

CANADA BORDER SERVICES AGENCY

**The Dumping and Subsidizing of
Cold-Rolled Steel Sheet
Originating in or Exported From
the People's Republic of China, the Republic of Korea
and the Socialist Republic of Vietnam**

**Public
Witness Statement of
Andrew Connor**

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Public Statement of Evidence of Andrew Connor

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Statement of Evidence of
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I. Introduction

1. My name is Andrew Connor. I am the Vice President, Commercial at ArcelorMittal Dofasco G.P. (“AMD”). I have a bachelor’s degree in engineering and a master’s degree in business administration. I have been with AMD for over 33 years. From 2011 to 2014, I led ArcelorMittal America’s strategy team, which included developing a capital strategy for ArcelorMittal’s North and South American mills.
2. Reference in this Statement to “CRS” is a reference to the goods described in the product definition in the Complaint associated with this Statement, namely, certain cold-rolled steel sheet and coil.

II. Overview

3. **Canadian CRS Market:** The Canadian non-automotive CRS market is currently supplied by a large share (over one-third) of low priced imports from China, Korea and Vietnam and resulted in a market without price structure. AMD's share of the market is []. The large volume of disruptive and low-priced imports from China, Korea and Vietnam has resulted in Canadian CRS prices set by offshore prices and not Canadian prices.

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4. **Market share lost to imports:** Since 2015, AMD lost non-automotive CRS market share due to the dumped and subsidized imports from China, Korea and Vietnam.¹ The domestic industry's market share dropped by over []% and the share of non-subject countries also dropped. On the other hand, the market share of CRS imports from China, Korea and Vietnam grew by over []% from 2015 to 2017 and now represent over one-third of the Canadian non-automotive CRS market. In other words, imports from these countries displaced AMD volumes as well as sales from the other domestic producers and other imports.
5. **Effect of low import prices on AMD:** Non-automotive CRS imports from China, Korea and Vietnam have gained market share in Canada by selling at unfairly traded prices. These dumped and subsidized goods resulted in price reductions and lost sales. In some cases, a significant price reduction was required to secure the business with a customer who had also received a low-priced offer from one or more of these countries. In other cases, CRS import prices from China, Korea and Vietnam were so low that AMD was unable to match the import price which resulted in lost business and market share. Sometimes AMD was not even asked to quote on an import offer, which I believe was the result of a very low import offer from these countries. The witness statement of William Butler discusses various examples of direct head-to-head competition with imports from China, Korea and Vietnam at various customers. Further, we have already begun to see import offers from these countries for arrival through July 2018.
6. **Financial results and forecast:** AMD's non-automotive CRS business []
[]. However, AMD's profitability []
[] and its gross margin as a percent of sales decreased in Q3 and Q4 2017 and Q1 2018

¹ Based on import volumes from our market table (see Confidential Attachment 6 of the Complaint) and using the volume of domestic shipments reported by independent third-party Phoenix Strategic Perspectives Inc. for the domestic industry figures (with assumptions for the automotive versus non-automotive split).

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and is forecast to remain low in 2018 – directly a result of low import prices from China, Korea and Vietnam.

7. **Investment risk:** With lost market share (lower AMD shipments) and lower returns, AMD's future investment in its CRS operations is at risk. A positive outcome in this case is needed in Canada to improve AMD's financial results and support future capital expenditures.

