EST 2020

AMERICAN COMPASS

RESEARCH

Disfavored Nation

A Guide to Rescinding Permanent Normal Trade Relations with China

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October 2024

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Executive Summary

The consensus on trade with China has shifted dramatically since China received Permanent Normal Trade Relationships (PNTR) with the United States and was admitted to the World Trade Organization (WTO) two decades ago. China has not proven willing to abide by its WTO commitments or basic principles of openness and reciprocity. Instead, the country has pursued an aggressive and mercantilist trade policy deliberately designed to dominate strategically important global markets. Free trade has not resulted in a liberalized, democratic China, but it *has* resulted in American offshoring, deindustrialization, and severe supply-chain dependence on a hostile adversary. This situation is now widely recognized as an unacceptable state of affairs. The trade dynamic between the United States and China is, in brief, not normal.

This welcome recognition has resulted in congressional interest in rescinding China's Permanent Normal Trade Relations (PNTR) status, which currently allows China to benefit from the advantageous tariff rates the United States affords all nations with which it has normal trade relations. This legislative instinct is correct, but it raises a larger question about what the U.S.-China trade relationship's new normal should look like.

Answering this question will require policymakers to: 1. Grasp the necessary historical and policy background regarding China and PNTR; 2. Achieve clarity on their legislative purpose; 3. Design and implement a policy that achieves that purpose; and 4. Consider the constellation of other policy questions rescinding PNTR naturally raises. This paper is intended to offer policymakers insight into all four tasks.

I. Background

Policymakers must first understand how the American tariff schedule is constructed and how it operates. The structure of the U.S. Harmonized Tariff Schedule (HTS), which sets tariff rates on all goods imported into the United States, reflects the principles of U.S. trade policy. Nations with which the United States has PNTR enjoy advantageous tariff rates and other market access benefits, conditioned on those nations recognizing certain market principles. China does not abide by this expectation, and treating China as if it does has resulted in severe negative consequences for the United States—chief among them the threat of supply chain dependence on a hostile power.

II. Purposes and Effects of Rescinding PNTR

Policymakers must be clear about which problems rescinding China's PNTR is best suited to solve, and which it is not. The primary result of rescinding PNTR from China will be to disfavor Chinese imports relative to others; the primary goal of such a policy should be to promote supply chain independence from China. This will require creating a new tariff schedule "column" specific to China. The two options currently offered by the U.S. Harmonized Tariff Schedule are inadequate: Column 1 reflects the advantageous rates China currently enjoys and Column 2 reflects rates that were largely set in the 1930s.

III. Designing and Implementing HTS Column 3

The structure of a new Harmonized Tariff Column ("Column 3") must reflect the policy goal of supply chain independence. This goal is best served by distinguishing between strategic goods and non-strategic goods. A wealth of resources from the U.S. government, other nations, and China itself offer helpful guidance in making this distinction. An analysis of the effects of recent tariff rates on imports suggests a 25% tariff on non-strategic goods will result in a partial decrease in reliance on China for those goods, while a 100% tariff on strategic goods will result in severe or total reduction in reliance on China for those goods. These tariffs should be phased in over five years, with no exemption process, and China's ability to evade them through cross-border production and transshipment curtailed through reformed rules of origin and enhanced enforcement.

IV. Further Policy Considerations

Rescinding PNTR from China and replacing it with a newly constructed "Column 3" tariff schedule will naturally raise numerous questions that policymakers must consider. Policymakers should have clear answers on how the United States should respond to inevitable retaliation from China, how this policy should interact with other tariff programs, how to close existing trade loopholes, what to do with the revenue this policy would raise, how rescinding China's PNTR relates to WTO rules, and what other tools they may need to create.

Three appendices help put this framework into action. Appendix I offers a step-by-step guide to identifying strategic goods, walking through a single chapter of the Harmonized Tariff Schedule as an example. Appendices II and III offer policymakers additional data that will be useful in applying this methodology to other HTS chapters.

Introduction

After decades of failed trade policy, U.S. policymakers are preparing to rescind China's Permanent Normal Trade Relations (PNTR) status.[1,2] The 2024 Republican Party Platform included a plank to "Secure Strategic Independence from China" by "revok[ing] China's Most Favored Nation Status" and phasing out imports of essential goods.[3] A bipartisan report from the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has recommended a similar course,[4] as did the U.S.-China Economic and Security Review Commission in 2022.[5] Several Members of Congress, including Rep. Chris Smith (R-NJ4),[6] Rep. Jim Banks (R-IN3),[7] and Rep. Kevin Hern (R-OK1) [8] have also introduced bills to accomplish this goal. In September 2024, Senators Tom Cotton (R-AR), Marco Rubio (R-FL), and Josh Hawley (R-MO) introduced the *Neither Permanent Nor Normal Trade Relations Act*, which would rescind PNTR from China, construct a new tariff schedule column specific to China, and impose tariff rates of 100% on goods considered strategically vital to national security. [9]

