



**Statement of**

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**Regarding the**

**Section 232 National Security Investigation of Imports Aluminum**

**June 22, 2017**

Secretary Ross,

On behalf of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (USW), I appreciate the opportunity to share my insights and expertise on behalf of our membership in the aluminum sector. USW members are represented at every step of the North American aluminum production process; from mineral extraction through refinement, processing, extrusion, and recycling. They are the highly skilled workforce that makes the U.S. aluminum industry possible, and they are essential to ensuring that our nation can meet its need for this critical material, without which America's national and economic security are at risk.

We commend you and President Trump for initiating this investigation, which comes at a perilous time for the American aluminum industry. It is also noteworthy that this investigation is being undertaken with regard to the national security impacts of aluminum. As you conduct this investigation, I would urge you to take a comprehensive view of national security. Often, national security is only considered in the context of the direct supply and procurement needs of the military, but true national security involves several interlocking spheres. Direct military and law enforcement demands are a crucial aspect, but America's critical infrastructure is as well. Aluminum is a vitally important material for all of these areas, and truly securing America's national security in these

spheres depends on the continuation of a strong and vibrant domestic aluminum sector. This sector is currently under attack in global markets, and this investigation should consider the proper, targeted, and proportional response necessary to address the actual problems.

### **Defense Supply and Procurement**

Aluminum is defined by the U.S. Department of Defense as a Strategic Material and is utilized throughout our defense industrial base. It has been traditionally used wherever lightweight, high-strength alloys are needed to support and protect our men and women in uniform facing a wide range of threats. During the Second World War, aluminum was used to produce military equipment ranging from airplanes to canteens and from munitions cartridges to mess kits. Today, aluminum continues not only to meet many of those conventional demands, but an increasing array of other demands as well. For example, aluminum armor plate is being used to protect our service members from improvised explosive devices.

Beyond these traditional uses, the military is increasingly turning to aluminum as it modernizes its equipment and develops the next generations of systems. Advanced aluminum alloys are being used to build cutting-edge aerospace and naval platforms, aircraft like the F-35 Joint Strike Fighter and unmanned aerial vehicles, and ships including the Independence Class Littoral Combat ship. The next generation of munitions, projectiles, torpedoes, and other ordnances are increasingly being made of aluminum, and this trend is likely to continue. In addition to weapons systems such as these, the satellites and other equipment that allow for timely intelligence collection and communications have significant presence of aluminum, while many of the electronic devices our military depend on employ aluminum components and protective exteriors. After decades of persistent applications throughout our defense industrial base, aluminum continues to demonstrate its strategic value to the preservation and promotion of our national defense.

One important consideration when assessing the military's need for aluminum is not just the quantity, but the quality of the aluminum necessary. Systems like the F-35 Joint Strike Fighter, for example, require aluminum of extremely high purity and quality. Creating this high-purity aluminum is an expensive, highly technical, and complex process that requires significant technical expertise and training on the part of the workforce. During the question and answer period of the recent ITC Section 332 Hearing on Aluminum, a USW member and worker making this product stated that it requires over three years of training to develop the expertise necessary to produce this material to specifications. Further, it requires *primary* aluminum production for its feedstock, as secondary or recycled aluminum is not able to reach the specifications necessary to qualify.

Today, there is only one currently-operating facility in America capable of producing high-purity aluminum. This is untenable for America's mid-and-long term strategic planning. Political and military leaders need to be able to conduct this

strategic planning with the confidence that our defense industrial base will be able to meet future demands or the needs generated during a time of crisis. In the case of aluminum, having only one domestic producer of a material critical to so many military systems is an unacceptable risk, because if that one producer shuts down, many of the systems discussed and others would be at risk of supply disruptions and loss of capacity.

### **Critical Infrastructure**

While the centrality of aluminum to the defense industrial base is well documented, military procurement is not the only aspect of national security which should be considered in this investigation. The security of America depends on the strength, adaptability, and resilience of our critical infrastructure. The Department of Homeland Security (DHS) identifies 16 Critical Infrastructure Sectors, one of which is the Critical Manufacturing Sector. The Critical Manufacturing Sector is in turn made up of 12 core industries, one of which is aluminum.

