

## SUPPLY CHAIN UPDATE - Current Status of US Tariffs on Mexican Imports – June 4<sup>th</sup>, 2019

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Dear Valued Customer,

We continue to wait for an executive order from the white house and a formal posting by the Custom Border Patrol on details of how the US would begin imposing tariffs from Mexico unless the Mexican Government took immediate steps to significantly reduce the number of immigrants crossing through Mexico and reaching the southern border of the United States.

President Trump's statement last week, indicated that the tariffs would be on all imports into the US from Mexico and would begin on Monday; June 10, 2019 and that the initial tariff rate would be five percent (5%) and increase by an additional five percent (5%) on the first of each following month up to a maximum of twenty-five percent (25%).

There are several activities that we are closely monitoring:

- **Delegation of Mexico in Negotiation:** The Mexican government and the US are negotiating to resolve the issue prior to June 10th. While there is a good chance that the five percent (5%) tariff will be implemented, the next tariff increase will not be until July 1, 2019. This may allow sufficient time to negotiate after the first increase.
- **No Current Executive Order:** Before any tariffs can be implemented, an executive order must be issued by the White House. Several of our contacts (lobby and custom groups) do not believe that will happen until mid this week (Wednesday or Thursday). When an executive order is issued to implement the first five percent (5%) tariff on Monday; June 10<sup>th</sup>, we have been told that the National Association of Manufacturers, as well as a number of other manufacturers associations and business groups will immediately file legal challenges asking for an injunction to keep the United States Administration from implementing the tariff.
- **Congressional Balance:** It is also possible, but highly unlikely, that the United States House of Representatives and the Senate, with a 2/3 vote from both chambers could overrule the president's order.
- **No USTR Involvement:** Finally, there is concern that because the United States Trade Representative (USTR) is not leading the negotiation, but rather political operatives in White House are, the implementation of any tariff could be chaotic

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- **Effects Goods to US:** We believe the Mexico tariff will only be applied to goods that will be used in the United States. For product shipping into the United States but destinations outside of the United States such as Canada or Asia please reach out to your SMTC Customer Contact (Program Manager or Account Manager). We can complete a transport & export document to avoid the tariffs if implemented for such situations
- **All Imports Affected:** Speculation is that it will be applied to all imports, (i.e. including Maquiladoras). The expectation is that the tariff will be applied to the customs value of the product, not the value-add created in Mexico.

As always, we look forward to receiving your observations and comments. Should you have any questions or require additional information please contact us or go to our website to monitor progress:

- Supply Chain Update Pull Down (at bottom of the page)
- <https://www.smtc.com/services/global-supply-chain-management>

As for the China tariffs nothing has changed since the last update we provided. Here were the recent details regarding China:

With the recent announcements in regards to the increase in tariffs from products shipping from China we wanted to share what we have learned relative to U.S. Trade Representative Section 301.

As a reminder of the current tariffs effectivity:

The 3 Lists were announced as of September 24<sup>th</sup>, 2018 with the *latest update on list 3 where tariffs at 10% growing to 25% on May 10, 2019.*

A proposed modification on \$300B (List 4) of imports from China will undergo a review in the coming weeks.

### List 1

- Went into effect on Friday, July 6<sup>th</sup>, 2018
- 25% tariff on all identified HTS codes
- List of affected HTS codes:  
<https://ustr.gov/sites/default/files/enforcement/301Investigations/List%201.pdf>

### List 2

- Went into effect August 23, 2018

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- 25% tariff on all identified HTS codes
- List of affected HTS Codes:  
<https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf>

### List 3

- *Formerly 10% moving to 25% effective June 1, 2019 (primarily PCB's for our industry)*
- List of affected HTS codes:  
[https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018\\_0.pdf](https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf)

### List 4

- Contains fewer items that impact our industry
- *Proposed date: TBD*
- *25% on all identified HTS codes*
- *Primarily impacts Consumer Products*
- *Unofficial list of effected HTS codes:*  
<https://www.cmtradelaw.com/2018/10/latest-u-s-trade-actions-tariffs-and-other-countries-retaliatory-measures/>

Warmest Regards,

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