

# U.S. Tariffs on Steel and Aluminum

*What Measures Should the EU Adopt?*

April 2018

## Which Options Does the EU Have to React to the U.S. Tariffs?

U.S. President Donald Trump has imposed tariffs on steel (25 %) and aluminum exports (10 %) to the United States in the name of national security.

### Possible Countermeasures for the EU

- **WTO Dispute Settlement Proceedings** on behalf of the EU and eventually other WTO members – in order to clarify the validity of the U.S. tariffs on steel and aluminum.
- **Safeguard Measures** imposed to protect the European steel and aluminum industries against possible damage or threats stemming from trade-diverting effects of the tariffs, under Article XIX of GATT and the WTO Agreement on Safeguards.
- **“Rebalancing” Tariffs** on U.S. exports under Article 8 of the WTO Agreement on Safeguards, as compensation for economically detrimental effects of the tariffs.

The **U.S. is the second biggest export market for German steel** after the EU domestic market. (2016)

Source: International Trade Administration (accessed 04/23/2018)

**28.4 %** of EU aluminum exports to the U.S. come from Germany (2017)

Source: Gesamtverband der Aluminiumindustrie (accessed 04/18/2018)

## Timeline of Events

**April 2017**

Department of Commerce (DOC) initiates 232 investigations.

**03/01/2018**

President Trump announces the imposition of tariffs on steel and aluminum.

**03/22/2018**

Temporary exemptions for the EU, Argentina, Australia, Brazil, and South Korea are announced one day before the tariffs enter into effect.

**02/16/2018**

Section 232 reports on steel and aluminum published by DOC.

**03/08/2018**

President Trump signs a proclamation to impose global steel (25%) and aluminum (10%) tariffs, with exemptions for Canada and Mexico.

**05/01/2018**

Temporary exemptions expire.

## Core Recommendations

### **Establish a Clear Position**

The EU should clearly emphasize to U.S. President Donald Trump that he should promptly abandon the import restrictions on steel and aluminum altogether. The EU must show that it is willing and able to react decisively to protectionist measures.

### **Act in Accordance with the WTO and in Support of the Multilateral Trading System**

The EU should react level-headed and assure that every decision regarding countermeasures is compatible with WTO rules. The multilateral framework should be strengthened, improved and expanded, rather than weakened.

### **Initiate WTO Dispute Settlement**

The EU and other affected nations do not threaten the national security of the United States. The EU should, as first step of a dispute settlement procedure, request consultations with the United States at the WTO. If no solution is found through consultations, the EU should request the establishment of a dispute settlement panel at the WTO.

### **Examine Possible Safeguard Measures**

The European Commission is examining whether the U.S. tariffs will cause steel to be diverted through third countries to the EU, threatening or creating serious damage. It should also do so regarding aluminum. Possible EU countermeasures must align with the WTO and also take the interests of processing industries into account.

### **Carefully Weigh Compensatory Tariffs**

Countermeasures could fuel protectionist tendencies and launch a tit-for-tat spiral. They must thus be very carefully examined before action is taken.

### **Global Forum on Steel Excess Capacity**

The Forum should be strengthened in order to effectively counter the global structural problems in steel production. The creation of a similar forum for aluminum should be considered.

### **Clear Positioning of the German Government against Protectionism and for Open Markets**

This includes promoting the ratification of CETA and the conclusion of further free trade agreements.

### **Sending a Clear Signal against Protectionism and for Open Markets**

The dialogue with the United States on trade-related issues should be strengthened, also beyond the current conflict.

### **Removal of Transatlantic Trade Barriers**

Removing tariff and non-tariff barriers to transatlantic trade would secure jobs and generate wealth. However, market access must be mutual. Focusing only on tariffs does not create a full picture. A tariff-only agreement would thus be insufficient. It would, however, be desirable that the EU and the United States explore the possibility to re-start bilateral negotiations.

## Section 232 of the Trade Expansion Act of 1962

A section 232 investigation determines the effect of imports on the national security of the United States and can be initiated by the Secretary of Commerce or by any head of any department or agency. If the DOC comes to the conclusion that the national security is threatened, the President can restrict the importation of the respective good. The DOC's investigation may take up to 270 days. In the course of the investigation, the Bureau of Industry and Security prepares a report. After receiving the results of the investigation, the President has 90 days to decide whether he wants to follow the DOC's recommendations and whether he wants to take action in order to "adjust the imports of an article and its derivatives". After that, he must justify his decision to Congress within 30 days.