BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

CUT-TO-LENGTH CARBON STEEL PLATE FROM
CHINA, RUSSIA, AND UKRAINE,
INV. NOS. 731-TA-753, 754, AND 756 (THIRD REVIEW)

TESTIMONY OF JONATHAN T. STOEL
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Chairman Broadbent, Vice Chairman Pinkert, Commissioners, and Staff:

Good afternoon. My name is Jonathan Stoel of Hogan Lovells, and it is a pleasure to be appearing before you again. This time I'm here on behalf of the Ukrainian producer, Metinvest.

I want to address briefly the current condition of the domestic industry and its alleged vulnerability to the limited subject imports that could emanate from Ukraine. First, the domestic industry has fundamentally restructured since the Commission's original <u>threat</u> of material injury finding nearly 20 years ago. The industry has substantially increased its production capacity, has invested hundreds of millions of dollars to develop and install state-of-the-art technology, and is able to control its production during down cycles to avoid financial harm.

The historical data compiled in Appendix D of the <u>Prehearing Report</u> show these many improvements. From 1999 to 2003, the industry reported negative operating margins in each year, including an abominable -12.3 percent in 2001.

But, since 2003 the domestic industry has recorded only one year of negative profitability, in 2009, the heart of the Great Recession. From 2004 to 2008, the industry recorded operating profits of more than 20 percent in each year.

Moreover, in the last full year of this review, 2014, the industry recorded a 9.6-percent operating margin (Prehearing Report, Tbl. C-1). Let me put this margin in perspective: during the POI when the Commission did not find actual, present material injury, the industry's operating margin averaged 4.4 percent (Prehearing Report, Appendix D). I'd also like to point out that the industry's total wages in 2014 were the most since 1998; the industry's average hourly wage was $14 higher than during the POI; and the industry's productivity was more than double than during the POI.

Second, the industry's performance in the first half of 2015 – admittedly a temporary down period for the industry, with lower U.S. shipments and capacity utilization than 2014 – should be seen as a sign of strength. The domestic industry managed to record an operating margin of 5.9 percent, the same level of profitability as the first half of 2014 and higher than the industry's POI average. Moreover, the industry increased its U.S. market share in the first half of 2015 to 83.4 percent, notwithstanding claims that higher prices in the U.S. market have caused a "tsunami" of imports. These are the hallmarks of a competitive, agile industry.

Finally, in a sunset review the Commission seeks to discern what might happen in the next year or two without restraints on imports. We have explained why subject import volumes from Ukraine are likely to be small for the foreseeable future, and why pricing for Ukrainian plate would not be injurious to the domestic industry. Under such circumstances small quantities of additional imports in the U.S. market will not cause harm to the domestic industry. The industry's performance over the last three years confirms this fact. The domestic industry earned 7.9 percent and 9.6 percent in 2012 and 2014, respectively, when import volumes reached 1.1 million and 1.6 million short tons. On the other hand, U.S. imports were only 638,000 short tons in 2013 when domestic industry performance slumped to 1.6 percent. To discuss these issues in greater detail I would now like to turn the rostrum over to Dr. Tom Prusa.