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Submitted Testimony by Senator Charles E. Schumer of New York

United States International Trade Commission

Hearing -- Aluminum: Competitive Conditions Affecting the U.S. Industry

Inv. No. 332-557

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Chairman Williamson, Vice Chairman Johanson and Members of the Commission:

Thank you for the opportunity to submit testimony on behalf of the employees of the aluminum industry in my state. New York aluminum manufacturers, wholesalers and distributors employ hundreds of workers in their local communities. Aluminum producers in New York and across the country continue to face the market distorting effects of an onslaught of heavily subsidized aluminum imports. The U.S. industry indicates that China's aluminum overcapacity remains the main threat to domestic primary aluminum production. I urge you to carefully examine submissions filed by the Alcoa, Novelis, the United Steelworkers, and the Aluminum Association in this investigation to uncover foreign government policies and practices that negatively impact the domestic industry's ability to compete. Our current and future Administrations must aggressively enforce U.S. anti-dumping and countervailing duty orders and continue to work on a bilateral and multilateral basis to address China's overcapacity.

The U.S. aluminum industry has a major presence in New York with two major manufacturers and many local wholesalers and distributors. New York aluminum producers are at the forefront of aluminum manufacturing technology and energy savings using recycled aluminum scrap to produce auto parts and primary aluminum to produce aircraft and aluminum extrusions. The aluminum industry in New York directly employs 4,600 employees and indirectly supports another 16,200 employees with a total economic impact of \$6.6 billion.

New York's two large aluminum manufacturers are Alcoa, which employs 600 workers in Massena, New York, and Novelis, which employs around 1,100 workers in Oswego, New York. The Massena integrated aluminum smelting/fabricating facility is the longest continually operating aluminum facility in the world, serving customers in the automotive, transportation, aerospace and industrial distribution markets. The Massena operation contributes \$340 million annually to the local economy in payroll, local purchases and tax payments. Novelis's operation in Oswego has a similarly large impact on the local economy as the Company's largest wholly-owned, fully-integrated, aluminum production and recycling facility in North America. This plant produces over 1 billion pounds of high-quality aluminum sheet each year and recently expanded its operations by installing three state-of-the-art automotive finishing lines, creating 460 new jobs.



New York's aluminum producers provide high-quality aluminum products to consumers around the country, but foreign producers pursuing predatory trade practices, most notably in China, continue to undermine their ability to compete. During the last decade, China's aluminum production increased from 10 percent of global supply to over 55 percent, and is projected to increase. Correspondingly, China's aluminum exports soared from \$6.2 billion in 2005 to \$23.8 billion in 2015. This surge in production caused a glut in the global aluminum market and a dramatic decline in the price of aluminum.

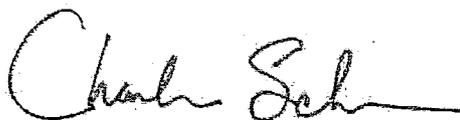
U.S. industry reports indicate that China has pursued a number of WTO-inconsistent subsidy programs and other trade-distorting practices to boost production. Industry analysts have reported that nearly half of China's aluminum producers are currently unprofitable, indicating that market forces are not driving China's production. Many of these producers are shipping aluminum through third-party countries to create a different country of origin or are intentionally misclassifying aluminum exports to illegally circumvent high U.S. duties. Duties on aluminum extrusions from China, for example, are as high as 374 percent. The U.S. industry also reports that Chinese regulators have made it impossible to purchase aluminum scrap from the Chinese market for export to the U.S., while China's producers continue to purchase large sums of scrap from the U.S., driving up domestic scrap prices.

Alcoa, Novelis and other aluminum companies in Upstate New York are doing their part to remain competitive, but the threat of distortions in the U.S. market from foreign producers is unrelenting. I am confident that our New York producers can compete against imports on a level playing field, but they cannot compete against foreign producers and foreign governments that refuse to play by the rules. The U.S. has experienced a historic decline in primary aluminum productions. Currently, only five primary aluminum smelters remain operational in the U.S., including Alcoa's Massena operation — down from 23 in 2000. New York has seen its fair share of layoffs and business closures in this industry. When aluminum facilities lay off workers or close their doors, local communities are thrown into disarray, and middle-class families are dislocated and forced to make difficult choices.

Hard working American's who play by the rules should be protected from unfair competition. Numerous diplomatic efforts to address aluminum overcapacity have not resulted in any commitments by China to cut their net aluminum capacity. We must do all that we can, through diplomacy and strong enforcement tools, to make sure that foreign producers' predatory practices do not cause future layoffs or plant closures.

Again, I urge the Commission to carefully review the U.S. industry's testimony to fully uncover foreign government policies and programs as well as illegal practices by foreign producers that undermine U.S. aluminum workers. We must uncover policies that violate WTO commitments and identify foreign producers and importers who are violating U.S. law through duty evasion. Thank you for your attention to this issue and I look forward to continuing to work with the Commission on this important issue.

Sincerely,



Charles E. Schumer
United States Senator