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## SECTION 232 NATIONAL SECURITY TARIFFS: THE DOMINICAN REPUBLIC MEETS THE CRITERIA FOR EXEMPTION

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- The **Dominican Republic** is an **economic and security partner** of the United States and **meets the criteria** used by the Administration **to exempt countries** from the steel tariffs imposed pursuant to the Section 232 national security review by Presidential Proclamation issued on March 8, 2018, and **should be granted the same exemption as Canada, Mexico, Australia, Brazil, Argentina and the EU.**
- *Key Caribbean FTA Partner:* The Dominican Republic is the largest economy in the Caribbean with a GDP of approximately \$75 billion and a population of more than 10 million. It is the only Caribbean nation with a free trade agreement with the United States, which was implemented in 2007.
- *U.S. Trade Surplus:* Under the Dominican Republic-Central American FTA (DR-CAFTA), roughly balanced trade flows between the United States and the DR became a large U.S. goods surplus, averaging almost \$3 billion annually for the last five years. The DR is a top 20 export market for U.S. soybean products, tobacco, corn, beef, dairy, poultry and wheat, along with automotive products.
- *Bilateral Steel Trade:* The U.S. trade surplus has generally been reflected in steel products, averaging more than \$33 million over the 2013-17 period. The U.S. steel surplus with the DR has declined recently given global conditions, but the DR remains the fifth largest export market for U.S. long and semi-finished products.
- *DR Steel Shipped to Puerto Rico:* DR steel exports to the United States account for less than 0.1 percent of all U.S. steel imports. Most DR shipments are concrete reinforcing bar ("rebar") (HS 7214.20) to Puerto Rico and support its recovery and reconstruction from the effects of Hurricane Maria. No concrete reinforcing bars are shipped to the mainland United States. With the DR being the closest geographic supplier to Puerto Rico, the application of 232 tariffs to the DR could be a negative factor in reconstruction efforts.
- *Regime to Address Global Steel Dumping:* The DR is not a member of the G20 or the OECD, so cannot participate in the Global Forum on Steel Excess Capacity. However, under its own trade remedies regime, the DR has taken antidumping actions against steel products from China, Turkey, and Spain. Moreover, it would oppose any effort, in the WTO or elsewhere, to undermine the ability of the DR to act against dumped or subsidized steel products, or to prevent illegal transshipment of steel products.
- *Security Partnership:* The DR is the largest country partner in the U.S. Caribbean Basin Security Initiative ("CBSI"). The two countries have a military cooperation agreement, facilitating joint training on operations to combat transnational crimes (such as drug and human trafficking and terrorism) and to strengthen the delivery of humanitarian aid in the region. Southern Command helped establish a DR naval base for interdicting drugs and illegal migrants, while DEA and other U.S. agencies collaborate with Dominican authorities on criminal investigations. The security relationship is enhanced by on-going training received by Dominican military officers at Fort Benning, Georgia and underscored by the fact the DR was the only Caribbean country to commit troops in support of Operation Iraqi Freedom.

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**SECTION 232 NATIONAL SECURITY INVESTIGATION:  
STEEL IMPORTS**

**THE DOMINICAN REPUBLIC IS A SECURITY AND ECONOMIC  
PARTNER THAT CAN BE APPROPRIATELY REMOVED FROM  
RESTRICTIONS ON U.S. STEEL IMPORTS**

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**SUMMARY**

- The modest level of steel imports from the Dominican Republic do not constitute a threat to the U.S. steel industry or the national security interests of the United States. On the contrary, since the Dominican Republic has a close security and trade relationship with the United States it is in the national security interests of the United States to exclude the Dominican Republic from the tariffs established under the proclamation signed by the President of the United States on March 8, 2018.
- The Dominican Republic is the key country partner for the United States in addressing security threats within the Caribbean region. The Dominican Republic is the largest economy in the Caribbean with a GDP of approximately \$75 billion and a population of more than 10 million.
- Most steel exports from the Dominican Republic are concrete reinforcing bar shipped to Puerto Rico and support the recovery and reconstruction of Puerto Rico. No concrete reinforcing bars are shipped to the mainland United States.
- The United States maintains a large bilateral trade surplus with the Dominican Republic, a free trade partner country. This generally includes a surplus in trade in steel products.
- The Dominican Republic has the capacity to administer trade remedy cases, including for steel items, and prevent transshipment.
- There would be no security or trade purpose advanced by restricting the modest level of steel exports from the Dominican Republic, and these exports should be excluded from any relief imposed under Section 232.