III. Overview of AMD's Business

8. AMD is part of the ArcelorMittal group of companies. AMD is one of North America's most progressive and efficient steelmakers. AMD is a market leader in an industry that continues to be a cornerstone of the Canadian manufacturing economy. By working closely with our customers and using the latest technologies, we produce technologically advanced, innovative, value-added steel that meets their exact needs.
9. As Canada's largest manufacturer of flat-rolled steel, AMD's products include hot-rolled, cold-rolled and corrosion-resistant steel as well as tinplate, tubular products and laser-welded blanks. AMD supplies these products to the automotive, construction, packaging, manufacturing, pipe and tube, and steel distribution markets.
10. AMD's operational hub is its 750-acre steelmaking complex and head office in Hamilton, Ontario. These state-of-the-art facilities are some of the most efficient, flexible and technologically advanced in North America. They include two coke plants, three operating blast furnaces, a basic oxygen steelmaking furnace, an electric arc furnace, two slab casters, a hot-strip rolling mill, pickling lines, cold-rolling mills, annealing and tempering facilities, galvanizing lines, Canada's only electrolytic tinning lines and two tube mills.
11. ArcelorMittal Dofasco plays a key role in North America's advanced manufacturing supply chain working with the top automotive, energy, packaging and construction brands to

develop lighter, stronger and more sustainable products – from cans to cars. Founded in 1912, AMD is one of Canada's Top 100 Employers and Hamilton's largest private sector company with more than 5,000 employees shipping 4.1 million metric tonnes of high quality flat carbon steel annually.

12. Around the world, the ArcelorMittal Group employs 240,000 employees in 60 countries and looks to flagship sites like ArcelorMittal Dofasco to develop new technology and products that are fundamentally transforming tomorrow.
13. ArcelorMittal Dofasco's iconic motto "Our Product is Steel. Our Strength is People®" is a true expression of our belief that people are the company's competitive advantage. Underpinning this are our values of Quality, Sustainability and Leadership and our commitment to Sustainable Development – brought to life by generations of employees who have come to work for more than 100 years creating world class products, processes and services.
14. AMD is a Canadian company, and our primary focus is on the Canadian market. AMD's mandate is to leverage its platform in Canada to maximize shareholder value. To this end, the companies in the ArcelorMittal family pursue a coordinated approach to the sale and marketing of CRS and other products. Within this framework, AMD's mandate is to service the Canadian market. ArcelorMittal affiliates in other countries follow the same strategy and strive to maximize profitability in their respective home markets. Exports by ArcelorMittal affiliates to markets in which other ArcelorMittal affiliates operate are coordinated to avoid negative impacts.
15. CRS is a key component of AMD's strategy to provide a balanced portfolio of diversified flat-rolled product offerings to meet the needs of diversified Canadian market segments.

16. In addition to domestic CRS sales, CRS is also internally consumed by AMD in the production of other downstream sheet products, such as corrosion-resistant steel and tinplate. Consequently, CRS is a critically important product for AMD. Adverse market conditions caused by unfairly traded imports impact not only merchant market sales of CRS, but can also impact the pricing for sales of downstream products because of the pricing relationship between these other products and CRS.
17. AMD's total capacity for conventional non-automotive CRS is approximately [] MT. This means that AMD is fully capable of meeting and exceeding the demands of the Canadian non-automotive CRS market.

IV. The Competitive Landscape

A. CRS Is a Commodity Product

18. CRS is generally produced to an ASTM or other recognized specifications. Therefore, products made to a particular specification by any manufacturer, whether domestic or foreign, are interchangeable, in virtually any given application, with those made to the same specification by another manufacturer. While total Canadian consumption is determined by the needs of purchasers, each transaction is very price sensitive.
19. The commodity nature of CRS means that even a small quantity of low-priced imports, if sustained by sufficient production capacity in the country of export, is sufficient to disrupt market conditions and to bring general prices down in Canada.

B. The Canadian CRS Market

20. The Canadian market for cold-rolled sheet is described in my colleague Mr. Butler's Statement of Evidence. The market is national in scope, and has four principal groups of customers: automotive sector, steel service centers, pipe and tube manufacturers, and other end-users. However, the automotive industry is excluded from the scope of the

Complainant's product definition. Import competition from China, Korea and Vietnam is concentrated on the other market segments that tend to purchase on a spot basis. In contrast, automotive end-users generally purchase under term contracts with the terms and conditions agreed to in advance.

