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MAJOR U.S. TRADE ACTIONS UNDERWAY
(July 21, 2026)

With Section 122 tariffs set to expire on July 24, the Trump administration is expected to unveil a wide range of replacement measures based on new legal standards in the coming days. They have already started. Announcements have been made involving:

- Canada Section 338 – 50% Tariffs
- Brazil Section 301 – 25% Tariffs
- Section 232 Aluminum Production Onshoring
- Defense Supply Chain and Critical Materials Executive Order
- U.S.-Jordan Framework Trade Agreement

The first use of the Section 338 law will initiate litigation. The positive Brazil balance of trade was ignored for tariffs based on digital trade, banking, etc. Aluminum production onshoring based on tariff reductions is the second use of the new onshoring methodology. The Jordan agreement would require a 5-year phase out of forced labor and consider preferential treatment in future trade remedy measures, including Section 201, 232, and 301 actions.

Additional tariff actions anticipated this week include Forced Labor Section 301 tariffs that could impact roughly 60 economies and Section 301 Structural Excess Capacity tariffs focused on 16 major trading partners. The initial implementation of the Section 232 pharmaceutical tariffs begins on July 31.

CANADA SECTION 338 – 50% TARIFFS

On July 20, President Trump issued three proclamations under Section 338 of the Tariff Act of 1930 (19 U.S.C. § 1338) imposing an additional 50% ad valorem tariff on certain products of Canada effective at 12:01 a.m. Eastern Time (ET) on August 19, 2026.

The Proclamations, which will significantly impact North American trade, address alleged Canadian discrimination against U.S. commerce involving motor vehicles, alcoholic beverages, and dairy products. According to a White House Fact Sheet, the tariffs will apply regardless of whether a product qualifies for preferential treatment under the United States-Mexico-Canada Agreement ("USMCA"). However, the tariffs will exclude energy, potash, and goods already subject to Section 232 tariffs, including steel, aluminum, copper, lumber, pharmaceuticals, automobiles and auto parts, and semiconductors. Additional exclusions apply to qualifying civil aircraft and civil aircraft parts, certain fish and critical minerals, and merchandise entered under specified HTSUS Chapter 98 provisions.

These new tariffs represent the first use of Section 338 and establish a new tariff regime that is separate from existing Section 122, Section 232, and Section 301 trade measures. Section 338 of the Tariff Act of 1930 authorizes the President to impose retaliatory tariffs of up to 50% ad valorem on imports from a foreign country when that country discriminates against U.S. commerce or imposes unreasonable or unequal charges, restrictions, regulations, or other trade measures that are not equally applied to the commerce of other countries, thereby placing U.S. goods or commerce at a competitive disadvantage.

According to USTR, the three Section 338 actions will apply to nearly $20 billion of Canadian imports and are intended to offset what the Administration describes as discriminatory treatment of U.S. motor vehicle, dairy, and alcoholic beverage exports. A legal challenge to these Section 338 tariffs should be expected.

These new tariffs will be applied in addition to applicable Section 122 and Section 301 duties and will not exempt USMCA-qualified goods. Importers of Canadian-origin merchandise should carefully review Annexes I and II, as well as the corresponding HTSUS provisions, to determine whether their products fall within scope and how to properly declare Canadian-origin goods. There is still the strong potential for negotiations between the U.S. and Canada to change these proclamations before they go into effect on August 19.

All products subject to this action that are admitted into a U.S. Foreign Trade Zone (FTZ), except products eligible for admission under Domestic zone status, must be admitted in Privileged Foreign (PF) zone status.

Motor Vehicle Proclamation

The motor vehicle Proclamation is the most significant of the three Proclamations. It alleges that Canada maintains a tariff and tariff-rate quota ("TRQ") regime applicable exclusively to U.S. motor vehicles. The Canadian tariff remission program allows qualified vehicle manufacturers that produce vehicles in Canada to import a quantity of non-qualifying U.S.-built cars tariff free into Canada as long as the agreed Canadian production is maintained. The Administration further claims that Canada reduced quota allocations for manufacturers that relocated production from Canada to the United States, thereby discouraging reshoring and limiting export opportunities for U.S.-based vehicle manufacturers. According to the Proclamation, exports of U.S. motor vehicles to Canada declined by approximately 22% following implementation of these Canadian measures.

