TRADE OBSERVER

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the White House

DONALD TRUMP'S TRADE AGENDA FOR A RETURN TO THE WHITE HOUSE

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ELECTIONS 2024: WHAT TRADE POLICY FOR THE UNITED STATES?

YOUR CUSTOMS MONITORING

DONALD TRUMP'S TRADE AGENDA FOR A RETURN TO THE WHITE HOUSE

As part of his campaign for a second presidential term, Donald Trump has proudly reaffirmed his "America First" slogan, accompanied by a set of ambitious economic reforms aimed at strengthening the U.S. economy. A cornerstone of this program is a radical increase in tariffs on numerous imported goods, designed to promote local production and reduce the United States' trade deficit.

By raising import taxes, Trump intends to protect domestic industries while introducing tax cuts to mitigate the impact of price increases on households. This strategy, which has the potential to disrupt global trade, has raised concerns. Indeed, the effects of such a policy are likely to extend far beyond U.S. borders, particularly impacting import-export businesses in partner countries like France.

Donald Trump has proposed increasing tariffs by 10% to 20% on most goods imported into the U.S., targeting certain countries with even higher rates. For instance, China, the U.S.'s largest trading partner, could face tariffs as high as 60% on some products. For imports from Mexico and Canada, Trump plans to sign all necessary documents on January 20 to impose a 25% tariff on all goods. Tariffs on Mexican car imports could reach as high as 200%. According to his communications on his Truth Social platform, these tariffs will remain in place until drug trafficking—particularly fentanyl—and migration into the U.S. significantly decrease.
The stated goal is to encourage companies to relocate their production to U.S. soil, thereby reducing the trade deficit and creating more local jobs. According to Trump, this policy could revitalize the U.S. manufacturing sector, currently weakened by massive offshoring to low-wage countries.

However, this strategy of "protectionist taxes" could have significant secondary economic effects. High tariffs would directly increase the selling prices of imported goods, thereby reducing the purchasing power of American consumers.

In the long run, this could impact domestic demand and lead to a contraction in GDP. Experts are also concerned about potential job losses in certain sectors, particularly among companies reliant on global supply chains. Faced with higher import costs, consumers might turn away from some products, resulting in decreased activity and job cuts.

To offset the price hikes caused by this tariff policy, Trump plans to continue reducing taxes, a move initiated during his first term. However, economists argue that these tax cuts would benefit wealthy households more than low-income families, who would remain vulnerable to rising prices.

Additionally, according to the Committee for a Responsible Federal Budget, increasing tariffs, even when paired with tax reductions, could deepen the federal debt by nearly $15 trillion over the next decade. To prevent this debt explosion, Trump is also considering reducing public spending, which could affect social programs, penalizing the most modest households.

On the international stage, this tariff policy risks disrupting the balance of global trade and affecting exports from numerous countries, especially France. Trump's protectionist policy would impose new taxes on a wide range of imported products, creating a challenging environment for French exporters. Already facing a 6% decline in exports to the U.S. between 2022 and 2023, French businesses could be particularly affected, notably in the aerospace, pharmaceutical, and luxury goods sectors.

While less exposed than countries like Germany, France could still see a significant reduction in exports to the U.S. This dependence of French industries on the U.S. market makes them vulnerable to tariff increases, potentially slowing their development and impacting the national economy.

In response, U.S. trading partners could consider retaliatory tariff measures. Such an escalation could amplify global economic tensions and increase uncertainty for import-export businesses, creating an unstable business environment. Regarding the U.S.'s largest trading partner, Chinese diplomacy reacted to these measures by stating, "No one wins in a trade war." Liu Pengyu, a Chinese spokesperson, emphasized that trade and economic cooperation between the two countries are inherently mutually beneficial.

In summary, if Donald Trump follows through on these promises, his trade policies are set to reshape the economic landscape both within and beyond the United States. The consequences of his policies will not only affect Washington's relationship with its trade partners but also create a climate of uncertainty that could reverberate across global trade.

