

301 Tariff Exclusions

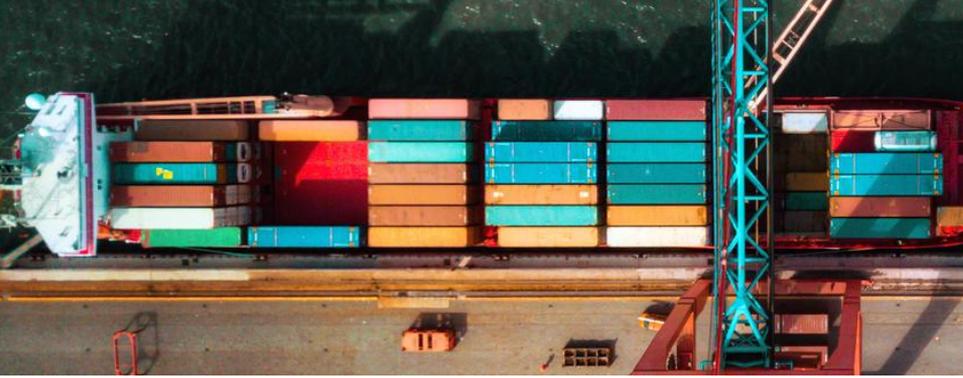
Strengthening U.S. Competitiveness



Issue Summary

Working through the U.S. Trade Representative (USTR), the Trump Administration imposed increased tariffs on about two-thirds of U.S. imports from China. This action came after a 2018 USTR investigation into China's practices related to innovation and intellectual property (IP) under "Section 301" of the Trade Act of 1974.

USTR created tariff exclusions for certain imports and granted them on a case-by-case basis. However the process lacked transparency and was not based on any formal framework, raising concerns about its implementation and the fairness of the process.



Business Impact on the Chemical Industry

The significant tariffs on inputs that are not available from countries other than China (or not available in sufficient quantity) increases the cost of production for SOCMA members. Additionally, this makes the U.S. much less competitive in the global market, including with trading partners in the United States-Mexico-Canada Agreement (USMCA).

Current Status

In 2021, the exclusion processes were ended and the previously granted exclusions expired. The Senate passed legislation, [the United States Innovation and Competition Act](#), that would require USTR to reopen the exclusion process. Unfortunately, the House companion legislation, the [America COMPETES Act](#), does not include language for reopening the 301 exemptions.

SOCMA is working to persuade the conference committee to include reopening the 301 tariff exclusion process in a final bill that will then be voted on again by both houses of Congress. In the case that this legislation does not include reopening exclusions, the likely path forward is the lame duck session of Congress after the November 2022 elections.

SOCMA Activity

- Assisted members in applying for and earning exclusions.
- Assisted members in applying for and earning extensions to exclusions.
- Lobbied USTR to reopen 301 exclusion process with greater transparency and to grant extensions for previous exclusions.
- Assembled a task force to work on a “complete” reopening of the 301 exclusion process.
- Lobbied House Ways and Means Committee and Senate Finance Committee to urge inclusion of 301 exclusion language in conferenced legislation.

SOCMA's Goal

SOCMA advocates for:

- The reopening of the exclusion process to all products on the 301 tariff lists
- Greater transparency across the process
- Established criteria for winning an exclusion
- USTR to grant extensions for previous exclusions in order to minimize disruption and ensure consistency for chemical manufacturers.

More on 301 Tariffs

- Many of the products on the 301 lists are not available in sufficient quantity outside of China.
- Without stated criteria for the exclusion process, applicant do not have an equitable opportunity to apply for exemptions.
- The global supply chain has degraded since the 301 tariffs were implemented and affiliated costs surrounding these inputs have skyrocketed.
- Furthermore, supply chain challenges have caused shortages of other inputs that were not a problem during past exclusion processes.