21. The domestic market for CRS is mature. Consequently, the loss of market share to the Subject Countries has had, and will continue to have, a detrimental impact on AMD and the Canadian industry.
22. As with other steel products, the US Midwest, Ontario and Quebec CRS markets are integrated in terms of supply and price, subject to extraordinary circumstances. The CRU Midwest spot price is a benchmark for "base" rolled steel (i.e. no extras) that is considered to be representative of the US Midwest market price. All things being equal, the Canadian price for CRS generally tracks CRS pricing in the US market. Factors that may cause the Canadian price for CRS to sit slightly above or below the US CRU price include exchange rate fluctuations, seasonal demand, and minor variations in local markets. However, as discussed below, there is a growing price differential between Canadian and US CRS pricing because of unfairly traded goods entering the Canadian market.

V. Impact of Subject Goods on the Domestic Market

A. Price Depression and Diversion

23. The global steel market experienced significant disruptions in 2015 through first-half of 2017, including the presence of very low-priced CRS imports in many markets, including Canada. In 2016, several countries determined that Chinese, Korean and Vietnamese CRS exports were injuriously dumped and/or subsidized, prompting new trade remedies.
24. In 2016, the United States imposed anti-dumping and countervailing duties against CRS from both Korea (in September) and China (in July). As discussed in the Complaint, the

US Department of Commerce determined that Chinese CRS was subsidized at a rate of 256.44% and dumped at a rate of 265.79%.² In the case of Korea, the US Department of Commerce determined that CRS was dumped at a rate ranging from 6.32% to 34.33% and subsidized at a rate of 3.91% to 58.36%.³ The United States International Trade Commission (“USITC”) subsequently determined that the dumping and subsidization of CRS from both countries had caused injury.⁴

25. In May 2016, Malaysia imposed anti-dumping duties against CRS from China, Korea and Vietnam.⁵
26. In July 2016, the EU imposed anti-dumping duties against Chinese CRS at rates of up to 16%.⁶

² Public Attachment 31 to the Complaint: US Department of Commerce, *Certain Cold-Rolled Steel Flat Products From the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Partial Affirmative Critical Circumstances Determination*, C-570-030 (May 24, 2016), 81 FR 32729 [US Cold-Rolled China CVD FD]; Public Attachment 51 to the Complaint: US Department of Commerce, *Certain Cold-Rolled Steel Flat Products From the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value, and Final Affirmative Determination of Critical Circumstances*, 81 FD 32725 (May 24, 2016).

³ Public Attachment 32 to the Complaint: United States Department of Commerce, *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Final Affirmative Determination*, 81 FR 49943, July 29, 2016.; Public Attachment 52 to the Complaint: US Department of Commerce, *Certain Cold-Rolled Steel Flat Products From the Republic of Korea: Final Determination of Sales at Less Than Fair Value*, A-580-881 (July 29, 2016) 81 FR 49953.

⁴ Public Attachment 105 to the Complaint: USITC, *Cold-Rolled Steel Flat Products from China and Japan Determination*, 81 FD 45305 (July 13, 2016); USITC, *Cold-Rolled Steel Flat Products from Brazil, India, Korea, Russia and the United Kingdom Determinations*, 81 FD 63806 (September 16, 2016).

⁵ Public Attachment 101 to the Complaint: WTO, Integrated Trade Intelligence Portal (I-TIP) (retrieved May 12, 2017).

⁶ Public Attachment 103 to the Complaint: Commission Implementing Regulation (EU) 2016/1329 of 29 July 2016 levying the definitive anti-dumping duty on the registered imports of certain cold-rolled flat steel products originating in the People's Republic of China and the Russian Federation, Official Journal of the European Union, L210/27 (4.8.2016).

