

Motor & Equipment Manufacturers Association

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June 20, 2017

VIA ELECTRONIC MAIL: Aluminum232@bis.doc.gov

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Ave., NW, Room 1093
Washington, DC 20230

**Re: Motor & Equipment Manufacturers Association's Comments on
Section 232 Investigation of Aluminum Imports**

Dear Director Botwin:

The Motor & Equipment Manufacturers Association (MEMA) is filing these comments in response to the Department of Commerce, Bureau of Industry and Security's request for public comments on the Section 232 National Security Investigation of Imports of Aluminum.¹

Introduction

MEMA represents 1,000 vehicle suppliers that manufacture and remanufacture components and systems for use in passenger cars and heavy trucks providing original equipment (OE) to new vehicles as well as aftermarket parts to service, maintain and repair over 260 million vehicles on the road today.² Our members lead the way in developing advanced, transformative technologies that enable safer, smarter and more efficient vehicles, all within a rapidly growing global marketplace with increased regulatory and customer demands.

Earlier this year, MEMA released an important economic impact study that clearly defines the critical role motor vehicle parts suppliers play in the U.S. economy.³ Vehicle

¹ Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Aluminum, 82 Fed. Reg. 21509 (May 9, 2017); Change in Comment Deadline for Section 232 National Security Investigation of Aluminum, 82 Fed. Reg. 11557 (June 2, 2017).

² MEMA represents its members through four divisions: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Motor & Equipment Remanufacturers Association (MERA); and, Original Equipment Suppliers Association (OESA).

³ "Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S." MEMA and The Boston Consulting Group, January 2016. https://www.mema.org/sites/default/files/MEMA_ImpactBook.pdf



suppliers are the largest manufacturing sector in the United States directly employing over 871,000 Americans in all 50 states plus the District of Columbia. Together with indirect and employment-induced jobs, the total employment impact of the motor vehicle parts manufacturing industry is 4.26 million jobs. Nearly \$435 billion in economic contribution to the U.S. GDP is generated by the motor vehicle parts manufacturers and its supported activity. In total, motor vehicle parts suppliers contribute more than 77 percent of the value in today's vehicles.

No Adjustments to Aluminum Imports, And Particularly to Primary⁴ Aluminum Imports, Are Needed for National Security

MEMA member companies operate in a global supply chain with both suppliers and customers outside of the United States. This model has allowed for continued growth in motor vehicle production as well as U.S. employment in our sector. Free and fair trade is imperative for a strong domestic supplier industry. Disruption to supply chains or increases in production costs will not contribute to the national security of the United States.

Our industry is closely associated with the U.S. defense industry. Our member companies provide components and parts to vehicle manufacturers purchased by the defense industry, as well as replacement parts and systems for maintenance and repair. Just like the vehicles purchased by individual consumers, technological and material innovations by our member companies have resulted in safer and more efficient products for the U.S. defense industry. Adjustments to aluminum imports, and particularly to primary aluminum imports, that prevent our members from obtaining the type of aluminum they need in a timely manner or increases to production costs would jeopardize our ability to manufacture in the United States and to provide these critical products to the U.S. defense industry.

There is no doubt that disruption to our members' U.S. manufacturing operations would be detrimental to the national security of the United States. Adjustments to primary aluminum imports or other aluminum imports that impact the production of vehicles and equipment provided to the U.S. defense industry would directly and adversely impact the U.S. defense industry by limiting or eliminating the supply of such vehicles and equipment. In addition, MEMA member companies obtain foreign aluminum from countries which are allies of the United States, and it is in the U.S.'s national security that our allies remain economically stable.

⁴ The government has not provided a description of the aluminum covered by this investigation. It is unclear whether primary or secondary aluminum is the target of the investigation, but regardless, adjustments to imports under Section 232 are not needed for national security for the reasons set forth in this letter and the letters of our member companies. We ask for the opportunity to comment on specific aluminum products once identified by the government.

MEMA urges the U.S. government not to make any adjustments to aluminum imports, and particularly to primary aluminum imports.

Adjustments to Aluminum Imports, and Particularly to Primary Aluminum Imports, Would Be Detrimental to U.S. Vehicle Suppliers

National security cannot be viewed as solely a defense industry issue. National security also depends on the economic security of the country. Policies that will make U.S. manufacturers more competitive by creating more jobs and cultivating capital investments will allow the U.S. to achieve greater economic stability. Our member companies currently anticipate continued job growth in our industry for workers such as engineers, technicians, and skilled trades and, therefore, expect to contribute heavily to the economic security of the country. However, this growth assumes no adjustments to primary aluminum imports or to other aluminum imports.

