Aluminum Quotas a Bad Deal for American Workers

Quotas will make it harder for aluminum companies to grow and invest in the U.S. Instead of across-the-board tariffs or quotas on responsible trading partners, the U.S. aluminum industry needs targeted trade enforcement and tough negotiations to address subsidized overcapacity in China.

The U.S. Aluminum Industry Cannot Make Enough Primary Aluminum.

The U.S. has a structural deficit of primary aluminum, with record-high demand for aluminum products far outpacing domestic smelter capacity. Even if all available U.S. smelters were operating at full capacity, they could only make about one-third of the metal aluminum producers need to make products like foil, sheet, plate, extrusions, forgings or wire. U.S. producers have no choice but to import primary metal to meet growing demand. Best to do so from a neighboring country like Canada that plays by the rules and is historically integrated with the U.S. industry.


In North America, aluminum regularly crosses the border multiple times before reaching an end user. For example, a piece of aluminum used in automotive applications may cross the border five or six times for various finishing processes. Under a hard quota system, that product could end up stuck at one side of the border after the quota has been filled. In a worst-case scenario, aluminum producers might face metal shortages, making them unable to meet customer demands and forcing them to stockpile inventory rather than invest in plants and workers.

Quotas Could Incentivize Market Manipulation.

Because aluminum is a traded commodity on the London Metal Exchange (LME), aluminum is bought by traders as well as distributors and manufacturers. Both generic primary aluminum traded on the LME and value-added primary aluminum that manufacturers use for production fall under the same Harmonized Tariff Schedule code, meaning manufacturers would have to compete with traders for limited supply under a quota system. Metal traders – better positioned than manufacturing firms to accumulate metal, hold inventory and manage price risk – could easily game the system to their benefit in a quota environment. For example, traders might stockpile aluminum hoping for a future price spike rather than putting it to any productive use in a factory setting.


Quotas on imported aluminum -- particularly aluminum from Canada -- could limit growth and investment in the United States by strangling supply of the input material needed by manufacturers to meet record-high demand. Under an absolute quota, U.S. manufacturers would face serious supply shortages or need to identify and vet new foreign suppliers. Disrupting supply would hurt the mid-and-downstream segment of the aluminum industry that accounts for 97 percent of U.S. aluminum jobs.