

June 23, 2017

Brad Botwin
Director of Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
Washington, DC
1401 Constitution Avenue, NW
Washington, D.C. 20230

RE: Public Comments on the Section 232 National Security Investigation of Imports of Aluminum

Dear Director Botwin:

On behalf of the Alliance for American Manufacturing (AAM), I thank you for the opportunity to share our views on the impact of aluminum imports on our national and economic security.

About the Alliance for American Manufacturing (AAM)

AAM is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America's manufacturers and workers.

Introduction

AAM strongly supports the Section 232 investigation and encourages the administration to take action to safeguard our domestic aluminum industry. Much like the American steel industry, our domestic aluminum manufacturers have been under siege from unfair trade practices. For the aluminum industry, these unfair trade practices have facilitated massive over-production of aluminum causing prices to collapse on the London Metal Exchange (LME), where aluminum is priced. Imports then surged into the U.S. market further transmitting that distorted pricing to the U.S. industry. This has made it almost impossible for producers operating under market principles to stay in business. Aluminum is an essential material used in both military platforms and critical infrastructure, but an unprecedented surge in aluminum production, primarily driven by China, has put the entire industry in jeopardy. Our nation's military and political leaders must act now to maintain a viable aluminum sector – as it is critical to the defense of our nation and our economic security. And, with the appropriate steps, companies that have been forced to idle operations will have the opportunity to restart operations and bring back laid off workers.

U.S. Military Needs

Aluminum, particularly high-purity aluminum, is an essential material for America's national security infrastructure. Aluminum is critical to the production of everything from fighter jets, to

tactical vehicles, to Coast Guard and Navy vessels. But our ability to rely on domestic production to meet these needs is at risk. In 2001, the United States had 23 smelters.¹ In 2012, this had fallen to 10 operational smelters and four temporarily idled facilities.² Today, just five smelters remain in service, and only two of them are fully operational. According to the Aluminum Association, this is the lowest level we've seen in over 60 years.³

A closer look reveals that the precarious position of our aluminum industry is even more dire than the topline numbers reveal. Of those five smelters still currently in operation, only one is capable of producing the high-purity aluminum necessary for many of our critical military needs. By this year, imports forced this producer, Century Aluminum, to halt production of its high-purity aluminum at its Hawesville, Kentucky facility, the last active high-purity smelter in the United States. If this facility were to permanently close, we would be completely reliant on foreign sources for this type of aluminum.

This is not a distant prospect: twice in the last five years, this facility has given 60-day notice that it would be permanently closing its doors before staving off a final shutdown.⁴ Today, only 200 workers are still employed by the facility, while over 300 remain laid off.⁵ Without action to curb unfairly traded imports and solutions to address global overcapacity, this facility, as well as the handful of others still able to keep their smelters running, face an uncertain future.

Further, it is important to remember that military platforms constitute a relatively small portion of aluminum producers' total sales. Thus, it is essential that domestic smelters remain commercially viable so they can continue to make the investments necessary to develop cutting edge materials that meet the exacting standards of our military platforms.

Domestic Preparedness and Homeland Security

Aluminum is also a key component of our infrastructure, commonly found in everything from bridge decking to conductors in our electrical grid. Our ability to quickly respond to crises, whether they be man-made or extreme weather events like hurricanes or earthquakes, is put at risk as we let U.S.-based smelters drown under a flood of imports.

In 2000, U.S. production of primary aluminum was nearly 3.7 million tons⁶, and as recently as 2012, we still produced 2.07 million tons.⁷ But by 2016, production was down to 0.89 million tons. This trend is unsustainable.

¹ Plunkert, P. A. United States Geological Survey. (2001). *Aluminum*. Retrieved from <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/050401.pdf>

² Bray, L. E. United States Geological Survey. (2013, January). *Aluminum*. Retrieved from <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2013-alumi.pdf>

³ The Aluminum Association. (2017). *Getting Trade Right*. Retrieved from <http://www.aluminum.org>

⁴ Swanson, A., (2017, May 29). This remote factory is where Trump may finally draw the line on trade. The Washington Post. Retrieved from www.washingtonpost.com

⁵ Ibid

⁶ Plunkert, P. A. United States Geological Survey. (2001). *Aluminum*. Retrieved from <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/050401.pdf>

⁷ Bray, L. E. United States Geological Survey. (2013, January). *Aluminum*. Retrieved from <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2013-alumi.pdf>

Economic Security

Economic security is an integral piece of our national security. In addition to the important role the aluminum industry plays in our military platforms and infrastructure, it also directly employs over 160,000 workers.⁸ These are very often high-skilled, high-wage jobs. In primary aluminum production, the average wage is \$77,000 a year.⁹ Further, many smelters are located in rural areas, magnifying the economic impact they have not only on their employees, but on the communities they help sustain.

