



American Primary Aluminum Association

May 26, 2020

Via email

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

Dear Ambassador Lighthizer:

The American Primary Aluminum Association (APAA), which represents the majority of primary aluminum production in the United States, would like to provide you with current data on the state of the domestic industry and the effects of duty-free imports of primary aluminum from countries that provide significant subsidies to their own primary aluminum smelters.

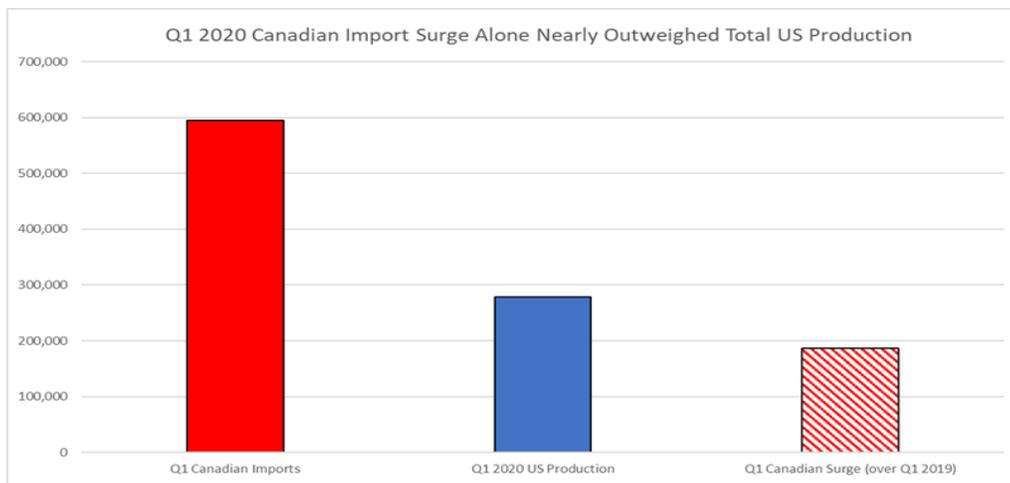
The [Organization for Economic Cooperation and Development](#) has found Canada, along with China and the Gulf States, provide the greatest subsidies to their domestic producers. Imports of primary aluminum from China and the Gulf States remain subject to duties. However, Canada, whose imports dwarf all other sources (even the U.S.' own production), has enjoyed duty-free status since the tariffs were lifted in May 2019.

Canadian imports have surged since the tariffs were lifted. Until Section 232 tariffs were imposed in 2018, Canadian imports of unalloyed primary aluminum – commodity-grade, classified under 7601.10 – averaged just over 107,000 metric tons per quarter. While the tariffs were in place, the quarterly volume dropped to just under 74,000 metric tons. Once the tariffs were removed, Canadian imports soared to nearly 134,000 metric tons, increasing by **24%** over the period prior to the imposition of tariffs and over **80%** above previous tariffed quarters.

Average Imports Per Quarter (HTSUS 7601.10)	MT
Pre-Tariff (Q1 2013 – Q2 2018)	107,507
Tariff (Q3 2018 – Q2 2019)	73,695
Post-Tariff (Q3 2019 – Q1 2020)	133,958

Source: USITC Dataweb

The following chart demonstrates the massive scale of the Canadian imports and shows that the Canadian surge alone is nearly as sizable as the entire volume of U.S. production.



We have seen various industry participants attempt to make the case that Canadian exports of primary aluminum to the United States have not surged. However, the analysis upon which those reports rely are based on data from the Canadian Aluminum Association. The Canadian Aluminum Association has every reason to provide data that are designed to minimize the true nature of the surge. For instance, the Canadian Aluminum Association appears to be omitting imports of primary aluminum previously stored and withdrawn from warehouses for consumption, which is reflected in the official U.S. import statistics. Relying on the official U.S. government data shows that regardless of what time period is examined, there is a surge of Canadian primary aluminum into the United States after the tariffs were removed.

In reaching agreement on the lifting of the Section 232 tariffs, the United States and Canada anticipated the possibility of an import surge. Indeed, the agreement puts particular emphasis on aluminum classified in heading 7601.10 – unwrought, primary aluminum, not alloyed – consistent with the importance of primary aluminum to the entire aluminum value chain. Because unwrought unalloyed aluminum forms the basis of the underlying price of aluminum, the surge in this category is collapsing the overall U.S. price for both unalloyed and alloyed unwrought aluminum. The agreement provides for such imports to be monitored in order to identify a surge. Based on official U.S. government data, that surge exists and has been happening for nearly an entire year.

As you are aware, preserving the U.S. primary aluminum industry, including the production of military-grade primary aluminum, was one of the principal drivers of the Section 232 investigation and the resulting tariffs. And indeed, the Section 232 program was successful in this goal – driving restarts and expansions in Missouri, Indiana, and Kentucky – until the Canadian exemption was put into place. The Canadian surge is threatening the viability of the

domestic primary aluminum industry. The smelter in Ferndale, Washington, is slated to be shuttered, and the smelter in Warrick, Indiana is under “strategic review.” The New Madrid smelter in Missouri has warned that they will need to shut down unless conditions improve. It is no coincidence that these smelters were viable when the Canadian tariffs were in place, and now that the tariffs are no longer in place, the smelters are under threat.

Independent industry analyst Harbor Aluminum confirms that following the exemption from the tariffs the resulting surge of Canadian imports collapsed the U.S. price and is endangering all U.S. primary aluminum smelters.

Since the exemption was granted, Canadian exports of primary aluminum to the US have surged despite an oversupplied US market, according to government data. Since then, the ... {U.S. price has} collapsed, eroding almost the entire “benefit” of the 10% Tariff As a result, all US smelters are today underwater and unviable again. Indeed, last week, *Alcoa* announced the first US smelter curtailment since the Section 232 exemption was granted to Canada.

In this context of a collapse in US market pricing, *Alcoa* announced (April 22) its decision to shut down the remaining 230 kmtpy of operating capacity at its Intalco primary aluminum smelter in Ferndale, Washington. Today, there are only six operating primary aluminum smelters left in the US (Mt. Holly, New Madrid, Sebree, Massena West, Hawesville, and Warrick), which according to our estimates are all underwater and unviable **See** Harbor, Aluminum Special Alert (May 7, 2020).

The surge of Canadian metal has caused the price to collapse and is endangering the future viability of the U.S. primary industry. Action – real action, not mere monitoring, and endless discussions in multinational fora – is needed now if the United States is to save what is left of its primary aluminum industry. The surge has been ongoing for nearly a year now and Canada has taken no action to reduce it. We urge the Administration to reimpose the 10% tariff on imports from Canada under HTS 7601.10 and 7601.20. The agreement provides that any resulting retaliation is limited to the aluminum sector and cannot be applied to the agricultural sector or any other sector.

COVID-19 has highlighted the need for the United States to stop taking its manufacturing capabilities for granted, particularly in core industries that make it possible for the United States to ramp up production of essential goods. The importance of primary aluminum to the military, as well as to critical infrastructure, makes this precisely the kind of industry we cannot allow to be driven out of business.

If U.S. smelters continue to shutter, the United States will only become more dependent on offshore supply. While Canadian producers want the windfall of avoiding Section 232 duties, the Canadian surge is destroying what remains of the U.S. industry. This situation will increase supply chain vulnerability at the very time the United States is seeking to preserve a threshold level of production at home.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Duffy". The signature is written in a cursive style with a large, sweeping flourish at the end.

Mark Duffy
Chief Executive Officer
American Primary Aluminum Association

CC: Wilbur Ross, U.S. Secretary of Commerce