



## CHINA SECTION 301 LIST 3 TRADE REMEDY RATE INCREASE FROM 10% TO 25%

On Sunday, May 5, President Trump [tweeted](#) that (a) China Section 301 List 3 duties will increase from 10% to 25% on Friday, May 10, and (b) 25% duties would be imposed on the remaining \$325 billion of China goods “shortly.” Today, the U.S. Trade Representative (USTR) has issued a [notice](#), which will be published in the [Federal Register](#) tomorrow, increasing China Section 301, List 3 duty rates from 10% to 25% effective for China-origin goods both (i) entered for consumption or withdrawn from warehouse for consumption on or after 12:01 a.m. eastern daylight time on May 10, 2019, and (ii) “exported to the United States on or after May 10, 2019.” The increase is due to “a lack of progress” in U.S. and China negotiations. The next round of talks is scheduled to begin soon in Washington.

### CHINA GOODS EN-ROUTE AND FTZ ON-HAND INVENTORY

Significantly, the implementing language requires both a consumption entry and an export to the United States on or after May 10, 2019 for the increased 25% rate to apply. Although we are requesting confirmation from Customs Headquarters, this should mean that (a) China-origin goods exported before May 10, 2019 which are en-route to the U.S. will be subject to the 10% and not 25% rate, even if the goods are entered on May 10 or later, and (b) China-origin goods exported prior to May 10, 2019 and admitted into a U.S. Foreign-Trade Zone will be subject to the 10% not 25% rate at Customs entry. Further, in a previous [FAQ](#) Customs had indicated that China goods admitted into FTZs in “Privileged Foreign” (PF) status prior to the effective date would not be subject to additional China Section 301 duties. Accordingly, China-origin goods subject to China Section 301 List 3 which were admitted into FTZs in PF status prior to the May 10, 2019 effective date should be subject to the 10% rate in effect at the time of FTZ admission. If clients have subject China-origin goods in FTZ inventory in Non-Privileged Foreign (NPF) status, they should contact us to discuss the impact.

### CHINA SECTION 301 TRADE REMEDY LIST 3 EXCLUSION PROCESS

The [Federal Register](#) notice also indicates that the USTR will issue a separate notice establishing a China Section 301 List 3 product exclusion process, which will include an opportunity for interested parties to submit oppositions to product exclusion requests. The USTR previously instituted product exclusion [processes](#) for China Section 301 Lists 1 and 2, but had resisted calls to establish a List 3 product exclusion process. Clients should start gathering data on China Section 301 List 3 goods so that product exclusion requests may be filed as soon as the product exclusion process is announced.

As always, we offer advice and counsel 24/7 on import, export, and FTZ effective Trade Remedy management. Please contact [Marshall Miller](#), [Brian Murphy](#), or [Sean Murray](#) with questions or for assistance.

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