

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

November 2, 2016

The Honorable Jacob Lew
Secretary of the Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Lew,

We are writing to urge that the Committee on Foreign Investment in the United States (CFIUS) closely review and ultimately reject the proposed acquisition of the Aleris Corporation by Zhongwang USA LLC, a subsidiary of China-based Zhongwang International Group. Zhongwang's purchase of Aleris would directly undermine our national security, including by jeopardizing the U.S. manufacturing base for sensitive technologies in an industry already devastated by the effects of China's market distorting policies, and creating serious risk that sensitive technologies and knowhow will be transferred to China, further imperiling U.S. defense interests.

Aluminum is a critical strategic material to our national defense. High-quality aluminum armor provides a lightweight, high-density option for improving military platform survivability in unstable environments. According to Aleris's public pronouncements, the company operates some of the world's most advanced aluminum facilities that produce extensively reviewed and tested specialized alloys with uses ranging from defense-grade armor to aerospace and other applications. Aleris's defense production demonstrates the type of specialized expertise and capabilities that provide the foundation for our defense industrial base.

It is increasingly critical that CFIUS exercise particular caution when a foreign investment transaction creates potential for military knowhow and sensitive technology to be transferred to China's government. Chinese entities, including state owned or state controlled enterprises, may have relationships with China's military, compounding the risk that U.S. technologies will fall into the wrong hands. In this case, the transaction raises serious concerns that it may result in the transfer of sensitive R&D to China. Aleris' R&D and technology are critical to current and long-term U.S. economic and national security interests given Aleris' use of advanced research and modeling techniques, development of high-strength alloys, and design of light armor material with increased ballistic performance.

Despite the national security importance of our nation's aluminum sector, the industry continues to be decimated by China's market distorting policies that contribute to vast overcapacity. China's overcapacity in aluminum has directly contributed to severe reductions in U.S. domestic

production as smelters unable to compete have been forced to close. Each such closure further imperils our nation's ability to ensure a reliable supply of strategic materials in times of crisis.

The Chinese policies that have contributed to the hollowing of our nation's industrial base have been implemented and utilized by Zhongwang and other Chinese state-owned and state-supported enterprises to the detriment of U.S. security. It is important to note that Zhongwang is currently under investigation by the Commerce Department for allegedly evading U.S. import duties. Given this history, in the course of reviewing the transaction, we further urge CFIUS to carefully scrutinize the veracity of Zhongwang's representations regarding the acquisition.

We appreciate your attention to this important matter.

Sincerely,



RON WYDEN
United States Senator



CHARLES E. SCHUMER
United States Senator



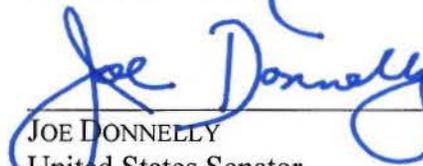
ROBERT P. CASEY, JR.
United States Senator



JOE MANCHIN III
United States Senator



KIRSTEN GILLIBRAND
United States Senator



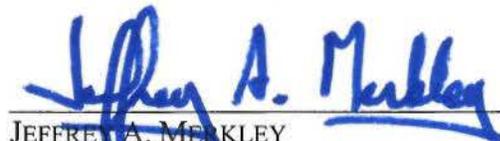
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