

May 31, 2017

Mr. Brad Botwin  
Director, Industrial Studies  
Office of Technology Evaluation  
Bureau of Industry and Security  
U.S. Department of Commerce  
1401 Constitution Avenue, N.W.  
Washington, DC 20230

**Re: Section 232 Steel Investigation – Request for Product Exclusions by Toyota Tsusho America, Inc.**

Dear Mr. Botwin:

Pursuant to the Notice of request for public comments and public hearing on the Section 232 national security investigation of steel imports (“Investigation”) issued by the Department of Commerce (“Commerce”) on April 26, 2017, Toyota Tsusho America, Inc., (“TTAI”), for itself and on behalf of its various U.S. manufacturing customers for whom it serves as the importer of steel and other materials, hereby requests that imports of certain steel products that are unavailable from domestic steel mills and/or do not present a threat to the national security of the United States be excluded from the scope of the Investigation and any remedies that may ultimately be imposed. We also request that Commerce dedicate a specific process for companies to request exclusions from any determination or remedy under Section 232, similar to the process for assessing scope exclusions in antidumping and countervailing duty (“AD/CVD”) investigations.

TTAI purchases domestic and imported steel products for a wide range of U.S. manufacturers. We have canvassed our customers to determine whether they are importing steel products that are not available from U.S. producers and could be subject to restrictions under Section 232. TTAI’s customers operate manufacturing plants across the United States and employ tens of thousands of American workers.

The imposition of import restrictions under Section 232 without the possibility of exclusion for imports of steel products that are unavailable in the quantities and qualities required by U.S. end-users or otherwise do not threaten U.S. national security would have a seriously deleterious effect on a broad range of industries in the United States, and may put U.S. manufacturing jobs at risk. While most major U.S. manufacturers seek wherever possible to source U.S. products in order to maximize North American content, certain specialized steel products simply are not available from U.S. manufacturers. Even if they were, changing to a new supplier would require detailed certifications and testing to ensure that they meet company requirements and U.S. federal safety standards. Thus, loss of access to key steel products could force major U.S. manufacturers to temporarily shut down U.S. production, pay higher tariffs, and/or temporarily source finished products from abroad using overseas plants at the expense of U.S. production and jobs until a new supplier’s products can be qualified and tested.

Accordingly, TTAI respectfully requests an exclusion from the Investigation and any import restrictions that may be imposed as a result for the following steel products: (i) certain flat-rolled steel products; (ii) certain hot-rolled round bar and wire rod; (iii) certain stainless steel bar and wire; and (iv) certain grain-oriented electrical steel (“GOES”). A listing of the specifications for each product group for which an exclusion is requested is attached hereto in **Annex 1**. A detailed analysis of imports of

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GOES is attached hereto in **Annex 2**. Based on our review, such products are vital to U.S. manufacturing and are not available domestically in sufficient quantities and qualities. Given the extremely short period for filing public comments following the hearing in this Investigation, we note that there will almost certainly be additional products for which exclusions are required and which will be presented during any exclusion review process. Specifically, we suggest that Commerce dedicate a specific timeframe of 30 days to assess requests for scope exclusions from any action under Section 232, similar to the process in AD/CVD investigations.

By completing and complementing the limited offerings of the domestic steel mills, imports of the types of steel enumerated above support U.S. manufacturing jobs and help satisfy U.S. consumer demand for certain products. While some domestic mills may have the facilities and resources to produce some of these types of steel, they often opt not to produce these products because of the detailed performance requirements and generally small quantities sought by U.S. industrial users.

These are often unique products produced at low volumes with specific and highly detailed specifications and dedicated uses, such that imports of these types of steel do not compete directly with products made in the United States. In addition, because domestic mills do not have the facilities or resources to produce these products, or are uninterested in producing them in such small volumes, no domestic mill production is weakened or displaced due to imports of these products. Imports of any type of steel that is not generally available from domestic mills, such as the types enumerated above, does not threaten the national security of the United States and, thus, should be excluded from any import restrictions imposed as a result of this Investigation.

Further, TTAI hereby reserves the right to participate fully in any product exclusion review process Commerce may implement in the context of the Investigation or any time thereafter.

Pursuant to 15 C.F.R. § 705.6 (a), TTAI hereby request that the Department exempt certain information, clearly identified in brackets in **Annex 1**, submitted under cover of this letter from public disclosure. *See Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel*, 82 Fed. Reg. 19,205 (April 26, 2017). The business confidential treatment is requested because the data include, *inter alia*, business trade secrets, production, supply, commercial, and certain other information, the release of which would cause competitive harm to the submitter. Nevertheless, we have provided a non-confidential version of this submission which can be placed in the public file for inspection.

Thank you for your consideration. Please direct any questions concerning this submission to the undersigned.

Sincerely,



John F. Jäger  
Vice President  
Legal, Regulatory & Trade Compliance

**Annex 1**  
**Products Warranting Exclusion**

<b>Reference Number</b>	<b>Product Description</b>	<b>HTS Number<sup>1</sup></b>	<b>U.S. Domestic Production/Availability</b>
1	Stainless steel round wire with diameter of 0.5 to 0.65 mm, inclusive	7223.00.1031	[ ]
2	Hot-rolled wire rod with diameter of 30 to 32 mm	7227.90.6040	[ ]
3	Hot-rolled wire rod of circular cross section with diameter of 17 mm	7213.99.0030	[ ]
4	Stainless steel bar containing 8 percent or more but less than 24 percent, by weight, of nickel	7222.20.0043	[ ]

<sup>1</sup> Any granted exclusions should be defined based solely on the above Product Descriptions. The HTS numbers are solely for reference purposes.

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
5	Hot-rolled steel wire rod of cold heading quality of diameters of 18 or 23 mm	7213.99.0030	[ ]
6	Hot-rolled steel wire rod of cold heading quality of diameter of 24 mm	7213.99.0030	[ ]
7	Grain oriented electrical steel of width of 242 mm, thickness of 0.27 mm, non-domain refined	7226.11.9060	[ ]
8	Grain oriented electrical steel of width of 119 and 142.5 mm and thickness of 0.23 mm, non-domain refined	7226.11.9030	[ ]
9	Micro alloy steel wire rod of diameter of 17.7 mm x coil LH80	7217.10.5030	[ ]
10	Carbon steel wire rod of diameters of: 20.00 mm x coil 1010; 26.5 mm x coil 1020; 30.00 mm x coil 1020; 32.0 mm x coil 1020; or 34.0 mm x coil 1020.	7217.10.5090	[ ]

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
11	Hot-rolled wire alloy rod of diameter of 8.3 to 10.5 mm	7227.90.1030	[ ]
12	Flat-rolled products of iron or non-alloy steel, coated with zinc, aluminum, magnesium, of thickness of 4.0 mm or more	7210.49.0091, 7211.29.2030, 7211.29.2090, and 7211.29.6030	[ ]
13	Hot-rolled round bar meeting the following characteristics: produced at a forging ratio of 4S Min, JIS grade SCM420H, 38 mm diameter, 6375 mm length, Jominy specification of 32 to 35 HRC, grain size of Min. Gc 6.0, with following chemical composition, by weight: 0.17 to 0.23 percent carbon; 0.15 to 0.35 percent silicon; 0.55 to 0.90 percent manganese; not greater than 0.03 percent phosphorus; not greater than 0.03 sulfur; not greater than 0.3 percent copper; not greater than 0.25 percent nickel; 0.85 to 1.25 chromium; 0.15 to 0.3 percent molybdenum.	7228.30.8015	[ ]

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
14	Hot-rolled round bar meeting the following characteristics: produced at a forging ratio of 4S or higher, JIS grade SCR440H, 35 mm diameter, 6630 mm length, Jominy specification of 43 to 49 HRC, grain size of Min. Gc 5.0, with the following chemical composition, by weight: 0.37 to 0.44 percent carbon; 0.15 to 0.35 percent silicon; 0.55 to 0.9 percent manganese; not greater than 0.03 percent phosphorus; not greater than 0.03 percent sulfur; not greater than 0.3 percent copper; not greater than 0.25 percent nickel; 0.85 to 1.25 percent chromium	7228.30.8015	[ ]
15	Hot-rolled round bar meeting the following characteristics: produced at forging ration of 4S or higher, JIS grade SCRH20, 48 mm diameter, 5500 mm length, with the following chemical composition, by weight: 0.17 to 0.23 percent carbon; not greater than 0.20 percent silicon; 0.70 to 1.0 percent manganese; 1.35 to 1.65 percent chromium; and not greater than 0.04 percent molybdenum	7228.30.8015	[ ]

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
16	Hot-rolled round bar meeting the following characteristics: produced at forging ration of 4S or higher, JIS grade SPG21, 40 to 50 mm diameter, 8000 mm length, grain size of Min. Gc 6.0, with the following chemical composition, by weight: 0.19 to 0.24 percent carbon; 0.70 to 0.90 percent silicon; 0.5 to 0.7 percent manganese; 0.4 to 0.6 percent chromium; and 0.45 to 0.55 percent molybdenum	7228.30.8015	[ ]
17	Either chemically or mechanically etched domain refined grain oriented electrical steel or products thereof, used in the manufacture of wound core electrical transformers	7225.11.0000, 7226.11.1000, 7226.11.9030, and 7226.11.9060	No domestic availability. US mills are unable to produce. See <b>Annex 2</b> at III.
18	Flat-rolled products of other alloy steel, of a thickness not exceeding 2.3 mm, not further worked than cold-rolled (cold-reduced), with minimum yield strength of 850 MPA, minimum tensile strength of 980 MPA, minimum elongation of 15 percent, and minimum hole expansion ratio of 50 percent. Minimum yield strength level is required to achieve safety performance of the related parts.	7225.50.8080	Material is currently imported from Japanese steel maker. Given small volumes, this company is not in a position to localize production to the U.S. at this time. Product is highly specialized and does not involve mass production yield volumes required to be commercially viable for U.S. producers.

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
19	Hot-dipped tin-zinc alloy coated steel sheet with a thickness between 0.4 mm and 2.0 mm. Coating layer shall consist of tin and zinc layers. Very ductile and has a lubricating characteristics that enhances formability in drawing operations. Excellent corrosion resistant properties of tin and zinc compared to other metal products.	7225.99.0090 7210.11.0000	Overall industry volume requirements have declined due to advances in competitive material technology performance. Hot-dipped tin-zinc alloy coated steel sheet is being phased out by customer but small volumes are still required until this activity is completed. As a result, it is highly unlikely U.S. producer would be interested in investments required to resume production to meet customer's specialized needs, particularly as it is being phased-out.
20	Flat-rolled products of other alloy steel, plated or coated with zinc. Higher yield point than standard 590 MPa min tensile strength materials. High YP is required for safety-related nature of part applications.	7225.92.0000	Unique material specification of part supplier. The combination of high yield-point and galvanized Zn coating is not produced by approved U.S. steel sources. Imported by TAI customer in very small volumes, so U.S. steel sources are unlikely to be prepared to invest in upgrading production capabilities to meet customer's needs.
21	Flat-rolled products of iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled, of a thickness not exceeding 2.5 mm, high-strength steel, with minimum yield strength of 685 MPa, minimum tensile strength of 780 MPa, and maximum elongation of 29 percent Material is required for safety-related applications. Replacing material with different grade may require recertification to safety standards.	7208.26.0030	U.S. mills do not produce this material at the specified gauge because of hot mill limitations. It involves extremely small volumes, so U.S. sources are highly unlikely to be prepared to invest in modifications required in order to produce narrower gauge to meet customer's specialized needs.

Reference Number	Product Description	HTS Number <sup>1</sup>	U.S. Domestic Production/Availability
22	Flat-rolled products of iron or non-alloy steel, in coils, not further worked than hot-rolled, pickled, of a thickness not exceeding 2.5 mm, high-strength steel, with minimum yield strength of 685 MPA, minimum tensile strength of 780 MPa, and maximum elongation of 29 percent. Material is required for safety-related applications. Replacing material with different grade may require recertification to safety standards.	7208.27.0030	U.S. mills do not produce this material at the specified gauge (hot mill limitations). It involves extremely small volumes, so U.S. sources are unlikely to be willing to invest in modifications required in order to produce narrower gauge to meet customer's specialized needs.

**Annex 2**  
**Detailed Analysis of GOES Imports**

**AN INTERNATIONAL TRADE ANALYSIS OF  
IMPORTS OF GRAIN-ORIENTED ELECTRICAL STEEL (GOES)  
AND THE ROLE THEY PLAY IN THE U.S. STEEL MARKET**

Submitted in Response to the April 26, 2017 Notice of  
the Bureau of Industry and Security Regarding the  
National Security Investigation of Imports of Steel

**I. INTRODUCTION AND SUMMARY OF CONCLUSIONS**

This White Paper is submitted in response to the April 26, 2017 Federal Register notice from the Bureau of Industry and Security (“BIS”) of the Department of Commerce (“Commerce”).<sup>1</sup> It provides information regarding one product covered by the Section 232 National Security Investigation of Imports of Steel: Grain-Oriented Electrical Steel, or “GOES.”

