

## **New Bill Proposes to Change the Tariff Status for Imported Components for US Manufacturers**

### **“Trade Agreement Parity” Bill Aims to End Anomalies that Penalize Some US Manufacturers Versus those In Canada and Mexico; Could Increase US Manufacturing Jobs by 95,000, One Study Says**

SCDigest Editorial Staff

Legislation recently introduced by a New Jersey Congressman, and strongly supported by the National Association of Foreign Trade Zones (NAFTZ), aims to end seemingly illogical rules regarding the importation of component parts and materials for final manufacturing in the US, and could lead to substantial job creation, according to a new study sponsored by NAFTZ.

The issue: currently, products imported from countries with which the US has foreign trade agreements (FTAs), such as Mexico and Canada under NAFTA and a number of other countries under different treaties, can be imported into the US duty free. The goods entering the US can have a defined level of foreign produced components and materials and still meet FTA status for duty free imports.

Many of those US FTA partners allow those components to come into their countries duty free. The US does too, into the many so-called “Foreign Trade Zones,” but only if those goods are exported back out of the US. If they are distributed within the US, duty must be paid on those components.

The upshot: goods manufactured in Canada or Mexico, using foreign suppliers, would come into the US without duties on the globally sourced components, but a US manufacturer making the same products and using the same suppliers would have to pay duties on the parts or materials, placing it at a cost disadvantage.

The issue has been championed by NAFTZ for the past year or so, which it calls the Free Trade Agreement Parity Initiative and says it is “the Association’s highest priority legislative objective which aims to level the playing field for the US manufacturing in-

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dustry and the FTZ community.” It has enlisted support for the idea from some 800 US manufacturers operating in Free Trade Zone areas.

Just recently, Congressman **Bill Pascrell**, a Democrat from New Jersey, proposed new legislation that he calls the Trade Agreement Parity Bill to address similar concerns.

In a letter to other Congressman, Pascrell observed that “It has become apparent that FTAs, like NAFTA, can unintentionally disadvantage US manufacturers by giving factories in offshore FTA countries better US tariff treatment than we offer our own factories within the US.”

He added: “The premise is simple: if US tariff policy permits duty-free entry of products from FTA countries, it should permit equal treatment for US-based manufacturers and should not countenance maintaining disincentives to manufacturing in the US.”

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### **95,000 New Jobs?**

NAFTZ sponsored a study by the researchers at Peterson Institute of International Economics to look at the impact of changing the rules. While the final report has not been issued, preliminary data suggests the new law could create as many as 95,000 new manufacturing jobs in the US and contribute to increased US GDP growth for at least the next five years.

Who is opposed to the idea? Primarily companies (US and foreign) that have set up manufacturing say in Mexico, and would prefer not to lose the competitive advantage.

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