UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
STAINLESS STEEL BAR FROM BRAZIL, INDIA,	**) 731-TA-678-679 AND 681-682**
JAPAN, AND SPAIN	**) (FOURTH REVIEW)**

Pages: 1 - 262
Place: Washington, D.C.
Date: Thursday, July 12, 2018

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Stenotype Reporters
1625 I Street, NW
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Washington, D.C. 20006
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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
STAINLESS STEEL BAR FROM) 731-TA-678-679 AND 681-682
BRAZIL, INDIA, JAPAN, AND) (FOURTH REVIEW)
SPAIN)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, July 12, 2018

The meeting commenced pursuant to notice at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable David S. Johanson, Vice Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Vice Chairman David S. Johanson (presiding)

Commissioner Irving A. Williamson

Commissioner Rhonda K. Schmidtlein

Staff:

Sharon Bellamy, Records Management Specialist

Tyrell Burch, Program Support Specialist

Kristina Lara, Investigator

Daniel Matthews, International Trade Analyst

James Horne, International Economist

Emily Kim, Accountant/Auditor

Brian Allen, Attorney/Advisor

Douglas Corkran, Supervisory Investigator

APPEARANCES:

Embassy Appearance:

Embassy of Japan

Washington, DC

Takeshi Komoto, Minister for Economy, Trade, Industry, and Energy

Opening Remarks:

In Support of Continuation of Orders (Laurence J. Lasoff, Kelley Drye & Warren LLP)

In Opposition to Continuation of Orders (Matthew R. Nicely, Hughes Hubbard & Reed LLP)

In Support of the Continuation of Antidumping Duty Orders:
Kelley Drye & Warren LLP
Washington, DC
on behalf of
Carpenter Technology Corporation
Crucible Industries, LLC
Electralloy, a G.O. Carlson Inc. Co.
North American Stainless,
Outokumpu Stainless Bar, Inc.
Universal Stainless & Alloy Products, Inc.
Valbruna Slater Stainless, Inc.

William A. Wellock, Director, Strategic Customer Development, Carpenter Technology Corporation

Jack Simmons, Senior Advisor, Electralloy, a G.O. Carlson Inc. Co.

Brian Romans, National Sales Manager, North American Stainless

Jerry Poalise, Vice President, Sales, Outokumpu Stainless Bar

Christopher M. Zimmer, Executive Vice President and Chief Commercial Officer, Universal Stainless

Valter Viero, Secretary, Valbruna Slater Stainless, Inc.

APPEARANCES (Continued):

Edward J. Blot, President, Ed Blot & Associates, Inc.

Michael T. Kerwin, Director, Georgetown Economic Services

Brad Hudgens, Consultant, Georgetown Economic Services

Laurence J. Lasoff and Grace W. Kim - Of Counsel

In Opposition to the Continuation of Antidumping Duty Orders:

Mayer Brown LLP

Washington, DC

on behalf of

Sidenor Aceros Especiales S.L. ("Sidenor")

Frank Paolillo, Executive Vice President of Operations, Magellan Corporation

Sydney H. Mintzer, Jing Zhang and Michael Leibner - Of Counsel

APPEARANCES (Continued):

Hughes Hubbard & Reed LLP

Washington, DC

on behalf of

Daido Steel Co., Ltd.

Aichi Steel Corporation

Sanyo Special Steel Co., Ltd.

Shuji Hamano, Manager, Export Service Section, Global Marketing and Sales Department, Daido Steel Co., Ltd.

Yasushi Kuwayama, General Manager of Sales, Daido Steel (America) Inc.

Michio Kato, General Manager, Operation Division, Special Steel Association of Japan

James P. Dougan, Vice President, Economic Consulting Services, LLC

Cara Groden, Senior Economist, Economic Consulting Services, LLC

Matthew R. Nicely, Dean A. Pinkert and Julia K. Eppard - Of Counsel

APPEARANCES (Continued):

Drinker Biddle & Reath LLP
Washington, DC
on behalf of
Aceros Inoxidables Olarra S.A. ("Olarra")
Aceria de Alava, S.A.U. ("Aceralava")

Natalio Ferran, Commercial Director, Aceralava

Juan Carlos Agoglia, Vice President, Sales & Marketing, Tubacex America

Alvaro Rojas, Commercial Director, Olarra

Wolf Hillinger, President, Roda Specialty Steel, Inc.

Richard P. Ferrin and Douglas J. Heffner - Of Counsel

White & Case LLP
Washington, DC
on behalf of
Villares Metals SA ("Villares")

Armin Wuzella, Managing Director and Chief Financial Officer, Villares

Jay Campbell - Of Counsel

APPEARANCES (Continued):

Rebuttal/Closing Remarks:

In Support of Continuation of Orders (Laurence J. Lasoff, Kelley Drye & Warren LLP)

In Opposition to Continuation of Orders (Richard P. Ferrin, Drinker Biddle & Reath LLP; Dean A. Pinkert, Hughes Hubbard & Reed LLP; and Jay Campbell, White & Case LLP)

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P R O C E E D I N G S

(9:30 a.m.)

MR. BURCH: Would the room come to order?

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-678 and 679, and 681 and 682, Fourth Review involving Stainless Steel Bar from Brazil, India, Japan and Spain. The purpose of these reviews is to determine whether a revocation of the anti-dumping duty orders on stainless steel bar from Brazil, India, Japan and Spain would be likely to lead to continuation or recurrence of material injury within a foreseeable time, reasonably foreseeable time.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphones and state your name for the record for the benefit of the court reporter.

If you will be submitting documents that contain information you wish considered -- wish classified as business confidential, your request should comply with Commission Rule 201.6. Mr. Secretary, are there any preliminary matters?

MR. BURCH: Mr. Chairman, I would note that all witnesses have been sworn in. There are no other preliminary matters.

CHAIRMAN JOHANSON: Very well. Will you please announce our Embassy witness?

MR. BURCH: Our Embassy witness is Takeshi Komoto, Minister for Economy, Trade, Industry and Energy with the Embassy of Japan.

STATEMENT OF MINISTER TAKESHI KOMOTO

MR. KOMOTO: A very good morning. My name is Takeshi Komoto from the Embassy of Japan, responsible for Economy, Trade, Industry and Energy. We would like to thank the ITC for giving the Government of Japan an opportunity to make a statement on anti-dumping duty investigation on Stainless Steel Bar.

The Government of Japan is paying close attention to this proceeding, so that this review and its conclusion will be consistent with the relevant provisions under the WTO agreement. The Article 11.3 of the anti-dumping agreement stipulates that any definitive anti-dumping duty shall be terminated on a date no later than five years from its imposition, or from the date of the most recent review, unless the authorities determine that the expiry of the duty would be likely lead to continuation or a recurrence of dumping and injury.

On this point, the appellate body found that the authority must show that probable evidence in determining the likelihood of continuation or recurrence on dumping and injury, and such determination requires positive evidence and an objective examination.

Since the AD measure was imposed back in 1995, the landscape of the world economy and the U.S. market has dynamically changed. The role of the Japanese products in the U.S. market is completely different from 25 years ago. While Japanese steelmakers have been utilizing their capacity at the maximum level, the amount of Japanese import has decreased since the AD measure has been imposed.

The prehearing report issued by ITC, dated June 21st, 2018, also acknowledges that the subject imports from Japan has mitigated degree of responsiveness of supply because of limited availability of unused capacity or inventories, and limited ability of shipments from alternate markets.

The prehearing report further shows that the import share for both quantity and value of Japanese subject goods in the U.S. market from 1999 to 2017 is 0.0 to 0.3 percent. Japanese steelmakers are just exporting their products that are required by their customers, and they do not have enough production capacity to increase their exports significantly to the U.S. The Government of Japan requests the authority an objective examination on whether or not the expiry of the anti-dumping duty on stainless steel bar imported from Japan will lead to continuation or recurrence of dumping and injury.

Furthermore, the prehearing reports refers to certain factors regarding cumulative consideration to assess whether subject imports from Brazil, India, Japan and Spain are likely to compete with each other and with the domestic like product. As determination of continuation or recurrence of dumping and injury under Article 11.3 of the AD agreement requires positive evidence and objective examination, cumulative assessment of the effects of imports from subject countries is justifiable only when the authorities can demonstrate that imports from subject countries compete with each other with the domestic like product.

In this regard, subject goods imported from Japan are mostly of high value added products, including products that are custom ordered, and they are clearly different from other products from other countries, in terms of end use, chemical composition and price range.

Most of the Japanese stainless steel bar products do not compete with other imported products from other countries and domestic like products in the U.S. market. It cannot be considered to contribute to injury or domestic injury in a similar manner with the imported products from other countries.

The investigating authority should be careful in assessing whether cumulative assessment of Japanese imports in this case is justifiable or not. The Government of Japan requests the International Trade Commission for a decision with thorough consideration on views and opinions presented by Japanese steel industry and importers. Thank you very much.

CHAIRMAN JOHANSON: Thank you, Mr. Komoto. Any questions? No. We have no questions. Thank you for appearing here today.

MR. KOMOTO: Thank you.

MR. BURCH: Thank you, Minister Komoto. Opening remarks on behalf of those in support of continuation will be given by Laurence J. Lasoff of Kelley Drye Warren. Mr. Lasoff, you have five minutes.

OPENING STATEMENT OF LAURENCE J. LASOFF

MR. LASOFF: Good morning Mr. Chairman, members of the Commission. I'm Larry Lasoff of Kelley Drye and Warren, appearing today on behalf of the domestic producers of Stainless Steel Bar. Since this is the first time this industry has appeared before the Commission in over a decade, we've brought virtually the entire industry here today to help re-introduce you to this industry, including its unique channels of distribution that contribute to its import vulnerability.

The brief submitted in this case presents starkly different pictures of the conditions prevailing in the U.S. and foreign markets for Stainless Steel Bar. Respondents would have you believe that the domestic industry is sailing into a period of sustained growth, and is earning strong and healthy profits and is not vulnerable.

They also claim individually that they have no ability or minimal interest in selling into the U.S. market because their substantial capacities are committed elsewhere. Moreover, they claim that because of the Section 232 program, there would be no discernible adverse impact from revocation. We respectfully disagree.

This is a highly vulnerable industry. The Commission reached that determination in the first review, even when the industry maintained a higher share of the domestic market, and operated at a higher capacity utilization level. Moreover, the domestic industry's profitability is similar to that found during the first review.

The domestic industry's condition over the current period is in many respects even worse than it was before this case was filed. Let's look at the record as reported in the staff report. First, during the current period of review as a whole, the domestic industry's net income was barely at break even, at just 0.4 percent of sales value. Domestic capacity utilization in 2017 stood at 45.6 percent, lower than in the original investigation or any of the previous sunset reviews.

Third, even as subject imports have remained relatively in check, non-subject imports continue to take an increasing share of the U.S. market. That share has grown to more than 48 percent of the market today. The role of non-subject imports is fundamental to the vulnerable condition that the industry finds itself in today.

We would agree with Respondents that the domestic Stainless Bar market has grown since the filing of these cases. When the cases were filed, however, the domestic industry had approximately 71 percent share of the U.S. market. Today, that share is 49.8 percent.

The domestic industry has been unable to experience any gains in market share, despite the growth in demand that Respondents have repeatedly noted. Significantly, only the subject imports have remained in check, the result of these four anti-dumping duty orders.

I want to say a word about India, which has elected not to appear in this review. India is especially instructive in terms of what can happen when one of these anti-dumping duty orders is revoked in this highly competitive price-sensitive market. Two of the principle producers, Viraj and Venus, were provisionally revoked from the orders by the Department of Commerce in 2004 and 2011, respectively.

As a result of those revocations, India's imports into the U.S. increased to more than five times the volumes that were in place at the time of the original filings, most of the increase attributable to these two companies. After an 18 month battle at the Department of Commerce, the industry was able to get the two companies reinstated under the order. Unfortunately, the damage had been done. We will address some of the other companies in our direct testimony.

Finally, I would like to address or briefly comment on the elephant in the room, the Section 232 program, an unprecedented condition of competition which various respondents have deemed a cushion, an indefinite deterrent, and therefore a reason why the Commission could revoke these orders.

A few months ago in the tin sheet sunset case, the Commission elected not to speculate as to the impact of the Section 232 case, noting the timing relative to the collection of information and the closing of the record. It is our position that a few months later that we remain in the similar realm of uncertainty. First, the record of this review, which goes to the first three months of 2018, does not have data to permit an assessment of the impact on the program on domestic producers.

Second, the duration of the program remains in doubt, as does its legal existence with challenges in the courts, Congress and the WTO. Third, since March, four proclamations have been issued, each modifying the nature and country scope of the program. Fourth, a product exclusion process is in place that to date has resulted in over 23,000 exclusion requests filed on steel, more than 700 of those refer to Stainless Bar alone. Less than one-half of one percent of these requests have been acted upon.

The Section 232 program is not the cure-all to the structural problems of over-capacity and unfair trade that have plagued the Stainless Bar sector. The program was intended to address a national security concern, and the President made it clear that it was not a substitute for the anti-dumping duty orders that were intended to address unfair trade practice and the injury brought about by those practices.

I'm sure you'll have some questions regarding that in this proceeding, and both our industry witnesses and myself and my co-counsel will be pleased to address this issue as well. Thank you very much.

MR. BURCH: Thank you Mr. Lasoff. Opening remarks on behalf of those in opposition to a continuation will be given by Matthew R. Nicely of Hughes, Hubbard and Reed. Mr. Nicely, you have five minutes.

OPENING STATEMENT OF MATTHEW R. NICELY

MR. NICELY: Thank you and good morning. I'm Matt Nicely of Hughes, Hubbard and Reed, appearing on behalf of Respondents. Anti-dumping orders have been in place against Stainless Steel Bar from Brazil, India, Japan and Spain for nearly a quarter century. To Petitioners' way of thinking, nothing ever changes. So revocation of the orders will simply return us to the same situation that existed when the orders were imposed in 1995.

They want you to apply a standard that will result essentially in never sun setting these or any other orders. But that's not the standard the Commission applies. Thankfully, the Commission recognizes that markets and market participants change over time, particularly over long periods like we have here.

Let's consider what's different. Unlike the last time the Commission conducted a full review of these orders, demand for Stainless Steel Bar in the United States and globally is on the rise, and is projected to continue for years to come. Thanks to this global strength in demand and the healthy pricing that goes with it, the U.S. market cannot be a magnet for foreign product as it arguably was in the past.

This is particularly so today, given the additional trade relief in effect on stainless steel bar imports. This includes the 25 percent Section 232 tariffs that are now imposed on subject imports from India, Japan and Spain, and the quota imposed on imports from Brazil. The Commerce Department's stated goal for that relief was to reduce import volumes and increase U.S. capacity utilization.

Petitioner companies themselves have said that the 232 measures are already having this effect. It is preposterous and belied by the record, the record facts, to suggest otherwise. The other important new trade measure in effect today is that Viraj, India's largest stainless steel bar producer, is banned from selling its product to the U.S. market for the next 15 years as a result of the Section 337 exclusion order issued by this agency.

It is noteworthy actually, it's

extraordinarily revealing that this fact received zero attention in the Petitioners' prehearing brief, as it dramatically undermines their case. If this industry has anything to worry about from imports, the Commission must consider the very different role that non-subject imports are playing the market as compared with past proceedings.

Non-subject imports have more than tripled in size compared with 1993. Continuing orders on subject imports cannot be justified due to the effects of non-subject imports. But importantly, the domestic industry's performance has improved in recent years, notwithstanding the increased presence of non-subject imports. Even before 232 relief was imposed, the industry's production was up. Prices were up. Profits were up.

One of the reasons this industry has and will continue to succeed is because it has restructured. The most important change over the last several years is the entry of North American Stainless or NAS, which is now by far the largest domestic producers of SSB. Everyone identifies NAS as the price leader. They are joined now by other foreign-owned U.S. mills that depend on their global supply chains to maintain success.

Meanwhile, the longer-standing members of the industry have adjusted their business models to focus on smaller volume, more niche products that are less affected by competition they might otherwise face from NAS or other foreign competition.

Petitioners' case relies in large measure on their reported capacity utilization numbers. The Commission might wish to ask the Petitioners today how they arrived at their reported capacity figures, as published reports indicate that U.S. stainless steel bar producers, standard producers, do not possess idle capacity.

In addition, record evidence shows capital expenditures that are impossible to reconcile with the supposedly under-utilized capacity. In any event, the Commission must consider the changes that have occurred in the countries that are the subject of this case. As you read in country-specific briefs, other markets are now the focus of respondent mills. Even those mills that face relatively low AD cash deposits are not selling large volumes in the U.S., as they dedicate their capacity to domestic or foreign, nearby foreign markets.

Whether you consider the subject countries together or separately, the changes they have undergone eliminate any threat they might otherwise pose to the U.S. industry, if it was in any way vulnerable, which it clearly is not. Of course, the changes that occurred in the U.S. market, the global market and the U.S. industry all received zero attention in the Petitioners' prehearing brief, because change is an inconvenient fact for them.

But these developments are fatal to Petitioners' case. Upon a complete analysis, the Commission will find that the subject imports' volume and price effects are and will remain insignificant, and that the industry is unlikely to suffer negative consequences if the orders are revoked. It is time for the sun to set on these orders. Thank you.

MR. BURCH: Would the panel in support of continuation of the Antidumping Duty Orders please come forward and be seated.

Mr. Chairman, this panel has 60 minutes for their direct testimony.

MR. LASOFF: Mr. Chairman, we're going to just jump right in. We have a lot of testimony this morning. Mr. Wellock of Carpenter Technology will begin our direct testimony.

STATEMENT OF WILLIAM A. WELLOCK

MR. WELLOCK: Good morning. My name is Bill Wellock. I am the Director of strategic Customer Development at Carpenter Technology Corporation.

I have been with Carpenter for over 20 years. Carpenter is a major U.S. producer of specialty metals and other high-performance materials, including a number of nonsteel products such as titanium and super alloys. We produce stainless bar at five manufacturing sites across the United States.

I am here today because I strongly believe that for our company and our industry to remain viable in this market it is crucial that the Antidumping Orders on Imports from Brazil, India, Japan, and Spain remain in place.

In our capital-intensive industry, our steel mills must maximize the utilization of our casting and rolling equipment to spread fixed costs over as wide a base as possible, and stainless bar is one of Carpenter's highest volume products.

Stainless bar is a critical element to Carpenter's overall product line. It helps keep our equipment running on a consistent basis, maintaining product flow and keeping our workforce employed. It is extremely important that we maintain reasonable levels of stainless bar production to sustain our overall operations.

Carpenter produces a wide range of stainless bar products. Although Carpenter produces specialized grades, we continue to produce the entire line of stainless bar from the Basic 300 Series grades, to more specialty grades like 400 Series grades, and 17-4, among others.

We compete head-to-head with other domestic producers and importers across all our product lines, with price being the key factor determining who gets the sale. I recognize that these Orders have been in place for a number of years, and that their longevity might seem to some to be sufficient reason to warrant revocation. That assessment, however, would be unjustified for a number of reasons.

Our industry is continuing to face difficult business conditions at this time. As you can see in our questionnaire response, Carpenter's stainless bar operations have suffered from low capacity utilization, and showed unacceptable financial performance during the Period of Review.

Although U.S. demand has recovered from the Recession that occurred during the previous sunset review, almost all of the recent growth in consumption has gone to imports from nonsubject countries rather than to domestic producers.

Increased volumes of stainless steel bar have come from a number of nonsubject sources, including the five countries that had their Unfair Trade Orders revoked in 2007. As nonsubject imports have grown, so has their share of the U.S. market. In fact, the domestic industry's share of the U.S. market in 2017 was less than 50 percent, an historically low level.

As imports have increased their share of the U.S. market, pricing has become extremely competitive. Without the existing Orders, the market conditions we are facing today would be far worse.

There is no doubt that revocation of the Orders will quickly lead to the return of unfairly priced imports from the subject countries, which will once again destabilize the already vulnerable U.S. industry.

Producers in the subject countries continue to maintain large capacities and focus on export markets for a significant part of their output. The U.S. market remains an attractive outlet, given its size, accessibility, and higher prices compared to other markets.

The important role of master distributors in the United States means that it will be relatively easy for the subject imports to regain a substantial presence in our market. A surge in imported Stainless Steel Bar flooding our market would quickly translate to a downward spiral price--a downward price spiral.

The minimum profit margins that presently exist for the domestic industry would quickly erode, destroying the financial solvency of our companies and the livelihood of our workforce.

The future of our industry rests with the ability to maintain continued improvements at our manufacturing facilities. An active investment strategy supported by adequate returns is an integral part of this process. If the Orders are revoked, however, it is unlikely that we will be able to achieve the returns necessary for continuing investment in our stainless bar mills.

The Antidumping Orders play a critical role in assuring fair and equitable competition in this highly competitive and price-sensitive stainless bar market, and continuation of the Orders is therefore vital to the survival of our industry.

I urge you to make an affirmative finding and maintain all of the Orders for another five years. Thank you.

MR. LASOFF: Next we will have Mr. Brian Romans from North American Stainless.

STATEMENT OF BRIAN ROMANS

MR. ROMANS: Good morning. I am Brian Romans. I'm the National Sales Manager at North American Stainless, or NAS. I first joined NAS in 2003 in the sales and marketing of stainless long products when NAS first entered the stainless bar market, but I have been involved in the stainless steel industry for over 15 years.

NAS maintains a state-of-the-art stainless long products facility in Gent, Kentucky. In addition to stainless steel bar, NAS also produces stainless steel wire rod, angle, and rebar at this facility.

Our decision to enter the stainless bar market was facilitated in part by the existing Antidumping Duty

Orders which helped to ensure fair pricing in the U.S. market. It is unlikely that NAS would have undertaken such a major investment in the United States if unfair imports had continued to saturate the market as they did before the Orders were imposed.

These Orders have been critical to the success of NAS because imports from the subject countries had to be sold at fair market prices or be subject to the duties that would bring them back to fair market prices.

In fact, since the last sunset review a number of subject producers received higher dumping margins after undergoing an administrative review by the Commerce Department such as Indian producers Mukan and Shandan in 2012, as well as Spanish producer Gerdau now known as Sidenor in 2017.

Moreover, two Indian producers, Venus Wire and Viraj, who were conditionally revoked from the Orders several years ago, began pricing aggressively in the U.S. market and we lost significant sales to both producers.

As a result, our industry requested the Commerce Department to conduct a Changed Circumstance Review to investigate whether Venus and Viraj should be reinstated back into the Order. In April 2018, Commerce agreed with us and found that both companies had resumed dumping stainless bar at significant margins.

While the Orders have helped to limit the volume of subject imports in recent years, this is due to the inability of subject producers to sell in the U.S. market without dumping and not due to a lack of interest in our market.

The pricing discipline that these Orders impose on subject imports is extremely important to the U.S. market. Stainless bar is a substitutable product that competes in the U.S. market on the basis of price. All producers in the United States and in the subject countries are capable of meeting the basic industry-wide quality standards, so price becomes the primary means of distinguishing suppliers.

The quality of our product is no different than the imported product. It is completely interchangeable with subject imports. The only difference between us and foreign competitors is their unfair pricing practices.

I would next like to comment on the Respondents' claim in their brief that NAS has been the dominant producer in the U.S. stainless bar market and is responsible for setting the market price.

As I have testified numerous times on this issue, this is inaccurate. NAS concentrates its bar operations to produce primarily four commodity grades: 303, 304L, 316L, and 416. And to sell these products for a profit.

As part of our business model, we are constantly evaluating import prices. When we are faced with competition from our offshore competitors' lower prices, we then evaluate whether to lower our prices or to simply lose the business. As a result, our prices are often reduced in order to compete with the low-priced imports.

For example, during the past few years we were regularly forced to reduce our prices to compete with imports from both India and Taiwan. We compete head-to-head with importers, as well as with other domestic producers, and the purchaser's decision of which producer to source from comes down to price. Even a small difference in price results in winning or losing a sale.

Because most sales of stainless bar take place on the spot market, purchasers often seek out the best prices in the market and change suppliers based on prices quarter to quarter, and sometimes from purchase to purchase. Given these conditions of competition, it is likely that revocation of these Orders would cause the volume of subject imports to increase significantly and prices to spiral downward.

The Antidumping Orders that have allowed NAS to justify the sizeable capital investments we have made in our stainless steel long facility has given us the ability to make additional capital improvements. If the Orders are revoked, however, the ability to generate a return on investment from our mill would be severely undermined, putting future investment, production, and employment at serious risk.

Given the large and unused capacity to produce stainless steel bar that exists in the subject countries, it is reasonable to expect increased exports from the subject countries if the Orders are revoked. In fact, the large size, higher prices, and accessibility of the U.S. market makes the U.S. much more attractive to foreign producers.

While the Respondents claim that the Section 232 remedy will prevent subject imports from increasing if the Orders are revoked, the Section 232 remedy may be short-lived due to the reasons Mr. Lasoff explained earlier this morning.

Revoking the Order now would have serious negative consequences for the industry. An influx of subject imports would likely return to the U.S. market at prices that will undercut our prices, making it impossible for our products to compete and for NAS to be profitable.

The deterioration in prices that would be caused by the revocation of the Orders would lead to a reduction in revenue, our profits, and our ability to continue to invest in capital improvements. Our production and shipment levels would also suffer and decline. A continuation of the Orders is therefore critical to the future of our industry, and I urge you to continue these Orders. Thank you.

MR. LASOFF: Next, Mr. Christopher Zimmer of Universal Stainless & Alloy Products.

STATEMENT OF CHRISTOPHER M. ZIMMER

MR. ZIMMER: Good morning. My name is Chris Zimmer. I'm Executive Vice President and Chief Commercial Officer for Universal Stainless & Alloy Products.

Universal Stainless sells the full spectrum of grades and sizes of stainless bar to distributors, forgers, and end users. We produce stainless bar at three facilities in Bridgeville, Pennsylvania, North Jackson, Ohio, and Dunkirk, New York. We were happy to have the Commission staff tour our production facility in Bridgeville earlier this spring to see how this important product is made.

Although most of the foreign producers subject to this review have reduced their presence in the U.S. market because of the Antidumping Orders, Universal has competed directly with all of these producers in the past and know most of them very well. Indeed, many of them already have distribution systems in place in the U.S. and could resume selling stainless bar in the U.S. market immediately.

These producers have competed with us almost exclusively on a price basis, and we believe that revocation of the Antidumping Orders would result in a downward price spiral.

I appreciate the opportunity to appear before you to express my concerns about the negative consequences that would confront Universal and our employees if the Orders on Stainless Bar from Brazil, India, Japan, and Spain were revoked.

The Orders have been effective in providing discipline to the four countries that previously shipped large volumes of stainless bar at dumped prices to the United States. They face the option of selling into our markets at fair prices, or not selling at all.

As your database shows, our operations and the industry overall are in a tenuous position. Purchasers have increasingly bought imports from other countries. Those imports have grown significantly on both an absolute basis and relative to U.S. consumption since the imposition of these Orders.

As a result of the increased imports from other countries, our financial condition has suffered. A return of low-priced imports from the four countries subject to this review at significant volumes will have a devastating effect on our already weakened operations.

The domestic stainless bar market remains a price-sensitive market. The market continues to be highly concentrated in sales to a relatively small number of large distributors. Those distributors have significant buying power and can dictate the terms of sale.

Even with the reduced volumes from the subject countries, our financial condition has suffered as we have not been able to obtain prices at levels to achieve sustainable profits during this review.

Part of that pricing pressure has come from other import sources. Increased imports from nonsubject countries have created an oversupply situation in the United States, saturating our market and causing downward pressure on U.S. prices.

Over this review period, we have lost sales to imports from other countries that have sold at lower prices, sometimes below our cost to produce. Purchasers in the U.S. use foreign prices against us in negotiations to force us to cut our prices to compete. We face that pricing pressure now from other import sources, and will most certainly face that pricing pressure on an even greater degree from the subject countries if the Orders are revoked.

The subject producers used low-priced offers to take business from us before the Orders were imposed, and undoubtedly will repeat that behavior as they know that low prices drive sales in our market. Given our current financial condition during the review period, Universal is not in a position to withstand further downward pricing pressure.

I have no doubt that the subject producers will quickly resume selling stainless bar in the U.S. market if the Orders are removed, particularly given their excess capacity and in particular the attractiveness of the U.S. market.

Universal is committed to producing a quality product, and it is continuing to invest in its U.S. supply to the U.S. market. We have invested over $38 million in our stainless bar facility since 2015, including the construction of a new $10 million facility--bar finishing facility in our Dunkirk, New York, plant. This investment will improve our production efficiency.

We also have additional capital expenditure plans for the future, but we must be able to make these investments in a market where we can get a fair price. Removal of the Orders now, just as our investments are being made, would undermine all that we are hoping to achieve to improve sales of stainless bar.

In conclusion, let me emphasize that these Antidumping Orders help to keep our mills in business. The U.S. market for stainless bar has been very challenging, and we have struggled even with the Orders in place. But it would have been much worse, absent the Orders.

As we are now increasing investments in our three facilities to improve our production operations, it would be a particularly devastating time to allow dumped imports from subject countries to resume selling into this market and jeopardizing those capital improvements.

On behalf of my company and the workers that depend on the continued operations of our bar facilities, I urge the Commission to maintain the dumping Orders against Brazil, India, Japan, and Spain. Thank you.

MR. LASOFF: Our next witness is Mr. Jack Simmons of Electrolloy, G.O. Carlson Company.

STATEMENT OF MR. JACK SIMMONS

MR. SIMMONS: Good morning. My name is Jack Simmons and I am the senior advisor at Electrolloy at G.O. Carlson & Company. Electralloy is located in Oil City, Pennsylvania. Electrolloy maintains the oldest, continuous operation argon oxygen decarburization refining vessel in the world. We have been melting high quality grades of stainless steel for half a century for some of the most important oil, gas, and defense applications.

I am here today because I feel strongly that the anti-dumping duty Orders on stainless bar from Brazil, India, Japan, and Spain must continue. Since the last review, we have continued to see the benefits of the anti-dumping Orders on our stainless bar business. These Orders have permitted us to increase our production and employment and reinvest in our company.

Since 2008, Electralloy had installed additional re-melt capacity which has enabled us to significantly improve our overall capacity. In addition, Electralloy built a raw products finishing facility, investing in a hot working facility, built a premium heat treat facility and is currently building a complete small diameter bar processing facility.

