

## **MEMBER WEBINAR**

### The CURRENT US-CHINA TRADE WAR

Presented By

**James Eggenschwiler**

Director, Global Trade  
The Redstone Group

# THE “DUEL” IN PERSPECTIVE

## US INTENT & STRATEGY

1. Purpose – to produce negotiation, under guise of unfair trade practices (technology piracy, etc);
2. “Protectionism” is not the purpose or goal (on its face);
3. The “pain” is intended to be short-lived through incremental tie to negotiation of rates;
4. Historically this has not been true:  
  
1993: Executive Order 128590 (Bill Clinton) linked renewal of China’s MFN status to seven (very difficult conditions tied to human rights issues. US relented a year later.
5. Strategy – incremental pressure through threatened additional actions (Annex C) without

## CHINA INTENT & STRATEGY

1. Purpose – to posture negotiation, or avoid it, with additional intent to avoid addressing “unfair trade practices” allegations;
2. Strategy – defensive and incremental, matching US measures point-for-point;
3. The “pain” is intended to be reciprocal, to the extent the corresponding elements of the US-China trade imbalance allow;
4. Weathering US penalty tariffs worked in 1993-1994;
5. Matched US proposed Annex C with proposed 2<sup>nd</sup> list of commodities;
6. Added element of leverage through selective “over-enforcement” of affected import commodities on and after July 6. This tests US resolve to pursue Annex C.

## APPLICABLE ANNEX C SCOPE - US IMPORTS (CHINA EXPORTS)

Docket Number USTR-2018-0018 (PUBLISHED 6/20/2018)

<b>HTSUS Subheading</b>	<b>Product Description</b>
2710.19.30	Lubricating oils, w/or w/o additives, fr. petro oils and bitumin minerals (o/than crude) or preps. 70%+ by wt. fr. petro oils
2710.19.35	Lubricating greases from petro oil/bitum min/70%+ by wt. fr. petro. oils but n/o 10% by wt. of fatty acid salts animal/vegetable origin
2710.19.40	Lubricating greases from petro oil/bitum min/70%+ by wt. fr. petro. oils > 10% by wt. of fatty acid salts animal/vegetable origin
3403.19.10	Lubricating preparations containing 50% but less than 70% by weight of petroleum oils or of oils obtained from bituminous minerals
3403.19.50	Lubricating preparations containing less than 50% by weight of petroleum oils or of oils from bituminous minerals
3403.99.00	Lubricating preparations (incl. lubricant-based preparations), nesoi
3811.21.00	Additives for lubricating oils containing petroleum oils or oils obtained from bituminous minerals
3811.29.00	Additives for lubricating oils, nesoi

