

Trade News Update: USMCA & Section 301 Duties

by Robert Stein - Tuesday, December 04, 2018



12/4 UPDATE: The White House has confirmed the 90-day suspension of the increase on Section 301 duties began December 1. The scheduled increase deadline is now March 1, 2019.

This has been a busy weekend for trade news. The two major issues that have provoked the most interest are:

- 1- The signing of the USMCA as a first step toward replacing NAFTA
- 2- The temporary suspension of the January 1st duty increase from 10% to 25% on the third tranche of goods subject to Section 301 duties

USMCA News

President Trump, Prime Minister Trudeau of Canada, and outgoing President Nieto of Mexico all signed

the new US, Mexico, Canada Trade Agreement (USMCA) at the G20 summit in Buenos Aires, Argentina just before incoming Mexican President, Andres Manuel Lopez Obrador (known as AMLO) took office. What does this mean? The U.S. Congress will still need to ratify the new agreement. There are concerns that this may prove to be an obstacle to swift implementation of USMCA. While President Trump would like to terminate NAFTA and substitute USMCA, there are significant obstacles including the fact that only Congress has the authority to withdraw the US from NAFTA and several congressional representatives have expressed concerns about the new agreement not going far enough to protect US interests.

There are concerns over the lack of lifting Section 232 steel and aluminum tariffs, as desired by Mexico and Canada, and there has been talk of quotas on steel and aluminum by the U.S. to allow duty free importations from Mexico and Canada in limited quantities.

China Section 301 Duty Update

In a major announcement this weekend, President Trump announced the suspension of the increase in duties on Chinese goods listed in the third tranche expected on January 1st, 2019. This means that goods that were scheduled to see an increase in Section 301 duties from 10% to 25% on January 1st will now remain at 10% while Presidents Trump and Xi Jinping continue to negotiate on forced technology transfer, intellectual property rights protections, and other issues.

This announcement should provide relief for many companies whose reliance on Chinese components and finished goods for their continued success and support of many jobs domestically would be jeopardized by the duty increase on list 3 from 10% to 25%. If negotiations with the Chinese go well there may even be a rollback of some of the existing Section 301 and 232 measures.

Importers should be aware that this suspension of the increase in duties is temporary and, should China and the U.S. fail to come to terms within the 90 days, the Trump administration has promised that the suspended increase will become effective. This means that importers should hope for the best but be prepared for the possibility that the increase to 25% duties on goods on list 3 may still take place on March 1st, instead of January 1st.



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