

MOVING THE WORLD AT WORK



Trade Wars: Strategies for Navigating the Tariffs

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**May 2018 - Section 232 Tariffs
on Steel and Aluminum**

**May 2019 - Trump Says
US will Hit Mexico with 5%
Tariff on all Goods**

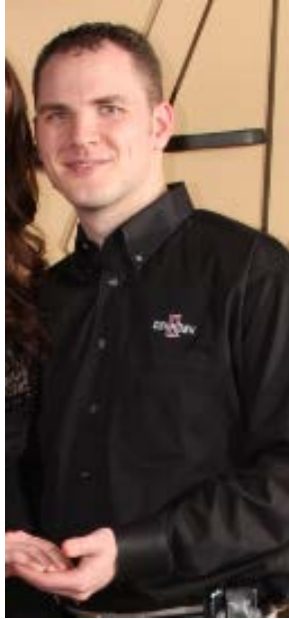
**The Trade
Wars**

**July 2018 - Scant Progress made on China
Negotiations as Section 301 "List 1" Tariffs
Go Into Effect**

**Retaliatory tariffs imposed by
China, the EU, India, Turkey,
Russia, Canada and Mexico**

**May 2019 -
US and China Fail to Reach
Trade Deal**

Pre-Trade War



Post-Trade War



More wrinkles
Less time to shave
Balding
What hair is left is greying

Section 201

- Solar cells/panels and washing machines
 - Tariff-rate quota
 - All countries are included, except:
 - Canada (washing machines and parts)
 - Certain developing countries

- Mitigation opportunities
 - Exclusion request (solar products) – USTR-2018-0001
 - Duty drawback

Section 232

- Section 232 actions and investigations:
 - Steel and aluminum; tariffs enacted June 1, 2018
 - Automobiles and auto parts
 - Delayed 6 months while negotiations occur with Japan and the EU
 - Uranium, in process

- Mitigation opportunities
 - Exclusion request – requestor specific
 - Steel – BIS-2018-0006
 - Aluminum – BIS-2018-0002
 - Overseas value-add / substantial transformation

Section 301 Tariffs – List 1 Items

List 1	Date	Links
25% Duty Effective on List 1 items (\$34 billion)	July 6, 2018	
Due Date for Exclusion Requests	October 9, 2018	https://www.regulations.gov/docket?D=USTR-2018-0025
Excluded Products <ul style="list-style-type: none">Product and/or classification specific		Chapter 99 – Subchapter III - US Note 20 (h), (i), (j), (k) and (m)

Section 301 Tariffs – List 2 Items

List 2	Date	Links
25% Duty Effective on List 2 items (\$16 billion)	August 23, 2018	
Due Date for Exclusion Requests	December 18, 2018	https://www.regulations.gov/document?D=USTR-2018-0032-0001
Excluded Products <ul style="list-style-type: none">Product and/or classification specific		TBD

Section 301 Tariffs – List 3 Items

List 3	Date	Links
10% Duty Effective on List 3 items (\$200 billion)	September 24, 2018	
25% Duty Effective on List 3 Items	Exported after May 10, 2019 -or- Exported before May 10, 2019, but not imported before June 15, 2019	
Due Date for Exclusion Requests	TBD	TBD
Due Date for Responses to Exclusion Requests and Replies	TBD	

Section 301 Tariffs – List 4 items

- May 5, 2019 – Trump “tweet”
- Up to a 25% tariff on ~\$300B worth of imports
- 3805 full and partial HTSUS subheadings
 - Overwhelmingly consumer facing goods
- Public comments for exclusion of subheadings due by June 17, 2019
- Tariff can be implemented as soon as June 24, 2019

Exclusion Requests

- Section 301 (administered by USTR) – potentially persuasive factors include:
 - Item available from non-Chinese sources
 - Specialized/unique item
 - Lack of connection with any alleged Chinese IP intrusions
 - Whether tariffs will cause severe economic harm
 - Is product strategically important or related to the “Made in China 2025” policy

Strategies to Mitigate the Impact

- Tariff engineering
 - Review HTS codes for products
 - Consider moving final substantial transformation in U.S. or non-Chinese country
 - Alter products to take on different classification
 - Business case study – Converse and Columbia

- Supply-chain engineering
 - Source from another country

- Other
 - First sale valuation
 - Supplier contract terms
 - Negotiate with your suppliers/vendors including cost breakdown

Strategies to Mitigate the Impact

- Duty drawback
- Direct shipments

**“Outside the Box”
Thinking!!!!**

No Idea is a Bad Idea!!

Mexico Tariff

- Starting June 10, 2019 **ALL** products from Mexico will attract a 5% tariff and then increase by 5% every month until October
 - June 10th – 5%
 - July 1st – 10%
 - August 1st – 15%
 - September 1st – 20%
 - October 1st – 25%
- Mexican delegation currently in DC

Other Market Disruptions

- Anti-dumping and countervailing duties on Chinese aluminum
 - Virtually all 1, 3 and 6-series products including 5-series sheet
- Ever evolving RUSAL sanctions
 - Currently removed

Must monitor all trade actions as financial impact to your company can be both **direct AND indirect**