

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 )  
STEEL CONCRETE REINFORCING ) Investigation No.:  
 ) 731-TA-745 (Second Review)  
BAR FROM TURKEY )

Pages: 1 through 312

Place: Washington, D.C.

Date: October 16, 2008

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 ) Investigation No.:  
 STEEL CONCRETE REINFORCING ) 731-TA-745 (Second Review)  
 BAR FROM TURKEY )

Thursday,  
 October 16, 2008

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at  
 9:30 a.m., before the Commissioners of the United States  
 International Trade Commission, the Honorable SHARA L.  
 ARANOFF, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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 DANIEL R. PEARSON, VICE CHAIRMAN  
 DEANNA TANNER OKUN, COMMISSIONER  
 CHARLOTTE R. LANE, COMMISSIONER  
 IRVING A. WILLIAMSON, COMMISSIONER  
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APPEARANCES: (Cont'd.)

Staff:

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JOSHUA KAPLAN, INVESTIGATOR  
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JAMES FETZER, ECONOMIST  
JOHN ASCIENZO, ACCOUNTANT/AUDITOR  
GRACE ROTH-ROFFY, ATTORNEY  
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

In Support of Continuation of Antidumping Duty Orders:

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and Commercial Metals Company:

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Mills Group, Nucor Corporation  
JIM KERKVLIT, Vice President, Commercial Sales,  
Gerdau Ameristeel, Inc.  
AVERY HILTON, Executive Vice President-Mills,  
Commercial Metals Company  
PETER MORICI, Professor of Economics, University  
of Maryland  
LOUIS MILLER, Production Line Worker, Nucor  
Birmingham

ALAN H. PRICE, Esquire  
JOHN R. SHANE, Esquire  
DANIEL B. PICKARD, Esquire  
Wiley Rein, LLP  
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to Continuation of Antidumping Duty Orders:

On behalf of Ekinciler Demir ve Celik Sanayi, A.S. (Ekinciler), Kaptan Demir Endustrisi ve Ticaret, A.S. (Kaptan), Izmir Demir Celik Sanayi A.S. (IDC) and Istanbul Minerals and Metals Exporters' Association (IMMIB):

OMUR SUKAN, General Manager, Ekinciler  
ALI EKINCI, Foreign Trade Manager, Ekinciler  
ILKER ULU, Assistant Reporter, Research and  
Development Department, IMMIB

MATTHEW M. NOLAN, Esquire  
MYLES S. GETLAN, Esquire  
DIANA DIMITRIUC QUAIA, Esquire  
Arent Fox, LLP

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1           Finally, if you will be submitting documents  
2           that contain information you wish classified as  
3           business confidential, your requests should comply  
4           with Commission Rule 201.6.

5           Madam Secretary, are there any preliminary  
6           matters?

7           MS. ABBOTT: No, Madam Chairman.

8           CHAIRMAN ARANOFF: Very well. Then let us  
9           begin with opening remarks.

10          MS. ABBOTT: Opening remarks in support of  
11          continuation of the orders will be by Alan H. Price of  
12          Wiley Rein.

13          MR. PRICE: Good morning, Chairman Aranoff,  
14          Vice Chairman Pearson and members of the Commission.  
15          I am Alan Price of Wiley Rein, LLP, here this morning  
16          on behalf of the domestic rebar industry.

17          I would like to provide an overview of the  
18          most important conditions of competition in this  
19          investigation and to briefly discuss the statutory  
20          factors concerning the likely volume, price and impact  
21          of subject imports from Turkey in the event of any  
22          revocation.

23          The most significant and undeniable  
24          condition of competition is that the United States is  
25          in a recession. You cannot turn on the news without

1 hearing about the credit crisis, the instability of  
2 the stock market and the predictions of doom and gloom  
3 for the U.S. economy.

4 Yet, despite the trouble we're in the U.S.  
5 market still remains attractive to Turkish rebar  
6 producers, especially when compared to markets in  
7 Europe and the Middle East. And, as you will hear  
8 later this morning, the Turkish exports remain well  
9 suited to exploit any opportunity to dump more imports  
10 into the U.S. at lower prices if given the chance.  
11 Indeed, they are actively seeking U.S. sales as we  
12 speak.

13 In regard to the likely volumes of subject  
14 imports, it cannot be overstated that Turkey is the  
15 world's largest exporter of rebar. There is no  
16 question that there are large quantities of subject  
17 Turkish rebar that are available for shipment to the  
18 United States and that the industry in Turkey is  
19 predicted to grow even more in the coming years.

20 But not only is Turkey the world's biggest  
21 exporter of rebar. It is also overwhelmingly export  
22 dependent. A minority of Turkish production is  
23 destined for its home market. Rather, these producers  
24 are clearly reliant on export markets.

25 Indeed, Turkish exports exceed even those of

1 China and Ukraine, the world's second and third  
2 largest exporters, and the Commission recently decided  
3 to maintain the orders on both of these export  
4 platforms.

5 Turkish producers have recently seen their  
6 major export markets, including the Middle East and  
7 Europe, virtually disappear. There has been a  
8 contraction in global markets with a decline in rebar  
9 prices abroad and at the same time a strengthening of  
10 the value of the U.S. dollar, making the U.S. one of  
11 the highest priced markets in the world.

12 It is important to note that Turkey is an  
13 export platform. The order has provided relief by  
14 shutting out many major Turkish rebar producers as a  
15 result of high dumping margins, while others are  
16 subject to the pricing and volume discipline imposed  
17 by the dumping order.

18 Due to their export dependent excess  
19 capacity, opportunistic track record and lack of  
20 alternative markets, it is clear that should the order  
21 be revoked subject Turkish producers will  
22 significantly increase the volume of their shipments  
23 to the United States. This is especially true in  
24 light of the stronger dollar, decreasing freight rates  
25 and large and open U.S. markets.

1           In regard to the likely price effects of the  
2 subject imports, I would begin by repeating that to  
3 date the order has effectively kept a large number of  
4 subject Turkish producers at bay and forced other  
5 producers to price exports to the United States  
6 fairly.

7           However, if the order is removed, especially  
8 at a time when the Turk's other markets are  
9 collapsing, it can only mean one thing: They will  
10 ship to the United States at whatever price they have  
11 to, further depressing the price of a ton of rebar in  
12 our market. The price declines would come at a time  
13 when U.S. demand for rebar is declining and the U.S.  
14 rebar industry is vulnerable.

15           As you will hear today from our witnesses  
16 today and as you can read in any newspaper,  
17 residential construction is dead. Nonresidential  
18 construction is now following this trend.  
19 Consequently, the U.S. producers are looking at a long  
20 downturn in the business cycle, even without the  
21 current financial crises.

22           If unfairly priced imports are allowed back  
23 into the market at a time of decreased demand and  
24 heightened vulnerability, there is no doubt that the  
25 domestic industry will be materially injured. The

1 injury to the U.S. companies will be manifested in  
2 decreased production, declining revenues and lost  
3 profits. Needed investment will be postponed or  
4 canceled, but the injury will not be limited just to  
5 the corporations.

6 If the order is revoked and the dumped  
7 imports are allowed back into the country, then the  
8 workers in this industry will also be injured. As you  
9 will hear today, increased imports lead to decreased  
10 production in the U.S., which directly results in lost  
11 jobs and lost wages.

12 In conclusion, and as the evidence makes  
13 clear, if the order against unfairly priced imports  
14 from Turkey is revoked U.S. producers and their  
15 workers will again be materially injured. Indeed, I  
16 could not imagine a worse time for allowing dumped  
17 imports back into the U.S. market.

18 Thank you.

19 MS. ABBOTT: Opening remarks in opposition  
20 to continuation of the order will be by Matthew M.  
21 Nolan of Arent Fox.

22 MR. NOLAN: Good morning, Madam Commissioner  
23 and members of the Commission. My name is Matt Nolan.  
24 I'm a partner with the law firm of Arent Fox appearing  
25 today on behalf of the Turkish industry, including

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1 IMMIB, the major trade association in Turkey, and  
2 three producers in Turkey, Ekinciler, IDC and one  
3 other. Ege Celik?

4 MALE VOICE: Kaptan.

5 MR. NOLAN: Thank you. Sorry. We're here  
6 today to talk in opposition to continuing of the order  
7 on antidumping on rebar from Turkey.

8 Having just listened to the Petitioners'  
9 opening statement, I can say we agree on exactly one  
10 thing: The United States is in an economic crisis  
11 right now. I don't think anybody denies that.

12 We have an issue, the lockdown in the  
13 financial markets, and that is impacting the world  
14 economy and our economy. However, that has nothing --  
15 I repeat, nothing -- to do with rebar coming from  
16 Turkey.

17 The Petitioner wants you to believe that the  
18 sky is falling, that we are headed for a steel  
19 recession, if not a depression, and yet in June of  
20 this year they were raising prices to record highs in  
21 the United States, over \$1,000 per ton, and in July  
22 they were boasting their biggest earnings in the  
23 history of this industry. This comes on the heels of  
24 having set record earnings in 2007, the prior year.

25 Indeed, their outlook was bullish as late as

1 July of this year with predictions of a record third  
2 quarter to come in their own public statements. This  
3 is all clearly reflected in the staff report. It's in  
4 public statements that they've issued as prices,  
5 profits and earnings all skyrocketed in the U.S.  
6 industry.

7 The one indicator that has gone down in 2007  
8 and 2008 apart from the current prices, and quite  
9 dramatically down, I might add, are imports from  
10 Turkey. In fact, Turkish imports have dropped  
11 dramatically despite the fact that most of the larger  
12 producers in Turkey are no longer even subject to the  
13 current antidumping order.

14 So what has happened in the last eight weeks  
15 such as the Petitioners now claim that they'll be  
16 going from riches to rags with the Turkish producers  
17 as the prime culprit?

18 I submit to you that it is simply not  
19 credible to assert that the current financial crisis  
20 that we're in will cause anything with respect to  
21 Turkish imports increasing or decreasing. That's a  
22 completely separate phenomenon from what we're  
23 experiencing right now.

24 There is no doubt and no denying that there  
25 has been a dramatic, dramatic temporary interruption

1 in the global economy. For the last month, the  
2 worldwide credit crisis has locked down buyers who  
3 can't get credit to purchase, caused interruptions in  
4 production cycles, frozen markets, including steel  
5 rebar.

6 Just about any product where buyers rely on  
7 short-term credit or letters of credit issued by  
8 western banks has been impacted. It doesn't matter if  
9 it's Turkish rebar, U.S. rebar or French rebar.  
10 Everyone is being affected by this.

11 Of course, the interruption does not affect  
12 the U.S. industry alone. Turkey is not going to come  
13 in and take market share in this environment because  
14 the fact is that during this credit crisis no one is  
15 buying rebar in the United States.

16 Fortunately, the U.S. industry has made  
17 plenty in the last two to three years to weather the  
18 current short-term crisis, and there is no reason to  
19 expect that this is anything other than a short-term  
20 crisis. In fact, as of this morning I checked the  
21 *American Metal Market*. Steel rebar prices are down to  
22 \$909 a ton. That's not falling off a cliff. \$900 a  
23 ton is still way above where we were three years ago.

24 Indeed, latest government interventions that  
25 we're looking at. We hope the markets -- and we all

1 hope the markets -- will be back up in the next few  
2 weeks, if not months.

3 As we will hear in our testimony later,  
4 Turkish producers are already receiving major new  
5 orders from traders in their primary Middle Eastern  
6 markets. In fact, Turkey is not that interested in  
7 the U.S. market now. They have another primary stable  
8 market that will carry their production for the next  
9 10 years. It's the Middle East. We will give you  
10 very specific testimony on this later.

11 Please, please do not let the Petitioners  
12 turn the immediate state of the world economy into a  
13 debate about Turkish imports. These two topics bear  
14 no relation. The fact is that Turkey poses no threat  
15 to the U.S. rebar market.

16 The legal standard that we operate under is  
17 whether revocation of this order would likely lead to  
18 a continuation or recurrence of material injury within  
19 a foreseeable time. Of course, the WTO agreement upon  
20 which this standard is based makes it clear that there  
21 is a presumption that an order should sunset as long  
22 as the data don't show a likely recurrence of injury.

23 All the factors the Commission is required  
24 to consider compel a decision to revoke in this case.  
25 The record shows the following: First, the market is

1 far different today than it was 10 or even five years  
2 ago. We have an industry that has experienced high  
3 profits, a very significant degree of vertical  
4 integration and consolidation. Long periods of  
5 fundamental structural change occur. This industry is  
6 not vulnerable.

7 Two, subject imports from Turkey have been  
8 declining, and I mean dramatically declining, based on  
9 information in the staff report and just looking out  
10 on the street to see what's going on.

11 Three, Turkish producers have developed a  
12 stable, incredibly large new market where demand is  
13 projected to stay high for --

14 CHAIRMAN ARANOFF: Mr. Nolan, can you wrap  
15 up for us, please?

16 MR. NOLAN: I will. Yes, ma'am. Thank you  
17 very much.

18 We will go into the rest of this as we get  
19 into our testimony. I don't need to belabor it. I  
20 would just say one last thing. The Petitioners have a  
21 tendency to cry wolf in this case.

22 Last May, in front of the Commission on  
23 another rebar review, they argued the same thing:  
24 That a decline in residential construction in 2007  
25 would lead to a decline in nonresidential construction

1 and a crash in the industry.

2 Of course, what happened? Nonresidential  
3 construction went up 32 percent in 2007, so their  
4 cries of wolf and harm that is about to come should be  
5 viewed in the context of our prior statement.

6 Thank you very much.

7 MS. ABBOTT: Will the first panel in support  
8 of continuation of the antidumping duty order please  
9 come forward and be seated?

10 Madam Chairman, all witnesses have been  
11 sworn.

12 (Witnesses sworn.)

13 CHAIRMAN ARANOFF: Good morning.

14 MR. PRICE: Good morning, Madam Chairman. I  
15 am Alan Price, lead counsel for the domestic rebar  
16 industry.

17 I'd like to start today with a brief  
18 PowerPoint presentation that is an overview of our  
19 case. I believe you all have copies of the slides,  
20 and the slides have been distributed to the Secretary  
21 in this matter.

22 First, most Turkish product is both subject  
23 to the order and uncooperative with the Commission.  
24 More than 70 percent of the Turkish production remains  
25 subject to the order. The subject producers have at

1 least eight million short tons of rebar production  
2 capacity.

3 Second, the Commission needs to fully  
4 understand recent DOC precedent regarding excluded  
5 producers. That precedent in a number of cases is  
6 that they can be reincorporated back into an  
7 investigation if there is evidence of dumping  
8 presented by the domestic industry as long as the case  
9 is not sunset.

10 So the order continues to have reach to  
11 so-called excluded producers, and you can rest assured  
12 that counsel maintains a vigilant watch to make sure  
13 that if there is evidence of dumping we will present  
14 that to the Commerce Department.

15 Third, the Department has found that  
16 revocation would lead subject producers to resume  
17 dumping by very substantial margins of 16 to 41  
18 percent.

19 Now, critically in this investigation most  
20 of the Turkish industry has not been cooperative with  
21 the ITC. Only three of 31 producers have cooperated  
22 with the Commission in this review. The majority of  
23 the subject producers have provided no data to the  
24 Commission at all, and obviously we believe that this  
25 lack of cooperation should not be rewarded.

1           Next slide? Just to reiterate, Turkey and  
2 its unique place in the world market. It is an export  
3 platform. Roughly 66 percent of its production is  
4 exported. Its home market is essentially a very minor  
5 component of its producer sales, and Turkish producers  
6 are actually more export dependent than those of China  
7 and the Ukraine, countries that the Commission has  
8 recently determined to keep under order.

9           Next slide? We just want to reiterate that  
10 in fact the Turkey industry is adding rebar capacity  
11 at this point, and we've provided the details in our  
12 brief. There are very substantial capacity additions  
13 coming on line.

14           Now, we've heard a lot of discussions in the  
15 various briefs about prices. I think according to the  
16 brief submitted by the Turkish producers, the U.S.  
17 market was the lowest priced market in the world, and  
18 they had no interest in ever coming here, just sort of  
19 ignoring the reality in the marketplace.

20           As this chart shows, the U.S. market  
21 traditionally is an attractively priced market  
22 compared to Turkish export prices and Turkish home  
23 market prices. There was a change in the market that  
24 occurred in late '07 and early '08 when those markets  
25 went above the U.S. market price.

1           That situation has now shifted dramatically.  
2           The U.S. is once again a very attractive market.  
3           Prices here are substantially higher than what the  
4           Turkish producers are selling for in their home market  
5           and offering on export markets.

6           Let's be clear. The customers in this  
7           industry buy on one thing: Price. Your staff report  
8           is very clear on that. Basically this is a very  
9           simple commodity product, and price is the most  
10          important purchasing factor out there.

11          Next slide? Now, the Turkish exports have  
12          nowhere else to go. We provided extensive  
13          documentation on this as to what's going on in the  
14          market right now. Many of the domestic producers in  
15          fact have trading companies and so have insight into  
16          the world market.

17          The Middle East is severely overstocked at  
18          this point. Dubai alone has more than two million  
19          tons of rebar sitting on the docks. Much of it is  
20          actually Chinese now. There are substantial  
21          overstocks going on in the UAE at this point.

22          The Middle Eastern construction industry  
23          faces an enormous credit crunch itself, and frankly it  
24          is becoming apparent there was a lot of speculative  
25          building that went on in the Middle East itself that

1 is probably no longer fully supportable.

2 Huge new capacity is coming on line in the  
3 Middle East, which will displace Turkish imports in  
4 that market. European markets, which was another  
5 major outlet for the Turkish producers, have been  
6 stagnant since early this year and are also facing  
7 their own similar collapse; again, long-term trends  
8 due to overbuilding in countries like Spain.

9 The Turkish home market itself has crashed  
10 according to numerous public articles, and we've  
11 presented those in the confidential brief.

12 Again, I just want to outline what the new  
13 capacity additions are in the Middle East. You see  
14 that these are very substantial; in fact, more than  
15 the size of the Turkish capacity. That's what is  
16 coming on.

17 And so I think the idea that Turkey will  
18 maintain a Middle East market into perpetuity is  
19 inaccurate at best. They're going to be fighting  
20 against the new local market mills, as well as the  
21 Chinese producers who have diverted substantial export  
22 capacity themselves into the Middle East market right  
23 before it collapsed.

24 Next slide? The U.S. industry is vulnerable  
25 to Turkish imports. Construction demand in the United

1 States is in freefall. Orders are sharply down since  
2 last year, and this trend shows no sign of reversal in  
3 the near future.

4 Turkish producers have historically been  
5 willing to ship large volumes to the U.S. market  
6 irrespective of local market conditions and prices.  
7 As the Commission has recognized, the U.S. rebar  
8 market is national, so all producers are vulnerable to  
9 Turkish import competition, and deteriorating market  
10 conditions make U.S. producers particularly vulnerable  
11 to subject dumped imports from Turkey.

12 Now, the Turkish brief that was submitted  
13 was quite shocking because it just simply denied  
14 current market situations and reality out there. I  
15 now hear that there's a sudden change going on in the  
16 case theory, but what they said is that demand is  
17 strong in the Middle East.

18 In fact, I think we've documented pretty  
19 well that demand there has dried up and will not  
20 return for some time due to overstocks, credit  
21 problems and overbuilding and, by the way, the  
22 collapse of oil revenue, which is starting to occur in  
23 a major way.

24 They say that demand is strong in the U.S.  
25 In reality, residential construction is in freefall,

1 and nonresidential construction starts are trending  
2 down sharply. This is not a temporary trend.

3 They say that prices are higher elsewhere.  
4 In reality, U.S. prices have historically been among  
5 the highest in the world and are currently several  
6 hundred dollars higher than either the domestic or  
7 import price that the Turks are charging the Middle  
8 East or in Europe, so there is little question that  
9 the U.S. is a very attractive market for the Turkish  
10 producers.

11 I want to leave you with one last  
12 conclusion, and it's the obvious one that revocation  
13 of the order will lead to increased volumes of Turkish  
14 imports, lower prices, lower production, lower  
15 employment, lower wages and material injury to the  
16 U.S. industry in the reasonably foreseeable future.

17 I would now like to introduce our next  
18 witness, Dr. Peter Morici.

19 MR. MORICI: Good morning. I am Dr. Peter  
20 Morici, a Professor of International Business at the  
21 University of Maryland-College Park. Before going to  
22 Maryland, I was Director of Economics here at the  
23 International Trade Commission many years ago.

24 I am also an economics forecaster. I  
25 participate in the surveys conducted by Reuters

1 MarketWatch, as well as several other news services,  
2 and I was MarketWatch's forecaster of the month three  
3 of the last 13 months out of a field of more than 40  
4 New York bank and other industry economists.

5 Since the credit crisis began in earnest a  
6 few weeks ago, I have been revising my forecast down  
7 almost on a daily basis. Unfortunately, the revisions  
8 always seem to be downward. The entire economy is at  
9 risk of slipping into a lengthy recession.

10 The International Monetary Fund reported  
11 last week the world economy is entering a major  
12 downturn in the face of the most dangerous financial  
13 shock in major financial markets since the 1930s and  
14 that the situation is exceptionally uncertain and  
15 subject to considerable downward risk.

16 Last week, the *Wall Street Journal* flatly  
17 stated it's all but certain the U.S. economy is in a  
18 recession, and I agree. I predict that U.S. GDP will  
19 decline by 1.6 percent over the next three quarters,  
20 and while I think the economy will start to expand in  
21 the third quarter of 2009, I think the expansion will  
22 be very modest with economic growth for all of 2009 in  
23 the range of only 0.3 percent.

24 Even this is an optimistic view as compared  
25 to the IMF, which projects U.S. growth at only 0.1

1 percent for next year. As this slide shows, in 2008  
2 and especially in 2009, I expect growth in GDP to be  
3 at its lowest level since the recession year of 1991.

4 The construction market, which is  
5 essentially rebar's only market, is affected directly  
6 by developments in the economy as a whole. Normally  
7 once the economy turns down, construction follows  
8 after a lag. In this case, construction, specifically  
9 in residential construction, was a cause of the  
10 downturn.

11 Rebar is used in both residential and  
12 nonresidential construction. The residential  
13 construction market is simply a disaster right now.  
14 Housing starts in August were a staggering 33 percent  
15 lower than August of 2007.

16 Looking forward, the number of building  
17 permits issued for houses and apartments is a reliable  
18 estimator of future construction activity. The number  
19 of residential construction permits issued in August  
20 2008 was over 36 percent lower than the same month  
21 last year.

22 Perhaps most worrisome of all, as this slide  
23 shows, the inventory of unsold new homes is at its  
24 highest level since 1981 when interest rates were at  
25 double digit levels, not the modest levels they are

1 today. Taken together, these data indicate that  
2 residential construction is not likely to revive  
3 significantly any time soon.

4 Trends in nonresidential construction  
5 activity normally follow residential construction  
6 after a lag of around a year, although the exact  
7 length of that lag varies from cycle to cycle.  
8 Residential construction spending in the United States  
9 peaked in March 2007, while permits reached their peak  
10 in May 2007.

11 As we would expect, nonresidential  
12 construction has begun to decline with starts during  
13 the January to August 2008 period being 15 percent  
14 lower than the same eight months last year.  
15 Nonresidential construction starts declined three  
16 percent in August 2008 alone.

17 Once nonresidential construction spending  
18 begins to decline, it typically falls for at least two  
19 years and takes four to five years to recover, as this  
20 slide shows. Given the typical length of recoveries,  
21 nonresidential construction may not return to 2007  
22 levels until 2012 or 2013. In this case, though,  
23 because of the depth of the credit crisis and its  
24 long-term effects on construction, the recovery may  
25 take even longer.

1           Many had hoped construction in energy would  
2 consume the decline. However, major energy companies  
3 like Chesapeake have announced instead they are  
4 reducing their drilling programs for 2009.

5           Nor should we expect construction by state  
6 and local governments, which normally accounts for  
7 one-third or more of nonresidential construction, to  
8 take up the slack. State and local governments are  
9 being severely affected by the credit crisis and  
10 contracting revenues. This will cause nonresidential  
11 construction spending to fall even more than is normal  
12 in a downturn and to take longer than normal to  
13 recover.

14           Given current conditions, I believe it is  
15 very unlikely that either the residential or  
16 nonresidential construction market in the United  
17 States will even start to recover before 2010 and  
18 perhaps not until 2011 or even 2012.

19           The sharp declines we are seeing in  
20 residential and nonresidential construction are not  
21 unique to the United States. To the contrary,  
22 construction in the European Union is clearly in a  
23 severe slump, while construction in China began to  
24 decline early in 2008. Even the unprecedented  
25 building spree in the Middle East has come to a

1 crashing halt.

2 It does not appear that any market in the  
3 world has escaped the impact of the credit crisis on  
4 construction. The witnesses after me will discuss in  
5 detail what this means for the U.S. rebar industry.

6 Thank you.

7 MR. PRICE: Thank you.

8 I would now like to introduce Mr. Jim  
9 Kerkvliet.

10 MR. KERKVLIIET: Good morning. My name is  
11 Jim Kerkvliet, and I am the Vice President of Sales  
12 and Marketing at Gerdau Ameristeel. Thank you for  
13 this opportunity to appear before you to discuss the  
14 effects of revoking the antidumping duty order on  
15 Turkish rebar.

16 If the order is revoked, dumped Turkish  
17 rebar will most certainly reenter the U.S. market in  
18 large quantities. Simply put, it is very easy for  
19 Turkish producers to sell their rebar here. We don't  
20 have rules or regulations that hamstring imports, and  
21 our tariffs are among the lowest in the world.

22 U.S. ASTM standards for rebar are well  
23 known, and Turkish producers have been producing to  
24 them for years. Turkish producers are familiar with  
25 the U.S. market and have maintained a foothold in the

1 United States with some producers even having U.S.  
2 selling affiliates.

3 Purchasers in the U.S. are aware of Turkish  
4 product and know that it meets ASTM standards. The  
5 Turkish steel mills produce far more rebar than they  
6 could ever consume at home. They must ship steel to  
7 markets outside of Turkey and are opportunistic  
8 exporters continually searching for the best market.  
9 Often that market has been the United States.

10 Historically the U.S. market is one of the  
11 largest and highest priced markets in the world. Even  
12 during economic downturns, the United States can  
13 absorb large tonnages of imported rebar, though only  
14 at the expense of the domestic industry.

15 Turkey faces a huge dropoff in demand in  
16 both its home market and its other export markets.  
17 The Middle East market, which created a demand bubble  
18 in the first half of the year, has stopped buying.  
19 Past practice and current experience tells us that the  
20 U.S. is even more attractive for reason of its size  
21 and pricing than it might otherwise be.

22 Freight rates have plummeted, making it  
23 cheaper to ship large tonnages from Turkey to the  
24 United States, and the dollar has strengthened so that  
25 exporting to the U.S. is particularly profitable. We

1 are already seeing Turkish offers to North America  
2 that are over \$200 a ton cheaper than domestic prices.

3 Absent a legal deterrent, there is no market  
4 deterrent to dumped Turkish exports of rebar to the  
5 United States. While the U.S. market is certainly  
6 large enough to attract Turkish imports, it is not  
7 currently strong enough for U.S. producers to be able  
8 to withstand the onslaught of unfairly priced rebar.

9 Demand in our market has collapsed. From  
10 2003 and 2006, the residential construction boom  
11 spurred demand for rebar intensive condos, apartment  
12 complexes and even individual home amenities such as  
13 pools. Rebar construction reached an all-time high in  
14 2006, but last year the mortgage crisis wiped out the  
15 previously booming residential construction market.  
16 The figures are grim.

17 Housing starts this August were down over 33  
18 percent from August of last year. New home  
19 inventories are at their highest level in over 25  
20 years. For an example, in Florida there is over a  
21 five-year inventory level of condominiums.

22 Until recently, U.S. rebar producers could  
23 count on the nonresidential construction market, but  
24 this market is also showing the telltale signs of  
25 decline. Normally nonresidential construction trends

1 lag residential construction trends by around a year.

2 Much of the demand for things like office  
3 buildings, shopping centers and water treatment plants  
4 are dependent upon the many new residential  
5 construction projects being built and the communities  
6 that were to live in these residential developments.  
7 With the residential developments abandoned, no one  
8 needs the nonresidential construction to support those  
9 developments.

10 Nonresidential construction is being  
11 particularly negatively affected by the deepening  
12 credit crunch. Builders simply can't obtain funding  
13 for projects, and in addition state and local  
14 governments are tightening their belts. They are  
15 calling off or postponing infrastructure projects for  
16 building new schools, hospitals, bridges and roads.

17 Nonresidential construction starts this  
18 August were down by over 15 percent from August 2007  
19 levels. At this point, demand for rebar is the lowest  
20 that we've seen in a long time, and there is no sign  
21 that we have hit the bottom.

22 The lack of liquidity is causing many major  
23 projects to be put on hold indefinitely. We are  
24 seeing contracts canceled left and right, and right  
25 now what we're just trying to do is to limit the

1 amount of production at our mills that we're going to  
2 have to shut down.

3 Unlike Turkish producers, U.S. producers  
4 cannot export rebar in order to ride out bad times at  
5 home. The United States has never been a large steel  
6 exporting country, and our exports have generally been  
7 limited to Canada and other near markets.

8 While some U.S. producers were able to  
9 develop limited exports to Europe during the early  
10 part of the year, these sales depended entirely on the  
11 strong demand abroad and a weak dollar. Demand in  
12 Europe has slowed to a crawl, and the dollar has  
13 strengthened significantly.

14 U.S. produced rebar is no longer attractive  
15 abroad. Now, I have worked in the steel industry for  
16 many years and have seen firsthand the damage that  
17 unrestrained dumped imports can do. In a fragile  
18 market like ours, the effects can be devastating.

19 If the order is revoked, we will see history  
20 repeat itself. Before the order was put in place,  
21 dumped Turkish rebar invaded the market at rock bottom  
22 prices, even though the U.S. market was in decline.

23 The U.S. industry fought long and hard to  
24 maintain market share and pricing in the face of  
25 increasing import volumes and ever lower prices, but

1 the net effect was an injured industry, hemorrhaging  
2 jobs and profits. If the order is revoked, the effect  
3 today will be even worse.

4 Turkish producers have brought on a lot of  
5 capacity over the last 10 years and are now the  
6 largest exporter of rebar in the world. The U.S.  
7 economy is in bad shape, and right now no one expects  
8 for rebar to pick up any time soon. Our mills are  
9 already suffering. Our workers are already hurting.

10 On behalf of the U.S. steel industry, we ask  
11 that you keep the order in place. Thank you.

12 MR. PRICE: Thank you.

13 I would now like to introduce our next  
14 witness, Mr. Avery Hilton.

15 MR. HILTON: Good morning. My name is Avery  
16 Hilton. I'm Executive Vice President for Mills for  
17 Commercial Metals Company.

18 I'm responsible for the operations of  
19 Commercial Metals' four existing domestic steel mills,  
20 as well as the new one currently under construction in  
21 Arizona. In this role, I follow closely developments  
22 in the U.S. rebar market, as well as CMC's order book  
23 and production schedules.

24 Through the end of 2007, the rebar market in  
25 the United States was strong. In the first half of

1 2008 we saw some softness in the market, but through  
2 July our sales and production remained solid overall.

3 Looking forward, CMC hoped that production  
4 and sales in 2009 would be about the same as in 2008.  
5 Then in August everything came to a screeching halt.  
6 The rug was snatched out from under us. From running  
7 full tilt, our mills were suddenly faced with sharply  
8 lower orders.

9 Demand dropped over 10 percent in August and  
10 even more in September. Given the current state of  
11 financial markets, we believe it will fall even lower.  
12 I've been in the steel business over 40 years. The  
13 last time I saw demand drop off like this was in 1974,  
14 over 34 years ago.

15 The residential construction business has  
16 simply disappeared. Nonresidential construction  
17 demand is at the lowest level in years, especially on  
18 the east and west coasts. People simply are not  
19 putting up big box stores, office buildings and  
20 shopping malls right now, nor do we expect the markets  
21 for these types of structures to recover quickly.

22 Often when demand for rebar from private,  
23 nonresidential construction projects declines the  
24 public sector cushions the blow with demand for rebar  
25 for use in roads, bridges and new schools. Now with

1 many state and local governments experiencing  
2 difficulties in borrowing and suffering falling tax  
3 revenues, we're concerned that the backlog of public  
4 construction orders will disappear as well.

5 Last summer, demand for rebar was so uneven  
6 that at times we were actually shipping rebar from our  
7 mill in South Carolina to the Texas market. Suddenly  
8 orders just evaporated, and we found ourselves with  
9 the highest levels of inventory I can remember.

10 To bring our inventory levels down and to  
11 manage cashflow, we are cutting production at all our  
12 mills significantly. This month alone, three of our  
13 mills will shut down for two weeks, while the other  
14 will take one week down. We will continue to reduce  
15 production until our inventories return to a more  
16 reasonable level.

17 I do not know when demand will pick up  
18 again. Until the credit situation is resolved, no one  
19 is going to be starting any new large projects. Even  
20 after credit becomes available again, it will take  
21 many months and perhaps years for projects to be  
22 designed, funded, awarded and construction started to  
23 the point where contractors will actually need to buy  
24 rebar. I'm afraid that we could be headed into the  
25 worst period in my entire 40 year history in the steel

1 industry.

2           The frightening aspect of all of this is  
3 that even if demand for rebar crashes in the United  
4 States, which it certainly appears to be doing, the  
5 American market will still be attractive to dumped  
6 Turkish imports.

7           Even at depressed levels of demand, the U.S.  
8 market is one of the largest rebar markets in the  
9 world. Even with prices down from their levels  
10 earlier this year, U.S. prices will still be more  
11 attractive than about any other market in the world.

12           Because of the number of distributors and  
13 our openness to imports, the United States is also the  
14 easiest market in the world to enter. The Turkish  
15 producers certainly know how to sell into the United  
16 States market. CMC has seen this firsthand.

17           Over the past few years, more subject  
18 Turkish imports have entered the United States through  
19 Houston than through any other port. Our largest mill  
20 is in Texas, so we have been competing with subject  
21 Turkish imports directly.

22           What has been striking is how quickly the  
23 Turkish producers can enter, leave and then reenter  
24 the U.S. market. Their level of exports seem to have  
25 nothing to do with overall demand. Indeed, my

1 experience has been that the Turkish producers tend to  
2 increase sales in the United States, especially when  
3 the demand is weak.

4 In down markets, customers are especially  
5 sensitive to differences in price. The Turkish  
6 producers have been willing to offer the lowest prices  
7 around. This will be even more true if the  
8 antidumping order is revoked.

9 I think rebar demand could remain weak for  
10 several years. Customers will be more price sensitive  
11 than ever. The Turkish producers will see an  
12 opportunity to buy market share through unfairly  
13 priced imports, and I fully expect them to take  
14 advantage of it. If that happens, we'll be caught in  
15 a triple whammy of falling demand, falling prices and  
16 rising imports.

17 Based on experience, once it starts falling  
18 demand for rebar normally continues to decline for two  
19 or three years and takes four to five years to recover  
20 to former levels, assuming that the efforts to control  
21 the credit crisis are successful.

22 In the meantime, if the order is revoked the  
23 U.S. rebar industry will have to compete with dumped  
24 rebar from Turkey. Revocation will bring in more  
25 dumped Turkish imports at even lower prices. Under

1 these conditions, competition from dumped imports will  
2 be extremely harmful to the American rebar industry.

3 Thank you.

4 MR. PRICE: Thank you.

5 I would now like to introduce our next  
6 witness, Mr. Robert Stone.

7 MR. STONE: Good morning, Chairman Aranoff  
8 and members of the Commission. My name is Robert  
9 Stone. I'm the Director of Sales and Marketing for  
10 the Bar Mill Group at Nucor Corporation. I've been in  
11 the rebar industry since 1986.

12 I appreciate this opportunity --

13 CHAIRMAN ARANOFF: Can you get just a little  
14 closer to your microphone, please?

15 MR. STONE: Thank you. I appreciate this  
16 opportunity to appear before you to discuss why the  
17 order on rebar is critical for the survival of the  
18 domestic rebar industry.

19 As the Commission is aware, the domestic  
20 industry has been hurt multiple times over the past  
21 decade by influxes of rebar at lower prices. It  
22 happened in 1997 when the Commission first voted to  
23 put the order on Turkish rebar in place. It happened  
24 again in 2002 when the Commission approved orders on  
25 rebar from a variety of other countries.

1           Dependency of low-priced imports to invade  
2 our market, particularly during worldwide economic  
3 downturn, is so well known that the IT approved  
4 continuation of the Turkish order in 2001 in their  
5 multi-country order just last year.

6           The facts surrounding rebar showing why the  
7 Commission must keep the orders in place: Rebar  
8 competes in the U.S. market on a price basis. When  
9 asked to choose between domestic and import sources  
10 for rebar, nearly every purchaser will pick the least  
11 expensive of the two.

12           In comparison to U.S. rebar, dumped Turkish  
13 rebar is cheap. The U.S. traditionally has some of  
14 the highest prices in the world, and Turkish producers  
15 have taken advantage of that time and time again,  
16 sending large quantities of dumped rebar into our  
17 market.

18           As the Commission saw during the original  
19 investigation, there is only one result when dumped  
20 Turkish imports flood into the United States. The  
21 Turkish imports gain market share at the expense of  
22 the U.S. industry.

23           If the domestic industry doesn't lower  
24 prices, it risks losing nearly all of its market  
25 share. This would be disastrous in an economic

1 environment that we are currently facing and we expect  
2 to be facing going forward.

3 Lower prices, coupled with lower volumes,  
4 will contribute to extremely poor financial results,  
5 along with production cutbacks, lower wages, lost jobs  
6 and an inability to invest in critical maintenance and  
7 infrastructure.

8 Despite what the Turkish producers have  
9 alleged, mill owned scrap and fabrication operations  
10 do not insulate U.S. producers on the price cuts  
11 forced on us by imports. Our scrapyards and  
12 fabrication shops operate as independent businesses.  
13 In order to achieve satisfactory financial results,  
14 our scrapyards sell to the highest bidder and our  
15 fabrication shops from the lowest priced sources.

16 If the prices are low enough, they will  
17 purchase imports. In fact, if the prices are low  
18 enough they must purchase imports in order to  
19 effectively compete against other fabricators.

20 Is it clear that Turkish producers have the  
21 United States trained in their sights. Turkish  
22 producers saturated the Middle East with rebar, and  
23 that market collapsed. Demand in European markets has  
24 crashed. Desperate to find new end markets for unsold  
25 quantities, Turkey has spent the past few months and

1 is currently making aggressive offers in the United  
2 States, steeply undercutting U.S. prices.

3 In the past, such actions have done nothing  
4 but cause catastrophic price declines and create  
5 market uncertainty. With the U.S. economy  
6 deteriorating, U.S. producers cannot defend themselves  
7 from the downward pricing spiral that dumped Turkish  
8 imports will cause.

9 With the order in place, Turkish prices and  
10 volumes will be disciplined, but if the order is  
11 revoked Turkish rebar imports will again cause  
12 dramatic U.S. price declines that harm companies and  
13 their workers.

14 On behalf of Nucor, our workers and their  
15 families, I urge the Commission to leave this order in  
16 place. Thank you.

17 MR. PRICE: Thank you.

18 I would now like to introduce our final  
19 witness, Mr. Louis Miller.

20 MR. MILLER: Good morning. Thank you for  
21 giving me the chance to speak to you today. My name  
22 is Louis Miller, and I work in the Nucor Steel mill in  
23 Birmingham, Alabama, as a roller mill pull pit  
24 operator.

25 I started working in the Birmingham mill 25

1 years ago in 1983. As you may remember, I met some of  
2 you when you came down to tour our facility last year.  
3 I also testified in that case about how steelworkers  
4 like me would be hurt if imports came back into the  
5 United States.

6 This is even more true now when things are  
7 bad even without imports coming in. When Nucor took  
8 over the Birmingham mill in 2002, they started a new  
9 program to help workers share in the company's profits  
10 and make more money. We have a production bonus  
11 system that means that when you produce more, we get  
12 paid more. In fact, about two-thirds of my salary  
13 comes from production bonuses.

14 I also get to share in Nucor's company  
15 profits. This money is of real importance to my  
16 family and has helped me to send my kids to college  
17 and plan for my retirement, though my retirement date  
18 has now been pushed back.

19 Generally times have been good over the  
20 years with Nucor, but we're now experiencing a really  
21 tough period. In fact, I've never seen the mill or  
22 our workers in a situation like this in the 25 years  
23 that I've been there.

24 Our warehouse is packed full of steel. It's  
25 actually stacked to the ceiling. We're down to

1 producing only two days a week. That means most guys  
2 like me only get to work three shifts a week. Because  
3 of these production decreases, my pay has literally  
4 been cut in half.

5 It's Nucor policy not to lay off their  
6 workers, which means that the little there is to go  
7 around is stretched even thinner. This is really hard  
8 on people's families. Workers at the mill are cutting  
9 out all nonessential expenses. Some of my friends  
10 can't even make their mortgage payments and are losing  
11 their homes.

