

Written submission of European Aluminium in the section 232 investigation on the effect of aluminium imports on national security

June 2017

Written submission of European Aluminium in the section 232 investigation on the effect of aluminium imports on national security.

European Aluminium submits this memorandum to the Office of Technology Evaluation, Bureau of Industry and Security (“the Bureau”) in the context of the investigation under Section 232 of the Trade Expansion Act of 1962¹ (“Section 232 Investigation”), to determine the effects on the national security of imports of aluminium².

About European Aluminium

European Aluminium is the voice of the entire aluminium value chain in Europe. European Aluminium represents members that have operations in the European Union, Iceland, Liechtenstein, Norway, Switzerland and Turkey. Our 80+ members include primary aluminium producers; downstream manufacturers of extruded, rolled and cast aluminium; producers of recycled aluminium and national aluminium associations representing more than 600 plants in 30 European countries. We represent 80% of all production in wider Europe from smelting to rolling and extrusion to recycling. Our industry accounts for an annual turnover of 43 billion dollars and 1 million direct and indirect jobs. A considerable number of our members operate production facilities, in both Europe and the US.

¹ 19 U.S.C. § 1862

² Notice Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Aluminium, 88 FR 21509 (May 9, 2017).

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EXECUTIVE SUMMARY

European Aluminium shares the US government's concerns regarding the economic challenges faced by the US and European aluminium industries, despite the healthy demand for aluminium worldwide. The root cause of these challenges is global excess capacity, in particular in China. We are concerned that restrictive measures under the current Section 232 investigation on national security would fail to provide a lasting solution for the US aluminium industry, and could have unintended negative effects, including on US companies, end-users and on research and development in view of the strong interlinkage of the aluminium industries across the Atlantic.

In any event, European imports, both by their quantities and characteristics, do not threaten to impair US national security, including national defence, and could in the future strengthen it. Therefore, no action should be proposed as regards European aluminium imports under the present Section 232 Investigation on national security.

European Aluminium believes that the global challenges faced by the aluminium industries on both sides of the Atlantic can be best addressed through a strong coalition of like-minded trade partners with market economies, such as Europe and the US, who have been longstanding allies for generations. The joint request of March 2017 from the aluminium associations in USA, Canada and Europe to the G20 countries to address overcapacity is one route. Also, we will continue to urge governments globally to address the effects of excess capacity on prices and quantities with traditional trade instruments, including through the WTO.

Therefore, European Aluminium respectfully urges the US government to address these issues without establishing restrictive barriers on transatlantic trade flows. To do so would hamper the positive impact that trade and cooperation bring to companies on both sides of the Atlantic, many of them being the same.

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1. OVERVIEW OF EUROPEAN ALUMINIUM EXPORTS TO US

In Annex 1 we provide data regarding European aluminium exports from Europe to the US.

Transatlantic trade flows are vital to the global aluminium industry and are growing in importance with the emergence of global value chains. The aluminium industries on both sides of the Atlantic are interlinked, in terms of trade and ownership structures, with companies operating production and R&D facilities in both Europe and the US.

The total volume of aluminium products exported from the EU+ EFTA+Turkey³ to the US amounted to 340,271 MT in 2016, comprising around 5 %, of around 6.7 million MT of total aluminium imports to US. This figure includes as main categories:

Table 1: Total volume of aluminium products exported from EU + EFTA + Turkey to US

Imports from EU28 + EFTA + Turkey in 2016	MT
Imports of ingots	44 052
Imports of waste and scrap	19 158
Imports of powders and flakes	4 990
Imports of extruded products	19 229
Imports of wire	4 954
Imports of rolled products	166 681
Imports of foil	38 782
Imports of other articles of aluminium	16 661

European exports to the US comprise mainly highly specific, value-added intermediate products that respond to the demand of the US domestic industry. These imports are primarily used for commercial purposes and do not affect US national security. Figure 1 shows that, for instance, technical applications (31%), automotive applications (26%) and mass transport applications (16%) including the rail-, aerospace-, truck and trailer segments count for almost 75 % of

³ Unless otherwise specified the figures in section I relate to the Member States of the European Union, members of the European Free Trade Association and Turkey: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Swedish, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom.

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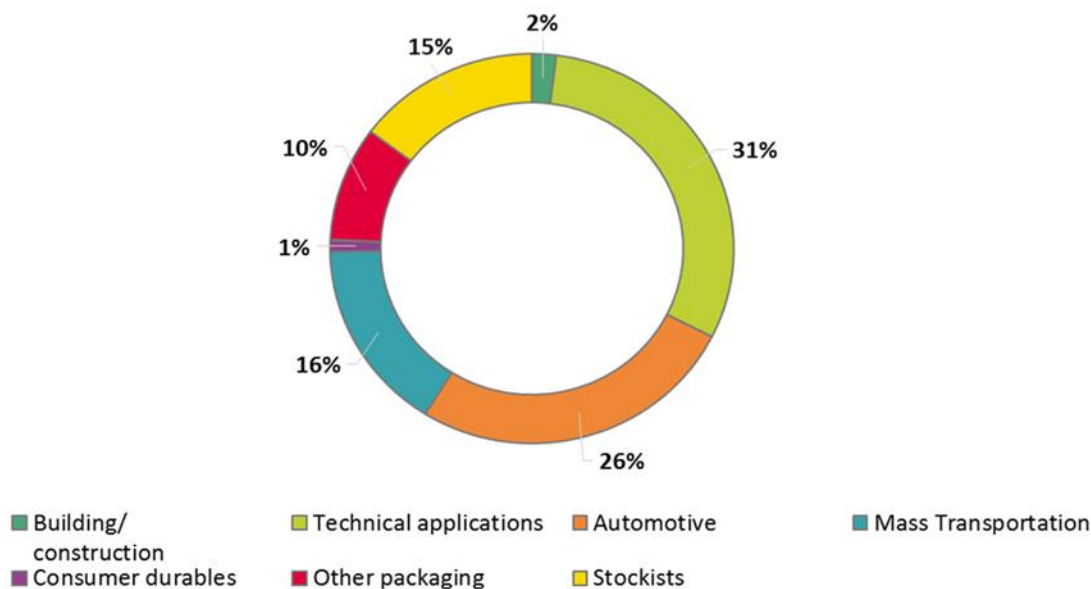
all rolled products exports to the US. Flat rolled products are the largest export item to the US with 163,058 tonnes from EU, and another 3 ktonnes from Switzerland, Turkey and Norway.

Europe exported last year 44,052 tonnes of ingots to the US, and this concerned alloyed material.

Figure 2 shows that 47% of exports of extruded products (bars, rods, profiles) to the US are used in the construction and building sector in the US and 50% of the exports concern engineered products and transport applications. Figure 3 shows that of the latter, 90% of exports are destined for automotive applications, and for the truck and trailer segment.

The total amounts of aluminium exported from the US to the EU amounted to 134,484 MT in 2016, and concerned mainly flat rolled products, ingots, foil and extrusions. This figure fluctuates slightly year on year, however can be considered as fairly stable.

Figure 1: Flat rolled products – European⁴ exports to the US



⁴ EU Member States+ Norway+ Switzerland

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Figure 2: Extruded products – European⁵ exports to the US

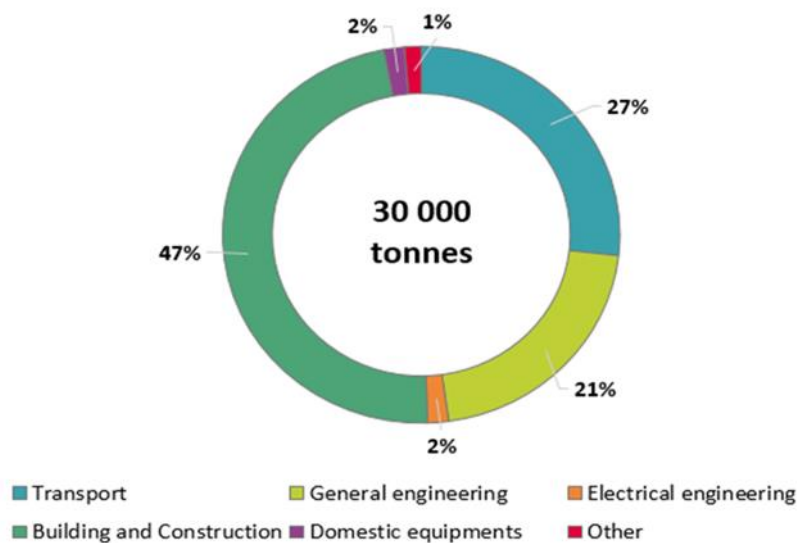
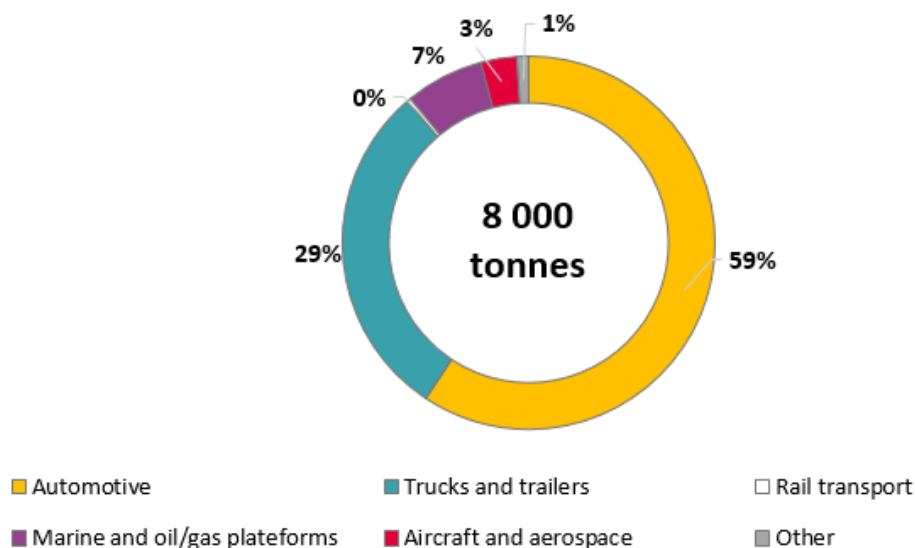


Figure 3: Extruded products – European⁶ exports to the US – focus on transport



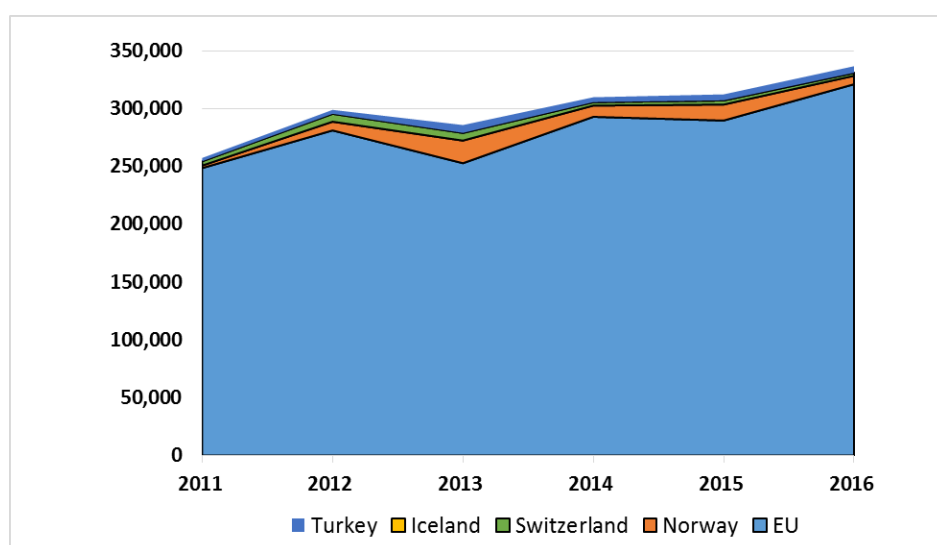
⁵ EU Member States+ Norway+ Switzerland

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Figure 4 shows that the EU represents by far the largest amount of exports to the US.

Figure 4: Evolution of Total Exports of Aluminium products from EU+EFTA+ Turkey to US (in tonnes)



Of the total import of Aluminium into the US, Europe represents 5 %, this constitutes not even 2 % of the total US market. The shares per market segments are shown in Table 2.

