As potential trade war looms, nearly 1,300 U.S. imports from China may be subject to additional 25 percent tariffs under Section 301 and U.S. exports to China potentially subject to additional duties

6 April 2018

U.S. imports from China potentially subject to additional duties include certain chemicals, pharmaceutical products, medical devices, rubber, iron, steel and aluminum products, boilers, machinery and mechanical appliances, television and sound equipment, vehicles and parts, aircraft and parts, food products, ships and vessels, optical and photographic products, arms and ammunition, furniture and bedding. Meanwhile, in retaliation, U.S. exports to China are targeted in China for increased tariffs when imported into China, including certain soybeans, wheat, corn, cotton, beef, orange juice, tobacco, vehicles, and diagnostic reagents.

U.S. importers may soon see an additional 25 percent tariff (i.e., a 25 percent tax) imposed on approximately 1,300 products of Chinese origin. Companies that import or incorporate these proposed items into finished goods in the United States should closely monitor this development to: (1) assess the impact on their bottom line, and (2) determine if they should request that the U.S. government remove specific products from the current list of products targeted for additional tariffs.

The U.S. Trade Representative (USTR) recently announced a proposed list of approximately 1,300 Harmonized Tariff Schedule (HTS) classifications that are subject to an additional tariff of 25 percent if these goods are imported into the United States from China. The proposed list is a result of the USTR's investigation under Section 301 of the Trade Act and its findings regarding alleged Chinese forced technology transfer policies and theft of U.S. companies' intellectual property rights. China has also now published a proposed list of U.S. goods that would be subject to increased tariffs when imported into China, which could further affect companies' bottom lines.

These latest proposed additional tariffs come in the wake of the U.S. announcing separate additional tariffs on many steel and aluminum imports. If the proposed Section 301 tariffs—and China's reciprocal additional tariffs—are ultimately put in place, there is a real prospect of a trade war between the world's two largest economies. Such a dispute, if it escalates, is likely to impact global supply chains.

We recommend that companies assess the possible impact of additional tariffs on their businesses, recognizing that the U.S. and Chinese proposed lists of possible tariffs may change as specific goods are removed from the list and others are added to take their place. Companies should consider whether they should participate in the public comment and hearing process that has been announced.

The proposed tariffs are not final, and they will not become effective until after the formal notice and comment period that has been established.

The deadlines for raising possible issues related to the announced tariffs are:

- 23 April: Interested parties must file pre-hearing submissions and requests to appear at the public hearing with summary of five-minute hearing testimony.
- 11 May: Interested parties must file written comments (with business confidential information permitted).
- 15 May: Public hearing at U.S. International Trade Commission at 10:00 am.
- 22 May: Parties must file post-hearing rebuttal comments.

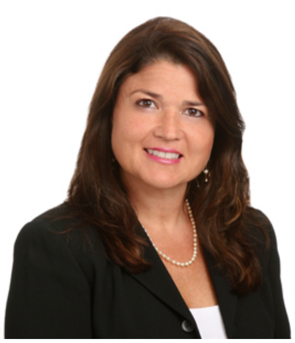
USTR has indicated that one goal in implementing the proposed additional tariffs is to minimize harm to U.S. commerce and U.S. consumers. Companies potentially affected by the tariffs may therefore submit comments and appear at the hearing to indicate how these tariffs would harm U.S. businesses and consumers. USTR invites comments if a party views any of the announced tariffs as unreasonable or discriminatory, or as restrictive or burdensome on U.S. commerce. USTR encourages comments regarding any aspect of the announced tariffs, including specific products to be added or removed from the list, the appropriate level of the duty rate, and the appropriate total amount of trade to be covered by the new tariffs.

USTR will give weight to comments regarding whether new tariffs on a particular product would cause disproportionate harm to U.S. interests, including small and medium sized businesses and consumers. Therefore, information regarding how the duties would impact U.S. operations and U.S. jobs should be included in any comments.

Please do contact us if you would like assistance with assessing the potential impact of these tariffs on your businesses or with submitting comments.

Please note that late on 5 April 2018 the Trump Administration announced that Trump is considering tariffs on an additional US$100 billion in imports from China, signaling further escalation in the potential trade war. As such, additional products may be subject to increased tariffs. Hogan Lovells will be closely monitoring this matter in both the United States and China.