American Compass has previously published papers on the need to rescind China's PNTR status and reset our economic relationship with China.[10] But the reversal of the major and misguided policy that has shaped the past 25 years of globalization is a classic example of "easier said than done." PNTR is inappropriate for China, but what *is* appropriate and how should it be codified in law? Here we provide relevant conceptual and methodological guidance and recommend a specific solution: new tariff rates under a new "third column" of the Harmonized Tariff Schedule, designed to reduce our supply chain dependence on China.

To that end, this paper:

1. Briefly outlines the structure of the U.S. tariff system and the history of U.S.-China trade relations;
2. Assesses the various goals that might motivate rescinding PNTR for China and determines which the policy is likely to achieve;
3. Provides an approach to categorizing goods imported from China and suggests how best to implement a new tariff schedule; and
4. Reviews additional policy questions that policymakers should be prepared to address.

The paper's Appendices also offer a detailed methodology for constructing a new tariff schedule for Chinese goods.

I. Background: The Harmonized Tariff Schedule and Permanent Normal Trade Relations with China

History, Purpose, and Design of the Harmonized Tariff Schedule

A fundamental task of trade policy is to govern the terms on which goods can enter a nation's market. Categorizing goods in a clear and commonly understood manner is therefore essential. This is the purpose of the Harmonized Commodity Description and Coding System, or Harmonized System (HS). The HS is maintained and updated by the World Customs Organization (WCO), which is tasked by international convention with "harmoniz[ing] the description, classification and coding of goods in international trade."[11] Over 98% of the goods traded globally are classified using the HS, and over 200 economies use the HS as the basis for administering their trade policies.[12] This system makes it easier to apply tariff rules consistently, implement monitoring systems, negotiate trade agreements, and collect trade statistics.

Every item within the U.S. HTS is categorized with an eight-digit code that allows users to identify the duty imposed on that item.

02 – Chapter (e.g., Meat and edible meat offal).

0203 – Chapter Heading (e.g., Meat of swine, fresh, chilled, or frozen).

0203.12 – Subheading (e.g., Hams, shoulders, and cuts thereof, with bone in).

0203.12.10 – Subheading (e.g., Processed). *The U.S. customs duty rate is generally established at this level.*

0203.12.1010 – Statistical Suffix (e.g., Hams and cuts thereof). This generally provides additional information for statistical purposes.

The United States has used the HS since 1989, when Congress enacted the new Harmonized Tariff Schedule of the United States (HTS) based on that system. The HTS, which is published by the U.S. International Trade Commission (ITC) and interpreted and enforced by U.S. Customs and Border Protection (CBP), provides the classification regime for applying tariffs and duties on goods imported into the United States. Its over 17,000 unique 10-digit entries (commonly referred to as "HS codes") assign specific categories—and specific tariff rates—for "virtually every item that exists."[13,14]

Harmonized Tariff Schedule (HTS) Columns and Most Favored Nation (MFN) Status

The structure of the Harmonized Tariff Schedule reflects U.S. policy decisions along two dimensions. Tariff levels differ not only between various goods, but also based on the trade status of the countries from which those goods are imported. Differences in country status are reflected in the HTS "Columns," of which there are currently two. Both columns list rates for every good classified in the HTS.

The general "Column 1" rates apply to nations that the United States has granted "Most Favored Nation" status, a legal designation meaning that country will receive the United States' most favorable trade terms and most advantageous tariff rates.[15] The United States grants MFN status to almost every country in the world, thus qualifying their goods for Column 1 rates. This reflects America's commitment to "nondiscrimination" under the World Trade Organization (WTO) agreements, a core WTO principle which requires all WTO members to extend "Most Favored Nation" treatment to all other WTO members.[16] Under the WTO agreements, American Column 1 rates cannot be raised higher than the maximum, or "bound," rates, agreed to in the United States' Schedule of Concessions.[17] Because the United States has offered more concessions than any other WTO country, we maintain the lowest maximum tariff rates in our Schedule of Concessions—a 3.4% simple average.[18]

The "special" Column 1 rates, meanwhile, currently apply to specific American free trade agreement partners. This reflects a WTO agreement exception that allows nations to set lower, more favorable tariff rates than their MFN baseline tariffs with free trade agreement partners or developing nations under preference programs. These rates remain under Column 1 in the U.S. HTS but are distinguished as "Special" Column 1 rates.