Through these investments, we have increased our production, improved efficiencies, and reduced our costs over the period of review. The over $70 million of investment efforts by my company will be significantly undermined if the anti-dumping duty Orders are revoked. Based upon our history, we would expect to lose as much as 50 percent of our bar business within two years of the Orders being revoked. We compete directly with imports from each of these subject countries. In fact, some of our largest customers have already expressed to us that producers from the subject countries are interested in supplying them with stainless bar.

The foreign producers in Brazil, India, Japan, and Spain have substantial overcapacity to produce stainless steel. They want to export it to the U.S. because of the size and ease of market access to this market. For example, we compete directly with Austrian producer, Voestalpine who owns the parent company of the Brazilian producer Villares Metals. To date, Voestalpine has already filed over 500 exclusion requests concerning stainless steel bar in the Section 232 Program. And I believe that if those exclusion requests are granted, it would provide Valerus Metals with another avenue to access the U.S. market.

Lifting these Orders at this time would be devastating to my company. We would almost certainly lose business to our foreign competitors who will reenter this market by underselling us and the downward pricing pressure would return.

In summary, these Orders remain vitally important to Electrolloy. Without the continuation of these Orders, the market will quickly return to the injurious conditions and our existing investment and any future investment will be in jeopardy. Thank you for your attention.

MR. LASOFF: Our next witness will be Valter Viero of the Valbruna Group.

STATEMENT OF VALTER VIERO

MR. VIERO: Good morning members of the Commission. My name is Valter Viero. I am the Secretary of the Valbruna Group, a global producer of stainless steel and (nickel alloy long products and the parent company of Valbruna Slater Stainless, Inc.

Valbruna Slater is located in Fort Wayne, Indiana and employs more than 130 people at this facility. In total, we have approximately 250 people employed in the United States. Valbruna Slater is engaged in the production of specialty steel products, but our primary focus is on stainless steel bar.

The Valbruna Group purchased the Fort Wayne facility out of bankruptcy from Slater Steel in 2004. Since that time, Valbruna Slater has invested more than 80 million U.S. dollars to upgrade our facility. In 2014, Valbruna Slater announced that 30.5 million investment program to expand the Fort Wayne site, including the construction of 166,000 square foot addition to the plant, adding about 45 new jobs.

Over the past three years alone, Valbruna Slater has invested close to $30 million in new capital expenditures, including a new bar code processing line. The new line will enable Valbruna Slater to produce a range of product dimensions and service a broader range of customers; particularly, in the smaller diameter bars. Additional investments are in the planning stages.

Our ability to generate an adequate return on our investments, however, will be significantly undermined if the anti-dumping duties Orders against the four subject countries are revoked. This Commission is familiar with

Valbruna and our decade long struggle against the largest India stainless steel bar producer, Viraj.

Viraj misappropriated Valbruna's trade secrets through the bribing of former Valbruna employee who stole Valbruna's confidential production information. Those claims, which were validated in criminal court in Europe, became the subject of a 2014 Section 337 case before this Commission, which results in a default judgment and the issuance of a 16.7 year limited Exclusion Order from the U.S. market against Viraj.

The scope of the Exclusion Order includes the subject import stainless steel bars. The default judgment was the result of the finding by the ITC administrative law judge that Viraj had destroyed evidence and lied under oath regarding the theft. The Commission upheld all these findings in its imposing the remedy.

Even putting aside the Section 337 investigation, India continues to be the primary threat to our company and our investments in the United States. In 2001, India was, unfortunately, exempted from the Section 201 remedy, which lead to an unprecedented surge in Indian imports over the next 15 years. India became the dominant low price force in the U.S. stainless steel bar market over that period, even in the face of the existing anti-dumping Order.

The principal reason was that two of the largest producers, Viraj and Venus, managed to get provisionally revoked from the Order to the point that over the most recent period of review imports of stainless bar from India rose to levels that were more than five times the levels that existed when the case was first brought in 1993.

Viraj and Venus were major factors in these increases and their aggressive behavior following the provision of revocation is extractive as an example of what may happen if those Orders are revoked. The rise of the Indian industry has also grown dramatically since the time of the original investigation. At that time, there were only five known producers of Indian stainless steel bars. Today, there are at least 24.

While the Department of Commerce reinstated the anti-dumping duty Orders against Venus and Viraj earlier this year, there is no question that with India's growth in production, export orientation, and vast amount of excess capacity other Indian producers will find a way to target the U.S. market regardless of the Exclusion Order against Viraj as well as the existence of the recently implemented Section 232 tariffs.

I have read Respondents' claim that Section 232 is a cushion that will ensure that the domestic stainless bar industry will not suffer a recurrence of injury if these

Orders are revoked. Nothing we have experienced to date has given us any confidence that these tariffs will substitute for the stability that the current Orders have provided, at least with respect to Brazil, Japan, and Spain. And now since we have the full coverage again, India as well.

Therefore, I respectfully request that the Commission extend these Orders. Thank you for your kind attention.

MR. LASOFF: Thank you. Our next witness will be Edward Blot, Ed Blot & Associates.

STATEMENT OF MR. EDWARD BLOT

MR. BLOT: Good morning. I am Edward Blot, president of Ed Blot & Associates, and my company provides consultant services to North American producers, distributors, and consumers of specialty metals. As a regular part of these services, I provide market analysis and forecasts concerning stainless products, including stainless bar.

This morning I will address three topics supporting the industry's position that the current Orders on stainless bar from the subject countries should not be revoked. For instance, I will discuss the channels of distribution to the marketplace. Second, I will present my forecast for demand over the next few years. And third, I will give my views on why imports of stainless bar from the countries represented at this hearing, along with India, will increase if the Orders are revoked.

Now unlike most other steel products that are sold directly to end users, stainless bar is primarily sold to distributors, as detailed in the staff report. U.S. market sales of stainless bar are made primarily to large distributors that, in turn, sell to end users and smaller distributors.

There are two types of large distributors in the market -- national service center chains and master distributors. The national service center chains purchase stainless bar from both U.S. producers and importers and warehouse a wide variety of specialty niche and standard grades in many sizes. They sell to both end users and smaller service centers.

Master distributors generally purchase large quantities of specialty niche and standard grades in many sizes from trading companies who have affiliations with foreign mills. They sell primarily to service centers and not directly to end users. Respondents seem to suggest that the stainless bar market is segmented into standard and specialty products, but they completely mistake the nature of the stainless bar industry. The market for stainless bar comprises a continuum of various bar products from the standard grades to the very specialized niche products.

Because products from any producer are interchangeable, the channels of distribution system affords distributors the opportunity to inventory a full line of stainless bar products from a variety of domestic and import sources. Distributors tell me that most foreign stainless bar producers want to sell what they can in their home markets and then export their excess capacity.

The U.S. market is attractive because of its size and access through this distribution network. Price, including the volume discounts, becomes the number one factor in the purchasing decision, as reported by those responding to the Commission's questionnaire.

Now I'd like to present my forecast for consumption of stainless bar for the next few years. The staff report indicates that consumption of stainless bar increased 3.3 percent from 2005 to 2017. My current forecast for stainless bar consumption this year is about a 5.4 percent increase over 2017 and not the 17.5 percent increase Respondents claimed based on first quarter 2018 data. I also project an annual growth rate slightly above forecasted GDP during the next two years.

Now the last topic I want to address is the ability of the producers in the subject countries to increase stainless bar imports if the Orders are revoked. Valerus Metals states that their 232 stainless bar quota limits how much they can ship, but this can change any time and also has no effect on their ability to disrupt the U.S. market with unfair prices. They further state that they are end user focused, however Villeres' part of the Voestalpine Group, who has distribution in the U.S., if the Orders are revoked Villares has a ready and able channel of distribution to this market.

The Japanese stainless bar producers submitted limited data, but are export oriented, shipping over 50,000 tons worldwide last year. They claimed exports to the U.S. are high end, niche products, but this so-called focus is probably due to a 61.47 percent duty. Now when the stainless angle orders were revoked in 2006, Japanese producers, including some of the producers covered by this review, reentered the U.S. market.

In fact, during the period of review, the Japanese producers have increased stainless angle imports to established U.S. distributors each year and have already exceeded 2017 levels so far this year. If the Japanese producers are not interested in this market why are they shipping this high volume standard product if only interested in high end niche products as they claim?

Now all the Spanish producers claim to be close to their capacity levels and focus on the EU markets. My market sources tell me that Sidenor has been a supplier of carbon and alloy bar to the U.S. importer Magellan Corporation for many years, so they are interested in the U.S. market. After former carpenter employee left and joined Magellan, Sidenor became very active in the stainless bar market; especially, with an initial zero percent duty applied to them. Imports from Spain increased fivefold in 2016 over the 2015 level, but then decreased substantially beginning in 2017 after an administrative review put the margin at 62.85 percent. This shows that the Spanish producers are unable to export to the U.S. market in significant quantities without dumping.

Now Olarra states that they are not interested in this market because their sister company, Roddaciai in Italy supplies the market with the same products they produce. According to their website, Olarra produces stainless flat bars, which Roddaciai does not. Stainless flat bars are about 7 percent of the total U.S. market, according to my research. So that part of the market would also be available to Alar if the Orders were revoked.

Also, Olarra's website indicates they produce stainless bars greater than Olarra capability and they were imports in these size ranges during the entire review period. In addition, Olarra is owned by the Tubacex Group, which has a U.S. distribution system in place and could easily facilitate increased sales by Olarra.

I'd like to make one final comment on Olarra. Two years ago they, along with Conje in Italy, testified before this Commission at the stainless rod sunset review and stated there was no interest in this market. I gave my insights as to why both producers would re-enter the market; however, the Orders on stainless rod were revoked, effective June of 2015.

Last year's stainless rod imports from Italy increased over 400 percent from 2015 and Spanish rod imports during the first half of this year alone have tripled over last year's imports. I am hopeful that the Commission will weigh what the Spanish producers say versus what they actually have demonstrated.

During the period of review, Viraj and Venus were the major Indian suppliers of stainless bar to the U.S. market. Viraj is now under a 337 Exclusion Order, but when it was issued two years ago, Venus not only increased its imports of stainless bar because they were not under Orders at that time, but also established distribution locations with an increased sales force. Three months ago the anti-dumping Orders on Venus and Viraj were reinstated as a result of the change in circumstance review, so this fact must be definitely considered for continuing the Orders.

As noted in the industry brief, there are 24 known Indian producers of stainless bar and one of the newest, Jindal Stainless, a flat roll producer, started shipping once the Viraj Exclusion Order was issued, demonstrating their ability to shift production from one product to another in response to any orders. The Indian stainless bar industry is many times larger than it was at the time of the original investigation and the industry has huge capacity to export to the U.S. market, regardless of whether or not Venus or Viraj ships here.

Now to summarize my comments, stainless bar is both a standard and a specialty product that is fungible and generally substitutable between subject imports and domestic producers where quality is a given and price, including volume discounts, are the number one decision maker.

My forecast is for stainless bar consumption to continue growing modestly. All the producers subject to the Orders, including reinstated Venus and Viraj, are export oriented, as I stated and have channels of distribution to this market already established. Thank you for listening to my market analysis.

MR. LASOFF: Our next witness will be Mr. Michael Kerwin of Georgetown Economic Services.

STATEMENT OF MR. MICHAEL KERWIN

MR. KERWIN: Good morning. I'm Michael Kerwin with Georgetown Economic Services. This morning I'd like to discuss the likelihood subject imports will return to the

U.S. market in significant volumes and injurious prices and the likely impact of those imports on the already vulnerable domestic industry. We have distributed to you the proprietary version of a PowerPoint presentation that will accompany my testimony and we will display the public version of that presentation.

Let's first consider the individual subject countries and the likelihood that they will return to the U.S. market in substantial volumes if the Orders are revoked. The behavior of the subject producers during the original period of investigation is of direct relevance in assessing their likely behavior in the event of revocation. And as shown in Slide 2, imports from Brazil increased significantly over the POI. Further Brazilian producers currently have sufficient idle capacity to ship in volumes in excess of those in the pre-Order period, as shown in Slide 3.

While these data support our case, we feel that they are likely understated. Just yesterday morning, we received new information from an independent monitoring service of the steel industry. As shown in Slide 4, these data call into question the capacity and excess capacity information as it has been summarized in the pre-hearing report, and this applies to each of the subject countries. As shown in the following slide, Brazil is also export oriented. Slide 6 shows that Brazil has aimed an increasing large element of its exports of stainless bar towards the United States.

Now let's review some of the same issues in relation to India. During the original period of investigation, imports from India more than tripled, as shown in Slide 7. Since the time of the investigation, the stainless bar industry in India has grown dramatically from 5 to 24 producers, although just 10 of these companies responded to the Commission's questionnaire.

Even based on these limited data, as shown in Slide 8, the Indian industry's current idle capacity dwarfs its peak exports to the U.S. market in the pre-Order period. Further, as shown in Slide 9, use of that excess capacity would allow the Indian industry to greatly exceed its penetration in relation to the original POI and grab a highly significant share of the total U.S. market for stainless bar.

Given the lack of complete participation by the Indian industry, the data of the pre-hearing report significantly understate the industry's ability to ship to the U.S. market. Slide 10 illustrates the disparities in the Indian capacity and excess capacity data supplies by our independent source versus that shown in the staff report.

While the Respondents have asserted that the

Section 337 Exclusion Order against Viraj will act to limit imports from India, the fact is that the Indian industry is much larger than that one company. The next slide shows just how significant the capacities of the non-responding members of the Indian industry are. Finally, as shown in Slide 12, the Indian industry is extremely export oriented.

As to Japan, the Commission has received just four questionnaire responses from the Japanese producers and thus, the available data understate the true size of the industry. Nevertheless, even these data support the conclusion that imports from Japan are likely to increase injurious levels in the event of revocation. At the time of the original investigation, as shown in Slide 13, Japan was the largest source of subject imports and its volumes increased.

As shown in Slide 14, even the responding Japanese producers have sufficient excess capacity to approach peak shipments to the U.S. market during the pre-Order period. A fuller picture of the industry, however, is provided by our independent source and summarized in Slide 15, which shows that the Japanese industry is significantly larger than what is shown in the questionnaire responses and it has ample capacity to ship large volumes to the U.S. market.

Questionnaire data and public information, both show that the Japanese stainless bar industry is export oriented. Indeed, the public data show that Japan's exports during the current review period were comparable to those in the second review when the Commission found that Japan was export oriented.

Data on Spain also demonstrate that it is likely to ship significant volumes in the event of revocation. As shown in Slide 17, Spain was the second largest source of subject imports during the original POI and it showed healthy growth over the period. Data from responding Spanish producers show that the industry has ample capacity to significantly increase exports of stainless bar to the U.S. market in relation to the peak levels shown in the pre-Order period.

As shown in Slide 19, these data are understated and the size and excess capacity of the Spanish industry is larger than that shown in the pre-hearing report. As summarized in Slide 20, the Spanish industry producing stainless steel bar is also highly export oriented.

When the data of the subject producers are reviewed on a cumulated basis, it is clear that volumes are very likely to increase if they Orders are revoked. This slide shows that the subject imports demonstrated their ability to increase rapidly during the original period of investigation. As to their current condition, Slide 22 shows that participating producers in the subject countries have sufficient excess capacity to increase their shipments to the U.S. market multiple times over in relation to their pre-Order peak.

Indeed, even on the basis of the producers that actually submitted a questionnaire response, as shown in Slide 23, excess capacity in the subject countries, as a whole, could supply the majority of U.S. demand for stainless steel bar.

In light of this ability, it is clear that the volumes of subject imports are likely to increase significantly if the Orders are revoked. Available evidence also shows that these increased volumes of subject imports will be sold at prices that will undercut domestic producers and cause negative price effects.

As shown in Slide 24, price remains a key purchasing factor in the U.S. market for stainless bar. Virtually all purchasers stated that price was very important to their purchasing decisions. Further, price was ranked among the top three factors in purchasing decisions more often than any other factor and nearly all purchasers said they usually or sometimes purchased the lowest priced stainless steel bar.

Despite the continued presence of the antidumping duty orders, the data of the staff report show that the subject imports undersold domestic producer prices during the period of review.

This underselling while under order shows that contrary to the respondent protestations, subject imports are being sold primarily on the basis of price. The degree and extent of underselling will only worsen if the orders are revoked.

The likelihood of negative price effects on the domestic industry as a result of this aggressive pricing by the subject imports was borne out in the statements of responding purchasers as summarized in Slide 26.

The respondents would have you believe that because the domestic industry showed some modest improvements in operating and financial indicators between 2015 and 2017, it is in strong shape to withstand the onslaught of subject imports that would likely follow revocation.

Taking a step back, however, we see just how vulnerable the domestic industry actually is. When the current period of review as whole is considered, the domestic industry showed a net income of just 0.4% of sales value, barely above break-even.

Even in the purported banner year of 2017, the domestic industry's operating income margin was just 4.8%, which was very similar to that shown in the first review in

1999, when the Commission found the industry to be vulnerable. Industry capacity utilization is also extremely weak at 45.6% in 2017, lower than in the original investigation or any of the previous Sunset Reviews.

Since the original investigation, the domestic industry has made investments in new capacity in an effort to serve a growing U.S. market. But the vast majority of growth in the market has been taken by nonsubject imports as shown in Slide 28.

As a result, nonsubject imports share of the U.S. market has jumped dramatically since the original POI. As imports have increased their share of the market, domestic industry capacity utilization has declined. As you see in this graph, as bad as things were in terms of utilization at the time of the original investigation, they have gotten worse since then and bottomed out in the current period of review.

Despite the assertions of the respondents, an industry with a capacity utilization below 50% is not healthy. Further, the data that have been provided in the producers' questionnaires have been reviewed by the Commission staff and the domestic producers stand by the data that have been provided.

The next slide summarizes some of the key indicators of the domestic industry's health since the time of the original investigation and across the review periods. These trends succinctly summarize the current vulnerability of the domestic industry.

The last full Sunset Review on stainless steel bar was the second review which encompassed full-year data through 2005. In that review, the Commission found that subject imports from Brazil, India, Japan and Spain were likely to increase significantly in volume and market share and be sold at prices that would undersell the domestic industry, thereby causing price suppression or depression.

The Commission concluded that this was likely to result in declines in the domestic industry's trade indicators and financial performance. While the domestic industry's performance was weak at the time of the second review, conditions have actually deteriorated since then, as summarized in our final slide.

Despite an 8% increase in consumption of stainless steel bar since 2005, the domestic industry's quantity and value of U.S. shipments, gross profit, operating income and average unit sales value per ton, were all actually lower in 2017 than at the time of the second review.

Simply put, the domestic industry is not in a "favorable economic condition" as asserted by the respondents. Rather, the domestic industry is in a vulnerable condition given that subject imports are likely to increase in volume and market share and cause negative price effects, the revocation of these orders is likely to cause the domestic industry to return to a condition of material injury.

On that basis, the orders on imports of stainless steel bar from Brazil, India, Japan and Spain should be maintained for an additional five years. Thank you very much. That concludes my testimony.

MR. LASOFF: Our last witness this morning is my colleague, Grace Kim. Prior to that, could we get a time check, please? Twelve minutes. Thank you very much.

STATEMENT OF GRACE W. KIM

MS. KIM: Good morning. For the record, I am Grace Kim of Kelley Drye & Warren. And I would like to conclude our panel's testimony this morning by addressing a few legal issues presented in this case.

First, cumulation. We have summarized in our brief the record evidence showing that the statutory factor requiring a reasonable overlap of competition is net in this case. Only the Japanese respondents have contested that argument. Despite their strong record evidence of fungibility between subject imports and the domestic like product, the Japanese respondents contend that imports from Japan have limited fungibility because they are focused on selling niche products in the United States.

They also argue a lack of overlap in geographic markets and channels of distribution. These arguments, however, are not supported by the record. All U.S. producers and a majority of responding importers and purchasers reported that the U.S. product and subject imports were always or frequently interchangeable.

Claims of differences in product mix is also unpersuasive because as the Commission has consistently found, the current composition of subject imports is affected by the discipline of the orders and therefore does not indicate their likely post-revocation behavior.

In addition, there is also an overlap in geographic markets and channels of distribution here. The Japanese respondents failed to recognize that the relevant inquiry in a Sunset Review is not whether there is a reasonable overlap in competition today, but whether there would likely be a reasonable overlap in competition in the event of revocation.

Other arguments advanced by respondents as subject imports from Brazil, Japan and Spain would have no discernible adverse impact on the U.S. industry, are also unavailing. In support of their argument, they focus largely on the low import volumes or higher prices after the orders were issued, but ignore the pre-order prices and volumes that led to the order's imposition.

Both Villares and Sidenor claim that their imports have been low, despite receiving zero dumping rates., and that such volumes will remain small upon revocation of the orders. The Commission has consistently recognized that the very existence of an order, even with the low or zero margin, can inhibit import volumes.

As our brief details, each of the subject countries is likely to have significant adverse effects on the domestic industry absent these orders, based on their significant capacity, idle capacity, export orientation and the prevalent underselling both before and after the orders were imposed, as well as the attractiveness of the U.S. market for stainless bar.

Respondents next try to identify competitive conditions that allegedly differentiate their imports. Villares argues that the Brazilian industry is smaller and that it is the only subject country that is subject to a quota instead of a tariff under Section 232. First, the disparity and size of an industry is not a basis for decumulation.

The Commission has rejected this argument in other cases, finding that there is no indication that any differences in the sizes of the subject industries would result in subject imports from competing under different conditions of competition in the event of revocation.

Second, the claim that Brazil is different because it is subject to a quote rather than tariffs, is also unavailing because it is still covered by the Section 232 remedy, as are the other subject imports.

Villares also claims a difference in the product mix and channel of distribution, but again, the post-order composition of subject imports and sales channel do not indicate the likely volume and sales channel if the order is revoked.

Next, the Japanese respondents attempt to differentiate Japan by claiming that Japanese producers are not export-oriented and are not being pushed toward the U.S. market because of third-country trade remedies. And that Japanese imports have accounted for a small share of U.S. consumption. Notably, the Japanese respondents appear to concede that the other subject countries are export-oriented and would likely target the U.S. market upon revocation of the orders.

And contrary to the Japanese producers' claims, the record shows that Japan continues to export significant volumes of stainless bar. In fact, Japan's export volumes during the review period were similar to the volumes exported in prior reviews when the Commission found Japan to be export-oriented.

Finally, contrary to the Japanese respondents' claim, there is no significant difference in the import penetration among the subject countries during the post-order period. Importantly, the statute directs the Commission to cumulate imports from countries, that each accounts individually for a very small percentage of total market penetration, but when combined, may cause material injury. The very purpose of cumulation is to capture the hammering effect of subject imports.

The Spanish respondents claim that Spain should not be cumulated, largely because Spain is the only subject country that has an affiliated member of a domestic industry. That affiliation, however, existed in the two prior reviews, but the Commission did not find this factor sufficient to decumulate Spain.

Now, while the Commission may have decumulated Spain in the 2016 Sunset Review regarding stainless steel wire rod, it did so on other grounds. Specifically, the Commission found that Spain would likely have no discernible adverse impact on the domestic industry, a fact which is not present in this review and it's not on any differences in likely conditions of competition.

The Spanish producers also claim that they are not export oriented because their shipments are to Spain and EU markets that are in close proximity to Spain. The

Commission, however, normally assess export orientation on the basis of all exports, and not on geographic regions.

Moreover, the Commission did not find the Spanish producers' focus on the EU market as a significant difference to warrant decumulation of Spain in the prior review. Rather, the Commission found that all subject countries exported significant volumes of their production, which remains true in this case. Thus, contrary to respondents' arguments, there is no justification to decumulate any of the subject countries in this review.

Next, I would like to briefly comment on the issue of nonsubject imports in this case. Respondents argue that because nonsubject imports have increased their share dramatically since the orders were imposed, that revocation of the orders will not adversely impact the domestic industry. The Commission, however, has found in other Sunset cases that the presence of nonsubject imports actually increased the likely of injurious effects on the domestic industry.

Similarly here, the growing presence of nonsubject imports in this case is an important condition of competition that makes the domestic industry extremely vulnerable to renewed injury from subject imports if the orders are revoked.

There is no evidence that the increased presence of nonsubject imports would preclude subject imports from taking market share from, and having a significant impact on the domestic industry if the orders are lifted, especially given the excess capacity in the subject countries, their export orientation and the relative attractiveness of the U.S. market.

Because stainless steel bar competes on the basis of price, the increased competition between subject and nonsubject imports would likely result in price depression and loss of further market share for the U.S. industry.

Finally, I would like to briefly comment on Section 232. As Mr. Lasoff stated in his opening remark, the Section 232 action will not prevent the recurrence of injury to the domestic industry and does not warrant termination of the orders.

Similar to the Commission's finding in the Sunset Review concerning tin and chromium-coated sheet steel from Japan, the record in this case does not provide any specific insight into how the Section 232 tariffs or quota will affect the U.S. stainless bar industry over the reasonably foreseeable future.

The Section 232 remedy was implemented on March 23rd, 2018, and did not even apply to Brazil or Spain until June 1st, 2018. The Commission here has only collected data through March, 2018, in this case. At this point, there's just too much uncertainty to project the duration or form of the Section 232 program, or whether the tariffs or quota will continue to apply to subject products.

Even if the Section 232 tariffs were to continue to apply into the reasonably foreseeable future, that remedy alone would not address the vast majority of dumping by, and resultant injury from subject imports. As the Commerce Department found, the dumping margins that would be likely to prevail upon revocation well exceed 25% for Japan and Spain and there are also current margins above 25% in effect for several Indian producers.

Based on the record before the Commission, it is impossible to conclude that the Section 232 remedy, which was intended to be additive with the antidumping duties, will prevent continued or recurrent material injury to the vulnerable stainless bar industry, such as to warrant revocation of the orders here.

For this reason, we urge the Commission to focus on the record before the Commission and not speculate on the potential effects of the program whose scope and duration is unknown and whose impact on the market has yet to be experienced.

One most last point on 232, the ITC has previously conducted Sunset Reviews of steel products that were subject to global safeguard tariffs in 2003. And in each case, the majority of Commissioners determined that revocation of the orders would be likely to materially injure the domestic industry, despite the Section 201 safeguard tariffs. The Commission should reach the same conclusion here. Thank you. That concludes our affirmative testimony.

MR. LASOFF: That concludes the direct testimony of the domestic industry. Members of the Commission, Mr. Chairman, we welcome your questions.

CHAIRMAN JOHANSON: All right. Thank you all for appearing here today. We will now begin Commissioner's questions, beginning with me. And I'm gonna go ahead and start with the whole issue of the Section 232 program. Mr. Lasoff and Ms. Kim, you both addressed it. And any of the other witnesses are welcome to address this question as well.

You all assert that the Section 232 program is full of uncertainty on many fronts, which raises concerns on whether this program will bring stability to the domestic stainless steel bar market, so as to warrant termination of the orders. And you argue this at Page 42 of your brief. How do you propose that we address this alleged uncertainty in our analysis?

MS. KIM: Well, I think it's very similar to the tin and chromium steel sheet case. Like I just said, there is uncertainty. There is a lot of--as Mr. Lasoff mentioned in his opening remarks--there is a very extensive exclusion process here, none of which have even been addressed or granted. So there's uncertainty as to which products will actually be covered.

There are ongoing negotiations with several of our U.S. trading partners to suggest that any country could be immediately excluded from the Section 232 remedy at any moment. And Commerce Secretary Ross has specifically said that this remedy could be cancelled at any time. And there's also some legal challenges here at both the WTO, in the U.S. courts and in Congress, challenging the constitutionality of the 232 remedy.

So right now, we would say that the record here only goes through March. It's still too very early to show what the experience or impact has been on the U.S. industry. So just as the Commission found in the recent Sunset case of tin and chromium steel sheet, it's still too early to give any weight to the 232 program.

MR. LASOFF: Let me just supplement that and focus a little bit more directly on your question as to what should the Commission do. And we do cite the tin sheet case and the Commission concluded that it was speculative, it was premature at that particular time. There was a little different procedural posture as to where the 232 was at the time of the hearing, the remedy had not even been proposed.

But I think we still go to the issue of, "What do you have in the record in terms of showing the impact?" Now, granted, we are not going to deny that this is a condition of competition and may, depending on the uncertainty and how this plays out, how the 23,000 product exclusion requests are resolved, how the negotiations of the many countries that are seeking to move this from a tariff to a quota, those negotiations are going on as well.

We ask you essentially to acknowledge it's a condition of competition, but you have developed a good record in this case. The purpose of the antidumping orders is very different from the purpose that was intended in the Section 232 investigation. So I think, to some degree, you're compelled again to focus on the record you have before you.

Now, our industry witnesses are certainly here to answer questions in terms of what has been their experience in the market to this development thus far. It's on the front page of the American Metal Market every day, and obviously their customers come in and wanna talk about it. And we welcome you addressing some of those questions to them in order to perhaps provide at least some factual evidence regarding potential impact.

But from a pure legal perspective, you know, we see this now as still something that you don't have a factual record at this point as the same thing that occurred during the tin sheet case, that would allow you to say that an order should be revoked based on the existence of a particular tariff and a particular quota that may or may not cover certain products.

MR. ZIMMER: Chris Zimmer, I'd like to give some further color of what we see in the marketplace. This Section 232 has been uncertain, it continues to be uncertain, both as we analyze the marketplace and what it means to our business.

An early anticipation was that we expected a shift in business, and a pick up in orders for us. What we found has been surprising, that a number of the customers trying to make sense of 232, the uncertainty, many have elected to maintain their current supply chain, not shift orders, even though the pricing would suggest that's the best business decision.

And the feedback that we get is the uncertainty. They feel as if this could change at a moment, and they don't want to go ahead and undo what they've been doing for a number of years. So these decisions that would otherwise seem like a shift should be coming because of prices, the feeling in the marketplace is that they could change at any time, so they haven't shifted those order books. They continue to maintain those existing supply chains.

MR. ROMANS: This is Brian Romans. From our standpoint, too, I think the other important factor out there is, as Master Distributors, as was talked about earlier, the inventory levels are still heavy there. They're still high. We know that a lot of that was brought in ahead, but also we feel like, you know, they're gonna try to work those inventories until they see if there's a decision made or not, if there's any change. As we said, there's so much uncertainty out there. There's so much question. And before they change buying patterns, it's gonna take some time, we feel.

