

Status Report on AGOA and USA Section 323 on steel and aluminium restrictions

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1. Africa Growth and Opportunity Act

- The 16th AGOA Forum will be held on 11-12 July 2018 in Washington DC, US under the theme “Forging new strategies for US-Africa Trade and Investment”.

2. USA Section 323 on steel and aluminium restrictions

2.1. Introduction

- South Africa made a submission to the US Trade Representative (USTR) requesting country-exemption from Section 232 duties that President Trump imposed on imports of steel articles (25%) and on imports of aluminum articles (10%), based on a Report from the Secretary of Commerce that these imports threaten to impair national security of the United States under Section 232 of the Trade Expansion Act of 1962.
- In particular, South Africa has through the Minister of Trade and Industry, Dr Rob Davies made representations to the US, including two written submissions. In addition, Minister Rob Davies had two teleconferences with Ambassador Mahoney, the Deputy USTR for Investment, Services, Labor, Environment, Africa, China and the Western Hemisphere.
- The Ambassador of South Africa (SA) to the US, Mr. Mninwa Mahlangu also engaged with the White House National Security Council Staff, State Department, the Office of the US Trade Representative (USTR) and Commerce Department.
- In the submissions, SA has argued that it was in itself grappling with the consequences of the global steel glut and that SA has stringent customs control measures and that there is no risk of circumvention or transshipment of steel from third countries.
- Furthermore, SA emphasized that SA exports of aluminium products per annum are equivalent to about 1.6% of total US aluminum imports. Similarly, according

to the US Census Bureau data, in 2017 the US imported a total of 33.4 million tons of steel, of which imports from SA were approximately 330 000 tons or 0.98% of total US imports and 0.3% of total US steel demand of 107 million tons. The 330 kilo tons exported from SA represents 5% of SA production equating to roughly 7500 jobs in the steel supply chain.

- Furthermore, SA offered to restrict exports to a quota based on 2017 exports level. However, despite these assurances, the United States has decided not to exempt South Africa from the duties.
- It is important to note that some of the exempted countries are the biggest exporters of steel and aluminium to the United States. For steel imports: collectively, countries granted exemption accounted for 58% of total steel imports into the United States in 2017. For aluminium imports: collectively, countries granted exemptions accounted for 49% of total aluminium imports into the United States over the same period.
- South Africa is therefore not a cause of any national security concerns in the US nor a threat to US industry interests and is not the cause of the global steel glut. Instead, South Africa finds itself as collateral damage in the trade war of key global economies. South Africa is concerned by the unfairness of the measures and that it is one of the countries that are singled out as a contributor to US national security concerns when its exports of aluminium and steel products are not that significant.

2.2. Countries Granted Country-Exemption by the United States

- On 30 April 2018, President Trump signed Proclamations granting country-exemptions to a select number of countries from Section 232 steel and aluminium tariffs. The President decided to maintain the same list of countries that were granted temporary exemption.
- In terms of steel, country exemptions were granted to Argentina, Australia, Brazil, and South Korea. The US reached in-principle agreement with Argentina, Australia and Brazil. The US reached a permanent agreement with South Korea.
- There is no expiration date for the exemptions. The US is continuing discussions on exemption with Canada, Mexico and European Union. The exemption to these countries was granted until 31 June 2018.

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- In terms of aluminium, country-exemption was granted to Argentina, Australia, and Brazil. The US reached an in-principle agreement with Argentina, Australia and Brazil. There is no expiration date for the exemptions. The US is continuing discussions on exemption with Canada, Mexico and European Union. The exemption to these countries was granted until 31 June 2018. South Korea did not request country-exemption for its imports of aluminium into the US, therefore, it will also be liable for 10% tariff.
- The President reserved the right to impose tariffs to these countries in future if appropriate. Further, if the US does not reach what they call “satisfactory” agreement with countries that they have in-principle agreement, the US reserved right to re-impose the tariffs.

3. U.S. Buyers of South Africa Steel and Aluminium Requesting Product Exemption

- The Proclamation, dated 8 March 2018, provided for U.S. buyers of steel and aluminium to request exemption for their specific import products that are not produced in sufficient quantities in the United States.
- The process of adjudicating on request for product exemption is done by the Commerce Department. In the Federal Register dated 19 March 2018, the Commerce Department published *“Requirements for Submissions Requesting Exclusions from the Remedies Instituted in Presidential Proclamations Adjusting Imports of Steel into the United States and Adjusting Imports of Aluminum into the United States; and the filing of Objections to Submitted Exclusion Requests for Steel and Aluminum”*.
- Some U.S. buyers of steel products from South Africa have requested exemption from duties for their imports. South Africa supply unique products that have been perfected over time to meet the specific needs of U.S buyers.
- The requests for exemption for SA products have been published for public comment for a period of 30 days, after which the Commerce Department will make a decision.
- In total, the Commerce Department is supposed to make a decision in 90 days from the date of application.

4. Way forward

- Exporters of steel and aluminium will face 25% and 10% duties, respectively.
- Government will keep the lines of communication open with the United States for any country-exemption discussions in future.