

November 12, 2021

Mr. Matthew S. Borman
Deputy Assistant Secretary for Export Administration
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

RE: Notice of Request for Public Comments on Section 232 National Security Investigation of Imports of Neodymium-iron-boron (NdFeB) Permanent Magnets (Docket No. 210902-0176; FR Doc. 2021-20903)

Dear Mr. Borman:

On behalf of our members, Autos Drive America appreciates the opportunity to submit this letter in response to the Department of Commerce's request for comments on its national security investigation under Section 232 of the Trade Expansion Act of 1962 into imports of neodymium-iron-boron (NdFeB) permanent magnets.

Our member companies and their suppliers rely on the availability of neodymium-iron-boron permanent magnets as part of other components used in their U.S. automotive production. While our members do not directly purchase or import for production purposes the NdFeB magnets, they do purchase the components that rely on the magnets critical to their function from U.S. suppliers as well as suppliers based in Japan, Germany, Canada, among others.

Neodymium magnets are used in various types of motors such as the high-output motors found in electrified vehicles, the use of which is expected to increase rapidly in the future. Although our member companies use limited amounts of neodymium magnets in their current U.S. production, robust efforts to electrify their product lineup could lead to a sharp increase in demand for NdFeB in the near- to mid-term as more production of electric vehicles is brought online.

Neodymium plays an important role in maintaining high coercivity and heat resistance. It is important that magnets used in automotive motors and other applications have a high coercivity and can maintain it in extremely high temperatures. For this reason, approximately 30 percent of the elements used in magnets are rare earth materials. These characteristics of the NdFeB magnets create electric motors that are more efficient allowing for better range capabilities in electric vehicles.

Production volumes of neodymium are relatively high among rare earths; however, in addition to geopolitical risks, there are concerns that shortages will soon develop as production of electrified vehicles, including hybrid and battery electric vehicles, dramatically increases. Any government intervention into this sector should carefully consider the impacts this would have on supply chains and the production of electric vehicles in the U.S. and worldwide.

BMW . Honda . Hyundai . Kia . Mazda . Mercedes-Benz . Mitsubishi . Nissan . Subaru . Toyota . Volkswagen . Volvo

The nearly nonexistent U.S. production of neodymium magnets prohibits electric motor manufacturers from sourcing the minerals in the United States. Achieving commercial-scale production of NdFeB would take several years to achieve. Companies may be forced to shift production of electric motors outside the United States if imports of NdFeB magnets are restricted or hit with tariffs when there are no domestic entities with proven NdFeB production capabilities or scalability.

As a result of prior Section 232 investigations, the U.S. Government has imposed tariffs and quotas on imports of other products. While we support the Government's efforts to protect U.S. national security and reduce reliance on imports of critical minerals and instead increase access to domestic and allied resources, we strongly urge against the use of tariffs or quantitative restrictions to address this issue. As our member companies strive to achieve their electrification goals and localize production to meet the USMCA's rules of origin requirements, the imposition of tariffs or other restrictions on the import of NdFeB would exacerbate risks to the already fragile automotive supply chain, further drive-up costs in an inflationary environment, discourage electric motor production in the U.S. market and ultimately harm American workers and the economy.

Any efforts to develop a domestic production market for NdFeB should be directed at policies that instead provide incentives to boost domestic investment in manufacturing of these goods, rather than restricting them. The administration should consider a model similar to those currently under consideration for the semiconductor fabrication industry. Incentives dedicated for funding of research and development, production facilities, and public-private partnerships to promote education and job training pathways could be ways to attract the investment needed to create the needed production capacities in the United States.

The Department of Commerce should make continued efforts to work with industry and America's allies to ensure that the results of the Section 232 investigation do not raise costs for domestically manufactured products or disincentivize investments in this or other industries.

Thank you for your consideration of our comments. We would welcome the opportunity to engage directly with the Commerce Department on this investigation and other important issues.

Sincerely,



Jennifer M. Safavian
President and CEO

About Autos Drive America

Autos Drive America represents 13 international automakers and suppliers. Our mission is to grow the U.S. automotive industry by advocating for, and defending, open trade and investment policies that expand employment opportunities for Americans and choice for all consumers. We advocate for a globally competitive U.S. auto industry that provides consumer choice, competitive pricing, and abundant workforce opportunities for Americans.