

Before the
U.S. International Trade Commission
Washington DC

Hot-Rolled Steel Products from China, India,
Indonesia, Taiwan, Thailand, and Ukraine

)
) Inv. Nos. 701-TA-405, 406, and 408 & 731-
) TA-899-901 and 906-908 (Second Review)
)

Testimony at October 31, 2013 Hearing
by C. K. (Chin Kang) Fan-Chiang, China Steel

I am C. K. (Chin Kang) Fan-Chiang, Manager, Sales Section-4, Marketing Department, China Steel Corporation, Taiwan. I am responsible for hot rolled steel.

China Steel has two affiliates who are also Taiwan hot rolled producers – *i.e.*, Chung Hung Steel and Dragon Steel. Between us, we account for the vast bulk of Taiwan hot rolled production. There is only one other, far smaller Taiwan producer, Shang Chen.

I understand that you have received 100% questionnaire responses from Taiwan. But perhaps we can be of more help to you today, to assist you in your factual inquiry.

Taiwan will at best ship negligible quantities of subject hot rolled to the United States even if the antidumping order is revoked. The reasons for this did not exist at the time of the Commission's last consideration of this matter – *i.e.*, the first sunset review five years ago (we did not participate) and the original injury investigation ten years ago.

First, Taiwan hot rolled producers now focus on Asia. We now have very close ties to downstream Asian producers using hot rolled (some are even affiliates). We have dedicated hot rolled supply to them to produce downstream non-subject higher value added products, such as cold rolled. Petitioners' generalized claims as to hot rolled demand generally, wrong as they are, do not apply to our need to supply hot rolled for downstream operations.

Ten years ago, at the time of the original ITC hot rolled antidumping investigation, the

U.S. market was far more important to Taiwan. Ten years ago the small Asia market was not important. But now the huge Asian market (by far the largest in the world) is Taiwan's focus. Taiwan hot rolled exports outside of its home (Asia) market are relatively small.

China Steel supplies its Vietnam, India and Malaysia affiliates with hot rolled to make higher value added downstream products. China Steel also has coil centers in China, Vietnam and Thailand, to whom it supplies Taiwan hot rolled. These China Steel coil centers are joint ventures with local producers consuming hot rolled.

The October 1, 2013 issue of Steel Business Briefing reported Taiwan hot rolled producers facing "strong" demand and sales, and significantly rising prices, both within Taiwan and more generally. That is correct. Taiwan hot rolled prices have increased significantly since August 2013.

And any off-shoring from Taiwan of manufacturers who consume hot rolled occurred over 5-10 years ago, and not since. Actually, even where Taiwan manufacturers who consume hot rolled move off-shore, Taiwan hot rolled producers (e.g., China Steel) still supply them. An example, one Taiwan auto parts producer kept its Taiwan facility, consuming hot rolled, but then also built a China one. China Steel now supplies both facilities with hot rolled from Taiwan. So off-shoring increased demand for Taiwan hot rolled.

Taiwan and China have an Economic Cooperation Framework Agreement (ECFA). ECFA reduced the China import tariff on hot rolled from Taiwan from 3% to 0%. So ECFA facilitated Taiwan sales to China. In contrast the Taiwan import tariff on China hot rolled was 0% before and after ECFA.

Anyway, China hot rolled is low or poor quality, limiting China's ability to sell into Taiwan.

Taiwan seeks bilateral agreements with Asia countries generally, to further bolster Asia trade. So Taiwan has to do with China too. Taiwan already has such a bilateral agreement with New Zealand. Taiwan is now negotiating one with Singapore.

Second, because of skyrocketing oil prices over the last five years (over doubling) shipping costs from Taiwan to the U.S. have also climbed sharply. High freight costs have a particularly large impact on lower value steel products such as hot rolled, as compared to higher value added products such as corrosion resistant steel, which higher value added products Petitioners seem to prefer to discuss as to freight costs.

Freight is important to whomever absorbs the freight cost. Here, China Steel/Taiwan does, not purchasers. So it is not clear why Petitioners consider U.S. purchaser views as to freight costs.

Petitioners also cite to average import data from all countries as to freight costs, as allegedly showing lower freight costs over time. If so, it is simply because more imports are now from closer countries to the USA such as Canada. That only further renders Taiwan less competitive, with its much higher freight costs to the United States.

Finally, we do not understand how Petitioners can claim that shipping costs do not matter, while at the same time claiming that hot rolled is a price sensitive product.

Third, the Taiwan dollar has appreciated eleven (11) percentage points vis-a-vis the U.S. dollar over the last five years – i.e., again, since the Commission last looked at Taiwan hot rolled. That is a huge loss of competitiveness for Taiwan.

