
GSP 2012 ANNUAL PRODUCT REVIEW:

USITC INVESTIGATION No. 332-538

**BEFORE THE UNITED STATES INTERNATIONAL TRADE
COMMISSION (USITC)**

**Public Hearing Testimony
in Support of a Competitive Need Limitation Waiver**

for

**U.S. Imports of Calcium Silicon Ferroalloys (HTS 7202.99.20)
from Brazil**

Submitted by

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and

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Esteemed Commissioners, ladies and gentlemen, thank you for the opportunity to appear before you today on behalf of Bozel-U.S.A. I am Dominique Riche, President of JMC (USA) Inc. - Bozel North America Division and Bozel Mineração.

My company and Polymet Alloys, Inc. have submitted a petition and prehearing brief in support of a GSP CNL waiver for imports from Brazil of calcium silicon ferroalloys, commonly known as "CaSi."

Our purpose today is to present arguments in support of maintaining duty-free treatment of U.S. imports of CaSi from Brazil. We have seen, however, the public version of the material presented to the Commission by Globe Specialty Metals of Argentina. We feel it is our responsibility, through part of our testimony, to correct their allegations and present accurate information.

U.S. industries benefit from the continued import of duty-free CaSi from Brazil. There will be no probable economic effect on U.S. industries producing like or directly competitive articles, on U.S. imports, and on U.S. consumers. My colleagues and I will briefly summarize our arguments, and we would then be pleased to answer your questions.

Because there is no U.S. production of CaSi powder or lump, reinstating the five percent duty on U.S. imports of CaSi from Brazil would simply penalize U.S. end-users that operate in an extremely competitive environment. They are the U.S. steel producers, U.S. iron foundries, U.S. cored wire producers that are re-packagers of CaSi into cored wire, and other end-users. For cored wire producers, 50 to 60 percent of the cost of CaSi cored wire is the CaSi powder, all of which is imported.

It is clearly in the national interest to retain GSP duty-free treatment for CaSi. This is not the time to raise costs to U.S. manufacturers when it is the policy of the United States to expand that sector of the economy and increase employment.

The six letters of support that the Commission and USTR have received from U.S. companies echo this fact. These companies include PC Campana, the second largest U.S. cored wire producer, which is located in Lorain, Ohio and employs 80 people. Consumers affected by this

decision that have submitted support letters include steel mini-mill producer, Nucor, which operates 200 U.S. facilities that employ 11,900 workers. Nucor's letter of support is specifically from its mini-mill in Tuscaloosa, Alabama. Ellwood Quality Steels Company, another steel mini-mill, operates primarily in Pennsylvania to make high-alloy steel ingots and employs 200 people.

Birmingham Hot Metal Coatings provides custom alloy and inoculants for foundries and employs 40 Alabama workers. CC Metals and Alloys is located in Kentucky and employs 220 workers. It produces ferrosilicon for the steel industry, foundries, and automotive uses. U.S. Pipe, a ductile iron pipe manufacturer is located in California and Alabama, employs 938 workers. Together, these companies represent a diverse range of CaSi consumers.

We would like to emphasize that no U.S. cored wire producer opposes the grant of a CNL waiver for Brazil.

I would like now to say a few words about Bozel, explain further what CaSi is, and then talk about how it is used by steel producers, iron foundries, cored wire producers, and others.

JMC (USA), Inc. - Bozel North America Division imports CaSi from Brazil. JMC (USA), Inc. The company is incorporated in Raleigh, North Carolina, and is a subsidiary of Japan Metals and Chemicals Co. Ltd. The petitioner is known among the industry as Bozel. Its CaSi supplier is Bozel Mineração.

JMC (USA), Inc. was, in the past, one of the largest ferroalloy producers in the world. However, JMC closed nearly all of its furnaces because of Japan's high cost of electricity and became a small holding company. It acquired Bozel in 2011. Bozel operates as a stand-alone business.

