UPDATE ON THE CHANGING U.S. IMPORT TARIFFS

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GVSU'S VAN ANDEL GLOBAL TRADE CENTER

SEPTEMBER 25, 2019
OVERVIEW

- Section 201
- Section 232
- Section 301
WHY IS THE U.S. APPLYING ADDITIONAL TARIFFS?
SECTION 201
Trade Act of 1974 - U.S. International Trade Commission (USITC) conducted an investigation & determined imports into the U.S. of solar cells & modules as well as large residential washing machines caused substantial disruption to the U.S. domestic industry.

The U.S. President has the authority to:
- Increase tariffs
- Set tariff rate quota
- Set absolute quota
- Apply import licensing fees

Have a term period applied of 4 years and may be extended to a maximum of 8 years.
OUTCOMES OF SECTION 201 INVESTIGATIONS

- ITC NEGATIVE: 32
- PRESIDENT NEGATIVE: 14
- RELIEF GRANTED: 26

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariff Increase</td>
<td>9</td>
</tr>
<tr>
<td>Adjustment Assistance</td>
<td>6</td>
</tr>
<tr>
<td>Combination</td>
<td>4</td>
</tr>
<tr>
<td>Tariff Quotas/Quotas</td>
<td>3</td>
</tr>
<tr>
<td>Relief Difference from Sec. 201</td>
<td>3</td>
</tr>
<tr>
<td>Marketing Agreement</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: One investigation was withdrawn at the request of the petitioner.
SECTION 232
SECTION 232 – INVESTIGATION PROCESS

[Diagram showing the investigation process steps]

- **Start**
  - Investigation requested.

- **270 days**
  - Secretary of Commerce investigates. Investigation includes consultation with DOD and may include others.

- **If findings are negative, no further action required**
  - If findings are affirmative, 90 days

- **President decides whether to accept findings and recommendations.**
  - 15 days

- **President implements action (if any).**
  - 30 days

- **President informs Congress.**

**Source:** CRS graphic based on 19 U.S.C. §1862.
SECTION 232 – STEEL & ALUMINUM

• All imports of specific listed goods have additional duty:
  • Steel 25%  (including Turkey which lowered on May 16, 2019)
  • Aluminum 10%

• Global additional tariff and will continue until absolved (no time limit)

• Countries excluded:
  • Steel originating in: Australia, Canada, Mexico
  • Aluminum originating in: Australia, Canada, Mexico

• Absolute quota limits
  • Steel: Argentina, Brazil, and South Korea
  • Aluminum: Argentina
SECTION 232 EXCLUSION REQUESTS

• Must be filed online through the Federal Rulemaking Portal (Regulations.gov)

  New portal June 10, 2019

• The review period for exclusions not to exceed 90 days

• Submissions must be made on the form provided -limited to 25 pages

• No time limit for submitting exclusion requests for Section 232

• Exclusions are company specific

• Exclusions are available for one year for a retroactive refund

• After the one year, companies need to re-apply to receive exclusion
### SECTION 232 – STEEL & ALUMINUM EXCLUSIONS

<table>
<thead>
<tr>
<th>Category</th>
<th>Requests</th>
<th>Approved</th>
<th>Denied</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Michigan Exclusion Requests</strong></td>
<td>4,451</td>
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<td></td>
</tr>
<tr>
<td>Steel requests:</td>
<td>4,148</td>
<td></td>
<td>831</td>
</tr>
<tr>
<td>Aluminum requests:</td>
<td>303</td>
<td></td>
<td>25</td>
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<tr>
<td><strong>Total Approved Requests Approved</strong></td>
<td>2,295</td>
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<tr>
<td>Steel approved:</td>
<td>2,119</td>
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<tr>
<td>Aluminum approved:</td>
<td>176</td>
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<td><strong>Total Denied</strong></td>
<td>856</td>
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<tr>
<td>Steel denied:</td>
<td>831</td>
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<td>Aluminum denied:</td>
<td>25</td>
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Source: [https://quantgov.org/tariff-exclusion/](https://quantgov.org/tariff-exclusion/)
ALLOWANCES UNDER SECTION 232

• No allowance for duty drawback
• Foreign-Trade Zone (FTZ)
  • Restriction under section 232 allows goods to be admitted as “Privileged Foreign” status
  • No inverted tariff benefits currently allowed
  • Benefit for goods exported from a U.S. FTZ to another country
  • Goods entered into U.S. required to pay the additional tariff
PENDING
SECTION 232
AUTOMOTIVE SECTION 232

• Began investigation May 23, 2018
• Report issued February 23, 2019
• President issued concurrence of security threat May 17, 2019
• President requests United States Trade Representative (USTR) pursue trade negotiations
URANIUM ORE & PRODUCT IMPORTS SECTION 232