Table 2: Import dependance rate per market segment in the US

HS code	Description	US Demand (in tonnes)	Imports (in tonnes)	Share of imports (in %)	Share of European** imports in total US imports (in %)	Share of European** imports in total US Demand (in %)
7601	Primary Aluminium*	5.372.000	4.276.309	80%	1%	1%
7606	Aluminium Plates, Sheets And Strip, Of A Thickness Exceeding 0.2mm	3.804.133	927.977	24%	18%	4%
7604	Aluminium Bars, Rods And Profiles	2.147.141	202.757	9%	10%	1%
7605	Aluminium Wire (and rod, depending on the cross-sectional dimension)	473.243	269.989	57%	2%	1%
7607	Aluminium Foil (Whether Or Not Printed Or Backed With Paper, Paperboard, Plastics Or Similar Backing)	439.784	261.032	59%	14%	9%
7608	Aluminium Tubes And Pipes	187.804	24.127	13%	n.a.	n.a
7603	Aluminium Powders And Flakes	33.000	15.217	46%	33%	15%

* very small amount of remelt ingots in import number, total code 7601 is unwrought.

** EU + EFTA + Turkey

n.a.= not available

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2. CHINESE EXCESS CAPACITY IS THE ROOT CAUSE OF CHALLENGES FACED BY THE EUROPEAN AND US ALUMINIUM INDUSTRIES

In Annex 2, you will find an economic assessment of the Chinese State Interventions in the aluminium industry. Despite the growing aluminium demand, both the European and the US aluminium industries are facing serious challenges as a result of unfair trade practices. China's overproduction of primary aluminium and exports of semi-finished products put downward pressure on global prices, including those in the US, and by doing so puts the future of the European and US aluminium industries at risk.

China has chosen production of aluminium as a strategic material to foster its economic development. The intervention by state-planning combined with lack of market forces to give corrections, have resulted in overcapacities in the aluminium industry, both in primary and semi-fabricated products.

Based on official data, additional growth of 25% in China is expected by 2020 to a capacity of 52 million tonnes of primary aluminium in China alone, whilst the 2016 global production was 59 million tonnes. The expansion has occurred despite the fact that China is a relatively high-cost producer with limited access to clean and low cost energy sources. However, many forms of state intervention and supports to this industry have been put in place:

- The state dominates the financial system and supplies financial loans at well below market interest rates to Chinese aluminium producers. The Chinese government influences the steam coal price which is the source of energy used by an overwhelming majority of Chinese primary aluminium producers.
- The State Reserve Bureau (SRB) in China has actively purchased stocks to support its local producers. Recently six Chinese primary producers, counting for approximately 40% of total Chinese production, planned to combine forces for commercial stockpiling in cooperation with this Bureau.
- The Chinese Government incentivises the exports of semi-fabricated products through a sophisticated schedule of, inter alia tax rebates.

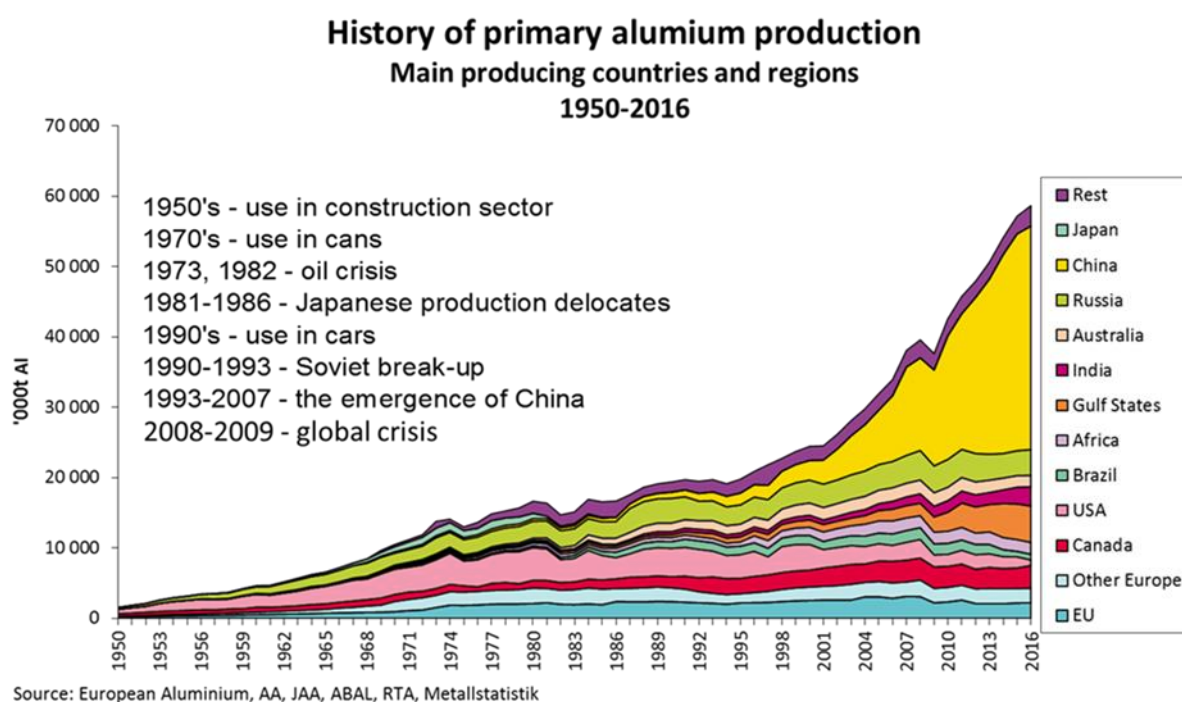
The active state support for aluminium production combined with the fact that Chinese domestic demand has been slowing down in the last years, have resulted in booming exports to the rest of the world. Most Chinese aluminium production is exported as semi-fabricated or fabricated products. In addition, some Chinese companies circumvent China's export restriction on primary aluminium through the export of so called "fake semis" (which are in fact primary aluminium destined for re-melting). The aluminium primary production in China and the tax rebates for Chinese semis exports, have resulted in reduced price and demand from producers outside China for both primary and semi-fabricated products in the rest of the world, including Europe. There has been increased global demand from end-use sectors such as automotive, packaging, building and construction, but this has not resulted in higher market shares or

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prices for non-Chinese primary and semi-finished aluminium producers. There are no genuine market forces effective to reduce China's production capacities, especially since a large amount of the primary production is state owned⁷.

In this context, in January of this year, the US government filed a WTO complaint against China in relation to its illegal subsidies to its primary aluminium industry, alleging a breach of the WTO Agreement on Subsidies and Countervailing Measures.⁸ The EU requested to join the consultations. This is an important case that may demonstrate illegal subsidies in China, and enable the US to target them directly and effectively.

Figure 5: Growth of primary aluminium production



⁷ Consequentially, more and more anti-dumping measures are and will be imposed against Chinese exports of aluminium products.

⁸ In its WTO claim the US alleges that Chinese overcapacity affects the US in the following 4 ways: (i) through displacement and impedance of U.S. imports of primary aluminium into the Chinese market; (ii) through displacement and impedance of U.S. imports of primary aluminium into all third country markets; (iii) through price suppression, price depression, or lost sales of primary aluminium in the same market, including the world market, Chinese market, and all third country markets; (iv) through an increase in the world market share of China of primary aluminium. European Aluminium believes that the Chinese overcapacity potentially affects the European aluminium industries in all four ways.

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3. IMPORTS OF ALUMINIUM PRODUCTS FROM EUROPE, IN VIEW OF BOTH THEIR QUANTITY AND CHARACTERISTICS, DO NOT CONSTITUTE A THREAT TO THE US NATIONAL SECURITY

The Bureau's analysis should be narrowly focused on any specific imported aluminium products that directly threaten US national security. In any event, no action should be proposed with respect to European aluminium imports.

3.1. EUROPEAN ALUMINIUM IMPORTS ARE NOT THE CAUSE OF THE SITUATION CURRENTLY EXPERIENCED BY THE US INDUSTRY

Since the protection of national security is the sole legal justification for action under the Section 232 investigation, any import adjustments taken in the context of this investigation should be differentiated and based on the threat posed to the US national security by specific foreign aluminium suppliers.

Although the percentage of US imports of aluminium has increased in past years, the percentage originating from Europe remained stable over the past decade. Europe accounts for a small part of US imports (around 5% by volume) and supplies specialty, high value added products to US consumers. The vast majority of European imports have little to no tie to US national security but are used in commercial applications. In other words, the US is not dependent on European imports for its national security requirements, including national defence. Sectors identified by Presidential Policy Directive 21 as being "critical infrastructure" also do not depend on imports from Europe for their functioning. Moreover, Europe is one of the most stable and reliable suppliers of aluminium products to the US.

All European Aluminium's members operate in market economy countries where unfair trade practices are eliminated or contained through governmental scrutiny. Europe does not suffer from subsidization of its aluminium industry or any overcapacity. Europe produces "fair" aluminium products and plays by the market rules.

Aluminium imports from Europe to the US therefore do not contribute to the current issues experienced by the US aluminium industry.

Consequently, aluminium imports from Europe should be excluded from the coverage of any action taken in the framework of the present Section 232 investigation.

A differentiation by country would not be inconsistent with international trade rules in this context, since normal Most Favoured Nation-principles do not apply to actions defended under the "security exceptions" of Article XXI GATT.

3.2. EUROPE IS A LONGLASTING AND RELIABLE ALLY OF THE U

Europe is a longstanding and reliable trading partner of the US as well as a military ally through their cooperation in the framework of the North Atlantic Treaty Organization (NATO) and through bilateral agreements that relate to defence and national security.

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In addition, Europe and the US cooperate on many trade related issues and have made efforts to jointly address the root cause of the problems faced by the US aluminium industry, i.e. global capacity issues. In particular, European Aluminium, the Aluminum Association of Canada and the US Aluminum Association have jointly urged governments of the G20 to address global aluminium overcapacity (see Annex 3). This common letter was subsequently endorsed and signed by the Brazilian Aluminium Association.

Further it is important that G7 leaders have already committed to working together to push for the removal of all trade-distorting practices so as to foster a global trade system that is rule-based, fair and creates a level playing field for aluminium producers, manufacturers and recyclers around the world (see Annex 4).

In view of their shared concerns regarding overcapacity, and their interlinked industries (see section 5) it is crucial that Europe, the US and other like-minded trading partners strengthen joint efforts to address, together, global issues that by their very nature require a joint approach.

4. OVERVIEW OF EUROPEAN ALUMINIUM IMPORTS WITH PRIMARILY COMMERCIAL END-USES WHICH SHOULD BE EXCLUDED FROM ANY MEASURES

European Aluminium collected data of its member companies' shipments to the US and their primary end-uses. The vast majority of European aluminium imports have little or no relations to national security, and in particular they are used in non-defence applications. For these reasons, these products should be excluded from any measures potentially proposed under the present Section 232 investigation:

- **Aluminium unwrought ingot** (alloyed and unalloyed) in all their forms (e.g. slabs, billets, ingots) made from primary aluminium (i.e. from the reduction of the oxide during the electrolysis process) or from recycled aluminium (i.e. from pre-and post-consumer aluminium scrap). These products are used mainly by the rolling, extrusion and casting industries to produce flat rolled products (e.g. strip, sheet, plate) and extrusion (e.g. bar, rod, profiles and castings). More details about these applications are given in the categories below. Aluminium unwrought ingots are classified under the Harmonised System (HS) code 7601.
- **Aluminium waste and scrap.** These products include pre consumer scrap named as well new scrap (e.g. clippings, turnings) and post-consumer scrap named as well old scrap (e.g. used beverage cans). These aluminium waste and scrap are used as an input in the recycling industries to produce aluminium wrought ingot or aluminium casting ingots. These ingots are later on used as well by the rolling, extrusion and casting industries. Some examples of the production of these industries are given in the categories below. Aluminium waste and scrap are classified under the Harmonised System (HS) code 7602.
- **Strip** (coiled strip, thickness over 0.20 mm), **sheet** (all rolled flat sheet, thickness over 0.20 mm up to 6 mm) and **plate** (all rolled products of a thickness over 6 mm, including forging blanks) alloyed or not alloyed. These products are made in aluminium rolling mills. They are mainly used in packaging applications (50%), then transport (~25%) and building and construction (~15%). Strip, sheet and plate are classified under the Harmonised System (HS) code 7606.

