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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: Exclusion of Tool Steel from the Scope of the Section 232 Steel Investigation

Dear Mr. Botwin:

On behalf of the United States Cutting Tool Institute, a machine tool industry association and its members, we write seeking the exclusion of tool steel from the scope of the Section 232 national security investigation of steel imports. For the reasons presented below, including tool steel within the scope of this investigation or any remedies that may be ultimately imposed by the President in this context would be contrary to the national security interests of the United States.

1. Tool Steel Is a Distinct Industry

Tool steel has long been considered a distinct industry in a wide variety of U.S. antidumping and countervailing duty investigations, safeguard proceedings, and Congressionally-mandated economic studies. The U.S. International Trade Commission ("Commission"), the U.S. Department of Commerce ("Commerce"), and the U.S. steel industry have all treated tool steel as a discrete and separate product from other types of carbon and alloy steel and stainless steel.

This approach is based on the conclusion that tool steel has distinct chemical properties, physical characteristics, mechanical properties, end uses, producers, manufacturing facilities, production processes and employees, channels of distribution, customer and producer perceptions, and costs of production and prices from carbon and low alloy steel products and stainless steel products.

2. Tool Steel Is Traditionally Excluded

Tool steel has specifically been excluded from all U.S. trade remedy proceedings but one in the last 35 years. Whether these proceedings have covered carbon products, including micro-alloy and/or certain alloy steel products, or certain cold- and hot-rolled steel flat products, also including certain alloy steel products, tool steel has consistently been excluded from the definition of the domestic like product in these multiple proceedings. It is thus long-standing practice.

In addition, as has been established in recent proceedings, the lack of domestic supply of the quantities and qualities of tool steel demanded by U.S. end-users, the lack of virtually any competition between domestic and imported tool steel, and tool steel imports' consistently higher prices overselling domestic tool steel by double- and even triple-digit margins, all confirm that the U.S. tool steel industry has not been materially injured by subject imports.

3. Importance to the Machine Tool Industry

Tool steel is a direct input for the U.S. machine tool industry, which was itself the subject a Section 232 investigation that found it to be integral to U.S. national security. As a result of the Section 232 investigation initiated on behalf of the National Machine Tool Builders' Association in 1983, voluntary restraint agreements were reached with Japan and Taiwan and remained effective from 1987 through 1993. In addition, Commerce and the Department of Defense were directed to develop a domestic action plan of programs to assist in revitalizing the U.S. machine tools industry.

This past investigation thus confirmed that the U.S. machine tool industry is key to U.S. national security, and any restrictions on the industry's inputs of tool steel as a result of the present Section 232 steel investigation would be contrary to this established principle.

For the sake of the U.S. machine tool industry and its contributions to U.S. national security, imports of tool steel should therefore be excluded from the present investigation and any remedies that may be ultimately imposed by the President in this context.

Thank you for your consideration.

Sincerely,

Tammy J. Koch

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