12 Going on vacation is out of the question for  
13 nearly all of us. I've had to dip into my retirement  
14 savings, including my 401(k), just to cover my day-to-  
15 day bills. There has been an increase in divorces of  
16 the employees at the mills, and I really think that  
17 it's partly due to the stressful situation at work.  
18 This is even affecting the health of the steel mill  
19 workers.

20 This is the situation we're going through  
21 right now in the steel mill. If dumped imports are  
22 allowed back into our country to affect our industry,  
23 I really don't know how my family and the families of  
24 all the other workers are going to survive.

25 In 2006, there was a big rise in imports.

1 Import prices dropped. As a result, I earned \$5,000  
2 less than I would have otherwise. That was a big hit  
3 for my family to take. I have three daughters, and  
4 luckily at that point I put two of them through  
5 college already. My youngest was still in school  
6 then, and I have to admit that I really had a tough  
7 time making some of those tuition payments.

8 That all happened at the time when our  
9 national economy and our mills in particular were  
10 doing much better overall than it is now. But if  
11 production were to decrease at this point, I can't  
12 bear to think how bad the effect would be for us.

13 Production would have to be further cut  
14 back, and we'll suffer further pay decreases. Those  
15 of us that are still able to make our house and car  
16 payments may not be able to continue to do so. It's  
17 already hard to explain these economic struggles to  
18 our children. If dumped imports were allowed into the  
19 U.S. again, I really don't know how my family, friends  
20 and co-workers could get through the hardship.

21 I'd really just like to ask you not to  
22 forget about the workers in our industry when you make  
23 your decision in this case. My own family and all of  
24 the people that I work with in Alabama really need  
25 your help. Thank you.

1 MR. PRICE: Thank you.

2 That concludes our direct testimony. We'd  
3 like to reserve all of our remaining time for  
4 rebuttal.

5 CHAIRMAN ARANOFF: Welcome to the morning  
6 panel. Thank you for taking time away from your  
7 businesses and your jobs to spend this time with us  
8 answering our questions about the case.

9 We will begin the questioning this morning  
10 with Commissioner Lane.

11 COMMISSIONER LANE: Good morning, and  
12 welcome to many of you back for another rebar hearing.

13 Dr. Morici, I have to tell you that I was in  
14 the mountains of West Virginia last week, and on my  
15 way back I had on my XM radio and I listened to you  
16 most of the way back from West Virginia to D.C.  
17 explaining the current credit crisis.

18 I have to say that I understand it better.  
19 I thought you did a very good job, but it was also  
20 very depressing.

21 MR. MORICI: They call this the dismal  
22 science for a reason.

23 COMMISSIONER LANE: Okay. Okay. Well, let  
24 me ask some questions starting perhaps with Mr. Price.

25 The domestic industry urges the Commission

1 to view the case on a total U.S. basis rather than on  
2 a regional basis. If the Commission made an  
3 affirmative determination, would there be any  
4 difference in the practical impact on the domestic  
5 industry? In other words, would it matter whether the  
6 decision was based on regional data or U.S. data?

7 MR. PRICE: Just to address this as  
8 straightforward as I can, following the multi-country  
9 rebar case we think that it just is a matter of legal  
10 consistency at this point and factual consistency. It  
11 just makes sense to treat this case as a national case  
12 at this point in time.

13 We have examined the record. We thought at  
14 some point of proposing an alternate region which  
15 included Texas in it. We realized that trying to  
16 collect alternate region data, given the complexity of  
17 what assembling this staff report has involved -- and  
18 I think the staff did an excellent job in putting that  
19 together -- would make it far more difficult and,  
20 frankly, given your recent finding, it would make a  
21 lot of sense.

22 So while we believe that we should win on a  
23 regional basis and we believe that an alternate region  
24 might also be appropriate, we think that as a  
25 practical matter let's just address this on a national

1 basis.

2 COMMISSIONER LANE: Okay. Thank you.

3 Okay, Dr. Morici. Back to you. You  
4 testified that nonresidential construction has started  
5 to decline. However, the data from the Census Bureau  
6 as reflected in Figure II-1, page 2-2 of the staff  
7 prehearing report, seems to show that the absolute  
8 value of seasonally adjusted nonresidential  
9 construction continued to grow into mid 2008.

10 Does the data depicted on Figure II-1, page  
11 2-2 of the staff report, contradict your statement  
12 regarding a downturn in nonresidential construction?

13 MR. MORICI: You think I of all people would  
14 know. The data there does not take into account  
15 inflation. There was a significant increase in the  
16 cost of materials. Once that's pulled out, instead of  
17 increasing by 40 percent it's more than 19.

18 As explained in our brief, nonresidential  
19 construction starts in August 2008 were 15 percent  
20 lower than in August 2007. Nonresidential  
21 construction trends generally follow those in  
22 residential construction by about a year. Residential  
23 housing starts peaked in 2007 and permits in May 2007,  
24 so we have the conditions here for that to now  
25 contract.

1           It might have been better if they had  
2           charted space put in place, if they had charted starts  
3           and if they considered some of the leading indicators  
4           of where we were going, but they did not.

5           It is always not the best practice, not the  
6           most illuminating practice, to use nominal dollars in  
7           an industry such as this where there's a lot of  
8           fluctuation in the cost of material.

9           COMMISSIONER LANE: Okay. Thank you.

10          I want to refer to some information that Mr.  
11          Miller referred to, and perhaps, Mr. Price, in  
12          posthearing you can provide this.

13          For the companies represented here today, I  
14          would like to see the specific data or how your  
15          operations have changed say starting in September up  
16          to the present date on the number of production  
17          workers that are actually working.

18          The number of hours and all of that typical  
19          data that we have prior to that is already in the  
20          record, but we don't have any of the figures I don't  
21          think that reflect what Mr. Miller is telling us is  
22          actually happening at the various mills.

23          MR. PRICE: We'll be happy to provide that  
24          information in the posthearing brief.

25          COMMISSIONER LANE: Okay. Thank you.

1                   Now, the data for imports from Turkey that  
2                   are still under the order show mixed movement downward  
3                   and upward. Do you have any opinion as to why those  
4                   imports changed as they did, particularly near the end  
5                   of the period of review?

6                   MR. PRICE: I think it's very clear from  
7                   this record and looking at the Turkish producers'  
8                   behavior in the world market that they are  
9                   opportunistic and constantly moving around the global  
10                  marketplace.

11                  They are as an industry entirely export  
12                  dependent. They will constantly search out the best  
13                  returns followed by wherever they need to move just to  
14                  keep the mills operating, so we see constant  
15                  fluctuations. It is that fluctuation in fact which is  
16                  very important for disproving the claim that there's  
17                  no interest in the U.S. market.

18                  At the end of the period, frankly, in late  
19                  '07/early '08, as our chart showed that I put up, the  
20                  U.S. market was probably the lowest priced market in  
21                  the world, so you see a downward fluctuation in  
22                  product coming in here.

23                  That situation has dramatically shifted.  
24                  The U.S. market is once again one of the highest  
25                  priced markets in the world, which is its traditional

1 place in the world market generally as an absolute  
2 statement. As a result, this market is attractive,  
3 and we fully expect a large increase in product coming  
4 into the U.S.

5 Do you want to add to that?

6 MR. KERKVLIIET: Yes. This is Jim Kerkvliet  
7 with Gerdau Ameristeel.

8 We have actually seen in the middle part of  
9 this year already a significant amount of imports  
10 being offered in North America, both in Canada and the  
11 United States. We have significant commercial  
12 operations in mills in Canada. We have a mill in  
13 Whidbey and a mill in Cambridge as well.

14 Starting in July, we started to see really  
15 significant quantities of imports being offered into  
16 Canada at prices that were between \$200 and \$300 a ton  
17 cheaper than what our prices were being sold at  
18 domestically.

19 Not only that, but the troubling commercial  
20 conditions relative to it as well were that the offers  
21 were being made with extended payment terms, i.e. pay  
22 a third, a third, a third, and that you don't have to  
23 take the material until April of 2009.

24 So there's not only an injury today, but  
25 there's an injury in the future because our domestic

1 customers or fabricators are going to be possibly,  
2 based just upon the price, drawing down from that  
3 inventory versus placing orders on our mills up in  
4 Canada.

5 COMMISSIONER LANE: Okay. Thank you. Mr.  
6 Hilton?

7 MR. HILTON: May I also comment, please?

8 COMMISSIONER LANE: Yes.

9 MR. HILTON: Avery Hilton with Commercial  
10 Metals.

11 Not only are we a steel producing company,  
12 but we are a major marketing and distribution company  
13 as well internationally and so we have close  
14 relationships with all the traders and all the  
15 producers in the world.

16 We have received a number of opportunities  
17 out of the Port of Houston, for example, of Turkish  
18 rebar being offered for delivery in December at prices  
19 substantially below our price.

20 The only hesitancy of the consumers to buy  
21 is what's going to happen in December to prices, but  
22 that will work itself out eventually, and those offers  
23 will be taken.

24 COMMISSIONER LANE: Okay. Thank you.

25 This next question is probably for Dr.

1 Morici or perhaps Mr. Price. Can you provide any  
2 calculations quantitatively showing what you believe  
3 would be the combined volume and price impact of  
4 subject imports on the domestic industry's financial  
5 position and the effect on employment in the domestic  
6 industry if the orders were revoked?

7 MR. PRICE: We'll do our best to do that in  
8 the posthearing brief.

9 I think that the disruptions that we're  
10 seeing in the economy, the shock that's out there,  
11 will not only mean that what we've seen in the past  
12 doesn't necessarily get forwarded to the future.

13 We'll be working off a much lower base, so  
14 even small amounts of imports from the subject  
15 producers will have much more significant impact.

16 COMMISSIONER LANE: Okay. Thank you.

17 MR. MORICI: I think that in an environment  
18 like the one we're in that economies that are not as  
19 market based in the world where fixed costs are often  
20 not fully factored in would cause a certain amount of  
21 push of product into global markets.

22 That would not be the case if costs were  
23 fully taken into account and so I think that we are  
24 likely to see considerable downward pressure on prices  
25 that is not justified by the normal kinds of

1 commercial decisions that we would make in the United  
2 States so that subject imports are liable to come in  
3 here at very low prices.

4 COMMISSIONER LANE: Okay. Thank you.

5 Thank you, Madam Chair.

6 CHAIRMAN ARANOFF: Commissioner Williamson?

7 COMMISSIONER WILLIAMSON: Thank you, Madam  
8 Chairman. I also want to thank the witnesses for  
9 their testimony.

10 Mr. Morici, could you just clarify your last  
11 statement? What were you saying about what is  
12 happening in Turkey that would cause their prices to  
13 be lower?

14 MR. MORICI: It's not just what's happening  
15 in Turkey. It's what happening throughout the globe.

16 COMMISSIONER WILLIAMSON: No. I'm sorry.  
17 You were talking about something about I guess the  
18 nature of their costs.

19 MR. MORICI: No. I was saying costs in the  
20 global economy. It's not just Turkey.

21 If we start to see a general depression in  
22 commodity prices, a general contraction in  
23 construction globally, it means that we're going to  
24 start to see rebar move out of other markets and put  
25 pressure generally, which could then push in turn

1 Turkish products here. What comes into the country  
2 could be well below what we would consider a fairly  
3 traded price.

4 In places like China, the costs of  
5 production are not adequately reflected in the price  
6 of exports at the time. Given their large capacity,  
7 that would tend to displace Turkish product in other  
8 places, and then the Turkish product could find its  
9 way here.

10 I think it's very important to be very  
11 cautious in evaluating when you ask for something  
12 about the future, when you say what would be the  
13 effect.

14 What I'm saying is we're likely to see some  
15 very low prices in the marketplace given what's going  
16 on in the global economy and that that could have an  
17 enormously disruptive effect on the domestic industry  
18 and that those prices would not necessarily be  
19 reflective of costs of production everywhere.

20 COMMISSIONER WILLIAMSON: Okay. Thank you.  
21 Thank you for that clarification.

22 Commissioner Lane has already asked as to  
23 Mr. Miller's testimony for more detailed data, but I  
24 was wondering, Mr. Miller, if you might recollect.  
25 You've given us quite a dramatically different picture

1 from what we saw when we visited the plant a year and  
2 a half ago.

3 I was just curious. When did the cutbacks  
4 start? I mean, was it like one month you were working  
5 four days a week, the next three days a week, or was  
6 it all very sudden?

7 MR. MILLER: It started back maybe like  
8 three, four months ago. Like I said, we hadn't  
9 recovered from the last part of that, you know, when I  
10 was here.

11 We got rid of one crew. We were working  
12 four crews. We got rid of one crew, and now we're  
13 working three 36 hour weeks and one 48 hour week.  
14 There have been times where we only produce one day a  
15 week.

16 Quite frankly, you know, when you're making  
17 \$1,200 a week and then it's cut down to \$450 or \$500,  
18 you can't make it. If things get any worse, I'm  
19 afraid of what we'll be standing in. It's not good at  
20 all.

21 COMMISSIONER WILLIAMSON: So all of this has  
22 happened in the period of June, July, August?

23 MR. MILLER: It seems as though every week  
24 it's getting even worse. I mean, it's progressively  
25 just getting worse.

1           MR. KERKVLIIET: To build on Mr. Miller's  
2           comments, you can see it in the aggregate data for the  
3           industry as a whole.

4           If you look at the SMA data, July/August are  
5           double digit decreases from the month before as far as  
6           shipments. In fact, I just got the SMA data for  
7           September, and the SMA data for September said that  
8           the apparent domestic consumption was just at 480,000  
9           tons.

10          If you annualize that, that's about 5.7  
11          million tons, and that's the lowest level that it's  
12          been since January of '03, so it's really showing what  
13          the rapid decline has been in the shipments in the  
14          U.S. rebar industry.

15          COMMISSIONER WILLIAMSON: Thank you.

16          Mr. Miller?

17          MR. MILLER: Yes. I think that it started  
18          right around August.

19          COMMISSIONER WILLIAMSON: Okay. So it's  
20          really just the last -- August, September. Okay.

21          MR. MILLER: It's critical at this point. I  
22          would like to invite you all back down again so you  
23          can take a look.

24          COMMISSIONER WILLIAMSON: Thank you.

25          I'm sort of jumping around here, but on the

1 slide presented where you said U.S. prices are  
2 attractive, I was wondering what accounted for that  
3 spike in I guess it was like January '08 to July '08  
4 where Turkish prices were so much higher than U.S.  
5 prices. Is there a particular explanation for that?

6 MR. KERKVLIIET: Yes. Jim Kerkvliet again.  
7 I think part of it was talked about by Dr. Morici, as  
8 well as the buildup in the Middle East.

9 There was a lot of speculative buying and  
10 building in the Middle East, and now that we see -- so  
11 there was a huge run up in price because they were  
12 just buying, buying, buying, and there was a lot of  
13 speculative selling and buying in that arena.

14 Today what we're seeing is that in the  
15 Middle East we just had an operative come back from  
16 Dubai, and there is over two million tons of rebar  
17 that's sitting at the docks. That's going to be a  
18 while before that gets used up.

19 I think part of that was again that run up  
20 in the Middle East, and that's why there were a lot of  
21 markets that were shipping both from Turkey and other  
22 markets who were shipping into the Middle East.

23 COMMISSIONER WILLIAMSON: Thank you.

24 Staying with you, Mr. Kerkvliet, you  
25 mentioned transport costs. Now, freight rates I guess

1 have been going -- Professor Morici said they've been  
2 going down.

3 I was a little surprised at that because  
4 most of the studies we've seen people are complaining  
5 about them going up with energy costs going up,  
6 particularly when there was so much demand for  
7 commodities that we saw freight rates going up rather  
8 than down. I wonder if you could elaborate on that?

9 MR. KERKVLIIET: There's an international  
10 index that you look at as far as tracking the  
11 oceangoing freight. It's called the Dry Baltic Index.  
12 The Dry Baltic Index in November was as high as 11990  
13 or 970. I forget the number.

14 But the number that just came out last week  
15 or the week before is at 2990, so that means it's had  
16 almost a fivefold drop in its price. That's really  
17 because of all the stop and movement of dry baltic or  
18 dry bulk commodities, whether it be coking coal, iron  
19 ore, steel commodities, et cetera.

20 So what that reflects to me is that the  
21 ocean freight from a port in Turkey to a U.S. Gulf  
22 port or U.S. east coast port has probably been cut not  
23 only in half, but probably almost like two-thirds  
24 would be my guess.

25 So what we're saying is that because the

1 demand has dropped so suddenly is that that cost of  
2 freight to get it from a port in Turkey to the port in  
3 the United States has gone down substantially.

4 MR. PRICE: I would just add that that drop  
5 brings the freight rates back down to their normal  
6 sort of historic low, sort of normal historic level.

7 And so I think what we saw was a speculative  
8 bubble in freight partially driven by a speculative  
9 purchasing of iron ore and coking coal and a whole  
10 bunch of other commodities by China, which helped  
11 drive --

12 MALE VOICE: Grain.

13 MR. PRICE: Yes, and grain, which helped  
14 drive all of those things up.

15 All of that is being twisted out of the  
16 global economy, and things are falling back down to  
17 their normal level, which means again these freight  
18 rates are back down at their norm, probably about \$30  
19 a ton to get a ton of rebar back to the U.S.

20 MR. KERKVLIT: And the forecast is that  
21 they're going to go, again back to that Dry Baltic  
22 Index, to 1000 to 2000 in the next 18 to 24 months.

23 COMMISSIONER WILLIAMSON: Is this  
24 information on the record?

25 MR. PRICE: I believe we put the index on

1 the record.

2 COMMISSIONER WILLIAMSON: We can get it.

3 MR. PRICE: But we can add it and make sure  
4 the additional information is there.

5 Some of the reasons why it's projected to  
6 decline so far is that the number of new ships being  
7 built is so large that it's now looking like it's  
8 vastly exceeding likely demand and so there's just a  
9 whole bunch of factors out there.

10 COMMISSIONER WILLIAMSON: Now, what is the  
11 significance of the fact that three producers in  
12 Turkey have been excluded from the order? How large  
13 are these producers, and what share of the import  
14 value during the original POI did they represent?

15 MR. PRICE: Well, it's difficult to discuss  
16 some of the specifics from the original year because  
17 we're touching into confidential information when you  
18 get into individual shares and so I'm going to have to  
19 avoid that in the public context of this hearing.

20 But what I'll say to you, as long as this  
21 Commission does not sunset the order, DOC's precedent  
22 is very straightforward. There's been a whole series  
23 of recent cases from PET film to pasta to sebacic acid  
24 where if the domestic industry finds someone who has  
25 been excluded starts to dump again then they will

1 reincorporated. Then if we present that evidence to  
2 Commerce they will be recaptured and reincorporated  
3 into the order.

4 As a general matter, our estimates based  
5 upon public information is that more than 70 percent  
6 of Turkish production remains subject to the order in  
7 the first place, so that's the big number. Everything  
8 is basically subject. It's a massive amount of export  
9 capacity.

10 Regarding that 30 percent, we would say that  
11 they are still subject to the pricing disciplines as  
12 long as this order remains in place or the concerns  
13 about pricing disciplines as long as this order  
14 remains in place.

15 COMMISSIONER WILLIAMSON: Thank you for  
16 that. My time is about to expire.

17 Thank you, Madam Chairman.

18 CHAIRMAN ARANOFF: Commissioner Pinkert?

19 COMMISSIONER PINKERT: Thank you, Madam  
20 Chairman.

21 I join my colleagues in welcoming you and  
22 thanking you for being here today to help us  
23 understand what's going on in the industry.

24 I want to begin sort of with a follow-on to  
25 what Commissioner Williamson was asking, and in

1 particular I'd like to know what percentage of Turkish  
2 exports from subject producers is represented by the  
3 three cooperating producers. Do you have any idea  
4 what that might be?

5 MR. PRICE: Again, A, I'd have to look  
6 exactly back in the record, but the three cooperating  
7 producers represent a small percentage of the total  
8 production in Turkey. And so again, we have most of  
9 the producers here are just not cooperative.

10 COMMISSIONER PINKERT: Right. But I'm  
11 trying to match the numerator and the denominator  
12 here, so what I'm interested in is exports -- could be  
13 to any country, right -- by subject producers. That  
14 would be the denominator, okay?

15 And then the numerator would be the exports  
16 by the three cooperating producers or the production  
17 by the three cooperating producers.

18 MR. PRICE: Yes. Off the top of my head I  
19 really don't know that answer, so I will respond in  
20 the posthearing brief more completely.

21 COMMISSIONER PINKERT: Thank you.

22 Now turning to the -- did you have something  
23 to add?

24 MR. PRICE: No.

25 COMMISSIONER PINKERT: Okay. Turning to the

1 conditions in the marketplace, I'm a little concerned  
2 about what I perceive to be a tension in the testimony  
3 between the discussion of the effect of a deep  
4 recession on the U.S. marketplace on the one hand and  
5 then on the other hand the assertions that are being  
6 made about how high the prices are in the U.S. market  
7 relative to the rest of the world.

8 Can you help me to resolve what I see as a  
9 tension in those two kinds of assertions?

10 MR. PRICE: I'll start. The U.S. market  
11 traditionally is a fairly wealthy market and tends to  
12 have as a result relatively high prices on average.

13 The U.S. market actually started to weaken  
14 in '07, and you see that in your data. The weakening  
15 was not overwhelming in large part because you see  
16 this bubble that goes on in the rest of the world and  
17 things spike up and the U.S. actually moves well below  
18 the world market price.

19 It never moves up as high because there are  
20 fundamental sort of weakness that was starting to  
21 develop here, and then when things collapsed in the  
22 rest of the world they collapsed faster in the rest of  
23 the world and harder in the rest of the world than  
24 they do in the U.S., believe it or not, and that's one  
25 of the scary things that's out there right now.

1           So I think that you will continue to see the  
2 U.S. respond to market forces. You know, I don't want  
3 to discuss individual pricing movements and what's  
4 going on there, but I think there were additional  
5 price decreases announced by one of the domestic  
6 producers publicly yesterday or the day before.

7           And so, you know, you are going to see  
8 prices go down in the U.S. I suspect as markets work.  
9 I think you're going to see import prices from Turkey  
10 continue to go down more as they continue to try to  
11 gain whatever share they can in a collapsing global  
12 situation to move whatever volume they can.

13           MR. MORICI: If I understood your question  
14 correctly, you were also somewhat concerned as to why  
15 you're not seeing a reaction because of the recession.

16           It's important to recognize that  
17 nonresidential construction, which is where the bulk  
18 of the market for rebar is, is responding to the  
19 slowdown with a lag.

20           This recession began with the contraction in  
21 manufacturing employment because of Chinese imports,  
22 in residential construction because of the credit  
23 crisis, the housing bubble, all the things we're  
24 familiar with.

25           And now we're seeing as a second effect and

1 as the recession picks up steam, if you'll excuse me  
2 for putting it in those terms, nonresidential starts  
3 have slacked off, permits have slacked off, and then  
4 construction has slacked off these last couple of  
5 months so there's a certain lag. It's one of the  
6 reasons that you're seeing things the way they are.

7 All the pieces are in place now for a more  
8 restricted market for rebar in the United States over  
9 the next six quarters with contraction taking place  
10 over the next three -- the fourth quarter of this year  
11 and the first two quarters of next year -- at the very  
12 least. That's if we get things reorganized properly  
13 around here.

14 And then things not really recovering  
15 adequately for another three quarters because of the  
16 lag between the slowdown in the economy and  
17 construction.

18 This being a wealthy, mature market and  
19 projects being well financed, the scaling up of  
20 construction is slower in a recovery and the scaling  
21 down of nonresidential construction is slower as the  
22 economy contracts, but it inevitably does. It's a  
23 lagging indicator in my mind.

24 COMMISSIONER PINKERT: Thank you.

25 MR. HILTON: Yes. Could I also add

1 something? Excuse me.

2 COMMISSIONER PINKERT: Go ahead.

3 MR. HILTON: Our company is also in the  
4 joist business, which is primarily nonresidential  
5 commercial type construction -- WalMart, Target  
6 stores, that type of thing -- and we look at that as  
7 really a good indicator of what's going to happen in  
8 the future as far as that business is concerned.

9 The joist business -- and this is not only  
10 our company, but the whole joist industry -- is down  
11 20 percent. Their volume is down 20 percent this year  
12 over last year. It's down 30 percent the last three  
13 months over the same three months of last year, so  
14 it's pretty dramatic. They're projecting even further  
15 reductions in their volumes of joist products.

16 Rebar prices dropped \$130 a ton in October  
17 and I think \$230 a ton since August. That's pretty  
18 doggone dramatic for us steel makers no matter what  
19 relative terms you put it in and so it's a pretty  
20 serious situation.

21 Rebar is bought on price. I mean, you can  
22 have great service, but you better have the same price  
23 or you're not going to get the business. It's  
24 definitely a price dictated market.

25 COMMISSIONER PINKERT: Let me ask the

1 business people on the panel here to give me an  
2 estimate of where prices in the U.S. market will be in  
3 six months, assuming that we're in a deep recession.

4 MR. PRICE: If possible, I'd like to have  
5 them do that in confidence. You know, I think there  
6 are issues out there that individual producers need to  
7 give their individual views on.

8 COMMISSIONER PINKERT: That's fine. Thank  
9 you.

10 Now, again with the business people on the  
11 panel, how do current levels of investment in the  
12 industry compare with preorder levels? Is the  
13 investment up? Is it down?

14 Is it perhaps in some sort of an up and down  
15 relationship to preorder levels? Where do you see  
16 investment and capital expenditures going?

17 MR. KERKVLIIET: That was going to be my  
18 clarifying question. Are you talking specifically  
19 about capital expenditures at the mills?

20 COMMISSIONER PINKERT: Capital expenditures  
21 in the industry as a whole.

22 MR. KERKVLIIET: Yes. I would say that  
23 subsequent to the order the capital expenditure are  
24 higher. We've had the ability to -- you know,  
25 adequate earnings to be able to invest back into the

1 business to help us to be more competitive on a global  
2 standpoint.

3 There are also things that are relative to  
4 the United States market and the mode of operating  
5 that are not as relevant to other economies or other  
6 regulations. For instance, in this next coming year  
7 we have probably \$80 to \$160 million -- somewhere in  
8 that range -- that we're going to have to put cap ex  
9 investment just to be environmentally compliant.

10 It doesn't make us that much more  
11 competitive, but because of the EPA rules here as far  
12 as baghouse dust, et cetera, we're going to have to  
13 invest in a couple of our mills.

14 So long story short is that postorder we've  
15 been able to invest more into our businesses than we  
16 were preorder.

17 COMMISSIONER PINKERT: But right now? I was  
18 asking about current levels, so compare right now with  
19 preorder levels.

20 MR. KERKVLIIET: Well, I would say right now  
21 there are probably several capital expenditures that,  
22 given the market and what we're seeing as far as the  
23 imports that are potentially coming in and the  
24 economy, that we are in the process of finalizing our  
25 budgets for 2009, '10 and '11, and we are very much --

1 looking very carefully at very capital expenditure to  
2 make sure that we can pay for it going forward.

3 COMMISSIONER PINKERT: I can come back to  
4 this in the next round. Thank you.

5 Thank you, Madam Chairman.

6 CHAIRMAN ARANOFF: Thank you.

7 One of the arguments that the Respondents  
8 make in this review is that the domestic industry,  
9 because it has integrated somewhat into scrap and also  
10 into purchasing fabricators, that that makes the  
11 industry less vulnerable to certain market  
12 fluctuations.

13 So I wanted to start by asking each of the  
14 producers who are here if you could tell me  
15 approximately what percent of your scrap needs you now  
16 control through any kinds of acquisitions -- you may  
17 want to do that based on 2007 production levels  
18 because that's probably easier -- and whether that  
19 leaves you less exposed to swings in the spot price  
20 for steel scrap than you were the last time that we  
21 reviewed this order.

22 MR. HILTON: I'll address that first if it's  
23 okay. We are in the scrap business, as well as in the  
24 rebar fabricating business, as well as the rebar  
25 production business.

1                   We use about 50 percent of our scrap  
2 internally. The rest of it we buy outside, but we  
3 produce more scrap than that. Much of our scrap is  
4 sold out on the open market.

5                   We're a very decentralized company, and our  
6 scrap managers have always been free to sell outside  
7 if they can get a better price than they can get from  
8 our internal mill.

9                   The same thing on the rebar fabrication  
10 side. We supply about 50 percent of our fabricated  
11 rebar producers' needs, and the rest they buy outside,  
12 both to some of our competitors and also imports as  
13 well. Our culture again has been an entrepreneurial  
14 type culture where the managers at the rebar  
15 fabrication plants have been allowed to buy from  
16 whomever has the best price.

17                   All of these managers are compensated based  
18 on return on net investments or return on net assets  
19 for their own division, so obviously if they can buy  
20 rebar cheaper than from our mill then that's what  
21 they're going to do and that's what they've done in  
22 the past.

23                   CHAIRMAN ARANOFF: Okay.

24                   MR. PRICE: Mr. Stone, would you --

25                   MR. STONE: Does Peter want to go first?

1           MR. MORICI: Yes. I want to caution you  
2 that economists are very careful not to draw the kinds  
3 of conclusions that just because the supply chain in  
4 segments of the industry are integrated that changes  
5 the cost structure of those segments.

6           First of all, the scrap producers, when the  
7 price of scrap is up, have to pay more for what they  
8 collect and so forth. The bidding process goes down  
9 the chain. Their costs are higher. If they pass it  
10 along to a fabricator within their ownership structure  
11 at a discount then they take a loss.

12           In reality, if they're not free, as is the  
13 case in these companies, to sell it where they can get  
14 the best price, as opposed to being a captive  
15 supplier, they will be harmed and so it's not really  
16 that reasonable.

17           Now, if you had a whole industry that was  
18 integrated this way it might be another story. You'd  
19 have to look at it in different terms. But in the  
20 context that they're in, they really have to sell that  
21 scrap were they can get the best price, and if their  
22 fabricators don't pay for it, then the loss is just  
23 going to be pushed into another part of the accounting  
24 of the integrated firm.

25           CHAIRMAN ARANOFF: Right. That's the reason

1 why I wasn't asking them if they were getting it  
2 cheaper. I was asking them if there was less  
3 volatility.

4 Can I go back to the business people and  
5 have them answer the question?

6 MR. STONE: Yes. Yes, Commissioner. From  
7 the Nucor perspective, I'd have to give you the  
8 information you were asking for in terms of the  
9 percentage that we would supply in posthearing brief.  
10 I do not have that on the top of my head at the  
11 moment.

12 CHAIRMAN ARANOFF: Okay. I appreciate that.

13 MR. STONE: I will tell you that, similar to  
14 what Avery had said, they operate as independent  
15 business units. They buy and sell at market.

16 Lower dumped imports aren't just only going  
17 to affect the market price. It ultimately affects all  
18 the things we've talked about earlier, so I would make  
19 that general statement there.

20 CHAIRMAN ARANOFF: Okay.

21 MR. KERKVLIIET: From a Gerdau Ameristeel  
22 perspective, it will range between 35 and 40 percent  
23 of our scrap is generated internally.

24 Building on the other comments, I would say  
25 that the volatility in the market -- scrap is a

1 commodity, and the scrap goes up. The scrap goes  
2 down. It really doesn't insulate us from that because  
3 you have to buy the inputs that go into it, and you're  
4 competing at the marketplace.

5 MR. HILTON: Could I also add that even if  
6 we supplied all of the steel or said to our  
7 fabricators you have to buy everything from Commercial  
8 Metals, there are hundreds of independent fabricators  
9 out there that are going to buy the cheap imports.

10 And then they're going to go out and compete  
11 with our fab shops on bidding jobs and they're going  
12 to have a lower price from the Turkish or from the  
13 imports, so we're going to have to lower the price to  
14 them, to our fabricators, to keep them competitive so  
15 we lose either way.

16 MR. PRICE: And just to close the loop, this  
17 issue has been argued several times in the multi-  
18 country case, and again essentially the Commission has  
19 found that there really is no insulation in the  
20 marketplace because of any consumption from downstream  
21 producers.

22 CHAIRMAN ARANOFF: Okay. Turning to another  
23 argument that the Respondents have raised in this  
24 review, they have argued that because raw material  
25 prices are somewhat lower in the most recent period

1 than they have been that domestic producers are seeing  
2 higher metal margins despite prices that are below  
3 their peak levels.

4 Does this phenomenon put domestic producers  
5 in a position to hold onto their profit levels even if  
6 prices fall or are falling now and they continue to  
7 fall in the near future?

8 MR. KERKVLIIET: I would say that metal  
9 margins are a component of doing business, but the end  
10 game is operating income and the operating income is  
11 significantly impacted by your volumes that you can  
12 push through your mills, through your business  
13 operation.

14 I would say given the prices and how they've  
15 collapsed or how they're dropping and how the volumes,  
16 as we just talked about on the SMA data, how that's  
17 just dropped so dramatically and Mr. Miller had said  
18 relative to stacking levels, we're seeing the  
19 operating income per ton or the operating income  
20 margins go down substantially from what they were  
21 previously.

22 CHAIRMAN ARANOFF: Okay. Just to clarify,  
23 because they make this factual statement that the  
24 metals margins are larger, would you agree with that?

25 MR. KERKVLIIET: Over what period? I'm

1 sorry.

2 CHAIRMAN ARANOFF: Let's just say in 2008, I  
3 guess, because they're talking about the most recent  
4 period.

5 MR. KERKVLIIET: Again, probably due to a  
6 lack of imports that were coming in, our metal margins  
7 have been higher.

8 CHAIRMAN ARANOFF: Okay.

9 MR. HILTON: I would agree that the metal  
10 margins are high today and have been high. However,  
11 it's a lag factor.

12 When scrap prices start going up, our  
13 selling prices don't go up as fast as the scrap prices  
14 do, so we lose. When the scrap prices start coming  
15 down, they come down faster than the selling prices so  
16 that's where -- we're in the middle of that cycle, but  
17 you're seeing metal margins for sure come down  
18 dramatically.

19 CHAIRMAN ARANOFF: All right. My next  
20 question has lots and lots of parts. I'm almost  
21 afraid to start it because I don't know when my light  
22 is going to turn yellow, but I'll start and then we  
23 can come back to it. This goes to the issue of demand  
24 in the Middle East, which you know the parties have  
25 painted very different pictures of.

1                   We're frequently in the situation in these  
2 reviews where something seems to be turning down.  
3 Prices, demand seem to be turning down, and it's hard  
4 from the vantage point where we are to determine  
5 whether this is an inventory adjustment and it's going  
6 to be over in a couple months or whether it's really a  
7 downturn in demand.

8                   You know, you might tell me -- you have told  
9 me, looking at what's going on in the global economy  
10 generally -- this one is the real thing. You know,  
11 we've had that come up a number of times before, and I  
12 feel like I need just a little bit more to get me over  
13 that concern.

14                   Some of the things that I know are going on  
15 is that construction in the Middle East traditionally  
16 slows down in the summer because of the high  
17 temperature, but picks up in the fall; that  
18 construction activity in the Middle East can slow in  
19 September because of Ramadan; that buying activity in  
20 the Middle East may have slowed because distributors  
21 are working off high inventories that were imported  
22 from China. All those are short-term things.

23                   My light turned yellow as I expected it  
24 would, but does anyone want to comment on aside from  
25 saying look, this time the global economy is really

1 bad?

2                   What else can I look to in order to say no,  
3 it's not the short-term factors; here's actually going  
4 to be a long-term decline in construction in the  
5 Middle East?

6                   MR. MORICI: Well, look at the price of oil.  
7 A good deal of what goes on in the Middle East is  
8 driven by the price of oil. We've had a couple year  
9 increase for a variety of reasons in the global  
10 economy, and those are now reversing themselves.

11                   I think it's very reasonable to assume that  
12 the price of oil is going to be lower over the next 24  
13 months than it has and be going in a very different  
14 direction unless it gets there all at once and stays  
15 there than it has been over the last 24 months because  
16 of what's happened.

17                   The conditions in the global economy are  
18 such that I think we can expect that we are seeing  
19 major adjustments in stocks of all kinds, including  
20 the stocks of building space, and that is going to  
21 reflect itself in the market for the materials that  
22 make that space.

23                   MR. KERKVLIIET: I would make one other  
24 additional comment. It's been very well stated that  
25 the intention of Dubai and the Middle East to build

1 other -- what they're doing as far as building is to  
2 drive other economies, other means of economies for  
3 driving the future versus oil. One of them is going  
4 to be tourism.

5 With the economy being the way that it is  
6 and going forward the way that it is, you can expect  
7 that the tourism industry as we've seen in the United  
8 States is going to drop off the cliff, so I think that  
9 we're going to see the demand in the Middle East is  
10 probably going to slacken because of that.

11 MR. PRICE: And I would just add one other  
12 comment, which is I don't think what we're seeing  
13 happen with China is a short-term phenomena going on  
14 in the Middle East. China itself started a major  
15 construction slowdown in February of '08 or so, which  
16 has really not been paid attention to by a lot of  
17 policy advisers.

18 Auto build in China right now is at a 40  
19 month low, so we're seeing a major economic slowdown  
20 as all of these factors seem to have come together  
21 around the world.

22 China has so much capacity available I think  
23 that's a much more long-term effect, coupled with all  
24 of these new mills coming up in the Middle East.

25 CHAIRMAN ARANOFF: Okay. I'm going to come

1 back to this, but my time is up and then some so I'm  
2 going to turn to Vice Chairman Pearson.

3 VICE CHAIRMAN PEARSON: Thank you, Madam  
4 Chairman.

5 It's a pleasure to see all of you again.  
6 You've probably all been in front of us at one time or  
7 another for one of our occasional discussions on rebar  
8 or other issues. I'm interested in the state of  
9 broader economy and its implications for the rebar  
10 industry. There are plenty of precedents for U.S. and  
11 international financial crises and economic slow  
12 downs. We're certainly familiar with them. What  
13 seems to me to be unprecedented about today's  
14 circumstances is the very robust response by policy  
15 makers to try to keep the financial system and the  
16 broader economy on track.

17 Given these active interventions by  
18 governments, wouldn't it be reasonable for us to  
19 assume that they actually might succeed and that any  
20 downturn would be shorter and less severe than you are  
21 projecting? In other words, are you bringing us too  
22 much gloom and doom?

23 MR. MORICI: Well, I would point out to you  
24 that if you look at my forecasts and those of other  
25 economists, that I'm hardly Dr. Gloom.

1                   VICE CHAIRMAN PEARSON: I'm sorry, I didn't  
2 hear the comment.

3                   MR. MORICI: I am hardly Dr. Gloom.

4                   VICE CHAIRMAN PEARSON: Okay.

5                   MR. MORICI: I think it's important to  
6 recognize that Ben Bernanke has thrown everything,  
7 including the kitchen sink, down the kitchen sink and  
8 not gotten the response that he wants. Repeatedly the  
9 government has come forward with what it says are bold  
10 actions to resolve foreclosures, the inadequacy of  
11 credit availability for home building and  
12 construction, for business loans.

13                   Repeatedly we've had the folks on the White  
14 House lawn saying they have now done it. On Monday we  
15 had what we usually have. Over the weekend the  
16 Treasury Secretary announced that we were going to buy  
17 equity in the banks, something we haven't done since  
18 the Depression, and on Monday we had a stock market  
19 rally and you saw what happened yesterday.

20                   That has been the repeated pattern, that  
21 these measures have not appeared to quell concerns  
22 that the economy is moving into a significant  
23 recession. The reason for that is that the normal  
24 conduits of monetary policy are severely disrupted and  
25 have been for at least 36 months and with increasing

1 severity so that if Mr. Bernanke cuts interest rates  
2 again, it probably won't have much affect on the  
3 mortgage market or the availability of conventional  
4 financing to home buyers.

5 The traditional roles played by the New York  
6 banks in the securitization of loans, Point No. 5 in  
7 the G-7 communique on Friday, was that the government  
8 would take steps to reestablish the secondary market  
9 for mortgages and generally for securitized assets.  
10 That has not happened or materialized.

11 The principal conduits for liquidity as  
12 provided by the federal government to find its way  
13 into the real economy have been severely restricted,  
14 so that is why we're all so concerned, because,  
15 frankly, you still can't get sufficient credit out  
16 there. Until that happens, the economy is not going  
17 to recover in a reasonable way.

18 VICE CHAIRMAN PEARSON: Okay. Well, I would  
19 have to confess that I've considered you to be  
20 generally in favor of government interventions in the  
21 marketplace, although that might not be entirely a  
22 correct statement, and so you're now somewhat negative  
23 on them.

24 MR. MORICI: I'm not negative about it.

25 VICE CHAIRMAN PEARSON: Let me get some

1 responses from --

2 MR. MORICI: I'm not negative. I just want  
3 to say that I don't think that we need to do even more  
4 than the things that we have been doing, and I've been  
5 asking for those things to be done. What we have done  
6 so far is not a bad thing but we need to do additional  
7 things.

8 VICE CHAIRMAN PEARSON: Okay. Thank you.  
9 Could I get some responses, particularly from the  
10 people who work for multinational companies, in terms  
11 of how your firms have seen the current circumstances  
12 playing out in terms of the ability to produce and  
13 trade product?

