

A Trade Policy Framework for the U.S. Aluminum Industry



Background

The past decade of demand growth for aluminum has fueled substantial investments by domestic producers in the mid- and downstream segment of the U.S. aluminum industry. However, unfairly subsidized overcapacity in China is undermining fair competition in market economies for aluminum products through the entire value chain. Left unaddressed, the market distortions created by this uneconomic overcapacity will diminish U.S. companies' ability to compete in both domestic and export markets – destabilizing investments 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 declines of unfairly traded imports of certain flat-rolled products and extrusions, China continues aggressively to export its unfairly subsidized aluminum products and bring new primary aluminum capacity online – distorting the global aluminum value chain and undermining the ability of U.S. producers to compete on a level playing field. The current World Trade Organization (WTO) rules do not adequately constrain the use of subsidies that undermine the proper function of the global market.

In order to sustain a thriving aluminum industry in the United States, the Aluminum Association urges President Biden and his Administration to:

1. Implement immediate and urgent reforms to Section 232 exclusion process.
2. Carefully consider exemptions to the Section 232 aluminum tariffs on countries committed to market-based trade.
3. Continue robust trade enforcement and maintain Section 301 tariffs on aluminum imports.
4. Prioritize multilateral efforts to combat unfair global trade practices and harmful industrial subsidies.
5. Launch the new Aluminum Import Monitoring system and carefully track aluminum trade flows.
6. Outline a comprehensive policy, with long-term federal investment, to ensure a stable and resilient domestic aluminum capacity amidst a global supply chain.

Guiding Principles & Key Beliefs

- Because unfairly subsidized aluminum overcapacity is undermining the ability of U.S. aluminum companies to compete fairly, the U.S. government must take swift action to block unfairly traded imports and to support the domestic industry with a comprehensive domestic, foreign policy, and trade strategy.
- It is in the U.S. national security interest, and in the interest of U.S. manufacturers, to have viable aluminum smelting capacity in the United States and a resilient primary aluminum supply chain. A unilateral tariff action alone cannot adequately address long-term the challenge facing primary aluminum producers or create the favorable market conditions that are required for much-needed long-term investments in U.S. primary production.
- The United States is part of a globally integrated aluminum supply chain, and U.S. policy should support those necessary supply chains and customer markets while defending the ability of domestic producers to compete fairly. The United States should seek to eliminate trade barriers for imports of aluminum products from countries that operate fairly under global trade rules as market economies and have taken action to address unfairly subsidized imports that destabilize their own domestic markets.
- Targeted, durable trade remedies like AD/CVD orders can effectively curb unfair imports – both in the United States and elsewhere. Our trading partners should take appropriate trade remedy action or implement safeguard measures to address unfairly traded aluminum imports entering their markets.
- Multilateral rules, when enforced, are the most effective way to combat the spread of unfairly subsidized aluminum. More coordinated advocacy from the aluminum industry, amongst more partner countries, is needed to engage governments and multilateral institutions to update global trade rules to better address trade-distorting policies and subsidies. Ultimately, governments representing market economies working together can create the durable conditions for a fair, free global aluminum market.
- The U.S. aluminum industry supports trade agreements, policies, and initiatives to eliminate barriers and open markets and facilitate trade – when those agreements create demand growth for aluminum products and do not subject U.S. aluminum producers to unfair competition from abroad.
- New domestic content requirements or preferences for federal procurement that aim to restrict global supply chains should reflect a cost-benefit analysis on how any significant change would impact the domestic manufacturers of aluminum products that are essential to the military and/or support aluminum industry jobs. Federal initiatives to fund capital equipment upgrades, R&D, and other technology improvements to expand processing and manufacturing capabilities for aluminum would be more impactful, and beneficial for the entire aluminum value chain.

Industry Priorities with the Biden Administration

- Swiftly implement significant reforms to the Section 232 exclusion process – building on previous recommendations from the Aluminum Association and others – that mitigate the unintended magnet for imports that are threatening the domestic aluminum industry.
- Maintain Section 301 tariffs on aluminum imports from China until systemic, unfairly subsidized overcapacity in the market is addressed.
- Build a multilateral effort to reduce and eliminate unfairly subsidized overcapacity in China and address state-owned-enterprises, as advocated for by a coalition of international aluminum stakeholders.
- Carefully consider country-wide exemptions to the Section 232 aluminum tariff, as the Administration considers foreign policy and multilateral engagement priorities, to ensure trading partners demonstrate a commitment to aggressive enforcement of trade rules and have addressed destabilizing forces within their own markets.
- Launch the Aluminum Import Monitoring (AIM) program at the Commerce Department, and secure a commitment for a formal aluminum monitoring program in Mexico in order to better coordinate aluminum monitoring across North America, as part of USMCA implementation.

Immediate Action Items for Biden Administration

Section 232

- The Commerce Department should immediately implement fundamental reforms to the Section 232 product exclusion process to vastly limit the number of exclusions granted. In doing so, the Administration should prioritize the U.S. aluminum industry's recommendations, in order to advance the objectives of industry that this remedy was intended to support.
 - Restrict volumes for importers, particularly for traders and distributors that re-sell (and do not consume) imported products, to limit anti-competitive behavior.
 - Presume denial of exclusions for imports from China, or from non-market economies.
 - Restrict eligibility of requestors, to mirror the restrictions on objectors.
 - Rescind General Approve Exclusions (GAEs) for boxed foil and other aluminum products, and then undertake a thorough regulatory vetting (including public comments in advance of any regulatory action) of any aluminum product that would be subject to a GAE.
 - Promote transparency by publishing data about exclusions and upgrade the underlying IT infrastructure to make the portal more user-friendly, particularly for domestic industry objectors.
- The Commerce Department should also revisit the initial Section 232 investigation and report on aluminum imports, with new input from the Defense Department, to determine if aluminum industry challenges were adequately captured and whether the implementation of the current remedy is achieving the remedy's goals and/or addressing the industry's fundamental challenges.
- If the Administration considers modifying the Section 232 tariffs on aluminum imports from certain trading partners, USTR should negotiate appropriate country-specific exemptions (following the model, as an example, of the May 2019 agreements with Canada and Mexico that included removal of retaliatory tariffs and included commitments for monitoring of their own imports and additional coordination on issues like enforcement). Exemptions should be considered carefully, until a comprehensive policy is implemented to support the U.S. aluminum value chain.

Aluminum Import Monitoring (AIM)

- The Commerce Department should expeditiously launch the Aluminum Import Monitoring (AIM) program and work collaboratively with the full value chain of the U.S. aluminum industry to understand – and act on – newly available data.
- While Canada has implemented a formal monitoring program for aluminum imports, as part of meeting the obligations of the May 2019 joint agreement, Mexico has yet to take action. USTR should push the Mexican government to implement its commitments to monitor imports, and then the Administration should coordinate monitoring and analysis across North America as USMCA is more fully implemented.

Immediate Action Items for Biden Administration

Section 301

- The U.S. Trade Representative should:
 - Preserve the Section 301 tariffs on aluminum imports from China, and consider increasing the rate for aluminum products on List 4A back to 15% (or higher).
 - Evaluate the initiation of a Section 301 evasion investigation on flat-rolled aluminum products entering North America from China.

Multilateral Coordination

- Prioritize cooperative or multilateral action by governments of market economies (particularly the Group of Seven countries) to address subsidies and market distortions from state-owned enterprises (SOEs), with aluminum as a relevant case study – supported by a network of international aluminum associations.
- Engage in WTO reform initiatives and continue the “trilateral” U.S.-EU-Japan initiative to find common ground on new rules to rein in market-distorting policies and industrial subsidies.