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Reaching Beyond Borders

Additional duties on Chinese goods and new duties on aluminum and steel

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About the Presenter

Dayne Edmondson is a licensed US customs broker with over 19 years of experience in the customs brokerage and compliance industry. He is a Manager of Compliance & Consulting at Buckland.

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- Documentation of internal customs compliance procedures and processes
- Monitor the partnership and conduct review meetings for continuous quality and process improvements.
- Ongoing tariff classification services
- Broker / Import management programs
- Post Summary corrections including 520d filings
- FTA and Value reconciliation analysis and filing
- Duty Drawback

SEMINARS + WORKSHOPS

- Documentation of internal customs compliance procedures and processes
- On-site training seminars including importing/exporting into Canada, the United States and Mexico; NAFTA and Customs Compliance

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Background on Section 301 – China duties

- First implemented in June 2018 with List 1, Section 301 imposed tariffs ranging from 7.5% to 25% on **most** goods of Chinese origin.
- Most exclusions that were granted in the beginning of Section 301 have expired. Those that remain are set to expire May 31, 2025.

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New Section 301 duties in 2024

- On September 13, 2024, the United States Trade Representative (USTR) announced the final Section 301 tariff increases on imports from China,1 following its original proposal in May 2024.
- Electric vehicles, electric vehicle batteries, battery parts, respirators and facemasks, syringes and needles, ship-to-shore gantry cranes, solar panel cells and modules, steel and aluminum products, and certain critical minerals imported from China will face increased tariff rates ranging between 25% and 100% beginning on September 27, 2024.

Product Groups Affected by New Section 301 Duties

Product Group	New Section 301 Tariff Rate	Application Date	Previous Section 301 Tariff Rate
Battery parts (non-lithium-ion batteries)	25%	September 27, 2024	7.5%
Electric vehicles	100%	September 27, 2024	25%
Lithium-ion electrical vehicle batteries	25%	September 27, 2024	7.5%
Surgical and non-surgical respirators and facemasks (first increase)	25%	September 27, 2024	7.5%
Syringes and needles (excluding enteral syringes)	100%	September 27, 2024	0%
Ship-to-shore gantry cranes	25%	September 27, 2024	0%
Solar cells (whether or not assembled into modules)	50%	September 27, 2024	25%
Steel and aluminum products	25%	September 27, 2024	0% or 7.5%
Various critical minerals	25%	September 27, 2024	0%
Semiconductors	50%	January 1, 2025	25%
Rubber medical and surgical gloves (first increase)	50%	January 1, 2025	7.5%
Disposable textile facemasks (first increase)	25%	January 1, 2025	7.5%
Disposable textile facemasks (second increase)	50%	January 1, 2026	25%
Surgical and non-surgical respirators and facemasks (second increase)	50%	January 1, 2026	25%
Enteral syringes (exempted in 2024 and 2025)	100%	January 1, 2026	0%
Lithium-ion non-electrical vehicle batteries	25%	January 1, 2026	7.5%
Rubber medical and surgical gloves (second increase)	100%	January 1, 2026	50%
Permanent magnets	25%	January 1, 2026	0%
Natural graphite	25%	January 1, 2026	0%

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Background on Section 232 – Aluminum & Steel

- In 2018, during the presidential term of Donald Trump, the Department found that the quantities and circumstances of steel and aluminum imports “threaten to impair the national security,” as defined by Section 232.
- On March 8, 2018, Trump exercised his presidential authority under Section 232 of the Trade Expansion Act of 1962 to impose a 25% tariff on steel imports and a 10% tariff on aluminum imports citing national security concerns.

New Aluminum & Steel Requirements from Mexico in 2024

- On 10 July 2024, the Biden Administration reached an agreement with Mexican President Manuel Lopez Obrador to implement additional trade measures to prevent the circumvention of current United States (US) punitive tariffs imposed on steel and aluminum imports under Section 232 of the Trade Expansion Act of 1962 (Section 232).
- While steel and aluminum products of Mexico were previously exempt from the 25% and 10% Section 232 punitive duties, respectively, the Presidential Proclamation introduces a requirement that, to be exempt from the existing tariffs, steel from Mexico must be melted and poured in the US, Canada or Mexico, and aluminum from Mexico must not be smelt or cast in China, Russia, Belarus or Iran.
- The Section 232 tariffs for Mexican steel and aluminum products take effect immediately on or after 12:01 a.m. EST on 10 July 2024. Importantly, the Proclamation provides that the same Section 232 tariffs would apply to steel and aluminum articles admitted to US Foreign Trade Zones (FTZs) under "privileged foreign status" and entered for consumption.

