TRADE REPRESENTATION
OF THE RUSSIAN FEDERATION
IN THE UNITED STATES OF AMERICA

ТОРГОВОЕ ПРЕДСТАВИТЕЛЬСТВО
РОССИЙСКОЙ ФЕДЕРАЦИИ
В СОЕДИНЕННЫХ ШТАТАХ АМЕРИКИ

2001, CONNECTICUT AVE., NW.,
WASHINGTON, DC 20008,
USA

www.rustradeusa.org

Tel.: +1 (202) 232-5988 E-mail: dc@rustradeusa.org Fax: +1 (202) 232-2917

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Submitted Electronically

Mr. Brad Botwin
Director for Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
14th Street and Constitution Ave., N.W.
Washington, D.C. 20230

Section 232 National Security
Investigation of Imports of Aluminum

PUBLIC DOCUMENT

Re: Section 232 National Security Investigation of Imports of Aluminum; Comments by the Trade Mission of the Russian Federation in the USA on behalf of the Ministry of Economic Development of the Russian Federation

Dear Mr.Botwin:

We hereby submit comments by the Trade Mission of the Russian Federation in the USA on behalf of the Ministry of Economic Development of the Russian Federation at a public hearing on Section 232 National Security Investigation of imports of Aluminum.

Sincerely,

Aleksandr Stadnik
Trade Representative of
the Russian Federation in the USA

Written comments by the Trade Representation of the Russian Federation in the USA on behalf of the Ministry of Economic Development of the Russian Federation on Section 232 National Security Investigation of Imports of Aluminum

The Trade Representation of the Russian Federation in the USA on behalf of the Ministry of Economic Development of the Russian Federation (the "Ministry") presents its comments regarding the investigation launched by the US Department of Commerce pursuant to section 232 of the Trade Expansion Act of 1962.

An investigation under section 232(b)(1)(A) of the Trade Expansion Act of 1962 (the "Act") was initiated to determine the effects of aluminum imports on American national security.

There are two possible interpretations of the notion of "national security". The first, or "narrow" interpretation deals with immediate goals of ensuring the defense needs of the country. The second, a more "broad" interpretation takes into account the risks for the country's economic well-being[1]. The Ministry is of the opinion that under either interpretation Russian import does not and cannot threaten to impair US national security.

1. Imports of aluminum products from Russia caused no injury to the US domestic industry and the US economic well-being.

According to the Presidential Memorandum for the US Secretary of Commerce, the US domestic industry is suffering from the effects of global aluminum overcapacity and unfair trade practices[2] .

a) <u>Aluminum overcapacity is a common threat and Russia is not responsible for underlying problem.</u>

- As for aluminum overcapacity the long-term solution to excess capacity does not reside in raising trade barriers which will distort international trade flows and lead to structural

[1] U.S. department of Commerce Bureau of Export Administration, 2001. The effects of imports of iron ore and semi-finished steel on the national security, page 5.

[2] Section 232 Investigation on the Effect of Imports of Aluminum on US National Security. Presidential Memorandum for the Secretary of Commerce, Aluminum Imports and Threats to National Security. April 27,2017.

imbalances in the US and global aluminum industry both from supply and demand-side perspectives.

- The Russian Federation supports the national Associations of aluminum producers of the United States, Canada, and European Union in urging the G20 leaders to provide a collective and prompt response by creating a Global Forum on aluminum excess capacity.
- Russian aluminum industry maintains a responsible approach towards both installed capacity and sustainable production. The production discipline is aimed at reducing excess capacity. About 750 000 tons or 17 % of total aluminum capacity were closed in Russia during 2011-2015 period.

b) Russian suppliers do not resort to unfair trade practices.

