



Commerce Determines Steel and Aluminum Imports Threaten to Impair National Security

Rachel F. Fefer

Analyst in International Trade and Finance

Vivian C. Jones

Specialist in International Trade and Finance

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The U.S. Department of Commerce (Commerce) recently completed two investigations into the national security threats posed by imports of steel and aluminum in accordance with [Section 232 of the Trade Expansion Act of 1962 \(19 U.S.C. §1862, as amended\)](#). In April 2017, two [presidential memoranda](#) instructed Commerce to prioritize the [steel](#) and [aluminum](#) investigations. The final reports, submitted to the President on [January 11](#) and [January 22](#), 2018, respectively, concluded imports of steel mill products and of wrought and unwrought aluminum “threaten to impair the national security” of the United States as defined by Section 232. For more information on the Section 232 process, see CRS In Focus IF10667, *Section 232 of the Trade Expansion Act of 1962*, by Rachel F. Fefer and Vivian C. Jones, and CRS Legal Sidebar LSB10085, *Pedal to the Metal: Commerce Recommends Revving Up Trade Measures on Steel and Aluminum*, by Caitlain Devereaux Lewis.

The Commerce investigations analyzed the importance of [steel](#) and [aluminum](#) products to national security, using a relatively broad definition. Commerce defined national security to include “the general security and welfare of certain industries, beyond those necessary to satisfy national defense requirements, which are critical for minimum operations of the economy and government.” The broad scope of the investigations extended to current and future requirements for national defense and 16 specific critical infrastructure sectors, such as electric transmission, transportation systems, food and agriculture, and critical manufacturing, including domestic production of machinery and electrical equipment. The reports also examined domestic production capacity and utilization, industry requirements, current quantities and circumstances of imports, international markets, and global overcapacity. [Past Section 232 investigations](#) generally only considered national defense needs, although

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a 2001 Section 232 report on iron ore and semi-finished steel also looked at broader domestic industry trends.

Commerce Department Recommendations

In the recent steel investigation, the Secretary of Commerce concluded that “the present quantities and circumstance of steel imports are ‘weakening our internal economy’ and threaten to impair the national security as defined in Section 232.” He further asserted that “the only effective means of removing the threat of impairment is to reduce imports to a level that should ... enable U.S. steel mills to operate at 80 percent or more of their rated production capacity” (the minimum rate the report found necessary for the long-term viability of the U.S. steel industry). This would be well above the 2016 capacity utilization rate of 70.5% reported by the [American Iron and Steel Institute](#), an industry trade group. The Secretary further recommended the President “take immediate action to adjust the level of these imports through quotas or tariffs” and identified three potential courses of action, including tariffs or quotas on all or some steel imports. Specifically, Commerce proposed

- a global tariff of at least 24% on all steel imports; or
- a tariff of at least 53% on all steel imports from 12 named countries (Brazil, China, Costa Rica, Egypt, India, Malaysia, the Republic of Korea, Russia, South Africa, Thailand, Turkey, and Vietnam); or
- a quota on all steel products from all countries, equal to 63% of U.S. imports from each country in 2017.

For the U.S. aluminum industry to resume operations at 80% capacity, the Secretary recommended

- a tariff of at least 7.7% on all U.S. aluminum imports from all countries; or
- a tariff of 23.6% on all aluminum imports from 5 economies (China, Hong Kong, Russia, Venezuela, and Vietnam). All other countries would be subject to a quota equal to 100% of U.S. imports from that country in 2017; or
- a quota on all aluminum products equal to 86.7% of U.S. imports from each country in 2017.

The reports also recommended that a process be established whereby countries could be exempted, and U.S. interested parties could seek exclusions for individual products through an appeals process. Imports from Canada, for example, could potentially be excluded from any imposed trade measure. Given the high level of integration between the Canadian and U.S. steel and aluminum industries, some have already suggested an exemption for [Canada](#) from some or all actions, while [others oppose the idea](#). [Others](#) have backed specific product exemptions, such as aluminum rolled can sheet metal used by U.S. beverage producers.

On March 1, [President Trump announced](#) that he will impose tariffs of 25% on steel and 10% on aluminum. Details as to which products would be affected, any exemptions for specific products or exporting products, and timelines are expected to be announced the second week of March. Tariffs and quotas implemented as a result of the Section 232 investigations would be in addition to any [tariffs](#) already in place.

Potential Impacts and Next Steps

[Stakeholders](#) on all sides of the issues have been vocal in their views since the investigations commenced 10 months ago. Domestic manufacturers of both steel and aluminum support relief through measures intended to limit imports. [U.S. steel manufacturers](#) and the [United Steelworkers \(USW\)](#) support broad

new restrictions on steel imports with only limited exceptions. On the other side are users of steel and aluminum as inputs who are concerned any such remedies would increase their production costs and raise prices for consumers, and downstream manufacturing costs, potentially leading to job loss. U.S. industries that use steel in manufacturing downstream products, including [automakers](#) and parts manufacturers, generally oppose such measures.

The [Secretary of Defense](#) concurred with Commerce's overall findings, but expressed concern about the potential effect of the proposed actions on key U.S. allies, endorsing strategic action through targeted and phased implementation of any restrictions. The [Secretary's memorandum](#) estimated that the Department of Defense's needs for steel only represent about 3% of U.S. production. [Steel industry officials](#) have countered that even though national defense products are a small share of the overall steel market, they are made at the same facilities and by the same workers who make other products. Thus, they say, commercial viability of the industry is important to making the specialized products.

Potential responses by U.S. trading partners are another concern. Exporting countries may challenge U.S. actions through [dispute settlement at the World Trade Organization \(WTO\)](#). [Some analysts](#) have voiced the potential risk of retaliation or initiating a trade war. A representative from Japan's steel industry called for the President to make a "careful and appropriate decision." The European Steel Association warned that the deployment of blanket trade restrictions "will almost certainly be contested by other WTO countries."

The [Business Roundtable](#), a business group representing the CEOs of major U.S. corporations, expressed concern that actions on steel and aluminum imports "will result in foreign retaliation against U.S. exporters and harm the U.S. economy," and that other countries may initiate their own national security investigations into specific industries that could negatively affect U.S. exports. For example, if a country deems food security a national security concern, it may decide to restrict agricultural imports from the United States. International trade obligations at the bilateral, regional, and multilateral levels generally include broad exemptions for national security reasons, as in [Article XXI of the General Agreements on Tariffs and Trade \(GATT 1947\)](#), limiting the ability of countries to challenge such actions by trade partners. More frequent utilization of these exemptions could lessen the effectiveness of existing international trade commitments.

In addition to the Section 232 actions, the U.S. government may continue to raise concerns about global overcapacity of steel and aluminum and unfair trading practices (e.g., dumping and subsidization) in other bilateral and multilateral forums, including through the WTO or [OECD Global Forum on Steel Excess Capacity](#).

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