THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON

January 14, 2019

The Honorable Jackie Walorski
U.S. House of Representatives
Washington, DC 20515

Dear Representative Walorski:

Thank you for your letter regarding the additional tariffs imposed in connection with the Section 301 investigation of China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation. I am pleased to provide you with an update on the exclusion request process, as well as the application of the tariffs to merchandise admitted into a foreign trade zone (FTZ) and subsequently entered into United States commerce.

Working with relevant agencies, USTR continues to address exclusion requests for the $34 billion and $16 billion tariff actions. In December, USTR granted nearly 1,000 requests to exclude certain products from the $34 billion tariff action.

Regarding the $200 billion tariff action, an exclusion process has not been established at this time. As you know, on December 1, President Trump and President Xi agreed to engage in negotiations during a 90-day period to address structural issues with China's economic policies, such as forced technology transfer, intellectual property theft, and other actions impeding American economic growth and innovation. While these negotiations are ongoing, President Trump agreed to delay until March 2, 2019, an increase in the additional duty rate on the products covered by the $200 billion trade action from 10 percent to 25 percent. If the duty rate on the $200 billion tariff action is raised to 25 percent, USTR will initiate an appropriate exclusion process.

With regard to Chinese goods admitted into FTZs and subsequently entered into U.S. commerce, the longstanding rules and practices governing such entries continue to apply. Understandably, every importer, including importers who make use of FTZs, would prefer a special exemption from the additional tariffs. As of this time, we have not found a basis for exempting U.S. importers who use FTZs from the additional duties, when those duties apply to all other U.S. importers.

We will continue to talk with our Chinese counterparts in hopes of resolving unfair trade practices on the part of the Government of China. Thank you for sharing your concerns and I will keep you apprised of any developments related to our trading relationship with China.

Sincerely yours,

Robert E. Lighthizer