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What customers can do about the new steel and aluminum requirements

- Companies with international supply chains, particularly with those including Mexico and China sourcing and manufacturing, should immediately identify the potential impact of these measures and explore potential mitigation strategies. Actions to take may include:
  - Monitoring updates from US Customs and Border Protection to provide further instructions on "melt and pour requirements" for steel products as well as "smelt and cast requirements" for aluminum products
  - Developing compliance processes and procedures that demonstrate reasonable care in the face of increased customs enforcement and scrutiny
  - Reviewing FTZ operations and admission status of steel and aluminum products under the new requirements

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Steel and aluminum melt and pour requirements

Per CBP CSMS Message #62582900, Country of melt and pour refers to the original location where the raw steel is first produced in a steel-making furnace in a liquid state and then poured into its first solid shape. The first solid state can take the form of either a semi-finished product (slab, billets, or ingots) or a finished steel mill product. The location of melt and pour is customarily identified on mill test certificates generated at each stage of the production process and maintained in the ordinary course of business.

For imports of certain steel articles from all countries, when reporting the country of melt and pour, the International Organization for Standardization (ISO) country code where steel was originally melted and poured is mandatory.

For imports of derivative steel products, the reporting of the country of melt and pour code or applicability code is only required for products of Mexico. For derivative steel that are products of Mexico only, the applicability code "OTH" (Other) can be used if an ISO code was not provided in the country of melt and pour field.

For derivative steel products that are the product of countries other than Mexico, the ISO code will be accepted but is not required.

A steel mill certificate is required to be submitted via the Document Image System (DIS) in the Automated Commercial Environment (ACE) for iron or steel imports classifiable in Chapter 72 or headings 7301 to 7307 of the Harmonized Tariff Schedule of the United States (HTSUS).

Looking ahead to 2025

- With the election of Donald J. Trump as the new president of the United States, President Trump is expected to implement or attempt to implement several trade policies in 2025. These include:
  - 10% - 20% Tariff Increase on All Imports
  - 25% Tariff on Canada
  - 25% - 75% Tariffs on Mexico to Crack Down on Immigration and Fentanyl
  - 100% Tariffs on Automobiles Made in Mexico
  - Estimated 60 - 100% Tariff Increase on Chinese Products.
  - Revoke China’s Permanent Normal Trade Relations (“PNTR”) Status.
  - 100% tariffs on countries that abandon the dollar as their reserve currency
  - “Strong Protections” To Prevent Chinese Tariff Circumvention.
  - Pass The “Trump” Reciprocal Trade Act and Other Possible Actions.
  - Pursue Bilateral Trade Agreements (“BTAs”) with Key Allies
  - Executive Action to Hasten Section 321 de minimis Reform.

Possible Actions and Projected Likelihood

Mechanism	Actions	Require Investigation?	Likelihood of use
Trade Act of 1974, Sec. 122	Tariffs up to 15% for 150 days	No	High
Trade Act of 1974, Sec. 301	Tariffs and Quotas	Yes (for Canada and Mexico)	High
Revoke China's PNTR (Permanent Normal Trade Relation) status	Increase in ad valorem tariffs	Requires Congress. Could be concurrent with Section 301, 232, etc.	High
International Emergency Economic Powers Act of 1977 (IEEPA)/Trading with the Enemy Act of 1917, Sec. 5(b)(1)(B)	Virtually all trade powers vested to President	No, but requires consultation with Congress and declaration of a National Emergency	High
Tariff Act of 1930, Sec. 338	Additional duties up to 50%, ban in imports, 3rd country action	No, but requires proof the US is being discriminated against by other nations	Medium
Trade Expansion Act of 1962, Sec. 232(b)	Tariffs or Quotas	Yes	Medium
Trade Act of 1974, Sec. 201	Duties, other measures	Yes	Low

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Who Pays the Additional Duties?

- The importer of record. This can be the U.S. buyer/consignee or the foreign exporter (registered as a Non-Resident Importer).

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How Companies Can Prepare

- Review your current US import activity
- Estimate your future US import activity
- Estimate 25% additional duties for products with a country of origin of Canada and Mexico (the method used to impose additional duties will determine whether the Canada and Mexico duties will be able to mitigated by USMCA).
- Estimate 60%+ additional duties for products with a country of origin of China.
- Estimate 10-20% (average 15%) additional duties on all other countries.
- Evaluate re-sourcing products from different countries and/or domestically

Questions?

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