazakhstan.

2 In the United States, TMK IPSCO is a domestic
3 producer of seamless pipe from 2-3/8ths to 6-inch diameter.
4 They producer primarily line pipe and OCTG tubulars and some
5 mechanical tube. They also produce electric resistance
6 weld, ERW, line pipe and standard pipe, OCTG and
7 high-strength steel.

8 Seamless industrial tube is used in machine
9 building, manufacturing of oil and gas, downhole equipment
10 and accessories, hydraulics, boiler, process and chemical
11 industries and the production of bearings. As Mr. Popescu
12 just testified, we are not focused on low-value commodity
13 type seamless pipes covered by this review, but much higher
14 value and higher-priced products.

15 Specifically, the main product groups we focus
16 on are mechanical tubes and tubing, heavy-weight drill pipes
17 upset to grade, drill pipes and greentube drill pipes.
18 Boiler tubes, heat exchanger and condenser tubes, high and
19 low temperature nickel-based alloy tubes and round and
20 square steel billets. None of these products are covered by
21 the scope of the anti-dumping order on small-diameter
22 seamless standard line and pressure pipe from Romania.

23 For TMK-Artrom products marketed and sold in the
24 United States, we focus on mechanical tubing, boiler tubes,
25 cauldron tubes and precision tubes for hydraulic cylinders.

1 Even those products, which are not covered by any
2 anti-dumping order, we import relatively small volumes, no
3 more than a few thousand tons from Romania each year.

4 Despite there being no anti-dumping order on
5 small-diameter seamless pipe from other TMK Group countries,
6 we import minimal volumes from those sources, too. On rare
7 occasions, we import small volumes of in scope seamless pipe
8 as parts of a bundled order with higher-value products on
9 which we focus. We do this because we must offer customers
10 the full range of products. If we do not and have to
11 instead refer a customer to another supplier, we risk losing
12 customers for high-valued and large-diameter products.

13 The last time we imported in scope seamless pipe
14 was in 2016 when we imported only eleven tons. We have no
15 orders for in scope seamless pipe. And even if we did, they
16 would be difficult to fill because TMK-Artrom is operating
17 at full capacity and booked through the first quarter of
18 2018. In other words, we could no import significant
19 volumes of small-diameter seamless pipe from Romania even if
20 we wanted to.

21 Further, any in scope seamless pipe we import is
22 also likely to be of a kind that the domestic industry is
23 unable or unwilling to produce due to the small volumes
24 required. For example, the last in scope product we
25 imported in 2016 was API 5L Grade B seamless coupling stock,

1 which is required for manufacturing into line pipe
2 couplings. The U.S. mills typically only produce API 5L
3 small-diameter as ERW because there is such small demand for
4 seamless for that grade.

5 I also have a few points regarding U.S. demand
6 for seamless pipe. I will be the first to admit that demand
7 was way down in 2015 and 2016. But that has improved this
8 year, demonstrated by increased consumption, rig counts,
9 construction indices and increased demand for replacing and
10 maintaining line pipe construction after the many recent
11 home explosions. Our gas pipelines in and around our cities
12 are as much as eighty to ninety years old. There are
13 expectations of further increases in demand based on new
14 infrastructure projects and President Trump's executive
15 orders on the Keystone XL and Dakota Access pipelines.

16 Despite these increases in demand, however, we
17 are not importing or increasing imports of seamless pipe
18 because we focus on higher-value products. Similarly, we
19 understand U.S. mills are turning orders for small-diameter
20 seamless pipe because they can make more money producing
21 OCTG. We have heard from a number of our clients, the
22 small-diameter pressure pipe sizes are not being produced,
23 creating a short supply situation from domestic mills.

24 Finally, I have a few points on the Japanese
25 industry since they are not cooperating in this review. As

1 I mentioned at the outset, I represented and sold both
2 large- and small-diameter products from the Japanese mills
3 between 1993 and 2002 in the United States. During that
4 time, Japanese seamless pipe production capacity was
5 massive. According to the World Steel Association, the
6 highest production of seamless pipe came from Japan during
7 the years of 2005 to 2014 with a high of 2.6 million tons in
8 2008. Compared to Romania's 605 thousand tons in 2007.

9 On the other hand, however, the Romanian's
10 seamless pipe industry has significantly decreased its
11 capacity. The Romanian and Japanese seamless pipe
12 industries also differ in that the Japanese industry focuses
13 on higher strength, higher alloyed line pipe and OCTG, while
14 the Romanian industry focuses on mechanical tubing products.

15 In addition, though the Romanian industry
16 focuses on small-diameter seamless pipe, the Japanese
17 industry has massive capacity for both small- and
18 large-diameter pipe. While imports from Japan may threaten
19 the U.S. mills if the orders were revoked, the same cannot
20 be said regarding imports from Romania. If the
21 anti-dumping order on Romania was removed, imports from
22 Romania will simply be too small to have any negative impact
23 on the U.S. mills or prices. Thus, there is no reason to
24 continue the order on Romania. Thank you, and I am happy to
25 answer any of your questions.

1 STATEMENT OF FRANK J. SCHWEITZER

2 MR. SCHWEITZER: Good morning. My name is Frank
3 Schweitzer with White & Case, counsel for S.C. Silcotub S.A.
4 and Tenaris Global Services U.S.A. Corporation. I will
5 briefly address why the Commission should exercise its
6 discretion and analyze the volume and price effects of
7 Romanian imports of small-diameter SLP separately from
8 Japanese imports.

9 A consideration of the likely volume and price
10 effects of Romanian imports alone demonstrates that
11 revocation of the order on Romania would not be likely to
12 lead to a continuation or recurrence of material injury to
13 the domestic industry within the reasonably foreseeable
14 time. Imports of small-diameter SLP from Japan and Romania
15 compete with each other in the United States under
16 fundamentally different conditions and would continue to do
17 so if the order on Romania is revoked.

18 Conditions of competition, along with the
19 likelihood of overlap of competition, and whether imports
20 are likely to have no discernible adverse impact on the
21 domestic industry are the three main factors that the
22 Commission looks at in assessing whether to conduct a
23 cumulative assessment. The Commission considered these
24 factors in the two previous five-year reviews of these
25 orders.

1 A majority of four Commissioners in the first
2 review and two dissenting Commissioners in the second
3 review, declined to conduct a cumulative analysis of
4 Japanese and Romanian imports, based principally on the
5 fundamental differences in the conditions of competition.

6 MR. SCHWEITZER: In the decumulated analysis in
7 the first review, three Commissioners made a negative
8 likelihood determination.

9 The second five-year review of these Orders was
10 conducted on an expedited basis because no Respondent
11 interested parties participated. Despite the lack of
12 Respondent participation, two dissenting Commissioners
13 nevertheless declined to conduct a cumulative analysis,
14 basing their decision on the fundamental differences in the
15 conditions of competition, including the differences in
16 volume trends, capacity, and capacity utilization rates.

17 These Commissioners also made a negative
18 determination based on a decumulated analysis. Now
19 Petitioner's treatment of cumulation in their prehearing
20 brief is scant. They do not even address the different
21 conditions of competition for Romanian and Japanese imports.

22 The conditions of competition differences
23 provided the principal basis for the majority's decumulated
24 analysis in the first review, and for the dissenting
25 Commissioners in the second review. Again, that was a

1 review in which no Respondent interested parties
2 participated.

3 The Romanian producers are fully cooperating in
4 this review and have provided evidence and data showing the
5 subject imports from Romania would compete with the Japanese
6 imports under fundamentally different conditions in the U.S.
7 market.

8 The record before the Commission now presents an
9 even more compelling rationale not to cumulate in this third
10 review, as the evidence and data confirm that imports from
11 Romania and imports from Japan currently compete under
12 different conditions of competition in the United States and
13 would continue to do so in the event of revocation of the
14 Orders.

15 Several factors point to an assessment of
16 Romanian imports alone. These include the Romanian
17 industry's decreased production capacity. Its production
18 dedicated to out-of-scope versus in-scope subject
19 merchandise. Its capacity utilization rates for both
20 subject merchandise and nonsubject merchandise produced on
21 the same machinery. The Romanian producers' regional market
22 focus on Europe and their long-standing commitments and
23 well-established non-U.S. customer bases for small-diameter
24 SLP and nonsubject products.

25 While Petitioner's prehearing brief gives only

1 cursory treatment to the threshold question of cumulation,
2 they advance arguments regarding Romanian imports in their
3 analysis of the likely volume of cumulated imports.

4 Petitioners argue in their prehearing brief that, quote, "It
5 would be easy for Romanian producers to shift exports to the
6 United States if the Orders are revoked." Close quote.

7 Petitioners then note the Romanian industry's
8 export orientation, alleged excess capacity, and a purported
9 ability to easily shift markets. These arguments fail.

10 Romanian imports of subject merchandise will
11 remain at small volumes if the Order is revoked. There are
12 several reasons.

13 First, Romanian production capacity has
14 decreased, largely the result of the shutdown of Romanian
15 small diameter SLP production capacity in October 2015
16 during the review period.

17 Second, Romanian producers are significantly
18 limited in their ability to shift production, as evidenced
19 by the capacity utilization rates for production of in-scope
20 products and out-of-scope products produced on the same
21 equipment.

22 Moreover, Romanian producers are largely focusing
23 on products outside of the scope of the Order and are
24 therefore constrained in their ability to produce more
25 small-diameter SLP to export to the United States, as

1 evidenced by the capacity utilization rates and total
2 production figures of out-of-scope products on the same
3 equipment.

4 Third, Romanian exporters of subject merchandise
5 have commitments to supply customers in third-country export
6 markets, Europe in particular. The Romanian producers
7 operate under long-term commitments and are servicing a
8 long-standing non-US. Customer base.

