June 21, 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

Dear Mr. Botwin:

Re: Request for Comment: “Section 232 National Security Investigation of Imports of Aluminum”

This submission is filed by the Canadian Coalition of Aluminum Extruders, which is comprised of ALMAG Aluminum Inc., Apel Extrusions Limited, Apex Aluminum Extrusions Ltd., Can Art Aluminum Extrusion LP, Dajcor Aluminum Ltd., Extrudex Aluminum Corp, Kawneer Company Canada, Ltd., Metra Aluminum Inc., SAPA Extrusions North America/SAPA Canada, Inc., and Spectra Aluminum Products Ltd./Spectra Anodizing Inc. (the “Canadian Extruders”). The Canadian Extruders are all producers of aluminum extrusions with production facilities located in Canada.

The Canadian Extruders welcome the opportunity to file this submission in response to the United States (“US”) Department of Commerce’s request for public comments on the “Section 232 Investigation on The Effect of Imports of Aluminum on U.S. National Security”. The Canadian Extruders submit that the economies and national security of the US and Canada are deeply and intrinsically linked. This is particularly so in the case of aluminum and the Canada-US aluminum trading relationship is an important contributor to US national security and the economic interests of the US aluminum sector.

Including Canada, and in particular Canadian aluminum extrusions, within a 232 Measure for aluminum would have unintended consequences on the economic and national security of the US. Therefore, we request that Canadian aluminum, and Canadian aluminum extrusions in particular, be excluded from any 232 Measure.

I. Canada and US aluminum trade relationship

The Canada-US trade and security relationship is a model for the world. It shows the benefits that arise when two partners with a mutual commitment to security and fair trade work together towards greater prosperity. Canada and the US also have an unparalleled trading relationship. Canada is the single largest importer of US exports. In 2016, almost 14% of all US exports were exported to Canada.1 In the case of trade in aluminum generally, and aluminum extrusions

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1 US Census Bureau, US International Trade Data.
specifically, Canada and the US are deeply linked and their cross-border trading relationship supports the economic security of US aluminum producers and the national security of the US.

A. **Canadian aluminum contributes to US national security.**

The US and Canada have an unparalleled defense partnership. The principal bilateral defense forums, arrangements and agreements between Canada and the US are the Permanent Joint Board on Defense, Military Cooperation Committee, North American Aerospace Defense Command (NORAD), the Combined Defense Plan, the Tri-lateral Command Framework, the Canada – US Civil Assistance Plan, the Information Sharing Memorandum of Understanding, the North American Maritime Security Initiative and the North American Technology and Industrial Base Organization. At any given time, there are more than 700 Canadian Armed Forces members serving in the US.

For more than 60 years, the US has considered the supply of goods from Canada as key to US national security. In the case of aluminum, this has been the case as far back as at least 1953. In that year, the US National Security Council was asked to report to the Defense Mobilization board on the national security implications of the US relying upon aluminum imports from Kitimat, British Columbia, Canada in a time of war. The Executive Secretary of the National Security Council found that US imports of aluminum from Canada did not threaten US national security as US reliance on aluminum imports from Canada was consonant “with the long standing plan of the United States and Canada to share their resources in time of war on a continental rather than on a national basis”.

Congress has since legislated that the supply of goods and technology from Canada to the US are part of the US’s national defense procurement strategy. US Code Title 10, Chapter 148, “National defense technology and industrial base, defense reinvestment, and defense conversion” provides that as part of the US’s defense procurement policy, the Secretary of Defense is to develop a national security strategy for the “national technology and industrial base” (“NTIB”). The NTIB is defined by Congress to include the supply of goods and technology from Canada. The chapter states that the US’s strategy is to be based on assessing the risks and challenges for defense supply and ensuring the NTIB is capable of achieving specific national security objectives related to the development, production and supply of goods and technology. The chapter also provides that each year the Secretary of Defense, in consultation with the Secretaries of Commerce and Energy, is to assess the NTIB’s capability to obtain the national security objectives set out in the chapter, which includes assessing the extent to which the NTIB is “dependent on items for which the source of supply, manufacture, or technology is outside of the

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2 “Memorandum by the Executive Secretary of the National Security Council (Lay) to the National Security Council” (October 16, 1953) available at: https://history.state.gov/historicaldocuments/frus1952-54v01p2/d54.