CHAIRMAN JOHANSON: Thank you for your responses. I've heard the word "uncertainty" many times today. But one thing that is certain is right now, the tariffs are being imposed, correct? And so --

MR. LASOFF: That is correct.

MS. KIM: If I could just add. Yes, the tariffs have been imposed, but like I said, for Brazil and Spain, the tariffs did not go into effect until June. And the Commission has collected data through March. And we did take a look at Second Quarter import volumes and overall, I believe, the steel imports have actually increased.

And I'll let Mr. Blot chime in on that, 'cuz I can't remember the actual numbers there. But maybe not from the subject countries, you know, particularly, but overall, the steel imports have increased. And to the extent that the subject countries did not increase, it's because of the existing antidumping duty orders.

MR. BLOT: Mr. Chairman, this is Ed Blot. To give you some statistics on what the industry has been telling you about their concerns that they're not really hearing from their customers and why supplies have really not changed -- if you'll take a look at the first half data for this year, and I know that's not in your staff report, but you have the ITC database through May. You have the SEMA information through June.

The total imports during the first half of this year are over 91,000 tons of stainless steel bar. That's a 20% increase over the first half of last year. It's a 10% increase over the second half of last year. Imports have not slowed down. As a matter of fact, during the first ten days of this year, imports of stainless steel bar, around 6,500 tons. What does that mean? If it keeps going, it'll be higher than June.

Will there be eventually a change going on? I don't know as far as that. But the statistics will tell you there has been no change in the impact of imports coming into the country as a result of 232.

MR. ZIMMER: Chris Zimmer. Just wanted to follow up to that. The buying decisions are predicated upon the lead time. Oftentimes, it's eight to twelve weeks, sometimes sixteen weeks before those orders actually come in and would be subject to the tariffs. So I think it speaks to the uncertainty that it's not a decision where they're making a buying decision today and it shows up tomorrow on their docks.

But I think there's a big belief that even when you look at that delivery window of eight, twelve, sixteen weeks, that many people believe as quickly as it came, it'll go away, and I think that's why they continue to maintain those offshore buying decisions, going based upon a price that--and in most of their estimates won't include 232--they just don't believe it's gonna be around. It's a tool maybe for another bigger initiative.

CHAIRMAN JOHANSON: So you don't anticipate a change in demand due to the 232 tariffs?

MR. ZIMMER: We're ready for it. We were expecting it. But frankly, we're not seeing it.

MS. KIM: Commissioner. Chairman Johanson, if I could just add one more point. The 25% tariff remedy is lower than what the Commerce Department has said would be the margin likely to prevail. And in fact, for Japan, all Japanese producers are subject to a 61.47% duty right now.

If that order, if those duties are removed, and they're only subject to a 25% tariff, they have every incentive to, you know, to re-enter the market. There's a huge differential there.

And then, with respect to India, there are also four major producers that are subject to margins above 25%, and the margins against Spain as well, were projected to be in the 62% range, if the orders are revoked. So I would -- you know, I think the Commission should really look at that factor as further incentive for the subject producers to return, given the differential in the margins there. Even if the tariffs were to continue.

CHAIRMAN JOHANSON: Right, all right. All right. Thank you Ms. Kim and other witnesses. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman, and do want to express my appreciation to all the witnesses for coming today. Let me continue a little bit more on the 232. Is Brazil, are they subject to a quota or is it just straight tariffs? I thought I heard someone say they were on --

MS. KIM: They're certainly subject to a quota.

MR. LASOFF: Just to provide some context, as I said this has been an evolving program. The program was initially an all tariff program. The administration entered into negotiations with certain countries --

COMMISSIONER WILLIAMSON: No, I'm aware of that, yes.

MR. LASOFF: And yes, and Brazil was initially, when they were in the negotiation, the tariff was suspended to them. Now there is a quota on all Brazilian products. 70 percent of their, I believe 2015 through 2017 levels.

COMMISSIONER WILLIAMSON: And is it specifically saying product by product that you can --

MR. LASOFF: The quota categories are actually based on the SEMA import license categories. So you do have a category that would include stainless long products.

COMMISSIONER WILLIAMSON: Okay. So there couldn't be -- they couldn't product shift here, is what I'm -- the question I'm asking.

MR. LASOFF: Probably not within that. They could product shift from bar to raw and so forth, but within the general total of a particular quota number.

COMMISSIONER WILLIAMSON: Okay. The reason I ask that is because we've had experience with other voluntary restraint agreements where of course the exploiters went up market, and I was curious whether or not that would be a factor here.

MR. LASOFF: Well, I'm one of the few people who's here in this room today who lived through the voluntary restraint agreements on steel through 1985 and 2000 -- and 1992. There were some significant differences. Those programs were managed by foreign government. They were visas.

This is a very unique program in terms of its management by the administration, by the U.S. Customs. They're going to be doing the counting. It's going to be a first come/first serve thing. So, you know, literally this program could result in boats riding down the ocean, trying to see who's going to get to the terminal first.

COMMISSIONER WILLIAMSON: Okay, thank you. Let me switch to something else. Mr. Blot, I was very interested in your testimony. But usually experts also tell us about their qualifications. I was just curious. Why do you know so much? What is your background that --

MR. BLOT: Well Commissioner first off, I'm an old guy. But I've spent about 45 years in this stainless steel industry. I've worked for producers of stainless steel for the last 20 years I've had my own consulting business. So I get around the whole market, talking to producers, distributors, you know, some of the major end users. Not just on stainless steel bar but on all stainless products.

So all I do is focus. I analyze a lot of data. I pick up a lot of information, I analyze that, and that's how I come up with a lot of my, you know, forecasts if it's a forecast I'm putting together, or an analysis of what's going to be happening in the market.

COMMISSIONER WILLIAMSON: Particularly your forecast, you're projecting a lot lower demand than I think you said the Respondents were, and I was just curious. What factors, why do you think that?

MR. BLOT: Well the -- I am not sure why -- I guess you're going to have to ask the offshore producers why they're projecting a 17.5 percent demand. The 17.5 percent is the actual consumption increase first quarter of 2018 versus 2017. That may be what they're doing, is projecting it that it's going to continue that way.

You have to look at this market and say why was that big increase there? Well, in 2017, the whole market -- in 2016, the market was down. So in 2017, the market was starting to pick up. So you had a low consumption in 2017 first quarter. If you look at -- and I always look at more than just one month or one quarter. So I'll look at halves. So if you look at the second half of 2017, if you look at the market for 2017, second half, and compare that with the say first quarter of this year, which you have statistics on, you will find that really the increase, the increase in consumption from the first quarter this year to the first -- second half of last year was only 4.8 percent.

So I'm forecasting a 5.4 percent market increase when we get through the entire year, all right. So yes, we've had -- when you compare quarter to quarter like that, and that's why data can -- you've heard probably economists, and I'm not an economist, say they can take any set of data they want and make it say anything they want, and that's probably true.

But I'm telling you what I analyzed in terms of why that's happening. Now why will the market grow, you know, 5.4 percent? Well, the markets for stainless steel are growing. So they are growing, and I've said this in my testimony. They can be growing better than the forecasts of GDP, whether you want to take the Trump forecast for GDP or you want to take the so-called forecast for GDP, it's still growing better than that.

But it's not going to be growing at 17.5 percent, you know, and I'll be glad to come back at the end of this year and buy lunch if I'm wrong.

COMMISSIONER WILLIAMSON: Thank you.

MR. LASOFF: I would just, Commissioner Williamson, Mr. Blot is no stranger to this Commission. He has been before this Commission in original investigations and sunset reviews going back to the mid-80's. So, and I will put his forecasts up over anything that you've seen in the industry, if you want to go back and look at some of the old cases.

COMMISSIONER WILLIAMSON: Okay. Thank you for that. Since we have to look at what's originally -- the future reasonable period of time, what about 2019? You want to --

MR. BLOT: Yeah. Well 2019 and 2020, first off the projection is going to be not quite as high as that number. It's going to be better than GDP. During the beginning of this year, because the market was improving a little bit, you are seeing an increase in restocking, because as I mention in my testimony, the majority of stainless steel bar is going through a distribution network.

So as distributors saw the market is going to be improving this year, they had to do some restocking. They had to get ahead of the game. So they started placing orders and such, and those orders are being placed with both domestic producers and obviously offshore producers.

As far as the end use markets that are going to be affected by that, you've got the energy market, which is improving a lot this year over the last couple of years. Automotive is actually coming back this year over last year, you know. Not that it's been bad, but it's actually better than that. You take chemical processing, that's coming in. You take construction, which we are hopeful for the industry that it would be some infrastructure programs.

But even without that, you're seeing some construction programs going on. So those basic markets are really growing better than the overall economy is growing, and that's why I do have my forecast up better than GDP for 2019 and 2020.

COMMISSIONER WILLIAMSON: Okay.

MR. BLOT: I don't think I answered your question. I'm trying to --

COMMISSIONER WILLIAMSON: No, you did. That's exactly what -- I'm just thinking about my next question here. You had also raised the point that the way they're -- I guess it's the master distributors. I don't have your statement in front of me, but the way they operate, I guess somewhat at a disadvantage for the domestics competing against the imports because the master distributors can source -- can basically provide the customer with the cheapest product wherever it's from.

Could you elaborate on that, because I was interested in that argument and the significance here.

MR. BLOT: They're not that many master distributors of stainless steel bar, you know, around the country. So what they've done is they've established a network of import supply primarily, all right, of having imports come in, and every -- I won't say every, but I would say almost every producer in the world is familiar with these master distributors.

And so if one producer drops out of the market, as an example in the case of Viraj in India, you've got a bunch of others ready there and they immediately are in contact with these master distributors, and they can line up a network to ship the material in and they negotiate whatever their price might be.

So they operate as a master distributor, and the full purpose of the master distributor is to inventory and sell to distributors. A lot of them are small distributors. Some of them are larger distributors, and they're inventorying to really supplement them because a lot of the national chains and even the smaller distributors are working on a, you know, economic situation where they're not allowed to have but so much inventory.

So the master distributors kind of fill that role, as far as their function in the marketplace, and they've got the pricing to be able to offer along with it.

COMMISSIONER WILLIAMSON: Any idea what percentage of the market they are a significant factor in?

MR. BLOT: I'm sorry. I didn't quite catch the question.

COMMISSIONER WILLIAMSON: Any indication of what -- what percentage of the market or how much of the market do they kind of, shall we say, control?

MR. BLOT: It obviously will vary from year to year. But in my studies over the last ten years or so, it's probably ranged between 30 and 40 percent.

COMMISSIONER WILLIAMSON: Oh, so it is --

MR. BLOT: Yeah.

COMMISSIONER WILLIAMSON: It is quite significant?

MR. BLOT: Your master distributors would have 30 to 40 percent of the stainless steel bar market, correct.

MR. ZIMMER: This is Chris Zimmer. I just want to add onto that. Our sales to the marketplace go about 70 percent through distribution. The biggest concern that we have with that is that it facilitates access into our market, which is one of the most attractive in the world, purely based upon pricing.

So it's not required to have a fleet of sales people to hit the thousands of users. It's an opportunity for them to meet with one or two major distributors of the product, and those buying decisions are very largely driven on price. So the accessibility to our market, more so today with ease of information, but these distribution networks that are in place make it very easy to come into our market, even without their own sales force.

COMMISSIONER WILLIAMSON: Oh good, thank you. Anybody -- my time is expired. Would anybody else want to add anything to this subject now?

MR. ROMANS: The only thing -- this is Brian Romans. The thing that I would add to it, that makes the master distributors very attractive to the imports, is the amount of volume that they can buy. So you know, they do buy large volumes and they have agreements to where they'll buy them over a period of time.

So it's a good way for the importers to use up their capacity very easily, by shipping -- with long-term orders, shipping into one location in the U.S. So it makes it very simple for them.

MR. LASOFF: Just Mr. Williamson, I made note of this in my opening statement, and you will continue to see this. But I guess this is one of the unique aspects of this sector of the industry that you have not seen in the many steel cases that you have had before you. You have this unique distribution system that is, to some degree, almost affiliated with these world networks, and it allows that very rapid increase or input into a new market.

Every foreign producer, including the subject producers who say they can't do this or they don't have any kind of distribution system, they all know the master distributors and they all have this ability to enter this market very, very quickly. That's again one of the very unique aspects of this industry.

COMMISSIONER WILLIAMSON: Good, good. Thank you for those answers.

MR. WELLOCK: I think the bottom line, just to add onto this is the barriers to entry or in this case the barriers to reentry are pretty low. So if you develop a relationship or have a relationship with a master distributor, you can quickly re-enter the supply chain very quickly and be up and running.

COMMISSIONER WILLIAMSON: Good, good. Thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much. I'd like to thank all the witnesses for being here as well, and I'd like to go back to the 232 measures. Starting with the quota for Brazil, if I understand correctly, this is a straight quota. It's not that once Brazil hits the quota they --

MR. LASOFF: It is an absolute quota. It is not a tariff weight quota.

COMMISSIONER SCHMIDTLEIN: Absolute quota, not a tariff rate quota.

MR. LASOFF: So when that number is hit, there will be a turnoff, and it's being administered -- in fact, we're still learning how Customs is going to be administering it, and even in this past week they've issued new instructions, and they've taken the annual quota limits and now they've divided it in terms of quarterly numbers.

So it's not -- it's an absolute quota. It's been very unique, unlike the textile quotas which are based on visas that are issued by foreign producers. This set of quotas is being counted and administered by Customs. But yes, when a quarterly quota limitation is reached, then theoretically the importer will not be able to make --

COMMISSIONER SCHMIDTLEIN: They're shut out.

MR. LASOFF: They could put it into bonded warehouses, but they would not be able to make entry once the quota --

COMMISSIONER SCHMIDTLEIN: Okay. So it's an absolute limit?

MR. LASOFF: It is an absolute quota, that's correct.

COMMISSIONER SCHMIDTLEIN: Okay. So I have a couple of questions about that. One, I guess a couple that are sort of factual in nature. I think I heard someone testify that that wouldn't stop them from pricing at injurious levels, given that it's not a tariff. I guess my question with regard to that is what incentive would they have to do that, since the quota is less than what they're currently bringing in?

Usually companies will price at less than fair value in order to gain market share. But since they're limited to an absolute number, why would they -- what would their incentive be to do that, given that they're already at a higher level, right?

MR. LASOFF: I understand, and I'll ask some of the industry folks to talk about perhaps the one situation that exists with respect to one of the foreign producers. There is a single producer in Brazil, and they have argued that, you know, the quota levels, you know, will in effect limit their ability to access. But a couple of points we would make in regard to that. First, there is no preclusion within the quota for them to aggressively go after a particular end user or a particular market. As you've heard, this industry does have a lot of very small niched kind of end use markets. So even without that quota number, certainly somebody could come in, disrupt it with no tariffs and through no dumping duties they could literally disrupt, over a long term situation, the pricing scheme within a particular market.

COMMISSIONER SCHMIDTLEIN: Is that likely though, given that if they're going to divide this into quarters? So this small tonnage is now even further limited? How disruptive could it be, given how small this amount would be on a quarterly basis, and there's an absolute limit? So buyers would know well, I'm not going to get any more and Brazil knows I can't gain anymore?

MR. LASOFF: Well, there is one aspect of the Brazilian producers, and again it relates more to also the issue of not subject imports. The Brazilian producer is part of a vast global corporation that has capabilities to produce the products. And again, these are very high value, low volume products that go to particular sectors.

So you know, even within the situation of the quotas, you can establish access, you know, for your global network and maybe -- Jack, you've talked about --

MR. SIMMONS: Yeah. The Section 232, I have two comments on that going back to the Chairman's question. We've seen a lot of offshore mills eat the 232. So we've seen very little effect intellectually of any -- any radical change in the ordering patterns at all. There's a reluctancy too, and there's some mills, there are some mills in countries that's literally eating it because of the uncertainty of what's going on.

COMMISSIONER SCHMIDTLEIN: They're absorbing the tariff you mean? The mills --

MR. SIMMONS: Because it's price sensitive and because it's a price negotiation, the 232 is being absorbed.

COMMISSIONER SCHMIDTLEIN: Okay. So that -- but that kind of goes to my point, right, because Brazil is not under a tariff. Brazil is under just an absolute limit. So my first question was really how, why, what is their incentive to be disruptive with regard to price, right? So that's -- that was one of the arguments.

MR. SIMMONS: As Larry mentioned though, it's a global international company, and product-shifting between those facilities, and the aggressiveness that we've seen in the 232 process from Voestalpine, especially on grades and sizes that are not any way at all consumed in national security issues, being claimed on a national security and other basis that they want exclusions for. It really causes us concern that there's going to be product-shifting between facilities globally.

COMMISSIONER SCHMIDTLEIN: I see. So the argument would be they're going to price low and then continue that from a different mill from a non-subject country?

MR. SIMMONS: Yes ma'am.

MR. ZIMMER: This is Chris Zimmer. Just to bring some color to that, I'm familiar with the product they're bringing in. It's an automotive application that was traditionally supplied by domestic mills. They came in and won business away, purely upon an aggressive price. That's what they've maintained today. Even this environment with the opportunity to move prices up, we have no indications that they have done that or they intend to do so.

MR. WELLOCK: And another example here in that area, in the automotive area, and this directly impacted Carpenter.

Over a four year period, Villares has come in and there was a 20 percent reduction in price, which dramatically reduced Carpenter's share in the automotive supply chain for a key customer not only here in the United States, but because it ends up being global contracts, it ended up setting a brand new precedent on a global price, which impacted our share globally. A 232, the quota is not going to repair that damage.

MR. LASOFF: I would also just add, you know, to just finish it up, when we were talking about the parent company, that part of this network, to date they have filed, and this is with respect to the tariff, because they ship much of their product from Europe, they have filed, I think it is close to 500 exclusion requests on a range of high end stainless steel products, arguing that these are not produced in the United States or there's no capability to produce this.

So we are looking at this not strictly from the basis of the quota and the quota that's going to restrain, you know, the direct subject imports. We're looking at it much broadly, in the broader conditions of competition that relate to the subject imports as well, the non-subject imports as well.

COMMISSIONER SCHMIDTLEIN: So I guess one question that comes to mind is couldn't these non-subject countries do this anyway, right? If your argument is well, they're going to sort of price lead, I guess, through this Brazilian affiliate and then source it from a different -- obviously the contracts would have to be with that other affiliate in the non-subject country. Couldn't they, wouldn't they, aren't they able to do that anyway right now?

MR. ZIMMER: Yeah. This is Chris Zimmer. As Bill was saying, they own the global contract. Their ability to be able to shift that between manufacturing facilities has been established.

They have a network to be able to do that. Given the track record of the Voestalpine Group, the expectation that an exemption would come through, even on an uncertain action right now, doesn't give a whole lot of relief to the idea that even if it is maintained, they can't just shift it off to another facility in a different part of the world, because of that network. They're a small part of a much bigger organization. So it won't, it won't solve the problem.

MR. KERWIN: Commissioner, if I could add one point in relation to the points raised by Mr. Wellock and Mr. Zimmer in relation, that the Brazilian product has been coming in at aggressive price up until this point. If the Brazilians want to maintain their existing relationships with their customers here, their customers are likely to demand that they keep as close to that price as possible going forward, and the Brazilian supplier may be likely to take a longer-term view of things and say I don't know how long this is going to be in effect for, the 232 remedy. So I want to keep this customer. I'll suck it up and I will go and lower the price on that to keep them happy.

We know that at the time that the Section 201 remedy was put into place in 2001 on steel, that that lasted only 18 months. So I think a foreign producer with a longer-term vision of -- with so many uncertainties in the market as to what may happen in relation to the WTO or court challenges, they might be inclined to go ahead and continue to offer that price, in the hopes of eventually the 232 falling away and they keep their place in the market.

MR. LASOFF: But even so, being part of the global network, you know, whether Villares gets the sale or maintains the relationships that they have established, they would be able to provide that product and the industry guys could confirm that for me, from their other facilities around the world, and more so those are the kinds of products that they're filing, you know, their hundreds and hundreds of exclusion requests on.

MS. KIM: Commissioner Schmidtlein, can I just -- this is Grace Kim. I just have one additional point. The United States is Brazil's largest market over the period of review, and the claim that the quota will limit it, I mean there's still some uncertainty as to whether the quota will remain in place.

So I just want to, you know, remind the Commission that there is still uncertainty as to how these quotas will be in place. I mean like I said before, the Commerce Secretary has mentioned that things can change at any moment. So I just wanted to point that out, that the United States is Brazil's largest market. So they have a strong interest in coming back to the U.S. if the remedy is lifted.

MR. LASOFF: But just to put a final piece on it, even if the quotas did stay on, the business, the key element of this business that this one producer has been going after, they would be able to service that externally, having established that inroad into this very important customer in the automotive market, that essentially removed on of the domestic producers from that market.

So there is still that ability to be there, and we would expect it would continue, even if the quota was in effect in Brazil.

CHAIRMAN JOHANSON: I'd like to stick to the issue of Brazil for a moment. Proclamation 9759 of May 31st, 2018 titled "Adjusting Imports of Seal Into the United States," states that the product-specific quota for Brazil will remain effective on a long term basis. Doesn't that give us some type of signal that these might be around for a while?

MR. LASOFF: I'm going to only respond by saying that, you know, since the rollout of this program, there have been a lot of things that were said initially that haven't gone into place.

You know, I focus on this largely from the Customs implementation side of it. That's where I practice, you know. A few weeks after that proclamation was issued, I got a clarification from Customs over the eligibility of drawback on Section 232 duties, and they said sure, you can use drawback.

In the next proclamation, there was -- drawback will not be eligible to Section 232 duties. I'm not saying, you know, again we don't know what is long term with respect to this situation. Yeah, the word "uncertainty" is perhaps being -- since you think it's being overused a little bit today.

But I think that is how it is being perceived within the industry, that yes, there is a quota. The language was used in a proclamation, and again, you know, I don't want to look inside the head of the President, which is to quote something that one of the judges said recently with respect to a challenge to this.

But we can't make business decision based on that expectation, and we're just going -- you know, we're continuing to deal with it, and the business is going to deal with it and they should be answering this question not me, that that does not give them the sense of confidence that these quotas are going to be here long-term.

And then as I discussed with Commissioner Schmidtlein, the enforcement of this is going to be a challenging aspect of it as well, and whether or not, you know, this system will be able to be maintained given the challenges never faced by the U.S. in terms of administering an absolute quotas like this.

CHAIRMAN JOHANSON: Yes, Mr. Viero.

MR. VIERO: Valter Viero. My understanding is that anyway if Villares asks for exemption or product exclusions and those are granted, those would be outside of the quota and in addition to the quota. So looking at the very aggressive stance of their parent company in asking for product exclusions, this would be a way to substantially increment the quantities that are permitted under the quota.

CHAIRMAN JOHANSON: All right. Thank you, Mr. Viero. With respect to the importance of the increased tariffs resulting from the Section 232 proceeding, of what significance is the 25 percent duty rate, given that Commerce has found that dumping would continue or recur at margins below this level for imports from India and Brazil, and largely above this level for imports from Japan and Spain?

MS. KIM: This is Grace Kim. With respect to India, there are -- while there are some margins below 25 percent, there are at least four Indian producers that are subject to a 30.19 rate, and they were the most recent suppliers in recent years that it had been pricing very aggressively here.

With respect to Spain, while they were subject to a very high duty, 62.85 percent for many years, and they underwent an administrative review at the Commerce Department a few years ago, and while they did get a zero percent rate temporarily, in the next administrative review they were found to be dumping again at 62.85 percent.

Those margins are quite high and noticeably they shifted. They shifted their exports from the U.S. to Canada. When I'm looking at the global trade data, you see a noticeable shift from 2016 to 2017, a shift -- a diversion from the U.S. to Canada when they got the higher 62.85 percent rate.

With respect to Brazil, I would say that Villares has been undergoing administrative review every year. So they are -- have been under the discipline of the order. So they either have to price fairly or reduce -- or send reduced volumes at this time. We have experience from our Carpenter at least that they have competed directly with Villares in the U.S. market, and faced, you know, every low prices from Villares over the Period of Review.

CHAIRMAN JOHANSON: All right. Thank you Ms. Kim.

MR. LASOFF: Just to add, and I think is -- this gets a little confusing, but I think it's important to note that in the role of program in the proclamation, it was made very clear that this program was intended to address a national security kind of global capacity type of situation.

But the President also made it very, very clear, when he decided that the dumping duties would be additive to the Section 232 duties, that there was a difference and a unique aspect to the issues that were being addressed there.

So yes, you can get into this process of trying to say well, are the Section 232 duties higher than the dumping margins, which of course are always changing and always subject to administrative review. But I think you also have to look at these very separately, and as we've said from the outset, you know, granted in large part because of the uncertainties, that you want to look at the record of this case.

Quite frankly when we did our adequacy comments a year ago, I told these folks, and I'm sure they're a little upset at me for this, but I told those folks that this would be a conventional sunset case where the Commission would look at the likely volume of price and financial impact, and that it would not be complicated by this process.

Well it is, and I respect the challenge that the Commission has in trying to sort this out. They faced it a few weeks ago, a few months ago with respect to tin sheet. I think they did a proper conclusion that the record did not yet exist to allow anything but speculation, and the Commission denied or agreed that they would not engage in this kind of speculation.

I don't believe the situation has changed significantly since then. In fact, one could conclude that because of the on again/off again, the many proclamations, that this situation is even more speculative that it might have been at the time of your tin sheet.

I'd be happy to engage in that conversation, but as somebody who kind of advises a lot of -- even some of the importers on how to manage this thing, there is just questions about how it's going to be applied and how do you react to it.

MR. KERWIN: Mr. Chairman, if I could add one point on that. There's a distinction, of course, between a dumping order and the imposition of a tariff. One of the significant differences is while a company's under order, if they reduce their price, that can be reviewed in the administrative review. That can be caught up in the administrative review, and the dumping duty will be increased on that basis.

On the other hand, if a company is not subject to a dumping order and is subject to a tariff, there's nothing to stop them from lowering their price to compensate for that tariff. So if a foreign producer wants to lower its price by 25 percent to compensate for the tariff, there's nothing to stop that. So once a company's not under order any more, if they lower their price to that extent then -- to the purchaser in the United States, that's a wash even if they have to pay the tariff.

So there's a big distinction between an

anti-dumping duty order, which will have a discipline on the pricing of the foreign producer, and a tariff, which does not necessarily have that same discipline.

MR. LASOFF: And that distinction, Mr. Chairman, actually I've come across that in situations where companies have said well, I want to share the burden.

I want to share the burden with my customer, and can I lower my prices? Actually it comes down to the issue of if there's no dumping duty in place or no dumping order in place, there is no -- other than, you know, committing valuation fraud, where you take your price literally down to a level such that you're not even reaching your costs, and Customs may look in that under a completely different framework.

But there's nothing to prevent either the foreign producer or the importer from sharing the burden or absorbing the burden. So this is another area of concern as well, and I see this, and we see this in the marketplace, as people ask us questions about how they should be pricing, what they should be doing in this context.

CHAIRMAN JOHANSON: All right. Thank you all for your responses. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Let's get away from 232 for a while. Has the switch to aluminum by some car makers impacted the market, and do you expect this change to continue in the near term?

MR. ZIMMER: This is Chris Zimmer. I'll just comment. Most of those changes were for the structural parts of trucks. As stainless long bar producers, we go into other areas like fuel injectors and brake components and so forth. So that's probably best towards the carbon flat guys, moreso than the stainless bar folks.

But the market is fluid. We can see some recent announcements from Ford about how they're doing some radical changes of how they're going to go to market and what they're going to do. But as a stainless bar producer, the shift to aluminum hasn't impacted us nearly as much as the flat guys.

COMMISSIONER WILLIAMSON: Okay. Is there any other changes in the technology or things that might increase the demand for stainless in automotives, automotive sector?

MR. ZIMMER: When I think about the increased uses, some focus areas would be more so into construction or infrastructure. Educations of the market about how use of stainless steels in bridges and other different components can help with lower life cycle costs. Many of the traditional markets, we don't see any significant changes coming. But we see the domestic infrastructure rebuild and the ideas of it being a big area of opportunity for stainless bar growth.

COMMISSIONER WILLIAMSON: Okay, good. Thanks.

MR. LASOFF: One of the challenges, of course, and again I'd ask the industry guys to rescue me, but clearly one of the challenges particularly with an infrastructure is being able to sell on the state agencies and the federal agencies, on the concept of life cycle costing, because it is substantially more expensive and a lot of these state agencies, you know, simply want to go on a low cost basis.

One of the challenges that this industry faces, and again please rescue me, is to try to work into the policy considerations of the specifiers in the state agencies, the opportunities to use stainless steel.

MR. ROMANS: Yeah. I mean it's a -- at North America Stainless, this is Brian Romans, you know, a focus for us has been, you know, growing the rebar market, for instance. That's the infrastructure, the highway systems, different things. So that definitely is something that we see as a growth going forward.

But there's a lot of work that has to be done, you know. We have to do a lot with engineers and different things to get that sold. But there is opportunities there that's going to -- that should be good for the domestic bar industry, yes.

MR. WELLOCK: The methodology of specifying materials for infrastructure, the mind set needs to be changed, in terms of convincing the specifiers beyond acquisition cost, is to convince them about the life cycle costing. That's a pretty difficult sell sometimes. But if you have a long term view of life cycle costing, our materials become very attractive alternatives.

COMMISSIONER WILLIAMSON: Okay. In other words, the roads might last longer, okay. What about -- having raised that question, what about Buy America? Is that a factor in growth in your sales or future sales?

MR. ZIMMER: This is Chris Zimmer. In our experience, those tend to apply to defense applications that are single digit when you look at the grand scheme of things. So it does apply, but I would consider them to be few and far between. So they exist, but it doesn't drive our business.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. ROMANS: Can I add one thing on that? You know, the thing about the Buy American Act, as Chris has said, it's small at this point in time. But we have to have, you know, the companies on this panel have to be healthy to be able to have that product to supply to the Buy American Act projects. And you know, if these orders are revoked and the imports come back in and the pricing gets driven down so far, it's going to be difficult for the companies on this panel to continue to be healthy, to be able to supply those products into the defense industry, you know.

The highway projects, as we talked about earlier, those projects are Buy American a lot of times. But it could be difficult.

