

Presidential Policy Brief:

Trade



Aluminum is a unique and foundational element of American manufacturing, with growing demand driven by innovative applications that support aerospace, transportation, construction, defense, packaging, infrastructure and many other segments of the U.S. economy.

The Aluminum Association represents the U.S. aluminum industry across the entire value chain. The U.S. aluminum industry generates more than \$70 billion in direct economic output, directly employs more than 166,000 workers across the country and indirectly supports an additional 494,000 workers.

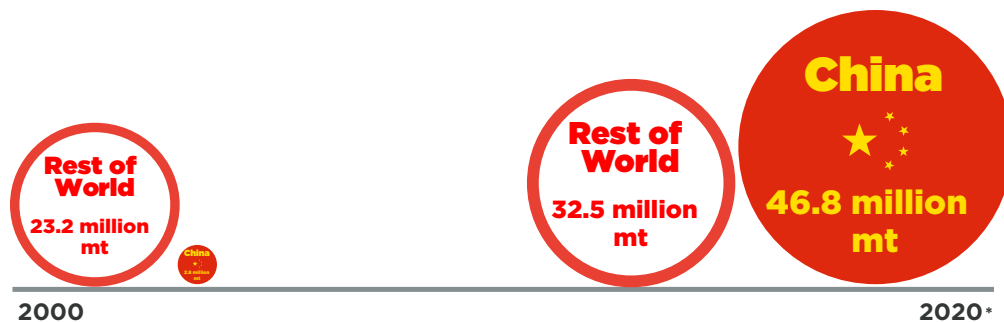
The U.S. Aluminum Industry Needs New Rules, Tough Enforcement & Access to Global Markets

The past decade of demand growth for aluminum in North America has fueled billions of dollars in domestic investments and new jobs in the mid- and downstream segment of the U.S. aluminum industry. Unfortunately, fair competition through the entire value chain is being undermined by industrial subsidies that have resulted in massive overcapacity in China that initially resulted in large volumes of unfairly traded products entering the United States and more recently has resulted in third-countries selling aluminum products in the United States at unfairly low prices as a means of avoiding direct competition with Chinese products. Left unaddressed, U.S. companies will not be able to compete in the domestic market or export products – ultimately reducing investment and innovation in the industry, threatening growth and reducing jobs.

Even as recent antidumping and countervailing duty (AD/CVD) orders in the United States have led to significant declines of unfairly traded imports from China, overall imports of semi-fabricated aluminum products continue to grow and to undermine the competitiveness of U.S. producers – driving down demand for primary and secondary, or recycled, aluminum made in the United States. The current WTO rules do not adequately constrain the use of subsidies and other predatory industrial policies that undermine the normal function of the global market. The U.S. government should leverage trade policy and trade remedies to specifically address unfairly subsidized overcapacity and its effects, both on the U.S. market and other market economies.

The Single Biggest Threat to U.S. Aluminum is Unfairly Subsidized Overcapacity in China

As China grows its own aluminum industry by adding new capacity upstream and downstream, it increasingly undermines existing privately owned competition while inhibiting market-driven expansion outside the country. The United States should work cooperatively with its trading partners and allies to update – and enforce – multilateral trade rules to meaningfully thwart unfair subsidies that drive irrational capacity. In the meantime, the U.S. government must block unfairly traded imports with targeted, durable duties and support the domestic industry with a comprehensive policy strategy.



*Data through Nov. 2020 annualized

While the challenges are acute, and escalating, swift policy action can address these challenges and allow the industry to thrive.

The U.S. Trade Representative should:

- Maintain Section 301 tariffs on aluminum imports from China until systemic, unfairly subsidized overcapacity in the market is addressed.
- Initiate a Section 301 evasion investigation focused on aluminum sheet and plate from China entering North America and subsequently entering the U.S. market.
- Build a multilateral approach to address unfairly subsidized overcapacity and state-owned enterprises that distort global markets, working with a coalition of international aluminum stakeholders.
- As the new Administration considers foreign policy and multilateral engagement priorities that include exemptions from Section 232 tariffs on aluminum for key trading partners that have a demonstrated commitment to free and fair trade, the Association will make recommendations for negotiating appropriate country-specific exemptions.
- Secure from Mexico a commitment to enact a formal aluminum import monitoring program and to coordinate monitoring across North America, as part of USMCA implementation.

The Commerce Department should:

- Launch the Aluminum Import Monitoring (AIM) program to monitor aluminum imports – and address trade flow shifts and trends that threaten the U.S. aluminum industry.
- Enact significant reforms to the Section 232 exclusion process.
- Strongly enforce AD/CVD orders and swiftly block attempts at evasion or circumvention.

Aluminum AD/CVD Action & Milestones

In recent years, the Aluminum Association has pursued targeted trade enforcement actions to obtain relief from surging volumes of unfairly low-priced imports of aluminum foil. The association filed its first antidumping and countervailing duty petitions on imports of certain aluminum foil from China in 2017. The Commerce Department self-initiated AD/CVD investigations on imports of common alloy aluminum sheet from China – the first such action by the department in more than 25 years. The subsequent application of durable trade remedies brought positive developments for the U.S. aluminum industry. Unfortunately, those existing duty orders prompted Chinese producers to shift exports of common alloy sheet and foil to other foreign markets. Producers in those countries began exporting their own production to the United States, disrupting market conditions.

Common Alloy

In March 2020, the Association's Common Alloy Aluminum Sheet Trade Enforcement Working Group filed AD/CVD petitions alleging that unfairly traded imports of common alloy aluminum sheet from 18 countries are causing material injury to the domestic industry. Commerce announced its preliminary determinations in August and October 2020, finding that imports of common alloy aluminum sheet from the subject countries are being subsidized (imports from Bahrain, Brazil, India, and Turkey) and dumped (imports from all 18 countries), respectively.

- The deadline for Commerce to complete its final AD/CVD determinations in the ongoing investigations is March 1, 2021.
- Typical applications for common alloy aluminum sheet include: gutters and downspouts, building facades, street signs and license plates, electrical boxes, kitchen appliances and tractor-trailers for trucks.

Foil

In September 2020, the Aluminum Association's Foil Trade Enforcement Working Group filed AD/CVD petitions charging that unfairly traded imports of aluminum foil from five countries caused material injury to the domestic industry. The industry's petitions allege that aluminum foil imports from Armenia, Brazil, Oman, Russia and Turkey are being dumped in the United States and that imports from Oman and Turkey benefit from actionable government subsidies.

- USITC made a unanimous preliminary determination in November 2020 that there is a reasonable indication that imports of certain aluminum foil from Armenia, Brazil, Oman, Russia and Turkey are a cause of injury to U.S. producers. As a result, the U.S. Department of Commerce will continue to conduct its investigations on imports of certain aluminum foil from the five countries. Commerce's preliminary determinations concerning countervailing duties on Oman and Turkey are due to be completed on February 26, 2021. The current deadline for Commerce to complete its preliminary antidumping determinations is March 8, 2021, although this deadline will likely be extended.