BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

STAINLESS STEEL WIRE ROD FROM ITALY, JAPAN, KOREA, SPAIN, AND TAIWAN, INV. NOS. 731-TA-770-773 & 775 (THIRD REVIEW)

TESTIMONY OF JEAN PAUL BETEMPS

CHIEF EXECUTIVE OFFICER, COGNE USA SPECIALTY STEEL, INC

Good afternoon. My name is Jean Paul Betemps, and I am the Chief Executive Officer of Cogne USA Specialty Steel, located in Fairfield, New Jersey. Cogne USA sells a variety of products manufactured by its parent, Cogne Acciai Speciali, or Cogne. These include stainless steel bars, valve steel, tool steel, and atomized powders.

One product line that Cogne makes that Cogne USA does <u>not</u> currently sell is stainless steel wire rod. Cogne has not shipped any stainless steel wire rod into the United States since 1998, with the exception of a small quantity in 2003. Cogne has no specific plans to sell stainless steel wire rod now, with or without the antidumping duty order. However, Cogne would like to have the opportunity to respond if there are particular niches that are not being served by the U.S. mills.

While it is true that Cogne stopped shipping stainless steel wire rod in 1998 as a result of the antidumping duty order, much has changed since then with its business strategy. The largest portion of Cogne shipments of stainless steel wire rod, <u>by far</u>, is to two long-term customers located in Switzerland, at downstream facilities located about 100 miles away from Cogne. It is important to keep in mind that Cogne is located in Aosta, Italy, which is in the extreme Northwest corner of Italy, just on the Italian side of Monte Bianco. As a result, these Swiss customers are located closer to the Cogne mill in Aosta than are nearly all of Cogne' Italian customers. Switzerland is part of the European Free Trade Association. As such, Switzerland and the EU have a free trade zone for the sale of industrial goods. These shipments appear in your statistics as "exports" to "other countries," but that does not mean that Cogne is "export-oriented." To the contrary, these sales are effectively local market sales for Cogne. Furthermore, Cogne has a long-term supply agreement with these Swiss customers, in which Cogne must guarantee more than the majority of their total yearly consumption. The quantities that Cogne sells to these companies have been very stable over time, and Cogne simply has no incentive to shift these sales to the U.S. market if the antidumping duty order is revoked.

The next biggest share of Cogne shipments of stainless steel wire rod goes to its customers within the European Union. The EU is an integrated market, and Cogne views the EU market as basically the same as its own Italian market. We do not believe that Cogne sales within the EU should be considered evidence of so-called "export orientation" of Cogne.

Finally, a significant share of Cogne shipments went to Dong Guan Cogne Steel Products, a Cogne subsidiary located in China, established in 2005. Yes, these are exports. However, these still are not like commercial-sale exports. Dong Guan Cogne does not resell the stainless steel wire rod it gets from Cogne. Instead, Dong Guan Cogne consumes all of that stainless steel wire rod to make cold drawn bars. This is an important downstream market for Cogne, and Cogne will not and cannot cut off its affiliated Chinese bar producer to shift sales of stainless steel wire rod, even if the antidumping duty order on Italy is revoked.

After taking into account Cogne sales to Switzerland, to its Italian and other EU customers, and its shipments to its bar-making plant in China, Cogne has very little stainless steel wire rod that it sells elsewhere. The exact numbers are in the foreign producer questionnaire response by Cogne, and I urge the Commission to consider those numbers carefully before accepting on face value petitioners' generalization that Cogne is "export oriented."

If Cogne were to re-enter the U.S. market, it would only be for small-volume specialty products that the U.S. mills cannot or will not sell. Contrary to the Petitioners' allegations, Cogne would not capture a significant share of the U.S. stainless steel wire rod market if the order is revoked.

I understand that petitioners also have questioned the capacity figures by Cogne in this sunset review. However, my understanding is that Cogne has significantly and permanently reduced its workforce and its capacity calculation is based on its normal working conditions with the permanently reduced workforce. After the financial crisis, Cogne underwent a workforce reorganization that reduced its workforce by approximately 10 percent, and reduced the number of shifts that it can employ. In Italy, it is not easy to dismiss workers and the rules concerning labor force dismissals and reductions are very onerous for employers. Given that Cogne completed its workforce reduction reorganization, it is not going to hire new workers if the antidumping duty order is revoked. Thus, its capacity is not going to change from the capacity that it has reported in its questionnaire response. Cogne would be more than willing to provide the Commission with information on its workforce reduction reorganization in its post-hearing brief. Nevertheless, what is clear from the data provided from Cogne is that it is operating now at dramatically higher capacity utilization than it did in 2009, and its capacity utilization increased throughout the period of the current review, 2013 through 2015. As a result, if the order is revoked against Italy, Cogne has little ability to ship significant quantities of stainless steel wire rod to the U.S. market, even if it wanted to do so, which it does not.

I thank you for the opportunity to testify, and will be glad to answer any questions you have.