3 USC Code Title 10, Chapter 148, “National defense technology and industrial base, defense reinvestment, and defense conversion”, s. 2500.

4 USC Code Title 10, Chapter 148, “National defense technology and industrial base, defense reinvestment, and defense conversion”, s. 2501.sss

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**Canadian Coalition of Aluminum Extruders**

*United States and Canada* and for which there is no immediately available source in the *United States or Canada*” (Emphasis added).⁵ Existing statutes are clear: the US Congress considers Canada part of the US’s domestic supply base for the purpose of national security and defense procurement.

The Canadian Extruders submit that imposing a 232 Measure against Canadian aluminum would interfere with the Secretary of Defense’s defense procurement strategies and Congress’s clear intention that Canadian goods are part of the US’s “national technology and industrial base”.

**B. Canada is the US’s most important aluminum trading partner**

Canada is the US’s most important aluminum trading partner. According to the US Census Bureau, in 2014-2016, Canada was the second largest purchaser of US exports of “alumina & aluminum & processing” (NAICS code 3313), surpassed only by Mexico. In this period, US exports of aluminum to Canada were valued at US$6.5 billion or 28% of all US exports.⁶

Canada is the most significant source of supply of aluminum imports to the US. In the 2014-2016 period, 46% of US imports of “alumina & aluminum & processing” (NAICS code 3313) originated from Canada.⁷ The supply of Canadian aluminum—which is fairly traded, stable, and geographically proximate to the US—contributes to US national security by providing aluminum product producers, and in turn US manufacturers and customers, with a safe and secure source of aluminum. Other major suppliers of aluminum to the US in 2016 were the Russian Federation, China and the United Arab Emirates.⁸

The integrated Canada-US aluminum market is in the US’s national interest given the two countries’ inherently linked security interests, economic interests and values. Unlike exporters from other countries who may be looking for a “quick sale”, the Canadian aluminum industry has a long-standing commercial relationship with the US and has an interest in seeing a strong, stable and secure US aluminum industry. To the extent that the US requires aluminum imports to support manufacturing production, manufacturing jobs and national security, Canada is an ideal source.

**C. Aluminum Extrusions**

Aluminum extrusions are produced from alloyed aluminum billet (unwrought aluminum alloy). An extrusion is produced by pushing heated billet through a die to produce a desired shape.

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⁵ USC Code Title 10, Chapter 148, “National defense technology and industrial base, defense reinvestment, and defense conversion”, s. 2505(c).

⁶ US Department of Commerce, Trade Express (citing Foreign Trade Division, U.S. Census Bureau).

⁷ US Department of Commerce, Trade Express (citing Foreign Trade Division, U.S. Census Bureau).

⁸ US Department of Commerce, Trade Express (citing Foreign Trade Division, U.S. Census Bureau).
1. US Extrusion Market

In March 2017, the US International Trade Commission (“USITC”) issued its report on “Certain Aluminum Extrusions from China” as part of the USITC’s sunset review of the existing trade measure against Chinese extrusions. The Report analyzed the US extrusions industry and concluded the following:

- **Rising Consumption**—US consumption of extrusions increased by almost 17% in the 2013-2015 period, and by another 2% in January-September 2016 over the same period in 2015.

- **Increased US production and capacity**—US production of aluminum extrusions increased by 13.3% in the 2013-2015 period and by another 2% in the January-September 2016 period over the same period in 2015. Production capacity increased by almost 5% over the 2013-2015 period and by an additional 3% in the January-September 2016 period over the same 2015 period.

