



## Global Trade Alert Europe

### **EU obtains temporary exemption from US tariffs on steel and aluminium and initiates its own safeguard**

On 23 March 2018, tariffs of 25% on imports of steel and 10% on imports of aluminium became effective in the US. Shipments of steel and aluminium from the EU into the US have been temporarily exempted from such measures through 30 April 2018, and EU leaders are engaged in negotiations to obtain a permanent exemption. On 26 March 2018, the EU mirrored the US measure by initiating a safeguard investigation that may result in tariffs or quotas on a broad range of steel products.

The EU, Australia, Argentina, Brazil, Canada, Korea (ROK) and Mexico are among the US trade partners to benefit from an initial blanket exemption, and all currently are engaged in broader trade negotiations with the US. For example, Canada and Mexico's requests to be exempted from the scope of the additional tariffs are intertwined with ongoing renegotiations of certain aspects of the North American Free Trade Agreement. The extension of exemptions beyond 30 April likely will depend on whether the US achieves an outcome to broader negotiations that it deems satisfactory.

#### **EU negotiations for a permanent exemption**

Obtaining a permanent exemption for EU steel and aluminium imports into the US is high on the agenda of European leaders.

The EU member states are among the countries most affected by the US tariff measures, with 10 countries directly affected by the measures, and indirect consequences for all member states.

Negotiations between the European Commissioner for Trade, Cecilia Malmström, and the US Department of Commerce Secretary, Wilbur Ross, that took place on 20 March 2018 focused on a permanent tariff exemption for the EU. European Commission Vice President, Jyrki Katainen, affirmed being “more optimistic than before” about the EU’s ability to secure a permanent exemption from the tariffs. However, if the negotiations do not result in a positive outcome for the EU trade community, other options are being considered by political EU decision makers.

## US issues procedures for product exclusion

In addition to blanket exemptions, procedures have been issued by the US Department of Commerce detailing the conditions to obtain specific [product exclusions](#). All exclusion requests must be submitted by individuals or organisations that use articles covered by the tariffs in business activities, provided basic requirements are met. Exclusions are subject to review and to objections. Approved exclusions generally will apply for one year.

## EU takes other actions

Trade diversion is a major concern in Brussels. The US measure is expected to reduce imports by 13 million tonnes. The excess steel and aluminium previously destined to the US may be redirected to Europe, thereby destabilising the EU market. In this respect and on 26 March 2018, the European Commission initiated a safeguard on steel products, mirroring the US measure. However, the measure’s precautionary rationale brings its compatibility with WTO rules into question.

In addition, EU Commissioner Malmström addressed the European Parliament in Strasbourg last week by considering action at the WTO level, stating that the US measure “is a safeguard in disguise,” and questioning the misuse of the WTO security exception relied upon by the US. The EU has reached out to its allies regarding a joint case before the Dispute Settlement Body in Geneva.

EU trade countermeasures also are envisaged to retaliate against US measures, which could include EU restrictions on imports of certain alcoholic beverages, motorcycles and clothing originating in the US. As a response, the White House mentioned that it may consider increased tariffs on automobile imports from the EU.

Deloitte’s Global Trade Advisory specialists have hands-on experience in trade defence matters and are part of a global network of professionals who can provide specialised assistance to companies seeking to defend their interests in such cases.

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