COMMISSIONER WILLIAMSON: Okay, thank you. Another area thinking about demand, is how important is the oil and gas sector, and sort of recent developments in how that is affecting future demand in that sector.

MR. SIMMONS: The oil and gas market -- Jack Simmons, Electralloy. The oil and gas market certainly has shown strengths of -- signs of life down in Houston, especially with the offshore starting to come back with the price of oil going up. But you know, the effect of offshore imports coming in from non-covered countries is still a big issue. We've, as you've seen in our numbers, the market has grown, but our share of that market growth has actually declined.

So it's become a very price-sensitive issue in that market in order to secure orders.

MR. ZIMMER: This is Chris Zimmer. I'll echo that. We absolutely have seen a return in demand that began about a year and a half ago, as the industry cycled back up and they decided to go doing some additional exploring and production. Our ability to be able to capture upon that demand has been limited. The oil and gas market has largely been funding their stainless bar requirements from offshore customers. Those buying decisions are absolutely on price.

So we see the comeback. We see the opportunity. Our ability to capitalize on it has been very limited though.

COMMISSIONER WILLIAMSON: Okay. I think the Respondents have talked about the domestic industry sort of being in niche markets. What, does that apply to oil and gas, or is that another sector? I know you don't agree with that, but I'm just curious.

MR. WELLOCK: Well one thing -- sorry. This is Bill Wellock with Carpenter. In the oil and gas market, you heard us talk about this master distributor. Within the oil and gas market, there are also select distributors that focus on that, and those distributors which have the necessary inventory in place to handle all the requirements in the oil and gas industry, source globally and they source at low prices, and they understand the decision-making process.

They get the order in oil and gas when the inventory's on the ground and ready to go. So there are some very -- if you want to call them niche distributors, I'll call them focus distributors in the oil and gas market to service it.

COMMISSIONER WILLIAMSON: What do you mean when the inventory is ready to go?

MR. WELLOCK: These distributors have inventory on the ground to service the marketplace. So the requirements for oil and gas for specific projects are not going to be necessarily satisfied from mill orders directly from any one of our industry participants. The distribution channels within the oil and gas market will win the business.

MR. ZIMMER: This is Chris Zimmer. I just want to put a little bit more color around niche and the scope of the stainless bar market. There's about five or six grades that represent two-thirds of the bar market, and oftentimes those are referred to as the standard grades that go into a number of different applications.

But there are hundreds of different grades of stainless. As an industry, we produce them all. So the ability for us to be able to continue to sell it to them, whether they're those standard grades competing on price or even the smaller applications that you don't hear a whole lot of about but they're absolutely there, we can produce them and it's the same type of situation, oftentimes ending up competing on price.

So whether it's that big application making silverware or pots and pans or refrigerators, or it's a very niche application for an aerospace application, we all produce those grades and we face import pressure on price even for those little niche items that are very detrimental to our business.

COMMISSIONER WILLIAMSON: Good, okay. Thank you for those. Let's see. How should we account for the fact the Indian producer, Venus, not being a subject producer during the period for which the data was selected in this review. But I know they're not a subject producer, and may possibly remain so in the future. So how should we take this into account?

MS. KIM: I think the Commission has gathered data from nine producers that were subject during the entire Period of Review, and those data, even without Viraj and Venus, show that the Indian industry has substantial capacity to produce stainless steel bar, have significant excess capacity and are very export-oriented.

So the fact that Venus and Viraj may not have been an actual subject producer during the period I don't think is relevant to change the Commission's analysis. They are now back under the order, and the Commission has at least received questionnaire responses from one of those producers that were previously excluded, and it actually makes the Indian industry that much more of a threat to the U.S. market.

As mentioned earlier this morning, back at the original investigation, there were only five known Indian producers. There are at least 24 today. There are several that are very eager to enter this market. On the Commerce side, a couple of them have actually requested administrative review, because they don't want to -- they're trying to get a lower rate. They don't want to be subject to the All Other rate that's in place right, and they very eager.

So the fact that even without Venus and Viraj, the Indian industry is a huge threat.

MR. LASOFF: One other fact Commissioner Williamson that I would add and really repeating something I said in my opening remarks, the experience with Venus and the provisional revocation, and then what happened after that revocation in terms of their literally setting up, hiring sales people, literally setting up a warehouse in the United States, I think Mr. Blot made reference to that as well, I think is very instructive in terms of not only how to take into account their data, but how they might react.

I think it's very telling on how these producers will react, because you actually have a real life situation. Take away the anti-dumping duty order and the discipline of the anti-dumping duty order which occurred a few years ago, allow them full access to the market, they will immediately, you know, hire people, set up a warehouse and basically overwhelm the market.

That was quite frankly about a year and a half ago, when these guys were sitting in a room and we were looking at India, and we were looking at the two producers, Varaj and Venus, who were non-subject at the time because they were provisionally revoked, I mean literally you might have seen your first trade case on non-subject imports from a particular country.

But we decided to do the changed circumstances. Very destructive, and I think you can take into account what occurred at the point of revocation from both companies, and what the reaction might be if that order, for example, were to be revoked.

COMMISSIONER WILLIAMSON: Okay, thank you. My time has expired.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you. Unfortunately I do want to go back to the 232s. So we've mentioned the Commission's decision in the tin mill case for shorthand here, and in that case we did analyze what we thought the impact of the 232 would be on the volume of subject imports. So you are -- you've referred a few times to a discussion that the Commission had with regard to the impact on the domestic industry, where we did use the word "speculative."

I have the public version of the decision here, where we say "We recognize that the 25 percent tariffs under Section 232 have recently been applied to imports from non-exempt countries including Japan. Any current predictions of the effects of these tariffs on market conditions are speculative. We don't know how this is going to affect the domestic industry."

But with regard to analyzing the potential effect on imports, we did do that, and we looked at the AUVs for all exports for Japan and for non-subject imports in that product, and then compared that to the AUVs of U.S. producers, U.S. shipments. Have you done that analysis for these countries? Have you looked at -- and then we looked at whether or not that 25 percent tariff would deter imports from Japan, based on what AUV, you know, using AUVs as a proxy? Have you all done that for the countries today?

MR. LASOFF: We will do that analysis. Obviously, it's something we've -- first of all, I want to make the point that we're not saying that this isn't a condition of competition that the -- that the Commission should ignore, and quite frankly, you know, it may be again, we've overused this term "uncertainty."

But we recognize it's there, and people are recognizing it and people are having discussions, price discussions based on it. I don't know if we have -- to what extent.

MS. KIM: Commissioner Schmidtlein, we did in our prehearing brief provide an analysis of some pricing comparisons based on what was on the record. I don't believe we did the full analysis of whether, you know, taking the 25 percent into account. But we did address the issue of why the U.S. prices are currently higher than the subject import prices. So we did provide that analysis, and we'd be happy to do it again.

MR. LASOFF: And the other thing is that, as Mr. Blot said in his testimony, you know, we have -- we have import data through, and again there have been different phases of this. There's been the initiation in March, and then there have been the subsequent, the subsequent changes in the country scope and the removal of country exemptions that have gone into effect.

And so, you know, we are watching and obviously looking at the AUVs. We just received the SEMA data for which month? For June. So you know obviously we're going to be looking at what the impact is. So we -- and again, the brief is due a particular point of day. In time, we may see another month's data which might allow us to look more fully at the EAUVs and how they have been affected, because we will now actually have data that may have been affected by the 232s, and we'll do our best to do this.

I know, you know, the Commission in fact in the tin mill case put in another round of briefings towards the end of that proceeding, you know, in order to give people an opportunity. Well okay, we know a little bit more about this program, you know. What do you think now? We're doing the same thing and, you know, we will address that in our post-hearing brief and do a more complete analysis perhaps on the most recent data that is available.

But again, we were constrained to some degree by the reality that the staff report proceeded. It only went through March of 2018, and it was in April and March when it went into effect, and that didn't incorporate some of the country exemptions and so forth. It's an analysis that, you know, we will do and we understand that the Commission will be doing it as well, because as I said, it is a condition of competition.

We're not telling, and if I said something that would suggest otherwise, the Commission to ignore this. This is a very, very relevant, unprecedented condition of competition, and we will address that post-hearing.

COMMISSIONER SCHMIDTLEIN: I assume that the participants here support the 232 measure that's been put in place, the 25 percent tariff. So during the -- and I see some of you shaking your head yes. For this exemption process at the Commerce Department, I'm just curious. Do you all participate in that process when someone asks for an exemption? Are you opposing the exemption?

MR. LASOFF: Absolutely. The way the process has been set up, and it's as I said with however many requests that have been filed, I think it's up to 23,000, they get posted. There's a form, there's a template for filing an exemption. It's a very complicated template. It's been made even more complicated by the fact that the Department of Commerce, which is managing this process, is requiring you to do a separate request for every potential --

It's not by tariff schedule, for every potential grade, for every potential size. So for example, you can have a producer like the one we were discussing previously has filed several hundred requests on stainless bar. You have a period to which to object. There is an objection template, which allows you to address the question of whether or not there is capability, either within your company or within the industry generally, to produce the specific product.

Ultimately, the Department of Commerce will adjudicate those requests and objections. The industries, the companies are doing this themselves, because some of this information, in terms of their capabilities, is confidential information.

COMMISSIONER SCHMIDTLEIN: Sure. So do you -- as a part of that process, do you all submit to Commerce what you think the intended impact of the particular measure, the 25 percent or I guess the tariff in the case of Brazil, what that will be on --

MR. LASOFF: No. We would submit, whether or not there is a capability within the domestic industry to produce the specific product that is the subject of the request.

COMMISSIONER SCHMIDTLEIN: I see, okay.

MR. LASOFF: There is no -- you know, there was obviously a part of the template that allows you to comment and make general statements regarding this. But there is no explicit, you know, sort of ITC kind of question as to, you know, what would be the adverse impact on you if this was granted.

COMMISSIONER SCHMIDTLEIN: Well or more what's going to be the impact on imports is what I'm wondering. Have you --

MR. LASOFF: Well actually that is going to be something that probably will be discernible on the basis of adjudication, because most of the -- most of the requests are volume-specific. So those who file the request, you know, the thousands of companies that have filed requests, knowing that there's going to be an analysis of capability and capacity, domestically to produce these particular products, will actually limit their request to what their actual need might be.

So again, when the Commerce Department is in a position where it will start adjudicating more than 0.1 or one percent of the total exclusion requests, there will be data probably publicly available that would allow you to see, okay stainless bar, this particular producer requested, you know. Two metric tons of this particular, very exclusive proprietary grade because they claim they haven't been able to obtain it here.

So yes, that information will probably be available when this process moves forward. But again, I hate to use the word "uncertainty." It's created, you know, a little bit of consternation, probably around -- not only by the mills but their customers as well because some of them, you know, may have supply chains that are tied overseas.

They may be unique products and, you know, the industry is only objecting and there have been a number of objections. The companies have been doing these individually themselves, but they're -- you know, but the companies, they've been doing it legitimately. But they, you know, if they have the capability.

COMMISSIONER SCHMIDTLEIN: Okay, yeah. Okay. So just a couple more questions, I know my time is almost up. Having again to do with this tariff, and Ms. Kim, I think you might have alluded to this with regard to whether or not a tariff is a different condition of competition that Brazil would be operating on, and I thought I heard you say, and I interpreted your comment being that it's not, because it's also a 232 measure. Is that your position?

COMMISSIONER SCHMIDTLEIN: So but isn't the tariff a different type of measure than a quota, and therefore wouldn't Brazil be operating under a different condition of competition than the other three countries because it has this different measure imposed on it?

MS. KIM: I think, given the other factors, other similarities among all of the subject countries, that that would not alone be a significant difference, you know, if it is a difference, to warrant decumulating.

COMMISSIONER SCHMIDTLEIN: Right. That's what I'm getting at. It wouldn't be significant enough?

MS. KIM: It would not be significant enough. In prior cases where the Commission has looked at the impact of the safeguard, you know, the 201 tariffs back in 2002-2003 on a couple of other steel cases, there was one country, South Africa, that was exempted. And in that case, because that country was excluded from the tariff remedy at that time, the Commission found that that was a significant difference in the likely conditions of competition. But I don't think the quota, being subject to a quota itself, gets you quite there in terms of being completely excluded from the 201 remedy.

MR. LASOFF: And again, I think linkage with the quota with respect to these Orders is significant, because the quota is still--even though it may be a smaller amount, the quota still allows the quota user to price their product aggressively and potentially take over particularly certain niche markets. And this is a big concern specifically with respect to this quota because the one producer that's subject to this quota has already achieved, as Mr. Zimmer said, complete control over a particular end-user market.

COMMISSIONER SCHMIDTLEIN: And I know my time is up, but let me just follow up on that real quick. Should it make a difference to our analysis that the quota is so small that if you look at it compared to the volume of total imports, at least for 2017, and if you look at the first quarter of 2018 it looks like it's on track to be greater than 2017, that that volume would be negligible if this were a final investigation?

So in other words, is that something that we would look at by analogy to say, well, geeze, you know, if this were a final that's a negligible volume. That country would fall out on negligibility grounds, so how can that country be having a discernible adverse impact if the Duty Order is revoked, given that the absolute volume is restricted to such a negligible amount?

MR. LASOFF: We're familiar with the end-use market. And as I said--and I believe, you know, we're dealing with a single producer, and a significant customer, to which the producer has been able to achieve access to the customer, it's an important market. It's not a large market. So, you know, perhaps what we would do in posthearing is evaluate that end-use market in the context of that quota. And maybe develop that a little bit more specifically in terms of more of an end-product type of impact, as opposed to just simply looking, well, it's a small volume.

This is a small-volume industry, as you've obviously heard, and sales, we like to joke that this industry doesn't sell by the ton, this industry sells by the pound. So, you know, what might seem like a small quota, you know, in terms of the overall scheme of things, may in fact be significant when it means access to a particular end-use market.

And then the additional point that was made earlier, that this particular producer is part of a global network that has the ability to supply that customer with higher volumes.

That is a concern, as well. But, no, we understand the question, and obviously, you know, the quota is a particular number and it's a quota that realistically is less than certainly the import volumes we saw in the original investigation. We believe, though, those volumes have gone down because of the Order. And we'll take a look at that at the posthearing brief. I think that would be helpful to you.

COMMISSIONER SCHMIDTLEIN: That would be helpful. Thank you.

MR. WELLOCK: Hi, this is Bill Wellock. I just want to chime in here as it relates to the comment about the negligible amount. I can tell you for Carpenter specifically as it relates to Villares, it's not a negligible amount in terms of the application, specifically in the automotive marketplace that we serve and we compete against Villares. They have, as we pointed out earlier, you know, the price erosion over four years has been in excess of 20 percent. It has disrupted that whole interface with the pricing of that marketplace.

So it's not negligible. It is impacting us dramatically.

COMMISSIONER SCHMIDTLEIN: Okay--

MS. KIM: Commissioner Schmidtlein, can I just add one little point--this is Grace Kim. Back to the amount of the Brazilian quota, if you look at the import volume that's been coming in from the other remaining subject countries, you know, it isn't insignificant. Even if the other three remaining countries begin to reenter the market at similar volumes, I think that they would all be competing for market share in this market and be causing significant price effects as well.

So when you look at it in terms of for cumulation purposes, I would think that it's not considerably different in terms of what's been coming in currently. I mean in terms of the volumes, I think that the volume itself is significant in this market.

COMMISSIONER SCHMIDTLEIN: Thank you.

CHAIRMAN JOHANSON: I would like to bring up the stainless steel wire rod investigation. How similar are these reviews to the recent reviews for stainless steel wire rod in which the Commission found that subject imports from Spain would have no discernible adverse impact?

MS. KIM: This is Grace Kim of Kelley Drye. I think the facts are entirely different in wire rod, as it is here. In wire rod, with respect to Spain, there were only two producers, known producers, Roldan and Olarra.

The Commission made a No Discernible Adverse Impact finding there based on Olarra's claim that they didn't have much commercial shipments. Most of it was going to their sister company in Italy. And then you've got the Roldan issue where the Commission determined that Roldan was not likely to ship in the U.S. market.

Unlike the wire rod case, in this case there are four known producers of stainless steel bar, and you don't have Olarra making those same arguments. Olarra is currently shipping to the U.S. market and has significant commercial shipments, we would argue, and there is also Sidenor who has actively been participating in the U.S. market, as we know, and trying to reduce their rate currently at the Commerce Department, undergoing an administrative review there.

And then you've got a third producer, Aceralava. So I think the number of producers, the given excess capacity of those producers, all show that it is quite different.

With respect to Italy, you've got--there was one major producer there, Kolya, and I think the facts were completely different in that they had--the Commission did not make a discernible adverse impact finding there. They decumulated Italy because of the Commission found likely differences in conditions of competition based on their long-term commitment to a corporation that had multiple affiliates across the country. And so the facts were a little bit different in wire rod than it is here.

MR. LASOFF: Just to--and I'll defer to Mr. Blot in his testimony that, you know, he raised the issue of that investigation. And just to reiterate what the impact was of that determination on Italy and Spain.

MR. BLOT: Ed Blot, and just to restate what I said, when the Italian producer, Kolya, in the stainless rod case, and when the Olarra producer, which was the only Spanish producer showing up and saying they were not--both of them saying they had really no major interest in this market at all; that there may be a couple of areas that they may want to participate in, which is why they were asking for the Orders to be revoked so they would not be hit with a duty. And of course the Commission found that--to revoke the Orders.

I'm just saying that the record shows that imports of stainless steel rod in the last couple of years from Italy has gone up over 400 percent. In this industry alone, the stainless steel rod from Spain is already greater than what it was last year.

So if there's been no interest in the rod way back when, why is there to assume that there's not going to be interest when we look at the bar aspect of things? That was the analogy I was trying to make, if I didn't make that clear enough.

CHAIRMAN JOHANSON: Alright, thanks for your responses.

This is a question for Mr. Romans. How should Respondents' arguments that NAS has been the price leader in the U.S. market for more than a decade; that it sets prices in the U.S. market, and that subject importers are and will remain price followers, if true, be viewed when we're making our finding on likely price effects?

MR. ROMANS: I think, you know, NAS is very visible in the marketplace. You know, we do our announcements. We've got our website. Things are published, you know, but we are there to make a profit. We're not only a long products producer, but we're a flat products producer, too. So that also brings a lot more visibility to us. But as I testified this morning, you know, there's been numerous occasions in the last few years to where we have been asked to drop our prices to compete with offshore pricing in order to keep an order. And we have to make the decision, the business decision at that time whether we do that or not.

So I think, you know, you see our price

announcements, you see what goes on out there. But what you don't see is the domestic industry NAS does not make price--they don't announce when the prices are dropped in the marketplace.

So there's so many times, numerous occasions, to where we have to drop the prices if we're going to secure an order. So the frequency of that happens very often.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Romans. And following up on that, from a legal perspective Respondents point to a series of prior decisions from the Commission wherein they allege that the Commission has found no significant price depressing effects when domestic producers are price leaders in the industry. And they address this at page 50, foot 182, of the Respondents' brief.

Could you address the Respondents' characterization of the Commission's precedents in this area? And if you don't want to do it now, feel free to do so in your post-hearing brief.

MR. LASOFF: We will do that in the post-hearing briefs, but I think--just to state that, and we'll include that in our argument. We don't--and as you've heard Mr. Romans--don't necessarily accept the factual predicate upon which that was based. And we'll make that point, as well.

CHAIRMAN JOHANSON: Okay. Thank you. I look forward to seeing that.

Why has the U.S. industry continued to make investments that have led to increased capacity between the second and fourth reviews, despite declining capacity utilization rates? This is something which Respondents discuss at some length in their brief.

MR. ZIMMER: This is Chris Zimmer. I'll speak to that. We've made investments into our facility to respond to our customers, the demands that they see in their growing markets. We've also made investments to help modernize our facilities, to help with efficiencies that in turn can also help to expand the capacity side as well.

With those investments in place, we have the ability to increase our output. Some of that is tied to the number of shifts that we work, the amount of time that we spend on all those facilities. But upgrading to that new technology, the new capacity, is largely in response to what we hear from our customers, what we hear from the marketplace about demand coming, and being prepared to meet that demand.

And some of those investments, again, are just a modernization of our facilities, helping with efficiencies as well.

MR. KERWIN: Mr. Chairman, if I could add, I would note that in the current period of review the domestic industry's capacity utilization only increased by 2.5 percent. And also if you look at the longer term picture and go back to the time of the original investigation, the domestic industry's capacity utilization--or capacity, has increased to a lesser extent than demand has increased.

I looked at the numbers. The capacities increased about 50 percent, and the demand for the product has increased more like 60 percent. So, yes, there's been growth in capacity of the industry, but it actually has not even kept pace over the longer term with the increase in demand.

And the issue is that the nonsubject imports in this market have taken essentially the vast majority of growth in the stainless steel bar market.

MR. ZIMMER: This is Chris Zimmer. I'd just like to follow up to make sure that when we talk about the additional investments, in a number of cases they're not additive. It's not adding more of the same equipment, or the same technology. In a number of cases, it's upgrading and replacing existing equipment. So what comes along with those efficiencies as we staff up is the ability to produce more, but it's not just doing more of the same for the sake of increasing capacity. It's more a focus on modernizing the facilities, the efficiencies, and then capacities are possible from there.

CHAIRMAN JOHANSON: Alright, thank you, Mr. Kerwin and Mr. Zimmer.

Certain U.S. producers reported imports of stainless steel bar. What explains the reliance on such imports, and why these products are not produced domestically?

MR. ROMANS: This is Brian Romans. I think it's strictly price, is I think exactly what it is. The service centers, the master distributors are able to purchase that material at a price level to where they feel like they'll have an advantage in the marketplace.

MR. LASOFF: For clarification, were you asking about producers or--

CHAIRMAN JOHANSON: About producers.

MR. VIERO: This is Valter Viero from Valbruna Slater. We have acquired from bankruptcy back in 2004, and since then we have been increasingly trying to increase the share of our finished products manufactured in Indiana. So over the years, we have been substituting imports of finished products from Italy from our parent with products manufactured in our facility in Indiana. So for several years, the ratio has been about 50-50. With this last new investment we have made, the ratio is about two-thirds manufactured in Indiana, and one-third still imported as finished products from Italy., And some of these needs, let's say the importation of some semi-finished products for further processing in our plant, and that explains part of these imports.

CHAIRMAN JOHANSON: Thanks, Mr. Viero. And following up on that, Respondents have suggested that the domestic industry's relatively low capacity utilization could be construed as self-inflicted, in light of their own importing practices. And they discuss this at page 74 and 75 of their brief.

Could you all please address this characterization of the Respondents?

MR. SIMMONS: I'll address it from Electralloy's viewpoint. We value our employees. We're there to keep people employed. We make investments in our business and modernize to keep our employees safe. We want them to go home at night. We do everything we can to reinvest in our customers, our employees, and our future.,

CHAIRMAN JOHANSON: But again the Respondents contend that the importing practices of the Petitioners have impacted their capacity utilization.

MR. ZIMMER: This is Chris Zimmer. Let me take a crack at it. The investments that we've made as we modernize, and I realize I'm kind of repeating myself here, have gone towards the modernization. But what that allows us to do in a number of cases is taking some of the traditional steel making processes that may have been more manually intensive and a craft, and turning it into something that's more automated, turning it into a science so we get more repetitive production, efficiency improvements.

What that allows us to do, then, is to produce at a higher rate. So with the replacement of this newer equipment, it does allow us to be more efficient, and it does put us in a position to flex up in capacity, increasing shifts and bringing more people on.

So I think that's where a lot of that additional bandwidth comes from, is now the ability to say that we're not tapped out. We can go ahead and add shifts and respond to the marketplace when that demand comes.

CHAIRMAN JOHANSON: Alright, thank you, Mr. Zimmer. My time has expired.

Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you.

Mr. Simmons has already partially addressed the question of employees. And I was wondering, because if you look at the numbers on employment in the industry, because I would say it's another sign of vulnerability, and so I was just wondering about and thinking about the industry's competitiveness, the role the workers play and what's been happening in terms of either improving their competitiveness?

MR. SIMMONS: If the question's for me--

COMMISSIONER WILLIAMSON: Yes.

MR. SIMMONS: --when we add capacity, in Electralloy's case, we were replacing older facilities. For instance, heat-treat rather than batch furnaces. We were going to modern heat-treat facilities. Rather than lathe turning, going to bar peeling. So indeed, you know, the employees had to be reeducated and retrained. But also because we increased capacities, much like Chris said, we were able to add more shifts and add more people.

So it enhanced our employment and we were able to keep our workforce working and being productive.

COMMISSIONER WILLIAMSON: Okay, thank you. I was just wondering about that in terms of when you look at who is vulnerable and the workforce is part of that.

Another question I had was--excuse me just a second, I lost my--

MR. ZIMMER: If I could, following up on that, I think you bring a good point. The opportunities that lie within the additional gains that we have in the marketplace come directly at the ability for us to continue to increase our staffs and employ more people.

Conversely, as we lose business to offshore aggressive pricing, that forces us into some decisions where we need to look at our organization and understand if we're staffed properly. The ability for us to grow our business, and how our business moves up and down, there's a direct link to the number of people and families that we're able to support and employ.

COMMISSIONER WILLIAMSON: Okay, thank you. The Chairman just asked about, I guess it was the stainless steel wire rod decision, and I think he also made a reference to the 2007 decision that the Commission made and what happened after that.

I don't know if you said what product that was. Was it the stainless steel bar?

MS. KIM: The 2007 case involved stainless steel bar, against a different set of countries. It was Italy, France, Germany, the UK.

COMMISSIONER WILLIAMSON: And why did the Commission go--let those countries off?

MS. KIM: It was primarily because of the WTO Zeroing decision. When the Commerce Department recalculated, were instructed to recalculate the original investigation margins, many of those producers got out from the Order.

COMMISSIONER WILLIAMSON: Oh, so it wasn't a review--

MS. KIM: The Commission did conduct a--because there were still some subject producers--did go through a sunset review. But then ultimately it made a negative determination.

MR. LASOFF: A number of the major producers in some of those countries were zeroed out as a result of the WTO decision. So in essence there were at the time very few subject producers left from those countries, and little volume. So the decision was made at that particular time. Although in some of those countries now we're seeing major surges as nonsubject imports.

COMMISSIONER WILLIAMSON: Thank you. I just wanted that clarification.

Mr. Kerwin, you made a number of examples of, shall we say, excess capacity in some of the subject countries and, you know, gave that as an indication of why you thought they would come back in if the Orders were removed.

The capabilities of those countries to come back into the U.S. market, given now that nonsubject is such an important, given the size of the nonsubject share of the market, doesn't that inhibit the likelihood that they may come back in?

MR. KERWIN: Well the Commission has traditionally found that, you know, a higher presence of nonsubject imports makes the domestic industry more vulnerable. It certainly reduced the market share of the domestic industry--I mean, very significantly, from 70-some to less than 50 from the original Period of Investigation until now.

And in a thing like that where you have less than a 50 percent market share, or a roughly 50 percent market share, that's obviously highly substantial. So it places the domestic industry in a position where they're not maximizing the use of their facilities. They've got a low capacity utilization. They're not profitable in the way they should be, given where the market is. And that vulnerability then makes them--puts them in a position that, if the subject imports are allowed to reenter the market, it's going to make a bad situation worse.

And the likelihood that, given that these nonsubject imports are already competing in the U.S. market on a very price-aggressive basis, the way for the subject imports to get back into the market is going to be even more aggressive on price.

So, you know, I think that given the past history of the subject countries and how they increased at the time of the investigation and the aggressive pricing that they showed then, and even in the current review, the pricing information that you have from the countries that provided it, shows that pricing is being done on a very aggressive basis despite the existence of the Orders.

So if those Orders are taken away, I don't think it's a big leap of faith to find that they will come in on the basis of price, and they will do what they have to do to either compete--you know, come down to the prices of the nonsubject imports, and to regain market share in the U.S. market. And that's certainly some element of that return to the market is going to come out of the hide of the domestic industry.

MR. LASOFF: Commissioner Williamson, just to put a little bit of a legal aspect to that, because obviously the importance of nonsubject imports to this particular case and the determination of vulnerability is important, but this is not an unusual precedent for the Commission where you've had an effective set of antidumping duty orders, but aggressive pricing for nonsubject imports end up coming in and causing harm and creating vulnerability.

You know, the ITC has said that, you know, because you can't find likely recurring industry from subject imports if the nonsubjects are causing harm, the ITC has never said that. And I think on many occasions the ITC has confronted ths situation where an Order that has worked, that has restrained imports, and at the same time, you know, a different set of imports comes in, the ITC has recognized the importance of those nonsubject imports as a condition of competition and establishment of a vulnerability, and has extended, you know, those orders based on those findings. And I think that might have just been recently in--that was an element of the facts there, as well. So--

COMMISSIONER WILLIAMSON: One of the things I was getting at, you can't just cite excess capacity, ergo, injury.

MR. LASOFF: No, we're looking at those nonsubject imports as well as the capacity and the ability of the subject importers to reenter this market in the kinds of volumes that they entered, you know, when this case was first filed.

COMMISSIONER WILLIAMSON: Good. Okay.

MR. ZIMMER: This is Chris Zimmer. I just wanted to follow up on a couple of other important dynamics that I think are important to look at from a global standpoint. The amount of capacity that China has brought onboard has a significant global impact. Because when you look at the alternatives purely as a business decision with the subject countries here, even if we debate about the amount of capacity that they have, it's a business decision when they look at what are the best available markets for them to be able to sell into as they export.

The U.S. market is tremendous. It has some of the best pricing in the entire world. When you look at the other areas of global demand, they are in areas that are already being saturated by the oversupply and new capacity coming on from China.

So even if you do debate that, it's a good business decision if those markets who are now accessible to them to shift that production over to the U.S. market, which has some of the best pricing in the world.

COMMISSIONER WILLIAMSON: Okay.

MS. KIM: Commissioner Williamson, this is Grace Kim. On that point, I just want to point out that the subject countries all have an interest in returning to the U.S. market. They have a continued presence here. They've been shipping throughout the period of review. So it's not like they've been absent and out of the market and, you know, they have some hurdle to reenter the market.

They can easily access the U.S. market through the master distributors you have mentioned. So, you know, I don't think that will prevent them from coming into the U.S. market.