- **Increasing Capacity Utilization**—US extruders capacity utilization increased by 6% in the 2013-2015 period, notwithstanding that overall production capacity increased by almost 5%. US capacity utilization rose from 75% in 2013 to 81% in 2015 and remained at 81% in the January-September 2016 period.

- **Increasing employees and wages**—The total number of US extrusion workers increased by 11% over the 2013-2015 period and by another 5% in the first 9 months of 2016 over the same period in 2015. The total number of hours worked per employee increased by 2% in the 2013-2015 period and slightly more in the first 9 months of 2016. Hourly wages increased by 4% from 2013 through 2016.

- **Supply Constraints**—6 of 25 US extrusion producer respondents to USITC inquiries reported having experienced supply constraints in the 2013-2016 (January-September) period. Supply issues were related to reaching maximum production capacity, equipment issues, and increased demand, the latter driven by recovery in some markets and some manufacturers conversion from other metals to aluminum.

In the case of imports, the USITC Report concluded the following:

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14 USITC Report, p. II-5

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Canada is a significant source of US imports—In 2013-2015, Canadian-produced extrusions accounted for 5.4% of US consumption (by volume). In January-September 2016, Canada’s share of total US consumption dropped to 4.9%.

Canada’s share of total US imports is dropping—Between 2013 and 2016 (January-September), Canada’s share of total US extrusion imports dropped from 43% to 35% (by volume).

Canada is also a significant importer of US extrusions. Between 2014 and 2017 (April), 62% of all extrusion imports into Canada were from the US.

2. Integrated US and Canadian extrusions market

The US and Canadian aluminum extrusion industry is closely integrated. Industry Canada reports that 87% of unwrought aluminum alloy (which includes billet for extrusions, among other products) imports into Canada in 2014-2016 were from the US. The Canadian Extruders aggregate billet purchases from the US in 2016 were 35,399,163 kg. Canadian extruders in turn are a significant source of US extrusion imports. These extrusions are then used by US fabricators and manufacturers to produce other goods. Similarly, Canadian manufacturers will use Canadian and US extrusions in their production process for goods that are then traded across the Canada-US border, such as car parts. It follows that Canadian extrusions are an integral part of the US aluminum extrusion processing and manufacturing chain. As discussed below, the imposition of a 232 Measure against Canadian extrusions would disrupt this mutually beneficial trading relationship, could result in economic harm to US aluminum users and could weaken US national security.

II. Comments on US and Canada aluminum trade

Below are the Canadian Extruders comments on issues identified in the US Department of Commerce’s request for comment.

A. Quantity of or other circumstances related to the importation of aluminum

The quantity of Canadian aluminum extrusion imports into the US does not threaten the economic security of the US aluminum industry. In fact, the fairly traded supply of Canadian

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17 Statistics Canada, Canadian International Merchandise Trade Database, “760421 - Profiles, hollow, aluminium, alloyed”; “760429 - Bars, rods and other profiles, aluminium alloyed”; “761090 -Structures and parts, alum, e.g. plate, rods, etc, for structures, other than prefabricated buildings”; “760820 - Tubes and pipes, aluminium alloys”.

18 Industry Canada, Trade Data Online, HS 760120 - Unwrought Aluminum – Alloyed.
extrusions enhances US national security. Canada does account for a significant share of the total volume of US extrusion imports. However, Canada’s share of the US market and share of total imports dropped over the 2013-2016 period at the same time as US demand, production and capacity rose significantly. In other words, Canadian extrusions have not been taking market share away from US extruders. Rather, the rise in US extrusion imports is attributable to countries other than Canada.

US imports of Canadian extrusions support US aluminum billet producers and the US aluminum industry. In 2016, US billet accounts for 91% of imported billet used by the Canadian Extruders. The same likely cannot be said for the extrusions imports into the US which are made in other countries.

