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Trade Lines

Policy Intelligence for Global Business Leaders

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Trade Lines brings you timely updates from DC on global trade and regulatory policy. Curated for business leaders and decision-makers, this newsletter highlights key shifts in trade policy — from tariff shifts and supply chain disruptions to legislative developments and compliance trends. Stay ahead, evaluate impact, and make informed decisions in a rapidly changing environment.

In This Issue

Global Signals

U.S. and Jordan announce Agreement on Reciprocal Trade

On July 21, 2026, the White House announced a U.S.–Jordan Agreement on Reciprocal Trade (ART). The agreement builds on the U.S.-Jordan Free Trade Agreement, which entered into force on December 17, 2001. According to the fact sheet, "Jordan will continue to provide duty-free market access for almost all U.S. goods exported to Jordan" and "will also remove non-tariff trade barriers and expand market access for U.S. goods, including U.S. agricultural products and U.S. motor vehicles." Jordan further committed to "enforcing environmental laws, protecting labor rights, including by prohibiting the importation of goods produced by forced labor, strengthening intellectual property protection, ensuring fair trade practices, and improving customs procedures." Notably, the parties pledged to "take complementary actions to address non-market policies of third countries and to cooperate on investment security, export controls, and duty evasion" - reflecting these agreements' growing economic and national security focus.

The announcement also highlighted a series of investment and purchase commitments intended to benefit U.S. industry, including significant aircraft purchases and leasing agreements, a major investment in U.S. manufacturing, and ongoing commitments to purchase U.S. raw materials.

USMCA third negotiating round between the U.S. and Mexico

The U.S. and Mexico convened on July 21 in Mexico City for three days of bilateral trade talks related to the Joint Review of the U.S.-Mexico-Canada Agreement (USMCA). The third negotiating round followed the U.S. decision on July 1 not to renew the agreement for a 16-year term in its current form.

In a joint statement, the parties indicated that they "reviewed the status of discussions during the negotiating round on issues regarding economic security, labor, agriculture, electronic payment services, steel and aluminum and derivative products, and automobiles." The two sides also "agreed on the importance of bilateral cooperation and underscored the urgency of growing North American manufacturing, strengthening regional supply chains, and addressing free-riding from non-parties."

The U.S. and Mexico will hold a fourth negotiating round in Washington, D.C. in September.

Hong Kong national emergency allowed to lapse

The Trump administration issued an executive order in July 2020 that revoked Hong Kong's "special status" and ended "U.S. preferential treatment for Hong Kong." The EO declared a national emergency with respect to Hong Kong and was subject to annual renewal. In July 2026, the administration allowed the national emergency to lapse.

China's Ministry of Commerce described the decision as consistent with discussions held during bilateral trade talks in September 2025. Following the expiration of the national emergency, the Treasury Department's Office of Foreign Assets Control said it had updated its sanctions lists.

Policy Pulse

Trump administration levies new 50% tariffs on a range of Canadian goods

On July 20, 2026, President Trump signed three proclamations imposing additional duties on a range of Canadian goods imported into the U.S. under Section 338 of the Tariff Act of 1930. The proclamations impose 50% tariffs on approximately $20 billion of Canadian goods across numerous sectors, with the White House stating that the action is intended to "offset Canadian discrimination" against U.S. alcohol, motor vehicles, and dairy products. The action marks the first use of Section 338 to impose tariffs.

The new tariffs take effect at 12:01 a.m. EDT on August 19, 2026, and apply to all covered goods, regardless of whether they qualify for preferential duty treatment under the USMCA. According to the White House, the tariffs "will not apply to energy, potash, products subject to tariffs under Section 232 of the Trade Expansion Act of 1962, and certain other goods, such as fish or critical minerals."

Canada's Prime Minister Mark Carney responded in a statement that the tariffs are "the latest in a series of unilateral U.S. trade actions" and that "Canada has made a series of detailed and comprehensive proposals to resolve this dispute and to modernize USMCA. We stand ready to intensify those discussions in the coming weeks."

A more detailed EY alert is available here.

USTR finalizes tariffs on 60 economies in Section 301 forced labor import ban investigations

On July 23, 2026, the Office of the U.S. Trade Representative (USTR) finalized Section 301 tariffs on imports from 60 trading partners following investigations into whether those economies maintain and effectively enforce prohibitions on imports produced with forced labor. Effective July 24, 2026, USTR is imposing additional duties of 10% or 12.5% on substantially all imports from covered economies, subject to broad exemptions. Notably, five economies—Honduras, India, Jordan, Sri Lanka, and Trinidad and Tobago—were moved from the proposed 12.5% tier to the 10% tier after USTR determined they had taken steps toward adopting or strengthening forced-labor import prohibitions.

The final action also introduces several important changes from the proposal. For certain products from the European Union, Taiwan, Japan, Korea, and Switzerland, the tariff will be applied on a "net-of-MFN" basis rather than as a flat additional duty. USTR replaced its proposed textile mechanism with tariff-rate quotas for Bangladesh, Cambodia, Indonesia, and Malaysia tied to purchases of U.S. cotton and textile inputs, while also expanding and refining exemptions. In addition to exclusions for Section 232-covered products, certain raw materials and supply-sensitive goods, USMCA-qualifying products, and eligible CAFTA-DR textiles and apparel, the final action provides a limited "on-the-water" exception for goods that were loaded onto their final mode of transportation and already in transit before the tariffs took effect at 12:01 a.m. EDT on July

24 and that are entered for consumption, or withdrawn from warehouse for consumption, into the U.S. before 12:01 a.m. EDT on July 28.

