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MEMORANDUM

June 5, 2025

BY ELECTRONIC MAIL

FROM: Olsson Frank Weeda Terman Matz PC

RE: Trade War Update: Section 232 Tariffs on Steel and Aluminum and their Derivatives Double to 50% Effective June 4; Carveout for United Kingdom Imports.

On June 3, 2025, President Trump issued the Proclamation, "Adjusting Imports of Aluminum and Steel into the United States," to increase the ad valorem tariffs on imported steel articles, aluminum articles, and all their derivatives—previously set at 25%— to 50% for all countries. The new 50% tariff rate is effective for all goods entered for consumption or withdrawn from a warehouse for consumption on or after 12:01 a.m. EDT on June 4, 2025, and there is no exemption from the increased rate provided for in-transit merchandise. However, United Kingdom–origin goods remain subject to the 25% rate at least until July 9, 2025.

Rationale for the Tariff Rate Increase

The Proclamation explains that although the 25% tariffs had provided critical price support for domestic producers, they were insufficient to enable the industries to achieve the necessary capacity production utilization. A higher tariff is intended to strengthen the domestic steel and aluminum industries, ensuring they can meet both market demand and projected national defense needs.

Carveout for United Kingdom Imports

Under the U.S.-UK Economic Prosperity Deal, dated May 8, 2025, imports from the U.K. will not be immediately subject to the 50% tariff rate. Steel and aluminum products (including steel and aluminum derivatives) from the U.K. will continue to be subject to a 25% tariff rate until at least July 9, 2025. The Secretary of Commerce will then have discretion on or after July 9 to impose import quotas or further adjust the tariff rate, including decreasing it or instead potentially raising

it to 50% —if it is determined that the U.K. has not complied with the Prosperity Deal's obligations.

Additional Modifications to Tariffs, Including Tariff Stacking

The Proclamation and the implementing CSMS messages published by CBP on June 3 make other important changes to the Section 232 tariffs and to their interaction with reciprocal tariffs and the IEEPA/fentanyl tariffs imposed on products of Canada and Mexico. These are:

- Under the previous EO on stacking and CBP's guidance (*see* previous client memo), derivative articles of steel or aluminum which were subject to Section 232 tariffs were generally exempt from reciprocal tariffs; the only exception was goods classified in HTSUS provisions subject to Section 232 tariffs on derivative products of steel or aluminum that contained neither of these metals (that had zero percent aluminum or steel content) which were not subject to Section 232 tariffs (because they did not contain the requisite metal content) and were therefore subject to reciprocal tariffs. Now, however, the general exemption from reciprocal tariffs has been narrowed: the Proclamation and the CSMS messages provide that **while the steel or aluminum content of derivative articles is subject to Section 232 tariffs (at the new 50% rate), the non-steel or aluminum content of these derivative articles will now be subject to reciprocal tariffs.** The treatment of goods falling within the HTSUS provisions subject to Section 232 tariffs on derivative articles of steel or aluminum, but which have zero steel or aluminum content remains unchanged.

  Previously, Section 232 tariffs had been assessed based on the full value of certain articles of steel or aluminum and certain derivative articles, even if the steel or aluminum content made up only a portion of the goods' value. **The Proclamation and the CSMS messages limit the applicability of Section 232 tariffs to only the steel and/or aluminum content of these goods.** As noted above, however, reciprocal tariffs will apply to any non-steel or aluminum content.

- Under the previous tariff stacking rules, goods that were subject to the 25% IEEPA/fentanyl tariffs on Canada and/or Mexico were exempt from the Section 232 tariffs on steel and aluminum and derivative articles of steel or aluminum. The Proclamation and the CSMS messages flip this stacking rule, so that **Canadian- or Mexican-origin goods which are subject to Section 232 tariffs on steel, aluminum, and derivative articles of steel or aluminum are not subject to the IEEPA/fentanyl tariffs on goods from Canada or Mexico**. As a practical matter, this doubles the tariff rate on **Canadian- and Mexican-origin steel, aluminum, and derivative articles of steel or aluminum, because they are now subject to the new 50% Section 232 tariff rate rather than the 25% IEEPA/fentanyl tariff rate.**

Lists of Products Subject to Section 232

CBP published two additional implementing CSMS messages (65236645 and 65236374), which

include updated lists of aluminum and steel HTSUS provisions subject to Section 232, along with their respective derivative products. Additional HTSUS provisions for derivative articles have been added to these lists since their previous publication.