Column 2 of the HTS defines the tariff rates applied to nations to which the United States does not extend MFN status, which for many years only included Cuba and North Korea, but after recent congressional action now includes Belarus and Russia as well. These rates are generally—but not always—meaningfully higher.

While the global trading system and most other countries continue to use the term "Most Favored Nation," the United States no longer does. In 1998, Congress replaced statutory references to "Most Favored Nation" with the new term "normal trade relations" (NTR) and later added the additional word "permanent." This change was driven by members of Congress who supported permanent Most Favored Nation status for China but wanted a less politically charged term.[19,20]

The World Trade Organization and Permanent Normal Trade Relations with China

Both the World Trade Organization (WTO) and current U.S. trade policy grew out of the General Agreement on Tariffs and Trade (GATT), originally signed by 23 nations in 1947. This agreement largely encompassed democratic market economies seeking to hedge against the growing consolidation of Soviet bloc countries after World War II. Each party to the agreement agreed to grant all others Most Favored Nation status, consistent with the principles of non-discrimination and national treatment. The understanding was that member nations would treat each other equally under their trade laws (non-discrimination) and not engage in protectionist or mercantilist behavior that favored their own industries over imports from other parties to the agreement (national treatment).[21]

As communism spread, the United States took additional action to prevent Soviet-influenced nations from receiving favorable trade status under the GATT. In 1951, Congress directed the president to suspend MFN status for all nations under Soviet or communist influence. This would have included China, an original signatory of the agreement, but it had already withdrawn from the GATT in 1950 after falling to communism in 1949.

Originally, under the Trade Expansion Act of 1962, restoration of a country's MFN status was a congressional prerogative.[22] The Trade Act of 1974, however, authorized the president to temporarily move what the law described as a "non-market economy" country from Column 2 to Column 1 under certain circumstances. Specifically, under the Act's Jackson-Vanik amendment, MFN status was denied to current and former non-market economies that failed to adhere to certain freedom-of-emigration requirements.[23] Under that amendment, the president could extend conditional MFN to these countries if he determined they were not in violation of the freedom-of-emigration requirements or if he chose to waive those requirements.[24] More specifically, the president's conditional waiver needed to be reissued annually, and Congress could vote each year to overturn it.[25] Pursuant to this legislative scheme, only an act of Congress could result in permanent MFN status.[26]

In 1980, the president began granting China an annual waiver, conferring temporary MFN status on China and subjecting goods imported from China to the lower Column 1 tariff rates. Congress had the prerogative to overturn a presidential waiver, but failed each year to do so, despite heated debates and close votes on the matter, especially after Tiananmen Square.[27, 28]

In the meantime, after the GATT of 1947, there were eight successful rounds of negotiations among the growing GATT membership to improve the trade system, culminating in the establishment of the World Trade Organization (WTO) under the Marrakesh Agreement of 1994. Over this time, parties to the agreement grew from 23 to 128, and the establishment of a formal WTO transformed the agreement from a Cold War economic strategy into a vision for worldwide cooperation on trade. The new arrangement included many countries that did not align with market-based economics and had no history or policy of fair trade. Not surprisingly, since the WTO was established, there have been no successful negotiations to fundamentally change the agreement given the vast disparity in interests and views on trade. The trade system of the 2020s largely operates under a framework first conceived in the post-World War II period and further developed in the 1990s, despite the many economic, technological, and geopolitical changes since.

During the 1990s, free trade advocates began pushing to discontinue the annual waiver process for China and grant it MFN permanently—or, under the new language, Permanent Normal Trade Relations (PNTR). These advocates argued that because China had already enjoyed MFN tariff levels since 1980, albeit on a yearly basis, nothing would change for the United States except greater and safer access to the Chinese market.[29] They eventually prevailed, supported by hopeful foreign policy thought leaders and business interests seeking to use the low-wage and low-standard manufacturing base of China, and in 2000 Congress voted to grant China PNTR. This win paved the way for China to fully join the World Trade Organization in 2001, a goal China had sought for 15 years.[30]

America's posture was decisive in China's accession to the WTO. While only a two-thirds majority of WTO members is necessary for a final accession vote, a consensus vote is necessary at earlier stages of accession negotiations and general WTO protocols call for consensus.[31] In other words, the United States had the power to block China's entry to the WTO. But even if China's accession was allowed, the United States (and others) could have invoked Article XIII of the WTO agreement, which allows members to deny MFN treatment to new members at the time of their accession to the WTO.[32] Instead, the United States embraced China in support of its self-declared "peaceful rise"[33] and helped normalize its economic integration with the world, agreeing to deal with future trade concerns through the WTO dispute resolution process instead of a potential suspension of normal relations.