9 Fourth, in terms of inventory the prehearing
10 report notes that factors mitigating responsiveness of
11 supply include, quote, "very limited availability of
12 inventories." Closed quote.

13 Fifth, all three Romanian producers are
14 affiliated with U.S. producers. To the extent that they
15 export small-diameter SLP from Romania to the United States,
16 they have no incentive to export significant volumes or at
17 prices that would harm the U.S. industry, which includes
18 their affiliates.

19 Finally, there are certain high-end
20 small-diameter SLP products that U.S. producers cannot
21 produce, or have limited capacity to produce. These
22 products include certain SLP produced to ASTM 335
23 specifications. Silcotub would focus on exporting these
24 subject SLP products in small volumes that would not compete
25 with the SLP produced by the U.S. industry within a

1 reasonably foreseeable time.

2 All of these factors support a decision not to
3 cumulate imports. The Commission has on many occasions
4 exercised its discretion not to cumulate subject imports
5 based primarily on a finding that imports would likely
6 compete under different conditions of competition in the
7 event of revocation. And the courts have upheld the
8 Commission's reliance on this factor as a basis to
9 decumulate imports in sunset reviews.

10 Finally, to conclude briefly, the record warrants
11 the Commission's exercise of its discretion to analyze the
12 volume and price effects of Romanian imports of
13 small-diameter SLP separately from Japanese imports. And on
14 this basis a determination that revocation of the Order on
15 Romania would not be likely to lead to a continuation or
16 recurrence of material injury to the domestic industry
17 within a reasonably foreseeable time.

18 We thank you and appreciate the opportunity to
19 provide our views.

20 STATEMENT OF BENJAMIN CARYL

21 MR. CARYL: Good afternoon. I have a few final
22 comments for the Commission. This is Ben Caryl of Crowell &
23 Moring.

24 My testimony will focus on three issues: Domestic
25 like product, Romanian capacity, and the likely volume and

1 impact of subject imports from Romania upon revocation.

2 First, we agree with the argument made Vallourec
3 and U.S. Steel's response to the Commission's Notice of
4 Institution in this review, as well as the 2010 arguments
5 they made in the China investigation on seamless pipe, that
6 there is a single domestic like-product comprised of all
7 seamless SLP pipe having 16 inches or less in diameter.

8 As they noted, the market has changed with the
9 consolidation of SLP producers, and that small and
10 large-diameter pipe merely constitute different sized SLP
11 within the continuum of a single like-product.

12 Vallourec and U.S. Steel argue that the
13 Commission should adopt its 2010 finding of a single
14 like-product of all seamless SLP pipe 16 inches or less in
15 the ADCDB investigations on seamless SLP from China. We
16 agree.

17 In their prehearing brief, however, Vallourec and
18 U.S. Steel argue that the Commission should find small- and
19 large-diameter pipe to be two separate like products and
20 that they are, quote, "are aware of no information that
21 would warrant a reconsideration of this definition in the
22 instant review." End quote.

23 We disagree with that. Though we tentatively
24 agree that the Commission should continue to find two like
25 products in our response to Notice of Institution, upon

1 reviewing Vallourec and U.S. Steel's comments we requested
2 that the Commission collect data on these two like--
3 potential two like-products along the factors the Commission
4 typically considers, which the Commission did.

5 That data demonstrates that there is no longer a
6 clear dividing line between small- and large-diameter pipe.
7 As the staff report and our final public slide shows, U.S.
8 producers and U.S. purchasers overall find small and large
9 pipe to be comparable in terms of physical characteristics
10 and uses, common manufacturing facilities and production
11 employees, channels of distribution, customer and producer
12 perceptions, and price.

13 Not surprisingly, and not uncommon for continuum
14 like product, producers and purchasers found limited
15 interchangeability between two sizes. The Commission's 2010
16 findings from the China investigation remain true today.
17 Diameter is the main physical difference between small and
18 large, but both groups have different size ranges.

19 Both small and large pipes are generally used for
20 transmission of fluids or gas under pressure with no clear
21 dividing line for uses or applications. Small and large
22 diameter are generally not interchangeable due to the size
23 requirements of the finished pipe. However, these same
24 limitations exist within each group.

25 Small and large diameter pipe are both primarily

1 sold to distributors. Several U.S. producers manufacture
2 both small and large diameter pipe at the same facilities.
3 The production processes for small and large diameter
4 seamless pipe are similar. Producers and customers perceive
5 small and large diameter pipe to be similar.

6 Price ranges on the continuum primarily are based
7 on diameter. The Commission again found a single
8 like-product in February 2016, just 18 months ago, in the
9 Chinese seamless pipe sunset review.

10 Also, as Vallourec and U.S. Steel note, industry
11 consolidation has resulted in very high percentages of total
12 seamless pipe production that is accounted for by companies
13 that produce both small and large diameter.

14 There is no clear dividing line at 4.5 inches in
15 diameter for seamless pipe. Thus, the Commission should
16 find a single like-product comprising all seamless pipe 16
17 inches and less in diameter coextensive with the scope.

18 Because there is no antidumping duty order on
19 large diameter pipe from Romania, a finding of a single
20 like-product further strengthens the arguments for
21 decumulation and no likely injury from imports from Romania.

22 Subject imports from Romania would be even
23 smaller relative to a combined small and large diameter U.S.
24 market, with only fractions of a percentage of market share.
25 Because subject import volumes of small diameter pipe from

1 Romania would be so small because there are no subject
2 imports of a large diameter from Romania, there would be no
3 reasonable overlap of competition, for the same reasons the
4 conditions of competition for imports from Japan and Romania
5 would be even more distinct.

6 Once individually examined, there is no question
7 that Romanian subject imports would not be significant in
8 any sense of the term, and would be so small that they could
9 not cause any material injury to the domestic industry.

10 Second, regardless of whether the Commission
11 finds one or two like-products, the Romanian industry has no
12 excess capacity to produce and export small diameter pipe to
13 the United States.

14 I now refer to confidential slides. Confidential
15 slide 2 corroborates Mr. Popeseu's testimony of the
16 evolution of the Romanian market, the significant decline in
17 production and capacity ever since 2004, and the
18 skyrocketing capacity utilization.

19 Confidential slide 3 shows TMK-Artrom's
20 small-diameter pipe operations from 2012 to present, with
21 four-year estimates for 2017. As Mr. Popeseu testified,
22 Artrom focuses on out-of-scope higher valued pipe products
23 and is now operating at near full capacity.

24 In the bottom right-hand corner of that table in
25 red you see the maximum amount of pipe that Artrom could

1 ship to the United States if the Order was revoked. That
2 number is in tons and does not come anywhere close to
3 reaching a volume that could have a discernible adverse
4 impact.

5 Confidential slide four shows the same
6 information for the entire Romanian industry. The four-year
7 2017 estimate is based on Artrom's four-year estimate and
8 annualizing Silcotub reported first quarter 2017 data.
9 Again, the number in the bottom right-hand corner is the
10 maximum amount of subject imports that are theoretically
11 available.

12 I would like to compare Mr. Schagrín's claims
13 earlier that while the U.S. market had declined by half, the
14 remaining industry has not, with the actual data on this
15 table.

16 Confidential slide five shows the maximum
17 potential market share of subject imports for Romania if
18 every single ton of excess capacity was produced and
19 exported to the United States. These volumes are minuscule,
20 whether the Commission finds one or two like-products, and
21 cannot be considered sufficient to have a likely
22 discernible impact, much less likely be significant volumes
23 and impossible to materially injure the domestic industry.

24 As testified earlier today by Mr. Popeseu and Mr.
25 Christopher, their main industry focus is on higher value

1 products and its long-standing customers in the home and
2 regional markets. And thus have no economic incentive to
3 shift production from these higher value products to
4 commodity in-scope seamless pipe or shift sales away from
5 long-standing customers who are already ordering sufficient
6 volumes to keep the Romanian industry operating at full
7 capacity.

8 Again, Mr. Schagrín repeatedly testified that
9 there were 67,000 tons of Romanian exports to the United
10 States in 2014. That is not true for subject products.
11 Whether you look at proprietary Customs data in staff report
12 Table IV-4, or the Foreign Producers Questionnaire
13 responses, there are virtually no in-scope imports during
14 the review period.

15 To be clear, Table IV-16 shows import data for
16 all seamless pipe, virtually all of which for Romania is
17 out-of-scope and not subject.

18 Accordingly, on behalf of Artrom and TMK
19 Industrial Solutions, we respectfully request that the
20 Commission determine that subject imports from Romania are
21 not likely to cause material injury to the domestic industry
22 within a reasonably foreseeable time if the Order is
23 revoked.

24 Thank you, and we're happy to answer your
25 questions.

1 VICE CHAIRMAN JOHANSON: Thank you, Mr. Caryl, and
2 other members of the petitioners panel. I will begin
3 questions today.

4 On page 12 of the domestic parties brief, they
5 argue that much of the additional Romanian production in
6 interim 2017 simply sent into inventory, creating an
7 inventory hangover.

8 What is the incentive for Romanian producers to
9 continue to produce when that production simply ends up in
10 inventory?

11 MR. CHRISTOPHER: We do not create inventory. All
12 of our business is make-to-order at TMK-Artrom. So it's
13 make-and-ship. No inventory.

14 VICE CHAIRMAN JOHANSON: Okay. Yes, Mr.
15 Schweitzer?

16 MR. SCHWEITZER: Yes, thank you. Also, the
17 prehearing staff report itself notes that--I believe it's
18 page 27--that the factors mitigating responsiveness of
19 supply include very limited availability of inventories.

20 VICE CHAIRMAN JOHANSON: Okay, thank you for your
21 responses there.

22 On page 9 of your prehearing brief, you argue
23 that the Commission should not rely on the Global Trade
24 Atlas data shown in Table IV-16 because it includes
25 out-of-scope products.

