

Export Quotas in Mexico's Future

October 18, 2018

On October 15, 2018, chief Mexican trade negotiator Jesus Seade [indicated](#) that the United States is seeking to replace Section 232 tariffs on Mexican steel with an export quota program. Seade stated that a deal regarding any potential export quotas on Mexican steel must be reached in the coming weeks, prior to the December 1, 2018 inauguration of new Mexican President Andres Manuel Lopez Obrador.

This announcement was issued just days after the trilateral trade agreement, the U.S.-Mexico-Canada Agreement ("USMCA") was reached among the United States, Canada, and Mexico. Notably, the Section 232 tariffs, imposed in June on the basis of national security pursuant to the Trade Expansion Act of 1962, remain in place for both Mexico and Canada despite the USMCA agreement being finalized.

As of June 1, 2018, imports of Mexican steel became subject to a [25 percent duty](#), while aluminum shipments are subject to a 10 percent duty. Certain countries, including Argentina, Brazil and South Korea, have already negotiated export quotas to nullify the Section 232 duties. For example, [South Korean officials agreed in March to cut steel exports](#) by 30 percent of the 2015-2017 average.

Mexico is also facing potential Section 232 tariffs and export quotas imposed by the U.S. regarding certain Mexican-origin autos and auto parts. The U.S. is [currently investigating](#) whether it will impose such tariffs, and results are expected in the coming months. If such duties are imposed, a [side-letter to the USMCA](#) states that Mexico and Canada will be subject to a 2.6 million annual passenger vehicle quota each, while also being subject to auto parts quotas of \$108 billion and \$32.4 billion annually, respectively.

Next Steps

Mexican officials indicate that an agreement on export quotas for steel should be reached in the next few weeks. Separately, the finalized USMCA is expected to be signed at the end of November 2018. Pursuant to the Congressional trade agreement authority, the [Bipartisan Congressional Trade Priorities and Accountability Act of 2015](#) or Trade Promotion Authority, a list of required changes to the U.S. law is due to Congress within 60 days of signing. In addition, the U.S. Department of Commerce is expected to release its recommendations regarding Section 232 automobiles and auto parts imports in mid-February 2019.