

**Before the International Trade Commission
Washington, DC
Silicon Metal from China
Inv. No. 731-TA-472 (Fourth Review)**

**Testimony of
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1. Good morning, my name is Shaote Zhang. I am the Sales Director of Hoshine Silicon Industry Company Limited. I've been with Hoshine for 11 years.

2. Hoshine was founded in 2005 and has production bases in three provinces: Xinjiang, Sichuan, and Zhejiang. The Xinjiang facility is the only Hoshine facility which produces silicon metal. That silicon metal is then further processed into silicones in all of Hoshine's various facilities.

3. Hoshine is a large integrated producer of silicones, and relies upon great reserves of coal and quartz for its production. Hoshine's production of silicon metal is devoted to the company's downstream production of silicones, and is also sold to the aluminum industry in China. Hoshine's silicon metal has always been primarily aimed at the domestic market.

4. Hoshine is an industry leader in China, particularly with regard to the environment. The company has focused great efforts on developing environmentally conscious, highly efficient production processes, from its quartz and coal mining to silicones production. Hoshine's environmental standards both meet and exceed government standards in China. In fact, Hoshine's environmental

practices surpass those of silicon metal producers in the Western world. For example, Hoshine established flue gas desulfurization and denitration projects for its silicon metal furnaces—which cut down the amount of harmful sulfur and nitrate emissions being released into the air. Hoshine voluntarily assumed this aggressive approach to environmental protection in response to increasing government regulation over the silicon metal industry and in order to stay a step ahead of those regulations.

5. As the Commission is aware, the Chinese government launched a broad national campaign to evaluate the impacts that all industries are having on the environment. Regarding silicon metal, this included an examination of its coal and quartz mining practices and inspection of all silicon smelters. These inspections also included the industry which manufactures the electrodes on which we depend for production. Nearly all offending electrode manufacturers were shut down by the government starting in 2017, which led to a severe shortage of electrodes globally. Silicon metal producers faced greater competition than ever before to obtain electrodes, and paid much higher prices for them, thus driving up operating costs. This, in addition to the increased environmental restrictions and closures, led to increased silicon metal prices in the third quarter of 2017. And, for these same reasons, Chinese prices are expected to increase at a higher rate than in other markets.

6. This leads me an important point about the future of the silicon metal industry in China: larger, more efficient producers will survive, and smaller, inefficient producers will not. What this means is that the Chinese silicon metal industry will be a rationalized industry focused on the domestic market. In 2016, the vast majority of silicon metal consumption in China was in the chemicals market, and has been steadily increasing due to the rapid growth of the solar industry there. In conclusion, demand for silicon metal in China remains strong—whether in the aluminum or chemical segments.

7. Thank you again for this opportunity to appear today. I would be happy to answer your questions.