



FEDERATION OF ALUMINIUM
CONSUMERS IN EUROPE

POSITION OF FACE:

Urgent need for a total suspension of EU import tariffs on unwrought aluminium

Background

The EU currently applies a complex structure of import tariffs on unwrought aluminium, which includes a 3% rate on unwrought non-alloyed aluminium, a 4% rate for two shapes of aluminium alloys, and peaks at a 6% rate for all other types of aluminium.

Two recent economic studies of the LUISS University (2015 and 2019), commissioned by FACE, have confirmed that the current EU import tariff structure causes market distortions, which lead to charging an artificial duty-paid premium, equal to the value of the 3-4-6% tariff rates. This extra premium is included in the price for all unwrought aluminium sold in the EU, whether the metal is produced domestically, or imported duty-free.

However, this duty-paid premium effect of the tariff structure causes damage to the Union's aluminium consumers, who are the vast majority of the EU aluminium industry, representing 92% of its workforce. This damage represents as much as EUR 18 billion for the period 2010-2017, or over 1 billion annually (calculated by the most recent Study of the LUISS University, Rome, 2019). The same Study confirmed that more than half of that amount benefits the EU-based and foreign duty-free suppliers of unwrought aluminium. This is disproportionate and unfair.

Therefore, the current 3%-4%-6% tariff structure should not be seen as one based on the real economic needs of the Union. There is not any economic or policy reason to maintain import tariffs on a raw material product that is in massive deficit in the EU market. These import tariffs only damage EU aluminium consumers, who are mostly small and medium sized enterprises (SMEs), with a threat for their competitiveness and survival.

Big aluminium companies in Europe and recyclers are in favour of the current tariff structure, because they are the main beneficiaries of the extra-market premium at the expense of all EU downstream SMEs. They have even secured a moratorium on changes to the current structure of aluminium tariffs, the so-called "industry compromise" that freezes discussions on tariff issues within pan-European and national aluminium associations from 2013 until 2023, as if during ten years there have not been any market changes and industrial or policy evolutions justifying an internal review of their trade position by their members.

However, EU smelter capacity closures and relocation of groups' smelter capacities to cheaper production cost locations in third countries have continued.

Since 2008, Europe has lost 30% of its primary aluminium production capacity, now reduced to 2 million tonnes annually. As a result, Europe is a growing net importer of unwrought aluminium, meeting over 74% of its demand through imports.

The EU's big companies hold the tariff issue hostage of other areas, such as subsidisation of the adjustment to a low carbon future and cheaper energy inputs. This is unfair towards the EU SMEs who generally are not eligible for similar support and cannot benefit from cheaper supplies of energy.

The impact of tariffs on international competition

The current tariff structure and the artificial premium it generates also reduce the ability of EU downstream SMEs to innovate in the medium to long run. This is a great concern in the light of the parallel rise of Chinese and Indian downstream aluminium export capacity that presents an existential risk for the EU downstream industry (together with the current tariff structure). Furthermore, with a growing network of EU free trade agreements (FTAs), SMEs increasingly face tougher competition by higher value added products from preferential countries, enjoying lower raw material costs, as well as duty-free access to the EU market. However these FTAs do not bring benefits to the EU downstream sector in terms of supplies of their raw material because, as explained above, unwrought aluminium is always sold in the EU at a duty paid level of price irrespective of its origin.

The "moratorium" on aluminium tariffs

The latest "industry-wide compromise" on aluminium import tariffs involves a "moratorium" on changes in the tariffs - keeping the existing structure until 31 December 2023. The moratorium was forged in 2013 and then renewed in 2018 by the incumbent associations without proper internal analysis and open debate, including on the LUISS University findings and other studies such as the ones made by Ecorys and CEPS which also stated that the current import tariff structure is detrimental to the competitiveness of the EU aluminium industry and that maintaining that structure was not the appropriate policy tool to support EU primary and secondary producers.

This so-called "industry-compromise" freezes any debate on the tariffs within aluminium associations for ten years (2013-2023) as if there was no market, industrial and policy evolution that justifies re-examining the import duty issue. This "moratorium", by preventing EU SME's to freely debate trade issues and to freely access duty-free priced primary and secondary metal breaches Article 16 of the EU Charter of Fundamental Rights on "freedom to conduct a business".



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FACE condemns this ‘industry-wide compromise’ and the moratorium based on it, as inadequate and offensive to independent SMEs. Clearly, that ‘moratorium’ cemented the on-going damage to the downstream industry, increasing by EUR 1 billion every year, and contributing EUR 530 million annually to the authors of the ‘moratorium’.

