

CONFIDENTIAL

McLarty Update: SECTION 232 STEEL AND ALUMINUM IMPACTS AND REACTIONS

March 11, 2025

TOPLINE

The importance of the US steel and aluminum sectors, though longstanding, continues to grow in political significance, most recently witnessed in the US presidential election. President Trump captured key voting blocks and states in part due to his consistent support of the steel sector. Both parties have taken actions over the past several decades to defend the steel and aluminum sectors from growing Chinese overcapacity -- according to the US Department of Commerce, nearly 40% of the 150+ Anti-Dumping / Countervailing Duties (AD/CVD) currently active in the US system are to protect the steel industry, and 20% of which were directed at Chinese production. President Trump's utilization of a Cold War authority -- Section 232 - during his first term, elevated trade defense in a new and aggressive way, resulting in new global tariffs on steel and aluminum imports to the United States. The tariffs, implemented under a national security rationale on all of America's trading partners, created immense pressure from foreign allies, US companies, and Members of Congress, leading to a series of bilateral agreements under both the Trump and Biden administrations that exempted or provided quotas for steel and aluminum coming from a number of countries, as well as a Commerce-led process for specific product exclusions.

On February 10, 2025, citing continued Chinese overcapacity and transshipment through the markets of America's trade partners, President Trump announced that he would rescind all current exclusions on steel and aluminum imports (country- and product-specific), raise tariffs on aluminum from 10% to 25%, and include derivative products under the tariffs. **Absent any last-minute changes, the new actions will be implemented March 12, 2025, at 12:01 AM.**

On the eve of implementation, this memo analyzes reactions from US trading partners and assesses what may happen next.

ACTION OVERVIEW

EFFECTIVE IMMEDIATELY

- Elimination of all existing country-specific exemptions or Tariff Rate Quotas (TRQs).
- Reinstatement of original 25% ad valorem duties on steel and raises duties on aluminum from 10% to 25% ad valorem.
- Termination of product exclusion process for products deemed insufficiently available or lacking in satisfactory quality in the US; previously granted product exclusions will remain valid only until their expiration dates or until the approved volume has been imported, whichever comes first.
- Inclusion of "Derivative Products" listed, primarily from HSTUS Chapters 76 and 73, into the scope of tariffs.
 - New executive actions include derivative steel and aluminum products, which the Trump administration **has listed specific subheadings under the Harmonized Tariff Statute of the US (HTSUS) for steel and aluminum:**
 - Examples of these wide-ranging derivative products include steel nails, staples, kitchenware, aluminum door frames, aluminum cans, or parts for automobiles.
 - **For aluminum derivatives**, a total of 122 harmonized tariff codes for aluminum will be subject to section 232. The 18 tariff codes in Chapter 76 will have the total value of the product subject to the 25% tariff, while the other 104 in other chapters will only face the 25% tariff on its aluminum content.
 - **For steel derivatives**, 155 harmonized tariff codes that are in Chapter 73 will face the full 25% section 232 duty, while 12 tariff codes in Chapter 84 and 94 will only be subject to the 25% tariff on the value of its steel content.

COMING SOON: CONSIDERATION OF NEW PRODUCTS AND EXCLUSIONS

- Creates a narrow exclusion for derivative steel products processed in another country if they originate from steel articles that were melted and poured in the US, and for derivative aluminum products processed in another country if they originate from aluminum articles that were smelted and cast in the US.
- Includes an additional downstream product and input annex that will be put into effect by “public notification of the Secretary of Commerce,” upon determining that systems are in place to process and collect tariff revenue for such articles. The additional ad valorem duty shall apply only to the steel or aluminum content of the article, not the finished good. So far, no timetable has been given for tariffs on these additional HSTUS chapters in the [annex](#):
 - **The products listed in the annex are as broad as possible. Examples of listed products include:** machinery and mechanical appliances, electrical machinery and equipment, furniture, pre-fab buildings, mattress supports/springs, umbrellas, walking-canes, padlocks, keys, belt buckles, HVAC systems, vehicle engines, generators, electromagnets, batteries, windshield wipers, hair razors or clippers, tractors and other types of agricultural machinery, passenger vehicles and buses, aircraft, spacecraft, photo and video cameras, metal furniture, children’s toys, sports equipment, and metal jewelry.
 - **Steel annex:** Chapters [84](#), [85](#), and [94](#)
 - **Aluminum annex:** Chapters [66](#), [83](#), [84](#), [85](#), [87](#), [88](#), [90](#), [94](#), [95](#), and [96](#)
- No new product-specific exclusion process planned.
- **By May 11, 2025**, the Commerce Secretary must [create](#) a public comment process to include new or review existing tariffs on derivative products of steel and aluminum.