Annex II identifies hundreds of Canadian products that will be subject to the new 50% tariff across a wide range of industries, including agricultural and food items such as natural honey, seeds and planting materials, bulbs and nursery products, and ornamental foliage; chemicals and industrial inputs such as essential oils, fragrances, plant extracts, resins, industrial fatty acids, adhesives, paints, varnishes, and inks; construction and manufacturing materials including cement, salt, vinyl flooring, fiberboard, plywood, and laminated wood products; consumer goods such as cosmetics, hair care products, candles, plastic household goods, luggage, leather products, and travel accessories; and industrial and manufactured goods including packaging materials, furniture and furniture parts, textiles and apparel, jewelry, machinery, smartphones, and electronic transmission apparatus.

Alcohol Proclamation

The alcohol Proclamation alleges that Canadian provinces and territories have, since March 2025, removed U.S. alcoholic beverages from government-controlled distribution channels and retail outlets while continuing to allow the sale of alcoholic beverages originating from other countries. The Proclamation further states that U.S. alcohol exports to Canada decreased by approximately 81% after these measures were imposed.

Annex II identifies Canadian products subject to the new 50% tariff, including alcoholic beverages and distilled spirits such as beer, wine, and liquors. Additional covered products include grapefruit essential oil, decorative wood products, wooden tableware and kitchenware, paper and paper products, and hockey equipment and accessories.

Dairy Proclamation

The dairy Proclamation focuses on Canada's administration of dairy tariff-rate quotas (TRQs). The Administration alleges that Canada permits retailers to access cheese TRQs established under the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) while denying retailers comparable access under the USMCA cheese TRQ framework. According to the Proclamation, this policy affords EU dairy products more favorable access to the Canadian market than comparable U.S. dairy exports.

Annex II identifies a range of Canadian dairy and dairy-derived ingredients subject to the new 50% tariff, including milk powder, concentrated milk and cream, sweetened milk products, whey products, whey protein concentrates, milk protein concentrates, lactose, lactose syrups, casein, protein derivatives, and peptones. The annex also covers certain food ingredients and products, including glucose, fructose, blended syrups, molasses, bakery mixes containing dairy, and non-alcoholic beer.

BRAZIL SECTION 301 – 25% TARIFFS

On July 15, the U.S. Trade Representative (USTR) issued a Section 301 Notice of Action on Brazil, imposing an additional 25% tariff on all products of Brazil, subject to certain exemptions. A Presidential Memorandum was also issued that included annexes with HTSUS provisions. Exemptions apply to donations, articles already subject to Section 232 tariffs, and products identified in Annexes I and II to the Notice of Action and new U.S. Note 50(a), including certain meats, fruits, vegetables, juices, teas, minerals, oils, fuels, wood products, medicaments, computers, semiconductors, and numerous civil aircraft and pharmaceutical items.

The final action generally mirrors the Section 301 determination that was the subject of our June 2 What's New update and applies the additional duty to covered Brazilian imports beginning at 12:01 a.m. ET on July 22. An in-transit exception applies to articles that are products of Brazil and that: (1) are loaded onto a vessel at the port of loading and are in transit on the final mode of transportation to the United States before 12:01 a.m. ET on July 22; and (2) are entered for consumption, or withdrawn from warehouse for consumption, before 12:01 a.m. ET on July 29. Customs issued a CSMS message today with further guidance including affected HTSUS provisions.

Any product of Brazil subject to the additional duty imposed by this action that is admitted into a U.S. foreign-trade zone (FTZ), except product eligible for admission under Domestic zone status, may be admitted only under Privileged Foreign (PF) zone status, effective July 22. No specific direction is provided on the treatment of PF status on-hand inventory admitted prior to July 22. FTZ clients should consider filing Customs entry, instead of FTZ admission, on goods eligible under the in-transit provision to potentially avoid these tariffs.

