

ALLIANCE FOR

american

manufacturing

The background features a stylized American flag with a blue field of white stars and horizontal stripes. A horizontal bar at the bottom consists of alternating segments of grey, black, red, and blue. The text "Trade Enforcement 101" is centered in white.

# Trade Enforcement 101

# My perspective

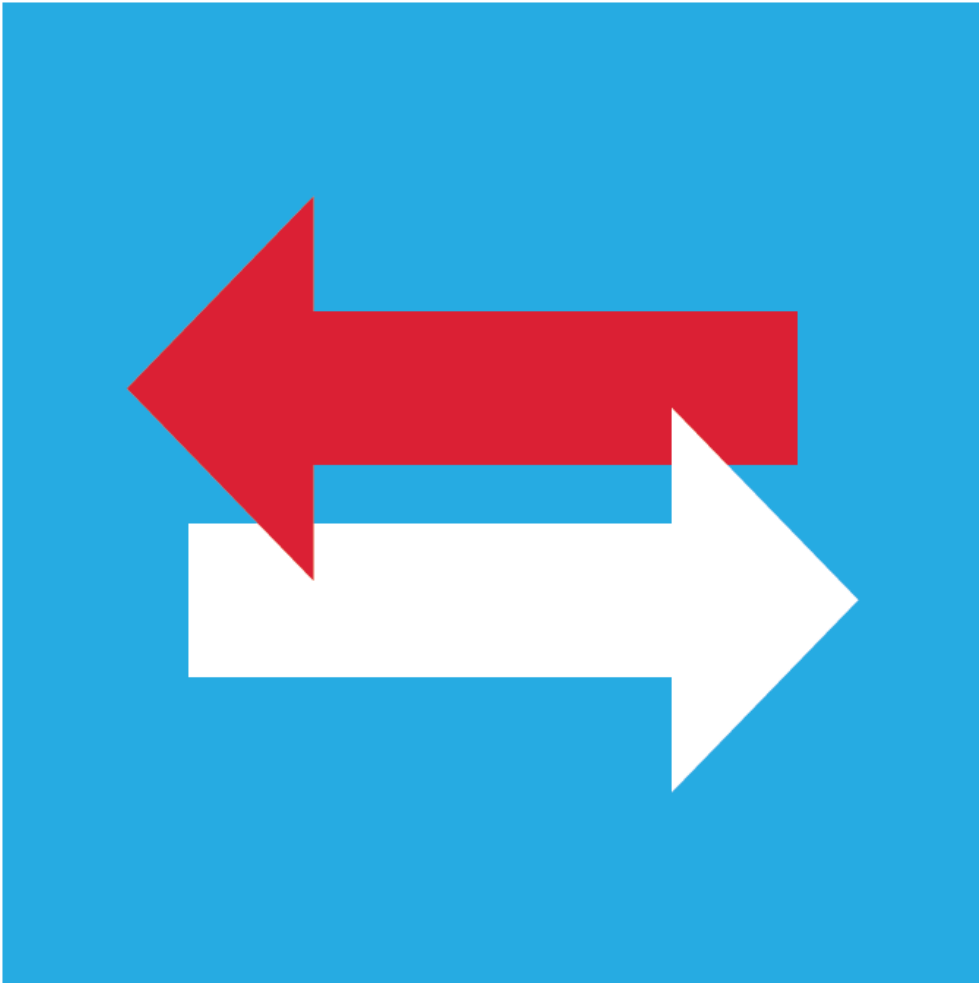


## Scott N. Paul

- Founded AAM and launched the organization in 2007.
- Worked for 25+ years on international trade, foreign policy, and manufacturing strategy.
- M.A. in International Security Studies, Georgetown University
- B.A. in Foreign Service and International Politics, Penn State
- Board Chair, National Skills Coalition
- Leadership Council, Alliance for Manufacturing Foresight
- Former Member, President's Manufacturing Jobs Initiative