Politicians and experts predicted that China would be a "responsible stakeholder"[34] and abide by its new WTO obligations, including its bilateral commitments with the United States,[35] open its economy, and respect intellectual property rights while suspending its market access restrictions, industrial controls, and subsidies. Indeed, as American Compass has documented in "Wrong All Along," optimism was unbridled and widespread across a bipartisan elite that successfully overwhelmed those voices that questioned the path's wisdom.[36] Unfortunately, China joined the world trade system not with reciprocal magnanimity, but with an aggressive strategy for exploitation.[37]

The Consequences: Supply Chain Dependence

Obviously, China did not liberalize or democratize. Instead, it conditioned limited access to the Chinese market, in violation of its WTO commitments, on forced technology transfers and joint venture agreements. It also pursued an aggressively mercantilist industrial policy that sought to seize leadership in vital industries while hollowing out western economies. These policies continue now, unabated, to the detriment of American economic resilience, American industrial strength, and the wellbeing of American workers.[38] The American trade deficit with China exploded, American industries offshored, and American production capacity declined as dependence on Chinese supply chains became entrenched.

Economic integration with China has rendered the United States increasingly reliant on an adversarial non-market economy under the control of a hostile Communist government for essential goods and advanced technologies that underpin the American economy. Examples abound:

- A 2022 report from the Department of Defense found China "dominates the global advanced battery supply chain, including lithium hydroxide (94%), cells (76%), electrolyte (76%), lithium carbonate (70%), anodes (65%), and cathodes (53%)."[39] The Department of Defense further found that American reliance on Chinese lithium batteries, casting and forging, and microelectronics threatens U.S. defense procurement.[40]
- The Department of Energy found, "China also controls 61% of global lithium refining key for battery storage and electric vehicles. China also controls 100% of the processing of natural graphite used for battery anodes." [41]
- A 2023 report by the U.S.-China Economic and Security Review Commission found that China is the leading source of 24 nonfuel mineral commodities for which the United States is more than 50% net import reliant. It supplied 72% of rare earth imports to the United States from 2019–2022.[42]
- A study by the Oxford Institute for Energy Studies found that, in 2019, China accounted for 70% of the world's rare earth element production and 90% of rare earth element processing.[43]
- The Department of Homeland Security reported that in 2018, "China [led] the world in global sales of [Printed Circuit Board (PCB)] manufacturing, with a 52.4% share ($32.7 billion) of the market... In contrast, approximately $2.88 billion worth of PCBs [were] produced in the United States... [with] U.S. global production share of PCBs...at an estimated four percent." [44]
- The Administration for Strategic Preparedness and Response at the Department of Health and Human Services estimates "90 to 95% of [generic sterile injectables] used for critical acute care in the U.S. rely on [key starting materials] and drug substances from China and India." [45]A March 2023 report from the House Committee on Homeland Security and Government Affairs also points out that the number of Chinese-based Active Pharmaceutical Ingredient (API) manufacturers registered with the FDA more than doubled from 188 to 445 between 2010 and 2015. The report further notes that 80% of generic APIs are now produced outside the United States, though it also notes that the "Defense Logistics Agency, which purchases drugs for the U.S. military, said with the exception of three drugs that rely on API manufacturers based solely in China, it is 'unable to determine with certainty if any of the drugs it purchases rely solely on sources in China or India.'"[46]
- Another report by the Department of Transportation found "[t]hree Chinese companies account for 96% of the world's dry cargo containers and 100% of the refrigerated containers." [47]
- The U.S. Department of Agriculture estimates that China is the primary source for over 70% of certain active pesticide inputs, some of which lack a U.S. source altogether.[48]

Recognizing the costs that free trade with China has imposed on the American economy and the vulnerabilities it has created, policymakers are now determined to rescind China's PNTR status. Congress's decision in 2022 to rescind PNTR status for Russia and Belarus, despite the former's WTO membership, has also reminded American policymakers that sovereignty over trade with foreign nations belongs to the American public exercised through its elected leaders, not international organizations.

II. Purposes and Effects of Rescinding Permanent Normal Trade Relations

Rescinding PNTR would go beyond the trade actions pursued in recent years under the Trump and Biden administrations. Both administrations have pursued tariffs against China under Section 301 of the Trade Act of 1974 as leverage for a deal with China to end its trade abuses.[49] While the Trump administration successfully negotiated an enforceable "Phase One" deal that kept most of these tariffs in place, the deal has not been honored by China.[50] As noted in the United States–China Economic and Security Review Commission's 2022 Annual Report:

> After many years of attempting to engage China and persuade it to abandon its distortive trade practices, it is clear this approach has not been successful. The United States has an opportunity to develop a new strategy based on building resilience against China's state capitalism and blunting its harmful effects rather than seeking to change it. With the WTO unable to introduce meaningful new rules and procedures, the United States can pursue approaches that advance its own national interests as well as cooperate with like-minded partners.[51]

After six years, a supply chain crisis during the COVID-19 pandemic,[52] and little change in China's behavior, it is evident that the United States can no longer rely on negotiations or targeted measures under the existing trade regime. The United States must declare trade independence from China. Rescinding PNTR and placing China in a third column represents a broad, decisive approach for recalibrating the U.S.-China trade relationship. It will ensure that China, as an aggressive non-market economy,[53] does not receive the same default tariff treatment as other market economies like the United Kingdom and Australia.