HISTORY

Practically since China’s [accession](#) to the World Trade Organization (WTO) in 2001, the US has pledged policy action geared toward Chinese [overcapacity](#), a term used to describe China’s heavily state-subsidized overproduction of steel and aluminum that is sold intentionally below-market rate costs to the rest of the world. Before 2018, US policy was to utilize WTO-approved [Anti-Dumping / Countervailing Duty \(AD/CVD\)](#) measures, which apply targeted, specific tariffs to an offending country for up to five years at a time with a tariff rate that is required to lower every year that it is active.

In his first term, President Trump [employed](#) a little-known Cold War authority to justify global steel and aluminum tariffs as necessary for US national security interests. On January 11, 2018, the US Department of Commerce [issued](#) a report on the national security and economic impacts of steel and aluminum imports on the manufacturing and industrial base of the United States. The first Trump administration used this report to justify raising global tariffs through Section 232 on steel (25%) and aluminum (10%) in 2018, finding that a global overcapacity issue for steel and aluminum had come from China to intentionally flood global markets and snuff out competition for Chinese product. Both the Trump and Biden administrations authorized an exclusion process for intermediate goods necessary for US businesses that could not be domestically sourced, and for like-minded countries to continue their exports to the US at non-232 rates or through a quota system. In the first three years since the original 2018 order, **Commerce [received](#) 288,021 product-specific exclusion requests (260,450 for steel, 27,571 for aluminum), and granted 170,084 requests. Country-specific agreements were reached with 10 trading partners.**

STEEL DATA

Roughly a quarter of all steel used in the United States is imported, the bulk of it from Mexico and Canada or other close allies such as Japan, South Korea, and Germany. While China is the world's largest steel producer and exporter, China accounts for only 1.8% of total American steel imports. In 2024, China produced over 1 billion metric tons of steel, and exported a record high of 110.72 million metric tons globally.

Quantity in Metric Tons of US Imports of Steel Mill Products (for domestic consumption) from World (Annual Census Data) Source: International Trade Administration										
Pos.	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Total	30,082,284.14	34,678,451.89	30,632,097.12	25,400,748.57	20,032,165.89	27,797,301.46	28,014,754.32	25,583,087.13	26,224,660.03
1	Canada	5,214,510.66	5,782,330.04	5,660,888.52	5,057,063.45	4,755,163.05	6,137,878.40	6,224,986.62	6,248,392.85	5,952,054.04
2	Brazil	3,959,735.11	4,674,807.89	3,986,359.00	3,830,071.79	3,673,041.33	3,957,009.54	2,330,533.58	3,576,001.59	4,080,695.07
3	Mexico	2,724,499.18	3,167,141.56	3,503,643.93	3,368,989.84	3,010,235.71	4,346,346.71	4,813,539.46	3,799,057.44	3,194,751.50
4	South Korea	3,458,414.28	3,412,859.87	2,508,362.29	2,336,856.22	1,827,890.94	2,427,831.03	2,555,254.22	2,392,320.10	2,548,877.23
5	Vietnam	871,198.04	679,128.83	1,006,702.02	601,689.09	284,934.55	744,821.44	849,422.42	508,232.33	1,237,054.76
6	Japan	1,948,259.51	1,728,614.78	1,370,716.99	1,136,116.27	732,157.57	949,414.07	1,143,696.85	1,078,221.59	1,070,681.41
7	Germany	1,111,248.84	1,383,024.86	1,254,900.91	966,473.27	810,217.74	830,933.74	1,023,924.71	947,322.20	975,877.69
8	Taiwan	984,089.31	1,130,307.17	970,554.94	753,264.74	519,785.26	797,550.22	941,599.27	525,685.17	917,760.02
9	Netherlands	664,413.71	636,899.85	556,515.43	498,877.37	420,110.01	529,165.42	539,300.98	460,677.71	556,876.92
10	China	802,793.41	763,035.69	649,137.55	508,526.22	353,044.55	420,172.91	600,924.88	553,406.22	470,197.04
19	Australia	300,231.21	281,879.46	265,496.86	283,747.76	285,983.67	205,797.81	273,806.89	306,457.33	242,166.06
20	United Kingdom	329,054.81	351,045.22	281,605.86	231,103.81	190,240.21	262,342.42	265,967.26	203,587.09	240,396.83
29	Argentina	80,909.02	211,465.22	168,922.41	177,784.14	26,670.99	167,183.28	81,024.94	168,459.95	133,847.13
30	Ukraine	194,784.40	241,285.11	188,901.72	218,794.43	50,516.22	130,620.37	132,130.30	114,770.28	124,093.85