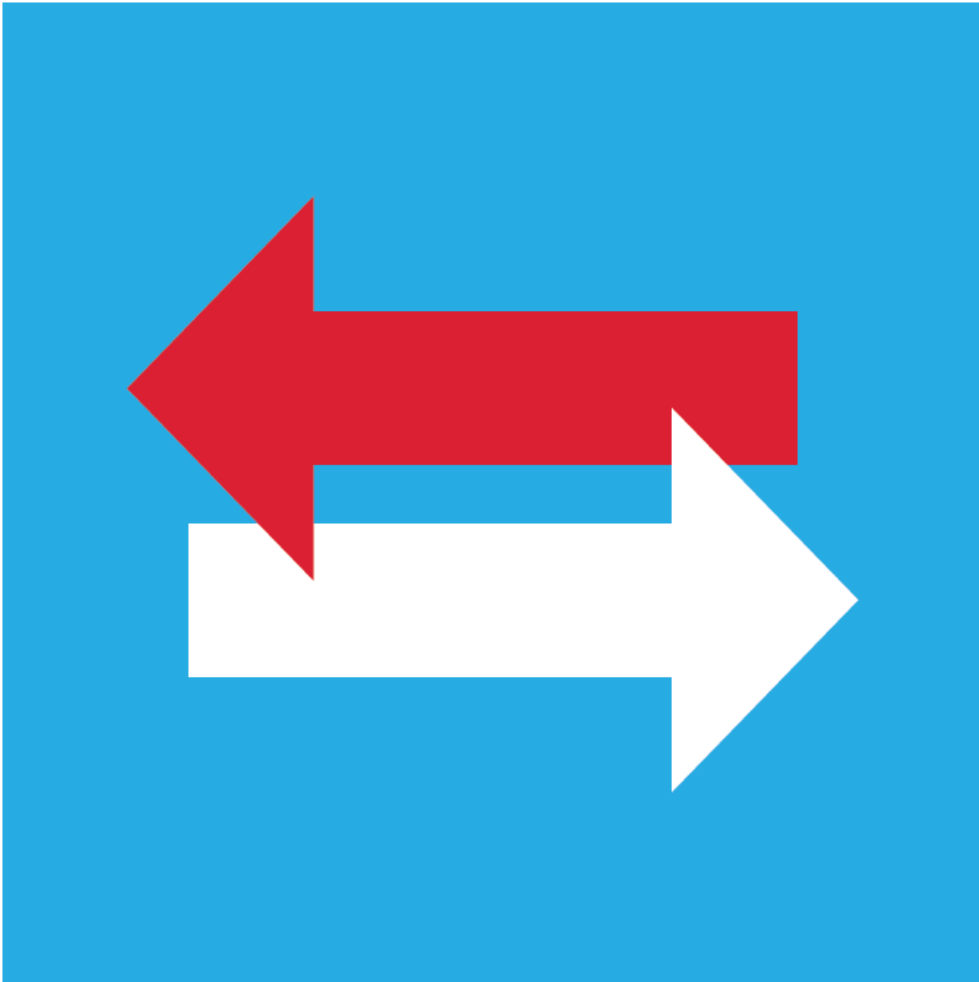
# Types of Actions

- Antidumping (AD)
- Countervailing Duty (CVD)
- Safeguard
- WTO



# Launching a Complaint

- Industry initiated
- Government initiated
- World Trade Organization (WTO) dispute panel



# Anti-dumping Duties (AD)



***IF***

Foreign exporters sell to U.S. at “less than fair value”

***AND***

Such sales cause or threaten material injury to the U.S. industry producing the “like product”

***THEN***

U.S. will impose antidumping duties

# Countervailing Duties (CVD)



***IF***

Foreign exports to U.S. are subsidized

***AND***

Such exports cause or threaten material injury to the U.S. industry producing the “like product”

***THEN***

U.S. will impose countervailing duties

# AD & CVD Orders



## Responsibilities:

- Commerce investigates dumping and subsidies
- ITC investigates material injury

## Outcomes:

- Orders result in additional duties on imports
- Equal to “margin of dumping” or subsidies granted
- Paid by importer
- Forces price increases or eliminates imports
- Likely to remain in place at least 5 years



