

TARIFF INCREASE SECTION 301- CHINA IMPORTS

On June 14, 2018, the office of the U.S. Trade Representative (USTR) published the much anticipated list of Chinese origin goods that are to be subjected to a 25% additional tariff under Section 301 of the U.S. Trade Act of 1974 effective July 6, 2018.

The broad list of 818 tariff items represent approximately \$34 billion in imports from China and includes engines, semiconductors, medical products, earth moving equipment, electric motors, among other various categories. Noticeably absent from the list included many consumer goods such as televisions, furniture, and wearing apparel.

An additional second list of 284 proposed tariff items targeted at China's "Made in China 2025" industrial policy will be published in the Federal Register and subject to public comment prior to implementation. This second list representing approximately \$16 billion in imports from China also avoided many consumer goods, but contains items such as motorcycles, mobile cranes, gas meters, railcars, and integrated circuits. Imposition of a 25% tariff for items on this second list is not expected until Fall 2018.

In its announcement, the USTR suggested that some form of an exclusion process would be available to U.S. companies and that specifics would be addressed in the coming weeks.

The Section 301 tariffs stem from a March 22, 2018 memorandum from President Trump instructing the USTR to take all appropriate actions to "address the acts, policies, and practices of China that are unreasonable or discriminatory and that burden or restrict U.S. commerce" following a 2017 USTR study into China's trade practices.

Talks between U.S. and Chinese trade officials have stalled in recent weeks. The U.S. is seeking a reduction in the Chinese trade surplus by \$200 billion over two years through the reduction of tariff and non-tariff barriers on U.S. exports to China, as well as seeing a reduction in government subsidies of the manufacturing industry. Additionally, the U.S. is demanding China to halt cyberespionage of U.S. entities, and a strengthening of intellectual property protections for U.S. entities.

Additional retaliatory tariffs by the Chinese government on U.S. origin imports in China is anticipated in the coming days.

ARE YOU IMPACTED?

Crane can perform a complementary analysis of your tariff classifications to determine if your company will be impacted by the tariffs, and possible solutions to reduce your exposure.

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