**BACKGROUND**

**Security Partnership**

- The Dominican Republic is a key partner for the United States in addressing national security threats within the Caribbean region. The Dominican Republic is the largest economy in the Caribbean with a GDP of approximately \$75 billion and a population of more than 10 million, similar in size to the other largest populations in the Caribbean region found in Cuba and Haiti.

- The United States and the Dominican Republic collaborate closely to address drug trafficking, human trafficking and global terrorism threats. In confronting these threats, the Dominican Republic is the largest country partner working with the countries of CARICOM in support of the Caribbean Basin Security Initiative (“CBSI”) launched in 2010 by the United States. In November 2017, the Dominican Republic hosted the most recent meeting of the CBSI. The U.S. Departments of State and Homeland Security also signed an agreement with the Dominican government in 2015 to collaborate on a Criminal History Information Sharing program to exchange information on criminal deportees.
- Under a Technical Assistance Field Team (“TAFT”) initiative supported by the CBSI, U.S. Coast Guard and soldiers of Southern Command have worked with Dominican military counterparts to improve maritime drug interdiction capabilities. Southern Command also helped establish a Dominican naval base for interdicting drugs and illegal migrants, and the Drug Enforcement Administration works closely with Dominican authorities.
- Many Dominican military officers undergo leadership development courses at the Western Hemisphere Institute for Security Cooperation in Fort Benning, Georgia each year. In 2015, the two countries signed a military cooperation agreement, facilitating joint training on operations to combat transnational crimes and strengthen the delivery of humanitarian aid in the region.
- This close military relationship also is reflected in the fact that the Dominican Republic was the only Caribbean country to contribute troops in support of Operation Iraqi Freedom in 2003 as part of the *Brigada Hispanoamericana* under the command of Spain.
- The Dominican role in multilateral security initiatives in the Caribbean is likely to expand in the future. The United States and Dominican Republic are members of the Conference of American Armies; and the Dominican Republic took over as leader of the CAA for a two-year period from November 2017.

### **Trade Relationship**

- The economic and trade relationship between the United States and the Dominican Republic also is closely linked to the security interests of both nations going back at least to the Caribbean Basin Initiative of 1983.
- The CBI program led the Dominican Republic to become the only Caribbean nation to conclude a free trade agreement with the United States in 2005, together with the countries of Central America, which was implemented in 2007.
- Under this FTA the trade flows went from a rough balance to a large U.S. trade surplus. This U.S. surplus has also generally been reflected in steel products. The Dominican Republic is able to address the national security concerns the United States has about its steel industry, without the need to impose the 25 percent tariffs or any other trade restriction on steel products from the Dominican Republic.
- As Table 1 shows, shipments of steel products from the Dominican Republic to the United States, account for less than 0.1 percent of all U.S. steel imports. Most Dominican steel exports are concrete

reinforcing steel bar (“rebar”) (HS 7214.20) shipped to Puerto Rico. There are no Dominican shipments of this steel product to the mainland United States.

- Since the Dominican Republic is the closest geographic exporter to Puerto Rico, imposing trade restrictions on Dominican steel exports could hinder and make more expensive reconstruction efforts

from Hurricane Maria in Puerto Rico, and negatively affect an FTA partner country with which the United States runs a trade surplus, and provide no meaningful benefit for mainland U.S. steel producers or U.S. national security.

**Table 1**

| <b>U.S. Steel Imports from the Dominican Republic</b> |                                  |                                  |
|---|----------------------------------|----------------------------------|
| Year  | Customs Value (U.S. \$ Millions) | Weight (Metric Tons - Thousands) |
| 2013  | 27.4                             | 34.0                             |
| 2014  | 16.1                             | 19.9                             |
| 2015  | 11.4                             | 14.2                             |
| 2016  | 17.0                             | 27.2                             |
| 2017  | 27.2                             | 38.1                             |
| Average Share of Total U.S. Imports (2013-17)         | Less than 0.1%                   | Less than 0.1%                   |

Data from U.S. International Trade Commission

- The United States traditionally maintains a steel products trade surplus with the Dominican Republic, which averaged more than \$33 million over 2013-17. Although, the U.S. steel trade surplus with the Dominican Republic has declined recently, likely reflecting global excess capacity and trade trends, as Table 2 shows, the Dominican Republic is the fifth largest export market for U.S. long product and semi-finished product steel exports.

**Table 2**

| <b>U.S. Top 5 Export Markets by Product</b> |                    |               |                    |
|---|--------------------|---------------|--------------------|
| Long Products                               |                    | Semi-finished |                    |
| 1   | Canada             | 1             | Mexico             |
| 2   | Mexico             | 2             | Canada             |
| 3   | Brazil             | 3             | China              |
| 4   | Bahamas            | 4             | Taiwan             |
| 5   | Dominican Republic | 5             | Dominican Republic |

Data from the U.S. International Trade Administration’s June 2017 Global Steel Monitor

- As seen in Table 3, the overall U.S. goods trade surplus with the Dominican Republic has averaged almost \$3 billion annually for the last five years.

