Your Guide to the Ever-Changing Landscape of International Trade Policy

With so many trade policies in flux on a near-daily basis in all regions of the world, IPC is providing this “cheat sheet” on the issues we are tracking on behalf of the electronics industry. We will keep this reference source updated as the various situations evolve. Please contact us if you have questions or input.

U.S.-Mexico-Canada Agreement (USMCA)

- USMCA is an agreement signed in November 2018 by the United States, Mexico and Canada that is intended to replace the North American Free Trade Agreement (NAFTA).
- According to an IPC-commissioned, independent study, USMCA would be a positive step for the electronics industry, our customers and our employees by strengthening the North American supply chain, and by adding new chapters on digital services and small and medium-sized enterprises.
- For USMCA to take effect, it will need approval by the governments of all three countries. In the United States, the U.S. Trade Representative (USTR) is working with House Democrats and Congressional leadership to resolve outstanding issues and draft implementing legislation that will be delivered to Congress when these concerns are mitigated. The USTR and House Democrats have made significant progress in addressing outstanding concerns, and there is a push to approve the trade deal before the end of 2019, as it is considered unlikely to be addressed in a presidential election year.
- **IPC's POSITION:** IPC supports passage of the USMCA.

U.S. Tariffs on Mexico

- On May 30, 2019, President Donald Trump announced that the U.S. would begin implementing tariffs on all products imported from Mexico on June 10 to force Mexico to combat illegal immigration. The tariffs would have started at 5% and risen to 25% by October 1 if a deal was not reached.
- On June 7, President Trump announced he was indefinitely suspending the potential tariffs because Mexico had made commitments to reduce immigration into the U.S.
- **IPC's POSITION:** IPC is opposed to imposing any such tariffs, which would disrupt well-established supply chains that strengthen U.S. manufacturing.

U.S.-UK and “Brexit”

- The United States and United Kingdom are conducting preliminary talks to prepare for negotiations on a free trade agreement, although formal negotiations cannot begin until the UK completes the “Brexit” process and exits the EU.
- A free trade agreement (FTA) between the two allies is seen as a top priority for both sides, especially as the UK will no longer benefit from any trade preferences with the EU.
- The UK “Brexit” remains delayed, so a U.S.-UK FTA is not likely until at least 2020.
- The U.S. is likely to want to include sectors that the British will not — particularly dealing with agriculture and healthcare — and those may become major stumbling blocks.
- **IPC's POSITION:** IPC supports efforts to negotiate an FTA that would create new opportunities for the electronics industry and our customers to innovate and grow.
U.S.-EU

- The United States and European Union are conducting preliminary discussions on a free trade agreement. This effort picks up where the two sides left off on the now-abandoned Transatlantic Trade and Investment Partnership (TTIP) that then-President Barack Obama sought to finalize before leaving office.

- Any agreement would likely come after the Brexit process plays out, and there are significant disagreements over what any agreement should cover. Differences over agriculture, autos, steel and aluminum — combined with an incomplete Brexit — will frustrate progress. Discussions are unlikely to proceed until fall at the earliest, and even that timeline seems optimistic.

- IPC's POSITION: An agreement between the U.S. and EU could have significant benefits for the electronics industry, especially if the gains made in USMCA were replicated or improved upon. IPC would support any trade pact that would create net positive new opportunities for the electronics industry and our customers, including efforts to harmonize and streamline regulations.

Airbus/Boeing Retaliatory Tariffs

- The U.S. and EU are involved in a long-running dispute over government subsidies provided to Airbus by the EU and to Boeing by the U.S. The World Trade Organization (WTO) has ruled that both entities are entitled to respond to the subsidies by placing retaliatory tariffs on the offending country, not just on airplanes and airplane parts.

- The U.S. announced $7.5 billion in tariffs against products imported from the EU, and these tariffs went into effect on October 18. In addition to targeting aircraft and aircraft parts, the tariffs hit consumer goods like cheese, wine, olives, and scotch whiskey. The U.S. has said it reserves the right to change the products that are being hit with tariffs – an approach referred to as the “carousel.”

- A similar case brought by the EU against U.S. is expected to ripen in the 1st quarter of 2020 with the EU permitted to levy tariffs against American products.

- IPC's POSITION: IPC has concerns about these potential tariffs and any negative impacts on the electronics industry and our customers.

Steel & Aluminum

- The U.S. in 2018 implemented tariffs of 25% on imported steel and 10% on imported aluminum.

