



## COMMENTS FOR THE RECORD

# Comments on Four-year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation

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## Introduction

Following an investigation under Section 301 of the Trade Act of 1974, the Office of the United States Trade Representative (USTR) determined that China was engaging in discriminatory trade practices that harmed the United States. Between 2018 and 2019, the United States imposed tariffs – ranging from 7.5 percent to 25 percent – on imports from China. The tariffs were imposed in four tranches, known as List 1, 2, 3 and 4a.<sup>2</sup>

After four years of tariffs, USTR must complete a necessity review of the tariffs. USTR issued a request for public comment as it evaluates the Section 301 tariffs on imports where it asked respondents to comment “on the effectiveness of the actions in achieving the objectives of the investigation, other actions that could be taken, and the effects of such actions on the United States economy, including consumers.”<sup>3</sup>

This comment will focus on two specific questions in USTR's request. First, it assesses the effects of the tariffs on consumers by calculating the annual U.S. trade-weighted average tariff rate for 2017 through 2022. The trade-weighted average tariff rate Americans pay for Chinese imports quadrupled between 2017 and 2022. Second, this comment calculates the distribution of the tariff burden between categories of imports based on their end use. Americans paid more in Section 301 tariffs on intermediate goods from China in 2021 than for finished goods.

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<sup>2</sup> <https://ustr.gov/issue-areas/enforcement/section-301-investigations/tariff-actions>

<sup>3</sup> [https://www.regulations.gov/document/USTR\\_FRDOC\\_0001-0784](https://www.regulations.gov/document/USTR_FRDOC_0001-0784)

## Section 301 Tariffs Causing a Fourfold Increase in Tariff Rates

A July 2022 study by the American Action Forum calculated the annual U.S. trade-weighted average tariff rate for 2017 through 2022 year-to-date.<sup>4</sup> The trade-weighted average tariff rate is defined as the duties collected on imports divided by the total customs value of imports. This study found that, in 2017, the U.S. trade-weighted average tariff rate was 1.51 percent. Tariffs on Chinese imports began in July 2018; by the end of 2019, the average tariff for Americans to buy from abroad increased by more than 95 percent. The dramatic rise in the overall tariff rate is largely due to the imposition of tariffs on Chinese imports. In 2017, the average tariff when importing from China was 2.68 percent, but that cost more than tripled by 2019.

Table 1 lists the annual U.S. trade-weighted average tariff rates for all imports, and for those from China. Put simply, these numbers show the average tariff paid by Americans to import from abroad.

**Table 1: U.S. Trade-weighted Average Tariff Rate by Year<sup>5</sup>**

Year	U.S. Trade-weighted Average Tariff Rate	U.S. Trade-weighted Average Tariff Rate on Imports from China
2017	1.51%	2.68%
2018	1.95%	4.03%
2019	2.97%	9.11%
2020	2.81%	9.91%
2021	3.03%	11.35%
2022 YTD <sup>6</sup>	3.16%	11.82%

When President Biden took office in 2021, average tariff rates were highly elevated. New China tariffs were not applied, but the trade-weighted average tariff rate – from China and elsewhere – continued to increase. The trade-weighted average tariff rate is now 3.16

<sup>4</sup> [https://www.americanactionforum.org/insight/section-301-china-tariffs-causing-a-fourfold-increase-in-tariff-rates/#\\_ftn7](https://www.americanactionforum.org/insight/section-301-china-tariffs-causing-a-fourfold-increase-in-tariff-rates/#_ftn7)

<sup>5</sup> Author's calculations based on data from <https://www.fiscal.treasury.gov/reports-statements/mts/> and <https://dataweb.usitc.gov/>. The U.S. Trade-Weighted Average Tariff Rate was calculated using official collected custom duties as per the Department of Treasury's monthly financial statements. The value of imports for this measure are the customs value for all imports as reported by the International Trade Commissions (ITC) Dataweb tool. Collected customs duties for China are sourced from the International Trade Commissions (ITC) Dataweb tool using the calculated duties measure. The value of imports for this measure are the customs value for all imports as reported by the International Trade Commissions (ITC) Dataweb tool. The ITC Dataweb tool only contains estimated calculated duties for China. The official collected custom duties are not readily available at the country level. Similarly, the Department of Treasury does not disaggregate official collected customs duties by country. That being said, the estimated calculated duties from the ITC Dataweb are a close measure of the official collected duties.

