

CLIENT ALERTS

Mexico's President Imposes Tariffs to U.S. Steel and Farm Products

6.6.2018

Mexico published in its official gazette a decree imposing tariffs on U.S. steel, aluminum, and farm products as a response to U.S. failure to extend tariff country exclusions for steel and aluminum. The measures are said to be taking aim at Republican strongholds ahead of U.S. congressional elections in November. Mexico's trade negotiators included products exported by states represented Republican leaders, including Indiana where Vice President Mike Pence was formerly governor and Bourbon-producing Kentucky, home state of Senate Majority Leader Mitch McConnell. The latter designed to put the most pressure on the Trump Administration. Mexico had previously received a temporary exemption that was extended through May 31, 2018 but not renewed.

Mexico is arguing it has a right to impose such measures that have substantially equivalent commercial effects to those measures adopted by the U.S. in accordance with NAFTA's Article 802, paragraph 6 and other provisions of international treaties. Generally, the tariffs were aimed to impact final imports; consequently, impacting imports made by the "*maquila*" industry. Furthermore, some modifications were tailor-made to avoid specific damages to the electric, electronic, automotive and auto parts sectors and supply chains.

The list of tariffs (15% to 25%) includes 186 steel and aluminum products including but not limited to; slab, sheet plate, roll plate, cold rolled sheet, rolled hot rolled sheet, wire rod, seamless tubes, welded pipes, coated sheet, rod, and profiles.

The list also includes a (20% - 25%) tariff on U.S. pork legs and shoulders, apples, potatoes, certain types of cheeses, and bourbon. The tariffs will go into effect on July 5. The decree will also suspend Mexico's preferential treatment for U.S. goods only, that takes effect on June 5.

Related People

Catherine M. Karol
Of Counsel

Related Services

International Business

International Trade and
Customs Specialty Team

Mexico International Team

CLIENT ALERTS

Finally, Mexico's Economy Ministry said it will also start proceedings against the U.S. in the World Trade Organization, where it's seeking a dispute settlement over the U.S. tariffs on Mexican products (25 % on steel and 10 % on aluminum). Other countries also adversely affected by these tariffs have already imposed retaliatory tariffs and have made submissions to the World Trade Organization to permit these tariffs. These include Turkey (WTO submission made May 21st); the European Union (EU) (WTO submission made May 18th) and China (WTO submission made March 29th). These retaliations and submissions to the WTO are made pursuant to Article 12.5 of the Agreement on Safeguards which allows a country affected by an increased tariff of another WTO member to notify the WTO of a proposed "suspension of concessions and other obligations under Article 8 paragraph 2 of the WTO. Mexico has the same right under the WTO to impose the tariffs plus additional rights it has under NAFTA>

So far, Mexico has not published an individual product exclusion process like the U.S..

We will keep you informed of any additional measures that Mexico's tax authorities enact to properly implement the aforementioned tariffs. In the meantime, we are also participating very closely on NAFTA renegotiations with both Mexican and U.S. business groups and have submitted product exclusion requests for products imported from other countries. Should you wish to participate in this process or be apprised of more trade developments, please let us know.

Raul Rangel Miguel

202.454.2841

rangel@butzel.com

Catherine Karol

313.225.5308

karol@butzel.com

Leslie Alan Glick

202.454.2839

glick@butzel.com

Mitchelle Zajac

313.225.7059

zajac@butzel.com