

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2

3 In the Matter of:) Investigation Nos.: 701-TA-512

4 Carbon and Certain Alloy) and 731-TA-1248 (Preliminary)

5 Steel Wire Rod from China)

6

7

8 Friday, February 21, 2014

9 Hearing Room 101

10 U.S. International

11 Trade Commission

12 500 E Street, S.W.

13 Washington, D.C. 20436

14 The preliminary conference commenced, pursuant to

15 notice, at 9:30 a.m.

16 APPEARANCES:

17 On behalf of the International Trade Commission:

18 CATHERINE DEFILIPPO, DIRECTOR OF INVESTIGATIONS

19 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

20 AMY SHERMAN, INVESTIGATOR

21 KARL TSUJI, INTERNATIONAL TRADE ANALYST

22 AMELIA PREECE, ECONOMIST

23 CHARLES YOST, ACCOUNTANT/AUDITOR

24 ROBIN TURNER, ATTORNEY

25 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND

1 INFORMATION OFFICER

2 SHARON BELLAMY, PROGRAM SUPPORT SPECIALIST

3 MIKAYLA KELLEY, INTERN

4 PANEL ONE:

5 PAUL C. ROSENTHAL

6 JAMES KERKVLIT

7 EDWARD GOETTL

8 VIC STIRNAMAN

9 DANIEL FULLER

10 STEPHEN ASHBY

11 HOLLY HART

12 GINA BECK

13 KATHLEEN W. CANNON

14 R. ALAN LUBERDA

15 BENJAMIN B. CARYL

16 ERIC NYSTROM,

17 ALAN H. PRICE

18 DANIEL B. PICKARD

19

20 PANEL TWO: KIMBERLY A. KORBEL

21 FREDERICK P. WAITE

22 KIMBERLY R. YOUNG

23 P. MICHAEL DESHANE

24

25

1 P R O C E E D I N G S

2 CHAIR DEFILIPPO: Good morning and welcome to
3 the United States International Trade Commission's
4 Conference in connection with the preliminary phase of
5 Antidumping and Countervailing Duty Investigation Numbers
6 701-TA-512 and 731-TA-1248 concerning Carbon and Certain
7 Alloy Steel Wire Rod from China. My name is Catherine
8 DeFilippo, I am the Director of the Office of Investigation
9 and I will preside at this Conference.

10 Among those present from the Commission's staff
11 as from my far right, Douglas Corkran the Supervisory
12 Investigator, Amy Sherman, the Investigator, to my left
13 Robin Turner, the Attorney Advisor, Amelia Preece, the
14 Economist, Charles Yost, the Accountant Auditor and Karl
15 Tsuji, the Industry Analyst.

16 I understand the parties are aware of the time
17 allocations. Any questions regarding time allocations
18 should be addressed with the Secretary. I would remind
19 speakers not to refer in your remarks to business
20 proprietary information and to speak directly into the
21 microphones. We also ask that you state your name and
22 affiliation for the record before beginning your
23 presentation or answering questions for the benefit of the
24 court reporter.

25 All witnesses must be sworn in before presenting

1 testimony. Are there any questions? Mr. Secretary good
2 morning, are there any preliminary matters?

3 SECRETARY BISHOP: Madam Chairman I would note
4 that all witnesses for today's conference have been sworn
5 in, there are no other preliminary matters.

6 CHAIR DEFILIPPO: Thank you let us begin with
7 opening remarks.

8 SECRETARY BISHOP: Opening remarks on behalf of
9 the Petitioners will be by Paul C. Rosenthal, Kelley Drye &
10 Warren.

11 MR. ROSENTHAL: Good Morning Ms. DeFilippo and
12 members of the Staff. Thank you for convening this hearing
13 and we look forward to the opportunity to tell you about the
14 problems that the industry has been facing due to wire rod
15 imports from China. For the record, I am Paul Rosenthal
16 with Kelley Drye & Warren. If I introduce all of the
17 panelists right now we will use up all of our time so we
18 will wait until later.

19 The Commission has familiarity with this wire rod
20 product that has been the subject of previous trade cases
21 and indeed the Commission is in the midst of a sunset review
22 of unfair trade orders on wire rods from six countries. As
23 you will hear this morning, these orders have been recently
24 effective.

25 The public maintained badly needed stability for

1 the domestic industry which suffered devastating losses
2 measured in employment and profit due to the great recession
3 of 2008 and 2009. As the economy emerged from the
4 recession, demand for carbon and alloy steel wire rod
5 improved.

6 By 2011 the domestic industry overall was showing
7 signs of improvement as I said and health and even
8 stability. But by 2012 one important change began to affect
9 the domestic industry. That change was the unrelenting
10 increase in low priced imports from China.

11 In 2012 imports of wire rod from China increased
12 from negligible levels to more than 200 thousand tons and
13 then surged to over 600 thousand tons in 2013. China is now
14 the largest source of imports of wire rod and has displaced
15 domestic producers as well as other imports in this market.

16 As the data will show the U.S. producers share of
17 the U.S. market has declined significantly and directly as a
18 result of the imports from China. Our witnesses will tell
19 you this morning that the Chinese prices have undercut both
20 other imports and the domestic industry's prices as well.

21 Indeed the Chinese price offerings of over one
22 hundred dollars a ton less than those offered by the U.S.
23 companies are very, very common. Not surprisingly, these
24 unfairly low Chinese prices have resulted in lost sales and
25 price suppression. Indeed the Chinese prices have been so

1 low that customers often do not even bother to ask U.S. wire
2 rod producers to quote on tonnage because the customers know
3 that the domestic producers cannot touch the rock bottom
4 Chinese offerings.

5 The result of course, and the data will show this
6 is that the Chinese unfair pricing has depressed profits and
7 has caused the workforce to decline, both on a permanent
8 basis and on an interim basis. I want to be very clear
9 about one thing, there have been in this period of
10 investigation, no supply constraints on the domestic
11 industry. There have been no surges in demand.

12 The domestic industry has plenty of capacity to
13 supply the domestic market and the Chinese did not produce a
14 product that can't be supplied by the domestic industry. In
15 fact the Chinese offer nothing novel. No there is one
16 reason and one reason only for the Chinese import surge.
17 Low prices, it's really that simple.

18 I know the Chinese - - excuse me I know the
19 Commission staff has seen quite a few cases from China and
20 many involve steel products of course and I wish I could be
21 a little bit more creative this morning and describe some
22 phenomenon heretofore unseen by the Commission and your
23 experienced staff.

24 Alas what you have here is a very, very familiar
25 story. Massive Chinese overcapacity, substantial government

1 subsidization and aggressive dumping. The result has been
2 great harm to the companies and workers producing wire rod.
3 So since 2011 what we have seen is a small Chinese foothold
4 in the market has grown and grown steadily with no sign of
5 abating.

6 Indeed as you will hear this morning, all signs
7 are that the surge that expanded in 2012 and grew even more
8 in 2013 is expected to continue as bookings for Chinese
9 product already extend into June of 2014. You will hear
10 more this morning as well about the massive Chinese capacity
11 which has grown dramatically over the last ten years and was
12 pretty large ten years ago.

13 As the Chinese capacity has grown, so to has the
14 Chinese excess capacity. At present there is enough excess
15 capacity in China to supply the U.S. wire rod market for
16 many, many times over, so while there can be no real
17 question of the present material injury caused by the
18 unfairly traded imports from China, the threat of future
19 injury is real and imminent and dare I say ominous.

20 Indeed with the Chinese overcapacity and the
21 limitations on where that capacity can be used there can be
22 little doubt that the material injury already suffered by
23 the domestic industry will worsen with cataclysmic
24 consequences for workers and their communities.

25 When this Conference is concluded and the record

1 is complete, the Commission should make affirmative
2 findings in these antidumping and countervailing duty cases
3 thank you.

4 SECRETARY BISHOP: Madam Chairman, counsel for
5 Respondents have waived their opening statement, therefore
6 we are ready to begin with the panel in support of
7 imposition of countervailing and antidumping duty orders.

8 CHAIR DeFILIPPO: Thank you, welcome Mr.
9 Rosenthal and the Panel please proceed when you are ready.

10 MR. KERKVLIIET: Thank you, good morning. My name
11 is Jim Kerkvliet. I am the Vice-President of Sales and
12 Marketing for Gerdau Ameristeel US. I have served in this
13 capacity for over five years and have been involved in the
14 wire rod industry for over twenty-nine years.

15 Gerdau is a major supplier of long steel products
16 including carbon wire rod in the United States. We produce
17 wire rod in Beaumont, Texas and Jacksonville, Florida. We
18 also have a wire rod production facility in Perth Amboy, New
19 Jersey. That facility is currently idled although we could
20 ramp up production if the market conditions permitted.

21 Unfortunately, unless the unfair actions of the
22 Chinese producers that led to the filing of this trade case
23 are remedied, I don't see that happening and instead expect
24 further production curtailments at Gerdau.

25 Our industry has struggled over the years with

1 injury inflicted by a variety of unfairly trading countries.
2 In 2002 Gerdau joined a coalition to successfully pursue
3 trade cases against dumped and subsidized wire rod imports
4 from multiple countries that were costing us sales and
5 hurting us financially.

6 Imposition of those trade remedies provided the
7 industry a much needed level playing field for sales in the
8 market. As you know those orders are currently undergoing a
9 sunset review. We hope to keep these orders in place to
10 ensure continued fair-trading behavior and to prevent injury
11 from those countries.

12 We now however face another serious problem in
13 the form of unfairly traded imports from China. What is
14 truly disturbing about China is the unbelievably rapid pace
15 as which its producers have made in-roads into the U.S. wire
16 rod market. From virtually zero imports in 2011, China came
17 roaring into the United States in 2012 with 240 thousand
18 tons and then more than doubled those imports to exceed 600
19 thousand tons last year.

20 China is now the largest foreign supplier of wire
21 rod to this market. Not only did we face numerous unfairly
22 traded import sources in the past never have we seen a
23 single surge into our market at this pace and level of
24 imports and what makes this surge all the more concerning is
25 that it may well be just the tip of the iceberg for China.

1

2 Chinese capacity to produce wire rod is massive.
3 Our understanding is that Chinese wire rod producers are
4 faced with substantial overcapacity. Exports particularly to
5 the large and open U.S. market become a very attractive
6 means of alleviating this overcapacity situation.

7 The size of the Chinese industry is so great
8 relative to the U.S. demand that the Chinese producers will
9 basically wipe out the entire industry if they continue to
10 export their significant overcapacity here.

11 To make matters worse, the Chinese producers are
12 also provided incentives by the Chinese government to export
13 wire rod. Chinese producers qualify for a VAT rebate if
14 they add a trace amount of boron to the wire rod, which has
15 become a wide-spread practice.

16 This rebate provides further incentive to Chinese
17 wire rod producers to export as if the over-capacity
18 situation and the attractive U.S. customer base were not
19 enough. And make no mistake that these inroads by China into
20 the United States market are taking place for any other
21 reason than price.

22 The Chinese product competes head-to-head with
23 the product Gerdau and other U.S. producers sell. The
24 imports from China are not obtaining sales based on the
25 better quality or special type of product needed by the U.S.

1 purchasers. Their sales are made based on the much lower
2 prices they offer.

3 The use of unfair trading practices both dumping
4 and subsidization has allowed China to price aggressively to
5 gain sales and market share at our expense. Unfortunately,
6 the commercial bonanza to Chinese producers in the form of
7 both government rebates and rapid market penetration in the
8 United States is all at our industry's expense.

9 We have documented for the Commission numerous
10 examples of sales that Gerdau has lost to U.S. customers due
11 to lower priced imports from China. The price differential
12 is often substantial and would require us to sell at prices
13 below costs to compete in most cases. Gerdau has reduced
14 prices in a number of instances to try to keep sales when
15 confronted with lower competing prices from China, but we do
16 that at a cost to our bottom line. It is a no win
17 proposition.

18 As a result, we find ourselves in a very serious
19 dilemma. We are watching our production and shipments
20 decline, even though demand for wire rod in the United
21 States is stable or even increasing somewhat. China
22 meanwhile is increasing its market share at our expense.

23 We have had to reduce employment and scale back
24 production periodically. Our capital expenditures have
25 declined. We have been forced to cancel planned investments

1 in both our Beaumont and Jacksonville facilities. Rather
2 than being in a position to re-open our Perth Amboy plant,
3 we now struggle to keep our Beaumont and Jacksonville
4 facilities fully operational.

5 When we are able to sell wire rod, our prices are
6 depressed due to competition from dumped Chinese product
7 hurting our bottom line as well.

8 Gerdau Ameristeel should not be in this position.
9 We have world class operations and highly skilled employees.
10 We produce a high quality product in a wide variety of types
11 ranging from low to high carbon rod, welding rod,
12 cold-heading quality rod and many other special types of rod
13 as well. We serve our customers well.

14 The only reason we are not able to win sales in
15 today's market is that we cannot compete at the unfairly low
16 prices at which Chinese producers sell rod. It is that
17 simple.

18 Gerdau joined the coalition that filed this trade
19 case in an effort to remedy the effects of these very
20 injurious unfair practices in which the Chinese producers
21 have engaged. We have experienced the benefits imposing
22 remedial duties can provide to an industry when we brought
23 the earlier cases that are now under review.

24 We do not bring these cases lightly, but at this
25 point we have no choice. Unless we take action there is no

1 question in my mind that the rapid market penetration China
2 has accomplished in the past two years will continue and
3 accelerate at the expense of Gerdau and other U.S. rod
4 producers.

5 Relief and a restoration of fair trade conditions
6 are badly needed in the wire rod market. Thank you very
7 much.

8 MR. STIRNAMAN: Good morning I'm Vic Stirnaman
9 and I am President of Keystone Consolidated Industries. I
10 have served in Keystone's senior management since 2007 and I
11 have been involved in the steel wire rod industry for over
12 twenty-one years.

13 I would like to address the negative effects that
14 dumped and subsidized imports of steel wire rod from China
15 have had on Keystone and its workers. We produce steel wire
16 rod at our manufacturing facility in Peoria, Illinois. At
17 Keystone we maintain total control over every step of our
18 steel and wire production from the processing of scrap metal
19 through final packaging.

20 Our fully integrated capabilities enable us to
21 efficiently produce the finest steel possible and then
22 process it to match the most stringent customer
23 specifications.

24 Keystone's total control provides a high degree of
25 predictability and consistent quality. The bottom line for

1 our customers, however, is always price. Over the past two
2 years imports of unfairly traded steel wire rod from China
3 have surged into the United States.

4 Those surging imports have seriously hurt our
5 ability to sell wire rod in our home market. Quite frankly
6 it is frightening how quickly Chinese import volumes have
7 penetrated the U.S. market and displaced our sales. Almost
8 overnight China has become the largest supplier of imported
9 wire rod to the U.S. market.

10 The Chinese wire rod imports have captured sales
11 solely on the basis of very low and aggressive pricing.
12 Nothing else differentiates their wire rod from U.S.
13 produced rod. These extremely low prices are obviously
14 attractive to U.S. purchasers and they are well below prices
15 at which Keystone could hope to compete.

16 Since late 2011, but especially over the last
17 year we have seen our customers increasingly shift away from
18 Keystone and toward Chinese imports because of those low
19 prices. As a result, Keystone has lost substantial sales
20 and market share to China.

21 The surge of unfairly traded Chinese imports has
22 caused wire rod production to plummet over the past three
23 years leaving us with significant idle capacity. In 2013
24 while the Chinese were pumping 600 thousand tons of wire rod
25 into the U.S. market, Keystone was forced to take multiple

1 week long shutdowns. Specifically we had four one week
2 rolling mills shutdowns and nine one week melt shop
3 shutdowns laying off all of the workers who make wire rod
4 during those shutdowns.

5 Those shutdowns were devastating to our workers
6 and their families that depend on Keystone to put food on
7 the table. Without trade relief we will have to take
8 similar measures this year. With trade relief we hope to be
9 able to quickly ramp up our idle capacity and serve many
10 wire rod customers that are currently servicing from China.

11 As a fully vertically integrated steel producer,
12 we internally consume some of the wire rod that we produce
13 for our downstream industrial wire products. We sell wire
14 products that compete in the market with wire products that
15 our rod customers produce as well. A flood of cheap Chinese
16 wire rod imports has created a double whammy for us.

17 First from the Chinese producers who undersell us
18 in wire rod products, we lose commercial wire rod sales to
19 our wire business customers. Second, in our downstream rod
20 consuming businesses we must compete against wire producers
21 that benefit from buying the dumped and subsidized Chinese
22 wire rod at prices that undersell Keystone and other wire
23 rod sources.

24 That gives our wire competitors a cost advantage
25 when competing with Keystone's wire products and that often

1 overcomes the advantages Keystones integrated production
2 system would otherwise afford us. While Keystone must take
3 into account changes of raw material and other costs when
4 making pricing decisions for wire rod, the prices of
5 imported Chinese wire rod do not appear to be based on
6 changes in raw materials costs.

7 Keystone cannot compete with Chinese prices that
8 consistently undersell us, no matter what is happening to
9 costs or demand in the market. And despite the filing of
10 this case, Chinese wire rod is still being offered in large
11 volumes at the same rock bottom prices. It is my
12 understanding that the Chinese producers have arranged
13 orders for wire rod deliveries all the way up to June of
14 2014 at guaranteed prices.

15 That means we are looking at continued injury and
16 need relief from this case as soon as possible. This year
17 Keystone celebrates its 125th year of doing business. We
18 would like to continue our company's great tradition of
19 providing quality steel rod and wire products for another
20 125 years. To do that however, the Chinese producers must
21 be forced to play by the rules. They must cease dumping and
22 receiving government subsidies that enable them to sell at
23 such low prices in the U.S. market.

24 No more Keystone workers or other U.S. wire rod
25 workers should lose their jobs to keep the wire rod mills in

1 China running. On behalf of my company and all of the
2 workers in Keystone's mill, I urge you to give us trade
3 relief from the imports of steel wire rod from China, thank
4 you very much.

5 MR. NYSTROM: Good morning, my name is Eric
6 Nystrom and I am the Director for SPQ Wire Rod and Cold
7 Finished Products for Nucor Corporation. I have been
8 employed with Nucor for fourteen years. Nucor has four wire
9 rod facilities in Nebraska, Connecticut, Arizona and one in
10 South Carolina which just started production late in 2013 to
11 better serve our customer base.

12 I appreciate the opportunity to speak with the
13 staff today and I urge the Commission to find that wire rods
14 from China have injured the industry and continue to
15 threaten it with injury. There has been a massive surge in
16 Chinese imports over the past three years. In 2011 there
17 were virtually no Chinese wire rod imports imported in the
18 United States.

19 During that time, there was tremendous expansion
20 occurring in China and as a result Chinese imports did not
21 have a presence in the United States. Although in 2011 the
22 U.S. construction market remained soft, we anticipated a
23 gradual recovery and demand. Accordingly, Nucor invested
24 tens of millions of dollars to support our wire rod customer
25 base. We had previously restarted our Kingman, Arizona wire

1 rod mill, now with the anticipated recovery we approved a
2 new wire rod rolling facility for our Darlington, South
3 Carolina mill to begin in late 2013.

