

May 31, 2017

BY ELECTRONIC FILING

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
Room 1093
1401 Constitution Avenue, NW
Washington, DC 20230
Steel232@bis.doc.gov

Re: ***Section 232 National Security Investigation of Imports of Steel***: Written Comments of
the Diamond Sawblades Manufacturers' Coalition

Dear Mr. Botwin:

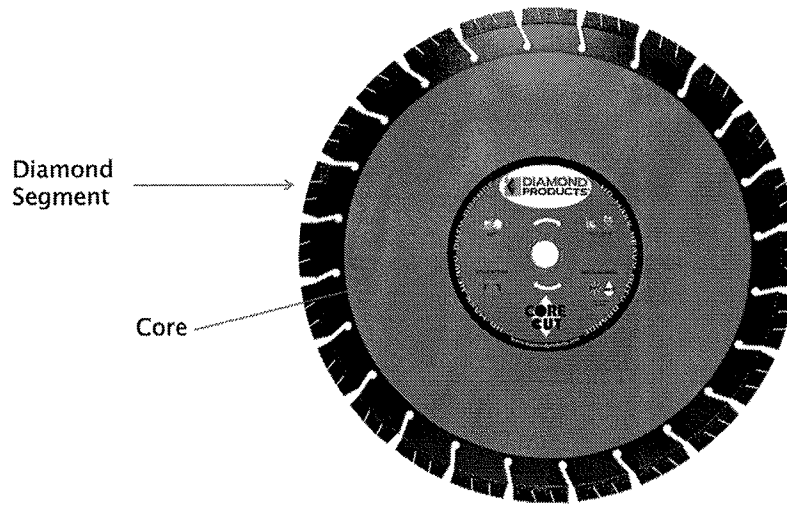
On behalf of the Diamond Sawblades Manufacturers' Coalition (the "Coalition"), we hereby submit the following written comments to the Department of Commerce (the "Department") in response to the Department's Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel.¹ For the reasons discussed below, we believe imports of steel products, including imports of circular steel sawblades with diamond tips, threaten to impair the national security of the United States. Steel products are essential to the national security of the United States, both as parts of defense machinery and as components in the country's critical infrastructure. However, imports materially harm and displace domestic steel products. As such, this Administration should find that steel imports, including steel circular sawblades with diamond tips, threaten to impair national security and warrant the application of comprehensive trade restrictions from all countries.

**I. IMPORTS OF CIRCULAR STEEL SAWBLADES WITH DIAMOND TIPS
THREATEN TO IMPAIR U.S. NATIONAL SECURITY**

The Coalition consists of U.S. producers of circular steel sawblades with diamond tips and producers of the inner steel core of such sawblades. Circular steel sawblades with diamond tips are circular cutting tools used primarily to cut concrete, asphalt, and stone. Accordingly,

¹ Bureau of Industry and Security, *Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (Dep't Commerce Apr. 26, 2017) ("Notice").

these circular steel sawblades are essential in the construction of military bases, hospitals, highways, bridges, airports and many other critical infrastructure elements. These steel circular sawblades are comprised of two main components: a steel core and diamond segments. The core is a round piece of metal made of high-quality, treated, hardened alloy steel plate or sheet, to which segments are attached. The diamond segments are essentially baked blocks of a diamond/metallic bond matrix that can be welded or soldered to the core, or joined through a sintering process. A sawblade may contain multiple segments or a continuous rim of segments. Normally, the core and segments are usually made as separate pieces and then attached to create the final product. The following illustrates a finished steel circular sawblade with diamond tips:



Because circular steel sawblades with diamond tips are used in a variety of critical infrastructure applications, the displacement of domestic sawblades by imports is a threat to U.S. national security. Steel sawblades have numerous national security applications. Circular steel sawblades with diamond tips are used for cutting concrete, asphalt, masonry, and stone, and thus are essential in the construction of bridges, highways, airports, hospital, military bases and much more. Critically, steel circular sawblades with diamond tips are also used to groove roads, bridges, highways, and airport runway surfaces for antiskid purposes.