1 Sometimes in reviews, however, the Commission
2 finds that data on similar but out-of-scope products is
3 probative as they are not under Order and are free to enter
4 the U.S. market. Such data can provide clues to the future
5 export behavior of the producers in that country if the
6 Orders are revoked.

7 What can you tell us about these out-of-scope
8 seamless products exported to the U.S. market?

9 MR. CHRISTOPHER: I can speak to that, and maybe
10 Mr. Popeseu can finish.

11 We're known in the marketplace as a mechanical
12 tube supplier. We're really not known as line pipe. We
13 sell--all of our marketing, which we can provide in
14 posthearing, can show that the primary products that we sell
15 are mechanical tubing.

16 So I don't see where there would be any change.
17 Our behavior is--you know, we sell to those markets we
18 talked about. And 99 percent of that business is mechanical
19 tubing that comes into the United States.

20 MR. POPESEU: If you'll allow me, I think that
21 it's no market sense for any company--sorry, the investment
22 that the company is doing since a certain time, it's showing
23 the direction of the company.

24 As I said, in investing over two hundred million
25 dollars only in mechanical pipe application. We define

1 ourselves also in our marketing presentation, since years,
2 we define ourselves as mechanical pipe producer. Therefore
3 I think that no business sense to turn back to commodities.
4 For us, long time ago we decide our way to go through
5 mechanical for industrial application, and as a result we
6 create in the United States a company dedicated to
7 industrial pipe application business. So we have dedicated
8 business model only for industrial pipe application.

9 MR. CHRISTOPHER: Selling prices are much higher
10 for mechanical tubing than for any type of line pipe
11 products. So we go after the higher value products and they
12 are a company with higher prices, obviously. So it's a
13 commercial decision that most companies make, including the
14 domestic mills.

15 VICE CHAIRMAN JOHANSON: Alright, thank you, Mr.
16 Christopher and Mr. Popescu for your answers. Also, Mr.
17 Popescu, I meant, at the very beginning, to thank you for
18 traveling such a long way to be here today. I know it's a
19 long flight.

20 MR. POPESCU: I'm honored.

21 VICE CHAIRMAN JOHANSON: Okay, thank you.

22 One practical reason to use Table 4-16 is that
23 it at least allows us to talk a little bit, publicly, about
24 Romania's export focus. In that Table, of the nine
25 countries listed, six are in the European Union. What types

1 of purchasers are buying your SLP pipe in the European
2 Union? Are these chemical companies, oil and gas drillers,
3 refiners, or something else entirely? And the reason I'm
4 asking this relates to this morning's panel where they
5 stated that U.S. pipe is predominately used in the oil and
6 gas sector. I'm curious as to how it's being used in the
7 European Union.

8 MR. POPESCU: The European Union, the major
9 country in European Union developed in the last 10, 15 years
10 the automotive industry, the chemical application, so that's
11 the main consumption in pipes.

12 VICE CHAIRMAN JOHANSON: I'm sorry; atomic?

13 MR. POPESCU: Automotive industry.

14 VICE CHAIRMAN JOHANSON: Okay.

15 MR. POPESCU: Hydraulic cylinder, constructions

16 --

17 MR. CARYL: Automotive.

18 VICE CHAIRMAN JOHANSON: Automotive? I'm sorry.

19 MR. POPESCU: It is Germany, Italy, Switzerland,
20 France -- this is the main -- Romania became -- what you
21 call it -- El Dorado for such industry because in the last
22 five years we see many automotive companies moving or
23 developing their new companies, factories in Romania, but
24 also have in Europe some significant consumption in energy
25 sector. We're a high energy producer in Europe. We are

1 consuming also in chemical, petro chemical, so these are
2 industries which are demanding high increase in requests.

3 VICE CHAIRMAN JOHANSON: According to the
4 Petitioners' panel this morning, half of world oil
5 exploration is the United States and so it seems like even
6 if there is oil exploration being done in the European Union
7 it could not be using a great deal of pipe; is that correct?

8 MR. POPESCU: I can just repeat what I just
9 said. In my country, for example, and in Poland, as I know,
10 there are new research. Romania is dominated in this moment
11 by U.S. drilling companies. It was always such affiliation
12 -- not legal affiliation, but technical affiliation between
13 Romanian industry and American industry. They have
14 discovered new gas reserves which really boom our
15 expectation. Five years ago my personal vision was that
16 Romanian will not gas extraction, likely before 2020.

17 In this moment, the oil they are in attendance
18 for at least two by five sectors, which you have seen in the
19 map, so it is a consumption. Of course, it's not like the
20 United States, but East Europe have a consumption in pipes.
21 West Europe it's not see, of course. And don't forget that
22 a lot of European companies are exporting significant in the
23 Middle East. We're not because we're not producing, but
24 there are other European companies who explore such close
25 neighborhood with the Middle East.

1 VICE CHAIRMAN JOHANSON: Okay. You brought up
2 oil production in Romania and I know from history that the
3 oil fields in Romania were a major focus of the Second World
4 War, sadly, they were. You stated that there are new oil
5 fields in Romania.

6 MR. POPESCU: Yes.

7 VICE CHAIRMAN JOHANSON: Is that due to
8 hydraulic fracturing? Is that permitted in Romania?

9 MR. POPESCU: In this moment, speaking about
10 oil, the official estimation is that the value of the
11 extraction of the oil in Romania it's for about \$100
12 billion. Of course, for United States prospective is a
13 small amount, but for Romania and for Europe it's a big
14 result, part are fracturing, but major are standout oil
15 extraction, so not necessary to be new. The old oil field
16 which are renewed, yes, they are just drilling mostly south
17 of Romania where my company is located. We're having this
18 moment at least two zones which are reopening for oil
19 industry.

20 And second is gas, gas in Romania is becoming
21 now it's important player. That's why if you look we have
22 in this moment big tenders for pipeline construct by Romania
23 and Bulgaria, Romania, Hungary and Austria to transport the
24 gas from Romania to Middle of Europe, which is the famous
25 BRUA Pipeline, one of the most important projects which is

1 100 percent financed by European Union.

2 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
3 Popescu. My time is about to expire, but I have one more
4 question for you. You stated that automobile production has
5 increased in Romania; automotive production has increased in
6 Romania in recent years?

7 MR. POPESCU: Yes. In Romania there are two car
8 industries, so it is an assembly of the cars it's Renault,
9 which have a huge plant and Ford, which just started five
10 years ago, the plant. And this year they reported they will
11 double the capacity. Romania is producing actually 700,000
12 units and in 2020 these two companies report that they will
13 assemble in Romania one million units.

14 But aside of this, which is more important for
15 us as pipe producer is the components industry because we
16 are selling pipes for components. For example, we are tier
17 two for several suppliers like we supply pipes for
18 production of components but also we become tier one and
19 invest final equipment will be key plants. We build plants
20 and we supply components for cost, yes. And this industry
21 it's very dynamic in Romania.

22 VICE CHAIRMAN JOHANSON: Are Dacian automobiles
23 still produced in Romania, Dacian?

24 MR. POPESCU: Dacia, Dacia, this is Renault.

25 VICE CHAIRMAN JOHANSON: Okay. Alright.

1 MR. POPESCU: They are producing in Romania
2 seven models. We produce pipes or components for them
3 Romanian factory, Moroccan factory, Turkish factory, and
4 Moscow factory, so in Romania we supply from their
5 components to all these factories.

6 VICE CHAIRMAN JOHANSON: Are they sold under the
7 Dacian name?

8 MR. PROPESCU: Dacia, Dacia. In some countries
9 they sell under the name Dacia. In some, the same model,
10 the same equipment under the name Renault. It's a matter of
11 marketing.

12 VICE CHAIRMAN JOHANSON: Okay. I don't know how
13 relevant that is to today's investigation, but I found it
14 very interesting. Thank you very much. My time has
15 expired. Commissioner Williamson.

16 COMMISSIONER WILLIAMSON: I too want to express
17 my appreciation to the witnesses for coming today. It's
18 always good to have Respondents participation in these
19 cases, but I would like to ask you to explain why you're
20 here. Why is it important to you? It's not that I'm
21 questioning you, but it would be useful just to hear in your
22 own words why you took the time to appear.

23 MR. POPESCU: Obviously, I was thinking that
24 someone would put this question because for Artrom it's not
25 a big quantity of the huge business. First of all, we, as

1 company, we develop a big respect for our customers and each
2 time they claim that, you know we receive an order with 100
3 position and just one position it's small pipes and there,
4 obviously, we have to document, yeah, you know, but you are
5 dumping. But the most important thing is that Artrom is a
6 public company. We are listed on the Stock Exchange in
7 Bucharest. Any action we are doing it is public. We are
8 very transparent.

9 Actually, we are the single, stand-alone public
10 company inside of TMK and once it is such a case we consider
11 that it is our duty to respond. It is probably hard to be
12 understandable, but Artrom it is my home since 35 -- no,
13 since 32 years and I'm managing the company 25 years. My
14 management team it exists 25 years. It's no change in the
15 management. Mr. Christopher came in 5 years ago, so for us
16 it's a matter of duty. We are proud to go and to explain
17 what is reality; what isn't reality.

18 Whatever you will decide in this case for us it
19 was important for us to express our voice and our opinion in
20 front of you. We are here since many years. We make
21 business in United States since many years and we wanted you
22 and our customers here what we believe to be the truth in
23 our case.

