

## U.S.-EU Joint Statement Modifies U.S. Section 232 Steel and Aluminum Tariffs, Lifts EU Retaliatory Tariffs, and Announces Negotiations of a First-ever Carbon-based Sectoral Arrangement

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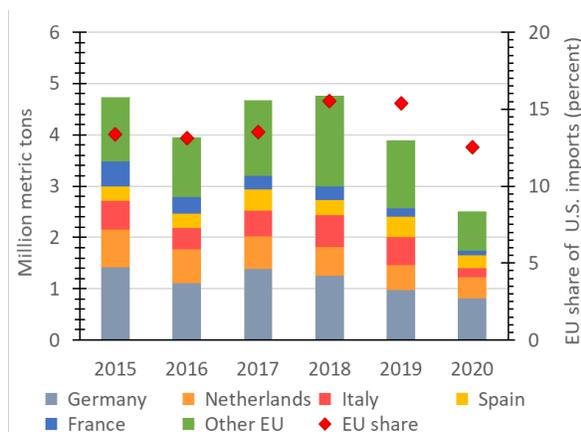
On October 30, 2021, the United States and the European Union (EU, excluding the United Kingdom) issued a [“Steel and Aluminum EU-US Joint Statement,”](#) announcing their joint desire to address nonmarket overcapacity to preserve their steel and aluminum industries. This Executive Briefing on Trade describes the [U.S.-EU](#) actions to 1) modify the U.S. Section 232 national security tariffs on EU steel and aluminum; 2) remove the EU retaliatory tariff countermeasures on selected U.S. goods; 3) suspend their respective panel disputes before the World Trade Organization (WTO); and 4) augment enforcement mechanisms against tariff circumvention by third-country sector products. In addition, the parties announced their intentions to negotiate the world’s first carbon-based industry sectoral arrangement by 2024 that will seek not only to address global sectoral overcapacity to restore market-oriented conditions, but also to reduce greenhouse gas emissions.

### Section 232 steel and aluminum tariffs are replaced with tariff rate quotas (TRQs):

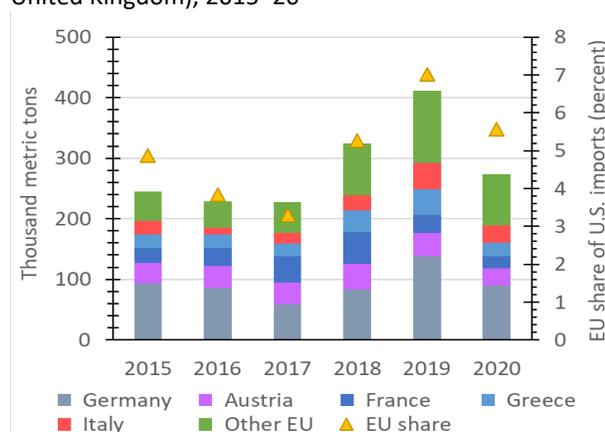
Currently, U.S. imports from all but a few exempted countries are subject to the national security import tariffs, imposed under Section 232 of the Trade Act of 1930, as amended ([19 U.S.C. §1862](#)), of 25 percent on steel mill products ([83 FR 20683](#), May 7, 2018) and 10 percent on aluminum mill products, castings, and forgings ([83 FR 25849](#), June 5, 2018).

Based on the October 31 joint statement, the EU member states will be granted TRQs, based on prior annual average U.S. import quantities. Imports entered within the quota amounts will be duty free, while imports entered beyond the quota amounts will face section 232 tariffs. The annual duty-free TRQ quantities total to 3.3 million metric tons of steel and 384,000 metric tons of aluminum, effective January 1, 2022. Individual TRQs for each EU member state will be allocated among 54 steel mill product categories and 16 aluminum mill product categories. In recent years, the EU has been a modest, but still significant, supplier of both steel and aluminum to the U.S. market (figures 1a and 1b).

**Figure 1a** U.S. imports (across all 54 categories) of steel mill products originating in the EU member states (excluding the United Kingdom), 2015–20



**Figure 1b** U.S. imports (across all 16 categories) of aluminum mill products, forgings, and castings originating in the EU member states (excluding the United Kingdom), 2015–20



Source: USITC, [DataWeb](#) trade database, retrieved November 9 and 18, 2021.

