

Global Trade News Alert

US to impose safeguard tariffs on washing machines and solar cells and modules

On 22 January 2018, the US Trade Representative announced President Trump's approval of safeguard tariffs on imported residential washing machines, as well as solar cells and modules, with certain country exclusions.

The rarely-used Section 201 investigation process allows the US President, based on a finding by the US International Trade Commission of serious injury or threatened injury to a US industry that is substantially caused by increased imports of like or directly competitive articles, to impose a tariff increase or quantitative restriction on imports of the subject articles on a global basis. This is in contrast to Section 337 and antidumping/countervailing duty investigations that require a finding of injurious unfair trade practices by a foreign producer or country.

The safeguard measures will take the form of tariff-rate quotas on washing machines and additional duties on solar cells and modules. Specifically, imports of washing machines will be subject to tariff rate quotas for three years, as follows:

- Year 1: a 20% duty on the first 1.2 million units imported, and 50% duty on all subsequent imports;
- Year 2: an 18% duty on the first 1.2 million units imported, and 45% duty on all subsequent imports;
- Year 3: a 16% duty on the first 1.2 million units imported, and 40% duty on all subsequent imports.

Covered parts will also be impacted, as follows:

- Year 1: a 50% duty on imports beyond 50,000 units;
- Year 2: a 45% duty on imports beyond 70,000 units;
- Year 3: a 40% duty on imports beyond 90,000 units.

With limited exclusions, imports of solar cells and modules will face an additional duty of 30% in the first year, decreasing by 5% each year over a four-year period.

The last safeguards imposed by the US date back to March of 2002, when increased global tariffs ranging from 8% to 30% were levied on various steel imports. However, the safeguards were lifted in December of 2003 after the World Trade Organization (WTO) ruled the tariff illegal and authorized affected countries to impose retaliatory measures against US goods.

South Korea, on January 24, 2018, became the first foreign government to take initial steps towards a legal challenge to the new US safeguards when it filed two requests for collaboration with the WTO Committee on Safeguards. Trade officials in China and Mexico have reportedly indicated similar intentions, and other governments, as well as companies, may follow suit. Such actions could lead to trade deflection and increased trade tensions between the US and the rest of the world.

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