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Nucor Public Affairs Update

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Section 232 Steel Tariffs



The Section 232 steel tariffs continue to be effective in keeping dumped steel imports out of the U.S. steel market. However, due to various modifications, including quota agreements with Argentina, Brazil and South Korea and exclusions of imports from Argentina, Canada and Mexico, the vast majority of all U.S. steel imports are currently entering the market duty free. In light of recent declines in U.S. steel consumption and capacity utilization rates resulting from COVID-19, Nucor and other steelmakers continue to

urge the Administration to maintain a robust 232 remedy.

On January 24, 2020, the President imposed additional Section 232 steel tariffs (effective February 8, 2020) on certain derivative steel products, such as steel nails, tacks, pins, and staples. We see this as a good development as we have urged the President to closely monitor surges in downstream products and take action as warranted.

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 and 21.1 million net tons in 2019. The share of the U.S. market taken by imports also fell, dropping from 26.9% in 2017 to 22.9% in 2018, and to 19.2% in 2019. This trend has continued in 2020, with import share falling to 17.5% so far this year (January to April 2020).



Circumvention and Other Trade Cases

Building off the success of several recent circumvention cases involving corrosion-resistant (CORE) steel and cold-rolled steel, in August 2019, the Commerce Department began an investigation of whether imports of CORE finished in Costa Rica, Guatemala, Malaysia, South Africa, and the UAE using Chinese-origin substrate, and imports of CORE finished in Malaysia using Taiwanese-origin substrate, are circumventing the trade remedy against China. If Commerce finds circumvention, then the trade remedy against China will also apply to imports from these countries. This is an example of ongoing efforts to

address attempts to cheat the system, including where foreign producers switch finishing operations to a country that is not subject to trade remedies.

In 2020, the International Trade Commission (ITC) will continue its sunset reviews of the trade remedies on the following products: (i) light walled rectangular pipe and tube from China, Korea, Mexico, and Turkey; (ii) wire rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and China; and (iii) rebar from Turkey and Mexico. Sunset reviews of the trade remedies on steel grating from China and on CTL plate from China, Russia and Ukraine will be initiated in 2020. In these reviews, the ITC will decide whether lifting the remedy would result in a recurrence of unfair trade and injury to the U.S. industry – if so, the remedy will stay in place for at least an additional five years. Due to continued global excess steel capacity, we will argue that the remedies should stay in place, to prevent another flood of imports and injury to the domestic industry.

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. The Commerce Department determined that imports of fabricated structural steel from China, Canada and Mexico have been dumped and imports from China and Mexico have been subsidized. However, in February 2020, the ITC issued a negative final determination, concluding that these unfairly traded imports did not injure the U.S. industry.

AISC has appealed the ITC's negative determination as well as certain aspects of Commerce's final determination to the Court of International Trade and/or to NAFTA (for the Canada and Mexico cases). These appeals remain in the early stages and will not be concluded for some time.

USMCA – the New NAFTA Agreement

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, and has since been ratified by all three countries. 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.



USMCA's Uniform Regulations, which will be binding on all three countries, were issued on June 3, 2020, and help interpret, apply and administer several of USMCA's chapters, including on rules of origin. The agreement will take effect on July 1, 2020.

Steel Import Monitoring

In March 2020, Commerce published proposed changes to its steel import monitoring system (SIMA), in part as a response to the Administration's removal of Section 232 tariffs on Canada and Mexico. SIMA has provided accurate and timely steel import data in advance of the official import statistics for decades, serving as an "early warning" of import surges. The most significant proposed change to SIMA would require that U.S. importers identify the country where steel is melted and poured on their import license application, which would help detect and address transshipment and circumvention efforts. Nucor and other domestic steel producers submitted comments supporting these and other proposed changes.

Canada Update

USMCA: The USMCA ratification process was a top priority for the Liberal Government at the outset of 2020. Immediately following Parliament's return from its holiday break in late January, Prime Minister Trudeau's government tabled the legislation to ratify the USMCA.

On Friday, March 13, the House of Commons passed the USMCA agreement prior to suspending Parliament due to the COVID-19 pandemic. Upon third reading in the House of Commons, the bill was quickly sent to the Senate, where it was passed immediately without any amendments. The bill received royal assent on this same day and therefore became law.

On April 3, Deputy Prime Minister Chrystia Freeland stated that both the United States and Mexico had officially been notified of Canada's completion of the domestic ratification process, and all three countries could move on to finding a suitable "entering into force" date.

Dumping Investigation: On May 28, the Canada Border Services Agency (CBSA) initiated an investigation into alleged dumping of steel imports from Taiwan, Germany, South Korea, Malaysia, and Turkey. This investigation covers certain hot-rolled carbon steel heavy plate and high-strength low-alloy steel heavy plate.

The complaint was submitted to the CBSA in early April by Algoma Steel Inc. and alleges that the unfairly traded imports have caused injury to the Canadian heavy plate industry. A preliminary determination and potential provisional duties will be put in place on August 25, and a final determination is expected on November 23. If the Canadian International Trade Tribunal determines that these imports injured domestic producers, anti-dumping duties will be applied for an initial period of 5 years.