Next, I would like to talk about CaSi and how it is used. CaSi is produced by smelting basic raw materials - quartz, limestone, and charcoal - in a submerged electric arc furnace. It is available and produced in only a handful of countries because of the raw material requirements and the tremendous energy needs. CaSi is added to liquid steel in order to clean it by eliminating most of the inclusions and consequently improve its castability and its mechanical properties.

CaSi comes in two forms: powder or lump. The most efficient way of delivering CaSi powder into steel is by packing it into a tube called “cored wire” that is fed into the ladle of molten steel. In fact, I invented the wire method of adding CaSi to molten steel in 1980.

I am very committed to the U.S. cored wire industry, as I helped form and was CEO, for 27 years, of what is now the largest U.S. cored wire producer, Affival. Since that beginning, Affival is now the leading global market cored-wire producer with 30% market share (excluding China).

CaSi production and exports to the United States have improved the economic conditions of workers and their families in Minas Gerais, the Brazilian state that hosts Bozel and Rima S.A.’s production facilities. As the Mayor of Sao Joao Del-Rei in the State of Minas Gerais stated in his letter for the record, “Employment and economic development created in the region by mining and CaSi production companies, most importantly Bozel Mineração and Rima Industrial are essential to the region's economic sustenance and development.”

After our testimony, I would be happy to answer any questions you may have about the product and that segment of the industry. I would like now to turn our testimony over to Mr. Lage, Vice President of Polymet Alloys, Inc.

Polymet Alloys, Inc. (Polymet) is headquartered in Birmingham, Alabama, and has been in the metals and alloys business in the United States since 1981. Polymet has a long-term relationship with RIMA Industrial S/A, a leading producer of metals and alloys in Brazil. The company provides CaSi and other products to a wide range of end-users in the aluminum, chemical, steel and foundry industries.

I appreciate the Commission’s responsibility pertinent to this case and that the Commission has determined that the industry producing like or directly competitive articles is solely the U.S. cored wire industry. Therefore, I would like first to focus on that small segment of the HTS 7202.9920 basket category.

First, I would like to emphasize that cored wire is not a commodity. Cored wire is made precisely to the customer’s specifications for size, wire density, chemistry, and physical profile. Cored wire is produced to each end user’s need, based on precise demand. None is sent to the

U.S. market without a buyer. Cored wire is expensive to ship from Brazil to the U.S. market and takes five weeks on the water to arrive.

This is not to say that price is not a significant factor in the market. The consuming industries still look for saving every penny. So keeping the cost low is paramount to all CaSi consuming industries. The reduced 2012 imports from Argentina under HTS 7202.9920, as compared to 2011, are due to Argentina's loss of overall GSP eligibility. This is strong illustration of the products' price sensitivity.

As I understand it, the Commission must determine "the probable economic effect of the CNL waiver on U.S. industries producing like or directly competitive products, and on total imports, as well as on U.S. consumers." In the Argentina CNL waiver case, the Commission identified U.S. cored wire production as the only U.S. industry producing like or directly competitive product.

Our testimony and written documents demonstrate that U.S. cored wire producers are in no way adversely affected by CaSi imports from Brazil. In fact, as Mr. Riche said earlier, the second largest U.S. cored wire producer, PC Campana, has submitted a letter in support of the CNL waiver for Brazil, and none of the other three producers oppose the waiver.

U.S. cored wire producers benefit from duty-free CaSi imports from Brazil. Between 50 to 60 percent of their input costs is CaSi powder. Thus, a five percent duty on the powder would represent a substantial cost increase for them, an amount which often represents the company's profit margin.

I understand that the Commission is also tasked to look at the impact of the CNL waiver on U.S. consumers: U.S. steel producers, iron foundries and others. These industries depend on imported CaSi for use in their production process. A price increase for CaSi from Brazil would add to their costs and reduce their competitiveness. The cost increase from this input would adversely affect steel mills and foundries.

As you know, a wide range of U.S. consumers of CaSi powder, lump, and cored wire all imported under this tariff line have written to the Commission stating that the introduction of a

five percent duty on CaSi from Brazil “would have a serious, adverse impact on our business and on our established customers.”

