



**Ball Corporation**

10 Longs Peak Drive, Broomfield, CO 80021

June 19, 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 – Room 1093  
Washington, DC 20230

*Re: Comment on Section 232 National Security Investigation of Imports of Aluminum*

Dear Mr. Botwin:

I am writing on behalf of Ball Corporation in order to provide you with the following summary of our company, its products, our need for aluminum products (none of which have military applications), and the negative effect that a tariff or trade restriction would have on our company, our industry, its employees, and the United States economy. We have included facts and figures to support our claims, but have tried to keep our arguments brief in consideration of your valuable time. Please let us know if we can provide any clarifications, or any additional information.

1. **Ball Corporation and its Products.** Ball Corporation is a Fortune 500 manufacturing company with a 137-year history of providing manufacturing jobs in the United States. Today, Ball employs 7,745 individuals in thirty-two states across in the United States. Each year, Ball produces approximately 100 billion metal beverage cans, one billion aluminum aerosol cans, and 55,000 metric tons of aluminum slugs.
2. **Ball's Need for Aluminum Cansheet, Slugs, and Non-Military Grade Aluminum Ingot Products.**
  - To produce the products referenced above, Ball must purchase large quantities of the products listed below. For your reference, we have provided the names of these products along with their corresponding Harmonized Tariff Schedule number (HTSUS):
    1. Aluminum cansheet bodystock - 7606.12.3045;
    2. Aluminum can lid stock - 7606.12.3055;
    3. Other aluminum cansheet - 7606.12.3090;
    4. Aluminum used beverage container scrap - 7602.00.0030
    5. Aluminum waste and scrap other than used beverage container scrap - 7602.00.0090
    6. Aluminum slugs: 7616.99 and 7606.91; and
    7. Low purity (non-military) aluminum ingot - 7601.10.6000.

- In this letter, we will collectively refer to the aluminum products listed above as the “Aluminum Cansheet, Slug, and Ingot Products”. We are concerned that some of these Aluminum Cansheet, Slug and Ingot Products may be included within the scope of the investigation into aluminum imports, which was recently initiated by the U.S. Secretary of Commerce (“Commerce”) under section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862) (the “Investigation”), and we are writing to request that the Investigation exclude these Aluminum Cansheet, Slug, and Ingot Products.

**3. Aluminum and the Raw Materials Used to Make Aluminum Products Cannot Be Sourced Domestically.**

- Bauxite, the main source of aluminum, is not mined in the U.S., so it must be sourced from abroad. Bauxite mining in the United States is not economical because of the low aluminum content in our soil, the heavy environmental impact involved in bauxite mining, and the high energy costs involved in converting bauxite ore into alumina. Because the raw materials needed to make aluminum and all aluminum products cannot be mined in the United States, the United States will be dependent on foreign countries for the production of aluminum even with a tariff on imported aluminum.

**4. U.S. Companies Have Shifted Focus to High Margin, High Value Added Aluminum Products. Aluminum Imports Consist Mostly of Lower Value Added Commodity Products.**

- U.S. companies have over the past several decades focused their efforts on higher value added products, such as those used by the United States Military. This shift was recently evidenced by Alcoa Inc.’s split into two companies. The resulting downstream company, Arconic, is now focused on high margin, high value added aluminum sales to the aerospace and automotive industries. The resulting upstream company, Alcoa Corporation, will focus on lower value added commodity aluminum products, and is moving a significant portion of its lower value added commodity operations out of the United States to leverage the lower energy costs available in Saudi Arabia. As explained below in sections 8 and 9, higher value added aluminum products, such as those used by the United States Military, are available in sufficient quantities to meet the current and foreseeable needs of the United States Military. The products that are being imported into the United States in large quantities are lower value added commodity products without military applications, such as aluminum foil used for food, aluminum fin stock for the HVAC industry, and building and construction aluminum used in gutters and siding.

**5. Lower Value Added Commodity Products are Available Domestically and From U.S. Allies.**

- Despite the fact that a portion of the production of lower value added commodity aluminum products has organically transitioned outside of the United States, we continue to purchase a significant portion of our Aluminum Cansheet, Slug, and Ingot Products requirements from the United States. To the extent that these Aluminum Cansheet, Slug, and Ingot Products are not available domestically, these



products are available from long-time strategic allies. Only 2% of the aluminum cansheet that is imported into the United States comes from China, and the vast majority of the imported Aluminum Cansheet, Slugs, and Ingot Products that we purchase comes from the United States, or from strategic allies such as Canada and Western European countries.

