



# FedEx Regulatory Alerts & Updates

## Regulatory Alert: China and U.S. Tariff Actions March 2020

March 18, 2020

### BACKGROUND

In August of 2017, the U.S. Trade Representative (USTR) commenced an investigation of Chinese government trade policies and practices under Section 301 of the Trade Act of 1974. As a result of this investigation, there have been a series of four tranches, or lists, of tariffs implemented upon China-origin goods since summer 2018:

- The first list of tariffs was implemented on July 6, 2018, and impacts 818 Harmonized Tariff Schedule of the United States (HTSUS) subheadings at a rate of 25%.
- The second list of tariffs was implemented on August 23, 2018, and impacts 279 HTSUS subheadings at a rate of 25%.
- The third list of tariffs was implemented on September 24, 2018, and impacted 5,745 HTSUS subheadings at the initial rate of 10%. The tariff rate was increased to 25% effective May 10, 2019.
- The fourth list of tariffs was announced by the USTR on August 13, 2019, and implemented September 1, 2019, with the total impacted articles divided into two lists: 4A and 4B. List 4A was to become effective on September 1, 2019, and list 4B on December 15, 2019.

The USTR has announced six new exclusion requests notices between October 28, 2019, and February 13, 2020, totaling 314 additional HTS codes from List 3, and 4 HTS codes from List 1.

China and the U.S. signed their Phase One trade deal on January 15, 2020.

The USTR published official notice on January 22, 2020, that the 4A tariffs will be reduced from 15% to 7.5%, effective on February 14, 2020.

China's Ministry of Finance announced tariff reductions on specific U.S. goods effective February 14, 2020; some will fall from 10% to 5%, while others will drop from 5% to 2.5%.

### WHAT HAS CHANGED?

Below is an overview of various tariff actions that took place from February 15 through March 15, 2020.

February 20, 2020 – The Office of the U.S. Trade Representative (USTR) issued 47 additional exclusion requests to the Section 301 duties levied on goods from China. This new set also affects goods on List 3, which currently has a 25% Section 301 tariff charge.

These product exclusions for Set 9 of List 3 will also apply as of the September 24, 2018, effective date of the \$200 billion List 3 action and lasts until August 7, 2020. The assigned HTS code that applies to this round of exclusions is 9903.88.40.

March 12, 2020 – The USTR issued five additional exclusion requests to the Section 301 duties levied on goods from China. This new set also affects goods on List 3, which currently has a 25% Section 301 tariff charge.

This is the TENTH set of List 3 items to be granted exclusions. The prior exclusions for List 3 were:

- Set 1 – August 7, 2019 (10 articles: identified under 9903.88.13)
- Set 2 – September 20, 2019 (38 articles: identified under 9903.88.18)
- Set 3 – October 28, 2019 (83 articles: identified under 9903.88.33)
- Set 4 – November 7, 2019 (36 articles: identified under 9903.88.34)
- Set 5 – November 29, 2019 (32 articles: identified under 9903.88.35)
- Set 6 – December 12, 2019 (44 articles: identified under 9903.88.36)
- Set 7 – December 31, 2019 (68 articles: identified under 9903.88.37)
- Set 8 – January 31, 2020 (119 articles: identified under 9903.88.38)
- Set 9 – February 20, 2020 (47 articles: identified under 9903.88.40)

These product exclusions for Set 10 of List 3 will also apply as of the September 24, 2018, effective date of the \$200 billion List 3 action and lasts until August 7, 2020. The assigned HTS code that applies to this round of exclusions is 9903.88.41.

March 12, 2020 – The USTR has issued additional medical supply product exclusions from the List 4 Section 301 tariffs on goods from China. The exclusions were requested by several medical product distributors. Products covered by the exclusions include cold packs, eye compresses, gel pads, medical masks and protective articles.

This is the second exclusion action to List 4. The current tariff rate on the List 4 items is 7.5%.

This set of new exclusions will apply from September 1, 2019, the effective date of the \$300 billion action, and will extend for one year to September 1, 2020. The assigned HTS code that applies to this round of exclusions is 9903.88.42.

## **Q&A**

### **Q1: How can I determine if my commodity is on any of the four tranches listed above as well as updated product exclusion information?**

A2: There is a 301 Tariff determination tool at the USTR website which allows customers to determine if their product is under a specific 301 tariff action. The customer must provide the harmonized tariff up to the eighth digit; it is recommended the HTSUS be used for this. Once the proper HTSUS code is entered, hit SEARCH to obtain the results.

This USTR site also has individual web pages for each of the product exclusion actions taken on the four lists to date.

The 301 Tariff Process page can be found in the “How to Navigate the Section 301 Process” link below in the References section.

### **Q2: Have China and the U.S. completed their trade deal?**

A2: No, Phase Two negotiations are scheduled to commence in 2020.

## **REFERENCES:**

The Feb. 20, 2020 Federal Register Notice (FRN) citing the 47 additional exclusions to List 3: [https://ustr.gov/sites/default/files/enforcement/301Investigations/%24200 Billion Exclusions Granted February.pdf](https://ustr.gov/sites/default/files/enforcement/301Investigations/%24200%20Billion%20Exclusions%20Granted%20February.pdf)

The March 12, 2020 Federal Register Notice (FTN) citing the 5 additional exclusions to List 3:  
[https://ustr.gov/sites/default/files/enforcement/301Investigations/%24200\\_Billion\\_Exclusions\\_Granted\\_March.pdf](https://ustr.gov/sites/default/files/enforcement/301Investigations/%24200_Billion_Exclusions_Granted_March.pdf)

The March 12, 2020 Federal Register Notice (FRN 7816) announcing the medical supply exclusions made to List 4:  
[https://ustr.gov/sites/default/files/enforcement/301Investigations/%24300\\_Billion\\_Exclusions\\_Granted\\_March\\_2020.pdf](https://ustr.gov/sites/default/files/enforcement/301Investigations/%24300_Billion_Exclusions_Granted_March_2020.pdf)

USTR How to Navigate the Section 301 Process:  
<https://ustr.gov/issue-areas/enforcement/section-301-investigations/search>