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- **Bar, rod, sections and shapes / profiles** (alloyed and non-alloyed). These products are made in extrusion plants. They are mainly used in building & construction (~50%), transport (~30%) and general engineering (~15%). Bar, rod, sections and profiles are classified under the HS code 7604.
- **Tubes and pipes** (alloyed and non-alloyed). These products are made mostly in extrusion plants. They are mainly used as well in building & construction, transport and general engineering like the bars, rod and shapes. Tubes and pipes are classified under the HS code 7608.
- **Wires and cables** (alloyed and non-alloyed) whatever the cross sectional dimension. These products are used mainly in electrical applications / engineering. They are classified under HS code 7605.
- **Aluminium structures and parts thereof (bridges, towers, etc.), including shapes prepared for structure use.** These products are used mostly in building applications (e.g. doors, windows). They are classified under the HS code 7610. Applications are also made for Automotive sector such as bumpers and body frame structures.
- **Foil** i.e. products with a thickness not exceeding 0.2 mm. These products are mainly used in packaging applications and in heat exchangers (e.g. in automotive, technical applications). They are classified under the HS code 7607.
- **Aluminium casting:** Articles of aluminium, like for example castings, forgings etc. they are classified under the HS code 7616.

5. RISK OF REDIRECTION OF TRADE FLOWS AND NEGATIVE CONSEQUENCES FOR THE US INDUSTRY IN CASE MEASURES ARE ENFORCED

In addition to the factors sets out above, European Aluminium would like to caution the US government against unintended effects such as the risk of redirection of trade flows and its possibly negative economic consequences on both sides of the Atlantic.

Should the US adopt measures that do not differentiate based on the threat posed to national security by foreign suppliers, this is likely to lead to a redirection of trade flows from China and other countries onto the European market. This would undoubtedly reduce the price on aluminium and directly affect European producers as well as US producers selling to Europe.

Since the aluminium industries on both sides of the Atlantic are strongly interlinked, in terms of both trade and ownership structures, with companies operating production facilities in both Europe and the US, these negative economic effects would directly translate to the US side of the value chain.

More than 15 multinationals are members of both the European Aluminium and the US Aluminum Association and are operating in both the US and the European markets. Together they own approximately 80 production and manufacturing facilities in Europe, and 75 in the US. These companies supply a vast majority of the entire aluminium value chain in Europe and in the US. Demand for aluminium products is global and supply is more and more structured globally, not regionally.

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These companies, including Aleris, Alcoa, Arconic, Century, Constellium, Hydro, Novelis, Real Alloy, Sapa, or Scepter, to name a few, are key players on the US market, operating daily in both markets. The relationship between producer-customer is extremely close in the aluminium industry and it fosters development of new applications in growing markets such as aerospace, automotive and buildings. This close connection provides extra value to customers, strengthens the competitive edge and enhances innovation in both markets.

Intercompany shipments is a very common practice for companies operating in the US and Europe. Weakening the European part of this transatlantic value chain will without a doubt have a negative effect on American industry both in terms of investments and losses of jobs.

In consequence, measures which appear to be under considerations by the US government would not be in the interest of US consumers, who would see their choice of market-priced products severely reduced and could suffer adverse consequences in terms of material yield, product quality, material availability and increased pricing. For a number of high value-added products, such as graphic arts products and semi-conductors the US depends on imports from Europe and will not be able to switch supply in the short run.

6. EUROPEAN ALUMINIUM'S RECOMMENDATIONS FOR TACKLING THE SITUATION FACED BY THE ALUMINIUM INDUSTRY

European Aluminium would like to provide recommendations as to how to respond to the crisis faced by the global aluminium industry due to the Chinese overcapacity.

6.1. THE US GOVERNMENT CAN RELY ON THE TRADITIONAL TRADE DEFENSE MECHANISMS THAT HAVE ALREADY PROVEN SUCCESSFUL IN ADDRESSING INJURIOUS IMPORTS

The US has at its disposal trade defence legislation to remedy a situation of unfair competition (anti-dumping and countervailing measures) or a surge of imports (safeguard measures) when these are causing injury to its domestic industry. US trade remedies laws have proven to be successful in addressing injurious imports. For instance, the anti-dumping duties imposed by the US on Chinese imports of extrusion in 2012 appeared to have caused China to lose its 25% market share. The US government has also recently initiated an anti-dumping investigation on aluminium foil from China. These procedures are better suited to address the issues experienced by the US industry without causing adverse effects.

Furthermore, as a WTO member the US should seek relief through the WTO dispute settlement system against unfair trade practices of another member, as it has done in the past. Recently, the US filed a WTO-case concerning alleged subsidies that China provides to its producers of primary aluminium. The WTO dispute settlement mechanism is based on clearly-defined rules and allows for a timely and mutually accepted resolution of dispute, which is less likely to cause further trade disruptions.

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Measures which appear to be under consideration under the current Section 232 investigation are unlikely to be effective, as they would not tackle the root causes of the imbalances in the US aluminium industry. Conversely, measures taken in the context of this investigation risk to run afoul of international trading rules and may be detrimental to the positive impact that trade and cooperation bring to companies on both sides of the Atlantic and cause further trade disruptions. Therefore, the US government can rely on more focused and legally tested instruments.

6.2. JOINT PRESSURE EXERTED BY THE US, EUROPE AND OTHER LIKE-MINDED PARTNERS TO REACH A NEGOTIATED SOLUTION

The US and Europe have been like-minded allies for generations, with their respective legal and economic systems based on similar principles, including on the subject of national security.

Strong coalitions and joint efforts between like-minded trading partners such as Europe and the US is the preferred route for resolving any issue relating to unfair trade practices and global overcapacity in the aluminium sector. European Aluminium strongly believes that with the right monitoring tools, a negotiated solution to this global challenge will provide the best response, to the benefit of all aluminium producers and consumers worldwide.

The request of March 2017 from the aluminium associations in USA, Canada and Europe to the G20 countries to address the overcapacity is one route. Another route is utilising the WTO-system like the US complaint of 12 January 2017 against Chinese subsidies to primary aluminium producers.

Officials of the EU at the highest level are also requesting the Chinese government to take effective action to address metal overcapacity⁹.

Continued joint efforts between like-minded industries and trading partners such as those on both side of the Atlantic is the only effective means to address these problems and secure balance on the aluminium markets.

⁹ Trade topics, including the Chinese overcapacity issue, were at the center of talks during the annual EU-China Summit that took place on 2 June 2017 in Brussels.

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ANNEXE 1 – EUROPEAN ALUMINIUM EXPORTS TO US (2011 – 2016)

EU28 Export Statistics (Partner Country: United States)							
Commodity: 76, Aluminum And Articles Thereof							
Annual Series: 2011 - 2016							
Reporting Country	Unit	Quantity					
		2011	2012	2013	2014	2015	2016
Reporting Total		248,539	281,079	252,741	292,828	289,649	320,994
Germany (Customs)	T	118,524	121,053	113,274	106,844	109,959	98,838
Austria (Customs)	T	23,339	27,786	22,081	29,921	31,326	34,447
France (Customs)	T	14,570	11,510	13,105	24,378	23,867	31,042
Greece	T	14,959	16,378	19,093	20,487	21,937	22,936
United Kingdom	T	24,496	30,045	29,278	24,523	21,352	21,257
Italy	T	14,472	13,511	13,336	25,191	21,093	35,184
Spain (Customs)	T	3,626	7,593	7,498	14,581	13,048	25,655
Belgium	T	3,865	4,753	5,696	8,291	11,858	10,723
Sweden	T	9,270	7,866	7,673	7,521	9,211	13,747
Netherlands	T	5,010	11,317	5,347	6,126	8,162	10,194
Romania	T	6,673	9,962	5,450	5,689	4,696	2,661
Denmark	T	2,631	2,293	2,118	2,304	2,677	2,264
Slovenia	T	3,759	3,317	2,663	2,844	2,498	2,959
Poland	T	1,160	6,147	2,749	2,977	2,331	3,018
Czech Republic	T	775	1,132	1,026	1,345	1,477	1,524
Hungary	T	642	5,221	703	7,520	1,247	256
Luxembourg	T	4	94	94	412	1,045	2,382
Ireland (Customs)	T	154	138	717	875	551	656
Finland	T	179	235	218	153	415	165
Portugal	T	262	528	323	317	368	326
Slovakia	T	68	96	100	145	199	252
Bulgaria	T	50	8	111	282	174	119
Lithuania	T	41	30	48	14	106	127
Latvia	T	2	16	35	66	26	2
Croatia	T	4	0	2	16	16	175

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Estonia	T	3	15	3	5	9	6
Malta	T	1	1	0	1	1	1
Cyprus	T	0	34	0	0	0	78

EFTA +Turkey Export Statistics (Partner Country: United States)							
Commodity: 76, Aluminum And Articles Thereof							
Reporting Country	Unit	Quantity					
		2011	2012	2013	2014	2015	2016
Norway	T	2,149	7,551	19,555	9,744	13,822	7,353
Switzerland	T	3,767	6,833	6,629	2,903	3,516	2,506
Iceland	T	0	0	72	98	124	134
Turkey	T	2,851	3,422	6,714	4,218	5,146	5,639

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ANNEXE 2 – ECONOMIC ASSESSMENT OF THE CHINESE STATE INTERVENTION IN THE ALUMINIUM INDUSTRY



ECONOMIC ASSESSMENT OF THE CHINESE STATE INTERVENTION IN THE ALUMINIUM INDUSTRY

June 2017

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Preamble

The purpose of this document is to submit stakeholders requested data on China overcapacity based on the common knowledge of the various actors of the whole value chain. Based on these elements, European Aluminium reckon that Chinese overcapacity is creating a challenging situation on the global market.

Executive Summary

China has chosen production of aluminium as a strategic material to foster its economic development. The intervention by state-planning combined with lack of market forces to provide corrections, have resulted in overcapacities in the aluminium industry, both in primary and semi-fabricated products. This serious problem is recognized by the Chinese government and some measures (environmental and supply policy reforms) have been adopted, but their implementation has not happened yet, hence they are not of tangible effect so far.

Based on official data, additional growth of 25% in China is expected by 2020 to a capacity of 52 million tonnes of primary aluminium whilst the 2016 global production was 59 million tonnes.

The expansion has occurred despite the fact that China is a relatively high-cost producer with limited access to clean and low cost energy sources. On the other hand, many forms of state intervention and supports to this industry have been put in place:

- The state dominates the financial system and supplies financial loans well below normal conditions.
- The Chinese government is influencing the steam coal price which is the source of energy that an overwhelming majority of Chinese primary aluminium producers is using, by providing substantial benefits to Chinese producers.
- The State Reserve Bureau (SRB) in China actively purchased stocks to support its local producers, and lately 6 Chinese primary producers, counting for about 40% of total Chinese production, planned to combine forces for commercial stockpiling in cooperation with this Bureau.
- The Chinese Government steers very actively the exports of semi-fabricated products through a sophisticated schedule of i.a. tax rebates.

The active state intervention in China on aluminium production combined with the fact that the Chinese domestic demand slows down since some years, have resulted in booming exports to the rest of the world. One of the symptoms of oversupply in China is the circumvention of some Chinese companies of the custom rules with so called “fake semis” (primary aluminium for smelting).

One observes the existence of several market distortions in China such as the lack of existence or enforcement of bankruptcy law, anti-trust or anti-competitive arrangements or practices, etc. re the five criteria currently used by the EU to reference a country as a market economy.

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The aluminium primary production in China and the tax rebates for Chinese semis exports, have resulted in a reduced demand from producers outside China for both primary as well as semi-fabricated demand for deliveries in the rest of the world, including Europe. The increased demand from end-use sectors as automotive, packaging, building and construction in the world, has not materialized in higher market shares for non-Chinese producers, but has been taken by Chinese exports. On the other hand, there is no genuine market forces effective to make correction in China's production capacities, especially since a large amount of the primary production is state owned.

As consequence more and more anti-dumping measures are and will be imposed against Chinese exports of aluminium products. The USA appears to be efficient in protecting its industry against injury. The anti-dumping cases in the European Union are limited in number, however provide a certain level of protection.

In this context, in January of this year, the USA administration filed a WTO complaint against illegal subsidies to its primary aluminium industry. The EU requested to join the consultation phase. This is an important case for a possible demonstration of illegal subsidies in China, and the mechanisms of state intervention.

