

MEMA Trade and Tariff FAQs

Renegotiation of the North American Free Trade Agreement (NAFTA)

What is NAFTA?

NAFTA is a nearly 25-year old trade agreement between the U.S., Canada and Mexico that has played a critical role in the development and strengthening of various North American supply chains and has been effective for the overall U.S. vehicle industry.

Where does it stand now?

The Trump administration triggered a renegotiation of the agreement in August 2017, meaning they could withdraw or radically change NAFTA during the current renegotiation process. Several formal negotiating rounds have occurred since then with many intersessional meetings. On September 30, 2018, a trilateral deal, known as the U.S.-Mexico-Canada Agreement (USMCA), was reached between the U.S., Canada and Mexico. The next step in the process will be for the three countries to sign the agreement.

What is MEMA's position?

Many of our members rely upon the free and open trade relationship with Canada and Mexico enabled by NAFTA. MEMA has supported the administration's initiatives to modernize NAFTA and increase jobs in the United States. A renegotiated NAFTA should create a more competitive U.S. manufacturing environment and concurrently strengthen the North American region. The final NAFTA product must continue to provide for a vibrant North American supply chain, which supports U.S. jobs and competitiveness. While we appreciate the progress made by the Trump Administration and the Mexican government, we encourage a renewed focus on a three-party agreement that includes Canada. Furthermore, at the close of the negotiations between Mexico and the United States, the parties agreed to a potential cap of Mexican motor vehicle parts exports into the U.S. MEMA is concerned that this may serve to decrease American manufacturing jobs and exports and put U.S. businesses at a global disadvantage -- all while increasing costs to consumers.

Where can I get more information?

The [MEMA Trade Resources page](#) has up-to-the-minute information as this negotiation process unfolds.



Please note this document is intended to be a quick reference based on various sources of information.

It is not all inclusive and should not be construed as tacit or explicit legal advice.

Additional background information is available at www.mema.org/trade.

MEMA Staff contacts: [Catherine Boland](#) and [Leigh Merino](#)

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Section 232 Tariffs on Steel and Aluminum FAQs

What are the 232 steel and aluminum tariffs?

Section 232 of the Trade Expansion Act of 1962 allows the President to impose tariffs on imports that the Department of Commerce deems a threat to the United States' national security.

What has the President decided about tariffs on steel and aluminum?

In the Spring of 2017, President Trump called for 232 investigations into steel and aluminum imports into the United States from countries around the world, citing national security. After the investigations were completed, President Trump imposed a 25 percent tariff on specific steel imports and a 10 percent tariff on specific aluminum imports.

What countries does this apply to?

The tariffs apply to all countries unless they are specifically exempted. After a short deferment on tariffs on steel from certain trade partners, all countries are now subject to the tariffs, except for Argentina, Australia, Brazil and South Korea, which have quotas in place. [MEMA's Trade Resources](#) page is updated regularly.

Does the President have sole authority to implement the tariffs?

Yes. Congress is currently considering potential ways to limit his authority, but current law allows the President to make the decision to implement tariffs or quotas unilaterally.

What products are included? Are finished goods, like auto parts included?

The steel and aluminum tariffs are on raw and semi-finished materials. The scope of the tariffs is delineated by the HTS codes listed in the president's proclamations. You can view the lists on [MEMA's Trade Resources Page](#). If you rely on imported steel or aluminum, you are already paying these tariffs. The Section 232 measures are based on the country of origin and not the country of export. There is no sunset for the tariffs. The administration can cancel the tariffs at any time by proclamation.

Can I file for a product exclusion?

Yes. The Department of Commerce has indicated that they will approve requests for product exclusions if no objection is filed and the request was complete. Commerce will grant product exclusions requests from companies on a case-by-case basis.

Additionally, steel producers can object to exclusion requests, but applicants are allowed to submit rebuttals.

You can read about both the exclusion process and the rebuttal process and how to apply [here](#). You can find extensive details on the exclusion process and other specifics on [MEMA's Trade Resources Page](#).

What is MEMA's position on 232?

MEMA has warned that policy changes that prevent or encumber motor vehicle parts suppliers' ability to obtain certain types of steel and aluminum could jeopardize production of critical products made for the U.S. defense industry and could destabilize a growing U.S. manufacturing job base. MEMA continues to reiterate its warning that steep, across-the-board tariffs on aluminum and steel coming into the United States is dangerous and could put the very jobs and competitiveness the administration hopes to help in harm's way. It should also be noted

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that these tariffs are cumulative with other tariffs already in place, including 301 tariffs on goods from China, meaning that a company may have to pay multiple tariffs on a single item.

Where can I go for more information?

You can find extensive details on the exclusion process and other specifics on [MEMA's Trade Resources Page](#).



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Section 232 Tariffs on Automobiles and Automotive Parts

What are the Section 232 tariffs on automobiles and automotive parts?