<sup>6</sup> 2022 numbers are year-to-date (January to April): As of the of June 2022, the most recent import figures provided are from April 2022.

percent, more than double its 2017 level. The tariff rate to import from China has increased fourfold since 2017, now sitting at 11.82 percent. Average tariff rates are increasing at a slower pace than immediately following the tariffs, and the increase can be attributed to a multitude of factors. The choice to continue the tariffs, however, has resulted in substantially higher tariff rates for over four years.

## Section 301 Tariffs Impact Intermediate Goods More Than Finished Goods

In its request for public comment, the Office of the United States Trade Representative specifically requested further analysis of the distribution of Section 301 tariffs paid for intermediate versus finished goods. A January 2023 [report](#) by the American Action Forum calculated the distribution of the tariff burden between categories of imports based on their end use. The U.S. Census Bureau divides end-use of imports into six categories: (1) food, feeds and beverages; (2) industrial supplies and materials; (3) capital goods, except automotive; (4) automotive vehicles, parts and engines; (5) consumer goods; and (6) other goods.<sup>7</sup> For the purpose of this analysis, the term intermediate goods refers to a sum of the industrial supplies and materials and the capital goods except automotive categories.<sup>8</sup>

In 2021, Section 301 tariffs on intermediate goods represented roughly 54 percent of the added cost burden of the tariffs. Consumer goods faced nearly 35 percent of the cost of Section 301 tariffs. Table 2 below shows the portion of tariffs paid by end use for each list using 2021 import figures.

**Table 2: Portion of Section 301 Tariffs Paid on Goods Imported from China by End Use and List, 2021<sup>9</sup>**

Category	List 1	List 2	List 3	List 4a	Total
Foods, feeds, and beverages	0.0%	0.0%	2.7%	0.9%	1.9%
Industrial supplies and materials	0.0%	25.0%	22.3%	7.7%	17.2%
Capital goods, except automotive	90.9%	61.0%	27.5%	27.5%	37.3%
Automotive vehicles, parts, and engines	7.8%	0.6%	11.3%	1.6%	8.7%
Consumer goods	1.3%	13.4%	36.1%	62.3%	34.8%
Other goods	0.1%	0.0%	0.0%	0.2%	0.0%

<sup>7</sup> <https://www.census.gov/newsroom/blogs/global-reach/2012/03/end-use-trade-term-of-the-month-2.html>

<sup>8</sup> The end use grouping used to calculate the tariff burden on intermediate goods is likely a conservative estimate given that some products in the automotive vehicles, parts and engines category contains some intermediate goods.

<sup>9</sup> Author's calculations based on data retrieved from <https://www.census.gov/foreign-trade/schedules/b/2021/imp-code.txt>, [https://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/ft900.pdf](https://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf), <https://www.census.gov/foreign-trade/statistics/country/index.html>, and <https://dataweb.usitc.gov/>. Authors matched the HS codes of 2021 import figures from China with 2021 Census end-use codes. The results were then merged with Census commodity descriptions, which were finally matched with the six Census import commodity end-use categories of 1) Foods, feeds, and beverages 2) Industrial supplies and materials 3) Capital goods, except automotive 4) Automotive vehicle, parts, and engines 5) Consumer goods and 6) Other goods. This process was done for each of the four lists.

Intermediate goods face a higher percentage of the tariff burden in three of the four tariff lists. More than 90 percent of the cost burden for products on List 1 are intermediate goods. Intermediate goods on List 2 represent 86 percent of the tariff burden. And nearly 50 percent of the tariff burden of List 3 is on intermediate goods. Only consumer goods on List 4a face a higher share of the tariff burden than intermediate goods.

## **Conclusion**

These data suggest that Americans face a costly burden due to the Section 301 tariffs on imports from China. The tariff rate to import from China in 2022 was four times higher than in 2017. Moreover, Americans paid more in Section 301 tariffs on intermediate goods from China in 2021 than on finished goods.

Respectfully submitted,

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