**6. The Importation of Lower Value Added Commodity Aluminum Products and the Raw Materials Needed to Make Aluminum is Blameless Trade.**

- To the extent that any production of alumina or aluminum products has moved outside of the United States, it has moved for blameless reasons, and not because of protectionism or foreign subsidies. According to Jorge Vazquez, Founder and Managing Director of Harbor Aluminum, the authoritative independent think tank on aluminum matters, the “decline in U.S. primary aluminum production is an organic result of: a) an increase in energy prices relative to other regions, b) an exponential increase in domestic aluminum scrap availability (displaces production of primary aluminum, which is 19 times more energy intensive than processing scrap), c) lack of investment in smelting assets, and d) a long-term decline in aluminum consumption per capita (urbanization and industrialization peak reached several decades ago).”<sup>1</sup> The importation of bauxite, alumina, and the aluminum products that Ball Corporation purchases is properly characterized as blameless trade.

**7. Imposing Tariffs or Quotas on Lower Value Added Commodity Aluminum Imports Would Disproportionately Harm U.S.-based Companies like Ball, and Would Benefit Foreign Companies Doing Business in the United States.**

- Unlike Ball Corporation, which was founded in the United States and has its headquarters in the United States, three of the four major suppliers of aluminum cansheet in the United States are foreign-based companies. This includes Novelis (with parent company headquarters in India), Constellium (with parent company headquarters in France), and Tri-Arrows Aluminum (with parent company headquarters in Japan). Alcoa is the only major supplier of aluminum cansheet with headquarters in the United States and, as mentioned above, Alcoa plans to move a significant portion of its aluminum cansheet manufacturing operations out of United States and into Saudi Arabia, in order to take advantage of the lower energy costs in Saudi Arabia. A tariff or other trade restriction on aluminum imports would have the unintended consequence of hurting U.S.-based companies and helping foreign companies.

**8. The Aluminum needed by the U.S. Military is Available Domestically.**

- Domestic companies continue to be the largest suppliers of P0101 (as explained below) to the U.S. military. According to Mr. Jorge Vazquez of Harbor, 99% of the U.S. military demand for aluminum products is sourced from domestic production. Additionally, according to Mr. Vazquez, the current U.S. production of aluminum

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<sup>1</sup> E-mail from Mr. Jorge Vazquez, Founder & Managing Director of Harbor, to Mr. Robert Lauterbach, Vice President, Global Sourcing of Ball Corporation, on Section 232 Investigation into Aluminum, (June 12, 2017, 13:16 MDT) (on file with Mr. Robert Lauterbach).

products in the United States is about 45 times larger than United States Military's demand for aluminum, and current annual production of high purity aluminum in the United States is nearly three times larger than what the United States Military consumes annually.

**9. The Aluminum Products that Ball Purchases Do Not Have Defense Applications.**

- The Aluminum Cansheet, Slug, and Ingot Products that Ball purchases are different from the aluminum products used by the United States Military, and the Aluminum Cansheet, Slug, and Ingot Products that Ball purchases are not properly within the scope of an investigation aimed at furthering U.S. national security interests. We use the Aluminum Cansheet and Ingot Products we purchase exclusively for the production of metal beverage cans and household aerosol cans. These products are of a different grade than those specifically made for defense applications; the primary aluminum that we purchase (P1020), has a purity of 99.7%, whereas the aluminum that is used by the United States Military for national defense purposes (P0101) has a purity of 99.98%.