14 MR. KERKVLIIET: Yes. I would say that  
15 Gerdau, as a global company, we have operations in  
16 North, South America, Europe and in Asia, and what  
17 we've seen as far as this crisis and the economic  
18 crisis and the liquidity is that it's just had a huge  
19 impact on demand around every one of our operations.

20 VICE CHAIRMAN PEARSON: Excuse me. Can you  
21 tell, is that just kind of a temporary curtailment in  
22 orders until things settle down or is this projects  
23 being entirely canceled at this point?

24 MR. KERKVLIIET: Projects being canceled. I  
25 mean, and I can speak probably with greater clarity as

1 it relates to the United States than I can of course  
2 in India or Europe, but I think the whole overall  
3 economic sentiment and confidence has an impact not  
4 just on construction for our business, but everything.  
5 So you see the automotive build is way down.

6 I think in the United States it's going to  
7 be in the 13 million, as Alan was saying, in Asia it's  
8 down substantially for the last, the lowest level for  
9 quite some time, so that has a huge impact on special  
10 bar quality into other markets. I think to answer  
11 whether or not it's going to come back sooner than  
12 later, I think we're really in uncharted territory.

13 I think if you have to look at what the  
14 people, like Dr. Morici, the other people that are  
15 more knowledgeable than a simple steel guy. You know,  
16 the international monetary fund just came out last  
17 week and said that they're expecting the global  
18 recession to last for 2010, 2011. I mean, I guess  
19 that's the best way I can answer. That's the only way  
20 I can answer.

21 VICE CHAIRMAN PEARSON: I would just say  
22 that simple steel guys who are trying to make a living  
23 in the global market actually know a lot of stuff.

24 MR. HILTON: Well, we have two mills in  
25 eastern Europe and their order books as well have

1 dropped dramatically. You know, as managers we have  
2 to plan for the worst and hope for the best, and  
3 that's basically what we're doing.

4 VICE CHAIRMAN PEARSON: Okay. Fair enough.  
5 These are challenging risks to manage and I don't envy  
6 the situations that any of you are in. We recall well  
7 enough the recession in 2001, 2002. I mean, at this  
8 time seven years ago the sky really did seem to be  
9 falling and I think in my view the circumstances then  
10 seemed at least as intense as what we have now,  
11 although different people might see that differently.

12 We look at the data in terms of what  
13 happened to apparent consumption for rebar at that  
14 time and between 2001, 2002 we saw a drop in apparent  
15 consumption in the United States of about five  
16 percent, so five percent of the sky fell and the rest  
17 of it stayed there. Are we to assume that the  
18 circumstances are worse now, different now? How  
19 worse? I guess that would be the operative question.

20 MR. MORICI: From a macroeconomic  
21 perspective we have a 12 month --

22 VICE CHAIRMAN PEARSON: Do you have your  
23 microphone on, Dr. Morici?

24 MR. MORICI: Yes, I do. Excuse me. From a  
25 macroeconomic perspective we have a 12 month excess

1 supply of residential homes, new homes. I think we  
2 can expect that the severity with regard to the  
3 recession itself and then its multiple affect on  
4 residential and nonresidential construction will both  
5 be larger because of the systemic problems in New  
6 York.

7           The market for securitized debt, as Ben  
8 Bernanke has said over and over again, has shut down.  
9 That is a systemic breakdown. The breakdown of that  
10 market means that financing for construction is  
11 limited. Doesn't mean it's nonexistent. That's why  
12 we use the word shortage. There's a shortage of  
13 financing.

14           That makes this more severe. The last  
15 recession was characterized by three negative quarters  
16 interrupted by three positive quarters. That is a  
17 moderate slow down by any historic standards. What  
18 economists are predicting now -- now, we're not  
19 perfect, I acknowledge, it's an imprecise art -- is  
20 three negative quarters in a row.

21           That's tougher. On top of that, we have the  
22 basic problem of structural breakdown in the New York  
23 banks. That's why Henry Paulson sat down with the  
24 largest nine bankers in America and pushed a piece of  
25 paper across the table and said we're not requiring

1 this, but we strongly suggest you accept this deal.  
2 Now, he wouldn't be taking actions like that if this  
3 was not an unusual situation.

4 I would suggest to you we are in the most  
5 unusual macroeconomic circumstances since the 1930s.

6 VICE CHAIRMAN PEARSON: Well, perhaps, but  
7 the difficulties with the economy in 2001, 2002 were  
8 in some respects related to the market problems  
9 experienced by the high tech sector. The stock  
10 markets took a big whack then, too. Perhaps smaller  
11 than now. I haven't looked.

12 MR. MORICI: There's a difference between  
13 the high tech sector taking a whack and the banks  
14 experiencing dysfunction because it's like the  
15 electric company going down in the city. If there's  
16 no electricity, the city dies. If there's no credit  
17 in a capitalist economy, there's no investment and  
18 construction is investment.

19 VICE CHAIRMAN PEARSON: Okay. Well, my  
20 light is changing but I think it is fair for us to try  
21 to take somewhat of a broader view of the  
22 circumstances that we're in now because it's so very  
23 easy to get wrapped up in the current moment. I  
24 certainly do that myself.

25 Mr. Kerkvliet?

1                   MR. KERKVLIIET: I'm not as knowledgeable,  
2                   and maybe the professor can look back and comment  
3                   about this, but if you go back and you look at what  
4                   was deemed the lost decade in Japan, the lost decade  
5                   in Japan was because there was not enough action  
6                   taken, not the right action taken, and so that whole  
7                   economy went into really a state of moderate recession  
8                   for almost a whole decade.

9                   So 2001, 2002 being an exception relative to  
10                  the equities market on a tech bubble, if you will,  
11                  this is much more systemic and probably closer to that  
12                  lost decade in Japan than it is that tech bubble in  
13                  2001, 2002.

14                 VICE CHAIRMAN PEARSON: Right, but part of  
15                  the reason the Japanese lost the decade was that their  
16                  policy makers did not respond in a way that allowed a  
17                  work out and a correction of the system. To a large  
18                  extent, they papered over the problem. I have the  
19                  impression that Messrs. Bernanke and Paulson are very  
20                  much not wanting to paper it over.

21                 They're trying to fix the systemic issues  
22                  that Dr. Morici --

23                 MR. MORICI: I did not see anything in what  
24                  they did in the last week that will fix the  
25                  securitization issue.

1 MR. PRICE: Let me bring this back to the  
2 legal question --

3 VICE CHAIRMAN PEARSON: Please, because my  
4 red light is on.

5 MR. PRICE: -- which is, you know, if we  
6 revoke this order and there's an increase in dumped  
7 imports, will it have harm in a weakening market,  
8 which I think everyone acknowledges it's weakening.  
9 It's probably weakening for at least the moderate  
10 term. Frankly, there is a four or five year minimum  
11 downturn cycle that we keep on seeing in all these  
12 things.

13 Recession cycle, after recession cycle,  
14 after recession cycle. It's pretty clear we've gone  
15 over the edge and heading down. I think it's pretty  
16 clear additional imports are just going to cause  
17 material injury if they're at dumped prices.

18 VICE CHAIRMAN PEARSON: I will contend that  
19 point with you on my next round of questions because  
20 I'm not sure that the data we have support your four  
21 or five year downturns idea. Madam Chairman,  
22 apologies for the extended overrun.

23 CHAIRMAN ARANOFF: Commission Okun?

24 COMMISSIONER OKUN: Thank you, Madam  
25 Chairman. I join my colleagues in welcoming all of

1 you here. In fact, for many of you, and in particular  
2 Mr. Miller, to say appreciate seeing you back here  
3 again. It's always helpful to hear a worker's  
4 perspective on what's going on on the ground.

5 I guess picking up a little bit where the  
6 Vice Chairman finished but just with respect to the  
7 data, and I guess my question is several of my  
8 colleagues have asked for additional data that would  
9 reflect both the production cut backs we've heard you  
10 talk about and Mr. Miller reflect on what's going on  
11 in the workplace.

12 For purposes of our analysis, do you think  
13 the data post what we have in the record, the post-  
14 June data, is more indicative of what we should be  
15 looking at? Should we give it more weight than what  
16 is on the record, what we collected in what would be  
17 our normal process in a review?

18 MR. PRICE: Well, this analysis is a forward  
19 looking analysis, and so looking back over the last  
20 period is not always answering what the statutory  
21 question is, which is if you allow dumped imports in  
22 in the current market environment that we see going  
23 forward, will there be a recurrence of material  
24 injury? I think the answer is yes.

25 I think it's pretty clear that you start to

1 see consumption decline in the United States starting  
2 in 2007. That's what your data shows. It's pretty  
3 clear that you're seeing a global implosion of  
4 construction going on after a demand bubble outside  
5 the U.S. that really lagged the U.S. demand bubble  
6 that occurred here.

7 So we're moving into almost a real time  
8 situation. We're seeing things equally go down step,  
9 by step, by step, but no matter what you look at, you  
10 see a sustained pattern that once the U.S. goes into  
11 one of these construction down turns, as we are in,  
12 that it takes several years until -- you go through  
13 the trough before you see a recovery.

14 We can sort of look at each recession to get  
15 slightly different numbers but this looks like it's  
16 one of the more severe ones. The question is what is  
17 the impact of imports that are dumped and subsidized  
18 in that period? I think there's little question that  
19 the Turkish producers are already making additional  
20 offers right now in the U.S.

21 They're making very low priced offers at  
22 very concessionary credit terms in Canada, as Mr.  
23 Kerkvliet has testified, lower prices than I think  
24 we're probably seeing here or even more concessionary  
25 terms because they don't have the dumping order

1 around. If you lift this order things will be worse.  
2 It's that simple. Material injury will occur.

3 There will be even less time for the workers  
4 at the mill, there will be less investment capital,  
5 even less profits. That's what your statutory  
6 question is and I think it's pretty straightforward.

7 COMMISSIONER OKUN: Okay, but, you know, one  
8 of the reasons I asked of course is, and I'm going to  
9 ask the producers to respond to this, which is in the  
10 Respondents' brief they cite the statements of the  
11 CEOs of your respective companies, many of them made  
12 in July and August, and at that time we have the data  
13 that we have on the record.

14 We knew there was a downturn in residential.  
15 It was well-known and the record reflects that, yet,  
16 there were very bullish comments from or what's  
17 reflected here, and, again, I want your response. So  
18 very bullish comments looking forward at that time.  
19 So that's why I'm asking the question do you think  
20 that -- well, let me ask Respondents first.

21 So we have the Respondents in their brief  
22 have put forward the statements of your CEOs about  
23 what they saw, the very strong demand in the third  
24 quarter comments that they, I think it was from Mr.  
25 Gerdau, saying our customer base has shown resilience

1 of a general weakening of the North American economy  
2 as our order backlog remains solid and new contract  
3 activity continues in our downstream businesses.

4 So let me just ask you to respond. Is that  
5 in fact not reflecting what is now current reality for  
6 your companies?

7 MR. KERKVLIIET: If I restate and hopefully  
8 ask it in the right way, what you're asking is is our  
9 business outlook third quarter, fourth quarter, first  
10 quarter next year, less so than what it was prior to  
11 July?

12 COMMISSIONER OKUN: Correct.

13 MR. KERKVLIIET: Absolutely. Absolutely.  
14 We're seeing from our fabricator base, they have a  
15 thing that they work off their backlog. So right now  
16 in our fabricator business, which like Commercial  
17 Metals and like Nucor is an independent business, it's  
18 run on their own, they are living off their backlog.

19 Their backlog is not increasing. So once  
20 their backlog pretty much shrinks up, they don't have  
21 any business going forward. I guess I just want to  
22 take this opportunity to talk about how long this  
23 cycle might possibly be.

24 The Portland Cement Association, I just want  
25 to read from them specifically because I don't think

1 you could have said it any better, but it says the  
2 combination of lower expected returns on investment,  
3 tighter lending practices and a dramatic erosion in  
4 business confidence are expected to result in a  
5 significant decline in nonresidential construction  
6 activity during 2008.

7           Unfortunately, once nonresidential  
8 construction contracts it typically takes at least 18  
9 months for recovery in nonresidential construction  
10 materialized from the onset of better economic  
11 conditions. This implies that the nonresident  
12 construction will probably decline further during 2009  
13 before tepid growth materializes in 2010.

14           COMMISSIONER OKUN: Okay. So I just want to  
15 be clear. So to me, because your response on that,  
16 and that's why I was asking Mr. Price the question,  
17 the response on that is if the president of Gerdau was  
18 saying on August 11, 2008 that things look really good  
19 for us and they now don't look good, then it seems to  
20 me it's reflecting data that is not in our record.

21           That's what I'm trying to understand for  
22 purposes of our analysis. Are we really being asked  
23 now to look at analysis that starts post what we have  
24 here? Because these statements all reflect what was  
25 already on the record. That's what I'm trying to

1 illicit here.

2 MR. PRICE: Yes. The PCA document is on the  
3 record. We've put together multiple articles, all  
4 from various news publications, all on the record.  
5 This is actually quite extensively documented in all  
6 of the secondary materials attached to our brief.

7 COMMISSIONER OKUN: Right. And so you've  
8 put data on the record and in your exhibits post-July  
9 reflecting what's going on. I'm just saying for what  
10 we've collected, you know, in the normal course of  
11 business is not yet reflected. That's what I'm trying  
12 to understand.

13 So if I could just ask the other producers,  
14 Mr. Hilton, just to comment, which is has your company  
15 changed its forecast based on data that's happened  
16 since July, and, if so, what's that reflected in?

17 MR. HILTON: Well, our company is in the  
18 process of changing our forecast for sure. One of the  
19 things that you have to be a little careful about when  
20 you make projections or hear projections from a CEO  
21 from a company that is diverse, like Commercial  
22 Metals, is when some of our segments are down, others  
23 are up, and vice versa.

24 So, for example, the past year has been a  
25 good year for the mills because of the metal margin,

1 it's been an unbelievably good year for scrap division  
2 because their prices just skyrocketed unexpectedly,  
3 but it's been a very poor year for the joists business  
4 and a not so good year for the rebar fabrication  
5 business because they've been caught with backlogs at  
6 low prices and then the price of their steel went up  
7 significantly.

8 So they've had a lot of difficulty in trying  
9 to fulfill these orders and make money because they're  
10 at such low prices compared to what their prices of  
11 steel. You know, without this economic crisis and  
12 unexpected turn of events, looking forward we would  
13 see the fabricating business really doing well as  
14 prices start coming down because now they've got  
15 backlogs and they've got orders at very high prices  
16 and they're going to be buying at lower prices.

17 So, you know, you have to factor all that in  
18 when you listen to the CEOs and what they're  
19 projecting.

20 COMMISSIONER OKUN: Okay. Mr. Stone?

21 MR. STONE: Yes, Commissioner. Part of this  
22 thing, when we look at, you know, projecting for the  
23 next quarter, it's based upon what your order book  
24 rate is at the time. As Jim had said earlier, part of  
25 the thing was you work off of the orders that you have

1 on your books, your backlog. So I would tell you back  
2 then second quarter looking at third quarter we were  
3 still relatively optimistic.

4 I will tell you now we're not optimistic, as  
5 I will tell you now that we've put all future  
6 expansion plans on hold, okay? We're shipping less  
7 steel. I could tell you our shipping rates in the  
8 last month were off double digit figures from where  
9 they were a month ago. So everything has gotten a lot  
10 worse in the last two months in particular.

11 Everything that these other gentlemen have  
12 said was if you look at future business, future  
13 business outlook was declining four months ago, five  
14 months ago. Nonresidential construction was affected  
15 four or five months ago. Not reflected in the figures  
16 because of backlogs.

17 The reality is is that we did say back in  
18 the May hearing six to nine months we thought  
19 nonresidential would follow to the decline in  
20 residential. We weren't quite right but we were  
21 close. We've seen that decline happen, and we were  
22 still bullish because of the backlog that we had, I  
23 guess in the short take to your question, but as we  
24 progressed forward throughout the quarter, we got a  
25 little bit more hesitant about that bullish and

1 optimism because --

2 COMMISSIONER OKUN: Mr. Kerkvliet, you had  
3 talked about the Baltic Seas freight rates and I had  
4 looked back at, you know, the information. Obviously  
5 it would be helpful to have the actual index put on  
6 the record for us.

7 But just to this point that was raised  
8 earlier of trying to figure out, you know, are we  
9 looking at corrections that are short-term or not, you  
10 know, it talked about what happened to freight rates  
11 in the plunge and then, you know, again, you have on  
12 the other hand. Some analysts said the correction was  
13 overdone and it would recover in the seasonally  
14 stronger fourth quarter.

15 Prices have peaked on winter demand in  
16 recent years. Like January 2008, we believe that the  
17 freight market has overreacted to the negative  
18 sentiment in the financial market analysis, and as the  
19 investment bank, Goldman Sachs, said in the report,  
20 don't know who to believe these days. In our view,  
21 the BDI looks technically oversold, but more  
22 importantly, we see fundamental support as well.

23 So I guess just for purposes of the  
24 posthearing, both the historical index could be put on  
25 the record and then, you know, anything further you

1 can add on if there's any other analysts out there or  
2 other information looking at this to say whether going  
3 forward freight rates are going to stay at that. I  
4 think that deals with the commodity market.

5 My red light's come on. I'm so sorry. I  
6 got carried away with reading that. I will come back  
7 on my next round.

8 CHAIRMAN ARANOFF: This is another trend  
9 that we can document. We're all going over time  
10 today. Commissioner Lane?

11 COMMISSIONER LANE: Mr. Stone, you may have  
12 answered this but this is a question for you and for  
13 Mr. Hilton. On page 3-4 of the staff report there are  
14 two 2008 projects listed, one for Nucor and one for  
15 Commercial Metals. Are those projects still on  
16 schedule?

17 MR. HILTON: You're talking about the plant  
18 in Arizona?

19 COMMISSIONER LANE: You know, I can't  
20 remember what it was.

21 MR. HILTON: Yes. Okay.

22 COMMISSIONER LANE: It's on page 3-4,  
23 though.

24 MR. HILTON: Okay. Well, I didn't want to  
25 have to look it up but I'll assume that's what it is.

1 Yes. We started doing the planning for this project  
2 about five years ago, we got approval from the board  
3 about two years ago. We saw a real opportunity for us  
4 in Arizona in the Phoenix market. There were no  
5 operating steel mills in that area and a rapidly  
6 growing area in Arizona.

7 So we planned a new mill, it's called a  
8 micromill, which is probably a third of the capacity  
9 of a normal steel mill, and it's just to take care of  
10 a niche market. It's about \$180 million project that  
11 has already begun.

12 We've already got most of the equipment on  
13 site and a lot of the foundation is in, so at this  
14 point in time our plans are to continue with  
15 construction of the project and hopefully by the time  
16 it's completed, which is about a year from now, maybe  
17 things will look better.

18 As far as any other projects are concerned,  
19 we've pretty much canceled all of our capital  
20 expenditure projects that we had planned for this  
21 coming year other than those related to safety,  
22 environmental compliance or just necessary things just  
23 to keep the business running.

24 We had planned on building more of these  
25 micromills in areas of the country and the world that

1 we thought were similar niche markets but we put those  
2 all on hold at this point.

3 MR. STONE: Commissioner, in regard to  
4 Nucor, we announced several months ago about the  
5 opening of a mill in Arizona as well. Actually, we  
6 had the mill there since 2002 when we had purchased  
7 the assets of Birmingham Steel. We did market studies  
8 and demographics suggested Arizona is a growing area,  
9 that whole southwest was a growing area, and it made  
10 some sense to us to go forward.

11 Taking back to Commissioner Okun's question,  
12 we were much more bullish six months ago than we are  
13 today. That mill, when we decided to announce opening  
14 it, the plans were to manufacture rod and rebar. Rod  
15 was going to be the overwhelming percentage for the  
16 production of that mill and rebar was going to be a  
17 very small percentage, about 20 to 25 percent.

18 Since everything that's happened, that  
19 project is on hold. I will tell you this. There was  
20 only going to be minimal investment in the mill  
21 because it was only going to roll billups that we  
22 would send from one of our other facilities so there  
23 was no major real capital expenditures have to be  
24 made.

25 It was thought at the time there was a

1 market there to be served. Quite frankly, right now  
2 all that's put on hold as we speak.

3 COMMISSIONER LANE: Okay. Thank you. Dr.  
4 Morici, back to you. I understand that you have said  
5 that what has been proposed probably isn't enough to  
6 deal with the current credit crisis and that more  
7 needs to be done.

8 I've listened to the news and I understand  
9 that there are members of Congress who are proposing a  
10 second stimulus package that is to address  
11 infrastructure spending and infrastructure  
12 development, including I guess roads and highways and  
13 other items such as that. Now, if that would pass,  
14 would that have an affect upon this industry, and how  
15 soon could we expect that to get into the pipeline, so  
16 to speak, to affect the rebar industry?

17 MR. MORICI: Well, I would point out a  
18 couple of things. We're not likely to get passage of  
19 a stimulus package until the new year. By that time,  
20 the recession will be in full flower with all of its  
21 ramifications.

22 COMMISSIONER LANE: Could you pull your  
23 microphone a little bit closer.

24 MR. MORICI: Sorry. We are not likely to  
25 get passage of the stimulus package until the

1 beginning of the year or after the beginning of the  
2 year. By that time, the situation will be in full  
3 flower, so to speak, the recession. It's going to be  
4 really upon us.

5           If you look at the stimulus package that we  
6 got that just gave people money, look at how long it  
7 took to give people checks. It took several months  
8 just to give ordinary people checks. It's going to  
9 take that kind of time to give municipalities checks,  
10 just the problem of the Congress deciding how they're  
11 going to divide the money up and all that debate, so  
12 it takes three or four months to do that.

13           My feeling is you probably would not see any  
14 new construction of any meaningful consequence until  
15 we were three-quarters into this recession and so that  
16 it would not likely have a significant affect on new  
17 construction starts, and new construction, and the  
18 rebar market until we were in what was already the  
19 recovery.

20           My feeling is that if it's going to have a  
21 positive affect, it's going to be in the latter half  
22 of what you might call the foreseeable future, not the  
23 front half.

24           MR. PRICE: Alan Price. I might just add to  
25 that. There's an architectural design time and

1 engineering time for any type of project. You don't  
2 just hand out money. I think it's entirely  
3 speculative to say that Congress might pass a bill and  
4 it might have infrastructure money into it versus all  
5 the other ideas that are floating around right now,  
6 and I don't think that speculation at this point can  
7 be relied on or warranted.

8           Given the design times that are involved,  
9 and there is something called, you know, there's an  
10 AIA index that people look at in this industry that  
11 essentially say, you know, how long are things down  
12 for? Given where we are now, pretty much down for at  
13 least 18 months. It's hard to get those things turned  
14 around and designed in anything less than that.

15           You have to permit it, you have to do  
16 environmental citing, you have to do all the  
17 engineering. There is a lead time. So you can  
18 sprinkle all the money you want. If it passes, it  
19 would be a long time before it happened. The latter  
20 half of the reasonably foreseeable future is probably  
21 optimistic at this point.

22           COMMISSIONER LANE: Okay. Since you brought  
23 up the terms reasonably foreseeable future, what do  
24 you think in this particular case and in the  
25 circumstances that we are seeing here, what would you

1 ask us to look to to be the period of time for the  
2 reasonably foreseeable future?

3 MR. PRICE: The Commission precedent steel  
4 cases has been about 18 to 24 months, so that pretty  
5 much takes us into 2010, latter half of 2010, at the  
6 rate things are -- given the time you vote in this  
7 case. In this case I have little question that there  
8 will be material injury within that period if you lift  
9 this order.

10 There have been cases where we have  
11 suggested longer periods to take into account the  
12 capital cycles, but, you know, honestly, in this case  
13 I have little doubt that if you lift this order even a  
14 modest influx of dumped imports will have a material  
15 adverse affect at first and I think it will be a lot  
16 more than a modest influx.

17 COMMISSIONER LANE: Okay. Going back to a  
18 question that I asked Mr. Miller earlier, and if I  
19 wasn't specific enough, maybe it can be answered now  
20 or in the posthearing, with the cuts in production and  
21 the number of employees who are working less hours,  
22 what have the employees been told as to how long this  
23 reduced periods of production will last?

24 MR. MORICI: Very little.

25 COMMISSIONER LANE: I'm sorry. Could you

1 get closer to your microphone?

2 MR. MILLER: Very little. I mean, no one  
3 can give us a definite answer as far as how long it  
4 will be before I can see a turnaround.

5 COMMISSIONER LANE: And so are most  
6 employees then just taking each week as it comes and  
7 see what happens?

8 MR. MILLER: Exactly.

9 COMMISSIONER LANE: And is that pretty much  
10 true across the entire rebar industry?

11 MR. MILLER: I don't know about the entire  
12 rebar, I just only know about Nucor Steel and  
13 Birmingham.

14 MR. HILTON: Well, we're basically just  
15 telling our employees that we don't know what the  
16 future holds. We know that our demand has definitely  
17 dropped off, and we know that we're going to  
18 experience lower prices. It's definitely going to  
19 affect our productivity. It already has, as I  
20 mentioned in my brief, that most of our mills are  
21 going down at least a week to two weeks this month  
22 alone.

23 There will be more shut downs in November  
24 and December, and we've told them that, and just to be  
25 prudent but to be positive and to be thankful that

1 they are working for a solidly financial company and  
2 that we're going to do whatever we need to do to try  
3 to get through this.

4 COMMISSIONER LANE: Mr. Stone?

5 MR. STONE: Yes, Commissioner Lane. Just to  
6 follow-up. One, we are having talks with our  
7 employees, but the fact of the matter is we don't know  
8 what to say about when this thing is going to turn  
9 around. Our employees are having a difficult time  
10 rationalizing what's going on. So are we.

11 Going back to the comments, you know,  
12 several months ago we were all fairly bullish about  
13 things. We did expect a decline in business, but we  
14 didn't expect this to happen. Normally what we do,  
15 the first thing we do to insulate people like Louis  
16 and others is if there are other markets that are a  
17 little bit stronger than the market he's serving --  
18 and the market he's serving is the southeast.

19 Florida is a big part of where their steel  
20 would normally go to. You heard about Jim's comments  
21 about the Florida situation. So what we try to do is  
22 shift products from that mill to some other location  
23 so that we could service our customers and do what we  
24 need to do so that we kind of try to keep the mills  
25 working and the people working.

1           Where we are now, there's no more rabbits  
2 left in the hat, and that's unfortunately where Louis'  
3 mill is, in that position. Our other mills now have  
4 all taken cuts across the board, okay, in terms of  
5 production. So we do have some tough times. So what  
6 are we trying to do?

7           We're trying to make sure that we're  
8 competitive in the marketplace, we have announced  
9 price increases across all our product lines publicly  
10 the other day, so it is public, and so we've  
11 announced, you know, decreases in our prices. We've  
12 done that because we need to stay competitive. What  
13 drives a lot of this is the fact that you look at  
14 international pricing, the imports that are offered,  
15 so we're trying to do what we can do.

16           So the bottom line is this. We're trying to  
17 work hard not to lose market share so that we could  
18 keep our employees working. That's the long and the  
19 short of it.

20           COMMISSIONER LANE: Okay. Thank you. Thank  
21 you, Madam Chair.

22           CHAIRMAN ARANOFF: Commissioner Williamson?

23           COMMISSIONER WILLIAMSON: Thank you, Madam  
24 Chairman. To continue along that line of questioning,  
25 the industry did have extremely robust profits and

1 have had since 2004, and yet, you're arguing that, you  
2 know, you're vulnerable based on the present financial  
3 crisis. How should the Commission take into account  
4 this period of robust profits?

5 MR. HILTON: Well, first of all, I don't  
6 think there's anything wrong with making profits.  
7 That's what we're here for. I just wanted to make  
8 that clear. We're not ashamed of making profits, but  
9 the fact is that our profitability obviously directly  
10 affects our employees.

11 We have what we call at our plants a profit  
12 and performance bonus, and we pay that out in a check  
13 to them at the end of the year and it's based on their  
14 total take home pay for that year. The past three  
15 years we've paid out the maximum of 11 percent. Years  
16 before that, in 2001, 2002, most of the mills made  
17 zero percent.

18 We also have profit sharing plans where we  
19 pay a percentage of the profits to the employees. The  
20 past couple of years our employees, through P&P,  
21 through profit sharing, through 401(k) match, those  
22 type of things, got over 20 percent of their pay in  
23 addition because of the profitability of our company.  
24 That's likely to go away if the realities of the  
25 current times materialize.

1                   COMMISSIONER WILLIAMSON: Does anyone else  
2 want to add to that?

3                   MR. PICKARD: Just a quick comment. This is  
4 Stan Pickard from Wiley Rein. Commissioner, I would  
5 also point you to the statement of administrative  
6 action in regard to its discussion of sunset reviews  
7 where it specifically discusses that the health of the  
8 domestic industry improves during the period of  
9 review. That can be viewed as evidence of the  
10 efficiency of the order, that the remedy is working  
11 exactly like it's supposed to. The order came on,  
12 domestic industry benefits, and that it can also be  
13 used as evidence that upon revocation, the health of  
14 the domestic industry would again teeter.

15                   MR. STONE: Commissioner, as well, Nucor,  
16 not to be arrogant, we don't apologize for our  
17 profits. That's our job, number one. I know you  
18 haven't suggested that. The bottom line is we take  
19 that money and we're investing it back into our  
20 business. We're investing it in our business to  
21 ensure that we could return good returns to our  
22 shareholders, to our employees, the communities around  
23 us.

24                   Quite frankly, we have had a good run. It's  
25 been a good run. Part of it is because of the actions

1 we all take together. Part of it is just, quite  
2 frankly, rising economy floats all boats. Global  
3 economy continued to float all boats and it caused the  
4 rise in commodity prices, the commodity prices fueled  
5 the rising steel prices. We had all kinds of things  
6 happen that, quite frankly, we never foresaw that  
7 either, okay?

8 So things have happened for a positive  
9 nature and everybody rose to that. The fact is that  
10 at this point going forward we have to nestle down,  
11 hunker down, stay competitive, and now we have to  
12 protect everything that we build our asset base  
13 around. It's really, for us, we've tried to have a  
14 better control of our costs and do the right things  
15 for the communities, our employees and the  
16 environment.

17 So looking forward, bottom line, what we see  
18 is the declining market, a smaller market, that this  
19 economy was led by consumerism, it's not going to be  
20 there, you've heard all the other parts. So we see a  
21 smaller marketplace, so we need to make sure that we  
22 could at least try to capture as much of the  
23 marketplace that's going to be available to us.  
24 That's where we're going to be.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 When I was first going to ask this question I was  
2 thinking about, you know, whether that period of  
3 profits have helped you cushion the impact of this  
4 current turmoil, but then when I talked to your  
5 employees I realized that there's no cushion for them.

6 I think your answers have sort of explained  
7 to me why it's not and maybe a measure of how much  
8 cushion you have. That was the thought behind the  
9 original question.

10 MR. STONE: I would say this. For this  
11 year, you know, there will be profit sharing that  
12 Louis and his family will get, and I will get, and our  
13 employees will get based upon the first nine months'  
14 results for the company. That's the long and the  
15 short of it, okay? Going forward, it's a whole new  
16 year, you start the game all over again.

17 Quite frankly, what we're looking at going  
18 forward is no 11 percent profit sharing, okay, or you  
19 could face that, and that's the thing that I think  
20 we're talking about is looking forward. Looking  
21 forward is it doesn't look good. The situation could  
22 get as desperate as you could shut facilities down.

23 I'm not saying that's what we're going to do  
24 but we're looking at things now and we're evaluating  
25 all kinds of options because we have to. That's our

1 jobs, to look at what does this economy -- it's going  
2 to deal with us. Right now it doesn't look good, but  
3 nobody really knows.

4 We would I guess hedge on the side of  
5 conservatism and say it's not going to be good, bottom  
6 line is we're going to have less markets, less tonnage  
7 available to sell, or not to sell, but a smaller  
8 purchasing, I'm sorry, a smaller market, less market  
9 demand and we're going to have to deal with that and  
10 adjust accordingly. That's what we're faced with.  
11 Thank you.

12 COMMISSIONER WILLIAMSON: Thank you for  
13 those clarifications. I was wondering if you could  
14 describe the industry's consolidation, both its  
15 horizontal going vertical aspects, and address what  
16 effect this has had on your competitiveness. In  
17 particular, what is the advantage of vertical  
18 integration to a producer in the rebar industry?

19 From what you said, you know, the scrap is  
20 operating separately, the fabricators are operating  
21 separate, the profit centers. It looks like there  
22 might not be any advantages to this vertical  
23 integration.

24 MR. STONE: Commissioner, from Nucor's point  
25 of view, we're ont only in the rebar business, we're

1 in the flat-rolled business, we're in the plate  
2 business, and in some of those businesses we compete  
3 with integrated mills. Integrated mills have been  
4 having a better control of their raw materials due to  
5 they need orders and everything else like that.

6 There's times when, quite frankly, we're not  
7 cost effective. What we needed to do, one, because of  
8 the rise in commodity, what was going on in the  
9 commodity prices for all raw materials, we thought at  
10 Nucor it was best to try to secure more, I don't want  
11 to say more control, but have a better handle on raw  
12 material costs. So we invested and we got in the  
13 scrap business.

14 So we did go some downstream there because,  
15 quite frankly, we just felt that we would know a lot  
16 more being in the business than not being in the  
17 business and it would help to insulate us to see  
18 what's going on in the marketplace. The other part  
19 was we did get into downstream fabrication for  
20 reinforcing bar, one, because, quite frankly, it gets  
21 us closer to the customer.

22 At the end of the day it's about the  
23 contractor, or the project owner, and architects, and  
24 design people just providing rebar and not having that  
25 insight to where it's going just helps us. At the end

1 of the day the price of steel is ultimately affected  
2 upon with supply and demand and we get right down to  
3 the chain as fast as possible.

4 So we invested in the rebar business  
5 because, quite frankly, we wanted to protect our  
6 assets at the mill and try to service our customers  
7 better, but it does not insulate us, okay? I have  
8 state, does not insulate us against cheap imports and  
9 the ultimate price for steel.

10 I mean, our fabricators still have to  
11 compete in the marketplace, and ultimately, we have to  
12 compete because the ultimate buyer is going to buy at  
13 the best price. That's what you have to do. So  
14 that's where we are.

15 COMMISSIONER WILLIAMSON: Thank you. Mr.  
16 Hilton?

17 MR. HILTON: Our company, Commercial Metals,  
18 has been vertically integrated for many years. We got  
19 in the scrap business in 1919, and we got into the  
20 mill business in 1947, and we got in the fabrication  
21 business around the same time, so we've been that way  
22 for many years. Being vertically integrated insulates  
23 us from when one segment of the business is up and the  
24 other one is down and vice versa, it keeps us from --  
25 I mean, we've gone, our company has only had one

1 losing quarter in its history.

2 That's hard for steel companies to say.

3 It's because of our vertical integration and the fact  
4 that we're able to do well in some segments when the  
5 other ones are doing poorly. Also, it gives us a lot  
6 of market information. We think that we know what the  
7 scrap market is. We don't have to depend on scrap  
8 brokers to tell us what the prices are, we know what  
9 they are.

10 Same thing with the rebar fabricated prices.  
11 We're in that business so we don't have to worry about  
12 an independent fabricator telling us what the market  
13 price is. We know.

14 MR. KERKVLIIET: Just to add, I don't think  
15 there's any vertical integration as far as the  
16 benefits are which gives you greater visibility that  
17 allows you to do some things from operational  
18 efficiency in having touch to the marketplace. But it  
19 doesn't insulate you from the market. If the market  
20 has a volatility that goes up or goes down, that's  
21 felt all the way through the value stream.

22 So I think there are some natural benefits  
23 of the vertical and horizontal integration, and allows  
24 you to have greater visibility to the various end  
25 consumer markets. But at the end of the day, that end

1 consumer market is driven by lower-priced imports,  
2 you're still subject to that vulnerability.

3 MR. MILLER: Okay, I'd like to reiterate  
4 something that Mr. Stone said.

5 Our company sits on 30 acres of land,  
6 approximately. And we are diversified, you know, so  
7 some of our other plants can run other products.  
8 We're strictly rebar.

9 And like I said earlier, rebar is stacked to  
10 the ceiling. We've got, in our plant there are two  
11 parts, a melt shop and a rolling mill. Well, if the  
12 orders are not there to ship, then we're not working.

13 But now, the melt shop the last 10 days  
14 before I come up here, they have been down for 10  
15 days. They don't get, they're not getting an average,  
16 they're not getting anything. They're not even coming  
17 in. And I'm quite sure, and they make more money than  
18 we do, and I'm quite sure they're hurting, you know,  
19 twice as bad as we are.

20 And like I say, rebar, that's our money, but  
21 it's not going out.

22 COMMISSIONER WILLIAMSON: Okay. Thank you  
23 for that very clear clarification. Thank you.

24 CHAIRMAN ARANOFF: Commissioner Pinkert.

25 COMMISSIONER PINKERT: Thank you, Madame

1 Chairman. I want to go back to that question that I  
2 was asking about current levels of capital  
3 expenditures relative to the pre-order levels.

4 Now, you just testified a minute ago, Mr.  
5 Stone, that the profitability of the industry has  
6 enabled you to make capital expenditures. So I'm  
7 wondering, you know, can you give me some relatively  
8 sense about that?

9 MR. STONE: Yes, Commissioner. Not having  
10 them all in my head, but the one that's most apparent  
11 to me, we elected to build a mill in Memphis,  
12 Tennessee, which is a large steel mill in Memphis,  
13 Tennessee, for several hundred million dollars.

14 This year Nucor alone will spend over \$800  
15 million in investments. Part of it was downstream  
16 acquisitions; we purchased a large fabrication  
17 company, rebar fabrication company, not too long ago,  
18 just about a month ago. We're also doing plant  
19 upgrades, things of that nature.

20 So I would tell you that prior to -- we've  
21 been spending money as we've been making money to  
22 invest in the plant and the equipment.

23 I could tell you this. Going forward, right  
24 now, everything is on hold. I mean, we're looking at  
25 it. We announced the pig iron project in Louisiana;

1 that's on hold. Everything that we've talked about  
2 that we announced, we've put on hold due to what we're  
3 concerned about going forward. Because it's something  
4 we've never seen before, it's totally unexpected. So,  
5 if that answers.

6 MR. MORICI: Thank you. Also, going forward  
7 into the foreseeable future, if there are dumped  
8 imports in the markets, what profits there are to be  
9 had, or what monies there are between here and other  
10 places in the world to cover fixed costs, to improve  
11 productivity, and to emerge two or three years from  
12 now as competitive or more competitive than you are  
13 now will be impaired in the U.S. industry.

14 If dumped imports come in here, there will  
15 be even less money for productivity improvements,  
16 which will leave the industry injured and impaired two  
17 or three years from now. But not the rival industry  
18 that gets to dump, because they will have more monies  
19 to engage in those kinds of activities. That is  
20 something I would ask you to consider.

21 It's not going to be that there's going to  
22 be less or more rebar sold in the United States. We  
23 can argue about how much the economy is going to  
24 contract, but the market is going to be limited.

25 The real question is how much of the fixed

1 cost is going to be covered. The variable costs are  
2 going to be covered. How much of the fixed cost is  
3 going to get covered, and how much will we just let  
4 the mills run down because it's not. And that will be  
5 dramatically affected by whether there is dumped  
6 product in this marketplace.

7 MR. KERKVLIIET: Just to add a comment. I  
8 mean, a company from a strategic standpoint is going  
9 to continue to reinvest a certain amount of their  
10 operating income or retained earnings back into the  
11 business. That's the basis for an individual company.

12 But as the professor said, as those earnings  
13 are depleted because of reduced operating income  
14 because of having to compete against unfairly dumped  
15 imports into the United States, that therefore  
16 restricts your opportunity to invest back in the  
17 business.

18 On top of that, with the liquidity crisis  
19 that's right now, the availability to fund that either  
20 from lending or from your cash is very much restricted  
21 going forward. So it's, you're kind of hit on both  
22 sides of the equation. If we don't continue to have  
23 production -- protection, excuse me, from the imports  
24 coming in from Turkey.

25 COMMISSIONER PINKERT: So let me see if I

1 understand your testimony. Are you saying that given  
2 the restricted credit conditions in the industry, that  
3 you don't expect capital expenditures to proceed,  
4 regardless of whether the order is in effect?

5 MR. KERKVLIIET: To clarify, if you don't  
6 make money, if you don't have positive operating  
7 income, the only other way that you can do it is to  
8 try to pay it from a lending base. And if that  
9 lending base is at a, as we've seen now, with the  
10 price of credit being very high, it makes it very hard  
11 to pay back for that investment.

12 COMMISSIONER PINKERT: Thank you. Turning  
13 to the questions that Commissioner Williamson was  
14 asking about the integration in the industry, I'm  
15 particularly interested in whether anybody has any  
16 economic modeling or economic information about the  
17 effect that consolidation has had on pricing in the  
18 U.S. market.

