



Global Trade Advisory Alert

US Issues Second Round of Section 301 Tariffs on China Origin Goods, and Extends Public Comment Period for Third Round of Section 301 Tariffs; China Responds with Additional Tariffs

On 7 August 2018, the Office of the US Trade Representative (USTR) officially announced that an additional tranche of 279 Chinese origin goods will become subject to additional tariffs of 25% on 23 August 2018.

This second tranche of tariffs on Chinese origin goods, which is being implemented pursuant to Section 301 of the Trade Act of 1974, will impact USD 16 billion in trade value from China. [The final second list](#) is a slightly scaled back version of the list of 284 tariff lines that was originally proposed on 15 June 2018. The following tariff items were removed following a public comment and hearing process:

- alginic acid,

- splitting, slicing or paring machines for working hard materials,
- carriage containers,
- floating docks, and
- microtomes.

The USTR is expected to publish, in an upcoming *Federal Register* notice, the details on how US stakeholders may request product exclusions from these tariffs. According to the USTR's announcement, exclusions will be considered in cases where the impacted goods are only available from China and when the imposition of additional duties will cause severe economic harm to a US interest. Interested persons will have the opportunity to submit a response to such requests.

Increased Rates and Extension of Public Comment Period for the Third Tranche of Proposed Tariffs

On 1 August 2018, the USTR had also announced a possible increase in the rate of additional Section 301 tariffs with respect to a third tranche of proposed tariffs on goods of Chinese origin. Specifically, the USTR had originally proposed an additional 10% tariff on 6,031 products representing approximately USD 200 billion in trade value with China, and is now considering additional tariffs up to 25%.

Due to this change, the USTR indicated in its 1 August 2018 notice that it will extend the public comment period as follows:

- requests to appear at the public hearing will now be due by 13 August 2018;
- written comments will now be due by 6 September 2018;
- the date of the public hearing originally scheduled for 20 August 2018 in Washington DC will not change; and
- post-hearing comments will be due by 6 September 2018.

In its announcement, the USTR indicated that these latest proposed tariff measures are "intended to provide the Administration with additional options to encourage China to change its harmful policies and behavior and adopt policies that will lead to fairer markets and prosperity for all of our citizens."

China's Response

On 9 August 2018, China responded to the US's announcement of its second list of tariffs by announcing its own [list of 333 products](#) that will be subject to 25% additional duties effective at 12:01pm CST on 23 August 2018.

Also, on 3 August 2018, in response to the US's proposed tariff rate increase on its proposed third list of tariffs on Chinese origin goods, the China Tariff Commission of the State Council published Announcement No. 6, which proposed additional tariffs on 5,207 categories of products covering a very wide range of goods originating from the US at four different rates (5%, 10%, 20%, and 25%). No effective date for these tariffs was indicated. However, based on past tariff actions taken by China and the China Ministry of Commerce's statement that "China will act according to the steps taken by the US," the effective date would likely coincide with any effective date associated with the proposed third tranche of US tariffs.

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- Obtaining and analyzing import data to assess the potential impacts of the trade measures;
- Examining supply chains and imported products to determine opportunities to manage increased costs due to the additional tariffs;
- Conducting strategic sourcing reviews to identify potential alternative sources of affected products;
- Scrutinizing the accuracy of tariff classifications;
- Considering tariff engineering opportunities;
- Reviewing Incoterms used in contracts to confirm responsibilities for customs duty payments; and
- Undertaking customs valuation planning to manage the impacts of the additional tariffs.

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