ALUMINUM DATA

Roughly half of all aluminum used in the US is imported. The US aluminum smelting industry is small by global standards. Total smelter capacity in the country was just 1.73% of the global total according to the US Geological Survey.

Quantity in Metric Tons of US Imports of Aluminum Products (for domestic consumption) from World (Annual Census Data) Source: ITA										
Pos.	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Total	5946466.66	6868291.732	6156295.08	5855336	4898254	5557052	6358849.5	5460997	5429611.8
1	Canada	2759697.8	2913857.951	2585696.75	2410305.6	2673373	2942287	3011424.7	3076922	3153058.77
2	United Arab Emirates	555856.586	639872.208	594860.301	493595.88	340586	358923	468138.58	494223.8	347033.518
3	China	530896.78	643102.46	337499.918	217161.12	171590	215699.9	292487.25	197873	222871.684
4	Korea	34786.659	34098.394	65865.641	87669.965	71454.5	80146.73	173954.23	134838.8	214354.944
5	Bahrain	190041.609	246542.396	239695.816	275041.61	149086	230639.3	325910.21	131489.9	200983.296
6	Argentina	195540.914	264071.893	177293.794	180462.49	166584	118829.4	171078.19	159249.6	176165.536
7	India	53985.766	171390.341	235179.594	249732.7	144235	118356.3	187884.27	117721.5	160125.591
8	Australia	22545.039	101565.077	134789.021	268583.35	87081.8	116879.2	207712.01	210194.7	82801.336
9	Mexico	52511.372	69627.079	61311.268	38485.228	41826.1	80238.54	114127.25	104905.1	81484.885
10	Oman	17023.482	42471.42	108954.694	111850.15	80945.5	104072	132644.76	75871.71	68397.882
14	Brazil	48997.9	54031.577	59959.024	57150.036	27118.7	10677.23	56490.633	34429.63	42508.921
20	United Kingdom	11923.691	8922.797	17660.614	18890.809	12155	14989.7	25018.601	16292.38	21941.612
23	Japan	30819.532	31924.439	43260.233	50777.79	17627.2	49143.5	51770.886	28085.4	21196.204
81	Ukraine	1.902	841.366	0.986	0.314	0.666	3.191	1.426	12.946	4.987

*PLEASE NOTE: ITA LISTS EU COUNTRIES AS SEPARATE ENTITIES, ALTERTING POSITIONING ON DATA SHEETS

COUNTRY AND REGIONAL REACTIONS

CONFIDENTIAL

In the wake of the most recent announcement, several governments (including the EU, Brazil, and Canada) were quick to respond with retaliatory threats, though most other countries, including those that would be affected by the policy change, took a modulated approach, an indication that they will seek bilateral engagement before moving forward with any retaliation threat