As developed in detail below, the U.S. electrical steel industry has repeatedly sought relief from imported GOES. The last time this occurred (in 2014) the International Trade Commission (“ITC”) appropriately determined that GOES imports were not the “cause” of material injury. Despite the fact that imported GOES has therefore not been subject to any type of trade restraint since 2006, GOES has continued to be imported in stable quantities as a supplement to U.S. production – often, in forms not adequately produced by the U.S. industry.

Far from causing any national security threat to the United States or the U.S. GOES industry, imported GOES serves a critical function, allowing the United States adequate supply to serve the nation’s electrical infrastructure needs. This is particularly true with regard to heat-proof, domain-refined GOES, which is not produced by the U.S. industry. Since this form of GOES is critical to the continuing efficiency efforts of U.S.-based transformer producers, as well as U.S. electrical utilities – which are required to meet increasingly stringent Department of Energy (“DOE”) regulatory requirements – restrictions on the importation of this form of GOES, in particular, would harm U.S. national security needs.

This White Paper provides a comprehensive analysis of GOES imports and the role that they play in the U.S. steel market. As discussed in detail below:

- Claims that foreign imports are targeting the U.S. market are belied by the facts, found by the ITC, that non-U.S. markets – which dwarf the U.S. market, and which are growing more quickly – are more attractive markets for foreign producers. Further, with long-term import statistics demonstrating that GOES imports are well within the small and stable levels that they have maintained for years, claims of the U.S. industry that there is a “surge” of GOES are incorrect.

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<sup>1</sup> 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 (Apr. 26, 2017).

- Claims by AK Steel that it is threatened with injury are contradicted by its own presentations to investors, which tout rising demand, increasing regulations mandating higher efficiency for transformers, and the U.S. monopoly position of AK Steel as reasons that the U.S. industry will grow and increase its profitability.
- Claims of AK Steel that national security needs mandate import restrictions ignore the fact that specialty forms of GOES, such as heat -proof, domain-restricted GOES are primarily available from imports and that such demand cannot be satisfied by the U.S. industry. Depriving the transformer industry and electric utilities of the type of steel that is most essential to the highest-efficiency transformers, at a time when national energy independence and infrastructure rebuilding are national imperatives, is the action that would create the largest national security risk.
- Arguments by AK Steel that the investigation “must include” downstream products, such as imported cores and transformers<sup>2</sup> – which always have been outside of prior trade actions – would impermissibly expand the scope of this Section 232 National Security Investigation, which is explicitly aimed at “steps that should be taken to adjust steel imports,” not downstream products.<sup>3</sup>
- Finally, this White Paper discusses why the statutory factors used to determine whether national security needs require import restrictions – as informed by a prior section 232(b) investigation of semi-finished steel and iron ore products – support a determination that laminated GOES and downstream products, heat-proof, domain-refined GOES, and even GOES itself should not be subject to import restraints, because the inclusion of the product would actually harm the national security interests of the United States. It necessarily follows that, even if Section 232 import restraints are put in place on other steel products, the products discussed in this White Paper should be excluded from any such restraints.

In the course of analyzing these issues, this White Paper also addresses the repeated arguments of the U.S. steel industry in general, and by AK Steel in particular, regarding the role that imported GOES plays in the U.S. market.<sup>4</sup> While it is beyond the scope of this White Paper to comment on general trends impacting the overall steel market, this White Paper responds to these arguments to demonstrate why such claims are not supported by any real fac-

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<sup>2</sup> See Commerce Hearings at 1:02:25 (“To effectively address the vital national security interests of the United States and to protect the domestic electrical grid for the long run, the Department of Commerce must include imported cores and transformers in any relief that covers imports of electrical steel.”) (statement of Mr. Newport, CEO of AK Steel). All timing marks are taken from the recorded coverage of the hearing found on the CNBC site (<http://www.cnbc.com/2017/05/24/watch-commerce-secretary-ross-on-steel-on-americas-national-security.html>).

<sup>3</sup> 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, 19,205-06 (Apr. 26, 2017).

<sup>4</sup> The claims addressed were made either at the Congressional hearing or at the Commerce hearing. References are made to the approximate time at which the claims arose or are cited to the release of the testimony by AK Steel, as found on its website.

tual basis with regard to the GOES industry specifically. In particular, this White Paper addresses:

- Why AK Steel’s claim that import competition drove Allegheny Steel out of GOES market<sup>5</sup> is contradicted by the findings of the International Trade Commission that it was self-inflicted harms that were harming the performance of the U.S. GOES industry in general, and Allegheny Steel in particular.
- Why AK Steel’s claim that there has been a “surge” of GOES is contrary to the pattern of actual imports, which show that GOES imports are at historically stable levels and fill a niche role in the market to satisfy demand that cannot be satisfied by the U.S. GOES industry.
- Why AK Steel’s claim that it is “battl[ing] global overcapacity”<sup>6</sup> is contradicted by the findings of the ITC, which found that imports of GOES have been stable, due to the fact that other markets, which are larger and growing more quickly than the U.S. market, are the primary destination of foreign capacity.
- Why AK Steel’s claim that it has “sufficient production capacity to meet current and future estimated demand within the U.S.,” and that it can “quickly react to national emergencies,”<sup>7</sup> is impossible, given AK Steel’s known production.
- Why AK Steel’s claim that quotas or tariffs are needed to support any repairs and/or growth of the electrical infrastructure, if implemented, actually would weaken the ability of U.S. consumers to maintain U.S. electrical infrastructure needs.

Each of these topics is discussed in detail below. Further, as discussed in Part VI of this White Paper, when the facts are analyzed against the national security factors contained in the statute, the only conclusion is that imposing trade restraints on imports of GOES – let alone downstream GOES products, such as laminates, cores, and even the transformers themselves – would actually harm the national security interests of the United States. Any imposition of steel trade restraints accordingly should exclude GOES and downstream imports that are needed to enhance the national security posture of the United States.

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<sup>5</sup> See Commerce Hearing at 1:01:20 (“Due to competition from dumped and subsidized imports, the only other domestic producer of GOES, Allegheny Steel Technology, shuttered a plant and discontinued GOES production in 2016.”) (statement of Mr. Newport, CEO of AK Steel).

<sup>6</sup> See Commerce Hearing at 58:40 (statement of Mr. Newport, CEO of AK Steel); *see also id.* at 56:59 (“Broad-based action is the only way to target all imports and also address the root cause of the current crisis: chronic overcapacity in countries that do not operate on a market basis.”) (statement of John Periola, CEO of Nucor).

<sup>7</sup> See Commerce Hearing at 1:01:20 (statement of Mr. Newport, CEO of AK Steel).

## II. THE ITC'S RATIONALES FOR DENYING TRADE RELIEF FOR GOES IN 2014 REMAIN TRUE TODAY

In evaluating the national security implications of imports of various GOES products, BIS does not start with a blank slate. The U.S. GOES industry has sought import relief several times since 2001, including through antidumping and countervailing petitions brought in 2013 and a further attempt to use section 337 as a form of trade relief.<sup>8</sup> In each case, the ITC correctly turned down these efforts. These results not only were in accordance with the record (as confirmed just last year by the Court of International Trade with regard to the 2014 GOES determination), but also left an extensive record that allows a precise analysis of the GOES industry and the role that imports play in the GOES market.

Of particular relevance is the September 2014 final determination in the Grain-Oriented Electrical Steel proceedings against GOES from Germany, Japan, Poland, as well as the November 2014 final determination regarding GOES from China, the Czech Republic, Korea, and Russia.<sup>9</sup> The lengthy record compiled by the ITC not only provides deep access to the state of the U.S. industry, but also allows ready updating, using publicly available information, to provide insight into the claims of AK Steel that it needs protection for its GOES operations.

### A. The Role that GOES Plays in the U.S. Market

As summarized by the ITC, GOES is a flat-rolled alloy steel product that is primarily useful for its electricity-conducting properties. Due to its highly specialized rolling, which produces a uniformly oriented grain structure, as well as specialized rolling and annealing (heat treatment), the product conducts a magnetic field with a high degree of efficiency in the direction of the rolling.

These superior magnetic properties make GOES particularly effective for the production of laminated cores for large- and medium-sized electrical power transformers and distribution transformers.<sup>10</sup> Transformer and core manufacturers take advantage of the directional mag-

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<sup>8</sup> The 200 proceeding was initiated after the receipt of a resolution adopted by the Committee on Finance of the U.S. Senate requesting a section 201 safeguard investigation, which eventually resulted in a negative determination. *See* Int'l Trade Commission, "Steel; Import Investigations," 66 Fed. Reg. 67,304 (Dec. 28, 2001). The section 337 request was denied on the basis that Allegheny Ludlum did not produce the product it claimed was infringing its patent that was the basis of the claim, resulting in the dismissal of the investigation.

<sup>9</sup> *See* Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) and Grain-Oriented Electrical Steel from China, Czech Republic, Korea, and Russia, Inv. Nos. 701-TA-505 and 731-TA-1231, 1232, 1235, and 1237, Pub. 4500 (final) (Nov. 2014).

<sup>10</sup> A transformer is an electrical apparatus that transfers electrical energy from one electrical circuit to another without any direct electrical connection. Transformers can be used to step-up (increase) or step-down (decrease voltage). Because electrical power is carried over long distances at higher voltages than are used in businesses and residences, the electrical system requires both types of transformers.

netic properties of the GOES to orient the GOES to accomplish the desired voltage adjustments at maximum efficiency.<sup>11</sup>

GOES comes in many different forms. High-permeability GOES is important because it allows the transformer to operate at a higher efficiency, which in turn allows it to be smaller and to have lower energy operating losses. The most efficient type of high-permeability product is produced as a domain-refined (also known as surface-treated) type of GOES that has the lowest core losses. Domain refinement occurs by scribing thin lines onto the surface of the steel to produce domain-refined GOES. Both the U.S. steel and the most advanced foreign producers of GOES (mostly located in Japan) can produce domain-refined GOES. But most importantly, *only two* Japanese companies can produce heat-proof GOES, which is a special type of domain-refined GOES that is *required* to produce wound-core transformers – the most efficient type of transformer. As the ITC explained:

Domain refinement occurs by scribing thin lines onto the surface of the steel, which subdivides larger oriented grains into smaller ones to produce “domain-refined GOES,” using laser scribing, mechanical scribing or electrolytic etching. Product undergoing laser scribing does not retain its enhanced magnetic characteristics when it is annealed (heat treated) to relieve internal stresses. As a result, laser-scribed GOES (or “nonheat-proof GOES”) is not suitable for producing wound-core transformers, which require superior core-loss properties, but must undergo heat treatment to relieve internal stresses (which increase core losses) accumulated from the manufacturing process. By contrast, domain-refined GOES produced by mechanical scribing or electrolytic etching (*i.e.*, “heat-proof GOES”) retains its enhanced magnetic characteristics even through stress-relief treatment. *There is no known production of mechanically scribed or electrolytically etched heat-proof GOES in the United States.*<sup>12</sup>

Thus, as the ITC found, the U.S. industry *does not produce* a critical form of GOES. The implications of this fact are explored in Part III.

## **B. Why the ITC Found No Material Injury to the U.S. GOES Industry in 2014**

In reaching its negative determinations in 2014, the ITC acknowledged the lagging financial performance of the U.S. industry. The reason why the ITC nonetheless reached a negative

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<sup>11</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 6-7.

<sup>12</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 7 (emphasis added; citations omitted).

determination was that the record demonstrated that any injury the U.S. industry was suffering was self-inflicted and not caused by the small and stable level of subject imports.<sup>13</sup>

In reaching the determination that the subject imports were not causing material injury, the ITC noted the following key facts:

- Imports of subject imports had been essentially stable, increasing from 26,234 short tons in 2011 to 29,161 short tons in 2013, with most of the increase being of “the heat-proof domain-refined GOES uniquely supplied by Japan.”<sup>14</sup>
- This small increase in the heat-proof domain-refined GOES was attributed to the fact that during the investigation period, “U.S. Goes demand shifted towards higher efficiency grades,” which the U.S. industry often could not make.<sup>15</sup>
- Any decrease in prices observed had no correlation to the level of imports, meaning that the domestic products with the “most substantial price declines” were products where “there were very few shipments of subject imports.”<sup>16</sup> By contrast, “the smallest declines for domestically produced products” were ones where “there was a significant amount of competition between the domestic like product and the subject imports.”<sup>17</sup>

Thus, there was neither the increase in imports that one would expect to see if imports were driving down prices nor any evidence, in the product-specific pricing data, that there was any correlation between the level of imports and pricing for those products. When combined with the small and stable level of subject imports, there was no link between the performance of the U.S. industry and the subject imports.

At the same time, the ITC found that two factors – neither of which was linked to subject imports – readily explained the financial performance of the U.S. industry. With regard to AK Steel, the factor was the “reduced ... presence in foreign markets” of AK Steel, due to its “loss of ... export sales.”<sup>18</sup> With regard to the other GOES producer at that time, Allegheny Steel, the problem was that it lost “a major purchaser, Howard Industries,” which was a large

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<sup>13</sup> In this regard, it is important to note that the 2014 GOES petition covered all major sources of imported GOES, making the proceeding an excellent proxy for the entirety of imported GOES.

