

# CLIENT ALERTS

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## Biden Administration Increases Some Section 301 China Tariffs; Extends Others

### Client Alert

5.16.2024

In an escalation of the trade war between the US and China, President Biden yesterday directed United States Trade Representative (USTR) Katherine Tai to maintain Section 301 tariffs that have been in place since 2018 on \$300B of Chinese goods. Additionally, he announced an effort to support domestic production in "carefully targeted" strategic sectors.

"American workers can out-work and out-compete anyone as long as the competition is fair, but for too long it hasn't been fair," Biden said during a speech in the White House Rose Garden before unions and companies. "We're not going to let China flood our market." Chinese officials, who have been charged with responding to their slumping economy by increasing production in industries that the United States has been targeting (such as EVs, batteries and semiconductors), immediately vowed retaliation.

The President's directive followed a mandatory four year review by the USTR of the Section 301 tariffs on imports from China. The USTR report, issued on May 14, 2024, included recommendations to establish an exclusion process for a limited number of products, in addition to the recommendations to increase some tariffs on \$18B worth of Chinese goods and to maintain other existing 301 tariffs. The USTR is expected to issue a Federal Register notice soliciting comments on the proposed changes next week.

In announcing the increased tariffs, the White House stated that "President Biden is taking action to protect American workers and American companies from China's unfair trade practices. To encourage China to eliminate its unfair trade practices regarding technology transfer, intellectual property, and innovation, the President is directing increases in tariffs across strategic sectors such as steel and aluminum, semiconductors,

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electric vehicles, batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products.”

The changes include:

Battery parts (non-lithium-ion batteries)

Increase rate to 25% in 2024

Electric vehicles

Increase rate to 100% in 2024

Face masks

Increase rate to 25% in 2024

Lithium-ion electrical vehicle batteries

Increase rate to 25% in 2024

Lithium-ion non-electrical vehicle batteries

Increase rate to 25% in 2026

Medical gloves

Increase rate to 25% in 2026

Natural graphite

Increase rate to 25% in 2026

Other critical minerals

Increase rate to 25% in 2024

Permanent magnets

Increase rate to 25% in 2026

Semiconductors

Increase rate to 50% in 2025

Ship to shore cranes

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Increase rate to 25% in 2024

Solar cells (whether or not assembled into modules)

Increase rate to 50% in 2024

Steel and aluminum products

Increase rate to 25% in 2024

Syringes and needles

Increase rate to 50% in 2024

The Biden administration has sought to draw a contrast with former President Donald Trump on trade, arguing that the current measures are targeted at specific industries that the U.S. is incentivizing through the Inflation Reduction Act, the CHIPS and Science Act and other recently enacted legislation to build up domestic capacity. Trump's plans for a potential second term include imposing at least a 60% tariff on all goods from China (and perhaps a 200% tariff on Chinese EVs); and charging a 10% levy on imports from all other countries.

President Biden is also directing Ambassador Tai to establish an exclusion process for machinery used in domestic manufacturing and to prioritize, in particular, exclusions for certain solar manufacturing equipment. No mention was made of re-establishing any previous Section 301 exclusion processes for other products.

In our Client Alert of April 8 we discussed at length the growing anti-China sentiment in Congress and targeting of the China automotive sector by Congressional Committees. The actions the Biden administration has now taken may be at least partly directed at holding Congress at bay.

Please feel free to contact the authors of this Client Alert or your Butzel attorney for more information.

**Catherine M. Karol**

313.225.5308

karol@butzel.com

**Leslie Alan Glick**

202.454.2839

glick@butzel.com

**Mitchell Zajac**

313.225.7059

zajac@butzel.com