

TESTIMONY BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION
Stainless Steel Bar Sunset Hearing
November 6, 2007

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**Remarks on the Sunset of the Antidumping and Countervailing Duty Orders
on France and Italy**

My name is Robert LaRussa and I'm with Shearman and Sterling. I represent Ugitech's French and Italian operations in this sunset proceeding.

Domestic Industry Is Transformed:

As you have heard from Dr. Crandall and Mr. Malashevich, the U.S. market is doing great and the U.S. industry has never been stronger. Every indicator points to a group of companies that have completely restructured, are making more money than ever and will continue to do so. The industry as a whole has made enormous profits over the past few years; prices in the U.S. market and globally have tripled; domestic shipments are up 30 percent and consumption is up 25 percent; and China and other major markets are growing so fast that capacity across the world is being stretched and there is no end in sight. The new domestic industry is led by North American Stainless, with brand new state-of-the-art facilities and no legacy costs. NAS, the U.S. arm of the worldwide Acerinox juggernaut has invested more than \$1 billion in its stainless operations, has swallowed market share and is poised to become the stainless bar market leader after just three years of production. (See Slide 2.)

There Are No Subject Imports:

At the same time, there are basically no subject imports to be had, due to the recent Commerce Department Section 129 proceeding implementing the WTO's zeroing decision. (See Slide 3.) As some of the largest producers in the world, and as indicated by the prehearing staff report, these companies represent almost all of the tonnage coming from the majority of countries covered by these orders. What is left is an insignificant level of imports that could not possibly lead to the continuation or recurrence of material injury. The top producers formerly subject to these orders have been excluded.

French and Italian Imports Are Not a Factor:

With regard to France and Italy, the impact of the Section 129 is compounded. (See Slides 4 and 5.) Ugitech is the largest producer of stainless long products in the world. It has an integrated mill in France with melt, rolling and finishing capacity, and is excluded by the Section 129 proceeding. It has an additional finishing operation in Italy, which was excluded from the original orders because it was found not to be dumping. The only piece of Ugitech not excluded from these orders – through a fluke in the original investigation – is Ugitech France's toll-processed material in Italy, which amounts to a negligible amount of production and zero imports into the United States.

Beyond this, petitioners have raised the specter of additional significant producers waiting in the wings to flood the United States with low-priced imports. (See slide 6.) This is just not so. Although these companies have all been in existence for years, in some cases decades, petitioners did not identify the majority of them in their original petitions just 7 years ago. This is because they do not ship to the U.S. market. Those that do ship to the United States

responded to the Commission in this proceeding. And, if you look at those submissions, you will see that there is nothing to worry about.

Thus, the insignificant level of subject imports that still exist from France and Italy are not a factor in today's market nor will be for the foreseeable future for several reasons:

First, and most importantly, the French and Italian producers are all are focused on the European market. As you can see from the staff report, by far the vast majority of French and Italian production is sold in the European Union. While the petitioners would have you believe this means they are "export oriented" because not all of the shipments are within the country of production, this contention is absurd. It is well established that because of the close proximity of neighboring countries, common currency, preferential duty rates and the broad distribution network these and other producers have throughout the region, the European Union is essentially one market. Not to mention this is what the European Union considers itself. Even if shipments outside the country of production are to be considered exports, there is no indication that this inclination reaches further than their own back yard. There are structural reasons for this, which you will see listed in Slide 7:

- Prices in Europe are higher than anywhere else in the world
- Transportation costs are kept to a minimum because of the short distances involved
- Demand is strong and growing
- Declining dollar discourages exports to the United States

Second, I think the record clearly shows that where these producers have an interest in the U.S. market, they have invested directly. As you can see in Slide 8, Valbruna picked up the Slater facility in Indiana; and, Ugitech invested in a cold-finished bar mill in Illinois.

Third, as you can see from the staff report the French and Italian producers are running at full capacity.

Fourth, demand is high and increasing. As Dr. Crandall will testify and is summarized in Slide 9, consumption in the European market – the major market for French and Italian production – has increased by 25 percent over the review period. Consumption in China has more than tripled and, overall, world consumption has increased almost 40 percent.

Fifth, as indicated by the questionnaire responses and the staff report, and as Dan O'Donnell from Ugitech will testify shortly, the product mix supplied by the French and Italian producers is different than what the U.S. producers supply in the U.S. market. Moreover, product shifting is not practical. While some of the French and Italian bar facilities are also used to make stainless steel wire rod, most companies consume the majority of the wire rod to make bar. As such, these companies must maintain current wire rod production levels to meet their commitments for stainless steel bar.