SECTION 232 ALUMINUM – ONSHORING PRODUCTION

On July 20, President Trump issued a Presidential Proclamation which establishes a new program to encourage investment in U.S. primary aluminum production. The Proclamation, accompanied by a White House Fact Sheet, authorizes the Secretary of Commerce to approve qualifying "onshoring plans" and provide participating companies with reduced Section 232 tariff treatment (currently 50%) on imports of primary aluminum.

Under the program, companies may submit plans to build, expand, or refurbish domestic primary aluminum production facilities, with construction required to begin by January 20, 2029. If approved, participants may annually import primary aluminum at one-half of the otherwise applicable Section 232 tariff rate in quantities tied to the facility's projected annual production capacity. The Department of Commerce will monitor compliance and may suspend or rescind benefits, including retroactively, if participants fail to meet their commitments. The Proclamation does not change Section 232 tariffs at this time and does not specifically address how approved tariff benefits may interact with existing FTZ procedures.

DEFENSE SUPPLY CHAIN AND CRITICAL MATERIALS

On July 20, President Trump issued an Executive Order which strengthens domestic and allied sourcing requirements for materials used in U.S. defense procurements and seeks to reduce reliance on adversarial nations.

A central feature of the Order is the restriction of waivers under 10 U.S.C. § 4872 that permit the acquisition of certain covered materials from non-compliant sources. Beginning January 1, 2027, contractors seeking such waivers generally must submit an approved mitigation plan demonstrating efforts to source compliant materials and transition away from non-compliant suppliers. The Order also makes clear that failure to qualify a domestic source alone will not justify a waiver absent documented efforts to develop one.

The Order further directs the Department of Defense to implement enhanced supply chain mapping and risk assessment requirements for designated national security procurements, including tracing materials back to their raw material origins and identifying supply chain vulnerabilities. It also directs the Department to accelerate qualification of new domestic and allied sources of critical minerals, materials, and components.

Contractors supporting defense programs should expect increased scrutiny of sourcing practices and additional compliance requirements as implementing regulations are developed.

U.S.-JORDAN FRAMEWORK TRADE AGREEMENT

On July 21, President Trump announced a Reciprocal Trade Agreement between the United States and Jordan accompanied by a White House Fact Sheet. The Agreement builds upon the existing U.S.-Jordan Free Trade Agreement and is intended to expand market access for U.S. exporters while addressing tariff and non-tariff barriers, supply chain resilience, and economic security cooperation.

Under the Agreement, Jordan will continue to provide duty-free market access for virtually all U.S.-originating goods and commits to reducing non-tariff trade barriers affecting U.S. exports. Jordan also agreed to recognize certain U.S. standards, certifications, and conformity assessment procedures, strengthen intellectual property protections, improve customs and trade facilitation procedures, and expand market access for U.S. agricultural products and motor vehicles.

Annex III contains detailed commitments affecting specific industries. For example, Jordan agreed to recognize U.S. FDA approvals for certain medical devices and pharmaceuticals, accept USDA certifications for various agricultural products, maintain science-based sanitary and phytosanitary measures, and streamline approval procedures for products developed through agricultural biotechnology. Jordan has agreed not to restrict U.S. market access due to the mere use of individual cheese and meat terms as listed in Annex II including feta, parmesan, provolone, mozzarella, salami, prosciutto, and bologna, through geographical indication protections.

The Agreement also includes commitments related to labor, environment, digital trade, export controls, sanctions cooperation, investment security, and enforcement against transshipment and duty evasion. Jordan agreed to prohibit imports produced with forced labor within five years and to cooperate with the United States on supply chain security and economic measures involving third countries.

For Jordanian exports, Annex I provides that the United States will continue preferential tariff treatment for qualifying Jordanian-origin goods under the U.S.-Jordan FTA and commits to consider preferential treatment in future tariff actions, subject to U.S. trade remedy measures, including Section 201, 232, and 301 actions.

The Agreement will enter into force 60 days after both countries complete their respective internal approval procedures and exchange written notifications confirming completion of those requirements.

Clients should review these agreements in detail to determine the specific impact and potential issues.

Please contact Marshall Miller, Brian Murphy, Sean Murray, or David Ostheimer with questions .

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