The Bottom Line

AUGUST 2022 | VOL. 144

Russia's Normal Trade Relations Status Revoked, Higher Duties Imposed

Summary

The United States has announced the introduction of higher tariffs on more than 570 groups of goods from Russia worth about $2.3 billion.

Background

With the onset of active conflict, the United States, in concert with the U.K. and E.U., has continued to pressure Russia. As the fighting has continued, sanctions have expanded to include the oil and gas industry, telecommunication, laser systems, avionics, and maritime technologies.

President Biden and Congress took steps in March 2022 to revoke Russia's most-favored -nation (MFN) trade status, also known as Permanent Normal Trade Relations (PNTR) status under U.S. law. As a result, the Suspending Normal Trade Relations with Russia and Belarus Act ("Suspending NTR Act") was signed and entered into force on April 8, 2022, formally revoking PNTR status. Under the terms of the Act, imports into the United States of products from Russia and Belarus became subject to tariff rates set out in column 2 of the U.S. tariff schedule, rather than the column 1 rates that had previously applied. Column 2 duty rates are applied to countries not eligible for Normal Trade Relations (NTR) rates. Before this Proclamation, the only countries in Column 2 were Cuba and North Korea.

As a result of this change, tariffs on U.S. imports from Russia increased from an average of approximately three percent to 32 percent. In addition to implementing this immediate change in applicable tariff rates, the Suspending NTR Act also temporarily authorized the President, through the end of 2023, to further increase tariffs applicable to imports from Russia and Belarus.

Column 2 rates for basic steel mill products average between 20% and 29%, although certain individual items have rates as low as 1% and as high as 45%. Aluminum articles will now run from 3% to 45%.

Current Status

Under the authority granted by the Suspending NTR Act, President Biden is also announcing that the U.S. will implement a higher tariff rate on more than 570 groups of Russian products. The 570 items accounted for approximately $2.3 billion in U.S. imports from Russia. This action impacts a wide range of products, including shipments of steel, aluminum, iron, minerals, chemicals, explosives and pyrotechnic products, plastics and rubbers, wood, charcoal, paper, leather, stone, cement, vehicles, and aircraft from Russia. The complete list of product categories impacted by this action can be found here.

This Proclamation increases duties to 35% for 576 8-digit HTSUS classifications, including approximately 30 provisions for basic steel mill products, fasteners, and other steel items, and six aluminum provisions. Section 232 25% additional duties also remain in place for steel mill products and 10% duties on aluminum products – in addition to the applicable Column 2 duty rates. The change becomes effective for goods entered into the U.S. on or after July 27, 2022.

These measures will restrict Russia's ability to benefit economically from sales to the U.S. market and are carefully calibrated to impose costs on Russia while minimizing costs to U.S. consumers. According to the White House, U.S. exports to Russia have decreased by approximately 97% over the past few months. Additionally, Russia's imports of goods from across the world could fall by 40%.

The President's authority to increase duties will remain in effect until modified or terminated. In the meantime, President Biden and other G7 leaders will seek authority to use revenues collected by these new tariffs to help Ukraine and ensure that Russia pays for its war costs.

Impact

The product categories facing the most significant impact of this increase in tariffs will likely be semi-finished products of iron or nonalloy steel, firearm cartridges, and silver bullion.

The U.S. President would be able to restore normal trade relations with Russia and Belarus should these countries cease what Washington considers aggressive actions against Ukraine. The Proclamation does not change the status of Russian products previously banned for importation into the United States, including certain energy products, fish and seafood, alcoholic beverages, and non-industrial diamonds. Additional products are also under consideration for being added to the list by Congress and the Biden administration.

RESOURCES

Tariff Increase on Imports from Russia Takes Effect July 27 | Sandler, Travis & Rosenberg, P.A. (strtrade.com)

Increased Tariffs on Certain U.S. Imports from Russia Effective July 27, 2022: What Companies Need to Know | Global Policy Watch

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FACT SHEET: The United States and G7 to Take Further Action to Support Ukraine and Hold the Russian Federation Accountable | The White House

Suspending Normal Trade Relations with Russia and Belarus Act (congress.gov)

President signs proclamation moving Russia and Belarus to Column 2 duty rates | AJOT.COM