Clarity of purpose must guide policy design. This kind of clarity can be challenging in the context of trade with China, as political debates on the topic touch on a wide range of politically salient goals, from reindustrialization to national security to the creation of good jobs. This section aims to clarify the specific problems that creating a new column for Chinese goods is well-suited to solve and which problems require other tools.

The Inadequacy of Relegating China to HTS Column 2

Rescinding China's PNTR status would deny its producers automatic access to the U.S. market at the low—and often zero—tariff rates under Column 1 of the Harmonized Tariff Schedule. But without further action, simply rescinding PNTR would move China into Column 2 of the HTS, which is ill-suited to the task of reducing dependence on Chinese supply chains. As a near-peer economy already intertwined with America's economy, China requires different treatment that a newly designed third column of the HTS is better suited to provide.

The tariff rates prescribed in Column 2 are largely left over from the "Smoot-Hawley" Tariff Act of 1930.[54] Most of the higher tariff rates under Column 2 target agricultural and manufactured products that were strategically important in the 1930s. Meanwhile raw materials and inputs that are strategically vital in today's economy enjoy lower rates and in some cases duty-free treatment. The tariff rate on uranium is zero in both Column 1 and Column 2, as is the rate for several chemical precursors to fertilizer. Even some of the Column 2 finished good tariffs are too low. For example, while the Column 1 tariff for cars is 2.5%, the Column 2 rate of 10% is not much better. So, while Column 2's average tariff rate of 30% would be preferable for China versus Column 1, there are many examples of Column 2 rates that fall short of the broader goals of this policy change.[55]

Furthermore, "specific tariffs" in both columns—levied as a fixed fee per item or by weight, as opposed to "ad valorem" tariffs that are calculated as a percentage of a good's value—have not been adjusted for inflation. For example, HTS Column 2 imposes a tariff on crude oil of 21 cents per barrel—twice the Column 1 rate of 10.5 cents, but a trivial deterrent with a barrel of oil now trading around $80 on global markets and regularly fluctuating by more than $2 daily.[56] These kinds of outdated ad valorem and specific tariff rates render Column 2 less than ideal for disfavoring Chinese supply chains.[57] That is also why when Congress moved Russia and Belarus to Column 2, it also gave the president authority to proclaim tariff rates on Russia in excess of the existing Column 2 rates.[58]

It is true that the United States is not economically dependent on any of the nations currently receiving

Column 2 treatment, but that is not because of the strength of the Column 2 tariff regime. The four nations in Column 2 today also face sanctions and embargoes that further limit trade with the United States. Cuba was an original member of the GATT but lost MFN status under the *Trade Classification Act* of 1962 after it fell to communism. It is subject to a longstanding American trade embargo. Russia joined the WTO in 2012 but has been subject to multiple trade and financial sanctions—including the revocation of its PNTR status in 2022—since invading Ukraine.[59] North Korea is likewise subject to numerous sanctions by both the United States and the United Nations Security Council, which requires member states to limit trade with North Korea for over 80% of its potential exports.[60]

Primary Objective: Reducing Supply Chain Dependence on an Adversary

The most direct effect of higher tariffs will be to reorient supply chains away from China. As explained, disfavoring Chinese supply chains is an urgent goal. It also is the goal most likely to be achieved through rescinding China's PNTR status and placing China in a new HTS column.

Over the past 25 years, permanently favorable tariff rates gave U.S. companies the long-term security to outsource manufacturing to China *en masse*.[61] Producers took advantage of lower production costs, promised access to the Chinese market, and financial incentives from the Chinese government to produce goods in China and then sell them back into the United States. This resulted in major offshoring of U.S. industries and increased dependence on Chinese supply chains. This dependence includes many industries—like electronics, machinery and components, chemicals, semiconductors, lithium-ion batteries, and rare earth elements—that provide key inputs for the U.S. military and will likely be vital to both the American and global economies in the 21st century. It also includes a host of non-military goods vital for the well-functioning of American society like telecommunications equipment, computers, commercial shipping equipment, and medical products. China has focused strategically on attracting critical supply-chain nodes and technologies. Not coincidentally, dependence in these sectors directly undermines U.S. economic resilience.