MR. LASOFF: Again, I just can't emphasize enough the point about the--I think Mr. Wellock characterized it best, the absence of barriers to entry created by the master distribution system. That is unique to this narrow sector of the steel industry, and how easy it would be for any of these producers to come back in.

And the nonsubject producers, during the periods of this Order, used the same techniques to enter into this market.

MS. KIM: One other point. There is already evidence. We did brief this issue, about some of the subject countries facing some difficulties in their home market, import competition from, you know, some other out-source suppliers. So they have further incentive to look for an outlet for their excess capacity.

COMMISSIONER WILLIAMSON: Okay, good. Thank you for all those answers. I have no further questions. I'm sure the Respondents will have a lot to say about what you've just said, so we'll wait for that. Thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, I just have a few questions.

One last question on 232s, and you can answer this in the posthearing. In a decision on pet film in January 2015, the Commission decumulated a country based on a different condition of competition being a corporate affiliation. So I wondered if you could analyze that case and compare it to the situation that we have here. In fact, I think it was Brazil that was decumulated because of their corporate affiliate in the U.S. Not based on discernible adverse impact, but different conditions of competition.

MS. KIM: We would like to do that in posthearing.

COMMISSIONER SCHMIDTLEIN: Okay. A question about--and I think Chairman Johanson was trying to get at this with questions about capacity utilization, which was the fact that certain U.S. producers reported imports of stainless steel bar. And so the question is why the reliance on imports instead of producing that quantity domestically.

MR. LASOFF: We will address that in post-hearing. We're obviously aware of the situations there, and, you know, one thing we would say is that this is an industry and the producers are here today who do have certain different business models. Some of them are melters. Some of them don't melt.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. LASOFF: So you have situations where you have converters who may rely on their offshore sources. That would be preferable to perhaps buying from a competitor in upstream product. You know, the Commission has faced those kinds of issues. My favorite is the titanium sponge one a couple of years ago where you had lack of melt capacity. You know, do you buy from your competitor? Do you import the upstream products? As I said, you have an industry that is comprised I think of different business models. Mr. Viero's company purchased a mill. They have integrated backwards in that mill, but they have not integrated all the way back to melt. So you're going to see different patterns here.

I mean, they're all stainless bar producers, and they all go through the process of hot rolling and cold rolling bar. They also, sometimes because of the unique range of products, sometimes there might not be able to be a capability to hot roll a melt for a particular application, and there may be a need to do that.

So I think this is a question that perhaps we would answer specifically in the post-hearing, because I think they involve confidential questions of business models and how they do it, and do they buy from their competitors, would they buy from their competitors, and I think it is an important question because there is--some of these producers do import, and they do--some of them cold finish. You have different business models, and you've seen that in your other trade--in the carbon side case. You'll have on one hand a company a dozen belts, and imports slabs. You'll have another company that's fully integrated and they're all sitting at the table asking for antidumping duties.

So I think we'll add to that in the post-hearing brief--

COMMISSIONER SCHMIDTLEIN: Okay, okay--

MR. LASOFF: --you know, individually, on the part of those companies who choose those business models, and explain why they import those products, if that will be sufficient.

COMMISSIONER SCHMIDTLEIN: Okay, that's fine.

MR. POALISE: Jerry Poalise, from Outokumpu Stainless Bar. Just to add to that a little bit, we are one of those companies. And our portfolio, to complete our portfolio we'll use our related manufacturing companies in Europe to complete an offer to distribution. It's just a more effective way to go to market with what we do manufacture here in the United States.

COMMISSIONER SCHMIDTLEIN: Okay. Well I would invite you to expand on that in the post-hearing with regard to what types of products those are, and why they're not produced here in the U.S.

Alright, the last question I had relates to a statement in the Petitioners' brief at page 34, and this has to do with the channels of distribution, where you say: Were the Orders to be revoked and subject import volumes to increase, sales of subject imports from--and this is bracketed--certain countries, would change their channels, and there would be greater overlap in the channels of distribution, as was the case before the Orders were imposed. It actually said they "could change" the channels.

And so my question is: Is there evidence in the record suggesting that they would change their channels, other than the fact that 15 years ago they had different channels?

MS. KIM: Commissioner Schmidtlein, I think when you're looking at the import--the low volume of imports that are coming from some of those countries, I mean there are certain types of products that may require certain channels, and maybe not the traditional master distributor or service center channels. But when you look at the history and what was coming in during the original investigation, there was an overlap, a significant overlap at that time. And all of these producers have the capability to produce the full line of products that are made in the U.S. and by the subject countries. It's not just those special grades that are currently coming in. They all have the capacity to produce the standards, as it was called earlier, the two-thirds of the market that encompasses those types of traditional product. They all have the capability to produce those.

So those are the types of products that are likely to also resume, and when they do they will be more of an overlap after revocation.

COMMISSIONER SCHMIDTLEIN: Okay. I should have asked this question in the beginning. What is the distinction between a master distributor and a national service center?

MR. BLOT: I didn't hear the question, I'm sorry.

COMMISSIONER SCHMIDTLEIN: What's the difference between a master distributor and a national service center?

MR. BLOT: What's the difference between them?

COMMISSIONER SCHMIDTLEIN: Um-hmm.

MR. BLOT: Okay, well the Master Distributor is one that is only--they're going to bring in product in large quantities from affiliates that they have with the offshore producers. And they will go ahead and sell to other distributors. So their function is to fill the holes of these distributors--the independent distributors throughout the country are stocking more than just stainless steel bar. They've got a lot of products that they keep in their warehouse.

And they're limited in how many dollars they have to be able to have in inventory, and they're always watching terms and do forth.

So the master distributors of stainless steel bar--and that's all they're inventorying, they will then fill some of those holes when they do occur. And of course they've got prices that are in many cases much better than what the prices are from the domestic mills, and so they end up taking the business away from them.

COMMISSIONER SCHMIDTLEIN: So they only--they are just importing? Master distributors are just buying from foreign?

MR. BLOT: They have the ability, and some of them may buy some domestic material. I'd have to go back on my records to see whether or not, you know, what they may be, but by and large they're buying offshore material.

COMMISSIONER SCHMIDTLEIN: Um-hmm. And a national service center is--

MR. BLOT: And the national service center, again they're a chain. So they could have, you know, 10, 20, 30 different warehouses across the country. Again, inventorying all kinds of products, not just stainless steel bar. But they are large enough that they are able to buy mill quantities, in other words, and wait for production runs, whether they're coming from the offshore producer or whether they're coming from the domestic producer.

COMMISSIONER SCHMIDTLEIN: I see.

MR. BLOT: And again, they will be filled with holes sometimes on their material, and then the master distributors will fill that hole for them, and then they resell it to somebody else, to the end user.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. BLOT: So the distinction really is that the master distributors, it's not a hundred percent this way, but they're only selling to the distribution market; whereas, the national chains, or any other small distributor is carrying multiple products selling to, you know, multiple applications and so forth, and limited in how many dollars they may have available to inventory.

COMMISSIONER SCHMIDTLEIN: Okay, okay.

MR. WELLOCK: This is Bill Wellock. One thing I just want to make sure that the Commission understands is that the domestic industry also uses these same channels. So we use these channels. The foreign producers use these channels. So we're all sourcing through the same channels.

COMMISSIONER SCHMIDTLEIN: Um-hmm. Okay. Alright, I have no further questions. Thank you very much.

CHAIRMAN JOHANSON: I have just two questions. And this is for Mr. Wellock.

Respondents allege that Carpenter decided in early 2011 that it would exit the low-end segment of the stainless steel market, and positioned itself to focus on the most specialized and profitable stainless steel products. And this is discussed at page 20 of Sidenor's brief.

Is this accurate? And if so, what effects does this change--what effect has this change had over Carpenter's performance?

MR. WELLOCK: As relates to exiting the market, the answer is: No.

CHAIRMAN JOHANSON: You have not exited the certain segments of the market?

MR. WELLOCK: We have not. Absolutely not. It's a matter of the price competition. So maybe there's the opinion that we're not going to be able to meet the prices as dictated, or as required, or as presented by the foreign competitor, but we have not exited the market.

CHAIRMAN JOHANSON: Okay, not in the lower end segments?

MR. WELLOCK: Correct.

CHAIRMAN JOHANSON: Okay, thank you for your response. Respondents Daido Steel Company, Limited; Aichi Steel Corporation; and Sanyo claim that stainless steel bar imports from Japan are specialized niche products and do not compete directly with domestically produced steel bar.

Are stainless steel bar imports from Japan and domestically produced stainless steel bar interchangeable?

MR. WELLOCK: Abso--sorry, this is Bill Wellock--absolutely. In some of the applications in the automotive area, we compete directly with the companies that you mentioned. So they are interchangeable.

MR. ZIMMER: This is Chris Zimmer. I would agree. The ability for us to produce what's coming in from the Japanese market is something that we can absolutely produce. Further to that, their ability to produce an even broader spectrum falls into the portfolio. But we're able to produce. So a little bit of a distinction there of what we're actually selling to and what we're able to produce. In some cases it's a business decision not to go after some of those grades simply because the pricing don't make it the best alternative. So we tend to focus on what's our best business decision. But the opportunity does exist. We do make those grades.

CHAIRMAN JOHANSON: Alright, thank you, Mr. Zimmer and Mr. Wellock.

Do any other Commissioners have questions?

(No response.)

CHAIRMAN JOHANSON: No, they do not.

Do staff have any questions for this panel?

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

CHAIRMAN JOHANSON: Do Respondents have questions for this panel?

MR. NICELY: Thank you, Mr. Chairman. No, we don't.

CHAIRMAN JOHANSON: Alright, with that let us recess for lunch and come back at 1:40. And I would like to remind parties and staff not to leave confidential business information, as this hearing room is not secure. And we will be back here again at 12:40--I apologize, at 1:40.

(Whereupon, the hearing was recessed for lunch, to reconvene at 1:40 p.m, this same day.)

AFTERNOON SESSION

MS. BELLAMY: Will the room please come to order.

CHAIRMAN JOHANSON: Madam Secretary, are there any preliminary matters?

MS. BELLAMY: No, Mr. Chairman.

CHAIRMAN JOHANSON: Alright, let's begin with the Respondent's testimony.

MR. NICELY: Good afternoon, Mr. Chairman, Commissioners, I'm Matt Nicely again with Hughes Hubbard for Respondents. I'll just introduce the panel and then get out of the way. We first have Jim Dougan and Kara Groden here from MCS to address cumulative imports and the domestic industry's performance. We then have industry representatives from three of the four subject countries, who, along with their customers and their counsel will discuss the situation in each country and their experience here in the U.S. market. So with that, Jim.

STATEMENT OF MR. JAMES DOUGAN

MR. DOUGAN: Good afternoon. I'm Jim Dougan from MCS. In their pre-hearing brief Petitioners state that "The basic conditions of competition in the U.S. market have not changed since the original investigation and the prior sunset reviews."

This statement is simply not true. Not only has it been 27 years since the beginning of the original POI, but there are a number of obvious significant changes to the conditions of competition over that time. These are the restructuring of the domestic industry and the entry of NAS, the Section 337 Order on India's largest producer, Viraj, the Section 232 tariffs and quotas and the tremendous growth in global demand for stainless bar, which, as Ms. Groden will discuss, has implications for relative prices in the U.S. and other markets.

All of these are important to recognize in this case, which is the first full review of imports from these countries since the Orders were revoked on France, Germany, Italy, South Korea, and the UK in 2008.

First, is the significant restructuring of the domestic industry; most importantly, the establishment of NAS. In the second review of this Order two Commissioners found that "The entry of NAS as a large and low-priced producer in the U.S. market is an important change in the conditions of competition since the original investigations and the first reviews."

In its negative determination in the 2008 sunset review, the Commission, as a whole, adopted this view using virtually the identical language and also stated that "NAS has affected U.S. prices as well." NAS's establishment has also had a restricting effect on subject import volume.

It's affiliate, Roldan was the principal source of stainless bar exports from Spain to the U.S. market at the time of the original investigation, but since the establishment of NAS it no longer exports to the United States.

Second, Petitioners' pre-hearing brief fails to even mention the Section 337 Order on Viraj, which was the largest Indian exporter to the U.S. market at the beginning of the POI and along with Indian producer, Venus, was not subject to the dumping Order during the POI. In May 2016, the Commission placed a limited Exclusion Order on imports from Viraj for more than 16 years. As you can see on Slide 2, two months later combine imports from Viraj and Venus plummeted. Note that Venus was not subject to the 337 Order and also at the time not subject to the dumping Order. It would've had an obvious opportunity to at least fill the gap left by Viraj's exit.

Despite what you heard from Mr. Blot and other this morning about how Venus had invested in its network to penetrate the U.S. market that clearly did not happen and it's a clear indicator of its likely behavior if the current Order is lifted. Moreover, the Commission should note that Viraj constitutes a very substantial portion of stainless bar capacity in India, none of which can be directed to the U.S. market for more than a decade.

And additional consideration for the Commission, as the discussion this morning tells us, is the Section 232. It has had and will have an influence on restraining imports from all countries, including subject sources, for instance, Brazil's annual quota of 1650 tons will almost fully exhausted by September 2018. However much Petitioner's attempt to cloud the potential effects of the 232 in their statements to the Commissioner, they are more clear in their statements to investors. As shown at Slide 3, in its first quarter 2018 earnings presentation Outokumpu states "U.S. imports down ion response to Section 232." Pages 38 to 40 of Joint Respondents' pre-hearing brief quote a number of importers saying that the 232 will influence the incentive and ability of subject producers to export to the U.S. market.

Turning to likely volume affects, the industry witnesses on this panel will each address the likely volume of imports from their respective countries. When the Commission considers the likely impact of any such volumes on the domestic industry, it should note that all of the industry's volume indicators were positive over the POR in keeping with the fact that apparent U.S. consumption increased.

Petitioners characterize the industry's current utilization as sign of vulnerability. The Commission should recognize, however, that the industry reported capacity figures are the result of an allocation of capacity shared with other products and domestic producers have over allocated their stainless bar capacity; therefore, understating their utilization.

As you can see on Slide 5, stainless bar accounted for between 35 to 37 percent of total production; yet, domestic producers allocated roughly 50 percent of total capacity to stainless bar. This means that the reported utilization rates are significantly understated. When the capacity figures are reallocation in line with production, as shown on Slide 6, the resulting utilization rates are more than 15 percentage points higher and compare favorably to the industry's historical experience and even these figures may understate the industry's current utilization.

Pages 46 to 48 of Sidenor's brief summarize a number of recent press articles which discuss the fact that domestic producers are producing at record levels with company officials quoted as mentioning high levels of bookings, backlog, and extended lead times. In analyzing Petitioners' claims of likely volume effects, the Commission must consider just how low subject imports volumes are at present.

In first quarter 2018, subject imports, collectively, including Venus and Viraj, were only 1650 short tons. Petitioners claim that if the Orders are revoked subject imports will return to "pre-Order levels." This is extraordinarily unlikely to happen. The pre-Order level of 1993, the last full year of the original POI, was about 32,000 short tons. Assuming we annualize first quarter 2018 subject import volumes to 1600 short tons, subject imports would have to grow by 380 percent to reach the 1993 level in the reasonably foreseeable future usually defined by the Commission as two years. They would have to grow by 294 percent to reach the 1991 level of roughly 26,000 short tons.

I remind the Commission that during the OI, unfettered by trade restraints of any kind and facing far less competition from non-subject imports than they do now, subject imports grew by only 22 percent and that is when Viraj and Roldan were both importing to the United States. I'll note also it was from a larger base, so if you look at percent comparisons from a smaller base to a larger base; however, the total increase in subject import volume over the original POI was only between 5 and 6,000 shot tons and they would need a lot, lot more to get back to that level.

It's also unlikely that in the event of revocation subject imports would exceed the Commission's negligibility threshold. We recognize that the Commission's negligibility analysis doesn't apply in a sunset review, but the 7 percent of import threshold is a useful guideline for determining the significance of import volumes. For subject imports to reach this threshold, they would have to grow by 81 percent over the next two years.

As noted earlier, they grew by only 22 percent during the original investigation and have not grown by as much in any two-year period since. The likelihood of them doing so -- has grown by as much as 80 percent in any two-year period since. The likelihood of them doing so here is extremely small considering the 337 Order on Viraj and that NAS has replaced Roldan in the U.S. market, not to mention the additional mitigating effects of the 232.

Thus, the Commission should find that upon revocation subject imports will not increase to levels that would cause the continuance or occurrence of injury. I now turn to my colleague, Ms. Groden, to discuss the likely price effects and impacts.

STATEMENT OF MS. KARA GRODEN

MS. GRODEN: Good afternoon. I'm Kara Groden with ECS. Most of the data relevant to price and impact are confidential, so I'll be referring to some confidential exhibits which you should have in front of you.

Beginning with price, Petitioners assert that price declines seen during the POR are likely to accelerate in the event of revocation. This is not true. As you can see on page 1 of my exhibits, global maps prices for two key grades of stainless steel bar fell from 2015 to 2016, but have increased consistently since. This pattern is mirrored in the pricing data for all sources as well as U.S. producers' shipment and sales AUVs. Petitioners also claim that the U.S. market is high priced and attractive, however, the same maps data show that U.S. prices, the blue dotted line, were generally below the global average, the red line.

In prior stainless steel cases, the Commission has recognized that rapid growth in global demand has lead prices in foreign markets to reach parity with or exceed U.S. prices. As such, any observed declines in U.S. prices were consistent with price trends worldwide and do not consistent price depression.

There's also no evidence of price suppression. The industry's ratio of COGS to net sales declined from 2015 to 2017 and was lower in 2018 than it was in 2015. As you can see from page 2 of my exhibits, there's a distinct linear relationship between net sales AUVs and unit COGS across the entire U.S. industry with little deviation. So whether on an aggregate or individual company basis, there's no indication that U.S. prices were suppressed.

Next, the Commission should not assign any substantial weight to the underselling analysis. Pricing data coverage is low for the U.S. industry, accounting for just 3.3 percent of U.S. producer shipments. Furthermore, subject import volume and instances of underselling accounted for less than 5 percent of subject imports and less than 1/10th of 1 percent of apparent consumption over the period of review when subject import market was flat or declining.

Furthermore, U.S. producer pricing data incorrectly includes specialty produces, which precludes an accurate comparison to subject imports of standard SSB. As shown on page 3 of my exhibits, when corrected to included specialty products, underselling is at most mixed. See also pages 43 to 50 and Exhibit 25 and 28 to the joint brief.

Lastly, I urge the Commission to consider U.S. price leadership in this market. As shown on the same page of my exhibits, record evidence shows it would be inaccurate to conflate subject imports with the lowest priced stainless bar in the U.S. market, so there is no basis to conclude that there was any significant underselling by subject imports nor that any would occur should the Order be revoked.

Turning to impact, unlike many other industries the Commission has seen, the record here shows significant differences in experience within the U.S. industry. Just aggregating the U.S. industry into these three business model groups would better inform the Commission's analysis.

The first is NAS, which is a large scale, fully integrated producer of standard SSB.

Second are producers of small batches of specialty products which may require intensive value-added production processes. And lastly, are non-integrated U.S. producers whose particular business models are discussed more fully at pages 85 and 86 of Joint Respondents pre-hearing brief. On page 4 of my exhibits, you'll see several charts which demonstrate correlations between those business models and the producers' net sales AUVs, capacity utilization, and profitability.

These groupings are consistent with characterizations made by Petitioners this morning and as shown in the confidential report at page 3-22 to 23. As you would expect, AUVs for specialty product manufacturers are higher than for producers of other types of SSB. Similarly, production of more specialized products leads to a lower utilization and vice versa. Likewise, in specialized production operating margins tend to be lower than for higher volume production.

While business model and U.S. producer performance are clearly linked, the condition of the U.S. industry as a whole also improved during the review. U.S. producers' operating margins, capital expenditures, and employment indicators like productivity and wages all increased over the period, ending in interim 2018 at higher levels than in 2015.

Note that some, if not all, of the U.S. industry's operating loss in 2015 can be attributed to either a one-time adjustment or to changes in accounting methodology, not to any vulnerability. Both of these issues are discussed in Section 3 of the staff report.

Finally, the additional mitigating effects of the 232 tariffs and quotas remove any potential vulnerability to imports from any source; thus, there is no evidence that the U.S. industry's condition or prices would be adversely impacted by subject imports if the Order were revoked. Thank you.

STATEMENT OF MR. ALVARO ROJAS

MR. ROJAS: Good afternoon. My name is Alvaro Rojas. I am the commercial director of Olarra, a Spanish producer of stainless steel bar, billet, and wire rod. Olarra is a subsidiary of Rodacciai, an Italian producer of stainless steel bar. I have been with Olarra since May 1995.

At the time of the original investigation in 1994, the large majority of Spanish stainless steel bar shipped to the U.S. market came from Roldan. The only other Spanish producer was a company known as Acenor. During the period of investigation, Acenor sold its assets and ceased production of stainless steel bar. Olarra was part of the Acenor's assets.

When the anti-dumping duty Order went into effect in February of 1995, Olarra stopped all business -- all shipments to the United States and focused exclusively on other markets; particularly, the market in Europe. Currently, more than 95 percent of Olarra's sales are within the European Union. Olarra has been out of the U.S. market for more than 23 years and the U.S. market has changed dramatically since then. Also, we don't know the U.S. market very well. We can say that if the anti-dumping Order on stainless bar from Spain is revoked, Olarra would be interested in supplying small parts of the U.S. market that are not sufficiently supplied by U.S. producers. Instead, we are likely to replace products that Roda Specialty already imports from non-subject mills not affiliated with Rodachai for some shapes, particularly, hexes and squares, our understanding is that U.S. mills do not have the capacity to supply the whole U.S. demand. Mr. Hillinger will speak more about this issue.

Olarra has no interest in competing against NAS in the most common products because NAS would always have the lowest price and the best delivery terms since it is located in the U.S. For those common grades and sizes, Olarra is more interested in competing in the markets it already serves, the EU mainly, because it can get better profit margins there than in the U.S. Additionally, according to our understanding, the other U.S. mills are concentrated on highly specialized products, such as bars for aerospace applications that require re-melted steel. This is an area in which we cannot compete with U.S. mills because we lack the necessary equipment and thus, we do not expect to compete against domestic mills if the Orders are revoked.

I thank the Commission for hearing our case and I will be happy to answer questions.

STATEMENT OF MR. WOLF HILLINGER

MR. HILLINGER: Good afternoon. My name is Wolf Hillinger. I'm present of Roda Specialty Steel, a U.S. importer and distributor of carbon, alloy, and stainless steel bar and wire. Roda Specialty Steel is a subsidiary of Rodachai, an Italian producer of stainless steel bar. Roda Specialty Steel is also an affiliate of Olarra.

Currently, Roda Specialty Steel does not import stainless steel bar from Spain or for any of the other three subject countries. I can tell you the U.S. industry does not produce sufficient quantities of stainless steel bars to serve demands that exist in the U.S. And in particular, for hexagon bars, our understanding is that the domestic producers may be capable of supplying about 75 percent of U.S. demand. The rest of the U.S. market demand is met by non-subject imports.

For square bars, the only two producers of consequence that make this product are capable of supplying approximately 25 percent of the U.S. demand. The other 75 percent of the U.S. market is supplied by non-subject imports. We understand this pattern has been stable for many years. In other words, imports are necessary to source the U.S. demand.

Rodachai does not make certain sizes of stainless bars in Italy. In order to serve our customers, we purchase these products from a third country. If the Order were revoked, Roda Specialty Steel would purchase these bars from Olarra instead of purchasing them from non-subject third country suppliers. In other words, the impact of all net imports would be the same.

I thank the Commission for the opportunity to testify and will be happy to answer any questions.

STATEMENT OF MR. NATALIO FERRAN

MR. FERRAN: Good afternoon. My name is Natalio Ferran and I am commercial director of Aceralava, the Steel Mill of the Tubacex Group and have more than 10 years experience in the steel industry. Tubacex Group is the largest worldwide producer of stainless, seamless tubes and high nickel alloys. The main demand segment for the tubes manufactured by Tubacex are the oil and gas, petro, chemical,and power generation industries. Tubacex manufacturers in several countries, including Salem Tube Mill in the United States. The main focus of Aceralava is the production of billets for tube extrusion of our group companies. This represents 90 percent of our capacity.

These billets are raw material for two manufacturing mills in Spain and Austria. Aceralava also produces stainless steel and high nickel alloy bar, but that amounts to less than 10 percent of Aceralava's manufacturing capacity. Aceralava concentrates its production on larger diameter round and square bar, either forged or rolled. Aceralava's stainless bars are used primarily by companies that manufacture equipment for the oil and gas industry as well as other energy companies in the transportation sector.

Aceralava's customers use the bars to produce various products such as flanges, rings, valves, and hollow bars. Virtually, all of Aceralava's customers are located in Europe, especially, in the EU, Germany, and Italy. Aceralava is operating at extremely high capacity utilization rates for stainless steel bar. Aceralava has a stable customer base, particularly, in Europe and that will remain Aceralava's highest priority.

At the time of the anti-dumping duty Order was imposed in '95, Aceralava did not ship stainless steel bars to the U.S. market. In fact, Aceralava did not produce stainless steel bars at that time. As a result, Aceralava has not been in the U.S. market and knows relatively little about it. However, if the anti-dumping duty Order were removed, Aceralava would expect to sell small quantities of value-added products to the U.S. market; particularly, large sizes and special grades of bars. Aceralava's focus would be on offering products that are not produced by U.S. mills.

Given Aceralava's priorities to the Group and to its European customers, it simply would not make good economic sense for Aceralava to compete in segments of the U.S. market that are already served by U.S. producers. We also understand that U.S. producers who make large stainless steel bars, such as universal and carpenter, focus most of their efforts on even more specialized markets that require ultra-clean steel. In order to manufacture stainless steel with unusual low ridges or levels it is necessary for the mill to have the ability to re-melt the steel. Aceralava does not have those capabilities.

In closing, I say thanks to the Commission for holding this hearing and I will be glad to answer any questions.

STATEMENT OF JUAN CARLOS AGOGLIA

MR. AGOGLIA: Good afternoon. My name is Juan Carlos Agoglia. I am Vice President of Sales and Marketing at Tubacex America. I would like to discuss briefly the interest of the Tubacex Group in the U.S. market. The main focus of Tubacex worldwide is to provide stainless and high-nickel alloy seamless tubing, manufacturing and seller of countries including Salem Tube in the U.S.

We sell primarily products for energy projects including oil and gas, nuclear power plants and petrochemical plants. Tubacex America, headquartered in Houston, is focused on the sales of Tubacex products in the U.S. market. Because of its orientation to stainless tubes for energy projects, Tubacex is not interested in Aceralava to become a general supplier of common stainless steel bars for the U.S. market.

However, for some energy projects and applications, certain-use customers may require not only stainless steel tubing, but also stainless steel in other forms for the same project, including stainless steel bars. Some of these customers require or prefer that the very steel products come from the same source on technical specifications.

In order to support our customer base and participate on those types of projects and applications, Tubacex America would like to have the ability to offer some stainless steel bars from Aceralava based on the same technical specifications and melted by the same facility as the tubes.

If the antidumping order on stainless steel bars is terminated, Tubacex will have the opportunity to participate on some of these oil and gas or other energy projects with a comprehensive solution, where the customer requires seamless tubing and bars, using the same source and specification of stainless steel.

We do not believe that serving this limited function in the U.S. stainless steel bar market will affect any of the U.S. stainless steel bar producers because none of them are active in the market of making stainless steel tubing, which is the foundation of these projects and the primary driver for that customer base.

For this reason, we respectfully ask the Commission to revoke against antidumping order on stainless steel bar from Spain. We thank you very much for your time.

STATEMENT OF FRANK PAOLILLO

MR. PAOLILLO: Good afternoon. My name is Frank Paolillo. I am Executive Vice President, Commercial at Magellan Corporation where I have worked for twenty-nine years. Magellan is a U.S. distributor of specialty steel bar products, both carbon and alloy steel, as well as stainless steel bar. I would like to make three points today.

First, Magellan knows Spanish stainless steel bar very well. To our knowledge, we are the lone supplier of Spanish stainless bar in the U.S. market during the period of review, and remain so today. Stainless bar is a small part of Magellan's business.

We source from Sidenor as we have a long history of working together. And Sidenor is a much large supplier of our nonsubject carbon alloy specialty steel. Stainless bar is a side-business for both Magellan and Sidenor.

Magellan's customers don't send us long-term production-sized orders. We support their pick-up sales, which means we sell them small lots on a spot basis. Our customers view us only as a fill-in source. They don't even see us a complement to their domestic suppliers because we hold such small stainless bar inventory.

The only reason our customers come to us at all is because we sell them much larger volumes of nonsubject material. Because stainless bar is not our core business, we will only sell negligible quantities in the U.S. market.

The vast majority of stainless bar we source from Sidenor is 7/8" to 3.5" round bar. For the small-dimension stainless bar we source from Spain, NAS dominates the U.S. market.

It is our opinion that many other U.S. producers do not generally produce small dimensions in the grades we demand because they don't want to compete against NAS in the standard-grade market. Producers like Carpenter and Universal produce specialty product and do not, to our knowledge, regularly produce the range of sizes and grades we need.

Magellan also can't rely on NAS or other U.S. producers for a consistent supply. U.S. producers do not offer us merchandise. During the time period between July of 2014 and October of 2015, we attempted to source stainless bar from NAS without success.

It was only within the last thirty days, well after this review began, that Crucible approached us to sell us large-diameter stainless bar. But even that doesn't compete against our Spanish imports, which are overwhelmingly small-diameter. None of the diameters Crucible offered are products we source from Spain.

In contrast, we source from Spain on a contract basis. Sidenor is a reliable partner that we have known for thirty-five years. Indeed, in the U.S. market, Magellan is Sidenor's exclusive distributor. Our ability to rely on Sidenor, and the fact that stainless bar is a side business for both Magellan and Sidenor, allows us to supply a portion of the U.S. stainless bar market.

Second, as the only importer of Spanish

stainless bar during the review period, we know that the quantities that we have imported are tiny relative to U.S. demand for stainless bar, and they will remain so.

As an initial matter, Sidenor's capacity-limited. All of its billets and blooms come from third parties in Europe. They have expressly told us that that they are limited in what they can supply. They're also limited because most of what they produce is intended for the EU market.

