

**BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION**

**Certain Non-Oriented Electrical Steel from  
China, Germany, Japan, Korea, Sweden and Taiwan**

**Testimony of Bruce Becker  
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Good afternoon. For the record my name is Bruce Becker. I am a manager in Toyota Tsusho America's Steel Trading Unit, where I handle a number of steel accounts, including accounts involving both non-oriented and grain oriented electrical steels. Thank you for allowing me to come before the Commission again, this time for the NOES petition. I hope I can help underscore a handful of key points concerning competition in the U.S. NOES market.

The first point I want to make is that AK Steel does not make specific grades and specifications required by my customers in the electrical transformer manufacturing industry. I want to be clear about this. Specification for specification, AK Steel falls short of the competition.

A clear example of this reality includes a product from Japan I handled for a particular account. The product in question -- 35JN210 produced by JFE Steel -- has no comparable counterpart produced by AK Steel. JFE introduced this product in 2005. The most comparable AK Steel product is what they call DI-MAX M-

10X. The preliminary product data bulletin for M-10X was not published by AK Steel until June 18, 2014. A simple comparison of published specifications reveals that JFE's product has better core loss performance. This JFE product actually serves as a substitute for M-6 grade GOES in certain transformer applications. AK Steel does not compete for that business. Rather, its M-10X product falls somewhere in-between lower specifications offered by JFE that have also been in the market for a number of years. This is just one example. I am certain there are others that vary from mill to mill.

The bottom line is that non-price factors drive purchasing decisions in this market. My experience with offshore suppliers like JFE is that they offer better quality and consistency in their product, and this is important to customers. This is consistent with what I see in the Commission's staff report in terms of how purchasers and importers characterize product from Japan. As a purchaser, when you are making product-critical components, then you place a greater premium on the intangibles of a supplier. I would say that is precisely what is happening here. Customers have demanding requirements – both technical and intangible -- and certain offshore suppliers have better track records on both fronts.

Let me illustrate with the example of a former customer who purchases NOES from JFE Steel. That customer is a global transformer manufacturer with a number of factories in the USA and in Mexico, and numerous similar facilities to

cover markets everywhere in the world. Each market has different regulations, standards, and market conditions that require specific grades of electrical steel to be available in their supply chain. Every year, this manufacturer invites global steel supply sources to participate in regional supply negotiations. Every year, for every one of their regions, AK Steel is not invited. They are not invited because they cannot produce the NOES that it requires.

When this customer learned of AK Steel's petition on NOES it was so concerned that it would lose access to its imported material that it moved its production process to Mexico. There it is able to import the Japanese NOES that its requires to make the products its customers demand. I say this to make one point. An affirmative determination by the Commission for AK Steel will not change this customer's source of material. There will be no inquiries from this customer to AK Steel concerning the NOES it sells. This customer has gone to the trouble and expense to move production to Mexico, and it will not bring it back to the United States. If AK Steel does eventually make a grade of NOES similar to the material currently used, AK Steel would have to export it to Mexico.

Please also consider that the end product in this case is an electrical transformer, or motor, or ballast, or some electrical machine that needs electrical steel to convert electrical current into magnetic flux. These end products are also produced and are available internationally. Buyers of these devices have global

sources with which they can compare price, delivery lead times, performance, and quality. They will not be forced into supply arrangements based on AK Steel's actions here, particularly if it requires the use of inferior material that makes their end products uncompetitive.

In conclusion, AK Steel is not a participant in the market for high-grade NOES and therefore does not have a domestic like product grade to compare with imports from JFE Steel.

Thank you for allowing me to make comments before you today. I will be happy to answer any questions you may have.