

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
CARBON AND CERTAIN ALLOY) 701-TA-417 and
STEEL WIRE ROD FROM) 731-TA-953, 957-959, and
BRAZIL, INDONESIA, MEXICO,) 961 (Third Review)
MOLDOVA, AND TRINIDAD AND)
TOBAGO)

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Tuesday,
 June 16, 2020

Teleconference
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:35 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DAVID S.
 JOHANSON, Chairman, presiding.

APPEARANCES: (Via Telephone)

On Behalf of the International Trade Commission:

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 JASON E. KEARNS, COMMISSIONER
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(9:35 a.m.)

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CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing concerning Investigation Numbers 701-TA-417 and 731-TA-953, 957-959, and 961 (Third Review) involving Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, and Trinidad and Tobago.

The purpose of these five-year reviews is to determine whether revocation of the antidumping duty and countervailing duty orders on carbon and certain alloy steel wire rod from Brazil, Indonesia, Mexico, Moldova, and Trinidad and Tobago will be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphones and state your name

1 for the record for the benefit of the court reporter.

2 If you will be submitting documents that contain
3 information you wish classified as business confidential, we
4 request it comply with Commission Rule 201.6.

5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: Mr. Chairman, I would note that all
7 witnesses for today's proceedings have been sworn in. There
8 are no other preliminary matters.

9 CHAIRMAN JOHANSON: Very well. Will you please
10 announce our embassy witness.

11 MR. BISHOP: Joining us from the Embassy of Mexico
12 is Gerardo Lamedada, Head of the Office of the Secretary of the
13 Economy in Washington, D.C., for the Embassy of Mexico.

14 We welcome you, Mr. Lamedada. If you would just go
15 ahead and activate your webcam and microphone for us, please.
16 Your microphone needs to be unmuted. Yep, there you go.

17 MR. LAMEDADA: Here I go.

18 MR. BISHOP: Thank you so much. You may begin when
19 you're ready.

20 MR. LAMEDADA: Okay, I'm ready. So, first of all,
21 thank you for the opportunity to testify before the
22 Commission today. My name is Gerardo Lamedada, and I am Head

1 of the Office of Trade at the Embassy of Mexico.

2 I want to discuss the significant benefits the
3 United States and Mexico have enjoyed as a result of their
4 longstanding trade partnership and the two countries' joint
5 plans for continued success with respect to steel trade in
6 particular. I would also like to update the Commission as to
7 the status of Mexican business that rely on the steel trade
8 and share our projections for the future.

9 Since the North American Free Trade Agreement,
10 NAFTA, entered into force in 1994, Mexico and the United
11 States have seen positive trade developments. Trade between
12 Mexico and the U.S. has grown exponentially ever since. U.S.
13 exports to Mexico increased from \$41.6 billion in 1993 to
14 \$256.5 billion in 2019, while U.S. imports from Mexico
15 increased from \$40 billion in 1993 to \$358 billion in 2019.

16 As of 2019, Mexico is the United States' top trade
17 partner and ranks second for U.S. exports in total trade
18 between the two countries, amounting to \$614.5 billion.

19 Mexico supplies to the U.S. its top exports, such
20 as automobiles and auto parts, which contain a significant
21 percentage of U.S. volume content. This beneficial
22 relationship between the U.S. and Mexico has grown over the

1 past two decades as the two countries become closer trading
2 partners and work to address shared concerns in the field of
3 international trade.

4 In the steel industry, the U.S. is the largest
5 importer of Mexican steel, importing 32 percent of Mexican
6 steel exports, while the U.S. is the top exporter of steel
7 products to Mexico, at 39.9 percent of total exports as of
8 2018.

9 Mexico's status as the top exporter of U.S. steel
10 to the U.S. and vice versa can be attributed to NAFTA and
11 continuous dialogue between our governments as to the steel
12 industry.

13 For example, NAFTA partners collaborate along with
14 the private steel sector to develop policies to boost and
15 enhance operation of the North American steel sector through
16 the North American Steel Trade Committee. This committee
17 allows our governments to coordinate positions on issues of
18 importance to steel and provides the steel industry with a
19 forum to exchange information and discuss policies that
20 affect the North American steel sector.

21 This relationship will continue to grow once the
22 United States, Mexico, and Canada agreement is implemented.

1 The special relationship that Mexico has with the U.S.
2 distinguishes us from the other subject countries in this
3 sunset review. Our close relationship with the U.S. has led
4 to numerous coordinated efforts to reaffirm the commitment
5 that both countries have taken to improve and expand the
6 steel industry.

7 For example, in March 2018, the U.S. imposed a 25
8 percent tariff on steel products from virtually all countries
9 under Section 232 of the Trade Expansion Act of 1962. After
10 a number of negotiations between Mexico and the U.S., both
11 countries achieved a mutually beneficial agreement in May of
12 2019 where Section 232 tariffs against Mexico were lifted and
13 a more robust mechanism to monitor and prevent surges of
14 steel imports from Mexico was established.

15 Under this bilateral agreement, if a surge of steel
16 imports occurs, the U.S. can impose Section 232 tariffs on
17 such products. Since implementation of the agreement, there
18 has been no surge in steel imports from Mexico, and both
19 countries have taken steps to continue monitoring imports of
20 steel to ensure the agreement remains in force.

21 Further, demand for wire rod in Mexico is expected
22 to remain stable despite COVID-19 pandemic and related

1 economy concerns. Notably, the Mexican government expects to
2 invest in several major infrastructure developments, from
3 infrastructure projects in southern Mexico to a new 1,500
4 kilometer rail project in Yucatan, Mexico. We expect these
5 projects to support the construction industry and maintain
6 demand for wire rod in Mexico.

7 Further, as of early May, the construction and
8 automotive industries in Mexico have been allowed to re-open
9 and restart production. Both of these industries are
10 significant consumers of wire rod and will continue to do so
11 despite COVID-19 pandemic. Despite the brief closure of
12 these industries during the height of pandemic, they are now
13 ready to begin operations, and we expect this to result in a
14 continued stable demand for wire rod in Mexico.

15 It is also important to highlight that since the
16 imposition of the antidumping duty order, Mexico has
17 experienced substantial growth in downstream industries
18 that pose --

19 MR. BISHOP: Stop the clock.

20 MR. LAMEDA: For these reasons, local demand for
21 wire rod and downstream products will remain stable, and
22 Mexican producers will continue to focus on supplying wire

1 rod to the Mexican industry even if the antidumping order is
2 revoked.

3 To conclude, the Commission should find the
4 revocation of the antidumping order on wire rod from Mexico
5 will not injure the U.S. wire rod industry in the foreseeable
6 future. As noted above, Mexican exports to the U.S. are not
7 likely to increase because internal demand in Mexico is
8 expected to remain strong, and most of the wire rod produced
9 will be consumed in Mexico. Therefore, Mexican exports
10 cannot be a potential cause of injury or threat to the
11 domestic industry.

12 This statement is consistent with the strong and
13 fruitful bilateral relationship between our countries that
14 has continued through the renegotiation of NAFTA and the
15 USMCA, which will be entering into force on July 1, 2020. As
16 trading partners and neighbors, Mexico and the U.S. have the
17 same goal to promote shared economic interests and continue a
18 long-lasting special relationship in trade and security.

19 Thank you for the opportunity to address you today.

20 MR. BISHOP: Thank you so much, Mr. Lameda.

21 MR. LAMEDA: Thank you, Mr. William Bishop.

22 MR. BISHOP: I don't see that the Chairman is on

1 his webcam right now, but I would open the floor to any
2 questions from the Commissioners that we have present.

3 Oh, there you are. Hi, Mr. Chairman.

4 CHAIRMAN JOHANSON: Hello. Hello, Bill.

5 Do any Commissioners have any questions they would
6 like to ask of the embassy witness?

7 COMMISSIONER KARPEL: I do not.

8 CHAIRMAN JOHANSON: No Commissioners do.

9 Well, thank you very much for appearing here today.
10 We appreciate your testimony.

11 MR. LAMEDA: You're welcome.

12 CHAIRMAN JOHANSON: Thank you, Mr. Lameda.

13 MR. LAMEDA: Very nice meeting you.

14 CHAIRMAN JOHANSON: Thank you.

15 MR. LAMEDA: Good luck. Ciao.

16 MR. BISHOP: With that, Mr. Chairman, we will turn
17 to opening remarks. Opening remarks on behalf of those in
18 support of continuation of the orders will be given by Alan
19 H. Price of Wiley Rein.

20 Mr. Price, you have five minutes, and you may begin
21 when you're ready.

22 MR. PRICE: Good morning, Chairman Johanson and

1 members of the Commission. I am Alan Price, counsel to Nucor
2 Corporation and Commercial Metals Company.

3 In the five years since the Commission last
4 reviewed these orders, the U.S. industry has become
5 increasingly vulnerable to unfairly traded imports. Since
6 then, the domestic wire rod industry has been twice injured
7 by unfair trade, once from China and then a second time from
8 dumped and subsidized imports from 10 countries.

9 Declining demand has made the domestic industry
10 even more vulnerable. As demand fell from 2018 to 2019, most
11 of its trade and financial indicators dropped, including
12 production, capacity utilization, shipments, and operating
13 income. COVID-19 is exacerbating these deteriorating
14 conditions.

15 Revoking the orders now would be devastating. The
16 pandemic is hitting U.S. producers hard because it is hitting
17 their customers hard. Both automotive and construction
18 demand is declining significantly. Things are even worse in
19 the subject countries and their traditional export markets.

20 The U.S. recovery will take years according to the
21 Federal Reserve, but it will be faster than in the subject
22 countries, and this will make the U.S. even more vulnerable

1 and the U.S. market even more attractive.

2 The five countries under review are historically
3 disruptive. If the order is revoked on any of them, imports
4 will increase and the vulnerable domestic industry will be
5 injured. Each of the subject countries has significant
6 combined excess and divertable capacity.

7 Because the U.S. market is 42 percent smaller than
8 it was at its peak in the original investigation, even small
9 volumes from any subject country will have a material
10 injurious impact on the domestic industry. The fact that led
11 the Commission to cumulatively assess the injurious effects
12 of the five countries in the last review are even stronger
13 here.

14 On the other side, you will hear a single Mexican
15 producer trying to mimic the play book that Ukraine used in
16 the last review. Unfortunately, we were forced to re-file
17 another case against Ukraine after they surged back into the
18 market, and the Commission made an affirmative determination
19 putting them back under order.

20 The basic tenets of the wire rod industry have not
21 changed since the original investigation. Domestic and
22 subject wire rod all compete under similar conditions of

1 competition. Wire rod is interchangeable among country
2 sources and competes on the basis of price. How will the
3 subject countries increase exports of a product where prices
4 normally determine who gets the sale? Just like they always
5 have: by underselling U.S.-produced wire rod and causing
6 injury to the domestic industry.

7 There are five things I want you to remember when
8 considering the other side's arguments today. First, the
9 Mexican industry currently has more excess and divertable
10 capacity than in the last review, and the amount of excess
11 capacity cannot be distinguished from other countries.

12 Second, just like the last review, the Mexican
13 industry has added capacity for wire rod, although, here, at
14 least one producer decided not to tell the Commission about
15 it.

16 Third, just like the last review, Mexican producers
17 remain extremely interested in the U.S. market. In the last
18 decade, Deacero circumvented the wire rod order twice. And,
19 by the way, it's also recently been found to circumvent a
20 rebar order, and rod and rebar are all made on the same
21 equipment. Deacero is the reigning champion of
22 circumvention, with three rulings under its belt.

1 Fourth, ArcelorMittal and Grupo Simec no longer
2 have any interest in U.S. production. This removes another
3 possible reason for these producers to limit their dumped
4 Mexican imports.

5 Fifth, Section 232, the agreement between the U.S.
6 and Mexico, does not prevent Mexican imports from surging.
7 Just look at rebar from the same subject Mexican producers.

8 In sum, Mexico will have a discernible adverse
9 impact on the U.S. industry, as will all subject imports.
10 All subject imports will compete under similar conditions of
11 competition. They should all be cumulated. Allowing the
12 subject producers to re-enter the U.S. market will have an
13 injurious price and volume effect and negatively impact
14 workers and producers.

15 On behalf of the domestic industry, we ask that the
16 Commission make affirmative determinations with respect to
17 all subject imports. Thank you.

18 MR. BISHOP: Providing opening remarks on behalf of
19 those in opposition to continuation of the orders will be
20 Rosa Jeong of Greenberg Traurig. Ms. Jeong, you have five
21 minutes. If you will go ahead -- there you are, you may
22 begin when you're ready.

1 MS. JEONG: Good morning. I'm Rosa Jeong with
2 Greenberg Traurig, appearing on behalf of Deacero and Deacero
3 USA. It is a pleasure to be here today, and we truly
4 appreciate the Commission's effort in providing this
5 opportunity to have a live hearing in this case during these
6 unusual times.

7 As you know, these orders have been in place for 18
8 years; 18 years is a long time, during which much of the
9 world has changed, of course. According to Petitioners, no
10 change would ever justify revocation of any order and that
11 every AD order should exist in perpetuity. That's not what
12 the staff just said, nor what the Commission believes.
13 Instead, the Commission carefully reviewed the market and the
14 industry to determine whether the revocation of the order
15 would lead to a recurrence or continuation of injury.

16 One advantage of reviewing an order that's been
17 around for 18 years is that the Commission is able to review
18 a long period of data in assessing the behavior of market
19 participants. Here, with respect to Mexico, the behavior of
20 the industry has been remarkably consistent. Mexico has
21 continued to import to the U.S. in low volumes and never
22 constituted more than a minute share of the market. Mexico

1 has also maintained high capacity utilization rates and has
2 continued to focus on internal consumption and supplying
3 their hallmark customers, while demand for wire rod and
4 downstream products has grown.

5 In this review, Mexico faces an additional
6 restraint in the form of the bilateral agreement and the
7 removal of Section 232 duties, which constrains imports from
8 Mexico at historical levels. Should any significant increase
9 occur, the domestic industry will be fully protected through
10 the resumption of Section 232 duties. These exact standards
11 are in contrast to those related to the other four subject
12 countries: Brazil, Indonesia, Moldova, and Trinidad and
13 Tobago, which have not imported any commercial volume to the
14 U.S. market since the imposition of the order. And unlike
15 Mexico, these four countries seem to have high excess
16 capacity or are more export-oriented or do not have the
17 additional volume restraints.

18 These facts support analyzing subject imports from
19 Mexico on a decumulated basis. What is remarkable about the
20 U.S. industry's prehearing brief and the submitted testimony
21 is how much time the U.S. industry spends talking about other
22 countries and products not under review. For example, the

1 U.S. industry spends a lot of time discussing the injury they
2 suffered from wire rod imports from China in the 10 countries
3 investigated in 2017.

4 By definition, any injury the U.S. industry may
5 have suffered from the imports from these other countries is
6 not attributable to Mexico, and, more importantly, the U.S.
7 industry has already obtained orders against China and the 10
8 countries. Adding icing on the cake, the industry is further
9 protected from imports from virtually all other countries in
10 the world through the imposition of Section 232 duties.

11 The U.S. industry also points to rebar, not wire
12 rod, and argues that Section 232 volume restraints are not
13 working. Setting aside the fact the data they used is highly
14 distorted, there has been no surge of wire rod, the product
15 under review.

16 Why is the U.S. industry pointing to irrelevant
17 products and countries? It's because all data related to
18 wire rod imports from Mexico do not support a conclusion that
19 the revocation of the order will result in the recurrence of
20 injury. The U.S. industry also seeks to cast doubt about the
21 reported Mexican capacity figures, citing articles and other
22 information about investments made by Grupo Simec,

1 ArcelorMittal, and Siesta.

2 As discussed in our prehearing brief, public
3 information confirms that these purported new investments are
4 primarily dedicated to non-subject merchandise or refer to
5 total steel capacity or broad categories, including many
6 other products, not just wire rod. In short, there's no
7 evidence linked to any material increase in capacity in
8 Mexico, and the Commission should continue to rely on the
9 data collected with respect to capacity and production.

10 By all measures, the U.S. industry is doing well
11 and is not in a vulnerable condition. Despite its claim to
12 the contrary, the U.S. industry, after successfully shutting
13 out virtually all imports from the U.S. market, seems to be
14 having trouble meeting U.S. demand, as reflected in the
15 reports of shortages and the large number of Section 232
16 exclusions granted. Upon a complete analysis of the record,
17 the Commission will find that the imports of wire rod from
18 Mexico will remain insignificant and the industry is unlikely
19 to be injured by the increase in the instant volume. It is
20 time to sunset the order. Thank you.

21 MR. BISHOP: Thank you, Ms. Jeong.

22 Mr. Chairman, that concludes the opening

1 statements.

2 Moving to our panel, the panel in support of
3 continuation of the antidumping and countervailing orders are
4 all present. All witnesses have been sworn in. This panel
5 has a total of 60 minutes for the direct testimony. If the
6 witnesses could please activate your webcams and microphones
7 when you speak. Otherwise, please leave them disabled.

8 Mr. Rosenthal, you may begin when you're ready.

9 MR. ROSENTHAL: Thank you, Mr. Bishop.

10 This is Paul Rosenthal of Kelley Drye & Warren.
11 Kelley Drye is representing Charter Steel, Liberty Steel USA,
12 Optimus Steel, and EVRAZ Rocky Mountain Steel in this review.
13 And I'm presenting this overview on behalf of the entire
14 domestic industry, which would include Newport and CMC as
15 well.

16 Before I get into the meat of our presentation, I
17 want to show you a little amusing instructional video, which
18 will take about 26 seconds. (Video plays.)

19 Well, while I rarely disagree with Homer Simpson, I
20 don't share his antipathy to carbon steel wire rod. What
21 makes wire rod heroic is not its use on a flight into space
22 but rather its character as a product essential to every kind

1 of industrial activity that makes an economy work: bridges,
2 roads, buildings, vehicles, consumer goods. Virtually every
3 product necessary for a modern economy depends on products
4 made from wire rod.

5 As a ubiquitous intermediate product, wire rod has
6 a certain quiet heroism. Indeed, because it is so essential,
7 virtually every country in the world has the capability to
8 produce wire rod. And because it's used in so many common
9 applications, it is produced in essentially the same way, to
10 the same standards, and effectively is interchangeable from
11 one producer to the next.

12 Turning to the Slide Number 3, it reminds us that
13 the Commission has always recognized the interchangeability
14 and substitutability of wire rod products. In the original
15 investigation, the Commission found that imported and
16 domestic carbon steel wire rod are highly substitutable and
17 interchangeable. You also found that prices drive purchasing
18 decisions. You made the same findings in each of the sunset
19 reviews as well.

20 In subsequent investigations involving China and
21 the 10 countries in 2018, the Commission made similar
22 findings of moderate to high substitutability and overlapping

1 competition. You also, again, found that price is an
2 important factor in purchasing decision and that the
3 purchasers usually purchased the lowest price products.

4 In this current review, the staff concluded that
5 industrial quality wire rod, which makes up most of domestic
6 consumption, is highly substitutable. The majority of
7 importers and 80 percent of purchasers agree that the
8 domestic and imported products are highly interchangeable.
9 It's also worth noting that the domestic producers make every
10 type of carbon wire rod.

11 Slide 6 summarizes the purchasers' views about
12 price. Ninety-six percent said it was a very important
13 factor. Eight-six percent said it was in the top three
14 purchasing factors. And two-thirds of purchasers said that
15 factors other than price were never or only sometimes a
16 significant factor in the decision to purchase carbon wire
17 rod.

18 Given the importance of price, it's no surprise
19 that the imposition of duties in the original investigation
20 led to a steep decline in subject imports. It is very clear
21 that those imports cannot make significant sales to the U.S.
22 market without dumping. Indeed, Deacero has routinely been

1 found to dump even under the order. And Commerce has
2 concluded that the Mexican producer as well as the producers
3 in the other subject countries will resume dumping at
4 significant margins if the orders are revoked.

5 The next few slides summarize the Commission's
6 findings concerning underselling. This next slide shows that
7 in the original investigation, the Commission found that
8 subject imports undersold to the domestic industry in over
9 three-quarters of quarterly comparisons. In the first
10 review, the instances of underselling were 57 percent of
11 quarterly comparisons. And Slides 10 to 11 show you the
12 results of underselling in the second and third reviews,
13 which shows underselling from Mexico only, finding 81 percent
14 and 70 percent underselling in the quarterly comparisons
15 respectively.

16 In the current review, price continues to be the
17 key to purchasing decisions. Slide 12 shows 27 producers say
18 that price is very important and no one says it is not
19 important. The next slide summarizes the data regarding
20 demand, which has dropped steadily since the time of the
21 original investigation. Indeed, in the current period of
22 review, demand continues to decline, and Slide 14 puts this

1 decline in graphic terms. It's confidential, but the
2 Commissioners should have that version.

3 In Slide 15, you see the enormous share of the
4 domestic market that subject imports would capture if they
5 were free from restraints and returned to preorder levels.
6 If the subject imports were able to return to volumes that
7 they had in the original investigation today, it could result
8 in a significantly higher market share than they were able to
9 capture preorder because of the decline in demand since the
10 orders were imposed.

11 Slide 16 graphically illustrates the decline in
12 prices to the key pricing products in 2019. Two of them
13 declined by over 20 percent and the other two by 30 percent.
14 That decline is one of the indicia of vulnerability which is
15 further outlined in the next slide.

16 Just two years ago, the Commission concluded its
17 investigation of dumping and subsidies by 10 countries that
18 surged into the U.S. market, injuring the domestic industry.
19 As a result of your decision, we think the industry has had
20 something of a recovery. Thank you. Profits have increased
21 somewhat, although not as much as the Deacero brief would
22 have you believe.

1 As you can see from the record, the profits have
2 remained modest at around 6 percent. Not terrible but not
3 the level needed for a capital-intensive industry to be able
4 to reinvest and stay competitive. Moreover, the average
5 masked significant vulnerabilities, as your confidential
6 version of the slide indicates.

7 The next slide, indeed, the review of the capacity
8 utilization in this slide, 18, shows a decline from 82 to 70
9 percent of capacity utilization from 2017 to 2019 and
10 underscores why the domestic industry cannot afford another
11 surge of low-price imports from the subject countries.

12 The next slide outlines some examples of full or
13 partial plant closures in the last couple of years. You'll
14 hear the industry witnesses discuss some of these closures
15 and idling of facilities. As the slide notes, five producers
16 reported prolonged idling and reductions in shifts at various
17 times in the period of review. Among other adverse events
18 highlighted in the slide, Liberty Steel, which made a major
19 investment in reopening the shuttered door shop steel mill,
20 recently announced the temporary idling of the mill,
21 affecting 130 employees and contractors, due to declining
22 demand in the U.S. market.

1 With the domestic industry in a vulnerable
2 condition, the last thing it needs is more competition from
3 low-priced subject imports. Unfortunately, as weak as the
4 U.S. market may be, it is still very attractive to the
5 imports from the five countries subject to review.

6 As Slide 20 summarizes, U.S. market prices are
7 still higher than those elsewhere in the world, and the U.S.
8 market is still very large and open compared to many other
9 markets around the world. This is true despite the Section
10 232 duties, as other industry witnesses will explain later.
11 Moreover, while all the subject producers have demonstrated
12 an ability to penetrate this market, several have affiliated
13 U.S. import arms that could readily facilitate those imports
14 if the antidumping orders are revoked.

15 As mentioned at the outset, wire rod is produced by
16 just about every industrial country. And while foreign
17 producers have the capacity to support their own country's
18 needs, they all want and need to sell their excess capacity
19 to the U.S. You saw the slide about the subject import surge
20 in the original investigation. The next slide shows you the
21 subsequent import assault from China and 10 other countries.

22 Every foreign producer wants to sell in the U.S.

1 market, and as the next slide shows, no company has shown
2 more determination to sell in the U.S. market than Deacero.
3 As Slide 22 outlines, Deacero wants to sell in the U.S.
4 market in the worst way. And when I say worst, I mean that
5 in every sense of the word. Not only is Deacero highly
6 motivated, but it has shown a willingness to circumvent the
7 antidumping order on wire rod not once but twice.

8 Slide 23 shows how Deacero's imports have spiked
9 when it circumvented the dumping order, meaning that imports
10 came into the U.S. without dumping duties. And you can see
11 how Deacero's imports declined after the Commerce Department
12 investigated and found circumvention.

13 Mr. Price and other witnesses will have more to say
14 about Deacero, but one thing is clear, when there's no
15 discipline of an antidumping order, their imports will surge.
16 Revocation of the orders, however, not only pose a threat of
17 an import surge from Deacero but the rest of the subject
18 producers as well. Confidential Slide 24 shows that capacity
19 in the subject countries has surged since the original
20 investigation. And Confidential Slide 25 shows that even
21 based on incomplete questionnaire data, the responding
22 subject producers have high and growing levels of unused

1 capacity. The next slide shows that even the incomplete data
2 demonstrate that the responding producers' idle capacity
3 represents a substantial percentage of U.S. demand.

4 In the next few slides, I want to address some of
5 Deacero's claims specifically. Slides 27 and 28 show that
6 the Mexican industry has growing capacity and declining
7 capacity utilization. And as Slide 29 shows, the Mexican
8 industry has increased exports. Indeed, and again, contrary
9 to the argument of Deacero, Slide 30 shows that the Mexican
10 wire rod industry sales through its own market has declined.

11 Again, Mr. Price will expand on the facts with
12 respect to Deacero, the rest of the Mexican industry, and the
13 other foreign producers, but I'll mention one more claim by
14 Deacero that is contradicted by the record. Slide 31 shows
15 that the U.S. wire rod industry can indeed supply the entire
16 market. While we all know that an affirmative determination
17 in the domestic industry does not require such a showing,
18 this is just a matter of fact.

19 In sum, Deacero's capacity is up. Its capacity
20 utilization is down. Its own market is declining, and its
21 exports are growing. If given the opportunity through
22 revocation, Deacero will no doubt do what it's done before,

1 ship large quantities at low prices to the U.S. market.

2 I have three slides remaining. As evidence of a
3 just and merciful God, however, I'm not going to read them,
4 but I urge you to take a couple of minutes to do so. They
5 summarize what importers and purchasers have told you will
6 happen if the orders are revoked. In essence, importers and
7 purchasers say that they will resume buying the subject
8 imports, as Slide 32 details, that U.S. prices will drop, as
9 indicated in Slide 33, and that while the orders help
10 increase prices, revocation will undoubtedly lead to more
11 imports supplied at lower prices, that's Slide 34. This
12 concludes my presentation, and we'll turn next to Mr. Price.

13 Thank you.

14 MR. PRICE: Good morning. I am Alan Price. I'm
15 counsel for Nucor Corporation and Commercial Metals. And in
16 my presentation today, I'm going to focus on cumulation
17 issues for the Petitioners.

18 As we all know, cumulation is discretionary in a
19 sunset review. However, the facts in this review, just like
20 the first and second reviews, demonstrate that the Commission
21 should cumulate all five of the subject countries.

22 No party has challenged that the traditional four-

1 factor test criteria supports cumulation here. Only a single
2 Mexican producer has raised the issues of discernible adverse
3 impact and differences in conditions of competition.