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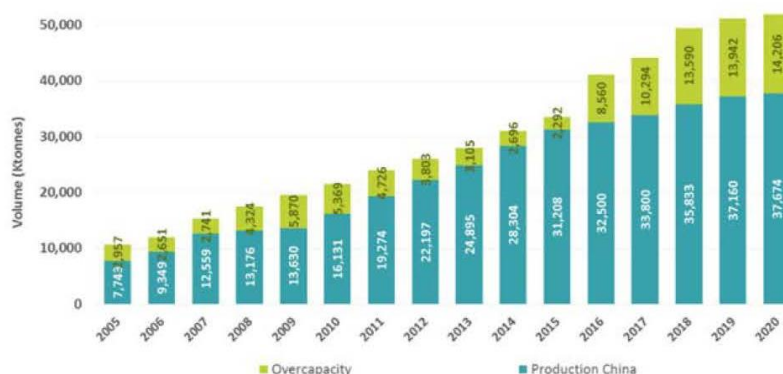
1. Introduction

1.1) Size of the Chinese aluminium industry

Aluminium primary smelting capacity in China is estimated to reach 44 million tonnes in 2017¹, compared with consumption of 33 million tonnes either for domestic use or for export of semis and final products². The Chinese own consumption is moderating but nevertheless Chinese companies plan to further expand their capacity to 52 million tonnes, or more than 25% growth by 2020. In no other region or country in the world is the overcapacity structurally expanding as in China. The creation of this overcapacity of aluminium in China is a result of initiatives, support and direct involvement by Chinese authorities (central and/or regional).

In genuine market economies, the creation of overcapacities would normally lead to the least efficient plants becoming uneconomical and leave the market. However, due to the non-market based support of Chinese authorities, even the least efficient plants remain in activity also after the demand correction in the last years. This leads to a significant overcapacity in primary production and distort trade flows where Chinese producers gain market share around the world at the expense of non-Chinese producers.

Primary overcapacity in China (2005-2020)

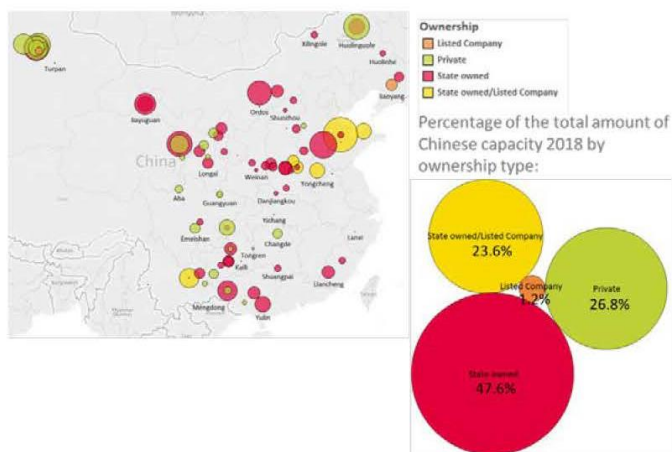


¹ CRU estimate primary production in China to be 35 million tonnes in 2017.

² For comparison the primary aluminium production capacity in Europe is 4.4 million tonnes and the world total production is estimated to be 62 million tonnes in 2017.

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Ownership in the Chinese smelting industry, anno 2017

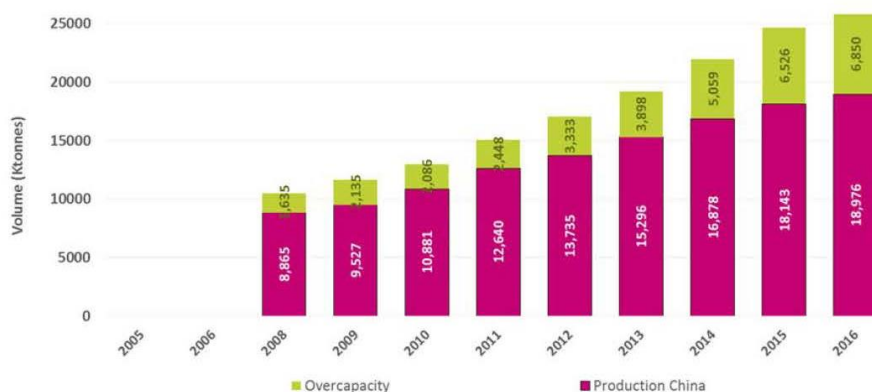


Source: own elaboration on CRU

1.2) Overcapacity in semi-fabricated products

To deal with this overcapacity and add value Chinese producers develop primary aluminium into semi- and fabricated products for use in China or for exports. The massive expansion of semi-fabricated production capacity (for rolled and extruded products) resulted in less than 70% utilisation rate while capacity is continuously increasing without corrections from normal market forces.

Rolled and extruded overcapacity in China (2005-2016)



Source: own elaboration on CRU

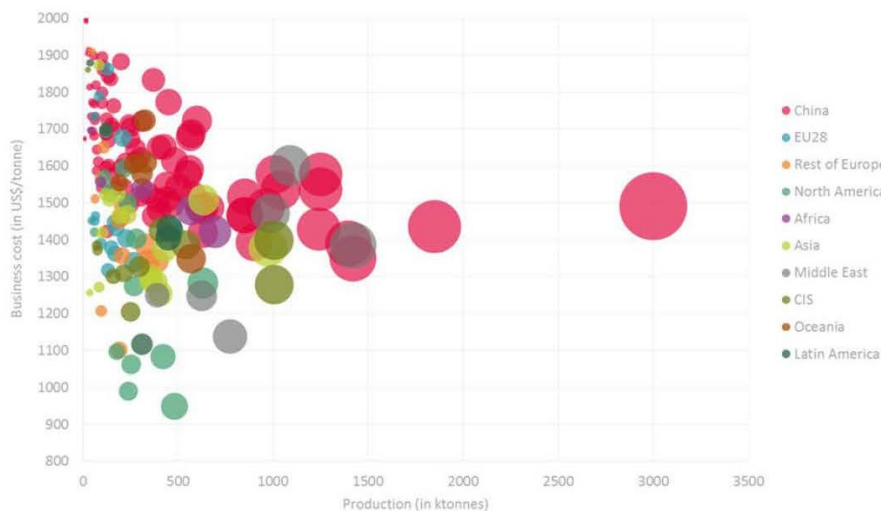
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1.3) Cost comparison

Since joining the World Trade Organization in 2001, China has gone from a relatively small aluminium producer to the largest in the world, now accounting for more than 50% of global supply. This expansion has occurred despite the fact that China is a relatively high-cost producer.

The key factor in being a cost-effective aluminium producer is access to competitive electricity supplies. Electricity is, by far, the largest component of aluminium smelting costs. In general, electricity prices in China have been among the highest in the world, however with regional differences. The vast majority of China's aluminium industry – more than 80% – relies on electricity generated from coal, rather than on less-emitting sources like natural gas, hydro, or other energy sources.

Cost levels of smelters worldwide, anno 2017



Source: own elaboration from different sources

The Chinese aluminium industry is a result of a Governmental industrial policy. The Chinese State has decided that “aluminium is an indispensable basic raw material for building the national economy and for developing strategic emerging industries and national defence technology industries.” See: Special 12th Five-Year Plan for the Development of the Aluminium Industry.

The Chinese government itself has recognized several times that overcapacity in the aluminium industry is a major problem, but each of its attempts to address the issue through top-down industrial policy aimed at “eliminating outdated capacity” has failed so far. The reason is that the state and local governments have continued to support both industrial expansions and building of new plants and even entire new aluminium industrial bases.

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1.4) Two price mechanisms

In the world there are two stock exchanges for aluminium, one in London called the London Metal Exchange (LME), and one in China, called the Shanghai Futures Exchange (SHFE).

London Metal Exchange:

All primary aluminium globally ex. China is sold with a base price that is listed daily on the LME. On top of the LME price there are some less significant price elements that are dependent on shape, alloy, delivery location and other contractual services. These elements are the only ones negotiated between buyer and seller. LME is always the base price and is not negotiated. Due to low transport cost of aluminium compared to the sales price of the metal, aluminium can and does travel globally.

Example of reference to LME in a sales contract:

Price;

LME; 3rd Wednesday in the month prior to the delivery month (M-1),
adjusted for contango/backwardation against 3rd. Wednesday in the delivery month ,
transferred into Euro according to the MTLE notification on the price fixing day

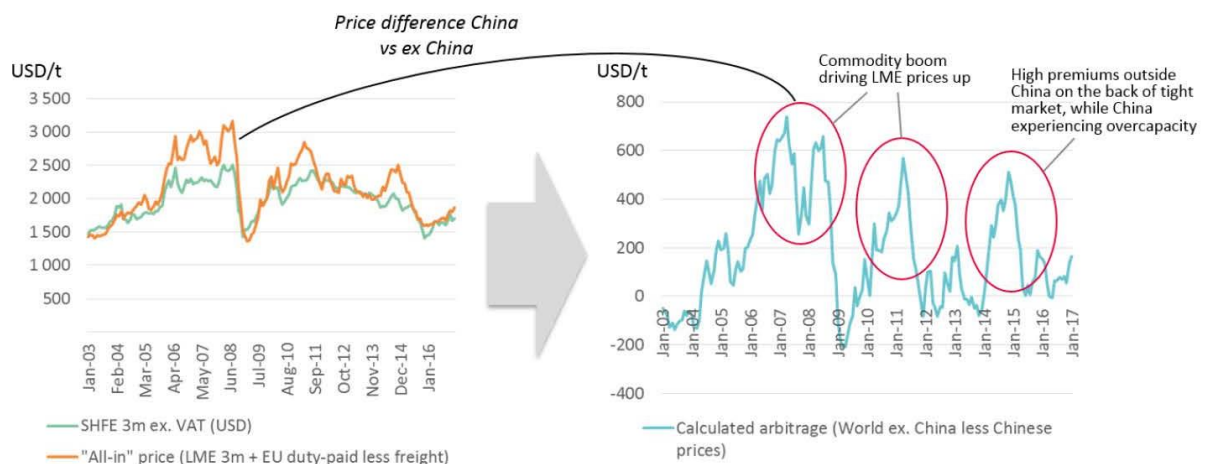
Shanghai Futures Exchange:

In China a corresponding base price is formed at the Shanghai Futures Exchange. However only Chinese companies can trade aluminium on the Shanghai Exchange. Governmental aluminium tenders are only traded within China. Aluminium could be of Western origin, already imported earlier to China. But this is an exception compared with the majority of traded volumes. The main difference when comparing prices at LME and SHFE is that the SHFE price always includes 17% VAT.

Even if the Exchange in China is not open for everybody, there is a continuous and close interaction between the two price mechanisms. Chinese and world ex. China prices follow each other quite closely, with periods of arbitrage seen historically. Global prices are indeed highly responsive to changes in Chinese capacity and supply. The LME price is by far the most important factor in primary aluminium prices around the world, and it is based on the global supply and demand balance, so rising Chinese capacity and production puts downward pressure on the LME price directly, whether or not the aluminium is actually exported. As stocks and supply increase, traders consider that additional volume, which weighs on the global price, regardless of where the additional supply exists. Aluminium can therefore be considered as a truly global market.

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Chinese and world ex. China prices follow each other quite closely, with periods of arbitrage seen historically



2. Domestic situation in China

2.1) Financial loans

Subsidized financing through the state-dominated financial system has been the primary means of state support. This has helped an outsized expansion of capacity and caused global prices to collapse. On a globally priced market, this is adversely affecting all aluminium producers including the European ones. Like other industries in China, this expansion has led to a substantial increase in corporate debt that is weighing down the Chinese aluminium industry.

China's aluminium industry is also emblematic of certain ways in which the government has influenced and taken part in the economic development. As the IMF recently explained regarding the explosive build-up of corporate debt in China, "In addition to industrial policy objectives, social and financial stability objectives play a role in extending the implicit financial guarantees. The central or local governments may therefore stand behind not only State-Owned Enterprises (SOEs), but even private large strategically or socially important corporates"³.

Out of an investigation of 45% of the Chinese primary aluminium industry, it appears that debt subsidies increased strongly the last years. This part of the industry received over the years 2007 to 2014 a combined amount of more than 480 billion RMB. That is 50% more than the total turnover of the EU aluminium industry.

