KING & SPALDING

Client Alert

International Trade

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White House Announces Temporary Pause On Increase Of Certain China Tariffs During G20 Summit

Tariffs on $200 billion in Chinese imports were set to rise to 25% on January 1, 2019, but will remain at 10% for 90 days pending negotiations with China on "structural changes" to U.S.-China economic relationship

On December 1, 2018, the White House announced that U.S. President Donald J. Trump and Chinese President Xi Jinping concluded a "highly successful meeting" during the Group of Twenty ("G20") Leaders' Summit in Buenos Aires, Argentina.

The White House Statement explained:

On Trade, President Trump has agreed that on January 1, 2019, he will leave the tariffs on $200 billion worth of product at the 10% rate, and not raise it to 25% at this time. China will agree to purchase a not yet agreed upon, but very substantial, amount of agricultural, energy, industrial, and other product from the United States to reduce the trade imbalance between our two countries. China has agreed to start purchasing agricultural product from our farmers immediately.

President Trump and President Xi have agreed to immediately begin negotiations on structural changes with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture. Both parties agree that they will endeavor to have this transaction completed within the next 90 days. If at the end of this period of time, the parties are unable to reach an agreement, the 10% tariffs will be raised to 25%.

This action relates to a list of $200 billion in products imported from China that previously had been announced by the United States Trade Representative ("USTR") on July 10 (a tranche of products that USTR is referring to as "List 3"). List 3 tariffs took effect on September 24, 2018, and were initially set at 10%. The tariffs were set to rise to 25% on January 1, 2019. The White House's announcement pauses that increase until March 1, 2019, assuming that no agreement on "structural changes" to the U.S.-China economic relationship is reached.

The List 3 tariffs are distinguishable from earlier China tariff actions undertaken by the United States for multiple reasons.

- First, unlike List 1 ($34 billion in China imports) and List 2 ($16 billion), List 3 tariffs were initially set at 10% and would rise to 25% on January 1, 2019, absent sufficient action by China to address the unfair trade policies at issue. In contrast, the List 1 and List 2 tariffs were initially set at—and remain at—25%.
- Second, there is no process for interested persons to file requests for exclusion of particular products from the List 3 tariffs. In contrast, USTR implemented a process to request exclusions from the List 1 and List 2 tariffs. Thousands of such requests have been filed with USTR about List 1 and List 2 products, although no such exclusions have been granted to date.

In sum, Saturday's announcement underscores the fluid nature of the U.S.-China trade relationship at this time.

TARIFF TRACKER

The King & Spalding Tariff tracker presents a snapshot of the current status of tariff developments using a map with hyperlinks to lists of specific products affected. To view the map, click here.