4 Frankly, the other Mexican producers have decided that their
5 best strategy is not to appear.

6 Each subject country will have a discernible
7 adverse impact if the orders are revoked. These countries
8 have excess capacity, declining capacity utilization, and are
9 export-oriented. The Commission has cumulated these five
10 countries in the last review and in all the prior reviews in
11 the original investigation, and, frankly, the facts are even
12 stronger for cumulation in this sunset review.

13 In the last sunset review, the majority of the
14 Commission found that each country would have a discernible
15 adverse impact, but the facts are even stronger in this
16 review. In addition to the same facts supporting the
17 Commission in the last review, we have in this case Brazil,
18 we have new entrants, in Indonesia you have new capacity, in
19 Mexico you have excess capacity and continued interest in
20 wire rod with Deocera now having multiple affirmative
21 determinations of circumvention under its belt. Again, it is
22 the reigning circumvention champion in the steel industry.

1 GDP in all five countries is predicted to decline
2 significantly. Notably, Mexico's GDP contracted in 2019 and
3 is projected to have its sharpest decline in GDP in 2020. As
4 GDP and consumption fall in the subject countries, they will
5 have the economic incentive to export to the attractive U.S.
6 market.

7 In these quotes from Simec's most recently released
8 annual report, it acknowledges that demand is declining in
9 Mexico due to government spending cuts. COVID-19 is having
10 substantial additional negative effects on demand, but the
11 current competitive conditions encourage mills to maximize
12 exports, which leads to lower prices and margins, and that it
13 competes in the export market on the basis of price.
14 Essentially, Simec acknowledges that Mexican producers as
15 well as other subject countries will be desperate to export
16 wire rod and will compete on the basis of price. We agree.

17 The data shows that the pricing of the Mexican
18 producers are indistinguishable from the other subject
19 producers. The data in the pre-hearing report confirm that
20 the U.S. is attractively priced for all of the subject
21 producers compared to the prices in their other export
22 markets.

1 Even prior to COVID, responding producers reported
2 declining capacity utilization, which reflects the overall
3 decline in demand in their home market and traditional export
4 markets. Mexican capacity utilization is even lower than in
5 the prior investigation, and as you saw from Simec's annual
6 report in the prior slide, the high fixed cost of running
7 steel mills encourages steel producers globally to maximize
8 production and exports by lowering prices in the face of poor
9 demand.

10 Now, based on Respondents' own data compilation,
11 Mexican producers could increase exports significantly. I
12 want to remind the Commission that excess capacity is excess
13 capacity. It's not dedicated to internal consumption or
14 other export markets or even other products. This is
15 capacity that will be used to target the United States if the
16 orders are revoked. And this data does not include capacity
17 expansions from other Mexican producers which the Commission
18 discovered while preparing the pre-hearing report that was
19 not reported in the Commission data.

20 Deacero claims that Mexican producers have not
21 increased capacity during the last five years and that the
22 reports of capacity increases for long product are not wire

1 rod.

2 Sometimes a picture is worth a thousand words. The
3 picture to your right is wire rod. It's the first bar of
4 wire rod produced in Grupo Simec's new mill in 2018. I would
5 encourage the Commission to review the article filed with
6 this presentation.

7 While they may try to call this product bar, it's
8 wire rod, as the picture on the right shows. Simec's new
9 mill is operating at less than 50 percent capacity. That
10 capacity along with the other increases in capacity will be
11 targeted at the United States if the orders are revoked.

12 Mexico's excess in divertible capacity is greater
13 than in the prior review, where the Commission decided to
14 cumulate Mexico with the other subject countries. And this
15 data predates the additional negative effects of COVID on
16 global demand and Mexican demand.

17 I would like to emphasize that while Mexican
18 capacity utilization has declined significantly during the
19 review period, the Commission should be focusing its
20 attention on the volume available to send to the United
21 States in the event of revocation. The volume is significant
22 and has increased since the last time the Commission looked

1 at this, and it decided that Mexico would have a discernible
2 adverse impact and compete in the same manner as the other
3 subject imports. Again, the facts here with respect to
4 cumulating Mexico are stronger than the prior review.

5 The Commission has granted final trade relief to
6 the domestic wire rod industry twice in the most recent five-
7 year review period under investigation. The first
8 investigation involved China and the second investigation
9 involved 10 countries.

10 The Commission can compare the relative volume of
11 Mexican excess and divertible capacity to the peak levels the
12 Commission found in the 10-country case and the China case.
13 It's significant. Mexican producers will compete on the same
14 manner as all other subject countries if the orders are
15 revoked. Excess capacity in Mexico is similar to other
16 countries where the Commission has found that unused capacity
17 was the reason that it would have a discernible adverse
18 impact in past sunset reviews of wire rod.

19 In the last sunset review, the Commission revoked
20 the order on Ukraine in part because of ArcelorMittal's local
21 coordination policy. The Commission found that this policy
22 would allow ArcelorMittal's U.S. operation to prevent or

1 limit ArcelorMittal's Ukrainian mill from shipping large
2 volumes of wire rod to the United States.

3 Chairman Johanson and Commissioner Williamson
4 disagreed and determined that the policy would not prevent
5 imports from Ukraine from having a discernible adverse
6 impact. So what happened? After the order was revoked,
7 imports from the Ukraine surged and we had to file another
8 case against the Ukraine and nine other countries. In those
9 cases, Arcelor was the largest or second largest exporter in
10 a total of three of the subject countries.

11 The consideration of ArcelorMittal's company policy
12 is no longer an issue because ArcelorMittal no longer has an
13 interest in wire rod capacity in the United States.

14 I would add that in this investigation
15 ArcelorMittal actually, or Mittal, excuse me, has an interest
16 in three countries in the mills that are producing here. So
17 we had three countries last time finding injury, and we have
18 three countries here. What happened with Ukraine could
19 happen again and would happen again here if these orders are
20 lifted.

21 We urge the Commission to take a few seconds to
22 look at this slide. In this slide, you can compare which

1 producer has the most excess capacity. You can also examine
2 changes in that producer's capacity over time.

3 Now I have to say when Ms. Jeong said we brought up
4 rebar, I was a little stunned in that. They brought up in
5 their brief quite extensively various random products and
6 tried to say oh, things won't surge, things can't surge, and
7 putting aside how they cut off data for the month of May and
8 manipulated to try to make things look the way they wanted it
9 to. They actually didn't give you the product that the same
10 producers produced on the same equipment often and it's the
11 exact same subject producers, so it's probably the best
12 evidence of whether or not the 232 really would restrain
13 their exports. So we figured we'd focus on that. And so
14 they raised the issue, we're going to respond with the thing
15 that we think is most telling as to what will happen if you
16 revoke these orders. And we think it's most telling,
17 frankly, whether or not the 232 will restrain and does
18 restrain exports from Mexico.

19 Regardless of what period you look at, whether you
20 look at a three-year period from '15 to '17, which is often
21 referred to as a historical period for those involved in the
22 232, or you look at the period for the five months prior to

1 the revocation of the actual duty requirement in 2019
2 compared to the current period, there are huge surges. Any
3 argument that the 232 will restrain imports from Mexico and
4 it's a magical panacea, well, the facts speak here and these
5 are the facts for the same producers who are producing on
6 common equipment. So there is no basis for concluding that a
7 bilateral agreement will discourage a dramatic surge in
8 Mexican wire rod imports, and I'd actually be happy to
9 address that more in answers to questions or in the post-
10 hearing brief.

11 In the last two sunset reviews, the Commission has
12 found that Mexico would have a discernible adverse impact and
13 compete under similar conditions of competition as well as
14 other subject countries. The facts in this review are even
15 stronger. Therefore, the Commission should cumulate all
16 subject countries for this review.

17 With that, we would now like to take the
18 opportunity to introduce our witnesses. Because we filed
19 their testimony in writing, we believe the Commission has had
20 an opportunity to review those written statements in advance.
21 Our witnesses will be available to answer questions.

22 For Nucor Corporation, I'd like to introduce Mr.

1 Eric Zernikow. Eric, can you turn your camera on for one
2 second?

3 MR. ZERNIKOW: Good morning, everyone.

4 MR. PRICE: Okay. Eric is responsible for
5 commercial operations for the entire Engineered Bar Group,
6 which includes the wire rod facility.

7 Mr. Rosenthal, would you like to introduce your
8 witnesses?

9 MR. ROSENTHAL: Yes. Thank you.

10 Joining us today from the domestic industry are
11 Edward Goettl, who is the Vice President of Sales and
12 Marketing at Optimus Steel, and Timothy Dillon, Senior Vice
13 President of Sales and Marketing for Liberty Steel USA. As
14 the testimony of Mr. Goettl and Mr. Dillon were already
15 submitted for the record, they won't read those this morning,
16 as I'm sure you've already read them, but they'll be happy to
17 answer your questions.

18 And also available to answer questions are my
19 colleagues, Kathleen Cannon, Alan Luberda, and Brooke Ringel
20 of Kelley Drye and Gina Beck of Georgetown Economic Services.
21 Thank you.

22 MR. PRICE: And also available from Wiley Rein is

1 Derick Holt and Adam Teslik.

2 And with that, we will reserve our remaining time
3 for rebuttal. Thank you.

4 MR. ROSENTHAL: I have a question for Mr. Bishop.
5 Bill, should we leave the webcams on or off or as you direct
6 us?

7 MR. BISHOP: Just go ahead and leave them off until
8 a question, you're answering a question.

9 MR. ROSENTHAL: Okay.

10 MR. BISHOP: Okay. Thank you.

11 CHAIRMAN JOHANSON: All right, we appreciate you
12 all appearing here today. We will now begin Commissioner
13 questions with Commissioner Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: Okay. Yes, I'd like to
15 thank you all for being here today, especially the witnesses.

16 My first question, I wonder for Mr. Rosenthal, have
17 the Simpsons made any predictions with regard to steel wire
18 rod since they seem to be pretty good at making predictions?

19 MR. ROSENTHAL: You know, Commissioner Schmidtlein,
20 I was given a book about the Simpsons and philosophy and I
21 was not able to find anything there about predictions for the
22 future of wire rod, although I will note if you go in and

1 watch that entire episode of "Homer in Space," you'll see
2 that wire rod did receive a medal, and I think it was a medal
3 that was based on domestic production, with the expectation
4 that it will continue.

5 COMMISSIONER SCHMIDTLEIN: Okay. I was impressed
6 that you were able to find that episode at all.

7 MR. ROSENTHAL: Well, my son gave me that clip more
8 than 10, 15 years ago and we almost used it at a previous
9 proceeding, but technology wasn't as advanced and I figured,
10 you know, he's getting old, I had to get this done before too
11 long. Thank you.

12 COMMISSIONER SCHMIDTLEIN: All right. Just a
13 moment of lightness there.

14 So my first question has to do with the joint
15 Section 232 agreement and the fact that Mexico is no longer
16 under 232 tariffs or quotas, and I know that, Mr. Price, you
17 just addressed that by using rebar as an example, but I
18 wonder if you could respond to the argument that at the very
19 least this means that imports from Mexico are going to
20 compete differently, that this is a different condition of
21 competition since the other countries, other subject
22 countries in this particular review are not under that

1 exemption, don't have that kind of exemption. So shouldn't
2 we look at that as a different condition of competition in
3 terms of analyzing decumulation?

4 MR. PRICE: So, again, we don't think you should
5 look at it as a differing condition of competition. What the
6 agreement says is that if there is a surge in imports and the
7 United States raises it, we may reimpose duties. So,
8 essentially, while it liberalizes the 232 a bit, okay,
9 they're still subject to the 232. The exact parameters are a
10 little bit different, but they are a similar condition of
11 competition.

12 COMMISSIONER SCHMIDTLEIN: Well, you don't think
13 that would serve as a -- I know, again, you used the rebar,
14 and I -- forgive me, I don't recall is rebar under -- we have
15 so many orders I assume on rebar, is rebar under order?

16 MR. PRICE: Rebar is under order.

17 COMMISSIONER SCHMIDTLEIN: From Mexico?

18 MR. PRICE: From Mexico and Turkey and a bunch of
19 different countries, yeah.

20 COMMISSIONER SCHMIDTLEIN: And so, in the example
21 you used, rebar has surged back in after the 232 exemptions?

22 MR. PRICE: Well, there are reasons why, you know,

1 there are surges. The 232 disciplines are complicated in a
2 variety of different ways. They're temporary. You know, no
3 one knows how long they're going to last. No one knows how
4 they're going to be enforced. And so what you see is a
5 variety of different experimentations going on. People eat
6 the duties all the time and come in. We see surges of people
7 under the duties. We see surges of people with temporary,
8 with exemptions at times. Not exemptions. Where you have
9 these modifications with Mexico and sometimes we don't.

10 So 232 is a condition of competition. It's common
11 to all of the subject countries, and the exact differences in
12 terms of behavior can vary by product. But, regardless of
13 whether or not there's duties in place, regardless of whether
14 or not there's this hybrid with Mexico, we see people surging
15 in and out under the 232 program.

16 MR. ROSENTHAL: If I could add to that,
17 Commissioner. If anything, the Mexican treatment under 232
18 makes them even more likely to export to the U.S. market than
19 the others who are covered by the duties. Apart from
20 everything that Mr. Price said about the temporary nature of
21 the duties, the unpredictability, how long they'll stay in
22 place, et cetera, we know that for some of the other

1 countries under order they have the 25 percent duties in
2 place, not for Mexico. And they could come in and increase
3 their imports quite a bit before the USTR and the Mexican
4 government decide that a surge might be there and decide to
5 do something about it. Or they may decide not to. Imports
6 may surge and the government says, you know, we have bigger
7 fish to fry, we're not going to do something about this.

8 The most important factor, though, is that if
9 anything, the Mexican exports are more favored than the
10 others, and to the extent that there's any difference in the
11 condition of competition, it makes them more likely to come
12 in. And if you do decumulate, which you shouldn't, there's
13 no possible way you can make the conclusion that their
14 exports to the U.S. would have no discernible adverse impact.

15 So, if anything, they should not be treated
16 differently, but they are. They should be treated as more
17 likely to harm the U.S. industry than anybody else.

18 COMMISSIONER SCHMIDTLEIN: So let me just go back
19 to that rebar slide. So, if I understand, rebar is under
20 order from Mexico. Once the agreement was reached and the
21 232s were changed, you know, in terms of liberalizing them,
22 as you mentioned, rebar surged back into the United States

1 from Mexico. So why hasn't that already happened with regard
2 to this product, right? So they're both under order.
3 They've both had the exemption now put in place. Rebar has
4 surged back in. Would you argue Mexico has already surged
5 relative to where it was? Or why that difference?

6 MR. PRICE: So I think there are a variety of
7 reasons which we can explain more in the post-hearing brief,
8 including the fact that dumping margins are different rates,
9 the deposit rates are different, you know, the reality is
10 that people make their own calculations of where they want to
11 take financial risk on their dumping cases and they've made a
12 different calculation here.

13 What I would say to you is that to the extent, and
14 they raise the argument and said hey, because of the 232
15 agreement, you know, here, product cannot surge into the
16 United States, that is just not the case.

17 MR. ROSENTHAL: And I'd like to have Mr. Dillon
18 comment in this.

19 COMMISSIONER SCHMIDTLEIN: Okay.

20 MR. DILLON: Good morning. My name is Tim Dillon.
21 I'm Senior Vice President with Liberty Steel.

22 And our view is that what we are seeing in the

1 market today is through the first three months of this year
2 wire rod shipments are actually far more than they were
3 through the first three months of last year. In fact,
4 they're four times as much as they were through the first
5 three months last year. So I think there's evidence that
6 there's an increasing interest for Mexican wire rod producers
7 to ship to the U.S.

8 COMMISSIONER SCHMIDTLEIN: I assume through those
9 shipments Mexican producers have maintained their, I don't
10 know whether you want to call it a network or their contacts
11 with their distributors or end users.

12 MR. ROSENTHAL: Not only do they have their same
13 contacts, they've got a sister company in the United States
14 that makes wire products that are shipped there. And by the
15 way, that company, Mid Continent Steel, used to buy their
16 wire rod domestically before they were acquired by Deacero.
17 They displaced U.S. production that way, and Deacero ships
18 not only there, through their extensive network, they ship
19 elsewhere.

20 MR. PRICE: This is Alan Price. I would add that
21 we believe going forward it's not just Deacero. We believe
22 there are a number of other Mexican producers that will

1 penetrate the market rapidly. As the 10-country case showed,
2 frankly, it's very easy to enter the market in wire rod and
3 to ship massive volumes and to increase them very, very
4 quickly. So entry into this market by the subject imports
5 would not be difficult, whether it's Mexico or any of the
6 subject countries.

7 COMMISSIONER SCHMIDTLEIN: Okay. Thank you. My
8 time is up.

9 CHAIRMAN JOHANSON: Next, we turn to Commissioner
10 Kearns.

11 COMMISSIONER KEARNS: Great, thank you.

12 I don't have too many questions, but let me just
13 start with demand and COVID-19. Mr. Price, I think in your
14 brief you pointed out not just the impact that COVID-19 will
15 have on the U.S. market but also the market in other
16 countries, in particular in Mexico.

17 And I'm wondering if you all can send more about
18 how we should look at COVID-19. You know, as I think your
19 brief points out, it seems there are kind of two dimensions
20 to it, both the U.S. market but then also relative
21 differences between the U.S. market and other markets. And
22 if other markets right now are more dependent -- I mean if

1 other producers in other countries, subject import countries,
2 are more dependent on other markets, then we should be
3 analyzing that as well. So, if you have any thoughts on that
4 post-hearing or now, I'd appreciate it.

5 And I'm going to also ask the Respondents to
6 comment on the Nucor brief that pointed out, if I remember
7 right, I think auto production in Mexico is down 99 percent I
8 think is what the brief said. So any thoughts on that now or
9 post-hearing.

10 MR. PRICE: Certainly.

11 First of all, COVID is very relevant. Obviously,
12 the Commission has to look at the conditions of competition
13 and the likely effects of revocation based on the facts as
14 they currently exist. Obviously, demand has been
15 dramatically affected, as we'll address in our post-hearing
16 brief, but a couple of points that we'll address here and I
17 can just add for a second.

18 Projections on auto build for light or automobile
19 consumption and build for North America are down dramatically
20 not only for this year but for many years to come.

21 The peak auto consumption in the United States was
22 going to be roughly, where we were producing roughly 17.4

1 million units up until May of '19. It actually starts to
2 decline there. This year, we'll be lucky to consume 12
3 million units.

4 And the construction side tends to be a lagging
5 indicator, so projects in production tend to get finished
6 out, but what we see going forward is going to decline
7 dramatically. Not only is this the case in the U.S., but
8 this is the case in Mexico and other markets where we see
9 significant declines going forward.

10 Mr. Zernikow, would you like to discuss the changes
11 in demand we're going to see for these products both in the
12 U.S. and globally, in Mexico and elsewhere?

13 MR. ZERNIKOW: Absolutely. Eric Zernikow, Nucor.

14 Regarding first the U.S. markets, the reality is
15 not well. We're already being challenged from an automotive
16 standpoint. It's down significantly.

17 As Alan mentioned, the construction backlogs are
18 typically much more firm and it's a lagging business, so we
19 will not see some of the effects from a construction
20 standpoint for probably nine to 12 months.

21 I can tell you one of the things we watch closely
22 is the ABI, Architectural Billings Index, and we're already

1 starting to see much slower activity in those areas, which is
2 typically a precursor of what is to come.

3 When we look a little bit more specifically at
4 Mexico, that market in particular is under extreme economic
5 pressure. Construction projects being canceled, as
6 mentioned. I think you saw the forecasted GDP levels are
7 well-documented.

8 The other part I would put into play for the
9 COVID-19 pandemic, if you look at IHS and their outlook for
10 automotive production in Mexico, it's back to 2025 to return
11 to pre-COVID level amounts.

12 MR. ROSENTHAL: Mr. Goettl testified in his written
13 statement about the demand in Mexico. Mr. Goettl, would you
14 like to add anything at this point?

15 MR. GOETTTL: Hi. Ed Goettl, Optimus Steel. Yeah.
16 We're certainly seeing more activity or quotes from Mexican
17 producers in the United States. It's very clear to us, the
18 market participants we talk to who happen to have plants.
19 Our customers also happen to have plants in Mexico, but
20 demand in Mexico is very poor and it's not anticipated to
21 turn around anytime soon. It's very concerning if this order
22 is revoked what will happen on top of the poor demand that

1 they're experiencing there right now.

2 MR. ZERNIKOW: I would like to add one thing to
3 that. And we can hit some of this in more detail in our
4 post-hearing brief, but we are seeing at least offers for the
5 first time from companies like ArcelorMittal in Mexico that
6 we had not been seeing previously. So those things are
7 starting, there's starting to be some activity there, and I
8 have zero doubt that without these orders and all the subject
9 companies staying in place there will be a significant impact
10 on the U.S. steel industry and most importantly our
11 teammates.

12 MR. PRICE: And, Mr. Zernikow, in your written
13 testimony, you discuss the decline in your orders currently.
14 Can you just briefly highlight that piece of testimony.

15 MR. ZERNIKOW: Yeah. What I would share with you
16 is I believe it was the last five weeks that I had took in
17 comparison to what we had seen last year, and without a doubt
18 we are beginning to see decreased order activity. We are
19 seeing impacts already to the amount of hours available for
20 our team to work just based on where those demand levels are,
21 and fully believe that anything other than cumulating all
22 these companies would end up with a major problem for U.S.

1 steel producers. I think we can mention we've already seen
2 some U.S. steel production in wire rod have to shut down, as
3 we've previously mentioned, other companies other than Nucor.

4 COMMISSIONER KEARNS: Okay. Thank you very much.

5 Next, I wanted to ask about cumulation. Deacero
6 argues that Mexico has a higher degree of capacity
7 utilization, more U.S. export orientation compared to other
8 subject countries, and is the only country not subject to
9 duties in other markets and is the only one that has a
10 safeguard in its home market. Can you help us put that in
11 perspective in terms of how we should think about cumulation
12 in this case compared to other cases?

13 MR. ROSENTHAL: None of those differences or
14 alleged differences really make them any different than the
15 other countries and none of those are a basis for
16 decumulation, if you will.

17 We spent some time in our brief talking about that.
18 When it comes to what they said in their brief concerning
19 demand and capacity and capacity utilization, I would point
20 out a lot of that is incorrect. If you're talking about
21 Mexico overall, capacity utilization is overstated, capacity
22 is understated, their export orientation is pretty much

1 ignored, and the decline in their economy is, as the
2 argument, has been totally contradicted by the record and
3 what we've heard today.

4 So not only do the facts not support that, the law
5 doesn't either. None of those are bases for decumulation.
6 And, indeed, the ultimate, from my point of view, point that
7 they're making, which is they're not that interested in the
8 U.S. market and they're going to behave differently from the
9 other subject countries, is totally contradicted by their
10 behavior in the past, their continuing efforts to circumvent,
11 their efforts to sell, and you just heard five minutes ago
12 testimony by domestic industry witnesses that they are being
13 very aggressive in the U.S. in this current environment.

14 COMMISSIONER KEARNS: Thank you.

15 MR. PRICE: Alan Price. I actually want to take
16 one second here and contrast Canada, where you decumulated in
17 the first review, just to put things in perspective why
18 Mexico is not like Canada and why Mexico is like the other
19 countries here.

20 So there are four basic reasons why there was a
21 decumulation decision in that one. The first one, actually,
22 Mexico increased market share from the original POI. You're

1 going to say, huh? They increased market share, why would we
2 decumulate? Let's just follow it for a second here.

3 The Canadian industry actually decreased production
4 capacity while the other countries increased or maintained
5 capacity. Clearly, Mexico increased or maintained capacity.
6 And I would say to you that Mexican import volume has been
7 bouncing around but largely restrained by the current orders.
8 That was not the case with Canada.

9 Okay, let's go to the heart of this. Canada showed
10 high levels of overselling in the original review period. It
11 was 54 out of 78 comparisons in the investigation. And when
12 you got to the sunset review, they were increasing their
13 market share. They were overselling in 117 out of 118
14 comparisons. And it turns out a significant portion of the
15 Canadian imports were essentially isolated in cold heading
16 quality and welding quality, which was where at the time
17 there was the conclusion that there was a low or negligible
18 share of imports from the other countries. So let's just put
19 that aside.

20 NAFTA is not what's at stake here. This is not the
21 issue. The question is, will these guys have a discernible
22 adverse impact. When the Canadians were overselling by large

1 margins, they did not have a discernible adverse impact.
2 These guys will have a discernible adverse impact. They have
3 a constant history of underselling. They can only get into
4 the U.S. market by underselling and by underselling
5 pervasively in every single analysis you have done.

6 COMMISSIONER KEARNS: Okay, thank you very much.
7 My time is up, but I did want to note before I turn over the
8 mike that this is Chairman Johanson's last hearing, and I
9 wanted to express my appreciation for all the work he has
10 done through some pretty difficult times at the Commission in
11 a number of respects, whether it's government shutdowns or
12 COVID-19 or many other more day-to-day challenges we've had.
13 So I've appreciated working with you, Mr. Chairman, and I
14 look forward to continuing to work with you after you step
15 down. Thank you.

16 CHAIRMAN JOHANSON: Well, thank you, Jason. I
17 greatly appreciate it. It has been indeed a rather
18 challenging chairmanship, but I think the Commission's come
19 through well. I appreciate all the great work of the
20 Commission staff and, of course, of my personal staff, who
21 always do a great job for me. So thank you, Jason.

22 Next, we'll move on to Commissioner Stayin.

1 COMMISSIONER STAYIN: Thank you.

2 Mr. Chairman, I too want to thank you for your
3 leadership in this first year that I have been here. I'm
4 still learning and learning a lot from you taking us through
5 this terrible virus episode, enabling the Commission to
6 continue to meet its mandate notwithstanding all of the other
7 obstacles. So I commend you for your leadership.

8 CHAIRMAN JOHANSON: Thank you, Randy.

9 COMMISSIONER STAYIN: With respect to the issue of
10 supply constraints, I'm reading from page Roman II-11 of the
11 staff report. Seventeen of 27 responding purchasers reported
12 that they experienced supply restraints since 2014. Several
13 purchasers reported constraints on domestic wire rod nodes in
14 2018. These purchasers stated that due to 232 tariffs U.S.
15 producers began allocating capacity to their customers,
16 resulting in rising price. Another company reported that
17 several U.S. producers refused to produce the 4.75 millimeter
18 wire rod and that a U.S. producer had supply issues in 2014
19 and some purchasers did not report any supply constraints.

20 So I lay this issue with you because I think we
21 need to deal with it. And what are your thoughts, gentlemen?

22 MR. ROSENTHAL: Let me start, Paul Rosenthal, and

1 then I'll turn it over to the other witnesses.

2 First of all, I do think it's important to talk
3 about the time frame here. It is true that when the 232 came
4 about it was pretty abrupt, and all of a sudden a bunch of
5 customers all approached the producers simultaneously to see
6 if they could find alternatives, and I think at that time
7 there were some statements to some of the customers saying
8 we'll get to you. But all of a sudden there was a surge of
9 interest when the 232 came on. And that all got worked out.

10 Same thing when it came to the antidumping duties.
11 As you see now, that temporary phenomenon is long gone. You
12 saw not only a lot of excess capacity in the U.S. industry
13 but declining prices in the last year.

14 So, yes, we won't deny that when those
15 announcements came out all of a sudden there was a surge in
16 interest from customers who hadn't been buying domestic, but
17 that's all, they were all temporary and well in our rearview
18 mirror.