³ IMF Working Paper WP/16/203 at 7

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Aggregate Value of Subsidies to Examined Companies (thus far...)		
Year	Debt Subsidy (RMB)	Total Subsidies (RMB)
2007	25,582,464,375	30,054,241,167
2008	35,021,996,465	41,380,198,138
2009	45,273,325,708	52,929,551,384
2010	57,050,046,918	67,601,054,829
2011	67,938,090,684	81,940,368,744
2012	61,471,787,713	77,084,025,774
2013	87,265,881,634	105,066,538,426
2014	100,570,210,433	115,823,015,337
Total	480,173,803,929	571,878,993,799

Source: Century Aluminium

2.2) General costs

There is evidence that aluminium companies in China obtain production factors priced below market conditions, and this has an effect all over the value chain. A study by Professor Taube documents dedicated programmes employed by Chinese government organisations in order to provide guidance to the aluminium extrusion sector⁴. The facts are established by the US Department of Commerce in its Countervailing Duty Investigation of Aluminium Extrusions from the People's Republic of China in 2009, measures that are prolonged again this year. It starts with reduced cost for land use, over exemptions of construction fees, to provision of primary aluminium for less than adequate remuneration.

2.3) Electricity market for Chinese primary aluminium producers

The Chinese government is influencing the steam coal or thermal coal price which is the source of energy that an overwhelming majority of Chinese primary aluminium producers is using, by providing benefits to the Chinese producers.

Aluminium production is extremely electricity-intensive. The majority of electricity utilized in Chinese aluminium production is generated from coal. Many aluminium producers in China, including the largest and the newest, in China generate the electricity needed to produce aluminium using their own steam coal-fired, self-generation power plants. The proportion of aluminium produced in China from self-generated power increased from less than 40 percent of total production in 2010 to over 60 percent of total production by 2015. Because electricity costs can comprise up to

⁴ Assessment of the normative and policy framework governing the Chinese economy and its impact on international competition. Prof. Dr. Markus Taube & Dr. Christian Schmidkonz GbR, August 2015, p 335 and further.

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40 percent of the cost of primary aluminium production and most electricity in China is generated from coal, the coal price is a key factor in aluminium producers' cost of production.

For Chinese coal producers it can be observed, especially over the last few years as world prices have been quite volatile, that producer's costs fluctuate in accordance with the world coal price. Looking into the details there is a basket of "soft" elements (taxes, levy, leases and other costs mostly decided by local authorities) showing great flexibility. Looking at the development of these "softer" cost elements, the correlation between the level of these costs and the international coal price is strong. This indicates that the level of costs for such softer elements are adjusted by Chinese authorities to ensure that the Chinese producers always pay the same or lower price for coal than the world market. Lack of transparency in the Chinese coal market, however, makes it very difficult to get the full overview.

As such, the provision of steam coal for less than adequate remuneration (LTAR) by the Chinese government has provided a substantial benefit to Chinese aluminium producers.

The Chinese government has encouraged and directed the vertical integration of aluminium producers. It is worth mentioning, however, that for a Chinese smelter, sourcing of coal for its own generation, is only one element since the input to the aluminium production is power. In this context, other factors i.e. grid monopoly, variable environmental tax regime, different local incentive programs, malfunctioning bankruptcy regimes, etc. indicate the need to look into the whole energy-value chain to get a fair understanding of the actual effects.

Pursuant to central government directives, provincial and local governments have also actively supported the development of industrial clusters in their jurisdictions, which seek to bring together steam coal producers and aluminium producers. E.g. the government of Binzhou city planned to preferentially guaranteeing the supply of important factors of production like coal.

The Chinese government exercises control over the production, sale and pricing of steam coal in China. It exercises such control in part through its ownership of steam coal assets and producers. The Chinese government e.g. admitted in the course of a recent U.S. countervailing duty proceeding that it "owned or managed" 90.46 percent of steam coal production in China in 2013. The Chinese government exercise control over all mines, state or privately owned, when it comes to most issues regulating production, e.g. operating days, ramping up/down of production and sales. In addition support and "favours" are given to national champions when it comes to production quotas and influence in negotiations.

Currently, the Chinese government keeps coal prices pegged to electricity prices through a "linkage mechanism," and only allows a minor amount of fluctuation between the coal price and power price. Specifically, the average coal price can change by only five per cent within a year without triggering a change in electricity prices. The government has asked coal mines to reduce annual operating days from 330 to 276 and to run at 84 percent of their production capacity. The cut in operating days played an important role in the coal price rebound.

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2.4) Strategic stockpiling

The State Reserve Bureau (SRB) is part of the National Development and Reform Commission of the government of China. The bureau is responsible for managing strategic material reserves and it also manages trading in material reserves such as metals among which aluminium. Before the global financial crisis, the level of aluminium stockpiling by SRB is estimated to be 133 ktonnes. To support its local producers SRB intervened in the market by buying aluminium and bring total stocks up to 792 ktonnes in 2013. As a comparison that is more than 1/3 of the current EU primary production. SRB has consistently rejected appeals from producers to resume purchases to the stockpile for past several years.

However 6 Chinese primary producers were named to form a consortium in April last year, to handle primary aluminium stockpiling to support prices. Several of the 6 companies (Chinalco, State Power Investment Corp, Yunnan Aluminium, Jiugang Group, Jinjiang Group and Weiqiao Aluminium & Electricity) are state owned and together produce almost 12 million tonnes of primary aluminium, 24% of the Chinese production or the size of the total European aluminium demand.

2.5) Export control via taxes and rebates

The Chinese Government steers the exports flows from Chinese products by imposing export taxes for these products that should not leave the country, and by giving tax rebates to further process material to stimulate the export. The table below shows how the level of the rates can change from year to year, and even several times in the same year.

China is short of bauxite and alumina and thus is normally not imposing any export tax. On the other hand, China do impose export taxes on primary aluminium. Primary aluminium is commonly considered as an energy bank, and China is short of (clean) energy.

Chinese export tax and vat rebates for aluminium																	
	2001	2002	2003	2004	2005	01-Jul 2007	01-Aug 2007	01-Jan 2008	20-Aug 2008	01-Dec 2008	01-Apr 2009	01-Jun 2009	01-Jan 2013	01-Jan 2014	01-Jan 2015	01-May 2015	01-Dec 2015
Export tax																	
Bauxite						10%	10%	15%	15%	15%	15%	15%	0%	0%	0%	0%	0%
Alumina	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unwrought non-allo	15%	-15%	-15%	-8%	5%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Unwrought alloy AL	15%	-15%	-15%	-8%	5%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Scrap		10%	10%	10%	10%	10%	10%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Rods and bars	13%	-13%	-13%	-13%	-13%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	0%	0%
Export tax rebate																	
Flat rolled	13%	13%	13%	13%	13%	11%	11%	11%	11%	13%	13%	13%	13%	13%	13%	13%	13%
Foil	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	15%	15%	15%	15%	15%	15%
Hollow profiles	13%	13%	13%	13%	13%	0%	0%	0%	0%	0%	13%	13%	13%	13%	13%	13%	13%
Other profiles	13%	13%	13%	13%	13%	0%	0%	0%	0%	0%	13%	13%	13%	13%	13%	13%	13%
Tube	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%

Source CRU

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Since many primary producers in China make losses, they put strong pressure on the government to lift the export tax on primary aluminium so that exports will be possible. Because of the level of subsidization combined with the weight of Chinese production in the aluminium sector, this would have negative effects on the primary aluminium production in the rest of the world.

Furthermore, China wants to stimulate adding value to increase income and therefore tax rebates are foreseen for semi-fabricated products. Since the slowdown of the Chinese domestic economic activities, the levels of tax rebates are kept on very high levels (13 to 15%). When the Chinese domestic demand, however, was high in booming years 2007 and 2008, the Chinese government influenced by reducing the tax rebates to zero for extrusions.

3. Booming Chinese exports to the world

3.1) Exports globally and to the EU

Chinese exports of chapter 76 to EU, North America, Africa and Middle East.

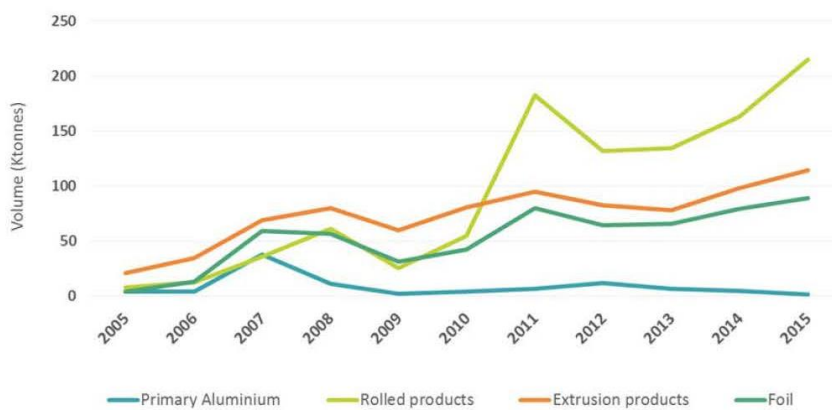


Chinese aluminium exports to the rest of the world amounted last year to more than 6.5 million tonnes. More than 40% goes to other Asian countries.

The exports increased by more than 56% since 2010. The exports towards the EU increased by 39% to a level of more than 818 ktonnes last year. These tonnage include all aluminium products under trade chapter 76, however not the final products using a lot of aluminium.

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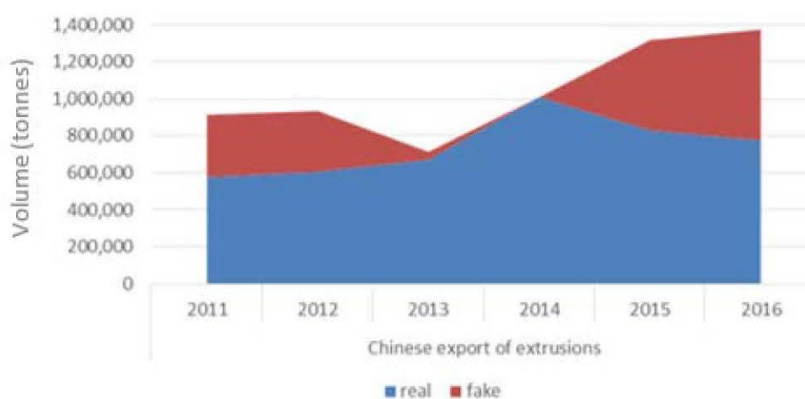
Chinese exports to the European Union



The shares of Chinese extrusions and flat rolled products (FRP) imports in the European market is around 5% currently, coming from 1% in FRP in 2010, and 2% in extrusion.

3.2) Chinese exports of remelt bars/coils (so called fake semies)

Chinese exports of extruded products (2011-2016)



Chinese extrusion exports to the rest of the world increased by more than 50% during the last 5 years to an amount of almost 1.4 million tonnes.

A significant part of these exports are the so called fake semis. This is primary aluminium cast in a shape resembling a semi-fabricated product (frequently coils or bars) but actually intended for immediate remelt, thus substituting a

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regular primary aluminium product. The fake semis in the form of remelt bars make up around 600 ktonnes of these exports. Chinese companies targeted first Mexico, and after a legal action to stop the transfer across the USA border, the volumes are directed towards mainly to Vietnam and partially to Malaysia. The aim of such action was to avoid export tax penalty on primary aluminium and benefit from export support on semis.

A typical case is the ruling of the US administration last year against Zhongwang for circumventing antidumping restrictions imposed on the company in 2010. Via intermediate actor they stockpiled more than 850 ktonnes (representing about 1/3 of the EU production) of extrusions to remelt in Mexico. 850 ktonnes are close to 1/3 of EU primary production.

