

How Tariffs Are Set and When They May Occur¹

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Q. How does the process work?

A. Two agencies are involved: the US Department of Commerce (DOC) and the International Trade Commission (ITC). Their roles are intertwined. Their job is to determine whether a domestic industry is materially injured or is threatened with material injury by the practices of a foreign competitor. If either agency issues a negative opinion, the case stops. If the agencies determine on a preliminary basis that there is injury, a protracted investigation proceeds under a timeline established in US law.

Following the preliminary investigation, cash deposits may be required at the border by companies tentatively determined to have violated US rules. If the final determination finds no injury, those deposits are refunded. If injury is found, the deposits or tariffs become permanent and will be revisited five years later to determine whether conditions have changed.

Q. What practices violate US laws?

A. In the context of the NORPAC case, two allegations are made, and they are investigated in two separate dockets. First, NORPAC claims that “countervailable” subsidies have given Canadian producers an advantage. Such subsidies may include an ability to harvest wood fiber on government lands, tax advantages, preferred status for suppliers (such as power companies that feed paper mills) or even government loans. Second, NORPAC claims that Canadian paper has been “dumped” into the US, which means paper is sold in the US at less than its fair value in Canada.

Q. What has happened so far?

DOC made the preliminary determination about countervailing subsidies on January 8, 2018 and required cash deposits –countervailable duties (CVD)—as of January 16 by most Canadian companies, with the heaviest falling upon Montreal’s Kruger at nearly 10% of its sales price.

DOC made the preliminary determination about the anti-dumping allegation on March 12, 2018. It ordered offsetting duties –antidumping duties (AD)—of 22% as of March 19 against Catalyst, a company primarily serving the western region.

Q. Are these assessments permanent?

A. No. They will be in place until a final determination by DOC and ITC in mid-September. At that time, the deposits could be refunded. Or a different sum could be ordered as permanent tariffs until the period for 5-year review begins.

¹ For more information on NNA’s position on proposed tariffs, see NNA’s white paper “Q&A: The Case Against Trade Sanctions.”

Q. Who can participate in these cases?

A. Anyone may comment to the DOC as it proceeds with its investigation by writing to the Secretary of Commerce, Wilbur Ross at 1401 Pennsylvania Ave NW, Washington DC 20230. At ITC, only interested parties defined by the law are permitted, which includes domestic producers, labor unions, trade or organizational associations representing any of them, and Members of Congress. Consumers of the product in question, like newspapers, do not have standing to participate.

Q. What happens next?

A. DOC is pursuing its investigation into whether the conditions exist that were alleged in the two cases. Separately ITC is looking into the potential for injury to domestic producers. The ITC determination may be the most critical, as it could lead to a finding that the alleged trade practices, even if they exist, do not create an injury. Rather, in looking at market shares, supply and demand conditions and the like, ITC could determine that the domestic newsprint industry has been primarily affected by market conditions, not adverse trade practices. If it so determined, the case would end and the tariffs would stop. If injury is found and Commerce decides to order tariffs, continued collections at the border will occur. A final conclusion of the case is likely in mid-September.

The ITC public hearing will be July 17.

Q. When are prices to printers and publishers in effect?

A. Tariffs don't automatically lead to price increases. But in tight supply markets, such as newsprint suppliers work in now, they are much more likely. Most printers and publishers have already seen price increase announcements as a result of the tariffs.

Q. What else could happen and when?

A. In light of falling demand and the US government's pushback, Canadian producers could decide at any time to exit the market entirely. That could lead to dramatic newsprint shortages in the US.