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Moreover, U.S. imports of certain derivative (fabricated) steel and aluminum products originating in the EU also will not be subject to the Section 232 tariffs that went into effect February 8, 2020 (85 FR 5281, January 29, 2020).

#### **Lifting of EU retaliatory tariff countermeasures:**

The EU agreed to remove its own countermeasure tariffs on designated products of U.S. origin applied under two annexes, including the 10–25 percent duties on [Annex I](#) products, imposed on June 20, 2018, and the 10–50 percent duties on [Annex II](#) products, originally scheduled to go into effect on June 21, 2021. In addition to steel and aluminum, the subject products also included corn and rice, cranberries, tobacco, orange juice, whiskey, cosmetics, certain apparel, motorcycles, and sail and powerboats, among others. The EU-U.S. Summit of June 15 postponed the Annex II measures to November 30, as both sides agreed to enter negotiations to resolve differences, that ultimately resulted in the October 31 joint statement.

#### **Suspension of ongoing WTO panel disputes:** (with initial consultations request dates)

The parties agreed to suspend their respective panel disputes: “Certain Measures on Steel and Aluminium Products,” by the EU against the United States ([WT/DS548](#), June 1, 2018); and “Additional Duties on Certain Products from the United States,” by the United States against the EU ([WT/DS559](#), July 16, 2018).

#### **Ongoing bilateral cooperation on industry and trade monitoring:**

Among the trade remedy and customs cooperation provisions is one to counter tariff circumvention that requires steel and aluminum be “melted and poured,” rather than merely being processed, to confer country of origin. This requirement will prevent steel or aluminum originating in a third country that undergoes processing in the EU from entering the U.S. market at the preferential rate.

#### **Addressing global sectoral overcapacity and greenhouse gas emissions:**

Following upon the EU-U.S. Summit, the two sides also announced their intentions to negotiate a “Global Arrangement on Sustainable Steel and Aluminum,” the world’s first “carbon-based sectoral trade arrangement” by 2024. Future agreements for sector trade are to consider the carbon content of sector imports, with the aim of reducing both global non-market sectoral overcapacity and industry carbon intensity, particularly as posed by China. (See the [Raimondo and Tai editorial](#) in the *Pittsburgh Post-Gazette*). An invitation is extended for other like-minded trade partners to participate as well.

#### **Outlook:**

Also, on October 30, 2021, the U.S. Department of Commerce (Commerce) announced negotiations with both the [United Kingdom](#) (which officially withdrew from EU membership on January 31, 2021) and [Japan](#) on bilateral and multilateral steel and aluminum issues (including Section 232 tariffs) for collective actions to promote market-oriented and less carbon-intensive sectoral production and trade.

*Sources:* Commerce, “[Department of Commerce Issues Statement on Consultations with Japan on Steel and Aluminum](#),” Press Release, October 31, 2021; Commerce, “[Department of Commerce Issues Statement on Consultations with the UK on Steel and Aluminum](#),” Press Release, October 31, 2021; Commerce, “[Steel and Aluminum U.S.-EU Joint Statement](#),” Press Release, October 31, 2021; European Commission (EC), “[EU-US Relations, EU-US Steel and Aluminum Trade](#),” June 15, 2021; EC, “[Statement by EU Commission Executive Vice-President & EU Trade Commissioner Valdis Dombrovskis](#),” Press Release, October 31, 2021; EC, “[Steel and Aluminum, EU-US Joint Statement](#),” October 31, 2021; EC, “[WTO Cases, Cases Involving the EU, Cases Launched by EU](#),” November 5, 2021; EC, “[WTO Cases, Cases Involving the EU, Complaints Against EU](#),” November 5, 2021; Lawder David, and Andrea Shalal, “[U.S., EU End Trump-era Tariff War Over Steel and Aluminum](#),” October 30, 2021; Office of the U.S. Trade Representative, “[Announcement of Actions on EU Imports Under Section 232](#),” October 31, 2021; U.S. International Trade Administration, “[Foreign Retaliations Timeline](#),” no date; Raimondo, Gina M. and Katherine Tai, “[What The New Steel And Aluminum Deals Mean For American Families](#),” *Pittsburgh Post-Gazette*, November 28, 2021; WTO, “[Immediate Notification Under Article 12.5 of the Agreement on Safeguards](#),” G/L/1237, G/SG/N/12/EU/1, May 18, 2021.

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