19 With that, I'll turn it over to the other witnesses
20 to amplify.

21 MR. PRICE: I'd like to ask -- this is Alan Price,
22 counsel for Nucor. I'd like to ask Mr. Eric Zernikow to

1 respond. Obviously, when there's a short-term -- we've seen
2 this over and over again where there were short-term supply
3 shocks, as Mr. Rosenthal said, and it just takes a few months
4 for the market to work itself out. Just because you call one
5 mill and you say hey, I want some volume, you know, it
6 doesn't mean they can produce all of the volume for the
7 United States themselves. And then the market sorts itself
8 and this little short-term issue went away pretty quickly.

9 And if you want to know where we are today, just
10 look at the declining capacity, excuse me, in production from
11 2018 to '19, and so you will see that there's obviously
12 plenty of capacity available in that once that worked out.

13 Mr. Zernikow, would you like to address this in
14 greater detail?

15 MR. ZERNIKOW: Certainly. Eric Zernikow with
16 Nucor. Commissioner, I will tell you from a broad answer
17 there is ample U.S. capacity, and that's evidenced by the
18 capacity analysis that's been documented I think that Alan
19 was just referring to. Now I'll say this, are there brief
20 moments in time where there can be hedge or panic buying, and
21 what I refer to is that where folks are overbuying true
22 demand for speculative reasons? Yes, but those situations

1 quickly balance themselves out with typical market dynamics.

2 The 4.75 millimeter item that you bring up, I'd
3 really like to address a couple points on that. One, we did
4 produce it. It was found to be part of the circumvention
5 where 5.5 millimeter could be used and, again, trying to work
6 around the system is, we feel, what we were having. But the
7 important thing to remember on that, that product in itself,
8 just the throughput and the steam, produces roughly 25
9 percent slower than typical wire rod. Yet, that product was
10 being sold into the U.S. at lower than even standard rod
11 pricing, okay. And when we quoted accordingly to supply
12 that, I believe there was an interest. We can hit some of
13 that as well in the post-brief items.

14 The last thing I would say, one mill not having
15 capacity at a given time is not representative of the entire
16 U.S. wire rod steel producing market. And as I stated I
17 think in the beginning, there's ample U.S. wire rod capacity
18 and capabilities, the documentation shows that, I believe, as
19 well.

20 MR. ROSENTHAL: I'd like to have Mr. Dillon and Mr.
21 Goettl also add their perspectives, please.

22 MR. DILLON: Yes, Jim Dillon with Liberty Steel. I

1 don't think at issue here is the actual rod demand and the
2 actual capacity in the United States. As Eric mentioned, I
3 think it's well-documented the capacity exceeds the recent or
4 historical demand in the United States today.

5 What happened in early 2018 as a result of the
6 tariffs is, again, what has been mentioned as speculative
7 buying. If you see prices rising in future months and you
8 can buy steel before those price increases occur, you're
9 going to try to buy as much as you can and increase your
10 inventories regardless of what demand is. You know, the old
11 adage is is that when business is up 10 percent, people want
12 to buy twice as much, and when it's down 10 percent, they
13 don't want to buy anything, and exacerbating that is unfairly
14 traded additional product entering the marketplace that makes
15 it even more difficult.

16 And so even with that all being said, Liberty Steel
17 looked at the mill in Georgetown that was shut down by
18 ArcelorMittal in 2015 and saw even though imports in 2017
19 were about the same as they were in 2016, there were orders
20 that went in place in, I believe, or that were filed in 2017
21 or early in 2017. So, certainly, not only was it the first
22 opportunity for Liberty to enter the U.S. market, but also,

1 it was an opportunity to make additional investments in wire
2 rod and participate in what we had hoped would be a growing
3 market in a market where rod was fairly traded. So we saw,
4 you know, great opportunity there.

5 Unfortunately, as we turned the calendar into 2019,
6 we've seen a steady decline in pricing, and also because of
7 the COVID situation, we've had to go into a 90-day care and
8 maintenance shutdown. We are evaluating restarting the mill
9 if business conditions will allow for that. And we are
10 poised to make significant investments in that mill, as we
11 had done when we restarted the mill in 2018.

12 MR. BISHOP: Paul, you're on mute.

13 MR. ROSENTHAL: Sorry, Mr. Goettl, do you have any
14 brief position? We don't want to use up all of Commissioner
15 Stayin's time, but I think it would be useful.

16 MR. GOETTL: Sure. Ed Goettl, Optimus Steel. I
17 would just say that it was an unprecedented event when the
18 232 started and nobody really knew how long it was going to
19 last and how to behave in that environment, and the evidence
20 of the over-ordering is the inventory levels in the third and
21 the fourth quarter of that year, they were enormous. Our
22 customers, some of them, just had to stop buying because of

1 the inventory that they had, and that's evidence of over-
2 ordering, but in their defense, an unprecedented event that
3 none of us had ever experienced before.

4 And just a quick note on the 4.75 millimeter, to
5 the comments from Nucor, it's an economic decision if you
6 want to invest the money to produce a product that isn't
7 necessary to produce the wire product. You can still produce
8 the wire products that are produced from 4.75 millimeter or 5
9 millimeter, you can produce all those products from 5.5. It
10 just becomes an economic question for the mills as to whether
11 or not they want to invest in producing a different size that
12 isn't necessary for the end product.

13 CHAIRMAN JOHANSON: Okay. Does that conclude your
14 questions, Commissioner Stayin?

15 COMMISSIONER STAYIN: I had one more question and
16 that is just to comment on the demand. In the report, I
17 think it was stated by staff that the level of demand in 2019
18 was the lowest it has been throughout these various cases.
19 Would you like to comment on that? I think you've given us a
20 lot of information, but just on that particular issue.

21 MR. ROSENTHAL: I'm going to ask the industry
22 witnesses if they would like to jump in on this one.

1 Mr. Dillon?

2 MR. DILLON: Yes, Tim Dillon, Liberty Steel. In
3 2018, after the 232s were announced, and I had mentioned the
4 phenomena of speculative buying, buying in advance of price
5 increases, and I think you'll see that there were some
6 additional imports that came into the market throughout the
7 balance of 2018, so there was actually plenty of rod that
8 came in towards the end of 2018 as people were buying more
9 than what they needed, and we spent the first half of 2019
10 where customers were working down those inventories and not
11 buying any rod.

12 And during that time frame, you know, we were
13 taking temporary outages on our mill, as I'm certain other
14 domestic rod suppliers were as well. But the phenomenon of
15 2019 that affected the demand for wire rod more so than
16 anything was the tremendous inventory overhang that was
17 created at the end of 2018.

18 MR. ROSENTHAL: Mr. Zernikow?

19 MR. ZERNIKOW: Yeah, I would just add that demand
20 is definitely down. I think 2018 was certainly overstated
21 with the speculation that's been talked about. The part I
22 would share is that demand in itself is down. It's going to

1 be even further down with the COVID-19 impacts that we've
2 talked about, and the part that I would stress upon everyone
3 is that any movement there on imported products will
4 absolutely harm our business, harm our industry, and harm our
5 team.

6 COMMISSIONER STAYIN: My time is up.

7 CHAIRMAN JOHANSON: All right. Commissioner
8 Karpel?

9 COMMISSIONER KARPEL: Hi, thank you. Thank you
10 everyone for being here today. It's always important to hear
11 from you all. And I also wanted to echo what my fellow
12 Commissioners have said and thank David for his leadership as
13 Chairman. It's really been a welcoming time to have come
14 onboard under your leadership, and I know there's been some
15 challenges, and I've really appreciated how you've navigated
16 us through those, especially this current situation and even
17 these hearings, getting us to the point where we're doing our
18 hearings pretty much the same way, except over video
19 conference, so thank you so much, David. I really am
20 grateful.

21 CHAIRMAN JOHANSON: Thanks, Amy. I appreciate your
22 comments.

1 COMMISSIONER KARPEL: So I'd like to ask about
2 Trinidad and Tobago and, in particular, the facility there
3 that Nucor argues in its brief was recently -- or recently a
4 bid was accepted to purchase the facility. However, the
5 staff report offered information, another news article,
6 suggesting that that bid was withdrawn. Do the domestic
7 industry participants have any information about the status
8 of that sale or whether there is another bidder and whether
9 that facility, you know, has the prospect of restarting
10 production anytime soon?

11 MR. ROSENTHAL: I'll ask Mr. Dillon and Mr. Goettl
12 for their views and then go from there if that's okay.

13 Mr. Dillon?

14 MR. DILLON: Sorry about that. Tim Dillon with
15 Liberty Steel.

16 MR. ROSENTHAL: You've had some experience in
17 opening up mills recently and you know the T&T mill pretty
18 well, so if you could be the first to answer Commissioner
19 Karpel's question, that'd be great.

20 MR. DILLON: I'm not certain of the current
21 interest in the mill in Trinidad Tobago. What I can tell you
22 is that at Georgetown, Georgetown, again, was shut down in

1 2015; Liberty Steel bought the mill, closed on the deal at
2 the end of 2017 to acquire the facility, and within six
3 months, Georgetown was up and operating, so it's a fairly
4 quick turnaround to go from start or go from not running to
5 running and producing significant quantities of wire rod.

6 MR. GOETTL: Ed Goettl, Optimus Steel. I would
7 just add, one, we don't know -- we don't have any information
8 on the status of the facility being purchased right now, but
9 it's our opinion that if the order is removed on Trinidad,
10 that there will be several buyers looking at the facility in
11 very short order.

12 MR. PRICE: Alan Price, counsel for Nucor. It is
13 our understanding that there is an active purchaser for the
14 mill, that the mill, frankly, only has one market. If you
15 understand how that mill was built, it was essentially by the
16 World Bank for exports to the United States. There is no
17 local consumption anymore, nor was there ever much in
18 Trinidad. Nucor has some very specific information which we
19 will elaborate on in the post-hearing brief because it is
20 confidential. It is clear to us that the Trinidadian
21 government wants to restart that mill ASAP, but if you need
22 to restart a mill and it has one market essentially, which is

1 the United States, you know, this case is pretty
2 determinative as to its restart status right now.

3 Mr. Zernikow, anything else to add?

4 MR. ZERNIKOW: You nailed it, Alan. I mean, the
5 size of the market there we know is limited. I'm not going
6 to repeat all the things he mentioned, but, certainly, I
7 would imagine the folks there are watching how this case is
8 handled, with the U.S. being the target market if they were
9 able to come back up.

10 MR. PRICE: And we're pretty confident that without
11 an order, they will be up quickly, that this transaction will
12 be closed.

13 MR. ZERNIKOW: Yeah. I would just add that the
14 concerns on the speed of which a facility like that can come
15 back, I know some of the other witnesses certainly have
16 experience with that, but they can be buying billets and
17 rolling product in very short order or bring up their own
18 melt shop.

19 COMMISSIONER KARPEL: Okay. Thank you. I wanted
20 to ask you about Slide 7 in the domestic industry's
21 presentation, and that slide shows the export AUVs for the
22 subject producers and the United States -- well, actually,

1 not for the United States. Can you just walk me through what
2 are the sources for these figures here? In preparation for
3 the hearing, I was looking at Table -- in particular with
4 respect to Mexico, Table 418, which has some different data.
5 So if you could just walk me through how you made this chart
6 here and what sources went into it.

7 MR. PRICE: Alan Price, Wiley Rein. Mr. Holt, can
8 you address this?

9 MR. HOLT: Good evening -- I mean good morning,
10 Commissioner. We used the global export AUVs for this chart.
11 And if you look at the chart, we used the global export AUVs
12 specifically for Mexico in 2019 in their position, so that's
13 Table 423 because it wasn't in the table in 454. So that's
14 how we prepared it.

15 COMMISSIONER KARPEL: Okay. But those are
16 Mexico's -- the average of Mexico's export prices --

17 MR. HOLT: Export AUVs.

18 COMMISSIONER KARPEL: -- to the world?

19 MR. HOLT: Yes.

20 COMMISSIONER KARPEL: Okay, okay. And that's the
21 same for the other countries represented there, Brazil and
22 Indonesia, okay.

1 MR. HOLT: Yes.

2 COMMISSIONER KARPEL: And then, for domestic
3 producers, you're using their AUVs from the C Table for U.S.
4 shipment?

5 MR. HOLT: Yes.

6 COMMISSIONER KARPEL: Okay. All right. Thank you.
7 Okay. So then here's my question, if you look at Table 48 of
8 the staff report, 418, I'm sorry, it shows exports from
9 Mexico to various countries, and it shows the AUVs for those.
10 I don't see brackets, so I think it's public. And it shows
11 AUVs from Mexico, exports from Mexico being lower than other
12 destination markets, in particular, in Central and South
13 America. I wondered if you could comment on that. That
14 seems to suggest that the United States is the least
15 attractive market for Mexican exports at least based on the
16 information in Table 418.

17 MS. RINGEL: Commissioner Karpel, if I may respond
18 to that, Brooke Ringel, Kelley Drye. What I think is that
19 reflects what the pricing data in the record for the period
20 of review also shows, which is that Mexican imports into the
21 U.S. market have actually undersold U.S. producers in a
22 predominant number of instances and is thus, frankly,

1 reflective of the behavior that we would expect and that
2 we've seen since the original investigation from Mexican
3 imports.

4 MR. HOLT: Also, the export AUVs would include some
5 of the circumventing wire rod that would ship to the United
6 States, which is priced lower too than normal wire rod, so
7 that's why you're probably seeing the lower export AUVs.

8 COMMISSIONER KARPEL: All right. So I was
9 wondering if you could comment on, in your pre-hearing brief
10 at page 27 to 28, you argue that MEPS pricing data shows that
11 U.S. prices are higher than prices in third country markets,
12 in particular, markets in Asia and Europe, and that this
13 creates an incentive to export to the United States if the
14 orders are revoked, and I'm wondering, in particular, for
15 subject imports from Moldova and Indonesia, whether you know
16 the additional cost of shipping to the United States from
17 those markets as compared to those markets and, if so, how
18 those additional shipping costs might factor into your
19 argument here.

20 MR. ROSENTHAL: Ms. Ringel, do you want
21 to -- I'll try it. You're referring to the optimist, the
22 Liberty brief, Commissioner Karpel?

1 COMMISSIONER KARPEL: Yes.

2 MR. ROSENTHAL: Brooke or Gina, do you want to
3 address that question? I'm not sure we have a good handle,
4 sitting here today, about the shipping costs, but we can try
5 to address the rest of it best we can and do the rest in a
6 post-hearing brief. But, if we have, Gina and Brooke, some
7 idea on shipping costs or otherwise, let's go ahead.

8 MS. RINGEL: Commissioner Karpel, Brooke Ringel,
9 Kelley Drye. I don't have specific information on shipping
10 costs at this point in time, but I will say that whatever
11 additional shipping costs exist did not prevent those imports
12 from underselling the domestic product in the original
13 investigation or in prior reviews when that data was
14 collected by the Commission, so the imports are still able to
15 and expected to undersell domestic product regardless of any
16 additional costs.

17 COMMISSIONER KARPEL: Okay. Thank you. If you do
18 have any more specific information --

19 MS. BECK: Oh. Yeah, I'm sorry. Just to piggyback
20 on Brooke, in addition, even in the prior reviews, we also
21 saw underselling, specifically from Moldova, so even since
22 the orders have been in place these countries are still

1 interested and have even undersold since the original orders
2 were in place.

3 COMMISSIONER KARPEL: Okay, thank you. And if you
4 do have any additional information on the shipping costs that
5 you can explore post-hearing, that would be appreciated.
6 Thank you.

7 MR. PRICE: Alan Price, Wiley Rein. We'll be happy
8 to do that post-hearing. The one thing I would note is that
9 with COVID you will see generally a decline in the Baltic Dry
10 Bulk Index, and this has been sustained over time as shipping
11 costs continue to decline and fuel costs continue to decline,
12 which further makes shipping costs less.

13 CHAIRMAN JOHANSON: All right. Does that conclude
14 your questions, Commissioner Karpel?

15 COMMISSIONER KARPEL: Well, I think my time is up.
16 I'll take a look through my notes if I have more.

17 CHAIRMAN JOHANSON: Okay, thank you.

18 I'd like to begin by first of all thanking the ITC
19 staff for making today's hearing possible. I know that a lot
20 of work has gone into this. And I also wanted to thank the
21 parties involved for being here today and for helping to put
22 together this virtual hearing.

1 My first question involves the overall U.S. market.
2 Figure 1-1 of the pre-hearing staff report suggests that
3 demand for wire rod in the United States has never fully
4 recovered from the Great Recession. What causes re-
5 calibration of demand in the United States?

6 MR. ROSENTHAL: Tim or Ed, do you want to take a
7 shot at that?

8 MR. DILLON: Yes.

9 MR. ROSENTHAL: Go ahead. Go ahead.

10 MR. DILLON: I was just going to say what we've
11 seen is products that use wire rod are now being produced
12 outside the United States in increased quantities, and so
13 barbecue grills or white goods or a number of other products
14 that might consume wire rod that were previously being
15 produced in the United States are now being produced
16 elsewhere, and that demand is elsewhere as well for wire rod.

17 MR. ROSENTHAL: Mr. Goettl?

18 MR. GOETTTL: Yeah, Ed Goettl, Optimus Steel. Yeah,
19 the example I always give is a refrigerator. So, before,
20 when more refrigerators were made in the United States, there
21 was condenser wire in the back, there were shelves made of
22 wire. All of those products were made by our customers,

1 hopefully from domestic wire rod. And then, over time, the
2 refrigerators stopped being built to the extent that they
3 were in the United States and moved to countries like Brazil.
4 So there's a movement of the further finished product to
5 other parts of the world. Tires would be another example of
6 that as well.

7 MR. PRICE: Yeah. Mr. Zernikow, would you like to
8 add to that?

9 MR. ZERNIKOW: Yeah, I would concur with what the
10 group shared so far. The other two points that I would bring
11 up, one would be light-weighting. We've seen a lot with
12 vehicle applications and so forth going to different
13 materials due to the CAFE standards for fuel efficiency, so
14 there's certainly been some light-weighting going on in new
15 engineering there, Commissioner.

16 And then the other part I would say is
17 the -- I think it's been hit on -- the downstream finished
18 imports. That's another area that we're really focused on,
19 as people will try to circumvent and go to downstream
20 products when they can't get their given product into the
21 country.

22 MR. PRICE: Alan Price, Wiley Rein. I would just

1 add that, Commissioner Johanson, as a general matter, that's
2 not just true of wire rod. Actually, steel consumption in
3 the United States in macro never recovered fully from the
4 Great Recession, and so, as we look at the current period
5 with COVID-19, with long-term decline in a variety of things
6 and impacts, we know all of the projections show downward
7 consumption declines not recovering for, according to many
8 securities analysts, for three to five years, according to
9 AIHS, for example, many, many years, 2025.

10 The question that some of the analysts are asking
11 is, how much will the demand be down overall? What that
12 points to is an increasingly vulnerable U.S. industry.

13 MR. BISHOP: Mr. Chairman --

14 CHAIRMAN JOHANSON: Does that conclude your
15 response, Mr. Price?

16 MR. PRICE: Yes, it -- sorry. There's a lag there.
17 That concludes my response. I'm sorry, I'm having some
18 connectivity problems at the moment.

19 CHAIRMAN JOHANSON: Okay. Bill, am I there?

20 MR. BISHOP: Yes, you're here right now.

21 CHAIRMAN JOHANSON: Okay. Thank you all for your
22 responses.

1 MR. BISHOP: Alan --

2 CHAIRMAN JOHANSON: That leads to a -- hello, Bill?

3 MR. BISHOP: Yes? Are you there, Mr. Chairman?

4 CHAIRMAN JOHANSON: Yes, I am now. That leads to a
5 follow-up question. To what degree have any imports of
6 finished wire products had an impact on demand for
7 domestically produced wire rod?

8 MR. ROSENTHAL: There's no question that there have
9 been a lot of imports of finished wire products coming
10 through that space. You know about the PC Strand case that
11 is now pending before the Commission. But there are other
12 products, wire mesh among them, and other wire products, that
13 have seen import increases of dramatic portions in recent
14 years, and so, yes, there is more in the way of wire products
15 coming into the United States.

16 And all this is happening in a time of declining
17 demand for a lot of industrial products generally, so it's
18 very concerning. Certainly, the imports of wire rod that
19 have come in have been more impactful than one might have
20 expected because of the decline in overall demand for wire
21 rod, as well as the finished wire products.

22 That's one of the reasons why we're so concerned

1 about revocation of these subject orders now, because, as we
2 highlighted, demand is down, the prices at which the subject
3 producers will inevitably commit to the U.S. market will
4 further depress the domestic industry and not just the
5 revenues but, certainly, the capacity utilization. So it's a
6 major concern.

7 CHAIRMAN JOHANSON: Okay, thank you, Mr. Rosenthal.
8 When Optimus took over the Gerdau plant in Beaumont, Texas,
9 in March 2018, was that a smooth transition or was there some
10 down time required?

11 MR. GOETTTL: Ed Goettl, Optimus Steel. There was
12 no down time. In fact, we had our system in place, we had
13 shipments on the first Monday of ownership and shipped bars
14 on our second day of ownership. So there was a smooth
15 transition both from a production standpoint and from a
16 systems standpoint.

17 CHAIRMAN JOHANSON: Thank you, Mr. Goettl.

18 This is a question regarding Liberty Steel. If I
19 could turn your attention to confidential statements made on
20 page 13 of the Deacero brief and the associated public
21 exhibits 15 and 16. The first exhibit is an article about
22 the owner of Liberty Steel, and the second is about Liberty's

1 acquisition of Georgetown Steel. Both articles were from
2 late February, just before the COVID-19 problem started, and,
3 although I don't want to overstate matters, both articles are
4 somewhat skeptical regarding Liberty's financial health.

5 Given current business conditions of the past three
6 months, is Liberty still on track to reopening Georgetown
7 Steel in the near future?

8 MR. DILLON: Tim Dillon, Liberty Steel. As I
9 mentioned, we have gone into a 90-day care and maintenance
10 mode with Georgetown. We're maintaining the facilities so
11 that we can open those facilities. We have a wire product
12 business that we're looking at using Georgetown for as a
13 depot for our wire products operation, and we are looking at
14 different scenarios for restarting the Georgetown facility.
15 However, we are looking at the current business environment,
16 and we will need business conditions to support the restart
17 of Georgetown.

18 CHAIRMAN JOHANSON: Okay. Thank you for your
19 response. My time, I'm about to hit the one minute left
20 mark, so I'm going to go ahead and move to questions from
21 Commissioner Schmidtlein.

22 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I

1 guess I just had a few follow-up questions on price. Deacero
2 argues in its brief around pages 18 to 24 that U.S. prices
3 are fluctuating with scrap prices and, in fact, the U.S. has
4 been able to maintain a margin above scrap prices. Can you
5 respond to that? And is it your position that while under
6 order during this time, subject imports were having an impact
7 on domestic prices?

8 MR. ROSENTHAL: Perhaps Mr. Goettl and Mr. Dillon
9 could talk about the relationship between scrap and pricing
10 first, and then we'll get to the second part of your question
11 if that's okay, Commissioner?

12 COMMISSIONER SCHMIDTLEIN: Okay.

13 MR. GOETTTL: Sure. Ed Goettl, Optimus Steel.
14 Price is not determined by scrap. It's a factor, but what
15 really determines price is supply and demand. And there
16 certainly are cases where base prices outside of scrap go up,
17 and sometimes base prices go down. So we wouldn't agree that
18 it just simply follows scrap. It just isn't that simple.
19 There's too many factors within supply and demand that are in
20 play beyond scrap.

21 MR. DILLON: I would concur with Ed's comments.
22 The pricing in the marketplace is based on supply and demand.

1 We have continually experienced low-priced imports coming
2 into the marketplace that customers want to present to us as
3 a competitive situation, and I would suggest that those
4 import prices are not connected to scrap in any way. So we
5 don't feel that scrap is the main driver for pricing.

6 COMMISSIONER SCHMIDTLEIN: Are the prices in Mexico
7 affected by scrap prices?

8 MR. DILLON: Well, I think everybody that makes
9 steel and makes wire rod has as a component scrap in their
10 cost, but there's ferroalloys, ferrosilicate, ferromanganese,
11 other inputs that go into scrap, electrodes. There's a
12 number of other things, and that's why we have to say that
13 it's really supply and demand that drives pricing in the
14 marketplace. And that would be true in Mexico as well.

15 MR. ZERNIKOW: Commissioner, if I could add. Aaron
16 Zernikow, Nucor. Pricing is predominantly determined by
17 supply and demand, but I would also add to that that it is
18 heavily, heavily influenced by the import offers and import
19 levels that are out there.

20 Certainly, scrap can play a small factor but does
21 not even compare to import offers that can be sitting on
22 docks and on shores that somebody's trying to unload or get

1 rid of. I think we've hit this, but the U.S. is a highly
2 attractive market due to our size and our products. So that
3 would just be something I'd say we've got to keep in mind.

4 MR. PRICE: Yeah, this is Alan Price. I just want
5 to add that what we're dealing with in a period here is a
6 period where we have very low import offers from Mexico and
7 the other subject suppliers because of the discipline of the
8 orders.

9 During this period, most of the data showing up in
10 the import prices from Mexico, kind of going back to
11 Commissioner Karpel's question, what prices are they
12 transacting at, the prices you have are mostly their transfer
13 prices right now, you know, from one related entity to
14 another related entity.

15 That doesn't tell you what the actual pricing would
16 be in a marketplace and the attractiveness of the pricing.
17 And so the pricing in the U.S. is attractive. Pricing would
18 be very different and the volumes would be very different.

19 To Commissioner Schmidtlein's second question, you
20 know, what are we seeing right now, right now we're seeing a
21 fairly disciplined market, although we are starting to see
22 increasing volumes come in from Mexico as we speak.

1 And as you look at this as how the market's going
2 to react, I think Simec probably said it as well as anyone
3 else: demand's bad. People are going to try to maintain or
4 maximize their capacity utilization. It's going to lead to
5 lower and lower prices. And I think it's a fairly accurate
6 description of what the market will be for these countries if
7 you allow them in in the absence of dumping relief.

8 MR. ROSENTHAL: If I could just jump in for one
9 more point which I think you'll find as important as I do.
10 Everything I've heard from our domestic industry clients over
11 the years and certainly recently is that it doesn't take a
12 lot of volume and low price to have a disproportionate impact
13 on the marketplace, be that viral or viruses in this time.

14 But, in fact, low-priced offers do go viral. If
15 it's known that Deacero or somebody else is offering lower
16 prices, all the other purchasers are going to demand that of
17 the domestic industry. As word gets out, the new low price
18 becomes the target for all purchasers and, therefore, all
19 producers who want to sell to those purchasers.

20 It was surprising to me when I got into the steel
21 industry how important word of mouth is and these offers are
22 to the overall pricing in the marketplace. I don't know if

1 anyone wants to add to that.

2 COMMISSIONER SCHMIDTLEIN: Okay. Let me switch.
3 Thank you very much. Let me switch gears just for one last
4 question here. In the staff report, some of the purchasers
5 or most of the purchasers mentioned Buy America, and so I'm
6 wondering, how significant is Buy America in this market and
7 what kind of impact does that have on demand for domestic
8 product?

