

UNITED STATES INTERNATIONAL TRADE COMMISSION

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| In the Matter of: |) | |
| |) | Investigation Nos.: |
| OIL COUNTRY TUBULAR GOODS |) | 701-TA-499-500 and |
| FROM INDIA, KOREA, TURKEY, |) | 731-TA-1215-1216 and |
| UKRAINE, AND VIETNAM |) | 1221-1223 (Review) |

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Thursday,
May 21, 2020

Teleconference
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:35 a.m., before the Commissioners of the United States International Trade Commission, the Honorable DAVID S. JOHANSON, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DAVID S. JOHANSON, CHAIRMAN
RHONDA K. SCHMIDTLEIN, COMMISSIONER
JASON E. KEARNS, COMMISSIONER
RANDOLPH J. STAYIN, COMMISSIONER
AMY A. KARPEL, COMMISSIONER

Staff:

WILLIAM R. BISHOP, SUPERVISORY HEARINGS
AND INFORMATION OFFICER
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CHRISTOPHER WATSON, INVESTIGATOR
MARK BRININSTOOL, INTERNATIONAL TRADE ANALYST
LAUREN GAMACHE, INTERNATIONAL ECONOMIST
JENNIFER BRINCKHAUS, ACCOUNTANT/AUDITOR
MADELINE HEEREN, ATTORNEY/ADVISOR
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

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Agenda for Hearing May 21, 2020
Oil Country Tubular Goods from India, Korea, Turkey,
Ukraine, and Vietnam
Inv. Nos. 701-TA-499-500 and 731-TA-1215-1216
and 1221-1223 (Review)

1. Chairman's Opening Statement
2. Foreign Government Presentation

The Ministry for Development of Economy, Trade and
Agriculture of Ukraine

Department for Domestic Producer Defense

Nataliya Sydoruk, Director of the Department
for Domestic Producer Defense

Yurii Kozlenko, Head of the Division for Trade
Interests Protection, Department for Domestic
Producer Defense

Elena Yushchuk, Head of the Defense on Foreign
Markets Unit, Department for Domestic
Producer Defense

3. Direct Presentation by Those in Support of
Continuation

Roger B. Schagrín, Schagrín Associates
Thomas M. Beline, Cassidy Levy Kent (USA) LLP
Gregory J. Spak, White & Case LLP

4. Commissioners' Q&As with Those in Support of
Continuation

Cassidy Levy Kent (USA) LLP on behalf of
United States Steel Corporation

Thomas M. Beline
Myles S. Getlan
Mary Jane Alves

Schagrín Associates on behalf of
Boomerang Tube, LLC, Vallourec Star, L.P., and
Welded Tube USA Inc.

Roger B. Schagrín
Luke A. Meisner

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White & Case LLP on behalf of
Maverick Tube Corporation, Tenaris Bay City,
Inc., IPSCO Tublars Inc., and Benteler
Steel/Tube Manufacturing Corp.

Gregory J. Spak
Frank J. Schweitzer
Kristina Zissis

5. Closing Remarks by Those in Support of Continuation

Myles S. Getlan, Cassidy Levy Kent

6. Chairman's Closing Statement

P R O C E E D I N G S

(9:35 a.m.)

CHAIRMAN JOHANSON: Good morning. On behalf of the Commission, I welcome you to this hearing on Investigation Nynbers 701-TA-499 and 500 and 731-TA-1215-1216 and 1221-1223 (Review) concerning Oil Country Tubular Goods from India, Korea, Turkey, Ukraine, and Vietnam.

The purpose of these hearings -- the purpose of these reviews is to determine whether the revocation of the antidumping duty and countervailing duty orders on Oil Country Tubular Goods from India, Korea, Turkey, Ukraine, and Vietnam will be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

In accordance with 19 U.S.C. § 1677c(a)(1), the Commission has not canceled its hearing, but in light of the restrictions on access to the Commission building, the Commission will conduct its hearing through submissions of written testimony, direct testimony from counsel, Commissioners' questions and answers, and closing arguments via GoToMeetings, and posthearing briefs.

This morning, we will begin with testimony on behalf of the Government of Ukraine. We will then move to direct testimony from counsel on behalf of those in support of continuation, followed by questions and answers from the Commissioners. Following Commissioner questions, we will

1 move to closing remarks by those in support of continuation,
2 followed by my closing statement.

3 I will note as well that if the hearing continues
4 into the afternoon, we will recess for lunch. Are there any
5 questions?

6 (No response.)

7 CHAIRMAN JOHANSON: Mr. Secretary, are there any
8 preliminary matters?

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

12 CHAIRMAN JOHANSON: Thank you, Mr. Secretary. Will
13 you please announce our Ukrainian government witnesses.

14 MR. BISHOP: Joining us from the Ministry for
15 Development of Economy, Trade, and Agriculture of Ukraine,
16 the Department of Domestic Producer Defense is Elena
17 Yushchuk, the Head of Defense on Foreign Markets Unit with
18 the Department for Domestic Producer Defense, and Yurii
19 Kozlenko, Head of the Division for Trade Interests
20 Protection, the Department of Domestic Producer Defense.

21 You folks have a total of 30 minutes for your
22 presentation. If you could activate your webcam and
23 microphone. You may begin when you're ready.

24 MS. YUSHCHUK: Yes, we are ready. Thank you. Good
25 morning, Commissioners and staff of the U.S. International

1 Trade Commission. My name is Elena Yushchuk. I am head of
2 the Defense on Foreign Markets Unit of the Department for
3 Domestic Producer Defense at the Ministry for Development of
4 Economy, Trade, and Agriculture of Ukraine.

5 On behalf of the Ministry, I would like to thank
6 you for this opportunity to present our views in this case on
7 certain oil country tubular goods from India, Korea, Turkey,
8 Ukraine, and Vietnam.

9 With this testimony, we would like to address some
10 key points of the case which are of crucial importance, and
11 we strongly believe that having examined all the information
12 would indicate the Commission will reach the decision that
13 there is no likelihood of continuation or recurrence of
14 material injury to the U.S. Within a reasonably foreseeable
15 time, the antidumping duty order on OCTG from Ukraine is
16 revoked.

17 First, we believe that the current antidumping
18 measures on Ukrainian OCTG are not necessary anymore to
19 counteract dumping which is causing injury, mostly because
20 the U.S. industry is not vulnerable to the injury but rather
21 overprotected by a 25 percent tariff on steel products under
22 Section 232 of the Trade Extension Act.

23 Indeed, since 2018, all imports showed a decrease
24 because of the introduction of 25 percent tariff on steel
25 products under Section 232. Additional tariff rate wasn't

1 considered within the initial investigation and now should be
2 considered as a circumstance that puts U.S. producers in more
3 favorable position on the domestic market. Along with this,
4 it also should be considered that the U.S. industry might be
5 affected by decrease in consumption, which should not be
6 attributed to imports.

7 Therefore, we respectfully ask that in the region,
8 the likely impact of imports of the subject merchandise on
9 the industry, the Commission take into careful consideration
10 influx of 25 percent tariffs under Section 232, as well as
11 influence of other taxes within the meaning of Article 3.5 of
12 the Agreement on Implementation of Article 6 of that.

13 Second, it is well-known Ukrainian economy has been
14 undermined by growing Russian aggression, which resulted in
15 significant reductions in steel sector of Ukraine and export
16 capacity of steel products. The whole Ukraine economy has
17 been affected by Russian aggression. GDP of Ukraine
18 decreased by 27 percent in 2014 as compared to 2013 and
19 dropped by 50 percent in 2015 as compared to 2013.

20 Since 2016, Ukraine's GDP started to grow.
21 However, in 2018 and '19, it still didn't reach the level of
22 2012 and '13. OCTG industry constitutes significant part of
23 the Ukrainian economy, which, in turn, determines Ukraine's
24 capability to counteract Russian aggression. The pipe
25 production sector is among the key rungs of the structure of

1 the Ukrainian industry.

2 Ukraine has been supplying OCTG to the U.S. market
3 under the non-injurious terms of the suspension agreement.
4 Indeed, Ukrainian companies carry out limited sales of
5 tubular goods at fair prices determined by the U.S.
6 Department of Commerce. Ukrainian sales have small share in
7 a huge U.S. market, but those sales are very important to
8 Ukraine. United States have been provided support and
9 assistance in different spheres to Ukraine in its counter-
10 fighting against Russian aggression.

11 Antidumping procedure is another sphere where
12 Ukraine needs support of the U.S. Therefore, we kindly ask
13 the Commission to grant special treatment for Ukraine in this
14 review and to examine the likelihood impact of imports from
15 Ukraine separately from other countries.

16 Finally, we would like to emphasize the importance
17 of obeying WTO rules and provisions in this review
18 proceeding, in particular, the agreement on implementation of
19 Article 6 of that, although the Commission would follow
20 domestic legislation in making the determination within the
21 case, yet the U.S. is a member of the WTO and should respect
22 and comply with its implementation.

23 For the reasons above, we urge the U.S.
24 International Trade Commission to determine a termination of
25 the antidumping duty order on oil country tubular goods from

1 Ukraine would not lead to continuation or recurrence of
2 material injury to the U.S. industry within a reasonable
3 foreseeable time. Thank you very much.

4 MR. BISHOP: Mr. Chairman, that concludes direct
5 testimony from these witnesses.

6 CHAIRMAN JOHANSON: Okay. Well, I thank you for
7 appearing here today. Let me get Commissioner -- the
8 Commissioner order. You all pardon me one minute.

9 Commissioner Stayin, do you have any questions for
10 the Ukrainian panel?

11 COMMISSIONER STAYIN: I do. We ready?

12 CHAIRMAN JOHANSON: Yes. Go right ahead.

13 COMMISSIONER STAYIN: Okay. In your pre-hearing
14 brief and testimony, you have asserted that the Ukrainian
15 steel product, that their tubes are not fungible with the
16 other sources of tubes that are involved in this case. You
17 pointed out that the products that came from the Ukraine are
18 seamless tubes, though not welded, and that the products
19 coming from the other Respondents consisted of 90 to
20 100 percent welded casing and tubing.

21 These are some of the differences that you're
22 asserting in your position that your products are not
23 fungible with those of the other Respondents, and, therefore,
24 you believe that you should not be cumulated with these other
25 countries.

1 What is the difference, significance of the
2 difference between the two products? If you supply products
3 that are not the 90 to 100 percent welded casing and tubing,
4 what's the difference? When those products get to the United
5 States, is there additional work done on the Ukrainian
6 product, or is it used for a different purpose than the
7 products from the other countries? That was my long
8 question.

9 MS. YUSHCHUK: Yeah, that was a long question.
10 Well, as far as we understand -- well, I'm not the producer,
11 of course, I don't know every technical detail, but as far as
12 I understand, a seamless pipe's a bit different from routed
13 in terms of production and prices and so on. It's different
14 types of tubes which may be used in a little bit different
15 sphere as we understand that. And also, it was confirmed
16 within the staff report that 100 percent of our tubes are
17 seamless.

18 COMMISSIONER STAYIN: Well, thank you. Would you
19 mind in your post-hearing brief giving more information maybe
20 from your --

21 MS. YUSHCHUK: Okay, we will try to address this
22 issue in our post-hearing brief.

23 COMMISSIONER STAYIN: Okay. Thank you.

24 MS. YUSHCHUK: Thank you.

25 COMMISSIONER STAYIN: You also talk about the fact

1 that Ukraine has temporarily lost control over the steel
2 plants and enterprises of related industries located in
3 certain areas of Donetsk and Luhansk. What is the direct
4 impact of that situation to Interpipe?

5 MS. YUSHCHUK: Thank you for this question. As I
6 was saying, that, you know, like, the whole Ukraine economy
7 was affected. It affected every industry because we have
8 lost like 20 percent of our GDP. And it doesn't matter where
9 the enterprise is. I mean, like Interpipe is not directly
10 located on that area, but still, our production, steel
11 production, main steel production, other enterprises which
12 might supply raw materials to Interpipe, they are not
13 working. We don't have access to them. We don't control
14 that territory. So that might affect steel industry, like
15 the whole, in Ukraine, and along with Interpipe.

16 COMMISSIONER STAYIN: I think it's very important,
17 this information, and you might want to embellish that with
18 more information in your post-hearing brief.

19 MS. YUSHCHUK: Okay, I will do it. Thank you.

20 COMMISSIONER STAYIN: You also commented that
21 COVID-19 has affected the producers of steel in your country,
22 as your whole country has been affected, and ours. To what
23 extent should that be considered by the International Trade
24 Commission in this proceeding?

25 MS. YUSHCHUK: I think, yes, Ukraine also affected,

1 like, as you said, that the whole world was affected and we
2 see the drop in the steel production now. Maybe we'll come
3 out with more figures with our post-hearing brief, and we
4 will address this issue also in more detail.

5 COMMISSIONER STAYIN: Thank you very much.

6 MS. YUSHCHUK: Thank you.

7 COMMISSIONER STAYIN: I think my time is up.

8 CHAIRMAN JOHANSON: All right. Thank you,
9 Commissioner Stayin.

10 Commissioner Karpel, do you have any questions?

11 COMMISSIONER KARPEL: Yeah, I just have one
12 question. I wanted to ask -- and this is related to some
13 questions Commissioner Stayin had. I just wanted to ask
14 what -- if you could elaborate a bit on the impact of, as you
15 mention in your pre-hearing brief, the aggression of Russia
16 into Ukraine. How has it impacted transportation, the
17 ability for producers to get supplies to produce tubular
18 goods, as well as the ability of producers to sort of
19 transport the finished goods too, particularly for exports?

20 MS. YUSHCHUK: Indeed, the situation impacted also
21 transportation because there were some issues with our main
22 port in Azov Sea, as you know and, well, I think that we
23 could address this issue also in more detail in our post-
24 hearing brief.