19 Perhaps, Dr. Morici, would you like to  
20 tackle that one?

21 MR. MORICI: Not here and now. I suggest  
22 that's something that we're going to have to submit to  
23 you later, to the extent that we can.

24 MR. PRICE: To the extent that that  
25 information is available, we'll supply it in the post-

1 conference brief. That is not a small question.

2 COMMISSIONER PINKERT: It wasn't intended to  
3 be small. Okay, we're living large on some of these  
4 issues.

5 Now, as far as the operating income issue,  
6 I'm just wondering if the businesspeople on this panel  
7 can give me some historical perspective on how 20-  
8 percent operating income stacks up against historical  
9 levels of profitability in the industry.

10 I understand that you've testified that  
11 there is a downturn that's already underway, but I'm  
12 just trying to get an understanding of where 20  
13 percent might fit in the broader scheme of what you've  
14 experienced in the industry.

15 MR. KERKVLIIET: Honestly, that would be  
16 something that I'd have to do in post-hearing briefs,  
17 just because, from a memory standpoint, I can tell you  
18 that it's been higher than it has been in the past. I  
19 mean, directionally you can take that away from this.

20 But as far as the specifics as to two times,  
21 three times, I would have to do that in post-hearing  
22 brief.

23 MR. STONE: Commissioner, we would request  
24 to be able to do the same in post-hearing brief.  
25 Thank you.

1           MR. HILTON: I would like to think that the  
2 profits that we've generated in the last few years  
3 have been due to superior management, but I have to  
4 really admit that the huge increase in metal margins  
5 due to the increase in scrap, unexpected, I might add,  
6 huge increase in scrap has benefitted us all. And  
7 we've just been able to take advantage of that, and to  
8 make good profits.

9           But you go back to 2001, when our metal  
10 margins were below \$200 a ton, we were losing money.  
11 In the mills, anyhow.

12           MR. MORICI: I would ask you also to exhibit  
13 some caution in making historical comparisons.  
14 Because we've come through a favorable cycle, we'll  
15 acknowledge that. The last cycle drove most of the  
16 companies, many of the companies to bankruptcy.

17           So I don't know that it's reasonable to  
18 compare these margins to a period in which the end  
19 conclusion was for companies to go through Chapter 7  
20 and Chapter 11.

21           COMMISSIONER PINKERT: Thank you. Another  
22 issue that we've touched on today, but I just want to  
23 get your reaction to in a more concentrated way, is,  
24 what relevance does, do the affirmative sunset  
25 determinations we made last summer have on the

1 determination that is in front of us in this  
2 proceeding?

3 MR. PRICE: Sure. First of all, there are,  
4 in the global market there are three real export  
5 platforms that are countries that are so, that have so  
6 much export capacity that they can swamp the U.S.  
7 market and the world market and have major impacts out  
8 there. Those are China, Ukraine, and Turkey, okay,  
9 with Turkey actually being the most export-dependent  
10 and exporting the most volume.

11 The Commission last year made an affirmative  
12 determination that all three, two of those three,  
13 finding on some basis cumulated, but in Commissioner  
14 Okun's case with regard to Ukraine on a non-cumulated  
15 basis, that those countries could and would export  
16 enough to have, to materially injure the U.S. market.

17 I believe that that decision is, speaks a  
18 lot to what you should do here. I think that decision  
19 basically says while every decision is sui generis out  
20 there, the same vulnerabilities that existed then  
21 exist here, only more so, given the dramatic changes  
22 in the marketplace.

23 And so I submit to you that the situation is  
24 probably even more warranting of an affirmative  
25 determination; that, in fact, when we came in last

1 year and we said things were not perfect, and if you  
2 let these imports in, we would have a disaster, we  
3 were right. In fact, things are much worse today.  
4 And in fact, construction trends are heading down and  
5 demand levels are heading down. Believe me, I wish  
6 I'd listened to my own analysis and sold my entire  
7 portfolio last year.

8           You know, things are pretty bad out there.  
9 And I think that you should make an affirmative  
10 determination here, and I think for the reasons you  
11 found so last year, I think you should do so again  
12 this year.

13           COMMISSIONER PINKERT: Thank you. Thank  
14 you, Madame Chairman.

15           CHAIRMAN ARANOFF: As long as we're talking  
16 about last year's case, in the rebar review that we  
17 completed last year, one of the findings that I think  
18 was important, I know it was important to me, was the  
19 Commission finding that exports from the subject  
20 countries to the United States were handled by global  
21 trading companies that purchased product from all over  
22 the world, and arranged transportation to whatever  
23 market offered the best spot price at the time.

24           Are Turkish exports to the U.S. generally  
25 handled by global trading companies, or by a different

1 means?

2 MR. KERKVLIIET: Traditionally, by a trading  
3 company, whether it be regional or global.

4 MR. PRICE: I would add that, add that  
5 they're traditionally handled by trading companies.

6 There are some Turkish producers actually  
7 with selling agents in the United States. So the  
8 fact, this is, you know -- so in fact, in many sense  
9 they are even more able to aggressively enter the U.S.  
10 market. Because the infrastructure is not only  
11 facilitated by the trading companies, but by their own  
12 employees or agents on the ground here.

13 CHAIRMAN ARANOFF: Do we have on the record  
14 which of the Turkish companies actually have sales  
15 agents in the U.S.? I know there's a reference to it  
16 in the brief, but I'm not sure there's actually a  
17 list.

18 MR. KERKVLIIET: I will, I will go back, and  
19 we will provide you as much as we can. You know, I  
20 wish all the Turkish companies themselves were  
21 responsive to your questionnaire because you would  
22 actually have more of that data. But you don't, so  
23 we'll fill in what we can.

24 CHAIRMAN ARANOFF: One of the sort of things  
25 that followed from that finding in last year's review

1 where we found that the trade wasn't really controlled  
2 by the foreign producers themselves, they were, as you  
3 said, you know, they were large exporters; they would  
4 sell as much as they could to global trading  
5 companies, but they didn't really have any control  
6 over where the product went after that. That was a  
7 decision made by the trading companies. And those  
8 trading companies weren't related to the producers.

9 And so what we saw was that the specific  
10 markets in which a particular producer, say a  
11 Ukrainian producer's product would be sold, would  
12 change every year; that there was no relationship with  
13 customers in the end use market.

14 Is that also the case with respect to  
15 Turkish exports? Because the idea that Turkish  
16 producers might have sales agents in the U.S. actually  
17 suggests the opposite: that in this market, and  
18 perhaps in other markets, they do develop long-term  
19 relationships with customers, and you don't see these  
20 wild swings in where the product is going from year to  
21 year.

22 MR. PRICE: I will let one of the industry  
23 witnesses answer, also. But in fact, there have been  
24 wild swings in Turkish volume in the United States  
25 over these periods.

1           So again, I see the Turkish producers as  
2 moving in and out of markets at, you know, very  
3 rapidly around the world. They'll be in Spain,  
4 they'll be out of Spain. They'll be in Dubai, they'll  
5 be out of Dubai. The Chinese show up in the UAE,  
6 they'll go to the U.S. if they, you know.

7           The bottom line is they're trying to keep  
8 their production going. They have about three to four  
9 million tons of consumption in an annual year; they  
10 have about 12 million tons of capacity.

11           And they're just going to run it, and  
12 they're going to move it, until they get it wherever  
13 they can. They're aggressively offering right now in  
14 the U.S. again, they're aggressively offering in  
15 Canada, as Mr. Kerkvliet just testified, at very, very  
16 concessionary terms, trying to move what volume they  
17 can.

18           MR. KERKVLIIET: To me, one of the  
19 indications of a relationship is that you can sell  
20 basis-to-value. And we'll provide in our post-hearing  
21 brief some of the stuff that comes through some of the  
22 traders. And the comment is our next offer will knock  
23 your socks off, quote-unquote. Things like offering  
24 terms and conditions just because that's the only way  
25 that they can sell it.

1           So I guess I would be cautious in saying  
2           that the relationship, you know, gets them something,  
3           because they've pretty much sold almost, they have  
4           sold predominantly on price.

5           MR. PRICE: And I think your record is  
6           clear, on rebar in particular, more than any other  
7           steel product, that price is what moves, what moves  
8           this product.

9           I mean, basically it's sort of a joke, we've  
10          used it before, but you have scrap and then you have  
11          rebar. I mean, there's not a lot of quality; it's all  
12          standardized, you know. And so that's one of the  
13          things. It's very easy to produce. And quality is  
14          accepted, customer relationships are not a big deal.  
15          It's a price business.

16          MR. KERKVLIIET: And one other thing building  
17          on that. There's a difference in the marketplace on  
18          the size of rebar, whether it's 8-millimeter up to 35-  
19          millimeter, whether it's weldable or weldable and  
20          bendable. And what will happen is the offers that  
21          come from Turkish producers are, they're an all-  
22          inclusive net-effective price. Which indicates that  
23          they don't have a real knowledge about the market,  
24          what the value is for each one of those.

25          So I would again just go back to say they're

1 selling on a net-effective price basis and all-  
2 inclusive size range and grade range.

3 CHAIRMAN ARANOFF: Okay. Mr. Stone, did you  
4 want to add something?

5 MR. STONE: Yes, Chairman Aranoff. The only  
6 thing I would add is, the situation is that the trader  
7 ultimately has the relationship with the buyer here in  
8 the U.S. They're pretty much the liaison.

9 That trader basically bids and offers out  
10 there in the marketplace to find out what price he can  
11 get, okay, to create business here, and vice-versa.  
12 The buyer here will say hey, I don't like what I'm  
13 paying today, I'd like to see what else is out there.  
14 And that's how this thing goes back and forth. It's a  
15 bid-and-offer-type situation is what happens.

16 But basically what we've seen recently is  
17 the fact that what's going on in the market today is  
18 the fact that the traders are just trying to drum up  
19 business, because historically the trader would take a  
20 position that they have the steel presold.

21 What happened in the last six to nine  
22 months, traders have taken the position themselves  
23 unsold, because they don't want to lose the contact  
24 with the mill, or they felt that that customer is  
25 going to turn around and want to buy from them later.

1           So the dynamics have changed a little bit  
2 because of the fact of the market uncertainty today.  
3 So, but the trader needs to make a living. So if the  
4 trader doesn't do anything, he doesn't make a living.  
5 So that's how it works day to day.

6           CHAIRMAN ARANOFF: Okay. I mean, I didn't  
7 ask the question because, you know -- well, I asked  
8 the question because this was such a big issue in the  
9 review last year, and there wasn't really any mention  
10 of it in the briefs this time around.

11           So asking this afternoon, you know, this is  
12 all preview, where I'm going to ask the Turkish  
13 producer to tell me, you know, how they market their  
14 product, and whether it's committed for the  
15 foreseeable future to sort of definable customers with  
16 which they have a long-term relationship, which, as  
17 you know, is something that we tend to look at in  
18 these sunset reviews.

19           And it works better in industries where  
20 people tend to contract over time for product. This  
21 is a product that's sold on the spot market, but I'm  
22 still interested in seeing if it's going to the same  
23 markets all the time, or moving around. So you have  
24 sort of had a chance to rebut that before hearing the  
25 afternoon's conversation.

1           MR. PRICE: And just to add one more point  
2 on this, which is ultimately all rebar goes into  
3 fabrication. So you can go through a trader, you can  
4 go through a distributor. But the bottom line is, is  
5 that it all ends up in the same end use market.

6           And if you have dumped imports coming in  
7 affecting those markets, affecting entire market  
8 price, it doesn't matter, you know, the exact little  
9 details in the distribution chain. The bottom line,  
10 it has a pretty dramatic effect.

11           CHAIRMAN ARANOFF: Okay. I have one more  
12 question. I want to get to it before my light turns  
13 yellow.

14           What weight should we be giving to the fact  
15 that imports from the U.S., from the three Turkish  
16 producers for whom their order has been revoked, have  
17 not flooded the U.S. market, or really increased  
18 significantly since those revocations took place?  
19 Should we look at that as a good example of what might  
20 happen if the orders were revoked on the other  
21 producers? And if not, why not?

22           MR. PRICE: Again, we have to be a little  
23 careful because of the confidential records. I'm  
24 going to try to give you a very abstract answer for a  
25 second, and I'll give you a more detailed answer in

1 the post-hearing brief.

2 But the reality is, is that certain  
3 importers have at least had a record, or exporters, of  
4 trying to sell at share values. Other producers,  
5 frankly, have either been locked out of the market  
6 because of the dumping order, or they've had to deal  
7 with the discipline of the order.

8 I think that no matter what, if you reduce,  
9 if you eliminate these orders, we're going to see  
10 certainly from the subject producers lower prices,  
11 more aggressive offers out there.

12 From the non-subject producers, if they re-  
13 enter at dumped prices, they can be reincorporated  
14 back in the order. And I can assure you that I think  
15 I'm pretty good at zealously representing my client  
16 here.

17 CHAIRMAN ARANOFF: Okay. I'll look forward  
18 to anything you have to say in the confidential  
19 record. And with that, I have concluded my questions.  
20 And I want to thank the panel for your answers this  
21 morning.

22 Vice Chairman Pearson.

23 VICE CHAIRMAN PEARSON: Thank you, Madame  
24 Chairman.

25 Mr. Price, a minute or two after our time

1 ran out the last around, I think you were making a  
2 point about Dr. Morici's chart no. 4 that shows non-  
3 residential recoveries normally taking four to five  
4 years. At least, I think that's what your reference  
5 was.

6 My question really is, how much emphasis  
7 should we place on that in this investigation? And  
8 the reason that I ask that is that we have, in the  
9 public staff report table 1-2, the apparent  
10 consumption going back to 1994. We have 14 data  
11 points, and they have been relatively modest. We had  
12 about a five-percent drop in 2002 relative to 2001,  
13 and then something less than a three-percent drop in  
14 2007 relative to 2006.

15 So is this four- to five-year cycle in non-  
16 residential construction really relevant here?  
17 There's got to be a lot of other things going on that  
18 are actually driving consumption.

19 MR. PRICE: Well, you have non-residential  
20 construction, you have residential construction. And  
21 so you have both of those laying in here.

22 And actually right now you're seeing before,  
23 before you have a one-year decline in consumption from  
24 '06 to '07. You already have already a half-year  
25 decline, when things were not terrible, from '07 to

1 '08. You're already seeing a continued downward  
2 decline.

3 So I think it's pretty clear, based upon the  
4 testimony you're hearing, that '08 is likely to be  
5 down, and probably down a lot sharper than anything  
6 you're seeing, because the SMA data, as you look at it  
7 month after month, is starting to show just massive  
8 fall-offs in production.

9 And one of the things we look at in this  
10 industry, or the people in the industry advise me they  
11 look at, is like the AIA index. And there's nothing  
12 in the pipeline behind it.

13 There's an office building on 17th and  
14 Connecticut that was taken down last year. Our  
15 friends at Arent Fox probably know it very well  
16 actually. It was scheduled to go up with a new  
17 building right now. The most valuable piece of real  
18 estate in Washington, D.C., literally. I mean, it's  
19 sitting there in the best location you can be.

20 The only tenant they could find for that  
21 building was four years out. It happened to be Arent  
22 Fox. So they delayed building. They put it off for  
23 two years. And we're seeing this happen time after  
24 time in this economy right now. You're seeing massive  
25 slow-downs.

1           You talk about the disruption of this event  
2 here, but the signs of it, with 20/20 hindsight,  
3 probably have been out there for a while, and the  
4 severity of it are going to be there for a significant  
5 period of time.

6           Now, do we have to sort of come in here, and  
7 sort of say well, this data point and that data point?  
8 I guess we could, at some point. I think there is a  
9 pattern here. I've been working in construction  
10 products for a long time; we generally see this  
11 pattern roll through it. It varies a little bit by  
12 residential, it varies by non-residential. But the  
13 bottom line is we're in a sustained downturn here that  
14 I don't think is going to snap back like that. I  
15 think it's all pretty -- that I think should be  
16 transparent at this point.

17           VICE CHAIRMAN PEARSON: Okay. Well, I'm  
18 just concerned that you may have put too much emphasis  
19 on this non-residential recovery chart, based on what  
20 we see in the staff report for actual apparent  
21 consumption. And so I, I don't think you're trying to  
22 mislead us, but it was out there given to us perhaps  
23 without sufficient context.

24           MR. PRICE: Commissioner Pearson, I  
25 appreciate the insight in your comments. But I think

1 as we look forward here, no matter what, when we see,  
2 when we see these sets of declines going on and the  
3 disruptions going on, I think it's pretty difficult  
4 for anyone to be very optimistic in assessing demand  
5 going forward for a sustained period.

6 VICE CHAIRMAN PEARSON: Mr. Stone.

7 MR. STONE: Yes. Commissioner Pearson, just  
8 to follow up on that.

9 Jim indicated earlier the SMA stats are  
10 showing off, I think it was four percent or so for the  
11 first six, seven months.

12 I can tell you our best guess now is we  
13 think the industry will be off about seven to 10  
14 percent when this year concludes, based upon what  
15 we're seeing today, okay?

16 I can also tell you in the last month, and  
17 the outlook looking forward for the balance of the  
18 year, we're looking in the range of -- and this is,  
19 you know, I've got to be careful here -- but double  
20 digits. I'll just say double digits.

21 So what I would tell you is this. Our view  
22 of consumption for next year just at this point, based  
23 upon how we're seeing this thing fall like this. And  
24 just remember one other thing. The early parts of the  
25 year were very strong, showed very strong numbers.

1 And part of that was the inventory build that  
2 occurred. Because as prices are rising, people have a  
3 tendency to build inventory.

4 And that's what makes sometimes looking at  
5 real-market demand a little bit challenging. Because,  
6 you know, you live in the moment. And if you see  
7 things going this way, you feel pretty bullish, okay?  
8 And that goes back to projections that we talked about  
9 earlier, as well.

10 So I would tell you next year, you know, we  
11 could be looking at a market that's 20-percent less.  
12 We could be looking at an eight-million-ton market,  
13 maybe less. But somewhere in between there, the  
14 market's going to be down. I think that's the point  
15 that we're talking about. And I think that cycle will  
16 not go to 10 million tons back in one years. It's not  
17 going to happen; we don't believe that's going to  
18 happen. So I was just trying to support --

19 VICE CHAIRMAN PEARSON: Okay, no, I  
20 appreciate that.

21 MR. KERKVLIIET: I just pulled up the SMA  
22 stats, and we track two things. We track the year-  
23 over-year, and then the three-month, so it's kind of  
24 the relative same time period. The relative time  
25 period, three months, June, July -- I'm sorry, July,

1 August, September. Year-over-year is down 24.3  
2 percent. So you can see the decline has been rapid,  
3 as Bob had said. And that when you start then down  
4 from a slower piece, or a slower trough I guess, or  
5 lower trough, you come back up, back to the  
6 traditional nine-and-a-half- to 10-million-ton  
7 consumption. It's going to be very difficult in the  
8 next two years to get to that same, that same level.

9 So rebar consumption is going to be down.  
10 If you talk whether it's the industrial information  
11 resources, the commerce data, lead, Dodds, McGraw-  
12 Hill, AIA, or PCA, everyone's outlook is that it's  
13 going to be a longer cycle.

14 VICE CHAIRMAN PEARSON: Okay, I appreciate  
15 those elaborations.

16 Going back to table 1-2 in the public  
17 version of the staff report. I've looked at that, and  
18 I've been trying to see some evidence that the order  
19 actually has had much effect on the domestic industry.  
20 And perhaps you want to do this in post-hearing.

21 But you know, can you point me to what in  
22 the record would show that the, that the order had  
23 much effect? I would not, just for an example, that  
24 this is good news. Fourteen years in which operating  
25 margins for the industry were positive. We haven't

1       seen that in all steel businesses, or in all other  
2       businesses. I mean, it's not uncommon that firms come  
3       in front of us where they're losing money. We aren't  
4       seeing this on this record.

5               And so I'm wondering if we actually revoked  
6       this order, would it make any difference going forward  
7       to the industry?

8               MR. PRICE: Well, first of all, I think you  
9       should ask Mr. Miller that, you know. Because if you  
10      see additional volume, it's going to affect the  
11      workers very directly. That's number one.

12              Number two. You get into issues related to  
13      survivor bias in some of the ways these records are,  
14      frankly, collected and maintained, which is, you know,  
15      very big and very substantial in this type of  
16      situation.

17              There is little question if you look at this  
18      record, if you allow additional volume of dumped  
19      imports -- this is forward-looking analysis --  
20      additional import volume into, I think, what the  
21      witnesses just testified is a contracting market for a  
22      period of several years, it's going to have a  
23      substantial negative effect.

24              Now, I always like the fact, you know, we  
25      can, you know, it's just pretty much a

1 straightforward, common-sense economic conclusion. We  
2 can come up with all kinds of models, and you know,  
3 I've gone back and forth very extensively in elaborate  
4 modeling in my career before the Commission. And then  
5 the models say well, you know, everyone critiques the  
6 model and all that.

7 But you know, the bottom line here is that  
8 this order has been effective, particularly when  
9 coupled, frankly, with the China/Ukraine/multi-country  
10 order in helping pull this industry together, and get  
11 it on its feet.

12 And if you revoke this, this part, this leg,  
13 this critical leg at this juncture in time, which is  
14 probably the worst time to consider a revocation. I  
15 think there is no question that there will be material  
16 injury.

17 VICE CHAIRMAN PEARSON: Yes, but the order  
18 was in effect for eight years before the industry  
19 achieved an operating margin that was in double  
20 digits. So you know, it was in effect for its first  
21 time and then into the first review, okay.

22 And that's why I'm saying, I look at this, I  
23 don't see that this particular order has been that big  
24 a deal for the industry. But my time is expiring, and  
25 I'm going to be quiet.

1                   MR. MILLER: Excuse me. You revoke this  
2 order, you're welcome to come to my house. And where  
3 we would normally eat maybe steak, chicken, we'll be  
4 eating party meat and peanut butter and jelly  
5 sandwiches, because I won't be able to make it on the  
6 job that I have now. I'd have to seek other  
7 employment. And right now, it takes two, maybe three  
8 paychecks just to pay my house note, you know. And if  
9 you revoke this order, I guess that will be it.

10                   VICE CHAIRMAN PEARSON: Yes, well, that  
11 assumes that imports actually come in. And that's  
12 what's terribly clear from the record.

13                   Madame Chair, back to you.

14                   CHAIRMAN ARANOFF: Commissioner Okun.

15                   COMMISSIONER OKUN: Thank you, Madame  
16 Chairman.

17                   Dr. Morici, can you, do you have in front of  
18 you, when the IMF provides their growth statistics for  
19 the world, where do they put China now, and where do  
20 they put the Middle East?

21                   MR. MORICI: They lowered their growth  
22 statistics. I'd have to go look, to be honest, but I  
23 think they're in the range of like eight percent now,  
24 as opposed to where they were growing in the range of  
25 11.

1 COMMISSIONER OKUN: For China?

2 MR. MORICI: For China. The Middle East, I  
3 just don't have a recollection at all.

4 COMMISSIONER OKUN: Okay. If you could just  
5 submit those for purposes of post-hearing?

6 MR. MORICI: Sure. I would point out to you  
7 that whatever you see for the Middle East, you're  
8 going to have to just take with a grain of salt.  
9 Because with the price of oil falling so dramatically,  
10 they didn't have that when they did those numbers in  
11 October.

12 COMMISSIONER OKUN: Right. And I know you  
13 talked about the price of oil and the drop of it  
14 several times. And I guess, you know, one thing that  
15 I'm curious about is, I mean, obviously it's dropped,  
16 but it's still way above most historical averages  
17 except during the war.

18 So I'm trying to figure out, are you saying  
19 that \$70-a-barrel oil will not lead, that Dubai is  
20 going to quit, or the Middle East will quit investing,  
21 quit expanding its capacity?

22 MR. MORICI: What, with regard to oil?

23 COMMISSIONER OKUN: Yes. I mean, you keep  
24 saying the price of oil is what drives the demand, and  
25 I'm trying to say is that really the case when the

1 price of oil is still very high relative to historical  
2 standards?

3 MR. MORICI: I don't know that at \$70 a  
4 barrel, \$75 a barrel, you're going to see much  
5 additional capacity come onstream.

6 COMMISSIONER OKUN: Do you have any data  
7 that suggests that? I mean, it used to be again, we  
8 look at the gas industry or the oil and gas industry  
9 in the United States that, you know, people bring on  
10 capacity for pipelines or other things.

11 MR. MORICI: I can't present myself to you  
12 as an oil economist, okay.

13 COMMISSIONER OKUN: Okay. Well, I was just  
14 trying to figure out, to the extent that you keep  
15 saying, you keep harping on the oil price, I want to  
16 know if you're saying capacity --

17 MR. MORICI: No, what I am harping -- let me  
18 be clear. What I'm harping about is just that the  
19 price of oil determined -- I can't speak to you about  
20 how much additional oil capacity will come onstream.  
21 But we've already seen construction slow dramatically  
22 in the Middle East. And with the price of oil going  
23 down, the monies available to rekindle construction  
24 will be severely constrained. Because that's where  
25 they get the money to do it. So you have that issue.

1 COMMISSIONER OKUN: Okay. Mr. Price?

2 MR. PRICE: You know, one of the things that  
3 happens is you see this huge bubble-up in exports and  
4 prices in the Middle East. It so happens, it happens  
5 right around December/January.

6 It so happens the Middle East created a  
7 futures market with hard delivery of rebar going on  
8 right in October of '07. And so what happens that,  
9 that you create this future market with hard delivery,  
10 and you get this enormous speculation going on.

11 You get this enormous bubble that develops  
12 that has, that disconnects, as so many of these future  
13 markets seem to have done, from underlying demand  
14 going on.

15 So then all of a sudden you get hard  
16 delivery. Hard delivery comes in, is sitting on the  
17 docks. I mean, just think about this for a second.  
18 Two million tons in Dubai. That's roughly 20 percent  
19 of U.S. consumption.

20 COMMISSIONER OKUN: On the reference of the  
21 two million tons, I've heard it a couple of times. Is  
22 there evidence of that? Or is that just, are the  
23 traders reporting it?

24 MR. PRICE: The traders are reporting it,  
25 the trade press is reporting it. We've put the

1 articles on the record. We have, there is substantial  
2 inventories on the ground in the UAE.

3 It doesn't mean that there's not some, you  
4 know, some purchasers out there potentially, because,  
5 you know, markets always have things going on. But  
6 the inventory is running around.

7 The speculation that goes on is huge. It's  
8 like any bubble. People want to beat the price  
9 increase. So you keep on going, and you get this  
10 speculative bidding market based upon futures  
11 contracts, in part adding to this new dynamic. It  
12 shoots up, it collapses.

13 It collapsed, and none of the demand  
14 underlying it appears to have been sustained, or  
15 necessarily real.

16 COMMISSIONER OKUN: Okay, that's one of the  
17 questions I had. You put a lot of articles on the  
18 record with respect to Middle East production and  
19 capacity, and Middle East demand and pricing, a number  
20 of them very recent articles. And I know that the  
21 staff has the data in chapter 4 that hopefully we'll  
22 have updated data as well about consumption and  
23 production demands in the Middle East.

24 But what I'm trying to understand from your  
25 argument is, is it that you think the Turkish exports

1 won't be going to the Middle East because all this  
2 capacity that they're projecting is coming on line?  
3 Or because demand for rebar is going to go down.

4 MR. PRICE: I think it's saying that, I  
5 don't think it's one single factor out there. I think  
6 it's a combination or a network of factors happening.

7 I think you're seeing, you're seeing excess,  
8 first of all, excess buying that occurred at a massive  
9 level. This isn't a small inventory adjustment going  
10 on. You're seeing the same speculative over-building  
11 that you saw develop in the United States with a  
12 credit crunch and a credit problem going on in the  
13 Middle East that's going to reform lending standards  
14 there, just as they are here. You have to remember,  
15 you get money back in the system to lend; but no one  
16 is going to lend on no money down and a pie-in-the-sky  
17 dream any more.

18 You're going to see, you're going to see  
19 declines in consumption as projects are being taken  
20 off the board. And I think you just heard testimony  
21 to that earlier. And they're being taken off the  
22 board not just in the U.S., but globally, including  
23 the Middle East.

24 You're going to see the fact that there is  
25 money not available, because the petro-dollar

1 speculation that all of this was, in part, based upon,  
2 has now also declined.

3 And so the demands that were anticipated  
4 were not, are simply not there. The inventories are  
5 going to take a long time to work off. The  
6 construction pipeline, you know, there will also  
7 continue its own set of slowdowns, or certainly less  
8 growth.

9 Meanwhile, you see capacities coming on line  
10 in the Middle East on production that are by  
11 themselves stunning, huge, and frankly logical, given  
12 I think what people, what demand levels were.

13 COMMISSIONER OKUN: Based on that, Mr.  
14 Price, on those capacity increases, do you have -- I  
15 know you have your kind of global chart that you had  
16 in your overview today. I'm just trying to go back  
17 through your exhibits again.

18 Do you have, for 2007/2008, because this  
19 chart has the projected price increase from 2007 to  
20 2010.

21 MR. PRICE: Right.

22 COMMISSIONER OKUN: Do you have available to  
23 you a breakout of what actually come on line? I mean,  
24 I'm trying to get a handle on what's projected versus  
25 came on line.

1 MR. PRICE: We will provide that to you in  
2 the post-conference brief, okay?

3 COMMISSIONER OKUN: Okay, that would be  
4 helpful. And I see Mr. Stone has had his hand up back  
5 there, trying to say something.

6 MR. STONE: Thank you, Chairman Okun. I  
7 would just like to say one thing.

8 COMMISSIONER OKUN: I'm a has-been chairman.

9 MR. STONE: You're not a has-been. Thank  
10 you. I just wanted to add one point.

11 What we've got to also keep in mind is the  
12 fact that Turkey displaced a lot of the tons that were  
13 formerly supplied in the Middle East by China. And  
14 that had occurred because China was building for the  
15 Olympics and the huge construction boom that they had.

16 Turkey's an export economy. Turkey did not  
17 ship in the United States because, quite frankly, they  
18 can get a better return in the Middle East. It makes  
19 sense. That's what companies do, okay?

20 The fact of the matter is China's economy is  
21 falling. China's mills in China are going bankrupt,  
22 if you read the paper. China is going to export  
23 again, and China is going to export to the Middle  
24 East.

25 Taiwan just recently opened their doors to

1 export, which they were not exporting earlier because  
2 they were worried about supplying their own industry.  
3 They just opened their doors, and they're starting to  
4 make more export offerings, as well.

5 So what we see is, quite frankly, Turkey  
6 built a business that is overbuilt, it's built on an  
7 export platform. And quite frankly, we're looking to  
8 be penalized, because they built a business, okay? So  
9 they could export anywhere they want to. And we're  
10 sitting here building our business, investing in our  
11 business, putting our money in our business to satisfy  
12 consumers here in the U.S. We don't export our  
13 product, or very little do we export.

14 And what we're asking ourselves is, will  
15 these dumped imports hurt us. Yes, they will. What  
16 we're saying is, bottom line is demand is going to be  
17 less. And these dumped imports will have an impact.

18 And yes, your sunset reviews did help the  
19 industry. They've been a positive effect. But it's  
20 difficult to say, pinpoint exactly where and why, but  
21 the industry has gotten better because we've been able  
22 to be responsible and allow responsible players in the  
23 marketplace. And you've had responsible players.

24 But you've had dumped players, is what we're  
25 talking about today. And that's why we're asking for

1 this relief. Thank you.

2 COMMISSIONER OKUN: Okay. The purpose of  
3 the post-hearing, perhaps you can help connect the  
4 dots a little bit more for me on the Middle East,  
5 where the Turkish exports have been going, what you  
6 see the Chinese exports doing.

7 You know, again, I think there's pretty good  
8 information about the change in pricing over time.  
9 But it's less clear to me, and if we can just get  
10 these things drawn out about capacity increases and  
11 demand. I'm just trying to make sure I understand  
12 exactly where it is, versus what some of the  
13 projections are out there. And that would be helpful.

14 I would also ask, for purposes of post-  
15 hearing, on the regional-versus-national analysis, I  
16 heard your responses earlier. To me, as we've  
17 approached these different cases where I've done a  
18 regional analysis in the past, as I did in this case,  
19 I would appreciate in the post-hearing if you can  
20 address the actual statutory factors with regard to  
21 regional, the regional analysis factors, as opposed to  
22 just assuming we would do a national based on, you  
23 know, we did the national in the other one. If I  
24 could see that, it would be very helpful to me,  
25 putting that in a -- well, I may have some other ones.

1 But that I would like to see, for sure.

2 CHAIRMAN ARANOFF: Commissioner Lane.

3 COMMISSIONER LANE: Mr. Stone, I want to go  
4 back to you, the last question I asked you in the  
5 prior round.

6 Did you say that Nucor had announced price  
7 decreases?

8 MR. STONE: Yes.

9 COMMISSIONER LANE: Okay. Mr. Price, is  
10 that on the record? And if it's not on the record,  
11 could we be provided with the most current information  
12 on announced price decreases or actual price decreases  
13 throughout the industry, to the extent that you have  
14 access to that?

15 MR. PRICE: We will provide the information  
16 for each producer, in confidence, in the post-hearing  
17 brief.

18 COMMISSIONER LANE: Okay, thank you. Now,  
19 can you indicate what percentage of the rebar market  
20 is represented by residential construction, non-  
21 residential building construction, and non-building  
22 construction such as roads and bridges?

23 MR. PRICE: We actually have I think fairly  
24 precise data that would be, that we can just provide  
25 you in the post-hearing brief. This is tracked; I

1 don't have it off the top of my head.

2 COMMISSIONER LANE: Okay. Okay, that is  
3 quite helpful. And then, and if you've answered this  
4 question, just tell me.

5 What sizes of rebar are typically used in  
6 residential construction, non-residential  
7 construction, or other non-building, non-residential  
8 construction such as roads and bridges?

9 MR. KERKVLIIET: Residential nomenclature  
10 would be probably threes, fours, and fives; probably  
11 more threes and fours. The non-residential  
12 construction is going to vary depending upon what type  
13 of project it is. For instance, nuclear projects take  
14 18-bar, and it's very closely packed together.  
15 Highway is probably six, seven, and eight, you know;  
16 it depends upon the spacing. But the residential  
17 tends to be lighter in weight, lighter in size.

18 Again, the staff report provides details on  
19 Turkish shipments by size, and domestic shipments by  
20 size. And you'll see that the core size is threes,  
21 fours, fives, and sixes. There is very extensive  
22 overlap.

23 CHAIRMAN ARANOFF: Okay, thank you. And  
24 thank you all for --

25 MR. KERKVLIIET: And I might say that 50

1 percent of our shipments are fours, fives, and sixes.

2 CHAIRMAN ARANOFF: Okay, thank you. And  
3 thank you all for answering our questions this morning  
4 and this afternoon.

5 Commissioner Williamson.

6 COMMISSIONER WILLIAMSON: Thank you, Madame  
7 Chairman. Just a couple of questions.

8 First a legal question for Mr. Price. At  
9 page 6 of your brief you state that, "If the  
10 Commission finds that subject imports would likely  
11 have a material adverse effect on any of the factors  
12 that it is required to consider, it should find that  
13 revocation of the orders would likely lead to a  
14 recurrence of material entry to the domestic  
15 industry."

16 And I was just wondering, how does this best  
17 statement square with the statute which says, in  
18 752(a)(5), that, "The presence or absence of any  
19 factor which the Commission is required to consider  
20 shall not necessarily give decisive guidance with  
21 respect to the Commission's determination of whether  
22 material injury is likely to continue."

23 MR. PRICE: Well, what I'm saying here is  
24 obviously the Commission has a great deal of  
25 discretion to put weight, or lack of weight, on any

1 individual factor. And one factor alone can be enough  
2 to warrant an affirmative determination on your  
3 judgment.

4 I think in this case there is a lot more  
5 than one factor going on here; that there are multiple  
6 factors that all show deteriorations. That if the  
7 order is revoked, then therefore there will be  
8 material injury to the industry. And that injury will  
9 happen in the recently foreseeable future.

10 COMMISSIONER WILLIAMSON: Okay. So in other  
11 words, if there's any factor, we have to find. But  
12 the way --

13 MR. PRICE: No. I'm saying that you have  
14 the discretion.

15 COMMISSIONER WILLIAMSON: Okay, good. Okay,  
16 thank you. I just wanted to clarify that.

17 Mr. Kerkvliet, you had mentioned earlier  
18 that, I think particularly regarding Canada we asked  
19 about here, that Turkish rebar sales were being, I  
20 guess given more generous financing. They were  
21 offering more generous financing terms.

22 And I was wondering if you could give more  
23 information on that, either now or in post-hearing;  
24 and whether or not, how should we factor that into  
25 account in considering the price at which they may be

1 offering product in the U.S. Market?

2 MR. KERKVLIIET: I can put it in the post-  
3 hearing brief. But I guess a general comment would  
4 be, is that payment terms are a commercial condition  
5 relative to price. So I think, you know, relative for  
6 what, how we sell our product domestically, it is on,  
7 you know, net-30-day terms.

8 So that financial benefit for the buyer,  
9 having a third, a third, a third, and being able to  
10 hold it on the docks until April of next year.

11 MR. PRICE: And not only is that essentially  
12 an equivalent to price, which is the way the Commerce  
13 Department looks at it in calculating dumping margins,  
14 if you have concessionary financing that's a discount  
15 off the price, and in calculating dumping margins.

16 But the fact that there are aggressive  
17 offers in Canada was very relevant in the  
18 determination this Commission had on hot-rolled steel  
19 from, I'm going to say Russia, China, and another  
20 country back in 2005, where the, where the Respondent  
21 came in and testified, well, we're selling more in  
22 Canada because it's just, you know, the prices are  
23 attractive, so of course we went in there quickly.

24 Well, and therefore the Commission realized  
25 they'll come into the U.S. quickly, because the U.S.

1 prices are attractive.

2           What we're seeing here and saying to you is,  
3 we know that the Turkish producers are not only  
4 aggressively offering in the U.S., but they're even  
5 more aggressively offering in Canada, where there is  
6 no dumping order. That's a pretty good indication  
7 that they're going to come in. They're going to come  
8 in at very disruptive prices if the order is removed.

9           COMMISSIONER WILLIAMSON: To what extent do  
10 you think the tightening credit situation will affect  
11 their ability to do that, or the ability of U.S. and  
12 Chinese firms to offer financing?

13           MR. KERKVLIIET: You know, I think liquidity  
14 is going to be an issue across the board. You know,  
15 there could be -- and this is speculation, so take it  
16 with a grain of salt -- there could be some  
17 arrangements subsidies-wise as far as financing that  
18 the government, they can't give back on financing they  
19 can't provide.

20           You know, I know that there have been  
21 subsidies in the past relative to freight and other  
22 manufacturing components for Turkish producers.

23           But to answer your question I think in  
24 general, tighter credit is going to be universal.

25           MR. PRICE: Having said that, the fact in a

1 tighter credit market, they're offering concessionary  
2 credit terms, I think basically tells you that volume  
3 is, that they have an ability to access at least  
4 enough credit to one source or another to be able to  
5 offer concessionary terms, which are essentially a  
6 price factor in this industry.

7 COMMISSIONER WILLIAMSON: Okay. Thank you  
8 for that clarification. And with that, I have no  
9 further questions. And I want to thank the panel for  
10 their testimony this morning.

11 CHAIRMAN ARANOFF: Commissioner Pinkert.

12 COMMISSIONER PINKERT: Thank you, Madame  
13 Chairman.

14 Would this panel agree, looking backward,  
15 that the Turkish producers that are still subject to  
16 the order have never been a major factor in the U.S.  
17 market?

18 MR. PRICE: Looking at the confidential  
19 record, I think the Turkish producers that have been  
20 subject to this order, some of them have been,  
21 participated in the market; some of them have been  
22 excluded from the market due to the order itself.

23 You know, we have 30-odd Turkish producers,  
24 a very large number of them, of which three have  
25 submitted questionnaire responses. So you know, you

1 have a multi-layered issue here. You have capacity  
2 that has never been in the U.S. market that we think  
3 will come here. You have producers who have come  
4 here, and we think will come here at more aggressive  
5 prices, and in higher volumes. So I mean, I think  
6 both of those are true here.

7 COMMISSIONER PINKERT: I'm sorry, Mr.  
8 Hilton? Did you have something to add?

9 MR. HILTON: No, I was just going to say  
10 that the record here for imports in the U.S. is 2006.  
11 And it was at 2.6 million tons, and about half of that  
12 was Turkish.

13 COMMISSIONER PINKERT: And of that, how much  
14 was Turkish producers that are still subject to the  
15 order?

16 MR. HILTON: I don't have that information.

17 COMMISSIONER PINKERT: In the post-hearing  
18 you can --

19 MR. KERKVLIIET: I would answer it maybe a  
20 little bit different way, in that when you talk to  
21 your buyers generally in the marketplace, they don't  
22 generally know -- and this goes back to that  
23 relationship -- he says well, whether it's Dosh,  
24 Kentalier, they just know that it's Turkish rebar.

25 So sometimes I don't know. And it's Turkish

1 rebar at X price. So I don't know that sometimes  
2 there is that great a determination. And myself,  
3 honestly, I don't know that I could say the  
4 determination, going back, that it never had an  
5 impact.