Further, we know what our stainless bar customers demand. We have been supplying that demand for years. Our business is primarily in the carbon and alloy steel bar. We have not had excess demand for stainless bar that we were unable to supply, and we don't see the market changing in that regard in the near future. Therefore, current demand and supply, from our perspective, is in equilibrium.

Finally, NAS is the absolute price leader in the U.S. market. When we sell into the U.S. market the price term relies on the published NAS surcharge. During the period, Sidenor had no impact on pricing in the U.S. market. NAS dictates the U.S. pricing.

It is also important to keep in mind how pricing works in this market. Price declines don't mean the market is bad. Because of the surcharge and raw material costs, price declines can simply mean costs are declining. The U.S. market is strong and these U.S. producers aren't knocking down my door to sell us product. And I suspect the 232 tariff will only support the U.S. industry going forward. Thank you for your time today.

STATEMENT OF SYDNEY H. MINTZER

MR. MINTZER: Good afternoon. My name is Sydney Mintzer of Mayer Brown here on behalf of Sidenor Aceros Especiales. Sidenor is one of the three Spanish producers appearing today, and the lone exporter of Spanish stainless bar during the review period.

I want to focus my testimony today on the question of cumulation. In our briefs and before you today, we argue that the Commission should not cumulate imports in this review, because imports of Spanish stainless bar are likely to have no discernible adverse impact on the domestic industry. Spanish imports are also subject to different conditions of competition than other countries in this review.

The facts that I will highlight today mirror those present in the 2016 Sunset Review of Stainless Steel Wire Rod, where the Commission found that imports from Spain would have no discernible impact on the domestic industry and therefore did not cumulate those imports with remaining subject imports. Ultimately the Commission revoked that order as to Spain. We respectfully submit that should happen here as well.

The nature of the Spanish stainless bar industry changed dramatically in 2003 when NAS commenced operations. NAS is owned by the same corporate entity that controls Roldan, the dominant producer of stainless bar in Spain. With NAS in place in the U.S. market, Roldan no longer exports to the United States.

Petitioner testified earlier that the Commission must look at the behavior of this Spanish industry during the original investigation to know how the industry would act today and in the foreseeable future. But that's an absolute false comparison.

Roldan played an outsized role in the original investigation and even in the subsequent reviews. Roldan was the only Spanish company to participate in the original investigation and in the second Sunset Review. It participated with Olarra in the first Sunset Review.

Because no Spanish companies participated at all in the third review, the Commission has never had an opportunity to fully analyze the Spanish stainless bar industry absent Roldan and its likely impact on the U.S. market until now.

Indeed, the data available in this review demonstrate why Spanish stainless bar imports will have no discernible impact on the U.S. industry. First, imports to the U.S. are tiny, less than 1% of apparent consumption. The average short-ton volumes of Spanish imports in the period of review were half the average volumes in the 2000 to 2002 period, which is the period prior to Roldan's exit from the market. That decline in import volumes occurred at the same time U.S. apparent consumption grew by 58%.

Second, Spanish producers are focused almost exclusively on the EU market. Spanish stainless bar shipments within Spain and to EU countries during the review period represented nearly all shipments, with the total percentage actually higher now than in the original investigation.

That's due to growing applications for stainless bar in the EU market, which we discussed in our confidential brief, as well as the advent of the Euro in 2002. With Spanish capacity utilization already very high, any excess capacity will reasonably be drawn to the EU market.

Third, Spanish producers of stainless bar are not managed to export product on a global scale, much less to the United States. For both Sidenor and Aceralava, stainless bar is a tiny percentage of their overall business. Stainless is a miniscule part of Sidenor because it sources its billets and blooms from third parties in Europe that are themselves vertically integrated. Therefore the merchant market of available raw material is small.

On the contrary, they are vertically integrated to produce carbon and alloy bar, which is where the company has always focused its business. For Aceralava, as discussed previously, over 90% of its production is nonsubject and transferred to its sister companies for stainless tube production. That business model, in existence for decades, will not change if the order is revoked.

Finally, Olarra is part of its own conglomerate with its Italian sister company supplying export markets including the U.S. with stainless bar. As it indicated earlier, it has no intention of competing against its sister company in the U.S.

Finally, none of the Spanish producers compete in the premium remelting market. None has the capacity, much less the equipment to compete against Carpenter, Universal and others in that market. All of this information speaks to the need to decumulate Spain this review. I'll be happy to answer questions. Thank you for your time.

STATEMENT OF RICHARD P. FERRIN

MR. FERRIN: Good afternoon. I'm Richard Ferrin, counsel to Olarra and Aceralava. Olarra and Aceralava agree with Sidenor that Spanish imports should not be cumulated. They also agree with the joint brief of Japan and Spain that if imports from all four countries are cumulated, the Commission should also reach a negative determination.

What I would like to discuss now is an additional point raised in the brief of Olarra and Aceralava. Specifically, if the Commission does decide to cumulate Spanish imports, it should analyze imports from India separately from imports from the other three countries because in the event of revocation, imports from India would likely compete in a different manner than imports from the other three countries.

First, the Commission should consider that the capacity utilization level of the subject Indian producers differs substantially from the capacity utilization level of producers in the other three countries. Please refer to Pages 17, 18 of the Aceralava/Olarra prehearing brief on this point.

These differences in capacity utilization levels are relevant to the Commission's analysis of whether revocation of the antidumping duty order on India would be likely to result in different volume effects than revocation of the antidumping duty orders on Spain, Brazil and Japan.

Second, the subject producers in India have a broader export presence than the other three countries.

Public data in the prehearing staff report show that global exports of Indian producers are substantially higher than global exports of Brazil, Japan or Spain. Please see Page 18 of the Aceralava/Olarra brief.

While the prehearing staff report counts Spanish shipments within the EU as "exports", the Commission should consider Spanish shipments within the EU as basically the same as home market sales.

But whether or not Spanish shipments are treated like home market sales, home market shipments or exports, the point is that Indian producers have a broader export presence than any of the other three subject countries.

Finally, the Commission should compare the prices of Indian producers to prices of producers in the other three countries. A comparison of the average unit values of the four subject countries is shown in Pages 18 to 19 of the Aceralava/Olarra brief. The AUVs for India differ significantly from the AUVs for the other three countries.

Also, while the Commission has collected only limited pricing series data on subject imports, there are significant differences in the amount of underselling among the subject countries. Please see Page 19.

For these reasons, Olarra and Aceralava believe that the Commission should not cumulate imports from India with imports from the other three countries, but instead should analyze India separately because of significant differences and the likely conditions of competition.

I thank the Commission for its consideration and we'll be glad to answer any questions.

STATEMENT OF SHUJI HAMANO

MR. HAMANO: Good afternoon, I am Shuji Hamano, Manager of the Export Service Section of Daido Steels Global Marketing and Sales Department. I am here to speak on behalf of Daido Steel and our U.S. customers who rely on our specialized products that they cannot get from domestic mills.

We have shipped a small quantity of special stainless bar to the United States. Our products are used in particular applications that require the highest quality and performance. And our customers pay a premium for them.

The United States is and will remain a small market for our products. Our home market and Asian export markets are a priority now and have been for many years. Daido Steel only exports 10% of our total shipments. Asia is our largest export market, which is 90% of our total exports. I understand that other Japanese producers have similar experiences.

Daido Steel, like other Japanese producers, operates at near full capacity. We focus on meeting the demands of our largest customers in Asia, and any additional production is largely committed to them.

Daido Steel produces various kinds of stainless steel and high alloy steel products. We do not plan to, and would not shift a significant amount of manufacturing capacity between our products upon revocation. It would not make sense for our business because we do not want to lose our largest, highest-paying customers.

I must correct the record on the issue of my company's recent investments. Petitioners imply that Daido has plans to increase capacity for stainless steel bar. This is not correct. Daido invested in our existing continuous casting line, but we did not expand our melting capacity.

Another recent investment involves a remelting process that is performed for a limited number of stainless steel bar products. This investment does not expand our primary melting capacity, which continues to limit our overall capacity. Thank you very much.

STATEMENT OF YASUSHI KUWAYAMA

MR. KUWAYAMA: Good afternoon, I'm Yasushi Kuwayama. I am the General Manager of Sales and Marketing for Daido Steel America in Schaumburg, Illinois. I joined the company in 1993 and I'm responsible for U.S. sales of steel products.

More specifically, I have been selling stainless steel bar produced in Japan by Tohoku Steel, which is affiliated with Daido Steel. Stainless steel bar represents a fraction of our business. We focus mostly on bearing or alloy steel that is not subject to this review.

Daido Steel America buys a very small quantity of special stainless steel bar from Japan that is used for equipment to produce semiconductors. Our customer manufactures parts for machines that produce mass flow controllers, which measure and control the flow of gases.

These parts must be produced to precise specifications, or the end-user risks the release of hazardous gases during semiconductor production. Our customer requires imported stainless steel bar because no U.S. producer makes this specialty steel or an adequate substitute.

U.S. companies, like machine shops that produce parts for automotive, aerospace, medical and semiconductor sectors, demand specialized, high-value stainless steel bar. These companies should be permitted to buy such special steels without the imposition of antidumping duties after so many years.

As Mr. Hamano testified, Japanese producers have other important markets. If the U.S. antidumping order is allowed to Sunset, any increase in imports of stainless steel bar from Japan would be very modest for the foreseeable future. Japanese producers will continue to focus on specialty stainless bar.

Thank you for the opportunity to testify today. I will gladly answer any questions.

STATEMENT OF MICHIO KATO

MR. KATO: Good afternoon. I am Michio Kato. I am the General Manager of the Operational Division of the Special Steel Association of Japan. Our members produce special steels like stainless, alloy and tool steels. I am testifying about the market in Asia and Japan's stainless bar production capacity.

The largest market for Japanese producers are Japan and a few key Asian export markets. The Commission should know that demand in Japan and Asia is strong, and it will continue to grow over the next few years for applications in electronics, consumer goods and the parts used in manufacturing. In the automotive sector, more cars are being produced requiring more stainless steel bar.

Japanese producers are nearly at full capacity. They give priority to current customers. Any unused capacity is committed primarily to those customers.

I understand that Petitioners have identified two Japanese producers that did not answer the Commission's questionnaire. They believe that total Japanese capacity and production are understated. Their claim is not correct.

Pacific Metals does not produce stainless steel bar. It produces inputs to steelmaking. Nippon Steel and Sumikin Stainless produces stainless steel, but does not export bar to any foreign markets. All of their bar sales are to the Japanese market. Thank you.

STATEMENT OF DEAN A. PINKERT

MR. PINKERT: Good afternoon. Dean Pinkert on behalf of the Japanese respondents. Let me just say it's good to be back at the Commission. As the Commission well knows, cumulation of subject imports in sunset reviews is discretionary. The Commission may cumulate if the statutory prerequisites are satisfied, but cumulation is never required by law.

In this review, imports from Japan should not be cumulated with those from other subject countries, both because they do not meet the statutory criteria and because the factors the Commission typically relies on in exercising its discretion do not support cumulating them. Regardless of whether the Commission focuses on statutory or discretionary elements, however, the fundamental facts are threefold.

First, Japanese product plays a minuscule high end niche role in the U.S. market. Second, this role is structural because the Japanese industry lacks the capacity to substantially increase supply to the U.S. market while serving existing customers in its home market and principle Asian markets. Third, the Japanese industry is fully committed to continuing to serve those existing customers.

Regarding no discernible adverse impact, the likely absence of which is a statutory prerequisite for cumulation, import quantities from Japan are an inconsequential percentage of total U.S. imports, and are even less of a factor relative to apparent consumption. The shift to lower volumes of U.S. imports from Japan after the original period of investigation was integrally related to an expanding home market, as well as to a desire to take advantage of growing Asian export markets.

By focusing on serving those markets, Japanese producers are able to run at very high rates of capacity utilization, and they have neither the incentive nor the intent to alter their current product mix in order to increase stainless bar capacity.

Moreover, in every period including the original investigation, AUVs for imports from Japan have exceeded AUVs from other subject countries and from non-subject sources. The Commission can and should stop right there. If however the Commission chooses to resort to a conditions of competition analysis, the results should be the same.

Such an analysis should take into account all of the facts about the role played by imports from Japan in the U.S. market. It should also take into consideration that Japanese producers are not export oriented, and are not being pushed toward the United States by third country import restrictions.

In addition, their post-order behavior has been remarkably consistent, and their exports to the United States will continue to be buffeted by the strong performance of the Japanese yen relative to the U.S. dollar. In short, Japanese producers play a very distinctive and small role in the U.S. market.

This fundamental feature of the commercial landscape is in all likelihood not going to change in the reasonably foreseeable future. Japan should not be combined with the other subject countries for purposes of this review. Thank you.

STATEMENT OF JULIA K. EPPARD

MS. EPPARD: Good afternoon. I'm Julia Eppard, representing Japanese respondents. Revocation of the order for Japan is unlikely to have any negative effect on the U.S. market. Volumes from Japan were very low, and are unlikely to increase significantly. The home market is the largest and most important, and has grown in recent years.

Japanese producers operate at near full

capacity utilization, and have little ability to increase shipments to the United States. Moreover, the record demonstrates that Petitioners' claim is baseless regarding the potential for product-shifting from other products currently under order, specifically stainless steel wire rod.

Two producers do not make stainless steel wire rod, one makes it in only very small quantities, and the fourth producer has existing constraints on its stainless bar capacity. Petitioners' claim of significant under-selling are completely without merit and do not apply to Japan. Japanese producers did not sell any of the Commission's pricing products.

The fact that Japanese producers undersold U.S. producers in a small minority of instances, and oversold them in the vast majority of instances in the original investigation period, is hardly evidence that they would mostly undersell in the future.

Further, with the order in place, imports from Japan sold at significantly higher AUVs than the U.S. industry's shipments throughout the period, demonstrating demand for Japanese product notwithstanding very high prices. Furthermore, pricing series for imports from Japan and U.S. shipments do not show the same trends, indicating a lack of correlation and therefore no influence by imports from Japan on price.

Petitioners also conveniently ignored that U.S. producers COGS to net sales ratio declined over the period, indicating no cost-price squeeze, and thus providing further evidence of lack of price suppression. With Section 232, that trend is likely only to improve.

Given the niche markets into which Japan sells in the United States now, and the fact that the industry's capacity is already committed to servicing other even higher-priced markets, there is no evidence to suggest that this will change when the order against Japan is revoked. Thank you.

STATEMENT OF ARMIN WUZELLA

MR. WUZELLA: Good afternoon. My name is Armin Wuzella. I'm the Managing Director of Villares Metals, the only producer of stainless bar in Brazil. I've worked for Villares and in the steel industry for seven years.

Villares produces rolled and forged steel products. Our rolling capacity is approximately 45 to 50 percent of our total capacity, and our production of the subject merchandise, stainless bar, accounts for about 35 percent of our rolling capacity.

With respect to subject merchandise, Villares produces specialty stainless bar. We sell most of our production in Brazil, selling bars used in the production of automotive engine valves and also for oil and gas and other engineering applications.

We also sell stainless bar in Argentina, Europe and Asia. In our main markets and with our major customers, we have had to satisfy lengthy qualification procedures in order to obtain business. Consequently, we prioritize and value long-standing and stable customer relationships.

This principle also applies to our business in the United States, where we have focused on selling a specific niche product to one main customer for over ten years. We sell specific, specialty stainless bar to this customer for use in the production of automotive intake and exhaust valves. We also supply specialty bars to this customer for its operations in Brazil and in Europe.

The customer requires us to satisfy high level approvals and frequent audits. To satisfy these strict requirements, we have had to make large investments in technology and manufacturing. Only a few mills in the world can meet these strict requirements, and suppliers of commodity grade stainless bar are unable to do so.

Over the years, we have maintained a stable presence in the U.S. market, supplying between 2,000 to 2,500 short tons per year. Importantly, we do not engage in dumping and our AD cash deposit rate has been zero percent since 2013. Consequently, the AD order has not been a barrier to our participation in the U.S. market.

Also, despite the lack of a trade barrier, we have not increased the level of our shipments to the U.S., because we have limited available capacity and the capacity we do have goes to our long-standing customers in Brazil and in other regional markets.

Going forward, we will be unable to maintain even the low volume business we have in the U.S. market. This is because of the quota Brazil received in exchange for being exempted from President Trump's 25 percent tariff under Section 232. This quota is product-specific, and limits import volumes of stainless bar and rod to no more than 1,650 short tons per year. For calendar year 2018, the quota on stainless bar and rod will be almost fully exhausted by the end of September.

In light of these facts, I hope you will agree that the AD order on Brazil should be revoked. Thank you for your time today, and I'm happy to answer your questions.

STATEMENT OF JAY CAMPBELL

MR. CAMPBELL: Good afternoon. My name is Jay Campbell of White and Case, here today on behalf of Villares Metals. I will briefly explain why the Commission should examine the imports from Brazil on a decumulated basis.

During the Period of Review, the volume of subject imports from Brazil ranged between 2,100 and 2,500 short tons, without having any discernible impact on the U.S. industry's performance, as discussed in our prehearing brief.

With the Section 232 quota in place, the volume of subject imports from Brazil will be even lower. Consequently, the Commission should find that even in the absence of the AD order, subject imports from Brazil are likely to have no discernible adverse impact on the domestic industry and decumulate Brazil on this basis.

In the alternative, the Commission should exercise its discretion to decumulate Brazil, because the imports from Brazil are likely to compete under different conditions of competition than subject imports from India, Japan and Spain. Here, there are a number of important differences.

First, only subject imports from Brazil are covered by a quota under Section 232. In contrast, subject imports from the other countries are covered by the 25 percent tariff. This distinction is important. For Brazil, there is no need to attempt to predict the likely volume of imports. With the quota, the Commission knows with certainty what the maximum volume of subject imports from Brazil will be for the foreseeable future.

Also, unlike subject imports from India, Japan and Spain, the subject imports from Brazil cannot qualify for any product-specific exclusions under Section 232. The Presidential proclamation and DOC notice make clear that product-specific exclusions apply only to the 25 percent tariff, and we provide these documents at Exhibits 5 and 6 of our prehearing brief. The suggestion this morning that product-specific exclusions also apply to the Brazil quota is wrong.

Second, the Brazilian industry consists of just one producer, and is considerably smaller than the other industries in terms of production capacity and export volume. The Brazilian producer, Villares, also ships to the U.S. without dumping. Third, subject imports from Brazil are differentiated by product type, meaning hot-rolled versus cold-rolled and grade, and fourth, subject imports from Brazil are differentiated by channel of distribution.

Bottom line, under the facts of this case, decumulating Brazil is either mandatory under the statute or at a minimum warranted. Thank you.

MR. NICELY: Mr. Chairman, that ends our presentation.

CHAIRMAN JOHANSON: All right. Thank you for your presentation this afternoon, and we will begin Commissioner questions with Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Mr.

Chairman. I want to express my appreciation to all of the witnesses for coming today and presenting their testimony. It's kind of hard to know where to begin, but Mr. Campbell, just to clarify your last statement, where you said that the product from Brazil has a different channel of distribution. Could you clarify that?

MR. CAMPBELL: Sure. I'm referring to the evidence compiled in the staff report which shows that the subject imports from Brazil are going to end users and subject imports from the other countries are going to different channels of distribution, namely fabricators and-- I forget the other, but different channels of distribution.

COMMISSIONER WILLIAMSON: Okay. So you say master distributors are not involved in that?

MR. CAMPBELL: That's correct.

COMMISSIONER WILLIAMSON: There was quite a bit of talk about master distributors this morning. I was wondering if anyone on the panel wants to comment on whether or not they agree with that description and the impact that that has on competition in the U.S. market.

MR.HILLINGER: Could you repeat the question, please?

COMMISSIONER WILLIAMSON: If you heard, this morning on the Petitioners' panel there was a lot of discussion about the significance of master distributors in the stainless steel bar industry, and the fact that a lot of the imports go through them, and that those distributors really can be importing from a number of different sources, and that gives them more flexibility to compete against the domestic industry--that those imports compete in a sense differently because of the way they're brought into the country. If no one has a comment on that, you can take a look at it posthearing.

MR. HILLINGER: I don't necessarily agree with that.

COMMISSIONER WILLIAMSON: Okay.

MR. HILLINGER: We're in the distribution business, as Rolo Specialty Steel, and I know of one very large master distributor which dominates the market in the U.S., who is possibly able to buy products at a discount, if you will. However, they also are marking their products up substantially since the 232 tariff has been in place, and are getting what they're asking for the product. And, in support of what my claim is, that there isn't enough stainless bar in the market. The market is willing to pay those prices.

So I don't know if I'm answering your question directly, but --

COMMISSIONER WILLIAMSON: You are, but also what was the situation before the 232s came onto the scene?

MR. HILLINGER: Well, it didn't really change. The master distributor still had the stronger purchasing position, as compared to a national chain of distributors who sell to end users. But that was always the case, and it is never going to change.

The only thing that could change is that eventually that master distributor is potentially not even going to be a factor in the U.S. economy anymore. And that has to do with the fact that national chains are growing in size, distribution chains, and wielding similar strength of purchasing power as a master distributor does. I'm speaking in particular of a very large chain that everybody in the room is familiar with.

COMMISSIONER WILLIAMSON: Are these chains distributing to a specific sector, the national chains? Or how are they or are they distributing in a broad range of sectors? I mean, oil and gas as well as automotive, and other sectors?

MR. HILLINGER: They do serve all the sectors. The master distributor really only services the distributor chains. The national distributors service all the different segments of the economy, including oil and gas, including automotive.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. NICELY: Commissioner Williamson, I would just add, with respect to Japan, as you know Japan is not--has not played a big role in the market for some time. Thus far they've been focusing on custom-made, very high-end, highly engineered product. As a result, they're selling, for instance as you heard from our clients Daido and Daido Steel, they're obviously selling through their affiliate and then directly to the customer, as opposed to going through a master distributor. So you would think that for highly specialized product that method of distribution would be unlikely.

COMMISSIONER WILLIAMSON: Okay. Thank you. Anything further, any comments on the master distributor on the arguments made this morning as to whether Respondents think that would be helpful in posthearing. I'm having trouble seeing, there's so many of you, Ms. Dellinger, sorry. Another question I had was about the--Mr. Blot this morning talked about disagreeing with the demand projections that the Respondents had, the 17 percent versus 7.

And so, Mr. Dougan, it looks like you are ready to answer that question.

MR. DOUGAN: Well, Commissioner Williamson, I feel like this morning there was a lot of attention paid to this point, and it was almost of a straw man nature. I don't know that we ever stated--and we conferred on this--I don't think we ever stated that demand was going to continue to grow at 17-1/2 percent. I think we observed that apparent consumption did grow by 17-1/2 percent between interim 2017 and 2018. And that given that demand overall over the POR increased, the trend was upward. I don't think we ever argued that it was 17-1/2 percent. So I mean we'll concede that point. We're not arguing that it's going to grow at 18 percent. That's just silly.

COMMISSIONER WILLIAMSON: Well what points would you want to make about demand that we should take into account in deciding what's going to happen in the reasonably foreseeable future?

MR. DOUGAN: Well I mean I think that there's a--and the industry folks can talk to this better than I--but certainly all the demand indicators in the end-use markets are pointing upward. And even the gentleman--I forget his name again--

COMMISSIONER WILLIAMSON: Mr. Blot, I think it was.

MR. DOUGAN: Yes, he said his estimate was 5 percent, or 5.4 percent instead of 17 percent. And that still sounds pretty good for an annual growth rate. So, you know, anyway, if the industry folks can speak to this more specifically with their experience that would be helpful.

COMMISSIONER WILLIAMSON: Okay. Does anybody want to add anything that we should take into account in considering whether or not to continue or revoke these Orders, since that's the ultimate question?

MR. AGOGLIA: Probably I would make a--

COMMISSIONER WILLIAMSON: Sorry, could you identify yourself?

MR. AGOGLIA: Yes. Juan Carlos Agoglia. I am with Tubaces America based in Houston. Our primary focus is mainly supplying to oil and gas customers. Most of our products are in the tubular range, but we were trying to complement those products with some small quantities if and when the antidumping is revoked.

Nevertheless, what we are seeing, and especially in demand, is that due to the more sustained price of oil coming out of the downturn in 2016, we have seen big and strong growth in the demand in '17, which we expect that will continue in '18 and '19.

We see that there are some segments that were dormant, especially Gulf of Mexico offshore, that it's coming along back again, which will sustain some of the demand on the stainless steel tubes, pipes, and bars, as well as other stainless steel products.

COMMISSIONER WILLIAMSON: Okay, good. Thank you.

MR. NICELY: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Yes.

MR. NICELY: I would just like to point out something that's in our joint brief, that not only--and first of all, it is apparent that we actually agree, we and Petitioners, that there is significant growth, as Mr. Dougan pointed out. There is growth. There has been growth. And there will continue to be growth here in the United States.

But also the other point to make here is global growth. As you saw from the ISSF graphs that we've shown in our briefs, there is going to be a continuation of growth around the world. Part of the question here is whether these countries are going to continue to ship to their home markets and to their alternative export markets. And clearly the demand growth that is projected for the rest of the world demonstrates that that will not stop, and that that will in fact continue to growth.

COMMISSIONER WILLIAMSON: Okay, good. Well my time is about to expire, so thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, thank you .

I would like to welcome the witnesses, and especially Mr. Pinkert, back to the Commission. So let me start with Spain. And I guess any of the witnesses representing the Spanish company can respond to this question.

So in the testimony I believe I heard one witness state that they have no intention of competing against their sister company in Italy. And so one question I have is, why do we see any imports then from Spain? Because obviously Italy is a large source of nonsubject currently. So is it just this one particular company that's making that statement, but the other--

MR. ROJAS: Alvaro Rojas. I am the representative for Olarra and our mother company is Italian, which is precisely the example that you are citing--

COMMISSIONER SCHMIDTLEIN: Right.

MR. ROJAS: We mentioned before our mother company in Italy, Rolda Chai, which we're affiliated to, they own, and they have a distribution company here in the U.S. And the imports from Spain that you can see probably in the records or the statistics are checking for sure not for the same range of products that we intend to supply to our affiliate Roller Steel.

COMMISSIONER SCHMIDTLEIN: Okay, so is Olarra shipping to the United States right now?

MR. ROJAS: Currently we are exporting nothing.

COMMISSIONER SCHMIDTLEIN: Nothing to the U.S.?

MR. ROJAS: Nothing to the U.S. since 1995.

COMMISSIONER SCHMIDTLEIN: Okay, so what we see--

MR. ROJAS: Probably coming back, but I don't have the figure because I was not in the company, but back to 1994 probably.

COMMISSIONER SCHMIDTLEIN: Okay, so what we see from Spain is not from you?

MR. ROJAS: No.

COMMISSIONER SCHMIDTLEIN: No? Okay. But there are other companies in Spain, obviously, then, who are shipping to the U.S.?

MR. MINTZER: Commissioner Schmidtlein, yeah, th's--this is Sydney Mintzer on behalf of Sidenor, one of the three Spanish producers.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. MINTZER: Sidenor is actually the lone exporter during the period of Spanish stainless steel bar.

COMMISSIONER SCHMIDTLEIN: Okay. Okay.

MR. MINTZER: And Magellan is the sole buyer of that stainless steel bar.

COMMISSIONER SCHMIDTLEIN: Okay. Thank you for that clarification. Does somebody want to add something?

MR. FERRAN: Natalio Ferran. We are the first company. Our group is exporting zero raw bars now in the U.S.

COMMISSIONER SCHMIDTLEIN: And you are affiliated with NAS?

MR. FERRAN: Excuse me?

COMMISSIONER SCHMIDTLEIN: No?

MR. FERRAN: No, we are exporting zero ran bars to the U.S.

COMMISSIONER SCHMIDTLEIN: Okay. Okay--

MR. MINTZER: Again, Sydney Mintzer from Mayer Brown representing Sidenor. Weldon is not here. They didn't submit a questionnaire. They're not participating in this proceeding.

COMMISSIONER SCHMIDTLEIN: Okay, okay. Thank you.

MR. FERRIN: Richard Ferrin at DrinkerBiddle, and it's Roldon that's affiliated.

COMMISSIONER SCHMIDTLEIN: That's affiliated? Okay. Alright, thank you.

MR. FERRIN: But to the best of our knowledge, they are not shipping at all and haven't for a long time because of their affinity with NAS.

COMMISSIONER SCHMIDTLEIN: Right. Okay. So with regard to Sidenor, in the brief you state that there are some subject imports that will not be subject to the tariff? Maybe this was just an oversight. So my question is, is there some portion of the subject imports from Spain that would still be subject to the tariffs?

MR. MINTZER: Again Sydney Mintzer from Mayer

Brown. Which--are we talking about--

COMMISSIONER SCHMIDTLEIN: The 232, yeah.

MR. MINTZER: I don't believe that's in reference to our brief. I don't recall anything--I mean, Spain is subject to the 232.

COMMISSIONER SCHMIDTLEIN: Okay, so you're not arguing that--okay, it was really a clarification, but it was at page 26. So we can check. But you're not making an argument that there's some portion that's not subject to the 25 percent tariff.

MR. MINTZER: No. Sydney Mintzer from Mayer Brown. No, we're not making that.

COMMISSIONER SCHMIDTLEIN: Okay, okay. Then I won't bother to look it up, then, but that was the page number that I had in the notes.

Okay, also with regard to Spain, you all make an argument that Spain was overselling during the Period of Review, and that means that you would probably continue to oversell if the Order as revoked. And so one question that brought to mind was there was underselling also during this period while Spain was under Order. And so isn't that more significant than the fact that you were overselling while under Order?

MR. MINTZER: Sydney Mintzer for Sidenor. A lot of the data that we're talking about is confidential. We think the--in our brief, we provide data as it relates to Spain, and also we adjust Petitioners' data to reflect what we think are directly competing producers. And when you do that, we think the evidence is overwhelming that Spanish stainless steel bar did not have a pattern of underselling during the period.

COMMISSIONER SCHMIDTLEIN: So, I'm sorry? Forgive me, there's a lot of material in this particular case, so I haven't memorized all of it. You adjusted the pricing data for pricing? Is this what you're saying? You've adjusted the pricing product data?

MS. GRODEN: This is Cara Groden from ECS. We haven't adjusted the pricing product data necessarily; we simply observed that there's quite a range of average unit values presented in the U.S. producer pricing data that suggests very strongly that there's a product mix issue that should be corrected in order to have an apples-to-apples comparison in the underselling analysis. And once you correct for that, which we've presented at Exhibit 26 to the Joint Respondents Brief, that's joint Japan and Spain, you can see that the balance of underselling shifts pretty significantly.