9 MR. ROSENTHAL: Paul Rosenthal. I'll summarize
10 quickly and say a very small amount of supply or demand is
11 affected by Buy America. It has some small segments; for
12 example, in PC Strand, there's a tiny portion of Buy America
13 that goes up the highways, but even there, it's relatively
14 small. Overall, for wire rod, which goes into a multiple of
15 uses, Buy America has very little influence overall. I'll
16 let the others expand on that.

17 MR. ZERNIKOW: I would agree. It's a very, very
18 small portion of what we see for the requirements that out
19 there compared to the entire wire rod market.

20 MR. DILLON: We certainly think it's a good idea
21 that we should have more Buy American, but, unfortunately, we
22 don't have enough today, and it's certainly a fraction of the

1 domestic capacity that's covered by Buy American.

2 MR. GOETTL: Optimus would agree with all those
3 comments.

4 MR. PRICE: Alan Price, Wiley Rein. I would add
5 that Buy America does not actually prevent imports from being
6 consumed in Buy America projects. To the extent they are out
7 there, they're small portions of this project. It's just a
8 slight price preference that you might get if you're bidding
9 on an item. Secondly, depending on which Buy America law
10 you're talking about, there are a lot of countries that are
11 qualified to meet under Buy America. Third is that Buy
12 America may protect buying, but it doesn't protect prices,
13 and customers don't say this is a Buy America job, charge me
14 more for that. So it has a little bit of a volume effect
15 perhaps, but it doesn't really insulate on prices at all.

16 COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank
17 you very much. I don't have any further questions, and I
18 just also, before I sign off, wanted to echo my colleagues'
19 thanks to David for his service as Chairman over the last few
20 years and, of course, what have been pretty extraordinary
21 circumstances between the shutdown, the government shutdown,
22 and now the shutdown for COVID-19, so, like them, I also very

1 much appreciate it. And that concludes my questions for the
2 Petitioners.

3 MR. BISHOP: I am not sure what happened to our
4 Chairman right now, but Commissioner Kearns?

5 COMMISSIONER KEARNS: Okay. Thank you. I don't
6 want to take up too much more time, but a couple of quick
7 questions. One, Respondents raised the 232 exclusions,
8 suggesting that there are supply constraints. Can you all
9 comment briefly on that and also in the post-hearing brief?

10 MR. PRICE: I'll quickly address the exclusion
11 issue. We'll have great details in the brief. So, first of
12 all, the Respondents' calculation, they actually never gave
13 us the details, and you actually can't really search the
14 system and come up with their calculation, so there is very
15 much a bit of hide the ball in whatever they're saying here
16 and what they try to characterize as commodity, non-
17 commodity, and what they're actually counting in and not
18 counting in is not readily transparent. I mean, we have
19 categories there, but, actually, until you look at the
20 individual exclusion request, you couldn't even tell what it
21 is.

22 There are a number of issues with the exclusion

1 process. As we all know, Commerce has actually opened up the
2 process for comment because there are a number of complaints
3 and concerns from all parties, actually, whether it is the
4 purchaser community or the domestic producer community.
5 There are a lot of reasons why companies -- most exclusions
6 have been granted because companies do not object, and there
7 are a variety of reasons why companies do not object. The
8 first is a number of companies have made the calculation that
9 it just isn't worth their time to do it because it takes a
10 lot of time and effort to constantly object to these things.

11 Respondents, by the way, filed the same exclusion
12 over and over and over again, figuring sooner or later, one
13 will get through. And we've seen 100,000-ton exclusions get
14 through that someone just missed one in the file when they
15 were objecting to 10 and 20 or 30, they missed one. The
16 exclusion process involves you basically objecting to your
17 customers' requests. There are a lot of reasons why people
18 choose not to object to customer requests that are very
19 commercially related, and so you have to make that
20 calculation. There are number of exclusions in Canada
21 recently, for example, that have been, in essence,
22 retroactive back into the 232 period, but they're taking

1 place now. Why bother even objecting because the imports are
2 here? People are just seeking refunds at this point. So
3 there a number of issues there; we can address them more
4 fully.

5 Mr. Rosenthal, I believe one of your clients has
6 some specific comments about its experiences and what it has
7 experienced with the objection process.

8 MR. ROSENTHAL: Mr. Goettl will add a few words now
9 and then we'll be more expansive in the post-hearing brief,
10 where we can talk about some confidential data.

11 MR. GOETTTL: Sure. Ed Goettl, Optimus Steel. I
12 would just add that when the process started, we could object
13 as an industry, so there were more objections initially.
14 Then you had to do it as an individual company, and some of
15 the comments already made are correct that they were
16 commercial decisions at points in time to not object. But we
17 did object to several along the way, but, for the most part,
18 it becomes another economic decision. There's time and money
19 involved in objecting, and you just have to decide for the
20 individual line items if it's worth it. Part of the process
21 is there are so many line items, so many exclusions that, you
22 know, you could have one person employed doing nothing but

1 reviewing those and objecting to them, and that doesn't seem
2 to be a good use of our dollars.

3 MR. PRICE: Yeah. It's Alan Price. Also, you have
4 to be very careful looking at the quantities that are granted
5 on these things because one of the ways people game the
6 system is by putting in huge quantities in their exclusion
7 request to try to say the U.S. industry can't manufacture
8 this. And some of the quantities are so bloated that it made
9 it very difficult to object, even though no one bought that
10 much, no one was ever going to buy that much. So there's a
11 variety of ways in which those calculations are really not
12 particularly adequate.

13 And, again, there's a lot of abuse of the system
14 and the numbers and how people present things to try to game
15 the system because you can only object for certain specific
16 reasons. And you can game the system to try to prevent
17 people from objecting. I think Mr. Dillon --

18 COMMISSIONER KEARNS: Okay. Thank you. Thank you.

19 Let me move on to kind of a bonus question, the small
20 diameter wire rod and the circumvention issue. My question
21 is, should we have included small diameter wire rod in our
22 original domestic light product determination? And could we

1 have, given that there was no U.S. production of that product
2 at the time?

3 MR. ROSENTHAL: My answer, Commissioner Kearns, is
4 there wasn't any really need to. There wasn't any domestic
5 production at that time, that is true, but it's also the case
6 that, frankly, the decision whether to make it a 5.5 or a 4.4
7 is simply a decision about whether the domestic or the
8 foreign producer wants to incur the costs of reducing the
9 diameter or whether the customer is going to do that. It's
10 the same exact product; it's just been reduced a little bit
11 further. And what's really been fascinating about the
12 Deacero approach is that in order to get around the original
13 lines that were drawn, they decided to incur those costs and
14 actually sold what was a more expensive product to produce at
15 a lower price, which was adding insult to injury.

16 Every one of the producers in the U.S. can do this.
17 It's a matter of how much cost they want to incur and what
18 are they going to get for it. So, when customers say we need
19 this product, with all respect, that's not accurate. They
20 all can start at and all did forever, from time immemorial,
21 at a 5.5 diameter and, all of a sudden, Deacero says, hey,
22 we'll give you this at a lower price and save you some cost

1 in the meantime. So that's how I analyze this issue. I
2 don't know if Alan or the industry want to --

3 MR. PRICE: Yeah, let me just add, and I think I'll
4 just hit a couple of different items here. So you heard Mr.
5 Zernikow testify earlier that they do and can make 4.75.
6 Frankly, customers don't want to pay the price for the extra
7 rolling time versus drawing it down themselves, and that's
8 just an economic tradeoff is what it was. So, if you go back
9 to Commissioner Karpel's question about 418, a large part of
10 the U.S. imports in 2017, until we filed the circumvention
11 case I think in September or October of 2017, virtually all
12 of that is the very small diameter rod of I think the 4.4 at
13 that time, that they're again offering a much more expensive
14 product to make at a much cheaper price because they're
15 desperate to sell it and they can't sell more products to
16 other countries because this is the open market and so
17 they're selling it at really low prices because they just
18 need the volume.

19 The second part of it comes back to, by the way, a
20 transfer pricing issue which I mention because a lot of what
21 Deacero sells is ultimately transfer priced among its
22 parties. So that chart doesn't tell you a lot. The bottom

1 line here, though, is that it's an economic tradeoff. Mr.
2 Rosenthal actually drew this original scope, so I can't get
3 into what the industry view was at the time that scope was
4 made, but the industry can make it. The industry has the
5 capability of making it. It's just an economic tradeoff in,
6 you know, that tradeoff of who bears the cost of that
7 reduction.

8 COMMISSIONER KEARNS: Okay. Thank you very much.
9 I have no further questions.

10 CHAIRMAN JOHANSON: Commissioner Stayin?

11 COMMISSIONER STAYIN: Yes. In the prior second
12 review, the Commission did not determine that the domestic
13 industry was in a vulnerable condition. Rather, it focused
14 on the volume of subject imports. The Commission explained
15 or really acknowledged that most performance indicators
16 declined in 2012 and 2013 after showing some recovery from
17 the recession. We find that the domestic industry is
18 currently not in a vulnerable condition. Nevertheless,
19 should the orders under review be revoked, we find that the
20 volume of subject imports would likely increase to a
21 significant level.

22 In the current time, especially after this COVID

1 virus that our country has endured the shutdown of plants,
2 the shutdown of trains, would you say that there's no
3 question now that the U.S. industry is vulnerable?

4 MR. ROSENTHAL: I would say there's no question now
5 that the industry is vulnerable. But I want my colleague,
6 Kathy Cannon, to expand on that, if that's okay with you,
7 Kathy.

8 MS. CANNON: Sure. Good morning, Commissioner
9 Stayin. This is Kathy Cannon with Kelley Drye. I would say
10 that the statute does not require an industry to be in a
11 vulnerable condition in order for the Commission to determine
12 legally that injury will continue or recur. And that's what
13 happened in the past review. Your facts of record here show,
14 in fact, as we lay out in our brief, that the industry is
15 highly vulnerable, that the conditions have gotten worse.
16 We've just come out of, you know, an injury finding by the
17 Commission a couple of years ago about injury caused by 10
18 other countries that were unfairly trading.

19 So you see a picture of a very nascent recovery by
20 the domestic industry in trying to get back to a condition of
21 health, in trying to reinvest, in trying to do all the things
22 that it really needs to do to put itself back on solid

1 footing. And while, yes, some things have turned up since
2 that time, as the Respondents point out in their brief, what
3 they fail to acknowledge is they're pointing out improvements
4 from a period of significant injury caused by unfairly traded
5 imports.

6 So this industry, indeed, remains in a very
7 vulnerable condition, and that makes it all the more
8 compelling a case that significant volumes of imports that
9 are shown to have even greater capacity and idle capacity in
10 a market where demand has declined to lower levels than it
11 was in the past review and where prices are going down makes
12 it all the more likely that the injury will continue or recur
13 if the subject imports are permitted to return.

14 COMMISSIONER KEARNS: Thank you very much, and that
15 is my last question.

16 CHAIRMAN JOHANSON: Okay. Commissioner Karpel?

17 COMMISSIONER KARPEL: Yeah. I just had a follow-up
18 question. I was asking earlier about Table 418 and I just
19 wanted to circle back to that, and I guess setting aside -- I
20 take your point that you said that the lower Mexican export
21 AUVs to the US compared to other export markets might be
22 evidence of underselling, but I wanted to return to my

1 question that if it's a fact that Mexico has an opportunity
2 to export to market with higher export AUVs, why would it
3 direct any increase in production to the U.S. market where it
4 would get a lower price, as opposed to other markets where it
5 might get a higher price? And in that, I mean, if you have
6 any information about the difficulties in them expanding
7 exports to those third country markets, I'd like to hear
8 that. If you have any information about maybe the products
9 they're shipping to the U.S. are different in some way than
10 the products they're shipping to other markets, that would be
11 interesting, too, or any other explanation, I, of course,
12 welcome.

13 MR. PRICE: Okay. Commissioner Karpel, we'd be
14 happy to address that in our post-conference brief. As we
15 know, the U.S. market is a large, I repeat large open market.
16 It's very, very different in a variety of different natures
17 than a number of these markets where there are extremely,
18 extremely limited demand no matter what you can do. And when
19 you look at the total volumes available to sell in the United
20 States and when you look at the actual prices and their
21 ability to ship large volumes to the U.S., we think not only
22 would they use their excess capacity to ship to the United

1 States, we think that, in fact, the pricing you're seeing is
2 somewhat distorted for a number of reasons in that official
3 import data.

4 You know, when the Commerce Department looks at
5 this and tries to understand what the pricing is and when
6 you're selling a lot -- and again, we're talking about modest
7 volumes coming up from Mexico currently to the United States,
8 but when you're selling a lot to an affiliated party, then
9 that pricing doesn't -- that's not what the Commerce
10 Department looks at to calculate what the real price is, and
11 I suspect that transfer pricing data that is in there does
12 not reflect what I would say open market sales would be. So
13 we'll address it. We'll address it more completely in the
14 post-conference brief.

15 MR. ROSENTHAL: And, Commissioner Karpel, I would
16 just add we know that average unit values hide a multitude of
17 sins. And so, while it's the best we've got to try to figure
18 out what pricing is like in other countries, it's not very
19 good. And we will do our best to explain why what we've got
20 indicates the attractiveness of the U.S. market, apart from
21 past behavior, but what's happening currently and we'll
22 explain as well the limitations of that information.

1 From our point of view, though, and just focusing
2 on these five countries, if you look at where they are in
3 terms of their own demand, their lead to export and you look
4 at the U.S. historically and even in our downward state right
5 now, we're still looking a lot better than most of the other
6 economies in the world generally and certainly for steel
7 consumption.

8 COMMISSIONER KARPEL: Thank you. And do we have
9 information on the demand in these third country markets? I
10 take it there are smaller countries and smaller economies,
11 but if there's more specific information that's in the record
12 or that you could point to that sort of would bolster that
13 assertion that there's a limit to how much those third
14 country markets are going to take in and --

15 MR. ROSENTHAL: We'll get you more of that in our
16 post-hearing brief.

17 MR. PRICE: Absolutely. We'll get you more of that
18 in our post-hearing brief, and the other thing we will get
19 you are various analyses of what demand level -- excuse me --
20 what general economic levels are in third country markets.

21 Most of the developing world is in far worse shape
22 than the United States. They don't have the ability of the

1 Federal Reserve to go in and basically finance a liquidity
2 situation that we can do to keep an economy going, and so
3 things are far worse, particularly when you look at, you
4 know, a number of the countries involved in this case.

5 COMMISSIONER KARPEL: Okay, thank you. That's all
6 the questions I have. Appreciate it.

7 CHAIRMAN JOHANSON: On pages 13 to 14 of the Nucor
8 brief, there are some statements about ArcelorMittal and its
9 domestic wire rod operations and what that might mean for its
10 import sourcing strategy, especially as it's --

11 MR. BISHOP: Mr. Chairman, you're coming in and
12 out. Mr. Chairman, we can't hear you. Mr. Chairman, can you
13 hear me? Mr. Chairman? We're still not able to hear you,
14 Mr. Chairman. Try again.

15 CHAIRMAN JOHANSON: Okay, let me repeat that
16 question.

17 MR. BISHOP: There you go.

18 CHAIRMAN JOHANSON: Okay. My apologies. I'm
19 having technical difficulties, obviously. On pages 13 to 14
20 of the Nucor pre-hearing brief, there are some statements
21 about ArcelorMittal, its domestic wire rod operations, and
22 what that might mean for its import sourcing strategy,

1 especially as concerns the ArcelorMittal factory in Mexico.

2 Because this was a condition of competition that I
3 addressed in my dissent in the last review, I would like for
4 you to help me understand how the situation might be
5 different in this review.

6 MR. PRICE: Certainly. So there are a number of
7 reasons why the situation is different in this review,
8 Commissioner, or Chairman Johanson. First of all, one of the
9 things in the last review that you relied on was Mexican
10 capacity utilization -- excuse me -- was that the Mexican
11 industry -- excuse me.

12 In this one, Mexico has declining capacity
13 utilization, so that's different. They have a lot more
14 export capacity available. They have a downturn in their
15 economy. You have significant excess capacity, and the
16 structure of the industry shows that you have multiple
17 Mexican producers, and so the focus on Deacero, we think, is
18 a bit misplaced here.

19 We've presented various data, which I don't really
20 want to talk about publicly, but I think you can see what it
21 is in the staff report. We see that ArcelorMittal, by the
22 way, no longer has an interest in U.S. production process,

1 and we've seen a number of dumping findings involving
2 ArcelorMittal entities. So, without that domestic constraint
3 in terms of local supply, they have no concerns about
4 injuring themselves or controlling availability to the U.S.
5 And so this is quite different.

6 Also, at that time, I believe Mexico you pointed to
7 was not one of the top two exporters, now it is, to the
8 United States of the subject countries. So that's very
9 different. And the record in this case shows, you know,
10 repeated underselling and a pattern of circumvention.

11 So we'll explain this more in our post-conference
12 brief, but the situation is materially different both because
13 of the Georgetown sale by ArcelorMittal but for a number of
14 other reasons.

15 Mr. Holt, do you want to add to that?

16 MR. HOLT: Yeah. And I would just point out the
17 circumvention and how much weight that you would want to put
18 on it. The sales that were made were not made in an open and
19 notorious manner. The Department of Commerce, and you guys
20 have it, they found that Deacero's sales were not advertised
21 in those situations.

22 So, when you look at the actual weight of how they

1 would react or how they would behave in the absence of a
2 dumping order, you can't really look at the volume that's
3 coming in, but what you can do is look at the pricing, and
4 the Commerce Department found that the pricing of the 4.4
5 millimeter wire rod was lower than the other sales that they
6 made to the United States. So, just putting it in context,
7 that's something that you should consider.

8 CHAIRMAN JOHANSON: Okay.

9 MR. PRICE: And I would add to it is that I
10 wouldn't view that as the likely volume, what they were
11 selling, as the circumvented volume. In the absence of
12 dumping relief, it would actually be a lot higher. They were
13 just trying to -- they were trying to be very discrete. It
14 took us a long time to discover it, fully document it so we
15 could even pursue a circumvention case.

16 And just note that when you look at that 2017 value
17 that Commissioner Karpel was looking at in the official
18 import stats, how low those values were. They're so
19 desperate they're trying to sneak stuff in at a really low
20 price, and the volumes would be a lot higher without the
21 disciplines of a dumping order, which we object, so -- and
22 where they could be open and -- open about it and sell a lot

1 more volume without the restraints of trying to sneak it in
2 and without being discovered. You have to remember this was
3 the second time they were sneaking around trying to do this.

4 CHAIRMAN JOHANSON: All right. Thanks for your
5 responses. I look forward to anything that you might write
6 on this issue in the post-hearing brief.

7 In Nucor's brief at pages 48 to 49, there is a
8 discussion of alleged surges of rebar imports from Mexico.
9 Nucor states that despite this rapid and significant increase
10 beyond historical import volumes, no action has been taken
11 under the U.S.-Mexico agreement. I take it that these
12 imports are monitored by the Steel Import Monitoring and
13 Analysis system, or SIMA. Can you please describe how a
14 complaint would work under this system and whether a
15 complaint was registered in the case of these rebar imports?

16 MR. BISHOP: Alan, you're on mute.

17 MR. PRICE: Yeah, okay. There is no formal
18 complaint system, there is no formal -- you know, I can't
19 talk about how SIMA works in all of this. Obviously, you
20 know, we assume the U.S. Government pays attention, but, you
21 know, at any given point in time, it's up to the government
22 to decide what to enforce and how to enforce it.

1 CHAIRMAN JOHANSON: Okay. Thank you. Mr. Price, I
2 have just one more question. For the post-hearing, could you
3 please comment on the confidential record item, EDIS Document
4 Number 711822, dated June 3, 2020, which was submitted after
5 the release of a pre-hearing staff report regarding the
6 status of the Point Lisas facility? I would appreciate that.

7 MR. PRICE: We will do that for the post-hearing
8 brief. Thank you.

9 CHAIRMAN JOHANSON: Okay, thank you, Mr. Price.
10 That concludes my questions.

11 Commissioner Schmidtlein, do you have further
12 questions? No?

13 Commissioner Kearns, do you have any other
14 questions?

15 COMMISSIONER KEARNS: No, I don't. Thank you.

16 CHAIRMAN JOHANSON: Okay. Commissioner Karpel?

17 COMMISSIONER KARPEL: Nothing further for me.
18 Thank you.

19 CHAIRMAN JOHANSON: All right. Commissioner
20 Stayin, do you have any other questions?

21 COMMISSION STAYIN: No, thank you.

22 CHAIRMAN JOHANSON: Okay, then there are no other

1 questions by Commissioners. Do staff have any questions for
2 this panel?

3 MR. CORKRAN: Douglas Corkran, Office of
4 Investigations. Thank you, Chairman Johanson. Staff has no
5 additional questions.

6 CHAIRMAN JOHANSON: Okay, thank you. Do the
7 parties in opposition have any questions for this panel?

8 FEMALE VOICE: We have no questions.

9 CHAIRMAN JOHANSON: All right then, let's take a
10 recess for lunch. Why don't we come back at 1:00. So we'll
11 see you all back here at 1:00. Thank you for all of those on
12 this morning's panel for appearing here today.

13 (Whereupon, at 12:05 p.m., the hearing in the
14 above-entitled matter recessed, to reconvene at 1:05 p.m.
15 this same day, Tuesday, June 16, 2020.)

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A F T E R N O O N S E S S I O N

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(1:05 p.m.)

CHAIRMAN JOHANSON: Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that the panel in opposition to the continuation of the antidumping and countervailing duty orders are all here. They have all been sworn in. This panel has 60 minutes for their direct testimony. We would ask that you activate your webcam microphone when speaking or answering a question. Otherwise, if you would leave it deactivated, we'd appreciate it.

We welcome you, folks. You may begin when you're ready.

MS. JEONG: Thank you. Good afternoon. For the record, again, my name is Rosa Jeong. I'm an attorney of the firm of Greenberg Traurig and counsel representing Deacero, a producer and exporter of wire rod from Mexico, and Deacero USA, an importer of wire rod from Mexico.

I'll start off our panel this afternoon by providing a short presentation on the legal issue of cumulation. Then Antonio Guerra of Deacero will present information about Deacero, its operations in Mexico, and an

1 outlook for their first market.

2 We do have a slight change in our panel.
3 Unfortunately, Alex Castano of Deacero USA was supposed to go
4 next to discuss their first U.S. sales. Unfortunately, Mr.
5 Castano had a family medical emergency and isn't able to
6 attend today. In his place, Fernando Villanueva, who is
7 already on the witness list, will present Mr. Castano's
8 testimony, and he'll be able to answer any questions related
9 to Deacero's U.S. operation.

10 Next, Chris Pratt will tell you a bit about Mid
11 Continent and its experience as a purchaser of wire and wire
12 rod. Finally, Jennifer Lutz of Economic Consulting Services
13 will provide a summary of the pertinent data and the
14 reasonable conclusions to be drawn from the data.

15 In this sunset review that includes five countries,
16 one of the first issues for the Commission's consideration is
17 whether the Commission should analyze the volume and the
18 effects of subject imports from all five countries on a
19 cumulated basis. On the original investigation, cumulation
20 is discretionary in five-year reviews. Under the statute,
21 the Commission may not exercise their discretion to cumulate
22 subject imports if imports of any other subject countries are

1 likely to have no discernible adverse impact in the domestic
2 industry in the event of revocation.

3 With respect to this position, the Commission
4 generally considers the likely volume of subject imports and
5 the likely impact of those imports on the domestic industry
6 within a reasonably foreseeable time if the orders are
7 revoked.

8 As we discuss in our pre-hearing brief, subject
9 imports of wire rod from Mexico have been shipped to the U.S.
10 in low volumes during the period of review and never comprise
11 more than a minute share of the U.S. market. This trend is
12 not going to change in the foreseeable future, given the lack
13 of excess capacity in Mexico, the Mexican industry's focus on
14 internal consumption, and the home market.

15 Additionally, Mexico faces another effect of volume
16 constraints imposed by the U.S.-Mexico bilateral agreement
17 for the removal of Section 232 duties. Under the agreement,
18 an increase of any particular steel product beyond historical
19 levels would lead toward resumption of Section 232 duties.
20 This means that imports from Mexico will remain at historical
21 low volumes, and, given the volumes in constraint, the
22 Mexican industry will have no incentive to try aggressively

1 to gain market share. Should there be any meaningful
2 increase in imports, the domestic industry will have an
3 immediate remedy in the form of resumed Section 232 duties.
4 For these reasons, imports of wire rod from Mexico will not
5 increase in the event of revocation.

6 It's obvious that Mexican imports at the current
7 levels have not had any discernible adverse impact on the
8 domestic industry. The low volumes and price fluctuations in
9 import volumes in the last 18 years have no connection to the
10 performance of the domestic industry. Imports at the same
11 level will continue to have no discernible adverse impact on
12 the domestic industry.

13 We'd point out that these facts are very similar to
14 a number of other cases in which the Commission decided to
15 equalize imports from a particular country. For example, the
16 existence of import volume restraints related to Section 232
17 was a reason that led to decumulation in the 2018 stainless
18 steel bar sunset review.

19 Also, in the 2016 third sunset review of stainless
20 steel wire rod from Italy, Japan, Korea, Spain, and Taiwan,
21 the Commission decumulated Spain after finding that the
22 Spanish producers' products with dedicated downstream

1 production and with constant production capacity, it was
2 unlikely to change the level of exports to the U.S. We
3 respectfully submit that similar facts exist here.

4 Alternatively, the Commission may exercise
5 discretion to decumulate imports from a particular country if
6 those imports are likely to enter into the U.S. market under
7 differing conditions of competition.

8 Now, in addition to the obvious fact that Mexico is
9 the only country participating in these reviews, Mexico
10 operates under conditions of competition that are different
11 from all other subject countries in virtually all aspects.

12 First, the industry in Mexico has the highest
13 average capacity utilization and has the lowest export
14 orientation. Second, the behavior of Mexican producers has
15 been consistent over the last 18 years, being the only
16 country exporting consistently and in low volume. Notably,
17 Deacero's exports have been low and stable even when its
18 antidumping duty rates were lowest or at de minimis levels.
19 We also note that Deacero's wire rod of 4.4 millimeter
20 diameter was not subject to antidumping duties until February
21 2018, but Deacero's actual volume of these non-subject
22 imports remain modest.

1 Other changes during this period from the original
2 investigation further reinforce the industry's conduct,
3 including the fact that the industry's now dominated by
4 Deacero, whose core business is downstream wire product, and
5 its primary reason for production of wire rod is for internal
6 consumption.

7 These were the very factors that Chairman Johanson
8 cited in his dissent in the second sunset review of this
9 order in 2014. These factors remain unchanged and have only
10 become more prominent over the last six years. The existence
11 of additional volume constraints imposed by the Section 232
12 bilateral agreement also add to the differing conditions of
13 competition faced by Mexico.

14 These circumstances are similar to those that led
15 to decumulation of Italy in the 2016 stainless steel wire rod
16 first sunset review. In that case, the Commission found that
17 the Italian producers were focused on their own consumption
18 for downstream manufacturing, have longstanding regional
19 focus, a well-established and stable customer base in the
20 regional market, in that case Europe, and high capacity
21 utilization rates.

22 Based on similar facts in this case, the Commission

1 should conclude that Mexico is likely to compete under
2 differing conditions of competition and analyze Mexican
3 imports on a decumulated basis. Thank you.