Who is FACE and whose interests are represented

For twenty years, the Federation for Aluminium Consumers in Europe (FACE) has fought for ensuring the competitiveness of the EU’s independent downstream SMEs. FACE has weighed at the EU level not only with its regular membership. FACE truly represents much wider EU interests – those of the majority of the Union’s aluminium independent downstream sector.

FACE has demonstrated that it confidently enjoys the wide representation of interests it has always claimed. FACE collected over 50 EU aluminium SME companies’ signatures in support of FACE position on aluminium tariffs delivered in the course of 2012 to the European Commission (Commission).

FACE is open to EU based members and associated members from non-EU jurisdictions such as Russia and the Persian Gulf, traditional suppliers of unwrought aluminium to the EU who have that same interests in the competitiveness of the EU downstream subsector and the said subsector itself. Those who speculate that FACE represents non-EU interests are mostly those primary and secondary producers who benefit from the current tariff structure, and are themselves major customers of Russia-made aluminium and are co-owners of Gulf smelters. This demonstrates the misleading nature of such accusations.

FACE is brave to confront the incumbent industry associations. These associations claim to represent the entire EU aluminium industry, but in reality closely follow the interests of only the biggest EU and duty-free foreign companies who benefit from the current tariffs

The EU has a duty to act on aluminium tariffs

The European Union is responsible for ensuring the competitiveness and the sustainable future of all industries and value chains in the EU. The Union’s founding Treaty – in Article 173 TFEU, calls for industrial competitiveness through more open markets, while taking better care of the economic environment of SMEs.

Specifically, in Council Regulation (EC) No 501/2007, which enacted the partial tariff suspension for non-alloyed aluminium, the Union’s general responsibility to act evolved into a specific commitment in respect of independent “small and medium sized enterprises...” (SMEs), involved in the manufacturing of “...semi-finished and finished aluminium products”. Since the adoption of

this legislative EU act, the EU's future decisions on unwrought aluminium tariffs have become a task and obligation of the Union institutions linked to preserving EU and SME competitiveness in line with Article 173 TFEU.

Industry-agreed compromises on tariffs and moratoria based on such compromises are not legally binding on the Commission and on the Council, who are exclusively competent to set EU tariffs. Therefore, the Commission and Council have the power to start and complete the legislative work in any year before 2023, regardless of any industry-approved moratoria. FACE considers that the EU institutions have not only serious economic and competitiveness policy reasons, but also Treaty obligations to act urgently to suspend import tariffs on unwrought alloyed and not alloyed aluminium.

FACE's position - ambitious call for total suspension

Having regard to the above, FACE's position is that there is an urgent need and an obligation on the part of the Union institutions for suspension to 0% on all unwrought non-alloyed aluminium, and also total suspension (0% rate) of the tariff on all unwrought alloyed aluminium.

A zero tariff on unwrought non-alloyed and alloyed aluminium would favour virtually the whole of the EU aluminium system and not only transformers, such as rollers and extruders, but also the foundry casters and remelters.

As regards the remaining EU production of unwrought aluminium, FACE can only envisage out-of-the-box solutions such as profound changes to the EU public support policies and schemes. Indeed, only such radical changes in the EU legal landscape can be the effective means to help save the remaining EU smelters, since maintaining import tariffs has proved to be ineffective for that purpose.

It must be noted that the full suspension of the imports tariffs on unwrought aluminium would indirectly benefit the remaining EU smelters because they only sell to regional EU downstream clients. Therefore it is in their long-term industrial interest that the competitiveness of their customer base be improved by eliminating the tariff overcost factor that harms all of them.

The full suspension of import tariffs on unwrought aluminium would support the EU open strategic autonomy in the aluminium sector whose future essentially rests on its downstream segment, and would boost the industry's contribution to the Green Deal by helping environmentally responsible EU SME's develop and better resist to fierce and often unfair and high-carbon international competition.

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CONSUMERS IN EUROPE

Furthermore, a tariff suspension is a policy tool immediately available to the EU Governments and Institutions to urgently support aluminium downstream SMEs representing 92% of the industry's workforce with a vitally needed COVID-19 economic recovery and stimulus measure.

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FACE was founded in 1999 to specifically defend the interests of the EU independent downstream aluminium transformers, users and consumers.

Based in Brussels, FACE advocates for the liberalisation of raw materials, protecting the EU's manufacturing base, supporting a rules-based and fair international system with the WTO at its core, and for the global transformation towards a low-carbon economy with aluminium as the ideal material for attaining sustainability goals. (face-aluminium.com).

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