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## No One Is Blinking Yet: Trump Administration Responds to China's Retaliatory Tariffs by Releasing New \$200B List of Chinese Exports That Could Be Subject to Section 301 Tariffs

7.11.2018

Robert Lighthizer, the U.S. Trade Representative, yesterday announced a new list of Chinese products, worth approximately \$200 billion, that will be reviewed for an additional 10% tariff under the USTR's ongoing Section 301 investigation.

The President had previously directed the United States Trade Representative to identify \$200 billion worth of Chinese goods for additional tariffs, in response to China's announcement that it would impose retaliatory tariffs on U.S. goods. China announced its retaliatory tariffs on approximately \$30B worth of U.S. goods, including soybeans and whiskey, on July 6, 2018, the date the first set of U.S. tariffs went into effect.

Lighthizer's release stated: "In light of China's response to the \$50 billion action announced in the investigation and its refusal to change its acts, policies, and practices, it has become apparent that U.S. action at this level is not sufficient to obtain the elimination of China's acts, policies, and practices covered in the investigation. Accordingly, the Trade Representative is proposing to modify the action in this investigation by maintaining the original \$34 billion action and the proposed \$16 billion action, and by taking a further, supplemental action."

The USTR release sets out a two month comment period that will include public hearings August 20-23 in Washington. Written comments may be submitted electronically until August 17<sup>th</sup>; requests to appear at the hearings must be submitted by July 27<sup>th</sup>. The USTR has requested comments to address:

- The specific tariff subheadings to be subject to increased duties, including whether the subheadings listed in the Annex should be retained or removed, or whether subheadings not currently on the list should be added;

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- The level of the increase, if any, in the rate of duty; and
- The appropriate aggregate level of trade to be covered by additional duties.

In commenting on the inclusion or removal of particular tariff subheadings listed in the Annex, USTR requests that commenters address specifically whether imposing increased duties on a particular product would be practicable or effective to obtain the elimination of China's acts, policies, and practices, and whether maintaining or imposing additional duties on a particular product would cause disproportionate economic harm to U.S. interests, including small- or medium-size businesses and consumers

After the legal review process is complete, Lighthizer said that these tariffs will go into effect if China refuses to change its practices, and also if it insists on going forward with the new tariffs that it has recently announced. Further details about submitting comments and requesting to appear can be found [here](#).

The new list of products includes seafood, fresh produce, minerals, chemicals, personal care items, textiles, some consumer products such as handbags and luggage, building supplies, and some auto parts. According to the USTR release, the list was composed to minimize adverse effect on U.S. consumers and to target products that benefit from Chinese government subsidies. Some items were placed there in response to previous comments submitted during the investigation. If The U.S. carries out its threat to impose tariffs on this new list of products, approximately half of all exports from China to the U.S. will be subject to increased duties.

Republican Congressional leadership reacted to the announcement with some alarm. Senator Orrin Hatch, Chairman of the Senate Finance Committee, said that the proposal "appears reckless and is not a targeted approach." Kevin Brady, Chairman of the House Ways and Means Committee, urged President Trump to meet "face to face" with Chinese President Xi Jinping "to craft a solution to establish fair and lasting trade between our two countries", rather than the alternative of engaging in "along, multi-year trade war between the two largest economies in the world."

The last talks between the two countries were in early June; no future talks have been scheduled. The Chinese Commerce Ministry issued its own statement today accusing the U.S. of acting like a "trade bully", and vowing that China would "never yield to threats or blackmail."

President Trump has threatened to add yet another \$200B of Chinese exports to the tariffs list if the standoff continues. His confidence is apparently based in large part on the fact that China exports far more to the U.S. than it imports from the U.S. However, China could retaliate in other ways than tariffs. Other options it could explore relate to currency, its substantial cash investments in the U.S. (including Treasury notes), and U.S. business operations in China.

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