## APPLICABLE CHINA RECIPROCAL TARIFF SCOPE – CHINA IMPORTS (US EXPORTS)

1	271112	Propane, Liquefied	27	392010	Plates, Sheets Etc, Non-Cell Etc, Polymer
2	271113	Butanes, Liquefied	28	902214	Appts Base On X-Ray, Medical,Surgical,Vetnry,Nesoi
3	901819	Electro-Diagnostic Apparatus Nesoi, And Parts Etc.	29	271311	Petroleum Coke, Not Calcined
4	901890	Instr & Appl F Medical Surgical Dental Vet, Nesoi	30	293499	Nucleic Acids & Salts; Other Heterocyclic Cmp, Nes
5	392690	Articles Of Plastics, Nesoi	31	381129	Additives For Lubricating Oils, Nesoi
6	271012	Lt Oils, Preps Gt=70% Petroleum/Bitum Nt Biodiesel	32	271220	Paraffin Wax Less Than 0.75% Oil By Weight
7	382200	Composite Diagnostic/Lab Reagents, Exc Pharmaceut	33	271500	Bit Mix Fr Nat Asph, Nat Bit,Pet Bit,Min Tar Or Pt
8	392190	Plates, Sheets, Film Etc, Plastic Nesoi Ncel Nesoi	34	390410	Polyvinyl Chloride, Not Mixed With Other Substance
9	391190	Polysulfides, Polysulfones & Other Nesoi, Prim Frm	35	271290	Other Mineral Waxes, Nesoi
10	901850	Other Ophthalmic Instruments & Appliances & Parts	36	390720	Polyethers Nesoi, Pr Fms
11	391990	Plates, Sheets, Film Etc, Plastics, Self-Adh Nesoi	37	390110	Polyethylene Having A Specific Gravity Under 0.94
12	902290	X-Ray/Hi Tnsn Genr Cntr Pnl & Dsk Exm/Trtmnt Tb Pt	38	270112	Bituminous Coal, Not Agglomerated
13	392099	Plates Etc, Noncell, Nt Rein, Of Plastics Nesoi	39	270120	Briquettes, Ovoids, Similar Solid Fuels From Coal
14	390690	Acrylic Polymers Nesoi, In Primary Forms	40	270720	Toluene
15	390810	Polyamide-6,-11,-12,-6,6,-6,9,-6,10 Or -6,12	41	270750	Arom Hydc Nesoi 65pct Ao Dstls A 250dc Astm D 86
16	382499	Products And Residuals Of Chemical Industry, Nesoi	42	270799	Oils & Products Nesoi As Coal Tar Distillates Etc
17	390740	Polycarbonates, Pr Fms	43	271210	Petroleum Jelly
18	340399	Lubricating Preps Not Cont Petroleum Oils, Nesoi	44	271312	Petroleum Coke, Calcined
19	391000	Silicones, In Primary Forms	45	271390	Residue Of Pet Oils Or Bitumin Oils Nesoi
20	381519	Supported Catalysts, Nesoi	46	340213	Nonionic Organic Surface-Active Agents
21	271019	Oil (Not Crude) From Petrol & Bitum Mineral Etc.	47	381590	Reaction Initiators & Accelerators, Etc, Nesoi
22	350691	Adhesives Based On Rubber,Polmr Of Hd3901-3913,Nes	48	390890	Polyamides Nesoi, In Primary Forms
23	390799	Polyesters Nesoi, Unsaturated, Pr Fms	49	391211	Cellulose Acetates, Nonplasticized, Pr Fms
24	390730	Epoxide Resins, Pr Fms	50	392062	Plates Etc, Noncell Etc, Polyethylene Terephthlate
25	390190	Polymers Of Ethylene Nesoi, In Primary Forms	51	901813	Magnetic Resonance Imaging Apparatus
26	340319	Lubricating Preps Cont Petroleum Oil Fr Bituminous			

# MINIMIZING the “PAIN”

## Potential Tactic

1. Reclassify Products
2. Reduce Affected Volume –
  - a. Coordinate with trade partner to meter shipments and volume;
  - b. Subdivide order volumes into separate shipments with staggered arrivals (by shipment date and/or transit time);
  - c. Use Free/Foreign Trade Zones and similar bonded warehouses in proximity to control volume “entering” the destination country;
  - d. Coordinate vessel unloading at destination ports (where available)
3. Intermediate import/reexport
4. Political Pressure (direct & indirect)

## Practical Availability

1. Probably Unavailable – the Penalty Tariff measures are sufficiently broad to prevent it;
2. Potentially Available – subject to PO terms and need;
  - a. This is the easiest to accomplish measure if parties are able and willing;
  - b. This requires more understanding of destination party, and adds cost to party paying transportation charges – potential added cost sharing might be needed;
  - c. This also adds cost to party paying transportation charges – potential added cost sharing might be needed;
3. Uses intermediate buyer/seller in separate country (if logistically and legally plausible) where combined tariff rates and other costs justify.
4. Direct comments to USTR on Annex C open until July 23, and Congressional pressure before and after that date.

## Q & A

Please submit your questions during the webinar. Subject to time limitations, questions will be addressed at the end of the presentation portion. Any questions not addressed during the webinar will be answered in writing and posted online at the ILMA website, on an appropriate Membership page.