<sup>14</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 22.

<sup>15</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 22-23.

<sup>16</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 24-25.

<sup>17</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 25.

<sup>18</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 25.

transformer manufacturer.”<sup>19</sup> This loss not only was devastating to Allegheny Steel, it also “had a substantial downward effect on the industry’s aggregate pricing, particularly in the conventional grades.”<sup>20</sup> Although this business was transferred from one U.S. producer to another, as the ITC noted the impact was a change in prices caused by the fierce competition between the two U.S. producers. The impact of this price-based tussle over this customer was especially pernicious because, as U.S. purchasers noted, the U.S. industry (particularly AK Steel) were the price leaders in the market.<sup>21</sup>

The net result was that the U.S. industry as a whole experienced declining capacity utilization, which pushed down prices. The ITC concluded, however, that the evidence showed that these effects were “unrelated to subject import competition.”<sup>22</sup>

In short, even though the U.S. industry’s market share “remained essentially stable,”<sup>23</sup> it was the intra-company competition over Howard Industries and declining exports that drove the declining financial performance of the U.S. industry.<sup>24</sup> In other words, while the U.S. industry was blaming imports for its financial bleeding – just as it is doing today – in fact it was self-inflicted wounds that were the problem.

### C. The U.S. Industry’s Claims of Current Injury Are Contrary to the Facts

In its remarks at the Commerce Hearing, AK Steel made several claims regarding the U.S. GOES market that cannot be squared by the facts, as independently reviewed by the ITC. Each claim is explored in detail in this section of this White Paper

#### 1. Imports of GOES Did Not Cause Allegheny Steel to Exit the Market and Have Not Prevented a New Entrant from Planning to Enter the Market.

The first claim of AK Steel is that that “[d]ue to competition from dumped and subsidized imports, the only other domestic producer of GOES, Allegheny Steel Technology, shuttered

<sup>19</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 25-26.

<sup>20</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 26.

<sup>21</sup> GOES from Germany, Japan, and Poland Staff Report at V-5 (“AK Steel was identified as a price leader by 11 purchasers, Allegheny Ludlum was identified by four purchasers.”). By contrast, the five remaining purchasers that indicated a price leader each identified a different subject producer, with no subject producer being identified more than one time. *Id.*

<sup>22</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 26.

<sup>23</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 28.

<sup>24</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 30 (“[T]he decline in production [of the U.S. industry] was entirely attributable to the decline in export shipments, as domestic shipments increased from 2011 to 2013. The price declines ... were a result of lower raw materials prices, unused capacity and intra-industry competition.”).

a plant and discontinued GOES production in 2016.”<sup>25</sup> Yet as noted in the ITC report, in fact it was the loss of a major customer (Howard Industries) that was causing the injury to Allegheny Steel. It was not subject imports that caused this injury from which Allegheny Steel never recovered; it was its own actions in failing to satisfy a major customer, as well as the competitive actions of AK Steel to pick up this customer as a means of replacing its own falling exports.

Further, as the ITC noted, the level of subject imports was small and stable during the 2011-13 period of investigation that was analyzed by the ITC. As shown in Attachment A and B-2, the level of subject imports in the two years since that investigation have remained basically the same as the average for the 2011-13 period analyzed by the ITC. Any attempt to blame imports for the withdrawal of Allegheny Steel from the GOES market founders on the facts. The ITC’s determination in 2014 that it was factors other than the small and stable level of subject imports that explained the performance of Allegheny Steel remains true today.

Also ignored by AK Steel is that another company – Big River Steel – has built a major new plant in Arkansas, and is planning to use this facility to enter the electrical steel market. The company has invested \$1.3 billion into a new plant that will allow it to target high-end electrical steels, including GOES.<sup>26</sup>

## 2. There Is No “Surge” in GOES Imports

AK Steel claims that it is confronting a “surge” of GOES.<sup>27</sup> Yet as shown in Attachment B, the level of imports over the last decade has remained within a narrow band, especially when compared with the large U.S. market for GOES. The ITC analyzed the 2011-13 time period, during which imports of GOES averaged just over 31,000 metric tons per year. In the two full years since that case ended (*i.e.*, for 2015 and 2016), GOES imports averaged 30,612 metric tons, as shown in Attachment B-2. By contrast, the U.S. market for GOES exceeds 200,000 metric tons of consumption each year.

In fact, as developed in detail in Attachment A, imports of GOES have been stable for *more than two decades*. This is shown by official GOES import statistics, which show that while there is some variation from year to year, imports of GOES have been remarkably consistent for the last 21 years (which is as far back as the ITC’s official statistics extend). The average level of GOES imports over the last 21 years is 29,046 metric tons, just a bit below 2016 levels of imports of 33,913 metric tons. The consistency of this level of imports can be seen by

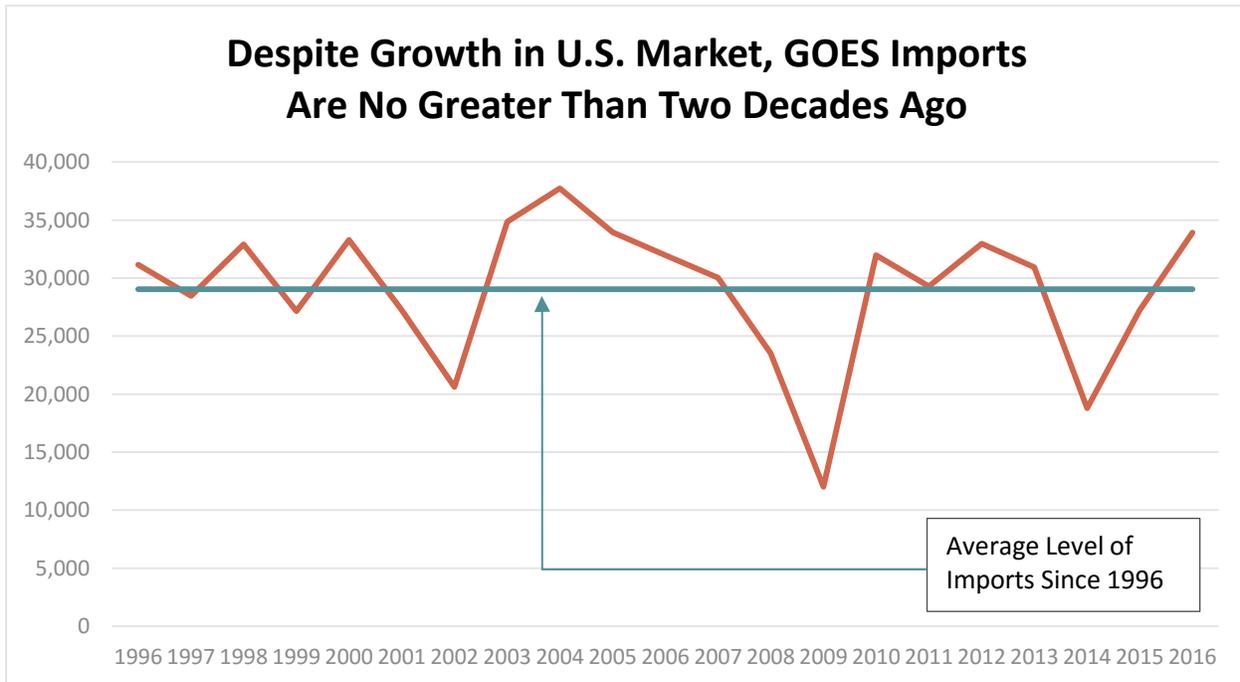
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<sup>25</sup> See Commerce Hearing at 1:01:20 (statement of Mr. Newport, CEO of AK Steel).

<sup>26</sup> See Michael Cowden, “Rebel’ Approach Sets Big River Apart,” American Metal Market Apr. 7, 2017), <http://www.amm.com/Article/3707641/Rebel-approach-sets-Big-River-apart-CEO.html> (“Big River Steel expects to be making both next-generation, high-strength steels and electrical steels within two years. For electrical steels, that includes all nine grades of motor lamination steel, semi-processed and fully processed non-grain-oriented steel as well as grain-oriented steels – including “Hi-B” grain-oriented steels.”).

<sup>27</sup> See Commerce Hearing at 1:02:10 (statement of Mr. Newport, CEO of AK Steel).

taking five-year snapshots of the import data, which show imports of 33,913 MT in 2016, 29,288 MT in 2011, 31,984 MT in 2006, 27,225 MT in 2001, and 31,148 MT in 1996.<sup>28</sup>



This is an irrefutable two-decade study in the consistent level of imports, which have remained at small and stable levels for years. While imports may in some years rise or fall over the approximately 30,000 metric tons per year, the average remains consistently at this long-term level. In fact, if one takes into account that the U.S. consumption of GOES has generally risen by approximately three percent a year for decades, the fact that the import levels have remained right around the 30,000 metric ton mark shows that imports of GOES are gradually becoming a smaller part of the overall 200,000 metric ton U.S. market. This is not the stuff of which tales of import surges can be made.

Further proof of the inherently stable level of subject imports is provided by considering the level of subject imports before and after the sunset of the previous orders on GOES, which were in place from 1994 through 2006 on GOES from Italy and Japan. These antidumping duty orders were revoked effective March 14, 2006.<sup>29</sup> Although there was some increase in imports from those two countries, there was no impact on the overall level of imported GOES (or, therefore, the level of sales of the U.S. industry). As shown in Attachment C, imports of GOES actually *fell* after revocation, from an average level of 30,735 metric tons of

<sup>28</sup> The full statistics are found in Appendix A.

<sup>29</sup> See Dep't of Commerce, "Grain-Oriented Electrical Steel from Italy and Japan: Final Results of Sunset Reviews and Revocation of Orders," 71 Fed. Reg. 15,376 (Mar. 28, 2006).

GOES to a post-revocation average of 27,510 metric tons. Further, even if the two lowest years are removed from consideration (2009, where imports were driven down by the recessionary drop in demand, and 2014, when the filing of the prior GOES antidumping and countervailing duty petitions might have temporarily suppressed imports), it still remains true that imports of GOES were lower than before 2006 (*i.e.*, falling from an average of 30,735 metric tons to 30,201 metric tons).<sup>30</sup>

These statistics provide powerful evidence that the natural level of GOES imports and the demand for same always remains around 30,000 metric tons, or around 15 percent or so of the U.S. market. Given that much of these imports are of forms of GOES that are not produced by the U.S. industry, such as heat-proof, domain-refined GOES, or particularly narrow forms of GOES that are not produced by the U.S. industry, this is an entirely reasonable (and stable) level of GOES imports.

### **3. Outside of the Trade Arena, AK Steel Acknowledges It Is Well-Poised to Grow Its GOES Business**

AK Steel claims it is threatened with substantial injury due to rising GOES imports. This claim is contrary to the information already noted by the ITC, and still true today, which is that there is a small and stable level of imports in the U.S. market – hardly the crisis portrayed by AK Steel.

But just as importantly, it is interesting to note how AK Steel is portraying its condition to its own investors, as recently as the spring of 2017. For example:

- In its presentation to Bank of America and Merrill Lynch (March 29, 2017), AK Steel highlighted that it was “Upgrading Product Mix to Enhance Margins,” while showing that its stainless/electrical steel mix had increased from 12 to 14 percent of its production between 2015 and 2016.<sup>31</sup> It further touted the advantages of “more stringent energy efficiency standards” and that it was “[w]ell positioned for growth in hybrid and electric vehicles.”<sup>32</sup> AK Steel also noted that due to its U.S. monopoly status, it was in a strong position to capitalize on these trends because it was the “[o]nly domestic producer of infrastructure critical grain-oriented electrical steels.”<sup>33</sup> AK Steel also stated that it was able to achieve its debt reduction targets due to completing new equity offerings and refinancing its notes with “the lowest interest rate

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<sup>30</sup> See Attachment C.

<sup>31</sup> AK Steel, Presentation to Bank of America Merrill Lynch (Mar. 29, 2017) at 13, <http://ir.aksteel.com/getattachment/21c04e17-9eda-451e-b43a-c69e85d72dcc/Bank-of-America-Merrill-Lynch>.

<sup>32</sup> *Id.* at 14.

