AAPC
AMERICAN AUTOMOTIVE POLICY COUNCIL

United States Investigation Under Section 232 of the Trade Expansion Act of 1962 To Determine the Effects on U.S. National Security of Imports of Aluminum

June 23, 2017

The American Automotive Policy Council (AAPC) – representing the common public policy interests of its member companies, FCA US, Ford Motor Company and General Motors Company – provides the following views and recommendations to the U.S. Department of Commerce, Bureau of Industry and Security, in response to the request for public comments on the Section 232 investigation into the effect of aluminum imports on the national security of the United States.[1]

While we strongly support the Administration's focus on ensuring that our trading partners live up to their commitments and abide by their trade-related obligations, actions taken as a result of this Section 232 investigation to restrict imports of aluminum could have unintended, detrimental consequences for the domestic automotive industry and the millions of American workers it supports. We, therefore, ask the Trump Administration to carefully consider the negative impacts that its actions could have on the U.S. aluminum industry, the auto industry, and beyond.

The U.S. Automotive Industry and Aluminum Use

Aluminum is a critical input for the manufacture of vehicles and automotive components, including wheels, body and closure parts, and engine blocks. In fact, the automotive industry consumes nearly 38% of all aluminum used in the United States,[2] making it the leading consumer of U.S. aluminum.[3]

In 2014, approximately 8.4 billion pounds of aluminum was consumed in the United States by the U.S. auto industry.[4] America's automakers – FCA US, Ford and GM – estimate that 80% of the aluminum used in their North American built vehicles is sourced from U.S. aluminum

[1] The U.S. Secretary of Commerce has been tasked with conducting an investigation under Section 232 of the Trade Expansion Act of 1962 to determine the effects on the national security of imports of steel and submit a report to the President of the United States on the findings. If the Secretary finds that steel is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security of the United States, the Secretary shall recommend actions and steps that should be taken to adjust steel imports so that they will not threaten to impair national security. 82 FR 21509

[2] Ward's Motor Vehicle Facts & Figures 2016

[3] The Aluminum Association Industry Statistics, November 2016

[4] Ward's Motor Vehicle Facts & Figures 2016

smelters and sheet mills. Accordingly, we estimate that the U.S. auto industry exported approximately $522 million worth of U.S.-produced aluminum in its vehicles.[5] This value is expected to rise in future years.

As automakers continue to strive for greater fuel efficiency and lower emissions, aluminum's strength, durability, and its light weight are likely to drive consumption even further over the next decade. Industry experts estimate that by 2025, aluminum inputs in North American light vehicles will increase nearly 40 percent.[6]

Given these trends and the significant role that automakers play in the U.S. aluminum industry, any increase in the price of aluminum will negatively affect the U.S. automotive industry. Across-the-board-tariff hikes or other trade restrictions on imports of aluminum would inevitably reduce the competitiveness of domestic aluminum-consuming industries, particularly the automotive industry.

Furthermore, import restrictions by the U.S. could divert excess aluminum to other auto manufacturing markets, lowering aluminum prices in those markets as the supply grows. Consequently, our global competitors in Europe and Asia, which export millions of cars and trucks to the United States every year and compete with vehicle exporters from the U.S. in third country markets, would not be burdened with the higher cost of aluminum in the United States, ultimately providing them with a significant competitive advantage over U.S. carmakers.

In addition, any Section 232 remedy that significantly drives up the price of U.S. aluminum would jeopardize the progress made by our domestic automakers to increase fuel efficiency and reduce emissions through aluminum light-weighting and other technologies. Higher aluminum prices would also inhibit American carmakers' ability to design and build vehicles in the United States for export to markets where there is greater demand for lighter, more fuel-efficient models. We, therefore, urge the Department of Commerce to carefully consider the implications of such remedies for the domestic automotive industry and the millions of American workers it directly and indirectly employs.

Economic Contributions of the U.S. Automotive Industry

As it conducts its investigation, we urge the Commerce Department to not only consider the key role automakers play in the U.S. aluminum sector, but also the enormous role America's

[5] In 2014 (the most recent year of data available), the average North American light vehicle contained 398 pounds of aluminum (Ward's). Assuming, conservatively, that 80% of this aluminum was sourced from U.S. smelters or sheet mills, each domestically-produced vehicle contained approximately 318.4 pounds of U.S. aluminum. With the U.S. exporting about 2.05 million vehicles in 2016 (ITA), assuming a price of 80 cents per pound (USGS), in 2016 the U.S. auto industry exported approximately $522,176,000 worth of U.S.-produced aluminum in its vehicles.