6 So I think it's more Turkish rebar are being  
7 brought in at X price.

8 COMMISSIONER PINKERT: Okay. Now, turning  
9 to a point that Mr. Price made earlier about the  
10 possibility that companies currently excluded from the  
11 order could be brought under the order.

12 What's the legal relevance of that to our  
13 determination?

14 MR. PRICE: I think that it is relevant, in  
15 that as you evaluate what the impact of removing the  
16 order, I think it also allows you to consider that if  
17 you remove this order, not only does it affect the  
18 mechanisms of the subject producers, which are 70  
19 percent of the product out there. The 70 percent, for  
20 that 30 percent we're talking about, the fact is that  
21 they have to be mindful of the order, or they can be  
22 brought in.

23 So one would think, as Commissioner Pearson  
24 often points out, that sometimes people monitor the  
25 prices if they're subject to a dumping order or

1 potential dumping order, that the keeping of the order  
2 in place will also encourage those currently excluded  
3 producers who continue to price their product in a  
4 fair manner.

5 COMMISSIONER PINKERT: Well, given that they  
6 are currently excluded from the order, how would their  
7 incentive to monitor their prices be any different  
8 from the incentive they would have even if there were  
9 no order? Because an order could be brought into play  
10 at some point in the future.

11 MR. PRICE: There is a very different  
12 position if, in fact, there is already an injury  
13 finding. And all of that versus having to go through  
14 the process of, of letting injury occur, suffering it,  
15 filing the case, and litigating it. It's quite  
16 different in time and scope and risk factor.

17 The Commerce Department's precedent is very  
18 clear. Once an order is sunset, absent a fraud  
19 situation, such as that may come up in the Goss issue  
20 in printing presses, this order of sunset went to the  
21 ITC sunset.

22 But if the order is not sunset by the ITC,  
23 then they can bring a producer in, if there's evidence  
24 of dumping, and bring him in much quicker than if  
25 there's a new petition filed where you have to prove

1 injury and start all over again.

2 COMMISSIONER PINKERT: No, I understand  
3 that. But I'm just wondering what the bottom line  
4 here is. Are you saying that they wouldn't have any  
5 incentive to monitor their prices in the absence of an  
6 order on other producers?

7 MR. PRICE: I think they'd have a lot less  
8 incentive.

9 COMMISSIONER PINKERT: Thank you. That's  
10 all I have. And I appreciate the testimony today, and  
11 I look forward to the additional submissions.

12 CHAIRMAN ARANOFF: Vice Chairman Pearson.

13 VICE CHAIRMAN PEARSON: Thank you, Madame  
14 Chairman.

15 The structure of the U.S. steel industry was  
16 much different during the 2000/2001, 2001/2002  
17 recession than it is now. There were more firms.  
18 Some were not in good financial shape. There was, at  
19 times, undisciplined selling by firms that were  
20 producing to try to maintain cash flow. You guys all  
21 know this too well, okay.

22 We now have what seems to me generally a  
23 better situation. And the reason I think it's better  
24 is that the previous circumstances were simply not  
25 sustainable. Something had to happen. So the current

1 circumstances are better. We have a somewhat smaller  
2 number of firms, perhaps in stronger hands, and a  
3 generally more healthy outlook.

4 So quite recently I've read that at least  
5 one major steel company now had publicly indicated  
6 that it might reduce its output to help maintain  
7 margins at this time of where they perceive some  
8 reduction in demand. That's something that could not  
9 have happened in the previous recession.

10 Could you comment on that? I mean, because  
11 under these circumstances -- and you don't need to  
12 comment specifically on that firm, I mean, on the firm  
13 that had said this publicly. But is it reasonable to  
14 think that the steel industry, either in the United  
15 States or globally, will restrict its output to avoid  
16 bleeding a lot of red ink? And does that have  
17 implications for our analysis on this case?

18 MR. PRICE: We'll address that more  
19 completely in the post-conference brief.

20 VICE CHAIRMAN PEARSON: Okay. No one wants  
21 to comment? I mean, to me it's an interesting issue,  
22 so I hope you address it with some degree of  
23 thoroughness.

24 MR. PRICE: It's an interesting question. I  
25 think that, you know, and I think it has a lot of

1 complications to it. There's no simple answer to it  
2 right now. So we will address it more completely in  
3 the brief.

4 VICE CHAIRMAN PEARSON: Okay, fair enough.  
5 I certainly respect that.

6 My last comment is just, I'd like to direct  
7 to you, Mr. Louis. I was concerned that I may have  
8 seemed overly harsh, and that's not my intent.

9 The problem as I see it is that we can see  
10 there's a whole lot of change in the world of rebar,  
11 and perhaps in the world of steel or the broader  
12 economy. We've got a lot of pieces in motion right  
13 now. And our job, unfortunately -- I don't know if  
14 it's unfortunate -- but under the law, what we have to  
15 try to determine is not whether things are bad for  
16 firms, but whether, if this particular order is  
17 lifted, things are going to get worse. And it might  
18 seem entirely obvious to those of you on this panel  
19 that that's the case.

20 From where I sit, it's not quite so obvious.  
21 So we wrestle with these things to try to understand.  
22 I very much appreciate that you're here. I certainly  
23 enjoyed the time in your shop back in 2007, and I hope  
24 that you're able to come here again and talk to us  
25 about better times.

1 Madame Chairman, I have no more questions.

2 CHAIRMAN ARANOFF: Are there any more  
3 questions from commissioners? No.

4 Does the staff have any questions for this  
5 panel?

6 MR. TREAT: Hi, good afternoon. My name is  
7 Alan Treat, from the Office of Industries. I have a  
8 question for Mr. Miller.

9 First of all, Mr. Miller, thank you for  
10 coming today. We appreciate it.

11 Earlier this morning you had mentioned that  
12 the Nucor bar mill where you work has been reducing  
13 its shifts, and that the bar mill, or the warehouse  
14 rather, is "packed full of steel."

15 My question is, is this production, is this  
16 Nucor bar mill producing predominantly to inventory?  
17 Or is this product that's sitting in the warehouse,  
18 has it been produced to order and it's just awaiting  
19 shipment? Thank you.

20 MR. MILLER: We're producing -- we can only  
21 carry a certain amount of inventory. And right now  
22 we're tapped out. I mean, we can't produce any more.

23 And if we can't produce and they can't ship,  
24 the melt shop side, which is the other side that  
25 supplies the billet for the rebar, they're just

1 strictly out of business right now, not doing  
2 anything. They're waiting on us in the shipping part.

3 MR. TREAT: So your inventory that's sitting  
4 in the warehouse, is that billet or rebar?

5 MR. MILLER: That's rebar.

6 MR. TREAT: Okay.

7 MR. STONE: Mr. Treat, if I might add, as  
8 well, we produce to order. And so when things get  
9 slow like this, you, you know, things back up.

10 Now, we had orders on the books, and we had  
11 orders that were canceled. That results in some of  
12 this that's going on at this time. We also have some  
13 other steel supplies are at a distribution point in  
14 Florida so we can better service that market. And  
15 quite frankly, the sales have not kept up with the  
16 expectations. And what you have is the backup. And  
17 that's exactly -- it all goes back to demand,  
18 ultimately. But that's the position they're in.

19 MR. CORKRAN: Douglas Corkran,  
20 investigations. I, too, would like to thank the panel  
21 for their presentation. I have a few very brief  
22 questions or requests.

23 The first one is you requested to provide  
24 announced price changes in a recent time period. I'm  
25 just wondering, if you could, when you provide those

1 data, would you please distinguish between price  
2 changes that are taking place as a result of changes  
3 in the surcharges, that are tied to the underlying raw  
4 material prices, versus changes in base prices?  
5 That's the first request, just to be specific in terms  
6 of your price data that you're providing.

7 The second was a clarification for me. Some  
8 of the monthly data that's been referred to today, and  
9 it seems like we're looking at almost everything on a  
10 month-by-month basis right now, ties into the SMA  
11 price data.

12 As you continue to provide that data or  
13 reference that data, could you just explain why you  
14 focus on that, as opposed to AIFI shipment data, for  
15 rebar?

16 MR. PRICE: First of all, it's SMA volume  
17 data, not price data.

18 MR. CORKRAN: Oh, I'm sorry.

19 MR. PRICE: We'll be happy to explain all  
20 that in the brief and put it all in the record, okay?

21 MR. CORKRAN: And the third is just asking  
22 for forbearance. We may need to get in touch with you  
23 to make sure that everybody is reporting recent data  
24 that was requested earlier in the hearing on the same  
25 basis, so it's all comparable.

1                   And with that, thank you very much. And the  
2 staff has no further questions.

3                   CHAIRMAN ARANOFF: Thank you. Do those in  
4 opposition to continuation of the orders have any  
5 questions for this panel?

6                   MR. NOLAN: Thank you, Madame Chairman. Not  
7 at this time, no.

8                   CHAIRMAN ARANOFF: Okay. We will take a  
9 lunch break. I need to remind everyone that this room  
10 is not secure; please don't leave any confidential  
11 information behind you in the room.

12                   We are going to break for one hour and  
13 return here at five minutes to 2:00. Until that time,  
14 we stand in recess.

15                   (Whereupon, at 12:54 p.m., the hearing in  
16 the above-entitled matter was recessed, to reconvene  
17 at 1:55 p.m. this same day, Thursday, October 16,  
18 2008.)

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1 General Manager for Ekinciler, one of the major  
2 producers in Turkey; and Ali Ekinici, the Foreign Trade  
3 Manager, who also happens to be a member of the family  
4 that owns Ekinciler.

5 Also with us is Ilker Ulu, Assistant  
6 Reporter for IMMIB, the trade association that is the  
7 chief trade association for exports leaving Turkey.  
8 Mr. Umit Ozyagci is not here. He could not make it.  
9 The only change in the schedule is the closing will be  
10 done by my colleague, Myles Getlan. I always like  
11 having a closer on the staff.

12 As we get started, with all the doom and  
13 gloom we had this morning from the Petitioners, I tend  
14 to want to go to my happy place afterward. And this  
15 is a slide of my favorite place in the universe, which  
16 happens to be my screensaver. And so I figured we'd  
17 kind of start there, and get everybody to loosen up  
18 just a little bit, because it was pretty, pretty dire,  
19 what we heard this morning. Probably a little more  
20 dire than I think is warranted under the  
21 circumstances.

22 Obviously, I'm no economist. I'm not a PhD.  
23 I think I have a pretty good grounding in business and  
24 finance, but I'm not a professional economist.

25 But what we heard this morning was a whole

1 lot of speculating, a lot of speculation. And the  
2 speculation is over where the economy is going, and  
3 what the crisis is going to mean, and what does it  
4 mean for imports.

5 And what it seems to be coming out of this  
6 is the current financial crisis equals recession.  
7 Recession equals material injury. Material injury  
8 means Turkey imports, the order must continue.

9 I submit to you that the causal relationship  
10 has never been established. We have a current  
11 financial crisis, there is no doubt about it. Has  
12 that frozen the market? There's no doubt about that.  
13 Is it likely we're going to go into an economic  
14 slowdown? I think that's a pretty good bet.

15 How big it's going to be, how long it's  
16 going to be, nobody knows. And so making the dire  
17 predictions about that now is a little bit, a little  
18 bit to specious to me.

19 Eight years ago we had oil at \$11 a barrel.  
20 Three months ago we had oil at \$140 a barrel. Today  
21 we've got it at \$80 a barrel. Nobody believes it's  
22 going back to \$10, and nobody believes it's going to  
23 go back up to \$140 at any time soon. Is it going to  
24 stay at \$70 or \$80? Yes. Did the Dubai building boom  
25 start when oil was at \$35 a barrel? Yes. So think

1 about what impact the change in oil prices really has  
2 here.

3 Now, I'm going to get out of the way and let  
4 the business folks talk for a while, because you don't  
5 want to hear too much from the lawyers. And I'll have  
6 a presentation later on with some lovely graphs to  
7 show you.

8 But I would like to start and turn it over  
9 to Omur, who would like to talk to you about the  
10 Turkish industry. Omur.

11 MR. SUKAN: Thank you, Matt. Good  
12 afternoon. My name is Omur Sukan. I am the General  
13 Manager of Ekinciler Holding Company.

14 I'm here today with my colleague, Ali  
15 Ekinci, our company's manager for foreign trade. And  
16 I would like to thank you for giving me the  
17 opportunity to present our view of the current rebar  
18 market, and our past, present, and expected report  
19 activity for rebar.

20 My colleague and I have been in the steel  
21 business for many years; at Ekinciler we are working  
22 for more than 10 years. As the General Manager I have  
23 several responsibilities, including ultimate  
24 responsibility for export sales.

25 One duty is to monitor the performance for

1 the sale source of Ekinçiler, both domestic and  
2 export. Another duty is to monitor the profitability  
3 of our sales. I'm directly involved with decisions  
4 concerning Ekinçiler's sales strategy, profitability,  
5 and strategic plan for the future.

6 I would like to address the following five  
7 measure points. First, I want to address Ekinçiler's  
8 sales strategy, particularly with respect to export  
9 sales. Our focus is not only on the U.S. market. Our  
10 main export market is in the Middle East. We expect  
11 that it will be our largest export market by far also  
12 in the future.

13 The second point that I would like to  
14 address is the demand for Turkish rebar in our export  
15 markets. I understand Petitioners' claim that the  
16 Turkish producers are facing increased demand in their  
17 export markets.

18 You will see today about our real experience  
19 in our export markets, and it's very different from  
20 what Petitioners are saying.

21 Third, I would like to correct Petitioners'  
22 statements from this morning that the U.S. market is a  
23 very attractive market for rebar, and that the U.S.  
24 prices are among the world's highest. This is simply  
25 not true.

1           Fourth, because of capacity and price  
2 issues, it's not likely that we will export large  
3 volumes of rebar to the United States if they order  
4 rebar.

5           In fact, not only it's unlikely that we will  
6 ship large volumes to the U.S., it's a practical  
7 certainty that we will not be shipping large volumes  
8 to the U.S.

9           And my fifth and last point is that exports  
10 from China are not impacting our business in the  
11 United Arab Emirates or in the home market in a  
12 negative way.

13           I'll begin with my first point, regarding  
14 our sales strategy. Because I'm sure you know and  
15 expect Ekinçiler, like many rebar producers in the  
16 U.S. and worldwide, has had a successful year. We  
17 have been running at full capacity in order to keep up  
18 with our growing order book.

19           While we increase production capacity  
20 utilization and sales, we also increased our prices.  
21 At the same time we started to ship less and less  
22 product to the United States. Ekinçiler has not  
23 shipped any rebar to the U.S. since March 2008, even  
24 as the dumping duty margins continued to decline  
25 almost to zero.

1           This is not by accident, and it is not  
2 related to the anti-dumping order, either. What  
3 happened is that we have delivered to other markets  
4 that are growing faster and offer us more opportunity.  
5 In particular, the United Arab Emirates and the whole  
6 Middle East.

7           We directed our marketing resource to the  
8 Middle East countries, which are growing economies,  
9 where the consumption rate for rebar is sky-high. We  
10 are also positioned well to ship to Iraq, which will  
11 require increasing amounts of rebar to rebuild after  
12 the war.

13           The construction boom in the Middle East is  
14 extraordinary. Currently, Dubai is a huge consumer of  
15 rebar, which we expect to last for several years due  
16 to mega-construction projects, such as the Berje  
17 Tower, Dubai Marina, Dubai Sport City, Dubailand and  
18 many others that will continue for several years.

19           In Abu Dhabi, a different emirate, new  
20 projects have been announced for construction next  
21 year, for 450 towers and 7,500 villas.

22           Specifications are important for sales to  
23 projects in the Middle East, and we are a certified  
24 supplier. It's not surprising that we are selling to  
25 the United Arab Emirates rather than the U.S. Already

1 our home market and the Middle East represent more  
2 than 75 percent of our sales. Our home market  
3 continues to be strong, and the Middle East market,  
4 which has been very profitable for us, keeps growing.

5 Another market we have developed is in  
6 Eastern Europe. Since joining the European Union,  
7 countries in Eastern Europe are required to use rebar  
8 certified to European standards. Our rebar is  
9 certified to the standards used in the European Union.

10 In summary, compared to the last sunset  
11 review, Ekinciler is following a new business  
12 strategy. We make high-quality rebar certified to the  
13 highest standards, and we have directed our marketing  
14 resources to develop the Middle East market.

15 At the same time in 2007/2008, we  
16 significantly decreased our shipments to the United  
17 States. The United States market is not where we are  
18 focusing our attention, and will not be, even if the  
19 anti-dumping order is revoked.

20 My second point is that since the first  
21 sunset review in this case, there has been an  
22 incredible worldwide increase in demand. This summer  
23 Ekinciler sold its entire production capacity for  
24 several months in advance.

25 Yet, as I was saying earlier, you hear that

1 the Petitioners claim that the Turkish producers are  
2 facing increased demand in their export markets. I  
3 even heard that Petitioners wrote in their prehearing  
4 brief that Turkish rebar producers are desperate for  
5 markets sufficient to absorb the enormous production,  
6 and that we will cut and cut and cut prices in order  
7 to buy market share.

8           These statements are false and ridiculous.  
9 As a Turkish producer, I can tell you that the reality  
10 is far from how Petitioners describe it. Ekinciler is  
11 not desperate for markets. Ekinciler sold in the  
12 United States about 150,000 metric tons in 2007, and  
13 we have shipped zero tons since March 2008.

14           Our orders from the United Arab Emirates  
15 have been growing every year. Our questionnaire  
16 response shows that the volume of our exports to the  
17 United Arab Emirates, Qatar, and Bahrain in 2008 are  
18 higher than our 2007 exports for the same period.

19           Let me give you an example how un-desperate  
20 we are. In 2008, on separate occasions, two clients,  
21 the Government of Abu Dhabi and a rebar trader from  
22 the United Arab Emirates, contacted us asking to buy  
23 one or two years of Ekinciler's production of rebar.

24           I will repeat this: Two separate clients  
25 from the United Arab Emirates asked to contract our

1 entire rebar capacity for the next one or two years.

2 We were sorry to turn down these offers. We  
3 could not accept because we could not anticipate what  
4 the scrap prices will be. We are not as vertically  
5 integrated as U.S. producers are, who have better  
6 control of their scrap prices.

7 Moreover, yesterday we were contacted by a  
8 third client, just yesterday, for the United Arab  
9 Emirates, requesting to buy all of our production for  
10 the next year.

11 So coming back to Petitioners' comment, are  
12 we desperate for markets? I personally think not.

13 Demand for rebar in the United Arab Emirates  
14 has been extraordinary, and it continues to be.  
15 Demand has not gone down. The reality in the United  
16 Arab Emirates is different from the U.S. reality. In  
17 fact, only last week Dubai Government announced  
18 another huge project of \$95 billion U.S. to build a  
19 new city.

20 Construction in the United Arab Emirates at  
21 all levels, whether building cities, offices, hotels,  
22 or infrastructure, is booming. We have visited our  
23 customers in the United Arab Emirates. There are  
24 cranes everywhere you turn, and our rebar is being  
25 used in many complex constructions that will need

1 several years to finish.

2 Our entire production capacity if we  
3 exported to the United Arab Emirates would be enough  
4 for only a small part of the new construction  
5 buildings that are being erected each year.

6 A rough estimate is that one building of  
7 around 50 stories consumes at least 20,000, 25,000  
8 metric tons of rebar. The prices in the Middle East  
9 were at an all-time high of 1,500 per metric tons this  
10 summer.

11 The United Arab Emirates' traders are  
12 waiting for the scrap prices to drop, and the rebar  
13 prices to come down, before their next purchase. The  
14 construction sites and the construction plans in the  
15 United Arab Emirates, Bahrain, and Qatar have not  
16 operated in the last month or two. There is still  
17 huge demand for rebar, and we continue to sell rebar  
18 to the UAE very profitably. As we speak, construction  
19 activity continues.

20 My third point that I want to make today is  
21 that the U.S. market is not very attractive.  
22 Regarding price, I must be frank with you. The U.S.  
23 market has not been competitive with our other export  
24 destinations.

25 Ekinciler sold to the Middle East at a price

1 in excess of 1,300 metric tons. Our export markets,  
2 United Arab Emirates, Bahrain, Qatar, have price  
3 levels comparable to or higher than the U.S. prices  
4 during 2002 to 2007 period.

5 In 2008, the United Arab Emirates' prices  
6 jumped far above the U.S. prices. The U.S. producers  
7 don't seem to deny that. In the United States we  
8 would like to supply a reasonably small number of  
9 customers with our product and maintain our good name  
10 and brand recognition in the market.

11 Ekinciler has had very good relations with  
12 U.S. clients. We do not produce without a firm order,  
13 and we do not sell from inventory. We do not keep  
14 inventory in the U.S. Therefore, if spot prices drop,  
15 we do not have to drop prices to dispose of inventory.  
16 We do not lower prices to capture markets.

17 I will turn to my fourth point. Capacity  
18 and price issues do not make it likely that we will  
19 export large volumes of rebar to the United States if  
20 the order is revoked.

21 Regarding capacity, speaking for Ekinciler,  
22 I can say that we increased our capacity from about  
23 800,000 metric tons to 1,100,000 metric tons in the  
24 last couple of years. And compared with and  
25 considering the big surge in steel business volume

1 since 2003, a 20- to 30-percent increase in capacity  
2 should not be deemed as a huge increase that should  
3 distort the balance of market.

4           Regarding capacity, we need to correct  
5 Petitioners' statement in the prehearing brief that  
6 Ekinciler plans to increase the capacity for rebar in  
7 the future. That is not true. We cannot even discuss  
8 here today the exact numbers alleged by Petitioners  
9 because they choose to treat these rumors as  
10 confidential.

11           In a world market where rebar demand  
12 increases exponentially from year to year, and price  
13 excluded, many rebar producers worldwide and the U.S.  
14 increased capacity, production, and capacity  
15 utilization. It only makes sense, just as the U.S.  
16 producers invest in new acquisitions or expansion in  
17 order to maximize profits, we also made our  
18 investments where we think we can earn the highest  
19 rate of return.

20           We made an increase in capacity because we  
21 knew that we can increase production and sales. We  
22 saw which were the most active markets, and met  
23 increasing demand to profitable sales. It would have  
24 been illogical for Ekinciler or any company to invest  
25 in a capacity increase, only to drive down prices.

1           The increased production raised, not  
2           lowered, our prices in line with the international  
3           trends.

4           Chairman, we are operating at full capacity.  
5           We are running three shifts a day, seven days a week.  
6           We have been selling our full capacity for rebar for  
7           months in advance. These commitments limit the  
8           capacity we are able to produce rebar.

9           I also note that we face no trade barriers  
10          in other countries. Petitioners say that the U.S.  
11          market is attractive even if the pricing is not  
12          competitive, because the size of the market is  
13          sufficiently attractive. That is not how we make  
14          sales or investment decisions. But if that were true,  
15          we should still be selling first to the Middle East,  
16          not to the United States.

17          And my fifth and last point is that exports  
18          from China are not impacting our business in a  
19          negative way. I feel the need to make this point  
20          because Petitioners claim in their prehearing brief  
21          that we are facing fierce competition in the United  
22          Arab Emirates and in Dubai from China's imports of  
23          rebar.

24          China's rebar producers cannot compete with  
25          us in the United Arab Emirates and in Dubai. There

1 are two principal reasons for this.

2 First, certification of rebar supplies is  
3 important in the Middle East market, where the  
4 majority of projects require certification to the UK  
5 share standards. Rebar that's certified to UK shares  
6 means rebar that meets the requirements of the British  
7 certifying authority.

8 The United Arab Emirates purchasers demand  
9 this certification. Ekinciler can produce rebar to  
10 high standards for the United Arab Emirates, and we do  
11 so. The Chinese normally cannot. It's not easy for  
12 most of the Chinese mills to meet the standards.

13 Chinese producers cannot produce or offer  
14 the same quality of rebar. These certification  
15 requirements by United Arab Emirates purchasers  
16 effectively limit the Chinese producers' ability to  
17 compete in the United Arab Emirates market.

18 The United Arab Emirates purchasers don't  
19 want any rust and low-quality rebar. They just ask  
20 for blue rebars. Blue rebars are very important for  
21 the United Arab Emirates market. We can supply that  
22 material. And this is the second reason why the  
23 Chinese producers are not our competition in the  
24 United Arab Emirates.

25 Turkish rebar has market recognition in the

1 United Arab Emirates. We have longstanding  
2 relationships with United Arab Emirates traders who  
3 know that we are a reliable and quality-oriented  
4 supplier.

5 Each year they keep coming back with large  
6 orders. In 2008 our shipments to the United Arab  
7 Emirates and Dubai went up compared to 2007. As I  
8 told you earlier, we had offers to contract our entire  
9 capacity for one or two years.

10 Turkish rebar is the most widely used rebar  
11 in the United Arab Emirates. The Chinese producers  
12 may occasionally supply small quantities to the United  
13 Arab Emirates or Dubai, but the rebar sold in the  
14 Middle East must be certified to the project it is  
15 used for. Chinese mills are generally not certified,  
16 and they cannot ship certified rebar on a constant  
17 basis throughout completion of the project. Chinese  
18 rebar is not present in our home market, and it is not  
19 competitive in our regional markets.

20 So thank you for listening to me. And my  
21 colleague Ali and I will be happy to answer your  
22 questions. Thank you.

23 MR. NOLAN: Okay, thank you very much, Omur.  
24 I'd like to now turn it over to Ilker to read his  
25 statement.

1           MR. ULU: Good afternoon. My name is Ilker  
2 Ulu. I'm here today as a representative of Istanbul  
3 Miners and Metals Exporters Association, in short,  
4 IMMIB. My position is in Research and Development  
5 Department of IMMIB, and I work closely with the  
6 Secretary General of the Association.

7           IMMIB, and more specifically the Istanbul  
8 Iron and Steel Exporters Association, is a business  
9 association of producers and exporters in the Turkish  
10 steel industry and is directly affiliated with the  
11 Undersecretary for Foreign Trade of the Turkish  
12 Government. We normally collect and provide  
13 information on an industry-wide basis, so my comments  
14 today are to be understood to refer to all Turkish  
15 rebar producers.

16           My purpose here today is to offer to the  
17 Commission our comments regarding the Turkish domestic  
18 market for rebar and the export activity of the  
19 members of our association.

20           We have heard this morning several incorrect  
21 statements about the Turkish market and the export  
22 markets for all rebar producers. The Petitioners in  
23 this case state that the Turkish domestic market has  
24 collapsed. They also state that Turkish major export  
25 markets for rebar, the Middle East and Europe, have

1 collapsed. They go as far as to say that these  
2 markets have disappeared. These statements are  
3 clearly not true.

4 Imports from Turkey have declined by over 50  
5 percent since 2006 and in fact are at their lowest  
6 point since 2003. Imports from Turkey are not likely  
7 to increase should the order be revoked, as all of the  
8 significant Turkish rebar producers have developed  
9 other markets: the domestic market and third-country  
10 markets. Turkish shipments to the United States have  
11 declined as a proportion of total Turkish production.

12 First, I would like to provide the  
13 Commission with some background on the market  
14 situation in Turkey. Since the time of the last five-  
15 year (sunset) review of the antidumping order on rebar  
16 from Turkey, U.S. and global steel markets have  
17 changed considerably.

18 The Turkish economy has grown significantly,  
19 which creates a strong domestic market for rebar  
20 produced in Turkey. Turkey is a developing country,  
21 where the construction sector has been growing  
22 constantly in the 2002-2007 time period of the sunset  
23 review.

24 The construction boom in Turkey started in  
25 2005. With the growth in GDP, the introduction of

1 mortgages, the construction sector grew each year.  
2 Compared with 2003, rebar consumption levels, the per  
3 capita rebar consumption in Turkey increased by 110  
4 percent in 2007. These are data from IREPAS, the  
5 International Rebar Producers' Association.

6 In Turkey, demand has increased  
7 approximately 15-20 percent annually and is expected  
8 to continue to increase at this rate for the next  
9 several years. Since Turkey is a developing country,  
10 we anticipate that growth in all construction sector  
11 will continue, which in turn affects the conception of  
12 rebar.

13 My next point is about capacity increases of  
14 the Turkish producers. I understand the Petitioners  
15 claim that the Turkish rebar producers have  
16 substantial excess capacity. First, we expect that  
17 capacity increases are for liquid steel, for hot-  
18 rolled and flat products as Turkey currently has to  
19 import these products. We believe that total supply  
20 of Turkish rebar will likely to continue to be stable  
21 or even decrease in coming years.

22 Several major rebar producers, such as  
23 Habas, Colakoglu and ICDAS have announced plans to  
24 invest in flat steel products, so any increases in  
25 liquid steel production that have occurred recently

1 have been or will be absorbed by the production of  
2 flat steel products. In addition, some major  
3 producers, such as Colakoglu and Isdemir have  
4 announced plans to abandon production of long  
5 products, including rebar.

6 Second, Turkish production capacity and  
7 utilization rates for rebar are such that an increase  
8 in exports to the United States is unlikely. The  
9 Turkish rebar capacity has increased capacity  
10 utilization in recent years and therefore does not  
11 have substantial additional capacity to commit to U.S.  
12 markets. The volume of shipments to the domestic  
13 markets and the export markets has also increased.  
14 Therefore, all the new rebar capacity added during  
15 2002-2007 has already been absorbed by the domestic  
16 market and export markets.

17 Now I turn to the situation of the Turkish  
18 exports. The reality is that Turkish exports in 2008  
19 continue in higher volumes than in 2007. Turkish  
20 major export markets for rebar remain some of the most  
21 dynamic in the world. For example, the volume of  
22 Turkish exports to the United Arab Emirates during  
23 September 2008 is already more than 50 percent higher  
24 than the volume of exports to the United Arab Emirates  
25 for all of 2007.

1           This is export data from official Turkish  
2 statistics of the Turkish Undersecretary for Foreign  
3 Trade. The Turkish producers have had large volumes  
4 of exports to the United Arab Emirates in each month  
5 of 2008, and the capacity of many of our mills has  
6 been contracted for several months in advance.

7           In the sunset period third-country demand  
8 has increased dramatically. Turkish rebar exports  
9 went up to countries in the Middle East and Europe and  
10 expanded to other parts of the world, including Africa  
11 and Asia. These will continue to be strategic markets  
12 for the Turkish rebar industry.

13           This demand is driven by large investments  
14 in infrastructure, higher infrastructure budgets and  
15 large-scale construction projects in the Middle East  
16 and in growing and developed economies in Europe.

17           The volume of Turkey's rebar exports to the  
18 United Arab Emirates increased by 342.43 percent  
19 between 2002 and 2007. As stated earlier, our rebar  
20 exports to the United Arab Emirates in 2008 grew at an  
21 even faster pace.

22           The last point I would like to make today is  
23 that the three major Turkish rebar producers can  
24 export to the U.S. They have obtained zero dumping  
25 margins and the order was revoked. Petitioners say

1 that many of major Turkish rebar producers are  
2 effectively shut out of the market by high antidumping  
3 duties. That is false.

4 The major Turkish producers of rebar are  
5 ICDAS, Colakoglu, Habas, Diler, Ekinciler, Kaptan,  
6 IDC. Three of them are already revoked: ICDAS,  
7 Colakoglu, and Diler. Habas, a major producer,  
8 obtained two consecutive zero dumping margins and has  
9 obtained a third preliminary zero margin in the last  
10 review, 2006/2007 review. Habas will likely be  
11 revoked next. The other producers which are  
12 participating in the sunset review have very low  
13 dumping margins.

14 In conclusion, the major Turkish producers  
15 have very low margins or are completely outside the  
16 dumping order. Considering that many Turkish  
17 producers have enjoyed zero or low dumping rates in  
18 2007, it will seem natural for imports to increase.

19 On the contrary, despite zero and low  
20 dumping rates for many producers in 2007, Turkish  
21 exports actually declined by over 50 percent in 2007.  
22 That is no better proof than this that the Turkish  
23 producers are not targeting the U.S. market.

24 Given the current, limited impact of Turkish  
25 rebar imports on the U.S. industry, the fact that

1 demand is still strong in our major export markets,  
2 and the Turkish producers are already producing at  
3 high capacity utilization, the revocation of the  
4 antidumping order on rebar from Turkey will not have a  
5 meaningful impact on the U.S. industry.

6 Thank you for your attention. I will be  
7 glad to answer any questions you may have.

8 MR. NOLAN: Thank you very much, Ilker. Now  
9 we're going to get a little slideshow prepared.

10 A couple of things, housekeeping matters. I  
11 would like to recognize a couple of officials from the  
12 Turkish Government that are visiting here with us  
13 today. Guldin Colakoglu is from the Turkish  
14 Undersecretary for Foreign Trade, and Kadir Ebol from  
15 the Embassy are here because the Turkish Government is  
16 quite interested in the outcome of this proceeding.  
17 They are a strong ally, but they also believe in  
18 trade, and there is a principle they would like to  
19 establish here.

20 IMMIB, by the way, is an affiliate of the  
21 Government of Turkey. So in part, you may ask the  
22 question why are we bothering to fight this if we're  
23 not shipping very much. The answer to that question  
24 is, it's a matter of principle for these folks.

25 Turkey cares deeply about free trade. It

1 believes, and we believe, this older order is no  
2 longer relevant and is no longer necessary. And we  
3 believe the evidence on the record supports that  
4 finding. And the Government of Turkey and IMMIB and  
5 Ekinciler and the other producers would like the order  
6 removed.

7           So, proceeding on with our presentation.  
8 You know, I've been listening, and again, I'd like to  
9 focus everybody's attention back on why we're here.  
10 Because this morning we spent a lot of time having a  
11 debate over the state of the U.S. economy. And it's  
12 clear that the economy has a significant relevant part  
13 in the discussion we're having, but there's a causal  
14 nexus that needs to be established here.

15           Just because the economy is in recession,  
16 just because we have an economic financial crisis,  
17 does not automatically, automatically lead to the  
18 conclusion that Turkish rebar imports are, A, going to  
19 increase; and B, are going to be unfairly traded.  
20 There has to be some evidence on the record to support  
21 a causal connection between the recession, which is  
22 going to happen -- we are going to have good times and  
23 bad times in this country -- and the fact that there  
24 is some increased danger or threat from Turkish  
25 imports if this order is removed. So I would like to

1 consider everyone to keep that in mind as we proceed  
2 through these slides.

3 The first slide, obviously you've seen this  
4 before. These are some of the statements that have  
5 come out not three months ago from the U.S. industry.  
6 This is coming from Ken Busse, Chairman of Steel  
7 Dynamics. "We see a strong third quarter, a pretty  
8 good fourth quarter. Import activity is muted. I  
9 don't see an enormous change in that. The economy is  
10 perhaps teetering on the edge of recession; even so, I  
11 don't see prices changing a heck of a lot. They may  
12 even go up."

13 Now, I'm not saying that statement didn't  
14 prove to be a little bit grandiose in the end, but in  
15 July of this year, that was the standard operating  
16 principle. That means there was a shock to the system  
17 that nobody could have anticipated.

18 This is not a case of where a change took  
19 place gradually, and the economy sort of gradually  
20 went into a down mode. We went into a full-blown  
21 crisis, and it was not predicted by the CEO of that  
22 company. Next item.

23 A few other quotes. Chairman of Nucor.  
24 "The reality is that we are forecasting that the third  
25 quarter will be a record quarter for Nucor." This is

1 in the middle of July. "It will not just be a record  
2 third quarter, it will be a record quarter for any  
3 quarter in the history of this company."

4 And then we have Gerdau. "We recorded the  
5 highest quarterly level of shipments, revenue, and  
6 earnings in the history of Gerdau during the second  
7 quarter. Attributable to the successful execution of  
8 our strategic plans over the past several years, North  
9 American demand remains solid across our named product  
10 lines, including rebar." August 11, 2008. That's a  
11 little over a month ago. Two months ago, I'll give  
12 them that much.

13 That's not very long. So, I mean, you have  
14 to ask the question, have things changed so much so  
15 radically that now they're going to be faced with an  
16 unbelievable level of injury or material injury that  
17 requires that this order stay in effect?

18 And the question then comes, well, why? Why  
19 should we make that causal connection? I would like  
20 to take you down the path and show you why we don't  
21 believe it can be established.

22 Here is a photograph, or a chart that shows  
23 U.S. domestic prices. You will note that U.S.  
24 domestic prices skyrocketed starting in October 2007,  
25 end of 2007, and into the middle of 2008. Now, they

1 have gone and retreated some recently, I agree to  
2 that.

3 But these price decreases, the more  
4 important point is, when these price decreases were  
5 going on, Turkish import levels were dropping. Why  
6 would the Turks, if they're so keen on this market,  
7 leave the market when the prices are skyrocketing?  
8 The only answer to that question is there's a better  
9 market out there for them. A better, long-term,  
10 stable market.

11 U.S. import prices. We have another  
12 photograph. This is similar to the last photograph.  
13 It shows again the spike in prices going up, and then  
14 very recently the retrenchment from those prices, due  
15 in large part because of the crisis that we're in  
16 right now.

17 And again, the price drop at the end isn't  
18 coming from Turkish imports. The rise up didn't cause  
19 imports to come in, and the move down wasn't caused by  
20 any Turkish imports. You've heard the Ekinciler  
21 hasn't shipped a stick of rebar since March.

22 I submit that this is characteristic of most  
23 of the industry in Turkey right now. That number  
24 should be going down, by virtue of the Petitioners'  
25 logic, because imports from Turkey are coming in, not

1 because they're not coming in. Next slide.

2 This is a slide of the revocation, we call  
3 it the revocation timeline. It's one of my favorites.  
4 What it shows is U.S. imports from Turkey coming in,  
5 by year. And on the bottom, an impact of when orders  
6 are being revoked.

7 You will note that the amount of rebar does  
8 go up significantly in 2006, just after ICDAS's  
9 revocation takes place. But then something very  
10 strange starts to happen. Imports start dropping  
11 very, very quickly. And by the time you get to the  
12 revocation order for Colakoglu and Diller, they are in  
13 free-fall, and they are not going up afterwards.

14 Why? Why is it that when you have three  
15 major producers in Turkey faced with a revocation of  
16 the order, they're no longer subject to the other, why  
17 wouldn't they bring more product into the United  
18 States? Because they have a better alternative.

19 And I will just say as a comment, we heard  
20 the Commissioner's questions this morning about  
21 production. And we did a little back-of-the-napkin,  
22 and we'll give you something more specific in the  
23 post-hearing brief.

24 But of the folks that have been revoked,  
25 ICDAS accounts for about three million tons of

1 production in Turkey. Diller accounts for about two  
2 million tons of production. Colakoglu, about a  
3 million and a half tons of production. That's six and  
4 a half tons of production that's been revoked. It's  
5 not 70 percent still under order, it's 30 percent  
6 under order once Habas is gone. Because Habas  
7 accounts for another two million.

8 So when you take those out, if Habas is  
9 released, 70 percent of Turkish production is no  
10 longer subject to this order. And over 50 percent is  
11 not subject to the order as we speak.

12 Here is a chart that we have received from  
13 official Turkish statistics. Again, we will give the  
14 specific numbers in our post-hearing brief. This is  
15 an indicator of Turkish rebar exports going to the  
16 United Arab Emirates. You will notice a gradual  
17 increase taking place from 2004 to 2006, and then it  
18 starts to skyrocket in 2006, 2007, and in through  
19 2008. This coincides almost precisely with the  
20 decline in exports to the U.S. market. And that  
21 trendline has not ceased.

22 Why? UAE is closer to Turkey. It is a more  
23 natural market for the Turks. They are certified  
24 under the UK standards to meet the requirements under  
25 the UAE. They have a high long-term-demand

1 environment on their hands in the UAE, and they enjoy  
2 very strong prices. At one point in July, they were  
3 getting more than \$1,500 a ton. The United States has  
4 never broken, 12, ever. That's a pretty strong  
5 market. Why wouldn't you want to sell and keep  
6 selling there, as long as the demand holds up?

7 Another chart, Turkish rebar exports to the  
8 UAE. This indicates the value and total dollar  
9 shipments going to that country. Again, not  
10 surprisingly, starting in 2007 you've got a tremendous  
11 increase, an order of magnitude increase in the total  
12 value of shipments going to that country. Again,  
13 coinciding with a rapid decline in product going to  
14 the United States.

15 Next chart. Turkish rebar exports to the  
16 UAE, average prices. Another good indicator of why  
17 that market is so attractive. Average prices are  
18 rising significantly and continuing. This is average;  
19 this isn't the high-end prices, this is just the  
20 average. It takes high and low.

21 The price trend is much higher, and  
22 continuing much higher than the U.S. market. And I  
23 think Ekinçiler would be fair to say that they get  
24 much higher than the average in terms of their prices  
25 into the market in the UAE. Next slide.

1           Okay, we're going to take you through a  
2 little tour of the Dubai market, shall we say. I  
3 don't know if the Commissioners have had the  
4 opportunity or good fortune to go over and see Dubai  
5 in the last couple of years. I've been lucky enough  
6 to be there twice. And it is like Disney World for  
7 adults. It is the most unbelievable scene. I think,  
8 somebody told me when I was there last, that something  
9 on the order of 25 to 30 percent of all construction  
10 cranes are used in the Middle East and in Dubai right  
11 now. That's all being used for building things.