24 COMMISSIONER WILLIAMSON: Okay, thank you for
25 that explanation.

1 MR. POPESCU: Sometimes my explanation a little
2 bit Latin, but we are to Latin people.

3 COMMISSIONER WILLIAMSON: Okay, thank you.

4 MR. CHRISTOPHER: If I could add to that,
5 please.

6 COMMISSIONER WILLIAMSON: Sure.

7 MR. CHRISTOPHER: Mr. Popescu mentioned the fact
8 that we would be -- we were talking about this yesterday and
9 it's true. We have a lot of customers out there that many
10 are lazy and they don't want to split orders up and they
11 want to combine items and when it's possible it makes sense,
12 and we have the capacity, which we have very little of these
13 size ranges, because of the longstanding relationship we
14 have with some of these customers, as many as 20 years ago,
15 we accept those orders and try to fulfill them. So that's
16 really --

17 COMMISSIONER WILLIAMSON: Okay, good.

18 MR. CHRISTOPHER: It's a nuisance if there's a
19 duty on there for something we really were never
20 participants of in the beginning, quite frankly.

21 COMMISSIONER WILLIAMSON: Okay, thank you.
22 That's helpful. Many times when we talk or people talk
23 about high-value products and they tend to focus on that
24 because bigger profits there, but there's still that basic
25 product that is important, and so in thinking about your --

1 so I'm trying to figure out what percentage -- and you may
2 have to do this post-hearing. So what percentage or what
3 volume of your in-scope production is the basic and what
4 percentage is the high value?

5 And then I guess the same question applies;
6 particularly, when we look at Table 4-16 about the 67,000
7 exports. What percentage of that was in scope and what
8 percentage was not, and also that same question about what
9 percentage of that is high value and what's not?

10 And it may be easier to do post-hearing, but do
11 you see what I'm getting at is that people a lot of times --
12 everybody wants to talk about the high value stuff because
13 that's going to make them more money, but when you look at
14 the numbers it's the basic stuff that often is still very
15 important and that's where the volume is and so if you could
16 address that.

17 MR. CARYL: We'll provide the specific numbers
18 post-hearing. But I mean, in general, kind of atriums in
19 the remaining industries, even basic -- you know I think
20 earlier this morning they referred to bread and butter
21 product is out-of-scope product. It's produced on the same
22 equipment and you produce small diameter in scope, but the
23 vast majority of the actual product is out-of-scope. So we
24 can provide the specific numbers post-hearing, but just, in
25 general, it's kind of the flip situation from the U.S.

1 industry.

2 COMMISSIONER WILLIAMSON: Okay. And you see why
3 I'm asking the question just to substantiate that. That
4 would be helpful.

5 Let's deal with Tenaris. You know the domestic
6 parties have indicated that Tenaris Bay City facility would
7 not be a production facility, but a landing zone for imports
8 from other Tenaris-owned subject locations and that the
9 revocation orders will open up further direct supply
10 channels for Tenaris subject imports. Is there any validity
11 to this argument and will non-subject imports increase?

12 MR. SPAK: You know Tenaris has been in the
13 United States since 1984, Tenaris and its predecessors,
14 right? It started at a small company in Houston called
15 Siderca Corp way back when I was a young lawyer. And you
16 know since then it's made significant investments in the
17 United States. It's a U.S. producer since 2006 through the
18 Maverick Tenaris Mill that has sat here at this table as a
19 U.S. industry participant several times, along with U.S.
20 Steel and Vallourec Star, so its commitment to the U.S.
21 industry is longstanding and it's had the same essential
22 plan from the beginning, which is that it's committed to the
23 industry. It produces here.

24 Yes, there are, at times, when it does
25 complement its production in the United States and at times

1 things change in the market and it dos supply when it can,
2 but it's important to remember that these statements that
3 have been cited by Mr. Roka, he's not saying anything new.
4 These are the very similar to the statements that we made in
5 2006 and 2007 that if the orders were revoked, yes, there
6 could be some imports coming in and, yes, there would be
7 some additional in-scope and out-of-scope products that
8 would come in to supplement the U.S. production, so it's not
9 anything novel what Mr. Roka said a few days ago.

10 But I think all of us can realize, obviously,
11 that there may be a little bit of hyperbole in those
12 pre-hearing statements. Nobody builds a \$1.8 billion
13 warehouse, right? This is a world class production
14 facility. Everybody knows that and at the end of the day I
15 don't think that facility has a very big bearing on this
16 case and your decision, but there's no need to characterize
17 what it is. I think it speaks for itself, which is a
18 commitment to the U.S. to produce product, seamless product
19 here in the United States.

20 COMMISSIONER WILLIAMSON: Including seamless
21 product discovered by the scope of these orders.

22 MR. SPAK: Well, you know, Commissioner
23 Williamson, the small diameter case goes up to four and a
24 half inches. The capacity for that new mill, the size range
25 starts at four and a half, so there'll be some overlap with

1 the small diameter case. And the public statements have all
2 been pretty clear that the mill is essentially an OCTG mill,
3 right, but it also does have ^^^^ and this is contrary to
4 other statements made in the pre-hearing briefs. It does
5 have already its API certification, API 5-L and API CT, so
6 it's fully certified to produce OCTG and line pipe, but
7 it's primarily an OCTG mill, starting at four and a half
8 inches. Okay, so the overlap with this case is fairly
9 small, but it does exist.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. CARYL: Commissioner Williamson, just one
12 point about -- I'll go back to my confidential slides 4 and
13 5. There's just not the capacity to do what Petitioners are
14 alleging. You know you can't have this import landing zone
15 when there are no available imports, given the capacity
16 limitations.

17 COMMISSIONER WILLIAMSON: But capacity in
18 Romania.

19 MR. CARYL: Exactly.

20 COMMISSIONER WILLIAMSON: Okay. We switched
21 from the Tenaris plant in Texas to this, that's what --
22 okay. But going back to the question of the plant and I
23 guess -- we asked a question earlier about how does one
24 allocate between OCTG and non-OCTG and I think the answer
25 was you do it on a yearly basis, maybe less than that,

1 depending on what the orders are. How would this Tenaris
2 plant be doing that allocation?

3 MR. CARYL: Well, remember that I think one of
4 the U.S. industry witnesses -- maybe the U.S. Steel witness
5 explained this morning that for OCTG, obviously, you have a
6 different finishing line and a threading line, right, so
7 both of which the Tenaris Bay City Mill has. So clearly,
8 it's designed to produce pipe that's apt for all of that
9 production line, including the finishing, so that's why it's
10 primarily an OCTG mill. But again, of course, you can roll
11 SLP on the same line. It just wouldn't go through those
12 finishing lines, but clearly, they wouldn't invest in those
13 finishing lines if they weren't intending to produce OCTG.

14 COMMISSIONER WILLIAMSON: In other words, you
15 keep the OCTG plant working -- I mean if you can keep that
16 running in full capacity you will or if it takes it all you
17 won't worry about the other.

18 MR. CARYL: And look, there were also statements
19 about these imports that are coming in now, but clearly,
20 what's happening is the products that are coming in now is
21 to test that finishing and threading line or in a
22 pre-production process and those are among the first parts
23 of the mill to finish the finishing lines and the threading
24 lines. So of course, there are going to be some imports of
25 pipe that are semi-finished to test those lines ultimately

1 for the full production of OCTG later.

2 COMMISSIONER WILLIAMSON: Okay, good. Thank you
3 for those answers.

4 VICE CHAIRMAN JOHANSON: Commissioner Broadbent.

5 COMMISSIONER BROADBENT: Thank you, VICE
6 CHAIRMAN Johanson.

7 But for the existing affiliations in the United
8 States, would imports for Romania be in the U.S. market at
9 this point at all?

10 MR. CHRISTOPHER: From Artrom, they would be.
11 They've been in this market since 1990. I would say SLP
12 products, but mechanical tube you've been selling into the
13 U.S. market since 1990?

14 MR. POPESCU: 1992.

15 MR. CHRISTOPHER: '92/'93.

16 COMMISSIONER BROADBENT: Okay, thank you. How
17 do market conditions compare between the U.S. and the other
18 export markets for Romanian product?

19 MR. POPESCU: Well, difference is not
20 significant, at least for Artrom, our main markets are
21 European companies and the small portion going to the United
22 States. Our main market, home market is European Union.
23 Technical conditions are similar because what we are doing
24 we are referring to -- as I said, to companies producing
25 mechanical application -- automotive, and their

1 international roles. Prices are similar. In some products,
2 I have to admit that Europe is better, but I have to say
3 that, all-in-all, conditions are similar. You cannot say
4 that -- I heard some testimony here, but this is not our
5 main business. In our business markets are similar, are
6 comparable.

7 And just one sentence, in general, the producers
8 are discussing related to commodity. It's a general sense
9 that in steel business companies are preferring to keep
10 commodities warehouse and to sell at add-value product.
11 It's no sense to keep add-value product home and to export
12 commodities. That's why I don't believe that the appetite
13 of the Romanian pipe mills to increase exports of
14 commodities in U.S. such a long distance will appear. I
15 don't believe.

16 COMMISSIONER BROADBENT: Without getting into
17 the business proprietary information, if we look at the
18 volume trends, why is 2016 more anomalous than the other
19 years of the review period and imports increased more than
20 in the other years?

21 MR. CHRISTOPHER: You're comparing the imports
22 -- they increased in '16 versus '15 or?

23 COMMISSIONER BROADBENT: Uh-huh.

24 MR. CHRISTOPHER: Okay. '15 was the start of
25 the downturn that began in Q1 of '15. There was an overhang

1 of inventory orders that were shipped in from everywhere,
2 including the domestic industry.

3 It took the whole year of 2015 to de-stock.
4 This is across the board. OCTG distributors, mechanical
5 tube distributors in 2016, there was -- some customers told
6 us that they hadn't placed an order with a domestic or an
7 import mill in all of 2015. It was that bad, that much
8 inventory.