- In 2002 Russia was recognized as a market economy country by the USA[3] and the EU[4] and since 2012 Russia has been a WTO member.
- Russian aluminum industry is completely privately owned.
- The Russian government has never granted specific export subsidies or provided unfair financial contribution to the Russian aluminum manufactures aiming at their market expansion.
- Aluminum is an exchange trade commodity and global market prices for aluminum are determined by the London Market Exchange on the basis of global supply and demand. Russia follows this price determination and operates fairly in accordance with market conditions.
- Imports of aluminum products are from diverse, reliable and "safe" foreign suppliers. Russian producers have a great record of cooperation with American consumers and it is widely known as a reliable trading partner.

c) Restrictive measures would harm the American downstream industry and end-users.

- It is important to indicate that consumption of aluminum in the USA has been constantly increasing for the several years. Despite of that the total capacity of American industry (1,730 thousand metric tons in 2016) cannot satisfy the needs of American economy

[3] http://www.trade.gov/media/PressReleases/may2002/russianMESsecretarialstatement_060602.html

[4] European Commission announces formal recognition of Russia as "Market Economy", 29 May 2002. http://europa.eu/rapid/press-release_IP-02-775_en.htm

(apparent consumption in 2016 - 5,372 thousand metric tons according to third-party sources).

- The main reasons for smelters closures in the US are high energy costs, high labor costs, the growth of secondary aluminum production[5] as well as low prices coupled with the availability of alternative locations where smelters were basically re-located by the US producers allowing downstream production to enjoy competitive supplies and to develop new capacities. Mostly due to this relocation there have been no anti-dumping or countervailing measures initiated by the US primary aluminum industry since 1981 and 1973.
- The US downstream industry relies on the imports of primary aluminum to produce downstream products and it helps to develop high value added aluminum, which has been developed during last year due to imported metal and nowadays accounts more than 74% of all US aluminum jobs. More than that downstream is the driver of the growth of the US aluminum industry in particular and the country's economy as a whole.

Any restrictive measures against foreign suppliers of aluminum from market economies cannot be justified and will cause cost raise within the whole production chain, which will adversely affect the industry and end-users of aluminum production.

2. Imports of aluminum products from Russia cannot pose risks related with ensuring the US defense needs.

- The Russian aluminum imports have never been supplied directly for the US military purposes. So, there is no any dependency of the American national security on the supplies of aluminum from Russia.
- The available data confirms that the national defense requirements for aluminum products are relatively low and can be fully satisfied by the US domestic industry. As reported by Bloomberg with reference to Harbor Aluminum Intelligence, US Department of Defense' demand on aluminum can be satisfied by domestic production[6].

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[5] http://www.aluminum.org/sites/default/files/FactSheet2015.pdf

[6] Bloomberg. "America Has a Secret Switch to Make Military Metal". https://www.bloomberg.com/news/articles/2017-06-07/u-s-could-easily-meet-aluminum-defense-needs-researcher-says

- Share of the US military consumption of primary aluminum is about 0,6 % of total US primary aluminum consumption. Share of the US military consumption of semi-finished aluminum is less than 2 % of total US semi-finished aluminum consumption. Harbor Aluminum Intelligence estimates that US Department of Defense consumes only 1 % of total aluminum US production.
- In order to prevent injury to the US national security related with strategic materials supply disruptions the US Government has elaborated the National Defense Stockpile Program. The main goal of this program is to decrease the risk of dependence on foreign suppliers or single suppliers on supply chains of strategic and critical materials used in defense, essential civilian, and essential industry applications. According to the Strategic and Critical Materials 2015 Report on Stockpile Requirements there is only one material related with aluminum production (aluminum oxide; fused/crude) which poses a risk related with unreliable foreign supplies. The main sources of imports of aluminum oxide into the USA are China and Venezuela.

Executive summary:

There is no need for the imposition of import restraints on imports of aluminum from Russia. Moreover, there is no threat or damage to the national security from Russian aluminum imports and any restrictions would cause injury to the wide range of US direct and indirect consumers, bringing significant adverse effect to the economic development.