12           The construction activity is of such a  
13 magnitude that it's really hard to describe for you.  
14 This chart just gives you a few snippets, examples of  
15 what's going on.

16           At the end of 2007, just the end of 2007,  
17 \$32.8 billion in construction contracts were awarded.  
18 These weren't put on hold; these were awarded, and are  
19 ongoing.

20           Within some of these contracts you have  
21 everything imaginable. And beyond these contracts,  
22 other projects that are going on -- here's a quick  
23 listing. The Berje-Dubai development, a \$20 billion  
24 project. The Dubai Marina, a \$10 billion project.  
25 Dubai Land, a \$5 billion project. Biloti, a \$54

1 billion project. That's enormous. That's not going  
2 to be built in six months; it's going to take years to  
3 finish these things.

4 The Dubai Waterfront Project, \$50 billion.  
5 Sandayat Island, \$27 billion. The Al Raja beach  
6 development, \$14.6 billion. And it goes on and on and  
7 on. And this doesn't even consider Saudi Arabia, that  
8 has announced plans to build a new city. I think  
9 you've probably all seen that in the news. Qatar, the  
10 other Emirates that are all building things.

11 And you've heard from Mr. Sukan already that  
12 because of all this activity, they've been given  
13 offers to take their entire production capacity and  
14 devote it to one project, or one customer. And  
15 they've actually resisted doing this because they  
16 don't want to get caught and set in a price margin  
17 when they don't know what scrap prices are going to  
18 be.

19 Because, as the Commission may already know,  
20 between 70 and 80 percent of the price of rebar is  
21 based on the price of scrap. And scrap prices have  
22 been fluctuating more significantly than the price of  
23 rebar lately. I think scrap prices hit 225 yesterday.  
24 They were running over 450 not very long ago. We can  
25 get specific data on scrap prices for you, but the

1 scrap prices are collapsing faster than rebar prices  
2 right now.

3 Now, if scrap is 70 percent of the cost of  
4 rebar, somebody is getting a margin between the  
5 difference in price and the difference in cost.

6 Continuing on with our little tour of Dubai.  
7 Here are a few of the projects that are going on.  
8 This is a picture of the Dubai Marina: \$10 billion,  
9 and over 200 highrise buildings. I say 200 buildings;  
10 not floors, buildings. Is this speculative?

11 The Berje-Dubai and downtown Dubai project.  
12 This is a picture from 2006. It's the best one we  
13 could find. This is an enormous, enormous project.  
14 Is this speculative? I don't think so.

15 Next project. One year later, here is the  
16 Berje-Dubai, still in construction but a lot further  
17 along. The Berje-Dubai, that tower is 129 stories  
18 high, \$20 billion project.

19 Next, Berje-Dubai residences in 2006,  
20 another picture of part of the Berje-Dubai development  
21 project. Next a picture of it when it's been  
22 completed. That's one that they finished.

23 Here's a picture of the Dubai Metro, which  
24 was just getting started when I was there last year.  
25 This is a massive infrastructure development project

1 that is ongoing in the country.

2 Dubai Media City. Here is a similar project  
3 under construction in Abu Dhabi, in the Abu Dhabi  
4 media zone, many large towers being constructed, all  
5 of which use lots and lots of rebar.

6 The Dubai International Airport extension.  
7 This is going to be I think the first airport that's  
8 devoted exclusively to freight traffic.

9 The Dubai World Central International  
10 Airport, which is currently under construction, is  
11 estimated at a cost of \$82 billion. And we have the  
12 Dubai Festival City, a city within a city. Estimated  
13 time is 12 years. It's ongoing. Is this speculation?

14 And of course, these are ones that everybody  
15 probably recognizes either from The Economist Magazine  
16 or from various publications. You've got the Palm,  
17 the Palm Jumeira, which was built between 2005 and  
18 2007. Very recognizable. They see it from the space  
19 shuttle when they're going up there, or on the space  
20 station. This is one of several Palms that's being  
21 built. This isn't the only one.

22 You'll notice on the right there the Berje  
23 Tower, which is I think the only six-star hotel in the  
24 world. It has, it's an experience, if you ever get to  
25 see it. There's nothing like it.

1           Next, this is a photograph of the manmade  
2 islands of the world that they constructed. On the  
3 right is Greenland, and I think Rod Stewart bought the  
4 United Kingdom, if I'm not mistaken.

5           Dubailand, this is truly Disney World in  
6 Dubai. This is a \$5 billion project that they've just  
7 started. On the right are the desert entrances that  
8 were put up a few months ago. This project is on  
9 schedule.

10           Then we have Bawadi, the new Las Vegas.  
11 I'll tell you this much: In Dubai they don't do  
12 anything small. They do everything as high and as  
13 glittery as they can make it, and this is a good  
14 example of that.

15           So what does all this tell you? There's  
16 lots of good photographs. I always like a good photo  
17 op.

18           The Petitioners want the Commission to focus  
19 on the last month or two months of what's going on in  
20 the market, and ignore the last five years. And I  
21 implore the Commission to consider carefully and  
22 resist this for several reasons.

23           We have five years worth of data that has  
24 been collected and analyzed by the staff, an able-  
25 bodied group who has done a phenomenal job with a

1 great deal, and a great deal of work. We cannot just  
2 throw out the staff report and look at what happened  
3 in the last two months.

4 We don't have complete data. It is an  
5 evolving situation. It's like quicksand right now.  
6 We really don't know what's going to come out. And I  
7 don't think it's a good indicator for what the future  
8 is going to bring, unless there is something else  
9 going on that you need to be concerned about.

10 The other point is, when do we stop  
11 collecting the data? Are you going to collect data  
12 through today? Are you going to wait until December?  
13 Suppose there's an uptick in the market in December;  
14 will we be permitted to come back in and put a whole  
15 new round of data in?

16 At some point we've got to say enough is  
17 enough, you've got to look at the record the way it is  
18 and make some decisions. And I would ask that we  
19 consider carefully how far open the record stays, and  
20 how much information is collected.

21 By the way, I would like to iterate one  
22 other project, which came in yesterday. This is  
23 Dubai, this was in the news yesterday. Dubai  
24 announces \$95 billion new city development. Mr. Omur  
25 Sukan alluded to this.

1           The Dubai Government on Monday announced its  
2 intention to build a new city in the Gulf Emirate,  
3 projected at a cost of \$95 billion, shrugging off the  
4 current global financial turmoil. The next use,  
5 Gemira Garden Development will be an integrated city  
6 within a city, to be built over the next 12 years. It  
7 will be developed as part of the opening of Cityscape,  
8 a four-day international real estate exhibition. That  
9 was in the announcement. This comes right after a day  
10 after Dubai developers said they intended to build a  
11 tower which would stand one kilometer tall, beating  
12 the city's current record. They do things big.

13           So, we have, clearly we have a softening of  
14 the market in the United States, but prices are still  
15 much higher than they were in 2007. And I will look  
16 at American Metal Market from yesterday. It says  
17 decline for rebar, let's see, \$900 a ton. Now, we're  
18 off \$1,000 a ton, but \$900 a ton is still pretty high.  
19 And that's also being accompanied by a few other  
20 factors. The 36-percent drop in scrap prices. So we  
21 have a 15- to 20-percent decrease in the price of  
22 rebar, with a 36-percent drop in the price of scrap.  
23 Think about the math on that.

24           It's not so simple as prices are dropping,  
25 and we're going to be hurt. It's an industry that is

1 dependent on scrap for production, and scrap prices  
2 run in tandem with rebar prices.

3 So, Turkish rebar producers are going to  
4 continue to export to the Middle East. There is  
5 nothing -- I repeat, nothing -- on this record to  
6 suggest any other course of conduct. I mean, we will  
7 provide you with more articles. We will bury you, if  
8 we need to, in what's going on in Dubai right now.  
9 Because there is no way there has been a collapse in  
10 demand in that region. It is robust, it is ongoing.  
11 We're talking about a minimum of a decade of  
12 construction in that area of the world.

13 And unless oil goes back to ten bucks a  
14 barrel, and I don't think anybody here believes it  
15 will, they have the money to do it. Capacity for  
16 Turkish producers is contracted months in advance for  
17 sale to the UAE. They have all the demand that they  
18 need to continue. This market simply is not that  
19 significant to them any more, except for the fact that  
20 they have some long-time established customers that  
21 they want to establish and maintain the relationship  
22 with. They want to maintain their name in this  
23 market.

24 And frankly, there's a bit of principle  
25 involved, because we've been fighting this for over 10

1 years now. And this is the second go-round for a  
2 sunset review.

3 So let's just talk for a few minutes about  
4 what else has been going on in the U.S. They like to  
5 say, as I said, we have put a whole bunch of projects  
6 on hold. But let's take a quick look about what  
7 they've been doing the past few years with this  
8 limited amount of success they've had.

9 Nucor went from four mini-mills in 2000 to  
10 11 mills in 2007. In January 2004, they acquired  
11 rebar and bar mills from Slater Steel. In 2005 they  
12 acquired Marion Steel. In 2007 they acquired Harris  
13 Steel for \$1 billion, adding 11 reinforcing steel  
14 fabricating plants in the U.S. And more importantly,  
15 23 fabrication plants in Canada.

16 One comment I had. They spent a fair amount  
17 of time today talking about how things are going on in  
18 Canada, and how prices in Canada are being undersold,  
19 or that there's offers there.

20 This case is about rebar in the United  
21 States; this is not about rebar going into Canada.  
22 They seem to want to think, they want to pull Canada  
23 in to show indices of injury in this market by trying  
24 to use Canada market as a surrogate, which is not  
25 proper.

1 More importantly, there is a bit of a  
2 conflict of interest here, because they want to  
3 collect and protect their Canadian mill operations.  
4 That's not your job.

5 They have 23 fabrication plants in Canada  
6 that they want to supply and maintain. That's a  
7 countervailing factor in my mind about how much  
8 industry, U.S. industry we're actually protecting  
9 here.

10 And then you have the acquisition of David  
11 Joseph Company, a scrap purchaser, for \$1.4 billion in  
12 March 2008. And I have to tell you, I do not buy the  
13 notion that they laid out this morning that these  
14 purchases of this vertical integration was not done  
15 with a plan in mind. Why would they buy these scrap  
16 market producers? Just because it makes more money  
17 for them, or because they may have a strategic plan?

18 In fact, if you go on the Nucor website and  
19 look at their materials, the CEO of Nucor says that  
20 they are vertically integrating to protect themselves  
21 and integrate themselves in the marketplace. We will  
22 provide that to you in the post-hearing brief.

23 But there is a method to these acquisitions  
24 and the consolidation. It wasn't as simple as well,  
25 you know, everybody does their own thing. They are

1 doing this, what they planned, and they are doing it  
2 to insulate themselves from external supply shocks.

3 In August 2008, they actually restarted this  
4 rebar and wire rod mill in Arizona. And they said,  
5 sitting here this morning, that they are going to  
6 finish it. They're not going to mothball it, they're  
7 not going to put it on hold. They're going to put  
8 this new production capacity in operation, and hope  
9 things get better in a year. Somebody is planning out  
10 when they think things are going to get better. And  
11 the economists will tell you it's going to be two or  
12 three years from now. That mill says it's going to be  
13 up and running inside of a year.

14 Next point. Gerdau, in November 2004 they  
15 acquired rebar mills for North Star Steel. In 2006  
16 they acquired Sheffield Steel. In 2007 they acquired  
17 Chaparral Steel. They currently own 19 mini-mills, 19  
18 scrap-recycling facilities, 68 downstream operations  
19 in North America. And they have annual sales of \$10  
20 billion. This is not the mark of a company that's had  
21 bad times.

22 CMC, expanding from coast to coast. In  
23 March 2000 they bought a Polish mill. In 2008 they  
24 bought a new rebar mill in Arizona. And they have an  
25 interest in a Croatian mill. This industry has gone

1 international. It's not as simple as the domestics  
2 versus the internationals any more. Like so many  
3 things we've seen in steel, it's hard to find out who  
4 is on what side any more, because everybody is  
5 globally integrated.

6 So the mechanics and the calculus involved  
7 in these cases is changing rapidly. U.S. producers,  
8 again we go back to the statements. I won't belabor  
9 this; the statements are on the record, and they are,  
10 they still stand. Again, that's the Chairman of Steel  
11 Dynamics speaking.

12 So, question. How can the status quo change  
13 so quickly? Petitioners would like the Commission to  
14 believe that they went from their strongest quarter  
15 ever to a depression. Is it physically or  
16 theoretically possible for that to happen in two  
17 months?

18 We are in a financial crisis right now,  
19 induced by a meltdown in the credit markets. And when  
20 the credit markets freeze up, what happens? Nobody  
21 buys anything. Because if you can't get credit on a  
22 short-term basis, you can't make a purchase order. If  
23 you can't make a purchase order, you can't send it to  
24 the mill. If the mill doesn't get that, it doesn't  
25 produce after a while.

1           This has got to get resolved. We have a  
2     \$700 billion bailout that's just been approved. It's  
3     going to take a little while for that to take effect.  
4     Other measures need to be taken into account and take  
5     effect for this to get resolved.

6           But what's happening right now is a freeze-  
7     up in the market. It's happening in rebar, and it's  
8     happening in pipe, and it's happening in every other  
9     aspect of the steel industry or places where credit is  
10    important. It's even impacted Turkey. Because these  
11    folks use letters of credit that are issued or  
12    confirmed by Western banks, and Western banks have  
13    gotten very skittish.

14           So it's not so simple. This is a global  
15    phenomenon we're talking about. They're able to  
16    overcome it, because they're selling to the UAE. They  
17    don't need to worry so much about Western banks.

18           So in our view, whether we have a recession,  
19    how deep that recession is, I don't know. I'm not an  
20    economist, and that's not really my purview or purpose  
21    here today.

22           My purpose is to tell you that Turkish  
23    imports are not a factor in the current recession.  
24    They are not a factor in what's causing any problems  
25    for the U.S. industry. They didn't cause it, they're

1 not the result of it, and they're not going to start  
2 coming in as a result of a recession in the United  
3 States. They have an alternative market which is far  
4 more attractive to them.

5 They have the capacity, and it's completely  
6 taken up. They don't have any inventory. There are  
7 no conditions necessary for assigning of recurrent or  
8 continuation of material injury if this order is  
9 revoked.

10 I thank you. And we reserve the balance of  
11 our time for rebuttal.

12 CHAIRMAN ARANOFF: Thank you very much. And  
13 welcome to the afternoon panel. I particularly want  
14 to thank you for traveling so far, the witnesses who  
15 came from Turkey to be here. It's extremely helpful  
16 to us to have knowledgeable witnesses representing  
17 foreign producers, and we really appreciate that you  
18 took the time and made the effort to be here today.

19 I also want to acknowledge the visitors from  
20 the Government of Turkey in the back. We appreciate  
21 your interest in the case.

22 We are going to start the questioning this  
23 afternoon with Commissioner Williamson.

24 COMMISSIONER WILLIAMSON: Thank you, Madame  
25 Chairman. I, too, want to express my appreciation to

1 the witnesses for coming today and giving their  
2 testimony.

3 Just to clear up first a small point. Mr.  
4 Sukan, did you make a reference to a blue rebar? And  
5 if so, what is blue rebar?

6 MR. SUKAN: Blue rebar is a high-quality  
7 rebar, let's say. The rebar demanded by the Middle  
8 East purchasers. It's just a phrase, blue rebar.

9 MR. EKINCI: I can add something to that.  
10 Blue rebar is newly produced rebar. It's not rusted,  
11 it has not changed colors. When you produce the rebar  
12 at first, it's blue. That's what it means. No rust,  
13 not any sign of rust on it.

14 COMMISSIONER WILLIAMSON: So the purchaser  
15 wants you to deliver --

16 MR. EKINCI: Right away, yes.

17 COMMISSIONER WILLIAMSON: What about, I  
18 think you talked about the British certification or  
19 British standards. Do all projects in the Middle East  
20 require that? Or what percentage do?

21 MR. EKINCI: I can say almost all of them  
22 require this. Basically, the municipality definitely  
23 requires this. And actually they're putting up a new  
24 certification for just Dubai, Dubai Municipality,  
25 which they're only giving to the Turkish producers.

1 And that will be a problem for Chinese producers to  
2 sell even more.

3 MR. NOLAN: And just one, two items that we  
4 wanted to correct. The Petitioners made reference to  
5 2 million tons of rebar sitting on the docks. We  
6 disagree with that statement. We think the figure is  
7 much closer to 1 million tons, if that much, and a  
8 fair bunch of that is Chinese material that's having  
9 trouble getting sold because it's not certified.

10 COMMISSIONER WILLIAMSON: How long does it  
11 take to get certification, and why can't the Chinese  
12 be certified?

13 MR. EKINCI: Because they don't have the  
14 right quality to make anything. Only one or two, I  
15 think one is currently certified by UK cares. That's  
16 it.

17 And it's not about timing. It should take  
18 about probably six months to a year. But the problem  
19 is they don't have the right quality to produce the  
20 right precision to produce the quality. Because  
21 someone from the certification comes every six months  
22 to check if you're doing the right thing or not.

23 COMMISSIONER WILLIAMSON: I thought rebar  
24 was fairly basic --

25 MR. EKINCI: Well, that's what the

1       Petitioners are saying, but I don't think it's  
2       correct. Because, I can speak for Ekinciler, all the  
3       European countries, each one of them has their own  
4       certification: Spain, Portugal, France, Holland.  
5       Each country has their own certification. And they  
6       have different kind of production. Everything changes  
7       in each bar, let's say. And Ekinciler has the most of  
8       certifications that is needed to sell to Europe, also.

9                COMMISSIONER WILLIAMSON: I've been hearing  
10       for 20 years about the single-market organization  
11       standards. If you meet the standard in one place, you  
12       can meet it anywhere. Is this not true with rebar?

13               MR. EKINCI: No, no. Actually, Romania  
14       recently, after getting too eager, they have their own  
15       certification now. Just like the other Western  
16       European countries. And we just received that, and  
17       I've sold our second shipment to Romania, also, which  
18       will be shipped next month.

19               COMMISSIONER WILLIAMSON: So when Turkey is  
20       going around collecting, or satisfying, the producers  
21       are satisfying the standards of each one of these  
22       countries?

23               MR. EKINCI: Not every one of them. But I  
24       can only speak for Ekinciler. Ekinciler has almost  
25       all of the certifications, because of the quality.

1 And we've been selling to about 60 countries in the  
2 whole world.

3 COMMISSIONER WILLIAMSON: Okay. Okay, thank  
4 you. That's a trade policy issue. That's not up to  
5 this session, so I'll skip that.

6 Okay. You state that the UAE demand  
7 continues to be robust. And the domestic producers  
8 recite, and attaches various press articles, which  
9 indicate it's slowing. The article in Exhibit 11, the  
10 footnote is 114 and 116 in the brief, points to -- and  
11 there's also the chart that I think they showed this  
12 morning, showing that prices have gone down in the  
13 last couple months. I wanted you to address that  
14 question.

15 MR. EKINCI: The price in the whole world  
16 has been going down in the last, let's say two months,  
17 at most. Since the prices have been going down,  
18 basically in the UAE they were following the whole  
19 world, also. Scrap price has been going down, which,  
20 as Mr. Nolan said, has a big effect on our production  
21 costs.

22 And everybody today in the world follows  
23 everything. Our buyers are following scrap prices,  
24 also. And as long as the scrap prices are going down,  
25 you're going to bring the rebar prices down, also.

1           Another point is there was Ramadan, which is  
2 a religious holiday. It was in September, the whole  
3 month, and there was a 10-day holiday after that. It  
4 took about 40 days, where people didn't work that  
5 much. And the consumption in that period was only  
6 about 250,000 tons. When you compare it, regularly  
7 it's about 600,000 tons.

8           And when you compare that with the stock  
9 currently in the Dubai area, it's about one million  
10 tons. It's only less than two months of stock. It's  
11 not a big stock, as explained earlier by the  
12 Petitioners.

13           COMMISSIONER WILLIAMSON: I would have to  
14 say it's impossible to say that the contagion of the  
15 credit crisis in the United States hasn't impacted the  
16 global market. That's a fact. And one of the things  
17 it does is, it causes markets to fluctuate.

18           And in this case, it did cause some  
19 fluctuations in the world market. And bear with me,  
20 I'll try to explain it, because I'm not a good  
21 economist, but I'll do my best, and you can take it  
22 for whatever you want.

23           When the credit crisis hits, and we get a  
24 freeze-up in the market, then people in the U.S. stop  
25 buying things, including rebar. That starts incurring

1 weakness in the rebar market in the United States.  
2 Traders around the world start seeing there's weakness  
3 in the rebar market. So it's a little bit like going  
4 over a waterfall. There's a cascade effect that then  
5 takes place, because the scrap prices will start to  
6 fall with it.

7 The buyers in Dubai, who are now paying  
8 \$1,500 a ton, look at this and say well, if we just  
9 hold out for 20 or 30 days, we'll watch the market go  
10 down, and come back in and start buying it at \$1,100 a  
11 ton. So it's a little bit of a game of chicken.

12 On top of that you have Ramadan, which is a  
13 period of time, a religious holiday, where things are  
14 slow. Also, characteristically it's hot, summertime,  
15 end of summer, and months where things tend to slow  
16 down there. So you sort of have the conditions for  
17 like the perfect storm for a reduction in prices.

18 We don't expect that to stay. This is a  
19 phenomenon. It will probably go down somewhat and  
20 stabilize at a lower price, but it will be directly  
21 proportional to the decrease in price of scrap.

22 So if scrap stays at 225, you'll see a  
23 reduction in the price of rebar in all markets that  
24 have like effect.

25 COMMISSIONER WILLIAMSON: I guess they

1 authorized this question. Where does Turkey, the  
2 Turkish producers, get their scrap from? Is that a  
3 market --

4 MR. EKINCI: We mostly receive scrap from  
5 U.S., Europe, and small quantities from Russia and  
6 Ukraine, which is going down each year. But mostly  
7 from Europe and the U.S.

8 COMMISSIONER WILLIAMSON: So in a sense,  
9 your costs of your major raw materials is the cost of  
10 raw material here.

11 MR. EKINCI: Excuse me?

12 COMMISSIONER WILLIAMSON: I mean, if the  
13 U.S. is a major source --

14 MR. NOLAN: The U.S. is a major source. And  
15 it is a, I'm not going to say a source of weakness,  
16 but a greater source of volatility for producers in  
17 the Turkish industry, because they don't have captive  
18 scrap suppliers. They buy everything on the open  
19 market.

20 And so whatever scrap prices are they have  
21 to deal with, as a practical matter, day in and day  
22 out. And they do buy, I think they've probably bought  
23 scrap from the Petitioners.

24 MR. EKINCI: Probably.

25 MR. NOLAN: In fact, I think they've sold to

1 the Petitioners rebar.

2 COMMISSIONER WILLIAMSON: Thank you for  
3 that. Okay, this is regarding your 2008 shipments.  
4 In your post-hearing submission, could you please  
5 explain the changes in Turkish producers reported  
6 exports to the EU and Asia between the interim 2007  
7 and interim 2008? This is as shown in the staff  
8 report table 4.6, and what it means for future  
9 shipments.

10 And also, could you also address shipments  
11 post the interim period? If you could give us data on  
12 that. Because I think some of the charts you showed  
13 us stopped at the end of the interim period.

14 MR. NOLAN: Right. I would be happy to do  
15 that. Obviously we had to stop the charts, when we  
16 were trying to get production in, and you have to get  
17 the data. And the data doesn't come like every  
18 second. You've got to collect it and pick it up.

19 We'll be happy to do that, though.

20 COMMISSIONER WILLIAMSON: Thank you. And  
21 Madame Chairman, thank you.

22 CHAIRMAN ARANOFF: Mr. Pinkert.

23 COMMISSIONER PINKERT: Thank you, Madame  
24 Chairman. And I join my colleagues in welcoming this  
25 group, and thank you for being here today to testify,

1 as well as the folks from the Turkish Embassy who are  
2 here today.

3 I want to begin by asking you a question I  
4 asked earlier about how you would quantify the level  
5 of participation of Turkish producers in this review,  
6 relative to exports by producers who are still subject  
7 to the order.

8 MR. NOLAN: Well, that's a good question.  
9 Thank you for that, Commissioner Pinkert. I'll try to  
10 answer it. I'm not sure we'll be able to be precise  
11 about this; it will be a little bit like the debates  
12 last night.

13 Production. Ekinciler accounts for a little  
14 over a million tons a year in production of the total.  
15 So at 12 million tons, it will be eight percent maybe  
16 of production. Kaptan and IDC each account for about  
17 a million tons each, so a total of about 3.1 million  
18 tons is accounted for at the table today.

19 I also listened to the Petitioners rail on  
20 about, you know, how we have to take adverse  
21 inferences for those who are not here today.

22 The fact of the matter is that Isdemir,  
23 Diler, and Colakoglu did not appear today because they  
24 don't need to. Right? They've been revoked. In  
25 their minds, the game's over. And they're

1 automatically fairly trading in the current  
2 environment. Yes, they're all watching their prices,  
3 as everyone does. But they don't see the need to  
4 participate in a proceeding when they've already  
5 gotten a revocation.

6 COMMISSIONER PINKERT: Well, that's why I  
7 said relative to exports by Turkish producers who are  
8 still subject to the order.

9 MR. NOLAN: And of the producers that are,  
10 let's start with those that are not subject to the  
11 order. Isdemir, Diler, Colakoglu are not subject to  
12 the order. We will give specific numbers, but that  
13 would account for about 6.5 million tons of production  
14 a year; over half.

15 Habas, which is in a preliminary state of  
16 being revoked, accounts for another two million tons,  
17 approximately. That takes it to 8.5 million tons out  
18 of the total.

19 The balance, 3.1 million tons, is still  
20 under order. But of the 3.1 million tons under --  
21 well, it's more than that, because there's about a  
22 half a million tons that isn't accounted for anywhere.  
23 It's the other 30 players or 38 players that the  
24 Petitioner loves to allude to.

25 As in any industry, there are five or six

1 major players, and then there are a lot of very small  
2 players. And in Turkey that's no different. There  
3 are many small rebar producers that just produce in  
4 Turkey. They're just domestic producers. They have  
5 no export operation, no ability to do it, no desire to  
6 do it, but they do count as part of the overall  
7 production statistics. So of the 12 million tons,  
8 about a half a million tons are those small producers.

9 Of the 11 and a half that we are concerned  
10 about, that we've recorded here, eight and a half are  
11 either revoked or about to be revoked, and the other  
12 three have gotten zeroes, de minimis, or 1.6-percent  
13 margins.

14 So it leads to a question. What's the  
15 purpose of the order? If Isdemir, Diler, and  
16 Colakoglu, who are one, two, and three in terms of  
17 production size, pretty close, are revoked; and Habas  
18 has gotten two zeroes, three zeroes with the  
19 preliminary, and potentially will get revoked, so that  
20 you have 70 percent of production revoked; and the  
21 other three producers that are active that account for  
22 98 percent, 95 to 98 percent of the rest of the  
23 production in Turkey, are getting zeroes or close to  
24 it, what's the purpose of the order? What's it going  
25 to do?

1 I submit that it's no longer necessary.

2 COMMISSIONER PINKERT: Okay. Now, turning  
3 to the businesspeople on the panel, I'd like to talk a  
4 little bit about your business environment in Dubai.

5 You talked about how you've got an advantage  
6 over the Chinese producers because of the  
7 certification, because of the quality. Is there also  
8 an advantage in terms of just having ongoing business  
9 relationships in Dubai that the Chinese producers  
10 might find it difficult to crack, to get involved in?

11 MR. EKINCI: Yes. We've been working with  
12 Dubai for a very long time. Chinese only tried to  
13 come in in the last two years.

14 They have made shipments, yes, that's  
15 correct also. But when you compare it to the shipment  
16 made by the Turkish producers, it's nothing. In the  
17 first six months of this year, they only made a  
18 shipment of 60,000 tons. When compared, they use  
19 monthly about 600,000 tons. That's nothing.

20 And they won't be able to get into the  
21 market because, as I said, certification, quality.  
22 And when you sell to the Dubai market, you sell to a  
23 project, let's say to a building. And it has to be  
24 certified by someone there, your material has to be  
25 certified.

1           No one wants to buy the certified Chinese  
2 material, because they don't know if they will be  
3 receiving anything after the first shipment, and they  
4 will be left with nothing. And they know that Turkish  
5 producers will be selling to them at all times.

6           COMMISSIONER PINKERT: Thank you. Now,  
7 there was a little bit of talk this morning about the  
8 price of oil, and how that might have an impact on the  
9 economies in the Gulf Region. And I'm wondering  
10 whether you've thought about this as a businessperson,  
11 or whether the lawyers have thought about what the,  
12 what the current price of oil is relative to historic  
13 price patterns in the oil industry.

14           In other words, it may be that we've seen a  
15 significant drop in the price of oil recently. But  
16 how is that, on a longer-term historical basis? If  
17 you need more detail about the question, I can  
18 elaborate, but I think you get what I'm heading to.

19           MR. NOLAN: Well, again, we've seen -- it's  
20 almost like we're in uncharted territory now in so  
21 many different ways. The financial crisis -- I mean,  
22 we've had oil at \$130, \$140 a barrel not two months  
23 ago. We were paying over four dollars a gallon for  
24 gasoline.

25           Yesterday I went past the filling station;

1 it was \$3.29 again. I'm going what's going on? The  
2 market is so haywire, it's hard to keep track of it.

3 There are a few things. I mean, we can go  
4 back and do trend analysis and show you that there has  
5 been a significant increase in the inflation-adjusted  
6 price of oil in the last several years. And I don't  
7 think anybody believes we're going back to \$12-a-  
8 barrel oil. I mean, that was eight years ago. But  
9 we're never going back there.

10 Most predictions that I see from economists  
11 is the \$70 range. That's pretty high. I mean, the  
12 Dubai building boom started when oil was running  
13 closer to \$35 to \$40 a barrel.

14 Now, yeah, it would have accelerated when  
15 you have a huge amount of money flowing into the  
16 coffers all the time. But the dynamic of the economy  
17 hasn't structurally changed that much. And mind you,  
18 it's not like that \$130 a barrel has been there for  
19 two years. Oil spiked really fast. A year ago we  
20 were paying three dollars a gallon; we're paying three  
21 dollars a gallon again.

22 So ask yourself, is that short-term spike  
23 indicative of the market? Or is what's really  
24 indicative of the market that we went from \$35 to \$60  
25 or \$70, and it looks like it's going to stay there?

1 That's a lot of petrol dollars. And it's a lot of  
2 dollars going straight into the Middle Eastern  
3 economies, unless we figure out a way to make oil or  
4 find other energy sources in this country.

5 COMMISSIONER PINKERT: Well, I may be asking  
6 for something here that doesn't exist. But I'm  
7 wondering whether we know or whether we can get our  
8 hands on the assumptions that are being made behind  
9 the construction projects in Dubai, behind the  
10 government planning in Dubai, concerning the price of  
11 oil going forward.

12 MR. NOLAN: I'm not sure we'll be able to do  
13 that. That's a pretty tall order. That's macro-  
14 economic policy on a scale which may be beyond us.

15 I mean, I can tell you that I know for a  
16 fact that the Dubai Government has embarked upon this  
17 project to diversify its economy and wean itself off  
18 of oil. In order to do that, it has decided to make  
19 itself a world financial center, a world holiday  
20 center, and a place, a center point, a hub for  
21 economic activity in a region. That is the source of  
22 a phenomenal infrastructure development project, and  
23 they have built up enough of a kitty to pull it off.

24 And all indicators, you know, it's hard to  
25 say, will they put articles on and say that things are

1 slowing down and ceasing up? I can show you an  
2 article yesterday that says they've just approved  
3 another \$95 billion expenditures. I don't think it's  
4 going to stop. I would encourage you to go over to  
5 Dubai and see it for yourself, what's going on.  
6 Because I think you'll agree with me when you get done  
7 with that.

8 COMMISSIONER PINKERT: My yellow light is  
9 on, but I'm wondering whether the business community  
10 that you deal with in Dubai has any information or any  
11 view about the current price of oil relative to what  
12 they might have been expecting all along.

13 MR. EKINCI: No, but I could try to get you  
14 some information about it for the post-hearing brief.

15 COMMISSIONER PINKERT: Thank you. Thank  
16 you, Madame Chairman.

17 CHAIRMAN ARANOFF: Okay. This morning I had  
18 a conversation with the domestic panel, where I was  
19 trying to find out whether, as in the case in the  
20 review of rebar from a number of other countries we  
21 did last year, whether the product from Turkey is sold  
22 through global trading companies, or what exactly the  
23 channels are through which export sales are made.

24 And perhaps I can ask Mr. Sukan to answer  
25 for his company, and then Mr. Ulu to answer if there's

1 a different answer for other Turkish producers. Or  
2 Mr. Ekinici, if you would prefer.

3 MR. EKINCI: Okay. We've been selling  
4 through traders. We're also in contact with end  
5 users, also, in mainland U.S. and Puerto Rico, also.  
6 We've been selling through traders, but that doesn't  
7 affect our relationship with the end users. We still  
8 come to see them, and they could, whenever they come  
9 to Turkey, they visit us, also.

10 CHAIRMAN ARANOFF: Okay. It might be  
11 helpful, on a confidential basis for the post-hearing,  
12 if you were to maybe identify and describe some of the  
13 traders through whom you do business. Because I  
14 really am trying to understand.

15 In the case last year, these were global  
16 companies that go all over the world buying up rebar,  
17 and selling it wherever they want. And the factories  
18 had no idea who the customers are, and no  
19 relationship. So if it's different here --

20 MR. EKINCI: Okay. The difference is we do  
21 it on CFR basis. The other countries that you've been  
22 talking about are selling on FOB basis. We know where  
23 our material is going when we are selling the  
24 material, not shipping. When we are selling the  
25 material, we know where it's going. Because we do the

1 sales on a CFR basis. We don't sell anything to U.S.  
2 market on FOB basis. They can't take it and go to  
3 U.S. with our material, for sure.

4 CHAIRMAN ARANOFF: So when it leaves the  
5 factory, you know where it's going.

6 MR. EKINCI: Yes, exactly.

7 CHAIRMAN ARANOFF: Okay. And does the  
8 customer come to you with specifications, and say this  
9 is what we want? And then, you know, the trader acts  
10 more like just kind of an intermediary for logistics?

11 MR. EKINCI: We sell to traders as  
12 intermediary, because they give some financial issues  
13 to the customers in U.S. And that's not something we  
14 could discuss. And that's it.

15 We don't --

16 MR. NOLAN: Yes, I think we'll be happy to  
17 address some of that, because it's confidential  
18 business information. But we'd be happy to put it in  
19 the brief. I think it will suffice us to say for now  
20 that the traders that they use are facilitators to  
21 complete transactions for relationships they have  
22 already established and maintain independently.

23 This isn't being sold to some guy in a  
24 trading room, where it goes on a board and loses total  
25 control. They know exactly where it's going when they

1 sell it.

2 CHAIRMAN ARANOFF: Okay. And that's really  
3 helpful, because as you know, that was very important  
4 in last year's review. And so to the extent that you  
5 can document the differences, I think that will be  
6 very helpful.

7 So then let me just ask, for purposes of  
8 your company, do you produce all of your product  
9 pursuant to orders? Or do you produce any of your  
10 product for inventory?

11 MR. EKINCI: We produce all our products  
12 according to the orders that we receive. Since we  
13 sell two months ahead, we do production accordingly.

14 CHAIRMAN ARANOFF: Is that the case now,  
15 when demand has been so robust? Has it always been  
16 the case over, you know, the life of the time that  
17 you've been --

18 MR. EKINCI: It's been the case for as long  
19 as I have been in the company, I know.

20 CHAIRMAN ARANOFF: Okay. Are any of you  
21 aware whether that is the practice of the other  
22 producers in Turkey who are still subject to the  
23 order?

24 MR. EKINCI: I don't think anybody is  
25 exactly sure of anyone having any agent. I surely

1 know that we don't have any. And I don't, I can't say  
2 anything about the others. But maybe we can  
3 respond -- everybody is producing to orders.

4 CHAIRMAN ARANOFF: Okay. That's another  
5 thing where, if that can be documented for the other  
6 companies that you represent at least, that would be  
7 really helpful.

8 Now, Mr. Sukan, you testified that you had  
9 been approached several times by potential buyers in  
10 the Middle East who wanted to buy out your whole  
11 production, and that you didn't want to do that  
12 because I guess they wanted to do it at a fixed price.

13 MR. SUKAN: Yes. You've all seen the  
14 pictures Mr. Nolan showed, those huge, huge projects,  
15 ongoing projects in Dubai. And not only in Dubai, but  
16 the other Middle East markets.

17 For example, only Saudi Arabia in Mecca, the  
18 holy place, around the holy place -- I don't know what  
19 it's called in English -- they built 60 skyscrapers,  
20 60 skyscrapers. One skyscrapers with 50,000 square  
21 meters needs 25,000 tons of, metric tons of rebar,  
22 blue rebar.

23 Therefore, they are right to come and ask  
24 from us whether we can provide them material for one  
25 year or two years' time. We are talking about a

1 million tons in a year, as you know.

2 But on the other hand, we would like to do  
3 that. But on the other hand, it's impossible in this  
4 market environment. Because, not in regard to that  
5 ongoing financial crisis, but we have no aluminum  
6 market, for example, to hedge this supply.

7 If we had -- we have an aluminum market  
8 today, but it's very shallow, you know. So we need to  
9 get a sufficient dent. When it gets sufficient, sure,  
10 we'll meet this type of demand for long term.

11 CHAIRMAN ARANOFF: Okay. It's interesting  
12 to me, because I guess if this were something that  
13 were really interesting to you, and if they were  
14 really serious about locking up supply, you could, in  
15 theory, negotiate a contract that had some kind of a  
16 surcharge or measure so that the price could be  
17 adjusted based on scrap costs. That's something that  
18 U.S. producers commonly do in the home market; I think  
19 it's a pretty common thing worldwide with that.

20 I mean, this may be confidential, so you  
21 don't have to tell me. But I mean, is that something  
22 that you considered?

23 MR. SUKAN: Okay, let's, let's inform you in  
24 the post-hearing brief.

25 CHAIRMAN ARANOFF: That would be fine. And

1 I guess what I'm really curious about is you said you  
2 were approached again very recently. And I'm  
3 wondering if the idea of locking up a customer for the  
4 next year, given the volatility in the market, isn't  
5 looking more attractive than it did a few months ago.

6 MR. SUKAN: Ma'am, yesterday just we were  
7 here having a radio show with Matt and the guys. We  
8 just received one offer from them. It's in our  
9 mailbox. So we'll advise you later on in the post-  
10 hearing.

11 CHAIRMAN ARANOFF: Okay. Like I said, even  
12 if you think that, you know, demand is going to  
13 continue to be robust in that region, in a market  
14 that's this uncertain, you know, locking things up for  
15 a year might look a lot better now than it did a few  
16 months ago.

17 MR. SUKAN: Ma'am, this is not Wall Street  
18 stock market. I'm an ex-stockbroker, I know that  
19 market. This is a real market. So why will they go  
20 and buy for one year, and risk money? It's not  
21 illogical for them to come in and request a one-year  
22 or two-year --

23 CHAIRMAN ARANOFF: No, I would think from  
24 their standpoint it's very logical. I'm just  
25 wondering if from your standpoint it's become more

1 logical to agree than it might have been a while ago.  
2 But I'll wait and hear what you have to say in the  
3 post-hearing. That's fine.

4 And I just wanted to clarify. You had  
5 indicated that you had contracted your production  
6 months in advance. And when you say that, these are,  
7 these are spot sales, right? They're one-time sales  
8 that your order book is filled up for a couple months?  
9 You're not selling multiple shipments on long-term  
10 contracts to the same customers, are you?

11 MR. EKINCI: No, we can't. For the same  
12 reason that we can't sell our material for a year.  
13 Because we don't know our costs, what our costs will  
14 be. We can only sell up to how much inventory or  
15 contracts of scrap we have. So we won't be able to  
16 sell three, four months, or for more than three months  
17 away.

18 CHAIRMAN ARANOFF: Okay. All right, I  
19 appreciate that clarification. And since my light is  
20 yellow, I will come back on the next round, and turn  
21 to Vice Chairman Pearson.

22 VICE CHAIRMAN PEARSON: Thank you, Madame  
23 Chairman. I also would like to extend my greetings to  
24 this panel, particularly those of you who got on  
25 airplanes and flew a long way to be here. We very

1 much appreciate it.

2 Mr. Nolan, just a clarification. You have  
3 made reference to more or less 12 million tons of  
4 production capacity in Turkey. Is that metric tons or  
5 short tons?

6 MR. NOLAN: Short tons? No, metric tons.  
7 It's metric tons. We actually took that, that's from  
8 the Petitioners' presentation. What do you think, is  
9 that the rational, 12 million? Yeah, 12 million  
10 metric tons.

