

CLIENT ALERTS

The Clock is Ticking on Section 301: List Three Tariffs Increase to 25%; March 2, 2019, is the New Effective Date While Negotiations Continue

12.18.2018

The United States Trade Representative published a formal notice in the 12/17/2018 Federal Register, “at the direction of the President”, postponing the previously announced increase in List 3 Section 301 tariffs from 10% to 25% until March 2, 2019. The increase was previously set to take place on January 01, 2019; however, the Trump administration agreed not to impose the increase “at this time” while it negotiates with China “on a range of issues, including those covered in the 301 investigation.” See Butzel Long Client Alerts, September 18, 2018 and August 2, 2018. According to the notice, “both parties agree that they will endeavor to have this transaction completed” by March 1, 2019. Although this three-month extension was previously announced informally, Customs and Border Protection has not been able to take formal action on this until the Federal Register notice was issued.

President Trump reached this agreement with China President Xi Jinping at the G20 summit in Buenos Aires on December 1st. See <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-regarding-presidents-working-dinner-china/>. If no agreement is reached in that time, U.S. Customs and Border Protection will begin collecting the increased amount (25%) on March 2nd. Depending on the progress of discussions, the Administration could conceivably change the effective date again with little notice as well as deciding to keep the rate at 10% or bringing it to zero.

The China Ministry of Finance announced last week that, as of January 1, 2019, it will suspend the additional 25% retaliatory tariff that it imposed on U.S. manufactured vehicles in July for 90 days. China has also recently announced plans to increase its purchases of U.S. goods, including corn and soybeans. However, U.S. and China officials were harshly critical of each other’s trade policies today at the World Trade Organization during a biennial

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