4 I would want to emphasize that we made this
5 investment decision for Darlington in 2011 when there
6 appeared to be a positive outlook for demand and the Chinese
7 imports were absent from the U.S. market. But just after we
8 announced our investment plans in 2011 this all changed.

9 Economic growth in China began to slow and we
10 started to see a growing wave of low-priced Chinese wire
11 rods surge into the domestic market. In response to this
12 sudden and massive volume of Chinese imports, we dropped our
13 wire rod prices to remain competitive. As the year went on
14 it got uglier and uglier, Chinese prices kept declining to
15 the point where we were unable to match their prices and
16 recover our costs of production.

17 Indeed by the end of 2012 Chinese imports had
18 taken a significant market share away from the domestic
19 industry. Needless to say, our decreased prices as a result
20 of the Chinese imports led to a decrease in our
21 profitability in 2012.

22 In 2013 Chinese producers kept shipping massive
23 volumes with no signs of slowing down. Indeed in 2013,
24 Chinese imports grabbed an additional market share that now
25 comprises a double digit percentage of the domestic market.

1 Although demand remained relatively flat in 2013, domestic
2 mill volumes declined as more and more market share was
3 captured by imports from China.

4 Chinese imports were able to penetrate the
5 domestic market so quickly by offering ridiculously low
6 prices. At a certain point we could no longer lower our
7 prices to compete against Chinese wire rod. Not
8 surprisingly, our customers continued to switch their supply
9 to Chinese wire rod. Often the price gap between Chinese
10 import prices and domestic prices was so large that we were
11 not even given an opportunity to compete with imported wire
12 rods from China.

13 Customers simply by-passed the negotiation with
14 us and purchased the cut rate Chinese imports. These
15 customers will increase their reliance on imports as Chinese
16 producers continue to ship massive quantities to the United
17 States. Even if our customers wanted to purchase wire rods
18 from Nucor or other domestic suppliers, Chinese wire rod is
19 priced so low that our customers must purchase imports to
20 remain competitive.

21 If the company next door is purchasing dumped and
22 subsidized imports from China, then even our most loyal
23 customers feel that they have to purchase a certain volume
24 of imports simply as a matter of competition. Consequently,
25 we can no longer continue to drop our prices to compete

1 against dumped and subsidized Chinese wire rods.

2 We lost sales and we lost market share, so while
3 in 2012 low priced Chinese wire rod caused U.S. prices and
4 profits to decline and in 2013 we were negatively impacted
5 by lost volume.

6 Due to the Chinese wire rod that has flooded the
7 domestic market, Nucor and other domestic producers are
8 operating at low levels of capacity utilization. The
9 domestic industry has more than enough capacity to supply
10 the domestic market. There is simply no need for Chinese
11 wire rod where many domestic producers are operating well
12 below their capacities.

13 The domestic industry also has full geographic
14 coverage throughout the United States to cover our
15 customer's needs. Indeed Nucor alone has wire rod mills in
16 Western, Midwestern, Eastern and Southern United States to
17 better supply our customers. The domestic industry can
18 produce virtually any grade of wire rod which includes boron
19 added wire rod.

20 Boron added wire rod is used in many of the same
21 applications as non-boron added wire rod. If our customers
22 request boron-added wire rod, we will simply add the boron
23 to the steel and supply our customers. It is important to
24 recognize that the vast majority of grades imported to the
25 United States from China are basic low, medium and high

1 carbon grades.

2 Anyone who tells you otherwise is simply not
3 telling you the entire truth. Anti-dumping and
4 countervailing duty orders on wire rods from China are
5 necessary to prevent further damage to the domestic
6 industry. Otherwise, Chinese producers will continue to
7 ship massive quantities of wire rod to the United States and
8 the domestic industry will be prevented from participating
9 in any recovery in the United States wire rod market.

10 From past experience as we know that Chinese
11 producers have shipped over one million tons of wire rods to
12 the United States and with their massive amount of excess
13 capacity, they stand capable of sending much more without
14 the discipline of an order. The U.S. market is one of the
15 largest, most open, traditionally attractive markets in the
16 world.

17 If anti-dumping and subsidy orders are not
18 issued, Chinese imports will continue to cause the domestic
19 industry to lose orders and eventually shut down capacity.
20 Nucor did not invest over one hundred million dollars in the
21 wire rod operations to better serve its customers only to
22 have low priced Chinese imports decimate the industry.

23 If U.S. manufacturers are not able to maintain
24 production, bottom lines will be injured and American
25 workers will suffer. Even now, our Nucor mills are running

1 at low levels of capacity utilization, our typical employees
2 working fewer hours and taking home less pay than a few
3 years ago when Chinese imports were not hammering the
4 market.

5 Nucor prides itself in providing stable and
6 good-paying jobs that are important to local communities.
7 Anti-dumping and countervailing duty orders are necessary to
8 protect Nucor and its workers from unfairly priced imports.

9 On behalf of Nucor and all of our employees, I
10 urge the Commission to grant trade relief against wire rod
11 imports from China, thank you.

12 MR. FULLER: Good morning, my name is Dan Fuller
13 and I am the Director of Wire Rod Sales for ArcelorMittal
14 USA. I have held this position for nine years and have been
15 involved in the wire rod industry for over twenty-five
16 years. ArcelorMittal USA's primary wire rod production
17 facility is located in Georgetown, South Carolina. We also
18 produce wire rods at our Long Branch facility in East
19 Chicago, Indiana.

20 ArcelorMittal USA has an excellent production
21 facilities and employs some of the best and most experienced
22 steel workers in the industry. We make a wide variety of
23 wire rod grades at our facilities, including low, medium,
24 high carbon, tire cord, tire bead and welding wire rod. If
25 you look at the capabilities of the list of the Petition

1 companies in this case, the domestic wire rod industry is
2 capable of supplying high quality wire rods to the entire
3 U.S. market regardless of end use. As was the case for many
4 sectors of the steel industry the wire rod industry went
5 through a difficult period during the recession of late 2008
6 and 2009 with demand for wire rod at very low levels. As a
7 result ArcelorMittal USA closed its Georgetown, South
8 Carolina facility for a period of approximately eighteen
9 months beginning in June of 2009.

10 This was a difficult decision that was very tough
11 on the workers and the families of the Georgetown community.
12 As both the economy and demand for wire rod began to
13 improve, we made the careful decision to re-open the
14 Georgetown facility as of February, 2011. With our
15 established customer base and quality products, we felt that
16 the improving economy and market demand for wire rods
17 supported that decision.

18 It is very important to understand that when we
19 were making this decision late in 2010 to re-open Georgetown
20 there was virtually no imports of Chinese wire rod in the
21 marketplace. That all changed in 2012 when a flood of low
22 priced wire rods hit the market almost overnight.

23 In 2012 we were faced with nearly a quarter of a
24 million tons of imported Chinese wire rod and all of it had
25 prices well below those that ArcelorMittal USA was offering.

1 As a result, Chinese wire rod fast became the price-setter
2 in the U.S. market.

3 Over the course of 2013, things got worse as
4 imports of subject wire rod from China more than doubled.
5 Our customers are rational business people who like us, want
6 to make a profit. Some of those customers have their own
7 problems with pricing pressure from imports from China in
8 their sales of downstream wire products.

9 Those customers will not pay more than they have
10 to for wire rod and they are not going to turn down Chinese
11 prices that are a hundred dollars or more per ton under our
12 prices. As long as the market has unfettered access to the
13 huge amounts of Chinese wire rod at such low prices, we will
14 continue to face severe pricing pressure and lost sales to
15 Chinese imports.

16 The effect of competing with dumped and
17 subsidized wire rods from China has been devastating to our
18 wire rod business. Despite the economy improving and
19 consumption rising, we would not be able to achieve the kind
20 of volume prices and profitability that we hoped for when we
21 made the decision to re-open Georgetown.

22 With Chinese wire rods flooding the market, we
23 are actually forced to cut back production from three shifts
24 to two shifts in the fourth quarter of 2012. This resulted
25 in the lay-off of forty steel workers. United States is

1 Georgetown's main market and we have to be able to obtain
2 prices that cover our costs and provide a reasonable return
3 to the company. We will not be able to do that as long as
4 Chinese producers continue to export their huge
5 over-capacity at extremely low prices in this market.

6 Unfortunately, we have every reason to believe
7 that imports from China will increase again in 2014 if we
8 are unable to get relief through this trade case.

9 Monitoring by the Commerce Department's SIMA Program shows
10 that imports of wire rod from China are continuing at a very
11 high level.

12 With Chinese governments' incentives to export
13 wire rod, a large and open U.S. market and Chinese producers
14 willingness to undersell domestic producers by a wide
15 margin, a surge in Chinese imports is likely to continue.
16 It is critical to the long-term viability of ArcelorMittal
17 USA's wire rod operations that we retain relief from the
18 dumped and subsidized imports of wire rod from China, thank
19 you.

20 MR. ASHBY: Good morning, I'm Steve Ashby and I
21 am the Director of Rod and Bar Sales for Evraz Pueblo, a
22 domestic producer of carbon and alloy steel wire rod. I
23 have held this position for fifteen months and prior to that
24 held wire rod and wire sales positions for ArcelorMittal
25 USA.

1 I have been involved in the rod and wire business
2 for over thirty years and I am here today with others in the
3 industry to explain the injury caused by imports of wire
4 rods from China. Evraz has a major rod production in
5 Pueblo, Colorado, producing a wide range of wire rod in
6 grades and sizes.

7 While Evraz produces low carbon mesh and
8 industrial grade wire rod, our product mix is weighted
9 heavily toward high and medium carbon steels. We produce
10 medium carbon grades of wire rod for the furniture and
11 bedding spring rod business as well as high carbon rod for
12 the making of PC strand, rubber re-enforcement and wire row.

13 In addition Evraz produces welding quality wire
14 rod. Unfortunately we are being injured by dumped and
15 subsidized imports of wire rod from China across our product
16 lines. The first influx of low-priced wire rod from China
17 in 2012 appeared to be primarily low carbon and mesh grades
18 but over the course of the last two years we have seen China
19 import and move toward the medium and high carbon grades of
20 wire rod as well.

21 The Chinese producers have been selling wire rod
22 to our customers and they particularly targeted the high
23 carbon PC strand market which is an important market for
24 Evraz. Chinese wire rod industry has established itself as
25 making a product that meets the standards of U.S. customers,

1 including some of the largest purchasers of wire rod in the
2 United States.

3 Imported Chinese wire rod is interchangeable with
4 domestic and other imported rod in the eyes of our
5 customers. The Chinese producers have established that they
6 can meet the requirements of the large U.S. purchasers and
7 the 600 thousand tons that they pumped into the U.S. market
8 shows they have a large and expanding customer base here.

9 We have documented numerous lost sales in the
10 petition and whenever Evraz loses a sale to dumped and
11 subsidized Chinese wire rod, or takes a smaller share of the
12 customer's needs at a lower price, it is not because the
13 customers prefer their quality, delivery or service
14 associated with Chinese wire rod.

15 What purchasers prefer are the low prices being
16 offered on dumped and subsidized Chinese wire rod. Unfairly
17 traded Chinese wire rod has consistently undersold Evraz by
18 significant margins of over one hundred dollars per ton
19 throughout this period. If the Chinese producers are not
20 forced to trade fairly, purchasers will continue to buy as
21 much low-priced Chinese wire rod as they can.

22 We continue to hear offers and understand that
23 there are orders for significant tonnages of Chinese wire
24 rod placed through the second quarter of 2014. Chinese
25 prices continue to be lower than our prices by a wide

1 margin. So as the Director of Rod Sales for Evraz here is
2 what I face, I face huge and growing imports from China.
3 First I face a competitor with the ability to increase its
4 market participation by hundreds of thousands of tons per
5 year.

6 Second that competitor has already gained the
7 acceptance of most of my important customers. Third,
8 because the purchasers accept the quality of the Chinese
9 material, price has become the most important purchasing
10 decision.

11 And finally, the Chinese producers consistently
12 undersell Evraz. Our customers tell us they cannot afford
13 to ignore these low prices and I cannot afford to match
14 them. This is a recipe for disaster for Evraz and the
15 domestic wire rod industry. Under these circumstances, it
16 is critical that the Commission grant us relief from the
17 injury being caused by dumped and subsidized imports of
18 Chinese wire rod, thank you.

19 MS. HART: Good morning, my name is Holly Hart
20 and I am the Legislative Director and Assistant to the
21 President of the Steelworkers Union, the largest industrial
22 union in North America with more than eight hundred and
23 fifty thousand members. The Steelworkers represents workers
24 in the domestic wire rod industry, numerous facilities,
25 including those of ArcelorMittal USA in South Carolina and

1 Indiana, Cascade Steel Rolling Mills in Oregon, Evraz Pueblo
2 in Colorado, Gerdau Ameristeel US in Texas, Republic
3 Engineered Products in Ohio and Sterling Steel Company in
4 Illinois.

5 I am here today to testify on behalf of the
6 steelworkers or members, retirees and their families as to
7 why this is essential for the Commission to provide trade
8 relief from unfairly traded imports of steel wire rod from
9 China.

10 For years our union has been fighting to save our
11 jobs against foreign governments and companies seeking to
12 gain an unfair advantage by violating trade rules. Such
13 actions have had an enormously corrosive effect on the
14 nation's manufacturers and their workers. The U.S. steel
15 wire rod industry has faced unfair competition from numerous
16 countries over the years. The Commission granted us trade
17 relief in 2002 against subsidized wire rod imports from
18 multiple countries, while that relief has been very
19 important, in just the last two years dumped and subsidized
20 imports of Chinese wire rod have inundated the U.S. market,
21 capturing sales in the U.S. market share from domestic
22 producers and severely reducing domestic prices and
23 production of wire rod.

24 This onslaught of dumped and subsidized imports
25 from China threatens the economic livelihood of hundreds of

1 American steelworkers. The wire rod industry like other
2 parts of the steel industry, is still trying to recover from
3 the recession of 2009. As you heard from Mr. Fuller, the
4 Georgetown mill was closed for a period during the recession
5 putting all of those steelworkers out of work.

6 It was a great relief for those Georgetown
7 steelworkers to get back to their jobs and some measure of
8 economic security in 2011, but by the fourth quarter of 2012
9 as imports of wire rod were flooding in, ArcelorMittal was
10 again forced to lay-off forty steelworkers. Those
11 steelworkers that are still employed are left to wonder
12 whether they will lose their jobs due to unfairly traded
13 imports.

14 As Mr. Kerkvliet testified Gerdau has a an idled
15 wire rod facility in Perth Amboy, New Jersey that could
16 reopen which would mean more steelworker jobs in the wire
17 rod industry. Chinese producers should not be able to
18 export their huge excess capacity into the United States at
19 unfairly low prices at the expense of the domestic wire rod
20 industry and our members, but that is exactly what is
21 happening.

22 As members of the industry just testified,
23 production curtailments and lay-offs have occurred during
24 this period. The flood of Chinese imports is also causing
25 American wire rod workers to suffer reduced work hours,

1 meaning shrinking paychecks as their employers cut back
2 production.

3 The union and its members have worked closely
4 with domestic producers throughout the great recession. We
5 have fought tirelessly to save steelworker jobs and to
6 secure some benefits for many of our retirees who were
7 inequitably stripped of benefits that were earned over a
8 lifetime of hard work in a challenging environment with the
9 bankruptcy of many companies.

10 We continue to do everything we can to ensure the
11 viability of the industry. We cannot stop the injury being
12 caused by the massive overcapacity, government subsidies and
13 unfair pricing coming from China but the Commission can.
14 While it is often easy to gloss over unemployment numbers,
15 those numbers as you well know represent human beings, it's
16 American workers, families, retirees, each having
17 communities that rely on the continued viability of the U.S.
18 steel wire rod industry. So the outcome of this case will
19 shape the future of this industry, its workers, retirees and
20 their families.

21 Every ton of wire rod that the Chinese producers
22 continue to flood into our market is a ton of wire rod that
23 an American steelworker can't produce. On behalf of our
24 steelworkers, members, retirees and families all over the
25 country, I hope you will do the right thing and determine

1 that these unfair imports are injuring the industry and its
2 workers. Thanks very much.

3 MS. BECK: Good morning, I am Gina Beck of
4 Georgetown Economic Services. This morning I would like to
5 discuss the massive growth in imports from China, negative
6 pricing effects of these imports and resulting material
7 injury and threat of injury suffered by the domestic
8 industry.

9 Wire rod imports from China surged over the POI
10 to become the largest import source of wire rod. Imports
11 from China now account for more than 36 percent of total
12 wire rod imports from all countries. As Chart 1 shows,
13 imports from China skyrocketed from a 144 short tons in 2011
14 to nearly 619 thousand tons in 2013. That reflects a
15 tremendous growth rate of 543,000 percent.

16 Over the past three years China's share of the
17 U.S. market has jumped from a miniscule level of less than
18 one percent in 2011 to a double digit market share in 2013.
19 China's market share is even more significant when only the
20 U.S. commercial market for wire rod is examined.

21 These imports underbid U.S. prices to obtain
22 their substantial increasing sales volumes in 2012 and 2013.
23 The result has been voluminous lost sales and lost revenues
24 suffered by U.S. producers to Chinese imports. Many of
25 these instances of lost sale have already been confirmed by

1 purchasers.

2 The pricing information U.S. producers submitted
3 in the lost sales and lost revenue data show the low prices
4 and underselling by imports from China relative to U.S.
5 producers prices. These data are confidential but import
6 AUV's are useful as a public proxy for prices.

7 As shown in Chart 3 in 2013, the Chinese import
8 AUV of 506 dollars per ton was well below the AUV of imports
9 from all other countries which was 761 dollars per ton. By
10 fourth quarter of 2013, Chinese import AUV's have fallen
11 below 500 dollars per ton. Most importantly a comparison of
12 Chinese import AUV's and U.S. produced shares shipment AUV's
13 also shows subject imports underselling the U.S. industry by
14 a substantial degree of underselling by imports by China.

15 The confidential data received to date in the
16 importer's questionnaires on an individual product basis
17 also show pervasive underselling of the U.S. prices. The
18 pricing data in the U.S. producer's questionnaires
19 demonstrate the effects of persistent and deepening
20 underselling by imports by China on U.S. prices.

21 The substantial drop in U.S. producer's prices
22 over the POI with product two as an example is evidence of
23 the intense price based competition of underselling the
24 Chinese imports. U.S. producers have been forced to either
25 lower their prices to meet Chinese import prices or lose

1 business.

2 The huge growth in imports from China during
3 recent years at low prices has had a significant negative
4 effect on the U.S. industry. Domestic industry production,
5 shipments, employment and net sales all have declined
6 significantly over the 2011-2013 period as shown in Chart 6.

7 Further capacity utilization for the industry
8 fell to a low point in 2013, leaving U.S. producers with
9 substantial excess capacity to produce wire rod. As shown
10 in Chart 8, the industry's operating income has plummeted
11 over the POI falling by close to 50 percent from 2011 to
12 2013.

13 Although unit costs and goods sold declined
14 somewhat over that period, the average unit values of the
15 U.S. producer shipments fell at a faster pace, leading to
16 these financial declines. This situation can only be
17 attributed to huge volumes of increasingly low priced
18 imports from China.