The following section provides analysis on reactions and potential retaliatory measures from China and all countries (in alphabetical order) who will have their special exemptions revoked:

ARGENTINA

- TRQ for **steel** and **aluminum** granted 2018
- Size of market:
 - Steel: 29th largest **supplier** of US steel imports in 2024.
 - Aluminum: 6th largest **supplier** of US aluminum imports in 2024.
- Risk of retaliation: **Low**

Argentine President Milei largely downplayed the impact of new US tariffs on Argentine aluminum and steel exports, viewing his close relationship with President Trump as an opportunity for potential exemptions or broader trade negotiations. On February 10, Milei **characterized** Trump's tariffs as a "negotiating tool" rather than a protectionist measure, aligning them with his geopolitical trade strategy.

Milei's February 20-22 visit to Washington included a brief **meeting** with President Trump, though tariff discussions were reportedly avoided, and while attending the US Conservative Political Action Conference (CPAC), Milei **expressed** strong support for the Trump administration's "Fair and Reciprocal Plan" on trade, signaling his reluctance to introduce friction in the bilateral relationship.

AUSTRALIA

- Exemption for **steel** and **aluminum** granted 2018
- Size of market:
 - Steel: 19th largest **supplier** of US steel imports in 2024.
 - Aluminum: 8th largest **supplier** of US aluminum imports in 2024.
- Risk of retaliation: **Low**

Following a February 11, 2025 call between President Trump and Prime Minister (PM) Albanese, Trump **indicated** he would "give great consideration" to exempting Australia from the tariff hikes, **citing** the US trade surplus with Australia as a key factor. Following the leaders' call, President Trump's top advisor for trade and manufacturing, Peter Navarro, publicly **claimed** in an Op-Ed that Australia's largest aluminum smelters are majority owned by China, are being illegally **subsidized** by the Australian government, and have been flooding the market under the Biden administration. In a CNN interview, Navarro **followed** up to state that "Australia is just killing our aluminum market."

Notwithstanding Navarro's comments, Australia is unlikely to impose retaliatory measures given the strategic importance of its trade and security relationship with the US. PM Albanese is expected to continue lobbying for an exemption without escalating tensions.

BRAZIL

- TRQ for **steel** and **aluminum** granted 2018
- Size of market:
 - Steel: 2nd largest **supplier** of US steel imports in 2024.
 - Aluminum: 14th largest **supplier** of US aluminum imports in 2024.
- Risk of retaliation: **Medium**

Brazilian President Lula has taken a fairly tough public line, **warning** of retaliatory measures when Trump's steel tariffs go into effect through tariffs on US goods and threatening the launch of a formal WTO complaint. His advisors, however, seem to be pushing for a more cautious approach: Vice President Alckmin has **advocated** for a "win-win" solution, suggesting negotiations that may include quotas, as previously granted under the first Trump administration and Foreign Trade Secretary Tatiana Prazeres has also **highlighted** the US trade surplus with Brazil—\$7.4 billion in 2024—as a potential leverage point in talks.

CONFIDENTIAL

On March 7, 2025, Brazil's Foreign Minister Vieira [spoke](#) to US Trade Representative Greer about “addressing tariff-related issues,” and on March 6, 2025, Vice President Alckmin [held](#) a call with US Secretary of Commerce Lutnick on steel tariffs.

CANADA

- Exemption for [steel](#) and [aluminum](#) granted 2019 and 2020, respectively
- Size of market:
 - Steel: 1st largest [supplier](#) of US steel imports in 2024.
 - Aluminum: 1st largest [supplier](#) of US aluminum imports in 2024.
- Risk of retaliation: **High**

FLUID SITUATION: As of Mar. 11, '25, 10:15AM ET, President Trump [instructed](#) Secretary of Commerce Lutnick to add an additional 25% ad valorem (50% total) to Canadian steel and aluminum effective March 12, 12:01AM if Canada does not reverse Ontario's state-level 25% tariff on electricity [exported](#) to the US.

