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Global Trade News Alert

Recap of Recent Trade Actions Taken by the US and China

The US and China have taken a series of actions since the beginning of 2018 that impact the two nations' bilateral trade relationship, and in some cases, trade with other nations. The various actions taken, which are outlined below in chronological sequence, remain the subject of ongoing trade negotiations between the two countries, among other trade partners.

US Implements Section 201 Safeguards

On February 7, 2018, based on an investigation conducted by the US International Trade Commission under Section 201 of the Trade Act of 1974, imports of washing machines and parts, and solar cells and modules, of various countries of origin - including Chinese origin—became subject to additional tariffs and tariff rate quotas ranging from 15% to 50%. These measures currently are envisaged to remain in place for three years on the washing machine and parts tariff rate quotas and four years on the solar cell and module additional tariffs.

US Implements Section 232 Tariffs

On March 23, 2018, imports of certain steel and aluminum products originating from countries other than the EU member states, Argentina, Australia, Brazil, Canada, Mexico and South Korea, which are currently temporarily exempt until June 1, 2018, became subject to additional tariffs of 25% and 10%, respectively. These measures, which impact imports of Chinese origin steel and aluminum, have been implemented with no specific termination date announced.

US Takes WTO Action

Also on March 23, 2018, the US Trade Representative (USTR) filed a request with the World Trade Organization (WTO) for consultations with China regarding China's licensing practices relating to intellectual property. Items of concern raised by the US include China's use of foreign ownership restrictions to require technology transfer from US companies to Chinese companies, China's investment and acquisition of US cutting-edge technologies and intellectual property, technology regulations that require US companies to license technologies to Chinese entities on non-market-based terms, and unauthorized access to the computer networks of US companies that contain sensitive commercial information and trade secrets.

China Implements Tariffs on US Origin Goods

On April 1, 2018 in response to the US' tariffs on steel and aluminum, China's Ministry of Commerce (MOFCOM) imposed additional tariffs of 15% or 25% on goods of US origin imported under 128 Harmonized Tariff Schedule (HTS) codes, including fresh fruit, dried fruit, dried nuts, wine of fresh grapes, denatured ethyl alcohol, ginseng, tubes of iron or steel, pork, and aluminum waste and scrap. China implemented these tariffs with immediate effect.

US Considers Imposing Section 301 Additional Tariffs

On April 3, 2018, the USTR published a list of 1,333 product categories of Chinese origin for which the US proposed to impose additional tariffs of 25%. These proposed tariffs target products that comprise USD 50 billion in imports and that have been found by the USTR as benefitting Chinese industrial policies or harming the US economy. They include aerospace, technology, machinery, medical equipment, medicine, and educational goods. Comments to these proposed tariffs are due by May 11, 2018, and a public hearing has been scheduled to occur on May 15, 2018, after which the US may formally implement all or some of these tariffs. In this regard, the US will have 180 days to take formal action on these proposed tariffs following the close of the public notice and comment period.

China Considers Imposing More Additional Tariffs

On April 4, 2018, in response to the US' proposed additional tariffs, China's MOFCOM proposed additional tariffs of 25% on products falling under 106 HTS codes and covering USD 50 billion in imports. These proposed tariffs are focused on soybeans, automotive, chemical products, aircrafts, etc. with a total import value of USD 50 billion. While the effective date of these tariffs remains undefined, it is widely anticipated that the tariffs would coincide with any US action on its proposed additional tariffs.

China Takes WTO Action

Also on April 5, 2018, China filed a complaint with the WTO against the US to initiate consultations on the US's Section 301 tariffs on steel and aluminum.

US Indicates It May Consider More Additional Tariffs

On April 5, 2018, the Trump Administration responded to China's actions by indicating that the US would possibly impose more additional tariffs covering USD 100 billion in Chinese origin imports. However, duty rates, products to be targeted, and timing were not specified.

China Indicates It May Consider More Additional Tariffs

In response to this statement, China stated the following day, on April 6, 2018, that it would consider imposing comprehensive countermeasures should the US impose additional tariffs.

China Takes a Conciliatory Step Impacting Automakers

On April 17, 2018, China's President Xi Jinping announced plans to phase out foreign ownership caps for automotive manufacturers and open up investment to the US. Foreign investment caps, currently limited to 50%, will be phased out with makers of fully electric and plug-in hybrid vehicles benefiting in 2018, commercial vehicles in 2020 and all other car manufacturers in 2022.

China Imposes Anti-dumping Tariffs on US Origin Sorghum

On April 18, 2018, China imposed a temporary 178.6% duty under anti-dumping regulations on imports of sorghum of US origin into China, with immediate effect.

China Takes Another Conciliatory Step Impacting Certain Imported Drugs and Import VAT Assessments

On April 23, 2018, the Tariff Committee of China's State Council announced that, effective from May 1, 2018, China will apply zero duty on imported drugs covered by 28 HTS codes, including cancer drugs, cancer alkaloid-based drugs and imported traditional Chinese medicines. This favorable duty will be granted in the form of interim duty relief on drugs that currently carry a Most Favored Nation duty rate ranging from 3% to 6%. In addition to the duty reduction, the VAT rate on imported goods, including drugs, will be reduced to 16% from 17%.

What's Next?

It is anticipated that additional measures by both countries may continue to escalate. However, despite all actions taken to date by the US and China, both countries continue to publicly affirm their desire to negotiate with one another to achieve a greater balance of international trade between them. In the meantime, importers in both countries are seeking ways to manage the impact that the measures taken and proposed have had and would have on their businesses.

Deloitte's Global Trade Advisory (GTA) 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 recent and proposed trade measures with:

- Obtaining and analyzing your import data to assess the potential impacts of recent trade measures;
- Examining your supply chain and imported products to determine opportunities to manage increased costs due to tariffs;
- Conducting strategic sourcing reviews to identify alternative sources of affected products.
- Undertaking customs valuation planning;
- Scrutinizing the accuracy of your tariff classifications;
- Considering tariff engineering opportunities;
- Seeking exclusions from tariffs or filing objections to tariff exclusion requests;
- Reviewing Incoterms® used in contracts to confirm responsibilities for customs duty payments; and
- Customs valuation planning to minimize the impacts of the additional tariffs.

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