Canadian extrusions account for a relatively small but important share of the total US market. Canadian extrusions accounted for only 5.4% of the total US market in 2013-2015, dropping to 4.9% in 2016.19

Several Canadian extruders are US-owned, have US operations or are associated with US companies. For example:

- Almag Aluminum Inc., a Canadian firm, established Almag Aluminum Corp., a fabrication and warehousing facility in Alabama.
- Extrudex Aluminum is a Canadian firm that in 1999 established an extrusion plant in Ohio.
- In 2010, APEL Extrusion Limited purchased the assets of Postle Aluminum US North West located in Oregon. APEL continues to operate that US extrusion facility.
- SAPA has three aluminum facilities in Canada and over 20 in the US.

These firms are part of the US industry, provide good jobs in the US extrusion industry, and support the US aluminum industry. Further, in several cases, the supply of extrusions to customers is coordinated between Canadian and US facilities for the purpose of efficiency. A 232 Measure against Canadian extrusions would disrupt this supply chain, with negative effects on US production, US jobs and US manufacturing.

B. Domestic production and productive capacity needed for aluminum to meet projected national defense requirements

The Canadian Extruders submit that US extruders’ current capacity utilization rates are sufficient to ensure their economic viability and that Canadian extrusion imports support US national security by ensuring adequate supply of aluminum extrusions to US manufacturers.

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The USITC Report found that US aluminum extruders’ capacity utilization rate increased from 75% in 2013 to almost 81% in 2015 and 2016 (January-September). This is a healthy utilization rate. It is high enough to ensure that US extruders remain profitable and that they can adequately cover their fixed costs. It is also low enough to ensure a viable and competitive market. If capacity utilization rates get too high, and there is a trade measure against all imports, there is a risk of supply shortages, particularly in the event of a sudden rise in demand. A supply shortage means not only unstable supply but also unstable prices. In turn, this affects US jobs, US prices, US production and the supply of US goods.

Canadian imports help maintain a stable source of extrusion supply in the US market and therefore contribute to US national security. Existing distribution channels and geographic proximity mean that Canadian extrusions are continually available to meet US extrusion demand requirements and ensure a competitive market for extrusion users. Canadian extruders are responsible competitors in the US extrusion market. Canadian Extruders have long-standing relationships with US customers, US investments, and a long-term interest in supplying US customers.

C. Existing and anticipated availability of human resources, products, raw materials, production equipment, and facilities to produce aluminum

The Canadian Extruders submit that US extruders have sufficient resources to meet US extrusion demand.

US consumption of extrusions increased by almost 17% in the 2013-2015 period, and by another 2% in January-September 2016 over the same period in 2015.20 US extruders responded by expanding their production capacity by 5% in the 2013-2015 period and by another 3% in the January-September 2016 period over the same 2015 period.21 US extruders also increased production by 13% in 2013-2015 and by another 2% in the January-September 2016 period.22 As a result, capacity utilization increased by 6% in the 2013-2015 period.23

These statistics show that the US extrusion industry is both healthy and sufficiently agile to respond to changes in demand, notwithstanding that capacity expansion does take time and resources. The Canadian Extruders submit that there is no need to encourage greater extrusion capacity expansion in the US through the imposition of trade measures.

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D. **Growth requirements of the aluminum industry to meet national defense requirements and/or requirements to assure such growth**

The Canadian Extruders submit that there is no need to grow the US extrusion industry in order to meet US defense requirements. The US extrusion market is currently in a state of equilibrium and government intervention in the marketplace could result in inefficiencies and costly external consequences.

E. **The impact of foreign competition on the economic welfare of the aluminum industry**

The Canadian Extruders submit that the Canadian Extruders have not had a negative impact on the economic welfare of the aluminum extrusion industry. To the extent there has been a negative impact on the welfare of the US aluminum industry, this impact has been caused by countries other than Canada. Further, as discussed above, Canadian Extrusions support the US aluminum industry by purchasing US billet and supplying US manufacturers with a stable supply of competitively priced extrusions made from US billet.

