



## **Global Trade Advisory Alert**

**US Announces Additional Tariffs on \$200 Billion of Chinese Imports and China Responds with Additional Tariffs on \$60 Billion of US Imports**

On 17 September 2018, President Trump and the United States Trade Representative (USTR) announced that the US will proceed with implementing additional tariffs on [5,745](#) goods of Chinese origin pursuant to Section 301 of the Trade Act of 1974. This third tranche of tariffs will levy an additional tariff of 10% on approximately \$200 billion of imports of Chinese origin, effective 24 September 2018. This additional tariff rate will increase from 10% to 25% on 1 January 2019.

Following a recent public comment and hearing process, 297 tariff items were removed from the originally proposed list of 6,031 tariff items, including:

- certain consumer electronic products, such as smart watches and Bluetooth devices;
- chemical inputs for manufactured goods;
- textiles and agricultural products;
- certain health and safety products; and

- child safety furniture, such as car seats and playpens.

When considered in combination with the two tranches of additional tariffs on Chinese origin goods of 25% that became effective on 6 July 2018 and 23 August 2018, this third tranche brings the total of impacted imports of Chinese origin goods to approximately \$250 billion—nearly half of all imports of Chinese origin goods in 2017.

In conjunction with this announcement, President Trump specifically stated that any retaliatory action against the US in response to these Section 301 duties may result in the implementation of more tariff actions on an additional \$267 billion worth of Chinese origin goods. Should this occur, tariffs on goods of Chinese origin would cover nearly the entire value of all imports of Chinese origin goods imported last year.

### **Exclusion Process**

On 18 September 2018, the USTR finally published procedures to request the exclusion of products from the Section 301 List 2 tariffs on China origin goods that took effect on 23 August 2018. These procedures detail the process by which any person(s), including trade associations, can submit requests for exclusion from the second tranche of additional duties. Citing protests from interested persons received during the initial notice and comment period for the Section 301 List 1 tariffs that took effect on 6 July 2018, the USTR determined to consider exclusions based on the following required information:

- A detailed description of the physical characteristics of the product in consideration;
- The 10-digit subheading;
- The average annual quantity purchased for the last three years;
- The percentage of the importer's total gross sales of the product in consideration, or for imports used in the production of final products, requestors must provide the percentage of the total cost of producing the final product and percentage of total gross sales; and
- The rationale for the requested exclusion (i.e., whether the product is available from a source outside of China; whether the additional duties would cause severe economic harm to the requestor or other US interest; and/or whether the particular product is strategically important or related to Chinese industrial programs (i.e., "Made in China 2025").

Requests for product exclusions for List 2 must be filed within 90 days of the publication of the list (18 December 2018). Responses to the requests are due 14 days after the request is posted in docket number

[USTR-2018-0032](#). At the end of the 14-day response period, interested persons will have an additional seven days to reply to the response. Exclusions will be applied retroactively to 23 August 2018, and will be effective for up to one year upon publication of the exclusion determination in the *Federal Register*.

The exclusion request process for List 3 has not yet been published. Also, the previously published exclusion request process for List 1 set a deadline of 9 October 2018 for the filing of requests.

## **China Responds**

On 18 September 2018, China announced that it would impose a 10% retaliatory tariff on 3,571 goods of US origin, effective 24 September 2018. The affected products of US origin include:

- Oak wood veneer
- Non-electrical machines
- Makeup
- Copper
- Natural Gas

A separate list of 1,636 tariff items, including bleached wood pulp, cow hides, optical media, and needles, will be subject to a 5% additional tariff as of the same date.

The import value associated with these tariff measures amounts to approximately \$60 billion in Chinese imports of US origin goods.

Deloitte's Global Trade Advisory specialists are part of a global network of professionals who can provide specialized assistance to companies in global trade matters. Our professionals can help companies seeking to manage the impacts and potential impacts of the developments described above by:

- 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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