Finally, as Dr. Crandall will testify, the insignificant volume of subject imports can have no impact on price. Furthermore, as the Commission's findings on overselling and underselling in the U.S. market highlight, there is no direct competition between imports from France and Italy. As a result, as noted by Dr. Crandall in his report, the overselling/underselling analysis is not valid. Instead and more interestingly, however, it shows the level of competition between the U.S. producers very well.

The only possible conclusion, when you consider the confluence of events and all of the factors that the Commission evaluates, is that the orders on France and Italy must go.

This concludes my remarks. I would now like to introduce the rest of the panel here to address the orders on France and Italy. First, Dr. Crandall will provide additional testimony on the impact of these subject imports on the U.S. producers. Next, Dan O'Donnell from Ugitech's U.S. operation will speak in more detail about the U.S. market and the place for imports in it.

Thank you.

Stainless Steel Bar
from France, Germany, Italy, Korea and the United Kingdom

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There Is No Reason to Continue These Orders

- Domestic industry is transformed
 - NAS is driving the market
- Industry is profitable
- Prices have increased dramatically
- Global demand is strong and increasing
- Production capacity is fully utilized
- Domestic shipments have increased
- Domestic market share is up

Excluded Companies after Section 129

France:

- Ugitech

Italy:

- Valbruna
- Foroni
- Rodacciai
- Bedini

Germany:

- Walzwerke Einsal

UK:

- Corus

Investigated French and Italian Companies

France:

- Ugitech
- Aubert & Duval

Italy:

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- Cogne
- Italfond
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Impact of Section 129

France:

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- Aubert & Duval

Italy:

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- Cogne
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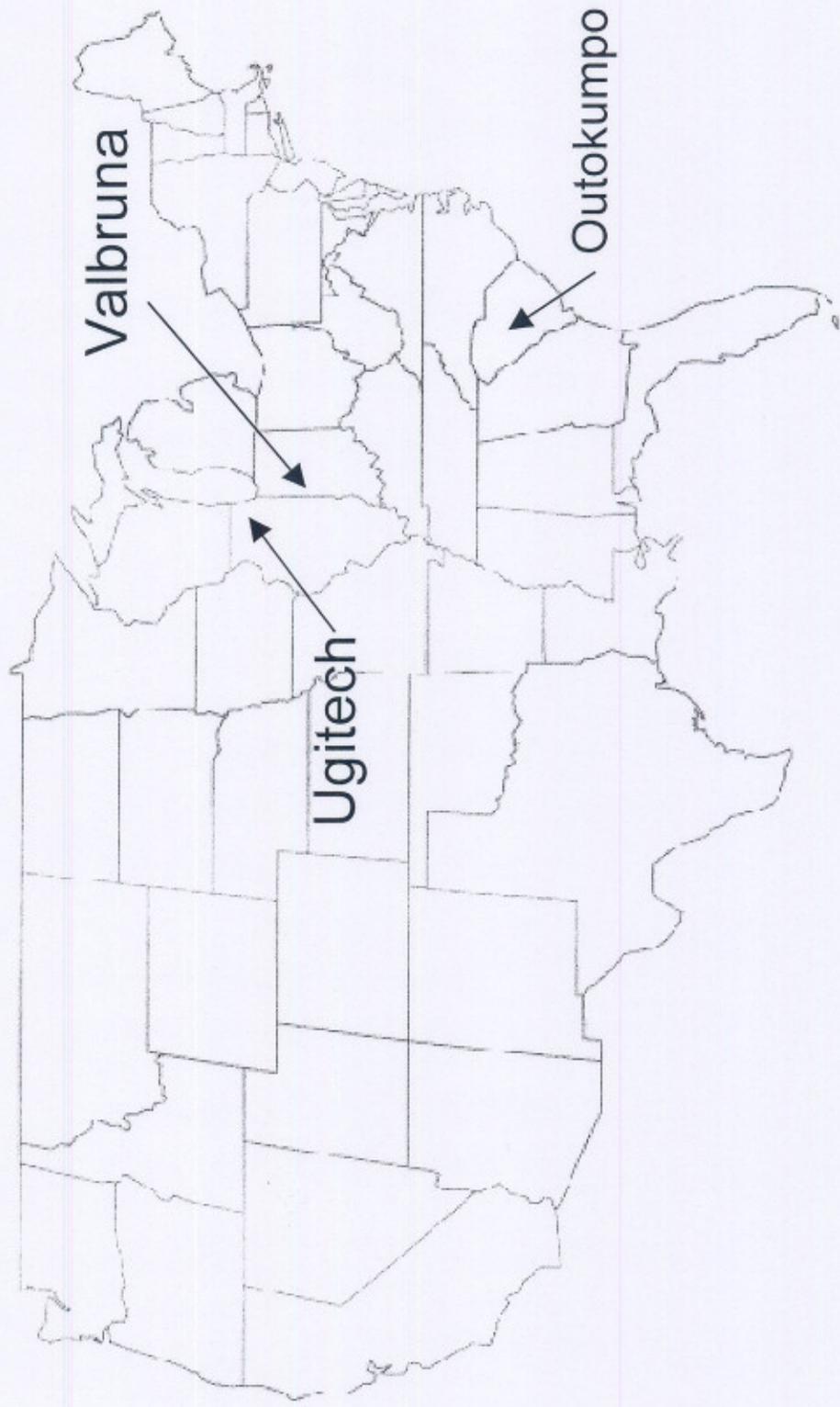
Remaining Companies Not Focused on U.S. Market

