

# INTERNATIONAL BUSINESS ALERT

OCTOBER 4, 2021

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## **U.S. Department of Commerce initiates Section 232 investigation into the effect of imports of neodymium magnets on U.S. national security**

On Sept. 27, 2021, the Department of Commerce Bureau of Industry and Security (BIS) issued a [Notice of Request for Public Comments](#) (Notice), inviting the public to submit written comments on the initiation of a Section 232 national security investigation to determine the national security impact of imports of neodymium magnets, specifically neodymium-iron-boron (NdFeB) permanent magnets.

NdFeB permanent magnets are essential components of fighter aircraft and missile guidance systems, electric vehicles, and wind turbines and may also be found in computer hard drives, audio equipment and medical imaging devices – and companies engaged in those industries will be mostly affected. This investigation is not country specific and covers all imports of covered items to the U.S., but imports from China will likely be the focus of this investigation as both the neodymium magnets themselves and the rare-earth minerals used to manufacture them are currently primarily sourced from China. Businesses impacted should consider should consider filing comments with BIS. Written comments must be submitted to BIS by Nov. 12, 2021.

### **Background on neodymium magnets investigation**

neodymium magnets On Sept. 21, 2021, the U.S. Department of Commerce (Commerce) initiated a new national security investigation in accordance with [Section 232](#) of the Trade Expansion Act of 1962, as amended, and [Part 705](#) of the National Security Industrial Base Regulations, to determine

the effects on U.S. national security from imports of NdFeB permanent magnets. This investigation is consistent with a recommendation in the June 2021 [report](#) issued by the Biden administration as part of its 100-day supply chain review.

At the conclusion of the investigation, if Commerce finds that NdFeB permanent magnets are being imported to the United States in such quantities or under such circumstances as to potentially impair U.S. national security, the Biden administration may then impose additional tariffs on future imports of neodymium magnets. Recent tariffs imposed under Section 232 have ranged as high as 25% (with respect to certain imports of steel and steel products).

While this investigation is not country specific and covers all imports of covered items to the U.S., imports from China will likely be the focus of this investigation, as both the magnets themselves and the rare-earth minerals used to manufacture them are currently primarily sourced from China. We note that both the Biden administration and members of the U.S. Congress have expressed concern regarding reliance on China (and other countries) and its impact on the supply chain of U.S. critical industries.

It should also be noted that a number of U.S. government funding and legislative efforts have been undertaken to support U.S. domestic production of rare-earth elements, including direct government [investment](#) and [tax incentives](#).

### **Likely impacted industries**

BIS has noted that NdFeB permanent magnets are essential components of fighter aircraft and missile guidance systems, electric vehicles, and wind turbines and may also be found in computer hard drives, audio equipment and medical imaging devices. The 100-day supply chain report also identified the use of NdFeB permanent magnets generally in industrial motors and motor vehicle parts. Companies engaged with these industries should review their supply to determine to what extent product in their supply chains might be covered, the potential risk of increased tariffs, and if appropriate, whether to file comments with BIS regarding the Section 232 investigation.

### **Written comments**

BIS has indicated it is particularly interested in the following details from any interested parties:

- Quantity of or other circumstances related to the importation of NdFeB permanent magnets;
- Domestic production and productive capacity needed for NdFeB permanent magnets to meet projected national defense requirements;
- Existing and anticipated availability of human resources, products, raw materials, production equipment and facilities to produce NdFeB permanent magnets;

- Growth requirements of the NdFeB permanent magnet industry to meet national defense requirements and/or requirements for supplies and services necessary to assure such growth, including investment, exploration and development;
- The impact of foreign competition on the economic welfare of the domestic NdFeB permanent magnet industry;
- The displacement of any domestic NdFeB permanent magnet production which might cause substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity, or other serious effects;
- Relevant factors that are causing or will cause a weakening of our national economy; and
- Any other relevant factors, including the use and importance of NdFeB permanent magnets in [critical infrastructure sectors](#) identified in Presidential Policy Directive 21 (Feb. 12, 2013).

### Takeaway

Businesses impacted by the import of NdFeB permanent magnets and the initiation of the Section 232 investigation should consider filing comments with BIS, particularly as to whether the imposition of tariffs for future imports would meet the above noted policy goals and any identifiable positive or negative impacts such tariffs may have on U.S. businesses. Comments must be submitted no later than Nov. 12, 2021, via the federal government's [eRulemaking portal](#). All submissions must be identified by docket number BIS 2021-0035 or RIN 0694-XC083.

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