27. In July 2016, Mexico also imposed anti-dumping duties against certain Chinese CRS, as possible circumvention of anti-dumping measures imposed in June 2015. In particular, duties were added to Chinese cold-rolled coil imports with a boron content of 0.0008% or higher. The anti-dumping rates vary from 65.99% to 103.41%.⁷
28. In October 2016, Egypt initiated anti-dumping investigations into CRS from China.⁸
29. In January 2017, Pakistan imposed duties ranging from 13.17% to 19.04% on Chinese CRS imports.⁹
30. In April 2017, India imposed anti-dumping duties against Cold-Rolled Steel from Korea and China.¹⁰
31. In November 2016, the US initiated anti-circumvention inquiries on the anti-dumping and countervailing duty orders for Chinese CRS. The purpose of the inquiries is to determine whether imports of certain CRS products, which are produced in Vietnam from hot-rolled steel produced in China (i.e., Chinese HRS substrate), are circumventing the antidumping duty and countervailing duty orders on CRS from China.¹¹ In December 2017, the US

⁷ Public Attachment 104 to the Complaint: SteelOrbis, "Mexico extends AD duty to include boron-added CRC from China" (July 12, 2016).

⁸ Public Attachment 101 to the Complaint: WTO, Integrated Trade Intelligence Portal (I-TIP) (retrieved November 24, 2017) and individual members' semi-annual reports

⁹ Public Attachment 101 to the Complaint: WTO, Integrated Trade Intelligence Portal (I-TIP) (retrieved November 24, 2017) and individual members' semi-annual reports.

¹⁰ Public Attachment 101 to the Complaint to the Complaint: WTO, Integrated Trade Intelligence Portal (I-TIP) (retrieved November 24, 2017) and individual members' semi-annual reports

¹¹ Public Attachment 57 to the Complaint: Certain Cold-Rolled Steel Flat Products From the People's Republic of China: Initiation of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders, 81 FR 81057 (November 17, 2016).

DOC made a preliminarily positive anti-circumvention determination.¹² Since there are no cooperating Chinese exporters in the CRS orders, the applicable rate is the “all others” dumping rate of 199.76% and “all others” subsidy rate of 256.44%. CRS produced in Vietnam from HRS that is not of PRC-origin is not subject to the anti-circumvention inquiry or these rates. The US DOC’s final determination is due by April 25, 2018.

32. This anti-circumvention investigation has resulted in provisional restrictions being imposed on Vietnamese CRS exports to the US market and may cause diversion of those exports to Canada. In fact, AMD’s market intelligence indicates that diversion to Canada began to occur shortly after the initiation of the investigation. In April 2017, two of AMD’s customers purchased [] MT of Vietnamese CRS that was already in the US.¹³ It is AMD’s understanding that the Vietnamese CRS was produced from Chinese hot-rolled sheet and was therefore subject to the anti-circumvention investigation and unable to be sold in the US.¹⁴ Further, the divergence of Vietnamese CRS exports is also evident by the trend in imports into Canada. The volume of CRS imports from Vietnam in 2015 and 2016 was negligible. However, the first large shipment occurred in January 2017, only two months after the US initiated anti-circumvention investigations.¹⁵ CRS imports from Vietnam rose to 16,852 MT (or 10% of all imports) in 2017. Vietnamese CRS was the second largest source of offshore CRS imports (after China) into Canada in 2017.

¹² Public Attachment 107 to the Complaint: US DOC, *Certain Cold-Rolled Steel Flat Products From the People's Republic of China: Affirmative Preliminary Determination of Anti- Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders*, 82 FR 58178 (December 11, 2017) and accompanying decision memorandum dated December 5, 2017 (A-570-029 / C-570-030).

¹³ Confidential Attachment 50 to the Complaint: AMD commercial intelligence (ICRCR20170516).

¹⁴ *Ibid.*; Public Attachment 54 to the Complaint: Public Statement of Evidence of Andrew Connor at para. 30.

¹⁵ Confidential Attachment 6 to the Complaint: Consolidated Market Table, see detailed analysis for Vietnam.

