

# TARIFF INCREASE SECTION 301- GOODS FROM CHINA



President Trump will propose a 25% tariff on certain products that are supported by China's "unfair industrial policy," including aerospace, information communication technology, and machinery.

On March 22, 2018, President Trump issued a memorandum instructing U.S. Trade Representative Robert Lighthizer to take all appropriate actions under Section 301 of the U.S. Trade Act of 1974 (19 U.S.C. §2411) to "address the acts, policies, and practices of China that are unreasonable or discriminatory and that burden or restrict U.S. commerce". The Memorandum cited findings from a 2017 investigation by the U.S. Trade Representative into China's trade practices as a basis to impose tariffs, which largely addressed the lack of protection for U.S. firms' trade secrets and intellectual property when doing business in China.

A "Fact Sheet" issued by the White House stated that the President will propose a 25% tariff on certain products that are supported by China's "unfair industrial policy", including aerospace, information communication technology, and machinery.

## WHAT IS SECTION 301?

Section 301 of the U.S. Trade Act of 1974 authorizes the President to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce.

Section 301 is used to address unfair or unreasonable trade practices by foreign governments.



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## HOW DOES A SECTION 301 DIFFER FROM A SECTION 232?

The recently imposed tariffs on steel and aluminum imports were issued under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862). Section 232 investigations are initiated to determine the effects of imports of any articles on U.S. national security, whereas Section 301 is used to address unfair or unreasonable trade practices by foreign governments.

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In addition to Section 301 and Section 232, the Trump Administration has conducted 82 anti-dumping and countervailing duty investigations in 2017, which is a 58% increase over 2016.

## WHAT IS NEXT?

Within the next two weeks, the U.S. Trade Representative will publish a proposed list of products and intended tariff increases in the Federal Register. The U.S. Trade Representative will solicit public comment for a period of thirty (30) days. Within sixty (60) days of the Memorandum, the U.S. Trade Representative will report to the President with its progress and final recommendations. Concurrently, the U.S. Trade Representative will seek dispute settlement resolution with China via the World Trade Organization (WTO).

**U.S. companies that export to China may also face increased tariffs and other restrictive trade measures imposed by the Chinese government as retaliation.**

## HOW COULD THIS EFFECT MY COMPANY?

Should the U.S. not make progress in resolving its dispute with China, it is likely that broad-based tariffs will be imposed on importations in the coming months. Thus, companies that import goods from China are likely to incur significant additional duties.

U.S. companies that export to China may also face increased tariffs and other restrictive trade measures imposed by the Chinese government as retaliation.

## CONTACT US!

Crane will continue to keep you informed of the latest news and developments on trade matters. For additional information, please contact your Crane representative.

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