April 22, 2020

The Honorable Wilbur L. Ross, Jr.
Secretary of Commerce
Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

Dear Secretary Ross:

On behalf of the members of the Aluminum Association, I want to provide you with an update on issues related to Section 232 exclusions for aluminum products. As the Association and industry leaders highlighted in a meeting with you in December 2019, the domestic aluminum industry is deeply concerned that the import volumes identified in granted exclusion requests, as well as those still pending, vastly exceed recent import levels for several semi-fabricated aluminum product categories— and that these trends are accelerating.

The Aluminum Association represents the U.S. aluminum industry across the entire value chain. Our members produce more than 70 percent of the aluminum and aluminum products shipped in North America. During this time of national crisis, U.S. aluminum companies are striving to operate critical manufacturing facilities while doing everything possible to assure the health and safety of workers, families and communities across the country.

At a time when aluminum producers are responding to the unprecedented impact of the COVID-19 pandemic, their short-term and long-term viability relies on strong and stable domestic demand. Customers continue to use aluminum for innovative applications, but a significant increase of aluminum product imports into the United States last year—fuelled by Section 232 exclusions—is a threat to U.S. aluminum producers.

Resources and personnel are strained while aluminum producers make the metal to support healthcare, aerospace, transportation, construction, defense, packaging, water purification, infrastructure and many other critical segments of the U.S. economy—making it more difficult than ever to justify dedicating resources and personnel to monitor the Section 232 portal and respond to a growing number of exclusion requests from manufacturers, brokers and distributors.

Increasing imports (including imports that are benefiting from exclusions from Section 232 tariffs) are actively undermining the competitiveness of U.S. aluminum producers. Even as successful antidumping and countervailing duty cases have led to a sharp decline in unfairly traded imports to the United States from China of flat-rolled aluminum products like aluminum foil and common alloy aluminum sheet, overall U.S. imports of flat-rolled aluminum products
wrote actually up in 2019 over the previous year. We know that Chinese aluminum producers are increasingly reliant on exports of semi-fabricated aluminum products – which hit a record 5.23 million metric tons in 2018 – to maximize the use of their existing capacity and to justify additional, irrational capacity expansions. There is a direct correlation between increased exports by China of flat-rolled products to countries other than the United States and increases in U.S. imports of flat-rolled products from countries other than China.

As the Association’s member company leaders shared with you in December, we are very concerned that the Section 232 exclusion process as currently administered is hurting the competitiveness of the U.S. aluminum industry and incentivizing imports of aluminum products. These concerns have taken on new urgency in the past few weeks, as the impact of the COVID-19 pandemic continues to spread through the manufacturing sector.

We have shared with the Bureau of Industry & Security (BIS) and the International Trade Administration (ITA) recommendations to reform and improve the Commerce Department’s Section 232 aluminum import exclusion process. Nonetheless, the Department continues to grant exclusions from the Section 232 tariffs on massive volumes of aluminum flat-rolled products (including imports from China). This year alone, the Commerce Department has granted exclusions for nearly 5 billion pounds of aluminum can sheet (Figure 1) – including a sizeable amount from China. Those granted exclusion requests cover more aluminum can sheet than the entire U.S. market consumes in a year and dwarfs historical import trends for that segment. It would be hard to overstate how huge those volumes are, or how much they are affecting the market. In addition to can sheet, exclusions have been granted this year for significant volumes of other flat-rolled product (including foil – Figure 3 – and sheet and plate – Figure 5). And unfortunately, there have been a number of exclusions for flat-rolled products granted this year despite domestic producer objections.

To immediately address the concerns we have raised, we strongly urge the Commerce Department to:

- Review all Section 232 exclusion requests involving aluminum products to ensure that volumes identified in each request are proportional to historical U.S. import volumes, compared to aggregate annual volumes for an individual applicant and its parent company as well as product category, and proportional to U.S. market demand. Further, the Commerce Department should apply heightened scrutiny to requests that exceed a requestor’s historical volume of imports. The Commerce Department should at the very least shift the burden of proof to require non-aluminum producing requestors to demonstrate why they need to import aluminum products (in individual applications and in aggregate) above historical import volumes. We believe this would discourage distributors or downstream manufacturers from requesting huge volumes of exclusions and leveraging those successful exclusion requests to demand price reductions from domestic suppliers. It would also be consistent with the approach taken by the Department in the derivative products proclamation, where it found a need to address imports of derivative
products that have increased by more than 4-5 percent over the broader trend for steel and aluminum imports generally.

- Limit exclusions only to those products outside of the capability of domestic producers or for which there is no U.S. production. Under current market dynamics, granting an exclusion for products that are produced in the United States only undermines the purpose of the remedy by giving a cost advantage to the imported aluminum product over its domestic competitor.

The Aluminum Association was glad to see the Department move to create an aluminum import monitoring system, and we have been heartened by the bipartisan support on Capitol Hill for funding the program. We believe a new aluminum-specific import monitoring program administered by the Department will benefit domestic aluminum companies by helping government officials and industry stakeholders to better identify trends in trade flows and address aluminum misclassification, transshipment and evasion of duties. The Association and its members look forward to working the Department as it develops this new program.

In the meantime, we strongly urge you to take immediate action to modify the Section 232 exclusion process for aluminum products to remove the incentive for importers to seek foreign-produced aluminum and to relieve the burden on U.S. aluminum producers that the remedy was intended to support. The national emergency caused by the spread of COVID-19 has confirmed the importance of a resilient, reliable supply chain for critical input materials like aluminum. We look forward to working with you to advance the U.S. aluminum industry.

Sincerely,

Tom Dobbins
President & CEO
ANNEX

Figure 1

Components of US Can Sheet Demand (B lbs)
(Year-to-Date 2020 = Jan)

- Producer Shipments
- Imports
- Granted Product Exclusions

Figure 1

US Demand for Domestic Can Sheet (M lbs)
Figure 2

Components of Domestic Foil Demand (B lbs)
(Year-to-Date 2020 = Feb)

Figure 3

US Demand for Domestic Foil (M lbs)

Figure 4
Figure 5

Figure 6