<sup>33</sup> *Id.*

ever achieved by AK Steel”<sup>34</sup> while simultaneously touting its increasing margins in 2016<sup>35</sup> and that it had “Significantly Improved” its balance sheet.<sup>36</sup>

- Just last month on its May 11<sup>th</sup> “Investor Day” presentation, AK Steel made similar points regarding the strength of its U.S. monopoly position to take advantage of increasing demand.<sup>37</sup> AK Steel also noted that for both the United States and Europe, “More Stringent Efficiency Standards Play to the Strength of AK Steel,”<sup>38</sup> while noting that despite a small dip in shipments, its margins were still increasing.<sup>39</sup>

Again, these positive developments were all anticipated by the ITC, which noted that “because of aging transformers, there has been a small increase in the replacement market over the historical rate of 3 percent a year,” at the same time that growing housing starts (which have accelerated since 2014) are increasing demand for GOES.<sup>40</sup> Further, in its analysis of the threat of material injury – which basically would apply to the time period of right now – the ITC noted that “anticipated trends in housing starts and commercial use” indicated that demand was likely to continue to increase.<sup>41</sup> Indeed, demand for housing has only accelerated since 2014. Further, as Petitioners conceded at the ITC hearing in the 2014 investigation, the ongoing shift of smaller transformer demand from non-grain oriented steel to GOES will increase the share of GOES used in the small transformers market from 30 to 90 percent of that market, further buttressing GOES demand.<sup>42</sup>

#### **4. There Is No Support for AK Steel’s Claim That It Needs Section 232 Relief Because It is “Battling Global Overcapacity”**

AK Steel claims that it needs trade restraints because it is “battl[ing] global overcapacity.”<sup>43</sup> This statement on its face, however, only looks at the supply side of the equation – not demand. As noted above, the level of imports of GOES to the United States always has been small and stable, as demonstrated by Attachment A. But even beyond this basic point, as the ITC noted, this is not a product where the United States is the most attractive market. As the

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<sup>34</sup> *Id.* at 19.

<sup>35</sup> *Id.* at 29.

<sup>36</sup> *Id.* at 30.

<sup>37</sup> See AK Steel, Investor Day (May 11, 2017), <http://ir.aksteel.com/getattachment/d64132cf-c32b-47d7-a5e8-82c4ab996710/Investor-Day-May-11,-2017>.

<sup>38</sup> *Id.* at 69.

<sup>39</sup> *Id.* at 79.

<sup>40</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 17-18.

<sup>41</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 32.

<sup>42</sup> See Prelim. Tr. of the Grain-Oriented Electrical Steel ITC Proceedings at 70-71 (noting that this increase will occur because current transformers made with NOES “barely meet requirements today, and the requirements will be raised and it will make non-oriented, NOES steels, unusable”) (statement of Mr. Schoen).

<sup>43</sup> See Commerce Hearing at 58:40 (statement of Mr. Newport, CEO of AK Steel); see also *id.* at 56:59 (“Broad-based action is the only way to target all imports and also address the root cause of the current crisis: chronic overcapacity in countries that do not operate on a market basis.”) (statement of John Periola, CEO of Nucor).

ITC discussed in its final determination, non-U.S. markets are larger and growing more quickly than the U.S. market. The U.S. market is primarily driven by replacements for transformers, which are needed relatively infrequently. In the developing world, however, demand is driven by the need to create a modern electrical infrastructure, which gobbles up GOES in the creation of new transformers and an entire electrical grid.

Further, due to the faster-growing economies that can be found in the developing world (as compared to the mature U.S. market, which is characterized by a long-ago developed electrical grid), prospects for sales are greater in other countries. As the Staff Report to the ITC 2014 determination notes, most demand for GOES is outside of the United States, where demand also is growing the most quickly. Just one country – China – consumes more than thirty percent of global GOES production (an estimated 1 million tons or more of GOES each year) and *imports* hundreds of thousands of GOES each year. Other Asian markets also represent a strong and growing source of GOES demand, as are other developing markets.

Further, the ITC GOES Staff Report notes that the evidence showed little evidence of substantial excess capacity in the GOES industry – which is, of course, consistent with the long-standing small and stable share of the U.S. market served by imports of GOES. With regard to claims that there is excess capacity available to target the U.S. market, the GOES ITC Staff Report negates this claim. Unlike the situation with many products (steel and otherwise), the Staff Report notes that capacity utilization figures “suggest[] that the Chinese producer may have little additional capacity to increase production of GOES,”<sup>44</sup> with Chinese capacity being unlikely to be used to serve the U.S. market because the Chinese industry has developed strong sales opportunities outside the United States, as nearly all sales of Chinese GOES are either to the Chinese market or to non-U.S. markets.<sup>45</sup> And with regard to Japan, another major supplier of GOES, the Staff Report notes that capacity utilization figures “suggest[] that Japanese producers may have limited additional capacity to increase production of GOES,” while commitments to non-U.S. customers also are high.<sup>46</sup>

In short, exporting more products to the United States would be economically irrational. While the U.S. market boasts demand that continues to grow, other countries where non-U.S. GOES producers operate represent more important sales priorities. As the GOES ITC Staff Report notes, the U.S. market is one where demand is driven by the replacement market (approximately 75 to 80 percent of the market).<sup>47</sup> By contrast, in other countries where the power grid is being built out, there are opportunities to satisfy both replacement and new transformer demand.<sup>48</sup>

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<sup>44</sup> GOES from Germany, Japan, and Poland Staff Report at II-5 to II-6.

<sup>45</sup> GOES from Germany, Japan, and Poland Staff Report at II-6.

<sup>46</sup> GOES from Germany, Japan, and Poland Staff Report at II-9 to II-10.

<sup>47</sup> GOES from Germany, Japan, and Poland Staff Report at II-15.

<sup>48</sup> GOES from Germany, Japan, and Poland Staff Report at II-16.

As the ITC summarized the evidence:

A rather high portion of the aggregate production of GOES in the subject countries was used to meet home market demand. Shipments to the home market increased over the period and are expected to continue to increase. Exports to other markets increased between 2011 and 2013 and are projected to increase in the future as well. The ratio of subject export shipments to the United States as a share of total shipments was steady throughout the period and is projected to remain so in the future. The data indicate that the United States is not a principal export market for the cumulated subject industries. In view of the subject industries' projection of increasing shipments to the home market and exports to other countries, and their very limited reliance on the U.S. export market, we find that significantly increased imports of the subject merchandise into the United States are not likely in the imminent future. Although U.S. prices for GOES have been and will likely continue to be higher than prices in other markets, this is not a factor that led the subject industries to direct an appreciably larger share of their export shipments to the United States from 2011 to 2013, and there is no indication in the record that this is likely to change.<sup>49</sup>

In short, demand for GOES is slated to rise over the imminent future in both the United States and elsewhere, but with non-U.S. markets representing the best opportunities for sales. With growth prospects being strongest in developing countries, those markets will continue to be the focus of non-U.S. producers. The current situation, where GOES sales to the U.S. market are small and stable, is unlikely to change.

##### **5. AK Steel's Repeated Claim that It Needs Section 232 Relief to Combat Chinese Imports Is Belied by the Facts**

At the Commerce Hearing, numerous steelmakers claimed that special Section 232 relief is needed because of the need to combat Chinese overcapacity and targeting of the U.S. market. Indeed, AK Steel also has raised this same point, stating in its 2016 Annual Report that it is "work[ing] with the administration to identify long-term solutions to address unfair trade and global steel overcapacity, which is driven primarily by China."<sup>50</sup>

It is beyond the scope of this paper to comment on imports of steel from China in general. But with regard to GOES, there is no factual basis to claim Chinese imports are threatening to overwhelm the GOES market. China largely sells its production either internally or to

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<sup>49</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 33.

<sup>50</sup> 2016 AK Steel Annual Report and Form 10-K, "A Message from Roger K. Newport," <http://ir.aksteel.com/getattachment/3f28dd55-5556-4125-b2fa-600782ff34c6/2016-Annual-Report>.

other, faster-growing regions outside the United States, particularly in Asia. This is an entirely rational strategy, as shown by the following excerpt from Metal Bulletin Research:

According to MBR, China is the largest global consumer of GOES. China, together with India, Latin America, and the Middle East, among other emerging markets, reportedly account for over one-half of global demand for GOES. Looking forward, MBR estimates that global demand for GOES will grow by 3.7 percent annually between 2011 and 2020, compared with 6.0 percent annually between 1996 and 2011. Emerging markets are anticipated to account for 70 percent of global demand for GOES by 2020.<sup>51</sup>

Statistics regarding exports from China confirm the accuracy of these statements. As shown in Appendix D, imports from China have always been small – far less than one percent of the U.S. market. In only two years have exports to the United States exceeded even 500 metric tons, and the previous time they rose above that level in 2013, where exports to the United States rose to 1895 metric tons, they promptly fell back to 311 metric tons the next year.<sup>52</sup> Even at current levels, Chinese imports do not exceed 1 percent of the U.S. GOES market, with overall levels of imported GOES continuing to remain small and stable, as shown in Attachment A. Claims that Chinese imports are targeting the United States are contrary both to the actual level of Chinese imports and all evidence that markets outside the United States – including in China itself – represent larger and faster-growing areas of growth and markets of most interest to Chinese producers.

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There is no indication that the U.S. GOES industry needs any type of protection from imports. Further, as discussed in detail below, the case for such restraints are even weaker with regard to certain forms of specialty GOES that are only produced outside the United States or with regard to downstream products, which have been so substantially changed that they no longer are even forms of GOES and have never been included in prior trade proceedings involving GOES.

### **III. HEAT-PROOF, DOMAIN-REFINED GOES SERVES A CRITICAL ROLE IN THE U.S. INDUSTRY AND SHOULD BE EXEMPT FROM ANY TRADE RESTRICTIONS PLACED ON GOES**

As noted in Part I, there is a range of GOES products, of varying efficiencies, which are made by both AK Steel and non-U.S. producers. This continuum of products – and overlapping production capabilities – abruptly ends with one form of GOES, which is heat-proof, domain-refined GOES.

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<sup>51</sup> GOES from Germany, Japan, and Poland Staff Report at VII-48 to VII-50.

<sup>52</sup> See Attachment D.

Domain-refined GOES in general is an important, premium-priced product because it is the only product that can be used in high-efficiency, low core loss transformer applications. But of particular importance is the way in which the domain refining occurs. Under the process used by the U.S. industry, lasers are used to heat the surface of the GOES to create the small lines that cause the domain refining. By contrast, the main producers of domain-refined steel in Japan – JFE Steel and Nippon Steel – have each developed proprietary, patent-protected forms of domain refining. JFE Steel uses an electrolytic etching methodology to scribe the steel while Nippon Steel & Sumitomo Metal Corporation (“NSSMC”) uses a precise form of mechanical scribing.

This difference is critical. The laser etching method used by the U.S. industry only holds if the GOES is not reheated. The methods used by JFE Steel and NSSMC, however, create what is known as “heat-proof” domain-refined GOES. This fact was noted repeatedly by the ITC in the GOES Final Determination, where it summarized the attributes of the Japanese product while noting that the “domestic industry does not produce high-permeability, heat-proof GOES that is supplied by the subject imports” from Japan.<sup>53</sup>

This product is critical to the types of high-efficiency transformers that are most important to satisfy the increasingly stringent DOE efficiency requirements, which took effect in 2016.<sup>54</sup> As the ITC summarized the situation:

[L]aser-scribed GOES (or “nonheat-proof GOES”) is not suitable for producing wound-core transformers, which require superior core-loss properties, but must undergo heat treatment to relieve internal stresses (which increase core losses) accumulated from the manufacturing process. By contrast, domain-refined GOES produced by mechanical scribing or electrolytic etching (*i.e.*, “heat-proof GOES”) retains its enhanced magnetic characteristics even through stress-relief treatment. There is no known production of mechanically scribed or electrolytically etched heat-proof GOES in the United States.<sup>55</sup>

Heat-proof domain-refined GOES is produced only in Japan. Certain types of transformers specifically are designed to use the unique properties of heat-proof domain-refined GOES. In particular, one particularly high efficiency type of transformer relies on woven cores. Woven cores can *never* use any type of GOES that is not heat-proof – including *any* type of GOES produced by AK Steel – because the woven core *must* be reheated after it is rewound to relieve internal stresses.<sup>56</sup>

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<sup>53</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 20.

<sup>54</sup> The Energy Policy and Conservation Act, 42 U.S.C. § 6317(a)(2), required that the DOE adopt energy conservation standards for most types of transformers. These standards were imposed in 2010 and became effective in 2016.

<sup>55</sup> See Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 7.

<sup>56</sup> See Staff Report at II-17.

Producers of these extremely high-efficiency woven-core transformers have formulated their entire product around the availability of Japanese heat-proof GOES. These specialized wound transformer designs cannot, under any circumstances, use GOES from AK Steel (or from any producer that is not JFE Steel or NSSMC). Further, due to the DOE energy regulations – which identify as a national priority the program to increase the efficiency of the U.S. electrical grid and electrical infrastructure – the production of these high-efficiency woven-core transformers is a critical aspect of a U.S. national security initiative.

The fact that there is an entire industry that relies on a form of GOES that is not produced by the U.S. industry inevitably leads to these conclusions:

- The U.S. industry has no reasonable interest – national security-based or otherwise – in imposing trade restrictions on heat-proof, domain-refined GOES.
- Restricting the ability of woven-core manufacturers to purchase the Japanese heat-proof, domain-refined GOES would harm a downstream industry that is critical to the completion of a national security initiative to increase the efficiency of the U.S. electrical grid.
- Restricting the ability of woven-core manufacturers to produce their own products would harm U.S. manufacturing and cause the loss of downstream manufacturing jobs, all for the protection of a product that is not and cannot be made by the U.S. industry.

