



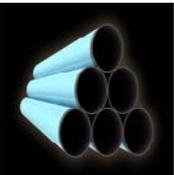
Section 232 Tariffs on Steel and Aluminum Products

*Presentation to the National Association
of Steel Pipe Distributors*

Timothy C. Brightbill

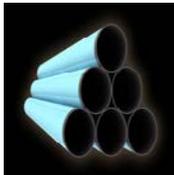
What Is Section 232?

- Under Section 232 of the Trade Expansion Act of 1962, a domestic industry or the head of any agency can ask the Department of Commerce to investigate whether imports of a product threaten to impair the national security of the United States
 - The Commerce Department can also self-initiate an investigation
- After an investigation, the Department prepares a report to the President
 - If the Department finds that imports do threaten to impair national security, it may recommend measures to address the situation to the President



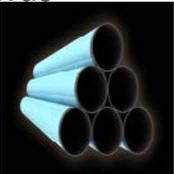
National Security

- “National security” is defined very broadly, and includes requirements for critical infrastructure as well as defense
- The factors the Commerce Department considers in determining whether imports threaten to impair the national security include
 - Requirements of the defense and essential civilian sectors;
 - The quality and availability of imports, including whether imports are available from friendly countries;
 - The impact of foreign competition on the economic welfare of the essential domestic industry;
 - The displacement of any domestic products causing substantial unemployment, decrease in the revenues of government, loss of investment or specialized skills and productive capacity; and
 - Any other factors relevant to the unique circumstances of the specific case.



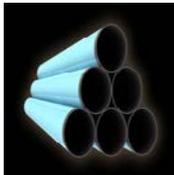
Presidential Action Under Section 232

- If the Commerce Department makes an affirmative finding, the President can proclaim action to “adjust” imports of the product under investigation
- Measures can include
 - Tariffs
 - Quotas
 - Embargos
- Measures may apply to imports from all countries, or from only some
- Congress has no role in the process
- The President’s decision is not subject to judicial review
- The United States has used Section 232 infrequently (only 28 times in 56 years)
 - Before the most recent investigations of steel and aluminum, the most recent investigation was in 2001



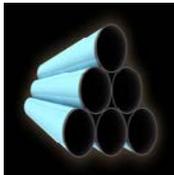
The Steel and Aluminum Investigations

- In April 2017, President Trump instructed the U.S. Department of Commerce to conduct investigations of steel and aluminum imports under Section 232
- Commerce initiated the investigations on April 19, 2017
- Commerce released its final report on steel on February 16, 2018
- The Department concluded that steel imports threatened national security
- Commerce suggested three alternatives for relief
 - A 24% duty on all steel imports
 - A combination of a 53% tariff on imports from some countries and quotas
 - A quota equal to 63% of 2017 imports
- The stated goal of the 232 remedy is for the U.S. domestic steel industry to hit a capacity utilization rate of 80 percent
- The Commerce Department concluded that aluminum imports also threaten to impair national security
 - The Department recommended similar alternatives of tariffs or quotas



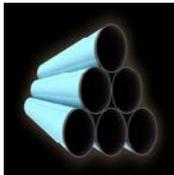
President Trump's Decision

- On March 8, 2018, President Trump issued a presidential proclamation imposing 25% tariffs, as of March 23, 2018, on a variety of steel products from all countries
 - The proclamation temporarily exempted Canada and Mexico
 - President Trump issued a second proclamation on March 22, 2018 excluding additional countries from the tariffs through April 30, 2018
- On May 31, 2018, President Trump issued a third proclamation applying duties to imports from all countries except Argentina, Australia, Brazil, and South Korea
 - Removed exemptions for EU, Canada and Mexico
- The President also imposed tariffs of 10 percent on imports of aluminum except Argentina and Australia
- There is no set expiration date for the 232 remedies



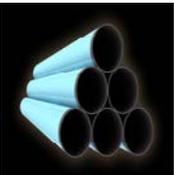
Product Coverage

- The tariffs cover most carbon, alloy, and stainless steel products
 - Semi-finished products (ingots, billets, blooms, and slabs)
 - Flat-rolled steel products (hot-rolled, cold-rolled, corrosion-resistant)
 - Long products (bar, rebar, wire rod)
 - Most angles, shapes and sections
 - Wire (carbon, alloy, and stainless)
 - *Most* pipes/tubes
 - But not cast iron pipes and tubes and pipe and tube fittings