Enforcement Priority

U.S. Customs and Border Protection (CBP) is required to issue authoritative guidance mandating strict compliance with declaration requirements for steel and aluminum content in imported articles. The guidance will outline maximum penalties for noncompliance, including that importers who submit underreported declarations may be subject to severe consequences, including but not limited to significant monetary penalties, loss of import privileges, and criminal liability.

Drawback

Section 232 Duties are ineligible for drawback. *See* CBP Drawback FAQ.

The previous memoranda sent discussing presidential actions regarding these fast-moving trade developments are:

1. American First Trade Policy, Jan. 20, 2025
2. U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 2, 2025
3. Update: U.S. Imposes Tariffs on Mexico, Canada, and China, Feb. 3, 2025 (Canadian/Mexican tariffs suspended; Effective date of 10% tariff on products of China and Hong Kong)
4. Update on Trade War, Feb. 5, 2025(China's Response to New U.S. Tariffs, Impacted Industries, Potential Forthcoming U.S. Trade Activity, and Tariff Mitigation for Machinery and Parts of Machinery for Agricultural and Horticultural Use)
5. Update on Trade War: U.S. Imposes Tariffs on Steel and Aluminum, Response from Targeted Countries, and China Imposes Retaliatory Tariffs, Feb. 12, 2025
6. Update on Trade War: U.S. Releases Lists of Additional Derivative Articles of Steel and Aluminum Which Will be Subject to Section 232 Tariffs, and Issues a Presidential Memorandum on Reciprocal Trade and Tariffs, Feb. 17, 2025
7. Update on Trade War: U.S. to Move Forward with 25% Tariffs on Mexico and Canada Products and Double Tariff on Chinese-Origin Products to 20%; Section 232 Investigation on Copper Imports; USTR Requests Comments, Feb. 28, 2028.
8. Trade War Update, U.S. Tariffs on Canadian and Mexican Origin Goods; Increase in U.S. Tariffs on China; New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect; Tariff Investigations on Timber, Mar. 4, 2025.
9. Trade War Update: New Section 232 Tariffs on Derivative Articles of Steel and Aluminum Go into Effect Today – March 12, 2025.
10. Trade War Update: U.S. Imposes Automotive Tariffs; "Secondary Tariffs" on Countries Importing Oil or Gas from Venezuela; CBP Issues FAQs on Steel and Aluminum Derivatives; April 2 Reciprocal Tariff Actions; and Anticipated Sectoral Tariffs on Pharmaceuticals and Lumber, March 29, 2025.

11. Reciprocal Tariffs and other tariff actions taken on Tariff Liberation Day, April 3, 2025.
12. Section 232 on Pharmaceuticals, Semiconductors, Critical Minerals, Electronic goods, FAQ; April 17, 2025.
13. Stacking Tariffs, De Minimis Changes, Auto Tariff Adjustments, Section 232 Inclusion Process, CBP's IEEPA FAQ Update, CBP Summit, and Potential 100% Tariff on Films May 7, 2025.
14. 90-Day Pause for 125% IEEPA China Tariff UK-US Fair Trade Deal, and Trade Negotiations with other Nations, May 12, 2025.
15. OFW Memo - Trade War Update CIT Ruling On IEEPA Tariffs and Subsequent Actions, June 2, 2025.

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We will continue to monitor this situation closely and will report all significant developments. In the interim, please do not hesitate to reach out to us with questions or requests for additional information at Jessica Rifkin (jrifkin@ofwlaw.com) or Denise Calle (dcalle@ofwlaw.com).