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

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Ambassador Lighthizer and Secretary Mnuchin:

On behalf of the members of the Aluminum Association, I urge you to continue your focus on addressing what the White House recently characterized as China's "market-distorting forces, including subsidies and state-owned enterprises" in the ongoing negotiations to secure commitments from the Chinese government to undertake structural reforms to its economy.

In particular, I ask that you prioritize the pervasive subsidies and other policies that fuel China's structural overcapacity across the aluminum value chain as part of the ongoing bilateral negotiations that are progressing next week. While excess capacity in China is a problem for many U.S. industries, as you know, it is a particularly acute problem in the aluminum industry. These important negotiations could lead to policy changes that result in measurable and verifiable reductions in Chinese aluminum capacity in both the upstream and downstream segments of the value chain.

The Aluminum Association is the largest aluminum trade association in the United States, representing 120 member companies across the entire value chain that produce 70 percent of all aluminum shipped in North America. The association represents aluminum production and jobs in the United States that range from primary production to value-added products to recycling, as well as suppliers to the industry. The U.S. aluminum industry is a bright spot for manufacturing, with record demand for aluminum in 2017 and robust growth projected for the years ahead. The U.S. aluminum industry generates nearly \$71 billion in direct economic output annually and directly employs more than 162,000 workers.

With the United States pursuing tangible and enforceable commitments from China to address longstanding issues, we see a unique opportunity for the U.S. government to comprehensively address persistent aluminum overcapacity in China. Despite the positive outlook for demand in our key markets, China's trade-distorting policies are hurting the American aluminum industry by driving massive structural overcapacity. This is a foundational problem confronting the industry not only in the United States but also around the world. Instead of allowing market forces to guide their domestic aluminum markets and production, China has engaged in industrial, regulatory and trade policies designed to boost domestic production, supply and employment – at the expense of fair competition.

Earlier this year, the OECD released a landmark report, “Measuring Distortions in International Markets: The Aluminum Value Chain,” that provides new evidence of the government support and related market distortions in China. Although all 17 firms highlighted in the report received some form of government support, 85 percent of that support goes to the top five recipients, all Chinese. Moreover, firms in China obtained all their support from Chinese authorities – mostly in the form of financial subsidies. Correspondingly, the government support in China overwhelmingly benefitted Chinese aluminum producers. By contrast, most other firms named in the report received support from governments outside of their home country, and it was usually non-financial (i.e., energy subsidies) – and in much lesser amounts. The OECD referenced aluminum as an important case study in how subsidies distort markets, and we agree.

As a result of broad-ranging government subsidies, China’s overcapacity in primary aluminum alone in 2017 totaled 11 million metric tons, which is equal to nearly all U.S. aluminum demand. Despite slowing production in China, China’s primary capacity grew 5.7 percent in 2018. The problem is compounded by the fact that China’s domestic demand for aluminum has slowed as a result of mature construction and electrical markets as well as slowing growth in the transportation market. Consequently, Chinese aluminum producers are increasingly reliant on exports. Chinese exports of semi-fabricated aluminum increased 23.5 percent year-over-year in 2018, reaching a record 5.23 million metric tons.

The Aluminum Association has initiated or supported antidumping and countervailing duty cases in specific product segments and has found AD/CVD tariffs to provide measurable relief. The durable AD/CVD remedy is creating incentives for aluminum producers to invest and expand in the United States, and it is creating a more level playing field for the industry. Even so, AD/CVD remedies can only go so far if the root cause is not addressed.

To address the underlying issues of market-distorting subsidies in China, we strongly support a government-to-government agreement on aluminum overcapacity that would give long-term certainty to the industry. In order to align with the global rules-based trading system, we strongly believe that China should agree to enact market-oriented policies and enforce the policies that it has already nominally adopted to curb excess capacity.

Now, during these negotiations, is the time to find a measurable, verifiable solution to the persistent problem of Chinese overcapacity. We look forward to working with you and the interagency team as you tackle China’s unfair trading practices and fight for a robust U.S. aluminum industry.

Respectfully,



Heidi Brock  
President and CEO  
The Aluminum Association