4 MR. GUERRA: Good afternoon. My name is Antonio
5 Guerra, and I'm the Director of Market Strategy for Deacero.

6 I've been working at Deacero for 23 years, starting with
7 positions in sales and marketing of different products,
8 including wire rod, rebar, merchandise, wire, and downstream
9 products, such as nails, fencing, and other construction
10 products. In my current position, I work on planning and
11 developing global sales and marketing strategies for the
12 construction and infrastructure markets. I am here to give
13 you an overview of our company, our operations in Mexico and
14 the U.S., and an outlook for the wire rod business.

15 Deacero is a family-owned business that started in
16 1952 in Monterrey, Mexico, as a small workshop that produced
17 chainlink fences. Since then, the company has come a long
18 way to become one of the leading steel producers in Mexico.

19 Deacero is a vertically integrated steel producer.

20 Our operations include scrap recycling centers, steel mills,
21 wire facilities, distribution facilities, and our research
22 and development center. Deacero has been in the U.S. market

1 for over 30 years selling wire and downstream products.
2 During this time, Deacero has made significant investments in
3 the U.S. In 2006, Deacero purchased Stay-Tite Fence
4 Manufacturing, which is based in New Braunfels, Texas, and is
5 the largest U.S. producer of fixed-knot fencing. In 2007, we
6 purchased two U.S. wire rod facilities which are operated by
7 Deacero USA in Houston. Deacero supply steel wire to those
8 two operations. We also installed a wire galvanizing line at
9 our Houston facility in 2012. Also in 2012, Deacero acquired
10 Mid Continent Steel and Wire, the largest steel producer in
11 the U.S., based in Poplar Bluff, Missouri.

12 We've continued to invest in these U.S. operations.

13 For example, since being acquired by Deacero, Mid Continent
14 added more than 200 factory jobs and added a third factory
15 building. Overall, Deacero employs about 700 workers in the
16 U.S. and is trying to grow this number. In short, we're not
17 just exporter to the U.S. but one of the largest U.S.
18 producers of products, such as fencing and nails. We are
19 committed to the U.S. as manufacturers and employers.

20 Regarding wire rod, we have two production
21 facilities in Mexico, our Saltillo mill, which has one
22 rolling line, and our Celaya mill, which has two rolling

1 lines. These production lines are shared with other
2 products, such as cold rebar. Even on those lines, we have
3 limited ability to switch between products. This is due to
4 commitments to existing customers themselves and the time
5 delays associated with equipment changes.

6 We have two more rolling lines at the Celaya mill
7 that can only produce straight rebar and small merchant bars.

8 We cannot produce wire rod on these two lines because we do
9 not have the equipment such as a finisher block, laying head,
10 and a cooling conveyor.

11 We have a third mill in Ramos Arizpe, but this
12 facility is dedicated to produce straight rebar, merchant
13 bars and beams, and does not have the equipment to produce
14 wire rod. We do not have any plans to expand wire rod
15 production capacity.

16 Since our beginning, our core business has always
17 been steel wire and wire products. We started to produce
18 wire rod primarily to supply our wire production. We have 13
19 wire facilities in Mexico where we draw wire rod that we
20 produce into wire and then manufacture downstream wire
21 products. The majority of the wire rod that we produce goes
22 to internal production of steel wire and downstream wire

1 products. We produce more than 80 categories of downstream
2 wire products used in industries such as agriculture,
3 construction, mining, automobiles, oil and gas,
4 telecommunications, and hardware. These wire products
5 include chainlink fence, barbed wire, staples, nails, and
6 many others.

7 We're always innovating to develop new wire
8 products to cater to different markets. For example, we're
9 developing new presentations for wire products to get into
10 the sales construction market, new presentations and
11 diameters that our specific to our industry-wide clients, and
12 expanding our design master fence range.

13 In 2017, we established a new company called
14 Deacero Summit which produces and sells special wire products
15 for the automotive industry, which has grown tremendously in
16 Mexico over the last 18 years.

17 Our internal consumption and transfer to our wire
18 plants account for around 70 percent of our wire rod
19 production. The rest of our wire rod production is for
20 commercial sales, most of which goes to customers in Mexico.

21 We have over 1300 customers in Mexico. We have a
22 longstanding relationship with most of these customers and

1 are committed to supplying their wire rod needs.

2 We've been supplying many of our home market
3 customers since the 1990s and early 2000s, well before we
4 ever shipped wire rod to the U.S. market. We'll continue to
5 consume large quantities of wire rod to produce steel wire
6 and other value-added downstream products.

7 The last few months, the COVID-19 pandemic has
8 halted many parts of the worldwide economy. Like everyone
9 else, Deacero has seen a temporary slowdown in sales across
10 the company. However, we expect stable wire rod sales and
11 demand for 2020 despite the pandemic. We saw a decrease of
12 sales in May, but based on confirmed and projected orders,
13 June and July sales will be back up to 2019 levels, and we
14 expect the remainder of 2020 to be stable.

15 Among our customers in Mexico, construction and
16 automotive industry stopped operations for a time but are
17 restarting. Other wire-consuming industries, such as
18 agriculture, have not been interrupted by the pandemic and
19 have kept demand for steel wire and wire products steady.

20 Based on our internal projections, which take 2020
21 shipments to date into account, Deacero expects its internal
22 consumption and home market shipments of wire rod to increase

1 steadily in 2020 and 2019 from 2019 levels.

2 We generally export around 10 to 15 percent of our
3 wire rod production, and most of it goes to Central and South
4 America. In those regions, many countries do not have enough
5 wire rod production and need imports. We have developed
6 strong relationships with our customers in these markets, and
7 we're committed to them.

8 The volume of all wire rod exports have been
9 limited because most of our wire rod is already committed to
10 internal wire production for the Mexican market. We schedule
11 our production based on confirmed sales and anticipated sales
12 that are already committed to customers. We do not produce
13 just to keep our lines running or to build inventory.

14 Deacero is not interested in disrupting our long-
15 term production and supply strategies just to address any
16 potential short-term decline in capacity utilization. Our
17 U.S. sales have been limited, and since we acquire Mid
18 Continent Steel & Nail, we prioritize supplying Mid Continent
19 before we sell to other unrelated customers.

20 Even then, there are times that we cannot sell to
21 Mid Continent because all of our wire rod volumes have been
22 committed to home market customers for our wire production.

1 We do not expect this trend to change in the foreseeable
2 future.

3 Thank you very much, and I'll be happy to answer
4 your questions.

5 MR. VILLANUEVA: Hello. Good afternoon, and thank
6 you for the opportunity to testify before the Commission
7 today. My name is Fernando Villanueva. I am the CEO of
8 Deacero USA based in Houston, Texas. And due to Alex
9 Castano's absence, I will read his testimony.

10 "My name is Alex Castano, and I am a sales director
11 with Deacero USA based in Texas. I've been with Deacero for
12 about 15 years. In my current role, I oversee the sales of
13 wire rod, billet, and wire in the United States. Deacero USA
14 imports and sells the steel products produced by Deacero.
15 Deacero USA also has production facilities in the U.S. where
16 we make downstream products that we use that use wire, such
17 as fencing, wire rope, strand, and agricultural products like
18 barbed wire.

19 "We source most of our wire needs from Deacero, but
20 they don't always have the capacity to supply all of our
21 needed material. As a result, about 10 to 15 percent of our
22 materials come from U.S. producers. Deacero USA has been

1 selling wire and downstream products in the U.S. market for
2 around 30 years. We did not sell any wire rod until 2008,
3 well after the imposition of the antidumping duty order.

4 "Around 2008, after receiving requests from our
5 customers, we developed a 4.75 millimeter diameter wire rod,
6 which, to our knowledge, was not produced by any of the U.S.
7 producers at that time. After devoting significant time and
8 resources, we were able to start making 4.75 millimeter wire
9 rod. Our customers who draw thinner wire prefer the smaller
10 diameter wire rod because they can make that thinner rod with
11 less drawing and improve efficiencies.

12 "Starting in 2014, we also developed the 4.4
13 millimeter wire rod, again, after a specific customer request
14 and after devoting a lot of time and resources to develop it.

15 To our knowledge, no other U.S. producer makes or is able to
16 make 4.4 millimeter wire rod, which, like 4.75 millimeter
17 wire rod, offers substantial advantages over larger diameter
18 wire rod, such as 5.5 millimeter wire rod.

19 "When we developed these smaller diameter products,
20 they were not covered by antidumping duties. We view the
21 specific dimensions of our products covered by the duties as
22 being clearly established and rely on them. That said, even

1 when the smaller diameter products were not covered by
2 duties, our imports on these products were modest.

3 "For context, I want to note that wire rod sales
4 make up a very small part of all of what we sell in the U.S.,
5 less than 5 percent. Based on our estimates of the size of
6 the U.S. wire rod market, we believe that our sales are less
7 than 1 percent of the market. We have just five to seven
8 regular customers in the United States with whom we have
9 established relationships, and we ship them small and
10 consistent volumes of wire rod.

11 "Our small volumes of wire rod result from several
12 factors. First, our parent company, Deacero, has only a
13 limited volume that it allocates to Deacero USA. In fact,
14 Deacero plans production and allocates volume to different
15 areas based on confirmed sales, past sales, and projections.

16 As you have heard, Deacero prioritizes internal consumption
17 for its wire production, then the Mexican market.

18 "After those, Deacero USA is assigned a certain
19 volume for each month based on our sales and projections.
20 This system typically means that there's no extra volume
21 available to Deacero USA beyond the initial allocation.
22 Before confirming a sale with a customer, I always have to

1 check back with Deacero to confirm we have availability.

2 "Depending on the volume and nature of the request,
3 it could take months for us to receive any additional volume.

4 And as I mentioned earlier, Deacero doesn't always send us
5 all the materials we need. Because we are constrained by
6 Deacero's available capacity, it is difficult for us to
7 develop new customers or increase our sales volume.

8 "For example, if we are currently selling 200 tons
9 per month to a customer and get a request for an additional
10 200 tons, we couldn't commit to those additional volumes
11 right away. We will have to request approval through
12 Deacero's internal allocation process, which takes around six
13 months. There are many instances where we request additional
14 volumes and months later we are turned down.

15 "Second, as I mentioned, we sell to the same group
16 of five to seven customers in the U.S. on a regular basis.
17 Another reason why we have such a small customer base is
18 because we have to be qualified with any new customer before
19 we make any sales. The wire rod sales require qualification
20 process that involves discussion and agreement as to
21 specifications and testing by the customers.

22 "This process takes a minimum of two months for

1 relatively simple products. For specialty products, the
2 qualification process could take one year and, unfortunately,
3 on some cases, even more. For example, we have been in the
4 process of trying to accomplish the exact specifications of a
5 particular type of wire rod before we can sell any of the
6 products. We have been working to meet the specifications
7 for over two years and still have not been able to meet them.

8 "And finally, there are also geographic
9 restrictions that prevent us from expanding beyond our small
10 volume and customer base in the U.S. We simply cannot afford
11 to compete in certain parts of the U.S. market, including the
12 Northeast, the Northwest, and part of the Midwest, because
13 the freight costs are prohibitive to the expansion.

14 "In sum, Deacero's wire rod sales in the U.S. are
15 constrained by a number of technical, commercial, and
16 logistical factors, all of which will continue to limit our
17 wire rod sales. These factors exist outside of any duties or
18 tariffs applied to imports from Mexico."

19 Thank you very much, and I look forward to
20 answering any questions.

21 MR. PRATT: Good afternoon. My name is Chris
22 Pratt, and I am the operations and general manager of Mid

1 Continent Steel & Wire. Mid Continent is based in Poplar
2 Bluff, Missouri, and produces steel nails and fasteners. Mid
3 Continent is the largest producer of steel nails in the U.S.
4 and accounts for approximately 50 percent of the nails
5 produced in the U.S.

6 We currently have around 500 employees in our
7 Missouri plant and are the second-largest employer in our
8 county. As you may know, Mid Continent has been a petitioner
9 in several antidumping cases involving unfairly traded
10 imports of steel nails. Thus, it is important to note that
11 Mid Continent is a company that believes in fair trade.

12 Mid Continent has been making steel nails in the
13 U.S. since 1987. However, a few years ago, and despite the
14 protections we were getting from some of the trade cases we
15 had filed, the company was still struggling due to continued
16 unfair import competition that supply approximately 85
17 percent of the U.S. market for nails.

18 In 2012, Deacero acquired Mid Continent with a plan
19 to save the company and the jobs of its workers by using
20 steel from Deacero's plants in northern Mexico to make Mid
21 Continent competitive again as an American company.

22 By 2017, Mid Continent's Poplar Bluff plant had

1 grown from just under 400 to around 600 factory jobs, and it
2 had added a third factory building to the two that already
3 existed. Our production was up to over 450 tons of nails a
4 day, up from the 250 of 2012. Deacero continues to invest in
5 Mid Continent and is committed to its success and essentially
6 the survival of an American nail manufacturing industry.

7 To make steel nails, we use either wire rod that we
8 draw into wire or purchased wire. We source wire rod or wire
9 from both U.S. suppliers and our parent company, Deacero.
10 Even before Mid Continent was acquired by Deacero, we
11 purchased from import sources like Deacero. We will continue
12 to get our materials from U.S. suppliers as well as Deacero
13 in the foreseeable future.

14 It is important to have multiple sources of raw
15 materials in case there is any supply disruption with any
16 given vendor. For example, in 2018, when we were having
17 severe problems getting materials from any of our U.S.
18 suppliers -- and that was not the first time Mid Continent
19 experienced such a supply constraint with U.S. suppliers --
20 at the same time, the imposition of 232 duties on imports
21 meant that we couldn't turn to Deacero or any other import
22 source for materials. In an effort to cover a portion of

1 this increased cost of raw materials, we raised our prices on
2 nails 19 percent, only to see our sales volumes plummet to
3 imported nails, which were not subject to 232 tariffs during
4 that time.

5 We managed to make it through thanks to the 232
6 tariff exclusions that we received. It was interesting that
7 during the Section 232 exclusion, a U.S. producer was
8 publicly claiming to the Commerce Department that it was able
9 to supply 100 percent of the materials that Mid Continent
10 needed for production but at the same time told us in
11 business communications that they could only supply 14
12 percent of what we needed.

13 After reviewing these statements, the Commerce
14 Department granted us Section 232 exclusions for 86 percent
15 of the volume that we needed for our production in Poplar
16 Bluff. Our exclusion requests were for wire rather than wire
17 rod, but capacity for wire is essentially equal to the
18 capacity for wire rod.

19 As a U.S. manufacturer, in an effort to ensure an
20 uninterrupted supply of raw material, we will continue to
21 diversify our purchasing requirement by purchasing from both
22 U.S. suppliers and imports.

1 Thank you, and I will be happy to answer any
2 questions.

3 MS. LUTZ: Good afternoon. I'm Jennifer Lutz with
4 Economic Consulting Services. If it finds imports from
5 Mexico would have no discernible adverse impact on the
6 domestic industry if the order were revoked, as it should
7 based on the record of this review, the Commission is
8 required to decumulate those imports.

9 If the Commission does not find that imports from
10 Mexico will have no discernible adverse impact if the order
11 were revoked, it should exercise its discretion to decumulate
12 Mexico from the other subject imports and find that imports
13 from Mexico would not be likely to cause a continuation or
14 recurrence of material injury to the domestic industry.

15 The Commission is conducting its third review of
16 these orders, including the order covering the imports from
17 Mexico, which were imposed 18 years ago. The Commission has
18 a long data series to consider in this review. Mexico is the
19 only country subject to this review that has consistently
20 shipped to the U.S. market since the imposition of the
21 orders, albeit in modest volumes.

22 The actual import volume and market share data are

1 confidential for many of the periods following imposition of
2 the order, but imports from Mexico have fluctuated in volume
3 since the imposition of the order in 2002. These volumes,
4 however, were associated with market shares well below
5 1 percent starting in 2003.

6 This pattern has held true even as duty deposit
7 rates have fluctuated over time. Mexico is also the only
8 country subject in this review that has participated in each
9 of the sunset reviews of the order conducted by the
10 Commission, permitting the Commission to evaluate Mexican
11 industry data over an extended period of time.

12 In the second sunset review of these orders,
13 Chairman Johanson dissented from the majority opinion and
14 voted to decumulate Mexico from the other subject countries.

15 The factors cited by the Chairman continue to apply today
16 and are quite different from the factors cited by the
17 Commission majority determination to revoke the order with
18 respect to Ukraine, which was then included in the recent 10-
19 country case.

20 There is no reason to believe that subject imports
21 from Mexico would enter the United States in volumes or at
22 prices that would injure the domestic industry.

1 In the second sunset review, the dissenting opinion
2 noted several key factors. With respect to the Mexican
3 industry, it noted high capacity utilization with resulting
4 limited available capacity and a low ratio of exports to
5 total shipments.

6 These factors were present during the original
7 investigation as well as the first and second reviews, even
8 during the global recession in 2008 and 2009, and continue to
9 be true during this period of review.

10 A significant majority of Mexico's production of
11 wire rod serves the Mexican home market. One change from the
12 original investigation is the significant quantity of Mexican
13 wire rod production that is consumed internally in the
14 production of downstream products. Just as integrated U.S.
15 producers are unlikely to divert volumes to commercial
16 customers before serving their own downstream wire
17 operations, integrated Mexican producers will continue to
18 supply their downstream operations.

19 Wire rod consuming industries in Mexico, like the
20 automotive industry, have grown significantly since the order
21 was imposed in 2002, as shown in Exhibit 25 of our prehearing
22 brief. Deacero has very longstanding relationships with its

1 Mexican customers. The small portion of Mexican shipments
2 going to export markets has consistently served regional
3 markets in Central and South America, which do not have
4 sufficient home market production capacity to meet demand.
5 Mexico's behavior in third-country markets has not led to the
6 imposition of any remedial duties in these markets.

7 As you have heard in the Deacero testimony,
8 supplier qualification processes for U.S. purchasers can be
9 lengthy and make it difficult to develop customers in the
10 United States. This process makes Deacero unwilling to
11 increase significantly its exports to the United States to
12 fill unused capacity.

13 Even with declines in capacity utilization in the
14 short term, the Mexican industry is not able to ship that
15 capacity to new customers quickly and is not going to
16 sacrifice its long-term supply strategy to fill available
17 capacity in the short-term.

18 With respect to the lower-diameter wire rod
19 products, these too were acknowledged in the dissenting
20 opinion. Even when shipping products that appear to be
21 outside the scope of the orders, export volumes to the United
22 States remained modest and did not adversely impact the

1 domestic industry.

2 In 2017, imports of 4.4 millimeter wire rod from
3 Mexico were present in the U.S. market, with U.S. import
4 statistics showing total imports from Mexico of 47,000 short
5 tons. Despite the presence of these imports, which were not
6 yet subject to the order, the domestic industry reported
7 healthy operating profitability equal to 6.6 percent of
8 sales.

9 Because there is demand for the smaller diameter
10 wire rod that is not being met by the domestic industry,
11 Deacero continues to ship some volumes of this product to the
12 U.S. market, even now that such imports are covered by the
13 order.

14 An additional factor that has arisen since the
15 second sunset review is the establishment of safeguard duties
16 on imports in third-country markets for all countries subject
17 to this review, with the single exception of Mexico. Each of
18 the other subject countries is subject to safeguard duties in
19 Chile and Mexico, and Moldova faces additional safeguard
20 measures in the EU.

21 There have also been significant changes in the
22 conditions governing the domestic wire rod market since the

1 second sunset review. In 2014 and '15, the domestic industry
2 obtained AD-CVD relief against imports of wire rod from
3 China, the world's largest producer of wire rod, and relief
4 against an additional 10 countries in 2017 and '18, including
5 many other significant global suppliers.

6 Earlier this month, the Commission voted in the
7 first sunset review covering imports of wire rod from China
8 to continue those orders. In 2018, the industry gained
9 additional protection when the government imposed duties
10 against imported steel products under Section 232.

11 While imports from Mexico and Canada are not
12 subject to the 232 duties, the 2019 agreements with the
13 United States provide for the resumption of duties if import
14 volumes "surge meaningfully beyond historic levels of trade."

15 Subject import volumes would not be significant if
16 the order is revoked with respect to Mexico. As you have
17 heard from the industry witness and seen in the record of
18 this review, the Mexican industry is not and has not been
19 export-oriented. Rather, it internally consumes a
20 substantial portion of its wire rod production in the
21 manufacture of downstream wire product.

22 Deacero, the largest Mexican producer of wire rod,

1 internally consumes approximately 70 percent of its wire rod
2 production. It has made significant investments in its
3 downstream operation and is not going to abandon them to ship
4 wire rod to the U.S. market.

5 Several U.S. wire rod producers also have
6 downstream wire operations, and the shortages noted by
7 purchasers during the period of review demonstrate that they
8 do not divert material from internal consumption to serve the
9 U.S. commercial market.

10 The Mexican industry would likewise not do so. The
11 Mexican home market is also a very important outlet for
12 Mexican wire rod production, with many long-term supply
13 relationships. As noted by Deacero, it has been supplying
14 many of its home market customers since the late 1990s and
15 early 2000s. Exports account for only a small portion of the
16 industry shipment, and those exports are focused on regional
17 markets in Central and South America which do not have
18 sufficient domestic wire rod supply. Because of these
19 factors, the volume of imports from Mexico is likely to be
20 modest if the order is revoked.

21 Any limited participation by the Mexican industry
22 would not have adverse volume effects on the domestic

1 industry, particularly given the frequent supply disruptions
2 reported by purchasers. Seventeen of 28 responding
3 purchasers noted that there were supply constraints during
4 the period of review. And you have heard additional
5 testimony from Chris Pratt on that subject.

6 I think these purchasers would be very surprised to
7 hear that the domestic industry claimed that it can supply
8 100 percent of U.S. demand. A number of supply constraints
9 were related to availability in 2018, when the Section 232
10 duties went into effect, although they are certainly not
11 limited to that period.

12 In 2018, when numerous shortages were reported, the
13 domestic industry claimed to be operating at only 78.8
14 percent of capacity, with 1.2 million short tons of unused
15 capacity available. While domestic industries and purchasers
16 often disagree about the ability of the industry to supply
17 demand, the Commission has additional evidence at its
18 disposal to evaluate domestic industry claims.

19 As part of the 232 relief, the Department of
20 Commerce established a process to request exclusions from the
21 duty. The Department stated in a *Federal Register* notice
22 that "The primary consideration in whether to grant or deny

1 an exclusion request is evidence that the requested product
2 is or readily can be made in sufficient quantity and quality
3 by domestic manufacturers."

4 Deacero reviewed the exclusions granted through
5 this process to identify wire rod products meeting the scope
6 of this review, and a summary of the exclusion volumes is
7 provided as Exhibit 20 to our prehearing brief.

8 The Department of Commerce granted exclusions of
9 almost 400,000 short tons in 2018, over 1 million short tons
10 in 2019, and almost 460,000 short tons in 2020. Some of
11 these products are more specialty products, but a significant
12 portion of the exclusions covered commonly manufactured
13 commodity products.

14 Thus, findings by another U.S. Government agency
15 confirm purchasers' claim that the domestic industry is not
16 able to meet all of U.S. demand and suggest that much of the
17 unused capacity reported by the domestic industry is
18 theoretical and not practical.

19 To be clear, nothing in the U.S. AD-CVD laws
20 requires a domestic industry to be able to supply 100 percent
21 of demand to receive relief. We simply urge the Commission
22 to treat the reported capacity data with some skepticism and

1 find that any modest imports of wire rod from Mexico are
2 unlikely to have adverse volume effects on the domestic
3 industry.

4 Any subject imports from Mexico would not have any
5 adverse price effects if the order is revoked. The public
6 pre-hearing staff report notes that two producers reported
7 that wire rod prices fluctuate with scrap prices, which is
8 consistent with third-party price data and U.S. producer
9 announcements of price increases, which generally reference
10 scrap prices.

11 Our prehearing brief includes a lengthy analysis of
12 this relationship, although most of the data are proprietary.

13 The public report data show that raw materials as a percent
14 of net sales value declined steadily over the period,
15 indicating that the spread between wire rod and scrap prices
16 has improved, despite the participation of Mexico in the U.S.
17 market, with imports underselling the domestic industry in
18 seven quarters and overselling it in three.

19 Furthermore, declines in U.S. prices in 2019 appear
20 to be related to declines in scrap prices and were not
21 injurious to the domestic industry. Mexican imports during
22 the period did not adversely impact the relationship between

1 wire rod and scrap prices, including the volumes of 4.4
2 millimeter wire rod that entered in 2017 and were not covered
3 by the order.

4 As the Commission has found in other
5 investigations, in markets where contract prices are indexed
6 to published spot prices for the same product, such as many
7 ferroalloy markets, small volumes of imports can quickly
8 affect prices across the market.

9 In a market where prices are so closely linked to
10 raw materials costs, however, small volumes of imports are
11 unlikely to affect overall market prices. Any modest volume
12 of imports from Mexico that would enter the U.S. market if
13 the order were revoked would likewise not be sufficient to
14 affect that price-cost relationship.

15 The domestic industry's performance has improved
16 significantly during the overall 2014 to 2019 period of
17 review. It received AD-CVD duty relief against imports of
18 wire rod from China, by far the world's leading producer of
19 wire rod in 2015.

20 In 2018, it received antidumping and countervailing
21 duty relief against an additional 10 countries. According to
22 the public record from that investigation, imports from those

1 10 countries accounted for almost 40 percent of total imports
2 of wire rod and over 13 percent of the total U.S. market for
3 wire rod.

4 While the domestic industry as a whole remained
5 profitable during the entire period of investigation for that
6 case, profitability levels were low, with operating income as
7 a percent of sales ranging from 0.9 to 2.8 percent of sales
8 in the full-year period. And a majority of U.S. producers
9 reported losses at both the operating income and net income
10 level.

11 In contrast, during the 2017 to '19 period, the
12 domestic industry enjoyed higher operating profitability,
13 ranging from 6.6 to 8.8 percent of sales, and only one or two
14 U.S. producers reporting losses in any portion of the period
15 of review, despite the Mexican industry's consistent
16 participation in the market and despite the fact that demand
17 was at its lowest level during any of the recent cases.

18 The domestic wire rod industry has enjoyed
19 increased capacity, production, employment and market share.

20 There is, of course, concern about the effects of the
21 COVID-19 pandemic. There has been considerable press
22 coverage about downturns in consumption, particularly in the

1 automotive sector. The automotive industry was severely
2 affected by measures associated with the pandemic in April of
3 this year. All indications show, however, that the
4 automotive industry started reopening both U.S. and Mexican
5 plants in May.

6 The industries most affected by the Coronavirus
7 response such as hospitality, travel and entertainment, are
8 not key drivers of demand for wire rod.

9 While the effects of the pandemic are of concern to
10 the domestic and Mexican wire rod industries, indications are
11 that consuming activities are continuing and are resuming.
12 As shown in Deacero's shipment projections for 2020 and 2021
13 even taking year to date shipments into account the company
14 expects its internal consumption and home market shipments to
15 increase modestly but steadily over 2019 levels.

16 The Commission should consider historic data with
17 respect to the behavior of the Mexican industry in
18 recessionary periods. The record of the second sunset review
19 of this order covers the period from 2008 to 2013 which
20 includes the most recent severe global recessionary period.
21 The record with respect to the Mexican industry demonstrates
22 that during that period they did not shift their shipment

1 patterns with respect to internal consumption and home market
2 shipments despite global economic events.