33. The US also initiated and made a preliminary anti-circumvention determination regarding its AD and CVD orders against corrosion-resistant steel products from China.¹⁶ The DOC determined that Chinese HRS and CRS substrate input for finishing into COR in Vietnam and subsequent sale to the US was circumventing the COR orders. The applicable provisional rate is the “all others” dumping rate of 199.43% and “all others” subsidy rate of 39.05%. The DOC’s preliminary determination means that Chinese CRS that was being used as an input to produce COR in Vietnam is now subject to significant duties in the US and may be diverted to other countries, such as Canada, where exporters already have established channels of distribution.
34. Canada was not immune to the dumped and subsidized CRS exports. In 2015, China and Korea acquired a significant share of Canada’s CRS market. This was done by undercutting domestic prices, which resulted in both price depression and lost sales. In 2016, China and Korea’s share of the Canadian market continued to grow, fuelled by continued price undercutting. CRS imports from Vietnam were first shipped to Canada in large volumes in January 2017. Imports from all three countries gained significant market share in Canada in 2017.
35. Following the imposition of trade remedies against Chinese and Korean CRS, the US CRS market returned to fair market pricing. As a result, the price difference between AMD’s average CRS selling price and the US Midwest price diverged significantly in 2016.¹⁷ The average price spread between AMD and the US Midwest price was []% in 2015; however,

¹⁶ Public Attachment 113 to the Complaint: US DOC, *Certain Corrosion-Resistant Steel Products From the People's Republic of China: Affirmative Preliminary Determination of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders*, A-570-026, C-570-027, 82 FR 58170 (December 11, 2017).

¹⁷ See Complaint, Table 12, US Midwest vs. AMC (\$/MT).

this rose to []% in 2016 and []% in 2017.¹⁸ I attribute this price divergence to dumped Subject Goods in the Canadian market, compared to the relatively stable and fair market price in the US.

36. AMD was able to [] on sales in 2016 and in 2017 because short-term circumstances in the market cushioned the pricing effects of dumped and subsidized Subject Goods, including []

[]. With limited export markets, Chinese, Korean and Vietnamese producers will focus on markets open to their exports and Canada is attractive given its relatively higher price for CRS. It is inevitable that imports of Subject Goods to Canada will continue to grow, and this will put continued downward pressure on the Canadian CRS price. This view is supported by the change in the Subject Countries' share of the Canadian import market in the 2015 through 2017 period.

37. The imposition of measures by the United States as a result of the Section 232 investigation and the initiation of safeguard inquiry into steel products in the European Union in March of 2018 have had a profound impact on global steel markets. These measures will have significant impacts on trade flows and I am concerned that they will compound and accelerate the diversion of CRS into the Canadian market.

38. AMD's strategy []
[]. Consequently, []
[]. In order to maintain sales volumes, AMD
[]

¹⁸ Confidential Attachment 16: AMD financial and production information; Confidential Attachment 215: CRU Steel Sheet Products Market Outlook (January 2018), Table S42; Confidential Attachment 216: CRU Steel Sheet Products Market Outlook – price forecast update (January 2018) at Table S39. Bank of Canada average exchange rates were 1.104466 for 2014, 1.278711 for 2015, 1.324806 for 2016 and 1.297961 for 2017

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Cold-rolled sheet

].

B. Financial Performance and Sales of Non-Automotive CRS

39. AMD's gross margin [], and as a result of subject imports [

]. Similarly, AMD's net income [

].¹⁹

40. Based on AMD's present order book for Q1 2018, and the trends of low-priced subject imports entering the Canadian market, I see [].

41. In fact, since the beginning of 2017, AMD has []. Normally, a higher value-added product such as CRS would entail a [] than a lower value-added product like hot-rolled sheet. However, due to the decreasing volume of CRS orders and the fact that [] because of low CRS market prices caused by Subject Goods, AMD has []. This is evidenced by the [

].²⁰ I

believe the lower sales volume is attributable to increased competition from the Subject

¹⁹ Confidential Attachment 16 to the Complaint: AMD financial and production information

²⁰ *Ibid.*

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Goods. As discussed in the Statement of Evidence of William Butler, AMD has had to reduce its price to remain competitive with offers from the Subject Countries or walk away from business when the import price was too low.

