

Legal Update

US Announces Tariff Increase after China Imposes Additional Tariffs on \$75 Billion of US Imports

On August 23, 2019, China announced that it will impose additional tariffs of 5% or 10% on US imports valued at approximately \$75 billion.¹ China also announced that, in addition to those tariffs, it will also resume previously suspended tariffs on American vehicles and auto parts.² The announcements, issued by the Customs Tariff Commission of the State Council, made clear that the measures are being taken to retaliate against the United States' additional 10% duty on \$300 billion of Chinese imports earlier this month ("US Tranche IV tariffs").³

Similar to the US Tranche IV tariffs, China's new tariffs will be staggered—tariffs for List 1 are effective September 1, 2019, and those for List 2 are effective December 15, 2019. List 1 contains 1,717 tariff codes, including crude oil, soybeans and other agricultural products.⁴ List 2 contains 3,361 tariff codes, including wheat, cotton, electronic devices, machinery and household appliances.⁵

Some examples of targeted US products and their respective additional tariff rate are listed below:

| | Products | Additional tariff |
|--------|--|---|
| List 1 | Crude oil Soybeans | Preserved meats Quartz |
| | Frozen beef Whole chicken Whole duck Certain boned pork | Small shrimp Cabbage Fresh watermelons Fresh oranges |
| List 2 | Televisions Cameras | Peanuts |
| | Wheat Tea Mixed juice Pesticides | Solar cells Elevators Refrigerators |

Separately, China’s tariffs on US automobiles and auto parts, which were suspended indefinitely in March 2019, will resume on December 15, 2019. The 211 automobile products targeted will be subject to additional duties of 5% or 25%.

United States to further increase all tranches of Section 301 tariffs

In response, President Trump has instructed the United States Trade Representative (USTR)

to further increase tariffs on Chinese imports. On August 23, 2019, the USTR announced that tariffs on \$250 billion worth of Chinese imports, currently at 25%, will be raised to 30% effective October 1, 2019, while the 10% tariffs on \$300 billion worth of Chinese imports will be increased to 15% on their scheduled dates of implementation.⁶ Details of a notice and comment period will be published in the *Federal Register*.

The respective increases are tabulated below:

| US tariff tranches (relevant Mayer Brown legal update) | Value of imports impacted | Latest action |
|--|---------------------------|---|
| Tranche I (April 4, 2018) | \$34 billion | Current rate of 25% to be increased to 30% effective October 1, 2019 |
| Tranche II (August 28, 2018) | \$16 billion | |
| Tranche III (May 10, 2019) | \$200 billion | |
| Tranche IV (August 15, 2019) | \$300 billion | Proposed rate of 10% to be increased to 15% |
| <i>Total</i> | <i>\$550 billion</i> | |

Conclusion

Recent developments have shown that both the United States and China have returned to using tariffs as a means to advance their positions in the trade dispute. Parties are advised to closely monitor developments in this matter and participate in government processes that could potentially lead to duty reduction or avoidance, such as the upcoming USTR notice and comment period and any future products exclusion process of the Chinese government.⁷

For more information about the topics raised in this Legal Update, please contact any of the following lawyers.

Authors

Duane W. Layton

+1 202 263 3811

dlayton@mayerbrown.com

Matthew J. McConkey

+1 202 263 3235

mmcconkey@mayerbrown.com

Alasdair C.C. Kan

+852 2843 2385

alasdair.kan@mayerbrown.com

Contacts

AMERICAS

Duane W. Layton

+1 202 263 3811

dlayton@mayerbrown.com

ASIA

Jing Zhang

+1 202 263 3385

jzhang@mayerbrown.com

EUROPE

Nikolay Mizulin

+32 2 551 5967

nmizulin@mayerbrown.com

UK

Jason Hungerford

+44 20 3130 3084

jhungerford@mayerbrown.com

Endnotes

¹ Customs Tariff Commission of the State Council, *Notice on the Addition of Tariffs for Certain US Products*, available at http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372928.html.

² Customs Tariff Commission of the State Council, *Notice on the Resumption of Tariffs for US Vehicles and Auto Parts*, available at http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372941.html.

³ For details on US Tranche IV tariffs, please see the Mayer Brown Legal Update *USTR Announces Additional Tariffs on \$300 Billion of Chinese Imports and Excludes Products Subject to Prior Section 301 Tariffs* available at <https://www.mayerbrown.com/en/perspectives-events/publications/2019/08/ustr-announces-additional-tariffs-on-300-billion-of-chinese-imports-and-excludes-products-subject-to-prior-section-301-tariffs>.

⁴ See List 1 at <http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/P020190823604938915640.pdf>.

⁵ See List 2 at <http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/P020190823604939266141.pdf>.

⁶ USTR, *USTR Statement on Section 301 Tariff Action Regarding China*, available at <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-statement-section-301-tariff>.

⁷ For details on China's product exclusion process, please see the Mayer Brown Legal Update *US Prepares to Hit All Chinese Imports with Tariffs, as China Retaliates and Launches a Product Exclusion Process* available at <https://www.mayerbrown.com/en/perspectives-events/publications/2019/05/us-prepares-to-hit-all-chinese-imports-with-tariffs-as-china-retaliates-and-launches-a-product-exclusion-process>.

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