

Report on Supply Chain Compliance Volume 2, Number 23. December 12, 2019 US reliance on Section 232 tariffs threatens international trade system

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United States President Donald Trump tweeted in the early morning of December 2 that he would “restore the Tariffs on all Steel & Aluminum that is shipped into the U.S. from [Brazil and Argentina].”^[1] The tariffs he referred to are imposed through Section 232 of the Trade Expansion Act of 1962, which allows the president to impose sanctions following an investigation that finds that a certain product “is being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.”^[2]

Brazil and Argentina voluntarily agreed to lower quotas of steel and aluminum imports in 2018. It is not yet clear what drove the president’s tweet, but the threat of Section 232 tariffs has caused a stir around the world, as the U.S. makes use of the tool to skirt international trade obligations and norms in order to impose penalties on trading partners. Several members of the World Trade Organization (WTO) argue that the Trump administration’s reliance on Section 232 — and a broad definition of what constitutes national security — threatens to destabilize the international trading system.

The Trump administration’s trade policies have already disrupted global supply chains. Companies have been forced to:

- Reevaluate Harmonized Tariff Schedule codes of all their products.
- Determine Country of Origin for extensive lists of tariffed products.
- Reshore supply chains to avoid extra costs or maintain compliance with new trade policies.
- Reevaluate who their suppliers and vendors should be in order to minimize the impact of tariffs and duties.
- Keep track of a chaotic and fast-moving trade policy that is often dictated by tweets.

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