25 COMMISSIONER KARPEL: That would be fine. Thank

1 you.

2 MS. YUSHCHUK: Thank you.

3 CHAIRMAN JOHANSON: Okay. Commissioner Karpel, do
4 you have any more questions?

5 COMMISSIONER KARPEL: No, I'm good.

6 CHAIRMAN JOHANSON: Okay. Ms. Yushchuk, I'd like
7 to thank you for appearing here today. I had just one
8 question, and that is, how well has Ukraine been able to
9 maintain its exports of oil country tubular goods to other
10 countries over the past several years?

11 MS. YUSHCHUK: How we managed to?

12 CHAIRMAN JOHANSON: How -- has Ukraine been
13 successful in exporting this product to other countries over
14 the past five years?

15 MS. YUSHCHUK: Indeed, we exported this product as
16 far as I know. Maybe you would like to see more detailed
17 statistics we could provide in our post-hearing brief.

18 CHAIRMAN JOHANSON: That would be very helpful.

19 MS. YUSHCHUK: Okay.

20 CHAIRMAN JOHANSON: I would appreciate that.

21 MS. YUSHCHUK: Okay.

22 CHAIRMAN JOHANSON: And I have no other questions.
23 Commissioner Schmidtlein?

24 (No response.)

25 CHAIRMAN JOHANSON: Commissioner Schmidtlein, are

1 you still available?

2 COMMISSIONER SCHMIDTLEIN: Hold on. Yes. Okay.
3 There we go. No, I don't have any questions. I just wanted
4 to thank you for appearing here today.

5 MS. YUSHCHUK: Thank you.

6 CHAIRMAN JOHANSON: All right. Commissioner
7 Kearns?

8 COMMISSIONER KEARNS: Yes, I also just wanted to
9 thank you for appearing here and for your written testimony
10 as well. We very much appreciate your participation. Just a
11 quick follow-up on the question that Commissioner Stayin
12 asked concerning COVID-19. I'm not sure if you answered this
13 already, but do you know what the operating status is of
14 Interpipe right now?

15 MS. YUSHCHUK: Unfortunately, I don't know.

16 COMMISSIONER KEARNS: Okay. All right. If you can
17 find out for the post-hearing brief, that would be great.

18 MS. YUSHCHUK: Meaning operating status, if it's
19 working?

20 COMMISSIONER KEARNS: Yes.

21 MS. YUSHCHUK: Yes, they are working.

22 COMMISSIONER KEARNS: Okay.

23 MS. YUSHCHUK: Yeah.

24 COMMISSIONER KEARNS: Okay. Great. Thank you very
25 much. That's all I have.

1 MS. YUSHCHUK: Thank you. Thank you.

2 CHAIRMAN JOHANSON: All right. Do any other
3 Commissioners have questions for Ms. Yushchuk?

4 (No response.)

5 CHAIRMAN JOHANSON: If not, I would just like to
6 repeat that we appreciate you appearing here today. Thank
7 you.

8 MS. YUSHCHUK: Thank you.

9 MR. BISHOP: Mr. Chairman, we will now move to
10 direct testimony from those in support of continuation.
11 Giving remarks will be Roger B. Schagrín of Schagrín
12 Associates, Thomas M. Beline of Cassidy Levy Kent, and
13 Gregory J. Spak of White & Case. Gentlemen, you have a total
14 of 30 minutes. If you would please make sure that your
15 webcams and microphones are activated when you're speaking.
16 You may begin when you're ready.

17 MR. SCHAGRIN: Good morning, Chairman Johanson and
18 members of the Commission. For the record, my name is Roger
19 Schagrín of Schagrín Associates. I am pleased to be
20 presenting this opening statement on behalf of the eight
21 domestic producer parties to this review who represent the
22 overwhelming majority of U.S. production of OCTG.

23 All of us want to thank the Commissioners and the
24 Commission staff for your efforts during the past several
25 months of the COVID issues and adapting to these very

1 challenging circumstances while ensuring that the Commission
2 is able to meet its important role in enforcing the U.S.
3 trade laws. I specifically want to thank the Commission
4 staff for doing a fabulous job, as always, in putting
5 together a great staff report, especially given the
6 requirements that they do this from home.

7 Continuing the anti-dumping and countervailing duty
8 orders on OCTG imports from India, Korea, Turkey, Ukraine,
9 and Vietnam is absolutely critical to the domestic industry
10 and the workers. As our witnesses explained in their written
11 testimony submitted for this hearing to the Commission, the
12 domestic industry obtained some immediate benefits from the
13 orders in terms of reduced imports, improved domestic
14 industry financial performance, and favorable conditions for
15 making significant capital investments to maintain and
16 increase the domestic industry's competitiveness.

17 The orders also offered security and stability for
18 the domestic industry to weather the inevitable demand
19 swings, from the highs of 2014 to the lows of '15 and '16 and
20 the incomplete recovery that took place during 2017 through
21 2019.

22 As the ITC's record shows, subject imports remained
23 in the U.S. market since the original investigations,
24 regardless of the ups and downs of demand in the U.S. Due to
25 continued pricing pressure from subject imports and soft

1 demand, many of the domestic industry's performance
2 indicators in 2019 were still far below their levels in 2013,
3 as reflected in the prehearing staff report.

4 Intervening events since the end of 2019 have only
5 increased the domestic industry's vulnerability to the injury
6 if the orders were revoked. The rig count, the sole driver
7 of demand for OCTG has collapsed to 329 rigs last week. This
8 is the lowest number ever recorded in the history of the
9 Baker Hughes Rig Count.

10 This reality and all of the downturns in economic
11 activity related to COVID-19 have hollowed out demand for
12 OCTG. It's particularly impacted oil production and demand
13 for oil and gasoline products when planes aren't flying,
14 trains aren't running, ships aren't transporting goods, and
15 people aren't driving.

16 Yet even now, with demand absolutely plunging to
17 historic lows and the orders and Section 232 remedies in
18 effect, the subject country sources have continued to supply
19 the U.S. market. The domestic industry is counting on these
20 orders to survive and recover from the current market
21 collapse.

22 Importantly, this record overwhelmingly supports a
23 finding to cumulate all OCTG from all subject countries. The
24 Commission simultaneously instituted reviews of all the
25 orders, and as we have demonstrated in our prehearing brief,

1 the record fully supports cumulating OCTG from India, Korea,
2 Turkey, Ukraine, and Vietnam.

3 In fact, given the scant cooperation from foreign
4 producers and importers, much of that record evidence was
5 developed at significant and unnecessary cost by the domestic
6 industry. And I hope during the Q&A session, we can discuss
7 ideas for changing the Commission's regulations on sunset
8 reviews to avoid unnecessary burdens on your resources in the
9 future.

10 If the orders are revoked, the evidence shows that
11 imports from each of the five subject countries are likely to
12 be both discernable and adverse to the domestic industry.

13 During the original investigations, the OCTG
14 industry in each of the five subject countries took advantage
15 of substantial available capacity to target the U.S. market
16 and inflicted injury through consistent underselling.
17 Available data show that each subject industry still has
18 substantial excess capacity and the incentive to direct
19 substantial volumes to the U.S. market with its comparatively
20 large demand compared to all of the alternative markets for
21 the subject countries.

22 There is also likely to be a reasonable overlap of
23 competition among subject imports and between subject imports
24 in the domestic light product. As the prehearing report
25 indicates, subject imports are highly substitutable for one

1 and other, and the domestic light product. OCTG from all
2 subject countries was sold during the POI, including in
3 overlapping months, through common channels of distribution
4 and in overlapping geographic markets.

5 Furthermore, there are no significant differences
6 in our subject imports from the subject countries that are
7 likely to compete in the U.S. market in the event of
8 revocation. For all of these reasons, the Commission should
9 cumulate the subject OCTG imports for its analysis in these
10 reviews.

11 When considering the likelihood of continuation or
12 recurrence of material injury to the domestic industry in the
13 absence of orders, the statute requires the Commission to
14 consider subject imports' behavior during the original
15 investigations.

16 Cumulated subject imports from India, Korea,
17 Turkey, Ukraine, and Vietnam increased significantly, both
18 absolutely and relative to apparent U.S. consumption. While
19 the orders have reduced subject imports' presence in the U.S.
20 market, the OCTG industries in the subject countries continue
21 to have substantial excess production capacity.

22 Even without relying on their collective ability to
23 shift production capacity from other tubular products to
24 OCTG, the subject industries have enormous excess capacity
25 that would enable them to ship significantly increased

1 volumes of OCTG to the U.S. if the orders were revoked.

2 The OCTG industry in the subject countries continue
3 to be export-oriented. Many of them don't even have domestic
4 consumption at all. They have maintained connections with
5 U.S. customers and distribution networks in the U.S. and have
6 served this market during the period of review. Even during
7 periods of limited rig activity and depressed OCTG demand,
8 the U.S. market, the single largest oil and gas market in the
9 world, remains very attractive to the subject industry, as
10 their post-POR behavior in the first several months of 2020
11 also confirms.

12 If the orders were to be revoked, the likely
13 significant volume of cumulated subject imports, which are
14 highly interchangeable for the domestic light product, will
15 have adverse price effects. Pervasive underselling during
16 the original investigations and continued underselling during
17 the period of review, notwithstanding 232 duties, confirm
18 that revocation would lead to further underselling. Such
19 underselling will depress and suppress the domestic
20 industry's prices at a time when the industry is already
21 experiencing a cost price squeeze.

22 Due to the existing import levels and
23 disintegrating demand, this domestic industry is as
24 vulnerable as any industry the Commission has analyzed in the
25 sunset review. Under these circumstances, even a limited

1 volume of what Commerce has confirmed will be unfairly traded
2 subject imports from all countries will adversely impact the
3 domestic industry.

4 As each of us will further explain, the domestic
5 OCTG industry, which has never fully recovered from the
6 damage subject imports previously inflicted, is teetering on
7 the edge given the recent collapse in demand.

8 The domestic industry's already making difficult
9 decisions to idle certain facilities and lay off workers.
10 Absent the restraint of the orders on subject imports, the
11 viability of a U.S. OCTG industry is in question.
12 Accordingly, as further amplified in the testimony of the
13 domestic industry's witnesses, we respectfully request that
14 the Commission find a revocation of the orders would lead to
15 the continuation or recurrence of material injury to the
16 domestic industry within the reasonably foreseeable future.

17 Thank you for your time and attention in
18 considering this very important case to the domestic
19 industry, its workers, and their communities in the United
20 States.

21 I would now like to turn things over to my
22 colleague, Thomas Beline. Tom?

23 MR. BELINE: Good morning, all. Thank you for the
24 opportunity, Chairman Johanson, Commissioners and Commission
25 staff. For the record, my name is Thomas Beline, a partner

1 with the Law Firm of Cassidy Levy Kent. I'm appearing on
2 behalf of the United States Steel Corporation. Joining me
3 today are my partners, Myles Getlan and Mary Jane Alves.

4 Thank you for the opportunity to provide
5 affirmative comments to you this morning. I think we're all
6 looking forward to getting back to some semblance of normalcy
7 in these proceedings, but today offers a nice opportunity to
8 be seen and heard and to answer your questions in this
9 important proceeding.

10 Mr. Schagrín covered all of the reasons why, from
11 the domestic industry's collective experience, continuation
12 of the antidumping duty orders against Korea, Vietnam, India,
13 Turkey, and Ukraine and countervailing duty orders against
14 India and Turkey is necessary.

15 Given the conditions of competition, the continued
16 presence of subject imports in the U.S. market since the
17 orders were put in place, and additional foreign producer
18 capacity, there is no doubt that material injury caused by
19 these imports would reoccur in the reasonably foreseeable
20 future if the orders were revoked.

21 Now it's not my intention to repeat what Mr.
22 Schagrín presented, but I do want to convey the U.S. Steel
23 experience to you, as reflected in the submitted written
24 testimony of Mr. Doug Matthews, Senior Vice President of
25 Tubular and Mining at U.S. Steel, and the submitted testimony

1 of Zach Little, threading operator and chairman of the Safety
2 Committee for Local 1013, United States Steelworkers.

3 As Mr. Matthews and Mr. Little explain, the orders
4 are very important to the company and its workers. Both Mr.
5 Matthews and Mr. Little provided vivid narrative history of
6 the last six years, which is borne out in the data in your
7 prehearing report.

8 Succinctly stated, after the orders were put in
9 place, leveling the playing field and instilling price
10 discipline in the U.S. market, U.S. Steel invested hundreds
11 of millions of dollars to construct a technologically
12 advanced electric arc furnace at the Fairfield Works facility
13 in Birmingham, Alabama.

14 Unfortunately, the market hit bottom in 2015 to
15 2016. Sales dried up, but imports remained in the market,
16 causing U.S. Steel to put its planned electric arc furnace
17 project on hold. As demand started coming back in 2017,
18 subject imports also increased their presence, but with the
19 discipline of the orders, U.S. Steel was able to increase its
20 OCTG sales and the market dynamics justified increasing
21 employee pay and pensions in 2018 and restarting construction
22 of the electric arc furnace in 2019.

23 Once the electric arc furnace becomes operational
24 in the second half of 2020, U.S. Steel will be fully
25 integrated from mine and melts to finished products in both

1 welded and seamless OCTG production.

2 As both Mr. Matthews and Mr. Little explain in
3 their written testimony, the market has unfortunately hit
4 another low point due in large part to global oversupply in
5 oil and gas and the COVID-19 pandemic. Just like 2015,
6 however, as Mr. Schagrin eloquently put it, notwithstanding
7 this decrease in demand, subject imports remain in the U.S.
8 market.

9 As a result, U.S. Steel has had to make the
10 difficult decision to announce the idling of most or all of
11 certain facilities in Texas and Ohio. The manner in which
12 U.S. Steel is planning to idle these facilities will quickly
13 allow it to bring the facilities back to a productive state
14 when the market improves, but, importantly, any market
15 recovery must be accompanied by the continued discipline in
16 the market through the continuation of these orders.

