



KYLE PITSOR

Vice President, Government Relations

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, NW
Washington, DC 20230

Submitted electronically to Steel232@bis.doc.gov

Re: Section 232 National Security Investigation of Imports of Steel

Dear Mr. Botwin,

As the trade association representing U.S. manufacturers of electrical and medical imaging equipment, the National Electrical Manufacturers Association (NEMA) provides the attached comments on the Department's Solicitation of Public Comments for the Section 232 National Security Investigation of Imports of Steel, published in the *Federal Register* on April 26, 2017.

NEMA, founded in 1926 and headquartered in Arlington, Virginia, represents nearly 350 electrical and medical imaging manufacturers. Our combined industries account for more than 400,000 American jobs and more than 7,000 facilities across the U.S. Domestic production exceeds \$117 billion per year and exports top \$50 billion.

Please find our detailed comments attached. Our member companies count on your careful consideration of these comments and look forward to an outcome that meets their expectations.

If you have any questions, please contact Craig Updyke of NEMA at 703-841-3294 or craig.updyke@nema.org.

Sincerely,

A handwritten signature in black ink that reads "Kyle Pitsor". The signature is written in a cursive, flowing style.

Kyle Pitsor
Vice President, Government Relations

attachment

NEMA Comments for Section 232 National Security Investigation of Imports of Steel

Executive Summary

- NEMA represents and is the collective voice of U.S. manufacturers of electric motors and electric power and distribution transformers, major users of electrical steels. Our industry supports fair and open trade in electrical steels.
- The Administration must resist and reject calls to restrict imports of electrical steels using the Section 232 process. The U.S. market must remain open to fairly-traded electrical steels, not only but especially varieties that are not available from any U.S. or North American domestic manufacturer. A closed-market monopoly supplier situation would not support U.S. manufacturing jobs and competitiveness, economic security or national security.
- Placing restrictions on imports of fairly-traded electrical steels, components made of electrical steels, or finished products containing electrical steels will harm NEMA member companies manufacturing electric motors and generators and electric power and distribution transformers and will make manufacturing outside the U.S. relatively more attractive, which will hurt domestic manufacturing competitiveness, employment, and national security.

Discussion

In general, NEMA Members are concerned about the threat posed to manufacturers/producers of steel in the U.S. by global overcapacity. However, many NEMA member companies import specific types of steel from abroad for their U.S. manufacturing operations. Accordingly, NEMA urges the Administration to refrain from recommending or pursuing measures to adjust imports of fairly-traded electrical steel.

Power and distribution transformers are essential components of the U.S. electrical grid. Grain oriented electrical steel (GOES) can be the most expensive material used in the manufacture of transformers as the steel core is a very large percentage of the overall cost of a transformer, more than 50% in some cases. GOES is also the most important material in terms of quality and performance of a transformer. Federal law (the Energy Policy and Conservation Act, as amended) requires electrical distribution transformers sold in the United States to meet minimum energy efficiency standards as prescribed by the U.S. Department of Energy. Transformers must meet DOE efficiency standards while also meeting all specific customer requirements. Electrical grade steel is a key feature in meeting the federally-required efficiency standards.

Some electrical steels are imported into the U.S. because they are not available from domestic or North American suppliers. Loss of access to these materials would cause grave harm to NEMA

manufacturers, who would no longer be able to manufacture and supply DOE-compliant products, and their customers – which include U.S. electric utilities as well as tens of thousands of industrial, commercial, and defense/national security facilities – but would have no effect on domestic or North American steel manufacturers, since they do not manufacture/produce or offer for sale those materials today.

Electric motors, which are also federally-regulated for energy efficiency performance by DOE, use non-oriented silicon electrical steel (NOES). This type of high-grade steel is essential to meet DOE mandatory standards and is required for manufacturing reasons (annealing and assembly tolerances) for the production of any large diameter motor. Electric motors are all around us, running industrial processes and driving fans, pumps and compressors that serve our built infrastructure and contribute to our quality of life.

Many U.S. imports of NOES already face significant anti-dumping and countervailing duties that have driven U.S. motor manufacturers to make major and costly adjustments and adaptations to their supply chains. The significant anti-dumping and countervailing duties in place have effectively eliminated supply from the seven largest NOES-producing countries. There is only one North American producer of NOES, who is effectively petitioning the government to become a protected monopoly.

If access to NOES were to be restricted further based on this Section 232 investigation, U.S. production of finished goods would face even greater pressure to move outside the United States. U.S. motor manufacturers should not be forced by government policy to purchase from only a single U.S. monopoly supplier.

U.S. electrical manufacturers compete in a global market. Measures to restrict or block access by U.S. finished-product manufacturing operations to fairly-traded essential materials will harm domestic manufacturing and high-paying manufacturing jobs, and national and economic security. It would be patently unacceptable and un-American for the U.S. government to prevent U.S. manufacturers to mitigate supply chain risks through the use of a diversity of suppliers of fairly-traded materials.

Similarly, suggestions that the federal government should place restrictions, on national security grounds, on the importation of fairly-traded components and finished goods could not be more misguided. If products are entering the U.S. at less than fair value and causing injury to a domestic industry producing *like products*, then U.S. trade remedy laws are in place to address such situations. Steel manufacturers/producers do not have standing to call for restrictions on fairly-traded imports of products that they do not manufacture; therefore motors, transformers and steel cores (regardless of size) should not be part of this Section 232 discussion.

In conclusion, the Administration must refrain from taking actions under a Section 232 proceeding that would harm U.S. electrical manufacturers, their workers, and American consumers and end-use customers.