

Chinese overcapacities affect more than just steel

Granting Market Economy Status to China would jeopardise the EU's long-term industrial future

Brussels, Monday 18 July 2016 - The European Commission is considering a deal for the steel sector in exchange for granting China the coveted Market Economy Status (MES). This approach, likely to be debated by the College of Commissioners on 20 July, ignores the enormous Chinese overcapacities in industries like aluminium and creates unfair distortions on the EU market.

Gerd Götz, Director General of European Aluminium stated, *“The European Commission is playing a dangerous game. If this deal comes to pass the EU would essentially be sacrificing its remaining manufacturing industry to save one sector.”*

The EU steel crisis has distracted the debate on China's MES from the reality that other European industries such as the aluminium sector could face the same fate. If the EU grants China MES, it would put 80,000 European aluminium workers at risk of losing their jobs.

Mr Götz emphasised, *“A solution for one sector is no solution at all. Opening the door to China by granting MES – regardless of mitigating measures – would jeopardise the EU's long-term industrial future.”*

“As EU leaders are well aware and have repeatedly acknowledged, China is by no means a market economy,” Mr Götz continued. *“The Chinese government systematically subsidises strategic sectors like steel but also aluminium, solar panels and bicycles. State-supported aluminium smelters enable Chinese producers to sell at artificially low prices, to the detriment of EU companies that compete fairly and follow EU rules. The EU must therefore refrain from granting MES until it truly becomes a market economy.”*

Chinese share of global primary aluminium production grew from around 10% to over 50% in just over a decade. China's overcapacity in primary aluminium is five times the size of the EU's entire production. China is also ramping up production across the value chain, including in semi-fabrication where exports to the EU increased by 21% in 2015 and by 17% in 2014.

“A proposal from the European Commission to grant MES to China would go against the advice of our trading partners in the US, who recently warned China that it had not done enough to qualify for MES, particularly in steel and aluminium. But more importantly, granting MES to China would go against the express mandate from the EU's elected representatives in the European Parliament, who voted in May with an overwhelming majority on a Resolution against doing so,” Mr Götz concluded.

About European Aluminium:

European Aluminium, founded in 1981, is the association that represents the whole value chain of the aluminium industry in Europe. We actively engage with decision-makers and the wider stakeholder community to promote the outstanding properties of aluminium, secure growth and optimise the contribution our metal can make to meeting Europe's sustainability challenges. Through environmental and technical expertise, economic and statistical analysis, scientific research, education and sharing of best practices, public affairs and communication activities, European Aluminium promotes the use of aluminium as a permanent material that is part of the solution to achieving sustainable goals, while maintaining and improving the image of the industry, of the material and of its applications among their stakeholders.