The welfare of the US extrusion industry has improved in recent years. The USITC Report states that in the 2013-2016 (January-September) period, US extruders net income increased by 28% from US$131/ton to $168/ton.\(^{24}\) In 2016 (January-September), US Extruders were earning a healthy average net income of 5% of revenue.

To the extent that foreign competition has had a negative impact on the US aluminum industry, and US extruders specifically, the Canadian Extruders submit that these negative impacts are not attributable to the Canadian Extruders. As discussed above, the Canadian Extruders are responsible competitors in the US market with a long-term interest in seeing a healthy, stable and successful US aluminum industry. To the extent that Canadian Extruders have an impact on the welfare of the US aluminum industry, this impact is positive.

F. **The displacement of any domestic aluminum causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects**

The Canadian Extruders submit that there has been no displacement of US extrusions by imports. If there has been displacement, this displacement was caused by third-countries and not Canada.

The USITC Report states that US extruders’ share of the total apparent US extrusion market (volume) dropped from 87.5% in 2013 to 86% in 2016 (January-September). Canadian imports’ share of the US apparent market remained steady at 5.4% in 2013-2015, before dropping to 4.9% in 2016 (January-September). Imports from countries other than Canada and China increased.

their share of the US market from 6.4% in 2013 to 8.7%. In short, both Canadian and US extruders saw their share of the US market drop in favour of imports from third-countries.

However, as discussed above, the US extrusion market expanded significantly in this period. In 2015, US extrusion consumption was 17% higher than in 2013, and it increased by another 2% in the first 9 months of 2016 over the same period in 2015. US production also increased significantly, as did US capacity utilization and net income. Consequently, no US production was displaced by imports. Further, to the extent that US extruders’ relative share of the US market dropped, this drop is attributable to imports from countries other than Canada.

The US extrusion industry saw a rise in the number of employees, the number of hours worked per employee and wages in the 2013-2015 period. The total number of US extrusion workers increased by 11% over the 2013-2015 period and by another 5% in the first 9 months of 2016 over the same period in 2015.25 The total number of hours worked per employee increased by 2% in the 2013-2015 period and slightly more in the first 9 months of 2016. Hourly wages increased by 4% from 2013 through 2016.

In the 2013-2016 period, US extruders prospered with positive effects for US workers. US Extruders saw improved employment, profitability and production, resulting in greater revenues for the US government.

G. Relevant factors that are causing or will cause a weakening of our national economy

The Canadian Extruders know of no factors that will cause a weakening of the US National Economy.

H. Any other relevant factors.

1. Negative consequences of a 232 Measure

The Canadian Extruders submit that a 232 Measure against Canadian extrusions would have unintended negative impacts on the US aluminum industry. Canadian Extruders with US operations could be negatively affected. Firms that operate Canadian and US facilities coordinate production and shipments between the facilities. A 232 measure affecting shipments from Canada could disrupt US production facilities and their sales, leading to negative outcomes for US facilities and their employees.

A 232 Measure against Canadian extrusions could affect US aluminum billet producers. If there is a decline in US demand for Canadian extrusions, US billet producers would see a decline in demand from their most important export market for billet, namely Canada. It is in the US aluminum industry’s interest to maintain its exports.


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A 232 Measure against Canadian extrusions would result in disruptions in the US marketplace. Canadian extrusions currently supply 5% of the US market. A 232 Measure affecting Canadian imports would result in a price increase for Canadian extrusions and potential disruptions in the US market as manufactures face increasing costs and potential supply issues. The result is that 232 Measure against Canadian extrusions could result in net harm to the US aluminum industry and US economy.

2. Canada is an ideal source of aluminum imports

Canada is an ideal source of aluminum imports into the US. Canada, with its geographic and economic relationship with the US, has a long-term interest in the economic stability and national security of the US broadly. The Canadian Extruders have a long-term interest in the success and prosperity of the US aluminum industry. Canadian extrusions are fairly traded in the US market and are produced using US billet and with employment and environmental standards comparable or identical to that of US extruders. As such, Canadian imports compliment and support the economic stability of the US aluminum industry.

