

**Congress of the United States**  
**Washington, DC 20515**

November 20, 2019

The Honorable Robert E. Lighthizer  
United States Trade Representative  
Executive Office of the President  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street NW, Room 215  
Washington, DC 20508

Dear Ambassador Lighthizer:

We write to express our concerns about developments in the market for electrical steel. There are strong reasons to believe that unfairly-traded imports of grain-oriented electrical steel (GOES) are pouring into Canada and Mexico. Even worse, those imports are being used to create downstream products that enter the US at such low prices that they are eroding the US electrical steel market. I urge you to address this matter promptly.

We represent the nation's only producer of electrical steel, AK Steel. The United States cannot afford to lose its unique capacity, either economically or with regard to national security. AK Steel makes products in both major categories of electrical steel: GOES, which is used to make transformers, and non-oriented electrical steel (NOES), which is used to make electric motors. These electrical steel products are made and finished at AK Steel's facilities in Butler, Pennsylvania, and Zanesville, Ohio.

The GOES and NOES made by AK Steel are critical to the American economy. High-quality electrical steel allows for more efficient transformers and electric motors. This increases energy savings, improves our electrical grid, and results in a more secure energy environment. AK Steel is the only American company currently capable of making and developing such products. In a fair market, AK Steel would be in a strong position to maintain its position as a global leader in electrical steel. However, there are strong indications that AK Steel faces unfair competition in the GOES market.

In 2014, the US Department of Commerce investigated imports of GOES from seven countries. Commerce found that imports from each of these countries were dumped, and that imports from China were subsidized. This litigation shows that foreign producers of GOES have a history of unfair trade. Unfortunately, the US International Trade Commission denied relief in those cases – a decision that undoubtedly contributed to the fact that Allegheny Technologies stopped making GOES in 2017, leaving AK Steel as the only domestic producer.

For now, US imports of GOES are restricted by tariffs imposed under Section 232 of the Trade Expansion Act of 1962. However, there has been a dramatic increase in imported GOES into Canada and Mexico – two countries with no capacity to make GOES. In 2016, Canada and

Mexico together imported approximately 156,000 short tons (ST) of GOES from countries other than the United States. By 2018, this figure had increased to almost 214,000 ST. Through the first six months of this year, Canada and Mexico together are on pace to import over 247,000 ST of GOES from non-US sources. Most of these imports are from countries with a history of shipping unfairly-traded GOES to the United States.

Furthermore, GOES shipped to Canada and Mexico does not stay there. Instead, after very limited processing, much of it enters the US market in the form of internal components of electric transformers. These products include laminations, cores, and core assemblies – products that generally consist of GOES that has been merely stacked, slit, or wound. In 2016, the United States imported approximately \$95 million worth of such products from Canada and Mexico. This year, the United States is on pace to import more than \$171 million worth of such products – an increase of nearly 45 percent with no related increase in demand or reduction in capacity.

There are significant national security concerns here. If the national electrical grid were attacked or compromised by a natural disaster, the US would need a dependable source of electrical steel to allow for rapid repair. Becoming wholly dependent on foreign producers for this vital product puts Americans at grave and unnecessary risk.

We appreciate the work the President has done to improve the US global trade situation and national security, and his work to encourage and support the American steel industry and its workers. As such, we believe the President will consider all potential options to prevent harm to AK Steel by the recent surge of GOES into Canada and Mexico. We implore the President and USTR to monitor this situation aggressively and ask that you advise us of any measures taken to address this issue.

We appreciate your attention to this matter. If you have any questions, please do not hesitate to reach out to Nate Zimpher in Congressman Balderson's office at (202) 225-5355, or Lori Prater in Congressman Kelly's office at (202) 225-5406.

Sincerely,



Troy Balderson  
Member of Congress



Mike Kelly  
Member of Congress