As mentioned above, motor vehicle parts manufacturers provide jobs throughout the nation. Suppliers play a significant role in the research and development of new technologies that provide safer, more fuel-efficient vehicles to all Americans. Currently, vehicle manufacturers and motor vehicle suppliers operate at virtually 100 percent capacity utilization (see Appendix II). At the same time, motor vehicle sales in this country are at an all-time high. Adjustments to primary aluminum imports will allow other countries to manufacture finished components at a lower cost thus undercutting U.S. operations. Adjustments to certain other aluminum imports would also be detrimental where those products are used to manufacture other goods in the United States. We are at a time when we must encourage future investments in this country. If imports of less expensive finished goods are allowed to rise, production and employment will suffer. Finally, in the face of increased imports of less expensive finished goods, our member companies' ability to invest in U.S. manufacturing will certainly decrease. This scenario will play a significant role in our country's competitiveness and, in turn, our national security.

Adjustments to aluminum imports will adversely impact MEMA member companies by disrupting U.S. manufacturing operations and increasing costs. Suppliers expect adjustments to aluminum imports to cause job losses due to a decrease in production if primary aluminum or certain other aluminum is not available in a timely manner or the costs of production increase.

The Department of Commerce should also consider the impact of semi-finished and finished goods imports into the U.S. from other countries. For example, many U.S. producers already face risk from imports from China. In 2009, imports of cast aluminum wheels from China drove U.S. companies, such as Alcoa, out of the cast aluminum wheels business in the United States causing the closure of manufacturing facilities impacting over

600 U.S. jobs.⁵ Imports from countries not fairly trading their products is not in the national security interest of the United States. In the European Union, 22.3 percent antidumping duties have been applied to aluminum wheels to protect the EU wheel producers in order to ensure wheels are fairly traded.⁶

Finally, other countries may retaliate against the U.S. for imposing such restrictions by imposing their own restrictions, which could detrimentally impact exports of MEMA member companies.

Certain Types of Aluminum Must Be Excluded from Any Adjustments to Aluminum Imports

For the above reasons, MEMA strongly urges the government not to make any adjustments to aluminum imports, and particularly to primary aluminum imports. If the government does make such adjustments, MEMA requests that certain products critical to U.S. manufacturing operations of our member companies be excluded from any such adjustments. MEMA member companies need specialized aluminum that either is not available at all in the U.S. or is not available in sufficient quantities. Continued access to these types of aluminum is critical to our industry. Attached to these comments is a non-exhaustive list of aluminum products that must be excluded from any import adjustments (see Appendix I). Several of our member companies are submitting exclusion requests directly as well.

Certain Countries Must Be Excluded from Any Adjustments to Aluminum Imports

Import restrictions imposed as a result of Section 232 investigations do not need to cover all countries. MEMA member companies consider suppliers of aluminum products in Canada and Mexico to be part of the industrial base of the United States, and urge that both countries be excluded from any import adjustments. The relationship between the United States, Canada and Mexico is critical to national security and that relationship should not be jeopardized by any Section 232 investigation.

Future Research is Necessary Before Adjustments to Aluminum Imports, and Particularly to Primary Aluminum Imports, Are Imposed

Uncertainty as to the ability to obtain primary aluminum and certain other aluminum for our industry puts businesses in jeopardy. Companies cannot plan production runs if the timing of primary aluminum and other aluminum accessibility is unknown. MEMA requests that the impact of any adjustments to primary aluminum or other aluminum imports is carefully researched before such adjustments are imposed. By law, the Secretary of the U.S.

⁵ <http://www.autonews.com/article/20091130/OEM01/311309996/alcoa-joins-retreat-of-american-wheel-makers> (last visited June 9, 2017) (In 2009, Alcoa joined other American wheel makers in shutting down wheel and forged products factories in the U.S. due in large part to intense competition from China from cast aluminum wheels.)

⁶ See http://trade.ec.europa.eu/tdi/case_history.cfm?id=1509&init=1509 (investigation of aluminium wheels from China was initiated in August 2009, and antidumping duties have been imposed since May 2010 to current).

