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Import Monitoring Systems: Steel and Aluminum

Background

Over the years, several domestic manufacturing industries have sought insulation from import competition—two of particular note include steel and aluminum. Both industries have formally established import monitoring systems—regulatory programs administered by a federal agency that monitor for certain imported goods. In the case of the steel and aluminum import monitoring systems, both operate under the authority of select provisions of the Census Act of 1930, as amended (13 U.S.C. §§301(a) and 302). These systems monitor for imports of certain steel and aluminum products to help anticipate import surges and changes in price, as well as any potential impact on the domestic industries.

The steel import monitoring system has been in effect for over two decades, while the aluminum equivalent was brought online in mid-2021. The Department of Commerce, International Trade Administration (ITA), manages both systems. Both of these import monitoring systems have the potential to serve as a supplementary tool to existing trade measures intended to help domestic producers remain competitive relative to foreign producers.

Steel Import Monitoring System

The steel import monitoring system was first established concurrently with the implementation of safeguard actions—import measures designed to provide temporary relief for a U.S. industry through the use of tariffs and/or quotas—on certain steel products under select provisions of the Trade Act of 1974 (19 U.S.C. §§2251-2253). These temporary safeguard measures went into effect in March 2002, and the steel import monitoring system was activated in February 2003. The Steel Import Monitoring and Analysis (SIMA) system—the formal name of the program—became codified under ITA in March 2005 and has been in effect since.

The intent of the SIMA system is to monitor for import surges through the implementation of an electronic-based import licensing system. Such a system could provide an early warning for import surges and price fluctuations of certain steel products entering the United States. U.S. Customs and Border Protection requires an ITA-issued import license for imports of certain steel products prior to their entry into the U.S. customs territory. In addition to the licensing system, ITA maintains a web-based monitoring tool that provides information on the trade of downstream steel products and trends of U.S. and global steel trade. Data obtained from the import licenses are aggregated and incorporated into a website—the public SIMA monitor—where the public can view and visualize data on a weekly basis. Such information can provide up to eight weeks of import data in advance of the release of official import

statistics from the U.S. Census Bureau. On balance, the SIMA system comprises the import licensing system and the public monitor.

In October 2020, the SIMA system underwent an extensive modernization, in which the licensing system and public monitor were updated. The update occurred as a result of joint understandings announced in May 2019 between the United States, Canada, and Mexico with respect to tariffs imposed on certain steel and aluminum imports under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862). Since May 2019, Canada and Mexico have been exempt from such tariffs; several other countries face modified restrictions, such as tariff-rate quotas in lieu of tariffs.

One update of the SIMA system pertained to the license application, which now requires applicants disclose additional supply chain information, specifically the country where the steel used in the manufacture of the imported steel product was melted and poured (commonly referred to as *the country of melt and pour*). According to ITA, melt and pour refers to the original location where the crude steel was produced in a furnace in its liquid state and then processed into its first solid shape, being a semifinished product (e.g., billets, blooms, or slabs) or a finished mill product. For example, if the United States imports certain steel products from a Mexican mill, the country of origin may be Mexico, where the product was manufactured; however, where the products were melted and poured could include other countries, such as Brazil or Russia, among others. SIMA's melt and pour dashboard provides data breakouts by country of origin, as well as country of melt and pour, expressed in quantity and value. This information provides increased visibility on where steel products are primarily sourced.

Information that importers or customs brokers must provide in the import license includes the country of exportation, expected date of export, expected date of import, expected port of entry, and the date of application, among others. U.S. importers have up to 60 days prior to the expected date of entry to file an application, with the license being valid for 75 days. ITA recommends importers apply for licenses as far ahead of entry as possible to avoid delays. Doing so could provide increased visibility from a regulatory perspective to monitor for import surges.

Aluminum Import Monitoring System

The Aluminum Import Monitoring and Analysis (AIM) system has been in effect since June 2021 and is modeled after the SIMA system. Like its steel equivalent, the AIM system uses electronic-based licensing for certain imported aluminum products and contributes to a website that details

trends in U.S. and global aluminum trade—the public AIM monitor.

Like SIMA, the AIM licensing system requires that U.S. importers disclose unique supply chain information concerning imported aluminum products. Specifically, importers and customs brokers must identify the largest and second-largest country, in terms of volume, of primary aluminum used in the manufacture of the imported aluminum product. The applicant must also identify the country where the imported aluminum product was most recently cast (these two requirements are commonly referred to *the country of smelt and cast*). The AIM has two individual dashboards that detail the country of origin, smelt, and cast for imports of aluminum products.