9 So it took through 2016 to about midway. And
10 then from the second half of 2016 on, you started seeing
11 people picking up and purchasing, filling holes in their
12 inventories. I'm speaking primarily from the mechanical
13 tube standpoint, because that's what we sell primarily. And
14 then, of course, the spike towards the end of the year and
15 the beginning of 2017 just unprecedented.

16 COMMISSIONER BROADBENT: Okay. During these
17 reviews, our staff visited and toured the Bentiler
18 Shreveport, Louisiana seamless pipe facility, which started
19 production in 2016. Please explain how the Bentiler
20 facility will affect the industry and the conditions of
21 competition? Will overcapacity become a concern once
22 Bentiler and Tenaris are fully operational?

23 MR. CHRISTOPHER: Well, the Bentiler mill
24 produces from one inch diameter to five and a half inch
25 diameter, small wall thickness 102 up to a 598, I believe.

1 So they're both in OCTG line pipe and the mechanical tube
2 mill. They're focusing more on OCTG. I think they'll
3 create good competition. They'll be a good fill for the
4 domestics.

5 COMMISSIONER BROADBENT: Mr. Schagrin, counsel
6 for the petitioner said that markets that have orders on
7 China are much more attractive. How do you respond to that?

8 MR. CANNISTRA: Can you restate the question?

9 COMMISSIONER BROADBENT: Yeah, I was just
10 picking up on a comment that the domestic counsel, the
11 counsel for the petitioner, Mr. Schagrin, said that markets
12 that have orders on China are much more attractive.

13 Mr. Caryl, you seem to be responding quietly to
14 yourself?

15 MR. CANNISTRA: This is Dan Cannistra with
16 Crowell & Moring. I'll just also add to that, one of those
17 country -- or one of those jurisdictions is the European
18 Union as well, also has orders on China.

19 COMMISSIONER BROADBENT: Right. Okay. In the
20 areas where you're competing with domestic producers, how
21 would you characterize their condition? Do you accept the
22 fact that they're vulnerable or not?

23 MR. CHRISTOPHER: For our term, we don't really
24 compete with U.S. Steel or Vallourec because as they said,
25 they don't make mechanical. We don't sell any small

1 diameter to speak of here. So our competition is someone
2 like Timken, Plymouth, Arcelor, Michigan Seamless. I think
3 we have a pretty good reputation with them as being a
4 reliable and non-reckless supplier into the United States.

5 COMMISSIONER BROADBENT: But wouldn't you say
6 the domestic industry is facing a lot of challenges?

7 MR. CHRISTOPHER: I would say from TMK's
8 standpoint, without, you know, their -- things are looking
9 good domestically, restarting mills, hiring American
10 workers. Capacities are filling up like crazy. This is
11 going to be a good year, a good rebound.

12 COMMISSIONER BROADBENT: But the producers of
13 the petitioning product?

14 MR. CHRISTOPHER: That includes small diameter.
15 Absolutely. The gathering lines that we talk about in these
16 pipelines and around the rig sites are small diameter, 2, 3,
17 and 4 inch. And although there might not be 2000 rigs
18 running, there are 900 and some. And they will require
19 small diameter material. So that along with the
20 infrastructure projects that are supposedly going to be
21 going, I see a strong future for the domestic industry.

22 MR. CANNISTRA: Dan Cannistra on behalf of
23 Crowell & Moring. Just to clarify, TMK's sister company in
24 the U.S., TMK IPSCO, is a small diameter seamless line pipe
25 producer. So TMK has insight, current insight, into the

1 operations of TMK IPSCO's small diameter seamless pipe and
2 the prospects for it. So what Mr. Christopher was referring
3 to is TMK IPSCO's --

4 MR. CHRISTOPHER: Correct.

5 MR. CANNISTRA: -- his insight into their small
6 diameter operations currently and indicating that they're
7 bringing back significant numbers of employees.

8 MR. CHRISTOPHER: Yes. And restarting mills on
9 the ERW side, so.

10 MR. CANNISTRA: Small diameter seamless.

11 MR. SPAK: Commissioner Broadbent?

12 COMMISSIONER BROADBENT: Yeah.

13 MS: If I could address that just from a Tenaris
14 perspective. Again, if the question is vulnerability, I
15 mean, obviously, we're not here all taking the position that
16 the U.S. industry in general is not vulnerable, right? We
17 haven't defended, I'm sure you've noticed and staff has
18 noticed, we haven't made an injury defense to the -- to a
19 cumulated case here.

20 We realize that, look, the industry hasn't
21 performed so well over the last several years. We realize
22 that you have a -- an industry in the Japan -- Japanese
23 industry that has a large amount of capacity. They haven't
24 cooperated in the investigation. And so if the question is
25 vulnerability with respect to that kind of volume, I mean, I

1 think we as all sort of participants also in the -- our
2 companies with their affiliates in the U.S. industry, I
3 think they would also -- yeah, they would be vulnerable to
4 that type of volume if that's what we were talking about.

5 That's why we focused our presentation on the
6 de-cumulated case here. We don't think the U.S. industry is
7 vulnerable to the likely volume from Romania. I hope that
8 responds to your question.

9 COMMISSIONER BROADBENT: Uh-huh. Mr. Caryl, did
10 you?

11 MR. CARYL: Ben Caryl, Crowell & Moring. This
12 is kind of a long -- the questioning of Commissioner
13 Williamson. You know, how many steel cases have you guys
14 overseen? How many U.S. producers of this product are
15 there? The staff report identifies a much larger number
16 than is here today.

17 I think that, you know, if presence or
18 attendance is any indication, you know, it could be an
19 indication of a lack of vulnerability to these imports. You
20 know, we're not here defending China or even Japan, but as
21 far as the Romanian industry, it doesn't seem -- and there's
22 also -- and the staff report also indicates, you know, the
23 positions on the orders from U.S. producers.

24 So I think that is, you know, something to take
25 into consideration to the extent that you look at, you know,

1 participation or attendance in these proceedings.

2 COMMISSIONER BROADBENT: Thank you.

3 MR. JOHANSON: Mr. Popescu, I had another
4 question for you. Are the types of SLP pipe that your
5 company is exporting to other countries in the European
6 Union strongly different from that which you are exporting
7 to the U.S. market? Are there different grades or different
8 finishes?

9 MR. POPESCU: Well, we have similar product,
10 just we refer to millimeters and the inches, but it's
11 similar product. Just the quantity are seen significant as
12 volume, because this is not our only product.

13 So our products is the same. We sell this
14 product, small diameter pipes commodities only as the
15 complementary product for all the markets. We do not
16 produce these just -- we do not market this product. Just
17 it's happened that some customers want to have also some
18 small quantities. Therefore, our production in this -- it's
19 small everywhere. And the product is similar.

20 MR. JOHANSON: Okay. And getting back to the
21 automotive issue, you stated that there's increased sales of
22 SLP pipe in the EU due to the automotive industry. But --

23 MR. POPESCU: No.

24 MR. JOHANSON: Not in the -- okay, I was a
25 little confused here. I was going to say these are probably

1 too big to fit in a car, right? These are for entirely
2 different purposes. I was trying to figure out how they
3 would be used in a Renault.

4 MR. POPESCU: You'd be surprised how many pipe
5 -- how many pieces are made from pipes in the car.

6 MR. JOHANSON: Right, but not --

7 MR. POPESCU: It's hard to recognize.

8 MR. JOHANSON: -- these are three and --

9 MR. POPESCU: Yeah.

10 MR. JOHANSON: -- four inch, whatever diameter
11 they are, they're bigger than that. Okay, thanks for
12 clarifying there. In general, are sales of seamless SLP
13 pipe both inside and outside the United States made in the
14 spot market or through contracts?

15 MR. CHRISTOPHER: We have long term contracts
16 and relationships with customers for mostly mechanical tube
17 products. So it would be spot buys that they would make
18 that might have an SLP line item or a few items on there,
19 like we mentioned earlier. And that goes for all markets.

20 MR. POPESCU: In general, for mechanical
21 application pipe, long term relations is essential. Artrom
22 is managing in this moment around 600 customers. Some of
23 them very, very small companies buying few tons per year.
24 Some of them, big companies. But all are the same
25 characteristic. You have to produce the pipes based on

1 their description. Therefore, long relation for mechanical
2 application is essential.

3 For complementary products, based on the
4 standard product, yes, they can order based on any standard.

5 MR. JOHANSON: And would that include the
6 subject products?

7 MR. POPESCU: Yes, yes, yes, yes.

8 MR. JOHANSON: Okay. On page 11, central to TJ
9 USA's pre-hearing brief, and at page 10 of our Thomas
10 pre-hearing brief, the ability to shift exports to the
11 United States is described as minimal and that foreign
12 producers' commitments to alternative markets -- alternative
13 markets.

14 If the majority of sales are made in the spot
15 market or if a large number of sales remain in the spot
16 market, what limits foreign producers' ability to shift
17 markets such as to the United States?

18 MR. CHRISTOPHER: What would limit us at Artrom
19 would be a lack of capacity. I mean, we literally don't
20 have -- we have no real capacity to offer those types of
21 products. If there's a choice, we're going to take the
22 other products to sell to those markets. So that -- we
23 wouldn't ship to SLP is the thing. We shipped away from
24 them. I -- maybe I'm misunderstanding.

25 MR. CARYL: Chairman Johanson, I think your

1 question was more about shifting --

2 MR. JOHANSON: Right, shifting sales.

3 MR. CARYL: -- sales, not production, because
4 there is no excess capacity available. You know, as both
5 the witnesses testified, you know, they have these long term
6 relationships with customers. And these customers are
7 focused on higher value products. If they start shifting,
8 you know, if they're not able to offer the full bundle or
9 the full demand of what those customers want, you know,
10 they're going to start losing, you know customers for their
11 bread and butter, the high valued products.