On March 9, 2025, Prime Minister-nominee Carney [focused](#) his acceptance speech on preparing Canada for an economic fight with the United States. Carney [commended](#) his predecessor Trudeau's retaliatory actions to-date, and the expected additional tariff action that he had planned, noting that “[Canada] will keep our tariffs on until the Americans show us respect.” Canada, expecting a prolonged tariff battle, [announced](#) a C\$6 Billion program to help Canadian exports open new markets outside the US, subsidize salaries to ensure limited layoffs, and expand access to below market-rate loans for Canadian businesses.

CHINA

- No exemptions, non-AD/CVD duties raised in [2018](#) and [2024](#).
- Size of market:
 - Steel: 10th largest [supplier](#) of US steel imports in 2024.
 - Aluminum: 3rd largest [supplier](#) of US aluminum imports in 2024.
- Risk of retaliation: **High**

China's Foreign Ministry spokesman has [criticized](#) the expected tariffs, stating that "protectionism leads nowhere," while urging the US to cease "politicizing and weaponizing trade."

China has already faced tariffs on steel and aluminum since 2018, limiting the direct impact of this latest action. President Biden [raised](#) Chinese steel and aluminum tariff rates in 2024, in which Biden's 25% on Chinese aluminum is the same figure that President Trump has now matched globally. China's steel and aluminum [exports](#) to the US are minimal (0.8% and 4.6% of total U.S. imports, respectively), but indirect transshipments through third countries have increased since 2018. In 2024, more than a quarter of China's steel exports went to major steel supplying countries of the United States. Vietnam alone took a 11.49% share in China's total steel exports last year. Beijing is closely monitoring the potential spillover effects of this action, particularly on its shipbuilding sector. Chinese officials have not ruled out retaliation but have so far responded to previous tariff escalations with targeted, restrained countermeasures. China will likely respond with a messaging campaign to countries that are losing their exemptions that this is further evidence that the US is an unreliable partner to its closest allies.

EUROPEAN UNION

- TRQ for [steel](#) and [aluminum](#) granted 2021 and 2023, respectively
- Size of market:
 - Steel: --\$6.99 billion
 - Aluminum: -- \$1.53 billion
- Risk of retaliation: **High**

European Commission President Ursula von der Leyen has vowed a "firm and proportionate" response if US tariffs on EU steel and aluminum take effect. Following a February 12 EU trade ministerial meeting, the EU reaffirmed member states' unity in protecting the steel and aluminum sector from possible market destabilization.

In 2024, EU steel and aluminum exports to the US totaled \$6.99 billion and \$1.53 billion, respectively—only about 1% of total EU exports to the US. Despite the relatively limited exposure, the EU is prepared to

CONFIDENTIAL

reactivate its previously suspended 2018 [countermeasures](#) from when Trump initially imposed tariffs on steel and aluminum. These retaliatory measures [were suspended](#) after a Biden-era deal established tariff rate quotas. The suspension of countermeasures is set to expire on March 31, 2025, unless a deal is struck. EU retaliation as it stands would hit products like Harley Davidson motorcycles, bourbon, and jeans. Beyond this targeted response to Section 232 tariffs, the EU could also employ its new Anti-Coercion Instrument (ACI), designed to buff up its existing economic toolkit. McLarty analysis on this new tool can be found [here](#).

JAPAN

- TRQ for [steel](#) and [aluminum](#) granted 2022 and 2023, respectively
- Size of market:
 - Steel: 6th largest [supplier](#) of US steel imports in 2024.
 - Aluminum: 23rd largest [supplier](#) of US aluminum imports in 2024.
- Risk of retaliation: **Low**

Prime Minister Ishiba has formally [requested](#) an exemption from the tariffs, pledging to pursue all diplomatic channels while preparing "necessary measures" in case negotiations fail. In preparation for expected tariffs, Japan's Ministry of Economy, Trade, and Industry (METI) has [established](#) a consultation desk to assist affected companies.