However, imports of steel circular sawblades with diamond tips from other countries have surged and continue to surge into the U.S. market and displace domestic sawblades. As a result, U.S. manufacturers like the members of the Coalition experience significant financial conditions and effects that hinder their ability to maintain capacity, production, profits, a skilled labor force, and to make investments to remain competitive in the market. Indeed, several U.S. producers of circular steel sawblades with diamond tips have been forced out of business over the past several years, further narrowing the U.S. supply base. Moreover, the harm that U.S. steel sawblade producers have suffered as a result of imports has been confirmed through antidumping proceedings on diamond sawblades and parts thereof from China and Korea.² But antidumping and countervailing duty remedies are not enough. Past and current relief under antidumping laws only cover specific countries and a narrow portion of steel sawblade products,

² See *Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea*, 74 Fed. Reg. 57,125 (Dep't Commerce Nov. 4, 2009) (antidumping duty orders).

leaving important components of domestic producers' sawblade production without protection from harmful imports. This in turn leaves national security vulnerable to being impaired by imports of sawblades and sawblade components from a wide range of sources. For these reasons, the Coalition urges the Department to find that steel imports, including steel circular sawblades with diamond tips, are threatening to impair the national security, and that an adjustment of these imports is necessary to prevent them from impairing U.S. national security.

II. NATIONAL SECURITY SHOULD BE BROADLY DEFINED

Under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862), the Department examines whether imports of an article threaten to impair national security.³ If the Department finds that an article is “being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security,” the President of the United States must determine whether he agrees with the finding and, if so, must determine “the nature and duration of the action that, in the judgment of the President, must be taken to adjust the imports of the article and its derivatives so that such imports will not threaten to impair the national security.”⁴ Importantly, Section 232 contemplates a broad definition of “national security.” For example, the statute provides that threats to national security are tied to threats to the “economic welfare” of the United States and of individual domestic industries.⁵ In the past, the Department has stated that threats to national security include threats to industries “critical to the minimum operations of the economy and government,”⁶ and those industries and resources “needed to produce domestically goods and services necessary to ensure U.S. national security.”⁷

In the Department's current assessment of whether steel imports threaten to impair the national security, the agency should define “national security” broadly to include steel products including steel circular sawblades with diamond tips that are critical to the country's infrastructure. As Secretary Wilbur Ross, Jr. stated recently, “steel is an important factor in our infrastructure as it relates to national defense. . . .”⁸ Steel sawblades groove the roads and surfaces that both defense and commercial vehicles use. Steel circular diamond sawblades with diamond tips are essential in the construction, repair, and destruction of critical infrastructure, including bridges, highways, airports, hospitals and military bases. As such, sawblade imports, which displace the domestic product, distress the state of the national security. Roads, bridges, highways, and airport runway surfaces are “critical to the minimum operations of the economy and government” and vital to support the production of “domestically goods and services necessary to ensure U.S. national security.”⁹ If such sawblade imports are allowed to continue displacing the domestic sawblades used for roads, bridges, highways, and airport runway

³ Notice, 82 Fed. Reg. at 19,205.

⁴ 19 U.S.C. § 1862(c)(1)(A).

⁵ 19 U.S.C. § 1862(d).

⁶ U.S. Department of Commerce, *The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security* (2001) (“Iron Ore and Semi-Finished Steel Report”) at 5.

⁷ See U Iron Ore and Semi-Finished Steel at 7; U.S. Department of Commerce, *The Effect of Imports of Gears and Gearing Products on the National Security* (1992).

⁸ See The White House, Office of the Press Secretary, *Press Briefing by Secretary of Commerce Wilbur Ross on the Memorandum Regarding the Investigation Pursuant to Section 232(B) of the Trade Expansion Act* (Apr. 20, 2017), available at <https://www.whitehouse.gov/the-press-office/2017/04/20/press-briefing-secretary-commerce-wilbur-ross-memorandum-regarding> (last accessed May 25, 2017).

