

Aluminum: Competitive Conditions Affecting the U.S. Industry

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Testimony of

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Good afternoon. I am Mo Xinda, Division Chief of the China Nonferrous Metals Industry Association, the “CNIA.” With me is Mr. Wen Xianjun, Vice Chairman of the CNIA. We appreciate the opportunity to appear before you today and present our views in this important investigation.

The CNIA is an industry association that represents all domestic producers of aluminum. The views we present reflect the position of these producers, some of whom are present at the Commission’s hearing today.

I would like to make 6 points.

1. My first point is: The development of the aluminum industry in China has been mainly driven by the sharp increase in domestic demand.

In light of the many favorable properties of aluminum, it is extensively used in various industrial sectors. Over the past fifteen years, the fast-paced growth of China’s economy has created an enormous domestic

demand for aluminum. Between 2001 and 2015, China's average GDP growth rate exceeded 10%, which drove the domestic consumption of primary aluminum from 3.7 million tons in 2001 to 31 million tons in 2015, at an average annual growth rate of 16%. China produced 31.5 million tons of primary aluminum in 2015. In recent years, primary aluminum production and its demand in China are almost in balance.

During the development of China's aluminum industry, numerous measures have been actively taken to overcome disadvantages. Bauxite was imported to fill the shortage of domestic supplies; advanced equipment was imported to improve the efficiency; new electricity consumption mode was innovated to reduce the cost; and the industry is relocating to energy-rich regions to optimize the industrial layout.

Furthermore, nowadays China's aluminum industry is a global pioneer in equipment and energy consumption. In 2015, the average power consumption has declined by 1,900 KWH compared to 2000, lower than its foreign counterparts by more than 1,000 KWH.

2. My second point is: In past decades, the global aluminum industry has continuously shifted production to cost-effective regions, causing temporary periodic overcapacity in global primary aluminum.

The United States, European countries, and Japan have gradually moved their primary aluminum capacity to such regions as the Middle East, Iceland and Brazil. Over the past 15 years, primary aluminum capacity in the Middle East increased from 1.2 million tons per year to 5.7 million tons, with an average annual growth rate of over 10%. Global providers such as Alcoa, Norsk Hydro, and Rio Tinto have invested and built more than 1.3 million tons of capacity in this region.

During this process, the elimination of the high-cost capacity did not occur concurrently with the growth of the low-cost capacity. The overcapacity problem has become more acute since 2008 when the world economy started to suffer from recession and shrinking demand.

3. My third point is: Beginning in 2003, the Government of China has attached importance and taken measures to overcome difficulties in the aluminum industry development.

China utilized both legal and market mechanisms to curb the overheated expansion of production, and to encourage the elimination of

inefficient capacity. The Government of China imposed export tariffs on primary aluminum, increasing from 5% in 2005 to 15% in 2006.

At the same time, the industry in China opted for stronger self-discipline and achieved remarkable results in easing the pressure on supply through such measures as accelerating the elimination of backward capacity, promoting flexible production, and issuing an industry index. The investment in China's aluminum smelting industry has steadily declined since 2013. There has been a drop of 35% in investment between 2012 and 2015. China has eliminated over 2 million tons of backward primary aluminum capacity from 2009 through 2015. Up to the end of 2015, China shut down primary aluminum capacity exceeding 8 million tons, and more than 3 million tons of this capacity will never be restarted.

Currently, the utilization rate of primary aluminum capacity in China is about 82%, 7 percentage points higher than the average in the rest of the world.

4. My fourth point is: The expansion of aluminum applications in China is a key factor in promoting substantial future market demand.

Since 2012, CNIA started taking initiatives in promoting various aluminum applications, including trailers, railway wagons, fences, overpasses, formworks, and pallets. The initiatives have led to remarkable

results. So far, over 1000 trailers, 500 tank trucks, 30,000 railway wagons, and 20 overpasses have been put into use in China.

Compared with developed countries, there is a significant gap regarding China's current per capita consumption and the per capita stock in use. In 2015, the per capita consumption in China was 22 kilograms, much lower than 32 kilograms for the US and 39 kilograms for Germany. Also in 2015, the per capita stock in China was 120 kilograms, while the per capita aluminum stock in the US reached almost 500 kilograms in 2006. Based on preliminary estimates, aluminum applications in China have tremendous potential and it is estimated to be increased by 10 million tons in the next 5 years.

5. My fifth point is: The development of China's aluminum industry has contributed greatly to the growth of the global economy.

China is the largest importer in the world of bauxite, aluminum scrap and alumina. From 2001 through 2015, China imported 360 million tons of bauxite, accounting for 40% of global imports; imported 28 million tons of scrap, accounting for 28%, and imported 74 million tons of alumina, accounting for 16%. Above all, the total value was 80 billion USD. Australia, US, and India have primarily benefitted.

At the same time, China's aluminum industry has purchased

numerous technology and equipment from foreign countries in the last 20 years, with a total value of over 70 billion USD. China's growth has directly benefitted enterprises from the United States, Germany, Austria, Italy, Japan and Switzerland, and others.

Furthermore, China is a net importer of high-value wrought aluminum products. From 2001 through 2015, China imported 8 million tons, with a value of 38 billion USD, mainly from the United States, the EU, and Japan, as well as others.

6. Finally, we believe we can effectively address the global aluminum industry's challenges through dialogue and cooperation.

CNIA has worked closely with international and regional aluminum associations, including those in the US, EU, Russia, and Canada. Our member companies have also maintained the business relationship with major global producers.

Thank you for your attention. We are happy to respond to any questions that the Commission may have.