BET ON TARIFF QUOTAS AND SUSPENSIONS TO REDUCE YOUR IMPORT COSTS

Tariff quotas and autonomous tariff suspensions are little-known yet highly beneficial mechanisms for European businesses. Under certain conditions, they enable reductions or exemptions from customs duties on products essential for manufacturing, such as raw materials or specific components. Let's explore how these tools can support your operations by reducing import costs.

A tariff quota allows for temporary reductions in customs duties on specific imported goods, limited to a predefined volume set by the European Union. For instance, the quota for importing raw magnesium is capped at 120,000 tons annually, with a duty rate reduced to 0% instead of 5.3%. This mechanism is particularly valuable for businesses reliant on materials not sufficiently produced within the EU.

Example: A company importing 45 tons of mushrooms for prepared dishes saves €25,200 annually in customs duties by utilizing a tariff quota that allows for a 0% duty rate instead of the usual 14.4%.

As for tariff suspensions, they offer unlimited quantity advantages. They allow companies to import certain products duty-free, provided these are unavailable in adequate quantities within the European market or partner countries. This measure is especially useful for industries requiring large-scale specific components.

Example: Importing de-terpenated orange essential oil (partially or entirely stripped of monoterpene hydrocarbons) worth €1 million results in annual savings of €77,000, with the duty rate reduced to 0% from 7%.

Why Use These Mechanisms?

Tariff quotas and suspensions are primarily designed to support European industries by lowering production costs. They enhance the competitiveness of EU businesses by enabling significant savings, fostering job creation, and modernizing production chains, particularly in innovative sectors like pharmaceuticals and information technology.

These mechanisms serve as powerful economic tools, enabling European businesses to reduce import costs and bolster their competitiveness. On average, French businesses save approximately €150 million annually in customs duties through these measures.
To make the most of these tools, it is crucial to thoroughly assess your company's needs and monitor the availability of quotas. By integrating these mechanisms into your customs strategy, you can achieve substantial savings while ensuring uninterrupted production, even for rare or unavailable materials within Europe.

CUSTOMS INCREASES VIGILANCE AGAINST ILLICIT FINANCIAL FLOWS

French Customs has recently unveiled an ambitious new strategy to combat money laundering and terrorist financing (ML/TF). Announced on October 7 at Bercy, this strategy aligns with the recommendations of the Financial Action Task Force (FATF) and the national strategy against illicit financial flows, aiming to enhance customs officers' effectiveness in addressing this complex challenge.

At the heart of this new approach, Customs focuses on closely monitoring money flows linked to criminal activities such as drug trafficking, counterfeiting, and trafficking of protected species. In response to these threats, Customs' intervention capabilities have been expanded through Law No. 2023-610. This legislation allows customs officers to detect money laundering offenses during the transport phase, including those involving digital assets such as cryptocurrencies, which are now under scrutiny.

Additionally, the role of the National Directorate of Customs Intelligence and Investigations (DNRED) has been strengthened. In collaboration with the Cyber Customs department, it targets criminal financial flows, including those operating via cryptocurrencies on the Dark Web. This operational reinforcement is supported by the creation of the National Anti-Fraud Office (ONAF) in May 2024, which works with international agencies like Europol to identify and seize criminal assets.

Customs is also investing in innovation to enhance its detection capabilities. For instance, the development of specialized handler-dog teams, nicknamed "cash-dogs," has improved the tracking of cash flows within the country. Furthermore, increased collaboration with specialized judicial bodies, such as JIRS and JUNALCO, intensifies efforts against transnational fraud, particularly those involving crypto assets.

The results achieved in 2023 and 2024 are promising. In 2023, Customs seized or identified over €163 million in criminal assets. By 2024, this amount has significantly risen to €175.2 million, thanks to enhanced monitoring of cross-border financial flows.