**Table 3**

| <b>U.S. Goods Trade with the Dominican Republic (U.S. \$ Millions)</b> |              |              |              |
|--|--------------|--------------|--------------|
| Year   | Exports      | Imports      | Balance      |
| 2013   | 7,158        | 4,261        | 2,897        |
| 2014   | 7,928        | 4,528        | 3,400        |
| 2015   | 7,115        | 4,665        | 2,450        |
| 2016   | 7,756        | 4,680        | 3,077        |
| 2017   | 7,793        | 4,747        | 3,046        |
| <b>Average (2013-17)</b>   | <b>7,550</b> | <b>4,576</b> | <b>2,974</b> |

Data from U.S. Census Bureau

- The Dominican Republic is a top 20 export market for U.S. soybean products, tobacco, corn, beef, dairy, poultry and wheat, along with automotive exports. See Table 4.

**Table 4**

| <b>Dominican Republic Market Ranking for Selected U.S. Exports, 2017</b> |              |                          |         |
|--|--------------|--------------------------|---------|
|  | Product      | Value (U.S. \$ Millions) | Ranking |
| 1  | Soybean Oil  | 141.5                    | 3       |
| 2  | Tobacco      | 82.6                     | 3       |
| 2  | Soybean Meal | 173.0                    | 5       |
| 4  | Corn         | 93.5                     | 13      |
| 5  | Beef         | 52.6                     | 11      |
| 6  | Dairy        | 78.6                     | 12      |
| 7  | Poultry      | 64.4                     | 16      |
| 8  | Automobiles  | 319.2                    | 17      |
| 9  | Wheat        | 81.8                     | 18      |

Data from U.S. International Trade Administration and U.S. Department of Agriculture

**Trade Remedy Regime**

- The Dominican Republic is not a member of the G20 or the OECD, so is not a participant in the Global Forum on Steel Excess Capacity. At the same time the Dominican Republic shares the concerns about over capacity in global steel production.
- The Dominican Republic has in place a trade remedies regime program to address dumped or subsidized imports. Under this regime, the Dominican Republic has taken antidumping actions against steel products from China, Turkey, and Spain. The Dominican Republic would oppose any effort, in the WTO or elsewhere, to undermine the ability of the government to act against dumped or subsidized steel products, or to prevent transshipment of steel through the Dominican Republic.
- Consequently, the Dominican Republic is also a reliable partner in the United States in the global effort to address excess steel capacity, particularly by China, and to prevent that excess capacity from damaging steel industries in the United States and the Dominican Republic.

**STEEL REBAR IMPORTS TO PUERTO RICO 2012-17**

| <b>Steel Imports to Puerto Rico – Rebars (721420)<br/>Section 232: Exempt and Non-Exempt Suppliers<br/>(U.S.\$ thousands)</b> |               |               |               |               |               |             |
|---|---------------|---------------|---------------|---------------|---------------|-------------|
| <b>Country</b>  | <b>2012</b>   | <b>2013</b>   | <b>2014</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017</b> |
| Mainland U.S.   | 8,415         | 4,791         | 5,227         | 2,667         | 891           | *           |
| Dominican Republic  | 24,963        | 18,797        | 10,175        | 5,348         | 7,912         | 14,135      |
| Brazil  | -             | -             | -             | 1,488         | 1,469         | 1,864       |
| Mexico  | -             | 1,641         | -             | -             | -             | 9           |
| Portugal  | -             | -             | 3,772         | -             | -             | -           |
| Turkey  | 41,186        | 29,915        | 25,784        | 23,206        | 13,603        | 9,910       |
| Taiwan  | -             | -             | -             | 9             | -             | -           |
| Japan   | -             | -             | 4,759         | 4,063         | 3,824         | -           |
| <b>TOTAL</b>  | <b>66,150</b> | <b>50,354</b> | <b>49,717</b> | <b>36,781</b> | <b>27,698</b> | <b>*</b>    |

*Data Sources: U.S. International Trade Commission, U.S. Census Bureau*

Note: \*Data unavailable

Countries currently exempt under Section 232 tariffs.

Countries not currently exempt under Section 232 tariffs.

Sorini, Samet & Associates LLC is registered as an agent on behalf of the Embassy of the Dominican Republic. Additional information is available at the Department of Justice, Washington, D.C.