As noted in American Compass's report, "A Hard Break from China":

> The CCP has pursued an explicit industrial strategy to capture critical supply chains and leadership in the most promising industries. As Ambassador Robert Lighthizer noted in his recent testimony before the House Select Committee on the Chinese Communist Party, "The Chinese economic system is designed to exploit foreign commerce to advance China's geopolitical power." The CCP has used subsidies, market-access barriers, and outright intellectual property theft and espionage to manipulate American firms, talent, and funding into developing China's industrial capacity while undermining America's own. The CCP does not even bother to disguise the strategy. Its [Made in China 2025] plan, launched in 2015, describes the goal of becoming the global leader in innovation and manufacturing by 2049, the CCP's centennial.

Many companies began reevaluating their supply chains after the Trump administration imposed tariffs under Section 301 in 2018. Permanently setting higher tariffs on Chinese goods would make clear that the new U.S. trade posture toward China is unlikely to change. It would further incentivize American businesses still producing goods in China either to reshore or move production to friendlier nations, and American businesses otherwise dependent on imports from China to pursue alternative supply chains. In economic terms, one might consider this an adjustment for externalities: U.S. reliance on Chinese producers creates serious national security and supply chain risks, which generate costs that importers of Chinese goods do not internalize. Higher tariffs are a clear and efficient way to require them to internalize those costs.

Recent history demonstrates that higher tariff barriers reduce import reliance on China. The International Trade Commission's (ITC) report on Section 301 trade actions under the Trump administration showed that higher tariffs led U.S. importers to reroute their supply chains away from China and raised revenue without noticeably affecting consumer prices. [62, 63]

A 2022 report from the generally anti-tariff Peterson Institute for International Economics also found:

> Overall, the trade war has reduced US goods imports from China. Imports declined immediately after tariffs were imposed, falling further beginning in March 2020 as global trade collapsed in the wake of the COVID-19 pandemic, and have since recovered only slowly. Today, US imports from China remain well below the pre-trade war trend, as defined (conservatively) by US imports from the world, and have only recently returned to pre-trade war levels of June 2018. China is now the source of only 18 percent of total US goods imports, down from 22 percent at the onset of the trade war. ...
>
> As expected, the trade war has had the largest impact on imports from China of products hit with the highest US tariffs. US imports from China of

Table ES.2

Effect of section 301 tariffs by industry group on domestic prices and value in 2021

In percentage changes.

NAICS industry group	Description	Price of imports from China	Price of domestically produced products	Average price in the United States	Tariff-inclusive value of imports from China	Value of U.S. production
3152	Cut and Sew Apparel Manufacturing	14.5	3.1	4.3	-39.1	6.3
3344	Semiconductors and other Electronic Coomponents	25.0	3.1	4.1	-72.3	6.4
3341	Computer Equipment	1.5	0.6	0.8	-5.3	1.2
3371	Household and Institutional Furniture and Kitchen Cabinets	22.4	3.7	7.1	-25.4	7.5
3363	Motor Vehicle Parts	24.5	1.5	2.3	-50.1	3.0

Source: USITC estimates.

Note: Economic effects reported in this table are calculated as the percent change between actual economic outcomes in 2021 and a counterfactual scenario where no section 301 tariffs were in place. The change in average price in the United States is a weighted average that considers the estimated substitutability between products from different sources. The percentage change in "tariff-inclusive value" refers to the change in the value of imports from China including the value of the section 301 duties themselves.

> goods currently facing a 25 percent duty (Lists 1, 2, and 3) remain 22 percent below pre-trade war levels. US imports of those same products from the rest of the world are now 34 percent *higher*.[64]

In other words, higher tariffs have already proven effective in reducing our reliance on China.[65] The United States can neither continue to rely on China for essential goods, nor allow China's deliberate strategy to dominate world supply chains and critical industries to go unchallenged. Properly designed tariffs provide the solution.

Secondary Objectives and Limitations

Rescinding PNTR with China and creating a third HTS column tailored to China is not a panacea for all the economic and security challenges China poses, but it is an essential step in solving them. The following objectives will be substantially aided by rescinding PNTR with China, but other policies will be needed to fully address the underlying concerns:

A. Reasserting Fair Trade Policy

U.S. trade policy should require its trading partners to adhere to transparent, open, and fair trade practices that serve American interests. China's mercantilist policies, including its state-owned enterprises, market access restrictions, currency manipulation, labor abuses, and industrial subsidies, run directly counter to those interests. Rescinding China's PNTR status would rightly reflect that China is a hostile non-market economy[66] that does not respect or abide by fair trade principles. It is also a step toward ensuring that the *results* of U.S. trade policy—and the WTO's framework more broadly—line up with the expectations of those who set the rules.[67] This would further signal to other nations exhibiting non-market behavior that the United States will act to defend its interests against trade abuses going forward. China is not the only nation that engages in unfair trade practices to the detriment of American workers and industries.