⁹ See Iron Ore and Semi-Finished Steel Report at 5, 7.

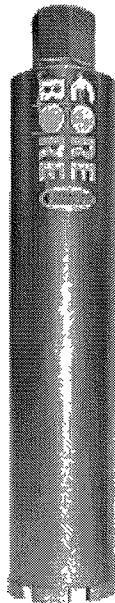
surfaces, critical components of the country's infrastructure, and therefore national security, will be affected. Accordingly, the Department in this investigation should define "national security" broadly, and determine that steel imports threaten U.S. national security by displacing domestic steel sawblades used to cut harsh surfaces including roads, bridges, highways, airport runways, and other surfaces.

III. STEEL IMPORTS SHOULD ENCOMPASS CIRCULAR STEEL SAWBLADES WITH DIAMOND TIPS AND RELATED COMPONENTS

Pursuant to Section 232, if imports of an article are found to threaten to impair national security, the President takes action "to adjust the imports of the article and its derivatives so that such imports will not threaten to impair the national security."¹⁰ Moreover, Secretary Ross recently stated that action against imports under Section 232 contemplates a broad definition of the product at issue.¹¹ In assessing the threat that steel imports pose to national security, the Department should not only include raw steel, but expressly extend the scope of steel imports to include circular steel sawblades with diamond tips, and components of these products.

In particular, relief for steel sawblades under this investigation should include all finished circular sawblades – whether slotted or not, with a working part that is comprised of a diamond segment or segments, and parts thereof, regardless of specification or size and semi-finished sawblades, including sawblade cores and sawblade segments.

Similarly, relief should include steel drills with diamond tips, which are also called diamond core bits (*picture below*); and semi-finished core bits, which are also called tubes. These steel drills with diamond segments are equally necessary in concrete construction, including construction of hospitals, bridges, airports and similar structures.



¹⁰ See 19 U.S.C. § 1862(c)(1)(A) (emphasis added).

¹¹ *Press Briefing by Secretary of Commerce Wilbur Ross on the Memorandum Regarding the Investigation Pursuant to Section 232(B) of the Trade Expansion Act.*

Because these products are essentially derivatives of raw steel, and imports are negatively affecting their ability to be used in critical infrastructure applications, the Department should include steel sawblades as part of its investigation and its recommendations for import restrictions. The Department's response to the national security threat caused by steel imports must take into account the threat caused by imported sawblades.

IV. EXISTING AD/CVD ORDERS CONFIRM INJURY CAUSED BY IMPORTS BUT ADDITIONAL RELIEF IS NEEDED TO PROTECT U.S. NATIONAL SECURITY

Imports of circular steel sawblades with diamond tips, and related components, are threatening to impair national security by displacing the domestic sawblade industry. As indicated above, the injury these imports cause the domestic industry has been confirmed by past and existing antidumping duty orders on diamond sawblade imports. Specifically, although the order on Korean products was rescinded in 2011, the Department issued antidumping orders in 2009 against diamond sawblades from China and Korea.¹² These orders imposed significant dumping margins ranging from 6.43 to 26.55 percent on Korean imports, and from 2.82 to 164.09 percent on Chinese imports.¹³ These orders confirm that imports cause U.S. sawblade producers significant injury. At the same time, additional relief from sawblade imports is necessary for the protection of U.S. national security.

Despite the existence of more than 150 antidumping and countervailing duty orders on steel products, and as the President correctly stated in his April 20, 2017 Presidential Memorandum for the Secretary of Commerce, these orders “have not substantially alleviated the negative effects that unfairly traded imports have had on the United States steel industry.”¹⁴ As Secretary Ross recently observed, a need for additional relief exists because antidumping and countervailing orders are “very, very limited in nature to a very, very specific product from a very, very specific country.”¹⁵ Steel imports have regularly found ways to evade these orders and created “a fairly porous system” for trade remedies in the United States.¹⁶ Indeed, there is a long and extremely well-documented history of attempted circumvention as to the antidumping order against circular steel sawblades with diamond segments from China. And Chinese importers have gone as far as to openly state that they are just “not affected by the anti-dumping” and are willing to transship steel sawblades through third countries.¹⁷ Given that the harmful

¹² See *Diamond Sawblades and Parts Thereof From the People's Republic of China and the Republic of Korea*, 74 Fed. Reg. 57,125 (Dep't Commerce Nov. 4, 2009) (antidumping duty orders).

