

June 2019

## Nucor Public Affairs Update

### **Section 232 Steel Tariffs**

On March 8, 2018, the Trump Administration announced it was imposing a 25% tariff on steel imports, with the goal of reducing imports by 37% to achieve an 80% or more U.S. capacity utilization rate. Since the announcement was made, the Administration has reached agreements exempting several countries from the tariff. On May 31, 2018, the President proclaimed Argentina, Brazil, and South Korea exempt from the steel tariffs, with the United States reaching quota agreements with all three countries. Australia is also exempt from the tariffs, but is not subject to a quota.



The President has also made modifications to the Section 232 tariff on Turkey. Specifically, on August 10, 2018, President Trump increased the Section 232 tariff to 50% on steel imports from Turkey. However, on May 16, 2019, the President reduced the tariff back down to 25%, citing, in part, a decline in U.S. imports of Turkish steel and improved capacity utilization for the domestic industry.

Most recently, on May 19, 2019, the President formally excluded Canada and Mexico from the 232 duties. The Presidential Proclamation notes that the three countries have agreed to alternative measures to address unfairly traded imports, transshipment, and import surges (through implementation of a monitoring system). The parties agreed that the 25% tariffs may be re-imposed following consultations if imports “surge meaningfully beyond historic volumes of trade over a period of time.”

Major steel importers that remain subject to the 25% tariff include Japan, India, Vietnam, Turkey, Thailand and Taiwan. Nucor and other U.S. steelmakers continue to urge the Administration to maintain a comprehensive 232 remedy and not grant further exemptions that could undermine the effectiveness of the Section 232 program.



### **Steel Imports**

U.S. finished steel imports have declined since the 232 tariffs went into effect in March 2018, dropping from approximately 29.6 million net tons in 2017 to roughly 25.7 million net tons in 2018. The share of the U.S. market taken by imports also fell, dropping from 26.9% in 2017 to 22.9% in 2018. Through the first four months of 2019, finished steel imports totaled 8.1 million net tons, down 17% from the same period in 2018. Finished steel import market share is estimated at 21% over the first four months of 2019.

### ***Vietnam Circumvention Trade Case***

In May 2018, the U.S. Commerce Department found that Vietnamese cold-rolled and coated coil made from Chinese substrate were circumventing U.S. duties on flat-rolled steel from China, and therefore should be subject to duties on Chinese steel. This was an important victory for the domestic steel industry. Building off the success of this case, and in response to increasing volumes of cold-rolled steel and coated coil from Vietnam, in June 2018, the domestic industry filed two additional circumvention cases. These cases cover U.S. imports of cold-rolled steel and coated-coil completed in Vietnam using Korean/Taiwanese steel inputs. Commerce initiated anticircumvention inquiries for these cases in August 2018 and will likely be issuing a preliminary determination in the coming weeks.

Some foreign companies will go to great lengths to avoid duties and these schemes often pop up immediately after a domestic industry wins a trade case. Routing products through another country to avoid duties erases our hard-earned victories in trade cases and cannot be tolerated. We are encouraged that the Administration is taking strong steps to halt such schemes.

### ***NAFTA Renegotiation***

In October 2018, The United States, Canada, and Mexico concluded negotiations to update the North American Free Trade Agreement (NAFTA). The new United States-Mexico-Canada Agreement (USMCA) was formally signed by President Trump, Canadian Prime Minister Trudeau and then Mexican President Pena Nieto in November 2018. The new agreement includes a number of enhancements supported by the three North American steel industries including the establishment of new rules of origin that will incentivize the use of North American steel in the manufacturing of autos and other steel-intensive goods. It also creates rules to address currency manipulation and state-owned enterprises and promotes increased cooperation between the three North American governments to address circumvention and evasion of our trade and customs laws.



The USMCA now must be ratified by the American, Canadian and Mexican legislatures. Many believe the recent lifting of the steel and aluminum tariffs creates momentum for ratification. On May 29, 2019, Canada introduced a bill to implement the bill and one day later, Mexican President Andrés Manuel López Obrador announced that Mexico will begin the process of ratifying the new agreement. The Trump Administration is pressing Congress to approve the deal this summer, but House Democrats continue to call for changes on enforcement of labor provisions. President Trump's announcement to impose a 5% tariff on all imports from Mexico starting June 10, 2019, then "gradually" hike the tariff unless Mexico stops migrants from crossing its border into the United States also could complicate ratification prospects.

### ***Canada Update***

The NAFTA/USMCA negotiations, including the U.S. steel and aluminum tariffs, have been an important issue for Canada in the last year.

Also, as a result of the tariffs, the Canadian government had taken numerous steps during the past year to help fund small and medium enterprises in the steel and aluminum manufacturing industry. In March

2019, they announced \$100 million would be provided to enterprises affected by the U.S. imposed tariffs. This new initiative will provide non-repayable contributions to small and medium businesses within these industries for investments in projects that will enhance productivity and competitiveness.

On the Canadian side of the negotiations, the government was pushing for President Trump to put an end to the steel and aluminum tariffs that were in place against the Canadian steel industry. While the U.S. had suggested that Canada and Mexico accept quotas on their steel and aluminum exports to resolve the issue, both countries were unwilling to accept such limits.

From Canada's perspective, a significant barrier in ratifying the USMCA was eliminated with the removal of the steel and aluminum tariffs. The Canadian side has stated that the U.S. Government should now make the first move towards ratification following the elimination of the tariffs.



The Canadian federal election is scheduled to occur in October 2019. As a result, the House of Commons will rise for the summer in mid-June and is not scheduled to come back after the summer recess prior to the elections. This will put pressure on the legislators to ratify the USMCA deal before the upcoming election. There have been talks of the House being recalled during the summer in order to deal with the USMCA if necessary.