As noted above, the U.S. GOES industry is not a suitable candidate for trade protections, as it is not suffering any form of injury that can be traced to imports. But the case for any type of restriction on heat-proof, domain-refined GOES is non-existent, because the product is not even produced by any U.S. manufacturer. It necessarily follows that any section 232 trade remedy should exempt this product. Any other result would harm U.S. national security by hampering the ability of transformer producers who rely on woven cores to produce the high-efficiency cores and transformers that increase the efficiency of the U.S. electrical grid and distribution infrastructure.

#### **IV. THERE IS NO BASIS TO INCLUDE DOWNSTREAM PRODUCTS, SUCH AS LAMINATED STEEL, WOVEN CORES, OR OTHER TRANSFORMER INPUT PRODUCTS, WITHIN THE SCOPE OF ANY SECTION 232 TRADE REMEDY**

At the Commerce Hearing, AK Steel argued that “[t]o effectively address the vital national security interests of the United States and to protect the domestic electrical grid for the long run, the Department of Commerce must include imported cores and transformers in any relief that covers imports of electrical steel.”<sup>57</sup> Presumably, since AK Steel is arguing in favor of

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<sup>57</sup> See Commerce Hearings at 1:02:25 (statement of Mr. Newport, CEO of AK Steel).

including actual cores and even transformers within the scope of this investigation, it also favors including laminated steel (sometimes known as laminations), which is an input product that is created from GOES as an intermediate step in the creation of cores and transformers.

This attempt to vastly expand the scope of this investigation has no basis in the purpose of the statute and make no logical sense. As a starting point, this Section 232 National Security Investigation is explicitly aimed at “steps that should be taken to adjust steel imports,” not any product that happens to be made from steel.<sup>58</sup> Steel is used in a wide variety of products, from pots and knives to automobiles to household appliances. According to the American Iron and Steel Institute, the average U.S. person uses over 27,000 pounds of iron in his or her lifetime, with most of this being in the form of downstream products, not raw steel. Apparently the view of AK Steel is that where trade remedies are concerned, all of these downstream products are potentially subject to trade remedies so long as the U.S. steel industry so desires, without any consultation or input from these myriad downstream producers.

The fact that AK Steel is willing to argue for the inclusion of transformers, in and of itself, reveals that its proposal is not grounded in reality. The value of the GOES in a transformer can be as little as nine percent.<sup>59</sup> Transformers are complex products, with lengthy production cycles and numerous manufacturing steps, most of which do not involve GOES, which is generally used just in the transformer core.<sup>60</sup> By contrast, the amount of steel contained in a household appliance can be as great as 75 percent,<sup>61</sup> with likely a comparable level of value being added by the steel. Including transformers within the scope of any GOES trade restraints, when both the value and the physical inputs largely are not GOES, would be the proverbial GOES tail wagging the downstream dog.

Even where cores for eventual input into transformers are involved, the downstream ambitions of AK Steel makes no sense. Transformer cores have been substantially transformed into another product, and are treated as entirely different products under both NAFTA and traditional Commerce substantial transformation rules. Even in trade filings the products have been treated separately: there have been cases on power transformers and cases involving GOES,<sup>62</sup> but in neither action has the other product been included. Never before have the twain met in any trade proceeding, and so should it continue to be.

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<sup>58</sup> 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, 19,205-06 (Apr. 26, 2017).

<sup>59</sup> See Staff Report at II-12 (“GOES accounts for a small share of the cost of power transformers, which is the primary end-use product in which it is used. Most importers and purchasers reported cost shares of 9 to 43 percent for power transformers.”).

<sup>60</sup> See Ronnie Minhaz, “Transformer Manufacturing Process,” <http://sites.ieee.org/gms-pes/files/2014/11/Transformer-Manufacturing-Processes.pdf>.

<sup>61</sup> See “Imagine LiFe Without Iron,” <http://minnesotairon.org/10-things-you-use-every-day-made-from-minnesota-iron/>.

<sup>62</sup> See, e.g., Dep’t of Commerce, “Large Power Transformers From the Republic of Korea: Second Amended Final Results of Antidumping Duty Administrative Review; 2012-

Far more sensible is the approach the Department of Commerce took in the latest GOES proceeding – with the support of the U.S. industry. At the time of initiation, in accordance with its normal practice, Commerce requested that the parties provide written scope comments. In that proceeding, POSCO (a Korean GOES manufacturer) submitted comments stating that downstream products manufactured from GOES should be excluded, on the basis that “the physical and mechanical properties of the steel can be altered by any combination of the stamping or shearing, heat treatment, additional coating processes for laminations or stamping, molding, and stacking for cores.”<sup>63</sup> The U.S. industry agreed it did not wish relief on lamination products that were: “(1) cut-to-shape of the final design in which they will be incorporated into a stacked core; (2) subjected to additional post-processing heat treatment; and (3) potentially punched to create holes in their surface and subjected to additional coating processes.”<sup>64</sup> The Department further noted that products that “are in the ‘drop in’ condition and suitable for production of cores without any further cutting/shaping, then based on the petitioners’ January 24, 2014 letter, these products should not be reported as subject merchandise.”<sup>65</sup>

As a result of these comments, as well as the agreement by Petitioners, the final scope contained the following exclusion:

Excluded are flat-rolled products not in coils that, prior to importation into the United States, have been cut to a shape and undergone all punching, coating, or other operations necessary for classification in Chapter 85 of the HTSUS as a transformer part (*i.e.*, laminations).

Chapter 85 (HTS 8504.90.96) provides for coverage of “laminations for incorporation into stacked cores,” “stacked cores for incorporation into transformers,” and “wound cores for incorporation into transformers.” By contrast, GOES products, which are found under such Harmonized Tariff System classifications as 7225.11.0000, include GOES in its various forms.

This distinction, as found in the HTS and in the prior GOES proceeding, makes eminent sense here as well. This is an investigation of steel – not of every product that happens to be made of steel. Expansion to products composed of as little as nine percent of one form of steel would turn this investigation into a review of the majority of all manufactured products, many of which have similar or higher levels of steel within. That entirely subverts the purpose of a trade remedy investigation in general and the specifically stated scope of this one. Such a broad-based expansion makes no sense on any level.

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2013,” 80 Fed. Reg. 35,628 (Jun. 22, 2015).

<sup>63</sup> See Memorandum to Paul Piquado from Christian Marsh, “Decision Memorandum for Preliminary Determination of the Antidumping Duty Investigation of Grain-Oriented Electrical Steel from Germany” (May 2, 2014) at 3. The discussion was identical for all of the GOES investigations.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.* at 4.

The argued-for expansion would have pernicious economic effects as well. Right now, the GOES industry is not operating under trade restraints, due to the ITC ruling in 2014 that there was no support in the record to support an affirmative determination and the 2006 determination to sunset the prior orders on Italy and Japan. This means that GOES suppliers, and transformer and core manufacturers, have long made their supply decisions based upon their investments in their global supply chain – not the presence of trade restraints. U.S.-based transformer manufacturers, in particular, have made investment decisions based upon the location of their production facilities, labor rates, and other supply chain efficiencies. It makes no sense to upset all of these arrangements, which would be costly to modify, through restrictions urged by a company that does not even make transformers or cores.

Extending trade restraints to cores and laminated steel would also undermine U.S. competitiveness in the transformer industries, which provide value-added service to the raw input and support numerous high-paying U.S. manufacturing jobs. U.S. manufacturers of transformers often have their U.S. facilities optimized to import cores, laminations, or other intermediate products. While the production of an intermediate product like laminations may not be cost-effective to manufacture in the United States, the high value added final production often is the source of the greatest level of manufacturing input, supporting both U.S. manufacturing jobs and U.S. design services and jobs. The ability to import input products allows the U.S. transformers industry to remain competitive, including with regard to imports from China and other low-wage countries. Restricting the ability to import cores or laminations would severely impact the ability of the U.S. transformer industry to continue to develop the types of high efficiency transformers required to meet the new DOE regulations and to increase efficiency standards still further.

Further illustration of the absurdity of the request of AK Steel is shown by the interaction of the request scope expansion with heat-proof, domain-refined GOES. As noted above, this is a product that AK Steel does not even make. Yet under the approach of AK Steel, a woven core transformer, produced in Mexico or Canada using Japanese heat-proof GOES, would be subject to section 232 trade restraints, even though it may not contain one bit of GOES that the U.S. manufacturer makes or even is in a position to sell.

AK Steel is a GOES manufacturer, not a laminations, core, or transformer company. Its bizarre scope request would be akin to a U.S. manufacturer of corrosion-resistant steel asking that a steel trade action include washers and dryers, or a manufacturer of cold-rolled steel requesting that the trade action include automobiles. The proposal makes no sense, no matter how considered.

**V. THE APPLICATION OF THE SECTION 232(B) FACTORS SUPPORTS A NEGATIVE FINDING FOR GOES, PARTICULARLY WITH REGARD TO HEAT-PROOF, DOMAIN-REFINED GOES AND DOWNSTREAM PRODUCTS MANUFACTURED FROM GOES**

According to the U.S. steel industry, “[b]road-based action is the only way to target all imports and also address the root cause of the current crisis: chronic overcapacity in countries that do not operate on a market basis.”<sup>66</sup> The U.S. industry also claims that steel restraints are needed to allow it to invest in the industry and to create new products, and that there should be no worries regarding the imposition of any restraints, because AK Steel has “sufficient production capacity to meet current and future estimated demand within the U.S.,” and that it can “quickly react to national emergencies.”<sup>67</sup>

As discussed below, AK Steel’s claim that section 232 restraints are needed to enhance the national security of the United States are backwards. Restrictions on the inputs needed to support the repair and growth of the U.S. electrical infrastructure, if implemented, actually would weaken the ability of U.S. utilities to attend to U.S. electrical infrastructure needs. This is best seen by considering the factors that were examined in the prior 2001 section 232 investigation of semi-finished steel and iron ore.

In reaching its determination, BIS considered the following factors in reaching its determination:

- Whether the Department of Defense’s “current and projected demand” for the product under investigation “can be readily satisfied by domestic production.”<sup>68</sup>
- Whether the “demand of critical industries” for the product under investigation “can be readily satisfied by domestic production.”<sup>69</sup>
- Whether the U.S. industry has and will have sufficient human resources needed for the production of the product under investigation.<sup>70</sup>
- Whether the product under investigation are from “diverse and ‘safe’ foreign suppliers,” such as those from U.S. allies.<sup>71</sup>
- Whether the level of imports is high enough to “fundamentally threaten to impair the capability of U.S. industry to produce the quantities” of the product under investigation needed to satisfy national security requirements.<sup>72</sup>

<sup>66</sup> Commerce Hearing at 56:59 (statement of John Periola, CEO of Nucor).

<sup>67</sup> See Commerce Hearing at 1:01:20 (statement of Mr. Newport, CEO of AK Steel).

<sup>68</sup> Dep’t of Commerce, “The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security” (Oct. 2001) at 1.

<sup>69</sup> *Id.* at 2.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

Application of these factors to GOES demonstrates there is no basis for the implementation of trade restraints on GOES, particularly with regard to heat-proof GOES or downstream products, such as laminates.

- ***Whether the Department of Defense’s “current and projected demand” for the product under investigation “can be readily satisfied by domestic production.”***

The Department of Defense is not a major purchaser of GOES. While the Department of Defense does have need for transformers in various applications, its need is a relatively modest amount of the total demand for GOES. AK Steel has not claimed that the Department of Defense needs more steel than it can produce, and given the large production facilities of AK Steel, such a claim would find little reasonable support.

- ***Whether the “demand of critical industries” for the product under investigation “can be readily satisfied by domestic production.”***

Section 232 directs that the Secretary of Commerce should consider “the impact of foreign competition on the economic welfare of individual domestic industries.”<sup>73</sup> Commerce also has previously stated that national security can be threatened by imports that “fundamentally threaten the viability of U.S. industries.”<sup>74</sup> Although the demand for steel by commercial transformer manufacturers is the overwhelming majority of GOES demand, any claim that the U.S. industry would entirely exit the GOES market is contrary to the presentations of AK Steel itself, which note increasing emphasis on production and sales of GOES as part of its strategy to move away from commodity steels. Further, with the level of imported GOES being a small and stable portion of the market, AK Steel is unlikely to exit the market, whether under pressure from GOES imports or otherwise, meaning that AK Steel will continue to be able to satisfy the demand from “critical industries.”

One tactic that the U.S. industry telegraphed in its comments to Congress and to Commerce was that all forms of GOES should be considered to be supporting “critical” uses. This method of analysis, however, is contrary to how Commerce conducted the iron ore and semi-finished steel investigation. In that investigation, Commerce “consulted with the Critical Infrastructure Assurance Office to identify those critical industries” and then assessed the need for just those industries for the product.<sup>75</sup> The Department also took into account that its analysis likely contained an over-inclusive approach, in that it assumed that the entire consumption by identified industries were

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<sup>72</sup> *Id.*

<sup>73</sup> *Id.* at 6.

<sup>74</sup> *Id.* at 7.

<sup>75</sup> *Id.*

serving national security and critical industry production.<sup>76</sup> A similar approach – including a recognition that not all consumption by an identified critical industry is necessarily itself critical – should be followed here as well.