4. Effect on price levels in the rest of the world

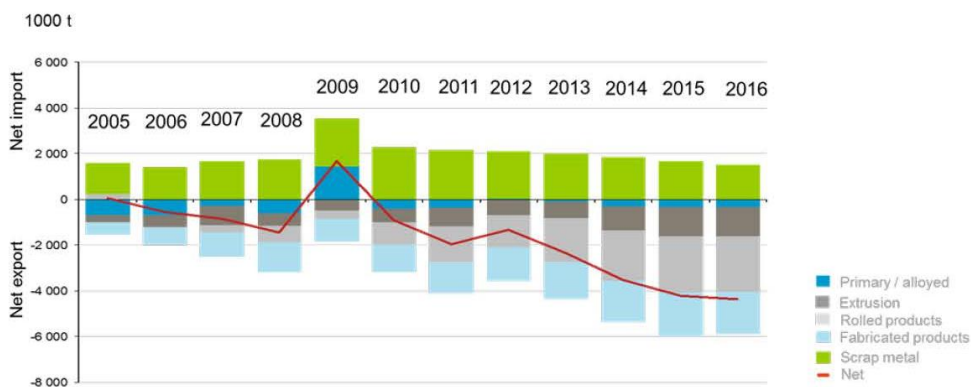
4.1) Negative effect on the LME price

a. Direct impact on global pricing situation

The inherent increase in overall capacity and production in China weighs on global aluminium prices. Aluminium is a global commodity traded on global exchanges, as explained above in section 1.4. The exchanges reflect the total amount of aluminium globally, regardless of location. Further, the SHFE and LME prices are extremely highly correlated over time and the only real difference is reflected in the VAT. The proper price analysis measures what the global price of aluminium would have been without the additional Chinese capacity added in a given year. Without the additional capacity, prices would have been higher globally. As a result, Chinese semi-fabricated exports would have been lower and those exports would have been significantly higher priced.

b. The downstream effect

China: Annual net export of aluminium units*



Source: Antaike January 3 2017

* Jan-November extrapolated for 2016

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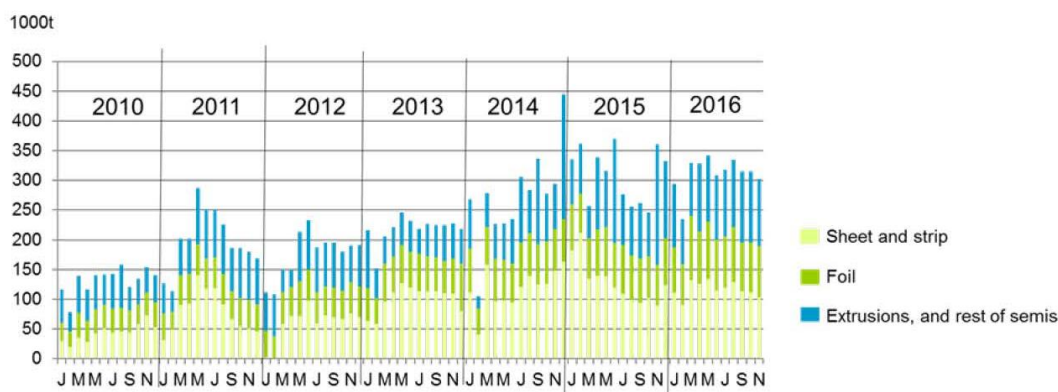
To measure Chinese aluminium's production effect on European producers, the effect on the whole value chain must be taken into consideration and the scope must not be limited to Chinese exports of primary aluminium. The main export out of China has been the growing semis export (extrusion and flat rolled products, shown in grey colour above) and export of fabricated products, shown in light blue. In addition, there is export of products that are not even reported as aluminium (such as wheels for cars and other automotive parts reported as automotive - not aluminium). Any aluminium primary production in China will result in an advantage compared to European producers of the range of products described above. As a result not only have these European producers suffered, but the export increase from China has also led to reduced demand for primary metal in Europe compared to the alternative. In 2016 Chinese export (semis and fabricated products as captured in the export statistics) was around 6 million tonnes.

The way semis and fabricated exports hurt Europe today, is two-folded:

- 1) European primary producers are exposed to unfair competition in the world market, hereunder the core European market, since primary customers have to reduce own production due to Chinese exports (primary for remelting, semis and fabricated products).
- 2) The export of primary and/or semis from Europe to regions in Asia and other overseas markets is falling, due to stronger competition in those markets from China.

The export of semis from China is recorded monthly and divided by product type (extrusions and other shapes, foil or sheet & plate). Below please find a chart showing that in 2014 and 2015 there were some peaks in particular of extrusion exports and these peaks are believed to represent the export of semis intended for immediate remelt, and not representing genuine semis for processing (i.e. disguised primary aluminium). The rest of this massive increasing export is export of genuine semis. If this export is subsidized, it will unfairly affect both the downstream producers in the importing region as well as the primary producers who will lose their regional customer base.

Net export of semis from China, monthly YTD



Source: Antaike, January 3 2017

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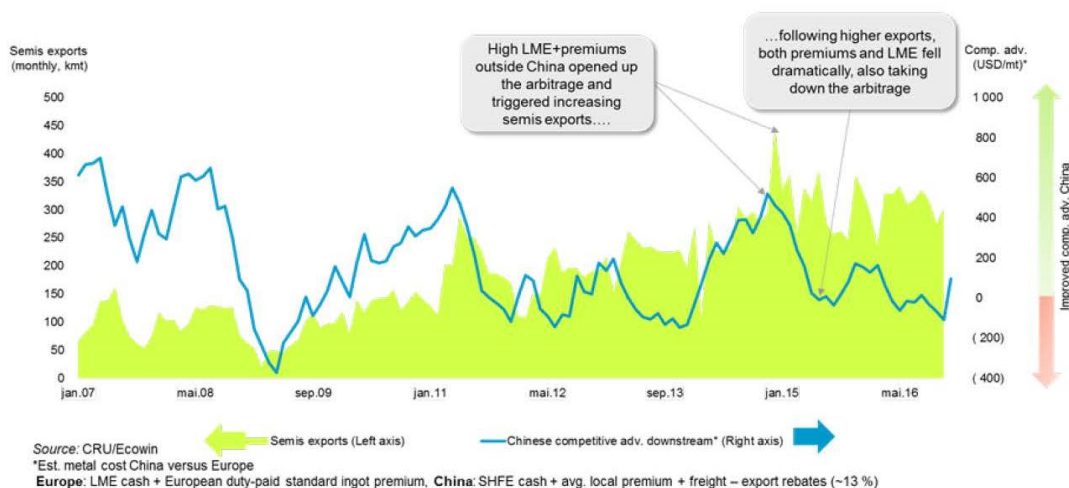
c. Arbitrage with the Shanghai exchange (SHFE)

As shown in the graph below, periods of elevated arbitrage (i.e higher prices outside China on LME vs in China on SHFE) often leads to opportunistic rises in exports. Following increased semis exports from China, which lowers primary demand outside China, LME-prices typically decrease as a consequence.

Moreover, as stated above, some of the semis exports are for remelt purposes. Such exports effectively function as a source for primary supply outside China, and worsens market balances in affected regions. All other thing being equal, this also pressures LME-prices downwards.

Overall, the availability and dynamic response of semis supply from China, both genuine and for remelt quality, effectively subdues aluminium price development outside China, hurting primary producers in e.g. EU.

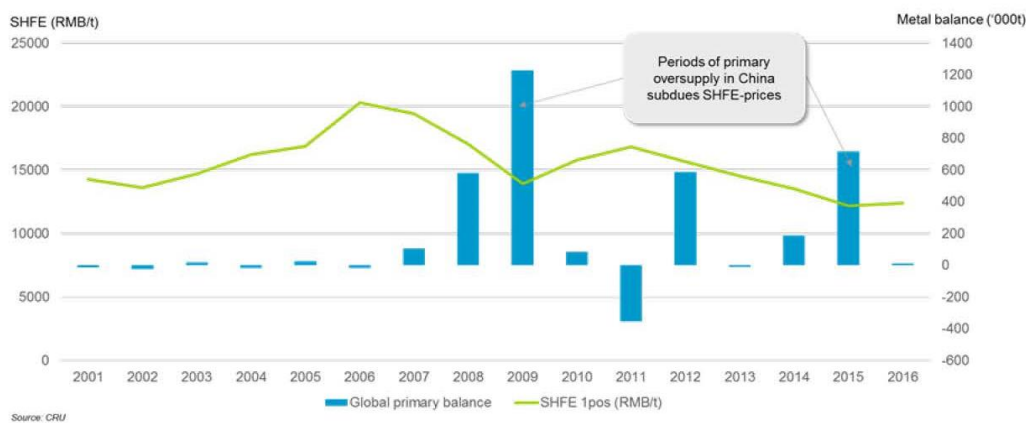
Semis exports from China subdues aluminium prices outside China



Furthermore, Chinese oversupply of primary metal leads to negative price pressure in China. Following the export arbitrage link, such overproduction travels further from the Chinese SHFE to the LME outside China putting pressure also on the LME price (see graph below).

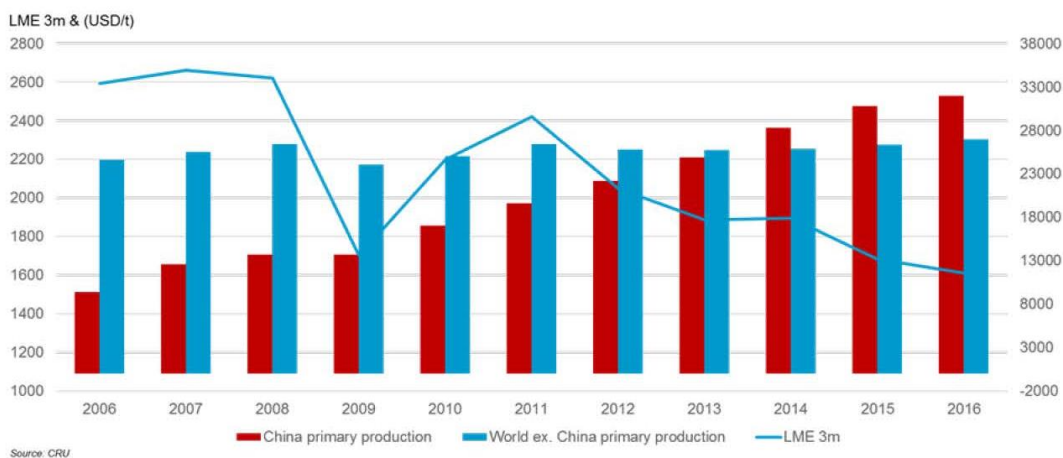
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Primary oversupply in China subduing SHFE-prices



Below we have also added a graph showing development of primary supply China and the rest of the world (RoW) vs LME:

Rising Chinese primary production and falling LME-prices



Chinese overcapacity has severely affected aluminium prices globally. Aluminium is a globally traded commodity, with international prices determined by the LME. As a global commodity, the LME prices ultimately reflect total global supply and demand for the metal, regardless of where that metal is produced, sold or stored. Thus, the excess supply

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that Chinese capacity and production contributed to the global market in recent years have depressed and suppressed aluminium prices both inside and outside of China.

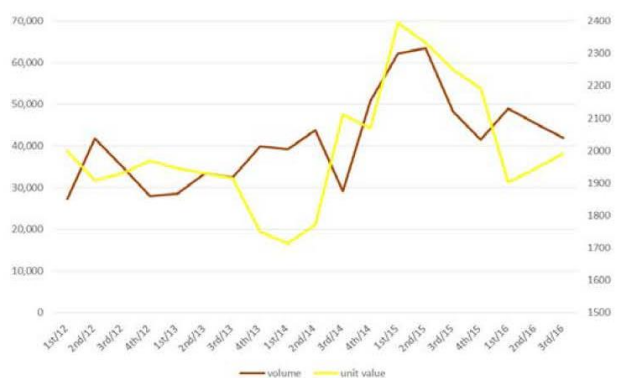
From 2008 to 2016, the LME cash price in average per tonne, fell by more than 40 percent. These price effects have had disastrous consequences on global aluminium producers outside of China that must generate positive returns to continue in operation. European primary producers are exposed to severe competition in the world market, hereunder the core European market, since primary customers have to reduce own production due to Chinese exports (primary for remelting, semis and fabricated products).

4.2) Continuous depressing effect on semi-fabricated products price levels

Import prices FRP into EU (euro/tonne)



Chinese FRP exports to EU



Source: Custom data

Chinese quarterly export price level for flat rolled products is constantly well below the French and German export prices to the other EU member states. It is also well below the Turkish export prices to the EU market.

Furthermore, one can observe a clear correlation between the value per tonne and the volume that China exports to the European Union: higher unit value trigger rising volumes, declining price runs parallel with lower tonnage of imports from China in EU.