12 So it's, you know, they have more incentive to
13 start selling, you know, commodities seamless pipe in the
14 United States on the spot market when they can continue to
15 assign it to their existing longstanding major customers in
16 their home market in the EU.

17 MR. JOHANSON: And on the issue of capacity
18 utilization, could you all please explain now or in a
19 post-conference brief the circumstances that precipitated
20 changes in capacity utilization between 2016 and interim
21 2017? I'll assume you'll want to do that post-conference?

22 MR. CARYL: Yeah, we'll discuss the specifics
23 post-conference. Do either of you want to discuss it in
24 general? No?

25 MR. POPESCU: So in small diameter pipes, we --

1 okay, from our way to compare the capacities, it's not big
2 difference. It's when you have a capacity covered in one
3 year, 98 percent, the other 99 or 95 percent is not big
4 difference in such diameters. As I've explained, it's a
5 technical issue. It's very much important the structure of
6 the pipes.

7 When a pipe is born, the design, it's
8 calculating the capacity based on that standard mix size.
9 They said 30 percent this one inch, 25 percent. So it's
10 just an assumption.

11 Then it's the real capacity. And they say this
12 capacity's 6000 ton based on if you produce this mixed
13 product. But if you produce more small diameter,
14 automatically your tons capacity is -- it's smaller. In
15 general, such means are producing meters per unit time. I
16 mean, in one minute, you produce 70 meters, not 70 tons.

17 So that's why sometimes the differences are one,
18 two percent. It's irrelevant. It's just because change of
19 the structure. In some units, you produce more, two inches.
20 In some units, more than one inches.

21 This could be if you see in a unit a difference
22 of 20 percent, then it is based on the commercial. But if
23 you see a unit with difference of three, four percent
24 between capacity utilization, this is -- 99 percent it's
25 coming from this mixed product. And it's showing that the

1 market in one year is demanding more small or more big
2 sizes.

3 MR. JOHANSON: Okay, thank you, Mr. Popescu.

4 MR. POPESCU: Sorry, I'm thinking more
5 technically.

6 MR. JOHANSON: Oh, no, that's fine. And
7 anything you all might want to add to the post-hearing brief
8 would be -- could be helpful.

9 The Bay City facility in Texas has not yet
10 initiated operations. And your plant will not reach full
11 production for some time. Between the initiation of
12 operations and the plant reaching full production, if the
13 orders are revoked, will there be an increase in imports of
14 small diameter seamless SLP pipe from Romania during this
15 time period? And what will Tenaris do to supply the market
16 during the Bay City build up?

17 MR. SPAK: Thank you, Commissioner Johanson.
18 Greg Spak from White & Case. Again, so the -- remember that
19 the Bay City mill is no primarily a small diameter SLP mill.
20 It is primarily an OCTG mill, beginning at four and a half
21 inches. So this question of supplying the U.S. market in
22 the interim, it's kind of a disconnect in a sense, because
23 Tenaris right now can supply the U.S. market from several of
24 its plants if it wanted to. It produces small diameter SLP
25 in Argentina, in Mexico, in Italy, and in Canada. So -- and

1 there aren't orders on any of those countries.

2 So it's able to supply the market demand for its
3 products that small diameter SLP now without, you know,
4 really regard to what's happening at Bay City, which is a
5 different facility producing generally -- well, producing
6 products beginning at four and a half inches at the very
7 upper range of the small diameter case.

8 So we think that's why we think that really all
9 of this talk about the Tenaris Bay City Mill is kind of not
10 -- is kind of a distraction in this case. It's not a
11 landing zone. It's not a warehouse. It's a production
12 facility for OCTG at four and a half and above. And if
13 Tenaris wanted to supply the U.S. small diameter SLP market
14 now, it could do so from several different countries,
15 including two that are -- that share a border with the
16 United States.

17 MR. JOHANSON: Okay, thanks for your responses.
18 My time has expired.

19 Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you.

21 Petitioners have indicated that the U.S. market remains
22 highly attractive to the Romanian industry. And I was
23 wondering, how do you respond to this claim, taking into
24 account that the U.S. is currently the third largest export
25 destination for Romanian exports? In other words, do you

1 agree that Romania's a highly -- the U.S. is a highly
2 attractive market for Romanian exports?

3 MR. POPESCU: I think that -- I'm trying to find
4 out according towards to --

5 COMMISSIONER WILLIAMSON: Uh-huh.

6 MR. POPESCU: -- to not offense nobody. United
7 States is a very good market, but it is not the best market
8 in the world. It is a market with a lot of technical
9 difficulties. It is a market with a lot of respect for the
10 customers, but also with -- for European producers,
11 especially for Romanian, it is not our best market.

12 The best market for us is clearly Europe.
13 That's why if you look, the highest percentage of all volume
14 is going to Europe. We are shipping to Europe by truck.

15 In Europe, once you ship a truck in the factory,
16 three days later, the materials is in the western corner of
17 the continent and the customer receives the invoice. The
18 United States, you need to one month to ship over the sea.
19 You need to custom here. You need to -- a loading truck.
20 So from this point of view, it is much more complicated.

21 Prices are similar. If you look on the similar
22 products, prices are not big difference. So I think that
23 for a lot of companies in Romania always -- and not only in
24 pipes, always United States was -- it's more to -- like
25 marketing order to say I'm selling at the States. I'm high

1 standard, but now Europe has the same level of standards.
2 So I don't believe that it's better or good. Both markets
3 are similar.

4 I had recently -- recently I saw some experience
5 made by my colleagues in Brazil, for example. It's not the
6 same things. I mean, the demand in Europe and United States
7 are more or less on the same standard. So I disagree. The
8 United States and Europe are probably the most desired in
9 the markets in the world.

10 COMMISSIONER WILLIAMSON: Okay. Thank you.

11 MR. POPESCU: Sorry. I'm assisting, because for
12 a European producer to sell as much home, it's more
13 economically to sell, but you have to keep contact always
14 with your customers. You have to keep contact with the
15 market.

16 COMMISSIONER WILLIAMSON: Understood. Okay,
17 thank you. Additional capacity produced doesn't necessarily
18 mean ability to produce. How long would it take a plant to
19 get up to speed and produce at a higher capacity. If
20 someone makes the investment to expand the capacity, how
21 long does it really take to get up for this product?

22 MR. POPESCU: It depends. If you want to
23 increase. I have an experience in my life where I built
24 plants. To build a new mill, 100-thousand-ton capacity you
25 need, today, something like \$150 million or a \$170 million,

1 if you want to be on the high standard. Maybe a little bit
2 less if you limit the range. Maybe more if you extend the
3 range. And you need three or four years at minimum.

4 It's not a small investment. You need millions.
5 You need the rolling line dollars, few hundred thousand
6 equipment. And there are not many producers today able to
7 do this, only a few. There are two or three here and two in
8 Europe. I mean to find a supplier. I give you just a
9 detail. For any pipe mill, it's a headache to order rolling
10 stamps for maintenance because the big producer in all
11 remain only a few, and you're just in the queue to buy
12 companies for the old mills, it's not easy.

13 Therefore, when I say that the single old mill
14 remaining in Romania, in Arcelor, I personally don't
15 believe, I probably go impatient before someone think to
16 restart this mill because it's in such a condition which
17 they will spent for such a mill \$100 million to restart it,
18 and I don't believe that a normal company would do like
19 this.

20 I mean there are some business some general
21 understanding. But it's very expensive. Metallurgical
22 investments are quite expensive. As I declared before, we
23 spend in the last years, \$200 million and probably I've
24 spent another \$100 if my shareholders would allow me. It's
25 not easy to make investment in the metallurgical business.

1 COMMISSIONER WILLIAMSON: Thank you. If the
2 Commission were not to cumulate the remaining imports, those
3 with Japan, and were to issue a negative determination, what
4 would be the immediate effect for Tenaris and TMK-Artrom?
5 And what would be the effects over the next couple of years?
6 And then the longer term?

7 MR. CANNISTRA: Dan Cannistra on behalf of
8 Crowell & Moring. I can at least start off this discussion.
9 I think at least with respect to TMK, you'd need to look no
10 further than Russia. As I mentioned in my opening
11 statement, TMK has a sister company in Russia. There is no
12 anti-dumping duty on seamless pipe from Russia.

13 Had there been at either the desire or the
14 ability to expand exports from TMK to the United States, we
15 could've easily done that with Russia over the intervening
16 sixteen years. Hasn't happened and it hasn't happened in
17 Russia for the same reason it hasn't happened and won't
18 happen respect to Romania, the capacity isn't available. I
19 would also offer a second thought --

20 COMMISSIONER WILLIAMSON: Because of the demand
21 for oil and gas products in Russia?

22 MR. CANNISTRA: And those products are
23 significantly more profitable. We're talking about profit
24 rates to produce other products. Seven, eight times higher
25 than small-diameter seamless. So why would any company

1 reallocate capacity to a less profitable product? The
2 reason is, their capacity is dedicated to producing
3 profitable products, just like any rational economic
4 operator.

5 So they dedicate the capacity to products that
6 are gonna make the most profits. That is not small-diameter
7 seamless with or without the order, the profit rates don't
8 change on small-diameter seamless. They're lower than the
9 other products so they're not gonna get the dedication of
10 capacity in Romania for the same reason that they didn't get
11 the dedication of capacity in TMK's perspective in Russia.

12 Why there are virtually no imports from
13 Argentina as well, again, another example of a country
14 sitting at this table with a sister company in a country
15 with no anti-dumping duty order. Arcelor is the exact same
16 situation. Why haven't they increased their exports from --
17 and actually I misspoke in my opening statement, it was
18 Arcelor's plant is in Slovakia, not Slovenia.

