

US President Trump imposes tariffs on steel and aluminum products – Mexico and Canada excluded

EY Global Tax Alert Library

Access both online and pdf versions of all EY Global Tax Alerts.

Copy into your web browser:

www.ey.com/taxalerts

On 8 March 2018, United States (US) President Trump signed Presidential proclamations imposing additional tariffs of 25% on specifically defined articles of steel, and additional tariffs of 10% on specifically defined articles of aluminum, effective on 23 March. Both proclamations specifically exclude Canada and Mexico, and leave the door open to approving exemptions for additional countries that are able to reach agreement with the US on “satisfactory alternative means to address the threat to the national security” caused by imports from that country.

The imposition of tariffs follow the US Commerce Department’s investigations and recommendations to the President under Section 232 of the *Trade Expansion Act of 1962*, as amended, which concluded that imports of certain steel and aluminum products “threaten to impair the national security of the United States.”¹

According to published information from the Department of Commerce, the top international sources of steel imported into the US are: Brazil, Canada, Germany, Japan, Mexico, Russia, South Korea and Turkey, each exporting one million metric tons or more of steel annually to the US. The Department of Commerce aluminum Investigation under Section 232 found that the top exporters of aluminum into the US are: Argentina, Bahrain, Canada, China, India, Qatar, Russia, South Africa and the United Arab Emirates. Canada alone accounts for roughly 50% of the US’ aluminum imports.

The articles that fall under the scope of the [steel proclamation](#) are: (a) carbon and alloy flat products (sheets, strips and plates); (b) carbon and alloy long products (bars, rails, rods and beams); (c) carbon and alloy pipe and tube products (pipe and tube products); (d) carbon and alloy semi-finished products (semi-finished products such as blooms, billets, slabs and ingots); and (e) stainless products: steel products, in flat-rolled, long, pipe and tube, and semi-finished forms, containing at minimum 10.5% chromium and, by weight, 1.2% or less of carbon, offering better corrosion resistance than other steel. These products are classified under the Harmonized Tariff Schedule (HTS) subheadings 7206.10 through 7216.50, 7216.99 through 7301.10, 7302.10, 7302.40 through 7302.90, and 7304.10 through 7306.90.

The articles that fall under the scope of the [aluminum proclamation](#) are: (a) unwrought aluminum; (b) aluminum bars, rods, and profiles; (c) aluminum wire; (d) aluminum plate, sheet, strip, and foil (flat rolled products); (e) aluminum tubes and pipes and tube and pipe fitting; and (f) aluminum castings and forgings. These products typically fall under HTS headings 7601, 7604 through 7609 and 7616.99.51.60 and 7616.99.51.70.

The Presidential proclamations follow reports from the Department of Commerce issued on 16 February recommending additional tariffs. To address certain articles in which the Commerce Secretary determines there is a lack of sufficient US production capacity of comparable

products in response to specific requests from affected domestic parties, the President, through the proclamations, has provided authorization to the Commerce Secretary to exclude import restrictions on those steel articles as necessary.

A number of countries have warned of retaliation in the event that the US adopted the additional tariffs. The European Union (EU) Commission, meeting on 7 March, endorsed a [proposal of potential counter measures against US products](#) ranging from US steel, agricultural products, bourbon, peanut butter, to cranberries and orange juice. China and South Korea have also stated they are reviewing options. As with the EU proposal, actions by a country believed to be injured by the additional US duties on steel and aluminum could impact a wide range of US exports.

Companies importing steel and aluminum products under the scope of both orders, and those who use steel and aluminum products may be significantly impacted by the additional duties imposed. It will be difficult for many companies to adjust supply chains or sourcing patterns quickly, if they can be adjusted at all, and consequently may incur significant excess costs. Impacted business should review sourcing options, and consider short supply exemptions if merited.

US exporters will want to carefully monitor reactions of primary export locations, as the scope of any retaliatory measures could be very broad.

Endnote

1. See EY Global Tax Alert, [US Department of Commerce proposes duty surcharge on steel and aluminum imports](#), dated 20 February 2018.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP, Chicago

- ▶ Nathan Gollaher nathan.gollaher@ey.com

Ernst & Young LLP, Dallas

- ▶ Armando Beteta armando.beteta@ey.com
- ▶ Bill Methenitis william.methenitis@ey.com

Ernst & Young LLP, Houston

- ▶ Michael Leightman michael.leightman@ey.com
- ▶ Bryan Schillinger bryan.schillinger@ey.com

Ernst & Young LLP, Irvine

- ▶ Robert Smith robert.smith5@ey.com
- ▶ Todd Smith todd.r.smith@ey.com

Ernst & Young LLP, New York

- ▶ Jeroen Scholten jeroen.scholten1@ey.com

Ernst & Young LLP, San Jose

- ▶ Michael Heldebrand michael.heldebrand@ey.com

Ernst & Young LLP, Seattle

- ▶ Dennis Forhart dennis.forhart@ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Indirect Tax

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 01392-181Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com