



Dear Valued Customer,

The U.S. Trade Representative (USTR) issued its final ["List 2"](#) for products of Chinese origin for which the additional 25 percent duty will be effective on August 23, 2018. This means that goods are subject to duties if the entry date is on or after August 23rd. The final list contains 279 HTS numbers at the eight-digit level, with only five HTS numbers removed from the proposed list published in June. This list covers an estimated \$16 billion of products, and is in addition to ["List 1"](#) of products that cover an estimated \$34 billion of Chinese products for which the additional 25 percent duty was applied effective July 6, 2018.

["List 3"](#) is identified in the Federal Register notice and is still in its proposed state, covering 6,031 HTS numbers at the eight-digit level with estimated value of \$200 billion. Initially the proposed additional rate of duty was 10 percent, but has since been proposed as 25 percent. The public may still comment on this list, with September 6, 2018 as the deadline for written comments. Public hearings are scheduled for August 20 – 23.

Actions an Importer Can Take

The additional duty is applicable based on the HTS classification, so importers should review their classifications to ensure accuracy. If you need assistance with evaluating your classifications, please contact us so we can discuss solutions.

Importers may file for an exclusion request. October 9, 2018 is the deadline for the application for products on List 1. The USTR published instructions on the List 1 exclusions in the [Federal Register](#). The USTR will publish instructions regarding the process and timing for List 2. Filing for an exclusion requires analysis of the market conditions for the product in question.

For product that is imported into the U.S. but subsequently exported, importers can consider options for entry into a foreign trade zone or bonded warehouse. Shipments could be exported under a transportation bond to avoid the payment of duties. If duties are paid, drawback is an option available for Section 301 duties. If you are re-exporting goods that are subject to these duties, please contact us so we can assist in evaluating options to avoid or recoup the duties.

The additional duty is applicable for products of Chinese origin, so importers should review their sourcing alternatives. The tariff is based on the country of origin, which is the country of manufacture, and not the country of export. Therefore Chinese manufactured goods cannot be shipped to another country, and subsequently exported to the U.S. in an attempt to avoid the additional duties. However, maybe the product can be sourced from another manufacturer not located in China. Maybe the product can be partially produced in China and shipped to another location to be completed and meet the country of origin requirements to be eligible to declare the second location as the country of origin. These involve long-term strategic analysis.

We appreciate your continued support as a valued customer and should you require further information or clarification, please contact your Schenker brokerage office.