



The Bottom Line

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RELIEF FROM SECTION 232 DUTIES FOR STEEL IMPORTS FROM JAPAN

Summary

On February 7, 2022, the US and Japan announced that they had reached an agreement to partially lift 25-percent tariffs on certain Japanese-origin steel imports that had been imposed in 2018 under Section 232 of the Trade Expansion Act of 1962.

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.” Accordingly, tariffs of 10% on aluminum and 25% on steel were enacted. The duties applied to both rough and finished products.

Several countries have since agreed to limit their exports to the United States voluntarily and have had the duties on aluminum, steel, or both lifted.

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

With the imposition of tariffs, the Secretary of Commerce’s office monitored imports and noted a resultant increase in steel and aluminum derivative products, while imports of less-finished forms dropped.

The net effect of this shift was to undermine the administration’s efforts to shield national security. As a result, the duties were expanded in January 2020 to cover these derivatives. The products subject to the additional duties were defined as containing two-thirds or more of steel or aluminum (by the cost of the materials) and saw year-over-year increases in imports since the imposition of the original section 232 duties.

Current Status

Under the agreed TRQ, the quantity of steel eligible for tariff-free treatment is limited to a maximum of 1.25 million metric tons per year, allocated on a quarterly basis over 54 separate categories based on the level of such imports in the 2018–2019 period. Any imports that exceed the quarterly quota will remain subject to the 25-percent tariff unless the importer has obtained a separate exclusion. The US will also conduct annual reviews of the quota levels and make adjustments based on changes in US apparent consumption of steel on an

annual basis. Similar to the recent US agreement with the EU on Section 232 tariffs, the US and Japan have committed to work together to address subsidies and other non-market practices identified as responsible for global overcapacity in the steel and aluminum industries. Among other initiatives, the countries will expand their cooperation on antidumping and countervailing duty actions and customs law compliance, monitor trends in global and bilateral steel and aluminum trade and pursue ways to reduce excess capacity and carbon emissions in the steel and aluminum industries.

When the deal was announced earlier in the week, The Steel Manufacturers Association said, “We are particularly glad to see that exclusion-based imports of Japanese steel products will count against the quota volumes. In 2021, 58 percent of Japanese imports came to our shores as exclusions. This represents approximately 550,000 metric tons of steel products.” Cato Institute’s Scott Lincome, who directs the libertarian think tank’s center for trade policy, blogged, “Given the quota amount and design, ... it’s quite likely that significant volumes of Japanese will still face -- and American importers will thus keep paying -- U.S. tariffs. Most obviously, the 1.25 MMT quota limit has been set well below-pre-tariff volumes and even further below the amounts that would likely enter the U.S. today in the absence of any trade restrictions.”

Impact

US importers of steel from Japan and other entities with businesses involving Japanese steel imports should prepare for the implementation of the agreement on April 1. Among other things, companies may wish to review whether their imports are within the 54 product categories and plan accordingly to comply with the quota levels and entry requirements.

RESOURCES

[US Reaches Deal with Japan Over Section 232 Steel Tariffs](#) (International Trade Today)

[US-Japan Joint Statement](#)

[Announcement of Actions on Japanese Imports of Steel Under Section 232](#)

[US Lifts Section 232 Tariffs on Steel from Japan Effective April 1, 2022](#) (DLA Piper)

[Unlike EU 232 Deal, Imports Under Steel Exclusions Count Against Japanese TRQ](#) (International Trade Today)