B. Reducing the Overall U.S. Trade Deficit and Revitalizing Domestic Industry

This policy is an essential and significant step toward lowering the broader U.S. trade deficit, but will not resolve that deficit on its own. For example, while Section 301 tariffs have decreased the U.S. trade deficit with China, the overall trade deficit has remained high.[68] Moreover, much of the global trade deficit may still be driven by supply chains that ultimately flow from China.[69, 70, 71] A more permanent increase in tariffs backed by Congress will signal that the United States is serious about keeping Chinese goods out of its market, regardless of how many stops they make on the way to its shores.[72] With that said, policymakers will also need to address broader Chinese strategies to avoid U.S. tariffs,[73] establish local content requirements,[74] or increase tariffs on certain goods across U.S. trading partners to ensure Chinese companies are not able to simply reroute production through Southeast Asian and Latin American countries.

Furthermore, rescinding PNTR with China will incentivize the United States to rebuild its industries and compete with China in international markets, but the United States will also need to make large investments in research,[75] workforce development,[76] and industrial scaling.[77] It will need to reform or cut regulations and permitting rules that slow development and drive up energy and operating costs.[78] And it will also need to change misaligned incentive structures built into the American financial system.[79]

C. Limiting Technological and IP Theft

Since granting China PNTR, the United States has directly supported China's economic and technological rise through forced joint ventures and technology transfers. China's systematic acquisition of American intellectual property and technology through conditional market access and industrial espionage has severely undermined U.S. competitiveness, and China's theft of American intellectual property is estimated to cost the United States $600 billion annually.[80] To the extent that higher tariffs discourage American offshoring to China, they will also diminish the number of American companies participating in arrangements where their technology and industrial practices are at risk of being copied and stolen. This would reduce the CCP's access to technologies that strengthen its regime and would protect American competitiveness. With that said, voluntary investment flows between the United States and China, as well CCP efforts to steal American IP through talent recruitment, cyber theft, and other methods still leave the United States vulnerable to technology and IP theft. Other policy measures must address these vulnerabilities.

D. CCP Economic and Cultural Influence Through Investment

Raising tariffs will make Chinese goods less competitive in the U.S. market, meaning China will have fewer U.S. dollars gained from sales revenue to use for purchasing U.S. assets. But rescinding PNTR will not prevent China from purchasing U.S. assets, nor U.S. companies from investing in China with the hope of selling into the Chinese market. As referenced above, such investment has often meant forfeiting technology or giving the CCP a seat at the boardroom table. The United States should further restrict investment between the United States and China to limit or block acquisitions of American assets, joint ventures, and technology transfers to Chinese-controlled companies. Beyond economic transactions, the United States should also stop admitting Chinese nationals with connections to the CCP's Military-Civil Fusion strategy to its STEM graduate programs and allowing U.S. universities to become financially dependent on funding from China.

The Political Economy of Permanent Normal Trade Relations

While unfettered "free trade" is often presented as a default condition in the international economy, with which tariffs interfere, it is important for policymakers to recognize that such free trade exists nowhere in U.S. trading relationships today—nor has it ever been a tenet of U.S. policy or even the World Trade Organization framework. A Harmonized Tariff Schedule is the default, and the United States sets tariffs on a foreign country's exports based on considerations of the national interest. PNTR should imply a trading relationship provides some benefit to the United States.

Given China's rampant abuses of the trading system and its threat to the U.S. national interest, it is increasingly difficult to argue that the appropriate trade policy toward China is an "open borders" model of unfettered imports, though some do. Thus, the question is what tariff framework to choose. The PNTR rates of Column 1, designed for Most Favored Nations? The residual rates of Column 2, applied to rogue nations under sanction? Or a new set of rates tailored to the nature of the China challenge? Inevitably, setting a new tariff schedule will be messy, and the result far from perfect. But that is no argument against doing so. The question is whether a new schedule would improve upon the Column 1 rates, which were designed on the assumption that trading partners would *not* behave as China does. Any schedule cognizant of that behavior and aimed at addressing it, even bluntly and imprecisely, will represent an improvement on the status quo.

III: Designing and Implementing HTS Column 3

Designing and implementing a new Column 3 to reduce American dependence on China requires four major policy choices:

1. Categorizing goods entering the United States from China;
2. Setting tariff rates for each category of goods;
3. Establishing a timeline for phasing in new tariff rates; and
4. Addressing Chinese economic practices designed to avoid U.S. tariffs

This paper argues for a two-tier categorization that identifies products as either strategic or non-strategic at the eight-digit HS subheading level. Goods in non-strategic categories should be tariffed at a 25% rate; goods in strategic categories should be tariffed at a 100% rate.[81] These tariff rates should phase in steadily over five years with no exemptions. Updated Rules of Origin (ROO) should treat all goods originating in China, consisting primarily of content from China, or produced by a Chinese company as imports from China.