Beyond the fact that aluminum has already been identified by the U.S. government as a core industry of the critical infrastructure sector, several other sectors are reliant on aluminum. One of these, as discussed previously, is the Defense Industrial Base sector, but the Communications sector, the Energy sector, and several others all require ready access to a reliable supply of aluminum to maintain our critical infrastructure. The Energy sector in particular uses large amounts of aluminum. The electric grid extensively employs aluminum, and the production of the next generation of solar photovoltaics uses aluminum powder.

As DHS has found, and what should not come as a surprise to anyone, is that all 16 of the critical infrastructure sectors are highly interdependent and part of a cohesive manufacturing ecosystem. The aluminum sector is part of that cohesive interdependence and must be maintained if America's critical infrastructure is to be secure.

### **Industry Under Attack**

While the aluminum industry is extremely important to both our defense industrial base and critical infrastructure, it is under attack by some foreign competitors. USW has seen thousands of our members lose their jobs as U.S. primary aluminum production has rapidly contracted as global aluminum prices have fallen. This drop is clearly driven by China's ongoing state-driven glut of excess production and market distorting practices. It is this Chinese overcapacity that is the problem, and as the investigation moves forward and the remedies are developed, it is important to keep this in mind. Other nations, such as Canada, are victims of the same Chinese economic aggression that is targeting our economy and industry.

In 2000, China accounted for roughly 11 percent of global aluminum production. Today it is over half of global production. As China's industry expanded fueled by

extensive state support, aluminum prices collapsed. But as we have seen in many sectors, this expansion was far beyond what the Chinese domestic economy could support, and as a result it dumped a flood of foil, sheet, and extrusions into the global market. The impact on the U.S. industry and its workers was dramatic and devastating. In 2012, U.S. primary aluminum production was more than 2 million tons. Last year, with only 5 smelters in operation in the U.S. (down from 14 just 5 years earlier), production had fallen to less than 900,000 tons.

This overcapacity in aluminum distorts the global market and the international trading system, and responsible trading partners must not engage in the deliberate creation of overcapacity. China, however, has not only failed to rein in these practices, its government has continued to fuel the industry's expansion with extensive state support. When pressed on this issue during the 2015 U.S.-China Joint Commission on Commerce and Trade (JCCT), China relegated this issue to being addressed in future discussions. This tactic of kicking the can down the road has become China's standard response to U.S. concerns about the aluminum sector. For example, after the 2015 JCCT meeting, the aluminum overcapacity issue was raised again during the 2016 U.S.-China Security and Economic Dialogue and again in discussions between President Obama and Chinese President Xi Jinping. The results were the same: China would discuss the issue but refuse to act.

Meanwhile, the American aluminum sector remains on the brink.

### **Need for Action**

The American aluminum industry is a key and foundational part of our economy and our national security. Current and next generation military equipment and systems rely on a ready supply of high quality aluminum, which is not only complex and highly technical to make, but requires a highly-trained and skilled workforce. One of America's key strategic advantages is that we already have such a workforce, but those skills atrophy quickly when they are not used. If the destruction of the U.S. aluminum industry is not stopped, and we lose this key industry and its workforce scatters, it will be difficult, expensive, and time-consuming to recreate. If recreating it is even possible.

These are the stakes. If this industry is not defended now, we may never be able to get it back. And it needs defending because it is very clearly under attack.

Earlier this year, the U.S. Trade Representative announced that the U.S. had filed a complaint with the World Trade Organization concerning China's ongoing subsidization of its aluminum production and its impact on global excess capacity. While this complaint remains under consideration, we urge our leaders to take concrete action that prevents China from effectively hollowing out an important component of our defense industrial base. Otherwise, our military capabilities and critical infrastructure could be irreparably damaged.

As you continue your investigation and develop your recommendations, I would make two suggestions. First, that you take an expansive and comprehensive view of national security and aluminum's place in it, including both defense supply and procurement, and critical infrastructure. Second, that the eventual policies that arise from this investigation be targeted and address the actual problem. Chinese state-sponsored overcapacity is the issue driving the danger to the American industry, and it must be a focus of the solution. Other of our trading partners, such as Canada, are not the problem here; they are, in fact, also victims of the same policies that are harming America. We need to make sure we do not inadvertently cause problems for our responsible partners, but rather focus on the real issue, which is China.

Thank you again for the opportunity to share the views of USW on this important and timely investigation. I look forward to continuing to work with you to meet our shared goals of a strong, resilient, and powerful America.

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