19 Again, they can produce. And if long since had
20 small-diameter seamless production in a country that has no
21 anti-dumping duty order yet, there have been no imports.
22 Why? It's not a profitable product. These mills are
23 dedicated to producing what is the most profitable.

24 COMMISSIONER WILLIAMSON: Okay. I got your
25 point. What about Tenaris?

1 MR. SPAK: Thank you, Commissioner Williamson.
2 The answer's pretty much the same. I mean, again, we have
3 --

4 COMMISSIONER WILLIAMSON: If so, I can go to
5 another, have other questions.

6 MR. SPAK: I would just add, you know, so as I
7 mentioned before, there are four Tenaris plants that could
8 ship here from Argentina.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. SPAK: Exco Canada and Italy. But it's
11 important, you know, you asked about different ranges of
12 time, right? Right now, you know, in the immediate future,
13 we wouldn't expect any change. Over the next three years or
14 so, again, there's nothing that would suggest any
15 significant change. Once we get beyond that and what can be
16 reasonably foreseeable, who knows? I mean, as Mr. Schagrin
17 said this morning when all these investments were made, oil
18 was at a \$100 a barrel, so who can predict too far out. But
19 that would be our response with respect to the reasonably
20 foreseeable future.

21 COMMISSIONER WILLIAMSON: Okay. Your arguments
22 for decumulation, to what extent does it depend on finding
23 no discernible adverse impact, or are there other -- what
24 other bases might you argue for decumulation? And what
25 precedents would you set? If you want to do some of this

1 post-hearing, that's fine.

2 MR. SCHWEITZER: Thank you for the question. As
3 we really outlined in our prehearing brief, the fact is that
4 we're persuasive to the majority in the first review. And
5 again, that the two descending Commissioners found
6 compelling--even in the absence of any participation from
7 respondent parties--are here to a large degree, and provide
8 an even more compelling basis. Starting with the sheer size
9 difference of the two industries.

10 COMMISSIONER WILLIAMSON: Well, I can go back
11 and review that if you wanna just briefly say what it is,
12 only because my time is running out.

13 MR. SCHWEITZER: Yeah, no, sure. It's decreased
14 production, it's capacity utilization rates for in scope and
15 out-of-scope products, it's the long-standing customers,
16 it's to focus on Europe. Those incentives will mean that
17 whether the order's revoked or not, and if Romania is
18 decumulated -- everything drives the volume. So there'll
19 be, because of the conditions of competition, all of those
20 factors, will result in very small volume in the event of
21 revocation of the order.

22 COMMISSIONER WILLIAMSON: Okay. My time is
23 expired. Thank you for that, though.

24 VICE CHAIRMAN JOHANSON: I have no further
25 questions. Commissioner Broadbent?

1 COMMISSIONER BROADBENT: Yeah, I just had a
2 couple. Mr. Caryl, on Table 1-9, Page 129 of the public
3 pre-hearing staff report, the majority of both U.S.
4 producers and U.S. purchasers say that small-diameter pipe
5 is not at all interchangeable with the large-diameter pipe.
6 How do you interpret this with respect to your argument
7 about the single like product?

8 MR. CARYL: Thank you for that question. Ben
9 Caryl, Crowell & Moring. As the Commission's seen time and
10 time again, with continuum like products, there's very
11 frequently limited interchangeability. Within
12 small-diameter, there's limited interchangeability. A
13 2-inch and a 4-inch, large-diameter, 6-inch and a 8-inch, so
14 I think that's completely consistent with previous single
15 like product findings by the Commission.

16 COMMISSIONER BROADBENT: Let's see. We
17 expedited the prior review we did on these orders, and we
18 had in that instance, we had two Commissioners that reached
19 a negative determination with respect to Romania. So
20 another five years later, and got the benefit of a full
21 review, what factors would you say that the Commission
22 majority relied on in the last review five years ago that
23 have changed in this review?

24 MR. CARYL: We can go into the detail in
25 post-hearings with specifics. But any factors that have

1 changed have actually changed in further support of
2 decumulation. You know, the reduced capacity is very
3 significant during this period. There's a producer who no
4 longer exists in the industry. The capacity utilization is
5 much higher, so any factors that have changed have further
6 supported decumulation.

7 MR. SCHWEITZER: I would just add that also in
8 the product mix and the capacity utilization for products in
9 scope and out-of-scope have also changed. And every one of
10 the factors is more favorable in terms of the bases that the
11 several Commissioners in the past two five-year reviews have
12 relied on.

13 COMMISSIONER BROADBENT: You said every what?

14 MR. SCHWEITZER: I'm sorry. All of the factors
15 from volume trends, production, capacity utilization rates,
16 product mix for in-scope and out-of-scope, the focus on
17 long-standing non-U.S. customers, the European Union, each
18 of those factors is here, and the data and evidence is
19 stronger than in the past.

20 COMMISSIONER BROADBENT: Thank you very much. I
21 have no further questions.

22 VICE CHAIRMAN JOHANSON: Commissioner
23 Williamson?

24 COMMISSIONER WILLIAMSON: I think she also asked
25 what factors have changed? I think -- weren't all those --

1 were they all factors that were present before?

2 COMMISSIONER BROADBENT: Well, he's saying
3 they've changed in his favor.

4 COMMISSIONER WILLIAMSON: Oh, I was trying to
5 shoot -- okay.

6 MR. SCHWEITZER: I guess one way to answer is
7 they've all changed and they're much more favorable now for
8 decumulation.

9 COMMISSIONER WILLIAMSON: Okay. It's not that
10 they're new factors, they're just different ones, they're
11 stronger. Okay. Just want to get clarification. Thanks.
12 What would be the ideal share of export shipments to the
13 U.S. for Tenaris and TMK? If the orders were lifted? It
14 may be a little bit tricky, but I just -- any thoughts on
15 that?

16 MR. SPAK: Yeah, just from -- Greg Spak from
17 White & Case for Tenaris. I think if you have the CEO of
18 the company here, he would say he'd have no clue because,
19 again, multiple mills could supply. It would depend, at any
20 particular time, which one made sense, which one had the
21 capacity, which one could ship to the U.S., what the market
22 demand was for which kind of SLP, so I don't -- I
23 really--and I'm not trying to be cute here--I just don't
24 think there's an answer to that question --

25 COMMISSIONER WILLIAMSON: Okay.

1 MR. SPAK: -- for an organization like Tenaris
2 and the structure of its production facilities.

3 COMMISSIONER WILLIAMSON: Fair.

4 MR. CANNISTRA: Dan Cannistra on behalf of TMK.
5 The answer is the same for us, it would be as it currently
6 is, that there was a desire to change, we could have changed
7 the mix a long time ago and supply from other facilities
8 respect to large-diameter, which isn't even subject to the
9 anti-dumping duty order. Yet we still nonetheless don't
10 supply that -- I can't imagine any change in that.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. CANNISTRA: Termination with respect to
13 Romania won't change large-diameter at all, which remains
14 nonexistent.

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

17 VICE CHAIRMAN JOHANSON: That concludes your
18 questions? Okay. All right. Does staff have any questions
19 for the respondent panel?

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

23 VICE CHAIRMAN JOHANSON: Do petitioners have any
24 questions for the respondent panel?

25 MR. SCHAGRIN: Roger Schagrin. No, we do not,

1 Mr. Chairman.

2 VICE CHAIRMAN JOHANSON: Okay, thank you, Mr.
3 Schagrin. All right. That brings us to rebuttal and
4 closing remarks. Petitioners have a total of forty-nine
5 minutes, and respondents have a total of twenty-nine
6 minutes. We will begin with the party in support of
7 continuation. That would be Mr. Schagrin.

8 MR. BISHOP: Rebuttal and closing remarks on
9 behalf of those in support of continuation of the orders
10 will be given by Roger B. Schagrin of Schagrin Associates.
11 Mr. Schagrin, you have forty-nine minutes.

12 CLOSING REMARKS BY ROGER SCHAGRIN

13 MR. SCHAGRIN: Thank you, Mr. Chairman, members
14 of the Commission. First, let me tell you that you don't
15 have to worry about starving to death. I'm not gonna
16 probably use more than about ten minutes. Just a few
17 points. We've all done lots of Sunset Reviews. Usually in
18 Sunset Reviews of older orders, respondents say, "If you're
19 not gonna finally Sunset these orders now in this third
20 Sunset Review, then when would you be Sunsetting them?"

21 And of course, you haven't heard that from
22 respondents today. And for good reason. And that's because
23 I think everybody recognizes the incredibly poor condition
24 of the U.S. industry at this time, and therefore, their
25 extreme vulnerability.

1 In the past, even in just the Sunset Reviews in
2 2006 of orders on the same product, then you did hear,
3 "Look, you can Sunset these reviews now because this
4 industry is doing so well," and you have information in the
5 staff report for how this industry was doing in '04, '05,
6 '06. Demand was extremely high, profit margins were very
7 high. This Commission's Sunset those orders against
8 Argentina and Brazil and they weren't appealed.

9 We agree with them, it's fine. It happens in
10 other products. It happened in plate from a number of
11 countries in similar timeframes, when things were really
12 good in the U.S. market and then, sometimes things go south,
13 largely because of demand.

14 Demand is still in 2017 after recovering
15 significantly from the debacles of '15 and '16 at a rate
16 that is about half the level of 2014, this industry is
17 coming off tremendous years of losses. In addition to U.S.
18 Steel shutting down one major plant, Michigan Seamless, a
19 producer I'll talk about shortly, because of the references
20 to A335 product, filed for bankruptcy last year.

21 So you can kind of turn that question around and
22 say, "Could there ever be a worst time for the U.S. industry
23 to revoke orders?" And the answer is, "No, there couldn't
24 be a worst time." So now I wanna look at the other side of
25 that picture.