17 As you read Mr. Matthews and Mr. Little's
18 testimony, what comes across loud and clear is that U.S.
19 Steel, like the rest of the domestic industry, is absolutely
20 vulnerable to subject imports. If the past is prologue and
21 the type of recovery is similar to or hopefully better than
22 2017, frankly, it is certain that imports will increase
23 substantially.

24 Without the continuation of the orders, subject
25 imports will increase their market share through cut rate

1 prices, stifling any hope for the domestic industry to, as
2 Mr. Matthews eloquently stated, steady the ship in these
3 choppy waters and recover when market conditions improve.

4 On behalf of U.S. Steel, its workers, their
5 families, and their communities, thank you for your time and
6 attention to our testimony today, and we ask that you find
7 that revocation of the orders will lead to the continuation
8 or recurrence of material injury to the domestic industry
9 within our reasonably foreseeable future.

10 I will now turn our presentation over to Greg Spak
11 from White & Case, but all of us are looking forward to
12 answering any questions you have during the Q&A session.
13 Thank you.

14 MR. SPAK: Thank you, Tom, and good morning,
15 Chairman Johanson, Commissioners, and members of the staff.
16 On behalf of -- well, for the record, I'm Greg Spak of the
17 Law Firm of White & Case. I'm here this morning on behalf of
18 Tenaris. Joining me are my colleagues, Kristina Zissis and
19 Frank Schweitzer.

20 On behalf of Tenaris and White & Case, I would like
21 to extend our best wishes to the Commissioners and staff and
22 to all of your loved ones during this difficult time, and I
23 also want to thank you for your attention to this matter,
24 which is so important to Tenaris and the U.S. industry.

25 Tenaris includes the U.S. producers known to the

1 Commission in the past as Maverick, Tenaris Bay City, and
2 IPSCO. We have referred to these companies in this
3 proceeding as Tenaris USA because this reflects the reality
4 of Tenaris's U.S. operations. These companies employ a large
5 U.S. workforce and produce OCTG throughout the United States
6 out of the direction of Tenaris management in Houston, Texas.
7 Today, Tenaris is the largest U.S. producer of OCTG.

8 I want to spend my limited time this morning
9 focusing on three points. First, you have testimony from
10 Tenaris's vice chairman, Mr. German Cura. Mr. Cura has
11 appeared here before the Commission three other times during
12 the process of Tenaris's investment in U.S. production
13 assets.

14 His testimony tells the story of a company that
15 executed on its vision to produce OCTG in the United States
16 with American workers. Tenaris told the Commission back in
17 2007 that it planned to keep investing in the United States
18 and to replace much of its imported OCTG with domestic
19 production. Tenaris has done exactly that, and Mr. Cura's
20 testimony and the staff's report has some of the details
21 related to Tenaris's \$9 billion investment in the United
22 States and in the U.S. energy market.

23 Second, Mr. Cura's testimony describes that, what
24 you have already heard from others, the oil and gas markets
25 and therefore the OCTG markets are in crisis -- in a crisis

1 like no other in its history. Mr. Cura's testimony includes
2 a chart showing the intensity of the downturn and the
3 disturbing inventory position in the market. Those charts
4 reflect Tenaris's calculation of a 16.8 month stock ratio,
5 which means that it would take 16.8 months at current
6 consumption levels to use all of the OCTG that's already in
7 the country, and that does not allow for any additional
8 supply, domestic or foreign.

9 Now, since writing that testimony last week,
10 consumption indicators shrunk again, and Tenaris now believes
11 that there are about 18 months' worth of stock on the ground
12 in the United States.

13 For perspective, one year ago, that stock ratio was
14 6.5 months. As Mr. Cura describes in his testimony, the rig
15 count decline is much worse than in any other crisis and the
16 projections suggest at least several months of lower oil
17 production. This will have dire consequences for the OCTG
18 market and the U.S. industry.

19 My third and final point this morning is that the
20 orders under review in this proceeding simply cannot be
21 revoked in these circumstances. The domestic producers'
22 joint brief and other witnesses describe an industry that has
23 been trying to recover since the case against the Chinese
24 imports in 2009, only to have that recovery undermined by
25 imports from India, Korea, Turkey, Ukraine, and Vietnam.

1 After some initial positive effects of the
2 resulting orders on these countries, volumes from those
3 countries increased as market conditions improved, leading to
4 price erosion, the price erosion that the staff has
5 documented.

6 So, as you look forward to decide what is likely to
7 happen in the future, the record in this case answers the
8 question, the substantial capacity in these subject
9 countries, some of which do not even have home markets to
10 service, will continue to be focused on the U.S. market and
11 to continue to undermine U.S. production, and that would
12 happen during historically low levels of consumption as the
13 U.S. industry fights for survival.

14 Tenaris has had to laid off 1100 workers this year
15 in the United States. That was not the plan and is not
16 something that Tenaris or any U.S. producer ever wants to do.

17 Tenaris invested in the United States to produce in the
18 United States with U.S. workers. We respectfully ask that
19 you make an affirmative determination in this review. With
20 respect to all subject imports, the alternative would be
21 disastrous for the U.S. industry at a time when it cannot
22 afford any more disasters.

23 Thank you for your attention, and Tenaris looks
24 forward to your questions. I now turn it back to our
25 colleagues at Schagrin Associates. Thank you.

1 MR. SCHAGRIN: Thanks, Greg. And this is Roger
2 Schagrin again, and I'm joined by my partner, Luke Meisner,
3 to answer questions, as my colleagues have done, in
4 discussing the situations presently at U.S. Steel and
5 Tenaris.

6 CHAIRMAN JOHANSON: Right, absolutely.

7 MR. SCHAGRIN: I just wanted to go over the
8 situation at our domestic producer's facilities.
9 Fortunately, Boomerang in Baytown, Texas, is still
10 operating. As you have seen in the testimony of Butch
11 Mandel, the president of Welded Tube USA, their relatively
12 new facility installed in just 2013 and 2014 in Lackawanna,
13 New York, which is on the footprint of a former Bethlehem
14 Steel plant that was shut down with their bankruptcy during
15 the Asian financial crisis, and this is one of the few
16 investments there that employed over 100 people. It's
17 presently completely shut down, and all of their workers are
18 on layoff.

19 As seen in the written testimony of Doug Polk of
20 Vallourec USA, which operates probably the single largest
21 OCTG facility in the United States, in Youngstown, Ohio, a
22 facility in which Vallourec invested over \$1.2 billion in
23 just the past several years and which can produce nearly a
24 million tons of OCTG annually, they have over 900 workers on
25 layoff.

1 This also covers one of the biggest heat treating
2 facilities in the United States, in Muskogee, Oklahoma, where
3 they also do finishing, and a facility in Houston, Texas.
4 And as Mr. Polk, who has over 40 years of experience in the
5 energy tubular industry, put it, he has just never seen a
6 downturn in the U.S. OCTG industry as he is witnessing
7 presently.

8 And all of these companies are struggling to cope.
9 Vallourec is struggling to keep their electric furnace
10 operating, at least one shift operating, in Youngstown, Ohio.

11 With that, I think that concludes the domestic
12 industry's opening presentation. We thank you for hearing us
13 and having this interaction today, and we look forward to
14 your questions.

15 CHAIRMAN JOHANSON: All right. We will now have
16 commissioner questions, beginning with Commissioner Karpel.

17 (Pause.)

18 MR. BISHOP: Commissioner Karpel, you need to
19 unmute your microphone.

20 COMMISSIONER KARPEL: Sorry. Thank you. I wanted
21 to ask about the grades of different tubular products. How
22 does the fact that different subject countries produce
23 different grades of welded and seamless pipe affect their
24 fungibility analysis for purposes of cumulation?

25 And I guess just to give you a little bit of what

1 I'm looking at, for example, does the fact that Korean
2 imports are almost all grade J-55 and L-80 reduce the
3 fungibility of Korean imports, for example, with imports from
4 India, which are almost all grade P-110. You don't have to
5 limit it to that example, but that's sort of what's driving
6 my question, those kind of comparisons. And this was sort of
7 graphically represented in the staff report in Figure 4-2.

8 MR. GETLAN: Commissioner Karpel, this is Myles
9 Getlan of Cassidy Levy Kent on behalf of U.S. Steel. First
10 of all, good morning, and let me just make sure that you can
11 hear me.

12 COMMISSIONER KARPEL: Yes, fine. Thank you.

13 MR. GETLAN: Excellent. Thank you. Thank you for
14 that question. I'm sure others may chime in. As you see
15 here, we have a number of representatives of U.S. producers
16 here, so my guess is you'll get various perspectives, but
17 I'll take a shot at leading things off. It's a good question
18 and one that goes to some of the cumulation questions that
19 were asked earlier of the Ukrainian Embassy.

20 The starting point in terms of seamless and welded,
21 I think at a high level it's important to point out that all
22 of the seamless product is able to be used in welded
23 applications. And so that was a significant factor in the
24 Commission, in its initial or original determination, finding
25 substitutability among seamless and welded OCTG.

1 It's, of course, also the case that OCTG is
2 produced and sold to different grades. You mentioned one
3 grade or a couple grades there, J-55, P-110. Similarly, the
4 Commission in its original determination considered whether
5 grade was a point of distinction or a potential factor in
6 attenuating competition between different sources, and it
7 found, based on the record and the investigations, that that
8 was not the case, that while, of course, producers do produce
9 different grades and in varying volumes or proportions, the
10 Commission found that there was significant overlap in the
11 top three grades at the time, which were J-55, L-80, and P-
12 110.

13 And while some sources may have been more
14 concentrated in one or the other, the fact that they were
15 concentrated in -- there was substantial overlap in those
16 three grades indicated that there was fungibility, and that
17 was not -- grade was not a point of departure or point of
18 differentiation among different sources.

19 In this review --

20 COMMISSIONER KARPEL: Could I just interrupt you
21 there for a second? So, in looking at that, though, are you
22 saying that they're interchangeable in the sense that a
23 purchaser who needs -- is building a project can use one or
24 the other grade, it doesn't matter, they can substitute those
25 easily within a project?

1 MR. GETLAN: No, not necessarily. No, not
2 necessarily. There are -- obviously, certain grades are more
3 specific for harsher environments, down hole, than others,
4 and can withstand that. And so that's why you have the
5 variety of grades that exist.

6 But producers are able to produce multiple grades.
7 It's not so fixed, and the fact that you do have among the
8 very wide range of grades that are available for OCTG, the
9 fact that you had overlap in just several, the three that I
10 mentioned before, was significant in terms of finding overlap
11 previously.

12 In this review, you have more limited data. The
13 coverage of commercial shipments for subject imports is quite
14 limited, which I think contributes to some of the differences
15 you see in sources. But you still see, consistent with the
16 original investigation, that you have a concentration in the
17 top three grades.

18 U.S. industry certainly is more focused or has been
19 more concentrated in its shipments of P-110, subject imports,
20 J-55, as you acknowledge. But, overall, you still see a
21 concentration in those, in those grades.

22 I don't know if others on the panel would like to
23 follow up on that.

24 MR. SCHAGRIN: Yes. This is Roger Schagrin,
25 Commissioner Karpel. First, again, I think it's good that

1 Mr. Getlan started with reminding the Commission ever since
2 the first OCTG cases in 1984 versa now I think we're going on
3 maybe about 36 years of a variety of cases and reviews, the
4 Commission has consistently found a great deal of overlap
5 between welded and seamless OCTG. Welded products can be
6 full-body normalized. They can take on characteristics and
7 be made to almost all the same grades. I think on these
8 lists of grades in the Chart 4-2, maybe only the T grade and
9 some premium proprietary products can only be made by a
10 seamless.

11 Every other grade, the API specifications allow
12 that grade to be made in either a welded or seamless product,
13 and they compete with each other every day.

14 For U.S. producers, virtually every single U.S.
15 producer makes all grades, with possibly the exception of the
16 very top 1 or 2 percent. In an on-shore well, an exploration
17 and production company, E&P company, is going to use a
18 variety of grades and it's all going to be based on
19 engineering. The engineers, you know, these very highly
20 specialized geologists, know based on the formations in the
21 field and the way they're going to frack what grade they need
22 in different parts of the well.

23 On offshore, which is probably less than
24 10 percent of all OCTG consumption now, that's more limited.
25 Offshore tends not to use as big a variety. So, given the

1 fact that almost everybody makes overlapping grades, in the
2 same wells, you have overlapping grades being utilized. You
3 have competition between these imports and each other and
4 imports and the domestic.

5 COMMISSIONER KARPEL: But can I interrupt you
6 there?

7 MR. SCHAGRIN: Sure.

8 COMMISSIONER KARPEL: Roger, let me interrupt. So
9 -- but that's not my question. As I'm looking at the Figure,
10 you know, 4-2, and then there's a few tables preceding that
11 that actually show the numbers that builds that figure, it's
12 not showing that there's overlap in all the grades in terms
13 of what subject imports are coming in.

14 So, if you look at subject imports from Korea, it
15 looks like they're concentrated in grades that the subject
16 imports from India aren't coming in at. So I'm trying to
17 figure out, is there competition, for example, between Indian
18 and Korean imports? Are they fungible if we're seeing that
19 sort of breakdown in grade?

20 MR. SCHAGRIN: Yeah, they still are, and I'll let
21 somebody else in. They still are, as I think Mr. Getlan, you
22 know, pointed out. You don't have, particularly as to, I
23 believe, India, an overwhelming amount of the imports covered
24 here by the importer responses.

25 But I think you'll still find in these charts that

1 even though imports from a certain country may have more
2 imports in a certain grade than others, there's always some
3 overlaps. Everybody's got some of everything. You just
4 happen to have more of the imports from, say, Korea in J and
5 K grades and more imports in, you know, N and L and maybe P
6 grades from some of the other producers.