Given Japan's relatively limited exposure, the success of its February 7 US-Japan summit, and the ongoing Nippon Steel-US Steel investment deal, Japan is likely to observe the broader international reaction before considering retaliation. Japan is much more [concerned](#) about tariffs on autos – a significantly larger export to the US – and could wait to retaliate once those tariffs are announced. Notably, Japan did [not retaliate](#) against Trump's 2018 tariffs on steel and aluminum and was eventually [granted](#) a quota exemption by the Biden administration.

MEXICO

- Exemption for [steel](#) and [aluminum](#) granted 2019 and 2020, respectively; **UPDATED 2024**
- Size of market:
 - Steel: 3rd largest [supplier](#) of US steel imports in 2024.
 - Aluminum: 9th largest [supplier](#) of US aluminum imports in 2024.
- Risk of retaliation: **Medium**

President Sheinbaum's administration has prioritized diplomatic engagement in response to tariff threats from Washington – and appears to be getting results. Economy Minister Ebrard has [emphasized](#) that the US maintains a trade surplus with Mexico in steel and aluminum, a point being formally [conveyed](#) to Washington in advance of these tariffs taking effect.

Mexico appears open to trade concessions, including potential restrictions on third-country steel imports from China and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) nations that may use Mexico as a transit hub to the US. However, Mexico has a history of retaliation: when Trump imposed steel and aluminum tariffs in 2018, Mexico [responded](#) with \$3.6 billion in counter-tariffs on US goods. While that prior action was ultimately [lifted](#) once a deal was struck, a similar response is expected if diplomacy fails.

SOUTH KOREA

- TRQ for [steel](#) and [aluminum](#) granted 2018
- Size of market:
 - Steel: 4th largest [supplier](#) of US steel imports in 2024.
 - Aluminum: 4th largest [supplier](#) of US aluminum imports in 2024.
- Risk of retaliation: **Low**

While [hindered](#) by domestic politics that have left them without an elected leader, the Korean government is [pursuing](#) all diplomatic channels with the Trump administration, including high-level visits to Washington, and exploring coordination with Japan and the EU on potential collective responses. South Korean firms such as [Hyundai Steel](#) and [POSCO](#) are also considering US production investments to bypass tariffs. South Korean companies' Foreign Direct Investment (FDI) into the US aligns well with the America First

CONFIDENTIAL

Investment Policy vision laid out by President Trump, and Korea will view it as a tool to further imbed Korea in the US manufacturing supply chain.

UKRAINE

- Exemption for **steel** granted in 2022
- Size of market:
 - Steel: 30th largest **supplier** of US steel imports in 2024.
- Risk of retaliation: **Low**

Beginning in 2022, the Biden administration **granted** and renewed Ukraine annual exemptions for the 232 steel tariffs as part of efforts to support Ukraine's economy amid Russia's full-scale invasion. The total value of steel supplied to the US from Ukraine **amounts** to 0.81% of total US steel imports. While **insignificant** for the US economy, steel **exports** are 58% of Ukraine's total exports to the US.

Ukraine's Deputy Prime Minister and Economy Minister Svrydenko **lamented** the Trump administration's 232 announcement, while noting that Ukraine will "work with partners to find an optimal solution." Negotiations around ending Russia's war in Ukraine will likely overtake 232 tariff considerations for Ukraine.

UNITED KINGDOM

- TRQ for **steel** and **aluminum** granted 2022
- Size of market:
 - Steel: 20th largest **supplier** of US steel imports in 2024.
 - Aluminum: 20th largest **supplier** of US aluminum imports in 2024.
- Risk of retaliation: **Low**

Following the bilateral **meeting** between President Trump and Prime Minister Starmer, the United Kingdom (UK) **said** that it would "take a cool-headed approach" to steel and aluminum tariffs. Seeking a tariff deal, UK Chancellor Reeves suggested that the UK would not retaliate, further **stating** "I strongly believe that a deal can be done," adding that she does not "want to see more tariffs." A government spokesperson also **declined** to say whether the UK would retaliate, downplaying the potential impact of the tariffs, saying "it's important to see this in the context of our exports."