

**COMMENTS BY THE  
GOVERNMENT OF MEXICO  
TO THE  
U.S. DEPARTMENT OF COMMERCE**

**Section 232 National Security Investigation of Imports of Aluminum**

**June 23, 2017**

**Submitted by:  
Trade and NAFTA Office  
Embassy of Mexico  
Washington, D.C.**

Pursuant to Federal Register notice 2017-09328, published on May 9, 2017, the Government of Mexico, represented by the Ministry of the Economy, appreciates the opportunity to present the following comments submitted in relation to the Section 232 National Security Investigation of Imports of Aluminum, under the Trade Expansion Act of 1962.

The aluminum industry in the world has been challenged with a global overcapacity of aluminum in recent years. While it is reasonable that countries take actions aimed to address this problem in support of their industries and interests, it is Mexico's view that whatever actions are adopted must be consistent with international law and rules of trade, particularly with respect to the United States' trade agreements commitments.

The Government of Mexico acknowledges and supports the United States' right to preserve its national security interests. Through the current Section 232 investigation, the United States will be able to assess the effects of imports of aluminum on U.S. national security. In previous investigations the US Department of Commerce has stated that imports can threaten to impair the national security of the United States either: 1) by fostering U.S. dependence on unreliable or unsafe imports; or 2) by fundamentally threatening the ability of U.S. domestic industries to satisfy national security needs.<sup>1</sup>

As explained below, aluminum imports from Mexico do not threaten to impair the national security of the United States. Rather, Mexico is a reliable partner and represents the main export market for the United States aluminum sector. In 2001, in its report conducted under Section 232 of the Trade Expansion Act of 1962 on imports of Iron Ore and Semifinished Steel, the Department of Commerce found that "*[Mexico is a] safe and reliable supplier. ... Mexico – with which the United States shares a 1,550-mile border – is a close ally and is a party to NAFTA*".<sup>2</sup>

Mexico's aluminum industry is an important partner within the North American supply chain for strategic industries such as aerospace, automotive, electronics, and appliances.

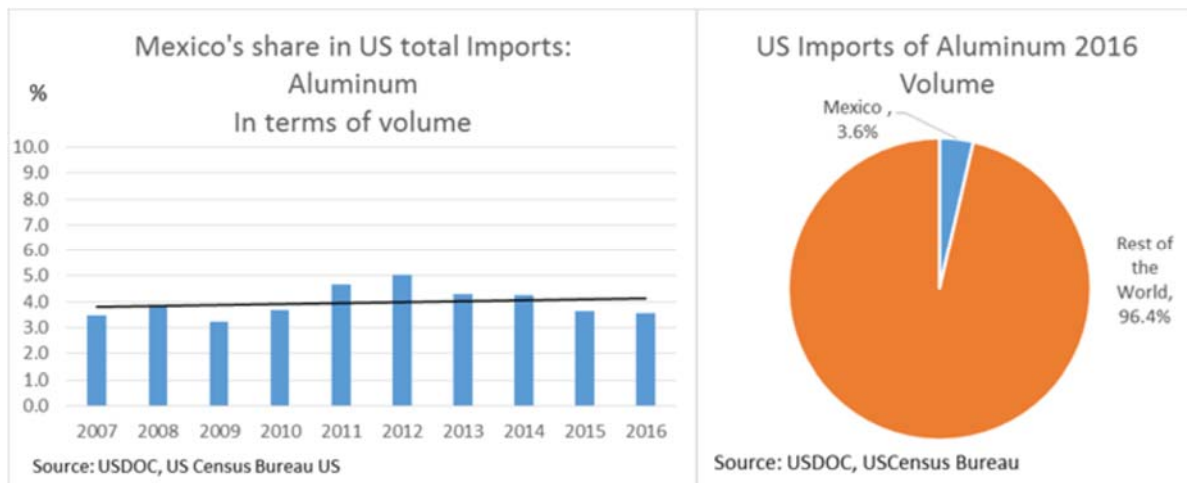
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<sup>1</sup> See, U.S. Commerce Department, The Effect of Imports of Iron Ore and Semi-finished Steel on the National Security (2001), <https://www.bis.doc.gov/index.php/forms-documents/section-232-investigations/81-iron-ore-and-semi-finished-steel-2001/file>, at 6 – 7.

<sup>2</sup> See, Id. pages 27-28.

Aluminum production<sup>3</sup> in Mexico is equivalent to 1.6% of the global production with sustained annual growth rates averaging 13.7% since 2011.

**Aluminum imports from Mexico do not threaten to impair the national security of the United States.** Mexico's exports of aluminum complement U.S. industries' needs by helping domestic aluminum producers to meet the economy's demand. U.S. imports of aluminum<sup>4</sup> from Mexico have remained steady during the last ten years, slightly increasing from \$785 million in 2007 to \$871 million in 2016, a growth of only 10.5%. In terms of volume, Mexico's market share in total US aluminum imports has stayed around 4% on average in the last ten years. Last year, Mexico's market share dropped to 3.6%.



**The aluminum sector in North America is highly integrated to key industries in the region.** US and Mexican investments, trade, and operations in the aluminum industry create synergies and economies of scale that enable both the aluminum industry and other major sectors of the economy, such as the automotive industry in which aluminum is a key input, to remain competitive. Aluminum producers benefit from the rules within the NAFTA trading region.