III. A 232 Measures should not extend to “parts” and “subassemblies”

The US trade remedy against dumped and subsidized aluminum extrusions from China applies to extrusions imported as “parts” and within “subassemblies”. The Canadian Extruders submit that a 232 Measure that similarly extends to aluminum extrusions incorporated into “parts” and “subassemblies” manufactured or assembled in Canada would severely affect US-Canada supply chains and is likely to negatively impact the US aluminum industry.

Aluminum Extrusions are incorporated into all kinds of “parts” and “subassemblies” that are traded across borders. For example, aluminum extrusions are used in car parts—from drivetrains, to bodies, to safety systems, to structural components and beyond. These parts are moved daily across the US-Canada border as they are manufactured, fabricated and assembled into larger parts and then the final automotive product. Aircrafts, ships, trains and other transportation vehicles similarly incorporate parts and assemblies that are manufactured from or contain aluminum extrusions. Other examples include building products—curtain walls, roofing materials, paneling, architectural components, windows, doors, eaves troughs—appliances and electronics.

Imposing a 232 Measure against aluminum extrusion components of imported “parts” and “subassemblies” from Canada would impede trade between US and Canada. It would interfere with established supply chains and impose a significant burden on US manufacturers that rely on a stable supply of Canadian parts and subassemblies containing extrusions. If a 232 Measure were to extend to extrusions within parts and subassemblies, then each time a car part or other partially assembled or manufactured good crossed the border the importer would need to assess the origin and value of the incorporated extrusions, information which may not be readily available or discernable. The enormous cost of having to complete such inquires would disrupt supply chains and create market uncertainty. Disrupted supply chains and rising costs would
negatively affect aluminum users and consumers and, in turn, is likely to have a negative effect on aluminum consumption and demand. Further, enforcement would require very significant government resources. Consequently, imposing a 232 Measure against extrusions incorporated into parts and subassemblies from Canada is likely to negatively impact the US economy and thereby US national security.

It is worth noting that it was the Canadian extrusions industry which first commenced trade action against unfairly-traded Chinese aluminum extrusions imports into Canada in 2008. Following the imposition of anti-dumping and countervailing duty measures in Canada against Chinese imports, the Canadian aluminum extruders worked with their US counterparts to assist in the commencement of a US trade remedy proceeding against Chinese imports of aluminum extrusions into the US which was ultimately successful. This is another example of the close collaboration and interaction between the industries on both sides of the border.

**IV. Summary**

As discussed above, aluminum extrusions available to Canadian manufacturers are fairly traded in light of Canada’s anti-dumping and countervailing measures against China and the fact that well over 60% of extrusion imports into Canada are US origin. Consequently, the Canadian Extruders submit that a 232 Measure against aluminum should not extend to extrusions included within Canadian produced “parts” and “subassemblies”. The cost of compliance and enforcement with a 232 Measure that extends to extrusions within parts and subassemblies originating from Canada would severely interfere with Canada-US trade and manufacturing supply chains and could thereby threaten US national security.

Aluminum extrusion imports from Canada do not threaten US national security or the economic security of the US aluminum industry. Rather, the Canadian Extruders contribute to a stable US extrusions marketplace through investment in US production facilities and a stable and responsible supply. Canadian extruders also support the US aluminum industry by purchasing US billet and supplying US manufacturers.

A section 232 Measure against Canadian extrusions would have unintended negative impacts on the US aluminum industry, including US billet sales, US extrusion supply, US investment and US employment.

If the US imposes a 232 Measure against aluminum, the Canadian Extruders respectfully submit that it is in the US’s national interest to excluded Canadian aluminum generally, and Canadian aluminum extrusions specifically, from such a measure.

Thank you for the opportunity to provide our perspective on this important issue.

Yours truly,

Canadian Coalition of Aluminum Extruders