ECONOMIC CONSULTING SERVICES, LLC

BEFORE THE

UNITED STATES INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF

COLD-ROLLED STEEL FLAT PRODUCTS FROM BRAZIL, CHINA, INDIA, JAPAN, KOREA, RUSSIA AND THE UNITED KINGDOM

Inv. No(s). 701-TA-540-544 and 731-TA-1283-1287, 1289-1290 (Final)

PUBLIC TESTIMONY

OF

BRUCE P. MALASHEVICH

ECONOMIC CONSULTING SERVICES, LLC

AT

HEARING

w/o Confidential Exhibits

May 24, 2016

Washington, D.C.

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First, I was struck by the way that petitioners manipulate in some cases – and ignore in other respects – the relationship between their merchant market and total operations. This Commission has always considered the significance of total operations in cold-rolled cases, as well as the merchant market in certain circumstances. What petitioners are avoiding are three important points:

1) In 40 years of practice before this Commission, I cannot recall any case where, in the final phase, the Commission found affirmatively on the basis of current injury when cumulated subject imports had a market share of less than 5 percent of apparent consumption.
2) The commercial market cannot be the only focus, because it represents a distinct minority of U.S. producer operations.
3) The commercial market operations must be analyzed <u>in comparison to</u> the industry's other operations. This is what petitioners are trying to avoid. Why? Because the Pre-Hearing Report at tables VI-1 and VI-2 demonstrates that the domestic industry performed <u>better</u> when in commercial competition with subject imports than it did in the much larger portion of its business which does not compete with them at all.

The U.S. Steel brief devotes many pages and exhibits to its claim that the domestic industry was injured (even in the exceptionally good year of 2014) by the loss of volume and market share to imports. It asserts at page 42 that the 2014 growth in subject imports deprived domestic mills of volume ton for ton, and that retention of this volume would have raised capacity utilization and helped to cover high fixed costs.

Well, I suggest that the Commission test the significance of that claim by applying its often-used income statement model. The Chinese brief does this at Exhibit 4 to assess the effect on industry operating income if the industry had captured all of the net growth by Chinese imports over the POI, assuming price/cost relationships reported for 2015. Those imports accounted for the vast majority of the net annual growth in total subject imports over the POI. The model shows that the improvement in the domestic industry's performance would <u>not have been material.</u>

Finally, the U.S. Steel brief seeks to show adverse price effects by looking to the quite mixed underselling results on a clearly unrepresentative sample of domestic pricing data. My much simpler and direct approach ignores the weeds of the questionnaire price data and illuminates the forest.

Attached to this testimony is the chart found at Attachment 3 of the UK prehearing brief. It compares the trend of cold-rolled prices, allegedly depressed by subject imports, to the trends of seven other carbon steel mill products as to which there is no alleged unfair U.S. import competition. If petitioners were correct, the cold-rolled trend would be more sharply downward. But in fact the trends are so indistinguishable that I call this my "Where's Waldo" chart. You simply cannot readily find "Waldo" – the cold-rolled price trend – because it is buried amid the almost identical trends of all the other carbon steel mill products. And when you finally find "Waldo," it turns out that cold-rolled prices actually fell <u>less</u> sharply than almost all of the steel products that did not face dumped or subsidized imports. There was no discernible price depression attributable to subject imports in this case.