For more information, you can contact Bob Lambrechts, Director Statistics and Economics:

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Annex 1

Table S.11: Chinese export tax, vat rebates and import tariffs for aluminium

	2001	2002	2003	2004	2005	1 Jul 2007	1 Aug 2007	1 Jan 2008	20 Aug 2008	1 Dec 2008	1 Apr 2009	1 Jun 2009	1 Jan 2013	1 Jan 2014	1 Jan 2015	1 May 2015	1 Dec 2015
Import Tariffs																	
Bauxite		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Alumina	18%	12%	10%	8%	8%	3%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Aluminium	9%	5%	5%	5%	5%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%
Scrap ¹	6%	1,5%	1,5%	1,5%	1,5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Alloy	9%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Non-alloy rod and bar	n/a	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Non-alloy sheet and plate 0.3mm thickness ≤ 0.36mm	n/a	n/a	6%	6%	6%	6%	6%	1%	1%	2%	1%	4%	4%	4%	4%	4%	4%
Al alloy rod & bar	13%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Export tax																	
Bauxite		-	-	-	-	10%	10%	15%	15%	15%	15%	15%	0%	0%	0%	0%	0%
Alumina		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unwrought Non-alloy Al ⁸	15%	-15%	-15%	-8%	5%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Unwrought Alloy Al ⁹	15%	-15%	-15%	-8%	5%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	0%	0%
Unwrought Alloy Al ¹⁰	15%	-15%	-15%	-8%	5%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Scrap		10%	10%	10%	10%	10%	10%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Rod and bars ⁴	13%	-13%	-13%	-13%	-13%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	0%	0%
Al alloy rod & bar, circ. ≥ 210 mm ⁶	13%	-13%	-13%	-13%	-13%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	0%	0%
Al alloy rod & bar, circ. < 210 mm ⁷	13%	-13%	-13%	-13%	-13%	0%	0%	15%	15%	5%	5%	5%	5%	5%	5%	0%	0%
Export tax rebate																	
Flat Rolled (excluding foil)	13%	13%	13%	13%	13%	11%	11%	11%	11%	13%	13%	13%	13%	13%	13%	13%	13%
Foil	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	15%	15%	15%	15%	15%	15%
Hollow aluminium alloy profiles ²	13%	13%	13%	13%	13%	0%	0%	0%	0%	0%	13%	13%	13%	13%	13%	13%	13%
Other alloyed aluminium profiles ³	13%	13%	13%	13%	13%	0%	0%	0%	0%	0%	13%	13%	13%	13%	13%	13%	13%
Non alloyed sections and profiles ⁵	13%	13%	13%	13%	13%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tube	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%

Note: 1. The import tariff for scrap was cut to 0% from 1.5% from January 1, 2006. 2. The GTIS trading code for this product is 760421. 3. The GTIS code for this product is 76042990. 4. The GTIS trading code for these products is 76041010. 5. The GTIS trading code for these products is 76041090. 6. The GTIS trading code for this product is 76042910. 7. The GTIS trading code for this product is 76042910. 8. HS code 76011010, Unwrought Aluminium (non-alloy), Al<99.5%. 9. HS code 76012000, low alkali refined Aluminium Alloy (Na+K+Ca<10ppm, H<0.12m/100g Al). 10. HS code 76012000, other unwrought aluminium alloy.

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ANNEXE 3 – G20 LETTER FROM ALUMINIUM INDUSTRY



15 March 2017

To: U.S., E.U., and Canadian G-20 Sherpas
Cc: G-20 Foreign Ministers and G-20 Sherpas

Your Excellencies:

At the upcoming G-20 Hamburg Summit in Germany, leaders will discuss challenges to global economic growth, stability and security, and digitization.

We are writing to urge G-20 leaders to provide a collective response to the aluminum sector by creating a Global Forum on aluminum excess capacity.

As organizations representing aluminum producers along the whole value chain in the United States, Europe, and Canada, we are writing to draw your attention to the global market imbalances in the aluminum industry, caused in particular by the enormous excess capacity in China. This situation not only significantly distorts international trade flows affecting all of our countries but also undermines global stability.

In 2000, China supplied 10% of the world's primary aluminum. Today, Chinese manufacturers have increased their output by five, supplying 53% of all aluminum produced globally and spurring increasing overcapacity in the downstream aluminum sector. Additionally, by 2020 Chinese aluminum capacity is expected to grow by a further 24%.

China's state-sponsored support is contributing to an unsustainable structural overcapacity that will impact growth and contribute to heightened instability until it is addressed. Both the massive increase in production and the excess capacity have had a downward effect on the prices, generating significant economic and employment losses for our respective producers and economies. This excess capacity threatens the competitiveness of both upstream and downstream aluminum producers.

Last year's G-20 summit recognized that "excess capacity in steel and other industries is a global issue which requires collective responses". Leaders also recognized that "subsidies and other types of support from government or government-sponsored institutions can cause market distortions and contribute to global excess capacity and therefore require attention". The United States has already taken action to address the effect of subsidies on its aluminum industry. In January 2017, the US filed a request for consultation at the WTO concerning subsidized financing and feedstocks provided to primary aluminum producers in China.

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Aluminium
Association
of Canada



The upcoming G-20 summit represents a critical opportunity to work collectively to re-establish fair trade conditions in the global aluminum industry. Last year the G-20 resulted in the creation of a Global Forum on steel excess capacity in order to increase information sharing and cooperation. Now is the time to recognize the excess capacity which negatively impacts the competitiveness of the global aluminum industry. We therefore urge G-20 leaders to provide a collective response to the aluminum sector by creating a Global Forum on aluminum excess capacity.

Signed,



Heidi Brock
President and CEO
The Aluminum Association



Gerd Götz
Director-General
European Aluminium



Jean Simard
President and CEO
Aluminium Association
of Canada

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ANNEXE 4 – G7 TAORMINA LEADERS’ COMMUNIQUÉ



G7 Taormina Leaders’ Communiqué

Preamble

1. We, the Leaders of the G7, met in Taormina on May 26-27, 2017 to address, in a spirit of cooperation, the global challenges we face today and to respond collectively to the greatest concerns of our citizens. Our common endeavor is to build the foundations of renewed trust, both towards our governments and among our countries.
2. We are bound together by our shared values of freedom and democracy, peace, security, the rule of law, and respect for human rights. We are determined to coordinate our efforts in promoting the rules-based international order and global sustainable development. We are also convinced of the distinctive role of culture as an instrument to promote dialogue among peoples.
3. Technological change and globalization have made a fundamental contribution to raising living standards across the world over recent decades. However, their benefits have not been shared widely enough, contributing to inequalities in many countries. Despite progress in recent decades, we are still far from making poverty history, from reaching the “zero hunger” objective and from ensuring that future generations will enjoy justice and peace, as well as a cleaner and safer environment, as envisaged, for example, by the 2030 Agenda for Sustainable Development.
4. Our citizens rightly demand quality education, decent jobs, greater access to economic opportunities, gender equality, and a cleaner environment. They expect us to deal with increasing numbers of refugees and migrants, also through stronger international cooperation. Furthermore, they ask for more secure lives and, in particular, to halt the rise of terrorism and violent extremism, including its manifestation online.
5. Against this backdrop, we want to send a message of confidence in the future, ensuring that citizens’ needs are at the center of our policies. As G7 Leaders, we intend to do so by engaging in a joint effort to seize all the opportunities offered by an era of extraordinary change. We will strive to highlight the transformative power of culture, gender equality, diversity and inclusion, education, science, technology and innovation in a collective endeavor involving governments, civil society, the private sector, and ordinary citizens. To achieve this we must improve knowledge and competences across all sectors and regions of our countries, by fostering innovation and new skills, by investing in fields such as education and training, as well as health, with a view to boosting economic growth and to improving people’s quality of life. We therefore pledge to take concrete actions to manage today’s risks and to transform challenges into opportunities.

Foreign Policy Issues

6. We share the same interest in strengthening a rules-based international order that promotes peace among nations, safeguards sovereignty, territorial integrity and political independence of all states and ensures the protection of human rights. Our world needs our genuine commitment to the solution of conflicts that are affecting millions of innocent people and disrupting development and the healthy growth of future generations.
7. We endorsed the Joint Communiqué, the Declaration on Responsible States Behavior in Cyberspace, and the Statement on Non-Proliferation and Disarmament of the Foreign Ministers’ meeting in Lucca, and further discussed issues and crises that are most seriously threatening the security and well-being of our citizens and global stability.
8. Six years into the Syrian war, the Syrian people have endured the most tremendous suffering. We believe that there is an opportunity to bring this tragic crisis to an end. No effort should be spared to bring an end to the conflict through an inclusive Syrian-led political process under the auspices of the UN to implement a genuine credible transition in accordance with UN Security Council Resolution 2254 and the Geneva Communiqué. We are determined to increase our efforts to defeat international terrorism in Syria, in particular ISIS/ISIL/Da’esh and al Qaeda. Indeed, it will be impossible to defeat terrorism without a political settlement. All major stakeholders must live up to their international responsibilities. Those with influence over the Syrian regime, in particular Russia and Iran, must do their utmost to use that influence to stop this tragedy, beginning with the enforcement of a real ceasefire, stopping the use of chemical weapons, ensuring safe, immediate and unhindered humanitarian access to all people in need, and releasing any arbitrarily detained persons, as well as allowing free access to its prisons. To this end, we hope that the Astana agreement can contribute effectively to de-escalating violence. If Russia is prepared to use its influence

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positively, then we are prepared to work with it in resolving the conflict in Syria, pursuing a political settlement. We are prepared to contribute to the costs of reconstruction, once a credible political transition is firmly underway. We will not engage in stabilization efforts that will support social and demographic engineering.

9. We reiterate our deepest concerns regarding the use of chemical weapons in Syria and reaffirm our strong condemnation of the use of chemical weapons anywhere, at any time, by anyone, under any circumstances. Those individuals, entities, groups or governments responsible for such use must be held accountable.

10. In Libya, it is urgent to advance on the path of inclusive political dialogue and national reconciliation. We welcome the recent meetings between key Libyan players. All Libyans must engage with a spirit of compromise and desist from actions that would fuel further conflict. While warning against the temptation of military settlements of the situation, we reiterate our full support for the institutional framework laid out in the Libyan Political Agreement (LPA) as the framework within which political solutions can be found, including possible adjustments to the LPA that may advance reconciliation. We support the UN Support Mission in Libya (UNSMIL) mediation effort. We also support the Presidency Council and the Government of National Accord in their effort to consolidate State institutions, alleviate human suffering, protect and expand infrastructure, strengthen and diversify the economy, manage migration flows and eradicate the terrorist threat.

11. We have made significant progress in reducing the presence of ISIS/ISIL/Da'esh in Syria and Iraq, and in diminishing its appeal. We commit to continuing these efforts in order to complete the liberation of ISIS/ISIL/Da'esh-held territories, in particular Mosul and Raqqa, in the pursuit of ISIS/ISIL/Da'esh's final destruction and the end of associated violence, widespread abuses of human rights and violations of international humanitarian law. Those who have perpetrated crimes in the name of ISIS/ISIL/Da'esh, including the use of chemical weapons, must be held to account. We welcome progress in countering ISIS/ISIL/Da'esh in Libya. We call upon all countries of the region to play a constructive role by contributing to efforts to achieve inclusive political solutions, reconciliation, and peace, which are the only way to eradicate ISIS/ISIL/Da'esh, other terrorist groups and violent extremism in the long-term in Iraq, Syria, Yemen, and beyond.

12. We reiterate our commitment on non-proliferation and disarmament. North Korea, a top priority in the international agenda, increasingly poses new levels of threat of a grave nature to international peace and stability and the non-proliferation regime through its repeated and ongoing breaches of international law. North Korea must immediately and fully comply with all relevant UN Security Council Resolutions (UNSCRs) and abandon all nuclear and ballistic missile programs in a complete, verifiable and irreversible manner. Condemning in the strongest terms North Korea's nuclear tests and ballistic missile launches, we stand ready to strengthen measures aimed at achieving these objectives and strongly call on the international community to redouble its efforts to ensure the sustained, comprehensive and thorough implementation of relevant UNSCRs. We urge North Korea to address humanitarian and human rights concerns, including the immediate resolution of the abductions issue.

13. A sustainable solution to the crisis in Ukraine can only be reached with the full implementation by all sides of their commitments under the Minsk Agreements. We support the endeavors of the Normandy group and commend the multifaceted commitment of the OSCE in order to de-escalate the crisis. We stress the responsibility of the Russian Federation for the conflict and underline the role it needs to play to restore peace and stability. We reiterate our condemnation of the illegal annexation of the Crimean peninsula, reaffirm our policy of non-recognition, and fully support Ukraine's independence, territorial integrity and sovereignty. We recall that the duration of sanctions is clearly linked to Russia's complete implementation of its commitments in the Minsk Agreements and respect for Ukraine's sovereignty. Sanctions can be rolled back when Russia meets its commitments. However, we also stand ready to take further restrictive measures in order to increase costs on Russia should its actions so require. We maintain our commitment to assisting Ukraine in implementing its ambitious and yet necessary reform agenda and commend Kiev for its progress to date. Despite our differences with Russia, we are willing to engage with Russia to address regional crises and common challenges when it is in our interest.

