

May 20, 2020

The Honorable Robert E. Lighthizer
U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Lighthizer:

On behalf of the members of the Aluminum Association, I want to provide you with an update on issues related to the Section 232 program for aluminum imports. The association and its members greatly appreciated your efforts to reach agreements with Canada and Mexico that reinstated exemptions from Section 232 tariffs for our North American trading partners. Those agreements, which took effect one year ago and prioritized a shared commitment to monitor imports from outside the region, have allowed for the return of consistent and reliable trade of aluminum and aluminum products within North America. This is particularly important as we move toward entry into force of the U.S.-Mexico-Canada Agreement (USMCA).

There are three important actions you can take to strengthen the U.S. aluminum industry and enhance the partnership outlined in the new USMCA:

1. Formalize a public-private collaboration with USMCA partner governments and the North American aluminum industry to discuss, and address, trade flow shifts and patterns of concern;
2. Encourage Mexico to establish an aluminum import monitoring program, building on the programs instituted by the U.S. and Canada;
3. Collaborate with the Commerce Department to reform the Section 232 product exclusion process. The current process has created more market distortions by selectively allowing significant imports of aluminum – including billions of pounds of aluminum products from China, despite that country's subsidized overcapacity that is a major threat to the U.S. aluminum industry.

The Aluminum Association is the largest aluminum trade association in the United States, representing aluminum production and jobs that span the entire industry value chain, from primary production to value-added products to recycling, as well as suppliers to the industry. During this time of national crisis, the U.S. aluminum industry is striving to operate its critical manufacturing facilities while doing everything possible to ensure the health and safety of its workers, families and communities across the country.

The country depends on the products manufactured by the aluminum industry to support healthcare, aerospace, transportation, construction, defense, packaging, infrastructure and many other critical segments of the U.S. economy. In turn, the U.S. aluminum industry depends

on a reliable source of Canadian primary aluminum, which has been a key part of the domestic supply chain and national security apparatus for decades, to meet demand for these aluminum products. Even if every U.S. aluminum smelter was operating at full capacity, aluminum manufacturers would still require a mix of domestic and imported primary aluminum as well as secondary production to meet the demands of U.S. manufacturers and consumers for aluminum products. Fully 97 percent of U.S. aluminum industry jobs are in mid-and-downstream production and processing, and these jobs – as well as many more at U.S. aerospace, automotive and other advanced manufacturing firms – depend on reliable aluminum supplies from our USMCA trading partner.

Imports of primary aluminum from Canada into the U.S. are consistent today with levels prior to the implementation of Section 232 tariffs and below peaks in 2017. We do recognize that production levels in Canada have shifted in the past year, with the July 2019 restart (still ongoing) of the Aluminerie de Becancour (ABI) aluminum smelter in Quebec after the resolution of a labor dispute. Much of the short-term change in trade flows can be tied to this return to the market (which has, to a large extent, displaced imports from other countries in the Middle East and Asia). In examining historic imports of primary aluminum, it is helpful to look at both commodity-grade aluminum (P1020) and value-added premium (VAP) products together, shown as “Total Unwrought” (HTS 7601) in the chart below. The precise mix of VAP or P1020 may vary according to market conditions, but total imports of primary aluminum from Canada over time have stayed relatively constant.

Average	P1020	VAP	Unwrought
	7601.10	7601.20	7601
	(t/month)	(t/month)	(t/month)
2015-2017	109 813	85 112	194 925
2017	128 965	80 623	209 587
2019	100 980	73 460	174 440
2019 (Q3-Q4)	136 460	68 178	204 638
2020 (YTD)	125 261	61 108	186 369

(Source: Aluminum Association of Canada)

Unfortunately, the administration of the Section 232 product exclusion process has created distortions in the U.S. market by incentivizing imports of semi-fabricated aluminum. Since the beginning of the program in 2018, the Commerce Department has granted tariff exclusions covering more than 22 billion pounds of aluminum – including more than 4 billion pounds of aluminum products from China, the most granted for any single country.

The association has been consistent in calling for U.S. government action on unfair subsidies leading to persistent overcapacity of aluminum in China, which measures on Canada and Mexico did not address. Even as successful antidumping and countervailing duty cases led to a sharp decline in unfairly traded imports of flat-rolled aluminum products from China, overall

imports of semi-fabricated aluminum products into the United States increased by nearly 4 percent in 2019. Much of this aluminum was excluded by the Commerce Department from the Section 232 tariffs. Meanwhile, domestic production of semi-fabricated aluminum products declined more than 3 percent in 2019.

The large volumes of Section 232 product exclusions undermine domestic producers of aluminum products and drive down demand for primary aluminum in the United States – a significant threat to the future viability of the U.S. aluminum industry. The association has shared with Commerce Department officials a number of recommendations to improve the exclusion process and ensure the integrity of the Section 232 program.

In the year ahead, we are eager to see all parties in the USMCA take action to prioritize strong trade enforcement as part of a shared commitment to a healthy and vibrant North American aluminum industry. Last year, Canada announced an expansion of its import monitoring system to include aluminum and aluminum products. Mexico made a similar commitment in its May 2019 agreement to “prevent the importation of aluminum and steel that is unfairly subsidized and/or sold at dumped prices” and “establish an agreed-upon process for monitoring aluminum and steel trade” but has not yet acted to formally monitor aluminum imports into Mexico. In fact, imports of aluminum sheet and plate from China into Mexico have increased by more than 100 percent in the past year and more than 1,600 percent since 2014.

The U.S. Commerce Department recently published its proposal for a formal Aluminum Import Monitor (AIM) program. To match the efforts of Canada and the United States, Mexico should implement a formal aluminum import monitoring program. We urge you to work with your counterparts in Mexico to ensure its government is adequately monitoring imports of aluminum products – particularly from non-market economies like China. Further, I recommend that you and your interagency colleagues formalize a public-private collaboration with USMCA partner governments and the North American aluminum industry. We stand ready to support the establishment of such a North American Aluminum Trade Committee to discuss, and address, trade flow shifts and patterns.

Your action to establish a North American Aluminum Trade Committee, paired with reforms to the Section 232 exclusion process and robust import monitoring for the full aluminum value chain, would help bolster the viability of the aluminum industry in the months and years ahead. We continue to watch developments related to the COVID-19 pandemic and associated economic disruptions in real time, and we expect to see a significant shift in primary production globally from premium to commodity products amidst a significant drop in aluminum demand this year. At such a critical time, we believe it is important for trade policy to be guided in a way that creates certainty and minimizes further disruptions, particularly to well-established supply chains within the USMCA region. We appreciate your attention to the aluminum industry and welcome an open dialogue with you in the weeks and months to come.

Sincerely,



Tom Dobbins
President & CEO