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United Steelworkers seek temporary block on aluminum imports

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The United Steelworkers union is calling on the federal government to effectively block imports of aluminum with a controversial move intended to prop up an industry that's been hammered by low prices.

Critics warned that such protectionism risks hurting U.S. manufacturers that use the lightweight metal to make parts for a variety of industries. And unlike recent trade cases in the steel industry, aluminum companies have not joined the call for intervention.

The Pittsburgh-based union said Monday that it filed a petition with the International Trade Commission on behalf of workers because a flood of cheap imports is pushing down prices and critically harming the domestic aluminum industry. Thousands of workers have been laid off from smelters that are being closed or idled across the country, the union said, and it wants the commission to recommend that President Obama place steep tariffs on all primary aluminum imports for four years.

“The aluminum industry is on the precipice of being wiped out,” Leo Gerard, USW international president, told reporters.

Gerard said aluminum companies have closed or idled two-thirds of the nation's smelters in the past five years as a result of a wave of imports from Canada, Russia, Venezuela and the Middle East.

During that time, benchmark aluminum prices have sunk 44 percent to $1,555 last week, from a peak of $2,797 a metric ton in May 2011.

Only five smelters are operating in the United States, one of which is slated to be idled at the end of June, Gerard said, compared with 14 smelters that were running in 2011.

Alcoa Inc. is among the producers shuttering capacity. The New York-based company, which has significant corporate and research operations in the Pittsburgh region, has closed smelters in Washington state, New York and Indiana as it reduced production capacity to deal with a global glut of aluminum.

China has been a primary contributor to global overcapacity by building a massive production industry. The nation smelted 32 million tons of aluminum last year, up from 2.5 million tons in

2000, and accounts for roughly half the world's output, Gerard said. The country has flooded the world market with cheap aluminum, lowering prices elsewhere.

Daniel Pearson, a senior fellow at the free-market think tank Cato Institute in Washington, said blocking imports would raise costs for U.S. manufacturers that cast and extrude aluminum parts, which could lead to layoffs in that “downstream” part of the industry.

“If this went into effect, it would be extremely harmful to the downstream industries that manufacture” parts from primary aluminum, said Pearson, who served on the ITC for 10 years.

Despite the headwinds facing Alcoa's U.S. production operations, the company's most profitable business units manufacture lightweight parts from aluminum and other metals for automakers and aerospace companies. The company is planning to spin off its parts manufacturing business from the mining, refining and smelting operations this year.

It also produces aluminum overseas in Australia, Brazil and several other countries.

Alcoa spokeswoman Tracie Gliozzi said the company had not seen the USW's petition.

While jobs might be saved at smelters, the nation's economy would likely experience a net loss in jobs if aluminum imports are effectively blocked because parts manufacturers would either close or ship operations to countries, Pearson said.

“There's no way a country can impose protection on imports and come out economically ahead,” he said.

The Aluminum Association, an Arlington, Va., trade group, said it would “work with our membership to better understand the impacts of such an action on the entire aluminum value chain.”

The association is advocating for U.S. trade officials to pressure China and other exporters to reduce their capacity, which would help stabilize prices.

The union filed its petition on behalf of Steelworkers members in the aluminum industry under Section 201 of the federal Trade Act, a law that gives the president authority to place a moratorium on imports by imposing high tariffs. President George W. Bush last imposed Section 201 tariffs in 2002 to protect the steel industry. Bush, under pressure from trading partners, lifted the moratorium in 2003.

At a hearing last week in Washington, Gerard recommended the steel industry seek Section 201 tariffs to battle a wave of cheap imports, a call that was met by hesitation from steel industry executives.

The USW has not petitioned the commission on behalf of steelmakers. Gerard said Monday that the union is waiting for the commission to rule on several pending unfair trade cases filed by steel companies.

“If those cases proceed to a positive outcome, that will make a substantial difference,” he said. “If those cases don't proceed, the 201 is still an option.”