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**FPA Testifies Against the Section 232 Investigation on the
Effect of Aluminum Imports on U.S. National Security**

*Aluminum foil imports necessary for the packaging industry, and without application for
national defense, should be excluded from consideration*

Annapolis, Maryland: June 22, 2017 – Today, FPA President and CEO, Alison Keane, Esq., provided testimony at the U.S. Department of Commerce’s public hearing for the Section 232 investigation on the effect of aluminum imports on U.S. national security.

The Section 232 investigation, initiated under the Trade Expansion Act of 1962, seeks to determine what, if any, effects imports of aluminum have on national security. FPA is not aware of any impacts aluminum foil imports for use in the packaging industry has on U.S. national security. FPA supports efforts to protect domestic manufacturing and ensure national security, however, any such efforts must consider the impact and consequences on all U.S. manufacturing industries. Accordingly, the scope of these actions must be limited to addressing the specific objectives. Aluminum foil imports necessary for the packaging industry, and without application for national defense, should be excluded from consideration.

A Section 232 investigation is an obscure law that has rarely been invoked since it was enacted. When it has been invoked, a total of 26 times, prior investigations have involved multiple hearings across the United States and has taken the full statutory period to determine what, if any, action should be taken. In fact, most prior investigations under Section 232 have not resulted in action by the President.

FPA is concerned that the aluminum investigation appears to be rushed – with only 5 minutes allotted to testify at today’s hearing, and only one hearing scheduled. In addition, the time for submission of these comments was shortened amid reports that the investigation would not be taking the statutorily allowed 270 days to report to the President, but some faster, undisclosed timeline. FPA believes that the Administration needs to slow down and fairly and accurately investigate whether or not imports of aluminum have any effect on national security. If not, the unintended consequences of any

presidential action will most likely be U.S. job loss and higher costs to consumers for everyday goods.

During the investigation, the Administration is to consider a range of factors related to national security, including the economy and the effects of foreign competition on the economic welfare of domestic industries, including impacts on employment. Any import restrictions on aluminum foil will have a significant negative impact on the flexible packaging industry and its employment in the U.S.

The Section 232 investigation is paralleling an International Trade Commission (ITC) investigation of Chinese aluminum foil imports based on a petition from The Aluminum Association, claiming that dumped and subsidized aluminum foil from China is causing or threatening injury to the domestic aluminum foil industry. The ITC petition seeks steep import duties exceeding 140% to be applied to imported Chinese aluminum foil. The unintended consequences of potential remedies under the Section 232 investigation, combined with any imposed actions through the ITC probe on the ability for flexible packaging manufacturers to acquire the aluminum foil necessary to create innovative and functional packaging for food, beverages, candy, and pharmaceuticals, would be a major loss of flexible packaging jobs in the U.S.

Aluminum foil used by the flexible packaging industry is not manufactured in the U.S. in the quantities and qualities needed. In fact, the ITC, at its preliminary hearing on March 30, 2017, found that domestic ultra-thin foil production “may be limited or nonexistent.” The ITC also found that “Despite their [The Aluminum Association’s] arguments about economic harm by imports, domestic aluminum foil manufacturing jobs declined by only “137 workers from 2014-2016.” To put this number in perspective, domestic flexible packaging manufacturing jobs are estimated at 80,000.

The negative impact on American jobs of cutting off the supply of aluminum foil for flexible packaging manufacturing will far outweigh any job benefits that are envisioned by the ITC and Section 232 investigations. Thus, high tariffs or quotas will only lead to U.S. companies sourcing aluminum foil from other non-U.S. manufacturers; Chinese suppliers of printed or otherwise converted aluminum foil products entering the U.S. market, since these products are not included in the actions; and/or U.S. companies moving flexible foil packaging production outside the U.S., thereby reducing U.S. jobs. There is simply no scenario where U.S. aluminum foil manufacturers benefit, and in most cases, U.S. flexible packaging jobs will be lost.

The U.S. supply of foil is not available in the quantities and quality necessary for the U.S. flexible packaging industry because of strategic decisions U.S. aluminum foil producers made decades ago. Over the last several years, domestic producers of aluminum foil have retreated from the production of thin gauge foil, and some have exited the market altogether. In some cases, they have exited while U.S. flexible packaging manufacturers were actively purchasing from them with little to no notice, leaving the flexible packaging industry with minimal time to find new sources.

A lack of investment by U.S. aluminum foil producers to keep up with technological advances, and not upgrading facilities so that they could produce a product of sufficient quantity and quality to meet the needs of U.S. customers left them vulnerable to foreign competition. Chronic underinvestment,

especially in machinery – with many U.S. mills tracing their last significant equipment purchase to the 1970s – has forced the domestic packaging industry to rely on imports to fill their needs.

By contrast, Chinese and other non-U.S. mills have invested heavily in modern machinery to serve the needs of U.S. converters. These imports offer superior quality, product selection, and sufficient volume. Chinese producers of aluminum foil can produce the gauges that converters need at the level and quality that converters can trust. Ongoing investment in modern machinery and the latest techniques allow Chinese producers to roll foil in widths that cannot be duplicated by the machinery in the U.S.

Simply put, even if a robust domestic supply of aluminum foil was available, which it is not, the quality of the aluminum foil domestic flexible packaging manufacturers are able to acquire from China and other non-domestic suppliers far exceeds the quality of domestic aluminum foil, and that quality is mission critical for domestic flexible packaging manufacturing. Underinvestment in the U.S. aluminum foil industry has been prevalent for years – the suggestion now, that unfairly priced imports are the cause, is specious at best.

FPA shares the same goal as domestic aluminum producers who want more U.S. jobs and understands the importance of U.S. manufacturing to national security. The Administration should find ways to work together to improve our country's competitiveness. Everybody loses in unfair trade cases, especially the American consumer. The ITC's preliminary findings make it clear that its case is not going to result in any benefit to aluminum foil producers and the unintended consequences of including aluminum foil in any Section 232 remedy will be more damaging to the U.S. manufacturing industry and the economy than the benefits sought.

For more information on the Section 232 Investigation on the effect of aluminum imports on U.S. national security, please contact FPA at 410-694-0800.

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About the Flexible Packaging Association (FPA)

The Flexible Packaging Association is the voice of the U.S. manufacturers of flexible packaging and their suppliers. The association's mission is connecting, advancing and leading the flexible packaging industry. Flexible packaging represents over \$30 billion in annual sales in the U.S. and is the second largest and one of the fastest growing segments of the packaging industry. Flexible packaging is produced from paper, plastic, film, aluminum foil, or any combination of those materials, and includes bags, pouches, labels, liners, wraps, rollstock, and other flexible products.