19 As shown in Chart 9, our case presents the
20 classic x of subject import market share increasing at the
21 direct expense of the U.S. producer's market share. When
22 the Chinese share of the U.S. market jumped from virtually
23 nothing in 2011 to a double digit level in 2013, the U.S.
24 industry's share dropped significantly. Imports from China
25 are using their low prices to directly displace U.S.

1 producer shipments.

2 In addition to the injury the domestic industry
3 has already suffered from these imports, Chinese wire rod
4 presents a real and imminent threat of further injury to the
5 U.S. industry. As shown in Chart 10, Chinese wire rod
6 productive capacity is massive. Total capacity that
7 produced wire rod in China was close to forty times the size
8 of the U.S. market in 2013.

9 Of even greater concern, unused Chinese wire rod
10 capacity is over ten times the size of the entire U.S.
11 market as shown in Chart 11. Chinese producers are running
12 at a capacity utilization rate of less than 75 percent
13 leading to millions of tons of excess capacity. This
14 overcapacity situation led to the rapid increase in subject
15 imports in the past two years and will lead to continued
16 further increases as well.

17 Despite large inventories and huge idle capacity,
18 China's producers are building an additional capacity to
19 produce wire rod. Just the new capacity coming on-line in
20 China is estimated to be twice the U.S. market. Chinese
21 producers are increasing their exports and the United States
22 is one of China's top markets. These collective facts
23 demonstrate that the threat of continued material injury
24 from China is real and imminent, thank you for your
25 attention this morning.

1 MS. CANNON: Good morning, I am Kathleen Cannon
2 and I will conclude our presentation today by addressing
3 briefly three legal issues. First the domestic-like
4 product, as set forth in the Petition, the domestic-like
5 product should mirror the scope of the case and be defined
6 as carbon and certain alloy steel wire rod. This definition
7 is consistent with the like product definition the
8 Commission has adopted in the other wire rod trade cases.

9 Although the scope of this case includes certain
10 types of wire rod excluded from the existing trade orders on
11 wire rod, the like product definition in that earlier case
12 included those types of rod as well so no like product
13 change is needed for that scope expansion.

14 The other scope change here relates to
15 elimination of a lower diameter on the wire rod. That
16 change was made in response to new commercial sales of
17 imported products at lower diameter levels, specifically by
18 DeAcero, a Mexican producer subject to an anti-dumping duty
19 order on this product.

20 The change however, has no effect on your
21 database as no domestic manufacturer is producing products
22 below the five millimeter diameter breakpoint. Further,
23 nothing in the characteristics, uses or manufacturing
24 process has changed that would warrant a departure from the
25 like definition the Commission has historically adopted in

1 examining wire rod.

2 A second legal issue presented by this case is
3 captive consumption. The record data indicate that a
4 significant amount of domestic wire rod is both internally
5 transferred for production of downstream products and is
6 sold in the merchant market. Wire rod that is internally
7 transferred by U.S. producers generally does not enter the
8 rod market and wire rod is the predominant material import
9 used in producing downstream wire products.

10 We do not yet have all the data needed to analyze
11 the precise downstream wire products manufactured by rod
12 producers as compared to purchasers of wire rod to address
13 the third statutory factor. But whether or not the
14 statutory factors are met, the Commission has routinely
15 recognized that the existence of a significant level of
16 captive consumption is a relative condition of competition
17 and warrants examination of the merchant market data as
18 well.

19 Accordingly, the Commission should examine the
20 data here both on a total industry basis and on a merchant
21 market basis. The domestic industry has suffered material
22 injury from subject imports on both the total industry basis
23 and on the basis of merchant market sales alone. The data
24 shows that profits on commercial sales are declining and
25 that profits on commercial sales are somewhat worse in 2013

1 than those for the industry overall due to competition with
2 low priced imports from China and similarly that the markets
3 share on a commercial market basis alone of the subject
4 imports is greater than on a total industry basis.

5 The third important legal issue here is causal
6 nexus. The record data establish a strong causal nexus
7 between subject import volumes and prices and the domestic
8 industry's performance. As subject import market shares
9 surged over the past three years, the domestic industry's
10 share fell.

11 Despite an overall stable market, domestic
12 producers saw their production and shipments decline while
13 imports from China increased. That's the chart that Ms.
14 Beck showed displayed. Lower prices for large volumes of
15 Chinese rod pulled down U.S. prices and caused the financial
16 condition of the industry to deteriorate.

17 Numerous instances of lost sales and specific
18 customer accounts have been documented. The stated
19 correlations are strong and demonstrate the injurious effect
20 of the unfairly traded imports on U.S. producers. No other
21 factor explains this industry down-turn. Demand for wire
22 rod has been stable or even increasing somewhat over this
23 period. Non subject imports have been declining in volume.
24 Further, the average unit values and prices of non-subject
25 imports are significantly above those of China and are not

1 the cause of the price depression being suffered by U.S.
2 producers here.

3 The domestic industry is ready, willing and able
4 to sell quality wire rod but is struggling to do so because
5 of the unfairly traded imports from China. The record as a
6 whole provides strong evidence that subject imports are
7 causing material injury to the U.S. industry within the
8 meaning of the law. That concludes my statement, thank you.

9 MR. ROSENTHAL: Ms. DeFilippo, before the panel
10 answers questions, I want to introduce the other panels who
11 haven't been direct witnesses but will be available to
12 answer questions. First would be Edward Goettl who is the
13 Manager of Wire Rod Sales for Gerdau Ameristeel, my
14 colleagues at Kelley Drye, Alan Luberda and Ben Caryl and
15 our co-counsel from Wiley Rein, Alan Price and Dan Pickard,
16 so I don't think I missed anybody here but we are all going
17 to be available to answer your questions, thank you.

18 MS. DEFILIPPO: Excellent, thank you. Thank you
19 very much to the witnesses who came today, it is very
20 helpful for us to get information directly from the company
21 officials, not that I am down-grading the attorneys but we
22 do appreciate you taking the time to come be here, I know it
23 is hard to be away from your business and we do appreciate
24 it and with that I will turn first to Ms. Sherman to see if
25 she has questions for this panel.

1 MS. SHERMAN: Good morning, thank you all for
2 being here this morning. My first question I believe you
3 have addressed already but I wanted to follow up a little
4 bit more on it, concerning, if the domestic wire rod
5 industry has the capacity to supply the entire U.S. market,
6 I believe many of you this morning said that you did but for
7 all end uses do you have the capacity to supply wire rod
8 specifications for all different types of end uses?

9 MR. NYSTROM: Certainly for all of the product
10 coming in from China we have the capacity to be able to
11 supply all of that product.

12 MR. KERKVLiet: This is Jim Kerkvliet from
13 Gerdau and building on Eric's comments the thing that I
14 would say is as an industry we are operating between a 60
15 and 65 percent capacity utilization so it is a clear
16 indication that there is enough capacity from which to serve
17 the market.

18 I would also say that during the period of review
19 the domestic market share has dropped precipitously because
20 of the imports that are coming in from unfairly traded
21 imports from China.

22 MR. ASHBY: Steve Ashby from Evraz we are on
23 three crews, we could add the fourth crew very easily.
24 Everything that comes in from China we can produce, we think
25 we would produce better than the Chinese, so our only issue

1 has been really what's happening with regard to Chinese
2 prices and how low they have come in for the country.

3 MS. SHERMAN: Thank you and also concerning the
4 plant that was idled for Gerdau, excuse me, in New Jersey,
5 how long has that plant been idled and do you anticipate it
6 being started again in the immediate future?

7 MR. KERKVLIIET: Thanks for the question, Jim
8 Kerkvliet again. The melt shop was idled in the latter part
9 of 2007 and the rolling was idled in the later part of 2009.
10 As I said in my statement we could re-open that facility but
11 only if market conditions warrant. We have been making sure
12 to do the maintenance that is required on the facility but
13 if the market conditions are not there just as discussions
14 have been made from our friends from ArcelorMittal in
15 Georgetown, who made the studious decision about restarting
16 the Georgetown only to have the imports from China come in
17 and hurt their market.

18 MS. SHERMAN: Is there significant capacity for
19 wire rod production at this facility or do you produce other
20 products also at this facility?

21 MR. KERKVLIIET: The Perth Amboy facility has
22 about 750 thousand tons of capacity and it is almost 100
23 percent wire rod.

24 MS. SHERMAN: Okay thank you. Another question
25 - - actually for ArcelorMittal regarding your Georgetown,

1 South Carolina plant that was shut down in 2011, when it
2 re-opened in 2011 do you have any other plans to shut down -
3 - would there be a possibility to shut down this plan again
4 if there were anything in the future that would cause - -
5 would the Chinese imports adverse conditions in the
6 future?

7 MR. KERKVLIIET: Well I mean we shut down the
8 plant after the crisis of '08-'09, we just hit a wall and
9 obviously it brought the plant back to run three shifts so
10 we brought it down to two, so we do have two shifts
11 available. Do we have any plans to shut it down again, from
12 my own personal feeling if we don't have any trade relief,
13 the way the volume is coming in from China, that would be
14 the only reason it would shut it down again. You have seen
15 the numbers, a quarter million tons, six hundred thousand
16 tons, where is that going to go.

17 MS. SHERMAN: Thank you.

18 CHAIR DeFILIPPO: Thank you, Ms. Sherman. Ms.
19 Turner.

20 MS. TURNER: I hit the right one. Lots of little
21 buttons going in different directions. Hi, Robin Turner.

22 I think I'll start out with actually just one
23 follow-up question, Ms. Cannon, on the question about the
24 lower diameter and whether -- is the U.S. industry producing
25 at the lower diameter, and maybe that's actually better

1 addressed to each of the U.S. producers.

2 MS. CANNON: Our understanding is no, but anybody
3 can correct me if that's incorrect.

4 MR. GOETTL: Ed Goettl from Gerdau. We do not
5 make below 5.5 millimeter.

6 MS. TURNER: Is there the reasons why that you
7 haven't started producing at that level? I mean since
8 Mexico has? Go ahead.

9 MR. GOETTL: No.

10 MS. CANNON: Our basic understanding is that
11 the product that's coming in from Mexico was being brought
12 in because it was below the technical limit to get around
13 the order, and it's being used for exactly the same product.
14 That was the finding of the Commerce Department in the
15 circumvention case, which is currently on appeal, and that
16 issue hasn't yet been resolved, as to whether it's
17 technically in or out of scope.

18 But that was -- that's what the product is
19 being used for. So there's no need for our companies to
20 produce it at that level.

21 MS. TURNER: So there's not -- it's not a
22 technological advancement is basically what you're saying.
23 I think what I'm hearing, right?

24 MS. CANNON: That's correct.

25 MS. TURNER: Okay, thank you. Then let me

1 follow up, Ms. Cannon, as well with you on the captive
2 production provision, and you had indicated you had walked
3 through the different criteria, indicating that on the third
4 criteria, you were still gathering some data to make it, to
5 indicate what your position would be on whether the third
6 criteria was met?

7 MS. CANNON: That's correct. The information
8 is -- we haven't been able to review all of the
9 questionnaires on the third criteria, to show exactly within
10 the downstream wire products which ones overlap with the
11 same wire products that our producers make, so to be able to
12 address what that percentage is.

13 There's certainly wire rod that our producers
14 make, that is used -- that is produced into the same
15 downstream products that their customers make. But if you
16 look at the questionnaires, what the percentage aggregate
17 is, we're not certain at this point and how that fits within
18 the scheme of the Commission's analysis in past cases, to
19 meet that statutory criteria.

20 But our understanding is whether or not it's
21 technically met, the Commission has routinely taken it into
22 account as a condition of competition and looked at it as
23 well, and that was what we were urging.

24 MS. TURNER: And I understand the latter part
25 of that, of looking at it as a condition of competition.

1 But just getting back to the actual provision of whether the
2 third provision is met. When you do address that, I take it
3 you're going to do that in your post-conference brief.

4 When you do address that, since the Commission
5 in the past has not found that third criteria to be met in
6 the prior cases, then in fact if you do find it to be met,
7 can you explain the difference between what has changed
8 since 2008 or whatever that earlier date was on the --

9 MS. CANNON: We will do so, and again, I'm not
10 even necessarily saying we think it's met here. We still
11 want to look at the data, and it very well may be in the
12 same position as it was in the last case.

13 MS. TURNER: Okay, thank you. On the tables,
14 the charts, turn to No. 7, Ms. Beck where -- and this would
15 actually then be addressed to some degree to the U.S.
16 producers. On Chart No. 7, you've got Index 2011 as 100 or
17 1, versus 2013, to show the difference in capacity
18 utilization.

19 So I guess the question I have for the U.S.
20 producers, is 2011 what the Commission should use as the
21 benchmark for what would be an appropriate capacity
22 utilization for this industry? I mean you've used 100 as
23 your basis for 2011.

24 So I mean that makes it sound like even though
25 I know that's not 100 -- your capacity utilization was not

1 100 percent in 2011, full capacity often is below 100
2 percent for actual capacity that an industry can obtain.

3 MS. BECK: This is Gina Beck of GES. I mean
4 we were somewhat constrained by the confidentiality of the
5 data. So what we wanted to show was that over the period of
6 investigation, there has been a decline in capacity
7 utilization rates to a very low under-utilized capacity in
8 2013.

9 MS. TURNER: But for the industry members,
10 basically it's more asking the question. Was 2011 a good
11 year for your capacity utilization level, or is it something
12 that still was lower than what your actual capacity
13 utilization, as opposed to theoretical capacity utilization
14 level?

15 MR. FULLER: Dan Fuller, Georgetown. I mean
16 ArcelorMittal Georgetown. Basically, with our plant, we
17 were running at three shifts in 2011 for most of the year.
18 We started up on two and we immediately went to three.

19 So from a Georgetown perspective, if you
20 looked at 2011, we have a higher capacity utilization than
21 2012. So if you add that to the whole industry, if you took
22 -- I can't speak for the other companies, but from
23 Georgetown, we were producing more rod in 2011 than we were
24 in 2012.

25 MS. TURNER: So if you got back to that level,

1 that would actually be --

2 MR. FULLER: If we, yeah. We could add a
3 third shift and we could even add a fourth shift, so --

4 (Simultaneous speaking.)

5 MR. NYSTROM: Eric Nystrom with Nucor. We
6 weren't happy with our utilization rates in 2011, and
7 they've gotten worse. We would much rather see better
8 conditions than what we had in 2011.

9 MS. TURNER: Then in post-hearing,
10 post-conference briefs, if you can actually address them,
11 what numbers you would think are more your -- and again,
12 often, it's below 100 percent capacity utilization. But
13 what levels then are ones that would be a good level for the
14 industry?

15 MR. NYSTROM: Yes. That can be addressed in
16 post-hearing.

17 MR. PRICE: Alan Price for Nucor. We'll
18 address that for Nucor in the post-conference brief.
19 Fundamentally, this industry has operated in the same
20 production facilities at much higher levels of production
21 capacity.

22 So there's substantial proven upside capacity
23 in this industry. This isn't a supply constraint that
24 explains any of these imports.

25 MR. STIRNAMAN: Vic Stirnaman from Keystone.

1 I'd just like to say that 2011 was certainly a better year
2 than the years since. However, it was not, if you want to
3 look at it from our perspective, back to pre-recession
4 levels, as far as utilization of our capacity.

5 MS. TURNER: Thank you. Anybody else want to
6 -- I mean that's fine. I just want to make sure that nobody
7 else wanted to -- then actually my last two questions are
8 directed to counsel, just to include in your post-conference
9 briefs.

10 One is to address whether there are any
11 related party issues, and if so, your positions on those,
12 and secondly, whether there are trade remedies in other
13 countries that the Commission should be taking into
14 consideration, as it's required to by statute.

15 MS. CANNON: We will do so.

16 MS. TURNER: And with that, that's the end of
17 my questions. Thank you.

18 CHAIR DeFILIPPO: Thank you, Ms. Turner.
19 We'll now turn to our economist, Ms. Preece.

20 MS. PREECE: It didn't want to turn on for me.
21 This is Amelia Preece I m an Economist. I want to thank
22 you. I've got a lot of lost sales from you and I've gotten
23 a lot of responses from the purchasers, and they have
24 actually been very useful for me to understand better what's
25 going on.

1 So I want to thank you for that. Let me start
2 with a little question on this Perth Amboy plant. How long
3 would it take to start it up, estimate, guesstimate?

4 MR. KIRKVLIIET: Again, Jim Kirkvliet from
5 Gerdau. I think Gerdau is happy that I'm in the commercial
6 area versus the engineering area. So honestly I don't know,
7 but we can get you that information in the post-hearing
8 brief. Because there's a lot of work that has to do to
9 restart a mill.

10 To be honest, there's a significant amount of
11 investment that needs to go into it, and there is both
12 capital and personal capital, fixed capital and personal
13 capital has to go into it. So for me to give you a
14 guesstimate would clearly be a guess.

15 MS. PREECE: Okay. Well, that will be great.
16 I'm looking forward to that. But I think it will be very
17 helpful for us to have an idea of what that means, and how
18 long that would take.

19 Fortunately, people have been asking my
20 questions, so I don't have to waste your time with them.
21 One question I have is we're worrying about the Chinese
22 imports of wire rod, and I realize that to a certain extent,
23 this isn't relevant.

24 But to a certain extent it is, because what is
25 to prevent the Chinese downstream product from replacing

1 wire rod, and okay, you get your duty on, but whop! The
2 hangars are coming in from China already or something like
3 that.

4 So how can we -- is there going to be an
5 effect?

6 MR. ROSENTHAL: Let me answer that please.
7 Paul Rosenthal from Kelley Drye. I want to start by
8 agreeing with the first part of your question, which is yes,
9 it's not relevant. The law does not allow you to take into
10 effect the impact on consumers, if you will. So by statute,
11 you're supposed to look at the injury to the domestic
12 industry, and not to the consumers or the customers.

13 That said, this is an industry, the wire rod
14 industry is very, very sympathetic to its customers. They
15 recognize that they need to be competitive, because the
16 customers, the wire producers are indeed competing against
17 wire products from China and elsewhere.

18 So I think there are very, very close
19 relationships between the wire rod industry and the wire
20 producers, and in fact, many or several of the wire rod
21 producers are wire producers themselves. So they see
22 exactly the kinds of constraints that you recognize.

23 But as a practical matter, if you were only to
24 worry about the consuming industries, you'd never find
25 affirmatively in any case involving a steel product, or most

1 products that you see other than the consumer products that
2 you see. So while we're sympathetic and the domestic wire
3 rod industry wants its customers to succeed, if the
4 customers can't succeed if there's no domestic industry
5 supply base, and that's what this case is about.

6 MS. PREECE: Well, yeah. But if the Chinese
7 take all the downstream market, then the effect on you will
8 be the same as if they took all your rod market. So it is
9 relevant to that extent, and that's what I'm looking at.
10 I'm not looking at what's happening to the downstream market
11 as the downstream market.

12 I'm looking at what's happening to the
13 downstream market as it affects you. So I don't think that
14 that's completely irrelevant, even within the statutory
15 criteria.

16 MR. ROSENTHAL: Well, as I said, all we can do
17 is do our best to stay in business for the wire rod
18 industry, and do our best to be competitive and make the
19 investments that the industry can to be as cost-efficient
20 and offer as low prices as possible.