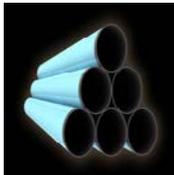
Country Coverage

- The tariffs now apply to imports from most countries, including
 - Canada
 - Mexico
 - European Union
 - Japan
- The tariffs do not apply to products from:
 - South Korea (quota set at approx. 70% of prior import levels)
 - Argentina (quota)
 - Australia
 - Brazil (quota)
- Some countries may continue to seek to negotiate exclusions



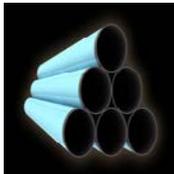
Customs Treatment

- Customs & Border Protection has issued a series of instructions regarding treatment of steel imports
 - Duties began to apply to goods entered, or withdrawn from warehouse for consumption, on or after March 23, 2018
 - Tariffs are based on country of origin, not of export
 - In addition to the HTS Chapter 72 or 73 classification, importers must also report entries subject to the Section 232 tariffs under 9903.80.01
 - Section 232 tariffs are in addition to any AD/CVD duties



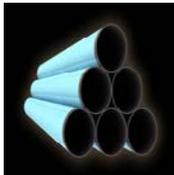
The Exclusion Process

- The March 8, 2018 Presidential Proclamation directed the Department of Commerce to create a process for considering requests to exclude specific products from the tariffs
- Commerce announced the exclusion process through a Federal Register notice published on March 18, 2018 (83 Fed. Reg. 12,106)
- In considering exclusion requests, agency will take into account national security and availability/production in the United States
- Only entities with U.S. business operations (construction, manufacturing, or supplying steel to users) may file exclusion requests



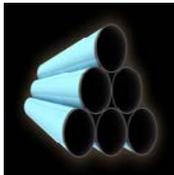
The Exclusion Process

- Separate requests must be submitted for each unique steel product, including products that differ only by dimension
- Requests must include a full factual description of each specific product, its properties, and its quantity
- Objections to requests must be filed no later than 30 days after request is posted
 - The U.S. industry is monitoring all exclusion requests and objecting to ones where the domestic industry can make the product in question
- Although thousands of exclusion requests have been filed, Commerce has not yet released any decisions on them



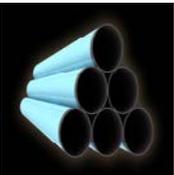
Examples of Exclusion Requests

- Examples of some posted exclusion requests:
 - Welded casing and tubing in various dimension used in oil and gas drilling, from Turkey
 - Seamless pipe and tube, cold-drawn or cold-rolled (cold-reduced) suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters, from Slovakia, Italy, and Romania
 - Carbon and alloy pipe and tube, API 5L, Grade X65, from Greece



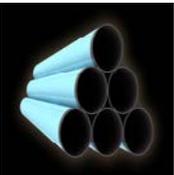
Reactions from Other Countries

- Canada, Mexico, and the European Union have already announced that they will retaliate against imports from the United States
 - Targets include steel products, as well as a variety of other products, exported from the United States
- A number of countries (including Canada, China, and the EU) are now challenging the U.S. action at the World Trade Organization



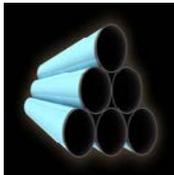
What Comes Next?

- Commerce will begin to release decisions on exclusions
- More countries may seek to negotiate exemptions
- More countries may retaliate against U.S. imports
- The WTO will begin its dispute settlement process



Section 232 Tariffs Do Not Affect AD/CVD Cases

- In January 2018, the American Line Pipe Producers Association (ALLPA) filed AD/CVD cases against large diameter welded pipe from six countries: Canada, China, Greece, India, Korea, and Turkey.
- In March, the ITC made a unanimous preliminary determination of injury or threat to the U.S. industry.
- CVD preliminary determinations due in June; AD preliminary determinations due in August.
 - China and India have dropped out of the Commerce AD/CVD investigations



Questions?

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