While there is sufficient U.S. GOES supply to satisfy U.S. critical industries demand, a reasonable item that also should be considered is whether the U.S. industry can satisfy *all* demand – critical and otherwise. In this regard, in the hearing AK Steel claimed that it has “sufficient production capacity to meet current and future estimated demand within the U.S.,” and that it can “quickly react to national emergencies.”<sup>77</sup>

AK Steel’s claims are impossible to reconcile to the fact that AK Steel does not produce all forms of GOES consumed in the U.S. market. Although imports are a small and stable portion of the U.S. market, they serve a critical niche – particularly of the thinner and more efficient forms of GOES and the heat-proof, domain-refined variations – to allow U.S. consumers to have access to all the GOES they need. With these imports coming from stable, friendly countries to the United States, as developed in detail below, this safety valve of supplemental production is critical.

Further, AK Steel’s claims fall entirely flat with regard to the critical imports of heat-proof, domain-refined GOES. This product is not even produced by AK Steel, and is protected by patents that make it proprietary to the Japanese steel producers. Any claims that AK Steel can meet this demand are unsupported. As developed in detail above, the fact that the U.S. industry cannot produce this product strongly militates against the imposition of section 232 measures on heatproof, domain-refined GOES. National security cannot be served by restricting the ability of woven-core manufacturers to produce the high-efficiency transformers that depend on heat-proof, domain-refined GOES.

- ***Whether the U.S. industry has and will have sufficient human resources needed for the production of the product under investigation.***

So long as AK Steel maintains its production base, it will maintain sufficient human resources to continue to produce GOES. With regard to any resources needed to develop new forms of GOES, including ones needed for national security purposes, the ITC noted that “subject import have had no significant actual or potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product.”<sup>78</sup>

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<sup>76</sup> *Id.* at 14.

<sup>77</sup> See Commerce Hearing at 1:01:20 (statement of Mr. Newport, CEO of AK Steel).

<sup>78</sup> Grain-Oriented Electrical Steel from Germany, Japan, and Poland, Inv. Nos. 731-TA-1233, 1234, and 1236, Pub. 4491 (final) (Sept. 2014) at 35.

- ***Whether the product under investigation are from “diverse and ‘safe’ foreign suppliers,” such as those from U.S. allies.***

As shown in Attachment A, the main exporters of GOES vary from year to year, but generally include Japan, Canada, Germany, France, the United Kingdom, Poland, Canada, and Italy. Imports from China are small, and imports from Russia – which once were substantial – have sharply declined, as Russian producers are unable to produce the more expensive, higher-efficiency grades of GOES that now are primarily demanded due to DOE energy requirements.

In the iron ore and semi-finished steel investigation, the fact that imports of the merchandise under investigation came “from diverse and reliable trading partners” was a key factor supporting a finding of no national security interest.<sup>79</sup> The same is true for GOES as well.

- ***Whether the level of imports is high enough to “fundamentally threaten to impair the capability of U.S. industry to produce the quantities” of the product under investigation needed to satisfy national security requirements***

In the iron ore and semi-finished steel investigation, the Department determined that iron ore “account for a relatively minor share (approximately 20 percent) of total domestic production. Based on publicly available sources, the share of GOES imports (as shown in Attachment A) accounts for a far lower percentage of the U.S. market – approximately 15 percent. Further, given that much of these imports are of a product not produced by the U.S. industry – heat-proof, domain-refined GOES – the actual level of competitive imports is far less.

The application of these factors is even stronger with regard to heat-proof, domain-refined GOES. For this product, the national security interests of the United States dictate ready access to the product. Since it is not available from U.S. producers, imposing section 232 trade remedy restraints on the product would make it more difficult for the U.S. transformers industry to satisfy the national security need of enhanced-efficiency transformers.

Finally, the application of these factors militates in favor of the exclusion of laminations and other forms of downstream GOES products. These products often are manufactured by affiliates of U.S. transformer companies, often in Canada or Mexico. The importation of these products is not occurring due to the presence of unfair trade remedies and attempts to circumvent them, but rather due to the optimization of the supply chains of U.S. transformer manufacturers. Such imports do not threaten the

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<sup>79</sup> Dep’t of Commerce, “The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security” (Oct. 2001) at 28.

U.S. industry with injury, any more than the direct importation of the small and stable level of imports of GOES threaten the U.S. GOES industry.

## VI. CONCLUSIONS

The evaluation of the factors applied by Commerce in the semi-finished steel and iron ore report dictate that GOES should be excluded from any section 232 trade measures that might be imposed. In this regard, it is important to note the conclusions of Commerce in the iron ore and semi-finished steel investigation:

There can be no question that the U.S. steel industry generally – and their iron ore suppliers – have endured and continue to endure substantial economic difficulties. However, based on the information obtained during the course of this investigation, the Department is unable to conclude that imports of iron ore and semi-finished steel fundamentally threaten the capability of U.S. iron ore and semi-finished steel producers to satisfy national security requirements....

There is evidence ... that lower-priced imports have harmed, and threaten to continue to harm, domestic producers. However, there also is evidence that it is the broader steel market downturn – not imports of iron ore and semi-finished steel (which comprise only approximately 20 and 7 percent of U.S. iron ore and semi-finished steel consumption respectively) – that is principally to blame for the economic difficulties faced by U.S. iron ore and semi-finished steel producers.<sup>80</sup>

Here, economic circumstances are brighter than the recessionary forces faced by the steel industry in the prior review. But the basic conclusion – that it would be inappropriate to use economic forces that are unrelated to imports as an excuse to impose section 232 national security trade restraints – is equally true today.

As developed above, the ITC correctly determined in 2014 that the only issues causing injury to the U.S. GOES industry were self-caused, including the loss of exports to other countries by AK Steel and intra-industry U.S. price competition. These factors have nothing to do with imports of GOES, or of laminations, or even transformers that incorporate GOES. Putting in place trade restrictions on GOES would be contrary to how Commerce has preceded in the past, contrary to the publicly available evidence, and contrary to the representations that AK Steel has made to its own investors.

At the same time, such trade remedies would hurt downstream manufacturers, result in the loss of downstream manufacturing jobs, and impair the ability of U.S. electric utilities and

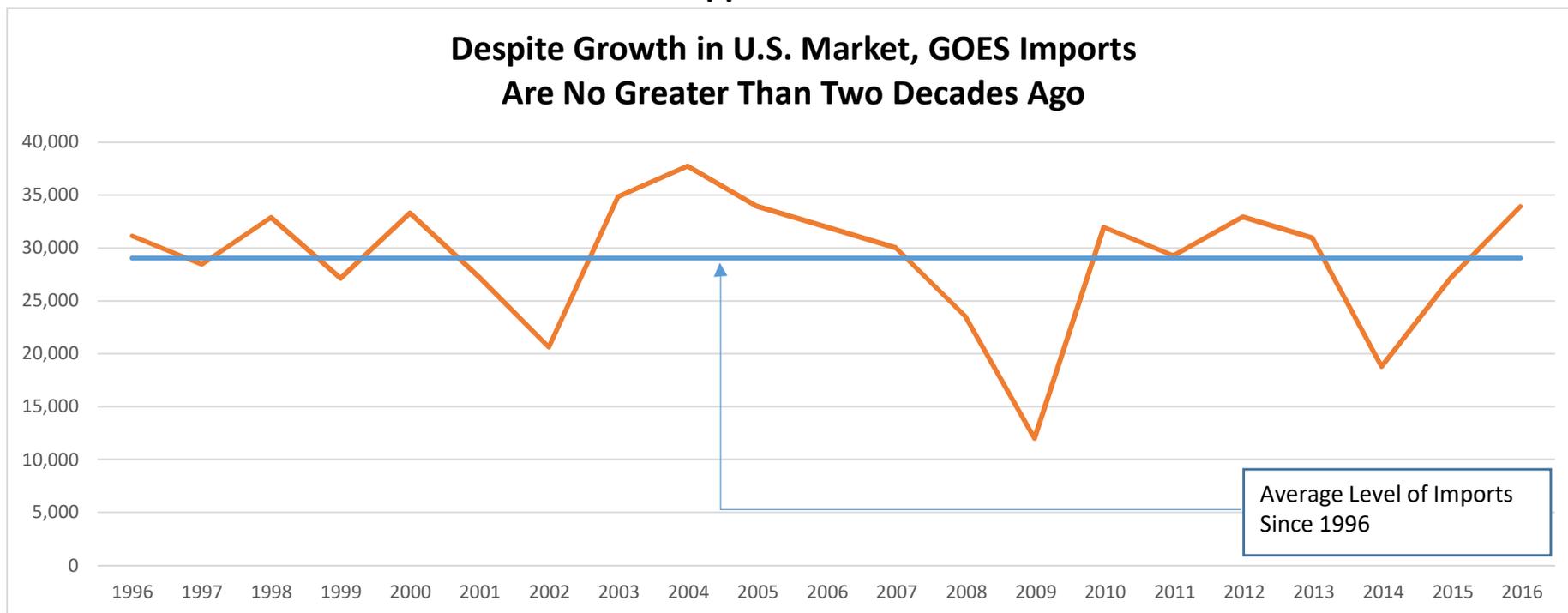
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<sup>80</sup> *Id.* at 37.

operators of the electrical grid to accomplish the DOE-mandated efficiency gains that require efficient and modern transformers. National security and the accomplishment of important national goals accordingly dictates that GOES in general, heat-proof, domain-refined GOES, and laminations and downstream products made from GOES should be exempt from any section 232 trade remedies imposed.

## Appendix A

### Despite Growth in U.S. Market, GOES Imports Are No Greater Than Two Decades Ago



### GOES Imports Have Been Steady for 21 Years

(Statistics for All Four GOES HTS Numbers)

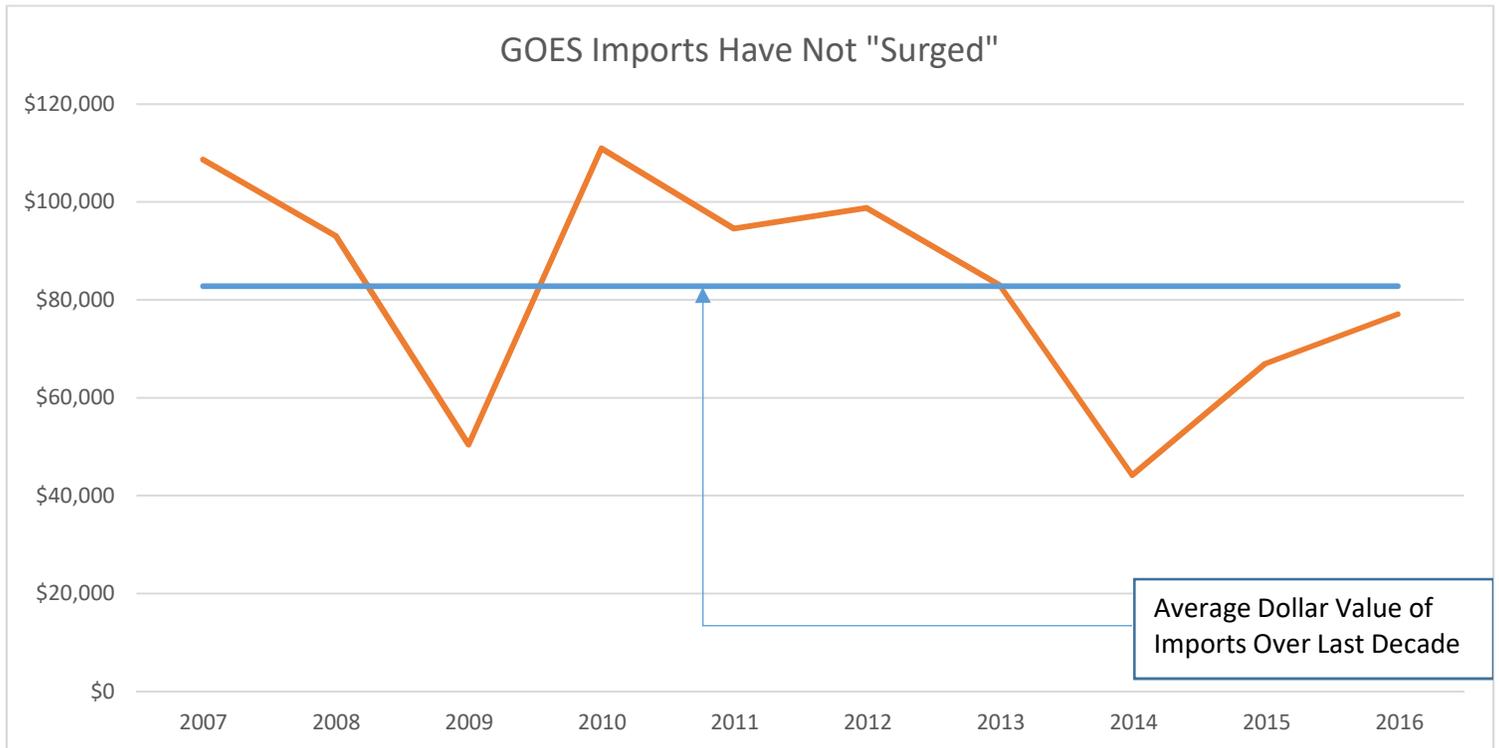
#### U.S. Imports for Consumption

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>In 1,000 Units of Quantity</i>																				
27,647	22,883	25,433	23,200	25,568	24,408	19,946	32,972	34,644	23,119	19,784	17,595	9,625	4,042	14,006	14,340	13,404	12,223	8,856	13,896	21,775
1,049	1,441	699	950	1,105	546	235	379	553	353	2,783	3,916	3,623	2,047	4,065	3,516	2,444	2,899	3,204	4,898	1,518
205	74	159	68	94	6	19	245	133	2,455	6,664	425	397	2,169	6,404	2,954	5,658	6,603	1,972	1,900	2,782
2,247	4,052	6,603	2,927	6,534	2,265	434	1,263	2,410	8,024	2,753	8,083	9,891	3,753	7,485	8,478	11,440	9,219	4,759	6,526	7,838
<b>31,148</b>	<b>28,450</b>	<b>32,894</b>	<b>27,145</b>	<b>33,301</b>	<b>27,225</b>	<b>20,634</b>	<b>34,859</b>	<b>37,740</b>	<b>33,951</b>	<b>31,984</b>	<b>30,019</b>	<b>23,536</b>	<b>12,011</b>	<b>31,960</b>	<b>29,288</b>	<b>32,946</b>	<b>30,944</b>	<b>18,791</b>	<b>27,220</b>	<b>33,913</b>
<b>Average for 21 Years:</b>					<b>29046</b>															

