

ALERT

# China's Selective Elimination of Aluminum Export Duties Threatens Global Manufacturers

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Effective May 1, China eliminated a 15 percent export tax on certain semi-processed aluminum bars, rods, and strip. Almost immediately, the London Metals Exchange global aluminum price and share prices of non-Chinese aluminum producers fell, while the share price of China's major state-owned producer, Chalco, rose by 10 percent.

China's move could have serious implications for global producers of aluminum products. The Chinese aluminum industry has been troubled by massive overcapacity, largely due to continued government subsidies, even as producers elsewhere have rationalized their operations to restore balance in the global market. Part of this restructuring has involved traditional primary producers placing greater emphasis on value-added downstream products because of a global supply glut of primary aluminum, driven by China's capacity expansion. While China eliminated the export duty on downstream semi-processed products and alloyed billet, most primary aluminum products remain subject to a 30 percent export duty.

With pressure from the capacity glut growing due to slower domestic economic growth, the Chinese government continues to manipulate its export duties to encourage downstream exports, while artificially distorting its domestic primary aluminum pricing.

## Authors

Robert E. DeFrancesco, III  
Partner  
202.719.7473  
rdefrancesco@wiley.law  
Adam M. Teslik  
Of Counsel  
202.719.3483  
ateslik@wiley.law

## Practice Areas

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