



4. The UAE industry in general, and Universal in particular, focuses primarily on the UAE and the countries of the Gulf Cooperation Council (“GCC”), which we regard as a second home market, and where we enjoy a natural competitive advantage over other suppliers. Demand within the UAE is strong. In the UAE, private and public developers have regained confidence in Dubai's residential property market after the turmoil of the Arab spring, and relaxed rules in UAE have made Dubai a global tourism and trade hub. This has been further enhanced by Dubai's plans to host the 2020 World Expo, which is expected to attract 25 million visitors and will require significant investment in the hotel and infrastructure sectors.

5. In addition, demand in the GCC countries remains strong. Governments in the region continue to spend on new projects, including hotels, commercial and residential apartments, shopping malls, schools, hospitals, universities, *etc.* These projects all will require standard pipe for plumbing applications, fire fighting systems, chilled water systems, and structural applications. Regional construction growth is expected to continue to grow between now and 2020, which should drive demand of steel products. In particular, Saudi Arabia and Qatar have plans to further develop their infrastructure and expand their urban areas, with Qatar set to benefit from hosting the 2022 FIFA World Cup.

6. We have seen this growth already in a rapid expansion in demand for finished scaffolding which we produce from internally consumed standard pipe. We have also seen demand grow in the UAE and other export markets for products produced from the same machinery as standard pipe, specifically square and rectangular products. This growth in demand is why KHK Scaffolding has expanded its capacity to produce square and rectangular merchandise in small sizes below 3". As noted, KHK sells to the domestic market and has never exported to the United States. In addition, with its vast oil and gas production, the GCC countries are among the largest consumers of line pipe in the world. Universal Pipe started commercial production of line pipe, and we are focusing our efforts on exploiting that product sector in the GCC.

7. We also have sales offices in, and have expanded sales to, the United Kingdom and Australia. In this regard, Australian authorities just found no injury on imports of welded standard and square and rectangular pipe from UAE.

8. Although the Universal Group has increased its capacity, the new capacity is at KHK Scaffolding, which, as noted, had no exports of standard pipe to the United States. The new capacity is directed at producing square and rectangular tubes and extra thin wall standard pipe for the domestic and GCC markets. Moreover, Universal Group companies are currently at our full practical capacity for both standard and non-standard pipe production.

9. Purchasers have a strong preference for domestic product over imports because U.S. producers are located closer to the market and are normally able to ship from inventory. This results in much shorter lead times and lower inventory costs when purchasing domestic product. In addition, many customers choose domestic production over imports because of access to technical services, warranty and product liability concerns. This built-in customer preference for domestic supply allows domestic producers to command a price premium over imports.

10. In the case of Universal, we sell almost exclusively on the basis of confirmed orders. Lead times for sales to US customers average 2 to 3 months. As we discussed in the 2012 case and at the preliminary conference of this case, customers demand a discount when they have to wait 2 to 3 months for delivery.

11. Another consequence of these lead times in 2015 is that because of the volatility and uncertainty with respect to hot-rolled prices, foreign producers were reluctant to commit to forward purchases of hot rolled and U.S. importers were reluctant to maintain inventories of standard pipe. This led to a reduction in imports from these subject sources that began well before the filing of the petition in this case.

12. The preference for domestic supply and the domestic price premium have been in place so long that today they are a structural feature of the market and

are understood by all buyers and sellers. Universal's primary competitors are other imports – both subject and nonsubject. Customers typically determine a balance among domestic and import sources, and we compete for the import portion of their purchases.

Thank you.