1 Why, given the extreme vulnerability of the U.S.
2 industry, for a Romanian industry that claims to have
3 virtually no interest in the U.S. market, virtually no
4 capacity to ship to the U.S. market, why did they want the
5 orders revoked?

6 TMK, during their testimony, if I took my notes
7 correctly, said that they'd imported just eleven tons
8 subject to the order in 2016. Their confidential chart at
9 the bottom, which they referred you to, as to what they
10 could ship in 2017, at the bottom of their chart number 4,
11 it's -- I'll just reference to it -- I mean they said it's a
12 very, very tiny number.

13 Now, sometimes you just have to do gut checks.
14 You're gonna base your decision, as you always do, on the
15 record. But having done this for a long time, sometimes I'm
16 sitting there listening to respondents' arguments, and my
17 gut just starts talking to me. And I start saying, wow, for
18 an industry facing 15% dumping duties in the United States,
19 for an industry that says the maximum amount they wanna ship
20 to the U.S. is miniscule numbers, what are they doing with
21 Crowell & Moring and White & Case being here?

22 I mean, compared to what they say they want to
23 export here, are their legal fees like \$5,000 or \$10,000 per
24 ton of available export? They could be paying 15% dumping
25 duties. That would be miniscule compared to what the costs

1 are of being here.

2 So now, let's, you know, because my gut tells
3 me, something just isn't right. So now, let's look at the
4 Tenaris game plan. One thing that Mr. Spak and I agree on
5 is that the new mill in Bay City, Texas, has virtually no
6 bearing on this case. It's not gonna produce these
7 products. So now the question is, is Tenaris actually
8 interested in shipping these products from Romania to the
9 U.S.?

10 And one of the things that came out of the
11 testimony from the respondents--and I think they need to
12 check their import data--as they said, "Look, we got plants
13 in other countries that make these products. We're a big
14 international company," and "Look, we don't ship these
15 products from those other countries."

16 Well, we're gonna go back in our post-hearing
17 brief. In 2014, just in small-diameter seamless line pipe,
18 there were 309,000 tons of nonsubject imports. Many of your
19 questions for the domestic industry this morning said, "Hey,
20 nonsubject imports seem to play a very big role in this
21 market. What can you tell us about them?"

22 Well, one thing I can tell you about them
23 is--and we're gonna show you this in our post-hearing
24 brief--is that a lot of those nonsubject imports are in fact
25 coming from these countries. I mean they are coming from

1 Argentina. They are coming from Mexico. They are coming
2 from Canada. They are coming from Russia. So, you know,
3 the idea that they're saying, "Well, we don't really have a
4 presence in this market. We're not shipping here from our
5 mills in our other countries," that's just not the reality
6 on the record.

7 These companies are accounting for, they have
8 the sales forces, they are players in these markets. A335
9 is a pretty small part of this market. A number of members
10 of the domestic industry said, "Why aren't these other
11 people in domestic industry here? We're here." Well, look,
12 you know, you know you get the data.

13 The two largest producers of these products in
14 the United States, far and away, are U.S. Steel and
15 Vallourec. A number of the producers listed in the staff
16 report as members of the domestic industry listed in Table
17 1-10, they are not API line pipe guys making these multiple
18 stenciled A106, API5, Valet 53 products.

19 They are producers of the A335 more pressure
20 pipe people like Webco and Michigan Seamless Tube and
21 Plymouth and Timken, and they're not here. They
22 participated. They gave you their data, but they don't
23 wanna have to compete with unfairly traded imports. They
24 just may say, different from these folks, gee, if I make
25 just several thousand tons of this product, do I really

1 wanna hire somebody like Schagrin? Is it really worth
2 \$5,000 a ton to protect that part of my business?

3 MR. SCHAGRIN: I think when the Commission, you
4 know, looks at all the facts on the record, you're going to
5 conclude that there's just no questions about industry
6 vulnerability. Losses, plant shutdowns, layoffs, weak
7 demand even with the recovery in a reasonably foreseeable
8 time frame, there's no chance that demands can recover to
9 levels that there would be any of your period of your Sunset
10 Review.

11 So this is all going to come down to should you
12 cumulate Japan and Romania? All of your provisions for
13 cumulation are met should Romania be let out for no
14 discernible adverse impact. And I would say there should be
15 a sliding scale there.

16 Take a very, very skeptical view of the Romanian
17 claims to have no interest in this market, to have no
18 available capacity, to not be able to shift product from the
19 European market to the U.S market, or from Middle Eastern
20 markets to the U.S. market. And when you do that and you
21 see the vulnerability of the U.S. industry, we would ask you
22 to then find that Romanian--increased Romanian imports would
23 have a discernible impact, and to make an affirmative
24 determination in this Sunset Review that imports of
25 seamless SLP from Japan and Romania would cause injury to

1 recur.

2 Thank you, very much.

3 MR. BISHOP: Rebuttal and closing remarks on
4 behalf of those in opposition to continuation of the Orders
5 will be given by Gregory J. Spak of White & Case. Mr. Spak,
6 you have 29 minutes.

7 CLOSING REMARKS BY GREGORY J. SPAK

8 MR. SPAK: Thank you, Mr. Secretary. Thank you,
9 Commissioners, and staff, and everyone who has worked hard
10 on this review.

11 It is a pleasure to be here for all of us, and it
12 struck me as I was sitting through the testimony this
13 morning that it's one of the few cases where you see that
14 everybody who comes to the table is part of the U.S.
15 industry. Everybody who came to testify before you has a
16 stake in not only the U.S. steel industry generally but in
17 the production of seamless pipe products here in the United
18 States.

19 So it tells us something that--you know, when we
20 had the question earlier from Commissioner Broadbent about
21 vulnerability, I think we all answered honestly. We realize
22 that times have not been good for the producers of this
23 particular product. And of course if you were to cumulate
24 in this case, we recognize that we have a major supplier
25 with major capacity that's out there who has the type of

1 volume that could make you very concerned about the state of
2 a vulnerable industry.

3 That's why we're asking you: Don't cumulate. You
4 should not cumulate, given the small volume of existing--the
5 small volume of Romanian small-diameter SLP. It is small
6 now. All of the indicia that we talked about before
7 regarding the overall capacity, the capacity utilization,
8 all of the existing relationships with their European
9 customers, the role that they play in the supply within
10 their respective international organizations with their
11 affiliated companies, all of those are reasons why you
12 should not cumulate these two countries.

13 So while I'm not going to take the bait to say
14 that this is the best time to get rid of this Order--we
15 recognize that there is vulnerability--but that
16 vulnerability will not--the industry is not vulnerable to
17 the very small volume of Romanian imports or the likely
18 volume of those imports.

19 We've got to be careful here that the Sunset
20 Reviews don't turn into a statement that any imports are
21 enough to make an affirmative determination. We're about as
22 close as we can get in this case to that situation.

23 So we'd ask you to look at the record. Consider
24 what the likely volume of Romanian imports is in this case.
25 And we're confident that you'll find the factual basis

1 necessary to make a determination not to cumulate and then
2 to make a negative determination with respect to Romania.

3 There were a few other comments that I'd just
4 like to touch on. First of all with respect to
5 like-product, I think I agree with Mr. Schagrin it probably
6 doesn't matter in this case. In general, I, as Mr. Schagrin
7 and Mister--and the others have said, there's obviously a
8 very good argument for taking a consistent position on
9 like-product.

10 Like-product can change as required by the facts,
11 but given what has been done recently I wouldn't expect that
12 it would change very much from time to time--over such a
13 short period of time.

14 And that makes the argument for Romania even
15 stronger. If we were to look at this as one like-product,
16 obviously the imports are all the more insignificant when
17 you look at the cumulated industry.

18 With respect to the Tenaris issues, I don't think
19 we need to add very much more. I agree with Mr. Schagrin,
20 as he's agreed with me, that this is more of a distraction
21 than anything. It's not the glorified warehouse that they
22 called it in the prehearing brief. It's not a landing zone
23 for imports. It is a new production mill that will employ a
24 lot of people in the seamless pipe industry in the United
25 States. It's a demonstration of the commitment of Tenaris

1 to the market, and it's a demonstration in its interest in
2 the market, a market that it wouldn't injure by increasing
3 imports from Romania, a country where it has plenty of
4 customers in Europe and it's not a very logical place
5 necessarily to ship a lot of volume to the United States.

6 So with that, I would just close by saying that I
7 will take the bait in a certain sense because 17 years is a
8 long time. Seventeen years, given all the changes that have
9 occurred in Romania, in the Romanian industry, the dramatic
10 change in the decrease in capacity to produce this product
11 in Romania just over the last few years, it is time after 17
12 years. We ask you respectfully to decumulate Romania and to
13 make a negative determination with respect to Romanian
14 imports.

15 Thank you for your attention. I'd like to thank
16 staff, also.

17 VICE CHAIRMAN JOHANSON: Thank you, Mr. Spak. It
18 is time for the closing statements. Posthearing briefs,
19 statements responsive to questions, and requests of the
20 Commission, and corrections to the transcript, must be filed
21 by August 17th, 2017.

22 Closing of the record and final release of data
23 to the parties occurs on September 12th, 2017. And final
24 comments are due on September 14th, 2017.

25 This hearing is adjourned.

1 (Whereupon, at 1:21 p.m., Tuesday, August 8,
2 2017, the hearing in the above-entitled matter was
3 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Carbon and Alloy Seamless Standard, Line, and Pressure Pipe
from Japan and Romania

INVESTIGATION NOS.: 731-TA-847 and 849

HEARING DATE: 8-8-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Third Review

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

DATE: 8-8-17

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.

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