- France:
 - Ascometal
 - Aubert & Duval
 - Acieries Bonpertuis
- Italy
 - Cogne
 - Italfond
 - Acciaierie Bertoli Safau
 - Sama Inox
 - Acciai Speciali Zorzetto

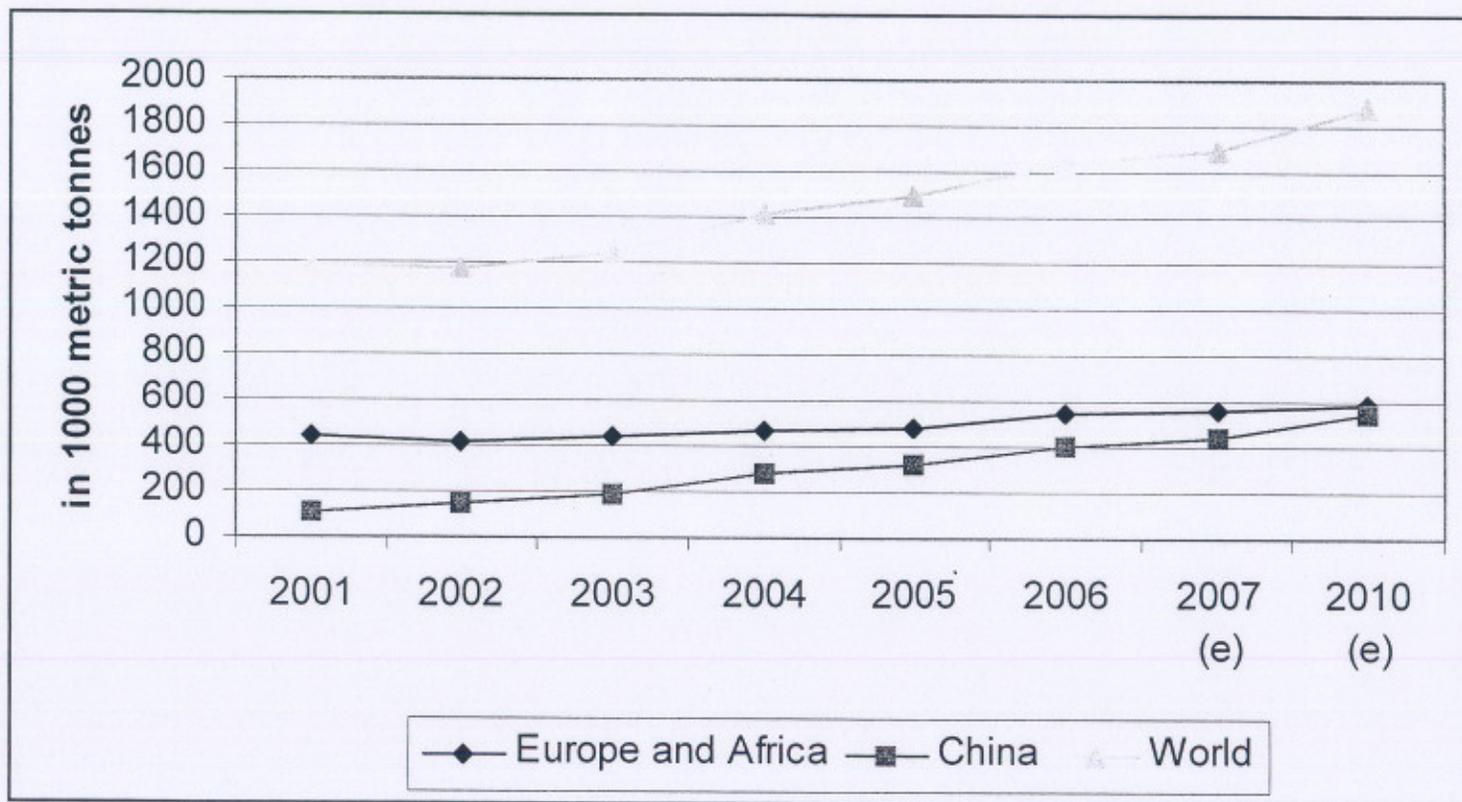
Market Focus in Europe

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Investment in US Market by Subject Producers



