

## **POSITION OF FACE, BWA, AMAFOND, ASSOFERMET AND ASSO FOND**

### **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 alloyed rolling slabs and extrusion billets, and peaks at a 6% rate for all other types of alloyed other formats (for example casting alloys).

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.

This duty-paid premium effect of the tariff structure causes damage to the Union's aluminium transformers and 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 previous 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 aluminium 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".

We condemn 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'.

### **The EU has a responsibility 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. We consider 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 unwrought aluminium.

### **Our position - ambitious call for total suspension**

Having regard to the above, our 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, transformers, such as rollers and extruders, foundry casters and remelters.

As regards the remaining EU production of primary aluminium, we 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, while detrimental to the vast majority of the value-chain.

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.

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 and urgently needed COVID-19 economic recovery and stimulus measure.

## **FEDERATION OF ALUMINIUM CONSUMERS IN EUROPE (FACE)**

**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](http://face-aluminium.com) ).

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## **GERMAN FEDERAL ASSOCIATION FOR ECONOMIC DEVELOPMENT AND FOREIGN TRADE (BWA)**

**BWA** is a German business network that has made it its first task to create a sustainability-oriented business climate for its many hundreds of member companies and partners. On this basis, the association offers a significant improvement in ethical and business development. To achieve this, those responsible in the **BWA** work internationally and locally in the regions of Germany. Economic aspects for entrepreneurs are in the foreground, but secured investments at home and abroad and political framework conditions also determine success.

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## **ITALIAN FOUNDRY SUPPLIERS' ASSOCIATION (AMAFOND)**

**AMAFOND** is the Italian Association of foundry machineries and products suppliers, founded in 1946. It encloses the most important companies of the sector and it's present in the most significant markets all over the world.

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## **NATIONAL ASSOCIATION OF STEELS, METALS, SCRAP, HARDWARE (ASSOFERMET)**

**ASSOFERMET** was founded after World War II, back in 1948. It is based in Milan and defends the interests of the Trade, Distribution and Pre-processing of Steel and Non-Ferrous Metals (including Aluminium). It represents Authorised Collection and Recovery Plants in charge of End of Waste (EoW) Processes of Ferrous and Non-Ferrous Metal Scrap, producing Recycled Materials from Metal Waste. It also represents the Hardware and Do-It-Yourself (DiY) Sector.

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## **ITALIAN FOUNDRY ASSOCIATION (ASSOFOND)**

**ASSOFOND** is the sector's employers' association representing Italian foundry firms. In Italy, the sector boasts over 1,000 businesses employing almost 30,000 workers and generating revenue of around 6.5 billion euro.

Founded in 1948, Assofond is a member of Confindustria, the Italian employers' federation, and is a founding member of the European Foundry Association (CAEF).

The association promotes the competitiveness of Italian foundries and represents the sector in relationships with institutions and economic, political and social bodies domestically and overseas.

In addition, Assofond assists firms in their relations with authorities, communities and the national and local media and provides support in the following areas: administrative, commercial, economic, tax-related, regulatory, technical, environmental and workplace health and safety.

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