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ALERT

Trump Administration's New Tariffs Take Effect on Canada, Mexico, China

March 4, 2025

Effective March 4, 2025, the United States imposed additional import duties of 10% to 25% pursuant to the International Emergency Economic Powers Act (IEEPA) on products of Canada, Mexico, and China. The Trump Administration's new duties on Canada and Mexico were originally scheduled to go into effect on February 4, 2025, but were subsequently paused for 30 days. An initial IEEPA duty on Chinese goods went into effect on February 4; that duty has now been raised from 10% to 20%.

Below are key takeaways regarding the additional duties.

Canada and Mexico

Duty rates: For Canada, there will be a 25% duty on all goods other than "energy" products, which are subject to a 10% duty; for Mexico, there is an across-the-board 25% duty, with no lower rate for energy products.

- Energy products are defined for purposes of the Canadian duties to include crude oil, natural gas, lease condensation, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, and certain critical materials as defined by the Secretary of the Interior pursuant to 30 U.S.C. § 1606(a)(3).

Effective Date: The duties are effective for all products of Canada or Mexico entered or withdrawn for consumption on or after 12:01 a.m. ET on Tuesday, March 4, 2025.

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Practice Areas

International Trade
National Security
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<u>Impact of USMCA Status</u>: Goods that meet the U.S.-Mexico-Canada Agreement's rules of origin, and thus qualify for a reduction of any normally applicable standard import duties, are nonetheless subject to the additional tariffs.

<u>Impact of Other Duties</u>: Products of Canada and Mexico are subject to the 10% – 25% IEEPA tariffs in addition to any other special tariffs, such as Section 232 tariffs, that may apply to them.

<u>Country of Origin</u>: Goods will be treated as products of Canada or Mexico, and thus subject to the additional duties, if they are Canadian or Mexican under either the substantial transformation test or qualify to be marked as goods of Canada or Mexico under the marking rules of 19 C.F.R. Part 102.

- The use of two distinct, alternatively phrased origin tests will potentially expose goods imported from Canada or Mexico to the duties on goods of both countries (i.e., a duty of 50%), to the extent that a good is deemed a product of Canada or Mexico under the substantial transformation test but is required to be marked as a product of the other country under the Part 102 rules.
- It is also possible that products imported from Canada or Mexico could be subject to duties applicable to Chinese products (including the 20% IEEPA duties and any pre-existing Section 301 duties), should they qualify as Chinese products under the substantial transformation test, but nonetheless be required to be marked as products of Canada or Mexico under the Part 102 rules.

<u>Exemptions</u>: The new duties apply to products classified under all provisions of the Harmonized Tariff Schedule of the United States (HTSUS), with the following limited exemptions:

- Most goods eligible for classification within Chapter 98 of the HTSUS, which contains duty-free provisions for goods meeting a variety of criteria, such as goods for the use of the handicapped and goods with agricultural/horticultural use, can be entered free of the additional duties. However, there will be duties applicable to a portion of the value of goods eligible for classification in specific Chapter 98 provisions corresponding to goods repaired abroad or assembled abroad using U.S. components.
- Duties also do not apply to "postal, telegraphic, telephonic, or other personal communication[s], which do[] not involve a transfer of anything of value."
- Certain donations of articles used to relieve human suffering, information materials, and "products for personal use included in accompanying baggage of persons arriving in the United States."
- There is also an exemption for "information materials," including but not limited to, publications, films, posters, phonograph records, photographs, microfilms, microfiche, tapes, compact disks, CD ROMs, artworks, and news wire feeds.

<u>*De Minimis*</u>: The goods subject to the additional tariffs will continue to be eligible for the *de minimis* entry program, which generally permits goods valued at or under $800 from entering the United States duty-free, so long as no single consignee receives goods exceeding this value in a single day. However, this treatment will only continue until such time as the Secretary of Commerce notifies the President that adequate systems are in place to collect duties on these goods.

Drawback: Drawback (i.e., the refund of duties on goods that are imported and subsequently re-exported) for the additional duties will not be available.

Foreign Trade Zones: To the extent that Canadian or Mexican products subject to the additional duties are brought into U.S. foreign trade zones, they must be entered in "privileged foreign status," meaning that they will be subject to the duties upon exit from the zone for U.S. consumption.

Exclusion Process: No process is contemplated by which importers may petition for product-specific exclusions from the additional duties.

China

Duty rates: The 10% additional duty imposed on February 4, 2025 is increased to 20%.

Effective Date: The increased duties are effective for all products of China entered or withdrawn for consumption on or after 12:01 a.m. on Tuesday, March 4, 2025, with an exception for certain goods that were loaded for export or in transit prior to February 1, 2025, but which enter the United States before 12:01 a.m. on March 7.

Impact of Other Duties: Products of China are subject to the 20% IEEPA tariffs in addition to any other tariffs, such as Section 301 tariffs, that may apply to them.

Country of Origin: Goods will be treated as products of China, and thus subject to the additional duties, if they are Chinese under the substantial transformation test.

Exemptions: The new duties apply to products classified under all provisions of the HTSUS, with the following limited exemptions:

- Most goods eligible for classification within Chapter 98 of the HTSUS, which contains duty-free provisions for goods meeting a variety of criteria, such as goods for the use of the handicapped and goods with agricultural/horticultural use, can be entered free of the additional duties. However, there will be duties applicable to a portion of the value of goods eligible for classification in specific Chapter 98 provisions corresponding to goods repaired abroad or assembled abroad using U.S. components.
- Duties also do not apply to "postal, telegraphic, telephonic, or other personal communication[s], which do[] not involve a transfer of anything of value."
- Certain donations of articles used to relieve human suffering, information materials, and "products for personal use included in accompanying baggage of persons arriving in the United States."
- There is also an exemption for "information materials," including but not limited to, publications, films, posters, phonograph records, photographs, microfilms, microfiche, tapes, compact disks, CD ROMs, artworks, and news wire feeds.

De Minimis: The goods subject to the additional tariffs will continue to be eligible for the *de minimis* entry program, which generally permits goods valued at or under $800 from entering the United States duty-free, so long as no single consignee receives goods exceeding this value in a single day. However, this treatment will only continue until such time as the Secretary of Commerce notifies the President that adequate systems are in place to collect duties on these goods.

Drawback: Drawback (i.e., the refund of duties on goods that are imported and subsequently re-exported) for the additional duties will not be available.

Foreign Trade Zones: To the extent that Chinese products subject to the additional duties are brought into U.S. foreign trade zones, they must be entered in "privileged foreign status," meaning that they will be subject to the duties upon exit from the zone for U.S. consumption.

Exclusion Process: No process is contemplated by which importers may petition for product-specific exclusions from the additional duties.

Wiley's International Trade Practice has deep expertise to help clients navigate the global markets and stay ahead of the curve in today's highly volatile trade environment. With sharp insight into shifting policies – especially in Washington – we deliver strategic guidance that shapes the global trade landscape. For any questions or further information on these new duties, please contact any of the attorneys listed on this notice.

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