VI. The Need for Continued Investment

42. The steel industry is capital intensive, and the production of CRS requires significant sums of money in the form of repair and maintenance, sustaining capital and strategic capital. Repair and maintenance expenditures include activities that must be performed on a regular basis to keep the facilities in good working order. Sustaining capital expenditures are comprised of investments that replace capital equipment as it approaches the end of its useful life. Strategic capital expenditures are comprised of investments designed to improve the efficiency and/or range of goods produced at a facility.
43. When a mill fails to make a profit, investment dollars are cut. This negatively impacts strategic capital, sustaining capital and repair and maintenance spending. Without these investments, a mill becomes less competitive, less productive and is increasingly susceptible to injury from dumped and subsidized imports.
44. As part of the ArcelorMittal family, AMD effectively competes with other subsidiaries for capital investment based on its financial performance. In order to attract the continued investment necessary to maintain and improve its operations, AMD must be able to demonstrate an ability to operate profitably in the Canadian market. The major threat to its ability to continue with necessary investment is the presence of unfairly traded imports in the Canadian market.
45. New investment enhances AMD's ability to compete, and therefore its financial performance. Its financial performance in turn provides it with the ability to attract new investment.

46. AMD is planning on making investments of [] in its CRS facilities [].
47. Over the past few years, subject imports have eroded the Canadian market and as result, AMD has [].
48. Without this investment, AMD's employees directly involved in the CRS production will [].
49. AMD is currently trying to get [].
50. As a global operation, ArcelorMittal will base its investment decisions on the ability to earn a return on those investments. If market conditions in Canada are permitted to languish or deteriorate as a result of resumed dumped and subsidized imports, its ability to operate profitably and attract the investment we need to remain competitive will be seriously prejudiced. This would negatively impact not only its CRS business, but also the other flat products that it makes at its facility in Hamilton, which would result in a significant negative impact on AMD and its employees.
51. The major threat to our ability to continue with necessary investment is the presence of unfairly traded imports in the Canadian market. The Subject Goods have acquired significant share of the Canadian market in a very short period of time. While AMD has been able to maintain profitability in the short term, the level of price undercutting by the Subject Countries is significant and our margins will be affected. At the same time, ArcelorMittal's subsidiaries in other jurisdictions, such as the US, will not face unfair

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competition from unfairly priced imports from the Subject Countries and therefore would be far more attractive from an investment standpoint. Consequently, AMD's planned investments would be placed in jeopardy. This would negatively impact not only our merchant market sales of CRS, but our business across the entire company.

VII. Likely Impact on AMD if a Trade Remedy is Not Imposed

52. The Canadian CRS industry is vulnerable. It has experienced a significant increase in low-priced CRS imports over the last two years, resulting in price depression and lost sales. Because of trade remedies in the US and other countries, the diversion of low-priced CRS to Canada will result in increasing volumes of low-priced CRS to Canada, particularly following the breakup of the Saint Lawrence seaway.
53. In 2016 and 2017, AMD lost market share to low-priced subject goods. Its profitability was influenced by short-term market circumstances, such as [
]. However, sustained high levels of imports from China, Korea and Vietnam have taken increased market share and will continue to drive down the Canadian price for CRS. This will cause further injury to the domestic CRS industry. The declining financial performance seen in Q3 and Q4 2017 and in Q1 2018 will continue in 2018-2019 if the large volumes of low-priced CRS imports from China, Korea and Vietnam persist.
54. I, Andrew Connor, Vice-President, Commercial at ArcelorMittal Dofasco GP, certify that the information in the Witness Statement is true, accurate and complete.



Andrew Connor