



News & Types: Commercial, Competition & Trade Update

# Importers Should Expect Fluctuations in Tariff Rates

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US importers are currently adjusting to new “reciprocal” tariff rates, such as 10% on many UK-origin goods, 15% on EU-origin goods, and 15% on Japanese origin goods. However, these rates are already being revisited. First, some of the underlying agreements specify that rates will be adjusted, as is the case with import tariffs to be imposed on UK pharmaceutical products, which are expected to be below 10%. Second, foreign governments have acknowledged that they continue to negotiate for lower rates, including Taiwan.

On August 9, the US Government acknowledged that tariffs on Japanese goods will be subject to further reduction. Currently, Japanese goods are subject to their normal import duties, plus 15% (an “additional duty”). However, in the near term, the US Government has acknowledged that Japanese goods will have the same anti-stacking protections as EU-origin goods (a “baseline duty rate”). Under the baseline approach, where the normal, most-favored nation (“MFN”) duty rate is 15% or less, the total duty to be assessed will be 15%, but if the MFN rate exceeds 15%, only the MFN rate will be imposed on the imported good. The conversion of Japan’s “additional” 15% duty to a “baseline” 15% duty will likely come as a relief to imports dealing in Japanese-origin items.

Changes in duty rates are likely to continue. The US Government has repeatedly indicated that where other governments can demonstrate an ability to identify and track Chinese-origin items in their supply chains, rates may be lowered. This theme has been picked up by Canada this summer, where some steel import duties will depend upon whether underlying metal is of Chinese origin. In any case, importers purchasing goods from countries other than China can expect further adjustments.

In the meantime, importers and their customs brokers should get used to following duty rate announcements in detail on a monthly or weekly basis.

*Masuda Funai is a full-service law firm with offices in Chicago, Detroit, Los Angeles, and Schaumburg.*