3 Because the Mexican industry is unlikely to
4 increase significantly its shipments to the U.S. market or
5 otherwise alter its behavior the Commission can evaluate the
6 expected effects of revocation by looking at the condition of
7 the industry reflected in the questionnaire responses.
8 However, even if the Mexican industry doubled its shipments
9 to the U.S. market the volume in market share would be
10 insignificant relative to the domestic market and would not
11 have an adverse impact on the domestic industry given the
12 high capacity utilization of the domestic industry as
13 demonstrated by the Department of Commerce exclusion orders
14 and the strong link and steady spread between scrap and wire
15 rod prices which has continued into 2020.

16 The domestic industry producing wire rod is not
17 vulnerable.

18 The Commission should find that imports from Mexico
19 would have no discernible adverse impact on the domestic
20 industry and decumulate those imports. In the alternative,
21 the Commission should exercise its discretion to decumulate
22 imports from Mexico and find that revocation of the order

1 against imports from wire rod from Mexico would not cause the
2 continuation or resumption of material injury to the domestic
3 industry.

4 Thank you.

5 MS. JEONG: That concludes our presentation. Thank
6 you.

7 CHAIRMAN JOHANSON: I would like to thank this
8 panel for appearing here today. We will begin Commissioner
9 questions with Commissioner Kearns.

10 COMMISSIONER KEARNS: Than you all for appearing
11 before us today. This is very helpful to have your testimony
12 and your participation in this case.

13 I will start I guess with price effects.

14 The record indicates that price is an important
15 purchasing factor in the U.S. wire rod market with nearly all
16 purchasers stating that price is a very important factor in
17 their decisions. Moreover the record demonstrates consistent
18 underselling by subject imports, particularly Mexico, in
19 every proceeding since the original investigation. Shouldn't
20 this lead to a conclusion that Mexican imports will resume
21 underselling subject imports in higher volumes if the order
22 were revoked?

1 (Pause.)

2 MS. JEONG: Jennifer, do you want to say something

3 --

4 MS. LUTZ: Yes. Sorry, it took me a minute to get
5 the camera on again.

6 I think that the Commission has in front of it a
7 record covering 18 years of the orders and there has been
8 some underselling by the Mexican industry but the volumes
9 have been very modest, as we keep saying. They're low,
10 they're well under one percent of domestic consumption. And
11 there is no reason to expect that those volumes would
12 increase substantially, therefore limiting any effect they
13 would have on U.S. prices which are closely linked to scrap
14 prices and have shown a steady gap over the last three years.

15 COMMISSIONER KEARNS: Thank you.

16 I also want to ask you about domestic like
17 products. Despite your arguments during the draft
18 questionnaire phase that the Commission had not previously
19 evaluated smaller diameter wire rod as a separate like
20 product, in March 2019 Commerce issued a determination that
21 all such smaller diameter wire rod constituted a minor
22 alteration that place it within the scope of the order.

1 Doesn't your attempts to continue shipping smaller
2 diameter wire rod to the United States notwithstanding the
3 order demonstrate a continued interest in the U.S. market?

4 MS. JEONG: I'll start off a little bit and then
5 Antonio or Fernando can address it.

6 As our witnesses testified those products were
7 developed in response to specific customer requests, to fill
8 a need that U.S. producers didn't fulfill. And there are,
9 despite claims given by the other side saying these were just
10 ways to avoid dumping duties, these are products with
11 specific advantages, technical and commercial advantages,
12 over other products.

13 COMMISSIONER KEARNS: If I can, Ms. Jeong. I think
14 we heard this morning from Petitioners that at least some of
15 that wire rod is further processed by the customer normally.
16 So if you'd comment on that as well.

17 MS. JEONG: Yeah, I'll just start off a second and
18 then Fernando can pick up on this.

19 Yes. These are wire rods that are generally sold
20 to wire producers. So the advantage that we're talking
21 about, the advantage the wire producers have in drawing
22 particular types of wire.

1 Fernando, do you want to get into a little more
2 detail on this?

3 MR. VILLANUEVA: Sure. Thank you very much for
4 your question, Mr. Commissioner.

5 Let me start by giving you a little bit of my
6 background. I was the operational manager of a wire plant in
7 the Deacero Group that we manufactured 160,000 tons a year of
8 wire probes. Wire probes ranging from very small diameters
9 to very big diameter wire probes and also low carbon and high
10 carbon wires.

11 So what is the benefit of 4.75 or 4.5? Basically
12 it's because you need less drawing, okay?

13 Now there are certain occasions that our customers,
14 the machinery, they don't have the exact machinery to produce
15 a new product, like say a very thin product. So they need to
16 start from a 4.75 millimeter wire rod in order to produce
17 that fine product.

18 I'm not trying to be very technical, but for
19 example. If you want to produce a 20 gauge. A 20 gauge is
20 32-thousandths of an inch wide. A very thin wire that can go
21 to staples or can go to a poultry netting or a stucco
22 netting, that is used for construction, and the other one is

1 used in agriculture.

2 To do that the ideal process, to have the ideal
3 results on cost productivity is to have an 11 draft drawing
4 machine. That's the idea. Using 5.5 down to 11.

5 But having an 11 step or path for a drawing machine
6 limits you, your flexibility to do some more wires.

7 For example on that machine you cannot produce the
8 12.5 gauge used for chain link fence, okay?

9 So instead of having an 11 draft machine you can
10 have a 9 draft machine where you can use that machine to
11 either produce 094, 094 is 94 thousandths of an inch wire
12 that is used on chain link, or use for 4.75 or 4.4 to do 20
13 gauge or 19 gauge.

14 So it brings value to our customers, especially
15 those customers that they want to take advantage of their
16 assets, their investments to produce a variety of products
17 and to serve the U.S. market.

18 COMMISSIONER KEARNS: Okay, thank you.

19 Also I wanted to speak to you about the
20 attractiveness of the U.S. market. Doesn't the U.S. market
21 offer the best pricing for wire rod making it an attractive
22 export market? The Commission's pre-hearing report shows

1 that U.S. prices have been consistently higher than those in
2 third country markets for which data are available.

3 MS. JEONG: I think probably Fernando should
4 address this question, but as mentioned in our testimony
5 there are constraints and commitments that really limit
6 Deacero's ability to increase sales to any one market. And
7 Fernando can tell you a little more about that.

8 COMMISSIONER KEARNS: Again, I think what we heard
9 this morning and in the briefs from Petitioners, even if we
10 were to assume that you can't shift current sales, that
11 there's quite a bit of excess capacity in Mexico that could
12 be used to serve the U.S. market. So if you could speak to
13 that as well, Mr. Villanueva.

14 MR. VILLANUEVA: Of course. Yes.

15 I'm going to talk about the two things, pricing and
16 also the availability.

17 We need to acknowledge that delivered price is not
18 everything and honestly speaking, the wire rod doesn't travel
19 well on wheels. And when I say wheels I mean truck or rail.

20 Okay? I'm going to give you an example.

21 Our cost, let's say from Laredo, Texas up to a
22 certain point in Missouri it costs us \$70 a ton. To bring a

1 shipment out of China, Turkey or even Europe to a port in the
2 U.S. costs \$15 a ton. So that inhibits us, our way to
3 compete in the U.S.

4 So even though the prices can be very high, for us
5 they're not too high because we need to spend a lot of money
6 on freight transportation. That's one side.

7 The other side, an industrial wire, industrial wire
8 rod is a pretty unique segment. Because like in the other
9 presentation, the other presenters, they said it is an
10 industrial applications. It is something that you need a
11 specific requirement of a specific specification of wire rod
12 in order to really achieve the results that you want. Okay?

13 So nowadays, I mean we're running away from
14 commodity products and we want to make our product more
15 special and with special details and special diameters. So
16 that plan is forcing us to develop a special wire rod with
17 special chemistries, with special diameters as well to serve
18 those needs. Okay?

19 So even if the market is there, the capacity to
20 develop the right wire rod for what the customer needs it
21 takes a lot of time.

22 In the case I told you on Alex's testimony, we have

1 been trying to develop this wire rod for this specific market
2 and we have been doing tests and trials for two years and
3 until now we haven't been able to develop it.

4 So there's a lot of constraints. Just having the
5 market there, there's a lot of constraints.

6 Also There's a lot of constraints in our group.
7 When our founder created this company, our founder started
8 making chain link fence by hand. The wire that our founder
9 used was bought from Keystone Steel & Wire in Peoria. So he
10 bought quality wire to do chain link fence by hand. So our
11 nature, our core is downstream products.

12 We started doing the vertical integration in order
13 to compete. And be more competitive that draws to integrate
14 further more back in the supply chain.

15 But that integration of supply chain now brings the
16 issues of coordinating that supply chain. So in order to
17 coordinate that supply chain our group, our request, a
18 forecast of the next three months, and if we don't forecast
19 let's say our scrap group, they don't buy the scrap. So even
20 though we could bring an order, there could be no scrap to
21 produce that order.

22 So we are in a time where we need to use all of our

1 resources and the planning system that Deacero uses tries to
2 maximize those resources and that's the reason why sometimes
3 we can look as low, but this is the way that we compete.

4 COMMISSIONER KEARNS: Okay. Thank you. My time
5 has expired.

6 (Pause.)

7 MR. BISHOP: Hello. Chairman Johanson, can you
8 hear us? I can hear you but --

9 Go ahead, Commissioner Stayin.

10 COMMISSIONER STAYIN: Thank you.

11 In your brief there was a lot discussed about the
12 Mexican industries being at full capacity utilization but
13 their focus was on the Mexican industries particularly
14 automobile and auto parts sectors and that they really
15 weren't focusing on the United States market, although they
16 did -- and a second question. To what extent is your company
17 export oriented towards the United States maybe as a result
18 of the UMCA? And to what extent are they focusing on wire
19 rod going to the United States? Or is this just a small
20 portion of what your company is doing?

21 MR. GUERRA: Thank you, Commissioner.

22 Actually I would like to expand on Fernando's

1 comment a few minutes ago.

2 As he has mentioned, 70 percent of what we produce
3 on wire rod we use internally. And another significant
4 percentage of that is sold to Mexican producers of wire
5 products in Mexico. Definitely our focus is in the
6 downstream products and that limits our ability to supply
7 additional volumes to other markets.

8 So we have a limitation from the capacity,
9 availability and the physical capacity of the laminating
10 lines that we have, on the rolling lines.

11 But there's a second one, Fernando talked on it,
12 which was about the logistics and that involves the raw
13 material, the scheduling, et cetera of our scheduling.

14 A third one I would like to point to regarding your
15 question, is about the commercial constraints. Any
16 commercial constraints is that in most of our customers we're
17 talking about long term commitments. They depend on us.
18 They depend on the wire that we supply to them so that the
19 industry can continue operation.

20 For example we supply industries that make
21 mattresses. So shifting production or moving from one market
22 that we supply today to another one would create disruption

1 on this whole supply chain not only of what we produce but on
2 what they need. And as we all know, creating a market, or
3 creating or developing a customer takes time.

4 So we're talking about long term commitments that
5 they are depending on us as we depend on them.

6 So the relationship that we trying to work with our
7 customers, even in the forecasting about what's going to
8 happen in the coming months, especially when we have such
9 uncertainty in the market has to do a lot with having that
10 very tight connection with that customer and being aligned to
11 their demands and their consumptions so that we can adjust
12 according to the demand instead of just producing to see who
13 we sell it to.

14 So that relationship is the one that we have with
15 our customers both in Mexico, what we export and what we do
16 in the United States. It has to be very, very tight.

17 And once again, just moving products to take
18 opportunity of short term gains would disrupt the long term
19 business that we have developed with them over the years and
20 that's where we want to go and work with them.

21 COMMISSIONER STAYIN: Okay, thank you.

22 And yet you did enter the United States with a new

1 type of wire which you just discussed, and it was found to be
2 violating the decisions at Commerce and therefore it was a
3 circumvention of the Department of Commerce order on these
4 products. It suggests that your company was so anxious to
5 get into the wire business in the United States that you
6 attempted to do it through a surreptitious way by coming in
7 with a slightly smaller wire.

8 Tell me what your thoughts are on that and how this
9 came about.

10 MS. JEONG: Thank you. This is Rosa Jeong again.

11 I'd like to just mention a couple of things about
12 the finding of circumvention and then I'll turn the table
13 over to Fernando to address questions about the circumstances
14 leading up to the development of sales of these products.

15 These products were outside of the scope of the
16 orders were later found by the Department of Commerce to be
17 minor alterations of subject merchandise. So as a result the
18 scope of the order has been amended to include these smaller
19 diameter products. I'm not sure if it's actually accurate to
20 say we were violating an order of the Department of Commerce,
21 but this was a later amendment to the magnitude of the scope
22 that happened way after the petition was filed and the orders

1 imposed.

2 Of course we recognize the Department of Commerce
3 has the authority to change the scope of any order through an
4 anti-circumvention proceeding. But that said, it used to be
5 that physical dimensions of subject merchandise explicitly
6 specified in the order as something that the trade and public
7 rely on when determining what's in or out of the scope, the
8 U.S. industry carefully drafted the language of the scope
9 when it filed the original petition to cover only wire rod in
10 diameters ranging from 5.001 millimeters, 19.00 millimeters
11 despite the fact -- despite the indication there is healthy
12 U.S. production of small diameter wire rod at the time of the
13 decision. This meant that the portion of the U.S. industry
14 producing smaller diameter wire were purposely left out of
15 the Commission's injury analysis during the original
16 investigation.

17 To us, the Commerce decision truly muddied the
18 waters as to what the scope of an order means anymore, and
19 really opens up the door to U.S. industry circumventing the
20 legal or power of proving injury prior to obtaining
21 requirement of putting injuries prior to obtaining -- did
22 your CVD limit in any case.

1 I'll now turn the mic over to Fernando to discuss
2 the circumstances, why, how and these products came about.

3 COMMISSIONER STAYIN: Let me finish up with what
4 you were saying.

5 So has the company discontinued shipping those
6 wires to the United States?

7 MS. JEONG: I'll let Fernando answer, but the
8 answer is no.

9 MR. VILLANUEVA: The answer is no, Mr.
10 Commissioner.

11 Okay, so how come we never lost the 4.75 and 4.5?
12 Again, those diameters they bring a value added for those
13 wire producers that they need to produce fine wire. That
14 doesn't mean that they can use the 4.75 for any application.

15 Okay?

16 For example, again, on the same example I was
17 saying on that 12.5 gauge when a 9 gauge is used to produce a
18 chain link fence, there's no reason why they should be using
19 4.75. They only should be using 4.75 if they are using a 5.5
20 millimeter to produce a fine wire or a medium-sized wire.
21 And the 4.75 millimeter wire rod gives much more benefits to
22 a wire producer. It's more, and I would call this

1 forgivable, sir.

2 So in order for you to produce the perfect results,
3 okay, as a wire producer, and I'm going to focus just on wire
4 drawing, you need to have a perfect v-scaling of the wire
5 rod. You need to have a perfect lubricant, a perfect dye
6 design, a perfect cooling of the blocks. Okay?

7 So as you draw the wire thinner and thinner and
8 thinner and thinner, more heat, heat, keeps producing on the
9 wire. So if in your process you have something that is not
10 perfect, let's say cooling, you will have breaks of that
11 material in your machine. The 4.75 is more forgivable. It's
12 more forgivable because you do less reduction, you generate
13 less heat. Okay?

14 So right now I have order for 4.75 wire rod for our
15 current customers. Some of our customers, and again, due to
16 their machine conditions and their plant conditions, they
17 prefer a 4.75 millimeter wire rod.

18 In the other case, the 4.4 diameters, you can skip
19 a process. I'm going to explain you another example.

20 In a certain wire, a high carbon wire, the process
21 is, the high carbon wire is very difficult to draw. Normally
22 the drawing process is done in two steps. So you do the

1 first drawing and then you do a heating of that product so
2 you are able to draw it again.

3 So imagine that you have a final product that is
4 requiring three different processes. If you start with a 4.4
5 millimeter wire rod you can skip one of the processes. So
6 you can draw in one machine from 4.4 to the final diameter
7 without any other process. And that brings competitiveness, it
8 brings more productivity to our customers. So we're trying
9 to add value and bring solutions to our customers.

10 COMMISSIONER STAYIN: Just one question. My time
11 has run out, but was there a request made to your company for
12 that wire or did your company just develop it?

13 MR. VILLANUEVA: No, there was a request, it was
14 customer driven, sir. It took us a lot of time to develop
15 that wire rod because just like the Nucor guy said, it is
16 very unproductive and our engineers were able to manufacture
17 the 4.75 wire rod in a very productive way.

18 COMMISSIONER STAYIN: All right. Thank you very
19 much. My time is up.

20 CHAIRMAN JOHANSON: Commissioner Karpel?

21 COMMISSIONER KARPEL: Thank you.

22 Just following up on what Mr. Villanuevo was

1 saying, I found it an interesting discussion. Is there
2 something you can put in writing on the record to support
3 that discussion? I think that would be helpful to us. We of
4 course can use the transcript as we're considering this
5 information further, but in terms of the process and the
6 benefit for your customers and also the information in
7 response to Commissioner Stayin's question that these were
8 developed per a specific customer request, and it took a
9 while afterwards. If you could sort of show that time line,
10 maybe show that customer request, sort of build up some
11 documentation to support your testimony, Mr. Villanueva, I
12 think that would be helpful for us to have.

13 MR. VILLANUEVA: Of course. We will.

14 COMMISSIONER KARPEL: All right. So I wanted to
15 ask a question, and it's similar to what other Commissioners
16 have been asking about, but I wanted to ask specifically in
17 the event of revocation of the order why wouldn't Mexican
18 producers seek to use some of their excess capacity to
19 increase production for export to the United States?
20 Particularly in light of the domestic industry's argument
21 this morning that Mexico's other export markets are small in
22 comparison to the U.S. market and Mexico is therefore limited

1 in what additional wire rod it can export to those markets.

2 I know you talked a bit about the difficulty of
3 shifting, but I wanted to specifically hear about why
4 couldn't you increase production and export more to the
5 United States from that increase in production?

6 MS. JEONG: Antonio, do you want to answer this
7 one?

8 MR. GUERRA: Yes, thank you.

9 Yes, Commissioner. One is pertaining to physical
10 limitation. That's the most important one about shifting.
11 We only have three lines that can produce core rebar or wire
12 rod. That's our limitation. The other lines that we have
13 don't have the space, first, we don't have the equipment, and
14 it requires a significant investment because even in the
15 present it doesn't fit in the way that they're set up.

16 So right now the investment to produce additional
17 wire rod could be very high and we don't have plans right now
18 in the short term or medium term about increasing our
19 production. So we don't have the capacity right now to do it
20 and I don't think that we --

21 COMMISSIONER KARPEL: Can I interrupt you? I'm
22 sorry.

1 MR. GUERRA: Sure.

2 COMMISSIONER KARPEL: And it's proprietary, so I
3 don't want to say the figures, but looking at the data on
4 capacity utilization for Mexican producers, I guess I can say
5 it's not 100 percent. So are you saying that that remaining
6 space between 100 and where you are at in capacity
7 utilization is not actual available capacity?

8 MR. GUERRA: I would say that, of course right now
9 we're going through a bump after the COVID situation. So it
10 is based and aligned with the forecast and demand that we are
11 looking forward. And as Fernando said, the time to develop
12 new customers, the possibility of sustaining a long term
13 supply -- it would be focused first, right now the capacity
14 available would be dedicated for the Mexican market. That's
15 where we're focusing that, and that's where we're trying to
16 increase. The demand based on developing new products in
17 Mexico, new wire products in Mexico, and supply the
18 industrial customers that we have in Mexico. That capacity
19 presently is focused on increasing our supply to the Mexican
20 market.

21 MR. VILLANUEVA: If I may, the other party, they
22 showed a picture, okay, of a wire rod and it was a competitor

1 of us in Mexico. And I have been out of Mexico since late
2 2014, okay? But I am in constant communications with Antonio
3 and the rest of the company.

4 And I know that Cimec (phonetic), they started that
5 wire rod it's not wire rod it's a steel mill, a steel mill
6 dedicated -- and it is stated like this in their web site --
7 and it's a special part quality steel mill.

8 And also they started operations in 2018. And
9 correct me if I'm wrong, Antonio, but we have been selling
10 wire rod and servicing the wire market in Mexico I mean all
11 of our lives, at least of mine. But we haven't seen Cimec
12 entering the market, I don't know if you have any other
13 comments on that.

14 MR. GUERRA: Definitely we compete with them and
15 the other players, and we have not seen them. I mean we
16 would have seen them already and it would have hurt us
17 because they would go after us and we have not seen that
18 effect yet. So they could be using it internally, they could
19 be using other products. When they talk about long products,
20 you could be talking about ACQs, you can be merchant bars, it
21 can be either -- rebar or anything. And particularly in the
22 wire rod we have not seen that effect in the domestic market

1 from that extra supply that they would be able to, first they
2 would do -- the other thing is that they are not as export or
3 linked in. So they would first have to put it in Mexico. We
4 haven't seen that effect yet.

5 MS. JEONG: Just to get back to -- looping back to
6 the Commissioner's original question. I think your question
7 was whether we, you know refers to the extent of whether
8 there is an excess capacity, whether we could turn the
9 capacity to sales to the U.S. And the answer is, practically
10 the answer is no. Because of the fast way that the line
11 produces, they align production with their actual sales. So
12 yes, theoretically there is capacity available, but it's not
13 that they -- Antonio mentioned in his testimony, they're
14 definitely not running plants just to full up capacity to
15 reach some kind of levels. They don't produce -- if they
16 don't have sales, confirmed sales or practically confirmed
17 based on their commitments.

18 So just because the duty order be lifted doesn't
19 mean they're going to suddenly increase their production to
20 full up capacity or full up their inventory. That would be
21 expensive for them.

22 COMMISSIONER KARPEL: But wouldn't they have an

1 incentive to try to increase their sales through low prices?
2 I mean, I hear you, you don't want to produce unless you have
3 somebody to give it to, but I guess, wouldn't they try to
4 find extra customers and then produce more?

5 MS. JEONG: I'll let Fernando give more details
6 about the U.S. strategy. Both Antonio and Fernando had
7 mentioned that there was long-term strategy. They're not
8 just out there selling a truck full here and a truck full
9 there. They develop customers with long-term commitments in
10 mind and insist on regular volume to those customers.

11 I want to remind that we also still have a volume
12 restraint imposed by the section's writ to agreement. Should
13 there be a surge, or any kind of increase not at the local
14 level, I have no doubt that the U.S. industry is not going to
15 be very shy about going to the U.S. government and saying
16 hey, you've got to do something. You know, across the duties
17 again.

18 MR. VILLANUEVA: The strategy. The strategy, I
19 mean it is, it is unreliable that the most expensive thing
20 that we can do is to lose a customer. Because just looking
21 for a new customer, okay, and trying to convince the new
22 customer to buy our product costs us a lot. So we don't want

1 short term relationships with our customers. We want long
2 term relationships with our customers.

3 In order, I mean there's a graph on the commercial
4 excellence and those kind of books that shows the cost of the
5 customer, to acquire a new customer through time. So it
6 shows that if you can keep a customer through time it costs
7 you a very little portion than if you try to get new
8 customers, every single one.

9 So in that case our strategy is to have long-
10 standing relationships and customers that can place us in a
11 position where we can steady grow in the long run. In the
12 long run.

13 So again on the technical side, we don't want to be
14 on the quantity side, we want to be on the value added
15 solution part, okay? And honestly, we're not competing head
16 to head to with other exporters as Turkey and Moldova and
17 Ukraine because we're not playing under the same conditions.

18 Those guys are paying freights of \$15 when our freights are
19 \$80 to \$100. So that makes us very uncompetitive on certain
20 parts of the U.S.

21 I don't know if I answered your question.

22 COMMISSIONER KARPEL: Thank you.

1 That actually brought me around to my last two
2 seconds of my questioning time to something I wanted to
3 follow up with you about your discussion about relative
4 transportation costs from Mexico to various places in the
5 U.S. versus the cost from other markets to the U.S. I guess
6 I was surprised by that. I would think that Mexico being so
7 close would have the lowest transportation costs.

8 So my time is almost up but maybe for post-hearing
9 if you have any sort of additional discussion of information
10 you can provide that supports that assertion, that could be
11 helpful to us. Thank you.

12 MR. VILLANUEVA: We will, Commissioner.

13 But I can tell you this before your time ends if I
14 may. It is less expensive to send a container or say a load
15 of Turkey's wire rod to Chicago than from Mexico to Chicago.
16 And I will send you information regarding that.

17 Besides my experience on wire operations, I was
18 supply chain vice president for our group, so that's the
19 reason why I have a little bit of knowledge regarding it.
20 Thank you.

21 CHAIRMAN JOHANSON: I would like to thank all of
22 you for appearing this afternoon.

1 On pages 15 to 16 of the Nucor brief they argue
2 that Mexican home demand is quite low right now and that
3 means that there is an incentive to export to the U.S.
4 market.

5 In your brief you have a chart in Exhibit 12 that
6 shows restart dates for many U.S. auto plants. Would you be
7 able to find something similar for Mexican auto plants?

8 MR. GUERRA: Yes, sir. Do you want to comment on
9 that and then I'll go?

10 MS. JEONG: Antonio's going to answer the question
11 but we'll provide some information on it post-hearing.

12 MR. GUERRA: Yeah, Mr. Chairman. In the particular
13 case of Deacero, one of the things again that we target on
14 our downstream products is that we are into many industries
15 definitely. The construction industry and the automotive
16 industry were affected in a significant way. There were
17 total shutdowns in Mexico during the month of April. And it
18 affected our results and our production in the marketplace.

19 Now, because of the diversity of product that we
20 make, we go to target many industries. We go after hardware
21 stores, for example, that never shut down. We go up to the
22 agriculture market that didn't shut down. We go to other

1 markets that were considered essential industries because
2 they supply the medical industry in Mexico.

3 So with all of that into consideration, what we did
4 during this pandemic, during the shutdowns, was that. We
5 also, yes of course, we also have to align our production to
6 the market demands. Actually one of the first things that we
7 had to look at and look for, we have to take care of our
8 people. That was the very first thing. Even if we had to
9 shut down some areas or give them more space, we had to take
10 -- people were sent home like everybody else. Some of us are
11 still in our homes.

12 So all that was priority number one.

13 Second one was to align the retail market to our
14 capabilities and yes we had to make some stops in our
15 production. The only thing that kept going were government
16 programs. Those never shut down. Those big infrastructure
17 projects that they were doing that they were mentioning
18 earlier like the new airport or the new refinery and similar
19 investments that are going up, they never shut down. So that
20 helped also on the consumption of the products.

21 Going now to your specific questions about the
22 recovery. The auto plants in Aguascalientes already started

1 which is I think BMW and Nissan; I think the Puebla plants
2 are starting today, it was in the news this morning. So all
3 of them are already coming up on stream. of course that's in
4 terms of that particular sector.

5 Private construction is already opening. What they
6 are doing is they're doing it by state depending on the color
7 and how critical the situation is in each state, but most
8 private construction is already opening. How that reflects
9 in our operation is that in June technically numbers are
10 better than May. July also looks -- well, we're in that
11 recovery process, we're not exactly sure how COVID's going to
12 go like everybody else. So that's where this alignment with
13 the customers is very critical to see how soon.