Department of Commerce has 270 days to present the President with its findings and recommendations. The President then has 90 days to determine whether to adjust imports. All of the available time should be used in order to thoroughly examine the impact of any adjustments to primary aluminum or other aluminum imports on the entire U.S. economy before such adjustments are recommended and/or imposed. The government should also consider whether a more appropriate remedy is available, such as countervailing duties and/or antidumping duties against specific products from specific countries. The government has the authority to self-initiate such investigations.

MEMA urges the administration to take a country-specific and product-specific approach to this issue rather than imposing blanket quotas or tariffs on all primary aluminum or other aluminum imports without due consideration of the impact of such restrictions on the U.S. economy overall. MEMA is available to assist in providing information on the impact of possible adjustments on primary aluminum or other aluminum imports, and can survey its members to provide such information.

Conclusion

Motor vehicle component and systems manufacturers are the largest employers of manufacturing jobs in the U.S. and many of these companies import aluminum of all types, including specialized aluminum products, to manufacture goods in the U.S. that are then sold to the U.S. defense industry, U.S. government and consumers. Disrupting American manufacturing operations or increasing costs through adjustments to primary aluminum or other aluminum imports would not benefit the national security of the United States. Such adjustments to primary aluminum or other aluminum imports would, in fact, detrimentally impact U.S. employment, compromising our economic and national security.

MEMA appreciates your consideration of these comments. Please contact me via email awilson@mema.org or call 202-312-9246, if there is any additional information MEMA can provide for this investigation.

Sincerely,

A handwritten signature in black ink that reads "Ann Wilson". The signature is written in a cursive, flowing style.