The aluminum industry in North America, like many of our industries, is highly integrated across the United States, Mexico, and Canada, and the North America Free Trade Agreement (NAFTA) has played an important role in achieving such integration. Approximately half of the U.S.'s aluminum imports came from NAFTA partners in 2016.<sup>5</sup>

In 2014, the Aluminum Association estimated that 25.5 billion pounds of aluminum were shipped by North American producers worldwide, which is the largest figure for the industry

<sup>3</sup> Aluminum production includes primary, secondary, semi-finished and recycled aluminum. Source: Mexico's National Chamber of Aluminum (CANALUM)

<sup>4</sup> HS code 76 Aluminum and articles thereof.

<sup>5</sup> "The Aluminum Association Position on the North America Free Trade Agreement," *Aluminum Association*. 6 April 2017, <http://www.aluminum.org/sites/default/files/Aluminum%20Assoc%20NAFTA%20Position.pdf>

since 2006.<sup>6</sup> Because aluminum is a more environmentally sustainable option in automotive production, the demand for aluminum body sheet is expected to double in North America from 500,000 metric tonnes to 1 million from 2015 to 2020.<sup>7</sup>

U.S. aluminum exports to Canada and Mexico have increased by 9% since 2011, while imports from Canada and Mexico increased 13% for the same period. Over 50% of all US aluminum trade in 2016 was intraregional.<sup>8</sup>

**The United States consistently runs a trade surplus in aluminum products with Mexico.** In the last ten years, U.S. exports of aluminum to Mexico have increased 38.8%, from \$2.6 billion in 2007 to \$3.6 billion in 2016, mainly from the states of Texas, California, Tennessee, Georgia, Alabama and Pennsylvania.

#### US'S EXPORTS TO MEXICO BY STATE

##### Aluminum and Products

Value in million dollars

Rank	STATE	2016	% Share
	TOTAL ALL STATES	3,551	100%
1	Texas	1,000	28%
2	California	681	19%
3	Tennessee	212	6%
4	Georgia	199	6%
5	Alabama	156	4%
6	Pennsylvania	143	4%
7	Kentucky	129	4%
8	Ohio	106	3%
9	Illinois	88	2%
10	Colorado	88	2%

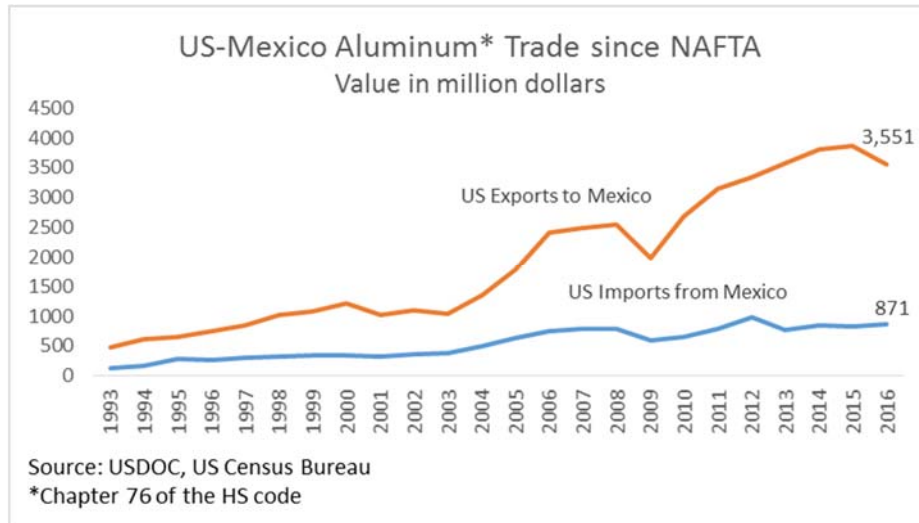
Source: USDOC with data from US Census Bureau.  
HS Code 76 Aluminum And Articles Thereof

The United States has maintained a trade surplus in aluminum with Mexico since NAFTA entered into force in 1994. Further, aluminum products completed a ten-year tariff phase-out period in 2004, which significantly boosted US exports of aluminum products to Mexico, increasing the trade surplus by 215% from \$850 million in 2004 to \$2.7 billion in 2016.

<sup>6</sup> “North American Aluminum Demand Grows 5.0 Percent in 2014,” *Aluminum Association*, 23 February 2015, <http://www.aluminum.org/news/north-american-aluminum-demand-grows-50-percent-2014>

<sup>7</sup> “Significant investments in U.S. and Mexico signal bright future for aluminium demand,” *Aluminium Insider*, 30 January 2017, <http://aluminiuminsider.com/significant-investmensts-u-s-mexico-signal-bright-future-aluminium-demand/>

<sup>8</sup> “The Aluminum Association Position on the North America Free Trade Agreement.”



Mexico is the largest export market for US aluminum and aluminum products, accounting for 32% of total exports. Canada is the second largest export market and together with Mexico represents 58% of US aluminum exports to the world or more than 6.4 billion dollars.

**Conclusion.** Mexico trusts that any restriction on trade for national security reasons adopted by the United States under this Section 232 investigation will be based on a careful analysis and an objective investigation that determines a clear and direct link with a specified national security concern, and is consistent with the United States’ international commitments. Aluminum imports from Mexico do not threaten the US producers’ ability to satisfy national security needs and are not unreliable or unsafe. On the contrary, Mexico remains an ally and partner to the United States. Given Mexico’s strategic importance to the US aluminum industry, no restrictions should be placed on aluminum trade between our two countries.

We look forward to continuing to work together to address current and future challenges that our industries face.

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