



WRITTEN SUBMISSION OF THE NATIONAL FOREIGN TRADE COUNCIL

Written Comments on Section 232 National Security Investigation of Imports of
Neodymium-Iron-Boron (NdFeB) Permanent Magnets
Docket No. 210902-0176
November 12, 2021

Introduction

Thank you for the opportunity to submit comments on the investigation initiated by the Secretary of Commerce on September 21, 2021 under Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862), to determine the effects on the national security from imports of NdFeB permanent magnets (“neodymium magnets”). Pursuant to the Federal Register notice (86 FR 53277) published on September 27, 2021, interested persons have been asked to submit comments regarding this investigation. These comments are submitted by the National Foreign Trade Council (NFTC) to assist the Bureau of Industry and Security, Office of Technology Evaluation, U.S. Department of Commerce in understanding the impact on our member companies’ operations of potential Section 232 tariffs on imports of NdFeB permanent magnets.

Analysis of Proposed Section 232 Tariffs on Neodymium Magnets

NFTC understands and supports the Department of Commerce’s ongoing efforts to secure domestic and allied sources of critical materials and technology for national security purposes, including this effort to ensure that the United States has a resilient manufacturing base for neodymium magnets. However, in order to advance key objectives of the Biden Administration, including recovery from the Covid-19 pandemic, the infrastructure development plan, the creation of domestic manufacturing jobs, and positioning of American workers and industry to address the climate challenge, the Administration should not make critical products more expensive and less competitive by imposing tariffs on imported components.

Neodymium magnets are essential components of critical infrastructure, including:

- Electric motors used in buildings, infrastructure, industry, and automobiles;
- Permanent magnet motors;
- Monitors and sensors used in healthcare technology such as MRI machines;
- Computer chip manufacturing;
- Computer hard drives and audio equipment; and
- Renewable energy technology such as wind turbines.

Disrupting the supply chains for these essential products by imposing counterproductive tariffs on imported components would subvert the aforementioned goals of the Biden Administration.

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The application of Section 232 tariffs on neodymium magnets would undermine the Administration's efforts to create resilient supply chains while also punishing American manufacturers which rely on neodymium magnets as an essential component in their products. Such tariffs could have significant, adverse impacts on sourcing options and final product costs for many industries. In fact, Section 232 tariffs are likely to lead to exactly the opposite outcome of what is intended, by discouraging assembly and manufacturing of products that contain neodymium magnets in the United States and encouraging the importation of foreign-made finished products that contain neodymium magnets on which no tariffs were paid.

Attempts to develop a domestic neodymium magnet industry through the imposition of tariffs on neodymium imports will prove ineffective. Tariffs will increase costs on U.S. manufacturers, diminish the competitiveness of products containing neodymium magnets, and will likely lead to retaliatory measures against U.S. exports by our trading partners. Invoking national security as a justification to protect a few industries, to the detriment of countless others, sets a bad example for the rest of the world and opens the door for other countries to take similar actions.

Conclusion

Rather than imposing Section 232 tariffs that would hurt American businesses and workers and trigger retaliation against U.S. exports, the Biden Administration should shift its focus instead to providing incentives to boost domestic manufacturing of neodymium magnets such as those currently under consideration for the semiconductor manufacturing industry. These incentives could include dedicated funding for research and development, subsidies for production facilities, and public-private partnerships to promote educational and job training pathways to domestic manufacturing jobs.

We hope that the Department of Commerce can work with industry to ensure that any applied tariffs do not raise costs for domestically manufactured products and put American workers' jobs at risk.

About NFTC

NFTC is a business association dedicated to making America more competitive in the global economy by ensuring the adoption of forward-looking tax and trade policies, by strengthening global rules and by opening foreign markets to U.S. products and services. Our strong support for these objectives, and our belief that their fulfillment is essential to our members' success in a globalized economy, have been unwavering for decades. We therefore believe that it is critical to provide policymakers with our clear views about the role that trade policies play in unleashing a new era of U.S. competitiveness.

NFTC's membership spans the breadth of the national economy. It includes sectors such as energy products, capital goods, transportation, consumer goods, technology, healthcare products, services, e-commerce, and retailing. Our companies account for more than \$3 trillion in total sales worldwide, employ over five million Americans and produce a large share of our nation's total exports. NFTC members play an important role in ensuring a healthy national economy and promoting U.S. global leadership.

Please contact NFTC Senior Director for International Supply Chain Policy Ben Wastler at bwastler@nftc.org for additional information related to this request.

Thank you for the opportunity to comment.