Fig. 1 – Aluminum Purity – P1020 versus P0101

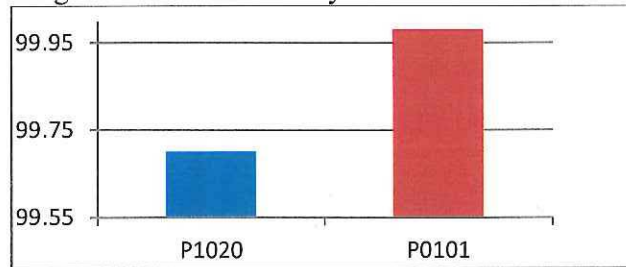


Fig. 2 – Percentage Composition of Silicon and Iron – P1020 v. P0101

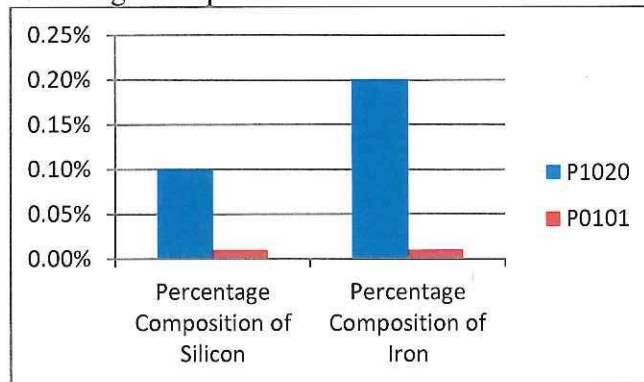






Fig. 3 – Uses – P1020 v. P0101

P1020 Aluminum	P0101 Aluminum
	
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#### 10. Unintended Consequences.

- **The Severe Negative Impact That a Tariff on Aluminum Cansheet, Slugs, and Non-Military Grade Ingot Products Would Have on Ball, its Employees, and their Communities.** Applying a tariff, import restriction, or any other trade action to any Aluminum Cansheet, Slug, and Ingot Products, in order to make certain limited segments of the United States industry artificially competitive would have a severe negative economic impact on Ball. Like most companies in our industry, our business is based on selling a high volume of products at relatively low margins. The prices for these Aluminum Cansheet, Slug, and Ingot Products are not artificially low, and even a minimal increase in the price of these raw materials could force partial or full closure of some of our plants across the United States, resulting in the loss of high paying manufacturing jobs.
- **Chilling Effect on Investments.** Between 2011 and 2016, Ball invested over \$860 million in U.S. manufacturing facilities. Even a small tariff on these Aluminum Cansheet, Slug, and Ingot Products would be disruptive, and would dramatically curtail investment and hiring in the United States. Companies in our industry typically operate and invest based on long-term contracts and depend on predictability in supply and prices. A tariff on Aluminum Cansheet, Slug, and Ingot Products would result in greater uncertainty about future prices, the availability of supply, the availability of financing, higher prices, and would make future investment in the United States riskier and less attractive.
- **The Effect on United States Consumers.** Not only would a tariff or other trade remedy on blameless aluminum imports harm Ball, its employees, their communities, and have a chilling effect on investment in our industry, such a tariff would also have a direct and significant effect on end-consumers in the United States. A tariff on the aluminum products we purchase would make our products cost more, ultimately harming U.S. consumers that rely on affordable canned beverages

for their refreshment, entertainment, and nourishment, and affordable aluminum aerosol products for household and personal care use.

**11. Industry Experts Predict that a Tariff Would Result in a Similar Loss in Jobs in Other Important Manufacturing Industries.**

- Our predictions align with those of industry experts who believe that the effects of a tariff would be felt beyond our company and our industry. According to Mr. Vazquez of Harbor, “any potential artificial increase in U.S. smelting competitiveness (via limitation or taxing of primary aluminum imports) will compromise the competitiveness of the U.S. downstream aluminum industry (extrusions and cansheet), which today is 11 times larger than the U.S. smelting industry in volume (mton) and about 50 times larger in terms of direct jobs created.”<sup>2</sup> In addition to affecting Ball, any tariff or other trade remedy would likely have a similar impact on the automotive, aerospace, and construction industries.

**12. Ball Requests that Commerce Exclude Aluminum Cansheet, Slugs, and Non-military Grade Ingot from any Tariff or Trade Action.**

- With these concerns in mind, we respectfully request that Commerce draw a distinction between the Aluminum Cansheet, Slug, and Ingot Products that Ball purchases, and those very different forms of advanced and proprietary aluminum products with military applications and national defense implications. Drawing this distinction would be in the best interests of Ball, our valued employees, and we believe, the United States of America.

Please contact us with any questions or comments. Thank you for your time and consideration.

Sincerely yours,



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<sup>2</sup> E-mail from Mr. Jorge Vazquez, Founder & Managing Director of Harbor, to Mr. Robert Lauterbach, Vice President, Global Sourcing of Ball Corporation, on Section 232 Investigation into Aluminum, (June 12, 2017, 13:16 MDT) (on file with Mr. Robert Lauterbach).