Source: ITC Dataweb

## Appendix B-1

### GOES Imports Remain at Historically Stable Levels



### U.S. Imports for Consumption (Thousands of Dollars)

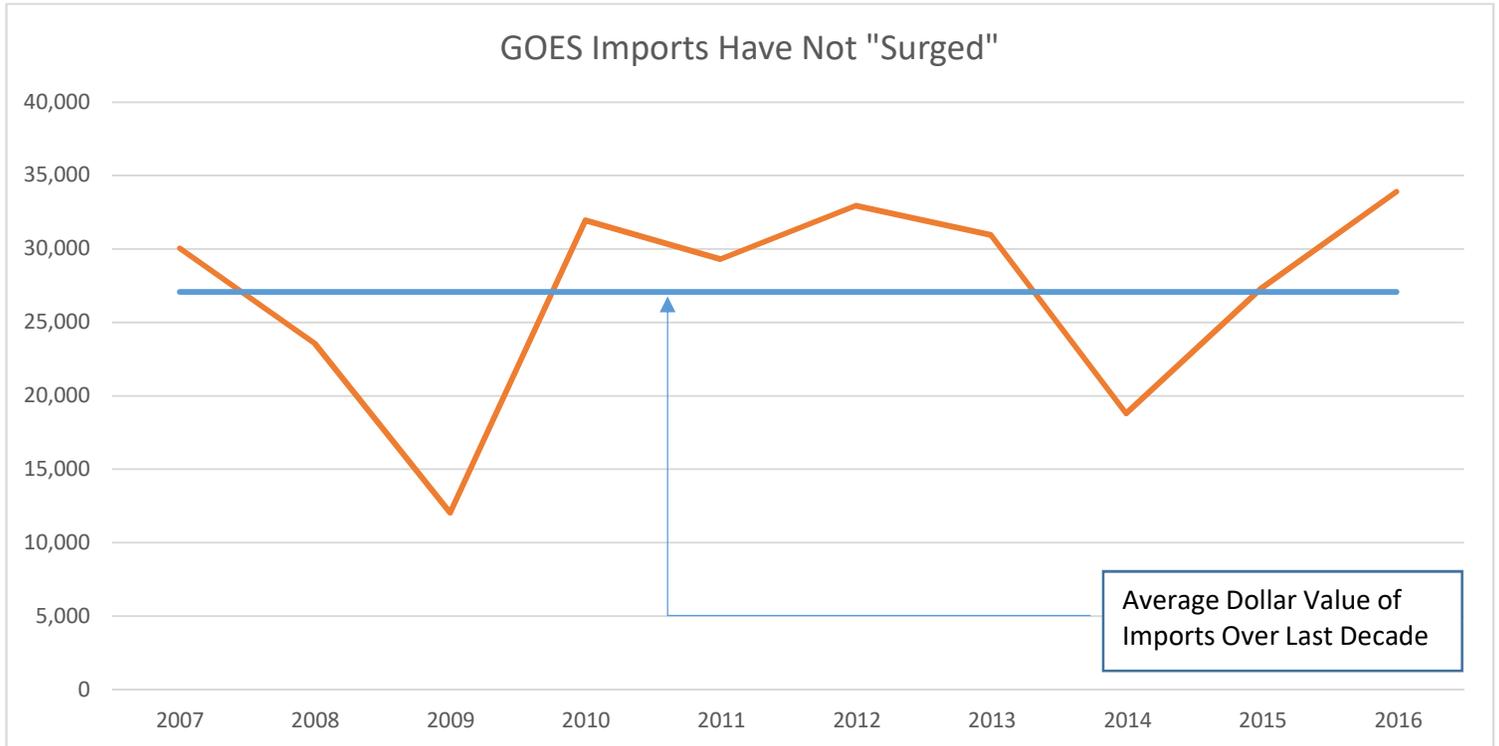
Product	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
7225.11.0000	\$61,376	\$36,107	\$15,283	\$44,686	\$40,399	\$35,706	\$27,326	\$17,497	\$30,766	\$44,161
7226.11.1000	\$16,361	\$15,556	\$9,270	\$14,285	\$13,798	\$7,979	\$8,013	\$9,870	\$14,402	\$6,109
7226.11.9030	\$1,649	\$1,728	\$10,075	\$25,113	\$9,930	\$17,845	\$19,039	\$5,186	\$4,882	\$6,915
7226.11.9060	\$29,270	\$39,677	\$15,785	\$26,885	\$30,465	\$37,260	\$28,694	\$11,610	\$16,866	\$19,862
<b>Total</b>	<b>\$108,656</b>	<b>\$93,068</b>	<b>\$50,413</b>	<b>\$110,969</b>	<b>\$94,592</b>	<b>\$98,790</b>	<b>\$83,072</b>	<b>\$44,163</b>	<b>\$66,916</b>	<b>\$77,047</b>

<b>Average Level of Imports over the Ten-Year Period:</b>										<b>\$82,769</b>
<b>Average Level of Imports over the ITC Three-Year Period:</b>										<b>\$92,151</b>

Source: ITC Dataweb

## Appendix B-2

### GOES Imports Remain at Historically Stable Levels



### U.S. Imports for Consumption (Kilograms)

Product	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
7225.11.0000	17,618	9,655	4,064	14,007	14,368	13,404	12,241	8,865	13,987	21,775
7226.11.1000	3,916	3,623	2,047	4,065	3,516	2,444	2,899	3,204	4,898	1,518
7226.11.9030	425	397	2,169	6,404	2,954	5,658	6,603	1,972	1,900	2,782
7226.11.9060	8,083	9,891	3,753	7,485	8,478	11,440	9,219	4,759	6,526	7,838
<b>Total</b>	<b>30,042</b>	<b>23,566</b>	<b>12,033</b>	<b>31,961</b>	<b>29,316</b>	<b>32,946</b>	<b>30,962</b>	<b>18,800</b>	<b>27,311</b>	<b>33,913</b>

**Average Level of Imports over the Ten-Year Period:** **27,085**

**Average Level of Imports over the ITC Three-Year Period:** **31,075**

Source: ITC Dataweb

## Appendix B Price Data

**HTS - 7225110000: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, OF A  
WIDTH OF 600MM OR MORE, GRAIN-ORIENTED  
Customs Value by Customs Value  
for ALL Countries**

**U.S. Imports for Consumption (Thousands of Dollars)**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Dollars</i>									
Austria	318	60	0	7	0	0	0	0	125	0
Belgium	0	0	0	0	0	0	0	0	0	645
Brazil	394	300	357	289	367	0	0	1,333	2,310	4,621
Canada	0	0	0	0	0	76	4	53	0	0
China	0	319	0	39	149	65	118	0	412	5,489
Czech Republic	3,351	0	116	3,395	6,028	4,834	6,429	2,918	5,840	5,643
France	472	1,823	88	1,167	2,226	488	311	6,935	788	0
Germany	14,341	4,531	853	2,122	7,670	5,061	3,843	1,451	778	27
Italy	25	18	0	0	0	0	3	0	0	40
Japan	1,383	1,549	4,950	33,901	16,109	11,821	11,398	2,944	10,365	11,853
Korea	0	0	1,426	1,800	5,834	11,064	4,675	988	8,912	11,621
Malaysia	0	0	0	0	0	0	0	611	374	0
Mexico	0	0	0	0	0	0	95	0	0	0
Poland	409	212	0	120	1,591	1,175	199	167	289	249
Romania	0	31	0	0	0	0	0	0	0	0
Russia	40,471	26,835	6,401	956	359	435	248	33	552	3,956
Sweden	14	0	32	0	7	0	0	17	0	0
Taiwan	0	0	23	0	24	0	0	0	0	0
United Kingdom	196	429	1,037	890	35	689	3	47	21	17
<b>Total</b>	<b>61,376</b>	<b>36,107</b>	<b>15,283</b>	<b>44,686</b>	<b>40,399</b>	<b>35,706</b>	<b>27,326</b>	<b>17,497</b>	<b>30,766</b>	<b>44,161</b>

Source: ITC Dataweb

## Appendix B Price Data

### HTS - 7226111000: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, GRAIN-ORIENTED, OF A WIDTH OF 300MM TO UNDER 600MM Customs Value by Customs Value for ALL Countries

#### U.S. Imports for Consumption (Thousands of Dollars)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Dollars</i>									
Belgium	0	0	607	19	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	6	44	0
Canada	61	371	286	497	311	422	402	461	286	24
China	0	0	0	0	0	127	0	0	17	13
Czech Republic	1,562	38	133	765	790	203	276	3	0	83
France	0	699	1,236	559	1,835	0	0	4,298	2,319	0
Germany	1,831	1,193	558	719	197	10	127	0	100	0
Italy	0	0	0	0	0	129	0	0	0	0
Japan	0	80	733	5,846	7,677	4,755	5,779	3,150	6,558	4,159
Korea	0	0	0	0	27	0	0	0	0	0
Mexico	0	0	0	0	0	0	0	0	0	97
Poland	73	0	0	663	0	66	0	0	0	83
Russia	5,176	7,200	1,252	213	369	749	352	24	3,593	908
United Kingdom	7,657	5,974	4,465	5,004	2,592	1,517	1,076	1,928	1,486	742
<b>Total</b>	<b>16,361</b>	<b>15,556</b>	<b>9,270</b>	<b>14,285</b>	<b>13,798</b>	<b>7,979</b>	<b>8,013</b>	<b>9,870</b>	<b>14,402</b>	<b>6,109</b>

Source: ITC Dataweb

### Appendix B Price Data

#### HTS - 7226119030: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL Customs Value by Customs Value for ALL Countries

#### U.S. Imports for Consumption (Thousands of Dollars)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Dollars</i>									
Brazil	0	0	0	0	0	0	53	221	8	0
Canada	0	91	67	235	129	575	126	561	111	120
China	0	0	0	0	0	723	4,923	760	121	520
Czech Republic	0	0	0	0	0	0	33	0	0	0
France	0	276	125	0	0	0	0	0	0	0
Germany	43	111	234	143	103	5	118	0	0	0
India	0	0	0	0	0	0	0	444	0	0
Italy	0	0	0	0	0	758	673	0	0	0
Japan	368	645	9,025	21,028	5,477	8,325	9,963	1,939	3,727	5,726
Korea	0	0	99	0	0	36	5	0	0	0
Mexico	0	0	0	0	0	131	0	0	0	0
Poland	0	0	0	3,182	2,864	6,659	1,644	129	0	3
Russia	1,132	411	99	0	16	9	498	252	256	299
Sweden	106	144	427	522	1,340	618	730	366	0	0
Taiwan	0	0	0	0	0	0	18	35	0	14
United Kingdom	0	49	0	3	0	4	256	479	658	234
<b>Total</b>	<b>1,649</b>	<b>1,728</b>	<b>10,075</b>	<b>25,113</b>	<b>9,930</b>	<b>17,845</b>	<b>19,039</b>	<b>5,186</b>	<b>4,882</b>	<b>6,915</b>

Source: ITC Dataweb

### Appendix B Price Data

#### HTS - 7226119060: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, GRAIN-ORIENTED, OF A WIDTH OF LESS THAN 300MM, OF A THICKNESS EXCEEDING 0.25MM

