

November 2019

## Nucor Public Affairs Update

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### **Section 232 Steel Tariffs**

The Section 232 steel tariffs, announced by the Trump Administration on March 8, 2018, continue to be in effect, though various modifications have been made since implementation of the tariffs. Argentina, Brazil, and South Korea have been exempt from the steel tariffs since May 31, 2018, with the United States reaching quota agreements with all three countries. Australia is exempt from the tariffs, but is not subject to a quota.



The President has also made modifications to the Section 232 tariff on Turkey. After increasing the tariffs on Turkey to 50% in August 2018, the President later reduced the tariff back down to 25% in May 2019. The President also formally excluded Canada and Mexico from the 232 duties in May 2019. 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.” Nucor is monitoring import levels from both countries for possible import surges.

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. For the first nine months of 2019 (including September license data), finished steel imports were 16.8 million net tons, down 16.2% from the same period in 2018. The estimated finished steel import market share in September was 17% and is 20% year-to-date.

### **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, the domestic industry filed two additional circumvention cases in June 2018. These cases cover U.S. imports of cold-rolled steel and coated-coil completed in Vietnam using Korean/Taiwanese steel inputs. In June 2019, Commerce issued affirmative preliminary determinations, finding that cold-rolled and coated coil imports from Vietnam were circumventing U.S. duties on imports from Korea and Taiwan. Commerce is expected to issue a final determination in these cases in the coming months.

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.

### ***Trade Case on Fabricated Structural Steel Imports***

In February 2019, the American Institute of Steel Construction (AISC) filed trade remedy cases against imports of fabricated structural steel from China, Canada, and Mexico. This followed a surge of more than 1 million tons of imports from these countries. In March 2019, the International Trade Commission (ITC) made a preliminary determination that the domestic industry is being materially injured by imports from these three countries. The Commerce Department issued its preliminary determinations in July and September 2019. The final Commerce determinations are expected in January 2020, followed shortly thereafter by the final ITC determination.

This case is vital to the hundreds of U.S. fabricators across the country that provide high-paying jobs and structural steel for buildings and infrastructure nationwide. It is also vital to Nucor and other U.S. steel producers, who rely on healthy demand from downstream industries.

### ***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 has been ratified by the Mexican Senate but must still be ratified by the American and Canadian legislatures. The Trump Administration is focused on working with House Democrats to find a way forward on USMCA. House Democrat's four main issues are labor standards, environmental standards, biologic pharmaceuticals, and effective enforcement. USTR and House Democrats are in intense negotiations over these issues and there are some signs of progress.



## ***Canada Update***

The 2019 Canadian federal election took place on October 21 and produced a strong Liberal minority government. The Liberal party has won the greatest number of seats with 157, only 13 seats shy of a majority. The Conservatives are second place with 121 seats. Although the Conservatives won the popular vote (34 percent compared to the Liberals 33 percent), the Liberals won in all of the major urban centers of Canada, especially Vancouver, Toronto and Montreal. Winning in such strategically important areas gave them a much larger share of the seats in the House of Commons.

What does this all mean for our industry? Since Canada is now under a minority government, the views and campaign promises of the opposition parties are very important. During the election campaign, international trade and USMCA were not major issues or points of discussion. However, USMCA was mentioned in each of the major party's platforms. The Liberal government worked very hard on this new deal. They know that it is not perfect, but they do not want to reopen it. On the other hand, the Conservatives have heavily criticized the Liberals on the USMCA. However, they have also stated they would not reopen it. Finally, the New Democrats do not think the deal is good enough and are in favor of changes.

During the past year, the steel and aluminum tariffs implemented by the United States has caused friction in U.S.-Canada relations. On Friday, May 27, Canada and the United States announced the official end of the steel and aluminum tariffs. As a result, a significant barrier in ratifying the USMCA was eliminated. The Canadian side has stated that the U.S. Government should make the first move towards ratification following the elimination of the tariffs.