• Began investigation July 18, 2018

• In response to petitions by U.S. firms
TITANIUM SPONGE IMPORTS
SECTION 232

- Investigation began March 4, 2019
- In response to petitions by U.S. firms
CHINA
SECTION 301
<table>
<thead>
<tr>
<th>LIST 1</th>
<th>IMPLEMENTED</th>
<th>VALUE OF GOODS</th>
<th>LINE ITEMS</th>
<th>RATE/ADDITIONAL DUTY</th>
<th>EXCLUSION DEADLINE</th>
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<td>JUL 6, 2018</td>
<td>$34 Billion</td>
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<td>LIST 3</td>
<td>SEP 24, 2018</td>
<td>$200 Billion</td>
<td>5,733</td>
<td>10% thru 5.9.19, 25% as of 5.10.19, 30% as of 10.1.19</td>
<td>SEP 30, 2019</td>
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<tr>
<td>LIST 4</td>
<td>SEP 1, 2019</td>
<td>$300 Billion</td>
<td></td>
<td>15% Annex A as of 9.1.19</td>
<td>Not yet announced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Split into 2 Annexes</td>
<td></td>
<td>15% Annex C as of 12.15.19</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>Includes nearly everything else not covered in the previous three lists</td>
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## China - Section 301

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<th>Implemented</th>
<th>Value of Goods</th>
<th>Line Items</th>
<th>Rate/Additional Duty</th>
<th>Exclusion Deadline</th>
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<td>List 3</td>
<td>Sep 24, 2018</td>
<td>$200 Billion</td>
<td>5,733</td>
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<td>15% Annex A as of 9.1.19 15% Annex C as of 12.15.19</td>
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Total of $550 Billion
EXCLUSIONS
CHINA SECTION 301
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<th>EXCLUSION GRANTED</th>
<th>EXCLUSION TIMEFRAME</th>
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<tbody>
<tr>
<td></td>
<td>Expired in 2018</td>
<td>Released over 6 Rounds</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>December 2018 of 24 Product Descriptions</td>
<td>July 6, 2018 to December 29, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>March 2019 of 30 Product Descriptions</td>
<td>July 6, 2018 to March 26, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>April 2019 of 21 Product Descriptions</td>
<td>July 6, 2018 to April 19, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>May 2019 of 35 Product Descriptions</td>
<td>July 6, 2018 to May 15, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>June 2019 of 88 Product Descriptions</td>
<td>July 6, 2018 to June 6, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 2019 for 110 Product Descriptions</td>
<td>July 6, 2018 to July 10, 2020</td>
</tr>
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<td>LIST 1</td>
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<td>Expired in 2018</td>
<td>Over 6 Rounds</td>
<td>July 6, 2018 to Dec, Mar, April, May, June, July 2020</td>
<td></td>
</tr>
<tr>
<td>LIST 2</td>
<td>Expired in 2018</td>
<td>July 31, 2019 for 69 Product Descriptions</td>
<td>August 23, 2018 to July 31, 2020</td>
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<td>LIST 3</td>
<td>SEP 30, 2019</td>
<td>August 7, 2019 for 10 Product Descriptions</td>
<td>September 24, 2018 to August 7, 2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>September 19, 2019 for 89 Product Descriptions</td>
<td>September 24, 2018 to August 7, 2020</td>
</tr>
<tr>
<td>LIST</td>
<td>Exclusion Deadline</td>
<td>Exclusion Granted</td>
<td>Exclusion Timeframe</td>
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<td>Not yet announced</td>
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</tbody>
</table>
Exclusion requests must be filed online through Federal Rulemaking Portal (Regulations.gov).

- Public comments within 14 days of filing a 301 exclusion request.
- Approved exclusions valid for one year.
- Granted to anyone importing the special product description the exclusion was issued for.
ALLOWANCES UNDER SECTION 301

- Duty drawback allowed
- Foreign-Trade Zones (FTZ) may use only “Domestic” or “Privileged Foreign” status
  - **No inverted tariff benefits** currently allowed
  - Benefit for 301 items **exported from a U.S. FTZ** to another country
  - Goods leaving a U.S. FTZ into U.S. commerce required to pay the additional tariffs
WAYS TO MITIGATE ADDITIONAL DUTIES

• Review the manufacturing process
  • Where does the transformation to finished good occur?

• Use suppliers in countries where U.S. has free trade agreements in place
PENDING
301
• Large Civil Aircraft - *Investigation initiated April 2019*

• France’s Digital Service Tax – *Investigation initiated July 2019*
Q & A
Thank you!

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