

Testimony as Prepared
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Thank you, Mr. Chairman. I want to thank the Commission for launching this investigation and holding this hearing.

My name is Garney Scott. I am the President and CEO of Scepter, Inc. My company serves the recycled aluminum market. We buy aluminum scrap and process it into forms that can then be used for fabricating into value-added aluminum products. Our company is a global leader in recycling aluminum by-products from general aluminum production which are landfilled in many parts of the world, and we are also heavily involved in trading both primary and secondary aluminum products.

I am also here today in my capacity as Chairman of the Aluminum Association. I assumed the Chairmanship in October 2015. In my role as CEO of Scepter, and as the Aluminum Association chairman, I see first hand the impact of overcapacity to the market.

The Aluminum Association represents companies along the entire value chain of aluminum production and fabrication. Its membership consists of large, global companies as well as smaller companies such as mine. Our member companies represent the vast majority of U.S production and aluminum industry employment. The industry represents approximately \$75 billion in direct economic impact in the United States.

With me on this panel are representatives of other members of the Association – Alcoa, Hydro, Novelis, Jupiter, and Constellium. UC Rusal, another member of the Association, will also testify later today.

The Commission staff has already been in touch with the Association, and we have been pleased to cooperate on this investigation. The Association is an invaluable source of industry statistics for the Commission, as well as expertise on standards, energy use, production processes and, essentially, all things aluminum.

In our dealings with government and international organizations, we advocate for fair and transparent trade practices. I encourage the Commission and staff to continue to call upon the Association for assistance throughout this investigation in any way that we can be helpful.

Aluminum is one of those oft overlooked or taken for granted metals that is common in our everyday lives. The ubiquitous soda and beer can, material for building construction, aircraft and automobiles, and all kinds of consumer products are made from aluminum. It is light, infinitely recyclable, and increasingly being used in innovative ways from smart phones to tablets to truck bodies.

The aluminum value chain consists of three main parts – primary manufacturing, manufacturing of semi-finished products, and end products. Most of what you may be familiar with are the end products, but there is a lot that goes on in the manufacturing of aluminum before it is ever seen by consumers. There have been many innovations in how aluminum is used over the past century, and many in just the past decade. The U.S. industry has pioneered many of these innovations. Overall, we have been very successful in meeting the demands of the marketplace, and in producing products ever more efficiently

and with a lower environmental footprint. For example, using recycled aluminum saves more than 90 percent of the energy required to make new – or primary – aluminum. Today, fully 70 percent of U.S. aluminum production is recycled metal – a significant change from the 1980s, and a fact of aluminum production that is almost entirely unknown to consumers. More than half of all aluminum cans are recycled and more than 90% of aluminum in buildings and in cars is recycled at end of life.

The Commission is interested in understanding the U.S. industry in the context of the global market. I can speak to that both because of my company's experience and because of my engagement with the activities of the Association.

This is what I can tell you with certainty. As you will no doubt hear from others and learn from your data collection, the primary aluminum industry in the United States has shrunk dramatically. Since the beginning of last year, the U.S. has shuttered about 60 percent its primary aluminum production capacity, which had already declined from previous years.

This has occurred even though demand for aluminum in the United States and in the rest of the world continues to increase. U.S. primary aluminum producers, quite frankly, have been inundated by a surge in supply from China that has displaced them from the global market.

Chinese supply now accounts for over 55 percent of world primary aluminum production while its share of global demand is less than 52 percent. And some portion of that Chinese demand is actually generated by its exports to other countries. Over the last 9 years China has produced as much primary aluminum as the U.S. has in its entire history.

In light of the curtailments in U.S. smelters, it comes as no surprise that U.S. exports of aluminum ingot declined 11.7 percent in 2015, and are down another 17.7 percent this year. The story is a little more mixed for U.S. exports of aluminum semi-fabricated products, such as sheet, plate, foil and extrusions. They declined moderately in 2015 but are up this year by 4.5 percent.

There is, however, a peculiar development during the past few months that the Commission may wish to explore. There has been a significant increase in the export of aluminum extrusion profiles (Schedule B 76.04.21) from the United States to Vietnam. These exports to Vietnam have increased from essentially zero to 78.9 million pounds, or 81.3 percent of total extruded profile exports.

We believe these shipments might be related to the import of what are known as fake-semis that were brought into the U.S. over the course of the last couple of years, never re-melted, and are now being sent back.

A fake semi is an aluminum product that is ostensibly destined to be converted into a finished product, but in reality is intended to be re-melted as a substitute for primary aluminum. On the surface it doesn't seem to make a lot of sense, but there's some gamesmanship going on and it is affecting the market. As the *Wall Street Journal* recently reported, there seem to be huge inventories of aluminum moving around the globe.

According to China Customs, Chinese exports of aluminum semi-fabricated products totaled 7 billion pounds in 2015, a 20 percent increase over the 2014 level. We know, simply by looking at aluminum for sale on Alibaba, that much of this export, perhaps even most of it, is not really semi-fabricated product in the commercial sense. Rather it is primary aluminum in disguise – a fake semi.

It is exported out of China that way because the Chinese tax system discourages the export of primary aluminum through an export duty of 15 percent. At the same time, it encourages the export of these fake-semis through a value-added tax rebate of 13-17 percent. Once this material arrives at its next destination, it is re-melted and processed into commercially useable semi-fabricated and fabricated product.

Of particular note, at 1.24 billion pounds, China's number one trading partner in 2015 was Vietnam. The volume in 2015 was 527 percent more than 2014 volumes. Eighty-two percent of these shipments were extruded profiles which include fake-semis. We believe that there are purposeful transshipments through Vietnam and potentially other countries for the purpose of evading Chinese taxes and circumventing duties, including CVD/AD orders, on extruded products.

Manufacturing of semi-fabricated aluminum products in the United States has, in contrast to primary, expanded during this recent economic recovery, but it too is affected by the imbalance in the global aluminum market. Chinese production and exports of sheet and plate, for example, has captured increased market share in the United States and everywhere else outside of China. In 2015, more than 70 percent of U.S. imports of aluminum sheet and plate were from China, much increased from just a few years ago.

In the early 2000s, China had, more or less, a balanced domestic market for aluminum in terms of supply and demand. That is no longer the case, and capacity expansions that continue to this day further exacerbate that imbalance. Moreover, while there are many factors that drive the export market, the surge in Chinese exports has clearly made it more difficult for U.S. producers to compete in other growing markets.

The real issue, and what has changed over the several years, is that a significant – in fact, dominant – share of the global supply of aluminum is advantaged by Chinese government policies that the rest of the world's industry does not and cannot benefit from.

It is significant to note that China is not naturally advantaged in either of the two major resources used in aluminum production. It does not possess large bauxite reserves, nor does it produce clean electricity. More than 90 percent of the energy used in Chinese aluminum manufacturing is generated from coal, which brings me to another fact the Commission should examine.

From the standpoint of energy costs and sources, Chinese primary aluminum producers have very cheap energy, largely, we believe, because of a heavily subsidized coal energy industry. They also have the highest emissions in the world.

As an industry, we are united in our concern over the oversupply of Chinese aluminum. As you may know, the Association has been actively communicating our concern to United States Trade Representative and the other federal agencies.

Once again, I would like to thank the Commission for initiating this investigation and appreciate the attention the Commission is giving to this important project.

On behalf of all of the members of Aluminum Association, we stand at the ready to assist in any way we can. Thank You.