Contacts



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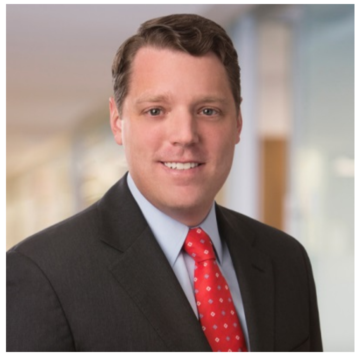

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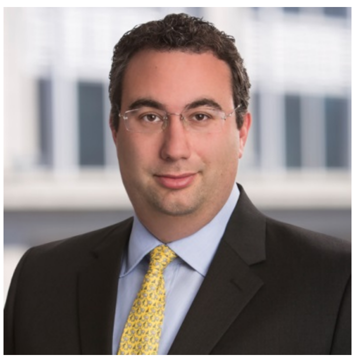

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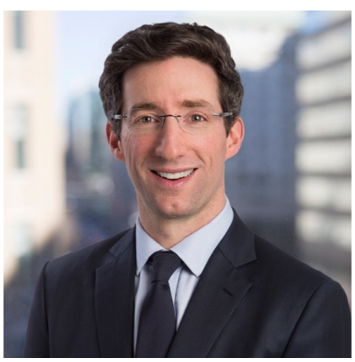

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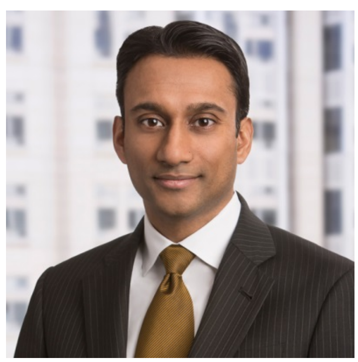

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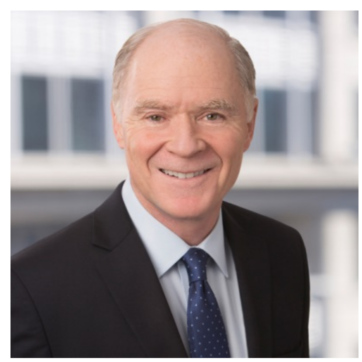

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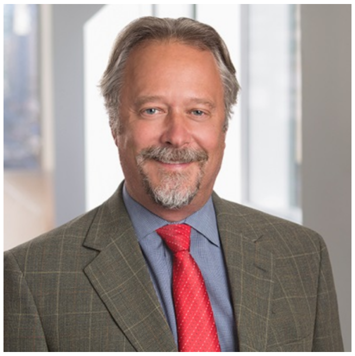

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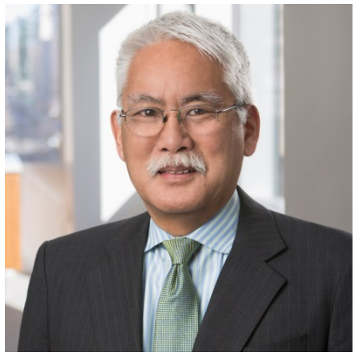

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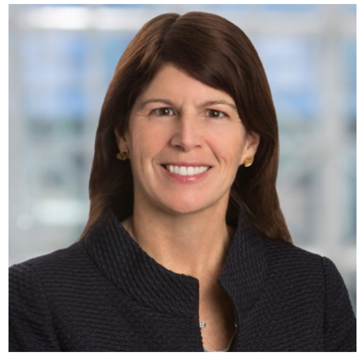

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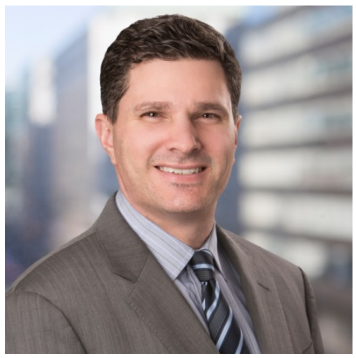

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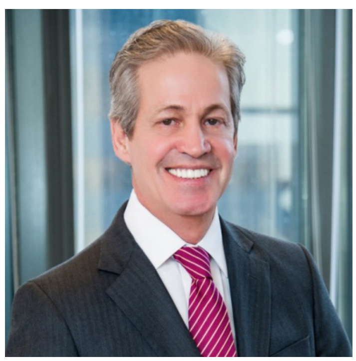

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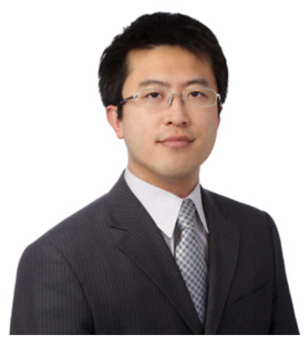

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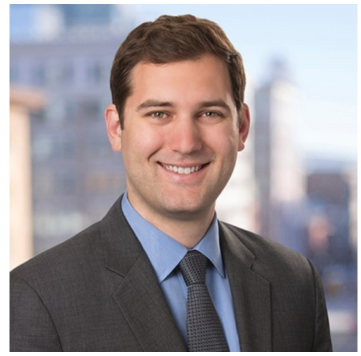

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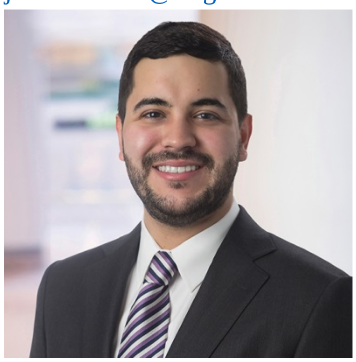

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