COMMISSIONER SCHMIDTLEIN: Okay, so I guess I will look back at that. But the pricing products were broad enough that you think they include enough variety that it's not an accurate comparison? Is that--

MS. GRODEN: It's not the breadth or the definition of the pricing products, necessarily; it's that there were particular data reported by U.S. producers that seemed quite out of line with the rest of the pricing data reported by the other firms. There were very few firms involved, so I don't want to get too specific.

COMMISSIONER SCHMIDTLEIN: Okay, so you're questioning the data that was provided by the U.S. producers?

MS. GRODEN: Yes, that we think that they reported data that do not--are not in line with the definition of the pricing products, or at least are not in line with the rest of the market and so shouldn't be considered with the same weight as the rest of the information.

COMMISSIONER SCHMIDTLEIN: I see. Okay. Okay, how--and maybe you're not able to tell right now, but one thing I noted, and it's in your briefs, but there didn't seem to be a lot of discussion in the presentation of the impact of the 25 percent tariff.

So I know I think I heard one witness mention something about it that it was being absorbed. I wonder if some of the other countries could speak to that? And I can't see your name, but I think it was right behind Ms.

Groden.

MR. HILLINGER: Wolf Hillinger?

COMMISSIONER SCHMIDTLEIN: Yes. I think you were the one who was talking about that. And so I don't know if anyone else would like to address it.

MR. HILLINGER: I can only speak to the experience that we have importing; that we have several mills that we buy from. Not only our own mill in Italy, but also from other third countries. And none of them are willing to absorb the tariff.

COMMISSIONER SCHMIDTLEIN: Okay. Maybe I misunderstood you.

MR. HILLINGER: Absolutely none of them.

COMMISSIONER SCHMIDTLEIN: So what's the impact been so far?

MR. HILLINGER: The impact so far is still a little foggy, because the tariff really hasn't been very long in place. And because our shipping lanes are quite long, and from the time we order to the time we get delivery is often potentially four to six months, and so we would have ordered material in January or February which we can't just turn off and not receive.

So our plans forward are going to be guided by how our sales continue on through July and August before we can make an actual adjustment to what's flowing in.

COMMISSIONER SCHMIDTLEIN: Okay, anybody else--

MR. HILLINGER: I hope that answered your question.

COMMISSIONER SCHMIDTLEIN: Sure. We're just trying to get an idea of how it might impact import volumes, but it doesn't sound like it's really having any impact.

MR. PAOLILLO: Frank Paolillo from Magellan Corporation. 232 is clearly having an impact on our business. It is causing us to delay our purchasing decisions, because we supply imported product. And every supplier that we work with, I can speak only on behalf of our company, every supplier has passed down the tariff to us. So we are paying the full 25 percent.

The problem that we are seeing is how we can pass that on into the market, because it's causing a lot of hesitancy because of our inability to be competitive. And always as we develop the stainless steel bar business we were always already at a premium, never undercutting the market, and now we have to factor in this tariff on top of it.

COMMISSIONER SCHMIDTLEIN: And where are you importing from?

MR. PAOLILLO: From Spain.

COMMISSIONER SCHMIDTLEIN: From Spain. Okay.

MR. PAOLILLO: And we're not able to replace what we buy from Spain because we don't have the ability to buy domestic, because domestics don't look at us as a potential customer.

COMMISSIONER SCHMIDTLEIN: So have you not been able to pass this cost on to customers, then? Or you're still waiting to see?

MR. PAOLILLO: It's an overwhelming challenge right now. We are finding that we are just losing the business because we're not competitive. And it's something that's still in a deciding factor as to what are we to do. Because, likewise, we could not turn off the pipeline of supply. These orders were placed well in advance. And when Section 232 was first addressed last April of 2017, we had expressed--we had to give assurances to our supply base, we are going to honor the orders that they were producing for us. So we've maintained the shipments.

COMMISSIONER SCHMIDTLEIN: But you said you've lost some business already?

MR. PAOLILLO: We've lost sales.

COMMISSIONER SCHMIDTLEIN: And do you know who you've lost them to?

MR. PAOLILLO: That's confidential.

COMMISSIONER SCHMIDTLEIN: Okay, maybe you could address that posthearing.

MR. NICELY: We will do that postbrief.

COMMISSIONER SCHMIDTLEIN: Okay, my time has expired, thank you.

MR. NICELY: I'm sorry, Commissioner, if I could just add one little thing, just to remind you, in our brief, as you mentioned that perhaps nobody knows what the effect is of 232 yet, if you look at your own questionnaire responses in this case--and I guide you to confidential information in our joint brief, pages 37 to 39 through 40, there are multiple examples of purchaser questionnaire responses that indicate the impact of 232 already.

There are indications in fact, whether this is definitive or not we don't know, but there are in fact even indications from some that they think that 232 is having an impact on the extent to which there's available product coming from domestic producers. And in fact, if you look at Sidenor's brief at pages 46 to 48, they have several articles that they've cited. It's subscription, so that's technically being treated as confidential as well, but multiple examples with articles indicating problems in getting product out of the domestic industry because of capacity constraints presumably related to the fact that they are starting to see an effect from 232.

Whether it's an effect from 232 or not really isn't necessarily the issue. This goes to our broader point about whether or not the capacity figures are right from the domestic industry and therefore whether their utilization numbers are right, because there seems to be an indication that they're flat out. Several of them are flat out.

MR. HILLINGER: Wolf Hillinger. May I add something to your original question? Going forward, because of the uncertainty that we're seeing with this 232 and the effects it has on our business, we are not making forward orders on the mills as we have in the past. So the pipeline is going to dry up somewhat of product flown in, as far as we are concerned.

MR. AGOGLIA: May I add something in relation to this matter? Even though we are not selling stainless steel bars, what we do sell is billets. And we are in a similar same market. What we have seen is that the market is not fully absorbing this increase of 25 percent, and as a result what we have done is cancel or postpone some sales based on the ability for the market to absorb that increase.

So the ultimate effect is that actually imports are being detained since the Section 232 and the confirmation of tariffs for our manufacturing base, which is Spain, has sought. So that's what's going on.

CHAIRMAN JOHANSON: Okay, I would like to continue with the 232 issue.

The 25 percent tariffs imposed upon India, Japan, and Spain under the Section 232 action are lower than the current dumping margins, or the margins Commerce determined will be likely to prevail upon revocation of antidumping duty orders. And this can be seen at Tables 1-3, 1-6, and 1-7 of the staff report.

Commerce's report on Section 232 also states that a global tariff remedy should be applied in addition to any AD CBD duty collections applicable to any imported steel products. And this is at page 8 of their report.

How should we take these matters into consideration in this investigation?

MR. NICELY: I guess I'll take your second point first. They are additive. Of course they're additive. But the question is, the way in which we think you ought to be looking at this is whether or not the 232 duties, while you're considering a case that is potentially to be sunset, is whether or not those 232 duties are helping to alleviate what might otherwise put the industry in a vulnerable position.

We think that the 232 duties are in fact placing them in a position where they are positioned to be in better shape than they would be otherwise, which we think has to play a role in your decision whether to sunset.

If 232 duties are in fact helping them, if they're likely to see better results in the future because of it, then they face less of a threat from subject imports.

So that's with regard to your second point at least.

CHAIRMAN JOHANSON: Okay. With regard to Brazil and the Section 232, you all have alleged that the Section 232 absolute quota imposed upon Brazil with a cap of 1,650 short tons per year will deter the importation of subject products from that country. And you argued this at page 36 of your Joint Brief. However, the 1,650 short ton ceiling imposed upon Brazil exports under the Section 232 action is still significantly higher than the volume of subject imports entering into the United States from Brazil since 1995. And this can be seen in the staff report at Appendix C. Notwithstanding the above, we declined to cumulate Brazil in our previous sunset reviews or to revoke the Orders. Why should we reach a different conclusion here when the maximum volume of potential subject imports from Brazil is still higher than the volumes of stainless steel bar from that country since 1995?

MR. CAMPBELL: This is Jay Campbell with White & Case. I'll address that question. I think the most relevant comparison is between the subject import volumes from Brazil during the POR, which ranged from about 2,100 short tons to 2,500 short tons. And we we've outlined in our prehearing brief, those volumes had absolutely no discernible impact whatsoever on the U.S. industry's performance.

So going forward with the quota, the subject import volumes from Brazil will be considerably less. They will basically be at 70 percent of those volumes. So, you know, the clear implication is that the subject import volumes from Brazil, even with revocation of the Order, would have no discernible adverse impact on the U.S. industry's performance.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Campbell. In the recent investigation of tin and chromium coated steel sheet from Japan, a review, the Commission reached an affirmative determination with regard to the continuation of the Orders, concluding that any prediction of the effects of Section 232 tariffs would result in improvements in the domestic industry's performance. How would you all distinguish the case at hand from tin and chromium coated steel? And why should we reach a different conclusion here? And you can feel free to address this in the posthearing brief, if you'd rather do that.

MR. NICELY: Chairman Johanson, I guess I would refer back, once again, and we will address it in the post-hearing brief because it involves some confidential information or at least my answer to you would require it. But I don't think you have the level of questionnaire responses that you have here with purchasers indicating the extent of the impact of 232, so just by definition the additional few months and the additional data that you have on this record I'm not as familiar with that case and all of the facts of that case, but my sense is that the additional few months that have passed have provided you with more facts to indicate that there is some impact from 232.

MR. DOUGAN: Chairman, this is Jim Dougan from ECS. If I can just add a little bit to that, and this was touched on a bit by Commissioner Schmidtlein earlier today about the analysis that the Commission did there. And in part, the determination was that there would be an incentive for increased exports to the U.S. even with the 25 percent tariff because the price spread was so significant between what they could get in the U.S. market versus what they could get in their home market or their alternative export markets.

And some of the data or a lot of the data are confidential, but as you saw in Ms. Groden's slides, the U.S. is not actually the highest priced market in the world for many of the individual countries. Again, we'll get into this in post-hearing, but certainly for some of these exports -- for some of these countries, at least, the U.S. is not their highest price market. They would not have the incentive to ship here, even despite the 25 percent tariff. So again, we'll get into that more, but I think that fact pattern will be quite different than what you saw in that case.

MR. NICELY: Chairman Johanson, actually, just to pick up on what Jim is saying here, and to refer back to what I now recall as your first question about the difference in the duty rates, the dumping duty rates and the 25 percent 232 rates, you know Petitioners are wanting to have it both ways here. They've claiming, although we indicated and shown you that it's not true, but they're claiming that the U.S. market is a high priced market. But then, they're also telling you that everybody's going to start selling at much, much lower prices because of -- without the discipline of an Order.

But in fact, once they do that, they're no longer in a premium priced market, right. They're at a lower priced market. They've got these companies and these other countries have -- are already at high utilization selling at good prices in other markets. The story that the Petitioners are telling you just doesn't make business sense. Companies are not going to suddenly sell in the United States at much lower prices. They don't need too. They're already doing very well selling in their alternative markets.

MR. HEFFNER: I just wanted to state that you've heard from everyone here that is testifying that it's slowing down. Imports are slowing down. I think you have a record here where you have customers telling you what's happening in the market and that's the big difference than what was happening in tin and chromium, so I think you have much more developed record here. Thank you.

CHAIRMAN JOHANSON: Yes, Mr. Campbell.

MR. CAMPBELL: Chairman, if I could just address tin mill real quick. Compared to Brazil's situation, tin mill products is absolutely distinguishable. In tin mill products, the Commission found that there was evidence on the record indicating that the likely volume of subject imports from Japan would be significant despite the 25 percent tariff under 233, but, of course, with respect to Brazil there's a quota in place that limits the volumes, so the Commission doesn't even have to speculate or even make an accurate prediction. It knows with certainty that the maximum volume of subject imports possible from Brazil is going to be quite low.

MR. FERRIN: One other point I'd like to say that the difference between this case and the tin mill case is at this point we actually know what the remedies are going to be for all the countries in question.

Yes, it's true -- you know things could change in the future. Who knows? Anything, theoretically, can change in the future, but for right now for the foreseeable future everybody's got a 25 percent tariff, except the countries that have the quotas like Brazil. And I think there's one country, Australia, that has neither a quota nor a 25 percent tariff, but that kind of certainty is in place now that wasn't in place at the time of the tin mill case.

CHAIRMAN JOHANSON: Alright, thanks for your responses. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Okay, thank you.

Because it's such a nightmare, I want to ask a question. What would your argument be if we didn't have the 232 situation?

MR. MINTZER: If you look at our brief -- the brief on behalf of Sidenor, we actually focus very little on the 232 and the reason is because we think, factually, the record clearly supports revocation in any event. So the facts -- the 232 only provides more evidence of additional conditions of competition that benefit the domestic industry in this case. But even without the 232, this case would be right for -- this Order would be ripe for revocation.

COMMISSIONER WILLIAMSON: But for all of the countries or are you thinking about just Spain here? I know the others are going to way in.

MR. MINTZER: I'll let the others weigh in, only on behalf of Spain. Thank you.

MR. NICELY: So on behalf of Japan, certainly, we would still -- we hold the same position. As Sid says, the 232 simply provides additional information suggesting a lack of any reason to think that there's a likelihood of continued injury or reoccurrence of injury I should say.

With regard to Japan in particular, we reiterate, and it's critical to understand that Japan has already right now has very high capacity utilization rates. They sell 90 percent of their product in the home market. They sell at very high prices. They supply niche products. All of that is true irrespective of whether you had the 232 in place or not.

COMMISSIONER WILLIAMSON: The domestic industry they can produce all of the products, so there is potential for competition there. I'm thinking about this niche product argument, which we hear all the time -- .

MR. NICELY: Far enough, we do, but we're talking about a smaller segment of the market, right? I mean we've already talked earlier today about NAS and the extent to which NAS is the price leader with regard to standard products. Nobody's going to try to -- well, to the extent that they're trying to compete with them, they're having a difficult time because NAS is so strong and so clearly the price leader. And once you then start talking about niche products, you're talking about a much smaller portion of the market and the extent to which Japanese imports are going to be able to affect that part of the market is limited by their capacity and they're highly -- already nearly full utilization of that capacity.

MR. MINTZER: Commissioner Williamson, I refer you to pages 40 and 41 of Sidenor's brief where we in more detail and using data demonstrate the importance of NAS in the market and the role that it plays. I think the data speaks for itself and that whether or not there's any product coming into this market that competes against NAS; NAS is clearly the price leader in this market.

MR. HEFFNER: I just wanted to say that for Aceralava I just want to repeat what our argument is. We're not going to be coming full barrel into sell product into the U.S. market as far as stainless steel bar. They're a tube maker. They're a tube maker and with regard to energy products they want to -- sometimes customers ask for stainless bars. It's only in this niche that they're talking about supplying stainless steel bars. It's going to be a small amount of bars. We're not going to be jumping into the market and competing with the mass distributor segment.

And with Olarra what we're talking about is the fact that they right now source product from a non-subject country that is not affiliated with them and so what they want to do is why go ahead and give that producers that's not affiliated with them the business? They'd rather sell that product in the United States, so you're only switching out one for the other.

COMMISSIONER WILLIAMSON: Okay.

MR WUZELLA: If there was no 232 argument, we, unfortunately, have known the quota and this cannot be discussed away. But if it was not the case, you can look at our behavior in the last years. Since 2013, we have zero percent duty even before the percentage rate was very low and really we are selling good products at very good prices and offer solutions to the customers and they pay for this.

COMMISSIONER WILLIAMS: Okay, thank you.

MS. GRODEN: I just want to remind the Commission that the indicators that Jim and I discussed in our testimonies and Jim's presentation and my confidential slides none of them are relying on the 232. It's an additional factor, but all of those improving condition over the review are consistent.

COMMISSIONER WILLIAMS: In fact, my next question was to you. You talked about the fact that the prices outside the U.S., contrary to the usual argument that we hear, that the U.S. is an attractive market. You say it's not. And I take it this page 1 of your brief that is the basis for that.

MS. GRODEN: Yes.

COMMISSIONER WILLIAMS: You moved very fast, so sort of elaborate on it or if you want to do it post-hearing that's fine.

MS. GRODEN: I'm happy to elaborate post-hearing, but quickly for today, so the charts on that page are taken from the staff report. They were complied by staff and provided by staff. And what we see there is that, generally speaking, in many instances over the review the United States' prices for those two key grades of stainless bar were lower than the global average. And Petitioners want you to --

COMMISSIONER WILLIAMSON: You're bringing the global average from some place else.

MS. GRODON: It's all from the same data source. Obviously, every country is not presented on the chart because that would just be overly confusing, but for the relevant information we see that the United States' prices generally are not the highest price worldwide and so it doesn't suggest that the U.S. market is any more desirable a market to be in than many of these others. There's no reason to pick it over a home market, over established customer relationships in other places, that it's not attractive to importers the way that the Commission might see in other cases.

COMMISSIONER WILLIAMSON: To make it more concrete, what can you tell me about other markets that would make me feel comfortable with that? For example, I guess right now the Euro is pretty high, having just come back from Spain and Portugal, know the difference. So I don't know if that's one of the big factors. What about in terms of Japan and let's say far eastern markets?

MS. GRODON: Sure. I mean I think others might be able to speak better to this than I or maybe we can get into it more in post-hearing, but I think one of the markets that the Commission has recognized in prior cases is there's a big increase in demand, particularly, in Asia and particularly in China and that's not -- and we're seeing an increase in prices. As I said, at parity with or exceeding U.S. prices, which has not really been considered in Petitioners' argument at this stage.

MR. DOUGAN: Commissioner Williamson, if I can just add to what Kara said. Some of the comparisons that you have from other data sources may be in the form of producers' questionnaires and what not. If it's an average unit value of their exports, there could be some influence of product mix. We think it tells a pretty similar story, but there could be a product mix that falls into that. Those two charts are of a specific grade, so there's not a product mix or issue.

COMMISSIONER WILLIAMSON: Understood. Yes, okay, well, of course, we're inviting Petitioners to comment post-hearing for you to add anything you want on this question.

MR. DOUGAN: Will do.

COMMISSIONER WILLIAMSON: Good, thank you.

MR. HILLINGER: Commissioner?

COMMISSIONER WILLIAMSON: Yes?

MR. HILLINGER: May I add to your question you had regarding imports from Spain. We bring material in primarily in hex and square bar, which is somewhat of a niche product and a niche market and there is shortage in the U.S. for this product. And we would rather bring this product from our Spanish affiliate than from a third country as we do now. In effect, when we can bring it from Spain we wouldn't change the balance of the imports whatsoever that we do because the market demands it and we bring it and it shouldn't really be of significance whether it came from Spain or somewhere else, so I would vote for revoking the duty on Spain.

COMMISSIONER WILLIAMSON: Now we do have administrative reviews, but you know the reason why we're here is because there's been an allegation of unfair imports, so where it comes from does matter as long as we're having to deal with that. That would just be my comment on that.

MR. PAOLILLO: I want to readdress your previous question. During the subject time period, Magellan imported stainless steel bar from Spain pre-232. In the volumes that we imported pre-232 were small volumes for two factors. One, Sidenor they have a limited capacity. They can only make so much, so there wouldn't be a flood of imports from Sidenor because they physically can't produce any more.

And second, it's a side business for Sidenor as well as for Magellan, so 232 didn't exist during that previous imports.

COMMISSIONER WILLIAMSON: Okay.

MR. PAOLILLO: And we're the sole distributor of Sidenor's product.

COMMISSIONER WILLIAMSON: Okay, thank you. Yes?

MR. HEFFNER: One of the other things, if you're talking about Spain now, and I want to make sure that -- this morning they were talking about what happened with regard to Spain in the stainless steel wire rod case, okay. Because that looks to what the future is and they're saying it increased by a great percentage. We're more than willing in post-hearing to provide you the actual quantities and you will see they are extremely small and I would say that that indicates what a typical pattern is going to be with regard to Spain.

COMMISSIONER WILLIAMSON: You mean the increase of wire rod?

MR. HEFFNER: Yes. So after the sunset review was terminated there, I can give you data with regard to Olarra to show you what their increase was.

COMMISSIONER WILLIAMSON: Okay, thank you and thank you for all those answers because I'm way over time.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you.

Mr. Mintzer, you know I had a chance to look back and what the brief said I misspoke. Your brief made the statement that some subject imports from Brazil will not be subject to the Section 232 tariffs and so that created a little bit of confusion in my mind about whether you meant that some were going to be. In other words, are all subject imports from Brazil subject to the quota?

MR. CAMPBELL: I'll answer. Absolutely all subject imports from Brazil are subject to the quota.

COMMISSIONER SCHMIDTLEIN: Okay, just the way it was phrased in your brief it made it sound like not all of them were going to be subject to the quota, so that was the confusion. Okay.

Alright, just stepping back for a minute and looking back at a bigger picture question, we've heard some testimony that the European market is strong, that regional markets in Asia are very strong. We've also just heard some testimony with regard to prices in the United States and how those compare to global prices, in general, on average, and then in other markets, and that prices in the United States are not necessarily appreciably higher than there are in other markets. So one question I have is why do we see such a large volume of non-subject imports, especially, from two countries in Europe, right, Italy and Germany. So supposedly, they have a very strong home market in the EU. We've heard that argument. Why are they shipping so much to the United States? This doesn't seem to be necessarily such an attractive market, given that the prices aren't much higher -- a lot of cases we see U.S. price is much higher than the rest of the world and so that's drawing in imports.

And the same question for Asia. So why do we see so much coming from Taiwan. We just heard some testimony that China's market has a high demand and I think there was another Asian market that was mentioned there. So does somebody want to comment on that? You know and in the fact of low capacity utilization from the domestic industry why do we see such a high volume of non-subject if these other markets are so strong?

MR. CAMPBELL: One of the main reasons why three of the European countries are importing material in the U.S. is because they have sister companies in the U.S. So they are bringing material to be finished here.

COMMISSIONER SCHMIDTLEIN: So both Germany and

Italy have sister companies in the U.S.

MR. CAMPBELL: Sister countries, which are EU, Sweden, and Italy.

COMMISSIONER SCHMIDTLEIN: Okay. But the largest exporter, at least on our record in terms of non-subject countries of this product --

MR. CAMPBELL: These three countries are not subject.

COMMISSIONER SCHMIDTLEIN: -- are Italy and Germany.

MR. FERRAN: One thing I would point out is that that might be a good question for Mr. Viero since he testified this morning that they were -- that their parent, Valbruna in Italy that they were supplying about half of the stainless steel bars that were sold through Slater and into the U.S. market and he said that's now been reduced to one-third. So that kind of brings the question of you know if that's true then we would assume that Valbruna Slater must be operating at full capacity utilization. But you can take a look at the data for Valbruna Slater and draw your own conclusions in that regard.

I do think that the connections between the companies have a lot to do with it. It also does for Outokumpu too, that they're supplying a lot of their product from their sister companies as well and that's all part of a business model that they have and that would certainly explain a certain amount of it, but certainly for in the case of Valbruna with respect to Italy.

COMMISSIONER SCHMIDTLEIN: Okay, anybody like to --

MR. NICELY: Commissioner Schmidtlein, just with respect to Asia, since you've already covered Europe here, I would merely say -- and I can't tell you we know exactly the situation in Taiwan and I would recommend to the Petitioners that if they have a concern with subject imports they ought to bring a new case.

COMMISSIONER SCHMIDTLEIN: I don't think that was it really. It was a question of us trying to look at, well, how attractive is the U.S. market and you all's argument is, oh, it's not that attractive. The prices are all aren't that fair apart and so my question is then why do we see all these non-subject from the areas of the world that we're hearing argument would draw your product, right? So that's the reason I'm asking this.

MR. NICELY: And I understand. And all we can do, given the record and given that in these cases unfortunately you're not able to gather as much information about non-subject imports as we all, I think, wish we could the fact is that with regard to the one Asian country involved in this case, Japan. Japan has a very, very large, as you know, automotive industry. And therefore, that is part of the reason why Japan, their home market, is such as significant market for them. And so with regard to Japan, at least -- we can't speak to what's happening in Taiwan, but with regard to Japan and the important Asian markets that they sell to where they also have a large automotive industry, that is, Thailand, which is known as sort of the Detroit of Southeast Asia the fact is that for -- at least for Japanese producers they already are utilizing much of their capacity in that reason, but I cannot speak to Taiwan.

COMMISSIONER SCHMIDTLEIN: Speaking of Japan, does Japan produce the more standard grade stainless steel bar in addition to the niche products?

MR. KUWAYAMA: Daido in particular, we stopped -- we do manufacture standard grade in Japan, but we do not export to the U.S. market.

COMMISSIONER SCHMIDTLEIN: Have you exported in the past to the U.S. market prior to the Order?

MR. KUAYAMA: Prior to 1993, yes.

COMMISSIONER SCHMIDTLEIN: Okay. Anyone else?

MR. ROJAS: Maybe another explanation for the big volume in imports from Germany could be that there are a lot of German companies that are established in the U.S. market and are importing probably a lot of steel that is under a certain spec. The same case as Aceralava are explaining and are arguing for the anti-dumping to be revoked. Motivated up to spec material that are being utilized and their subsidiaries in the U.S. -- engines and other companies.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DOUGAN: Commissioner Schmidtlein, if I can go back to the question about relative prices and why we see other imports here. And again, you know other producers in other countries may have different reasons for selecting the U.S. market versus other export markets and I don't think what Ms. Groden is saying or really any of us is saying is that the U.S. is an unattractive market, that it's a bad market. It's just it's not the picture that usually see and the picture the Petitioners would like you to believe that it's the highest priced market, that everyone wants to get here under any circumstances.

U.S. is a good market I think for a lot of people. Obviously, for non-subject producers and for some of these producers, but the idea that the prices here are such that or the conditions of competition are such that it is such a magnet and so desirable that they'd be willing to slash their prices or flood the market or do whatever it is necessary to get into this market just doesn't really square with the record evidence, especially, given the strength of relative prices that they have elsewhere.

MR. NICELY: And Commissioner Schmidtlein, I would add that that's particularly true with regard to the standard products that you just asked about a moment ago; particularly, given the price leadership in that sector of the market of NAS. If NAS is the price leader, then why leave markets where prices are better to come and try to compete against NAS that is the clear price leader in the U.S.?

COMMISSIONER SCHMIDTLEIN: Okay, so is that -- so my question with regard to the niche markets, and in particularly, I do recall this is an argument that Japan is making. I don't know if Spain is making the same argument. I don't recall. What would we point to, to corroborate that they would only continue to ship niche products here when in the past at least one company. I don't know if Sanyo -- I know that there's a representative from Sanyo here as well -- has shipped the more standard grade product. Would it be just that the mass prices are --

MR. NICELY: Again, NAS was not here back then, right? NAS was not a part of the market. They were not the accepted price leader in the U.S. market in the original investigation or even in the first couple of sunset reviews, so that's number one. Number two is this industry in Japan has successfully moved into more significantly the highly engineered products, as you've heard our witnesses talk about. They're able to use their capacity to produce those more highly engineered products and make good money on those more highly engineered products, then why would they go back to supplying a commoditized product?

MR. AGOGLIA: In the specific case of our manufacturing facility, we have limited capacity. We are selling in different markets in the world. The interest for us in the U.S. market would not be in the more commodity and lower tier kind of products because our goal is to leverage our position in -- with some additional bars and that's the market segment that we will be chasing, so without a revoke that will be our behavior.

COMMISSIONER SCHMIDTLEIN: Okay. Would anybody else like to add anything to that? No? Thank you. My time is expired.

CHAIRMAN JOHANSON: You have asserted that while the increasing presence of non-subject imports might have been expected to make the industry weaker it has actually become stronger with production quantities increasing by approximately 30 percent since the original investigation and average unit values increasing by approximately 45 percent. And you argue this at page 1 of the joint brief.

You have also noted that U.S. producers turned a $3.5 million operating loss in 1993 to a $39 million operating profit in 2017. Would it not be logical to tie these improvements in the domestic industry's performance to the discipline of the orders?

MR. FERRIN: If I may take a stab at that Chairman. One point though is that the domestic industry has told you -- and we don't disagree that the market share of the domestic industry has gone down during that period.

What's happened is you've had third country imports increasing during that period. Right now we're talking about such a, you know, the amount of third country imports that are coming into the U.S. compared to these four countries is very miniscule and so I think that the more important point is domestic industry has done -- has done better since the original investigation even though you have all of those third country imports coming into the U.S. and the overall market share of the U.S. going down over that period and that would seem to me to be more proof the other direction -- that the U.S. industry has been unable to adjust just fine in the face of imports, certainly third country imports.

MR. MINTZER: This is Syd Mintzer for Sidenor. I'd also note that the original investigation period is a bit of an odd comparison to today when you look at the way the industry has changed so much.

So NAS didn't exist, Roldan was by far the biggest supplier from Spain. So many things have changed during this period of time that whatever comparison you might make between the original investigation and today, it has to be understood in this context that many of the players are just completely different.

CHAIRMAN JOHANSON: Okay thanks for your responses. You claim that the domestic producer capacity utilization improved throughout the period of review which you alleged demonstrates that the domestic industry is not vulnerable and you argue this at page 61 of the joint brief.

However, the domestic producer's capacity utilization increased by a mere 3.5 percentage points between 2015 and 2017 and by 4.5 percentage points between the fall -- I'm not -- I don't have this written down, but anyway it has increased by 4.5 percentage points at a later time.

Should we consider these low increases significant enough to conclude that the domestic industry is not vulnerable?

MR. DOUGAN: Mr. Chairman, Jim Dougan from ECS. I think, you know, improvements in utilization I think are certainly an indicator of lack of vulnerability but also as I addressed in my testimony and as discussed more at length in our briefs, you know, the actual utilization rates that you are seeing in this investigation we think are substantially understated and we believe that that has to do with an over allocation of shared capacity.

So a lot of other products are made on this using the same assets and with the same workers and I think we mentioned -- Jillian could you back, I forget which slide it is -- maybe slide 5? Slide 5, yep, no one more 5 -- one more, there we go.

There -- they allocated about 50% of this shared capacity to stainless bar but stainless bar only accounted for 35 to 37% of their production and that may not seem like that big of a difference but if you go to the next slide please Jillian -- it's about a 15 percentage point difference in utilization rate which is -- I would argue is pretty significant.