14 We expect a full recovery, and when I mean full
15 recovery, starting to get back to the numbers of last year
16 maybe by the third quarter, by the end of the third quarter
17 so that we finish up in a more normal way, I would say.

18 MS. LUTZ: This is Jennifer Lutz. I can actually
19 add a little bit of detail about the auto segment in Mexico.

20 The Nucor brief cited a very dramatic article headline about
21 auto production in Mexico and Brazil collapsing by 99 percent
22 due to the coronavirus. So I took a look at the article, and

1 it shows that this decline refers only to production in
2 April. So it's a decline in a single month, when all of the
3 closures were in full force.

4 The article also noted that automotive production
5 is scheduled to start up again in Mexico on May 18th. The
6 auto production data they cite is from INEGE, which I think
7 is a Mexican government source, but it may not be the
8 government. I'm not sure.

9 MR. VILLANUEVA: It is, it is.

10 MS. LUTZ: It is, okay. Looking at the data they
11 publish, yes. In April, production was way down. In May,
12 despite the fact that production didn't start up again until
13 the second half of the month, production was already six
14 times the April volume. Now, that's below normal volumes,
15 but the recovery has already started in that segment.

16 CHAIRMAN JOHANSON: Okay. Thank you for your
17 information. Any other material you can provide will be
18 useful, specifically for the auto sector, but other parts of
19 the economy as well. I would welcome any information about
20 that. Thank you.

21 Moving on to another question, on pages 13 to 14 of
22 the Nucor brief, there are some statements about Arcelo

1 Mittal, its domestic wire rod operations and what that might
2 mean for its import sources strategy, especially as it
3 concerns the Arcelo Mittal facility in Mexico.

4 Because this was a condition of competition that I
5 addressed in my dissent in the last review, I'd appreciate it
6 if you'd help me understand how the situation might be
7 different in the current review.

8 MS. JEONG: Again, this is Rosa Jeong. Of course,
9 we are here on behalf of -- so we can't, you know, comment
10 exactly what is -- what Arcelo is doing or trying to do.
11 But, you know, and Antonio has weighed in on this just a
12 little bit. But, you know, as far as we know, those
13 companies are very much focused on the Mexican market, so
14 based on our understanding, you know, they're not likely to
15 increase exports in the U.S., I mean, as evidenced by the
16 fact that they've actually had, you know, they're not here
17 and I think -- as evidenced by the participation in the
18 market in the past.

19 MS. LUTZ: This is Jennifer Lutz. We took a look
20 at both your dissenting views on Mexico and your dissenting
21 views of Ukraine. And I think there are some fact patterns
22 that are very differently. I think you correctly pointed out

1 with respect to the Ukraine producers their export
2 orientation was much higher, and their capacity utilization
3 was much lower, whereas the affiliation was not one of the
4 key factors you cited in your dissent with respect to Mexico.

5 There were many other factors, including the lack of export
6 orientation, high internal consumption, home market demand.

7 CHAIRMAN JOHANSON: Okay. Thank you for your
8 response.

9 Would you happen to have -- well, getting back to
10 this whole issue, pages 10 to 11 of the Nucor brief, Nucor
11 mentions two Mexico producers that have not forward responses
12 to the questionnaire. Have you had any contact with these
13 friends? Do you know what their thinking might have been?

14 (Pause.)

15 MS. JEONG: Oh, I was on mute. With respect to one
16 of the producers mentioned, there is information on the
17 record. And I think in our prehearing brief we had presented
18 information that included that information. I don't
19 think -- you know, you may not have a full questionnaire
20 response, but there is information submitted on the record
21 that was certified.

22 As for the other producer, we have not had any

1 specific contact with them, but I think their volume
2 comparatively speaking is pretty small overall.

3 MR. GUERRA: What we know is that definitely
4 they're focusing more in the domestic market. That's what we
5 know just from public information of their -- nothing
6 specific except that their focusing on the Mexican market.

7 CHAIRMAN JOHANSON: Okay. Thanks for your
8 responses. We will now turn to Commissioner Schmidtlein.

9 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

10 I'd like to thank you all for being here this
11 afternoon as well, especially the witnesses. I think it's
12 working very well on video.

13 So let me -- I just want to make sure I understand
14 the current state, and then what you all are projecting will
15 happen in the future. With regard to the smaller-diameter
16 wire rod, I was a little bit confused. I thought I heard
17 maybe in the presentation that U.S. industry did not supply
18 that diameter, but then later, in answer to questions, I
19 think I understood you to say at the time of the original
20 investigation, they were supplying it, but that was outside
21 of the scope.

22 So, you know, that sort of led the Mexican

1 producers to assume that those producers -- the supply, the
2 domestic supply, of that size wire rod was not -- they
3 weren't concerned about imports with regard to that.

4 So can you clarify for me, does the U.S. produce
5 that size now, and did they produce it I guess during the
6 circumvention proceedings?

7 MR. VILLANUEVA: Rosa, do you want me to answer
8 that?

9 MS. JEONG: Let me just start that off, and then
10 you can answer it, or add any information. So based on
11 public-available information, you know, Deacero as you know
12 is not -- was not a participant in the U.S. market when the
13 original petition was filed, but there is -- I think there
14 are some footnotes in the original opinion, and the staff
15 report from the original investigation that implies I think a
16 charter that's produced as far as diameter merchandise.

17 So based on that our, you know, submission was
18 there was at least some production of the product in the U.S.
19 at the time the petition was filed. And, you know, Fernando
20 could answer a little bit more, but based on our knowledge
21 that at the time the product was developed and pulled by
22 Deacero, these products were not being produced by any other

1 U.S. producers to Deacero's knowledge.

2 MR. VILLANUEVA: Yes, exactly. I mean, to our
3 knowledge, none of the U.S. producers were producing it right
4 now, okay? And exactly what Rosa said, what we believe is
5 that some U.S. producers charter steel, so I think he was --
6 that was a company that was producing the 4.75, was producing
7 it in the past.

8 Now, what we know is that Japan and Canada, they
9 have been exporting to the U.S. the 4.75 wire rod.

10 COMMISSIONER SCHMIDTLEIN: Okay. And so in this
11 lower diameter, the 4.75 -- and I guess what was it, 4.4,
12 that was the other --

13 MR. VILLANUEVA: Yes. Yes, ma'am.

14 COMMISSIONER SCHMIDTLEIN: Yeah, 4.4. Is that
15 being used in the same end uses as the wire rod under --
16 within the scope?

17 MR. VILLANUEVA: It is drawn, if you are -- if your
18 question is, is that it is drawn, yes, it is drawn.

19 COMMISSIONER SCHMIDTLEIN: Okay. It's not a
20 different end use or some other purpose that --

21 MR. VILLANUEVA: I mean, it's a product. It's a
22 product that is very difficult to manufacture. It's just

1 like the guy from Nucor said, for them it's about -- it takes
2 about 25 percent of their productivity. For us, it's not the
3 case, okay? We have developed a process where the 4.75 -- of
4 course, it is less, less productive than a 4.5, but not 25
5 percent.

6 But it brings additional to our customers, and that
7 is the reason why the customers, they ask for it. As I
8 explained, there are certain machinery conditions and process
9 conditions that they are -- they want to buy that wire rod
10 from us because that brings value to their operation.

11 COMMISSIONER SCHMIDTLEIN: Okay. And for the
12 customers -- I know Commissioner Karpel had asked you for
13 additional information about that. You've mentioned a couple
14 of times that you have five to seven regular customers. And
15 I feel it's these customers that had asked you to develop
16 this smaller-diameter rod.

17 MR. VILLANUEVA: You know what? I was not here,
18 Commissioner, when we started sending 4.75 because I arrived
19 here in late 2014. But I will find out, and I will address
20 that in the post-hearing brief.

21 COMMISSIONER SCHMIDTLEIN: Okay. So can you give
22 me -- you know, we're trying to look into the future here

1 about what might happen, and you all have stated that you
2 expect you're going to continue to ship to these five, seven
3 customers, which I assume you're shipping to right now. Is
4 that correct?

5 MR. VILLANUEVA: Yes.

6 COMMISSIONER SCHMIDTLEIN: So do you predict or
7 expect that you'll be increasing your shipments to these five
8 to seven customers?

9 MR. VILLANUEVA: You know what? It's difficult to
10 predict how their business will do. But if economy
11 increases, and they gain more markets, I think that we will
12 continue to do business with them and grow their business
13 together.

14 COMMISSIONER SCHMIDTLEIN: Okay. All right.
15 Shifting gears just a little bit, in looking at what is on
16 the record for this period of review, we've seen Mexico
17 underselling pretty consistently. And so I wonder if you
18 could -- if you can, you know, without getting into any
19 numbers or anything, how is it that Mexico is able to -- and
20 maybe, Ms. Jeong, this is more of a question for you because
21 you can see the record. I'm not sure, given that they can't
22 see the proprietary -- I'm just curious.

1 They're under order. So how are they able to
2 undersell the U.S. so consistently? Maybe it would be better
3 to respond in the post-hearing, but if you have any comments
4 now, that might be helpful.

5 MS. JEONG: I think it's probably answered better
6 in the post-hearing brief.

7 MR. VILLANUEVA: Honestly speaking, I don't
8 understand why or how they calculate underselling,
9 Commissioner, because right now, we charge a premium. All
10 things equal, we charge a premium for the 4.75 and the 4.4
11 millimeter.

12 COMMISSIONER SCHMIDTLEIN: Well, is that all
13 Deacero is sending to the U.S.?

14 MR. VILLANUEVA: No. We also send some normal wire
15 rod material.

16 MS. JEONG: One thing to point out, Commissioner,
17 is that the pricing products in the data does not include the
18 smaller diameter products. So the number of comparisons is
19 pretty limited because a lot of the products they shipped
20 during the period of review were the smaller diameter, and
21 since there is no domestic priced products -- you know, there
22 isn't a domestic product of the same diameter. There is no

1 pricing comparison -- where they set this pricing product.

2 So you're looking at a very limited picture as to
3 the pricing data. But, you know, we will try to address it
4 in more detail in the post-hearing brief.

5 COMMISSIONER SCHMIDTLEIN: Okay, okay. I think
6 that would be helpful. And I guess -- I mean, one of my only
7 other questions is does Deacero experience any supply
8 constraints during this period?

9 MR. VILLANUEVA: Supply in terms of the raw
10 material?

11 COMMISSIONER SCHMIDTLEIN: Supply constraints.

12 MR. VILLANUEVA: Supply that -- out, supplying us
13 to the customers or supply --

14 COMMISSIONER SCHMIDTLEIN: Yes, yeah, yes, yes.

15 MR. VILLANUEVA: No, we did not. Actually, we --
16 what we did was adjust our production to the customer needs.
17 So we supplied what was needed. Of course, during the last
18 two months, that meant going down. And right now, it's in
19 the process of just aligning with them.

20 One commentary that I think that for the upcoming
21 months what becomes critical right now, and -- forecasting
22 based on history, right now that's pretty difficult to do.

1 Any model that we had is going to be very -- so what we do
2 with that, we run different scenarios. We have the lagging
3 indicators, and we look at all of these data from the past.

4 But what is most important is what are our
5 customer's going to do. So once again, this becomes
6 critical. This close relationship with the customer becomes
7 the most important piece of information. How is their
8 business doing, and what are they seeing in the upcoming
9 months? Because no mathematical or statistical model can
10 predict that at this point.

11 So having that information with them and work very
12 close with them is really what's going to align our
13 production to what is needed. Over-producing can be very
14 expensive because you end up with inventory that then you
15 don't know how to -- where to move. And then you might get
16 into some contentions of doing what you said, extra
17 production.

18 Under-produced, exactly is that, because you may
19 end up with bad service to the customers, and with losing
20 sales, but most importantly, losing customers. When you
21 producing too much, also you're investing a lot in raw
22 material that you don't need.

1 So I think that what becomes critical right now is
2 that the supply chain between our suppliers, our production,
3 and our customers is at a line and as fine as it can be.
4 That's what is going to make it distinguished.

5 MS. JEONG: Just quickly, just to add to that, you
6 know, there is no supply constraint as in -- that lowers the
7 overall volume it's committed to its customers. But, you
8 know, as I think that Chris had mentioned, that there are
9 times then where they can't supply or increase any supplies
10 to even their major companies because every time or the most
11 of the time what they produce is already spoken for.

12 So to the exact extent I think their instance of
13 supply constraint, you know, as Antonio is mentioning that,
14 you know, that what they committed to they did supply.

15 MR. PRATT: Yes. I can kind of complement what was
16 Rosa has said. You know, there have been times where the
17 U.S. operations of Deacero was not able to get their raw
18 material needs from Deacero due to Deacero being committed to
19 their home market and their third-country home markets. And,
20 you know, I've purchase wire rod from domestic suppliers. I
21 mean, I've purchased several thousand tons of rods from Tim
22 Dillon at Liberty Steel this year.

1 So, you know, they're not -- you know, their main
2 focus in Mexico is home market and third-country markets.

3 COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank
4 you very much. My time is up.

5 CHAIRMAN JOHANSON: Commissioner Kearns?

6 COMMISSIONER KEARNS: Thank you. I think I just
7 have one followup question in connection with 232. You
8 argued that if we lift our order, and if increased imports
9 from Mexico again materially injure the U.S. industry, 232
10 relief will be immediately available. But aren't we to
11 determine the likelihood of the continuation or recurrence of
12 the injury to the domestic industry in the event of
13 revocation, not whether another agency has the ability to
14 grant alternative relief?

15 MS. JEONG: Yes, you're correct, of course. But
16 what we mean by 232 is that the 232 is at a very expective
17 volume constraint on the overall because of the threat of the
18 resumption of 232 duties. So in the event there's a surge,
19 you know, we -- U.S. industry really protecting, not that --
20 what we mean by the 232, to the more important point to us is
21 that it won't act as a very effective volume constraint for
22 us.

1 MR. ALTSCHULER: I think also -- this is Irwin
2 Altschuler from Greenberg. I think it's a matter of public
3 record, and I think a government of Mexico witness alluded to
4 this, this morning. The two governments -- the U.S.
5 Government monitors imports carefully and aggressively, and
6 the two governments in ongoing conversations or
7 consultations.

8 So I think when we think of 232, with Mexico the
9 idea is that if there is an increase beyond historical
10 levels, we would expect that USTR would talk to their
11 equivalents in Mexico, and something would be done about it.

12 But before that happens, the Mexican industry and
13 the Mexican government are very well aware of what could
14 happen. They're very well aware of the need to monitor on
15 their own. So it's really a preventative measure to large
16 increases in volume, the way that the 232 joint agreement was
17 structured and has been enforced, and will likely continue to
18 be enforced.

19 COMMISSIONER KEARNS: Okay. Thank you very much.
20 I have no further questions.

21 COMMISSIONER STAYIN: I guess I'm next. Hello?

22 (No response.)

1 COMMISSIONER STAYIN: Hello?

2 MR. BISHOP: Mr. Chairman, can you hear us?

3 COMMISSIONER STAYIN: I can hear you. Can you hear
4 me?

5 CHAIRMAN JOHANSON: It's okay. Yes, I can. Okay.
6 Commissioner Stayin?

7 COMMISSIONER STAYIN: Yes. All right. Mexico has
8 endured the same COVID terrible thing that's been happening
9 in our country, and the economy has been having the same
10 problems that our economy has. What pressure does this put
11 upon your company? Do you have a need to export more because
12 there's no use for your product right now in your economy
13 because companies aren't operating? Or what is the status in
14 terms of your economy and your company and where you're best
15 shipping your products at this time?

16 MR. GUERRA: Yes, Commissioner. If we compare to
17 other steel companies in Mexico, actually, or outside of
18 Mexico, one of the advantages that we as a company have
19 benefitted from is the diversification of products.

20 So, since we target and we cater to many
21 industries, we have been able to compensate some of those
22 that have been hit the hardest than others. For example, we

1 have a very strong presence in the hardware stores, in the
2 Home Depots in Mexico and the hardware stores in Mexico, and
3 those were considered an essential industry and they never
4 shut down. So that helped us to continue our operations.

5 Now, in reality, yes, there was a slowdown because
6 some states and some areas had to cut or had to restrict
7 their operations, such as the construction. So I would say
8 that in general, the pressure in the company at this point is
9 more to be aligned with the different markets than to make
10 short-term decisions that would affect us in the long run.

11 So our decision was, for example, if there is no
12 demand, we shut down the number of shifts, for example, in
13 some of our plants. And at the same time, that helped send
14 people home and avoid having a lot of people in one location.

15 So it kind of rearranged our personnel, operations, human
16 resources with our customers, making sure that it would flow
17 as seamlessly as possible.

18 Trying to force production just to keep going, it
19 wouldn't have been a good decision. At least in our company
20 we decided not to do it. So, yes, we decided to, as
21 previously asked, shut down some of our operations and did
22 cut down in the number of shifts but aligned with what the

1 market was needing.

2 COMMISSIONER STAYIN: In your brief, you comment on
3 the supply restraints in the United States, stating that the
4 demand in the United States is not being filled or can't be
5 filled by U.S. producers, and, therefore, the United States
6 customers need your product because they can't get it from
7 the U.S. producers.

8 To what extent is that still an issue, still a
9 belief, and still one of the pressures, the purposes on
10 shipping more product to the United States?

11 MR. VILLANUEVA: Rosa?

12 MS. JEONG: Jennifer, do you want to answer?

13 MS. LUTZ: Yeah. This is Jennifer Lutz. The point
14 that I was trying to make, maybe not as well as I thought,
15 discussing the capacity constraints was not that any imports
16 would be non-injurious to the industry but rather that the
17 small volume of likely imports from Mexico would not have a
18 significant volume impact on the industry.

19 MS. JEONG: And just to follow up a little bit, you
20 know, we had put together just based on the 232 exclusion
21 data -- and I think somebody this morning had mentioned that
22 it's not really easy to get all the data, so we did our best

1 to compile the information. And based on that, they're still
2 seeing exclusions being granted in 2020 and throughout 2019.

3 And given the fact that availability, whether that
4 product is available in the U.S. market, has been the primary
5 reason on whether exclusions are being granted or not. You
6 know, that seems to indicate there is at least still a need
7 in the market.

8 COMMISSIONER STAYIN: Yeah. I noted that one of
9 your positions is that the fact that there were so many
10 exclusion orders suggested that there are a lot of purchasers
11 who couldn't get the product directly from U.S. producers,
12 and that's one of the arguments behind the exclusion orders
13 and all the request.

14 MR. ALTSCHULER: Yeah, maybe I can comment on that,
15 Commissioner Stayin. It's Irwin Altschuler again.

16 Basically, the whole basis for getting exclusions
17 was a showing that the needed product couldn't be supplied
18 and wasn't reasonably available in the needed quantities from
19 domestic suppliers.

20 So that's when, for example, Mid Continent filed
21 its exclusion request, and the odd set of circumstances there
22 was Mid Continent knew that they weren't going to get their

1 exclusions granted if the wire they needed was available from
2 domestic sources. So domestic sources, including one that
3 for whatever reason we haven't identified by name except in
4 our confidential brief, so I guess I'll continue to not
5 identify it, but one particular producer, speaking I think to
6 an extent on behalf of the industry, said, oh, no, no, we can
7 supply everything. Don't worry, no exclusions are necessary.
8 We can supply everything.

9 But then, in normal course of business
10 correspondence, this producer told Mid Continent, well,
11 really, we're strapped, and we can only provide you with 14
12 percent of what you need. And we flagged that to the
13 attention of the Commerce Department, and the bottom line was
14 that we had 86 percent of our exclusion request granted.

15 So that showed us pretty clearly that the Commerce
16 Department wasn't kidding. To the extent that the domestic
17 industry could be the supplier, you weren't going to get an
18 exclusion, even though it's natural for Mid Continent to look
19 to Deacero for wire. But it was pretty clear to us that the
20 Commerce Department believed us and realized that we couldn't
21 get all of our needs domestically from this one company or
22 the rest of the industry, and that's why, when they said they

1 could give us 14 percent, Commerce gave us 86 percent
2 exclusions to import.

3 MR. PRATT: This is Chris Pratt, operations
4 manager. I'll complement what Irwin said. You know, I
5 personally had conversations with multiple U.S. suppliers
6 during our times of need for materials, and we submitted
7 documents, you know, confidential documents in our exclusion
8 request substantiating that there were multiples, not just
9 one but one in particular that Irwin was talking about said
10 they could give us 100 percent, you know, but I had others as
11 well that could not supply the material that I needed.

12 COMMISSIONER STAYIN: Yes. One of the questions
13 that is always at the forefront of this case and many cases
14 is the price. It's not the most important, one of the most
15 important, factors in making a sale. To what extent is price
16 the primary basis upon which sales are made? And who would
17 you say is the price leader among United States producers,
18 and who's the price leader among foreign suppliers?

19 MR. PRATT: Well, I mean, just basically to name
20 them, Nucor is the price leader in U.S. suppliers.

21 COMMISSIONER STAYIN: Okay.

22 MR. PRATT: They are typically the first one to

1 come out with a price increase, a price increase that's 90 --
2 well, I'm not even going to put a percentage -- the majority
3 of the time it's based on a fluctuation in U.S. scrap prices.

4 When they testified earlier that, you know, prices are not
5 subject or conditional on scrap, but their letters state
6 differently.

7 And then, you know, import -- who's the leader in
8 imports, I mean, imports typically follow the U.S. price
9 leader. They're actually price followers, not price leaders.

10 And, you know, I've received quotations from many different
11 countries, you know, Mexico not being the only. So, I mean,
12 they're all price followers, not price leaders.

13 MS. LUTZ: This is Jennifer --

14 COMMISSIONER STAYIN: Your company is a user of
15 these types of products, aren't you?

16 MR. PRATT: Yes, I'm a user. We are a consumer of
17 wire and wire rod.

18 COMMISSIONER STAYIN: Okay. Thank you very much.

19 I think those are the only questions I have. Thank
20 you. My time's up as well.

21 CHAIRMAN JOHANSON: Commissioner Karpel?

22 COMMISSIONER KARPEL: Thank you.

1 I'll start with you, Mr. Pratt. What kind of wire
2 rod do you buy from Deacero? Are you buying the 4.75
3 milliliter (sic) or the 4.4 milliliter -- milliliter --
4 millimeter, or also other more standard grades?

5 MR. PRATT: No, ma'am, I do not buy 4.75 rod. Our
6 wires or nails are not that fine a wire where we need that
7 smaller diameter rod to gain an efficiency. Primarily, we
8 buy wire from Deacero because of availability of wire. Rod
9 is not available for us to purchase, so we actually buy wire
10 from them. And it's more important for them to keep their
11 wire operations running in Mexico.

12 COMMISSIONER KARPEL: So you're primarily buying
13 wire, not wire rod from Deacero?

14 MR. PRATT: Correct.

15 COMMISSIONER KARPEL: Okay. But you do buy some
16 wire rod?

17 MR. PRATT: Yes, I buy some wire rod. I'm buying
18 domestic wire rod right at the moment.

19 COMMISSIONER KARPEL: I see. But, in terms of
20 Deacero, you're buying the wire versus rod, okay.

21 MR. PRATT: Correct.

22 COMMISSIONER KARPEL: Okay.

1 MS. JEONG: Just to clarify, I think he's talking
2 about, you know, what he's buying currently, and that depends
3 on availability. And, you know, in the past, I think, you
4 know, we had mentioned that, you know, you do buy both rod
5 and wire from Deacero.

6 MR. PRATT: Correct. We'll buy wire and rod. It's
7 an availability issue. It depends on what's available from
8 Deacero.

9 COMMISSIONER KARPEL: Okay. And then for Deacero
10 representatives and if you want to answer this post-hearing
11 to be confidential. But, to the extent it's not already on
12 the record, who are these five to seven customers that
13 Deacero is selling to in the U.S.? And what kind of wire rod
14 are you selling to them? Can it be broken down between these
15 more specialty 4.75 and 4.4 versus the more standard grade so
16 we can see?

17 I guess what I'm hearing is some of this
18 argumentation this afternoon to me strikes me as a bit of an
19 attenuated competition argument, that, you know, domestic
20 producers don't make these smaller wire rods. This is where
21 we spend a lot of energy investing in this new technology to
22 be able to make this.

1 So I'd like to get a sense of what you're actually
2 selling to your U.S. customers and is it really, you know,
3 focused on the specialty material or is it more of a mix of
4 the two types. And, again, I recognize this may be
5 confidential, so I'm happy to receive this information post-
6 hearing. But, Ms. Jeong, do you want to start off?

7 MS. JEONG: I'm pretty certain, just because it
8 would give away a lot of confidential information, we'd want
9 to address it in the post-hearing.

10 COMMISSIONER KARPEL: Okay. All right. Thank you.

11 And another question. Let me get back to my notes.

12 Ms. Lutz, I had a follow-up question for you for something
13 you said earlier, just a point of clarification. You argued
14 that if the order is revoked, there's unlikely to be a volume
15 effect with respect to Mexican exports. But you were not
16 arguing that there wouldn't be any injurious effects. I want
17 to give you a chance to clarify that. I mean, there's volume
18 effects which can injure, and then there's other effects
19 which can injure, but --

20 MS. LUTZ: Certainly. This is Jennifer Lutz. I
21 think I addressed it a little later in the testimony. To the
22 extent -- all of the evidence shows that there would be a

1 very small volume of imports from Mexico. So it would not
2 have volume effects.

3 A volume that small in a market where prices are so
4 closely linked to scrap prices suggests that such a small
5 volume would not have an impact on prices either. So, if
6 it's not having volume effects and it's not having price
7 effects, it's not injuring the domestic industry.

8 MALE VOICE: Exactly.

9 COMMISSIONER KARPEL: And so is your position that
10 even if the order is revoked and Mexico continues to
11 undersell domestic producers, that that volume of
12 underselling would be so small that it wouldn't have any
13 impact on the market?

14 MS. LUTZ: We do not expect that volumes would
15 increase significantly from where they are now, and during
16 the POR, you've seen some fluctuating volumes but remaining
17 at very low market shares. And the domestic industry has not
18 shown any adverse signs from it. So, based on conditions
19 during the POR, we can expect it to change if the order were
20 revoked.

21 (Pause.)

22 COMMISSIONER KARPEL: Sorry. I turned off my

1 camera instead of turning on my mike.

2 MS. LUTZ: It's really disorienting seeing people
3 talk like this.

4 COMMISSIONER KARPEL: So another question. This
5 morning, I believe it was Nucor had a slide in their
6 presentation, Slide 23, and it was showing imports from
7 Mexico over a time period, 2000 to 2019, and it purported to
8 show that when these new products were developed and started
9 being exported to the United States, imports increased. And
10 then, when the anti-circumvention order came in place, they
11 decreased. And then the next product, the 4.75, they again
12 show that imports increased and then decreased after the
13 anti-circumvention order.

14 And they argued that this shows that without the
15 discipline of the order, imports from Mexico go up. And I
16 wanted to give you an opportunity either now or in your post-
17 hearing brief to respond to this assertion and this
18 information they presented in the slide.

19 MS. LUTZ: Well, I think first, because the volumes
20 overall have been so low, a relatively small change in volume
21 looks like a bigger change percentage-wise. If you look at
22 the Mexican market share over the period, it's been under 1

1 percent for 17 years. And the increase associated with these
2 smaller diameter products is low. I mean, it's pretty small
3 compared to the size of the market.