- Since then, several countries have been exempted from the tariffs, including most recently Mexico and Canada.

- The tariffs remain on China, the EU, Japan, and other countries around the globe. Removing these tariffs will almost certainly be a requirement for completion of any FTAs with these government, much as it was with USMCA.

- IPC's POSITION: IPC is concerned about these tariffs and their impacts on the electronics industry and our customers.

Autos and Auto Parts

- The U.S. has finished an investigation into the national security implications of importing automobiles and auto parts, which is a necessary step toward being able to levy tariffs on these products under Section 232 of the Trade Expansion Act.

- Levying these tariffs would be extremely controversial with both Congress and some of the United States’ closest trading partners, including Canada, Mexico, EU, UK, and Japan.

- On May 17, 2019, President Trump gave the U.S. Trade Representative 180 days — until November 13 — to address how importing autos and auto parts has hurt U.S. producers. At that point, if a resolution satisfactory to the Trump administration has been not reached, it is considered likely that tariffs will be levied.

- Japanese Prime Minister Shinzo Abe has said that the U.S. agreed to exempt Japan from these tariffs — at least for the immediate future — because of the recently signed trade deal between the two nations.

- IPC's POSITION: IPC opposes imposing these tariffs because of the negative impact they would have on the electronics industry. Autos and auto parts have highly complex supply chains and contain many electronics components, and thus it is likely that these tariffs would harm our members in many countries.
U.S.-China

- The United States is pursuing an aggressive trade agenda against China, having levied tariffs on four lists of Chinese imports, with a final list currently planned to go into effect on December 15. In total, the tariffs will cover approximately $550 billion in Chinese imports.

- An increase in the 25% tariff covering $250 billion in imports from the first three tariff lists was originally set for October 1, and then delayed until October 15, and now it has been delayed indefinitely.

- The U.S. and China announced on October 11 that they had reached an agreement on a “phase one” trade deal, though none of the details had yet been written. The deal is set to include agricultural purchases, intellectual property protection, and financial services, but few specifics are known. The U.S. and China had wanted to sign this deal at an upcoming Asia-Pacific summit in Chile in mid-November, but that event has been canceled for unrelated reasons.

- **IPC’s POSITION:** IPC is encouraged by the announcement of a preliminary deal and the decision to delay tariff increases. We remain concerned, however, about the effects that tariffs have on the electronics industry and our customers. We urge both nations to continue good-faith negotiations and reach agreements that address long-standing issues related to market transparency, intellectual property and other trade practice.

Huawei

- In May, the U.S. added Huawei, a China-based telecom equipment provider, to the U.S. Entities List, which bans the sale of U.S. technology to companies suspected of undermining U.S. national security. President Trump signed an executive order that allows the Department of Commerce to block certain companies and countries from providing information and communications technologies and services in the U.S., including Huawei.

- Although the U.S. and China reached an agreement in June to restart their stalled trade talks, and President Trump made overtures about scaling back the actions against Huawei, the negotiations between the two countries broke down again in August.

- The Commerce Department had granted Huawei an exemption to operate in the U.S. until November 18 to allow for its U.S. customers to transition to new systems, but an extension of these exemptions remains up in the air.

- Under the National Defense Authorization Act, the U.S. released a draft final rule that began restricting federal money from being used to purchase telecom and video-surveillance services and equipment from five Chinese companies, including Huawei, effective as of August 13. An additional Commerce Department rule that would ban U.S. companies from using Chinese telecom equipment is stuck in the interagency process with no timeline for its release.

- Chinese access to U.S. IT infrastructure remains a significant concern for both the Trump administration and Congress, and further action is likely.

- **IPC’s POSITION:** Huawei counts among its suppliers more than 1,200 U.S. firms that collectively ship the company approximately $11 billion in goods. As such, IPC is concerned about the potential impacts of U.S. actions on our members, and we will continue to monitor the situation.

U.S.-Japan

- The United States and Japan signed a bilateral trade agreement on September 25, 2019 that would lower tariffs on American agricultural goods and create new rules around digital trade — using language that was negotiated in USMCA.

- The Trump Administration has indicated that this is only the first part of ongoing trade negotiations and future agreements will be coming.

- **IPC’s POSITION:** IPC is encouraged by the signing of the initial trade deal and supports ongoing efforts to negotiate additional agreements that would create new opportunities for the electronics industry and our customers to innovate and grow.