

## **Global Trade News Alert**

### **US Amends Proclamations on Steel and Aluminum Tariffs to Address Exemptions, FTZ Entries, and Duty Drawback**

On April 30, 2018, the Trump Administration issued Presidential Proclamations 9739 and 9740, which respectively amend Presidential Proclamations 9704 and 9705 related to Section 232 tariffs imposed on certain imports of aluminum (10%) and steel (25%). From March 23 through April 30, 2018, Argentina, Australia, Brazil, Canada, Mexico, South Korea, and the 28 EU member states benefitted from temporary blanket exemptions from these tariffs pending broader trade negotiations with each jurisdiction. Generally, Proclamations 9739 and 9740 either cancel or extend these blanket exemptions, and they clarify the treatment of affected products that enter a foreign trade zone (FTZ), as well as the application of duty drawback provisions.

The specific changes are outlined below by jurisdiction.

#### **South Korea**

Proclamation 9740 permanently excludes South Korea from the steel tariffs. The Trump Administration indicated that this is because the two countries have agreed on a range of measures to address excess steel capacity and transshipment, including annual absolute quotas on US imports of steel products from South Korea. These absolute quotas disallow further imports of affected steel products once a specific absolute quota is filled for the year.

The 2018 absolute quotas on steel from South Korea will consider imports made since January 1, 2018. Also, absolute quota levels have been added to Chapter 99 of the Harmonized Tariff Schedule of the United States (HTSUS). These quotas are based on 53 product groupings, each of which encompass multiple HTSUS codes at the four, six, eight, and 10-digit levels.

Imports in any given quarter will be limited to 30% of each absolute quota.

As of the effective date of Proclamation 9740, hundreds of HTSUS codes already are considered filled for 2018. Quota fill rates may be found on the quota page of US Customs and Border Protection's website at [www.cbp.gov](http://www.cbp.gov).

Proclamation 9739 does not renew the blanket exemption on imports of aluminum products from South Korea. As a result, effective May 1, 2018, affected aluminum products became subject to an additional duty of 10%.

### **Argentina, Australia, and Brazil**

Both Proclamations indefinitely extend the blanket exemptions on steel and aluminum articles imported from Argentina, Australia, and Brazil. In extending these blanket exemptions, the Trump Administration indicated that the US had "agreed in principle" with these countries on alternative means to address the national security concerns arising from steel and aluminum imports. However, since formal agreements with each country remain pending, these blanket exemptions still may be revoked if agreements are not finalized in a timely manner.

### **Canada, Mexico, and the EU**

The Proclamations also extend the blanket exemptions on steel and aluminum imports from Canada, Mexico, and the EU until 12:01 a.m. on June 1, 2018. In the meantime, broader trade negotiations with these jurisdictions continue.

### **FTZ Clarifications**

Both Proclamations clarify that articles of steel and aluminum entering the commerce of the US from an FTZ will not be subject to the Section 232 tariffs "merely by reason of their manufacture in an FTZ." However, foreign articles covered by the Section 232 tariffs must enter an FTZ with "privileged foreign status," and will retain that status and be subject to the tariffs when entering the commerce of the US.

### **Drawback Clarifications**

Both Proclamations clarify that the drawback of the Section 232 tariffs paid at the time of importation of affected steel and aluminum articles into the US will not be available.

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- Obtaining and analyzing your import data to assess the potential impacts of recent trade measures;
- Examining your supply chain and imported products to determine opportunities to manage increased costs due to tariffs;
- Conducting strategic sourcing reviews to identify alternative sources of affected products.
- Undertaking customs valuation planning;
- Scrutinizing the accuracy of your tariff classifications;
- Considering tariff engineering opportunities;
- Seeking exclusions from tariffs or filing objections to tariff exclusion requests;
- Reviewing Incoterms<sup>®</sup> used in contracts to confirm responsibilities for customs duty payments; and
- Customs valuation planning to minimize the impacts of the additional tariffs.

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