#### Customs Value by Customs Value for ALL Countries

#### U.S. Imports for Consumption (Thousands of Dollars)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Dollars</i>									
Brazil	150	0	66	0	150	24	66	57	590	11
Canada	179	988	4,624	5,477	4,582	5,508	6,283	5,107	2,101	345
China	0	0	0	0	0	324	371	0	467	273
Czech Republic	2,394	476	86	2,314	3,732	2,676	2,446	116	146	998
France	0	60	98	76	0	0	0	41	0	0
Germany	462	318	0	19	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0	0	3
Italy	2,989	4,678	0	55	505	412	0	0	0	0
Japan	1,792	2,695	362	14,140	13,964	13,314	13,918	1,191	5,134	5,414
Korea	0	152	365	539	367	7	7	0	0	5
Mexico	0	0	7	0	167	571	269	0	198	132
Poland	868	2,849	3,541	291	1,536	2,405	15	115	27	31
Russia	18,898	26,098	5,856	908	1,486	8,765	2,289	345	5,104	8,031
Sweden	0	0	25	0	40	0	0	0	0	0
United Kingdom	1,538	1,362	754	3,065	3,934	3,251	3,029	4,638	3,098	4,617
<b>Total</b>	<b>29,270</b>	<b>39,677</b>	<b>15,785</b>	<b>26,885</b>	<b>30,465</b>	<b>37,260</b>	<b>28,694</b>	<b>11,610</b>	<b>16,866</b>	<b>19,862</b>

Source: ITC Dataweb

## Appendix B Quantity Data

**HTS - 7225110000: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, OF A WIDTH  
OF 600MM OR MORE, GRAIN-ORIENTED**

**First Unit of Quantity by Quantity Description and First Unit of Quantity  
for ALL Countries**

**U.S. Imports for Consumption (Thousands of Kilograms)**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Units of Quantity</i>									
Austria	22	4	0	1	0	0	0	0	91	0
Belgium	0	0	0	0	0	0	0	0	0	345
Brazil	248	181	167	57	221	0	0	756	1,268	2,584
Canada	0	0	0	0	0	22	1	22	0	0
China	0	217	0	10	54	19	62	0	213	2,940
Czech Republic	1,101	0	39	1,463	2,452	2,033	3,427	1,609	2,697	3,250
France	118	375	17	446	781	175	159	3,633	370	0
Germany	3,906	1,040	200	872	3,102	1,959	2,183	767	369	23
Italy	1	1	0	0	0	0	1	0	0	30
Japan	430	447	1,309	9,949	4,924	4,197	4,155	1,177	4,273	5,182
Korea	0	0	467	534	2,080	4,022	1,989	433	4,122	5,269
Malaysia	0	0	0	0	0	0	0	332	214	0
Mexico	0	0	0	0	0	0	18	0	0	0
Poland	118	49	0	40	564	496	93	89	130	154
Romania	0	25	0	0	0	0	0	0	0	0
Russia	11,620	7,227	1,619	380	155	174	152	21	233	1,994
Sweden	1	0	2	0	8	0	0	9	0	0
Taiwan	0	0	19	0	20	0	0	0	0	0
United Kingdom	53	88	225	255	8	306	1	18	7	5
<b>Kilograms</b>	<b>17,618</b>	<b>9,655</b>	<b>4,064</b>	<b>14,007</b>	<b>14,368</b>	<b>13,404</b>	<b>12,241</b>	<b>8,865</b>	<b>13,987</b>	<b>21,775</b>

Source: ITC Dataweb

## Appendix B Quantity Data

**HTS - 7226111000: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, GRAIN-  
First Unit of Quantity by Quantity Description and First Unit of Quantity  
for ALL Countries**

**U.S. Imports for Consumption (Thousands of Kilograms)**

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Units of Quantity</i>									
Belgium	0	0	144	5	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	3	17	0
Canada	13	86	70	137	90	122	129	197	114	8
China	0	0	0	0	0	37	0	0	4	5
Czech Republic	399	9	32	228	239	59	98	1	0	29
France	0	123	221	140	531	0	0	1,108	675	0
Germany	456	257	104	183	46	3	39	0	29	0
Italy	0	0	0	0	0	42	0	0	0	0
Japan	0	18	207	1,808	1,781	1,494	2,111	1,187	2,049	975
Korea	0	0	0	0	6	0	0	0	0	0
Mexico	0	0	0	0	0	0	0	0	0	31
Poland	20	0	0	213	0	15	0	0	0	21
Russia	1,408	1,897	299	38	78	209	126	11	1,484	244
United Kingdom	1,621	1,233	969	1,313	747	463	397	697	526	204
<b>Kilograms</b>	3,916	3,623	2,047	4,065	3,516	2,444	2,899	3,204	4,898	1,518

Source: ITC Dataweb

## Appendix B Quantity Data

**HTS - 7226119030: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, GRAIN-ORIENTED, OF A WIDTH OF LESS THAN 300MM, OF A THICKNESS NOT EXCEEDING**  
**First Unit of Quantity by Quantity Description and First Unit of Quantity**  
**for ALL Countries**

## U.S. Imports for Consumption (Thousands of Kilograms)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Units of Quantity</i>									
Brazil	0	0	0	0	0	0	19	93	4	0
Canada	0	21	16	68	39	178	38	223	35	44
China	0	0	0	0	0	212	1,689	311	49	214
Czech Republic	0	0	0	0	0	0	11	0	0	0
France	0	47	29	0	0	0	0	0	0	0
Germany	8	19	47	40	31	1	36	0	0	0
India	0	0	0	0	0	0	0	189	0	0
Italy	0	0	0	0	0	222	276	0	0	0
Japan	141	195	2,004	5,183	1,430	2,229	3,382	746	1,494	2,331
Korea	0	0	21	0	0	9	1	0	0	0
Mexico	0	0	0	0	0	39	0	0	0	0
Poland	0	0	0	1,072	1,115	2,716	770	68	0	1
Russia	269	94	24	0	2	3	213	110	78	101
Sweden	7	10	27	41	337	48	61	27	0	0
Taiwan	0	0	0	0	0	0	12	23	0	10
United Kingdom	0	10	0	1	0	1	95	181	240	80
<b>Kilograms</b>	<b>425</b>	<b>397</b>	<b>2,169</b>	<b>6,404</b>	<b>2,954</b>	<b>5,658</b>	<b>6,603</b>	<b>1,972</b>	<b>1,900</b>	<b>2,782</b>

Source: ITC Dataweb

## Appendix B Quantity Data

**HTS - 7226119060: FLAT-ROLLED PRODUCTS OF SILICON ELECTRICAL STEEL, GRAIN-ORIENTED, OF A WIDTH OF LESS THAN 300MM, OF A THICKNESS EXCEEDING 0.25MM**  
**First Unit of Quantity by Quantity Description and First Unit of Quantity**  
**for ALL Countries**

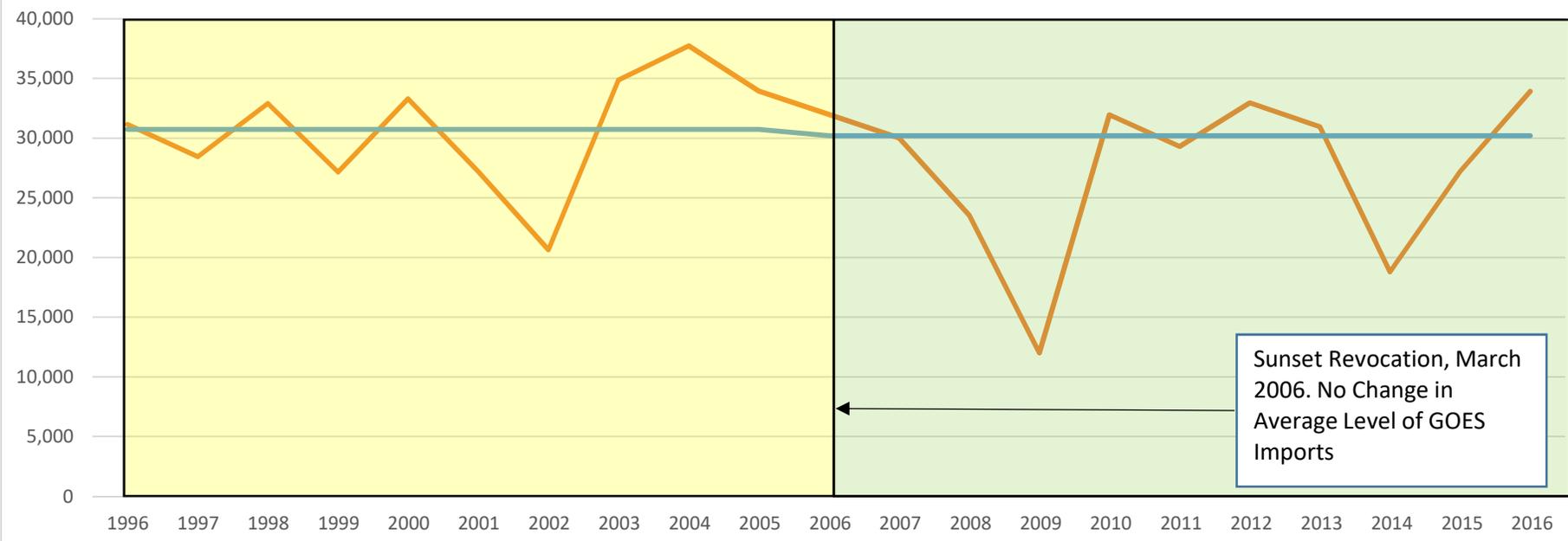
## U.S. Imports for Consumption (Thousands of Kilograms)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Units of Quantity</i>									
Brazil	41	0	21	0	44	6	22	20	250	5
Canada	49	252	1,114	1,568	1,422	1,719	2,056	2,206	857	133
China	0	0	0	0	0	104	144	0	190	104
Czech Republic	595	117	20	720	1,126	807	780	50	63	425
France	0	13	18	23	0	0	0	21	0	0
Germany	117	69	0	7	0	0	0	0	0	0
Ireland	0	0	0	0	0	0	0	0	0	0
Italy	566	844	0	21	177	127	0	0	0	0
Japan	540	645	88	3,856	3,529	3,447	4,192	467	1,889	1,914
Korea	0	33	101	151	93	2	2	0	0	1
Mexico	0	0	1	0	49	174	79	0	69	48
Poland	213	633	788	74	533	871	4	49	10	7
Russia	5,595	6,998	1,437	263	459	3,170	798	136	1,982	3,361
Sweden	0	0	6	0	9	0	0	0	0	0
United Kingdom	367	287	158	800	1,036	1,015	1,144	1,811	1,217	1,839
<b>Kilograms</b>	<b>8,083</b>	<b>9,891</b>	<b>3,753</b>	<b>7,485</b>	<b>8,478</b>	<b>11,440</b>	<b>9,219</b>	<b>4,759</b>	<b>6,526</b>	<b>7,838</b>

Source: ITC Dataweb

### Appendix C

GOES Imports: Before and After 2006 Sunset Revocation



### GOES Imports Have Been Steady for 21 Years

(Statistics for All Four GOES HTS Numbers)

#### U.S. Imports for Consumption

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>In 1,000 Units of Quantity</i>																				
27,647	22,883	25,433	23,200	25,568	24,408	19,946	32,972	34,644	23,119	19,784	17,595	9,625	4,042	14,006	14,340	13,404	12,223	8,856	13,896	21,775
1,049	1,441	699	950	1,105	546	235	379	553	353	2,783	3,916	3,623	2,047	4,065	3,516	2,444	2,899	3,204	4,898	1,518
205	74	159	68	94	6	19	245	133	2,455	6,664	425	397	2,169	6,404	2,954	5,658	6,603	1,972	1,900	2,782
2,247	4,052	6,603	2,927	6,534	2,265	434	1,263	2,410	8,024	2,753	8,083	9,891	3,753	7,485	8,478	11,440	9,219	4,759	6,526	7,838
<b>31,148</b>	<b>28,450</b>	<b>32,894</b>	<b>27,145</b>	<b>33,301</b>	<b>27,225</b>	<b>20,634</b>	<b>34,859</b>	<b>37,740</b>	<b>33,951</b>	<b>31,984</b>	<b>30,019</b>	<b>23,536</b>	<b>12,011</b>	<b>31,960</b>	<b>29,288</b>	<b>32,946</b>	<b>30,944</b>	<b>18,791</b>	<b>27,220</b>	<b>33,913</b>
<b>Average Import Levels, 1996-2005:</b>					<b>30735</b>					<b>Average Import Levels, 2006-2016:</b>					<b>27510</b>					

Source: ITC Dataweb

**Average Import Levels (w/o 2009 & 2014): 30201**

**U.S. Imports for Consumption from China**  
**(Thousands of Kilograms)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	<i>In 1,000 Units of Quantity</i>									
7225.11.0000	0	217	0	10	54	19	62	0	213	2,940
7226.11.0000	0	0	0	0	0	37	0	0	4	5
7226.11.9030	0	0	0	0	0	212	1,689	311	49	214
7226.11.9060	0	0	0	0	0	104	144	0	190	104
<b>Total</b>	<b>0</b>	<b>217</b>	<b>0</b>	<b>10</b>	<b>54</b>	<b>372</b>	<b>1895</b>	<b>311</b>	<b>456</b>	<b>3263</b>