# Frequency of AD/CVD Usage



**84**

New AD/CVD cases in 2017

**450**

AD/CVD orders currently in place

**47**

Number of countries covered by existing orders

# Examples of Margins in Place



**407.5%** Non-Oriented Electrical Steel from China

**265.8%** Cold-Rolled Steel Flat Products from China

**206.4%** Steel Concrete Reinforcing Bar from Japan

**206.4%** Oil Country Tubular Goods (OCTG) from Vietnam

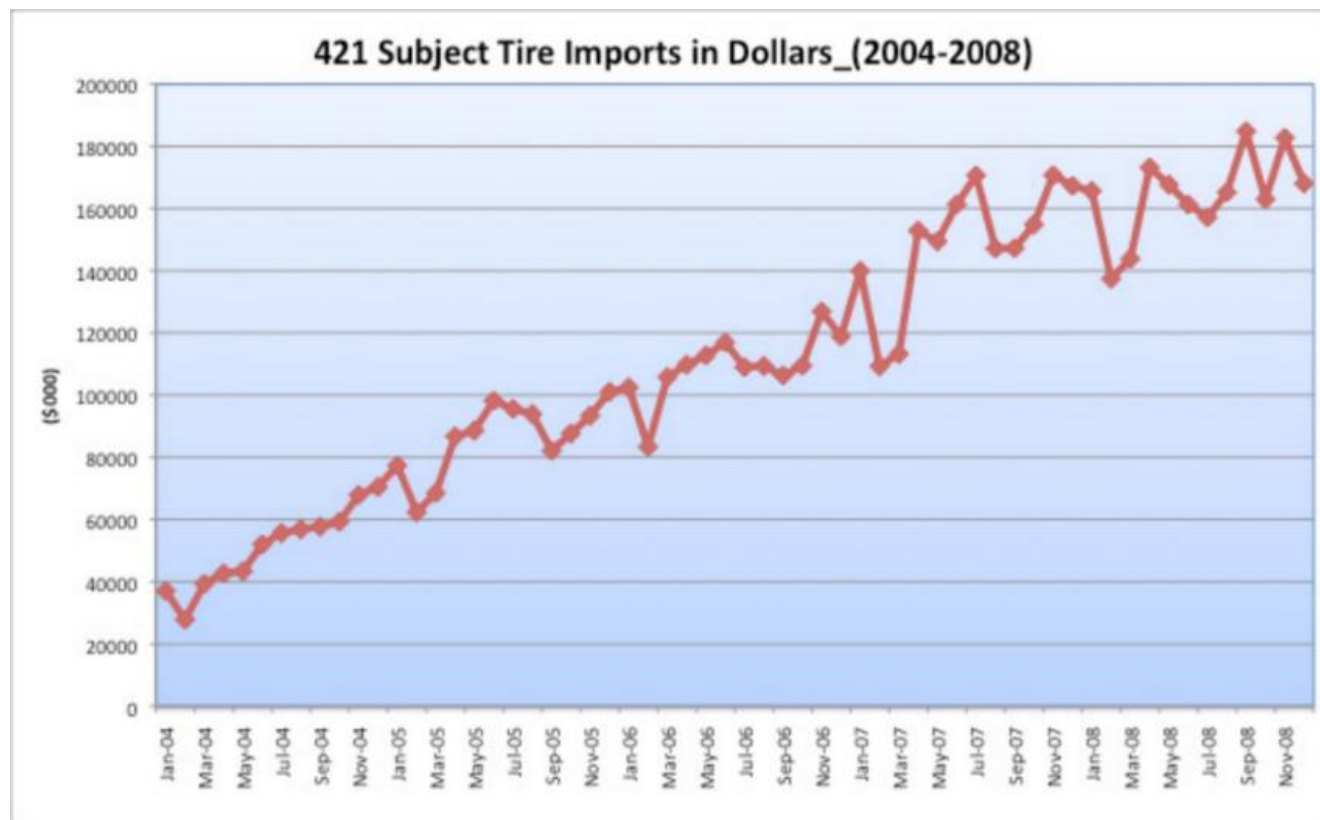
# Trade, IP, and National Security Remedies