So you see the same trend in improvement but it's also at a much higher level and at a rate that is sort of compares favorable -- favorably to what you had seen in some of the previous cases. And we think that even -- and by the way that also disguises a wide variety of utilization rates among the producers based on their different business models and what no.

But we think that that might even be understated, especially with what some of the recent press articles and statements by the producers themselves say about their run rates -- their utilization and their increasing lead times.

So we think that there -- and they've increased their capacity and they've increased their utilization at the same time. And so if you take all that into consideration we think that clearly just demonstrates a lack of vulnerability.

MR. FERRIN: Chairman Johanson, this is this Richard Ferrin. One additional point that I'd like to make about this is -- if you go back to the, you know, all the way to the original investigation and you look throughout the entire period, virtually all those years the capacity utilization rate for a steel mill, you know, it seems like the stainless steel bar producers have been reporting low capacity utilization rates for decades now.

And I think part of the reason why frankly, in addition to the allocation problem is the fact that they're making some other unrealistic assumptions about this. So for example, just giving you an example of the type of unrealistic assumption -- if you assume that the amount of capacity that a company can make is based on how much steel they can pour and it's stainless steel bar, the chances are highly likely it seems to me, that it is going to be a gross over-estimate of the capacity because there's so many steps in stainless steel bar and they're very few integrated producers that I'm aware of that could actually finish every pound of stainless steel that they can pour because there's a lot of those downstream finishing operations.

And in many cases, those are the main bottlenecks, yet you have a lot of producers here who are not -- it seems to us, giving the realistic picture of what their capacity is because they're not indicating what the real bottleneck is in their production.

MR. NICELY: And Chairman Johanson I would just have to add one more thing and Jim alluded to it just now. But look again at the extent of their capital expenditures -- if they're going to spend as much as they spent on essentially enhancing their capacity and adding to their capacity, it puts in question whether even a 60% capacity utilization rate is accurate.

CHAIRMAN JOHANSON: Okay thanks for your replies. In your joint brief you allege that the hydraulic fracturing operations which are employed predominantly in the United States represent an expanding market in an important additional factor that did not exist in the previous full sunset reviews and that adds to demand for stainless steel bar in the United States -- and this is at page 8 of your brief.

But should it not be reasonable to assume that subject exporters would also want to capitalize and get a part of this purportedly expanding market if the orders are revoked?

MR. FERRAN: So it's Natalio Ferran from

Aceralva. There is some parts in the fracking machinery that have shifted in the last two or three years from carbon steel to stainless steel. These parts are going to be changed every 500 hours to 1,000 hours of utilization so the consumption is quite relevant.

The reason for the change is that the stainless material lasts longer and this material didn't exist some years ago in the stainless consumption. So it's not coming from rebar but it's coming from the same let's say mills that produces rebar.

Why this market is more let's say domestic oriented is because the type of utilization of this material is not big companies but a small company is going to the field operating the shale fields and the relations are very domestically let's say.

So this business is done in the U.S. There is no fracking industry as important as in the U.S. in any other country in the world. So it's U.S. companies, U.S. technology.

CHAIRMAN JOHANSON: But wouldn't it bring in potentially increase imports of imported steel? Are you in Houston -- Mr. Agoglia is -- I'm sorry. Wouldn't you anticipate increased imports to take advantage of the fracking operations?

MR. AGOGLIA: I think that based on the

information that we got there is certainly a certain share of imported products nevertheless due to -- and especially with what we are hearing and now I'm throwing back in this section 232 that based on the latest developments and the cost of having the 25% tariff, all the users at the final let's say -- a group of manufacturers that's going to be using those planks are leaning towards the domestic industry and getting away from imports because of those conditional tariffs, so, that's what we are seeing now over the last couple of months.

CHAIRMAN JOHANSON: Okay, thanks for your responses, my time has expired. Commissioner Williamson?

COMMISSIONER WILLIAMSON: Okay thank you. The -- I think you've touched on this a little bit but the domestic energy when I raised the question about non-subjects and the question of vulnerability, they sort of said that the presence of the non-subject made them even more vulnerable and I was wondering whether you agreed with that assessment?

What should we make of non-subjects and the effects on the vulnerability of the domestic industry?

MR. DOUGAN: Commissioner Williamson, Jim Dougan -- I think I'll start this off, I'm sure some others will want to chime in. As part of the discussion that we just had -- it may have been with Chairman Johanson, a lot of the improvement in the domestic industry's indicators since the time of the original investigation in terms of its performance and so on -- and even over this POR have been in the context of that large presence of non-subject imports and their increased presence of subject imports since the original investigation and the lower market share.

So the domestic industry has managed to do better and be better off notwithstanding that. And so I don't think that that necessarily signals a sense of vulnerability and certainly not to the subject imports given their small presence and small likely presence if the order is revoked.

You know part of the presumption there --

COMMISSIONER WILLIAMSON: My look at the C table doesn't sort of say things are all that great though.

MR. DOUGHAN: They're definitely better than they were.

COMMISSIONER WILLIAMSON: That's not saying a whole lot, go ahead.

MR. DOUGHAN: But I -- you know, is it -- I guess the question is if it's -- if the condition of the industry has improved you know, and they're in a much better position than they were during the time of the original investigation, does that -- is that -- I mean is that a sign that they're vulnerable?

And also the idea that they would be vulnerable to injury by the subject imports which would have to increase by enough to either cause significant price effects which we've shown that there wouldn't be an incentive for them to do or to have significant volume effects which given their current low levels seems kind of unrealistic.

It also assumes that the increase in subject imports would displace domestic producers as opposed to non-subject imports. And what you've heard from at least some of the witnesses today is you know we're currently getting this stuff from a non-subject source but for a variety of reasons, affiliation and otherwise, we'd prefer to get it from a subject source -- so you're really just swapping one for the other.

So the idea that any increase in subject import volume upon revocation would -- as they put it this morning, come out of the hide of the domestic producers is kind of a -- quite a leap, we don't agree with that contention.

MS. GRODEN: This is Cara Groden from ECS just to build off of what Jim said. I would direct you back to that first page of my confidential exhibits with the pricing data as well as the last page with our comparison of business model and a couple different indicators.

We see the trends in industry indicia really following the same pattern as those global prices so we're seeing the movements in the indicia are similar to worldwide trends. And the relative level of those indicia depends pretty clearly on their business model and neither of those are dependent on the volumes of imports of any kind in the U.S. industry.

So what we're really seeing is that the condition is independent of import volume in the market regardless of source.

MR. FERRIN: Commissioner Williamson, one --

COMMISSIONER WILLIAMSON: Yes.

MR. FERRIN: This is Richard Ferrin. One thing I'd like to add -- I'm looking at the C table right now and what I'm looking at is the operating income or loss on the C table. And I think as was already testified to -- 2015 was an anomalous year as far as the condition of the U.S. industry based on an accounting change for one of the countries and another -- companies in another -- and there was another company that had a change that was anomalous that this is what Cara -- Miss Groden testified to earlier.

So that explains what's going on in 2015. If you're looking at 2016 and 2017 overall I don't know, it seems to me that 2017 they're in pretty good shape and they're certainly doing a lot better than they are doing in 2016.

Again, this is just looking at the industry as a whole. To understand what's going on more fully, you have to look at it company by company because they all have different business models and they're all over the place. Some are doing much better than others, but to me it seems that if you take into account that 2015 is an unusual case for unusual reasons it seems to me that the U.S. industry is doing pretty well.

COMMISSIONER WILLIAMSON: Okay, I won't argue with that.

MR. DOUGAN: Can I add one more thing, sorry?

COMMISSIONER WILLIAMSON: Yeah.

MR. DOUGAN: Just that -- this is Jim Dougan again. This morning the Petitioner's economist made the point that their operating income in 2017 at 4.8% wasn't that great because it was similar to the 4.4% in 1999 when the Commission found the domestic industry was vulnerable.

If you look at those data though, that 4.4% includes the industry's production and distribution operations -- there's a separate line for their production operations only and that was a 0.7% operating margin which is a lot less than 4.8 and I'm pretty sure -- I don't know for sure, I haven't unpacked all of the detail from that prior review but I'm pretty sure this review does not include distribution operations in the operating income of the domestic industry.

So you're talking about a 4 percentage point spread not -- anyway.

COMMISSIONER WILLIAMSON: Okay, no I'm just thinking about all the range of energies that we see but let me -- I'll let the Petitioners comment on that post-hearing. I want to go back -- I had raised the question that it might be harder for if the orders went away for the subjects to come in given the size of the non-subjects in the market and that they would have to be competing with them.

Do you all agree with them on that or is that -- they said no, that wouldn't be -- that you still would rush in and --

MR. DOUGAN: This is Jim Dougan, I'll let the industry guys talk about their incentives but again you know, if this truly were the picture that the Commission often sees where the U.S. is the highest priced market in the world and there is a substantial other import presence -- it might be worth your while to try to displace them based on price competition because you would still be arbitraging the way -- a bigger price differential than you can get in any of your other alternative markets.

That's not the fact pattern here. They've got good prices from other customers in other markets.

COMMISSIONER WILLIAMSON: So you're disagreeing, you would say that's not an -- that it wouldn't --

MR. DOUGAN: I'm saying it's a distance than --

COMMISSIONER WILLIAMSON: You disagree --

MR. DOUGAN: It is a disincentive for them --

COMMISSIONER WILLIAMSON: Right okay.

MR. DOUGAN: For them to come here.

COMMISSIONER WILLIAMSON: That's all I wanted to hear, you know, okay.

MR. DOUGAN: That and NASA is a distancing.

COMMISSIONER WILLIAMSON: That and what?

MR. DOUGAN: And NASA's price leadership.

COMMISSIONER WILLIAMSON: Okay fine. Mr. Campbell?

MR. CAMPBELL: Commissioner Williamson, if I could just add -- I'm a bit of a broken record but with respect to Brazil with the quota, they can't rush in -- they're restricted.

COMMISSIONER WILLIAMSON: Okay and fine, you made that point clear. Miss Groden, another one of the tables I think I have trouble with was your -- I'm just not understanding was the different model -- business models that you talked about and what that had to do with what we should make of the record.

MS. GRODEN: Sure, yeah, this is Cara Groden with UCS. So on the last page of my confidential exhibits there are three charts.

COMMISSIONER WILLIAMSON: I'm looking at it right now.

MS. GRODEN: The top one shows -- this isn't really a temporal comparison, this is more of a pattern so what we see is the years on the left-hand side of the chart on the top one and the -- for all three of the charts that are shown on that page, net sales AUV, it's across the bottom.

And what we see and you heard this from Petitioners this morning that there are integrated producers, there are non-integrated producers, there are specialty producers who have pretty high value, added production processes and this grouping was based off of a section that's in the staff report as well based off of correspondence with Petitioners.

But there are some specific distinctions in process within the U.S. industry that we can see mirrored in their cost utilization, in their operating margins and in their AUV's, which is what those shaded bars are on the chart.

And so the trend we see is that if you're higher through put more standard production we tend to have higher returns and higher capacity utilization. And the opposite is true as you go toward the other end of the spectrum.

So my point earlier about trends in the U.S. market are influenced by worldwide trends, but then the level of each relative indicator depends on where they fall in that business model spectrum. Is there a better way for me to clarify?

COMMISSIONER WILLIAMSON: Well we still have to take the industry as the whole don't we?

MS. GRODEN: Sure and as a whole we're seeing it --

COMMISSIONER WILLIAMSON: And the impact of subject imports coming in?

MS. GRODEN: Sure and we have really low subject import volumes over the POR. We have an improvement in the industry's condition compared to prior reviews and over the period of review so we think that taken as a whole or just aggregated in this way --

COMMISSIONER WILLIAMSON: What is the impact -- if the orders were lifted, what -- how would that -- do these distinctions -- there wouldn't be an adverse impact?

MS. GRODEN: I mean our argument is that if the orders were lifted these patterns in the industry would persist because they're based off of a business model rather than any sort of import competition.

MR. DOUGAN: And if I can just add something to what Miss Groden said. This analysis is -- basically supports the argument that she's making but it was an attempt to kind of make sense of relatively chaotic data. If you looked at the industry you can look at it as a whole and you'd see the improvements we talked about.

COMMISSIONER WILLIAMSON: Yeah.

MR. DOUGAN: But if you look at there's a wide variety of experience in terms of their sales values, their utilization, their profits, all these things. And we were trying to figure out what's going on with this industry. And partly we looked at the data, but we also looked at the narrative explanations provided by Petitioners themselves in correspondence with staff.

And you heard it again this morning. This kind of handed it to the Commission and us. There's basically three different kind of business models and that's borne out by the data and it kind of explains where they lie in relation to one another. But as Ms. Groden pointed out, the trends overall tend to follow trends in worldwide stainless bar prices.

COMMISSIONER WILLIAMSON: Okay thank you for those answers, I appreciate it. Anything you want to add post-hearing on this I appreciate it. My time is running out but Mr. Ferrin?

MR. FERRIN: Yes, I just want to say yes we -- with regard to the statement about you had to look at the industry as a whole that's true but that doesn't mean the Commission has to simply look at what the average net, you know, the averages are for everybody combined and make all of your decision based upon that.

And I think it's really important in this industry -- like almost no other case I've ever seen. They are truly all over the place and the only way that the Commission can assess the condition of the industry as a whole and what's going to happen if the order is revoked is to consider it within the context of the business model because some companies aren't going to be able to survive very well because they are already a low-cost leader and they're more efficient than everybody else.

You have some companies that are going to do fine because they're more interested in what the health of their overall corporation is doing. The overall operation that may be headquartered overseas and they've got some operations here in the U.S.

But then you have a different group of --

COMMISSIONER WILLIAMSON: No, I agree with you. We always have got to go look at the details to try to figure out -- to make sense out of the whole. And I'm sorry, I appreciate that thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: I just had a couple of follow-up questions. Just a couple of questions with regard to some of the data over the POR -- with regard to Spain and maybe this has already been addressed but I don't recall.

The quantity jumped up in 2016 of imports and I wonder if you could explain what underlies that, Mr. Mintzer, you're representing Sidenor?

MR. MINTZER: Yeah this is Sydney Mintzer of Sidenor that the number jumped but you're talking about very small numbers overall. So it's just they're not -- it's -- they're not material. I'd have to go back and look at what the actual numbers are, I don't have them in front of me but they're tiny numbers in any -- by comparison to any sort of domestic consumption number.

They're just -- they're very, very tiny and they're tied to basically the business of Sidenor as -- but also the business of Magellan. They are stainless steel bars is a side business for Sidenor and it's a side business for Magellan and so the volumes that come in are small, have been small and will continue to be small because of that.

COMMISSIONER SCHMIDTLEIN: Okay well maybe you could address it in the post-hearing because I'm just curious what it explains. I mean this is not bracketed but there was a 378% jump in -- from '15 to '16 and then it went back down, so I'm just curious as to what happened in 2016, and if you'd like to address it in the post-hearing that's fine.

Okay and then a similar question for Japan where there was a jump in unit value from '15 to '16 which I assume has to do with product mix and I'm not sure if you can even talk about it here but --

MR. NICELY: I don't think we can talk about it here.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. NICELY: But we're happy to look into it for post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, alright.

MR. NICELY: I think it's obviously going to be a company specific type of --

COMMISSIONER SCHMIDTLEIN: I would imagine, okay. Okay, I have no further questions.

CHAIRMAN JOHANSON: I have no further questions. Commissioner Williamson do you have any questions, follow-up questions?

COMMISSIONER WILLIAMSON: Just a couple quick ones. I think Commissioner Pinkert was trying to get my attention at the end of my last round so I want to give him that opportunity now.

COMMISSIONER PINKERT: Thank you very much Commissioner Williamson. I was just trying to tie in some of the testimony that you've already heard. In particular, there was a lot of discussion about non-subject imports in the U.S. market.

And if you go back to the discussion of capacity utilization and the notion that the domestic industry is essentially operating flat out even though they're showing these rates that diverge from that -- that explains why the non-subject imports have had that penetration in the U.S. market, that was the only point I wanted to make.

COMMISSIONER WILLIAMSON: Okay, along those lines, I guess some of you have said you have already seen indications of the supplier -- but the ability of the domestic industry to maybe meet status of the certain customers at this time within 232 kicking in and all of that.

So I guess anything you can do to document that post-hearing and that the Petitioners might want to respond to post-hearing on what they are seeing on this would be helpful since it's -- and also what should we make of that.

MR. NICELY: We're all happy to address it in further detail on our post-hearing briefs. We did address it -- Sidenor addressed it as I mentioned earlier with some important sites to press articles that they're treated as confidential and you have questionnaire responses from market participants that also indicate -- have reactions to it, but we'll further elaborate.

COMMISSIONER WILLIAMSON: Okay thank you. The other thing -- the question of India has not come up today. Now I know they're not represented here but I'd like -- does anyone have any comments? What should we make of the fact that you have one Indian producer that's gotten knocked out because of 337.

I guess one was a change in status in the period of review that should have covered, so what should we make of all of this?

MR. FERRIN: Commissioner Williamson, this is Richard Ferrin. We did discuss this as the second half of the brief on behalf of Olarra and Aceralava. We believe that all the -- if you accumulate all imports they're not going to be enough to have a significant adverse effect on the U.S. industry even if the orders were revoked and that Spain should be cumulated by itself.

However, our alternative argument is that if there is still remaining concern on behalf of the Commission, they should consider treating imports from India differently because there are some significant differences in the trends in India versus the other three subject countries and that's discussed in detail in our pre-hearing brief.

Many of these factors go to differences in the likelihood that there's going to be increased imports as well as any sort of price effects. Again, we think that even if you accumulate everybody it's not going to be significant but if there is a concern about India, there is a basis -- a very good basis it seems to us to treat India separately and there are some significant differences in the trends for India versus the other three countries.

COMMISSIONER WILLIAMSON: Okay.

MR. DOUGAN: Commissioner Williamson if I can just add something. This was pretty striking to us when we looked at the data so this is all the actual numbers have been removed and whatnot, but this sort of shows what happens after Viraj had the 337 put on it. Now --

COMMISSIONER WILLIAMSON: You might know at 337 why it's so busy here.

MR. DOUGAN: Yeah that's right. Those numbers include Venus also and during this period from August, 2016 to March, 2018 Venus was not subject to the dumping order. That was -- it was brought in again in April. So it wasn't subject to the 337 and it wasn't subject to the dumping order and yet it didn't rush into the market or fill the gap. You would have think it would have had an incentive to do so.

There were no trade restrictions on it whatsoever and yet you can look for yourself at what the data tell you. So I think that's a pretty interesting indicator of what it's behavior would likely be absent the order.

COMMISSIONER WILLIAMSON: And what about the potential of other Indian firms, the number of producers in

India apparently is growing?

MR. DOUGAN: I mean there are more firms, but we don't really have the -- that's a pretty good case experiment for you and there's not additional evidence to indicate. I mean I think even -- hang on one second -- be careful, but yeah the India data are confidential --

COMMISSIONER WILLIAMSON: Okay.

MR. DOUGAN: Because they split out so we can talk about it a little bit more in the post-hearing.

COMMISSIONER WILLIAMSON: Okay thank you. And no further comments and I'd like to thank everybody for their responses.

CHAIRMAN JOHANSON: Alright that concludes Commissioner questions, do staff have any questions for the Respondent panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you Chairman Johanson, staff has no additional questions.

CHAIRMAN JOHANSON: Do Petitioners have any questions for the Respondents?

MR. LASOFF: No, Mr. Chairman.

CHAIRMAN JOHANSON: Alright. At this time we will prepare for the rebuttal closing if desired -- time remaining for those in support of the Petition 2 minutes of direct and 5 minutes of closing for a total of 7 minutes --

for those in opposition 4 minutes of direct and 5 minutes of closing for a total of 9 minutes.

MR. BURCH: Closing and rebuttal remarks in support of continuation will be given by Laurence J. Lasoff of Kelley Drye & Warren. Mr. Lasoff, you have seven minutes.

CLOSING STATEMENT OF LAURENCE J. LASOFF

MR. LASOFF: Thank you, Mr. Chairman, members of the Commission. I want to thank the Commission for their attention this morning and this afternoon. It's been approximately ten years since this industry has appeared before the Commission and we hope that our representatives have been able to provide some clarity as it relates to this unique sector of the steel industry, one that is certainly not typical from what you've been seeing through most of the past year and a half with all the antidumping cases that have been before you.

I want to start by addressing the issue of the mass distributors. I think this is a critical issue because I think it goes to the whole point of how people access this market. Whether it's a mass distributor or a regular distributor, they both offer an easy and convenient way for the importer to access the U.S. markets.

The mass distributors, in particular, as you've heard this morning, have relationships with virtually every foreign mill. And I would like to also note that much of the pricing that our representatives, that our industry members see at the mass distributor level, particularly when they're representing importers, are still low priced, notwithstanding the fact that those mass distributors incorporate their own markup.

One of the unique things, and we had some discussion this afternoon, that was reference to this mass distributor, not by name, and I believe the reference was to the company Ta Chen which is probably the largest of all the mass distributors. Ta Chen was before this Commission as part of the Valbruna, Viraj 337 case.

They ultimately settled this case, but they were the mass distributor that was Viraj's method of entry into the market. When that case ended, Ta Chen, which again supplies many of the smaller distributors in the country, went out and within months, we became aware of how effective they were in recruiting imports from other countries in order to meet their customer demand.

But I think it's important because the 337 case was provided as an important condition of competition, and yet, so is the method of distribution and the fact that Ta Chen was, for example, able to immediately replace Viraj and bring in other nonsubject importers into the United States, I think is quite significant.

I want to address the issue of the Japanese producers who state they are constrained by domestic demand, yet they still manage to service what they claim to be, I guess you would call it the niche market. We're still struggling ourselves as to what exactly is the niche market. We heard no definition today.

I would want to make the point regarding the revocation of these orders, niche products to the extent they are referring to as more higher-end, more expensive lower-volume alloys, they still could be dumped, and therefore they can create significant injury to the domestic industry.

There was also the claim that the Japanese producers couldn't make certain grades that were produced. I'm sitting among four of my producers and they said there wasn't a grade that they believe the Japanese can't make if they want access to this market, whether it be these "niche grades" or, as we heard later on in some of the testimony, some of the more traditional standard grades, that allegedly haven't been imported by these Japanese producers since the order went into effect.

And it's true. Since the order went into effect, they have not been able to do that. One of the interesting recent developments that did not come up this morning is that, there was a recent announcement of a relationship, a partnership between two of the largest Japanese steel producers, Nippon and Sanyo, which will then bring Sumitomo into the global distribution system of Sanyo. And in the press releases announcing this partnership, they made specific references to this relationship being able to take advantage of the global supply chains and entering into these new markets.

So we don't believe that Japan notwithstanding their statement that, "We will only serve this unique narrow end of the market," this so-called niche market, that they have both the capability to produce the standard grades and if these orders were revoked and the 60%-plus antidumping duty was removed, that they would come in here with their significant capacity.

I was interested in the testimony of Roda, part of Rodachai and the fact that their desire to import is tied to their desire to get hexagons, which they claim there is insufficient capability and capacity to produce those hex-shaped bars in the United States and I've got three note cards during the course of that statement which people said, "Can we introduce ourselves because we have plenty of capacity to produce those products."

With respect to Brazil and Villares and the very challenging issue of the quota, I want to make, and we will put more details in our post-hearing brief, that notwithstanding, Villares' so-called lower-volume exports during the period of the review and during the antidumping duty order and continuing at these levels supposedly through the quota, notwithstanding those levels, they were able to displace in a critical end-use market a domestic producer that is now completely out of that market.

And so, with that 1,600 ton market, there still is that capability. The producer is Crucible. There's nothing confidential about that aspect of it. But we will provide in our post-hearing brief, you know, information from Crucible, which was not here today, about how they lost that market to Villares.

With respect to the Section 232, obviously, the only additional information -- I think this issue was discussed at great lengths today. We just looked at six months import data. Imports at six months are at 91,400 tons, an all-time high and, interestingly, through the first, we have the SEMA data, which we got in the course of the morning, through the early part of July, the imports are at 6,500 metric tons. That's approximately 19,000 a month. So they are not slowing down, notwithstanding the applicability of the tariffs to all of the products.

I believe I am out of time, so I want to thank the Commission again. We all spoke too much this morning. Thank you again, and we will address many more issues in our post-hearing brief. Thank you very much.

MR. BURCH: Closing and rebuttal remarks on behalf of in opposition to continuation will be given by Richard P. Ferrin of Drinker Biddle & Reath, Dean A. Pinkert of Hughes Hubbard & Reed and Jay Campbell of White & Case. Gentlemen, you have nine minutes.

CLOSING STATEMENT OF DEAN A. PINKERT

MR. PINKERT: Thank you. And I'd like to thank the Commission, as well as Commission staff, for doing a terrific job as usual in putting together the material for this case, as well as enabling us to come and present the testimony today.

We happen to agree with the petitioners that this is an unusual case. It's a twenty-five year old proceeding and it's not the typical case. And we believe that the facts warrant a complete cumulated revocation, a negative result from the Commission. With regard to "stainless steel angle," I would just ask the Commission to take a look at that revocation as it was a no-interest revocation and, therefore, very limited relevance to the facts before you in this review.

In regard to "no discernable adverse impact," Ms. Kim's analysis of that would have it that there would never be "no discernible adverse impact" found by the Commission, and the reason is that she would focus on the original period of investigation. So if you do that, you're not gonna find "no discernible adverse impact" and that can't be the statutory intent.

And then finally, with regard to export orientation for Japan, there is a focus by the petitioners on the second review and they say, "Well, it's the same situation." Well, it's not really the same situation because in the second review, the Commission wasn't looking at the kind of data that you have before you in the staff report that shows that the Japanese industry is 90% focused on the home market and only 10% focused on exports. So thank you.

CLOSING STATEMENT OF RICHARD P. FERRIN

MR. FERRIN: Hello, Richard Ferrin again. A few points I'd like to make. First, keep in mind when you're reviewing this entire record as a whole, again, the huge difference in the U.S. industry now versus the original investigation almost twenty-five years ago.

In the original investigation, at least certainly for Spain, the public report indicates that 75% approximately of the exports from Spain in the original investigation all came from Roldan. 75%. So what do we have after the order goes into effect? A number of years after the order went into effect in the early 2000s, Roldan's parent, Acerinox, decided to ramp up production, begin production of stainless steel bars in the United States through NAS.

And you've heard plenty of information today showing that NAS is the 800-pound gorilla in this market. Whatever people want to do in terms of competing in the U.S. market, one thing that is certain, nobody wants to compete against NAS, because they have all the advantages. They're located here in the U.S. They are the price leader and have consistently been the price leader.

And it's not just in this case. It's in every administrative review, every Sunset Review we've had on a stainless steel long product. The story has been the same. So much of it is about NAS. And we believe that that fact alone should lead to Commission to conclude at a minimum that they should decumulate Spain from the other countries.

Imports from Spain are simply competing in a completely different manner than all the other countries if for no other reason that the largest producer in Spain, Roldan, is not going to be shipping to the U.S. market with or without the dumping order. Why? Because they don't want to step on their affiliate, NAS.

Now, going to a somewhat broader point, when you step back and look at the economic situation that's been presented in this investigation, you've got data all over the place. There's no question about it. But keep this in mind. When you have the U.S. industry telling you that it is operating at very low capacity utilization, you need to consider, number one, they've told you that for every time they've been before the Commission, since the early 1990s.

They've always been complaining about having low capacity utilization. That may lead you to think, perhaps the low capacity utilization numbers don't really tell the whole story. And in fact, there were very low capacity utilization numbers in the Sunset Review in 2007 where they Sunsetted Italy and a number of the other countries despite claims of low capacity utilization.

More important, you have a number of these producers telling you that they're spending all sorts of money on investments in the U.S. market. And it's all resulting in increase in capacity. Why in the world are these companies increasing their capacity in the U.S. market and at the same time they're claiming they have very low capacity utilization now?

You have plenty of reason to be skeptical, this Commission, about all these capacity utilization numbers. Finally, you have, despite what's happened with third country imports, you still have a situation where you have a U.S. industry that is continuing to make money. And whatever happens with these four countries, it's going to be a drop in the ocean compared to the, not only the U.S.

production, but also third-country production. Thank you.

CLOSING STATEMENT OF JAY CAMPBELL

MR. CAMPBELL: Good afternoon again. Jay Campbell with White & Case on behalf of Villares Metals of Brazil. Thanks again for the opportunity to present today. This morning the petitioners talked a lot about uncertainty with respect to the Section 232 measures. But those arguments don't apply to Brazil and this merely serves to demonstrate why Brazil should be decumulated.

First of all, petitioners talked about the uncertain impact of Section 232. Again, Brazil's subject to a quote. This means the Commission know the likely volume of subject imports and knows that that certain volume is actually at a very low level that would likely have no discernible adverse impact on the U.S. industry.

Second, petitioners talk about the uncertain duration of the Section 232 measures. Again, this argument does not apply to Brazil. Brazil is subject to a quota and in the presidential proclamation imposing that quota, it states that the quota on Brazil is long-term and will be in place for calendar year 2018 and subsequent years, plural.

Third, the petitioners talk about the uncertain scope of the Section 232 measures, highlighting the products' specific exclusions. Again, products' specific exclusions do not apply to the quotas imposed on Brazil or

Korea. Although I'm focused on Brazil. So the fact is that there's no uncertainty there. The quota applies absolutely. There are no possible product exemptions from that quota.

The last point I'd like to leave you with is that again, Villares is the only producer of stainless steel bar in Brazil and Villares has consistently been found by the U.S. Department of Commerce to not be dumping and this is highly indicative of Villares' behavior if the order were to be revoked, even in the absence of this Section 232 quota.

The antidumping order has been in place for a long time, over twenty-three years, and Villares would continue to participate in the U.S. market responsibly and would not want to invite another petition. Thanks very much.

CHAIRMAN JOHANSON: Thank you for your remarks. I will not make the closing statement. Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by July 24th, 2018.

Closing of the record and final release of data to parties occurs on August 15th, 2018, and final comments are due on August 17th, 2018. And with that, this hearing is adjourned.

(Whereupon the hearing was adjourned at 4:28 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Stainless Steel Bar from Brazil, India, Japan, and Spain

INVESTIGATION NOS.: 731-TA-678-679 and 681-682

HEARING DATE: 7-12-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Fourth Review

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

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