7 But there's still a reasonable amount of overlap
8 with all these. And in competition, not only with each other
9 but with the domestic industry, particularly in the
10 distributors' set of products that they're inventorying, and
11 then at specific wells, they're being used with each other.

12 MR. MEISNER: And, Commissioner Karpel, I think one
13 thing that's important to understand is that -- this is,
14 excuse me, Luke Meisner from Schagrin Associates. A lot of
15 the J-55 -- as you're probably aware, the J-55 is sort of the
16 lower grade OCTG. L-80 is a step up from there, and P-110 is
17 even a step up from that and can be used in more stringent
18 requirements because it has higher yield strength and
19 hardness.

20 But one thing to understand about a lot of the J-55
21 that comes in, especially from Korea -- and it's too bad the
22 Korean producers are not here to answer questions regarding
23 this, but as we've learned through the investigation and the
24 reviews and it's a matter of public knowledge, a lot of the
25 J-55 that comes from Korea as well as other countries is

1 upgraded by -- meaning that once it's imported in the
2 country, it can be converted to L-80 or P-110 through a heat
3 treatment process, depending on the chemistry of the steel
4 that's used in the J-55 pipe.

5 So, in that sense, the J-55 pipe that comes in from
6 Korea or other countries is absolutely competing with imports
7 of L-80 and P-110 for all the other reasons that my
8 colleagues have mentioned, but also because J-55 can easily
9 be converted to L-80 or P-110 through heat treatment when
10 it's an upgrade-able object.

11 CHAIRMAN JOHANSON: All right. I will now ask
12 questions. I'd like to begin by thanking all of you for
13 appearing this morning. I remember well the original
14 investigation. I also recall visiting several OCTG plants
15 over the years.

16 I visited the plants in Lorain, Ohio, I believe it
17 was in 2013 or 2014, and I remember well the, I believe it
18 was seamless pipe being produced there through the hot-punch
19 method. It was a real sight to see. There was a lot of lava
20 floating around, so that's what it looked like to me. So
21 thank you all again for appearing here today.

22 My first question is, is there a lag in the impact
23 of oil prices on demand for OCTG? And when the price of oil
24 rebounds, about how long would you expect for demand for the
25 product to respond?

1 MR. GETLAN: This is Myles Getlan, Cassidy Levy
2 Kent, on behalf of U.S. Steel. It's a good question. I
3 think this is one of those questions where if we were in
4 ordinary circumstances, we would turn to our industry
5 witnesses and colleagues from the companies who would be in
6 best position to answer that question. And I certainly
7 expect we can provide a more detailed or informative answer
8 to you in post-hearing.

9 With that said, I think if you look at what has
10 happened in the last couple months, at least in terms of
11 whether there's a lag, you know, to date, it was almost
12 immediate as -- this was such a quick crash, really, in the
13 spring of 2020 that the oversupply issues relating to OPEC
14 just, you know, led right into the pandemic, and it was
15 circumstances that arose really over a matter of weeks. And
16 it was almost instantaneous where rigs were being shut down,
17 and that had a near-instant impact on our clients and their
18 orders and, you know, what demand was in the market. So I
19 don't think there was much of a lag in that regard.

20 In terms of ability to recover or how long you
21 would expect demand to rebound as prices improve, I don't
22 want to speculate on that. I would say, though, that, as
23 others have mentioned in their testimony, the inventories
24 that are on the ground as subject imports continue to ship in
25 these circumstances will provide some delay in the U.S.

1 industry's ability to recover from this.

2 MR. SCHAGRIN: Chairman Johanson, this is Roger
3 Schagrin. In response to your question, I think everybody's
4 been amazed at how fast the rig count has plummeted. Really,
5 the decline in oil prices over the past two to three months -
6 - forget the few days where it turned negative because there
7 was no storage -- was not that dissimilar to the downturn in
8 oil prices in 2015. But the decline in the rig count
9 relative percentage-wise that took nine months in 2015
10 happened in about six weeks in 2020.

11 So everyone's just amazed. And I think it's just
12 because it's a different industry with all the fracking going
13 on today versus even five or six years ago. A lot of these
14 companies doing fracking in the Permian and the Bakken are
15 pretty highly leveraged companies. It's a highly leveraged
16 business. And all of a sudden the banks said, if you're
17 negative cash flow, there's no more money for you.

18 You had Occidental take over Anadarko right before
19 this problem hit. They are very highly leveraged, and
20 they've just said we've got to cut all expenses to the bone
21 to pay off our debt. Furthermore, even the biggest energy
22 companies, like Exxon Mobil and Chevron, have absolutely
23 slashed their 2020 exploration budget.

24 So even if we saw oil prices return up to north of
25 \$40 a barrel, it just seems that with all the decisions made

1 by the energy companies for their 2020 exploration budgets
2 that there couldn't possibly be any reasonable upturn until
3 sometime in 2021, and that's just in terms of drilling.

4 As everyone's pointed out, with a year and a half's
5 inventory on the ground, it could be a year to two years
6 before any new product coming from mills is required versus
7 using inventory, even if drilling starts to recover later
8 this year or next year.

9 I hope that answers your question.

10 MR. SPAK: Chairman Johanson, if I could just --

11 CHAIRMAN JOHANSON: Yes.

12 MR. SPAK: This is -- I'm sorry. This is Greg Spak
13 from White and Case. I just wanted to direct your attention
14 specifically to Mr. Cura's testimony in his -- the charts
15 that he included with the testimony show just what Roger
16 said. The intensity of the rig count reduction is
17 unprecedented, and the stock on the ground is unprecedented.

18 Both of those bear on your question and indicate that, as
19 far as we know, it would take some time for OCTG demand to
20 recover. Thank you.

21 CHAIRMAN JOHANSON: Certainly.

22 Okay, I'll now move on to a second question.

23 The pre-hearing report at Table 314 indicates that
24 millions of short tons of OCTG from non-subject sources have
25 been imported to subject orders entered into effect. Could

1 you please explain how these actions shape the U.S. market
2 and impact supply considerations to the United States?

3 MR. GETLAN: Sure. This is Myles Getlan on behalf
4 of U.S. Steel and I'm sure others may have thoughts on this
5 as well. But no doubt non-subject imports are a presence, a
6 significant presence in the market. A competitive factor in
7 terms of U.S. industries' ability to thrive in this market.

8 The fact that non-subjects increased, non-subject
9 import volumes increased since the orders were imposed and
10 gained in share not surprising. A pretty typical, or one
11 that you would expect in terms of the orders imposed and some
12 discipline on the subject imports, that there would be other
13 sources coming in. But they continue to be a competitive
14 factor here.

15 MS. ALVES: Mary Jane Alves from Cassidy Levy Kent
16 on behalf of U.S. Steel.

17 I just wanted to add that this is certainly not the
18 first sunset review where the Commission has observed non-
19 subject imports increasing in the U.S. market. If anything,
20 as the Commission has recognized in previous cases, this
21 increases the vulnerability to the domestic industry if the
22 orders are revoked, because if the orders are revoked subject
23 imports have that much more of an incentive to try and come
24 in and buy market share by lowering their prices. This is
25 the exact behavior the Commission witnessed during the

1 original investigation so it's very likely to occur in this
2 case as well.

3 CHAIRMAN JOHANSON: Okay. I'll move on to another
4 question.

5 Has the amount of OCTG consumed per individual
6 drilling rig changed over time? And if so, how and why has
7 it changed?

8 MR. SCHAGRIN: Chairman Johanson, this is Roger
9 Schagrin.

10 Yes. The answer to that question is the amount of
11 OCTG per rig has increased considerably even in the six years
12 since this started and I think we can supply the actual
13 numbers that come from Preston Pipe Report or other sources
14 in our post-hearing brief. And the reason for that is more
15 of the rigs being utilized today, maybe not the 329, they're
16 so few, I don't know what those are utilizing, but let's say
17 more normal year like the middle of last year, more of those
18 rigs are being used in areas where there's fracking, and the
19 amount of tubing being utilized is more of a range for the
20 welds. So they have pads and they might drill five or six
21 rigs off of one common pad and they'll go out for literally a
22 mile to two miles from each of the rigs. So that's a change.

23 So that's what's enabled U.S. oil production to increase so
24 much over the last five years with ups and downs in the rig
25 count, but for a long time people were surprised, like in

1 2018, 2019, as oil prices were starting to soften, why were
2 oil production going up while the number of rigs was going
3 down? And it's because of the amount of tubing being used in
4 these mills with fracking and the amount of extraction which
5 occurs immediately.

6 So there have been changes and hopefully that will
7 help the industry a few years from now as the rig count and
8 drilling recovers.

9 I know we can supply additional information in our
10 post-hearing brief in response to that question.

11 CHAIRMAN JOHANSON: All right.

12 Does anyone else have anything to add there?

13 If not we'll move on to Commissioner Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: Thanks.

15 Mr. Schagrin, you mentioned that there is not much
16 domestic consumption in most of the subject countries. Can
17 you all talk about whether the subject countries export to
18 other markets besides the United States? And could you put
19 some information on the record in the post-hearing if it
20 isn't already. I was just looking for it but I couldn't see
21 it exactly.

22 MR. SCHAGRIN: Commissioner Schmidtlein, I'll
23 start, this is Roger Schagrin.

24 Yes, most of these countries have almost no
25 domestic consumption. Korea has none. And Ukraine I think

1 has very little. India and Vietnam do have domestic
2 consumption.

3 All of these foreign industries are also exporting
4 to the major other drilling areas of the world -- Africa, the
5 Middle East, some exports to Canada. But in most of those
6 other markets they have to compete with massive amounts of
7 Chinese over-capacity. So those markets are just torn up.
8 Those are the least desired markets in the world, anywhere
9 where the Ukrainians or the Koreans or the Indians or
10 Vietnamese have to compete with the Chinese it's a disaster.

11 So because we keep the Chinese out of the United
12 States through very high duties, and we have a very highly
13 developed and large market, everybody wants to come to the
14 United States.

15 But to the extent it's not in the staff report, I'm
16 sure with ease we can supply the export destinations for each
17 of the subject countries in our post-hearing brief.

18 COMMISSIONER SCHMIDTLEIN: And what they're
19 exporting to those countries in terms of the grades and the
20 types, are they similar to what's being used here in the
21 United States?

22 MR. SCHAGRIN: Similar in terms of the overlap
23 worldwide you have some markets because they're essentially
24 only off-shore markets. Like in Nigeria all the drilling is
25 off-shore, which is more similar to our off-shore market and

1 not as similar to the whole U.S. market. And then you have
2 markets like Canada where it's very similar to the U.S.
3 market, and other markets are a blend.

4 China, of course, doesn't import much OCTG anymore.

5 I remember the old days in the '90s and early 2000s when we
6 exported a lot to China because China has a lot of both on-
7 shore and off-shore.

8 But overall, on a worldwide basis, there's a lot of
9 similarity to the U.S. market in terms of overall grades
10 being utilized.

11 MS. ALVES: Mary Jane Alves from Cassidy Levy Kent
12 on behalf of U.S. Steel.

13 Just a couple of quick points here. We mentioned
14 in our brief that the home reserves in each of the subject
15 countries are extremely small if not non-existent. We also
16 provided information on recounts on some of the other areas
17 where the subject industries may be exporting.

18 The recounts in Asia, for example, are 24 percent
19 of the size of the recount in the United States. Recount in
20 the United States is larger than any other jurisdiction.
21 Moreover, as Mr. Schagrin mentioned, the recount is also even
22 higher by virtue of the fact that there are so many other
23 rigs that are involved in fracking activities.

24 So you not only have the single largest recount
25 globally of any other jurisdiction by far, but these rigs

1 themselves are consuming a lot more of the OCTG by virtue of
2 the fact that they're doing fracking activity.

3 Also in terms of what the export countries are for
4 each of the subject industries, again unfortunately the
5 subject producers are largely not participating in these
6 reviews. Staff, however, did compile information from GTA
7 which is in the report.

8 We have also provided a summary of the same
9 information that's in the staff report, we compiled the data
10 from each of the individual country tables on the exports of
11 the tubular products in tubing from each of the subject
12 countries. And as this information will show, this is in a
13 kind of 3D to our witness testimony. This is public, and as
14 this information shows, the United States has encountered a
15 substantial share of the export, notwithstanding the totals
16 of the orders from all of the countries.

17 COMMISSIONER SCHMIDTLEIN: Okay.

18 MR. GETLAN: This is Myles Getlan on behalf of
19 U.S. Steel. Just one other point in addition to help.

20 It is striking in the GTA data that the staff
21 included at Section 4 of the pre-hearing report how even with
22 the orders in place during the period of review the U.S.
23 continues to be the dominant export market for this type of
24 product from these subject countries.

25 But also as the pre-hearing report indicates, there

1 are third country carriers. One of the more significant
2 energy producers besides the United States is Canada, and
3 they have anti-dumping measures imposed on imports from all
4 of these subject countries as well.

5 So the U.S. given its size has proven through the
6 volumes shipped during the POR and prior, continues to be the
7 most attractive market by far, and that's why you see that,
8 the focus on the U.S. market and those export shipments that
9 are in the data.

10 COMMISSIONER SCHMIDTLEIN: Okay.

11 This is a segue to a question about product mix.
12 Commissioner Karpel started with questions about the various
13 grades of subject imports and how they differ from each
14 other.

15 Is the product mix of subject imports different
16 from the original investigation in a material way?

17 MR. GETLAN: Certainly -- this is Myles Getlan on
18 behalf of the U.S. Steel.

19 The record does not indicate any difference. The
20 data are more limited from the period of review just because
21 of limited participation questionnaire responses. You see
22 the commercial shipment data going to these questions is much
23 more limited than what we had in the original investigation.