In contrast, the Japanese yen has depreciated, so facilitates Japan exports. Perhaps that explains the relatively small, niche Japanese hot rolled exports to the USA after revocation of the antidumping order as to Japan, as to which Petitioners now complain, wrongly.

Fourth, Taiwan is operating at full effective production capacity already as to hot rolled.

Our hot rolled order books are full. We believe that an updated staff report reflecting the latest Taiwan producer questionnaire responses will reflect Taiwan's essentially full hot rolled capacity utilization. Those updated questionnaire responses properly count for:

- (a) internally transferred hot rolled to make downstream products from hot rolled;
- (b) the effective decline in Taiwan hot rolled production capacity from Taiwan's transition from commodity low grade hot rolled to more specialized, niche, high value hot rolled for auto, structural and mechanical uses; and, the now smaller individual production runs for custom-made products that are eco-friendly or special specifications for auto uses.

In any event, upcoming necessary maintenance and repair as to China Steel's blast furnaces will remove over three million short tons of Taiwan hot-rolled supply within next three years, over a 20% reduction in Taiwan hot rolled capacity.

Fifth, across the board, Taiwan exports of low value added products, not just hot rolled, to the United States have significantly dropped – again, due to skyrocketing freight costs and Taiwan NT\$ currency appreciation.

Sixth, China Steel's hot rolled mill is over 30 years old, so fully depreciated. That minimizes fixed costs. Even with Dragon Steel's new mill, low overall depreciation costs. There is no incentive to sell and price to cover fixed costs.

Finally, seventh, China Steel/Taiwan sells high-end grades and specifications, especially as to export. They are priced at a comparatively high level, given market value and manufacturing cost. As a result, Taiwan export prices to the third countries would not be less than U.S. market prices going forward.

Anyway, our interest is using hot rolled in our Asian downstream facilities to produce higher value added, higher priced, non-subject goods. We want to keep those downstream facilities running also to cover the fixed costs to which Petitioners refer. Our downstream facilities producing non-subject from hot rolled are much newer than our hot rolled facilities so less depreciation and higher fixed costs.

In the original U.S. hot rolled investigation against Taiwan, now ten years ago, we filed full responses to the United States Department of Commerce questionnaires aimed to determine our dumping margin. We did as quickly as possible. We regrettably could not meet Commerce deadlines. So Taiwan was subject to the petitioner adverse facts alleged dumping margin.

Later, another U.S. antidumping investigation started, now as to cold rolled. There, more experienced, we met Commerce deadlines. We got a low dumping margin ... indeed, the lowest of the some 20 investigated exporters from the some dozen countries accused of dumping.

We could have applied for a Commerce annual review to reduce our hot rolled dumping margin from the adverse facts petition alleged rate applied to us in the original investigation, to a dumping margin based on our actual situation. But, for reasons discussed above, there was really no value to do so. The market and situation changed. We would make negligible U.S. hot rolled sales even if there were no antidumping import duties.

Thereafter, in case after case abroad, where trade actions have been brought against Taiwan hot rolled, we got no (0%) or low dumping margins, ... and especially relative to far higher dumping margins for other countries. For instance, Thailand imposed a 33% tariff on China hot rolled but none on Taiwan. All this created huge opportunities for Taiwan in those Asian countries. Perhaps we can thank the education we received in U.S. trade actions.

China Steel has no interest in the Canada plate cases to which Petitioners refer. The Taiwan export quantities are de minimis. Again, North America is not our interest. Asia is.

We understand that, under pertinent Commission precedent, the conditions exist for a separate Commission sunset decision for Taiwan alone.

First, Taiwan has had, and will have, no discernible impact on the U.S. hot rolled market. Indeed, we have not sold subject hot rolled to the U.S. in years. Nor do we believe that Taiwan overall has. The ITC staff report indicates some de minimis Taiwan hot rolled sales to the USA. We think that should be explored further -- seems data error.

Second, Taiwan is subject to special conditions of competition, as discussed above.

Third, if Taiwan did sell to USA, it would be high quality niche product, such that Taiwan would not be competing with other subject countries. Taiwan sells the best quality among the subject six countries. In fact, the ITC staff report already so said.

So perhaps you are wondering why we traveled all the way from Taiwan to testify before you today, when we are not interested in selling hot rolled to the United States. We wish to correct the record as to Petitioner claims and clear our good name. We are not injurious dumpers. We don't want such U.S. claims used against us in other markets that are more important to us.

Also, the ITC asked questions and wishes information in this sunset review. We wish to cooperate with the ITC. We believe it good form to cooperate with foreign governments.

Anyway, we minimized resources devoted to this matter (e.g., use of US lawyers). We focused on providing information on our own, as to our understanding of what the ITC desires to make a decision.

We hope that we were helpful, as to your informational needs. Thank you.