Section 232 of the Trade Expansion Act of 1962 allows the President to impose tariffs on imports that the Department of Commerce deems a threat to the United States' national security. In May, the Commerce Department [announced](#) it is launching a Section 232 investigation on passenger vehicles and automotive parts. Commerce has 270 days to issue its report on the investigation and recommendations to the President. The President then has 90 days to determine whether he will impose tariffs.

What countries could this apply to?

The investigation is still underway, but the tariffs could apply to all countries unless they are specifically exempted.

Does the President have sole authority to implement the tariffs?

Yes. Congress is currently considering potential ways to limit his authority, but current law allows the President to make the decision to implement tariffs or quotas unilaterally.

What products could be subject to the tariffs?

We expect the investigation to include a wide range of automobiles and motor vehicles parts. We don't know yet what exact products will be on the list.

Are finished goods, like auto parts included?

They could be included.

Can I file for a product exclusion?

There will likely be an exclusion process similar to the 232 steel and aluminum tariffs. This process should be announced if the tariffs are put in place.

What is MEMA's position on 232?

MEMA supports the administration's objectives to ensure our national security and to increase jobs here in the U.S. MEMA is disappointed that the Trump administration is conducting an investigation on automobiles and automotive parts under Section 232. If they choose to impose tariffs, these tariffs would adversely impact the success and growth of many American manufacturing businesses by placing manufacturers at a competitive disadvantage to their global counterparts and erode U.S. jobs. In addition, tariffs on a large portion of imported parts will lead to increased repair costs, forcing U.S. consumers potentially to forgo necessary repairs and routine maintenance. Foregoing maintenance undermines the fundamental operating safety and efficiency of consumers' vehicles. MEMA has urged the administration to reconsider this broad-brush action and pursue alternative, more selective ways to forge more positive trade relationships with our trading partners.

Where can I go for more information?

MEMA expects to know more about how this will impact businesses in the coming weeks. Stay up-to-date by visiting [MEMA's Trade Resources Page](#).

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Section 301 Tariffs on Chinese Imports FAQs

What are the Section 301 tariffs?

In March, President Trump [announced actions](#) against China to impose tariffs on billions of dollars' worth of imports. These tariffs are based on findings of intellectual property (IP) theft and technology transfer in the Office of the U.S. Trade Representative's (USTR) Section 301 [investigation report](#).

What countries does this apply to?

The Section 301 tariffs only apply to China.

Does the President have sole authority to implement the tariff?

Yes. Current law allows the President to make the decision to implement tariffs or quotas unilaterally.

What products are subject to the tariffs?

The Trump administration has imposed 25 percent tariffs on \$34 billion worth of Chinese imports, which went into effect July 6 and 25 percent tariffs on \$16 billion worth of Chinese imports, which went into effect on August 23. In addition, the administration has announced another round of tariffs, 10 percent tariffs on a list worth \$200 billion went into effect on September 24. Tariffs on the \$200 billion will increase to 25 percent on January 1, 2019.

What does it mean to you? What products are included?

The \$200 billion product list includes "automotive parts," captured under HTS subheading 8708 as well as dozens of other parts outside that subheading that directly impacts the motor vehicle parts manufacturing sector. Additionally, other tariff codes such as chemical compounds, materials, fuel pumps, windshield wipers, seats, glass, and many other components or materials used by suppliers are included. The original two lists also included hundreds of product codes relied on by suppliers as inputs or raw materials to be manufactured further in the U.S. You can find a complete list on the [MEMA Trade Resources](#) page.

Are finished goods, like auto parts included?

Yes. MEMA recommends that all members consult the lists to see how the tariffs may impact your company.

Can I file for a product exclusion?

Yes. USTR announced a product [exclusions process](#) for the first round of tariffs which ended on October 9, 2018 as a one-time submission. The second round of tariffs on products totaling \$16 billion has a product exclusion process, with one-time submissions due by December 18, 2018. At this time, there is no exclusion process for the \$200 billion tranche.

What is MEMA's position on Section 301 tariffs?

MEMA has been at the forefront of the battle against intellectual property rights (IPR) abuses in China. Motor vehicle parts are particularly vulnerable to counterfeiting and IP theft activities. Strong IPR protections are needed to encourage companies to support important research and development investment and to foster innovation as IPR owners are provided certainty that their inventions, technological advancements, brands, and trademarks will be safe from infringers. However, tariffs are taxes that hurt U.S. companies, put jobs at risk, and negatively impact consumers. Instead, MEMA supports stronger bi-lateral engagement where China and the U.S. work together to

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protect the valuable IPR of our members or leveraging the powerful relationships the U.S. has with other trading partners to pressure China to enforce their own IP laws and comply with international IP laws and regulations.

Additionally, MEMA has joined other trade associations in calling for an exclusion process for the \$200 billion tranche.

Where can I go for more information?

You can find more information on the tariffs and on previous comments and hearings on [MEMA's Trade Resources Page](#).



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