21 But there's no possible way that the wire rod
22 industry can compete with a government-subsidized,
23 government-supported industry in China, which has built up
24 massive amounts of capacity, and survive. So with respect,
25 the industry first and foremost has to be able to stay in

1 business itself. Otherwise, it won't be able to support its
2 domestic customers in the first instance.

3 MS. CANNON: Ms. Preece, if I could supplement
4 that answer by also noting that the downstream wire
5 industries, if they're being affected by imports from China
6 or some other competitive problem, can avail themselves of
7 the trade laws as well, and several of them have done that
8 in fact, and some of them have orders against those imports.

9 But if that's a problem, they have the same
10 right to exercise their, you know, ability to use these
11 trade laws as the wire rod industry does, and that seems to
12 be the more appropriate remedy than denying the wire rod
13 industry relief from subsidized and dumped imports.

14 MR. ROSENTHAL: I believe that there's just an
15 affirmative sense that the decision on the wire hangers case
16 from the Commission just last week, if I'm not mistaken.

17 MR. PRICE: Alan Price, Wiley Rein. First of
18 all, while we recognize that the wire customers often do
19 face import competition, they themselves regularly avail
20 themselves of the trade laws here.

21 Secondly, I would say that to say that there
22 would be an immediate one for one trade-off for the finished
23 products I think is entirely speculative, and really not
24 supported by any actual evidence.

25 Third, if you look at the growth of Chinese

1 imports, they are not -- they are at the expense of the
2 domestic industry. Domestic produce -- not only is domestic
3 share down, but domestic production has declined. When you
4 see domestic production declines and increasing imports,
5 it's not a case of trading off between non-subject imports.

6 It's directly at the domestic industry's
7 expense. It directly harms them. The statutory criteria
8 for financial harm, impact and causal nexus are all met
9 here.

10 MS. PREECE: Okay, thank you. I'm trying to
11 get a little more of a key into this industry, and so I'm
12 going to ask about uses of this product a little more.

13 Demand for wire rod. How much of it would you
14 say is related to construction, and are there other big
15 sectors of the economy where wire rod has an important
16 demand element?

17 MR. GOETTL: Ed Goettl with Gerdau. I would
18 say in a post-hearing brief, we could talk about our
19 percentages of different markets. Construction is a very
20 large market for us. Automotive is also a large market, and
21 the energy market is large as well.

22 MS. PREECE: Okay. So those three markets,
23 you would say, would be the majority, vast majority?

24 MR. GOETTL: Majority for sure.

25 MS. PREECE: For sure?

1 MR. GOETTL: Yeah.

2 MS. PREECE: Anybody else want to agree or
3 disagree with that?

4 MR. STIRNAMAN: Vic Stirnaman, Keystone. I
5 would in general agree with that.

6 MS. PREECE: Okay, okay. Great, great.
7 That's helpful. Does wire rod made from scrap have
8 different properties from that produced from ore, according
9 to your understanding, or the wire you make from the wire
10 rod or whatever? Go ahead, if anybody can --

11 MR. NYSTROM: Eric Nystrom with Nucor. You
12 know, the properties of wire rod are all determined by the
13 chemistry of the wire rod, and you can use scrap blends,
14 some scrap substitutes to achieve the desired chemistries
15 that are achieved using blast furnace-type operations, iron
16 ore operations. So it can be achieved. It comes at a price
17 and -- but yes, you can get there.

18 MS. PREECE: Okay, okay. That's helpful. A
19 number of purchasers that I talked to with lost sales said
20 that U.S. producers' price is based on scrap prices of the
21 preceding month or whatever. I don't know how it works.
22 But anyways, of the -- that were given to -- that was
23 publicly available scrap prices.

24 Is anybody willing to give me some more
25 information about how that kind of scrap price ends up into

1 the price of wire rod?

2 MR. KIRKVLIIET: This is Jim Kirkvliet from
3 Gerdau. Most of the sales that we have of the products that
4 come from Gerdau are on a spot basis, the large majority of
5 them are. Scrap is a component of the cost of the material,
6 but it's just a component. The price of the product that we
7 charge is based upon the supply and demand in the
8 marketplace.

9 The price impact of the imports of the Chinese
10 wire rod that's coming to the market have suppressed greatly
11 the ability for Gerdau and other rod producers to adequately
12 recover their costs. That is why you're seeing that the
13 operating margins, as a percentage of net revenue, have
14 dropped precipitously during the period of investigation.

15 They've dropped by almost half as an industry
16 from the beginning of the period to the current.

17 MS. PREECE: And how much of that would you
18 say was due to scrap prices, and how much would you say was
19 due to competitive pressure? I mean obviously if scrap
20 prices fall, you'd expect prices to fall. So can you tease
21 it out a little bit?

22 MR. KIRKVLIIET: I would say from just looking
23 at the fourth quarter statistics on the average unit value
24 that's coming in from China, that the average --

25 MS. PREECE: No, no, no. I want your price on

1 average.

2 MR. KIRKVLIIET: But the price from China has
3 an impact on the overall price in the marketplace.

4 MS. PREECE: I realize that. But I'm just
5 saying of the price, you say it's declined by some between
6 beginning and the end of the period. How much of that --
7 did scrap prices decline over that period?

8 MR. KIRKVLIIET: Just like with any product,
9 it's very cyclical, right.

10 MS. PREECE: Okay. So on average did they
11 decline?

12 MR. KIRKVLIIET: I'd have to go back and look
13 at the specifics, but I can tell you specifically in the
14 fourth quarter of '13, they've gone up about \$80 a ton.

15 MS. PREECE: Uh-huh, okay, okay, okay. So but
16 I would like to see if you can look at scrap prices versus
17 the other prices, to see what the impact has been. Okay.
18 Buy America, how much -- how important is that? Sorry.

19 MS. BECK: Excuse me, Ms. Preece. If I could
20 just add to that point, I think what's very indicative of
21 the situation in the market in relation to your question is
22 if you look at the quarterly pricing data on a specific
23 product basis for the individual companies and on an average
24 basis, if you look at third quarter 2013 and compare it to
25 fourth quarter 2013, you will see a price drop at the same

1 time that the scrap prices were increasing.

2 MS. PREECE: Okay. That's helpful, and it
3 would be very useful, because do say that the price is set
4 by -- off of scrap, and so I want to be able to address
5 that, you know, and the more clearly I can address it.
6 That's probably the reason I'm pushing back on you is, you
7 know, it's not just I dislike your answer. It's that this
8 has been given to me by purchasers, okay. So I want a good
9 answer to respond to that thing, information from the
10 purchasers, and that's very helpful.

11 The more specific and clear it can be, the
12 more it addresses what has been told to me, and the more I
13 can say well, here are the two arguments. Here's the real
14 information. Here's how it comes out. So yeah, it's very
15 helpful.

16 MR. ROSENTHAL: Ms. Preece, let me just help
17 you out, briefly to summarize, and then obviously we're
18 going to provide you some more information in the
19 post-conference brief.

20 But the domestic industry would like to have
21 its prices reflect the raw materials prices, particularly
22 when the raw material prices are going up. The problem has
23 been that the Chinese pricing is indifferent to scrap
24 prices. The Chinese prices are essentially and have been
25 flat for a long time, regardless of whether scrap prices

1 have been increasing.

2 You saw that in particular with the example
3 that Mr. Kirkvliet gave you, with the fourth quarter of
4 2013. But we'll go into more of that in the post-conference
5 brief.

6 MS. PREECE: Thank you, thank you. Buy
7 American, how important, how much of the market do you think
8 is covered by Buy American provisions?

9 MR. NYSTROM: Eric Nystrom with Nucor. You
10 know, from our standpoint, the Buy American is really
11 something that our customers would have a better handle on.
12 I don't have a great feel for when we sell steel to our
13 customers, whether it's going into a Buy American or not.
14 So I don't have a tremendous feel for what percentage that
15 might be.

16 MS. PREECE: Anybody else?

17 MR. ASHBY: This is Steve Ashby from Evraz.
18 We do a lot of construction in the particularly wire rope
19 type of business, and sometimes customers will request "Made
20 and Melted in the U.S." But it's pretty insignificant, in
21 terms of the overall volume that we know about. It's
22 probably less than somewhere around 15 percent.

23 MS. PREECE: Okay. So wire rope, it might be
24 meaningful, but in other areas, it's something you can't
25 really tell?

1 MR. ASHBY: That can't be. I'm just speaking
2 on behalf of Evraz. But it's certainly a very small
3 percentage.

4 MS. PREECE: Okay.

5 MR. STIRNAMAN: Vic Stirnaman at Keystone.
6 Typically, our customers order rods, and if they need Buy
7 America, they really don't tell us because we're an American
8 company. So they have already American-made product.

9 I can say that we have a division that
10 manufactures heavily for the construction market, and they
11 let us know when they're American made, just because we're
12 familiar with that quoting process and those businesses.

13 MS. PREECE: Okay, thanks. Is there any
14 foreign fighter plan in this industry?

15 MR. ROSENTHAL: Could you be a little bit more
16 expansive on that? I'm not sure everyone knows what the
17 foreign fighter plan is.

18 MS. PREECE: Well, I don't know either. But
19 you know, I mean I've heard these words, and so it's like
20 oh, is this the possibility? So nobody says these words in
21 this industry? Is that what you're saying?

22 MR. FULLER: Dan Fuller with ArcelorMittal.
23 It's pretty challenging to a foreign fighter against China.

24 MS. PREECE: Okay.

25 MR. FULLER: The price stealth is too big.

1 It's way, way below our cost.

2 MS. PREECE: Okay, great.

3 MR. KIRKVLIET: This is Jim, Kirkvliet from
4 Gerdau. Call it a foreign fighter or call it being
5 competitive. I think as every one of the producers that
6 have testified here said that if we don't in cases try to
7 meet the price levels that have been set by the Chinese
8 imports, we lose the opportunity, and in most cases, as it's
9 evolved, some of those opportunities have gone by.

10 So call it a foreign fighter or call it being
11 competitive, the Chinese levels have set the price.

12 MR. ASHBY: Steve Ashby from Evraz. We
13 foreign fight every day.

14 MS. PREECE: Okay. I think I've asked enough
15 questions for now. Thank you very much for your
16 cooperation.

17 CHAIR DeFILIPPO: Thank you, Ms. Preece. We
18 will now turn to Mr. Yost for questions.

19 MR. YOST: I join with my colleagues in
20 thanking you for your testimony this morning. I'm tempted
21 to follow on with some of the -- some follow-up questions,
22 but I think I'll forego the opportunity, and I have no
23 questions. Thank you.

24 CHAIR DeFILIPPO: Mr. Tsuji, we'll turn to you
25 for any questions of this panel.

1 MR. TSUJI: Thank you, and I too want to
2 express my appreciation for all the witnesses being here
3 today. I just have a very few questions, primarily about
4 the product and the manufacturing process.

5 First of all, what share of wire rod produced
6 within the U.S. industry is from blast furnace steel that
7 was smelted from iron ore, versus steel that was melted in
8 an electric arc furnace process from steel scrap, and to
9 what extent have those proportions changed over the period
10 of investigation, 2011 through 2014?

11 MR. KIRKVLIET: This is Jim Kirkvliet from
12 Gerdau. One hundred percent. I think I'm pretty safe in
13 saying that. One hundred percent of the wire rod that's
14 produced in the United States is a scrap-based electric arc
15 furnace process. That's been pretty consistent over the
16 period of investigation, and even before that.

17 MR. TSUJI: Thank you. Anyone else?

18 MR. FULLER: Dan Fuller from ArcelorMittal. I
19 think Mr. Nystrom had alluded to most of the furnaces in the
20 rod industry are electric arc furnaces, but you can put in
21 premium raw material to get the same effects as BOF steel.
22 So at ArcelorMittal, we're known for using a lot of DRI,
23 direct-reduced iron, which is basically metallized iron ore.

24 MR. TSUJI: Thank you.

25 MR. NYSTROM: Eric Nystrom with Nucor, and

1 just to add on, you know, when we're looking at all the
2 imports from China, certainly with the EAF and with scrap
3 blends and substitute materials, we have full capability to
4 produce all of those grades currently being imported, using
5 the EAF process compared to the BOF process.

6 MR. TSUJI: Thank you. Now counterpoint, what
7 about the Chinese industry? Do they tend to use more steel
8 produced from iron ore smelted in a blast furnace?

9 MR. GOETTL: Ed Goettl with Gerdau. It's our
10 understanding that the vast majority of it is blast furnace.
11 It may not quite be 100 percent, but it's very close.

12 MR. TSUJI: Okay, thank you.

13 MR. FULLER: Dan Fuller with ArcelorMittal. I
14 mean it's important to note even if you have a blast
15 furnace, you are adding scrap as a coolant. So they can add
16 a considerable amount of scrap as well in their process.

17 MR. PRICE: Alan Price, Wiley Rein. What
18 we've -- there are two different things going on here. One
19 issue, for those of us who are -- who have spent a fair
20 amount of time on both Chinese production and production
21 overall globally, is that obviously both processes are
22 overlapped and increasingly overlapped in terms of
23 chemistries, with increasing blast furnace usages of scrap
24 and increasing EAF usages of DRI and pig iron.

25 So those old distinctions really are -- don't

1 make, don't carry a lot of weight anymore. Historically,
2 the Chinese industry, because it does not have a scrap
3 supply base, is historically a BOF supply base. China is
4 actually installing electric furnaces. It probably has more
5 electric furnace capacity than the United States does, even
6 though it's a small percent.

7 Just, it's just, you know, it is in that shift
8 over mode as its capabilities change -- as its supply of raw
9 materials change. At the end of the day, these are not
10 material differences.

11 MR. ASHBY: Steve Ashby from Evraz. Just for
12 the purposes of this hearing, again, we make all the
13 products that are necessary, that the Chinese bring in. So
14 there's no -- there's no product difference in the end.
15 It's the same end use. It goes in the same products, and we
16 make everything that the Chinese bring into the country. We
17 just don't make it at those kind of prices.

18 MR. TSUJI: Okay, thank you. My final
19 question is when you look to your customers, are some of
20 them still purchasers of, excuse me. Let me back up. Are
21 some steel mill producers who produce -- who draw wire, do
22 they produce their own wire rod?

23 MR. KIRKVLIIET: If I understand the question
24 -- sorry, Jim Kirkvliet from Gerdau. If I understand the
25 question, are you asking do Chinese producers of wire also

1 produce wire rod?

2 MR. TSUJI: No, the U.S. industry.

3 MR. NYSTROM: Eric Nystrom, Nucor. What I
4 would say is that we do produce wire rod. It gets consumed
5 internally. The vast majority of our wire rod sales go to
6 our external customers, where we face this direct
7 competition with Chinese imports.

8 MR. STIRNAMAN: Vic Stirnaman, Keystone.
9 We're a fully-integrated wire producer. So yes, we -- a
10 certain percentage of our rod production is used internally
11 for our downstream operations.

12 MR. KIRKVLIET: This is Jim Kirkvliet from
13 Gerdau. We produce both wire rod and some wire products, a
14 limited share of our overall production.

15 MR. ROSENTHAL: There are other producers of
16 wire rod who are not here today, but also produce downstream
17 wire products, and you'll have all that data.

18 MR. PRICE: Does that answer your question?
19 Thank you. Does that answer your question or --

20 MR. TSUJI: Yes.

21 MR. PRICE: Okay.

22 CHAIR DeFILIPPO: Are you good, Mr. Tsuji?

23 MR. TSUJI: Yes. It's all yours.

24 CHAIR DeFILIPPO: All right. I will then toss
25 down on this end of the table to Mr. Corkran.

1 MR. CORKRAN: Thank you very much, and thank
2 you to the entire panel for being here today. We've had
3 some very good questions and some very good answers so far,
4 and so what I have to add is supplemental in nature.

5 This question is not so much to focus on a
6 long series of available data, but it's more to get for what
7 different suppliers' role is in the U.S. market. In the
8 Commission's 2006 investigation of Wire Rod From China,
9 Germany and Turkey, wire rod imports from China rose from
10 411,000 tons in 2002 to 771,000 tons in 2004, and were
11 nearly 600,000 tons in just the first three quarters of
12 2005.

13 More recently, it appears that imports from
14 wire rod from China increased from less than 1,000 tons in
15 2011 to more than 600,000 tons in 2013. Okay, that's the
16 backdrop. Here's the question. What happened between 2005
17 and 2011 to reduce so substantially the volume of imports
18 from China?

19 Second, what happened between 2011 and 2013 to
20 trigger the increase in U.S. imports from China, and third,
21 why is there such great variability in China's role as a
22 supplier of wire rod to the U.S. market, or even more
23 generally, what is China's role as a supplier in the U.S.
24 market? Thank you.

25 MR. ROSENTHAL: Can we make this a take-home

1 exam?

2 (Laughter.)

3 MR. ROSENTHAL: No, we have to have an open
4 book. I will hesitate a tentative answer to part of it.
5 But as you know, Mr. Corkran's a pretty -- we can do an
6 essay, which we will do. It's called our post-conference
7 brief, and the -- in that early part of the period, as you
8 know, we filed an anti-dumping case against the Chinese.

9 While the Commission did not go forward with
10 it, made a negative determination, I think it had an impact
11 on the Chinese desire or pricing behavior. But also at the
12 same time, what had happened in that early part of the
13 period you're referencing is that there has been a
14 super-heated economy in 2004. There's a lot of demand.

15 Then I think importers of wire rod
16 over-reacted, worried about how much supply they could get,
17 ordered a lot of Chinese wire rod. It flooded the market.
18 Inventories were well built-up, and then the market
19 collapsed right after that period.

20 Between the dumping case and the collapse of
21 the market, the Chinese decided they didn't want to and
22 couldn't be here. In the interim period and for part of
23 that, the Chinese sought and found other markets, and I
24 think decided that there was less risk in those other
25 markets than in the U.S. market.

1 Then of course came the recession, where this
2 market wasn't particularly attractive, and in the interim
3 after that period, the Chinese continued to build capacity
4 and went from a very, very high capacity in the mid-2000's
5 to this enormous overhang of not just capacity but
6 over-capacity that Ms. Beck referenced.

7 In that time period, the Chinese were facing
8 trade actions in Europe and elsewhere around the world,
9 which we'll refer to, as Ms. Turner requested, in our
10 post-conference brief, and with export markets being less
11 attractive elsewhere in third countries, with a tremendous
12 amount of Chinese over-capacity, with their own economy
13 cooling, the U.S. market, which was coming out of the
14 recession and beginning to recover in 2011, became the most
15 attractive place for the Chinese capacity to be sold.

16 So that's my brief trip down memory lane, and
17 we'll expand on that in our post-conference brief.

18 MS. CANNON: I would also add the changes
19 going on in China with respect to the way that they were
20 taxing and providing that rebates that related to the
21 product once boron was added had a significant effect on the
22 imports that we're seeing in the market, and the changes
23 that happened.

24 That, coupled with some of the third country
25 restraints that Mr. Rosenthal has mentioned and that other

1 countries have imposed, were significant drivers of some of
2 those changes.