Ann Wilson

Senior Vice President of Government Affairs

APPENDIX I

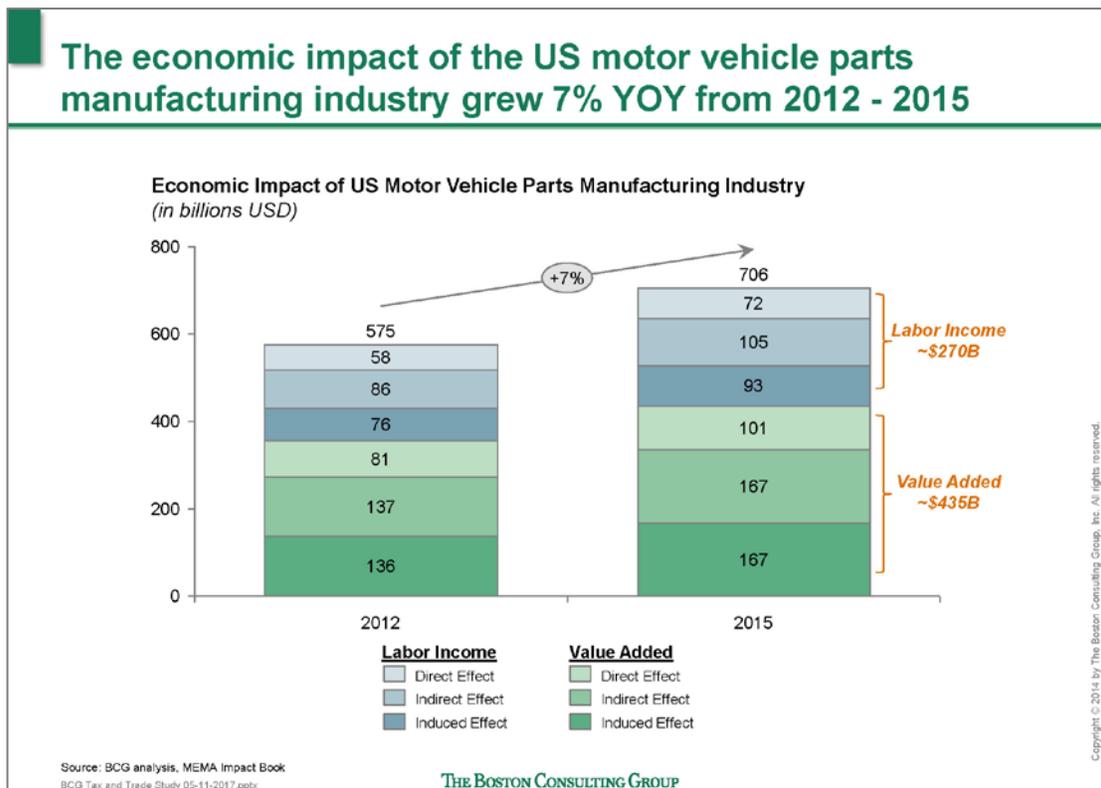
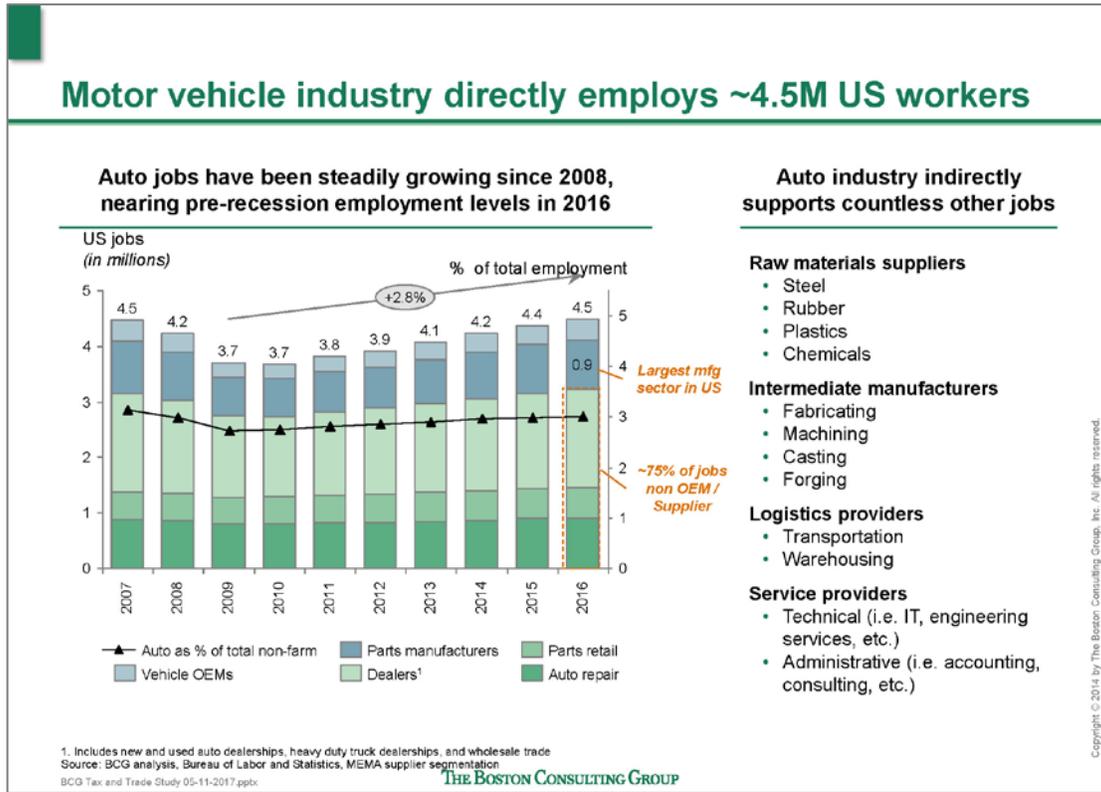
*This is a non-exhaustive list of examples of aluminum products where there is either no U.S. supply, insufficient U.S. supply, producer-developed specialty aluminum, etc.**

NAME	HTS
Unwrought Aluminum	7601
Aluminum Waste and scrap	7602
Aluminum Powder and flakes	7603
Aluminum Connecting Tubes	8415908045
Aluminum Gravity Die Castings	8708998180
Aluminum Heat Exchanger	8708915000 8415908045 8708998180
Aluminum Heat Exchanger Tubes	8708998180 8415908045 8708917550
Aluminum High Pressure Die Castings	8483908080
Aluminum Rolled Products	7607116000 7607119090
Aluminum Stampings	8708917550 8708998180 8415908045
Castings-Die/Castings Gravity	8483908080
Clutch	8483604040
Die Cast Aluminum	8409915085
Fan Parts	8483908080
Flange	8414909080
Gasbox/Shell	8419903000
Housing	8414904165
Housing	8481909040
Housing	8481909040
Housing/Cover	8481909085
Other articles of Aluminum...	7605190000 7616107030 7616107090 7616109030 7616109090 7616995060 7616995090
Shift Fork/CAM/Center Bearing Support	8708996890

** Upon request, code information can be further researched and provided.*

APPENDIX II

The following slides are excerpts from a larger study commissioned by MEMA and recently conducted by the Boston Consulting Group that evaluated the economic impact of changes in trade policies on vehicle suppliers.



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