

Testimony of Barbara Smith, Commercial Metals Company
Rebar from Japan, Taiwan, and Turkey
ITC Hearing
May 18, 2017

Good morning. My name is Barbara Smith, and I am the President and Chief Operating Officer of Commercial Metals Company. I appreciate this opportunity to appear before you today to explain why it is critical that the Commission continue to find that dumped and subsidized Japanese, Taiwanese, and Turkish rebar imports are harming CMC and the U.S. rebar industry.

CMC is a global metals recycling, manufacturing, fabricating and trading enterprise. Our corporate headquarters are in Irving, Texas, but we operate at over 200 locations in more than 20 countries. Given the global scope of our operations, CMC is well-positioned to speak about trends in the steel market both here in the U.S. and globally. Global steel supply continues to grow as new production comes on line, far in excess of the growth in global steel demand.

As it relates to this trade case, Turkey has grown their steelmaking capacity by 21% since 2010. They are now able to produce 52 million metric tons per year (nearly half the size of the entire US steel market) while Turkish domestic consumption is only 28 million tons per year. That amounts to 45% overcapacity. Turkey's long product production has increased 35% since 2010 and only 50% of their production is consumed domestically. These statistics are alarming and damaging to the US domestic steel industry. During this same period of time, rebar

exports from Turkey to the U.S. have risen from approximately 175,000 metric tons in 2010 to 1.6 million tons in 2015, a **nine** fold increase. Regional demand in the Middle East and North Africa, Turkey's historic markets, has been shrinking during this same period. The United States is the only available open market as many countries in the Middle East and Northern Africa have built their own steelmaking capacity and put up trade barriers to protect their own domestic industry. The fact that Turkey has continued to add capacity during this period indicates its objective is to export products to attractive open markets such as the US. As noted earlier, Turkey's domestic capacity has grown faster than its internal consumption as well as that of the MENA region. If we continue to allow Turkey, Taiwan and Japan to import rebar at the levels we have experienced in the past two years it is clear that US domestic producers will experience more dire consequences than what we have seen thus far.

As argued in previous trade cases, subject producers have claimed that their rebar does not compete with domestic rebar. But this is simply not true. As the Commission has repeatedly found, rebar is a highly standardized product that is principally sold on the basis of price. Rebar from the United States, Japan, Taiwan, and Turkey is used for the same purposes and the same applications. This means that there is nothing about rebar itself or the structure of the U.S. rebar industry that insulates us, or the well-being of our employees, from the harm caused by these

unfairly traded imports. CMC and the rest of the domestic steel industry compete with each other as well as with imported rebar from Japan, Taiwan, and Turkey for each and every sale, day in and day out.

Because CMC has affiliates at various stages of the value chain, we know firsthand that any claim that vertical integration insulates domestic producers from dumped and subsidized imports is wrong. Every CMC entity is an independent business enterprise, whose sole objective is to operate as efficiently as possible and to capture as much profit as it can. Our transactions with our affiliates are subject to the same market conditions as our transactions with unaffiliated customers. Any transactions with upstream scrap suppliers or downstream fabricators or distributors are conducted at fair market value, regardless of affiliation. Further, as the Commission recognized in prior determinations, affiliated downstream fabricators and related distributors do not preclude them from purchasing rebar from other sources, including subject imports, based on price.

If CMC can offer the best price, we can get the sale. If not, our affiliated customers, just like our unaffiliated customers, will purchase cheaper product available on the open market, which more and more often means subject imports. Our affiliates have to compete for sales just like our mills do – on the open market and on the basis of price, and we cannot force them to buy our rebar at higher prices.

Similarly, our affiliated scrap recycling operations do not insulate us from competition either. CMC would not be able to operate as one of the United States' largest scrap recyclers if we did not run our business according to prevailing market conditions. Quite frankly, there is nothing our internal scrap operations can do to insulate our rebar mills from raw material price fluctuations or competition with imports. In fact, CMC mills can and do buy up to 100% of our scrap requirements from third parties. Scrap is an internationally traded product that is bought and sold on the open market, with complete transparency and in competition with other producers and consumers. The respondents in this case purchase a significant portion of their raw material requirements, "scrap", from the United States which has an abundant supply of scrap. The respondents certainly know that scrap prices are subject to the forces of global supply and demand and global pricing dynamics. It is unfathomable that a country like Turkey who purchases a significant amount of scrap in the US at prevailing prices, transports the scrap to Turkey for conversion and transports the finished product back to the US would enjoy a cost advantage over local producers in the US. The fact is that they DON'T enjoy a cost advantage.

Another argument presented by the respondents is that they have superior technology to US producers. This is also not factual. Turkey does not have better technology. What they do have, is the willingness to sell at unfair, below market prices. CMC is a global leader with regard to low cost production of rebar using our

advanced micromill technology. Clearly Turkish producers recognize this, as they recently requested a technical to visit our micromill in Mesa, Arizona to learn about this advanced technology. For competitive reasons, we denied such a visit. Not only do we employ the latest technology, we continue to invest heavily in our rebar producing minimills utilizing the newest technology to lower production costs. Unfortunately, despite significant investments to improve our costs, we are still struggling to compete with the illegally dumped product from Japan, Taiwan, and Turkey.

If unfairly priced imports continue to flood the market, and the tailspin in profitability continues, we may never see a return on the investments we've made, let alone be able to make further investments in rebar production. We are proud to be an innovator in the rebar market but innovation requires ongoing investment. In order to make such investments we have shareholders to satisfy. Our shareholders demand returns on their investments, such as our most recent decision to invest in a second micromill in Durant, Oklahoma. We made this investment decision following the 2014 AD and CVD orders. We hoped that with the orders in place, and modest but steady demand growth, this investment would allow us to expand the use of our leading edge technology. Unfortunately, with the continued surge of imports from Japan, Taiwan, and Turkey, this investment and the jobs they support are both at risk, as is the ability of the United States and companies like CMC to continue the

production of products which are critical to our nation's infrastructure and national security.

In closing, I am here today representing approximately 9000 hard working men and women of CMC who work safely and diligently every day to produce high quality, low cost rebar and related products, a critical component of the backbone of our country. The hardworking men and women of CMC depend upon these high quality jobs to support their families. The communities where they live and work depend upon these high quality jobs. On behalf of CMC, our 9000+ employees, and their families, we urge you to continue to recognize the harm caused by dumped and subsidized rebar from Japan, Taiwan, and Turkey, and to reach an affirmative final determination.

Thank you.