



The Bottom Line

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TRUMP ADMINISTRATION EXPANDS SCOPE OF SECTION 232 DUTIES ON ALUMINUM AND STEEL

Summary

The United States has announced that, effective February 8, 2020, the duties on aluminum and steel will be expanded to include more downstream products, including nails, staples, stranded wire, and cable.

Background

Section 232 of the Trade Expansion Act of 1962 gives the President the authority to impose duties on products imported to the United States if those products are considered a threat to national security. Presidential proclamations dated March 8, 2018, indicated that aluminum and steel were being imported in such quantities as to risk the domestic market being able to “satisfy existing national security needs or respond to a national security emergency.” Tariffs of 10% on aluminum and 25% on steel were enacted. The duties were applied to both rough and finished products. Several countries have since agreed to voluntarily limit their exports to the United States and have had duties lifted on aluminum, steel or both.

China is the leading producer of steel with a capacity more than eight times that of Japan, the second largest steel-producing nation, and more than ten times the capacity of the United States. China has been accused of dumping cheap steel products on the world market to undercut competitors, and despite attempts to curb production by closing smaller mills, production continues to climb.

Current Status

In his 2018 report, the Secretary of Commerce advised that domestic steel production would have to stabilize at or above 80% capacity utilization for the threat to national security to be lifted. While it has improved, the desired stability in the domestic steel market has not been achieved.

Since the imposition of tariffs, the Secretary of Commerce’s office has monitored imports and noted an increase in derivative products of aluminum and steel, while imports of less-finished forms have dropped. The net effect of this shift is to undermine the administration’s efforts to shield national security. As a result, the duties are defined as containing two-thirds or more of aluminum or steel by cost of the materials and have seen year-over-year increases in imports since the imposition of the original section 232 duties.

Impact

Additional duties will not be levied on aluminum or steel products originating from Argentina, Australia, Canada, and Mexico, or steel products from Brazil and South Korea. These countries have reached agreements with the United States that meet the U.S. goals of reducing imports and bolstering the domestic market. Duties on aluminum and steel products are calculated in addition to any other duties that exist for the products, including China tariffs and anti-dumping or countervailing duties.

RESOURCES:

[How China Impacts the Global Steel Industry](#) (Investopedia)
[China’s Steel Sector Still Battling Rising Illegal Capacity](#) (Reuters)
[Proclamation on Adjusting Imports](#) (White House.gov)