In a July 16 interview with Bloomberg, USTR Ambassador Greer said the Section 301 investigation into *Structural Excess Capacity and Production in Manufacturing Sectors* would likely not be finished before the expiration of the Section 122 tariffs. Greer said, "This is quite an intense project. I have dozens and dozens of attorneys and policymakers working on this to really examine all of these practices…So it takes a little longer time than doing this forced labor one."

Section 122 tariffs expire

The 10% tariffs imposed under Section 122 of the Trade Act of 1974—invoked by the administration to address a declared balance-of-payments crisis—expired at 12:01am on July 24, 2026. The Trump administration levied these tariffs on all trading partners via proclamation on February 20. A court challenge to the Section 122 tariffs remains ongoing.

Trump administration uses trade measure to encourage investment into U.S. aluminum

On July 20, 2026, the President signed a proclamation under Section 232 of the Trade Expansion Act of 1962 imposing new trade measures on imports of aluminum into the U.S. The President directed the Commerce Secretary to request onshoring plans from companies seeking to invest in aluminum smelters in the U.S.; approved plans would allow eligible companies to receive a 50% reduced tariff rate. The proclamation "directs the Secretary of Commerce to establish an incentive program for companies that will invest in building, expanding, or refurbishing aluminum smelters in the United States" by requesting "onshoring plans from companies that, if approved, will be eligible to import a commensurate level of primary aluminum into the United States at a reduced tariff rate equal to half of the otherwise applicable Section 232 rate."

A fact sheet is available here.

New tariffs threatened on imports of generic drugs

In a July 21 post, President Trump said beginning two years from August 1, 2026, imports of generic drugs would be subject to a 100% tariff for one year and a 200% tariff "thereafter." Trump said the tariff would be "done in order to RESHORE Generic Pharmaceutical Production into America, with a penalty to those Companies that decide not to build Plant and Equipment within the stated period of time given to them."

On April 2, President Trump issued a proclamation announcing new tariffs on pharmaceuticals and their associated ingredients but "determined not to adjust imports of generic pharmaceuticals and their associated ingredients, including biosimilar products" at the time. The President directed the Commerce Secretary to provide an update within one year on whether developments "might indicate the need to take action to adjust the imports of generic pharmaceuticals and their associated ingredients."

Hill Highlights

Senator Wyden introduces bill asserting Congressional authority over trade and tariffs

Senate Finance Committee Ranking Member Ron Wyden (D-OR) introduced the *Congressional Trade Powers Reform Act of 2026* on July 22. In a press release, Wyden said, "Congress must reassert its authority over trade and tariffs to stop any president from being able to unilaterally change the worldwide economy at the click of a button. Trump's first-ever use of Section 338 of the Smoot Hawley Act to slap 50% tariffs on Canada at the expense of U.S. consumers, farmers and businesses is only the latest example of his reckless abuse of tariffs." The bill would increase congressional oversight of USTR, require congressional approval of tariffs proposed by the president, clarify the circumstances under which congressional approval is needed for binding trade agreements, and establish a bicameral congressional committee "to review and make recommendations on tariffs actions proposed by the president."

USTR Ambassador Greer testifies at Senate Finance Committee

The Senate Finance Committee hearing with USTR Ambassador Jamieson Greer on July 22 included discussion of President Trump's tariff strategy, including newly announced tariffs on Canadian goods, the Joint Review of the USMCA, and various state-specific concerns raised by Senators on issues such as agriculture and tourism. Asked by Chairman Mike Crapo (R-ID) about a realistic timeline for concluding negotiations, Ambassador Greer said he hoped to have options before the end of the year regarding interim actions and arrangements—one with Canada and one with Mexico—but noted that rules of origin and labor and environment enforcement issues may take longer. Senator John Cornyn (R-TX) asked about the Administration's decision not to renew the USMCA. Greer said the July 1 options were to renew the agreement in its current form or enter a period in which the U.S. declined renewal to consider potential improvements to the trading relationship.

Ranking Member Ron Wyden (D-OR) criticized the President's "new tariffs on clothes, school supplies and other products from Canada, using a provision passed in the Smoot-Hawley Tariff Act of 1930," and anticipated forthcoming "global tariffs under the guise of addressing forced labor." Senator Elizabeth Warren (D-MA) also raised concerns, asserting that President Trump had promised to lower prices but was pursuing new tariffs on many products.

See here for a more detailed EY alert.

Reps. Moolenaar and Dingell introduce legislation to ban certain connected vehicles

Rep. John Moolenaar (R-MI), the Chairman of the Select Committee on China, and Rep. Debbie Dingell (D-MI) introduced the *Connected Vehicle Security Act* to prohibit the import, manufacture, sale, or introduction of connected vehicles originating from a foreign adversary into the U.S. The bill would be effective January 1, 2027, and specifies foreign adversaries as including China, Russia, North Korea, and Iran. In a press release, Chairman Moolenaar said, "China cheats in every industry, and in autos it is overproducing vehicles and components, and selling them for cheap in hopes they will put our companies out of business… These companies should not be allowed to do business in America, and their products shouldn't be in our cars or threatening our infrastructure." Here is a companion bill introduced in the Senate.

Key Dates

July 30: Deadline for post-hearing written comments on the annual AGOA review.

July 31: Section 232 tariffs on pharmaceuticals take effect for large companies on Annex III.

August 8: Deadline for determinations in the Section 232 investigations into wind turbines.

August 10: Deadline for written comments on USTR's Section 301 investigation into Germany's pharmaceutical pricing practices.

August 26: Deadline for determinations in the Section 232 investigations into PPE, medical consumables, and medical equipment and robotics and industrial machinery.

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