3 MR. PRICE: Alan Price, Wiley Rein. I agree
4 with Mr. Rosenthal and Ms. Cannon. But I would also add
5 that, you know, the real people who should be answering,
6 should at least come forward with an answer to that are the
7 Chinese suppliers, who chose not to testify here today.

8 They've put an enormous amount of capacity
9 into the U.S. market. It almost -- and volume into the U.S.
10 market, U.S. production is down. It almost doesn't -- you
11 know, at some level, it doesn't matter what happened in
12 2005, 2006, 2007.

13 We're here in 2014. We've seen an enormous
14 surge. We see an industry -- of imports. We see an
15 industry operating at low levels of capacity utilization,
16 has substantial upside capacity. Its finances are down.
17 Its profit margins are down, its production is down. Its
18 capacity utilization is done.

19 That's material injury by any standard. At
20 the rates at which these imports are surging, and given the
21 capacity utilization levels that exist, the industry is
22 equally threatened with material injury.

23 MR. KIRKVLiet: Jim Kirkvliet with Gerdau.
24 Mr. Corkran, the only last answer I would put on top of
25 everybody else's comments is you asked what role do they

1 play today. The role they play today is a price-setter.
2 That's the only role they play.

3 MR. CORKRAN: Thank you very much. I
4 appreciate that, and I'll again reiterate that I wasn't
5 trying to introduce a whole lot of new numbers into the
6 consideration, but really more to get a sense for -- of a
7 supplier that has had very different levels of imports over
8 the years. I will also take the opportunity to ask this
9 afternoon's panel as well the same question.

10 One of the questions that I had for Nucor was
11 when you installed the new wire rod rolling mill in South
12 Carolina, in Darlington, did that involve any new
13 developments, in terms of the process of producing wire rod
14 or in the materials used to produce wire rod? I'm just
15 looking to see if there have been any new developments in
16 the industry and things like that.

17 MR. NYSTROM: You know, the equipment used to
18 produce wire rod is pretty much the same all over the world.
19 So the mill that we would have purchased is new. It's the
20 latest, greatest, you know, state of the art. But there's
21 no -- there is no significant difference in technology from
22 one country to another, to the United States, to that mill
23 in Darlington. So if that answers your question.

24 MR. CORKRAN: I wanted to ask another question
25 on the addition of boron. We've talked about it a little

1 bit already. Two follow-up questions I had was when you
2 sell a boron-added wire rod product, do you use a surcharge
3 in your pricing mechanism for that boron?

4 The other question I had was we already talked
5 about how at some levels it could even be detrimental. But
6 when you do add boron, what are the positive characteristics
7 that you or your customer are hoping to get from the
8 product?

9 MR. GOETTL: Ed Goettl with Gerdau. We don't
10 have a published boron surcharge. We try to get paid more
11 for boron, but we're not always able to because of the
12 Chinese competition. The positive attributes would be for
13 low carbon. The tensile is lower, and so you should be able
14 to draw it to finer sizes with the addition of boron.

15 MR. NYSTROM: Eric Nystrom with Nucor. The
16 one point I would clarify, that in order to get really
17 enhanced drawability, you have to add much more boron than
18 is being added typically for this rod coming into the
19 country. The point to that is you need to match the boron
20 level with the nitrogen level in order to scavenge, and that
21 gives it enhanced drawability.

22 Typically at the levels that it's coming in
23 at, it's actually used to harden steels in cold heading
24 grades. So it would imply that that would be an entirely
25 different application altogether, to add boron at the 15 PPM

1 level that it's coming in.

2 That would be more typically added to
3 something with a higher carbon, that would be able to be
4 heat-treated to a higher tensile strength, not an enhanced
5 drawability, if that answers your question without getting
6 too technical.

7 MR. PRICE: Alan Price, Wiley Rein. Let me
8 step back and put this into perspective with all of the
9 other discussions of boron in the numerous other steel
10 cases. Then we can probably come back to this for a second.

11 So China in 2007 started to change its tax
12 regime to basically put impose -- to impose taxes on and
13 eliminate VAT rebates for carbon steels. Alloy steels got a
14 beneficial tax treatment. It took a little while for China
15 by product to figure out exactly how it was going to work
16 around that.

17 But it started to add boron to everything,
18 because it virtually -- it costs very low, costs very little
19 for very little amounts, and all of the sudden you have an
20 alloy steel under the tariff schedule.

21 This was done both to circumvent trade cases
22 in the United States and elsewhere, and there's a series of
23 cases out there where foreign authorities and U.S.
24 authorities have found circumvention, whether it is in the
25 United States or Thailand, and actually there was one

1 decision made in Mexico yesterday on plate from Russia, with
2 boron just as an attempt to work around orders.

3 But in their case, it was also done to
4 circumvent their own taxation system, as Chinese producers
5 like to -- I would say they don't discriminate on who they
6 try to -- how they try to deprive governments of money, in
7 terms of duties and they're involved in all kinds of various
8 activities to do that.

9 From any product, boron has absolutely no
10 conceivable role, okay. In a small portion of wire rod
11 products, a very small percentage, and I think we produce
12 some details in our post-conference brief, there actually
13 are some values to it and some uses. But they're very, very
14 small.

15 Much of what we see come in, that is not the
16 case. It's just there, essentially for the taxation
17 purposes. So while there is a small portion of the wire rod
18 market where there is a legitimate boron application that
19 the U.S. industry produces for, they'll drop boron on
20 anything like anyone else would, but no one -- there's no
21 reason to, you know, there's no real reason for it in most
22 of these cases.

23 And in some of the cases, our clients and
24 other folks here today have said that the insertion of boron
25 is actually counterproductive to drawability. It makes

1 things harder. But it makes sense for them from a price
2 perspective, and the customers in the U.S. care most about
3 the price, and the drawability issues really are secondary
4 and they're being used to often fog up these issues.

5 At the end of the day, Chinese stuff is here
6 in low prices, and the boron is just a way of helping to
7 assure low pricing and undercutting the U.S. industry.

8 MR. CORKRAN: Okay, thank you. All of those
9 responses were very helpful. We've heard -- I believe two
10 different witnesses have characterized China as the
11 price-setter in this market.

12 I wonder if you could provide me a little more
13 insight in what characteristics you attribute to a supplier
14 that's a price-setter, and at least in the beginning of the
15 period, in the first year, who would you have considered to
16 be the price-setter before you think the Chinese became the
17 price-setter?

18 And I believe that was both Mr. Fuller and Mr.
19 Kirkvliet who referred to -- who referred to the Chinese as
20 price-setters.

21 MR. FULLER: Dan Fuller, ArcelorMittal.
22 Definitely we see China today as the price-setter, and we
23 use the term "price-setter," because it's so much lower than
24 our domestic wire rod pricing schedules, at least with the
25 case of Georgetown.

1 I would say the previous price-setter before
2 China, just in general terms, when you look in more detail,
3 it might even be Turkey. But if you look even today at AUV,
4 it's Turkey versus China. I don't know the exact numbers,
5 but I'm guessing it's around 70, 80 bucks a ton difference
6 just between say a Turkish mill and the Chinese AUVs.

7 CHAIR DeFILIPPO: Which one being lower? With
8 which one being lower?

9 MR. FULLER: With China being lower. Yeah,
10 obviously.

11 MR. NYSTROM: Eric Nystrom with Nucor. You
12 know, oftentimes the price-setter can be an import trying to
13 gain access to our market, like the Mexican product that was
14 coming in at sizes less than 4.7 or less than 5 millimeter,
15 in which case it came in at again, very low prices.

16 We were left with no choice but to be able to
17 match some of those prices or lose market share.

18 MS. BECK: Mr. Corkran, Gina Beck from GES.
19 Just to follow-up with what Mr. Fuller said, if you look at
20 the average unit values, at the import statistics, you'll
21 also see that China is by far the lowest priced import
22 source.

23 MR. CORKRAN: Thank you. Those are very
24 helpful responses. I appreciate that.

25 (Pause.)

1 MR. CORKRAN: I will ask one more question
2 that you can defer to your post-conference brief, because it
3 may be in the similar nature to the first one. But let me
4 try it.

5 Looking at some of the items the Commissioners
6 identified in their summary of their 2006 views on wire rod,
7 certain fact patterns stand out. That is, they were
8 identified specifically by the Commission in its summary.
9 "Subject import volume increased in only one year in that
10 prior case. U.S. prices increased significantly." That was
11 the Commission's term for that.

12 "The U.S. industry was not vulnerable and had
13 healthy operating income in interim 2005." But again, were
14 healthy is the Commission's characterization of that.

15 "Subject foreign producers operated at high levels of
16 capacity utilization," the Commission's characterization.

17 And finally "foreign industry coverage was
18 equivalent to 84 percent of exports and 40 to 70 percent of
19 production." How does the current record in this
20 preliminary phase investigation compare to the fact pattern
21 that the Commissioners in 2006 felt merited a negative
22 determination?

23 MR. ROSENTHAL: Good question, Mr. Corkran,
24 and I'll give you the short answer now, and that is in
25 virtually every one of those factors that you mentioned, the

1 conditions have changed dramatically. I won't go through
2 them all, but I will just tell you in summary, almost none of
3 those facts are as similar in today's market.

4 MS. CANNON: Let me just supplement on a
5 couple of points that you mentioned, Mr. Corkran. You said
6 there was a high rate of response last time. Here, you have
7 no response from the Chinese producers whatsoever, and not
8 even, I don't think, a significant response by the
9 importers. It's certainly well under total coverage.

10 Almost all of the trends you mentioned have
11 changed. The subject imports, as you saw from the chart,
12 are through the roof over the period of investigation.
13 Prices have been falling here. Capacity utilization has
14 dropped. The operating profits of the industry have fallen
15 in half to very low levels. So the trends really couldn't
16 be more stark, and we can itemize those specifically in our
17 brief.

18 MR. CORKRAN: Well with that, I thank you very
19 much for answering very completely all my questions, and
20 again, I appreciate your time here.

21 CHAIR DeFILIPPO: Thank you, Mr. Corkran.
22 I've crossed out most of the questions that I had, since
23 they were either asked or answered in the course of an
24 answer. I just had a couple of quick follow-up things, and
25 I apologize if it was something that was said. I try to

1 keep track, but I just don't keep up as well as I should.

2 I believe it was stated that Chinese products,
3 they started coming in as low carbon and then moved into the
4 high carbon. Did this occur during this period of
5 investigation, or had they already moved into the high
6 carbon prior to the period that we're looking at?

7 MR. ASHBY: Steve Ashby, Evraz. From my
8 perspective and my customers' perspective, it's during this
9 period of investigation.

10 MR. GOETTL: I would just say that Gerdau
11 agrees with that.

12 CHAIR DeFILIPPO: Okay, thank you. Throughout
13 the course of questions and testimony, I think pretty much
14 everyone has stated that the products that you make, that
15 there is no product that the Chinese are bringing in that
16 you don't make.

17 I guess I just wanted to just flip that around
18 and ask the question are there products that the U.S.
19 producers make or markets that the U.S. producers serve that
20 are not made by or served by the Chinese product?

21 MS. CANNON: Yes, Ms. DeFilippo. I believe
22 the answer is there are some small areas that are not
23 served, one of which I think is the cold heading quality.
24 We haven't seen that yet. That's a niche that fortunately
25 China does not seem to have gotten into yet, although we're

1 very concerned that they will.

2 MR. NYSTROM: Eric Nystrom, Nucor. I would
3 certainly say that everything that we're doing today, they
4 probably have that capability. I'm not totally familiar
5 with all their capabilities. But as Ms. Cannon had
6 mentioned, we haven't seen some of the cold heading product
7 necessarily come into the market. But my suspicion is
8 they're producing that in China.

9 CHAIR DeFILIPPO: But fair statement to say
10 that the big majority, vast majority of the market is
11 covered by both?

12 MS. CANNON: Absolutely.

13 CHAIR DeFILIPPO: Okay, thank you. I'm going
14 to take a look left and right, and see if any staff have --
15 ahh, Ms. Preece. Back for Round 2.

16 MS. PREECE: The gift that won't stop giving.
17 This is a real simple one, and I do think I know what the
18 answer is. Nonetheless, I'm going to ask you, because what
19 I think is not important for the Commission. What you say
20 is important, so here's the question.

21 What, if anything, acts as a barrier to your
22 exports of wire rod? Thank you.

23 MR. ASHBY: Steve Ashby from Evraz. I mean
24 because the Chinese are everywhere else too.

25 (Laughter.)

1 MR. KIRKVLIIET: Jim Kirkvliet with Gerdau. To
2 build on Steve's comments, I would say that, you know, when
3 you have to get an adequate return for what we're trying to
4 invest into the product, and based upon the pricing and
5 based upon the cost structure from mill to export, it's very
6 difficult to compete on the export market.

7 MS. PREECE: I wasn't surprised by that
8 answer, but it was very helpful. Thank you very much.

9 MR. ASHBY: One more response. We actually do
10 some exporting into Mexico for some very high end value
11 products. So there are occasions with which we can do that.

12 CHAIR DeFILIPPO: Have you satisfied your
13 curiosity, Ms. Preece?

14 MS. PREECE: Well no, but I'm satisfied for
15 today. But I'll move along.

16 (Laughter.)

17 CHAIR DeFILIPPO: Seeing, hearing, whatever,
18 no more questions from our side, I will take the opportunity
19 again to thank you all for being patient with our questions,
20 and despite the fact that we have done wire rod numerous
21 times, it is always good to hear updated information. I
22 appreciate you coming and providing us with that today.
23 We'll take a short ten minute break, just to stretch our
24 legs, and we'll be back at 11:40. Thank you.

25 (Whereupon, a short recess was taken.)

1 (11:40 p.m.)

2 CHAIR DeFILIPPO: Thank you for taking your
3 seats, we're ready to begin.

4 MR. BISHOP: Madam Chairman, the panel in
5 opposition to the imposition of antidumping and
6 countervailing duty orders have been seated.

7 CHAIR DeFILIPPO: Welcome to the panel and I
8 encourage you to begin when you're ready.

9 MS. KORBEL: Thank you. Thank you for having us.
10 Good morning. My name is Kimberly Korbel and I'm
11 the Executive Director of the American Wire Producers
12 Association or the AWPA.

13 The 36 carbon wire and wire products company
14 members of the AWPA purchase more than 85 percent of all the
15 wire rods sold in the U.S. market each year, both domestic
16 and imported.

17 There are also six rod mill company members which
18 have integrated operations and also produce wire or wire
19 products. All of these manufactures supply wire and wire
20 products to virtually every sector of the American economy.
21 Our members make everything from the highly specialized wire
22 used in automotive engines to the wire garment hangers that
23 you receive from your local drycleaner.

24 They also make fencing, concrete reinforcing wire
25 and strand, nails, and springs as well as a myriad of inputs

1 from agricultural construction and consumer products
2 industries.

3 Basically the only use for wire rod is to make
4 wire. So the ability of our members and their downstream
5 customers to remain competitive is essential for the
6 long-term health and the prosperity of the U.S. rod
7 industry.

8 One of our members, Michael DeShane of the
9 Lincoln Electric Company is here with me this morning.
10 Before Michael explains to you the situation that he faces
11 in obtaining domestic wire rod for his company's
12 requirements, I would like to discuss what the other members
13 have reported about the conditions in the U.S. market.

14 Most of our members anticipate the demand for
15 wire rod will increase this year. This is largely due to
16 improving conditions in construction and the continued
17 revival of the American automotive sector. Members report
18 that they have returned production of some of their products
19 to the United States after having previously transferred
20 production offshore. There are a number of reasons for this
21 welcome development ranging from improvements in the general
22 competitive position of U.S. manufacturing to the use of
23 trained actions against unfairly traded imports of
24 downstream wire products.

25 However, the competition that our members face

1 from imported wire and wire products is fierce. If American
2 wire producers are saddled with raw material costs that are
3 artificially inflated or if global access to wire rod is
4 restricted, U.S. wire drawers will find it difficult, if not
5 impossible, to continue these recent trends. In fact, they
6 may be forced to reduce their wire operations in the United
7 States.

8 When less wire is produced here at home, domestic
9 rod producers will have fewer sales to customers. This
10 would be a terrible result for the U.S. rod industry as well
11 as for the U.S. wire and wire products industries and their
12 downstream customers.

13 In addition to competition from imports,
14 independent wire producers also have to compete with many of
15 their domestic suppliers, the integrated U.S. rod mills that
16 also manufacture steel wire and wire products.

17 The rod mills have a number of built-in
18 advantages in this competitive environment. Most
19 importantly the rod mills control the price of the most
20 important raw material for independent wire producers with
21 whom they compete in the downstream market.

22 Other significant advantages for rod mills are
23 cost savings on freight and processing vis-a-vis their
24 downstream customers. In other words, small, family-owned
25 wire companies are forced to compete downstream with large

1 multinational who also control their raw material supply.

2 Availability of wire rod is the primary objective
3 of the AWWPA. Our association's mission statement is to
4 assure free access to the global supply of carbon alloy and
5 stainless steel wire rod. Adequate supplies of
6 competitively priced rod are essential to our members'
7 survival and the survival of their suppliers including and
8 especially the domestic rod mills, since the domestic
9 industry exports very small amounts of rod.

10 Our members report there is not only competition
11 between domestic mills and imports, but also among the
12 domestic mills themselves. This is how the free market
13 should work.

14 I also wanted to point out that our members who
15 consume the vast majority of wire rods sold in the United
16 States rely on U.S. rod mills for most of their
17 requirements.

18 In 2013, for example, most of our members
19 purchased between two-thirds and three-quarters of their
20 total rod requirements from U.S. producers. This is not a
21 new development. Historically our members have satisfied
22 the bulk of their wire rod needs from domestic sources with
23 the remainder being sourced from offshore.

24 This overwhelming reliance on American-made rod
25 has not been dampened by the numerous price increases

1 announced by the domestic mills starting in March 2013.
2 There have been price increases in July, October, November,
3 and December as well as January 2014.

4 Most of these increases range from \$20 to \$30 per
5 ton and some reached \$40 a ton. Our members report that
6 these price increases have generally stuck for most of the
7 announced amounts. Our members also believe that price
8 fluctuations for wire rod are driven largely by the price of
9 steel scrap.

10 Finally, it is important to remember that our
11 members have developed constructive and mutually beneficial
12 relationships with the domestic rod industry. In fact,
13 every one of the petitioners in this proceeding is a valued
14 associate member of the AWWPA.

15 One of the company representatives currently sits
16 on the board and Dan Fuller from this morning will be taking
17 over that board position in February.

18 Together U.S. rod and wire industries make a
19 formidable combination. However, actions which undermine
20 the competitive position of wire producers will have
21 long-term and damaging consequences for the U.S. rod mills
22 too.

23 Thank you for the opportunity to share with you
24 the thoughts and concerns of the members of the AWWPA.

25 Now, it's my pleasure to introduce Michael

1 DeShane of the Lincoln Electric Company, a member of the
2 association. Michael also serves on the AWPA board of
3 directors.

4 MR. DeSHANE: Good morning and thank you,
5 Kimberly. I am Michael DeShane, Director of Purchasing at
6 the Lincoln Electric Company.

