

BakerHostetler



## Navigating Section 301 Tariffs

*Monday, May 13, 2019*

*Casey Holder*

# Agenda

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- **Section 301 Tariffs**
- **Exposure and Mitigation**
- **Product Exclusion Process**
- **Monitoring Exclusions**
- **Impact to Exports**

# Section 301 Tariffs

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USTR issued three lists of products on which additional tariffs are imposed when the products are Chinese-origin:

- List 1: 25% duties on \$34B effective as of July 6, 2018
- List 2: 25% duties on \$16B effective as of August 23, 2018
- List 3: 25% duties on \$200B effective as of May 10, 2019

Tariffs depend on classification and origin.

# Exposure and Mitigation

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- **Tariff Engineering:** Ensure appropriate classification of products.
- **Operational Engineering:** Consider changing the country of origin based on a substantial transformation of components to create the imported good.
- **Valuation:** Utilize the First Sale Rule when available – value is price between manufacturer and middleman, rather than middleman and importer, leading to a lower dutiable value.
- **Bonded Warehouses and Foreign Trade Zones:** Take advantage of goods in their imported state or hold for export.
- **Duty Drawback:** Goods that are imported and subsequently exported may be entitled to a refund of 99 percent of duties and fees.

# Product Exclusion Process

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- No exclusion process established for List 3
- Based on processes for Lists 1 and 2, USTR will require importers to establish:
  - The product is available only in China
  - Imposition of these additional duties would cause severe economic harm to the requestor or other U.S. interests
  - The product is strategically important or related to the “Made in China 2025” policy

# Monitoring Exclusions

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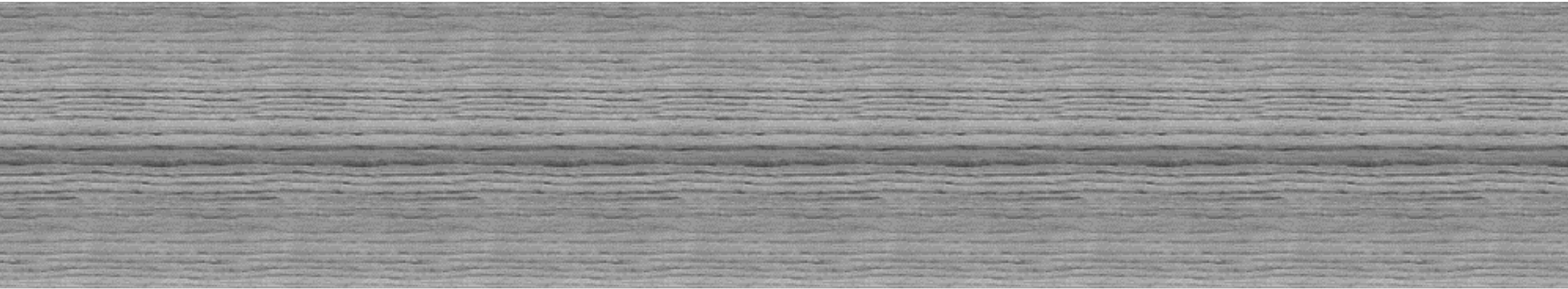
- Public has an opportunity to comment on requests
- Requestor may respond to any comments
- Track request through Stages of Review
- Granted Exclusions apply to all imports of a particular HTSUS classification, not only the requestor

# Impact on Exports

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- On May 13, 2019, China announced retaliatory tariffs on \$60 billion worth of U.S. goods
- Tariffs range from 5% to 25%
- Effective June 1, 2019

# Questions?





# Next Steps

**Launch Team is also available to talk through next steps for your team's communication strategy, including how to:**

- Navigate conversations with existing customers
- Position existing product changes
- Develop upcoming product launch strategies

Reach out to our team, if you'd like to schedule a time to talk.

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