

China Announces Retaliatory Tariffs on US\$75 Billion in Annual Imports from the United States in Response to Latest Section 301 Action; President Trump Immediately Announces Increase of Section 301 Tariff Rates

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On August 23, 2019, China's State Council Tariff Commission (SCTC) announced that China will impose additional tariffs ranging from five percent to 10 percent on approximately US\$75 billion in annual imports from the United States, in two stages: (1) a first tranche of products, comprised of 1,717 8-digit tariff lines, will be subject to the additional tariffs as of September 1, 2019; and (2) a second tranche of products, comprised of 3,361 8-digit tariff lines, will be subject to the additional tariffs as of December 15, 2019.

China also announced that it will resume the imposition of retaliatory tariffs on automotive goods from the United States, which it had suspended in December 2018 as a good faith gesture in the negotiation between the two countries. China stated that it is taking these actions in response to the United States' recent decision to impose an additional 10 percent tariff on approximately US\$300 billion in annual imports from China, effective on September 1 for certain products and on December 15, 2019 for a second group of products.

In response to these actions, President Trump announced late on Friday that (1) as of October 1, the United States will increase the Section 301 tariff rate for products on Lists 1-3 (US\$250 billion) to 30 percent from the current rate of 25 percent; (2) products on List 4A (US\$112 billion) will be subject to an additional tariff of 15 percent as of September 1, 2019, instead of the previously-announced rate of 10 percent; and (3) products on List 4B (US\$160 billion) will be subject to an additional tariff of 15 percent as of December 15, 2019, instead of the previously-announced rate of 10 percent. We provide an overview of these actions below.

[Notice No. 4/2019: China's imposition of retaliatory tariffs on US\\$75 billion in annual imports from the United States](#)

In Notice No. 4/2019, the SCTC announced that it will impose additional tariffs on the US-origin products listed in Annexes I and II to the Notice, which together comprise more than 5,000 8-digit tariff headings and are

valued at US\$75 billion annually. The additional tariffs will be imposed in two stages and at rates ranging from five percent to 10 percent, as shown below:

- Beginning on **September 1, 2019**, China will impose (1) an additional 10 percent tariff on US-origin goods listed in Sections 1 and 2 of Annex I; and (2) an additional five percent tariff on US-origin goods listed in Sections 3 and 4 of Annex I.
- Beginning on **December 15, 2019**, China will impose (1) an additional 10 percent tariff on US-origin goods listed in Sections 1 and 2 of Annex II; and (2) an additional five percent tariff on US-origin goods listed in Sections 3 and 4 of Annex II.

The products subject to the additional tariffs include automotive goods, agricultural products (such as pork, chicken, beef and soybeans), chemicals, crude oil, whiskey, and seafood. Notably, many of the products subject to this action also are subject to the retaliatory tariffs that China already has imposed on US-origin goods, at rates ranging from five percent to 25 percent, in response to previous Section 301 actions by the United States.¹ Notice No. 4/2019 indicates that the additional tariffs to take effect on September 1 and December 15 will be imposed in addition to any retaliatory duties that already are in effect for the covered products.

Notice No. 5/2019: Re-imposition of retaliatory duties on US automotive goods, effective December 15, 2019

In Notice No. 5/2019, the SCTC announced that it will resume the imposition of retaliatory tariffs ranging from five percent to 25 percent on certain US-origin automotive goods, beginning on December 15, 2019. China began imposing retaliatory tariffs on US automotive goods in July 2018 (and targeted additional automotive goods in subsequent retaliatory actions implemented in August and September 2018), but suspended these tariffs as of December 14, 2018 in an effort to facilitate bilateral negotiations with the United States. Pursuant to Notice No. 5/2019, China will re-impose these retaliatory duties on 211 automotive products at the following rates, effective on December 15, 2019:

- A list of 28 automotive goods previously subject to retaliatory tariffs under SCTC Notice No. 5/2018 (dated June 6, 2018) will be subject to an additional tariff of 25 percent;
- A list of 116 automotive goods previously subject to retaliatory tariffs under SCTC Notice No. 7/2018 (dated August 8, 2018) will be subject to an additional tariff of 25 percent; and
- A list of 67 automotive goods previously subject to retaliatory tariffs under SCTC Notice No. 8/2018 (dated September 18, 2018) will be subject to an additional tariff of five percent.

Notably, certain automotive goods covered by this action also are covered by the new round of retaliatory tariffs that will take effect on December 15, 2019. These products therefore will be subject to the previously-suspended tariffs as well as the new tariffs set to take effect on December 15.

¹ China has imposed the following measures in response to the Section 301 actions taken by the United States from July 2018 – May 2019:

- On **July 6, 2018**, China began imposing an **additional tariff of 25 percent** on selected US products. See official announcement from China (in Chinese) [here](#). A list of the covered products (in Chinese) is available [here](#).
- On **August 23, 2018**, China began imposing an **additional tariff of 25 percent** on another set of selected US products. See official announcement from China (in Chinese) [here](#). A list of the covered products (in Chinese) is available [here](#).
- On **September 24, 2018**, China began imposing **additional tariffs of 5 and 10 percent** on another set of selected US products. See official announcement from China (in Chinese) [here](#). Lists of covered products (in Chinese) are available here: [List 1](#), [List 2](#), [List 3](#), [List 4](#).
- On **May 13, 2019**, China announced that it will impose additional tariffs on selected U. products already subject to 301 retaliation beginning **June 1, 2019**. Tariffs will remain at five percent, or increase to **10, 20, or 25 percent** depending on the product. See official announcement from China (in Chinese) [here](#). Lists of covered products (in Chinese) are available here: [List 1](#), [List 2](#), [List 3](#), [List 4](#).

Click [here](#) for SCTC's Notice No. 4/2019 and [here](#) for No. 5/2019 (both in Chinese). Annexes I and II to Notice No. 4/2019 are attached for reference.

US reaction: five percent increase of Section 301 tariff rates

Within hours of China's announcement of the above actions, President Trump indicated that the United States would respond by further increasing tariffs on China-origin products pursuant to Section 301. In particular, President Trump announced that the United States will implement the following changes to the Section 301 tariffs:

- Beginning on **September 1, 2019**, the United States will impose additional tariffs on List 4A goods (US\$112 billion) at a rate of 15 percent, instead of the previously-announced rate of 10 percent.
- Beginning on **October 1, 2019**, the Section 301 tariff rate on List 1 (US\$34 billion); List 2 (US\$16 billion); and List 3 (US\$200 billion) will increase to 30 percent, from the current rate of 25 percent.
- Beginning on **December 15, 2019**, the United States will impose additional tariffs on List 4B goods (US\$160 billion) at a rate of 15 percent, instead of the previously-announced rate of 10 percent.

The Office of the US Trade Representative (USTR) has not yet issued a Federal Register notice formally implementing the above tariff increases, but it is expected to do so in the coming days. Meanwhile, negotiations between the two countries have effectively reached a standstill, and the United States' immediate decision to escalate the dispute could provoke additional countermeasures from China. In light of these developments, a negotiated solution between the two countries appears increasingly unlikely.

USTR's announcement on the Section 301 tariff increase is available [here](#).

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