11 MR. EKINCI: We don't have short tons in  
12 Turkey.

13 VICE CHAIRMAN PEARSON: But in our staff  
14 report we're dealing in short tons, so I just wanted  
15 to make sure. Because we're looking at a 10-percent  
16 difference, which may or may not be important as we  
17 evaluate things.

18 So does that 12-million-metric-ton figure  
19 for current capacity include the three-million short  
20 ton increase for 2008 that was included in the  
21 Petitioners' presentation? I think the third or  
22 fourth chart here, that is labeled "Turkey Constantly  
23 At Capacity."

24 MR. EKINCI: Okay. Petitioners, in their  
25 prehearing brief and presentation today, claims that

1       there is increase in production capacity of rebar in  
2       Turkey. Firstly, this should be liquid steel, not  
3       rebar.

4                   VICE CHAIRMAN PEARSON: Excuse me, it should  
5       be what?

6                   MR. EKINCI: Liquid steel, crude steel.

7                   VICE CHAIRMAN PEARSON: Oh, melt capacity.

8                   MR. EKINCI: Yes.

9                   VICE CHAIRMAN PEARSON: Got you.

10                  MR. EKINCI: Not rebar. I have personally  
11       checked this, and it states that Ekinçiler, which is  
12       owned by my family, is making increasing liquid steel  
13       250,000 metric tons in 2008, which is absolutely not  
14       true. Also increasing three million metric tons,  
15       which is not true.

16                  Since I received only the non-confidential  
17       issue, I was not able to see the Petitioners'  
18       resources for saying such incorrect information.  
19       Therefore, I can only talk surely about our factory,  
20       Ekinçiler, but have to mention I would have doubts  
21       about the total increase in capacity for all of  
22       Turkey.

23                  I know that it's wrong for Ekinçiler. It's  
24       a wrong statement there, it's not true. But I can't  
25       say anything about the rest of the capacity increase

1 that they are mentioning.

2 MR. NOLAN: But we believe, as a general  
3 proposition, the Petitioners have greatly exaggerated  
4 the capacity increases that they have represented to  
5 the Commission.

6 The one problem that I have is that I cannot  
7 share the source for any of that with the clients,  
8 because it's been treated as confidential. I've shown  
9 them the numbers, and they go it's not possible they  
10 can be that high. They're not that high.

11 VICE CHAIRMAN PEARSON: Are Respondents in a  
12 position to provide estimates based on Turkish sources  
13 that perhaps --

14 MR. NOLAN: We will provide estimates from  
15 Turkish sources on production capacity.

16 VICE CHAIRMAN PEARSON: Obviously you know  
17 far more about what's happening in Turkey's market for  
18 rebar and all steel production than we do. And so to  
19 the extent, to an industry association or through  
20 government assistance, I know there can be competitive  
21 questions, anti-trust questions with firms talking to  
22 each other about these things. So I don't encourage  
23 you to violate any laws.

24 But I do encourage you if possible to  
25 provide us with information that would give us as much

1 detail as possible regarding rebar. And if there's  
2 some other information about other steel capacity that  
3 would help put it in context, that also would be fine.

4 MR. NOLAN: We'll be happy to address that  
5 in the post-conference brief, post-hearing brief.

6 VICE CHAIRMAN PEARSON: Okay. And then if  
7 you have any estimates of protected future capacity,  
8 so that we would be able to understand or to have a  
9 perspective on the Petitioners' projected additions to  
10 capacity, that would be good.

11 MR. NOLAN: We'd be pleased to.

12 VICE CHAIRMAN PEARSON: So how far into the  
13 future, Mr. Sukan, is your plant capacity currently  
14 committed? Or Mr. Ekinici, whichever. If this is  
15 confidential, you could answer it post-hearing.

16 You had indicated you had the possibility to  
17 tie up your capacity for one or two years, and you  
18 chose not to do that. So I'm just curious, how far is  
19 your capacity committed now? Is it December,  
20 February?

21 MR. EKINCI: November, end of November. So  
22 we have about 40, 45 days fully booked.

23 VICE CHAIRMAN PEARSON: And are you  
24 discussing on an ongoing basis the possibility for  
25 sales beyond that?

1 MR. EKINCI: Of course, of course.

2 VICE CHAIRMAN PEARSON: And do I understand  
3 correctly the testimony that at this point you see no  
4 shortage of potential customers to buy in November and  
5 forward?

6 MR. EKINCI: No. As I said, the stocks that  
7 is mentioned is two million tons in Dubai, is actually  
8 about one million tons, which is told to me two weeks  
9 ago by our customer in Dubai. And when you think  
10 about the customer saying this, he should be  
11 exaggerating also since he wants to play chicken, yes.  
12 He wants to bring the price down.

13 So one million tons, which is about less  
14 than two months of inventory for them. So they have  
15 to come back and buy more material by the end of this  
16 month for sure.

17 We are already discussing in selling to  
18 other markets like, as I said, Romania, Saudi Arabia,  
19 and other markets in the region. And we're waiting  
20 for them to come back. Actually, we are already  
21 talking to them, and we will be fixing the price some  
22 time soon.

23 VICE CHAIRMAN PEARSON: As you manage the  
24 business on an ongoing basis, how far out in advance  
25 do you like to have your plant committed?

1           MR. EKINCI: As far as how much inventory or  
2 contract of scrap we have. We don't want to take the  
3 risk.

4           VICE CHAIRMAN PEARSON: Okay. So you try to  
5 match it up fairly closely, what you have priced for  
6 scrap versus what you can sell in finished product.

7           MR. EKINCI: Yes, exactly.

8           VICE CHAIRMAN PEARSON: It appears to me  
9 that Turkish producers and exporters have devoted a  
10 considerable amount of time and energy with the U.S.  
11 Department of Commerce to obtain reduced duties or  
12 zero duties.

13           I'm wondering whether Turkish firms have  
14 implemented accounting systems that allow them to  
15 monitor whether individual sales to the United States  
16 would be priced at levels that would likely be  
17 determined by the Department of Commerce not to be  
18 dumped. That was kind of a long question. Did it  
19 make sense, Mr. Nolan? Okay.

20           MR. NOLAN: Well, I'll let you guys answer  
21 it, because you're the ones in the business. I think  
22 it's fair to say that the lawyers have done their  
23 level best to instruct them on how to ensure a non-  
24 dumped sale is taking place. Because when you're  
25 trying to get three zeroes in a row to get revoked,

1 you don't want to screw it up by having a hiccup.

2 And we have, our firm is represented in  
3 Colakoglu and Kinshular, Ekinciler, and Kaptan, and  
4 Egichelek. Most of the companies say they're getting  
5 zeroes. There's a method.

6 VICE CHAIRMAN PEARSON: You know, getting a  
7 zero margin from Commerce does not happen by accident.  
8 It's done as a very conscious process.

9 MR. NOLAN: It's not been hard. Because  
10 with prices so high, it's really hard to find anybody  
11 dumping anything any more. Let's just say greater  
12 care is taken to make sure that there is relative  
13 balance in the market. And that's not going to cease  
14 whether this order is here or goes away, because those  
15 have been built into their systems now.

16 VICE CHAIRMAN PEARSON: Okay. And when you  
17 say built into their systems, and perhaps the  
18 producers would wish to speak to this, but is it part  
19 of the accounting system? The cost accounting for the  
20 plant that helps to determine a minimum sales price  
21 into the United States?

22 MR. EKINCI: We just follow the market.  
23 There is no exactly how we do it or what we do. We  
24 calculate everything, and we know how much we can sell  
25 to our domestic market. And we see the prices, and

1 that's it. I mean, there's no exact particular thing  
2 to do. And accounting system, I'm not very familiar  
3 with the accounting system.

4 VICE CHAIRMAN PEARSON: Mr. Sukan.

5 MR. SUKAN: It's simple. First I have to  
6 say we never, ever sold to U.S. any dumped material as  
7 far as I know. What we do to securitize this, we buy  
8 scrap and we know our costs. Seventy percent of our  
9 total cost is scrap costs, as you may know. And then  
10 we know the sale price to U.S.

11 There's always, there should always be a  
12 gap. If there's no gap, why should I go and sell  
13 U.S.? And it should be a sufficient, sufficient gap  
14 between the cost and the sale price. Otherwise we  
15 will not sell to the United States.

16 So one by one, we monitor the sales before  
17 we do the contracts. Accordingly, we do contracts and  
18 we sell U.S.

19 VICE CHAIRMAN PEARSON: Okay, thank you very  
20 much. My time has expired, so I may come back to this  
21 in the next round.

22 Thank you, Madame Chairman.

23 CHAIRMAN ARANOFF: Commissioner Okun.

24 COMMISSIONER OKUN: Thank you, Madame  
25 Chairman. And I join my colleagues in welcoming all

1 of you here this afternoon. We very much appreciate  
2 you who have traveled a particularly long distance to  
3 be with us. And the government officials, I welcome  
4 you, as well. It's very helpful to have input here.

5 In response to my colleagues' questions  
6 you've had and in your testimony, you've had an  
7 opportunity to talk a little bit more about where you  
8 see demand in the Middle East. So I want to turn to  
9 the supply side in the Middle East.

10 But before I do, I just want to reiterate a  
11 point that Commissioner Pinkert had made with respect  
12 to the impact of the oil prices on demand in the  
13 Middle East. And perhaps as you're looking for things  
14 post-hearing, and I think maybe Dr. Morici will be  
15 looking for this as well, whether the IMF takes that  
16 into account when looking at demand production for  
17 these countries. It seems to me I recall that they  
18 look at those things, but maybe there will be some  
19 additional information you could provide to help us  
20 understand the demand forecast, current demand  
21 forecast for the Middle East.

22 Then on the supply side, I know you've  
23 presented a lot of information about these projects.  
24 The Petitioners put in a great deal in their, a number  
25 of articles in their brief and in their exhibit with

1 respect to capacity projections, supply projections  
2 for the Middle East.

3 And I wondered if you had any additional  
4 information, specific information on projects that  
5 have come on line in '07, '08, or that are projected  
6 to come on line; or whether you take issue in  
7 particular with, you know, this chart in the  
8 presentation today.

9 MR. NOLAN: Okay, they want me to start.  
10 They're shy, I'm not.

11 We take issue with Petitioners' statements  
12 and the material they put in. If you look hard enough  
13 on the internet, I suppose you'll find just about  
14 anything represented on any subject on any side. And  
15 there are those, there are doom-and-gloom sayers.  
16 There are people saying the entire market is locked  
17 down.

18 I think the fact of the matter is, at least  
19 from my perception, that the global financial crisis  
20 has impacted everyone. There are individual projects  
21 that may be impacted, not in the Middle East mind you,  
22 but in other countries. And there are some gloom-and-  
23 doom sayers in the Middle East that say well, it's  
24 going to happen here where things are going to be put  
25 on hold, too. But that's completely contradicted by

1 other evidence on the record.

2 As we said earlier, Dubai just announced a  
3 \$95 billion new project. Now, why would they do that  
4 the week or the month after the financial crisis  
5 comes, if they don't believe they've got the  
6 wherewithal to build it?

7 The projects that we illustrated today, half  
8 of those are still ongoing right now. I don't think  
9 they're just going to stop and walk away from them at  
10 this point. They're in the middle of a completion  
11 phase; those will be completed.

12 I just don't buy the notion that the train  
13 has run off the tracks in the Middle East, and demand  
14 is going to dry up like the desert there. There's too  
15 much investment there, there's too much money in that  
16 part of the world, and we're still paying three  
17 dollars a gallon for gasoline. And that money goes  
18 into the petrol dollar coffers. Those economies are  
19 wealthy, and they are embarked on a long-term,  
20 decades-long infrastructure development project. I do  
21 not think a blip in the market, either up or down, is  
22 going to have a material impact on that.

23 COMMISSIONER OKUN: Okay. Well, and  
24 obviously the staff will continue to collect data.  
25 And there are, of course, certain forecasters that the

1 industry looks to. So if there's information --  
2 again, I'm not looking for the anecdotal. But if  
3 there's other information coming from respected  
4 forecasters that would indicate, either on the supply  
5 side or the demand side, that support your view, I'd  
6 appreciate that for post-hearing.

7 I was also curious from Mr. Ekinici or maybe  
8 Mr. Ulu as well, whether, for your company, Mr.  
9 Ekinici, whether you have any internal documents where  
10 you project rebar demand. Because you know, the other  
11 thing is, I mean, I understand building non-  
12 residential, I understand the drivers for rebar. But  
13 I was also curious whether you have any kind of more  
14 refined projections on if they're announcing a, you  
15 know, X-billion-dollar building, what that translates  
16 to.

17 Because I think, Mr. Sukan, you had used  
18 some figure to say a six-figure, a six-story building  
19 translates into X number of rebar. So I was just  
20 wondering if there was anything that you produce  
21 internally that you could share with us, to help us  
22 better understand how you see, how you judge demand.

23 MR. EKINCI: I will put that in the post-  
24 hearing, also.

25 COMMISSIONER OKUN: Okay, that would be very

1 helpful.

2           Then I know that you have commented with  
3 respect to Chinese rebar, they're not certified, or  
4 maybe one company is certified, and therefore they're  
5 not as competitive in the market as you are.

6           I didn't know if you could comment  
7 specifically on the Petitioners' point about the, you  
8 know, the reports that they included, that the two  
9 million tons of rebar sitting on the dock and the  
10 article from the steel business briefing indicating  
11 that there's a lot of Chinese product over there, and  
12 it's affecting the market.

13           MR. EKINCI: Chinese product was sold when  
14 we were selling our material between \$1,400 and  
15 \$1,500. Chinese product is always, I repeat, always  
16 less than the Turkish rebar price by \$100.

17           Right now they're correct, there are some  
18 Chinese materials sitting at the dock, because they're  
19 not preferred as much as the Turkish material. And  
20 they're probably rusty right now, not blue, which is  
21 also very important for the buyers in Dubai.

22           COMMISSIONER OKUN: Okay. I appreciate  
23 those further comments on that, then.

24           Mr. Nolan, I'll put this to you. I know  
25 that you had stated in your comments that, I guess

1 saying that we ought to be looking at the information  
2 that's collected on the record, and the Petitioners  
3 are now saying, you know, because this information  
4 happened after the record, that what you should be  
5 paying attention to.

6 And I guess just as a legal matter -- I  
7 mean, obviously this is a counterfactual analysis. It  
8 is forward-looking, you know. In my mind we are, in  
9 sunset reviews, looking to the future. And therefore  
10 the closer I get to the future to see some data, it  
11 seems like it should be more relevant to my analysis.

12 So I wanted to have you expand on that,  
13 because, you know, we're asking for the interim period  
14 data. Are you saying that you think as a legal matter  
15 we should not be looking at that, for purposes of the  
16 sunset analysis?

17 MR. NOLAN: No, I'm not saying that as a  
18 legal matter, because I don't think, I think you are  
19 correct; it's a forward-looking process. That sunset  
20 review has to be, by definition, forward-looking, so  
21 you're trying to gather data.

22 My concerns are severalfold. Number one,  
23 the staff has done a wonderful job, a very  
24 comprehensive look at the industry for a five-year  
25 period. You're going to get selective data in a

1 fairly short period of time based on what people  
2 really want you to see, not necessarily what the staff  
3 will generate, although they'll do their best, I'm  
4 sure, to generate more data for you on a more current  
5 basis. But there will be biases in the data.

6 Whatever we give you, whatever they give you will have  
7 a bias in it. And I think ours is correct, by the  
8 way, but I'll let you be the judge of that.

9 But we may not have as complete data as you  
10 want. And we may not be as complete as the Commission  
11 has come to expect for a reasoned, complete, factual-  
12 laden decision. Because we're working off of, as you  
13 said, anecdotal evidence right now. And we're working  
14 off of a heck of a lot of speculation.

15 I heard the word "speculation" about 100  
16 times this morning from the Petitioners. We speculate  
17 a deep recession. We speculate demand is going to  
18 collapse. We speculate, we speculate. Very little  
19 hard evidence.

20 It's like sitting on quicksand right now,  
21 because you're making a decision about the future  
22 impact of this order, and whether it should go away or  
23 not. And you're basing it on shifting sands right now  
24 if you spend too much time focusing on what's  
25 happening today.

1           Because honestly, we're in a financial  
2 crisis the likes of which we've never seen before.  
3 It's really hard to predict what's going to happen in  
4 a month from now. It may be, God willing, the  
5 government and the Congress and everybody gets their  
6 act together, we get the interventions in place; and  
7 yes, economic activity will have declined somewhat,  
8 but we'll be in a much better, stable environment.

9           Businesses hate instability, and right now  
10 we're about as unstable an economic environment as you  
11 can tell. And if you start making predictions or  
12 judgments based on what's going on right now, whatever  
13 we do, it's probably going to be wrong.

14           So I would suggest, I'm not saying --

15           COMMISSIONER OKUN: We often feel that when  
16 we're looking at these sunset cases, but me in  
17 particular. My yellow light is on, but let me ask you  
18 one thing I've been thinking about.

19           You had talked about that the frozen credit  
20 impacted exporters as well as where they might be  
21 looking. And I wondered if maybe you could expand on  
22 this post-hearing. But when I arrived at the  
23 Commission in 2000 it was on the heels of the Asian  
24 financial crisis. The Asian financial crisis, in my  
25 view, there was a huge alteration in trade flow. So

1 it may have been selling someplace, but they went  
2 other places.

3 Do you think that, are there things that you  
4 can point to that indicate to you that this particular  
5 crisis would not impact trade flows because of the  
6 difference in the particular crises?

7 MR. NOLAN: Oh, that's a tall question.

8 COMMISSIONER OKUN: I know. My light has  
9 come on, so I can come back and give you a minute to  
10 think about it. I'll ask you when I come back.

11 MR. NOLAN: Yes, I appreciate that. That's  
12 going to take some thought.

13 CHAIRMAN ARANOFF: Commissioner Lane.

14 COMMISSIONER LANE: Good afternoon. I, too,  
15 want to welcome all of you to this hearing this  
16 afternoon.

17 Mr. Sukan, I want to start with you. You  
18 said in your initial testimony that your company  
19 stopped shipping rebar to the United States in March  
20 of 2008. Why did you stop then? And how much were  
21 you shipping at that time?

22 MR. SUKAN: We used to sell to --

23 COMMISSIONER LANE: Could you speak a little  
24 bit closer to your microphone? I'm sorry.

25 MR. SUKAN: Of course. We used to sell to

1 markets where the purchasers paid best prices. Since  
2 the United Arab Emirates market and the whole Middle  
3 East markets are paying the best price all in 2008,  
4 and we have well-established relations with them, we  
5 sold all of our material almost to those countries.  
6 That's why we didn't ship any for U.S. after March  
7 2008.

8 COMMISSIONER LANE: Okay. If I understood  
9 you correctly, when you stopped in March shipping to  
10 the U.S., you shipped almost all of your production to  
11 the Middle East.

12 MR. SUKAN: Right.

13 COMMISSIONER LANE: Where did you ship the  
14 rest of it?

15 MR. EKINCI: Well, besides Dubai you mean,  
16 Middle East?

17 COMMISSIONER LANE: Well, he said he shipped  
18 almost all of his production to the Middle East. And  
19 so I'm just asking, where did the rest of it go?

20 MR. SUKAN: Okay, I'll finish, then you go.  
21 We always have to sell 10 to 15, 10 to 20 percent of  
22 our production to domestic markets. It's almost  
23 compulsory for us to do that. Otherwise, we lose  
24 ground in our own market.

25 COMMISSIONER LANE: Okay. And can you tell

1 me, either now or in the post-hearing, how much of  
2 that production, how much you were sending to the  
3 United States that you then shifted to the Middle  
4 East?

5 MR. SUKAN: Ma'am, this will be advised to  
6 you in the post-hearing brief, could it be possible?

7 COMMISSIONER LANE: I'm sorry, I didn't  
8 understand what you said.

9 (Pause.)

10 MR. NOLAN: They would like to do that  
11 confidentially.

12 COMMISSIONER LANE: Okay, thank you. Now,  
13 Mr. Nolan, this is a question for you.

14 You have quoted from various steel  
15 executives in your presentation. One of the charts  
16 that you put up on the screen was a quote from Mr.  
17 Busse, Chairman and CEO of Steel Dynamics. His  
18 comments projecting a good third and fourth quarter  
19 were made about three months ago.

20 Given recent developments in the economy,  
21 that is a pretty old statement. Are you aware of any  
22 more recent statements from Mr. Busse? And shouldn't  
23 we focus on more recent developments and statements of  
24 the industry?

25 MR. NOLAN: Well, clearly the tone has

1 changed in the last two months. I would be crazy to  
2 say that that hasn't happened. The U.S. industry is a  
3 lot more guarded. They're no longer saying they're  
4 having record years. There has been a shift in the  
5 industry. Whether that shift is a long-term  
6 recessionary phenomenon or serious, or is this a  
7 short-term phenomenon induced by a credit freeze which  
8 has prevented people from completing orders, and  
9 basically locked down factories for the duration of  
10 the credit crisis, I honestly don't really know. I  
11 don't think they know, either.

12 But they do know that they can't sell things  
13 right now.

14 COMMISSIONER LANE: Okay. Let me read what  
15 was reported yesterday by Reuters from Steel Dynamics,  
16 which said that the third quarter fell far short of  
17 the estimates.

18 "It was further reported that Steel Dynamics  
19 withdrew its 2008 earnings forecast altogether due to  
20 a weaker-than-expected third-quarter due to lower  
21 prices, and that the company expected a tough fourth  
22 quarter. The company was quoted as indicating  
23 yesterday that fourth-quarter profits could be half of  
24 the third quarter, but declined further to give a  
25 specific forecast.

1           "The report concluded that Steel Dynamic's  
2 shares dropped 18 percent yesterday after the earnings  
3 report."

4           Doesn't this latest earnings report from  
5 Steel Dynamics indicate that Mr. Busse was just plain  
6 wrong in July?

7           MR. NOLAN: It does indicate that he was  
8 wrong in July, but I think they actually believed that  
9 the statements in July were accurate. I don't think  
10 anybody in the industry thought in July that we would  
11 be where we are right now.

12           COMMISSIONER LANE: Okay. So my question to  
13 you is, and this is probably going to sound  
14 argumentative, isn't it more important that we look at  
15 the actual data today, and data going forward, than  
16 forecasts that were made several months ago?

17           MR. NOLAN: I would say that it is, it  
18 should not be given significantly greater weight than  
19 what was before. Because --

20           COMMISSIONER LANE: No, no, no, no, no. I  
21 said actual data, as opposed to forecasts.

22           MR. NOLAN: Actual data, yes. But your  
23 actual data -- this gets into why this is such a  
24 difficult period we're in right now. Because we  
25 really don't know what's going to happen.

1           They can't give an earnings forecast right  
2 now. Do you know why they can't give an earnings  
3 forecast? They don't know when the credit crisis is  
4 going to get resolved and they can start producing  
5 again, and at what level.

6           Right now we are literally in a lockdown  
7 mode. I'm not sure, I mean, I was fortunate enough --  
8 last week I had to speak in front of the National  
9 Association of Steel Pipe Distributors, and a bunch of  
10 the steel execs were there. And they're all  
11 scratching their heads, pretty mad about the politics,  
12 I might add. But scratching their heads about what to  
13 do right now.

14           Because the problem is until you unlock the  
15 credit markets, people aren't buying. It's like  
16 freezing the economy all of a sudden.

17           I don't, I can't tell you how to predict out  
18 of that, and when to predict out of that. I can  
19 certainly sympathize with them not being able to give  
20 an earnings forecast right now. I wouldn't do it,  
21 either.

22           COMMISSIONER LANE: Okay. So do you not  
23 find some inconsistency in what you're saying, that  
24 we're in a complete, a credit freeze? We don't know  
25 how long it's going to last. But because of that

1       uncertainty, I think you're suggesting that we ignore  
2       it?

3                   MR. NOLAN:  No, I'm not saying you should  
4       ignore it.  I'm saying be very careful about how you  
5       interpret it.

6                   Because the interpretation you got this  
7       morning is that credit freeze immediately results in a  
8       severe recession that's going to last for years.  That  
9       was the conclusion that was reached.  It went straight  
10      from credit crisis to long-term recessionary  
11      environment, demand is going to fall off the cliff,  
12      and we're going to stay in this pattern for a long  
13      period of time.  Residential construction won't  
14      resurge, non-residential construction will be in the  
15      tank.  You can't even begin to speculate about whether  
16      there will be any public works projects to try to  
17      improve the economy.  None of these things are going  
18      to happen.  We're going to be, as you said this  
19      morning, some of the Commissioners were in doom-and-  
20      gloom land.

21                   I'm not saying you can't or shouldn't take  
22      that into account, but I think you need to balance  
23      this very carefully in your deliberations.  Because  
24      there's a couple of things that are missing in this.

25                   One, the credit crisis doesn't tell us

1 what's going to happen six months from now. Suppose  
2 we are able to get our act together, and hope we do,  
3 by the end of November. What happens then? How bad  
4 is it going to be? I can't tell you, the economists  
5 can't tell you.

6 But the short-term phenomenon, the credit  
7 crisis we're in right now is exactly that. It's an  
8 interruption in the market. And I wouldn't project  
9 out from that in saying that's going to result in a  
10 severe recession, which then is going to cause rebar  
11 from Turkey to come into this market.

12 Even if you accept that the recessionary  
13 environment is upon us, or that the credit freeze is  
14 going to induce much harder times for people, you  
15 still have to make a leap of faith here. You have to  
16 say that because of that recessionary environment,  
17 demand is down; Turkey is going to start shipping into  
18 this market. There will be increased imports, and  
19 those increased imports will be done at dumped prices.

20 How do you get there? There's nothing on  
21 the record that supports even beginning to suggest  
22 past the point of a recessionary possibility.

23 COMMISSIONER LANE: Okay, let me ask you a  
24 question. You had an exhibit here of \$32.8 billion in  
25 construction contracts awarded at the end of 2007.

1 Can you tell me as of today, or in your post-hearing  
2 brief, have you rechecked to make sure that all of  
3 these projects are still ongoing?

4 MR. NOLAN: We will go back and recheck  
5 them. I'm fairly certain they are.

6 COMMISSIONER LANE: Okay, thank you.

7 CHAIRMAN ARANOFF: Commissioner Williamson.

8 COMMISSIONER WILLIAMSON: Thank you, Madame  
9 Chairman.

10 I've never been to the Gulf States, but I've  
11 been hearing for years how fabulous it is, and your  
12 pictures make that quite clear. And I'm beginning to  
13 think that, given all the construction, given all the  
14 tourists and all the people I know in Ethiopia who go  
15 shopping there regularly, that maybe it's no longer a  
16 question of the price of oil that's going to matter.  
17 This has become a major service international center.  
18 So yes, all of that -- so it's quite conceivable that  
19 those projects may all go ahead, and they may not be  
20 affected by this crisis as much as here will be.

21 But I guess my question is, how did Turkey  
22 sort of become the dominant producer of rebar? What  
23 is the history there?

24 MR. EKINCI: Well, Turkey is the only  
25 producer, and Turkish producers have been in the

1 production, Ekinçiler has been in since 1983. And  
2 most of them have been in the business since sixties  
3 to nineties.

4 And we've been selling to the Dubai market  
5 since 1991, which is about 17 years now. And we had  
6 been the only market. We have the quantity to supply  
7 them, and we have the quality to supply them.

8 COMMISSIONER WILLIAMSON: I'm also wondering  
9 how Turkey is the dominant producer in the world rebar  
10 markets.

11 MR. EKINCI: Where?

12 COMMISSIONER WILLIAMSON: Like you have some  
13 kind of comparative advantage in the production of  
14 rebar. And I was just, briefly, just wondering about  
15 that.

16 And the reason why I'm posing the question,  
17 I'm beginning to wonder, can you supply both the  
18 booming Middle East market and the U.S. market, too?

19 MR. EKINCI: Well, we won't have the  
20 capacity to supply to all market of U.S. like in the  
21 past, where the Petitioners also said there was about  
22 a million, I think a million in 2006. And it's been  
23 decreasing since then. Actually, this year I think  
24 it's going to be around 150,000 tons.

25 And this is when there has been increasing

1 the capacity, also. But the capacity has been going  
2 to the different places in the world, mostly to UAE  
3 market. I mean, look at it, just to give you an idea.

4 In 2007, all of 2007, Turkey sold about 3.1  
5 million tons of rebar to just UAE. And 2008, the  
6 first nine months only, Turkey sold about 4.9 million  
7 tons. So we've been selling our materials to the UAE  
8 market mostly. This is only UAE market. Dubai,  
9 actually. This is only Dubai. And production is  
10 going to countries like Qatar, Bahrain, Saudi Arabia.

11 Before this year the producers in Qatar,  
12 Bahrain, and Saudi Arabia were selling to Dubai  
13 market, also. But now, since they're making their  
14 own, they're using all of their production, they're  
15 not able to sell anything. Actually, there's a tariff  
16 for exporting rebar from these countries to any  
17 country in the world.

18 COMMISSIONER WILLIAMSON: An export tax, or  
19 an export --

20 MR. EKINCI: Export tax. Tax, sorry.

21 COMMISSIONER WILLIAMSON: Okay. For post-  
22 hearing, I know the question has been asked about  
23 Turkey's capacity. And I'd also like to address this  
24 question of why you can or cannot service this market  
25 and some of the other, the other attractive markets in

1 the world. Because I know what we have in the staff  
2 report is not the complete production. I began to  
3 think about that as we --

4 MR. NOLAN: And you are right. If you go  
5 through the United Arab Emirates Mall, you will see  
6 and hear Russian, a lot of Russian. You will hear a  
7 lot of Chinese. You will hear a lot of different  
8 languages. Not Arabic. And it has become the center  
9 for, I like to say it's Disney World for adults,  
10 because that's the only thing that comes to mind when  
11 I think of that country.

12 COMMISSIONER WILLIAMSON: I was wondering  
13 about the difference. Are there significant  
14 differences in the standards, you know, the standard  
15 required to sell to the European and the U.S. market?  
16 Or are you basically certified to sell in both?

17 MR. EKINCI: There is difference of  
18 chemicals, and there's difference of production.  
19 Actually producing U.S. standard is more expensive  
20 than producing UK standard. And it slows down the  
21 capacity of the factory, also, when you compare just  
22 those two.

23 COMMISSIONER WILLIAMSON: Do you have to  
24 take extra steps to meet the standard?

25 MR. EKINCI: It takes a longer procedure.

1 The steps are the same, but it takes a longer  
2 procedure. Timewise it takes longer.

3 COMMISSIONER WILLIAMSON: Okay, thank you.  
4 Anything you want to add on that point?

5 MR. NOLAN: Sorry to disappoint you, but --

6 MR. EKINCI: This morning the Petitioners  
7 said something about Turkish producers giving one  
8 price for all kinds of rebars, for each and every kind  
9 of diameter. That is correct, but forgot to mention  
10 that Turkish producers are putting limits to the sizes  
11 that they can get.

12 And so let's say no. 3 is more, is harder to  
13 produce and is more expensive, so we put a limit to  
14 the customer. So they can't get 100 percent of the  
15 order no. 3 at one price. They can only get let's say  
16 10 percent, or five percent of the total order, at  
17 most.

18 So the statement was not complete when they  
19 said the Turkish producers are giving one price for  
20 every kind of rebar. But there's a limit to it.

21 MR. NOLAN: In essence, it's a single price,  
22 but there's a mix. There's so much 3, there's so much  
23 4, there's so much 5, and the price is derived on the  
24 composite mix that they're selling. Right? So there  
25 may be some tolerances, maybe five to seven percents

1 of 3s, and seven to eight percent of 5s, or whatever.

2 But the price is based on that mixture of  
3 product. So it's already factored into the price, if  
4 you will. So this is the price of this package. If  
5 you want a different package, then we've got to  
6 negotiate. It's like options on your car.

7 COMMISSIONER WILLIAMSON: Okay. Okay, thank  
8 you for that clarification, because I was a little  
9 confused about that this morning.

10 Mr. Nolan, I wanted to ask you, in your  
11 prehearing on page 5, pages 5 and 6, you suggest that  
12 the Commission keep in mind that in the WTO agreement  
13 there's a presumption that an anti-dumping duty order  
14 would terminate in five years.

15 Now, what is your understanding of the  
16 relationship between U.S. law and WTO law? And which  
17 is controlling the anti-dumping review?

18 MR. NOLAN: Well, obviously U.S. law  
19 controls, because we're in the United States. We do  
20 have an international agreement to contend with,  
21 called the World Trade Organization; and for the most  
22 part, I think we do our level best to try to comply  
23 with the terms of the WTO. It catches a lot of flack  
24 up on the Hill now and again for what we do or don't  
25 do, but as a general proposition we do attempt to

1 comply.

2           And we're putting that in just because we  
3 want to make sure the focus of this is a sunset. It's  
4 not the sunrise, the continuation of the sun; it is a  
5 sunset for a reason. It was put in the agreement that  
6 way. The U.S. agreed to abide by the terms of that  
7 agreement. And we would hope that you'd view it in  
8 terms of the way the WTO does, which is the  
9 presumption is to sunset if the conditions are there.

10           COMMISSIONER WILLIAMSON: Okay, but not that  
11 that's what the U.S. law says.

12           MR. NOLAN: The U.S. law is whether there is  
13 a threat of recurrence or continuation of material  
14 injury to occur. I think you can make those  
15 statements consistent with each other.

16           You know, the sunset review is based on the  
17 idea that you should be sunseting an order as long as  
18 you don't have the situation where there is a  
19 probability of continuation of occurrence of material  
20 injury if you remove the order. And we've spent a  
21 fair amount of time today trying to convince you all  
22 that, in fact, in this case, no matter how you slice  
23 it, Turkish imports will not present a threat of  
24 continuation or occurrence of material injury, because  
25 there just isn't enough.

1                   COMMISSIONER WILLIAMSON: I guess the  
2 question is whether or not this financial crisis  
3 represents our sunset. Thank you for that.

4                   MR. NOLAN: I'm not going to touch that one.

5                   CHAIRMAN ARANOFF: Mr. Pinkert.

6                   COMMISSIONER PINKERT: Thank you, Madame  
7 Chairman.

8                   I'm wondering if somebody on this panel can  
9 assess for me the Turkish producers' ability to switch  
10 production to products other than rebar. In other  
11 words, if there were market reasons for doing so,  
12 would you be able to switch to other products?

13                   MR. EKINCI: Not us, not Ekinciler. But  
14 some, actually the bigger quantities can change from  
15 rebar to wire rod. And some of them can change to  
16 merchant bars also. And actually one of the biggest  
17 ones, Colakoglu, is making investments in flat  
18 products. And they will be out of, like Isdemir, they  
19 will be out of the rebar production probably, they  
20 announced by the end of this year, but I can't say  
21 exactly for sure when they will do it.

22                   MR. NOLAN: I think it might be instructive  
23 for the post-hearing brief that we give you a copy of  
24 the Colakoglu announcement, because they are a  
25 material portion of the capacity of the Turkish

1 industry which is going to disappear.

2 COMMISSIONER PINKERT: Thank you. Now, this  
3 is really a question for the lawyers. What is the  
4 relevance of our reviews last year, our determinations  
5 in the reviews last year, to the determination that we  
6 are to make in this review?

7 MR. NOLAN: I tend to think every review  
8 stands on its own. You are doing a sunset review, and  
9 you have to evaluate the conditions at the time you're  
10 faced with them for that sunset review.

11 The conditions of the competition for the  
12 Turkish industry versus the Chinese versus the  
13 Moldovans are just, they're different. I don't know  
14 how, that you can compare apples to oranges in that  
15 environment. And I do agree, you cannot ignore the  
16 current conditions and the environment.

17 My contention and issue is the automatic  
18 leap from current financial crisis, recessionary  
19 potential, to injuries occurred or is imminently going  
20 to occur. I don't see how you get there. It's almost  
21 a leap of faith. Well, because there's a recession,  
22 there must be material injury, and it must be coming  
23 from Turkish imports. Even though there aren't many  
24 Turkish imports, and the Turkish imports that are  
25 coming in are, by definition, fairly traded.

1                   It's a difficult causal nexus to create, if  
2                   not impossible, in my view.

3                   COMMISSIONER PINKERT: Let's stay with the  
4                   lawyers for a minute. There has also been some  
5                   discussion today about the relevance of the  
6                   possibility that producers who have been excluded by  
7                   the Commerce Department could be brought back into the  
8                   order. And I'm wondering how you assess that  
9                   relevance.

10                  MR. NOLAN: Well, obviously it is a  
11                  possibility. I mean, it is easier to bring somebody  
12                  back into an order, as opposed to doing an  
13                  investigation over again, because you don't have to  
14                  come back in front of you all for five years.

15                  Once you sunset an order, you have to start  
16                  an investigation over again. That means a new injury  
17                  finding, and a new Commerce Department investigation.  
18                  The call back when an order is in place is more just  
19                  the Commerce Department doing its side of it. So from  
20                  that perspective, and you are at Commerce, you know  
21                  better than I how this works.

22                  So it is somewhat different. At the same  
23                  time, I have to say that once a company has been  
24                  revoked, they're in pretty good territory, because  
25                  they don't have to go through administrative reviews,

1 they don't have to do the annual process any more.  
2 It's very, very rare for somebody to get clawed back  
3 into an order. There's very few instances that come  
4 to mind when that's happened historically. It's not  
5 to say it couldn't, but it doesn't happen very often.

6 And in most of the cases where companies  
7 have been revoked from the order, they have figured  
8 out how to sell into the U.S. market without dumping.  
9 Because they don't want to get brought back into the  
10 market. For lack of a better word, they've learned  
11 the lesson of fairly trading in the U.S. market. And  
12 they've learned to not price below fair-trading level.

13 And so once the order is revoked as to an  
14 individual company, they lose all incentive. In fact,  
15 there's a perverse incentive for this proceeding.  
16 Because those that have been revoked would like this  
17 order to stay in place, to some extent. Because those  
18 that are still under the 41 percent, they're never  
19 going to ship. I don't think they're going to ship  
20 anyway, even if the order was revoked.

21 But the fact is that the Turkish producers  
22 that have been revoked have no interest in having this  
23 order sunsetted. It wouldn't surprise me at all if  
24 some of these phantom orders that the Petitioners were  
25 talking about were being bought by people who have no

1 intention of selling a stick of rebar at the prices  
2 they're quoting, but would like the Commission to  
3 think it's happening.

4 COMMISSIONER PINKERT: Now, is there anybody  
5 on this panel who can tell me what the impact of the  
6 Buy American provisions have been on the U.S. market?

7 MR. NOLAN: I'm not sure they would know  
8 what the Buy America Act is, since they can't  
9 participate under it.

10 I don't know statistically. Clearly, there  
11 is a percentage of the U.S. market that was reserved  
12 for U.S. producers, and the Turkish production can't  
13 go near it. And to the extent we have public works  
14 projects that are driving out of the current  
15 environment, to the extent that we have new  
16 infrastructure, there will be a certain amount of that  
17 that's Buy America Act-required. And I suspect there  
18 will be a more immediate benefit to the domestic  
19 industry who will be able to participate in those  
20 projects.

21 We're going to be in for some big budget  
22 deficits, but I've got a feeling that they're going to  
23 have to build infrastructure in this country in the  
24 next 10 years. I don't know how you avoid it.

25 COMMISSIONER PINKERT: Okay. Well, for the

1 post-hearing, if there's any additional information  
2 that you can supply about the impact of the Buy  
3 American provisions, I'd appreciate it.

4 Turning to ocean freight rates. In  
5 Petitioners' brief at pages 23 and 24 there's a  
6 discussion of ocean freight rates. I'm not asking you  
7 to comment on that in the public hearing. But in the  
8 post-hearing, if you could try to look at the  
9 question, analyze the question of whether there's an  
10 impact or potential impact on exports to the United  
11 States. Maybe you could talk about it more generally  
12 here, and then talk about it more specifically in the  
13 post-hearing.

14 MR. EKINCI: Well, I believe the highest  
15 price that the freight rate was for sending material  
16 to U.S. was around \$70, \$75. But today, if we want to  
17 send, it should be around \$40, \$45. There is a  
18 difference. Of course, it has been coming down. But  
19 when we sent the material before March, the prices  
20 were around \$60, \$65 for the freight rate.

21 So, I mean, if we wanted to sell now, we can  
22 sell now also. It's around \$40. But it's similar to  
23 the Dubai freight rate also. It actually should be  
24 less than the U.S. market, U.S. freight rate, but it's  
25 similar right now because there is demand for going to

1 Dubai instead of coming to U.S., from the Turkish  
2 market at least. But we can give you more detailed  
3 information on that.

4 COMMISSIONER PINKERT: I appreciate that.  
5 Any other comments on ocean freight rates and the  
6 potential impact on exports?

7 MR. NOLAN: Yes, we'll address that in the  
8 post-hearing brief. They do have a bit of a double-  
9 whammy to deal with, since they buy a lot of scrap  
10 from the U.S. market. The scrap has to get shipped  
11 over to Turkey, then produced into rebar. And then if  
12 it were to take the return trip, you're talking about  
13 a double freight.

