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US imposition of additional tariffs on steel and aluminum: Canadian and European responses

Canada and the European Union will pursue their rights within the WTO Dispute Settlement Body in addition to adopting their own retaliatory measures.

As a reminder, on March 8, the United States adopted additional tariffs on imports of certain steel and aluminum products, effective March 23, 2018, for an unlimited period. Some of the important trading partners of the United States have been exempted from this price increase, including Canada and the European Union.

The United States announced, however, on May 31 that they would apply tariffs on steel and aluminum imported from the European Union, Mexico and Canada starting June 1, 2018. Beginning at midnight on June 1, 2018, the two proclamations: [Presidential Proclamation Adjusting Imports of Steel in the United States](#) and [Presidential Proclamation Adjusting Imports of Aluminum in the United States](#) are now in force.

The United States has therefore decided not to extend the temporary exemption granted to the European Union and Canada and has implemented ad valorem taxes of 25% on steel and 10% on aluminum. The only countries that remain exempt are Argentina, Australia, Brazil and South Korea since they agreed to reduce their exports of steel and aluminum to the United States.

The European response:

For its part, the EU has been preparing for these measures for a few months and [has announced that it is ready to react to US trade restrictions](#) while remaining in compliance with WTO rules.

The Union submitted a request for consultations on 16 April 2018 to the WTO following the US administration's first announcements on tariff increases. Consultations between the United States and the Union have not resulted in a satisfactory solution. Thus, as of 1 June, the EU initiated proceedings before the WTO Dispute Settlement Body against the United States.

In addition, the EU will use the possibility under WTO rules to rebalance the situation by targeting a list of US products with additional duties. The list of US products is ready and has already been notified to the WTO on May 18 by [regulation No. 2018/724](#). According to WTO rules, the EU could trigger those 30 days later.

Thus, the products listed in Annex I to this Regulation (e.g. agricultural products, jean textile products, etc.) will be subject to additional ad valorem duties amounting to a maximum rate of 25%. In addition, no later than March 23, 2021, the products listed in Annex II (e.g. essential oils, decorative articles, etc.) may be subject to ad valorem duties of 10%, 25%, 35% or 50% applied to their declared value.

Following these preventive measures, the [College of Commissioners approved on June 6, 2018](#) the decision to impose additional duties, valued at up to €2.8 billion of trade, on the full list of US products notified to the WTO, as part of the EU's response to the US tariffs on steel and aluminium products. The Commission expects to conclude the relevant procedure in coordination with Member States before the end of June so that the new duties start applying in July.

Finally, an investigation into the possible imposition of safeguard measures on steel was launched on March 26, 2018 and the Commission has nine months to decide whether such measures would be necessary. The Commission has also put in place a monitoring system for aluminum imports into the EU.

The Canadian response:

Upon the announcement of the imposition of tariffs on imports of certain steel and aluminum products from Canada, the Canadian government immediately proposed countermeasures and adopted a [Notice of intent to impose countermeasures action against the United States in response to tariffs on Canadian steel and aluminum products](#).

This notice proposes several surtaxes and similar trade-restrictive countermeasures on imported aluminum, steel and other products originating in the United States. The surtaxes and countermeasures are up to \$16.6 billion CAD; this amount being the total amount of Canadian exported steel and aluminum to the United States in 2017.

These countermeasures will take effect on July 1, 2018 and will remain in effect until the United States eliminates tariffs on Canadian steel and aluminum products. These countermeasures will not apply to United States goods in transit on the date of their entry into force.

The proposed countermeasures are listed in two tables: the products listed in Table 1 (e.g. mainly steel products from Chapter 72 of the Canadian Customs Tariff) will receive a tariff of 25% and those in Table 2 will receive a tariff of 10% (e.g. food products including coffee and yogurt, chemicals including herbicides and insecticides, and aluminum products).

The Canadian government initiated a WTO dispute regarding the US measures as early as June 1 and also filed a complaint under Article 20 of the NAFTA agreement on the same day, which deals with trade disputes between Canada, the United States and Mexico.

Nothing at this stage indicates an easing of the trade relations between the United States, Canada and the European Union. One can only hope that the dispute settlement mechanisms of the WTO will provide the necessary means to put an end to this trade war launched by the United States.

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