



## NEW TARIFFS ON ALL GOODS IMPORTED FROM MEXICO – May 31, 2019

On May 30, 2019, President Trump issued a [statement](#) outlining his intention to impose new tariffs on all Mexican imports under the 1977 International Emergency Economic Powers Act (IEEPA) 50 U.S.C. 1701. A Presidential Proclamation and/or Federal Register Notice assigning Federal agency responsibilities will be necessary to provide detailed guidance on the issue prior to June 10. There are many complex issues to address such as whether this action will apply to only Mexican origin materials or all materials including U.S., German, Japanese, etc. If it is based on all materials from Mexico it will be much more complicated to manage. Will there be industry exclusions as in all previous Trump Administration Trade Remedy actions? It is also conceivable that this action will be delayed. The additional duties schedule is:

- 5% after June 10, 2019
- 10% after July 1, 2019
- 15% after August 1, 2019
- 20% after September 1, 2019
- 25% after October 1, 2019

Mexico is now our largest trading partner. If implemented at 25%, the additional Customs duties would exceed \$87 billion, larger than China 301 tariffs. According to President Trump's statement, duties will increase until the Mexican government takes action to curb the illegal entry of aliens into the United States.

Under the IEEPA, the President must consult with Congress and outline why these circumstances are "an unusual and extraordinary threat" to the national security, foreign policy, or economy of the United States. It has been used in the last forty (40) years generally for extending the authority of the Export Administration Regulations when the Export Administration Act lapsed, and terrorism and economic blockades. President Trump has used IEEPA recently to secure the information and communication, technology, and services supply chain with respect to Huawei. Under IEEPA the President has authority to regulate imports; it has never been used to implement increased Customs duties. This is a unique instance of Customs duties used as a political weapon in the immigration context.

This imposition of duties on Mexican imports without advance consultation with Mexico is a violation of the NAFTA and the principles of the World Trade Organization (WTO). The same day USTR transmitted to Congress a draft Statement of Administrative Action to implement USMCA. This action will seriously jeopardize the enactment of USMCA by Congress as well as the Mexican government.

There will be an immediate economic impact on most all U.S. industry as Mexico is a part of U.S. industry supply chains. However, the impact on the global trading system may well

be much more significant as there is no provision under the WTO rules or any legal mechanism to impose Customs duties based on immigration issues. It is a global concern.

It remains unclear how Customs will efficiently process entries at the U.S.-Mexico border with duties on all Mexican imports. Truck manifests are not in an electronic format as are ocean and air freight shipments and Customs has deployed additional resources from the commercial environment to assist in processing immigration violations. Expect long delays for U.S. Customs entry.

For merchandise admitted to FTZs after the effective date, expect the requirement to admit merchandise in Privileged Foreign (PF) status.

At this point, there are too many other variables to provide FTZ management advice.

Please contact [Marshall Miller](#), [Brian Murphy](#), [Sean Murray](#), or [Ryan Thornton](#) with questions or for assistance.

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