24 Our understanding of the market, this is again a
25 question that our industry witnesses would be well positioned

1 to answer and will provide additional information or color in
2 our post-hearing briefs. But there's no evidence in the
3 record that suggests any material change in the product mix
4 since the original, since the orders were imposed.

5 COMMISSIONER SCHMIDTLEIN: Okay.

6 MR. SCHAGRIN: Commissioner Schmidtlein, this is
7 Roger Schagrin.

8 I would agree with Mr. Getlan. I believe the mixes
9 are very similar today to the period of investigation. And
10 as Mr. Meisner pointed out, even if the data shows that a lot
11 of the imports from Korea are of lower grades, it's the same
12 thing now as then. They bring it in in the lower grades but
13 the Korean importers and Korean OCTG companies use a variety
14 of U.S. heat treaters who are independent to heat treat
15 products to higher grades.

16 And in response to your earlier question, and it's
17 worth focusing on the Ukraine because they appeared earlier
18 and said the Russian incursions were affecting their exports.

19 But in Table 4-24 of the staff report it shows that by 2018
20 and '19 casing and tubing exports from Ukraine had recovered
21 pretty much close to the pre-Russian incursion levels and it
22 also shows that even though the United States is one of only
23 a dozen destination markets that about two-thirds of all
24 Ukrainian exports in spite of exporting to multiple countries
25 came to the United States in 2019. That's pretty

1 representative of all the different tables that the
2 Commission staff put together based on GTA reports.

3 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

4 And I suppose your answer with regard to the lack
5 of participation or low response rate from importers would
6 apply to why we see an absence of data for pricing product
7 three from subject countries. Is that correct?

8 MR. GETLAN: I think that is certainly a factor in
9 the limited pricing data that you have. It's still probative.

10 MR. SCHAGRIN: Yes. That's a very popular product
11 and the fact that you have limited pricing data is just
12 because, I think we can certainly tell you on behalf of our
13 industry clients that imports from these subject countries
14 are always present in the market in that particular product.

15 COMMISSIONER SCHMIDTLEIN: Okay, great. Thank you
16 very much. I have no further questions at this time. And my
17 time is up.

18 CHAIRMAN JOHANSON: Commissioner Kearns?

19 COMMISSIONER KEARNS: Yes. Thank you all for
20 appearing today. This has been very helpful.

21 I think I want to start probably with you, Mr.
22 Spak. Your client Mr. Kura's (phonetic) presentation or
23 testimony was very interesting and you touched on this
24 earlier. You were referring to the inventories.

25 I'm curious, what are the typical or healthy number

1 of months of inventory generally?

2 MR. SPAK: Thank you, Commissioner Kearns. I'd
3 obviously like to supplement in post-hearing with somebody
4 who really knows the answer to that question, but I know from
5 discussing with my client and asking that question, I refer
6 back to where we were a year ago at six and a half months. I
7 think business people will always have concerns about
8 inventory levels generally, and it would be hard to find the
9 best market and the best level of inventory at any particular
10 time.

11 I think just even in this case a relative
12 comparison can show you the depth of the problems that the
13 industry has in front of it.

14 I will supplement in post-hearing to give you an
15 idea of what sort of the ideal or the best level, the most
16 reasonable level is, but I think it's enough right now just
17 to look at that relative difference. Thank you.

18 COMMISSIONER KEARNS: That's very helpful.

19 Does anyone else have any response to that
20 question?

21 MR. SCHAGRIN: Commissioner Kearns, again myself
22 having done this so many times over so many years I think
23 generally the industry looks at three to four months as
24 different than other areas of manufacturing where people want
25 more limited inventories. There's just such a mix necessary

1 for different kinds of welds that in this industry three to
2 four months is the norm. And when it gets above six, as it
3 was a year ago, we were already starting into a downturn in
4 the rig count a year ago, people start really getting
5 concerned when they see a number around six or higher.

6 Then on the other side the users get extremely
7 concerned if they see a number of less than three months.
8 That's when you get panic buying.

9 Sixteen months right now is a disaster. I think in
10 the Commission's 201 proceeding on steel in 1984 where they
11 were looking at a time period of 1979 through 1983, we had a
12 huge downturn in the rig count from about 4,000 in 1981 to
13 about 800 or so in '83. And I think inventories got into
14 this 15, 16 month level and it was just a disaster. And it
15 actually led the Commission by a 3-2 vote to find no serious
16 injury by reason of imports even though they had significant
17 market share, because you found the downturn in demand was an
18 even greater cause of serious injury in the safeguard case
19 than the level of imports.

20 COMMISSIONER KEARNS: Okay. Thank you.

21 Since you all touched on product mix in answering
22 that question I just want to clarify from your answers to
23 Commissioner Schmidtlein in terms of product mix, I thought I
24 recalled seeing in the staff report that U.S. production in
25 the past five years has moved more towards seamless pipe. Is

1 that right?

2 MR. GETLAN: The staff report does show that an
3 increasing proportion is seamless, but still a substantial
4 production of both. So very significant volumes of
5 production of welded and seamless.

6 COMMISSIONER KEARNS: Okay, thank you.

7 And this is again -- I'm sorry, Ms. Alves?

8 MS. ALVES: Yes. Mary Jane Alves from Cassidy
9 Levy Kent.

10 Let me just add a clarification from a point that
11 was made this morning.

12 The government of Ukraine suggested that they were
13 somehow different in the fact that they were supplying
14 seamless products to the U.S. market when in fact each of the
15 subject industries either now or during the original
16 investigations or both has supplied equal (phonetic) pipe
17 product to the U.S. market. So they're not unique in that
18 respect in any way.

19 MR. BELINE: Commissioner Kearns, this is Thomas
20 Beline, Cassidy Levy Kent on behalf of U.S. Steel.

21 I do want to not miss a point here to bring the
22 Commission back to a little bit of basics, which is remember
23 that API certifications don't distinguish as between the
24 welded and seamless product. So that's why you have the
25 types of offerings across the board from various parties.

1 And as a parlay to what Mr. Schagrin was commenting
2 on earlier, which is it's entirely dependent on what the
3 geologist is saying for what is needed in that particular oil
4 field or gas field. So I just wanted to clarify.

5 COMMISSIONER KEARNS: Okay. I appreciate that.

6 Mr. Spak, turning back to Mr. Kura's (phonetic)
7 presentation. He sets out among other things projected
8 quarterly OCTG consumption would count through the third
9 quarter of 2021. In your post-hearing brief could you submit
10 the underlying source documents for the consumption of rig
11 counts and also for the inventory figures in that chart?

12 MR. SPAK: We will certainly do that, Commissioner
13 Kearns.

14 COMMISSIONER KEARNS: Thank you.

15 And are any of you aware of any projections for
16 prices of OCTG going forward?

17 MR. GETLAN: Myles Getlan on behalf of U.S. Steel.

18 I'm not aware of projections for price. We will
19 consult with our client and provide any relevant information
20 in our post-hearing brief.

21 MR. SCHAGRIN: Commissioner Kearns, this is Roger
22 Schagrin. Just for the record, I'm aware of a couple of
23 publications such as Pipelogix and Preston Pipe Report who
24 give historical pricing information, but I am not aware of
25 either of those publications or any other publication that

1 does future pricing forecasts.

2 But as Mr. Getlan said, we'll consult with our
3 clients and if there are any we'll supply those in our post-
4 hearing.

5 COMMISSIONER KEARNS: Okay, thank you.

6 I wanted to ask you all about the program sales. I
7 wasn't very clear on this from the staff report. It
8 indicates the program sales accounts, the majority of U.S.
9 commercial shipments of domestically produced OCTG in 2019.
10 Can you describe how program sales operate and are program
11 sales receptical (phonetic) to negative volume or price
12 effects from imports?

13 MR. GETLAN: This is Myles Getlan on behalf of U.S.
14 Steel. I'll take a first stab at it. Again, it's something
15 we can discuss further in post-hearing.

16 But program sales have been around for a while.
17 They were considered in the original investigation and
18 understood to be a dynamic that was relevant for both
19 domestic producers and subject imports and that continues to
20 be the case in these reviews.

21 I think the most significant aspect of the program
22 sales is that they are not long-term fixed contracts where
23 they somehow insulate domestic producers from market forces
24 and the competitive aspects of subject imports. So as demand
25 or pricing changes, the plan, I think you can look at program

1 sales more as like planned sales, what the goals are between
2 a producer and a customer over the course of a year, that can
3 change quickly if there's competitive product elsewhere at a
4 lower price.

5 Going back to basics, this is a market that is
6 defined by its price based competition. At the end of the
7 day it's a commodity product that is fungible and
8 substitutable as the staff continues to find in these
9 reviews. And low priced subject imports absolutely can
10 change those plans that are outlined in the programs now.
11 But we can provide more detail or color in post-hearing.

12 Thank you for that question. I don't know if
13 others might want to contribute to that.

14 MR. SCHAGRIN: Hi, Commissioner. This is Roger
15 Schagrin.

16 First, there are a lot of program sales. You can
17 break them down into two categories. There's programs with
18 exploration companies. That's the minority. That's
19 something that Tenaris always talks about in their reports.
20 They're probably the only producer in the U.S. that focuses
21 on programs with actual users. Most of the programs that
22 domestic producers and foreign producers, a lot of these
23 imports are also sold through programs are to distributors.
24 Many of these distributors like MRC are nationwide. They're
25 in every drilling area. So those big distributors, because

1 they want to make sure they have product for their
2 exploration, oil and gas drilling company, engage in
3 programs. They will say we will buy a targeted X amount of
4 volume for you over the next four quarters at a targeted
5 price. They're never held to it. Market collapses, they
6 don't take the volume, no one ever sues their customer.

7 In terms of price effects, so there can be volume
8 effects first of all because most of the big distributors
9 will have programs with multiple companies. Very rarely is a
10 big distributor locked into only one supplier in terms of a
11 program. So there's always competition with the volumes.

12 But since none of these programs, or very rarely
13 would they last more than four quarters, some are quarter by
14 quarter. And everyone doing the programs in terms of
15 distributors, they're aware of market pricing. I would say
16 that unfairly traded imports have a negative price effect on
17 every single program out there between distributors and
18 domestic or foreign suppliers. Everyone has price effects
19 from supply/demand in the marketplace.

20 COMMISSIONER KEARNS: Thank you. That's very
21 helpful.

22 My time is up.

23 CHAIRMAN JOHANSON: All right, Commissioner Stayin?

24 COMMISSIONER STAYIN: Thank you.

25 On page Roman I-8 it indicates, the Table indicates

1 that six U.S. producers are related to foreign producers of
2 subject merchandise; five U.S. producers are related to U.S.
3 importers of subject merchandise; seven U.S. producers
4 directly import the subject merchandise; and one U.S.
5 producer purchases the subject merchandise from U.S.
6 importers and U.S. producers.

7 In your view, should the Commission exclude any of
8 these related parties in defining the domestic industry?

9 MR. GETLAN: Good morning, Commissioner Stayin.
10 This is Myles Getlan on behalf of U.S. Steel.

11 In our pre-hearing report we identified one U.S.
12 producer where the related party provision is most pertinent.

13 With that said, it did not affirmatively state whether that
14 producer Borgeson should be excluded, but they are a related
15 party and I'd urge the Commission to acknowledge or consider
16 the nature of their operations in the U.S. relative to
17 foreign production and their less continued reliance in
18 importing subject imports from Turkey as a factor to consider
19 as conditions of competition and even in relation to the
20 position they've taken on whether to maintain orders.

21 That I think is, based on the staff report, the
22 only party where it warrants careful attention in terms of
23 its potential exclusion from the domestic industry. And even
24 there one of the reasons we did not look to take a firm
25 position is the recognition that excluding that party does

1 not have a significant impact on your analysis of record data
2 and relevant trends for your determination.

3 I don't know if others on the panel want to reflect
4 on Commissioner Stayin's question.

5 MR. SCHAGRIN: Commissioner Stayin, Roger Schagrin.

6 I just think given a lot of the confidential nature of the
7 relationship and who's importing from who, then in addition
8 to Mr. Getlan's answer that we should address that more fully
9 in our post-hearing brief.

10 COMMISSIONER STAYIN: Thank you.

11 There have been changed circumstances from the
12 initial investigation. One of those is the 232 tariffs that
13 have been imposed on steel products. Obviously you've heard
14 from the Ukrainians who say that when you have the
15 antidumping, at that time there wasn't a 25 percent duty on
16 steel during the original investigation.

17 How should that be decided or considered now in
18 this investigation? Obviously all of the subject, I'm sorry.

19 All of the U.S. parties to this investigation have been
20 subjected to the 232 duties, all except Korea. And of course
21 Korea has had a not inconsequential position in the
22 marketplace.

23 To that extent, to what extent should we consider
24 this changed circumstance? How should we deal with it with
25 respect to Korea and the other parties? It's something we

1 ought to be talking about. What are your views?

2 MR. GETLAN: Again, this is Myles Getlan on behalf
3 of U.S. Steel. I'll take a first crack at it. I'm sure
4 others have their perspective.

5 I was wondering on when the first question on 232
6 would come, so thank you for the question, Commissioner
7 Stayin.

8 Certainly from the perspective of U.S. Steel and I
9 believe the industry as a whole, the 232 measures are a
10 positive. They're helpful to the industry particularly in a
11 soft demand environment. They help the industry weather the
12 storm. But certainly those 232 measures are not a panacea.
13 They do not insulate the industry by any means from the
14 pernicious impact of subject imports, unfairly traded subject
15 imports.

16 They were never intended to replace the discipline
17 of antidumping countervailing duty orders. The
18 administration made that clear in its 232 report, that these
19 measures are intended to be complementary or supplementary to
20 existing antidumping and countervailing duty orders.

21 Certainly they are not a bar to the U.S. market.
22 It's quite interesting to hear from the government of Ukraine
23 on the impact of 232, or the relevance of 232, when if you
24 look at Ukrainian shipments to the United States they've only
25 grown since the imposition of 232 and at their highest level

1 during the period of review.