This new strategy reflects a commitment to safeguarding the country's financial security and addressing growing threats posed by criminals. With these enhanced capabilities, Customs aims to strengthen its central role in protecting citizens and the integrity of France's economic borders.

YOUR CUSTOMS MONITORING

BREXIT - NEW FAQ

The UK authorities have released a new FAQ to clarify the upcoming reinstatement of Safety and Security (S&S) requirements for goods entering the UK, which had been temporarily suspended. This Q&A document aims to address the main concerns of international trade operators regarding compliance with these requirements from the scheduled reintroduction date.

DGEC SURVEY ON THE CBAM

The Directorate General for Energy and Climate (DGEC) has launched a survey, open from November 6 to 27, 2024, targeting importers and their teams responsible for procedures related to the Carbon Border Adjustment Mechanism (CBAM).
The survey aims to better understand the needs, challenges, and expectations of stakeholders to streamline their processes. Based on the feedback, the DGEC hopes to design more efficient administrative pathways for importers.

DUAL-USE GOODS – ANNEX I MODIFICATION

On November 7, 2024, the Official Journal of the European Union (OJEU) published Delegated Regulation (EU) 2024/2547, dated September 5, 2024. This regulation amends Regulation (EU) 2021/821 concerning the list of Dual-Use Goods (DUG).
Annex I of Regulation 2021/821 has now been replaced by Annex I of Regulation 2024/2547, establishing the dual-use goods subject to control in international trade. This regulation came into effect on November 8, 2024.

TOWARDS SIMPLIFIED AND DIGITIZED VAT

On November 5, 2024, the EU Council approved the ViDA package aimed at promoting digitization, simplifying tax processes, and strengthening the fight against VAT fraud. Key measures in this package include:

- An extended VAT One-Stop-Shop, allowing businesses to declare VAT on stock moved to other Member States for future sales.
- A mandatory reverse-charge mechanism for cross-border transactions between businesses, shifting VAT payment responsibility to the buyer.
- The requirement for e-invoicing by 2030, enabling real-time digital reporting.

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EU ANTIDUMPING INVESTIGATION ON CHOLINE CHLORIDE IMPORTS FROM CHINA

The Official Journal of the EU (OJ EU C 2024/6602) has announced the launch of an antidumping investigation into choline chloride imports from China, covering codes 2923 10 00, 2309 90 31, 2309 90 96, 2106, and 3824 99 96.
The investigation spans the period from October 1, 2023, to September 30, 2024, while the trend analysis to determine potential harm will extend from January 1, 2021, to the end of the investigation period. Antidumping duties may be imposed based on the results of the inquiry.

INVOICING: NEW MANDATORY INFORMATION

Effective September 1, 2026, invoices must include four new mandatory details:

1. The SIREN number of the client (for clients based in France).
2. The delivery address for goods if it differs from the billing address.
3. An indication of whether the invoice pertains solely to goods, services, or both.
4. The option to pay VAT on accrual, if applicable.

Compliance with these requirements is essential, as penalties may be imposed for non-compliance.

(EUDR) REGISTRATION OPENS FOR THE EU INFORMATION SYSTEM

On Wednesday, November 6, 2024, registrations for the EU Deforestation Regulation (EUDR) information system officially opened. Although the submission of due diligence declarations is not yet active, users can register now. Initial login issues may occur due to high traffic volumes. A dedicated website provides detailed information about the system, training videos, and a comprehensive guide to facilitate the registration process.

TARIFF CLASSIFICATION: COMBINED NOMENCLATURE 2025

On October 31, 2024, the Official Journal of the European Union (OJEU) published Implementing Regulation (EU) 2024/2522 of September 23, 2024, amending Annex I of Regulation (EEC) No. 2658/87 regarding the Combined Nomenclature and the Common Customs Tariff.
This new Combined Nomenclature will take effect on January 1, 2025, introducing changes to customs codes and applicable duties for goods entering the EU (excluding preferential rates). A correlation table between 2024 and 2025 will be made available upon publication.