[6] Ducker Worldwide, "2015 North American Light Vehicle Content Study Executive Summary" (based on increase in net pounds per North American light vehicle from 2015 to 2025).

automakers play in the U.S. economy generally. Our member companies – FCA US, Ford and GM – represent the majority of the following 2016 economic contributions:[7]

- Directly employing/supporting more than 7.3 million American jobs – including manufacturers of auto parts, steel, glass, plastics, rubber and semi-conductors;
- Exporting $137 billion in vehicles and parts, more than any other U.S. industry sector;
- Manufacturing 12.2 million cars & trucks;
- Representing 8% of the manufacturing sector's contribution to GDP on a value-added basis;
- Investing $8 billion in U.S. plants/equipment, and nearly $20 billion in R&D; and
- Selling a record 17.5 million cars and light trucks.

Each job created at a U.S. automotive assembly plant generates more supporting jobs throughout the U.S. economy than any other U.S. industry sector.[8] Also, as America's number one export sector, the U.S. automotive sector's $137 billion in exports supports more than 800,000 U.S. jobs.[9]

Automotive Exports and Aluminum

If U.S. automakers were able to increase their exports by 50% to 3 million units, the value of U.S. exports would increase by about $28 billion, supporting more than 160,000 additional U.S. jobs[10] – over five-times the total number of aluminum jobs in the U.S. last year.[11]

If, on the other hand, policies are adopted that, though well-intentioned, make our domestically-produced automobiles more expensive, the number of American cars we can export for sale in foreign markets will drop significantly, to the detriment of both the U.S. auto and aluminum industries.

We appreciate the challenges that the U.S. aluminum industry is facing with respect to overcapacity, and we support solutions that will address the problem while avoiding unintended, negative effects. Like the aluminum industry, the U.S. auto industry faces unfair trade practices, including currency manipulation, in many of the largest markets in the world and efforts aimed at addressing these practices would grow the U.S. economy and create more jobs.

[7] Representing the entire U.S. automotive sector. U.S. exports (2016): U.S. Dept. of Commerce International Trade Administration; U.S. production and sales (2016): *Automotive News* Data Center; R&D and Capital Investment (2016): Estimated based on the AAPC's "State of the U.S. Automotive Industry 2016"; American Jobs (2016): Estimated using Center for Automotive Research, "Contribution of the Automotive Industry to the United States" and the growth rate based on the Current Employment Statistics survey.

[8] Center for Automotive Research, Contribution of the Automotive Industry to the United States (Jan. 2015)

[9] U.S. Department of Commerce - every $1 billion in U.S. exports supports about 6,000 U.S. jobs.

[10] The average value of a car that U.S. automakers export is $27,600; accordingly, the value of an additional 1 million vehicles exported would be approximately $27.6 billion. Utilizing the formula cited above, this would lead to an additional 165,600 jobs.

[11] Based on an estimated 27,000 U.S. aluminum employees in 2016, according to the U.S. Geological Survey Mineral Commodity Summaries 2017.

Moreover, to support the U.S. aluminum industry, we encourage the Trump Administration to look for ways to strengthen the domestic auto industry by growing U.S. auto exports, which – given our automakers' sizable share of total domestic aluminum consumption – is critical to our continued success and that of our aluminum suppliers in the United States.

Recommendation

An internationally competitive U.S. aluminum industry is essential to the long-term success of America's automotive industry. Both industries are vital to the U.S. economy and contribute to the national security of the United States. However, Section 232 remedies resulting in trade restrictions that lead to higher priced aluminum for the automotive and other aluminum-consuming industries would weaken those industries and, ultimately, the U.S. aluminum industry.

We, therefore, respectfully recommend that the Trump Administration refrain from unilaterally imposing across-the-board tariff hikes or other trade restrictions that would undermine the competitiveness of America's auto industry. We instead recommend seeking a global solution to address excess aluminum capacity, while looking for ways to open markets and increase exports, which would be a win for the U.S. economy, the U.S. automotive and aluminum industries, and, most importantly, for the American worker.