In brief, we believe that the answer is unequivocally “NO” to the question of whether approving the CNL waiver would hurt U.S. producers of like or directly competitive products and U.S. consumers. In fact, the CNL waiver approval would benefit these companies. A lack of approval would hurt U.S. imports, as illustrated by the experience of the post-GSP removal import decrease from Argentina of the same product, and the understandable opposition to Brazil’s CNL waiver petition by Argentina’s largest exporter to the U.S. market.

Through your questions, I hope to address the terribly inaccurate misinformation that was included in the sole prehearing brief in opposition.

For example, I would like to dispel the inaccuracy about the alleged “dramatic” surge in U.S. CaSi imports from Brazil between 2010 and 2012. To determine the true levels of U.S. CaSi imports from Brazil, one must look beyond just the HTS 7202.9920 tariff line. More information will be provided in the business confidential post-hearing submission as will other business confidential information to address Globe’s inaccurate assertions.

I would like now to ask my colleague and representative of our CaSi supplier, Mr. Lindauro S. L. Barbosa (Commercial Manager) of Rima Industrial S/A (Brazil).

Thank you, Braulio.

Rima Industrial S.A. (Rima) is a vertically integrated company, using its own mineral, forestry and other resources for production. Its calcium silicon is manufactured in a submerged arc electric furnace using the basic raw materials of limestone, charcoal, and quartz that have been extracted from its own quarries. Rima’s CaSi is an environmentally forward product because Rima uses charcoal produced in its own forest, which is continuously reforested.

Rima’s goal is to conduct its business activities under the principles of sustainable development. Rima holds environmental licenses and operates its plants under internationally recognized standards.

Rima operates three plant locations in the state of Minas Gerais, Brazil. The majority of the town's workers work at Rima's plants, providing much-needed employment. The towns also directly benefit from the social and public welfare services that the plants supply.

As the Mayor of Sao Joao Del-Rei in the State of Minas Gerais stated in his letter, which we are happy to share with you, "Employment and economic development created in the region by mining and CaSi production companies, most importantly Rima Industrial and Bozel Mineração, are essential to the region's economic sustenance and development."

Rima's ability to employ its current workforce and provide benefits to its communities is possible only through its CaSi sales to the United States. We have provided specifics on Rima's employment in our business confidential submission.

I would like the Commissioners to know that Globe's information provided about Rima's capacity and production is wildly inaccurate. We will provide the correct facts in our business confidential post-hearing brief.

I'd like now to hand it back to Braulio to conclude our testimony.

The only opposition to the grant of the CNL waiver from Brazil has come from Globe Specialty Metals, one of Argentina's leading producers of silicon-based alloys, including CaSi. The explanation for this opposition is simple. Last year, the U.S. government suspended Argentina from GSP so all Argentine exports to the U.S. market lost duty-free GSP treatment. Globe simply wants Brazil to be less competitive. Reinstating a five percent duty on Brazil would help Argentina, but it would hurt all U.S. users of CaSi. You may remember that, in 2011, Globe testified in favor of granting the CNL waiver for CaSi imports from Argentina. Now, the company is advocating against U.S. industry and trying to inflate the costs to U.S. CaSi end-users.

Brazil's decreased competitiveness would benefit Argentina directly, which is in opposition to the intent of the President when he found that Argentina no longer met the statutory criteria set by Congress to be a GSP eligible beneficiary.

There are few alternative suppliers. No other GSP beneficiary would benefit if Brazil CaSi lost GSP. Other suppliers are China and Mexico. China is the world's largest CaSi producer and user, but its huge domestic demand and inconsistent quality make it an unreliable direct supplier to U.S. consumers. Mexico already uses Chinese CaSi to produce its cored wire exports to the U.S. market.

In summary, Brazil's CaSi exports to the United States provide a competitively priced and greatly needed resource to U.S. consuming industries, most notably U.S. steel mills and iron foundry producers as well as cored wire producers. Continued duty-free entry for CaSi under GSP would not have an adverse impact on U.S. industry, but rather, would continue to benefit it greatly as the letters of support indicate.

Thank you for the opportunity to present our testimony, and we look forward to your questions.