Demand Is High and Increasing



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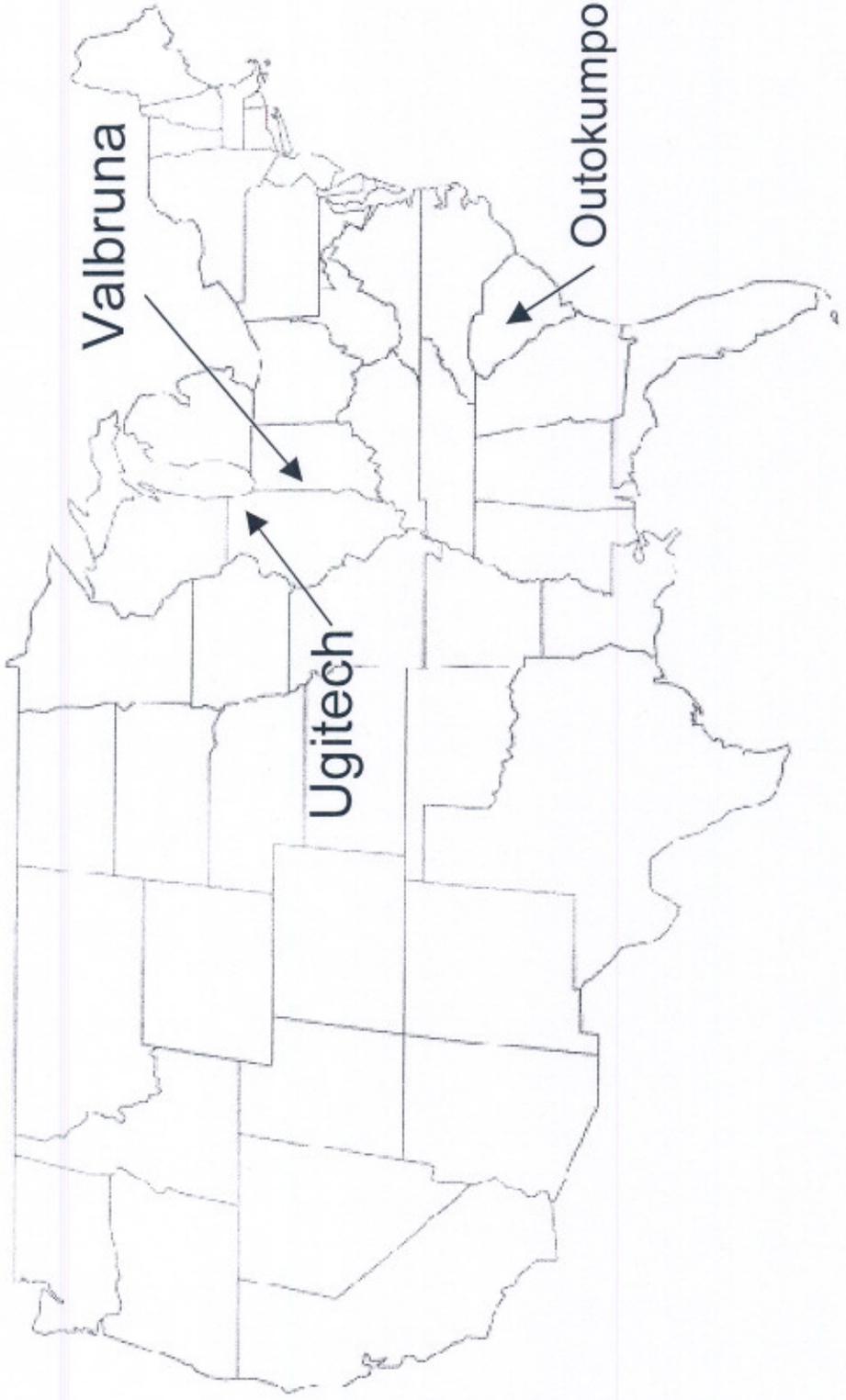
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