2 You have subject imports from all sources still in
3 the market which just goes to show you how the U.S. OCTG
4 market is the most attractive in the world, and even with 232
5 and orders in place, subject imports are continuing to find
6 their way here which underlines the importance of having the
7 price discipline imposed by the orders.

8 The Koreans have a quota as opposed to a tariff, as
9 you acknowledge. That is important but it's certainly
10 notable that their volume is quite substantial as you look at
11 that relative to domestic consumption. That was the case in
12 2019. And with the market crashing in 2020 that market share
13 represented by their 500,000 ton plus quota is very
14 substantial.

15 The 232 duties do not instill the price discipline
16 that only really the antidumping orders can do, can impose.
17 There's really no incentive to sell at higher prices by
18 reason of 232 duties. Again, only antidumping duties are
19 equipped to do that.

20 So yes, while the 232 duties and measures are
21 important and they're helpful to the industry, they by no
22 means insulate the industry from unfairly traded subject
23 imports, and even with 232 duties in place, revocation of the
24 orders would undoubtedly leave subject imports to inflict
25 continued or recurrence of material injury on the domestic

1 industry.

2 COMMISSIONER STAYIN: Thank you.

3 When you look at the current circumstances with the
4 disaster that's happening in the steel industry, and you look
5 at the COVID-19 and the effect it's having on our economy, it
6 places the U.S. industries across the board in jeopardy. A
7 very difficult time.

8 To what extent should we consider these factors in
9 our analysis? Should they be, as the Ukrainians suggest,
10 that these should not be, there should be no attribution to
11 these issues in our consideration when at the same time we do
12 see, you can't help but see what's happening.

13 The U.S. industry has made significant investments
14 since the original investigation and one concern is to what
15 extent have those investments been curtailed because of the
16 current subject circumstances?

17 MR. GETLAN: Sure. Myles Getlan on behalf of U.S.
18 Steel.

19 Attribution here is really not an issue. The COVID
20 Coronavirus impact on the economy overall for this industry
21 and others, it just continues, it is a contributing factor
22 and a significant one on the vulnerability of the industry.
23 It doesn't really matter what the reason is for that
24 vulnerability, but it's quite apparent, quite obvious
25 certainly to us, that the industry is in fact vulnerable. It

1 was vulnerable in 2019 with its financial performance and
2 other indicators indicating substantial weakness relative to
3 when the Commission found material injury back in 2013. So
4 the 2020 circumstances, both in relation to the energy sector
5 and COVID, it further exacerbates that vulnerability.

6 What that means is it doesn't take much in terms of
7 low price subject imports to inflict further damage on the
8 domestic industry or continuation of the injury that it's
9 experiencing. That is what's required to be considered in
10 the Commission's analysis of whether revocation is likely to
11 result in continued or recurrence of material injury.

12 So it's relevant. It enhances the vulnerability of
13 the industries. It cannot be related or attributed to what
14 the government of Ukraine represented in the case.

15 MR. SCHAGRIN: Thank you Commissioner Stayin. This
16 is Roger Schagrin.

17 The Commission in every single sunset review has to
18 look at relevant demand forecasts for the industry under
19 review in the reasonably foreseeable timeframe.

20 I think what's particular about this, and you
21 obviously are not going to have an investigation of
22 restaurants, but the impact of COVID on the travel industry
23 so impacts the demand for oil and refined petroleum products,
24 that it uniquely impacts the demand forecast for the industry
25 under investigation. If no one wants to get on an airplane

1 if we even have travel restrictions, then refineries are not
2 producing jet fuel. If cruise ships aren't operating,
3 they're not doing fuel for ships. If people aren't traveling
4 you have a huge downturn in gasoline for cars.

5 The result of all of this has been probably I think
6 most economists would say, in modern history post - Great
7 Depression the quickest and most sudden decline in demand for
8 oil in the world in recorded history. It's just been a sharp
9 downturn.

10 And nobody would forecast a sharp upturn in oil
11 demand. There may be curtailment by the Russians or Saudis
12 in terms of oil supply, but nobody's forecasting a really
13 quick rebound in oil demand. It's going to take a couple of
14 years to get anywhere close to where we were before this and
15 some things may change permanently.

16 So in that respect I think the Commission can take
17 the effect of COVID on demand for the subject products into
18 account in your analysis of the vulnerability of this
19 industry in the reasonably foreseeable timeframe.

20 MR. GETLAN: And if I can just follow up on
21 investments. And to me, this is a very important point. As
22 you noted, the domestic industry made massive investments in
23 the U.S. OCTG production. Certainly in the first years after
24 the orders were imposed, they grew capacity. They committed
25 to U.S. production, and they did so by hiring more workers.

1 Employment grew.

2 The question is whether the domestic industry is
3 going to have an opportunity to earn a return on those
4 substantial investments. The declines in '15 and '16, during
5 the period of review, were very substantial. If you look at
6 what apparent domestic consumption was in 2016 relative to
7 2014, it's actually a staggering drop.

8 I know we're talking about historic declines here
9 in 2020, but 2016 was no picnic. And so during the period of
10 review, late in the period, while there was some recovery
11 from that 2016 depth, there really -- they're still in need
12 of sort of the ability to thrive in the U.S. market to be
13 able to earn a return on their substantial investments.

14 And really one of the questions before the
15 Commission today is are they going to have that opportunity.

16 Because these orders are critical to establishing sort of an
17 ability or providing an ability to sustain themselves in this
18 environment.

19 And you don't have to take our word for it. Our
20 clients and through their testimony talked about, you know,
21 whether -- the real question of whether they're able to
22 survive in the absence of these orders. And don't even just
23 take our word for it. There are purchasers on the record
24 through their questionnaire responses who really spoke to the
25 existential crisis facing the U.S. industry at this moment if

1 you remove the orders.

2 And we would say that these orders are absolutely
3 necessary for not only the industry to survive these
4 challenging times, but there will be a recovery, and to
5 provide this industry a chance to thrive when that recovery
6 happens.

7 COMMISSIONER STAYIN: Thank you. Another obvious
8 point is that --

9 MR. GETLAN: I think that -- well, I'm sorry. Go
10 ahead.

11 COMMISSIONER STAYIN: May I just -- yeah. To what
12 extent should we consider the fact that all but one of the
13 Respondents did not reply, participate in this case? Should
14 these be considered in terms of negative inferences? How
15 should we consider those?

16 MR. GETLAN: So I'll start. I think -- and I know
17 our colleague, Mr. Schagrín, will have some comment on this
18 as well. But certainly it is in your authority to make
19 adverse inferences. It's not necessarily the Commission's
20 practice to do so. But it's within the Commission's
21 authority to do so when there are gaps in the record through
22 a lack of cooperation.

23 And here you have certain parties who indicated
24 expressly their intent to participate, and are not doing so
25 here. And you otherwise have just a complete lack of

1 participation in these reviews, including not filing any
2 responses to Commission questionnaires. And the domestic
3 industry certainly made every effort to help the Commission
4 develop a fulsome record, particularly as it relates to
5 foreign industries.

6 But to the extent that there are gaps in the
7 record, those should be construed against the interests of
8 the Respondent parties. I would say it's not necessary to do
9 so in order to reach an affirmative determination here and
10 continue the orders. But to the point of order, it would be
11 appropriate to make such adverse inferences here.

12 MR. SCHAGRIN: Commissioner Stayin, this is Roger
13 Schagrin. So besides what Mr. Getlan said about applying
14 adverse inferences in this case, I am very concerned from a
15 structural perspective in a period in which every government
16 agency's resources are more challenged because of COVID and
17 the need to work from home, and the overall work loads.

18 So as I said in my opening, my admiration for the
19 Commission by keeping every statutory timeline in every
20 investigation and sunset review is incredible. It's
21 commendable, and I think everyone in the Bar admires the
22 Commission's efforts.

23 As I think you know, the Commerce Department has
24 stuck to timelines in investigations, but recently told all
25 of about 325 administrative reviews for 50 days just to try

1 to catch up with their resource challenges. And I'm
2 concerned -- you know, the Commission made changes in its
3 practice about a decade ago as to the timelines for deciding
4 whether to do expedited or full sunset reviews, because you
5 were finding you were doing full reviews, and it wasn't
6 necessary. You didn't get participation.

7 So you gave yourself more time for the decision.
8 But now we find that in spite of a Commission regulation that
9 requires that in order for somebody to enter an appearance as
10 a party in either an investigation or a review, and to get an
11 administrative protective order, the regulation says that
12 that entry of appearance shall state briefly the nature of
13 the person's reason for participating in the investigation,
14 and state the person's intent to file briefs with the
15 Commission regarding the subject matter of the investigation.

16 And yet here our firm, on behalf of different
17 segments of the pipe and tube industry, we have two sunset,
18 full sunset, reviews going on simultaneously, in which major
19 law firms have written to you. And I think it's just as
20 great a promise as Bill Bishop swearing us in, in the
21 morning, that they will participate in the investigation and
22 file briefs. And then they disappear.

23 And then the domestic industry has to go through a
24 full sunset review, spend money on attorneys. In the case of
25 these downturns, the attorneys may or not get paid. We're

1 not going to cry poor. It doesn't matter. But I'm mostly
2 concerned about your resources.

3 So I would encourage the Commission to take a look
4 at changing its regulations again and requiring that any
5 party that changes its intent to file briefs with the
6 Commission or participate in a sunset review is required to
7 notify the Commission immediately of that changed
8 circumstance so you have the opportunity to change from a
9 full -- maybe take another vote back to an expedited review.

10 But the fact that some of these big law firms may
11 be like laughing and saying, boy, did we ever stick it to the
12 law firms that represent the domestic parties, that they have
13 to go to a full review, well, they're sticking it to the
14 commissioners and the Commission staff as well. And I
15 personally find it reprehensible, and I'm amazed at how much
16 it's occurring these days.

17 So I encourage the Commission to look at changes
18 that conserve your available resources.

19 CHAIRMAN JOHANSON: Commissioner Karpel.

20 COMMISSIONER STAYIN: Thank you. That's all that I
21 have.

22 COMMISSIONER KARPEL: Yes. Thank you. I wanted to
23 follow up on a couple of issues, just going back to the
24 questions I was asking on my first round of questions about
25 the different grades. And I wanted to ask -- and if you want

1 to address this post-hearing -- and I also recognize that
2 you're challenged in responding to this question given the
3 lack of participation by the foreign producers.

4 But to the extent that you know, is there a
5 difference in the grades that we're seeing from subject
6 imports coming in to the U.S. representative of the different
7 grades that those foreign producers are making? Or are they
8 making a wider variety of grades than we may see reflected in
9 the import data and maybe exporting those to other markets or
10 using them in our home market?

11 Again, I know the foreign producers would be best
12 positioned to answer that question, but maybe that's
13 something you can try to tackle in the post-hearing to the
14 best of your knowledge.

15 MR. GETLAN: Myles Getlan on behalf of U.S. Steel.
16 Certainly I think it is best left to post-hearing brief, and
17 we can also consult with our clients, who are surely the
18 product experts.

19 COMMISSIONER KARPEL: No problem. All right. I
20 want to go back to 232 and some of the questions Commissioner
21 Stayin was asking. So looking at the market share of subject
22 imports before and after imposition of the orders, the
23 subject import market share doesn't seem to change that much
24 until imposition of the 232 orders.

25 And I wondered if this tended to support the

1 conclusion that the orders are not having a restraining
2 effect on volume. So my followup question would be if you
3 agree with that, is your argument more that they're having a
4 restraining effect on price versus volume.

5 MR. GETLAN: Myles Getlan on behalf of U.S. Steel.

6 I'll take a first stab at answering your question. It's a
7 good question. And it's hard to, you know, attribute
8 specific reasons for specific data points. Clearly subject
9 imports declined absolutely, and in market shares for the
10 entire POR, so from 2014 to 2019.

11 Of course, late in the period, you have 232. I
12 would suggest that the orders do have a restraining impact on
13 volume as well, though, not just the price that we've talked
14 about this morning. I think if you look even at 2017, in the
15 C table, 2017 was an interesting year where it was --
16 relatively speaking, it bounced back in apparently domestic
17 consumption from the low of 2016.

18 And you look at subject import market share and
19 Korean market share, which was significant in 2017, and it's
20 still lower than what it was in 2014. And you can just
21 imagine that in the absence of orders, you would have to
22 unrestrain volumes of subject imports. And those market
23 share numbers most certainly would have been higher. And I
24 think by looking at the U.S. prices and financial performance
25 in 2017 as well, you could see the price benefit as well of

1 the orders.

2 But I think you -- there is data -- there are data
3 on the record pre-232 that support a volume benefit or the
4 extent to which the orders help restrain volumes in the U.S.

5 MR. SCHAGRIN: Commissioner Karpel, Roger Schagrin.

6 First, and I think extremely important, is that there is no
7 doubt the U.S. industry would be in worse shape. There would
8 be more imports from the subject countries and more negative
9 price effects without the orders than with the orders. So
10 that alone is a reason to continue.

11 There is also no doubt that 232 has been helpful in
12 addition to the ADC relief -- that's why the U.S. industry
13 supports it -- and that the Korean quota was very helpful.
14 It was meant to take Korean imports down by approximately
15 half from 2017 levels. And not only did Secretary Ross, but
16 even President Trump, spoke about Korean OCTG imports as they
17 were talking about the 232, because the idea to someone who
18 thinks we should make things in the United States for what we
19 consume in the United States, that you would have a massive
20 industry in Korea without one ton of domestic consumption,
21 and yet they would process Korean and Chinese steel to ship
22 over a million tons to the United States the year before 232.

23 It's just ridiculous. And really once again you
24 all as commissioners see so many different types of U.S.
25 industry. But how many different industries do you see where

1 consumption in the United States represents as much as 50 to
2 60 percent of world consumption in the product under
3 investigation?