According to the ITA, the AIM system, like SIMA, serves as an additional tool to identify potential transshipment and circumvention of existing antidumping and countervailing duty orders. At present, the ITA estimates that the AIM licensing system receives approximately 750 licenses per day, while SIMA’s licensing system receives roughly double this amount. ITA expects to spend roughly \$800,000 to operate the AIM system in FY2023.

Trade and Sectoral Integration

In addition to the steel and aluminum import monitoring systems, other regulatory tools are in place to support these industries. The United States maintains restrictions on imports of steel and aluminum in order to shield domestic producers from foreign competition by limiting the volume of imports into the U.S. market. Import protection has been in effect, in various forms, since the late 1970s for steel and the early 2010s for aluminum. Despite these measures, a relatively large portion of the U.S. market is satisfied by imports for both of these industries.

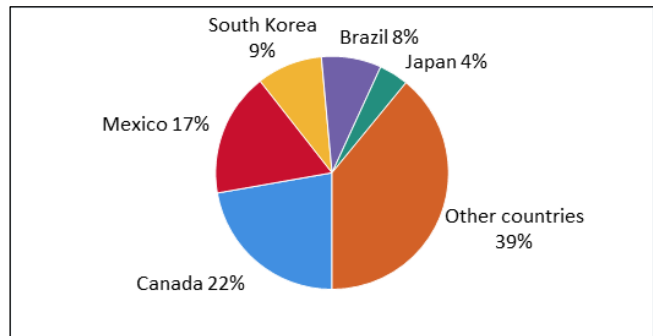
For both the steel and aluminum industries, U.S. imports exceed exports; however, this can be misleading as the North American market is highly integrated, particularly between Canada and the United States. Across both industries, Canada is the largest source of U.S. imports annually. Mexico has recently become the second-largest source of steel imports. Mexico is not a major producer of aluminum; however, Mexico consumes large volumes of North American aluminum, predominantly supplied from the United States. In terms of U.S. exports, Canada and Mexico are the two largest recipient markets for both steel and aluminum products.

Steel

In 2022, U.S. domestic steel production totaled an estimated 82 million metric tons; 10% of output was exported, with more than 90% shipped to Canada and Mexico. U.S. imports summed to 28 million metric tons, 39% of such imports supplied from Canada and Mexico (**Figure 1**). The U.S.-Mexico-Canada Agreement affords duty-free movement of steel mill products among the three countries—an additional indicator of the high integration of the North American market. Other moderately large import sources include South Korea (9%), Brazil (8%), and Japan (4%). U.S. tariffs and/or quotas limit imports from all of these countries, as well as from numerous others.

According to estimates from the U.S. Geological Survey (USGS), imports accounted for 14% of U.S. steel consumption in 2022, compared with 13% in 2021.

Figure 1. Top Five Import Sources of Steel, 2022



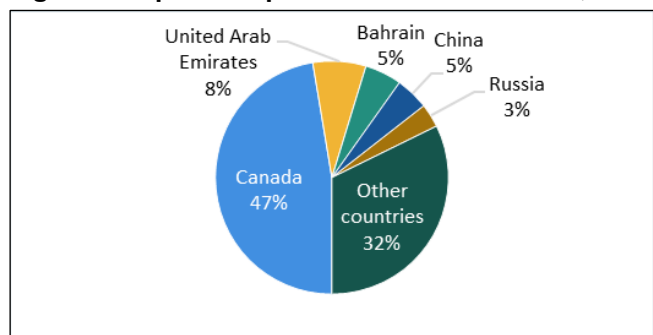
Source: U.S. Department of Commerce, “U.S. Steel Import Monitor,” accessed March 9, 2023.

Aluminum

The U.S. and Canadian aluminum industries are heavily interconnected, as each market is a major trading partner of the other across the aluminum value chain. Of the 6.4 million metric tons of aluminum imported into the United States in 2022, almost half came from Canada (**Figure 2**). Canadian output of primary aluminum reached an estimated 3.03 million metric tons in 2022, more than three times that of the United States, with the vast majority of that production exported to the United States. The same year, the United States exported 736,000 metric tons of semifinished aluminum products (e.g., plates, sheets, bars), with Canada and Mexico accounting for 43% and 39% of such exports, respectively.

Imports supplied 54% of the U.S. aluminum market in 2022, up from 41% in 2021, according to USGS estimates. An important reason for the imbalance between production and consumption is that the United States is a major exporter of aluminum scrap, which represented 66% of total export volume in 2022. By contrast, imports of aluminum scrap represented 11% of total aluminum imports. Imports of aluminum scrap are not subject to the AIM’s license requirement.

Figure 2. Top Five Import Sources of Aluminum, 2022



Source: U.S. Department of Commerce, “U.S. Aluminum Import Monitor,” accessed March 9, 2023.

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