7 Lincoln Electric is the world leader in the
8 design, development, and manufacture of arc welding
9 products. Our business is grown with new customer-driven
10 solutions for automation, cutting, braising, soldering and
11 alloys.

12 Headquartered in Cleveland, Ohio, Lincoln has 48
13 manufacturing locations in 19 countries. Our worldwide
14 network for sales and distribution covers 160 countries.
15 Lincoln employs over 3,900 people in the United States.
16 Worldwide we employ over 10,000 people.

17 Lincoln Electric has been awarded the President's
18 E Star Award for exports twice, including in 2013. Lincoln
19 is only one of two companies that have received the E Star
20 Award more than once. The award is the highest recognition
21 any U.S. entity may receive for making a significant
22 contribution to the expansion of U.S. exports.

23 Lincoln Electric is a publicly traded company and
24 our financial results reflect sales and income growth every
25 year since the recession in 2009. By most business measures

1 Lincoln Electric is recognized as a very successful
2 U.S.-based manufacturing company. One of the most important
3 reasons for our domestic and export success is the
4 high-quality products made in our U.S. factories.

5 Lincoln's cord welding wire, solid welding wire,
6 and stick electrodes are produced from carbon and alloy wire
7 rod. We currently have 22 factories in 18 countries
8 purchasing and consuming wire rod. We know the global
9 welding quality wire rod market quite well.

10 Lincoln's welding products are used in a wide
11 variety of critical construction, industrial and military
12 applications. To ensure that we are able to produce welding
13 products that meet our customers' requirements, Lincoln
14 Electric has developed over 45 proprietary specifications
15 for carbon and alloy welding quality wire rod. The list
16 continues to grow with advancements in welding technology
17 and specialty materials.

18 Lincoln Electric has a long history of working
19 with the domestic wire rod producers to help them become
20 qualified to supply our proprietary wire rod specifications.
21 Over the last five years we've had a mix of failures and
22 success with these supplier development programs. In the
23 last couple of months two domestic producers achieved
24 success with respect to three additional specifications.
25 However, despite these long-standing cooperative efforts,

1 approximately 50 percent of our proprietary specifications
2 have never been produced in the United States.

3 To provide some additional detail, over the past
4 five years, we have entered into supplier development
5 programs with eight different U.S. wire rod producing
6 locations. These locations are owned and operated by six of
7 the companies identified as supporters for the petition.

8 Even with our concerted effort to help the U.S.
9 producers become qualified, only two companies are currently
10 qualified to supply any of our proprietary welding
11 specifications. The range of specifications that they can
12 supply is limited.

13 With respect to all our other specifications,
14 Lincoln Electric has no choice but to rely on imports for
15 the high-quality rod required to produce our high-quality
16 welding products. And, indeed, all of Lincoln Electric's
17 limited imports from China in 2013 were high-quality
18 specifications not currently produced in the United States.

19 Lincoln Electric disagrees with the petitioner's
20 assertion that all wire rod should be considered a
21 homogeneous product. Welding quality wire rod is clearly
22 different than many other wire rod products produced.

23 In testimony in prior wire rod investigations and
24 in the Lincoln Electric questionnaire response, we have
25 provided technical details as to why welding quality is

1 different from other types of wire rod.

2 Since 2009 it's been possible to track imports of
3 welding quality wire rod using three specific HTS codes.
4 For the period of investigation total welding quality wire
5 rod imports from all countries accounted for 9 percent of
6 total imports. Welding quality imports from China during
7 the POI were de minimus, totaling 0.2 percent of total wire
8 rod imports.

9 Lincoln Electric can confidently state that all
10 the welding quality wire rod imported from China during the
11 POI was high quality material which was not available from
12 the domestic industry.

13 It is clear that the inclusion of welding quality
14 wire rod in this case is not necessary or beneficial to any
15 of the domestic participants because they were not qualified
16 to produce the specifications in question. The U.S.
17 petitioners did not lose sales and were not otherwise harmed
18 or threatened with harm by the small volume of welding
19 quality wire rod imported from China.

20 In contrast, if welding quality wire rod remains
21 in the case, Lincoln Electric's U.S. operations will
22 effectively be denied important supplemental sources of high
23 quality wire rod.

24 Regardless of the outcome of these
25 investigations, Lincoln Electric will continue to reach out

1 to the U.S. producers and request their support and their
2 participation in our supplier development programs. Lincoln
3 Electric is continuing to grow our business in the U.S. and
4 we need additional domestic suppliers to support this
5 effort.

6 In short, we need the domestic industry to
7 continue and hopefully to increase their cooperated -- their
8 cooperative efforts with Lincoln Electric to become
9 qualified to supply higher quality, welding quality wire
10 rod.

11 This proceeding will not help, only potentially
12 hurt our ongoing efforts in the United States.

13 Thank you, that concludes our affirmative
14 testimony. We would be pleased to answer any questions.

15 CHAIR DeFILIPPO: Thank you very much. Nice to
16 see you again, Ms. Korbelt. And welcome Mr. DeShane. I
17 thank you both for being here to provide testimony and
18 answer questions from our staff. So with that I'll turn to
19 Ms. Sherman.

20 MS. SHERMAN: Good morning. Thank you all for
21 being here. My first question I'm going to address
22 specifically to Lincoln. Mr. DeShane, just to follow up on
23 some of your testimony, you talked a lot about exports being
24 an important component of your business. Where -- what
25 countries are you exporting to? And if you could say here

1 or in your post-conference brief what percentage of sales
2 are export sales?

3 MR. DeSHANE: You know, I'm certainly focused on
4 our purchasing side of our business. So I'm not the best
5 qualified person to answer a sales question. So with some
6 qualification, I believe total exports from the U.S. could
7 be as high as 30 percent of our sales. We've been very
8 successful in exporting our higher -- our highest technology
9 products all around the world. And as I said in my
10 statement, we do sell in 160 different countries.

11 MS. SHERMAN: Thank you. You also mentioned that
12 you have 22 worldwide facilities. How many of those are in
13 the United States?

14 MR. DeSHANE: I believe the 22 facilities is
15 actually the facilities consuming the wire rod.

16 MS. SHERMAN: Uh-huh.

17 MR. DeSHANE: The number, I believe, is 49 --

18 MS. SHERMAN: Okay.

19 MR. DeSHANE: -- 48 manufacturing locations
20 worldwide. In the United States we have -- the largest
21 factories are near the headquarters in Cleveland, Ohio. So
22 we have two factories in Cleveland, Ohio region that consume
23 the wire rod. We have -- I'm going to estimate -- about
24 eight other factories in the U.S. And part of our growth
25 has been with acquisitions.

1 MS. SHERMAN: Thank you. You also mentioned that
2 50 percent of your proprietary specifications have never
3 been produced in the United States. And you mentioned
4 specifically two companies that have the capability to do
5 this. For your post-conference brief, can you identify
6 these two companies?

7 MR. DeSHANE: The two companies are identified in
8 our questionnaire.

9 MS. SHERMAN: Okay.

10 MR. DeSHANE: That are our current approved
11 suppliers. And, again, the statement was that they can
12 produce 50 percent of our specifications. So, you know, the
13 other half have never been made in the United States. And I
14 went back and checked a lot of old records and I -- again,
15 we keep coming out with more specifications and so that's
16 also our interest in getting support to develop the
17 specifications that we require.

18 MS. SHERMAN: This morning the domestic panel
19 stated that they have the capability of producing cold
20 heading quality wire rod which they do not believe the
21 Chinese have the capability to produce; do you agree witness
22 that this?

23 MR. DeSHANE: I aspire to be an expert on welding
24 quality wire rod.

25 (Simultaneous conversation.)

1 MS. SHERMAN: Some difficulty speaking on the
2 other qualities. So I would probably have to refer that to
3 Kimberly.

4 MS. KORBEL: I believe in the last rod case we
5 had a lot of discussion of cold heading quality wire rod.
6 But I would have to refer to our brief to find out whether
7 or not there's anything being sourced yet from China for
8 those products.

9 I would also like to mention that the 1080 tire
10 cord wire rod was voluntarily excluded from the existing
11 cases. The U.S. domestic industry still cannot make this
12 product for the tire cord industry and they have not
13 excluded it from this case even though there are a few mills
14 in China which can produce this product. So I think it's
15 important to consider that they've already excluded it from
16 the existing case and it ought to be excluded from this case
17 as well.

18 MR. DeSHANE: I think again, you focus on welding
19 quality the product that we imported from China in the
20 period of investigation was not produced in the quality that
21 we require in the United States.

22 MS. SHERMAN: Thank you both for Lincoln and for
23 all the purchasers. Do you typically source all wire rod
24 requirements from one source either domestic or Chinese or
25 do you purchase from a variety of --

1 (Break in sound.)

2 MS. SHERMAN: Mr. DeShane, you mentioned that you
3 do from two U.S. companies.

4 MR. DeSHANE: Correct. I would say we need all
5 the suppliers we can get.

6 MS. SHERMAN: Uh-huh.

7 MR. DeSHANE: And so it's our policy to
8 continuously develop sources so we have what I would call
9 primary sources as well as secondary and back up sources.
10 You know, there have been times where supply has been
11 difficult. And it's always, let's say, beneficial to the
12 purchaser to be able to have more options.

13 MS. KORBEL: It's clear that the record in the
14 previous cases show that the purchasers have continuously
15 reported that it's important to have multiple sources for
16 their raw material since it's such a high component of the
17 final product. So standard purchasing procedures for
18 almost all U.S. wire producers is to make sure that they
19 have sufficient suppliers in case something happens and that
20 they source primarily from domestic sources and a portion of
21 their product comes from imported sources.

22 MR. DeSHANE: I'd just add maybe something else
23 that's kind of important. You know, all wire rod mills are
24 different. I know that's maybe not what you heard earlier,
25 but every single one is different. And so part of my job is

1 to evaluate what they're good at and utilize them for their
2 strengths. We prefer to buy all of our raw materials, you
3 know, close to our factories. We prefer to buy in the U.S.
4 But we do evaluate the producers from a strengths and
5 weaknesses standpoint.

6 I believe in ever case of the U.S. producers, at
7 least on one location, and there are some that have multiple
8 locations, but the point is, they have one machine. So if
9 that one machine -- the wire rod rolling mill breaks or is
10 shut down, they can't ship to customers. So it's a very
11 specific point in that, you know, this is why people need
12 multiple sources. Because every piece of equipment does
13 break and in many cases most wire rod producers have one
14 machine.

15 MS. SHERMAN: Okay. Thank you.

16 If you're aware, is there a difference between
17 the manufacturing process or technology used to produce wire
18 rod in the United States and the process used in China and
19 are there different characteristics or quality differences
20 between the U.S. and the Chinese produced product?

21 MR. DeSHANE: So, again, every wire rod mill is
22 different. And that has to do with the -- you heard earlier
23 about the chemistry. So the melting of the steel is one
24 factor. They also have a process they call casting. So not
25 every casting process is the same. And then as I mentioned,

1 wire rod rolling, not every wire rod rolling mill is the
2 same. So with these differences you do get impacts on
3 mechanical properties, on chemistry elements. In welding
4 quality we're very concerned about residual chemical
5 elements that come through the process.

6 There was a question earlier about BOF steel
7 versus EAF steel. We might say EAF steel is mostly scrap
8 based, where BOF steel is mostly iron ore based. Iron ore
9 is just a cleaner material. It's a pure material, it's
10 cleaner and so from our point of view generally you get
11 better results regarding certain chemistry requirements with
12 the BOF steel. Again, not to say that you can achieve it an
13 electric arc furnace, because we do have some suppliers with
14 electric arc furnaces that do a very good job. And a lot of
15 it has to do with the raw material that they put into the
16 process.

17 So, again, the simple answer to your question is
18 there are significant differences and as a purchaser we
19 aspire to learn these differences so we can take advantage
20 of the strengths that our various suppliers have.

21 MS. SHERMAN: Okay. Thank you.

22 This morning I asked the domestic panel if they
23 believe that they have the capacity to supply the entire
24 U.S. market. And I'm going to ask you the same question. I
25 know Mr. DeShane, your company is only focuses on welding

1 quality wire rod, but as far as the entire wire rod market,
2 what is your take on this?

3 MR. WAITE: Ms. Sherman, this is Fred Waite,
4 counsel to the American Wire Producers Association. I think
5 the history of the proceedings before this commission on
6 wire rod have shown that market conditions can change fairly
7 significantly. For example, the case that was filed in 2005
8 against China, Germany, and Turkey and was resolved by 2006,
9 had a set of facts that were admittedly quite different from
10 the facts before us today. Indeed the staff asked questions
11 on that very point with the petitioners this morning. And
12 we would not necessarily disagree with the petitioners'
13 characterization of the conditions in 2005.

14 Indeed, if one looks at the post-conference brief
15 of the American Wire Producers Association in that
16 proceeding and compares it with the summary of the
17 Commission's written decision in that case, there are
18 striking similarities, indeed, almost identical.

19 However, today the market for wire rod is
20 somewhat different. We are hoping that it will change, and
21 if it changes by on shoring wire products that have been
22 made overseas, if it changes when the U.S. economy finally
23 shakes off the doldrums from the great recession, the
24 question then arises, does the domestic industry have the
25 capacity to meet overall demand.

1 If one looks at apparent consumption figures and
2 shipment figures for the past three years, it's quite clear
3 that imports have played a very important role. We are not
4 privy to the capacity numbers of the domestic industry. One
5 hopes when the Commission issues its post-conference report
6 in this case, since you have responses from at least six and
7 probably ten domestic producers that most, if not all of
8 that cumulated data will be public and then we would be able
9 to see what you are seeing. But the concern that our
10 members have is both the expression from Mr. DeShane on the
11 availability of specific products. He's talking about
12 welding quality grade wire rod. Our members who make, for
13 example, valve spring wire will tell you that despite
14 repeated attempts over the years to qualify a U.S. mill to
15 make wire rod that can be used for that application there is
16 no U.S. mill that can do that today. There are only mills
17 in Korea, Japan, and Europe who can make that quality.

18 In terms of aggregate overall tonnages, perhaps
19 an argument could be made that there is enough domestic
20 capacity, but again as Kimberly Korbelt and Mr. DeShane have
21 explained, our members and indeed all purchasers require
22 multiple sources. And there's -- the history is replete on
23 the reasons for that.

24 So, a long answer to your question is, since we
25 don't see the capacity numbers, we're not sure and we're not

1 sure even those capacity numbers could be broken down in a
2 way that would meet the specific requirements of our
3 members.

4 And then one final point, and this is something
5 that you've heard repeatedly in previous proceedings from
6 wire drawers, and that is all wire rod is not created equal.
7 Wire rod from a particular mill may run beautifully on the
8 equipment of a wire drawer, but it may be a disaster on the
9 equipment of another wire drawer who is indeed making the
10 same or a very similar product. So there is a level of
11 complexity here that would be glossed over if one simply
12 looked at a total tonnage figure from the domestic mills, a
13 total tonnage consumption figure in the U.S. market and
14 concluded since one is greater than the other the
15 consumption can be met by domestic capacity.

16 MS. SHERMAN: And I have one final comment or
17 request rather. On the respondent's panel today we don't
18 have any representatives from Chinese companies. If there
19 are any Chinese producers or exporters who are either
20 listening in the audience today or reading this transcript,
21 I encourage you to submit a foreign producer questionnaire.

22 Thank you.

23 CHAIR DeFILIPPO: Thank you, Ms. Sherman.

24 Ms. Turner.

25 MS. TURNER: Good afternoon. It's Robin Turner

1 from General Counsel's Office. I have a couple of brief
2 questions.

3 Ms. Korbel, first let me address them to you and
4 Mr. Waite please join in if -- my first question has to do
5 with the domestic-like product and the domestic-like product
6 that's been proposed in this case as well as the scope. And
7 Ms. Korbel, you did note the fact that in a prior -- the
8 prior cases the cord was not included. Of course, that
9 wasn't included in the scope, but it was included in the
10 Commission's domestic-like product definition. So, my
11 question to you is whether in fact you agree with the
12 proposed domestic-like product or are you proposing that it
13 be different?

14 MR. WAITE: Ms. Turner, it's Fred Waite again.
15 We accept the Commission's previous like-product definitions
16 and we accept the like-product definition that's proffered
17 in this proceeding as well.

18 MS. KORBEL: Like-product is quite different than
19 the market, however. And the petitioners have indeed
20 excluded products in the past from the scope of products
21 that are covered under the order. And I would submit that
22 there aren't any changes since the last one and that
23 certainly products like the products that Michael has been
24 discussing and the 1080 tire cord rod should be excluded
25 from the order.

1 MS. TURNER: Well, that's something I'll also get
2 to is we have nothing to do with that here at the
3 Commission. So if it is included in the scope, then we must
4 define a domestic-like product that includes it whether it
5 is one that is a separate one or whether it's one that's all
6 combined. But that's not something -- if you've got a
7 response --

8 MR. GRACE: I would like to. David Grace from
9 Covington and Burling. We have a slightly different take on
10 like-product. We -- at this point we want to defer the
11 issue until the final injury investigation. We are not
12 necessarily accepting that the like-product. What we hope
13 is that in the interim the petitioners will basically do the
14 right thing and voluntarily agree to exclude welding quality
15 wire rod from the scope of these proceedings.

16 So we realize that's not something that you can
17 affect, but, you know, I think the case has been made that
18 Lincoln Electric has worked very hard for many years to try
19 and qualify and work cooperatively with the domestic rod
20 producers. And whether -- however the like-product is
21 defined, at least that portion of the like-product that is
22 made up of imports from China of welding quality wire rod, I
23 think there's evidence on the record in terms of the
24 questionnaire submitted by Lincoln Electric and Mr.
25 DeShane's testimony this morning that that -- that those

1 imports did not cause injury to the domestic industry.

2 Thank you.

3 MS. TURNER: One actually further question to
4 that, if you will actually, in the post-conference brief,
5 you've indicated that you're deferring a position on the
6 domestic-like product, but I guess, what, since we will have
7 to define one at this point in time even before Commerce
8 finalizes its scope, we must go with the scope that -- that
9 is before us now. I mean, there won't be another decision
10 by Commerce between the time the Commission has to make that
11 decision. So the question then gets, when you're dealing
12 with tire cord aside, that's one that position sounds like
13 that that should be included in the domestic-like product if
14 it is in the scope.

15 As for welded -- welded quality wire rod, are you
16 proposing at all that the Commission consider that as a
17 separate like product with the idea that it -- we have --
18 you know, the scope is the scope for our purposes.

19 MR. GRACE: Right. Well --

20 MS. TURNER: And it's included and there's
21 nothing we can do about that. So the only thing that we can
22 do as the Commission in defining that domestic-like product
23 is to either divide it up, broaden it, which was what was
24 done originally with the tire cord issue, and so I'm just
25 asking is that something that you're putting on the table as

1 a proposal?

2 MR. GRACE: We are not planning to address that
3 until the final.

4 MS. TURNER: Okay. So for purposes of the
5 preliminary --

6 (Simultaneous conversation.)

