



McLARTY
ASSOCIATES

WASHINGTON | BRUSSELS | BEIJING | SINGAPORE | www.maglobal.com | [@McLartyAssoc](https://twitter.com/McLartyAssoc)

TRADE UPDATE: Deepening of the US-China Trade War continued.

July 11, 2018

KEY POINTS:

1. **Late July 10, USTR published a [list](#) of proposed tariffs of 10% on an additional \$200 billion worth of Chinese imports** in response to China's retaliation against the US, imposing reciprocal 25% tariffs on \$34 billion worth of US products.
2. **China's Ministry of Commerce today vowed to hit back** at the US, calling the new tariff list "absolutely unacceptable."
3. **Proposed 10% tariffs on the additional \$200 billion worth of Chinese goods will go through a public notice and comment process** slated to end late-August.
4. The newly unveiled list **significantly lowers the possibility of a near-term, negotiated settlement** as both sides escalate trade tensions.

USTR on July 10 published a [list](#) of proposed tariffs of 10% on an additional \$200 billion worth of Chinese imports targeted for retaliation as part of the administration's efforts to address Chinese intellectual property practices under Section 301 of the Trade Act of 1974. **The new tariffs cover 6,031 tariff subheadings and target products across virtually all sectors of the Chinese economy**, including agricultural, animal protein, seafood, chemical, and consumer products, as well as industrial inputs, boats, car parts, tires, wood, and fibers/textiles. Phones, computers, footwear and most clothing appear to have been spared for now. Yesterday's move follows China's July 6 reciprocal retaliation against US application of 25% tariffs on \$34 billion worth of Chinese goods.

"As a result of China's retaliation and failure to change its practices, the President has ordered USTR to begin the process of imposing tariffs of 10 percent on an additional \$200 billion of Chinese imports. This is an appropriate response under the authority of Section 301 to obtain the elimination of China's harmful industrial policies," USTR Lighthizer said in a [statement](#).

Lighthizer made clear that these proposed tariffs were meant to be "supplemental" to the original \$34 billion action under 301 and the proposed \$16 billion action still under public comment. The additional tranche of 25% tariffs on the remaining \$16 billion worth of Chinese goods are still expected to be applied in August after the [Federal Register](#) timeline for public comments and the public hearing scheduled for July 24.

China's Ministry of Commerce today called the new tariff list "absolutely unacceptable," and vowed to hit back, adding it would file an additional WTO complaint. **"China is shocked by the US move and the Chinese government, as always, will have to react to defend the core interests of our nation and people,"** MofCom [said](#).

Proposed 10% tariffs on the additional \$200 billion worth of Chinese goods are subject to the following Federal Register [timeline](#):

- **July 27:** Requests to appear at the hearing and summary of testimonies due
- **August 17:** Written comments are due
- **August 20-23:** Section 301 Committee holds public hearing
- **August 30:** Post-hearing rebuttal comments due

What's Next

The **list is designed to pressure China capitulate**, which is **highly unlikely**. In fact, this **escalation is more likely to cause the Chinese to dig in and seek tariff, non-tariff and regulatory methods to harm US company interests**, such as delaying imports and approvals. The **breadth of the proposed tariffs and the failure to address the core complaint regarding Chinese practices around intellectual property** and technology transfer **leaves us with little hope** that this action or any Chinese reaction will get us closer to productive discussions. In fact, the deepening US bilateral threat will invite matching rhetoric from China and increase the likelihood of official and popular backlash in both countries. Before July 6 China was seeking solutions. Now it is settling in for a protracted struggle. **It is critical that companies impacted by the proposed tariffs clearly and forcefully express their impact regarding US jobs and production.**

Copyright © 2018 McLarty Associates. All rights reserved.