4 So for people who want to make this product around
5 the world, this is the place to ship it to. The Koreans
6 shouldn't even have an industry, but because they built up an
7 industry, this is the place they want to ship to. And
8 without these orders, this industry in the United States will
9 disappear, even possibly with continuation of 232.

10 COMMISSIONER KARPEL: Yeah. I'm trying to
11 understand the argument here. I mean, the 232 duties are
12 higher than the dumping margins, for example. And the data
13 shows a bigger drop in market share when those 232 measures
14 went into place.

15 So is your argument that the 232 tariffs are maybe
16 even more helpful to the U.S. industry than the dumping
17 orders? Or -- but the dumping orders are still nonetheless
18 helpful, and there would be harm if they were taken away?
19 It's sort of -- it's hard for me to see the logic of sort of
20 a bigger remedy, so to speak, not having the disciplining
21 effects that the orders maybe are having to a lesser degree.

22 MR. BELINE: Commissioner Karpel, it's Tom Beline
23 from Cassidy Levy Kent on behalf of U.S. Steel. I think it's
24 a fair question. There is an interesting aspect to the
25 retrospective U.S. supply when it comes to a dumping

1 analysis. It requires you to price in a way that would, you
2 know, in these countries, where they have no home market,
3 otherwise cover fully allocated costs.

4 What those costs are adjusted for various reasons,
5 that's a Commerce matter. 232 has no analog in that respect.

6 It's simply a 25 percent tariff on entered value. And so
7 that price discipline that is instilled by the antidumping
8 and countervailing duty orders, for that matter, to alleviate
9 subsidization by these foreign governments doesn't exist with
10 respect to the 232.

11 So, you know, with regard to the benefit that is
12 there, they have to work together because if you remove the
13 ADC relief, you actually create a perverse incentive for
14 foreign producers to sell at lower prices in the U.S. because
15 the entered value then becomes lower. Their 232 liability
16 becomes lower.

17 So that's sort of silly, right? The way that this
18 is working out pretty well is that with the overlay of the
19 orders plus the 232, that's what is helping in the price
20 discipline. And then that translates, I think, in a certain
21 respect into market share. But obviously the market share
22 has to be looked at in light of the fact that Korea is under
23 a quota, which deals with some of the market shares they
24 would otherwise gain.

25 But again there, the quota has no restriction on

1 price levels. What has a restriction on price levels is the
2 discipline of the antidumping duty order.

3 MR. SCHAGRIN: Commissioner, I would agree with
4 what Mr. Beline said, and I would also agree with your
5 summation. Yes, to a certain extent for some of these
6 countries under order, the 232 duties were higher. The
7 Koreans showed that until their margins went up in some
8 reviews that were having problems with a certain federal
9 judge who doesn't like the way the Commerce Department
10 applies particular market situation -- I think it will get
11 settled out eventually by the Court of Appeals for the
12 Federal Circuit because oddly enough, at the same time the
13 Korean 232 quotas started, we got for the first time in years
14 much higher margins in administrative reviews against Korea.

15 The only other thing -- because the Commission is
16 looking at a reasonably foreseeable time frame as you
17 consider 232. We do have an election coming up in November.

18 You're going to be voting at the end of June, beginning of
19 July. I don't think any of us can predict in a crystal ball
20 what the next president, be it the current president being
21 reelected or the vice president being elected, what happens
22 to 232 program.

23 We do know that there is a certainty, even just for
24 the reasonably foreseeable time frame, of the antidumping and
25 countervailing duty orders in terms of providing relief

1 against unfair trade and beneficial volume and price effects
2 for the U.S. industry.

3 COMMISSIONER KARPEL: Thank you. I'm going to
4 think about this some more, but my time is up, so I'll pass
5 it on to someone else.

6 CHAIRMAN JOHANSON: Okay. Given the volatile
7 nature of oil and gas prices and the boom-and-bust cycles of
8 oil production, do the current levels of operating income and
9 loss among U.S. producers suggest that the domestic industry
10 is vulnerable or, rather, simply reflect the business cycle
11 that characterizes the OCTG market?

12 MR. SCHAGRIN: Chairman Johanson, this is Roger
13 Schagrin. I think the data indicate the industry is
14 vulnerable, and there's probably no better way to illustrate
15 that than to point out that, I think it was possibly in 2007
16 when the Commission sunset a number of orders that had been
17 in effect against Mexico, Argentina, Italy, when it saw in a
18 sunset review that the industry's profit margins were in the
19 mid-teens to lower 20s, as I remember them, and the
20 Commission found with even a cyclical industry, with profits
21 at these levels, we don't find the industry to be vulnerable.

22 Compare that to the profit levels in this review,
23 where the profit margins are paltry and we don't think are
24 reflective of just the oil and gas cycle, we think it's
25 reflective -- also, you look at comments on the 232. We

1 still had 2.3 million tons of OCTG imports into this country
2 in 2019. You would think with 232 you wouldn't have that
3 massive a volume of imports, but it shows the world over
4 capacity, the desirability of everyone to export to the U.S.
5 market.

6 So I believe that the Commission should conclude,
7 based on the information in the staff report, that these
8 profit margins don't represent an ability for the industry to
9 obtain returns on its investment and that, in the context of
10 the demand during the period of review, the poor
11 profitability demonstrates the vulnerability of the industry.

12 And now you have information on the record of a
13 demand collapse, showing that those profit margins have
14 already evaporated. Everyone in this industry will lose
15 massive amounts of money in 2020. I can forecast the second
16 half of this year with no problems. Everyone in this
17 industry is going to have massive losses, which will make
18 them incredibly vulnerable to any increase in imports and
19 could cause some companies to go into bankruptcy.

20 CHAIRMAN JOHANSON: Commissioner Stayin mentioned
21 imports from OCTG. I wanted to follow up a bit on that. The
22 pre-hearing report at Table 1-11 suggests that imports of
23 OCTG from Korea remain a consequential part of the U.S.
24 market with an antidumping duty order in place. How does
25 this presence shape the U.S. market for OCTG?

1 MR. GETLAN: Myles Getlan on behalf of U.S. Steel.
2 Korea has a substantial industry, substantial capacity in
3 Korea, both capacity to produce OCTG and the ability to shift
4 production to OCTG from production of other products, and, as
5 Mr. Schagrín has mentioned a couple of times this morning,
6 they don't have a home market, and this is the OCTG market in
7 the world by far, the most attractive one in the world by
8 far, so there is no other place when it comes to Korea.

9 And the economics of their operations, which, of
10 course, if they were participating, they could speak to more
11 authoritatively, but, you know, they're not necessarily
12 operating by the same economics that you and I are used to,
13 and so that accounts for their continued persistent presence
14 in the U.S. market. We expect that to continue irrespective
15 of 232 in place.

16 And even with the quota, you know, maybe in a boom
17 demand cycle, that quota would be more impactful in terms of
18 limiting their relative participation in the market vis-a-vis
19 U.S. producers and even other suppliers, but, here, when you
20 look at what demand was in 2019 and what demand is going to
21 look like in 2020, that quota is not a panacea. As I said
22 earlier, it will still provide them an opportunity to
23 continue to be in this market in a substantial manner. It's
24 the dumping order that absolutely has an important role to
25 play in providing -- instilling some price discipline on the

1 Koreans.

2 CHAIRMAN JOHANSON: Thank you. Likewise, the pre-
3 hearing report at Table 1-11 suggests that imports of OCTG
4 from non-subject sources, such as Argentina, Mexico, Russia,
5 and Taiwan, are not inconsequential parts of the U.S. market.
6 How does this presence shape the U.S. market for OCTG?

7 MR. SCHAGRIN: Chairman Johanson, Roger Schagrin.
8 I think, as the Commission has found in other sunset reviews,
9 the presence of high levels of non-subject imports is just a
10 contributing factor to the vulnerability of the U.S. industry
11 and supports the continuation of orders against the countries
12 subject to the review.

13 Once again, with the exception of Mexico, the other
14 countries -- well, Russia has a substantial industry, Taiwan,
15 like Korea, has zero drilling -- they were part of this
16 original set of investigations, and then through, once again,
17 through Court proceedings, wound up with the dumping order
18 against Taiwan being revoked, and so they participate in the
19 U.S. market because they have no domestic consumption.

20 But, as I think we've, you know, repeated many
21 times today, for every industry in the world, be they the
22 subject countries or non-subject countries, the U.S. is the
23 big market in the world, and they all want to ship as much as
24 they can to this market, and it just is another reason in
25 support of the continuation of the orders.

1 CHAIRMAN JOHANSON: Thank you for your response.

2 MR. SPAK: Chairman Johanson, this is Greg Spak.
3 I'd like to just note I think there's a real danger here in
4 looking specifically only at certain producers, because, as
5 Roger just said, this is the market of choice, right? And we
6 can see, if you look at that same table, you know, investment
7 flows around the world, and we know that it's no coincidence
8 that as the Korean volume started to drop, the Vietnamese
9 volume started to increase, some by the same companies who
10 just invested and shipped from Vietnam.

11 As we look at the other countries, we see, you
12 know, other countries that traditionally wouldn't be in the
13 U.S. market now also starting to take advantage of market
14 conditions, at least until the import and drop in demand.

15 So I think there's a real danger here with this
16 product of slicing the imports, the other imports into
17 individual countries. You've really got to look at the
18 imports as a whole.

19 CHAIRMAN JOHANSON: Thank you.

20 Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: Thank you. I just have
22 one follow-up question. In discussing the 232s, I'm not sure
23 anyone asked -- if they did, I apologize for asking again --
24 but have there been exclusions granted by the Commerce
25 Department for OCTG?

1 MR. SCHAGRIN: Commissioner Schmidtlein, we'll do
2 an analysis, since we've got people who work on these
3 exclusions nonstop, and put it in our post-hearing brief,
4 but, as memory serves me, there have been a tremendous number
5 of exclusion requests for OCTG products, and I believe at
6 least almost all of them have been denied.

7 And I know that at least Forsan (phonetic) has been
8 on the national networks complaining about the fact that
9 their request for exclusions to bring in product from Turkey
10 that they weren't making in the U.S. were denied, but then
11 our clients opposed those because our clients made all of the
12 products that Forsan USA wanted to import from Turkey. And I
13 believe that U.S. Steel opposed those as well.

14 So we'll get back to you in our post-hearing brief,
15 but I think we can do a run with the computers and the really
16 smart people who work with us who can do word searches. We
17 can probably tell you every single request that's been filed
18 for OCTG and how many have been granted and what the tons
19 involved, but my general memory is that almost every single
20 request for an OCTG product exclusion to the Commerce
21 Department has been denied.

22 COMMISSIONER SCHMIDTLEIN: Okay. Okay. I have no
23 further questions. I just wanted to thank counsel as well
24 for your all's efforts in getting your briefs filed and these
25 witness statements and appearing here on the video under very

1 difficult circumstances, I can only imagine, on your end as
2 well. So we really appreciate it. So thank you very much.

3 CHAIRMAN JOHANSON: Commissioner Kearns?

4 COMMISSIONER KEARNS: Yes, thank you. I agree with
5 Commissioner Schmittlein. Appreciate your hard work on this.

6 Just one question I think for post-hearing, and you all have
7 touched on this in a few places already, but if you can just
8 respond to anything else that we've heard from the Government
9 of Ukraine concerning cumulation and fungibility and all of
10 the sub-issues within that, I would appreciate that as well
11 in the post-hearing brief. Thank you.

12 CHAIRMAN JOHANSON: Commissioner Stayin?

13 COMMISSIONER STAYIN: I have no further questions.
14 Thank you.

15 CHAIRMAN JOHANSON: Commissioner Karpel?

16 COMMISSIONER KARPEL: Just let me check. It came
17 back to me quicker than I expected, so let me see if -- just
18 check my notes. So just one more follow-up on 232 just to
19 understand your position. So, given that the -- given
20 current subject import volumes from Korea relative to their
21 quota under 232, is your position that even a small increase
22 to get up to their quota is impactful in a negative way or --
23 I'll stop there. Is that your position?

24 MR. SCHAGRIN: Yes, that is our position. This is
25 Roger Schagrin for the record. That even a small increase to

1 get up to their quota would be harmful. And the data I have
2 looked at, which comes from Customs releases, is that in the
3 first full calendar year of the Korean quota, which was 2019
4 because I believe it went into effect either April 1 or May 1
5 of 2018, the Koreans filled approximately 90 percent of their
6 OCTG quota, so that other 10 percent would be another 50,000
7 tons. It's very significant.

8 And that thus far this year, if you look at where
9 we are in mid-May and what their quota would be for the year
10 based on this many calendar days compared to the data we have
11 on imports from Customs and Licenses, they're only at about
12 45 percent of where they could be, so instead of filling
13 90 percent of their quota, they may only fill 45 percent. I
14 think that's related to the higher cash deposit rates
15 currently in effect against Korea, which is because of the
16 dumping order.

17 So, yes, the elimination of the dumping duties,
18 allowing the Koreans to fill their quotas in this very weak
19 demand environment, would be incredibly injurious to the U.S.
20 industry.

21 MR. BELINE: And, Commissioner Karpel -- this is
22 Tom Beline from Cassidy Levy Kent on behalf of U.S. Steel --
23 I do want to draw your attention to Table C-1 because I think
24 it tells a little bit of a story here, right? If you were to
25 look at 2016, which we've referenced a few times as the

1 depths of this period of review, what you'll see is that
2 Korean average unit values were so low as to be incredibly
3 ruinous to any quick recovery from the industry, and so there
4 you basically have them capturing a smaller pie of demand
5 because demands had fallen and doing so at cut rate prices.

