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# US Trade Actions

*...and Ensuing Retaliatory Measures from other Countries*

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September 28, 2018



**PUBLIC**

*Note: Views expressed in this presentation are those of the presenter*

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## Section 232

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**Section 232** of the Trade Expansion Act of 1962, authorizes the President of the United States, through tariffs or other means, to adjust the imports of goods or materials from other countries if it deems the quantity or circumstances surrounding those imports to threaten national security.

A **Section 232 investigation** is conducted under the authority of the Trade Expansion Act of 1962, as amended. The purpose of the **investigation** is to determine the effect of imports on the national security.



## Section 301

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**Section 301** of the **U.S. Trade Act of 1974** (last edition March 23, 2018), authorizes the President to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce.

Section 301 cases can be self-initiated by the United States Trade representative (USTR) or as the result of a petition filed by a firm or industry group.

If USTR initiates a Section 301 investigation, it must seek to negotiate a settlement with the foreign country in the form of compensation or elimination of the trade barrier.

For cases involving trade agreements, the USTR is required to request formal dispute proceedings as provided by the trade agreements.

The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization (WTO) to take enforcement actions, and the President is increasingly focused on enforcing intellectual property (IP) rights.



## Section 301

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Under **Section 301 of the Trade Act** of 1974, USTR initiated an investigation to determine whether China's acts, policies, and practices related to technology transfer, intellectual property, and innovation are unreasonable, unjustifiable, or discriminatory and burden or restrict U.S. commerce.



**Made in China 2025** is a strategic plan of China issued by Chinese Premier Li Keqiang and his cabinet in May 2015.

The goals of Made in China 2025 include increasing the Chinese-domestic content of core materials to 40% by 2020 and 70% by 2025. The plan focuses on high-tech fields including the pharmaceutical industry which are presently the purview of foreign companies.

The Center for Strategic and International Studies describes it as an "initiative to comprehensively upgrade Chinese industry" directly inspired by the German Industry 4.0. It is an attempt to move the country's manufacturing up the value chain<sup>[5]</sup> and become a major manufacturing power in direct competition with the United States.

The US think tank Council on Foreign Relations stated in 2018 that it is a "real existential threat to U.S. technological leadership"

The Li Keqiang government maintains that the plan is in line with the country's WTO obligations.

On 15 June 2018, the Trump administration imposed a higher tariff on Chinese goods-the tariff list mainly focuses on the products included in Made in 2025 plan, including IT and robotics related products.

**\*\*Another Note\*\*** China government policies are encouraging or requiring foreign companies seeking to access the Chinese market to enter into joint ventures with, and transfer technology to, China domestic firms.

# US Trade Action/Section 232...update

Products	Tariff Increase	Effective Date
Steel	25%	06/01/2-18
Aluminum	10%	06/01/2018

**Status:** Steel – all countries of origin except South Korea, Brazil, and Argentina (agreed to quotas); and Australia (exempted).

Aluminum – all countries of origin except Argentina (agreed to quota); and Australia (exempted).

Beginning August 13, steel articles covered by Section 232 from Turkey are subject to an *ad valorem* duty rate of 50%.

# US Trade Action/Section 301 ...update

Products	Tariff Increase	Effective Date
List 1	25%	7/06/2018
List 2	25%	08/23/2018
List 3	25%	09/24/2018
List 3	10%	09/01/2019

**Status:** List 1 totaling \$34 billion worth of imports is composed of 818 tariff lines.

List 2 totaling \$16 billion worth of imports was originally composed of 284 proposed tariff lines identified by the interagency Section 301 Committee. 279 of the 284 lines went into effect on 8/23/2018.

List 3 totaling approximately \$200 billion of imports was originally composed of 6,031 tariff lines. 5,745 full and partial lines go into effect on 9/24/2018.



# Non-US Trade Action/Section 301 ...update

Country	Products	Tariff Increase	Effective Date
Canada	Table 1	25%	7/01/2018
	Table 2	10%	7/01/2018
	Table 3	10%	7/01/2018

Status: Canada is imposing countermeasures (\$16.6 billion Canadian) in imports of steel, aluminum and other products from the US, representing the value of 2017 Canadian exports affected by the US tariffs.

EU	Annex I	10% or 25%	06/22/2018
	Annex II	10%-50%	03/23/2018*

Status The European Commission adopted rebalancing measures in response to the US tariffs on steel and aluminum. The measures target a list of products worth €2.8 billion.

Mexico	List 1	7%-25%	06/05/2018
	List 2	10%-15%	07/05/2018

Status: Most retaliatory measures were effective as of 06/05/2018. An 'exception' list was effective 07/05/2018.

India	(up to \$10.6 billion of product)	5%-100%	06/21/2018
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Status: The US declined India's request for WTO consultations-thus leading to retaliatory rates effective immediately.





# Non-US Trade Action/Section 301 ...update

## Country

## Products

## Tariff Increase

## Effective Date

Japan

(up to \$1.91 billion of product)

??%

TBD (NST) 03/23/2021

Status: No update pending trade talks/trade mission to discuss bilateral trade deal.

Russia

(up to \$ 3.16 billion of product)

??%

TBD

Status: Russia will apply the proposed suspension of equivalent concessions upon the expiration of 30 days from the day on which the Council on Trade in Goods has been notified. The suspension will continue until the US lifts the safeguard measures.

Turkey

(up to \$1.78 billion of product) Annex 1

5%-40%

06/21/2018

Status: WTO consultations due to the provisions of the Safeguard Agreement. Turkey proposed the suspension of concessions and other obligations starting 06/21/2018. On 08/15/2018, un retaliation for the doubling of US steel tariffs, Turkey reserved the right to further suspend substantially equivalent concessions/obligations based n the trade impact resulting from the new US measures. Turkey has once again requested WTO consultations with the US due to the provision of the Safeguard Agreement.



# China Trade Action...update

Response to Section 232	Products	Tariff Increases	Effective Date
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	Annex 1	15% - 25%	04/03/2018
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Response to Section 301	Products	Tariff Increases	Effective Date
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	List 1	25%	07/06/2018
	List 2	25%	08/23/2018
(announced 08/03)	List 3, Annex 1	(was 25%) now 10%	09/24/2018
	Annex 2	(was 20%) now 10%	09/24/2018
	Annex 3	(was 20%) now 5%	09/24/2018
	Annex 4	remains 5%	09/24/2018

Status: List 1 is composed of 545 tariff lines. List 2 is composed of 333 tariff lines. List 4 is composed of 5,207 tariff lines.



# Mitigation/Issues

- Moving suppliers/manufacturing out of China
- Utilize US Suppliers (but note-they will raise rates if their product is COO China)
- Purchase from Non-China suppliers
- FTZ/Bonded Zone for US imports to be re-exported
- First Sale
- Drawback
- Benchmark
- Comments/Exclusions
- Lose Customers to non-US suppliers
- What Else?????



# China vs. US?