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14. We reaffirm our commitment to maintaining a rules-based order in the maritime domain based on the principles of international law, including as reflected in the United Nations Convention on the Law of the Sea (UNCLOS), and to the peaceful settlement of maritime disputes through diplomatic and legal means, including arbitration. We remain concerned about the situation in the East and South China Seas and strongly opposed to any unilateral actions that could increase tensions. We urge all parties to pursue demilitarization of disputed features.

15. The recent cyber attacks hitting critical infrastructures worldwide reinforce our commitment to increased international cooperation to protect an accessible, open, interoperable, reliable and secure cyberspace and its vast benefits for economic growth and prosperity. We will work together and with other partners to tackle cyber attacks and mitigate their impact on our critical infrastructures and the well-being of our societies.

Global Economy

16. Global recovery is gaining momentum, yet growth remains moderate and GDP is still below potential in many countries, with the balance of risks tilted to the downside. Our top priority is to raise global growth to deliver higher living standards and quality jobs. To this end, we reaffirm our commitment to use all policy tools – monetary, fiscal and structural – individually and collectively to achieve strong, sustainable, balanced and inclusive growth. In particular, monetary policy should continue to support economic activity and ensure price stability, consistently with central banks' mandate. We concur that fiscal policy should be used flexibly to strengthen growth and job creation, while also enhancing inclusiveness and ensuring that debt as a share of GDP is on a sustainable path. In doing so, we agree on the importance of improving the quality of public finances, including by prioritizing high-quality investment, such as in infrastructures. We remain committed to advancing structural reforms to boost productivity and potential output, while ensuring these are appropriately coordinated with macroeconomic policies. We reaffirm our existing G7 exchange rate commitments, as agreed upon by Finance Ministers and Central Bank Governors at their meeting in Bari. We will strive to reduce excessive global imbalances and in a way that supports global growth. We commit to tackling all forms of corruption and tax evasion, as a means of reinforcing public trust in governments and fostering sustainable global growth.

Inequalities

17. We welcome the "Bari Policy Agenda on Growth and Inequalities" adopted by G7 Finance Ministers and Central Bank Governors as a framework to foster inclusive growth through a broad menu of policy options. We acknowledge that inequalities – not just in income, but in all their forms – represent a major source of concern. In fact, excessive inequality, also at the global level, undermines confidence and limits future growth potential. Furthermore, inequality may contribute to regional disparities within countries and undermine intergenerational mobility, while jeopardizing social cohesion and putting stress on institutions. In this respect, we will strive to strengthen the capabilities and resilience of our economies and communities to adjust to the pace of change, so that the global economy works for everyone.

Gender Equality

18. Gender equality is fundamental for the fulfillment of human rights and a top priority for us, as women and girls are powerful agents for change. Promoting their empowerment and closing the gender gap is not only right, but also smart for our economies, and a crucial contribution to progress towards sustainable development. Women and girls face high rates of discrimination, harassment, and violence and other human rights violations and abuses. Although girls and women today are better educated than ever before, they are still more likely to be employed in low-skilled and low-paying jobs, carry most of the burden of unpaid care and domestic work, and their participation and leadership in private and public life as well as their access to economic opportunities remains uneven. Increasing women's involvement in the economy – such as by closing the gender gaps in credit and entrepreneurship and by enhancing women's access to capital, networks and markets – can have dramatically positive economic impacts. We, as the G7, have undertaken significant measures to tackle gender inequality, but more needs to be done. We therefore remain committed to mainstreaming gender equality into all our policies. We welcome the important

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contribution provided by the W7. To foster the economic empowerment of women and girls, we have furthermore adopted the first “G7 Roadmap for a Gender-Responsive Economic Environment”.

Trade

19. We acknowledge that free, fair and mutually beneficial trade and investment, while creating reciprocal benefits, are key engines for growth and job creation. Therefore, we reiterate our commitment to keep our markets open and to fight protectionism, while standing firm against all unfair trade practices. At the same time, we acknowledge that trade has not always worked to the benefit of everyone. For this reason, we commit to adopting appropriate policies so that all firms and citizens can make the most of opportunities offered by the global economy.

20. We push for the removal of all trade-distorting practices – including dumping, discriminatory non-tariff barriers, forced technology transfers, subsidies and other support by governments and related institutions that distort markets – so as to foster a truly level playing field. We commit to further strengthening our cooperation and to working with our partners in order to address global excess capacity in the steel, aluminum and other key industrial sectors and to avoid its emergence in other areas. In this sense, we view with concern market-distorting measures targeted at promoting key technologies. To this end, we welcome the Global Forum on Steel Excess Capacity, established by the G20 and facilitated by the OECD, and urge all Members to promptly deliver on effective policy solutions that enhance market function and adjustment in order to address the root causes of global steel excess capacity. We also call on the International Working Group on Export Credits to develop new guidelines for publicly supported export finance.

21. We recognize the importance of the rules-based international trading system. We commit to working together to improve the functioning of the WTO, to ensure full and transparent implementation and effective and timely enforcement of all WTO rules by all Members and to achieve a successful 11th WTO Ministerial Conference.

22. We commit to striving for better application and promotion of internationally recognized social, labor, safety, tax cooperation and environmental standards throughout the global economy and its supply chains.

23. Finally, we recognize that international investment too can play an important role in sustaining growth and job creation, and therefore strive to foster a predictable environment so as to facilitate foreign direct investment.

Human Mobility

24. The ongoing large-scale movement of migrants and refugees is a global trend that, given its implications for security and human rights, calls for coordinated efforts at the national and international level. We recognize that the management and control of migrant flows – while taking into account the distinction between refugees and migrants – requires both an emergency approach and a long-term one. We also recognize the need to support refugees as close to their home countries as possible, and enable them to return safely to and help rebuild their home communities. At the same time, while upholding the human rights of all migrants and refugees, we reaffirm the sovereign rights of states, individually and collectively, to control their own borders and to establish policies in their own national interest and national security.

25. We agree to establish partnerships to help countries create the conditions within their own borders that address the drivers of migration, as this is the best long-term solution to these challenges. We also acknowledge that states share a responsibility in managing the flows; in protecting refugees and migrants, and safeguarding the most vulnerable of them, such as women at risk, adolescents, children and unaccompanied minors; and in enforcing border control, establishing returns schemes and enhancing law enforcement cooperation. These are essential instruments to reduce irregular or illegal migration and to fight migrant smuggling, human trafficking and exploitation, and all forms of slavery, including modern slavery. In this manner, we will safeguard the value of the positive aspects of a safe, orderly and regular migration, since properly managed flows can bring economic and social benefits to countries of both origin and destination as well as to migrants and refugees themselves.

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Africa

26. Africa's security, stability and sustainable development are high priorities for us. Our goal is indeed to strengthen cooperation and dialogue with African countries and regional organizations to develop African capacity in order to better prevent, respond to and manage crises and conflicts, as regards the relevant goals of the 2030 Agenda for Sustainable Development. A stable Africa means a stable environment for investment. In this regard, we note the forthcoming launch by the EU of the External Investment Plan (EIP) as an important tool to boost investment in the continent, as well as the envisaged G20 Partnership Initiative with Africa and the investment pledge made at the Tokyo International Conference for African Development (TICADVI). It is also important to continue our efforts to expand reliable access to energy in Africa. Unlocking Africa's potential requires empowering millions of people through innovation, education, promoting gender equality and human capital development. Decent employment, better health services, and food security will also contribute to building a more resilient society in a rapidly changing world. We aim to work in partnership with the African continent, supporting the African Union Agenda 2063, in order to provide the young generation in particular with adequate skills, quality infrastructures, financial resources, and access to a sustainable, prosperous and safe future. Such advances also promise to help reduce migratory pressure, relieve humanitarian emergencies and create socio-economic opportunities for all.

Food Security and Nutrition

27. Ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture is a crucial goal for the G7. We reaffirm our collective aim to lift 500 million people in developing countries out of hunger and malnutrition by 2030, as part of a broader effort involving our partners and international actors.

28. We are deeply concerned about the devastating levels of food insecurity, fueled by conflicts and instability, already resulting in famine in parts of South Sudan and in the serious risk of famine in Somalia, Yemen and northeastern Nigeria and critically affecting more than 20 million people. We strongly support the UNSG call for urgent action. We are rapidly mobilizing humanitarian assistance, we will continue to support political processes addressing the underlying causes of the crises and we are committed to strengthening the international humanitarian system to prevent, mitigate and better prepare for future crises, while strengthening engagement to build resilience.

29. While stressing the global dimension of the food insecurity and malnutrition challenge, we recognize that urgent action is needed in Sub-Saharan Africa, the region with the highest percentage of undernourished people, deep rural and urban poverty and particularly large movements of people, and where more than two-thirds of the Least Developed Countries are located.

30. We have therefore decided to raise our collective support for food security, nutrition and sustainable agriculture in Sub-Saharan Africa through an array of possible actions, such as increasing Official Development Assistance, better targeting and measuring our respective interventions in line with the food security and nutrition-related recommendations defined at Elmau and Ise-Shima, and ensuring they reach women and girls, backing efforts to attract responsible private investments and additional resources from other development stakeholders. We will encourage blended finance and public-private partnerships (PPPs). We will act in line with African countries' priorities and consistently with the African Union Agenda 2063, aiming to reach also the most neglected areas and the most vulnerable people.

Climate and Energy

31. We commit to strengthening our collective energy security and to ensuring open, transparent, liquid and secure global markets for energy resources and technologies. We reaffirm that all countries that opt to use nuclear power must ensure the highest standards of nuclear safety, security and non-proliferation. We are determined to harness the significant economic opportunities, in terms of growth and job creation, offered by the transformation of the energy sector and clean technology.

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32. The United States of America is in the process of reviewing its policies on climate change and on the Paris Agreement and thus is not in a position to join the consensus on these topics. Understanding this process, the Heads of State and of Government of Canada, France, Germany, Italy, Japan, and the United Kingdom and the Presidents of the European Council and of the European Commission reaffirm their strong commitment to swiftly implement the Paris Agreement, as previously stated at the Ise-Shima Summit.

33. In this context, we all agree on the importance of supporting developing countries.

Innovation, Skills and Labor

34. The Next Production Revolution (NPR) offers an extraordinary opportunity to increase competitiveness and to boost an innovation-driven growth. By reshaping our existing production systems, the NPR can indeed allow all firms – including micro, small and medium-sized enterprises (MSMEs) – and help people across all sectors and regions to reap the benefits of innovation and digitalization and enhance women's opportunities to pursue STEM careers.

35. At the same time, the advance of automation and of emerging technologies, while they contribute to innovation and economic growth, presents us with challenges and significantly changes the future of work. We have a responsibility to face these challenges by managing the related risks of the NPR and of the ongoing transition, and to rethink the future of work and of education – also through strong collaboration with stakeholders – so as to ensure a transition that works for all. Our education systems and working styles must be adapted, based on national circumstances. Companies and social partners should be closely involved and commit to new engagement in both initial and lifelong education and training. We also need to address new forms of work and improve working conditions by implementing sound labor market policies and by making adjustments to our welfare systems, when necessary, in a multi-stakeholder approach, so as to provide stability for our labor force.

36. For these reasons, we have adopted a “G7 People-Centered Action Plan on Innovation, Skills and Labor”. Elaborated with the support of the OECD and the ILO, it outlines a set of potential policy recommendations to maximize the benefits of the NPR, to be further developed by our relevant Ministers during their upcoming Ministerial Meetings.

37. In addition, in order to facilitate dialogue with key stakeholders and to provide the G7 with first-hand insights on innovation issues, we have set up a “Strategic Advisory Board to G7 Leaders on People-Centered Innovation” (I-7). The group's first meeting is to take place during the “G7 Innovation Week” in Turin.

Health

38. We are committed to advancing global health security and pursuing policies that advance physical and mental health improvements across the globe. Healthy lives and well-being are important to broader economic, social and security gains. We recognize that women's and adolescents' health and healthcare must be promoted. We acknowledge the role of environmental factors in affecting human health. We remain committed to strengthening health systems, preparedness for, and a prompt, effective and coordinated response to public health emergencies and long-term challenges. On this basis, we have asked our Health Ministers to follow up on these issues during their November meeting.

Conclusion

39. We look forward to meeting under the Presidency of Canada in 2018.