But these jobs and communities are under threat, as foreign governments, particularly China, have supported massive expansions in aluminum capacity. In 2000, China produced only 11% of the world's primary aluminum.¹⁰ By 2015, they produced a staggering 54%.¹¹ This growth would be less alarming if they could consume all that they make, but production has not aligned with falling demand. In 2015, Chinese smelters produced 768,000 tons more than the Chinese economy could consume.¹² This excess production has found its way into the U.S., as semi-fabricated aluminum imports increased 183 percent in just three years, starting in 2012.¹³

This aluminum glut has led to a rapidly increasing reliance on foreign sources. In 2012, our import reliance was only 11 percent of apparent consumption, but by 2016 this figure had spiked to 52 percent.¹⁴ This surge contributed to the layoff of more than half of the remaining workers in the primary aluminum industry since 2013, as employment plummeted from 12,000 to 5,000 workers.¹⁵

In addition to the devastating impacts these layoffs have on those directly employed, the shuttering of facilities can have ripple effects throughout the larger ecosystem that the aluminum industry sustains. Due to aluminum's robust multiplier effect, the economic activity of the aluminum industry supports over 713,000 jobs.¹⁶ We must act now to ensure that unfairly traded imports do not endanger the economic security this industry provides to so many.

Voters Understand the Link Between Manufacturing and National Security

In polling conducted immediately after the 2016 election, 70 percent of voters thought "a strong manufacturing sector is important to our military security." Voters who supported President Trump believed this even more strongly, with 81 percent of voters believing military security is an important reason to maintain a robust domestic manufacturing base.¹⁷

⁸ The Aluminum Association. (2017). *The Economic Impact of Aluminum*. Retrieved from <http://www.aluminum.org>.

⁹ Hart, Holly. *Prehearing Brief of the United Steelworkers for Aluminum: Competitive Conditions Affecting the U.S. Industry Investigation No. 332-557 (September 2016)*.

¹⁰ The Aluminum Association. (2017). *Getting Trade Right*. Retrieved from <http://www.aluminum.org>

¹¹ Hart, Holly. *Prehearing Brief of the United Steelworkers for Aluminum: Competitive Conditions Affecting the U.S. Industry Investigation No. 332-557 (September 2016)*.

¹² Ibid

¹³ The Aluminum Association. (2017). *Getting Trade Right*. Retrieved from <http://www.aluminum.org>

¹⁴ Bray, L. E. United States Geological Survey. (2013, January). *Aluminum*. Retrieved from <https://minerals.usgs.gov/minerals/pubs/commodity/aluminum/mcs-2013-alumi.pdf>

¹⁵ The Aluminum Association. (2017). *Getting Trade Right*. Retrieved from <http://www.aluminum.org>

¹⁶ Ibid

¹⁷ Alliance for American Manufacturing. (2016). *Findings From A National Survey of 1,200 General Election Voters*, November 2016. [Data Set]. The Mellman Group, Inc. & North Star Opinion Research. Retrieved from www.americanmanufacturing.org.

Aggressive Action Necessary

The U.S. primary aluminum industry is operating at well below the capacity necessary to remain profitable. Of 1.7 million tons of capacity, 900,000 tons sit idle.¹⁸ In this environment, the primary aluminum industry cannot invest in the research and development, capital equipment, and workforce development that they need to remain among the most efficient producers in the world. Individual trade enforcement actions are important and can certainly help mitigate some of the damage caused by unfair trade practices. But the magnitude of this problem calls for bolder action. To truly address the severity of this crisis requires a comprehensive solution. If China will not act to rein in its massive overcapacity, the U.S. has no choice but to augment its traditional trade remedy measures with a more far-reaching response.

Conclusion

AAM strongly supports the Section 232 investigation and encourages the administration to take the necessary steps to safeguard our domestic aluminum production. The massive and unprecedented levels of overcapacity in the global aluminum industry has left U.S. producers at a tipping point. It would be a grave mistake if the United States were to become dependent on the unpredictable decision-making of foreign governments for its aluminum needs – some of which are potentially hostile to our security interests.

AAM urges the use of all available tools to safeguard American-made aluminum, ensuring the industry will remain a strong and ready foundation for our economic and national security.



Scott N. Paul
President
Alliance for American Manufacturing

¹⁸ Hart, Holly. *Prehearing Brief of the United Steelworkers for Aluminum: Competitive Conditions Affecting the U.S. Industry Investigation No. 332-557 (September 2016)*.