7 MR. GRACE: We're not --

8 MS. TURNER: -- you're not proposing --

9 MR. GRACE: Right.

10 MS. TURNER: -- that the Commission consider --

11 MR. GRACE: Right. Right.

12 MS. TURNER: -- a separate like-product for
13 welding?

14 MR. GRACE: That's correct.

15 MS. TURNER: Okay. Thank you.

16 The other questions then that I had was when you
17 -- Mr. DeShane, when you indicated that the -- there's only
18 two U.S. producers that can produce welded quality wire rod
19 to your specifications and they can only produce 50 percent
20 of your specifications, and you indicated there was a
21 limited amount of Chinese imports that can as well. This
22 case includes -- only deals with subject imports from China.
23 We do have non-subject imports we look at for other reasons.
24 But my question for you is then who are your major suppliers
25 for the U.S. market? We're not dealing with the rest of the

1 world and your other facilities. It's for your production
2 in the U.S. market. What -- I am not saying companies, I'm
3 looking for countries at the moment.

4 MR. DeSHANE: Correct. We have for some time
5 relied upon imports from Canada. So that is a significant
6 supply for Lincoln Electric. And we have relied upon
7 imports from other countries as well.

8 MS. TURNER: Okay. In the post -- if this isn't
9 something that's actually in your questionnaire response in
10 the post-conference brief, if you can just let us know
11 basically what company -- what countries you are actually
12 using as your suppliers for the U.S.

13 MR. DeSHANE: It is in the questionnaire
14 response.

15 MS. TURNER: It is. Okay. Okay.

16 If you could put it in the post-conference brief
17 it would be helpful as well because that's actually what the
18 Commission will actually have in front of them.

19 And the one other question that I did have, Ms.
20 Korbelt, you had noted in your testimony that producers have
21 returned some of their production to the U.S. market.
22 That's not wire rod production. That's wire production?

23 MS. KORBEL: Wire rod production.

24 MS. TURNER: That's what I thought it was. I
25 just wanted to clarify that. Thank you everybody for your

1 responses this afternoon.

2 CHAIR DeFILIPPO: Thank you, Ms. Turner.

3 Ms. Preece, questions for this panel?

4 MS. PREECE: Yes. I want to start off with this
5 question about the boron-enhanced material that's coming
6 from China. I don't know if anybody here knows it, but I
7 would like to know, do you agree with the U.S. producers
8 that this is basically added boron in order to make it an
9 alloy instead of carbon so that they can get the tax
10 benefits in China or do you see any other use for this?
11 That's my first question.

12 MS. KORBEL: I think it's fair to say that the
13 tax policies in China have had a great effect on the U.S.
14 market both in the wire rod industry and a phenomenal impact
15 on the downstream wire and wire products industry and that
16 the Chinese use of export taxes and rebates have definitely
17 had deleterious effects on both the rod and the U.S. wire
18 and wire products industry particularly when you consider
19 how many more of the rod mills now have integrated wire and
20 wire product production than they did even as recently as
21 2005.

22 So technically with regard to the boron, I think
23 that the testimony we heard from the rod producers this
24 morning is very accurate, that the addition of boron has
25 some uses for tinsel -- changes in tinsel strength or

1 durability for fine wire, and also for hardening aspects for
2 cold headed quality wire rod.

3 MS. PREECE: So you don't disagree with their
4 basics -- basic statement that it's not making much
5 difference in the material at the levels that they typically
6 bring it in?

7 MS. KORBEL: Yes, we're not disagreeing with that
8 aspect.

9 MS. PREECE: That's very helpful. Thank you.

10 MR. DeSHANE: I'm sorry, I would just like to add
11 that, you know, Mr. Eric Nystrom from Nucor tried to be very
12 technical and he is a metallurgist and so I would say that
13 we agree with him because we do specifically add boron to a
14 very small number of our welding quality specifications. So
15 it would be an attribute that makes that specific
16 specification unique for a specific application.

17 The other type of boron additions that were
18 discussed at low levels I would just say Lincoln Electric is
19 not participating in any activity relative to that.

20 MS. PREECE: Thank you.

21 Also, I wanted to thank you, Ms. Korbelt, and
22 their industry for giving me such good responses to the loss
23 sales that I got out. I got them out. I have been getting
24 good responses. It's really helpful for me to have that
25 information and So I want to thank you because I know that

1 your industry is actively driving people to do these things.
2 I don't know about torturing them or anything, but, yes,
3 trying to get them to do it. We're the ones who torture
4 them.

5 (Off microphone comment.)

6 (Laughter.)

7 MS. PREECE: Okay. In the morning they talked
8 about -- I asked a question about the percentage of wire rod
9 and therefore wire products in the United States that is
10 related to construction. Would you agree basically with
11 those three groups which I can't even remember, but I know
12 one of them was construction.

13 MS. KORBEL: Construction, and automotive, and
14 agriculture energy, those are all very high volume end-use
15 markets for wire and wire products.

16 MS. PREECE: Thank you. Thank you, that's very
17 helpful.

18 A number of purchasers have reported that the
19 price of wire rod sold by the U.S. producers is set based on
20 scrap prices. Do you have any insight you can give me on
21 what that is or how it works?

22 MS. KORBEL: Well, trade associations are
23 supposed to stay away from pricing discussions because of
24 antitrust issues. But Michael is a bit of an expert on
25 scrap and I think he can help you.

1 MR. DeSHANE: I would comment, again, Lincoln
2 Electric is not really -- we consider our pricing
3 information proprietary. So it's not something that I think
4 we could really, really talk about. I would say that it's
5 my perception as just a general market participant that
6 there are many different pricing policies in the
7 marketplace. But it has been clearly stated to me by some
8 of the producers at certain times that the price that they
9 propose is derived from the domestic scrap prices.

10 MR. WAITE: Ms. Preece, if I could add to that.
11 Again, it's Fred Waite, AWPAA counsel. Our members, and not
12 just our associate members, who are rod mills, but also our
13 active members who are the wire and wire products producers,
14 do follow very closely changes and fluctuations in the price
15 of scrap and the scrap market. Indeed at our annual meeting
16 which will be held next week, we have a presentation on
17 scrap pricing and scrap availability from the Scrap
18 Institute. And we often -- and we often have that. And I
19 would just quote to you what one of our members has said on
20 the public record about -- about scrap. "A major
21 uncertainty we continue to face in our business is the price
22 of our principle raw material, ferrous scrap which is
23 volatile and often increases rapidly in response to changes
24 in domestic demand, unanticipated events that decrease that
25 flow of scrap into scrap yards, and increase foreign demand

1 from scrap." That comes from Nucor's 2012 financial
2 statement.

3 MS. PREECE: Do you have anything to add to what
4 I got about buy American?

5 MS. KORBEL: There are certain products typically
6 in the transportation and federal procurement areas that
7 have buy American requirements. But as we noted upwards of
8 85 percent of the wire rod requirements are coming from the
9 domestic industry. So there is certainly sufficient
10 domestically made wire rod to deal with those few buy
11 American issues that exist in the wire rod product sectors.

12 MR. DeSHANE: This is Michael DeShane. I could
13 add that Lincoln Electric does have a specific program to
14 supply our customers with products that qualify to buy
15 America. And so it actually was a bit of a challenge for us
16 to be able to do this. But it is an identification of our
17 cooperation with the domestic wire rod producers to get them
18 qualified for the material we need to make those products.
19 So it was a significant effort to achieve that. We are
20 selling those products. Although I would say it's a very
21 small portion of our business. It has not turned out to be
22 very significant.

23 MS. PREECE: The data isn't complete yet, but at
24 this point I'm seeing more sales through distributors from
25 the Chinese imports. Is there a reason for this that

1 anybody can give me that why they might be selling through
2 distributors rather than selling directly to end users?

3 MS. KORBEL: That's not unique to China. Almost
4 every pound of wire rod that comes in from an imported
5 source go through an importer.

6 Most U.S. domestic wire producers do not purchase
7 their wire rod directly from international sources.

8 MS. PREECE: This is to distributors from the
9 importer and that's where it's -- so obviously if you don't
10 have any good answer to that, that's fine. It just was sort
11 of an odd thing that was showing up in the data and I
12 thought if anybody wanted to add to our understanding of
13 that it would be useful. But that's fine, thank you very
14 much.

15 And that's all I have for today.

16 MR. DeSHANE: Thank you, Ms. Preece.

17 Mr. Yost, do you have any questions for this
18 panel today?

19 MR. YOST: No, but I would like to thank you for
20 your testimony which I will study very carefully.

21 Thank you.

22 CHAIR DeFILIPPO: Thank you.

23 Mr. Tsuji?

24 MR. TSUJI: Thank you to the panel for being with
25 us today. I just have one question. And that is

1 particularly for the consuming industry for wire rod. What
2 are the major third country sources for wire rod and would
3 the list of these third countries vary depending on the
4 quality of the wire rod, say in the case if orders were to
5 be placed on imports from China?

6 MS. KORBEL: I think we'll have to address that
7 in our post-conference brief because I don't have that
8 information at the top of my head.

9 MR. TSUJI: Thank you. That's fair enough.

10 MR. DeSHANE: This is Michael DeShane. I would
11 just try to answer the question this way. Specifically for
12 welding quality, we do purchase based upon the quality of
13 the material. That's our primary reason why we will place
14 our orders with one mill versus another. And in some regard
15 it's independent of the country of supply. So I think that
16 was part of your question is, again, we mentioned earlier
17 that we rely upon Canada and Canada does a very good job of
18 producing high quality product. So, again, the quality is
19 the main decision maker for our purchases.

20 MR. TSUJI: Thank you very much.

21 CHAIR DeFILIPPO: Thank you, Mr. Tsuji.

22 Mr. Corkran?

23 MR. CORKRAN: Thank you. And thank you very much
24 to the panel. I've listened with interest for all the
25 testimony. And Mr. Waite, you already answered one of my

1 questions I was going to pose which was juxtaposing the last
2 preliminary phase investigation to this one. I do wonder if
3 you have any comments on a general question that I asked
4 this morning's panel which in a nutshell is, there were
5 hundreds of thousands of tons of product from China
6 available in the U.S. market between 2002 and 2005. By the
7 time we looked at 2011 there was virtually none, and now we
8 see 600,000 tons in 2013. Just generally, what is the role
9 of China as a supplier in the U.S. market? What -- that's a
10 lot of variability over -- over time. What role did they
11 play in the U.S. market?

12 MS. KORBEL: So I think we're all concerned about
13 how the Chinese tax structure has impacted the U.S. market
14 and frankly how that might impact this particular
15 proceeding. Prior to 2005, or after 2005 began this border
16 tax procedure where the rod had an export tax of 15 percent,
17 18 percent, 20 percent, you never really know exactly what
18 it is, and a rebate for exports of wire and wire products.
19 That's why you saw the wire and wire products industry who
20 previously have hardly dealt with any proceedings here at
21 the International Trade Commission in terms of protection
22 for their own products. But when you give the domestic
23 industry and China rod that's 15 percent less cost than the
24 world market price, and then you give a rebate to the
25 domestic producers of wire and wire products, we've had a

1 flood of wire and wire products that we've been dealing with
2 since that -- the imposition of this border tax structure.

3 And that, as Alan Price said this morning, was
4 somewhere around 2007. Policies in China are pretty opaque
5 and it's hard to nail down exactly when all of that
6 occurred. But clearly when the economy began to recover,
7 and the U.S. industry was looking for additional sources of
8 wire rod, in 2011 somebody came up with boron. And so that
9 period of time was some way to circumvent the tax export on
10 wire rod. Because, again, there was VAT rebate on the
11 boron-added rod. So, not only was there no export tax on
12 it, now there's also VAT rebate for producers of boron-added
13 wire rod.

14 So it's difficult to understand how those Chinese
15 policies are going to play into this particular proceeding,
16 but what is clear is that there are -- there are enormous
17 incentives for the Chinese wire and wire products industry
18 to ship wire and wire products to the U.S. And the more
19 that occurs, the less customers the U.S. domestic rod
20 industry is going to have because we aren't going to be able
21 to compete. There are certain homogenous industries in wire
22 and wire products that have been able to come together and
23 file a proceeding for protection, PC Strand, Threaded Rod,
24 but there are hundreds of wire products, hundreds of them.
25 And some of them have very small margins, very small

1 markets, and those markets are going to dry up completely as
2 China is induced to sell wire and wire products in the U.S.
3 The more that happens, the less there is going to be a U.S.
4 domestic wire industry and there goes the domestic rod
5 industry because as you heard they don't export, they can't
6 compete. And, oh, by the way, almost all of the petitioners
7 have international rod production that serves those foreign
8 markets. So there's no incentive for them to think about
9 export markets.

10 So, as goes the domestic wire industry, so goes
11 the domestic rod industry.

12 MR. WAITE: Mr. Corkran, if I could continue what
13 Kimberly said. And, again, it's Fred Waite.

14 We saw as wire rod imports from China declined
15 after the 2005, 2006 case, an enormous surge of wire and
16 wire products coming into the United States. Indeed, when
17 one looks at the history of the cases that are being filed
18 by the downstream industry, they began in 2007, 2008 with
19 nails, garment hangers, threaded rod, innerspring units,
20 another round of PC Strand cases, and others. And as
21 Kimberly explained, those are industries where the product
22 can be defined in a way that meets the statutory
23 requirements.

24 One, we'd find it very difficult, for example, to
25 file a dumping case on wire because the different types of

1 wire, applications, chemistry, physical characteristics are
2 so -- are so different and the companies that produce those
3 different kinds of wire are going to be different along that
4 spectrum. So where the product can be clearly defined,
5 where there is an existing domestic industry that has the
6 wherewithal both in terms of finances and personnel to
7 undertake a trade action, they have. But as Kimberly
8 explained, for most of our products, the markets are so
9 small that even the total annual value of sales would not be
10 enough to justify bringing a case much less whatever profit
11 may come from those products.

12 So the downstream industry is in a very different
13 position than the upstream industry which is, again, more
14 concentrated, multinational companies, deep pockets, lots of
15 resources, and a very clear focus.

16 I would also like to expand a little on what
17 Kimberly was saying and it was a question that came up this
18 morning. And Ms. Preece posed that question and that is,
19 the impact of a trade action against wire rod on the
20 consuming industry and whether that has any relevance to
21 your consideration.

22 And, indeed, I think it does because we're not
23 talking about the injury to us in this proceeding, although
24 we are deeply injured and confront an even more hostile
25 environment if our raw material costs are artificially

1 increased and there are other restrictions placed on our raw
2 material. But the impact on the domestic wire rod industry,
3 because, again, as has been explained in this proceeding and
4 previous proceedings, the only use for wire rod is to make
5 wire. And if there's no wire industry to buy the rod, then
6 there is obviously very severe injury to the domestic rod
7 industry because they're not able to sell their product.
8 And it may result in -- a successful trade case may result
9 in the next quarter or two being successful, but what about
10 the next year or two years? And understandably these are
11 issues that meld from legal to policy and back again. But I
12 think it's very important as the Commission in the past has
13 recognized that there is this interplay between wire rod and
14 the customers who purchase wire rod and how that affects the
15 conditions of competition for the wire rod industry in the
16 United States.

17 MR. CORKRAN: Thank you very much.

18 I only had one other question and it's mainly a
19 clarification. I wanted to ask about the discussions that
20 we've had on welding quality, cold-heading quality wire rod
21 and tire cord and tire bead wire rod in the context of the
22 imports that reached 600,000 tons in 2013. Are the more
23 specialized forms of wire rod that were part of the
24 testimony this afternoon by way of example or do you believe
25 they make up a fairly large component of the imports from

1 China?

2 MS. KORBEL: Michael testified to the minute
3 percentages that the welding quality wire rod exists in the
4 imports from China. I don't have the data on the 1080, but
5 that's certainly something that we can prepare for you for
6 the post-hearing brief.

7 The cold-heading quality wire rod is an issue
8 that I have less information about, but I will seek it out
9 to the best of my ability.

10 MR. CORKRAN: I greatly appreciate that and let
11 me clarify. I'm not asking you to dive into the data, some
12 of which we're actually collecting on our own. We'll have
13 direct resource to, but I wanted to sort of -- I wanted to
14 clarify in my mind what the argument was whether we were
15 talking about specialization -- large volumes of specialized
16 imports or whether those were smaller categories within the
17 600,000 tons?

18 MS. KORBEL: In terms of the percentages, which
19 is one issue, the other issue is that the domestic industry
20 has already agreed that they can't make the 1080 tire cord.
21 There was quite a bit of back and forth on the fastener,
22 wire rod, so it's really a two-part issue. It's what are
23 the percentages that are coming in from China, but what is
24 the ability of the U.S. industry to manufacture those
25 products? And we've seen certainly in 1080 tire cord and in

1 the welding quality wire rods that the U.S. wire industry
2 has had very strong relationships with the domestic rod
3 industry and lots of effort in trying to qualify domestic
4 mills to make those products which the success rate you've
5 heard from Michael is one area. And I would suppose that
6 the success rate that they've had in the 1080 tire cord is
7 similar.

8 I checked specifically with the tire cord members
9 this morning with regard to whether or not there was the
10 ability of the domestic industry to produce that rod and I
11 was told unequivocally that they cannot.

12 MR. DeSHANE: This is Michael DeShane of Lincoln
13 Electric. To answer your question very specifically for
14 welding quality, so it was described how imports in 2013
15 from China increased. Welding quality was 0.6 percent of
16 that 600,000 tons number that was imported. So welding
17 quality is a very small portion of the imports from China.

18 And I would also add to your previous question
19 had to do with, you know, why has the imports from China
20 been different from time to time. Specifically for Lincoln
21 Electric, we have three large factories in China and they
22 are servicing the Chinese market. That is their mission to
23 service the large Chinese market.

24 What occurred in China is one of our suppliers
25 built a new wire rod mill. So they put in new technology,

1 new equipment which enabled them to meet our higher quality
2 standards. And then that's what then prompted us to import
3 the material in 2013 after we had smaller quantity of
4 imports in the supplier development program that occurred in
5 2011 and 2012. So in our case it's a very specific small
6 amount of material.

7 MR. CORKRAN: Thank you. And thank you very much
8 for your testimony today. It's been very helpful and I have
9 no further questions.

10 CHAIR DeFILIPPO: Thank you, Mr. Corkran. I have
11 just one question for Mr. DeShane. And you may want to put
12 the information in a post-conference brief, and that would
13 be fine.

14 You've talked in your testimony about the
15 qualification of different suppliers and having had mixed
16 results, et cetera. It would be helpful if you could
17 provide either here or in that post-conference brief a
18 description of sort of what the qualification process
19 entails? Is it a lengthy process? Eventually how costly is
20 it? And to the extent that there are companies both U.S. or
21 Chinese that have tried and failed, noting that in your
22 brief would be helpful too.

23 Thank you.

24 MR. DeSHANE: I could provide you some
25 information now.

1 CHAIR DeFILIPPO: Okay.

2 MR. DeSHANE: The first thing I would say is
3 that, you know, we recognize that to meet our specifications
4 it is a very difficult process and so we have had both
5 success and failures.

6 CHAIR DeFILIPPO: Uh-huh.

7 MR. DeSHANE: It is expensive as well. So we
8 invest our resources and we request the suppliers to invest
9 in it. And one reason why, you know, we talk about the U.S.
10 producers not supporting us as we would like is because it's
11 very difficult. And, you know, it's easier for them to make
12 lower quality material. And there is a direct correlation
13 between the cost to produce steel and the quality. There's
14 a direct correlation.