14 Now, they have to incur freight to ship  
15 anywhere. So, you know, I'm not going to overstate  
16 that. But they do, are very conscious of the U.S.  
17 market, because they do derive some of their raw  
18 materials from us, to produce the very material that  
19 we're arguing over now.

20 COMMISSIONER PINKERT: Now, I know, Mr.  
21 Nolan, you pointed out that you're not an economist.  
22 And I'm not trying to load you up with questions that  
23 require either micro- or macro-economic analysis.

24 But having said that, there is a discussion  
25 in your brief about increasing concentration in the

1 U.S. industry. And I'm wondering whether there is  
2 another way of understanding that increasing  
3 concentration, other than the one you present in your  
4 brief.

5 And my question is whether one could  
6 understand the increasing concentration in the U.S.  
7 industry as a response to difficult market conditions.  
8 And therefore, whether one could put it into that  
9 context, as opposed to the context that you put it in  
10 in your brief.

11 MR. NOLAN: I would say that that's actually  
12 a reasonable interpretation of the data, as well. I  
13 think you're correct.

14 The industry in rebar and in pipe and other  
15 steel industries went through, has gone through a  
16 period of consolidation in the industry across the  
17 board. We've seen it in the last five to eight years.  
18 Those industries went through some very difficult  
19 times. And as a result of that, there was a winnowing  
20 process, a rationalization process if you will, where  
21 industries were consolidated, and the stronger, larger  
22 players survived and continue on.

23 I think we're seeing that again happen this  
24 time around. It may not be as much in the steel  
25 industry because that consolidation has already

1 occurred here, and actually contributes their ability  
2 to withstand the current downturn, because they have  
3 the wherewithal to survive better. They have the cash  
4 to sit and weather their way through this storm much  
5 better.

6 I'm not going to say there isn't going to be  
7 pain, or that there might not be layoffs or things  
8 going on. But they're in a much better, stronger  
9 position now than they were five to 10 years ago to  
10 deal with this.

11 The same effect is in the pipe industry,  
12 steel pipe, and other industries in the steel area.  
13 And in the discussions I've had with steel executives,  
14 you know, their concept is the players that have  
15 borrowed too much, that are too much in debt right  
16 now, they're going to be in trouble. But for those of  
17 us who have been taking our cash and investing in hard  
18 assets and keeping our money at home, we're going to  
19 be fine.

20 COMMISSIONER PINKERT: Thank you. Thank  
21 you, Madame Chairman.

22 CHAIRMAN ARANOFF: I was reviewing the  
23 Commission's opinion from the sunset review five years  
24 ago of this same order. And one of the things that I  
25 saw mentioned in there was that at that time,

1 Ekinciler had closed a production facility.

2 Can you explain what led to that closure?

3 And whether that facility has been reopened, or you're  
4 operating a different facility during this review  
5 period?

6 MR. SUKAN: Yes. It's the story that, not  
7 the mill operations --

8 CHAIRMAN ARANOFF: Mr. Secretary, can I have  
9 a green light? Please proceed.

10 MR. SUKAN: Okay. It's not the mill  
11 operation and other operations that caused a problem  
12 that year. It was just a financial crisis which much  
13 more related to Turkey's nineties decade financial  
14 turmoil one after another, every two years.

15 Never Ekinciler operating such other  
16 Ekinciler group were operating such other businesses  
17 which were not related too much to the core business  
18 still. And those businesses had always bad returns  
19 almost after second half of nineties indicate. And  
20 also, Russia crisis and following Asia crisis impacted  
21 Turkish economy and banking system badly in those  
22 years.

23 The result of this, Ekinciler went under  
24 financial burden in mid-2000, and stopped many of  
25 their operations, including the steel mill.

1           And then we restructured, and we agreed with  
2 banks and made a restructuring, and started in 2004  
3 again to production and some other operations. But  
4 this time I can't say that, in terms of financial,  
5 that the group is at its strongest level. And already  
6 paid more than half of the scheduled tips until 2015.  
7 And it's getting very well day by day for the good on  
8 the company.

9           CHAIRMAN ARANOFF: So the plant at which  
10 you're making rebar now is the same plant that was  
11 closed at that time.

12          MR. SUKAN: The same plant closed.

13          CHAIRMAN ARANOFF: Okay, thank you. On page  
14 22 of your prehearing brief, the Turkish Respondents  
15 assert that Turkey has made some commitments to the  
16 European Union regarding Turkey's hot roll capacity,  
17 and makes reference to a national steel restructuring  
18 plan.

19                 Can you provide more information about the  
20 national steel restructuring plan, and how it might  
21 affect rebar capacity and production in Turkey? And  
22 any further details regarding any commitments that  
23 Turkey has made to the European Union with regard to  
24 capacity for rebar production, and how binding any  
25 such commitments might be.

1           MR. NOLAN: We'll address that in the post-  
2 conference brief.

3           CHAIRMAN ARANOFF: Okay. It's more  
4 difficult because I don't get to follow up with more  
5 questions, so please provide as much detail as  
6 possible.

7           One of the things that came up earlier was  
8 this issue of whether or not the falloff in orders  
9 from the Middle East for the last couple of months is  
10 a short-term or a long-term thing. You gave several  
11 reasons, and they were some of the same reasons that I  
12 had cited to the domestic industry this morning for  
13 why they might be short term, including the slowdown  
14 in activity during the summer months and during  
15 Ramadan.

16           I guess, having just gone through my own  
17 religious fast, I know that it takes my productivity  
18 way down, but I wanted to ask whether there was better  
19 data than that. If you could put on the record if you  
20 know of any that are available, sort of multi-year  
21 data series, that might show us that steel consumption  
22 in the Middle East actually falls in the summer or  
23 during Ramadan, that would be helpful so I could be  
24 comparing year on year. I won't belabor that point  
25 any more.

1           You've been debating this, to some extent,  
2           with my colleagues, but it seems to me that even if I  
3           end up agreeing with you that demand is going to hold  
4           up in the Middle East and that that's a very good  
5           market for Turkey, it seems altogether likely that  
6           there is going to be some falloff demand in other  
7           markets in the U.S., in Europe, in Asia. There is  
8           certainly evidence of that already, and it stands to  
9           reason, if there is a global recession, that there is  
10          going to be some falloff in demand.

11           If that's the case, then, on a global basis,  
12          you're going to have excess capacity chasing reduced  
13          demand, and, in those circumstances, how can I  
14          conclude that Turkey holds onto its really good market  
15          in the Middle East and doesn't get beat out of the one  
16          last really good market in the world by all of these  
17          other producers who are now looking for places to put  
18          capacity?

19           MR. EKINCI: As I said earlier, the Turkish  
20          producers will be not only in the U.A.E. market but  
21          the Middle East market, plus we have Iraq, which is  
22          going to be, hopefully, stabilized at one point, and  
23          before these wars in Iraq, Turkey was selling a lot of  
24          material to Iraq, but now, because of this war, there  
25          is nothing that we can sell, not as much as we used to

1 sell.

2 Plus we are not actually only selling to  
3 U.A.E. We're selling to Eastern European countries.  
4 Ekinciler is not selling as much as the ones in the  
5 upper side -- north and west side of Turkey because  
6 they are closer, and they have a better advantage of  
7 the freight rates.

8 But since they came into the European Union,  
9 these new 10 countries -- Poland, Romania, Bulgaria --  
10 they have been buying a lot of material. Since they  
11 need quality material and certified material, they  
12 have been buying a lot of material, and, as I said,  
13 even in November, we have a shipment going to Romania,  
14 even though we are the farthest factory in Turkey to  
15 Romania.

16 CHAIRMAN ARANOFF: Okay.

17 MR. EKINCI: So we don't only have one --

18 CHAIRMAN ARANOFF: I hear you're telling me  
19 there may be some other markets that might still be  
20 okay, but it still seems -- correct me if I'm wrong --  
21 it still seems more likely than not, which is the  
22 standard that we have to address the future under in  
23 this cases, that there is going to be a contraction in  
24 global demand, even if there isn't a contraction in  
25 some of the markets that have been the best for

1 Turkish producers thus far, and that seems to suggest  
2 that producers in other countries where there is a  
3 contraction in demand are going to be looking for new  
4 markets.

5           Everybody is going to want to go to the ones  
6 where demand is the best, and, although you've  
7 testified that some producers aren't properly  
8 certified, that just strikes me as, at best, a short-  
9 term problem. It doesn't seem very credible that you  
10 could maintain a long-term advantage on that because  
11 rebar is sort of the most commoditized steel product  
12 that there is.

13           MR. SUKAN: I just want to add something in  
14 regard to the Iraqi market. This market, especially  
15 for Ekinçiler, is very important, so we are expecting  
16 the market to get stabilized as soon as possible  
17 because it's, by trucks, by material weights, only 400  
18 kilometers from our mill to the border of Iraq. So  
19 that is easy for us to ship material to us.

20           Also, there is one important matter in Iraq.  
21 There are millions and millions of tons of scrap,  
22 high-quality scrap -- it's war material, you know --  
23 accumulated there. So once the stabilization starts,  
24 we will buy scrap from them and then convert it to  
25 rebar and sell back. This will be a very good

1 business for Ekinçiler and the mills around that  
2 region.

3 CHAIRMAN ARANOFF: Okay. Well, I hope  
4 you're right about that, from so many perspectives,  
5 although I'm not sure I can say it's likely in the  
6 reasonably foreseeable future. There are a lot of  
7 minds working on that.

8 MR. NOLAN: I wouldn't discount too much  
9 that the Turkish industry has developed some long-term  
10 relationships in the region. There is a cultural  
11 affinity there. There are long-term historical  
12 relationships that exist there. There is a sense of  
13 stability of supply that comes out of that market.

14 Turkey is a big production industry, and  
15 it's close to the Middle East, and it's a nice,  
16 stable, high-quality source of supply, and those in  
17 the Middle East like high-quality, stable sources of  
18 supply for large, 200-story buildings. They want to  
19 build it with the same rebar. They don't want to buy  
20 20 different kinds of rebar to build a building. It's  
21 not a good idea. You want one type of rebar for your  
22 buildings when you're putting them up so you know what  
23 it is you're using and contract on that basis.

24 So there's a lot of factors that go into  
25 that beyond just simple price, and, you know, if price

1 were the driver, you've got to ask yourself some  
2 questions. One question that came to my mind this  
3 morning is, why isn't the U.S. shipping into Dubai?  
4 We're not, at all.

5 CHAIRMAN ARANOFF: Okay. Well, my time is  
6 up. I'll look forward to whatever additional comments  
7 you might have on this issue of sort of demand  
8 shifting around the world.

9 Vice Chairman Pearson?

10 VICE CHAIRMAN PEARSON: Thank you, Madam  
11 Chairman.

12 Mr. Nolan, you know well enough the  
13 situation that the Commission faces here. The  
14 production capacity in Turkey for rebar is roughly the  
15 same size as apparent consumption in the United  
16 States.

17 So we have to address the question of  
18 whether the volume of imports, if we revoke the order,  
19 might be large enough to be significant, and, of  
20 course, it's obvious that it's possible that the  
21 volume of imports could be large enough to be  
22 significant, and I'm sure, among the Commissioners,  
23 we'll have an interesting discussion, or several  
24 interesting discussions, in order to comply with the  
25 Sunshine Act regarding whether it's more likely than

1 not that we see those sorts of volumes.

2 I wanted to go back to a point that I think  
3 I heard you raise earlier. I don't know whether I  
4 quote you, or whether I wrote it down quite correctly,  
5 but you were indicating that your clients have learned  
6 how to price at a level that is fairly traded,  
7 something along those lines. Could you elaborate on  
8 that because we're stuck here with Commerce's margins,  
9 of course, and we don't look behind those margins, and  
10 I always defer to Commissioner Pinkert whenever I have  
11 a question involving margins?

12 We just accept them as they are, and, of  
13 course, in the original investigation, back in the  
14 1996 timeframe, those margins ranged roughly from 10  
15 percent to 30 or 40 percent.

16 MR. NOLAN: 41.7.

17 VICE CHAIRMAN PEARSON: Okay. You know the  
18 details.

19 As is its custom, Commerce has projected  
20 those same margins going forward, regardless of the  
21 current rates that are being applied.

22 So what can you tell us, either now or in  
23 the post-hearing, about the pricing behavior of  
24 Turkish firms, how it may have changed over time,  
25 because, until we assume that Commerce got it entirely

1 wrong in the first instance, which I can't do, there  
2 must have been some dumping going on then? What has  
3 changed, if anything, so that there is less dumping  
4 going on now and that there would be less dumping in  
5 the future?

6 MR. NOLAN: Well, I'll let these folks  
7 comment on the modernization of the industry that has  
8 taken place in Turkey. It's basically just the  
9 modernization of that country in general.

10 There was a time when people used little  
11 green sheets for filling in orders at these companies  
12 and didn't have computer systems, didn't have cost-  
13 tracking systems, didn't have ways of putting tools in  
14 place to allow you to monitor and track both you  
15 pricing and costing mechanisms to allow you to do the  
16 analysis necessary to prevent pricing at below fair  
17 prices, to, at least, be able to have the capacity to  
18 make those kinds of decisions.

19 This industry has come a long way from 10  
20 years ago. These companies operate with modern  
21 financial accounting systems. They have tracking  
22 systems for demand. They look at pricing trends. Mr.  
23 Sukan spends a fair amount of time looking at the  
24 pricing patterns to make sure we have the green,  
25 yellow, and red zones for trade pricing. Red zone:

1 Don't go there, not a good idea, relative-pricing-  
2 wise. Yellow, green: Yellow, be careful; green,  
3 you're good, you're fine.

4 But the point of this is they have the  
5 systems in place now to do a much more accurate job of  
6 both forecasting and monitoring their pricing. Now,  
7 obviously, that's not a guarantee that dumping would  
8 never occur anywhere because somebody could  
9 consciously decide to do something.

10 But I'm saying, these companies are much  
11 more sophisticated. They are much better players in  
12 the market. They are much more responsible, in the  
13 sense that there has already been this consolidation  
14 in growth in the Turkish market. There are a few  
15 dominant players. They are very well financed. They  
16 are very well covered in sort of systems analysis and  
17 the way they approach the markets, much more  
18 sophisticated than you would have seen when you  
19 started this 10 years ago.

20 It's just a completely different industry,  
21 in my book, as is Turkey a country. I've seen Turkey  
22 go from being a very -- not sleepy, but a country that  
23 was sort of struggling along, to being on the verge of  
24 being a European economy. There is just so much  
25 activity going on there; it's a phenomenal change,

1 frankly.

2 VICE CHAIRMAN PEARSON: Well, for purposes  
3 of the post-hearing, could you perhaps flesh that out  
4 a little bit more and document what you could  
5 regarding some of the changes in various client  
6 companies of yours, or perhaps for the industry, as a  
7 whole, if the industry association is able to provide  
8 any insight?

9 In an industry as large as Turkey's,  
10 potentially, it only takes one rogue player to price  
11 aggressively and put enough product into the United  
12 States to cause concern.

13 So help me to understand all that I can  
14 about the evolution of the Turkish industry --

15 MR. NOLAN: Sure. We would be happy to.

16 VICE CHAIRMAN PEARSON: -- and the pricing  
17 methodologies that might be employed.

18 MR. NOLAN: Uh-huh.

19 VICE CHAIRMAN PEARSON: I think the last  
20 question that I have is, in reference to this chart  
21 from the Petitioners' presentation that shows, "Huge  
22 new capacity is projected in the Middle East."  
23 Perhaps one of my fellow commissioners already has  
24 asked this, but there are large figures there for  
25 capacity that's projected to come online between 2007

1 and 2010 -- I guess the 2007 would not be a projection  
2 anymore, but, at any rate, for the U.A.E., 4.6 million  
3 tons; Saudi Arabia, 4.2 million tons.

4 Do you have any observations on those  
5 figures? For instance, if there is going to be four  
6 million tons of additional capacity in the U.A.E.,  
7 that might dry up some of your customers there in the  
8 U.A.E. Mr. Ekinici?

9 MR. EKINCI: Okay. We will definitely tell  
10 you more information about this in the post-hearing  
11 brief, but the thing is, current production of the  
12 U.A.E. is being made by the billets that are sold by  
13 the Turkish producers or the Ukrainian or Russian  
14 producers. So we're already in control of the market  
15 in U.A.E. with the billet prices, so we know at what  
16 prices they can sell.

17 New commerce; they have to import billets.  
18 Even if not billets, they have to import their raw  
19 materials, just like us, and their biggest problem in  
20 production is electricity. They don't have enough  
21 electricity to produce.

22 These numbers can be right. These numbers  
23 can be what they want to do, but I don't know how much  
24 of this will be correct, and I will try to give you  
25 more information on the numbers, at least, coming up

1 with the post-hearing brief.

2 I don't know how much of this will be  
3 realized, basically, but, even in that sense, they  
4 will be either importing billets, which is what most  
5 of the producers in Turkey are producing, and, until  
6 today, most of them have been supplying billets to  
7 U.A.E. producers.

8 If they are going to produce from scrap or  
9 something else, they have to buy it from somewhere  
10 else, not like U.S. producers who have everything  
11 here. They have to buy scrap or whatever as the raw  
12 material. They have to import it.

13 VICE CHAIRMAN PEARSON: Okay. Well, thank  
14 you very much. I'll look forward to seeing what  
15 additional material you might be able to provide in  
16 the post-hearing.

17 MR. EKINCI: Okay.

18 VICE CHAIRMAN PEARSON: With that, I think I  
19 have no further questions. So I want to thank you  
20 very much. It's been a most interesting afternoon,  
21 and I'll turn it back to the Chairman.

22 CHAIRMAN ARANOFF: Commissioner Okun?

23 COMMISSIONER OKUN: Thank you.

24 Mr. Nolan, I'm going to go back with the  
25 question that I ended with, which will be my last

1 question for the day, and that's just -- as you might  
2 recall, you've answered many since then, but just  
3 whether you think that the Asian financial crisis and  
4 the change in trading patterns that we saw during that  
5 tumultuous period has any similarities to this period,  
6 and, if not, why not, particularly with respect to  
7 trading patterns in financing for exports?

8 MR. NOLAN: I do think it does have some  
9 impact on trading patterns. How could it not have  
10 impact on trading patterns? It's a global financial  
11 crisis. I would be crazy to say anything otherwise.

12 Yes, it will have an impact. Clearly, we  
13 are going to go into a period where people are going  
14 to be more conservative in the use of financial, or  
15 proffering financial, loans and wherewithal to other  
16 businesses. We're going to be much more conservative.  
17 I think, in the United States, it's a fair statement  
18 that the lenders are all going to be taken to the  
19 woodshed and be told that they have got to be a lot  
20 more cautious in how we do lending in the future.

21 I think, globally, that's also going to lend  
22 itself to more conservative financing of material  
23 going forward, which has an impact on exports. I do  
24 think that countries that have more cash are going to  
25 be in a much better position.

1 I think countries that get a lot of  
2 petrodollars are going to be in a much better position  
3 and in a much better market until we can repair our  
4 financial systems and allow credit to move more  
5 freely, and even if that happens, it will take some  
6 time.

7 I guess I'm struggling with the question a  
8 little bit because it's a really difficult one to  
9 answer properly. Yes, it will have an impact on  
10 trading flows. I think the trading flows favor those  
11 that have cash.

12 COMMISSIONER OKUN: Okay. I appreciate  
13 those observations, and thank you very much for all of  
14 the responses this afternoon. I very much appreciate  
15 it. Thank you, Madam Chairman.

16 CHAIRMAN ARANOFF: Commissioner Lane?

17 COMMISSIONER LANE: I want to thank this  
18 panel, too, for all of its answers, and I don't have  
19 any more questions.

20 CHAIRMAN ARANOFF: Commissioner Williamson?

21 COMMISSIONER WILLIAMSON: Just one other  
22 quick question.

23 I was wondering, to what extent are the  
24 other major rebar producers in the region, such as, I  
25 guess, Ukraine and Russia -- do they meet the

1 certification requirements in the Gulf states? Are  
2 they able to meet the certification requirements?

3 MR. EKINCI: Certification problems. They  
4 sold to Dubai. We've been talking a lot about Dubai  
5 today. They sold to Dubai; to the Ukrainians, only  
6 50,000 tons in the first six months. They have the  
7 quality problem, and they don't have the certification  
8 also, plus when you look at Russia, Turkish producers  
9 actually sold some material to Russia also because  
10 they are growing. Their domestic market is also  
11 growing, and they are making a lot of construction in  
12 that area also. So all of their production is mostly  
13 going to that area.

14 When you look at what they are producing in  
15 certification, they don't have any certification, and  
16 they will have to sell to markets that are not caring  
17 a lot about the quality of the material.

18 COMMISSIONER WILLIAMSON: What about other  
19 suppliers in the region that may be serving the E.U.  
20 market?

21 MR. SUKAN: Sorry. Before that, I want to  
22 give an example to show the quality problem of the  
23 Ukrainian and Russian mills.

24 Before Romania and Bulgaria joined access to  
25 the European Union, they were buying from Ukrainians.

1 After they joined, they cannot. They stopped buying  
2 because they go under the certificate method.

3 This is the one and only example that's  
4 showing that the Ukrainian mills have quality problems  
5 and certificate problems as well.

6 COMMISSIONER WILLIAMSON: Okay. It looks  
7 like Turkey has the corner on the market in terms of  
8 the certifications because we see no other competitors  
9 in the region that seem to be able to meet that. Is  
10 that correct?

11 MR. NOLAN: They don't want everybody else  
12 to know about it, frankly.

13 COMMISSIONER WILLIAMSON: I have no further  
14 questions, then. I want to thank the panel for their  
15 responses.

16 CHAIRMAN ARANOFF: Commissioner Pinkert?

17 COMMISSIONER PINKERT: I have nothing  
18 further, but I would like to thank the panel again,  
19 and I look forward to the submissions that you've  
20 promised for the post-hearing. Thank you.

21 MR. NOLAN: Thank you.

22 CHAIRMAN ARANOFF: Are there any further  
23 questions for commissioners?

24 (No response.)

25 CHAIRMAN ARANOFF: Do the staff have any

1 questions for this panel?

2 MR. CORKRAN: Douglas Corkran, Office of  
3 Investigations. Thank you, Chairman Aranoff. The  
4 staff have no additional questions.

5 CHAIRMAN ARANOFF: Do counsel for the  
6 domestic industry have any questions for this panel?

7 MR. PRICE: No further questions.

8 CHAIRMAN ARANOFF: Okay. Well, thank you  
9 again for your time and answers to our questions this  
10 afternoon. We will take a few moments so that this  
11 panel can resettle itself back in your chairs further  
12 back in the room. Let me find my list of who has what  
13 time remaining.

14 Parties in support of continuation of the  
15 order have 25 minutes left from their direct  
16 presentation, as well as five minutes for closing.

17 Parties in opposition to continuation have  
18 four minutes left from their direct presentation and  
19 five minutes for closing.

20 Traditionally, we just combine those into a  
21 block of time for each group, if that's acceptable.  
22 Okay. Nobody is objecting.

23 Then as soon as this panel has moved, Mr.  
24 Price, or whoever is doing the closing argument, can  
25 come up and begin.

1 (Pause.)

2 MR. PICKARD: Good afternoon. Chairman  
3 Aranoff, Members of the Commission, for the record,  
4 this is Dan Pickard from Wiley Rein.

5 I only have a couple of points in rebuttal,  
6 and then, for purposes of closing, I think I would  
7 like to just summarize as to the most important  
8 points, few of which are disputed in this proceeding.

9 First and foremost, what I would like to do  
10 is recognize the efforts of the staff in this  
11 investigation. The staff report in this matter was  
12 particularly complex. There are a lot of difficult  
13 issues, and this is one of the finer staff reports  
14 I've seen in a while, and I just wanted to recognize  
15 that.

16 In regard to probably the most important  
17 condition of competition in this matter, the current  
18 economic crisis, which all parties to this  
19 investigation have recognized, I would note that, in  
20 the prehearing brief filed by the Turks originally,  
21 there is very little mention of the economic crisis.  
22 There is almost a denial of this as a relevant  
23 condition of competition and, just by way of one quote  
24 from their brief, it recognizes that "the economic  
25 fundamentals of the U.S. rebar industry are as strong

1 as they can be."

2 I don't think anybody would take that  
3 position now. It's crucial to recognize this, and, I  
4 think, for purposes of credibility, I think there is  
5 some value in recognizing that there has been a change  
6 in that story that you've heard today.

7 It's not that we've ever alleged that there  
8 is a causal connection between the Turkish imports and  
9 the current economic crisis -- that's a faulty  
10 contention; what we've merely argued is that the  
11 current economic crisis makes the domestic industry  
12 more vulnerable and, consequently, makes the impact of  
13 any imports, if they were allowed back into the  
14 industry or into the market, to be potentially more  
15 injurious. I would say that's probably the most  
16 relevant condition of competition for purposes of the  
17 present sunset review.

18 There were a couple of questions that were  
19 asked that perhaps we weren't as succinct in  
20 responding to. I know Commissioner Pinkert had asked  
21 a question regarding whether there was attention in  
22 regard to decreasing demand in the United States while  
23 still having attractive prices, and there's a lot of  
24 issues there, and I think Professor Morici provided a  
25 very detailed answer.

1           But I think the short and simple answer is,  
2           there is no particular tension there; it's all  
3           relative. Demand is decreasing in the United States,  
4           but the market is still, on a relative basis, more  
5           attractive than other markets to be found, and,  
6           consequently, that will lead to sucking in imports  
7           into our market in the case of revocation. But it's  
8           happening at a time when our demand is decreasing,  
9           which would contribute to the injurious effects of  
10          those imports.

11           I would note that there was a lot of  
12          discussion, earlier today, in regard to possible  
13          legislation in furtherance of the bailout. Keeping in  
14          mind that this is, indeed, a future-focused inquiry by  
15          the Commission, there is also considerable guidance  
16          from the reviewing courts that the Commission is not  
17          to engage in speculative behavior, and I would suggest  
18          that contemplating what possible legislation could be  
19          passed, what it potentially could entail, and when  
20          possibly it could go into effect amounts to  
21          speculation that would be prohibited by previous  
22          rulings from the Court of International Trade.

23           In regard to one last legal question, I  
24          believe Commissioner Williamson had asked a question  
25          regarding a provision in the statute that indicates

1 that the presence or absence of one particular indicia  
2 of injury is not supposed to be dispositive and how  
3 that comports with our arguments that a material,  
4 adverse change to any one of those factors is  
5 sufficient for an affirmative determination. Again, I  
6 don't believe there is any conflict there.

7 I believe what the statute says, on its  
8 face, is that there is no magic recipe for injury,  
9 that the Commission is free to exercise its discretion  
10 based on various potential factors, including  
11 production, operating income, health of the workers.

12 Our position has been that any material,  
13 adverse change to any one of those factors is legally  
14 sufficient to justify an affirmative determination in  
15 this case.

16 One last legal question: I also heard  
17 Commissioner Pinkert ask both panels, in regard to  
18 what's the legal significance of the fact that  
19 nonsubject Turkish imports could again be brought into  
20 the order?

21 I think there are two very quick answers to  
22 that.

23 One, the Commission is charged with looking  
24 at the likely volume of subject imports in the  
25 foreseeable future, generally recognized as 18 to 24

1 months. I think it's completely permissible for this  
2 Commission to factor in, when considering the likely  
3 volume of imports, that these imports might become  
4 subject again in that period.

5 More relevant, I would suggest, is the fact,  
6 as was recognized today, that these currently  
7 nonsubject importers are most likely very aware of  
8 managing their margins in order to stay outside of the  
9 market, and that explains, to a considerable amount,  
10 what's happened in this market during the period of  
11 review, that there has been price recovery and that  
12 the remedy has essentially been effective, that the  
13 health of the domestic industry has improved, in large  
14 part, due to the existence of this order.

15 In regard to the forward-looking nature of  
16 the analysis, there have been some issues, as far as  
17 counsel for the Turks suggesting that perhaps you not  
18 be too zealous in obtaining new information that would  
19 be the most recent of record. I would be cautious in  
20 regard to requests to blind you to particularly  
21 relevant evidence.

22 There was one specific example that is of  
23 note. There was a discussion earlier in regard to  
24 Turkish prices into Canada, and it was suggested,  
25 well, the purpose of this investigation is not to look

1 at whether the Turks are inflicting material injury on  
2 the Canadians. I would suggest it's particularly  
3 probative, however, of how the dumped imports would  
4 behave in the U.S. market, in the event of revocation.

5 We know that the Canadians have a similar  
6 market to our own. They don't currently have the  
7 production of an anti-dumping order, and they are  
8 currently seeing offers of dumped imports at \$200 per  
9 ton below market levels. I would say that that's  
10 particularly probative evidence.

11 In regard to two last positions of the  
12 Turks, there have been some incredible and fantastic  
13 claims in regard to what's going on in Dubai right  
14 now, and we will be providing additional information  
15 in regard to some of those claims.

16 I would point you to the data, and the data  
17 show that prices in Dubai have dropped by  
18 approximately 50 percent since July. I would say  
19 that's an important statement. If Dubai is that hot,  
20 if the market is churning along so well, why have  
21 prices dropped so dramatically? Why have documented,  
22 published prices dropped so dramatically recently?

23 Lastly, there has been an argument about the  
24 quality of the rebar that's required for the Middle  
25 East. There have been several rebar investigations in

1 the past decade conducted by the Commission. To the  
2 best of my knowledge, in every one, the Commission has  
3 concluded that price is the most important purchasing  
4 factor, and, as has been testified time and time  
5 again, rebar is rebar.

6 I would suggest that, to the extent that  
7 there are arguments regarding significant distinctions  
8 between the quality of rebar that goes into the United  
9 States as compared to the quality of rebar that goes  
10 into the Middle East, this is more fancy than fact.

11 There is just a brief series of rebuttal  
12 points. In closing, I think that there are only  
13 really six major facts that tell the story today.

14 Number one, the Turks have previously  
15 injured this industry. This Commission has found  
16 before that if this order was revoked, that the Turks  
17 would come in again and materially injure this  
18 industry. I propose that if this order was revoked at  
19 this time, it would happen, and it would happen very  
20 quickly.

21 We have already seen that, even during this  
22 most recent period of review, that the Turks have  
23 maintained the ability to rush into the market and  
24 rush right back out. But, by and large, this order  
25 has been effective. The remedy works, and we're

1 asking you to keep it in place.

2           Everybody understands, or, at least, we  
3 understand, that this is a crucial time to do so.  
4 There is a worldwide economic crisis going on. This  
5 could be the worst possible time to take this form of  
6 legal relief away from the domestic industry.

7           In regard to the heart of the Commission's  
8 questions, which go to volume, price, and impact, when  
9 it comes to volume, Turkey is the world's largest  
10 exporter of rebar. I think that's worth repeating.  
11 In most of the investigations that I've been involved  
12 with recently, they have mostly been China, China,  
13 China cases. It is significant to recognize that  
14 Turkey is the world's largest exporter of rebar, and  
15 it's an export platform. A minority of its production  
16 goes to its home market. So it needs to find a place  
17 to put its excess capacity.

18           So we know about rebar, that price is the  
19 most important purchasing factor. We know that the  
20 published evidence, regardless of what's denied here  
21 today, has documented that U.S. prices are above  
22 Turkish prices in their home market and global prices  
23 right now.

24           On top of that, and as even the Turkish  
25 witness conceded today, freight charges or freight

1 costs have decreased dramatically recently. The U.S.  
2 dollar has strengthened considerably, and the U.S.  
3 market is known to be large and open.

4 I would suggest that this, by itself,  
5 demonstrates that, in the case of revocation, the  
6 largest exporter in the world is going to find a  
7 large, open market that has attractive prices and that  
8 this will result in material injury in a variety of  
9 ways: to the planned investments for the domestic  
10 industry, to their plant production, to their workers,  
11 workers like Louis Miller that you heard today, who, I  
12 would say, provided some very compelling testimony in  
13 regard to the likely impact to him, personally, and  
14 families similarly situated if imports were allowed  
15 back in.

16 My last note: Three out of approximately 30  
17 Turkish producers have complied with the Commission's  
18 request for information. The vast majority of the  
19 Turkish industry has refused to comply with requests  
20 for information. There are some open-end questions  
21 regarding the extent of the capacity in Turkey.

22 We know it's large, we know it's growing, we  
23 know that they are the largest exporter in the world,  
24 but to the extent that there are any questions, that  
25 there is any doubt, that doubt exists because the

1 Respondents have refused to comply with the requests  
2 of this Commission. They should not be rewarded for  
3 this behavior.

4 So, in conclusion, I would just merely ask  
5 that, on behalf of the domestic industry and the  
6 workers in the domestic industry, that this order not  
7 be revoked. Thank you.

8 CHAIRMAN ARANOFF: Thank you.

9 MR. NOLAN: All right. Madam Chairman and  
10 Members of the Commission, I'm going to make just a  
11 couple of quick points in rebuttal and then let Mr.  
12 Getlan do the closing for us. I can't resist coming  
13 up after what was just said to you all.

14 The Petitioners have just come up and told  
15 you not to engage in speculative behavior. I heard  
16 the words "we speculate" about a hundred times this  
17 morning in connection with their projections about  
18 what was going to happen with the economy, what was  
19 going to happen in the rebar industry, and whether or  
20 not Turkish imports would be speculatively rushing  
21 back in and causing material injury as a result of  
22 what's going on right now.

23 That's a high degree of speculation to me.  
24 I'm not saying you shouldn't engage in forward-looking  
25 analysis; that is the purpose of this exercise. But

1 if the Petitioners are telling you not to speculate, I  
2 wholeheartedly support that concept: Do not  
3 speculate.

4 Look at the record. We have five years'  
5 worth of data on the record. You can expand that  
6 record, if necessary, to take in the current  
7 conditions as you feel the need, but don't ignore the  
8 five-year record. It is highly probative and  
9 indicative of what's going on and has gone on.

10 They take issue with the fact that, all of a  
11 sudden, Turkey is dumping into Canada. No one said  
12 they were dumping into Canada. That's a conclusory  
13 statement made by the Petitioners without factual  
14 basis. In fact, Canada has nothing to do with this  
15 investigation or this review process.

16 They say the Turks have rushed in and rushed  
17 out of the market. What they fail to tell you is the  
18 Turkish left the market when prices were at their all-  
19 time high. There is a complete disjoint going on  
20 right now.

21 If the market in the U.S. is peaking, why  
22 are the Turks leaving, and why are they staying away?  
23 I submit to you that there is no probability of volume  
24 or price effects because the Turks are leaving, in  
25 spite of the best potential market, and they are still

1 away, even now.

2 So the last point I would like to make is  
3 this concept that the Respondents have refused to  
4 cooperate. All of the Respondents that are here  
5 before you today that have actively participated in  
6 this proceeding have cooperated to their fullest  
7 extent within their power. I cannot drag every  
8 producer in Turkey into this hearing room. If they  
9 don't want to come, or if they have already been  
10 revoked, they have very little incentive to show up.

11 We will get you the data you need on  
12 production and export statistics through the  
13 undersecretariat or through IMMIB, but let's not  
14 confuse cooperation from those at the table with those  
15 who have no interest in this proceeding because they  
16 have already been revoked. Thank you.

17 MR. GETLAN: Good afternoon, Madam Chairman  
18 and other Members of the Commission. I appreciate the  
19 time. We thank the staff for all of the work that  
20 they have done so far in this investigation, and we  
21 all, on behalf of our clients, appreciate the time  
22 you've given us today to present the case.

23 There is a reason that the Commission  
24 solicits data on the U.S. industry imports and prices  
25 for a five-year period. It's because such an

1 expansive data set is necessary to project, with any  
2 confidence, the impact or effect of revocation.

3 While information on the last couple of  
4 weeks of experience might be interesting, or it might  
5 even be relevant; it's certainly not compelling or  
6 certainly not decisive, for that matter.

7 Petitioners have essentially asked the  
8 Commission to toss the staff report and rely on this  
9 data that we expect to see in post-hearing  
10 submissions. The Commission, of course, cannot simply  
11 ignore the information in the staff report.

12 What does the staff report say? It is  
13 clear: Subject imports are down, there are  
14 attractive, new markets for Turkish producers that  
15 have greater growth potential than the United States,  
16 U.S. prices have reached record highs, and the U.S.  
17 industry has performed at unprecedented levels, in  
18 terms of profits, employment, prices, and investment.

19 How would all of this change if the  
20 Commission revokes the order on Turkish rebar?  
21 Fortunately, we do not have to speculate. We have  
22 experience to look at, and that experience is in the  
23 staff report.

24 All we need to do is look at what happened  
25 after the order was revoked as to the three largest

1 Turkish producers: ICDAS, Colakoglu, and Diler.  
2 Their shipments to the U.S. have fallen while U.S.  
3 prices and domestic industry profits continue to  
4 increase unabated. Again, this is all in the staff  
5 report that Petitioners want to ignore.

6 We must ask, is there anything more  
7 compelling on the record today as to what would happen  
8 if the Commission revokes the order than the  
9 experience when these three producers, significant  
10 producers, were revoked? And add to the mix the next  
11 three- or four-largest producers, who have declining  
12 shipments to the U.S., even while their dumping  
13 margins were at zero, they are about to be revoked, or  
14 near zero.

15 The fact of the matter is that, even with  
16 access to the U.S. market, through revocation or zero  
17 margins, and even as attractive as the U.S. market has  
18 been made out to be, the U.S. has not been attractive  
19 enough to attract the Turkish producers.

20 In fact, there has been testimony today that  
21 the domestic industry has already started hurting,  
22 with references to production and shift cutbacks going  
23 back as far as several months ago. This is contrary  
24 to public statements that we discussed, which came in  
25 July or August, but, more telling, given the timing,

1 there clearly is no relationship between that cutback  
2 in performance and Turkish imports.

3 So what about the last few weeks? As I  
4 mentioned, we do not deny the relevance of the current  
5 situation in the marketplace. We've heard much about  
6 the situation in the last few weeks. What do we know  
7 about the situation? Again, let's try to step back  
8 from speculating entirely, and let's figure out what  
9 we know.

10 We know that this current economic situation  
11 will not make the U.S. market relatively more  
12 attractive to Turkish producers, so there is no reason  
13 for Turkish producers to start shipping to the United  
14 States.

15 We also know that the sudden price drops in  
16 the last couple of weeks resulted from a severe credit  
17 freeze that has interrupted all markets. Simply put,  
18 buyers have stayed on the sidelines. Of course,  
19 prices will decline in such an environment.

20 We also know that the U.S. Government and  
21 international institutions have taken unprecedented  
22 steps to ensure that this is a temporary interruption.  
23 The administration, Congress, and many economists  
24 believe that these steps will work. It's not going to  
25 be overnight, of course, but there is great confidence

1 out there that these steps will work to make this a  
2 temporary situation.

3 We know that the Middle Eastern markets that  
4 the Turkish producers have developed are the least  
5 vulnerable to a global economic slump. While oil  
6 prices are off of their short-term spike, the  
7 construction boom started while oil prices were much  
8 lower, lower than today's prices, in fact.

9 The proof of this comes in the form of  
10 announcements, just days ago, of multi-billion-dollar  
11 investment projects, which Mr. Nolan referred to a  
12 couple of times, and Ekinciler receiving orders, just  
13 in the last couple of days, from their U.A.E.  
14 customers.

15 So if Turkish producers are already the  
16 major players in an expanding market, it defies logic  
17 to conclude that revocation would compel these  
18 producers to leave the markets in the Middle East to  
19 return to the U.S. where prices will be lower and  
20 demand more limited.

21 This is what we know, and what we know  
22 confirms that revocation will not lead to a recurrence  
23 of injury to the U.S. industry and won't contribute to  
24 any serious decline to the domestic producers.

25 Even if the events of the last few weeks

1 indicate that U.S. producers will not be able to  
2 sustain the record-breaking profits and acquisition  
3 frenzy, we know it will not be because of the  
4 increased Turkish imports underselling U.S. prices.  
5 It is simply not a reasonable conclusion that could be  
6 drawn, based on all of the evidence we have on the  
7 record at this point.

8 For these reasons, we respectfully request  
9 that the Commission revoke the anti-dumping duty order  
10 on rebar from Turkey. Again, we thank you for your  
11 time.

12 CHAIRMAN ARANOFF: Well, I'll just reiterate  
13 my thank-you's to all of the parties and witnesses who  
14 have participated in today's hearing, which has been,  
15 I think, extremely informative, and we appreciate  
16 everything that you have done, and will continue to  
17 do, to help us navigate through some fairly  
18 complicated issues in this review.

19 Post-hearing briefs, statements responsive  
20 to questions and requests of the Commission, and  
21 corrections to the transcript must be filed by October  
22 27, 2008. Closing of the record and final release of  
23 data to parties will take place on November 21, 2008,  
24 and final comments are due November 25, 2008.

25 I don't believe there is any further

1 business before us, so this hearing is adjourned.

2 (Whereupon, at 5:10 p.m., the hearing in the  
3 above-entitled matter was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Steel Concrete Reinforcing Bar from Turkey

**INVESTIGATION NO.:** 731-TA-745 (Second Review)

**HEARING DATE:** October 16, 2008

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** October 16, 2008

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos E. Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** John Del Pino  
Signature of Court Reporter