

AMERICAN WIRE PRODUCERS ASSOCIATION

China Section 301 Summary

INTRODUCTION

On August 18, 2017 the US Trade Representative (USTR) initiated an investigation of China's **intellectual property (IP) practices** under Section 301 of the US Trade Laws. This was the first Section 301 filed since 1997. The USTR must determine if Chinese IP practices are 'Unreasonable or Discriminatory and Burden or Restrict US Commerce.'

Where the USTR makes an affirmative determination under Section 301, it may:

- Suspend or withdraw trade concessions;
- Impose duties or other import restrictions;
- Withdraw, limit or suspend benefits under the various trade preference programs;
- Negotiate agreements to eliminate or phase out the violation and/or provide compensation for trade distortion.

The investigation's 200-page report found that China:

- Uses investment restrictions (such as joint venture requirements and ownership caps) and administrative licensing procedures to require or pressure technology transfer;
- Imposes restrictions on technology licensing terms that deprive US technology firms of fair market value;
- Directs and facilitates the systematic investment in, and acquisition of, US companies and assets by Chinese companies to obtain cutting-edge technologies and IP; and
- Conducts and supports cyber-hacking and cyber-theft into computer networks of US companies to gain access to IP, trade secrets, or confidential business information.

On March 22, 2018, President Trump signed an executive order directing USTR to impose tariffs on \$50-60 billion of imports from China based on findings of IP theft and technology. Other remedies included plans to restrict Chinese investment in US high-tech industries and to file a WTO case against discriminatory licensing practices. The USTR filed a request for consultations with China at the WTO to address China's discriminatory technology licensing requirements.

Section 301 Tariffs for Chinese Violation of Intellectual Property

- July 6: \$34 billion in **US imports from China (List 1)** – 25% tariffs imposed, mostly agricultural and consumer products. China retaliates, simultaneously, **US exports to China (List 1)**, with 25% tariffs on 545 items of US exports, primarily agricultural and automotive products. AWP submitted comments on this action, requesting the inclusion of wire and wire products.
- July 6: **Process for Exclusions** from US tariffs on Chinese imports was announced and later amended.
- August 23 (effective date): \$16 billion in **US imports from China (List 2)** – 25% tariffs to be imposed. **US exports to China (List 2)** contains the products with

which China will retaliate with tariffs of 25% on US exports, including scrap, chemicals, lubricants, petrochemicals, plastic products and vehicles.

- September 6 (new date): US comments are due on List 3, which proposes \$200 billion in **US imports from China (List 3)**, including most wire and wire products. Originally these were going to be 10% tariffs, but Trump has directed USTR to consider 25% tariffs. AWWA is once again submitting comments. China's proposed retaliation US exports to China (List 3) announces potential tariffs of 25%, 20%, 10% and 5% tariffs on 5207 items of US exports which includes rod, wire and wire products and vehicles, aircraft, equipment and furniture and bedding. (China List 3 to be published once it's been translated.)

The National Association of Manufacturers has called for comprehensive negotiations for a rules-based trade agreement with China. **Negotiating objectives** can be found on the AWWA website.