¹³ See *id.*, 74 Fed. Reg. at 57,146-47.

¹⁴ The White House, Office of the Press Secretary, *Presidential Memorandum for the Secretary of Commerce* (Apr. 20, 2017), available at <https://www.whitehouse.gov/the-press-office/2017/04/20/presidential-memorandum-secretary-commerce> (last visited May 25, 2017).

¹⁵ *Press Briefing by Secretary of Commerce Wilbur Ross on the Memorandum Regarding the Investigation Pursuant to Section 232(B) of the Trade Expansion Act.*

¹⁶ *Press Briefing by Secretary of Commerce Wilbur Ross on the Memorandum Regarding the Investigation Pursuant to Section 232(B) of the Trade Expansion Act.*

¹⁷ See, e.g., Staff Report, *Duty Evasion: Harming US Industry and American Workers*, Prepared for Senator Ron Wyden (Nov. 8, 2010), available at <https://www.wyden.senate.gov/download/?id=AB312B37-D16B-495C-A103-C1887AFB37AF&download=1> (last visited May 31, 2017).

infiltration of steel sawblade imports poses a threat to the national security of the United States, the Department must address it under this investigation.

V. RELIEF SHOULD BE DEFINED BROADLY

The Coalition respectfully submits that Commerce should find that imported steel, including circular steel sawblades with diamond tips and their related components, threaten to impair the national security. As a result, Commerce should recommend aggressive action against imports, such as a comprehensive tariff or quota system. Notably, comprehensive measures that cover steel sawblades are facilitated by the fact that sawblades and their components have unique HTSUS numbers. Specifically, circular steel sawblades with diamond tips have their own HTS number of **8202.39.0010**. Similarly, the steel core for a circular steel sawblade with diamond tips has its own HTS number of **8202.39.0040**.

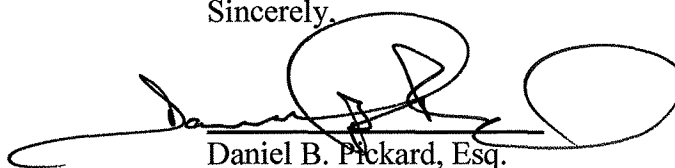
Moreover, the need for a comprehensive solution is highlighted by the history of injury that U.S. steel sawblade producers have suffered due to imports. As indicated above, there is a long history of attempted circumvention, as to the antidumping order on Chinese diamond sawblades. Chinese importers in particular openly admit through electronic correspondence that they transship steel sawblades through other countries and misreport the value of their shipments such that current antidumping relief has virtually no effect on their business. In addition, official import statistics indicate that as imports from one country decrease following the imposition of trade relief, imports from another increase proportionally. While Chinese imports of diamond sawblades decreased as a result of the antidumping order, imports from other countries have increased significantly. As such, the Administration must include steel sawblades under the relief it recommends on imports of steel products in this investigation, and enact broadly-defined relief to the steel and steel sawblade industries.

VI. CONCLUSION

In sum, the Department should determine that steel imports, including circular steel sawblades with diamond tips (and related steel drills with diamond segments), threaten to impair U.S. national security. As such, the agency should urge the President to take comprehensive action to adjust imports of all steel products, including steel circular sawblades with diamond tips (HTS8202.39.0010), steel circular cores (HTS 8202.39.0040), and related products from all countries.

If you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel B. Pickard", with a large, stylized flourish extending to the right.

Daniel B. Pickard, Esq.

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