4 MS. JEONG: And another thing to point out is that,
5 you know, in a way, the volumes of the non-subject imports
6 prior to the circumvention decision gives you an indication
7 of how those, you know, volumes may behave and what impact it
8 would have in the market. And I think if you look at
9 domestic incidence performance and other indicators, the ups
10 and downs in Mexican imports, including the non-subject
11 merchandise or, you know, the smaller diameter, has not had
12 any impact on the domestic industry.

13 COMMISSIONER KARPEL: Okay. Thank you.

14 And then just a couple more questions. Hopefully,
15 this can go quickly, and feel free to address these post-
16 hearing. One is, if you wish to comment on the domestic
17 industry's assertions that Mexico capacity is understated and
18 that their capacity utilization is also understated.

19 MS. JEONG: Yes. We'll try to provide some more
20 information in the post-hearing, but just based on public
21 information, which we addressed a little bit in our pre-
22 hearing brief, you know, I think the main argument that Nucor

1 made in its brief is that there are three producers in
2 Mexico, you know, who, based on articles and press releases,
3 may have additional capacity.

4 Grupo Simec they're saying built this new plant in
5 the LaSalle location. You had ArcelorMittal discussing
6 increase in steel capacity, and then you had Siesta increase
7 in some new investments. So we did mention just based on
8 public information -- and you can just look at some websites.

9 And even in the articles that Nucor cites to, it's clear
10 that the primary focus for Simec's new location is special
11 bar quality.

12 And it's similarly for ArcelorMittal. When they
13 say increased capacity, they're talking about steel capacity.

14 And as we know, a steel, as in probably the raw steel that
15 goes into many, many different products that ArcelorMittal
16 uses, you know, just like the U.S. producers. You know, most
17 of these producers can produce more than just wire rod.

18 And similarly, when they mention long products, you
19 know, the thing with Siesta was mentioned, the exception for,
20 you know, maybe has some investments related to long
21 products. Long product includes many different things other
22 than wire rod.

1 I mean, there's no real evidence showing there is
2 any material increase in Mexican capacity that has not been
3 supported. And I think it was Antonio who had mentioned
4 earlier that, you know, Deacero is some of the biggest
5 producers of Mexican rod and wire rod in Mexico. And they're
6 out there competing. And if there is some indicia that
7 capacity increases, they're the ones who would have felt it
8 first, and they haven't seen that.

9 COMMISSIONER KARPEL: Okay. Thank you. I just had
10 one more quick question. So if I can indulge the clock here
11 and if you want to take that up post-hearing that would be
12 fine too.

13 The domestic industry argued this morning comparing
14 the facts that lead to the revocation on the order on Canada
15 versus the facts that are present with Mexico and suggested
16 they are very different and therefore we shouldn't decumulate
17 Mexico and consider going negative with respect to Mexico, do
18 you want to respond to that? I'm particularly focused on
19 underselling and the different records that existed with
20 respect to those countries.

21 MS. JEONG: I mean, I think the Commission's
22 decision was due to reason, and like most other issues, was

1 based on a case-by-case decision. Because you decumulated
2 Canada for a certain number of reasons and that case doesn't
3 mean you need to meet all those reasons for decumulation in
4 any other case. I think we addressed that, and in Chairman
5 Johanson's dissent in the second review where he stated the
6 factors that he would have voted to decumulate Mexico. We
7 believe that was a very well-reasoned dissent and we believe
8 that the same factors continue to exist today, maybe even
9 more so.

10 COMMISSIONER KARPEL: Thank you. That's all I
11 have.

12 CHAIRMAN JOHANSON: All right. On page 29 of your
13 brief, you state that the Steel Import Monitoring and
14 Analysis system, or SIMA, shows that there have been no
15 surges of steel imports from Mexico. Could you please
16 address Nucor's statements on page 48 to 49 of its brief
17 about alleged surges of rebar imports from Mexico that were
18 not investigated?

19 MS. JEONG: Jennifer, do you want to answer that
20 one?

21 MS. LUTZ: Yes. And I think I prepared some notes
22 in response to the slide that they prepared, which I found

1 very interesting when I saw it. The 232 agreement between
2 the United States and Mexico was meant to keep import levels
3 from surging beyond historical levels. Historical levels for
4 rebar are higher than those for wire rod. This doesn't meet
5 the same fact pattern as wire rod import volumes, which have
6 been historically much lower.

7 Furthermore, if you look at Mexican market share in
8 2019, for example, even if you triple that volume as one of
9 the comparisons in the slide shows, the market share would
10 still be very low. And we don't think that exhibit
11 demonstrates that rebar is a relevant example. First, the
12 exhibit shows data for a very odd assortment of time periods
13 that don't appear to be representative.

14 The same data source shows that rebar imports
15 during the 2015 through 2017 period as shown in the exhibit
16 are well below historical levels and that imports prior to
17 2015 were consistent with or higher than the 2020 volumes.
18 The 2018 import levels, which were subject to the 232 duties,
19 were significantly higher than the 2015 to 2017 volumes. I'd
20 say it's not clear why they chose to focus on that time
21 period, except I think they cherry-picked the data.

22 Exhibit 26 to our pre-hearing brief provides data

1 for some of the largest volume steel products imported from
2 Mexico which have higher levels than rebar and, in addition,
3 some comparable data from Canada showing monthly volumes
4 prior to and following the 232 agreement and anti-surge
5 suggestion. There certainly has been no overall increase in
6 steel imports and no increases in the product of interest in
7 this review, wire rod.

8 I also learned from Deacero that their rebar market
9 is unrepresentative because it was relatively unaffected by
10 the 232 duties, with imports continuing to enter regardless
11 of the imposition of duties.

12 And the agreements between the United States and
13 Mexico as well as the U.S. and Canada provide for
14 consultation between the governments if a perceived surge
15 occurs, and consultations have been requested under the
16 aluminum agreement. So it's clear that there is a mechanism
17 and it is being used.

18 CHAIRMAN JOHANSON: Thank you, Ms. Lutz. I
19 appreciate your response.

20 I have just one more question. Page 44 of the
21 Nucor brief at Exhibit 70 and 71 of their brief discussed
22 large global inventory hangovers due to the COVID-19 pandemic

1 shutdowns. Does Mexico have AD or CVD trade remedies or
2 safeguards in place on imports of wire rod from China? Are
3 imports from China a particular concern to Deacero at this
4 time?

5 MS. LUTZ: I do not know all of the details -- this
6 is Jennifer Lutz. I don't know all of the details of the
7 safeguards arrangement that Mexico has with respect to
8 imports of steel products, but my understanding is most, if
9 not all, sources are covered. I imagine China would be
10 covered, but we can look into that and address it in the
11 post-hearing brief.

12 CHAIRMAN JOHANSON: Okay, I would appreciate it.
13 And I thank you all for appearing here today.
14 Commissioner Schmidtlein?

15 COMMISSIONER SCHMIDTLEIN: I have no further
16 questions. Thank you all for appearing here today.

17 CHAIRMAN JOHANSON: Commissioner Kearns?

18 COMMISSIONER KEARNS: I have no further questions,
19 thank you.

20 CHAIRMAN JOHANSON: Commissioner Stayin?

21 COMMISSIONER STAYIN: No further questions. Thank
22 you for being here.

1 CHAIRMAN JOHANSON: Commissioner Karpel?

2 COMMISSIONER KARPEL: No further questions. Thanks
3 for everyone's participation.

4 CHAIRMAN JOHANSON: All right, then it appears that
5 there are no more questions from Commissioners.

6 Do staff have any questions for this panel?

7 MR. CORKRAN: Douglas Corkran, Office of
8 Investigations. Thank you, Chairman Johanson. Staff has no
9 additional questions.

10 CHAIRMAN JOHANSON: Do Petitioners have any
11 questions for this panel?

12 MR. ROSENTHAL: No questions from Kelley Drye.

13 CHAIRMAN JOHANSON: Okay. Thank you then.

14 Then, at this point, we will let parties prepare
15 for their closing statements, their rebuttals and closing.

16 I would like to note that those in support of
17 continuation have 31 minutes remaining from direct, five
18 minutes got close, for a total of 36 minutes.

19 Those in opposition have 16 minutes of direct, five
20 minutes of close, for a total of 21 minutes.

21 MR. BISHOP: And providing rebuttal and closing
22 remarks on behalf of those in support of continuation is Paul

1 C. Rosenthal of Kelley Drye & Warren.

2 Mr. Rosenthal, you have a total of 36 minutes.

3 And, Alan, are you also giving remarks?

4 MR. PRICE: I'm just going to give very brief
5 rebuttal remarks first and then Paul will take it from there.

6 MR. BISHOP: Okay, as well as Alan Price of Wiley
7 Rein.

8 Gentlemen, you have a total combined of 36 minutes.
9 You may begin when you're ready.

10 MR. PRICE: Thank you, Chairman Johanson and
11 members of the Commission. I just want to take one minute
12 again from my perspective, unrelated to actual closing
13 remarks, to say thank you for all your service as the
14 Chairman, Chairman Johanson. I think everyone has respected
15 your work as Chairman and your leadership as Chairman, and I
16 just want to from my perspective say that.

17 CHAIRMAN JOHANSON: Thank you very much, Mr. Price.

18 MR. PRICE: Thank you.

19 Now I just want to really address one point here.
20 This really goes to a number of the questions that were asked
21 by several of the Commissioners but in particular from
22 Chairman Johanson towards the end of his questioning of me

1 and of Rosa Jeong and of others. What do we expect to happen
2 here? Who is going to get sold, what is going to be sold,
3 and what are the impacts of that?

4 And only one of the Respondent companies from
5 Mexico has presented itself to the Commission. Chairman
6 Johanson, you asked for, give me something to distinguish, to
7 make me understand what has changed, right? And I'm going to
8 refer you to Slide 15 in the Wiley Rein presentation on both
9 of those charts and what you wrote in Footnote 33 of your
10 opinion. A lot of it I can't discuss publicly, and so I just
11 want you to look at that. So that's one major thing that has
12 changed. It's a huge change and it makes a critical
13 difference.

14 With that, I will now hand it off to Mr. Rosenthal.

15 MR. ROSENTHAL: Thank you, Alan.

16 I want to echo Mr. Price's remarks concerning
17 Commissioner Johanson. Thank you for all of your efforts in
18 this difficult time. I know it hasn't been easy. It's never
19 easy, but it's been more difficult than the normal
20 chairmanship tender. So thanks. And, frankly, thanks to the
21 Commissioners and staff. This is a tough time to get
22 business done and we know you're incredibly busy and working

1 remotely in the screen, but thank you for what you're doing
2 to make this work and have justice prevail.

3 With that, I want to turn real quickly to a couple
4 of points that we just heard from the Respondent. I'll start
5 with Mr. Pratt's comments, Mr. Pratt of Mid Continent, who
6 admitted that Mid Continent actually switched from buying
7 domestic to imports. And why was that? Because he said they
8 needed lower prices, wire rod prices, and they needed to save
9 the company. That's what he said.

10 I'll look forward to the transcript because I don't
11 think I'm mischaracterizing his statement. My reaction when
12 I heard it was, doesn't everyone who buys low-priced imports
13 say the same? We need that in order to compete.

14 Well, he told you why Mid Continent did it and it
15 was based on price. And, yes, we appreciate that Mid
16 Continent still buys domestic wire rod, but you can be sure
17 that if there were no duties in place, the purchases by Mid
18 Continent and anyone else buying wire rod, and they're all
19 buying because of price, they'll all increase and increase
20 dramatically.

21 Indeed, the Respondents, in talking about why
22 volume won't go up, really ignored totally that the low

1 volumes that they've had over the last number of years, even
2 with the surges when Deacero was circumventing, are not an
3 indicator of what will happen when the order goes away. They
4 don't even talk about all of the unused capacity that could
5 come to the U.S. If you look at the unused capacity of 2019
6 alone, even if half of it was targeted at the U.S., it would
7 still be significant.

8 And with all due respect, there's no way they'd
9 sell a lot of volume here without selling at low prices. We
10 know that's the reason why people will buy and we expect to
11 see large volumes at low prices, as we talked about, which
12 I'll come back to.

13 Mr. Villanuevo was talking about how tough it is to
14 meet the specs, et cetera. But, in fact, the vast majority
15 of wire rod being sold is industrial wire rod and to users
16 who don't need particularly sophisticated specs.

17 The idea that all of a sudden consumers or
18 purchasers needed 4.75 millimeter wire rod when they were
19 buying a larger diameter for all the time since time
20 immemorial is, with all due respect, not believable. Nor is
21 it believable that all of a sudden after the 4.75 millimeter
22 rod was found to be circumventing, all of a sudden they

1 developed a need for 4.4 millimeter rod. All this rod goes
2 to the same uses, the Commissioners heard that, for the same
3 uses. It's only a matter of who's going to reduce the
4 diameter. Is it going to be the wire rod producer? Is it
5 going to be the purchaser?

6 And the idea that they're selling for a premium is
7 ridiculous. They may be selling it for a premium compared to
8 their domestic customers in Mexico, but Deacero is selling
9 that 4.4, the 4.75, all at significant discounts below U.S.
10 prices.

11 To kind of go back to the beginning of our
12 presentation where you saw the clip from the Simpsons that
13 talked about in rod we trust, well, we still trust in rod.
14 The question for the Commission is how much are you going to
15 trust the representations of Respondent when they claim the
16 exports from Mexico won't increase significantly in the
17 event of revocation.

18 Remember, Deacero claimed in its previous sunset
19 review that in the event of revocation there would not be a
20 significant increase in import volumes from Mexico, but as
21 you know, even without the revocation, there was surges in
22 Mexico based on the attempts at circumvention that have been

1 talked about extensively here. These attempts show Deacero's
2 desire and need to export to the U.S. market. And,
3 ultimately, it really comes down to need.

4 We don't need to talk about anyone's credibility,
5 and we can stipulate to the sincerity of the representations
6 that you've heard today, that they really don't intend to
7 increase substantially. But it's not a matter of their
8 subjective intent. It's what's the economic reality that's
9 going to force them to increase their imports. And it's not
10 just Deacero, it's every other foreign producer who's subject
11 to this order.

12 They all have excess capacity. They all have
13 declining demands in their home markets. They all are
14 looking at the most open market in the world to sell to. So
15 whatever they tell you their intent may be, they need to be
16 able to shift to the United States and they will certainly do
17 that in the event of revocation.

18 Just look at Deacero's plans, which we focused on
19 mostly today. They don't talk about how much excess capacity
20 there is for them and for the Mexican producers or that the
21 capacity utilization has declined. Commissioner Stayin was
22 asking the witnesses for Deacero what about because of COVID

1 the decline in demand in the market, and the witnesses kind
2 of said, well, you know, that's not going to affect it.
3 We're looking for the long-term customers, et cetera.

4 Well, in fact, long-term customers exist all over
5 once you get them to buy your product. And demand in the
6 auto industry in Mexico alone has dropped by a third.
7 They're not going to be able to sell their wire rod to those
8 producers, auto producers in Mexico. And as we talked about
9 this now, it's important to note that the claims by Deacero
10 on exemptions and shortages, almost everything they were
11 talking about, how they couldn't get products, et cetera, and
12 the exemptions granted, those happen to deal with wire
13 products, not wire rod, wire products. And we'll go into
14 that more in our brief. But a lot of that discussion you
15 heard was misleading, and I'm not saying it's intentional,
16 but a lot of the exemptions they talked about had to do with
17 wire and not wire rod. But you see excess capacity in
18 Mexico, demand in Mexico is declining and continuing need and
19 interest by Mexican producers and exporters.

20 We also know that Deacero in particular has gone
21 through administrative reviews. Unlike some of the other
22 foreign producers who haven't been subjected to a review,

1 Deacero's gone through administrative reviews and still found
2 that they couldn't sell in the U.S. without dumping. Well,
3 that's true for everybody that's subject to this order here.

4 And as the Commissioners noted, they continue to undersell
5 in this U.S. market. They've undersold consistently and
6 they've undersold in this sunset review as well.

7 So, interestingly enough, they're saying, well,
8 we're not going to undersell here. We've got trade issues,
9 et cetera. And I think when they responded with whoever
10 emphasized freight completely missed it. Yeah, you can ship
11 from China or Turkey to Mexico cheaper than you can ship over
12 land, but the fact of the matter is everybody's got to ship
13 inland to the U.S. ultimately. And if you go back to the
14 original investigation, crate rates were no impediment to
15 being able to overwhelm the market with large volumes at low
16 prices to imports.

17 And the comment that something like wire rod
18 doesn't do well on wheels, so you can't ship that much here,
19 well, I'm not sure what that means. When you look at the
20 original investigation, wire rod wasn't being shipped here by
21 dirigible. It was coming here by truck and in very large
22 quantities, and they didn't seem to have any problem with

1 that.

2 Ultimately, the problem is that imports are going
3 to come in and in enough volume at this time that will cause
4 injury and a continuation of injury. Look at the state of
5 the domestic injury. It's highly vulnerable at this point.
6 Demand is down significantly, prices have declined, capacity
7 utilization is anaemic, plant and production lines are idle,
8 and profits are inadequate.

9 The industry is extremely vulnerable. There is
10 only one result that we'll obtain if there is revocation of
11 the orders by Mexico alone or all the countries and that is
12 continuation and occurrence of material increase. The facts
13 demand a continuation of the order to all of the countries.

14 Thank you very much for your time.

15 MR. BISHOP: Thank you, Mr. Rosenthal and Mr.
16 Price. Providing closing remarks on behalf of those in
17 opposition of continuation will be given by Irwin P.
18 Altschuler of Greenberg Traurig.

19 Mr. Altschuler you have a total of 21 minutes and
20 you may begin when you're ready.

21 MR. ALTSCHULER: Thank you very much, Mr. Bishop.

22 May I ask my colleagues, Ms. Lutz and Ms. Jeong, if

1 they have any comments in the nature of rebuttal before I
2 have one or two rebuttal points and then the closing. So,
3 Rosa, Jennifer, do you have anything to weigh in on, or
4 should I begin?

5 MS. LUTZ: I got my rebuttal comments in in
6 response to the last question.

7 MR. ALTSCHULER: Okay.

8 MS. JEONG: Let me just address -- thank you very
9 much. Again, this is Rosa Jeong with Greenberg Traurig.
10 Just a few points briefly.

11 One of the issues that U.S. industry has raised in
12 their brief and I think in their testimony as well is, you
13 know, they're saying that there's divertible capacity, that
14 if the orders were revoked that the Mexican industry would
15 take every single ton of the remaining capacity and every
16 single ton of their inventory and ship them to the U.S.
17 market. That's simply not realistic I think in any case but
18 in particular in light of the volume constraints on the
19 operations in the Mexican industry that you heard earlier
20 today.

21 As our panel has explained, production is aligned
22 with sales, which means that every ton they produce or every

1 ton they have in their inventory is already spoken for. Even
2 on a longer term basis, there's very little capacity because
3 they only produce to order and they align production that,
4 you know, there is not going to be a lot of volume to convert
5 and ship to the U.S. market.

6 One point about Section 232 exclusions. And I
7 think Nucor or perhaps the other counsel had mentioned that
8 they recognize that Section 232 exclusions were almost always
9 denied when the U.S. industry filed objections. And, you
10 know, we haven't done a global review of every single
11 request, but, to our knowledge, U.S. industry has opposed a
12 great many number of exclusions, and as they recognize,
13 virtually all exclusions were denied when U.S. industry has
14 opposed them. That means the process they really have full
15 control over; by filing an objection, they can get the
16 request denied. And even looking at what we experienced when
17 Ms. Caughtner was filing exclusions, a lot of times they were
18 just copying the same objection and then filing it to
19 another. There were many times where they filed the wrong,
20 you know, exclusion request numbers and so forth. It doesn't
21 seem that it took a lot of effort for them to or wouldn't
22 take a lot of effort for them to file an objection.

1 And I think they mentioned, you know, they made a
2 commercial decision that it wasn't worth responding and
3 addressing every single request. But, collectively, the
4 volume is, I think, a pretty significant volume that they
5 submitted a graphic for, which indicates that they must have
6 found these ones not injurious to them.

7 I think that in the comments that was just made
8 during the closing rebuttal session was that there are some
9 allegations that we are mischaracterizing what Ms. Caughtner
10 was requesting, it was wire, wire rod. I think our testimony
11 is very clear that the exclusion request to Ms. Caughtner was
12 for wire, but, as far as I know, all of the U.S. suppliers
13 that we were trying to get supplied rod or wire from were
14 also rod suppliers. So their capacity for wire and wire rod
15 are linked and, you know, essentially equal. It's just not a
16 reasonable assertion to say we would have had rod, we could
17 have sold you rod but not wire. So we believe that's an
18 unreasonable statement.

19 One final comment about the smaller diameter
20 product, I think one of the witnesses mentioned that to our
21 knowledge these small diameter products are still being
22 produced by some of the Canadian producers, something of that

1 sort and we believe were produced at the time of the
2 petition. So, to the extent that Canada was one of the
3 subject countries, it must mean that it wasn't a subject of
4 concern to the domestic industry at the time and that it was
5 purposely crafted to leave out those products at the time of
6 the petition. Thank you.

7 MR. BISHOP: Irwin, are you there?

8 MR. ALTSCHULER: I am. And I got my button to
9 work, so that was good, Bill.

10 Well, just to close, first let me close by echoing
11 everybody else in thanking the Commission for putting this
12 together. I was fearful about this technology. I'm not a
13 very high tech person, but I think it worked really well. So
14 thank you for the effort and I think it was worth it.

15 And, Chairman Johanson, happy next adventure and
16 thanks for all your service.

17 CHAIRMAN JOHANSON: Thank you, Mr. Altschuler.

18 MR. ALTSCHULER: Sure.

19 And I would just close with these remarks, that 18
20 years is a long time, and 18 years ago was a long time ago.
21 Just for perspective, George W. Bush was President, 9/11 had
22 just happened, the Iraq war hadn't even begun, Barry Bonds

1 won the National League MVP and he's now been retired for 13
2 years. My three kids weren't even married, and now I have
3 seven grandkids. So 18 years is a long time, and it's a very
4 long time for an antidumping order.

5 The law, the antidumping statute, recognizes this
6 when it instructs that in a five year sunset review an order
7 shall be revoked unless the Commission determines that
8 revocation would be likely to lead to a continuation or
9 recurrence of material injury within a reasonably foreseeable
10 time. In this case, a third sunset review, the evidence
11 shows that it would not be likely to reoccur or continue.

12 In the last 18 years, a solid wall of protection
13 has been built for the domestic wire rod producers.
14 Antidumping orders on 11 more countries, including China,
15 have been added. And there are precedents where the
16 Commission has revoked antidumping orders shortly after new
17 ones have taken effect.

18 Now, not only have 11 new orders been put in place,
19 but the industry benefits from Section 232 duties and quotas
20 against imported wire rod. There's no denying that.

21 Behind the protective wall U.S. producers have
22 thrived. And I won't go into the details because I think the

1 record makes clear how they have thrived through what
2 Petitioners like to call an incipient recovery. Well, if it
3 is incipient, it's going to continue because all the problems
4 are taken care of with these new antidumping orders.

5 So we think that revoking the order on Mexico won't
6 change a thing for these reasons, among others. This
7 protective wall, once again, including the reality that
8 Mexican wire rod would be hit again with 232 duties if its
9 wire rod exports surge.

10 The Mexican industry maintains high capacity
11 utilization and it's not export-oriented. Deacero, the sole
12 Mexican exporter for many years, is focused first on its
13 internal consumption of its own wire rod, then on the Mexican
14 market, then third country exports, then on its own U.S. nail
15 company, Mid Continent, and only then on exports to a small
16 number of other U.S. customers. And high freight costs keep
17 Deacero out of a number of U.S. regional markets.

18 I think what I'd like to remind the Commission is
19 that first and foremost Deacero is a wire company, and the
20 number and variety of downstream customers for wire in Mexico
21 has exploded in the last 18 years. This diversified customer
22 base is a major reason why Deacero sales of wire rod in

1 Mexico have been and will be stable despite COVID-19.

2 In sum, Mexico's exports to the U.S. will not
3 comprise a meaningful part of the U.S. market. It would be
4 too small to matter much, certainly too small to cause
5 material injury in a reasonably foreseeable time.

6 And we know this is the key. This is the key.
7 Does the Commission accept that Mexico's exports will remain
8 very low? Because, after all, if Mexico even doubles its
9 exports, it will still be much lower than 1 percent of U.S.
10 market, U.S. consumption. So we urge you to consider these
11 facts and conclude that it is unlikely that Mexico will
12 increase in any meaningful way because of all the factors
13 that we and our witnesses have recounted for you today.

14 And I think just one more time, it is important to
15 note that the U.S. industry cannot be counted on to supply
16 all U .S. customers' needs. The huge number of 232
17 exclusions granted for imported wire proves this.

18 And I think Mr. Rosenthal referred to this as
19 ridiculous, something to do with this. All I can say is I'm
20 glad the Commission and not Mr. Rosenthal is the arbiter of
21 what's ridiculous because, to me, it is a matter of
22 credibility. Credibility always matters. And when it comes

1 to these exclusions, to have a major U.S. producer tell the
2 government one thing in an effort to deny any imported wire
3 and tell its customer something very different, to me, that
4 is a matter of credibility and it's something that the
5 Commission is entitled to and should take into account.

6 And last I'd note that U.S. prices, the producers'
7 prices, are tied to scrap prices. I think that pre-hearing
8 brief demonstrates that well. And that the very low volume
9 of imports from Mexico will not disrupt that cost/price
10 relationship.

11 So, for all these reasons, we propose several
12 conclusions. One is that the Commission should not cumulate
13 Mexico with other subject imports because Mexico's imports
14 will have no discernible adverse impact or because of
15 significantly different conditions of competition; two, that
16 the U.S. industry is not vulnerable to material injury;
17 three, that imports from Mexico will have no significant
18 impact on the U.S. industry; and four, that the order for
19 Mexico should be revoked.

20 I thank you for this hearing again and the
21 opportunity to be heard and appreciate the time.

22 CHAIRMAN JOHANSON: All right. I would like to

1 thank all of you for appearing here today. I will now make
2 the closing statement.

3 On behalf of the Commission, I want to thank all
4 witnesses for participating in today's hearing on Carbon and
5 Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico,
6 Moldova, and Trinidad and Tobago, Investigation Numbers 701-
7 TA-417 and 731-TA-953, 957-959, and 961 (Third Review).

8 Post-hearing briefs, corrections to the transcript,
9 and responses to Commissioner questions are due not later
10 than 5:15 p.m. on Thursday, June 25, 2020, with the public
11 version due Friday, June 26, 2020.

12 The Commission appreciates everyone's patience and
13 flexibility while we refine our procedures during this
14 difficult time. Seeing no other business before the
15 Commission, this hearing is adjourned.

16 (Whereupon, at 3:45 p.m., the hearing in the
17 above-entitled matter concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago

INVESTIGATION NO.: 701-TA-417 and 731-TA-953, 957-959 and 961 (Third Review)

HEARING DATE: June 16, 2020

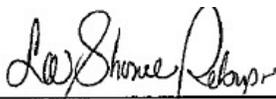
LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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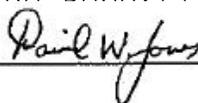
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