Nucor Public Affairs Update

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Post-Election Update

It is too early to know the precise impact of Joe Biden's election win on key trade issues, including China and tariffs. These tariffs include Section 232 steel tariffs as well as the Section 301 tariffs on U.S. imports from China which resulted from the U.S. government's determination that China's intellectual property violations and other unlawful policies and practices harm U.S. commerce. While President-elect Biden has not yet taken a public position on these tariffs, it is unlikely that any immediate action will be taken on the Section 232 program during the first few months of his Presidency. In the meantime, Nucor and the domestic steel industry will be aggressively advocating for the Section 232 tariffs to remain in place. The President-elect has also given few details on his plans for U.S.-China relations. Nonetheless, it is unlikely that the incoming Biden Administration will make significant use of unilateral trade tools such as Section 301, taking a more multilateral approach with respect to China. Lastly, President-elect Biden has indicated that he plans to prioritize domestic issues prior to entering into any new free trade agreements. Domestic areas of focus include promoting strong Buy America requirements and encouraging the "reshoring" of manufacturing and service jobs to the United States.

Section 232 Steel Tariffs

The Section 232 steel tariffs continue to be effective in keeping dumped steel imports out of the U.S. steel market. However, due to various modifications, including quota agreements with Argentina, Brazil and South Korea and the exclusion of imports from Argentina, Canada and Mexico, the vast majority of U.S. steel imports are currently entering the market duty free.

In addition to the modifications noted above, there have been a number of recent changes to the Section 232 program. In August 2020, the President issued a Proclamation reducing the 232 quota on Brazil for fourth quarter 2020 with respect to semi-finished steel. In September 2020, Mexico agreed to establish a "strict export monitoring regime" through June 1, 2021 on standard pipe, mechanical tubing, and semi-finished steel products in response to recent U.S. import surges of these products.

Nucor and other steelmakers continue to work diligently to ensure a robust 232 remedy, especially in light of recent declines in U.S. steel consumption and capacity utilization rates resulting from COVID-19.

Recent Trade Case Developments

There have been several recent affirmative sunset review determinations at the International Trade Commission (ITC). In these reviews, trade orders are examined every five years to determine whether removing the orders will result in injury to the domestic industry. If the ITC finds in the affirmative, the orders are extended for an additional five years. Earlier this year, the ITC voted to maintain the AD/CVD orders on wire rod from China and the AD/CVD orders on light-walled rectangular pipe and tube from Mexico, Turkey, Korea, and China for another five years following affirmative determinations in both sunset reviews. The ITC also voted to continue the 2002 orders on wire rod from Brazil, Indonesia, Mexico, Moldova, and Trinidad and Tobago for another five years. Finally, in September 2020, the ITC voted to continue the 2014 AD order on Mexican rebar and CVD order on Turkish rebar for another five years.

There has also been recent activity in several Commerce Department circumvention proceedings. In these cases, Commerce determines whether U.S. imports are entering the U.S. market via transhipment or other unlawful means without the proper payment of dumping and/or subsidy duties. In July 2020, Commerce issued its final results in its self-initiated circumvention cases involving the trade orders on corrosion-resistant (CORE) steel and cold-rolled steel from China (specifically, Chinese substrate shipped through Costa Rica, Guatemala, and the UAE for minor processing to avoid duties). Commerce issued an affirmative finding of circumvention for Costa Rica and the UAE, and a negative finding for Guatemala. Costa Rica and the UAE will be subject to a combined AD/CVD rate of 240%, with duties retroactive to the date of initiation (Aug. 12, 2019). Commerce's final circumvention determinations in CORE from Taiwan (Taiwanese substrate processed in Malaysia) and CORE from China (Chinese substrate processed in South Africa) are expected shortly.

USMCA – the New NAFTA Agreement

The United States-Mexico-Canada Agreement (USMCA) took effect on July 1, 2020 and the Uniform Regulations governing the implementation, enforcement, and administration of the agreement have been issued. The agreement includes new rules of origin that should incentivize the use of North American steel in the manufacturing of autos and other steel-intensive goods. One of the key provisions of the auto rules of origin is a steel purchasing requirement, which requires that 70% of an auto producer's annual steel purchases be of North American origin. The Uniform Regulations contain a lengthy list of steel products that are subject to this requirement; however, there are a number of additional products that should be included, including hot rolled bar, cold finished bar and drawn wire products. Nucor and other domestic steel producers are currently working with USTR to expand the list of steel products subject to the purchasing requirement to include these and other products.

Steel Import Monitoring

In October 2020, Commerce issued a final rule modifying its steel import monitoring system (SIMA). In addition to making the SIMA system permanent, the changes require import license applicants to identify the country where imported steel is melted and poured. This will allow the domestic industry to trace the steel back to where it is made and should significantly enhance efforts to detect and address ongoing transhipment and circumvention efforts. Nucor supports these changes, which took effect on October 13.

Canada Update

While the pandemic remains the primary focus, the government has begun to shift some of its attention towards rebuilding the economy post-COVID. We expect major investments in infrastructure as a way for governments to accelerate the economic recovery.

On November 30, 2020 Deputy Prime Minister and Minister of Finance Chrystia Freeland announced increased COVID support measures for Canadians, as well as a stimulus plan to jumpstart Canada's economic recovery.

Steel and Aluminum Tariffs: On August 6, 2020 the U.S. announced it would impose 10% tariffs on imports of certain aluminum products from Canada to take effect August 16, 2020. In response, the Canadian government announced that they would impose retaliatory dollar-for-dollar countermeasures.

On September 15, 2020 the U.S. Trade Representative announced the return of tariff-free treatment of Canadian aluminum, effective September 1, 2020. As a result, Deputy Prime Minister and Minister of Finance Chrystia Freeland announced that Canada's plans to impose countermeasures would be suspended.

Canada and the U.S. agreed to consult with one another at the end of the year in order to review the state of the aluminum trade.

Dumping Investigation**:** On May 28, 2020 it was announced that the Canada Border Services Agency (CBSA) had initiated an investigation into alleged dumping of steel imports from Taiwan, Germany, South Korea, Malaysia, and Turkey, following a complaint submitted by Algoma Steel Inc. This investigation is related to certain hot-rolled carbon steel heavy plate and high-strength low-alloy steel heavy plate.

The CBSA published a preliminary decision in October 2020. It was determined that provisional duties will now be payable on the subject goods from Chinese Taipei, Germany and Turkey that are released from customs on or before October 9, 2020. The dumping investigation related to South Korea and Malaysia were terminated.

The final determination will be released by CBSA on January 7, 2021. If the Canadian International Trade Tribunal determines that these imports injured domestic producers, anti-dumping duties would be applied for an initial period of 5 years.