## U.S. Law Options:

- Safeguard (Sec. 201-204, 301, 406, ~~421~~)
- National Security (Sec. 232)
- Intellectual Property (Sec. 337)
- USTR authority (Sec. 301-310)

## U.S. Law Options:

- Can be broader
- Can handle more serious concerns (national security)
- Often faster than AD/CVD
- Not all require injury



# WTO Options

## International Options:

- Government-to-Government (G2G) World Trade Organization Dispute Settlement Process

## Cases Filed by U.S. Under President Obama:

- 25 cases filed at the WTO
- 15 against China
- Won 14
- 6 resolved without a panel ruling
- 5 remained pending at end of Obama administration



WORLD TRADE  
ORGANIZATION



Section 232  
National Security Action

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# Global Steel Overcapacity



**2.4 billion**

world steelmaking capacity (up 127% from 2000)

**700 million**

global excess capacity (7x U.S. consumption)

**75%**

China's contribution to global steelmaking growth since 2000

# Section 232 Rationale



- U.S. is largest importer of steel; imports are 4x exports
- Ability to make steel is essential to our national defense
- 19,000 steelworkers laid off at peak of crisis in 2015
- Factories closing and reducing operations
- WTO & OECD unable to address overcapacity
- **Traditional trade enforcement (AD/CVD) helpful, but not a lasting solution to large overcapacity issues**

# National Security Concern



- Section 232 permits adjustment of imports to protect national security and economic welfare
- 6 basic oxygen furnaces and 4 electric furnaces closed since 2000
- Only 1 remaining producer of electrical steel
- PA armor plate plant reducing operations
- Energy independence at risk with surging OCTG imports



# 232 Action Permissible under WTO Rules



## **Article XXI of**

## **General Agreement on Tariffs and Trade (GATT)**

“Nothing in this Agreement shall be construed...to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests”

# Section 232 Timeline



## June 2016 – Monessen, PA

“I will use every lawful presidential power to remedy trade disputes, including the application of tariffs consistent with Section 201 and 301 of the Trade Act of 1974 and **Section 232 of the Trade Expansion Act of 1962.**”

# Section 232 Timeline



**April 2017:** President signs order to expedite Section 232 investigation

**May 2017 tweet:** “I look forward to reading the @CommerceGov 232 analysis of steel and aluminum- to be released in June. Will take major action if necessary.”

**June 2017:** “Wait until you see what I'm going to do for steel and for your steel companies... You'll be seeing that very soon. The steel folks are going to be very happy.”

# Section 232 Timeline



**July 2017:** “We're waiting till we get everything completed. We don't want to do at this moment... So we're waiting till we get everything finished up between health care and taxes and maybe even infrastructure.”

**Next 3 Months:** steel imports up 20%

**Dec. 22:** tax bill signed into law

**2017:** overall steel imports up 15.4% (OCTG +196%, GOES +98%)

# Section 232 Timeline




**Jan. 2018:** Commerce sends 232 report to WH

**Feb. 2018:** Commerce 232 report / options made public

**March 2018:** U.S. begins application of 25% steel & 10% aluminum tariff under Section 232 action

# Steel / Aluminum Product Exclusions as of July



**16,248** product exclusion requests posted online

**511** product exclusion requests granted

**404** product exclusion requests denied

# Job Announcements Since 232



## **6,800 steel / aluminum jobs announced**

- **United States Steel:** restarting Granite City (IL) Works
- **Republic Steel:** 1,000 jobs in Loraine, OH
- **Century Aluminum:** \$100m investment at high-purity aluminum plant
- **JSW Steel:** \$1b investment & 1,000 jobs in TX / OH

# Steel / Aluminum Country Exemptions



**South Korea / Brazil:** steel tariff replaced with quota

**Argentina:** steel / aluminum tariff replaced with quota

**Australia:** full exemption

**Canada\* / Mexico:** to be addressed in NAFTA 2.0

**EU\*:** to be addressed within newly announced talks

*\* Taking steps to address transshipment concerns and keep excess Chinese steel / aluminum out of its market*





# Trade Enforcement has Deep Roots in Trade Policy

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