

China 301 Update

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China IPR Case

- Section 301 of the Trade Act of 1974 provides the U.S. with broad authority to enforce trade agreements, resolve trade disputes, and open foreign markets to U.S. goods and services
- August 2017, the President formally instructed USTR to determine whether to launch a 301 investigation of:
 - “...laws, policies, practices, or actions of the Government of China that may be unreasonable or discriminatory and that may be harming American intellectual property rights, innovation, or technology development”
- USTR launched an investigation and released report in late March 2018



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USIFI/NFI China 301 Objectives

- Support tariffs on textile end products from China because this approach boosts entire supply chain
- China’s \$44B trade surplus IPR-theft aided, hence retaliation appropriate
- China’s textile & apparel sector employs 10 million people, good leverage for U.S. negotiators
- Tariffs on Chinese textile/apparel finished products will encourage importers to diversify, leading to more Western Hemisphere production



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China 301 – U.S. Retaliation List – Round 1

- On April 3, 2018 the administration released a proposed list of imports from China to be subject to an additional 25% tariff
- This first list covered \$50 billion in goods / 1,333 tariff lines
 - reportedly designed to target products benefiting from China's programs while minimizing impact on U.S. economy and consumers
- No textile/apparel products included, but nearly all textile machinery and parts made the list (\$63 million in imports)
- Following public comment period and hearing, tariffs imposed on July 6, 2018 on 818 HTS lines / \$34 billion in Chinese imports; most machinery excluded. Rate increased to 30% effective October 1.



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China 301 – U.S. Retaliation List – Round 2

- On June 15, 2018 the administration proposed a 2nd list of 284 tariff lines covering \$16 billion in imports from China to be subject to 25% additional tariff
- These two lists add up to Trump's initial promise of \$50 billion
- Included a dozen lines covering coated fabrics in Chapter 39 as well as PET resin
- Comment period ended July 23; hearing July 30; tariffs imposed Aug 23, 2018.
- Rate increased to 30% effective October 1.



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China 301 – U.S. Retaliation List – Round 3

- On July 10, 2018 the administration proposed a 3rd list of \$200 billion in imported Chinese products for added tariffs
- List included HTS Chapters 50-60 – fiber, yarns & fabrics
- List excluded HTS Chapters 61-63 – apparel & sewn products
- Association efforts included testifying at public hearings and filing comments; also encouraged members to engage directly
- USTR removed 36 textile-related lines valued at \$885 million, including \$280 million in HTS Chapters 50-60 (e.g. rayon fiber)
- Penalty tariffs of 10% implemented on September 24, 2018; increased to 25% on May 10; increased to 30% October 1



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China 301 – U.S. Retaliation List – Round 4

- On August 20, 2019 USTR announced a 10% penalty tariff on \$300 billion of additional Chinese imports. The penalty rate was increased to 15% per an August 23 announcement.
- Tranche 4 includes all finished textile & apparel items – Chapters 61-63. Also included all products removed from Tranche 3.
- No “on water waiver,” but there will be an exclusion process
- Tariffs assessed in two groupings:
 - September 1 – all tariff lines where China is less than 75% of total import share
 - December 15 -- all tariff lines where China is 75% or greater of total import



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China 301 – Current Status

- U.S. and China appeared close to a deal in May
- According to the White House the deal stalled due to Chinese backtracking
- In June at the G-20 Summit, President Trump and President Ji agreed to resume talks
- Further negotiations held in July with little progress
- No formal negotiations scheduled as both sides seek to ramp up pressure



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