Thank you for the opportunity to appear before you today to address the U.S.-Mexico-Canada Agreement – the USMCA. This agreement is a matter of great interest to our members. My name is Heidi Brock. I am the President and CEO of the Aluminum Association.

We are the largest aluminum trade association in the United States, representing 114 companies across the entire value chain. Our membership includes primary aluminum producers, recyclers, makers of value-added aluminum products and their suppliers. All told, our members make 70 percent of the aluminum and aluminum products shipped in North America.

For more than a century, aluminum has been a vital part of the American economic and innovation landscape, with applications in several major markets and nearly $71 billion in direct economic output. Despite global trade challenges and a significant drop in employment in primary aluminum smelting, direct aluminum jobs are up 3.5 percent from five years ago to more than 162,000 jobs.

In 2017, the U.S. aluminum industry saw record-high demand that exceeded 27 billion pounds. And we are proud of the fact that this industry has announced more than $2.7 billion in investments and expansions in mid- and-downstream aluminum production over the last five years.

Our ability to continue to grow and support record demand in the sector is directly tied to a strong and integrated North American aluminum market.

The North American Free Trade Agreement (NAFTA) helped to create the conditions for North American competitiveness, and our members have benefited from robust, fair and rules-based trade of aluminum and aluminum products within the region. In fact, the U.S. aluminum industry has grown significantly since NAFTA was implemented both in terms of volume and value of metal shipped.

Since the agreement first took effect, more than $220 billion worth of aluminum has crossed the U.S. border going into or out of Canada and Mexico. The majority of NAFTA-related aluminum imports into the United States come from Canada, given its focus on producing primary aluminum. From Mexico, the majority of our aluminum import volume is scrap aluminum coming back into the U.S. supply stream. Since 2011, U.S. aluminum exports to the rest of the world have declined by almost 31 percent, while exports to Canada and Mexico have increased by 9 percent. Over the same period, U.S. aluminum imports from our NAFTA trading partners have increased by more than 20 percent. In 2017, nearly 50 percent of all aluminum flowing into or out of the United States either originated from, or was destined for, one of our NAFTA partners.

Canada is a major source of primary aluminum for the United States, and these imports have helped drive investments in our mid-and-downstream sectors – which make up 97 percent of all U.S. aluminum industry jobs. Last year, the U.S. consumed nearly 6 million metric tons of primary aluminum, yet we only have the capacity to produce less than 2 million metric tons. Even if every U.S. aluminum smelter turned on tomorrow at full capacity, we would not produce nearly enough primary aluminum here in the United States to satisfy growing domestic demand.
Limiting access for U.S. aluminum producers to reach their suppliers and customers – and in some cases, their own subsidiaries and facilities – in Canada and Mexico, as we see with the Section 232 tariffs today, will hamper continued growth and investment for our industry here at home. This is why we continue to call for quota-free exemptions from these tariffs for our USMCA partners. The U.S. aluminum industry faces an acute and persistent issue of illegally subsidized Chinese aluminum overcapacity in the market, but tariff or quota actions against countries like Canada and Mexico that operate as market economies do not address the China challenge and instead harm the overall competitiveness of the region.

The current Section 232 tariff program is creating other disruptions in the market as well. While the Commerce Department has a procedure for companies to request product exclusions, the process is burdensome and undermines the Department’s own trade enforcement efforts. We outlined significant—and specific—concerns about the product exclusion process in formal comments submitted to the Commerce Department earlier this week. If the president grants countrywide exemptions for our allies that play by the rules, the Commerce Department can focus its resources and attention on the requests that require scrutiny and analysis.

The aluminum industry is also very interested in proposed changes to the automotive rules of origin under the USMCA. Much of the industry’s growth in recent years has been driven by increased penetration into the auto sector. While we continue to evaluate the impact of the proposed changes, we do not anticipate any major disruption to the natural growth of aluminum in the auto market. Our members are interested in the requirement that automakers certify that at least 70 percent of aluminum purchases originates from North America, and we look forward to working with USTR as well as the relevant Congressional oversight committees as they clarify and implement this provision to ensure the use of North American-produced aluminum in vehicles continues to grow.

We were pleased to see the USMCA recognizes our region’s common concerns about transshipment and illegal evasion of duties, and includes provisions to promote increased cooperation and information sharing to address circumvention and evasion of trade remedy orders. This is an important priority for the aluminum industry as we ramp up collective trade enforcement activity across the region. Another area where USMCA partners can collaborate to strengthen trade enforcement is on the harmonization of HTS codes. For example, Mexico does not utilize 10-digit HTS codes for HTS Chapter 76 aluminum and aluminum products, like the United States does, and this disconnect makes it difficult to monitor trade flows for specific kinds of product – like can sheet – from countries like China. Aligning HTS codes to allow for greater transparency of data would greatly benefit trade enforcement initiatives.

Similarly, the aluminum industry was pleased to see new provisions related to state-owned enterprises that create market distortions. We very much support the effort to establish a shared framework for new disciplines on market-distorting policies and practices – and to set a template for future trade agreements. We urge the three partner countries to continue joint efforts to limit the distortions of SOEs in the global aluminum market.

From the beginning, we have supported a modernized North American trade agreement, and USMCA achieves that in important ways. However, we urge the president to resolve the Section 232 tariffs on aluminum imports for our neighbors to ensure free movement of aluminum and aluminum products within North America. The new agreement simply cannot work as intended for the aluminum industry and our customers with those tariffs – or quotas to limit access to supply – in place. Full, quota-free exemptions for Canada and Mexico from aluminum tariffs as part of this agreement will benefit the U.S. aluminum industry and the hundreds of thousands of American workers who depend on its success.