6 And so, if you sort of forecast forward and say
7 that -- demand as your denominator and the Korean quota as
8 your numerator, if that Korean quota as your numerator starts
9 to eclipse the demand denominator, then they can and likely
10 will sell at any price to get into the U.S. market but for
11 the existence of the dumping orders were we able to get some
12 price discipline.

13 And it's important to note that the 2016 period
14 didn't really have that price discipline because of the
15 retrospective nature of the antidumping reviews, right? It
16 was only shortly after that that Commerce made adjustments to
17 how they calculated costs for those Korean producers to allow
18 it to be an apples-to-apples comparison to U.S. prices to
19 what the cost should have been instead of using historic
20 cost.

21 And once that happened, you had very high rates,
22 and those rates have persisted, and look at what's happened
23 with resulting pricing, right? And so I think, you know, you
24 should look at it as a little bit of an overlay when you're
25 considering this. And I hope that helps try to explain what

1 was going on there.

2 MR. SPAK: And, Commissioner Karpel, this is Greg
3 Spak. Just to add to what Tom said, if you look at Chart 2
4 of Mr. Cura's testimony, you'll see exactly what Tom said in
5 a picture. If the Koreans use the quota and with the
6 projected demand at 200 rigs, their imports alone could
7 account for 42 percent of domestic consumption, and so, yes,
8 the domestic producer, domestic industry, is concerned about
9 that. And, really, on that particular aspect, the 232 really
10 doesn't help us.

11 COMMISSIONER KARPEL: All right. Does anyone else
12 have anything to add? I think that's my last question. I
13 would like to thank everyone for being here today and for all
14 your hard work on your submissions. I know we're all working
15 under different circumstances, and it's not always easy to be
16 as efficient or to find the same type of environment to work
17 in, so I appreciate everyone's efforts. Thank you.

18 CHAIRMAN JOHANSON: Do any other Commissioners have
19 questions?

20 COMMISSIONER KEARNS: I'm sorry. I would like one
21 more question if I could.

22 CHAIRMAN JOHANSON: Certainly.

23 COMMISSIONER KEARNS: Okay. I just wanted to touch
24 back on the non-subject imports. I know that there's quite a
25 bit of non-subject imports that are brought in by U.S.

1 producers, and can you just explain to us what role those
2 imports serve in the market?

3 MR. SCHAGRIN: Commissioner Kearns, this is Roger
4 Schagrin. So two of our clients, Vallourec, which is part of
5 Vallourec based in France, and Welded Tube USA, which has
6 Welded Tube of Canada, they both would bring in imports from
7 other countries.

8 In the case of Vallourec, their size range at the
9 mill in Youngstown goes from 2 inches to 10 and three-
10 quarters. Mills that they have in France, Germany, and
11 Brazil have some higher size ranges, so they would bring in
12 product in larger sizes than they could produce in the U.S.

13 In the case of Welded Tube, they also have
14 capabilities at mills in Canada that are greater in terms of
15 the size range than their mill at Lackawanna. They also have
16 additional finishing in Canada that they don't have in
17 Lackawanna, and so they would do both product finish.

18 MR. SPAK: Yes, this Greg Spak speaking on behalf
19 of Tenaris. This is an issue obviously that we've been
20 talking about for a long time, I think 2007 when Tenaris
21 started to invest in the United States. And, again,
22 consistently over time, we've talked about the need always to
23 be able to offer U.S. customers a full line of OCTG products
24 because of the different needs and the different welds and so
25 forth.

1 So we've said from the beginning, Tenaris has said
2 from the beginning of its U.S. investment that it would have
3 to bring in some imports to complement its U.S. production.
4 Now, as U.S. production has increased, Tenaris U.S.
5 production has increased, Tenaris has done what it said,
6 which is to reduce the amount of imports, but, again, the
7 goal has always been to be in a position to offer U.S.
8 customers the full line of OCTG products that they need.

9 MR. BELINE: Commissioner Kearns, this is Tom
10 Beline from Cassidy Levy Kent on behalf of U.S. Steel. U.S.
11 Steel is proud to be American-made from the mine to the melt
12 to the finished product, and U.S. Steel is proud of its place
13 in America in that respect, and I would point out that, you
14 know, one of the only producing facilities that could go
15 from, you know, all the way up to 24 inches is in Lorain,
16 Ohio. That facility is extremely vulnerable right now, and
17 there is a risk that that facility, which is one of the only
18 ones that does that in North America, would potentially go
19 down if these orders are not continued.

20 COMMISSIONER KEARNS: Okay. Thank you. I do think
21 that the non-subject imports from U.S. producers are a pretty
22 sizable share, and so it isn't just sort of, you know, these
23 products at the margins. And yet I hear your answer. It
24 seems a bit inconsistent with the notion that we talked about
25 earlier in terms of, you know, the ability to produce many

1 different kinds of pipe at the same facility. So I guess
2 just post-hearing, if you all can just address that further,
3 I'd appreciate it. And that's all I have. Thank you.

4 CHAIRMAN JOHANSON: Do any other Commissioners have
5 questions?

6 (No response.)

7 CHAIRMAN JOHANSON: If not, I would like to thank
8 all of you for appearing here today. Thanks again.

9 MR. BISHOP: With that, Mr. Chairman, we'll move on
10 to closing remarks. Providing closing remarks on behalf on
11 those in support of continuation will be Myles S. Getlan of
12 Cassidy Levy Kent.

13 Mr. Getlan, you have a total of 18 minutes for your
14 presentation. You may begin when you're ready.

15 MR. GETLAN: Thank you, Mr. Bishop. Thank you,
16 Chairman Johanson and Commissioners. Again, this is Myles
17 Getlan on behalf of U.S. Steel, a real privilege to appear
18 here before you virtually on behalf of U.S. Steel. And, of
19 course, these closing remarks are on behalf of all eight
20 producers that are appearing before you and their
21 representatives.

22 We are really grateful for your time this morning
23 and providing us with a platform for presenting our case for
24 the continuation of orders. This is really important, and
25 your commitment to the process, we greatly appreciate. And

1 to reiterate what Mr. Schagrin said earlier, we are grateful
2 for the efforts of the Commission staff in doing a great job,
3 as usual, and particularly in these trying circumstances, not
4 just in terms of the obvious stay-at-home circumstances but
5 with limited participation from respondents and still putting
6 together a robust prehearing report.

7 It's hard to overstate the importance of the orders
8 to this industry, particularly given current market
9 conditions and the industry's vulnerability. The orders are
10 critical for domestic producers to survive this downturn and
11 then to thrive once market conditions improve, which
12 inevitably they will. But, in order for there to be an
13 industry when that happens, we need the benefit of the
14 orders, the price discipline and the volume benefit that the
15 industry has received through the orders.

16 I just want to take a few minutes to kind of
17 summarize where we are, what the record tells us in terms of
18 the need for continuation of the orders. The Q&A takes us in
19 various directions, but I think it's worth taking just a
20 moment to kind of recap how the record supports continuation
21 of the orders

22 And I'll start just with a minute on cumulation.
23 Other than Ukraine, you don't have arguments from the other
24 side on decumulating any countries, but, of course, you still
25 have to address that issue, a very important one. And we

1 think the record firmly establishes that cumulation is
2 appropriate here, by reference to the factors that the
3 Commission routinely considers and that the statute requires
4 that you consider. In particular, the record shows, as we've
5 explained in our prehearing brief, that each of the five
6 countries under order, if the orders are revoked, would have
7 a discernable and adverse impact on the domestic industry.

8 And when we talk about discernable adverse impact,
9 of course, it's worth recalling that that standard is
10 significantly lower than the standard for significance or in
11 your material injury determination. The fact that these are
12 imports that would have a noticeable or detectable adverse
13 impact is adequate to satisfy that standard, and you have it
14 here.

15 The investigations revealed that each country has
16 very substantial OCTG industries, many of which are geared to
17 the U.S. market. These countries have substantial capacity
18 still and unutilized capacity from which they can direct
19 their shipments. We've talked a lot about how attractive the
20 U.S. market is, and given the export orientation of these
21 industries, no doubt revocation of the orders would lead each
22 of these countries to supply greater volumes to the United
23 States.

24 And as we've said, given the market conditions, a
25 significant increase in volume isn't even necessary. Really,

1 the current volumes and any additional volumes can be
2 injurious in the absence of the price discipline or the
3 orders. The underselling record during the investigation and
4 the continued underselling, albeit moderated somewhat by the
5 orders through the period of review, also are indicative of
6 the adverse impact that the imports from each of these
7 countries would have.

8 So we think that apart from the discernable adverse
9 impact that each of these countries will -- they compete with
10 one another and with the domestic light product, in terms of
11 their fungibility, the staff confirmed that subject imports
12 from each of the countries is -- there's a high degree of
13 substitutability, and we can get into further details on that
14 in our prehearing -- or post-hearing brief, but all of the
15 other factors support cumulation.

16 Again, only Ukraine has argued for decumulation,
17 and we'll address further their argument that they raised
18 today and in their prehearing brief, but suffice to say that
19 the Russian aggression that began in 2014 does not indicate
20 or does not lead to a decumulation finding. The products
21 from Ukraine are as fungible as any other source, seamless --
22 their seamless products are fungible with others. So, again,
23 we'll address cumulation further in post-hearing and in
24 response to some of the specific questions that were raised.

25 But, once you are in a position to cumulate subject

1 imports, which the record supports, we think it's apparent
2 that revocation would lead to continuation or recurrence of
3 material injury. And, again, let's consider the statutory
4 factors or what the Commission is instructed to consider in
5 making that assessment. Let's look at how these imports
6 behaved prior to the imposition of the orders because that is
7 the best evidence of their behavior once the orders are
8 revoked and what happened in that 2011, 2013 POI. Subject
9 imports increased significantly.

10 They captured market share at the expense of the
11 domestic industry, and they did it through pervasive
12 underselling; 165 out of 184 price comparisons were -- there
13 was underselling. And through that low price leadership,
14 they had -- they depressed domestic producer prices, and that
15 happened in the context of a strong market, growing demand.
16 And that market share -- their taking market share at low
17 prices led to deteriorating financial performance throughout
18 the period.

19 That injury and that behavior is indicative of what
20 would happen here in terms of if the orders are revoked.
21 It's also important to look at whether there was any
22 improvement in the industry related to the orders, another
23 factor that the Commission is instructed to consider in its
24 assessment, and I think we've talked about here the benefits
25 of the orders.

1 In 2014, the first year of the orders, there was
2 price improvement. There was an increase in profitability
3 for the first time in years, and it paved the way for massive
4 investment in U.S. production. And that benefitted workers
5 and their communities. And has 232 helped in the last couple
6 years of the period, particularly as the market has softened?

7 Of course, it has, and we're grateful for it, but that does
8 not insulate the industry from the injury that would be
9 inflicted by subject -- by unfairly traded subject imports if
10 the orders are revoked.

11 Again, cumulated imports will increase in volume at
12 low prices. As discussed in the context of cumulation, when
13 you consider the size of these foreign industries and their
14 export orientation and their continued presence in the U.S.
15 market once the orders were imposed, you can easily
16 understand and appreciate the fact that subject imports will
17 continue at significant volumes.

18 If the orders were revoked, removing the price
19 restraints or the price discipline of the orders would only
20 lead to further underselling, deeper underselling, which
21 would, in turn, lead to market share increases and
22 deteriorating financial performance, in short, material
23 injury for sure. And this is particularly the case given the
24 industry's vulnerability. We talked about it a lot during
25 the course of this morning, and it is certainly the case that

1 the industry is as vulnerable as it has ever been.

2 Our client and other U.S. producers have made
3 difficult choices or decisions to idle certain facilities and
4 lay off workers, and without the orders in place, and given
5 the grim market, it's highly questionable whether there will
6 even be a domestic industry when market conditions improve.
7 And, again, the record supports that, not just through our
8 witness testimony but even purchasers' comments in their
9 questionnaire responses.

10 It is a grim picture, but I think in these
11 challenging times, it's always worth looking to some
12 positives. This is an industry that not that long ago
13 enjoyed double-digit profitability at the beginning of the
14 original period of investigation, but that was before these
15 subject sources, unfairly traded imports began penetrating
16 the market and injuring the domestic industry.

17 And thankfully, the Commission paved the way for a
18 remedy through its affirmative injury vote, and those orders
19 had a meaningful impact. And if you maintain the orders,
20 we're confident that the U.S. industry will be in a position,
21 have the tools to weather this storm and make a comeback when
22 conditions improve. That could lead to restarting
23 facilities, bringing back their workers, continuing to grow
24 their footprint and further invest in U.S. OCTG
25 manufacturing.

1 So, for all of those reasons, we urge you to vote
2 to continue the orders on all five countries. We appreciate
3 your time. Thank you very much.

4 CHAIRMAN JOHANSON: Thank you, Mr. Getlan.

5 I will now make the closing statement. On behalf
6 of the Commission, I would like to thank all witnesses for
7 participating in safe proceedings during this hearing on Oil
8 Country Tubular Goods from India, Korea, Turkey, Ukraine, and
9 Vietnam, Investigation Numbers 701-TA-499 and 500 and 731-TA-
10 1215 and 1216, and 1221, 1223 (Review).

11 Post-hearing briefs, corrections to the transcript,
12 and responses to Commissioner questions are due not later
13 than 5:15 p.m., Monday, June 1, 2020, with the public version
14 due Tuesday, June 2.

15 (Whereupon, at 12:15 p.m., the hearing was
16 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Oil Country Tubular Goods from China, Korea,
Turkey, Ukraine, and Vietnam

INVESTIGATION NO.: 731-TA-1215-1216 and 1221-1233
(review)

HEARING DATE: May 21, 2020

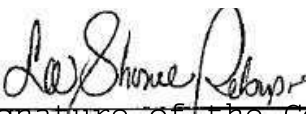
LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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


DATE: 5/21/20

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Signature of the Contractor or the
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Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) 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 proceeding(s).

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Signature of Proofreader

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