15 And I kind of say something about the steel
16 industry which is that a good day at a steel company is when
17 they sell a lot of low-quality material at a high price.
18 That's the ultimate day for them. And, again, it's very
19 understandable that they don't want to pursue things that
20 are very difficult.

21 We have specifically identified the two companies
22 that have made good efforts in the last five years to meet
23 the welding quality requirements. You asked about what is
24 the qualification process. It takes anywhere from six
25 months to a year depending on the individual specification.

1 And if you think about our diligence in going through this
2 process, one of the very key determinations that we make is
3 every single piece of steel, or in the case of wire rod, we
4 would say a coil, we actually test both ends of every piece
5 of steel on what they call a chemistry testing machine. I
6 was going to give you the technical name, but essentially
7 we'll test for up to 35 elements. And we don't mind
8 speaking about this in public because this is how we protect
9 our customers. And you want to think about our welding
10 products go into bridges, they go into skyscrapers, and so
11 we guarantee the performance of those products to our
12 customers and so we do a very thorough job of qualifying the
13 steel which is a significant portion of the overall quality
14 of the finished product.

15 CHAIR DeFILIPPO: Thank you. That was very
16 helpful.

17 Ms. Turner, did you have another question?

18 MS. TURNER: Yeah, I had one more question. And
19 this is something that I -- you know, please address more in
20 depth in your post-conference briefs. But I'm a little
21 confused by some of the testimony.

22 Mr. DeShane, you point out that you're not
23 bringing in very many imports, it's 0.6 percent of all the
24 Chinese imports are -- are what qualify as welded. This
25 case is only about China. It's not about imports from other

1 countries. Ms. Korbelt, you also noted that there's really
2 not that many Chinese imports. You've given a great
3 description of the rebate tax system. So, I'm a little
4 confused by -- it is the opposition to basically -- the
5 imposition of any duties on China that you're here for. So
6 if you could elaborate a little bit more on why, if China is
7 not something that you're importing very much from, then why
8 the interest in opposing these duties?

9 And I understand other countries, I mean, but
10 that's not what's in front of us.

11 MR. DeSHANE: So I'll do the best I can to
12 explain. Again, it was very difficult for us to take this
13 position on this case because we want cooperation and
14 partnership with the domestic industry. Although we cannot
15 dismiss the size of the Chinese steel industry. And it was
16 described earlier as massive. And so from a standpoint of a
17 very large Chinese industry, you're going to find
18 low-quality producers and high-quality producers and
19 everything in between. So from the position of Lincoln
20 Electric, we are searching the world for the high-quality
21 producers that can be the best suppliers. It just so
22 happens that there's certainly some in China. And so as we
23 understand this case, it will take away our opportunity
24 today, tomorrow, or possibly a very long time in the future
25 to purchase welding quality wire rod from China. And we

1 already know because of our presence in China with our own
2 factories, that the quality we need does exist. And so we
3 just want the opportunity to continue our efforts in that
4 regard.

5 MS. TURNER: In your post-conference brief, can
6 you give us more description of exactly what it is that --
7 because I'm sure that's confidential of the Chinese producer
8 that you now -- that is qualified and what those
9 qualifications, their capacity, et cetera, would be?

10 MR. DeSHANE: We certainly have that information.

11 MS. TURNER: Thank you.

12 MS. KORBEL: So the AWPA is here. This is our
13 mission, free and fair access to a global supply of wire
14 rod. The wire rod market is a global market. What happens
15 in the EU has an impact about what happens in the United
16 States and in China and all around the market.

17 So you look at 60 percent of wire rod capacity or
18 production in one country. And we're looking at the
19 possibility of now and forever in the future because we know
20 how Sunset reviews go, of never being able to tap the
21 largest market in the world. That has an enormous ripple
22 effect on the competitive nature of the wire and wire
23 products industry and then for the U.S. rod industry. And I
24 think the U.S. rod industry is being really short-sighted.
25 They all -- almost all of them now make wire and wire

1 products. They're going to see fierce competition from
2 China too in their downstream markets if this kind of
3 protection is put on the domestic -- on the Chinese wire
4 rod. That's a huge -- I mean, imagine being a producer and
5 be shot out of the largest market in the world for your raw
6 material supply. And raw material can be 90 percent of the
7 cost of production.

8 MS. TURNER: So you've leading more of the future
9 -- the future aspect of not being --

10 MS. KORBEL: Nobody knows what Chinese policies
11 are going to be. You know, they could shut off the
12 boron-added rod tomorrow. Somebody reads this in the paper
13 and says, okay, that's it. No more VAT rebate on
14 boron-added rod. The door gets shut immediately. We don't
15 know. But we're not willing to give up access to a market
16 that's so large. It's scary.

17 MS. TURNER: Okay. That's helpful. I mean, it
18 was particularly when we were dealing well with the welded
19 where it's 0.6 percent. But thank you. Unless anybody else
20 has -- thank you.

21 CHAIR DeFILIPPO: Thank you, Ms. Turner. And
22 thank you very much to the members of this panel. It's been
23 very helpful having you here answering our questions and
24 providing testimony. I know I learned so new stuff.

25 We'll take -- I'm going to look at counsel and

1 look for nods of head.

2 Do you want a break in between now or go straight
3 into -- I was going to say -- do you need a -- do you want a
4 few minute break to consult with your --

5 (Pause.)

6 CHAIR DeFILIPPO: Okay. Then we will just move
7 right into closing statements and I will ask Mr. Rosenthal
8 and whomever is going to deliver with him to join us back at
9 the table.

10 (Pause.)

11 CHAIR DeFILIPPO: Welcome back, gentlemen. I
12 will defer to you. When you're ready to begin, please do.

13 REBUTTAL/CLOSING REMARKS

14 MR. PICKARD: Good afternoon. I'm Dan Pickard
15 from Wiley Rein here today on behalf of Nucor. I have just
16 a minute or two of closing remarks and then I'm going to
17 turn it over to Mr. Rosenthal.

18 First, as always, thank you for your time and
19 your attention to the case.

20 I think this is a classic textbook case. But
21 before discussing what you heard this morning, I would like
22 to talk about two things that you didn't hear today.

23 One, is you didn't hear from any foreign
24 producers; right. And I think that's noticeable or it has
25 import, the lack of cooperation that you've had from Chinese

1 producers in this case.

2 I think more interesting is you didn't hear any
3 industry witness this afternoon state that 600,000 tons of
4 Chinese imports aren't injurious to the domestic industry.
5 You heard them say that generally they would like to have
6 access to dumped and subsidized imports. Or they would like
7 to have access to specific dumped and subsidized products.
8 But nobody denied that a surge of 600,000 tons hasn't had a
9 negative impact on the domestic industry. Which when you go
10 to the statutory factors that the Commission is obligated to
11 consider, it would be difficult to deny that. It's been a
12 long time since the Commission has seen a surge in the
13 volume of imports of this size, both absolutely and as to
14 market share.

15 The underselling data is going to confirm that
16 there's been price depression and price oppression by reason
17 of subject imports. And the AUV data demonstrates that
18 Chinese imports are entering the market at incredibly low
19 prices.

20 The bottom line, however, is the bottom line.
21 What we see is that this huge surge in imports from almost
22 de minimus or from de minimus levels to 600,000 tons led
23 directly to decreased production, decreased shipments,
24 depressed capacity utilization which are already at very,
25 very low rates, decreased net sales, and decreased operating

1 income. And perhaps most significantly that the subject
2 import share -- subject imports directly took market share
3 from the domestic industry.

4 On top of that, this is equally as strong of a
5 threat case. The capacity for the Chinese producers to
6 surge into the market has been demonstrated in this
7 investigation as in previous investigations that they've
8 gone from zero to 600,000. In previous cases we've known
9 that they've gone up to a million tons and it looks like
10 they're headed in that direction right now.

11 To the extent that the Commission may be lacking
12 in any capacity information, that's solely as a refusal of
13 the Chinese producers to cooperate. I would say that this
14 is as straightforward a case as you're going to see and that
15 an affirmative determination is certainly warranted.

16 MR. ROSENTHAL: 543,000 percent. I've always
17 wanted to say a number like that.

18 (Laughter.)

19 MR. ROSENTHAL: I regretted that Gina Beck got to
20 say it first. It's kind of like the Karl Sagan billions and
21 billions of stars figure. 543,000 percent. If you don't
22 remember anything else from this hearing, remember that.

23 I'm not going to address this morning or this
24 afternoon the notions of exclusions that were discussed
25 earlier. We'll talk about that in our post-hearing brief

1 and we'll explain why they're pointed out and appropriate
2 for the Commission to be considering. And why the facts
3 have changed since some of these exclusions were agreed to
4 12 years ago.

5 I will say that right just before this hearing
6 somebody pointed out to me that our petition was filed on
7 January 31st, which happened to be Chinese new year and I've
8 been thinking separately about that conversation and
9 references to the testimony you heard from respondents
10 earlier and the colloquy that I had with Ms. Preece that
11 everybody is in this boat fighting the Chinese together.
12 And it also reminded me of this old episode of Cheers where
13 Norm walks into the bar and he says, "It's a dog eat dog
14 world out there and I'm wearing Milkbone underwear." Well,
15 metaphorically the domestic wire rod industry and their
16 customers in the wire business are wearing Milkbone
17 underwear. And every year for them it's the year of the
18 dog.

19 The Chinese are unrelenting in their pursuit of
20 market share in the U.S. and they're doing it using one
21 technique and it's not a specialized product that can't be
22 obtained anywhere else, it is price. I do want to address a
23 couple of the comments that were made earlier. It was
24 suggested that the wire rod mills control prices of rod to
25 wire mills. That's not true. It's also acknowledged that

1 this is a very, very fiercely competitive wire rod market.
2 And there are lots of sources of competition both
3 domestically and import. There's no one that is controlling
4 prices here. And largely that is true because there's not
5 only a large amount of domestic capacity, but worldwide
6 capacity that supplies this market.

7 This notion that Ms. Korbelt suggested that if the
8 wire rod faced artificially inflated prices they can't be
9 competitive. Well, prices are hardly artificially inflated
10 and an antidumping countervailing duty order is not
11 artificial. All that does -- all these cases attempt to do
12 is get rid of the artificially low prices that are available
13 to the customers through government intervention and
14 unfairly trading practices.

15 Secondly, Ms. Korbelt mentioned numerous price
16 increases in the second half of 2013. As a practical
17 matter, most of those price increases did not stick, and to
18 the extent there were price increases, they still managed to
19 result in incredibly low prices after all was said and done
20 in meager and declining profitability.

21 Mr. Waite asked the questions about U.S. industry
22 capacity to meet U.S. demand. The data clearly indicate
23 that there is ample U.S. capacity to meet the U.S. demand.
24 If the Chinese disappeared from the market, which is what
25 they had done three years ago, there was ample U.S. capacity

1 then. And there's plenty of capacity to supply everything
2 that the Chinese are doing today.

3 But as a matter of law, there's no requirement
4 for the U.S. industry to be able to meet U.S. demand. As a
5 matter of fact, though, the U.S. industry doesn't oppose
6 imports. We're not trying to shut off sources of supply to
7 our customers. What the U.S. industry is asking for in this
8 case is fair pricing. The elimination of subsidization.
9 The elimination of dumping. And it's not -- we have a great
10 deal of sympathy to the wire industry. They are our
11 customers, they are our colleagues. That's the point I was
12 trying to make earlier about everyone being in this
13 together.

14 But the notion that the wire rod industry should
15 be forced to compete against the Chinese government and its
16 decision to build up massive overcapacity, subsidize its
17 industry, and sacrifice the intermediate producers so that
18 our colleagues and customers can prosper more, I would
19 suggest to you is not something that is relevant for the
20 Commission to entertain. We're all in this together and I
21 wish that all of our attention was focused on the threat
22 posed to not just the wire industry, but the wire rod
23 industry.

24 I don't have a lot more to say. I would urge you
25 to just, if you hear nothing else other than 543,000

1 percent, just look at these charts. Every indicia of injury
2 is satisfied in this case. There's no static. There's
3 nothing else in the facts, for example, that Mr. Corkran
4 referenced in earlier periods that should distract the
5 Commission from the factors that are present here, large
6 increases in volume, large declines in prices, declines in
7 every indicator that the Commission looks at when it's
8 making a determination of injury and threat of injury.

9 So I will leave you with that and focus on these
10 charts and remember 543,000 percent. Thank you.

11 CHAIR DeFILIPPO: Thank you. It's going to be
12 hard to remember 543,000 against the Milkbone underwear, but
13 I'll try.

14 (Laughter.)

15 CHAIR DeFILIPPO: Thank you very much, Mr.
16 Rosenthal and Mr. Pickard.

17 Mr. Waite, are you doing closing remarks?

18 Welcome back.

19 MR. WAITE: Thank you very much, Madam Chairman.

20 CHAIR DeFILIPPO: And please proceed when you're
21 reading with your closing statement.

22 MR. WAITE: Thank you. And, again, it's Fred
23 Waite, counsel for the American Wire Producers Association.
24 Here today on behalf of the few, the proud, wire producers
25 of the United States.

1 When Mr. Rosenthal was referring to his
2 percentages, I'm afraid the only number that kept coming
3 into my mind was \$400 million and why for the one time in my
4 life I wish I lived in California rather than in Washington,
5 D.C.

6 But as you approach the report that you're
7 preparing, as the Commission considers the record evidence,
8 we would just like to emphasize several points that we
9 mentioned earlier this morning into the afternoon which I'm
10 sure you will give due consideration.

11 Starting in March 2013 through last month, the
12 domestic industry announced and realized a large number of
13 price increases. Ms. Korbel referred to those. She gave
14 you the amounts of the increases. We will provide you with
15 detailed information in our post-conference brief. Every
16 domestic producer moved in locked step increasing their
17 prices by \$25, 30, even 40 a ton. Our members report that
18 they paid most -- and in some cases -- all of those price
19 increases that were announced.

20 Despite the price increases, as you heard, the
21 domestic wire industry relies heavily -- I wouldn't say
22 almost exclusively, but close to almost exclusively on the
23 domestic rod mills for their primary source of supply.

24 Most of the members of the American Wire
25 Producers Association purchased between two-thirds and

1 three-quarters of their rod requirements from U.S. mills.
2 Some purchased 85 percent or more. That hasn't changed.
3 That's been constant year in and year out. And as Chinese
4 imports into the United States increased, the U.S. industry
5 continued to buy predominantly from domestic sources.

6 Also, as Chinese imports increased, the domestic
7 industry was taking steps to enhance their competitive
8 position, for example, during 2012, Nucor implemented a
9 major capital program which resulted in the Darlington mill
10 in South Carolina which produces wire rod, or at least it
11 started producing wire rod at the end of last year and the
12 American wire producers welcomed that development of
13 addition capacity. They've also noted that a number of
14 their other domestic suppliers have made capacity increases,
15 quality upgrades, and the like.

16 We also discussed the effect of scrap prices on
17 the pricing of domestic wire rod. For the rod mills scrap
18 plays the same role as wire rod does for the wire mills. It
19 is the largest single component of cost in their production
20 process. And as we've also tried to explain, the movement
21 of scrap prices is a major, if not the major determinant in
22 changing of wire rod prices. Although our members would
23 hasten to add that when scrap prices go up, rod prices seem
24 to go up pretty promptly. When scrap prices go down, it
25 doesn't move down with the same alacrity.

1 We also pointed out that the domestic wire
2 producers -- and by that, I mean the independent wire
3 producers, also compete with the domestic rod mills. That's
4 been a changing condition of competition over the history of
5 the cases before the Commission. When the first wire rod
6 cases were filed, back in the 1980s and early 1990s, and the
7 American Wire Producers Association appeared, many of the
8 domestic mills were integrated. They made everything from
9 soup to nuts. Or in the case of wire and wire products from
10 wire to nails and screws.

11 There was a period when the domestic rod industry
12 moved out of the downstream markets. They consolidated and
13 concentrated on wire rod. In the last few years there's
14 been a movement in the opposite direction and I think you
15 heard from the panel this morning that a number of the wire
16 mills -- wire rod mills that were here also make wire
17 products in competition with the independent wire companies
18 who are in fact their customers for the raw material.

19 You also heard from our panel some information
20 about products not produced by the U.S. rod mills, welding
21 quality rod, tire bead, tire cord, that is 1080 tire bead,
22 tire cord, wire rod, valve spring quality wire.

23 I would like to end by responding to a nonlegal
24 question from a lawyer and that was Ms. Turner which was
25 basically why are we here. And that brought back memories

1 to me because the first time the members of the AWPA
2 appeared before the Commission one of the Commissioners, who
3 I believe is sitting behind me right now, asked the panel,
4 why are you here, if the domestic industry is your primary
5 source of supply, if you're really not interested in
6 displacing domestic sourcing by imports, if you tell us that
7 these imports are not all that important to you, why are you
8 here. And the short answer was, by each of the members who
9 was testifying before the Commission, we don't know what the
10 future holds.

11 We simply cannot say that if you cut off our
12 supply to various overseas sources, that in one year, two
13 years, and these companies are looking at a slightly
14 different time of analysis than the Commission does under
15 the statute, we recognize that, but if we are cut off from
16 offshore sources, what will happen to us? And as one of the
17 witnesses testified, his company had historically purchased
18 virtually all of their wire rod domestically. They had had
19 some bad experiences, disruptions, work stoppages,
20 dislocations, delivery problems. So they made a corporate
21 decision to source 75 percent domestic, 25 percent offshore
22 in order to be sure that they would never be out of
23 material, that they would never be in a position that they
24 would say to their customer, sorry, we can't provide you
25 with what you ordered because we don't have the feedstock.

1 So why are we here? We're here as Kimberly
2 Korbelt said, because the mission statement of the AWPA is
3 availability of wire rod on a global basis so that when we
4 compete with our global competitors from China and
5 elsewhere, that we are not disadvantaged in our operations
6 and in our competitive positions so that we can continue to
7 be good and I hope prompt paying customers of the U.S. wire
8 rod industry.

9 Thank you very much.

10 CHAIR DeFILIPPO: Thank you very much, Mr. Waite.

11 On behalf of the Commission and the staff I would
12 like to thank the witnesses who came today as well as
13 counsel for helping us gain a better understanding of the
14 product and the conditions of competition in the carbon and
15 certain alloy steel wire rod industry.

16 Before concluding please let me mention a few
17 dates to keep in mind. The deadline for submission of
18 corrections to the transcript and for submission of
19 post-conference briefs is Wednesday, February 26th. If
20 briefs contain business proprietary information, the public
21 version is due on Thursday, February 27th.

22 The Commission has tentatively scheduled its vote
23 on these investigations for Friday, March 17th, and will
24 report its determinations to the Secretary of the Department
25 of Commerce on -- well, there's a date wrong. They're both

1 Monday.

2 Oh, okay. Sorry. The vote is Friday, March 14th
3 and will report its determinations on Monday, March 17th.
4 Commissioners opinions will be issued on Monday, March 24th.

5 Thank you all for coming. This conference is
6 adjourned.

7 (Whereupon, at 1:10 p.m., the conference was
8 concluded.)

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25