How to Categorize Goods

Reliance on China for lithium-ion batteries poses a different problem than reliance on China for plastic toys. In both cases, the United States relies heavily on Chinese supply chains. But in only the former does the reliance pose a serious threat to American resilience, prosperity, and security. If the purpose of rescinding PNTR is to counter that threat, a new Column 3 should distinguish between goods where such a threat is or is not present.

A new Column 3 should therefore be designed around a simple distinction between strategic and non-strategic goods, with the understanding that the United States needs to be less dependent on China for both. Independence of U.S. supply chains for strategically essential goods should be the goal for raising tariffs through rescinding PNTR; increasing the incentive to reshore or diversify supply chains while raising revenue should be the goal for non-strategic goods. Ambassador Robert Lighthizer called for the implementation of a similar approach for a new Column 3 during testimony to the U.S. House Select Committee on Strategic Competition between the United States and the Chinese Communist Party in May 2023: across-the-board tariffs on Chinese goods, combined with targeted higher tariffs on "strategically important goods" from China.[82]

Adopting this approach raises an obvious question: How should policymakers define a strategic good? Several U.S. government and foreign government reports aimed at supply chain security (assessed below) offer helpful examples and parameters. A synthesis of these approaches results in a definition of "strategic" that sweeps in at least four kinds of imports: 1. Military or obviously "dual-use" goods; 2. Advanced technology-related goods related to important industries; 3. Goods critical for American infrastructure, including the U.S. energy, public health, and transit sectors;[83] and 4. Key inputs for goods in the prior three categories, including commodities and basic manufactured goods.

Several existing lists from the U.S. government, allied nations, and China offer a good starting point for considering what goods are "strategic." Some of them already categorize goods by HS code, offering policymakers a ready-made starting place for constructing a new Column 3, though policymakers will need to exercise judgement and consider a wider array of strategic goods.

U.S. Government Lists

1. Draft List of Critical Supply Chains

Pursuant to the Biden administration's Executive Order 14017 (February 2021), the Commerce Department's International Trade Administration (ITA) published a draft list of products in four critical supply chains: public health and biological preparedness, information and communications technology (ICT), energy, and critical minerals.[84] The ITA list identifies key products within those four sectors at the eight- or ten-digit HS code level. The ITA list is not without its limitations; by its nature, the list only identifies products within the four sectors it focuses on, leaving out other key strategic sectors that might be relevant for U.S.-China decoupling. Even within the four sectors, moreover, the list adopts a relatively narrow conception of what is strategic. For instance, despite focusing on the energy sector, the ITA list does not include any uranium-based products. Despite focusing on the energy and ICT sectors, the list does not include any phosphide products, which are important inputs for some batteries and semiconductors. As a result, the ITA list flags a narrow segment of eight- or ten-digit HS codes that policymakers might consider strategic. It offers a strong start in a few sectors, but more analysis remains needed.

2. **Section 301 Tariff Lists**

The U.S. Trade Representative's Section 301 tariff lists for Chinese products identify, in part, products involved in Chinese industrial policy. For example, List 1 of these Section 301 tariffs, issued in 2018, aimed to target products supported by the Chinese government's "Made in China 2025" industrial policy.[85] The most recent Section 301 tariff list, issued by U.S. Trade Representative Katherine Tai in May 2024 and finalized in September 2024, increased tariffs on steel, aluminum, semiconductors, electric vehicles, batteries, battery components, critical minerals, solar cells, ship-to-shore cranes, and medical products.[86] Like the ITA list, these lists cover many—though not all—strategic goods.

3. **Section 232 Tariff Lists**

Since 2017, the Commerce Department has conducted eight Section 232 investigations. Each of these investigations study the national security risks of U.S. import-dependence for a category of products (e.g., steel). At the conclusion of the investigation, the Commerce Department releases a report summarizing its findings and recommending next steps to remedy any national security risks it finds, including tariffs. These reports contain a list of HTS codes for products determined to be of importance to U.S. national security.[87]

4. **The Critical and Emerging Technologies List**

Published by the White House's National Science and Technology Council (NSTC), this list outlines high-level "critical and emerging technologies" that are "potentially significant to U.S. national security," which is broadly defined to include "expand[ing] economic prosperity."[88] The list identifies critical and emerging technology fields (e.g., advanced computing) and sub-fields within those fields (e.g., edge computing, supercomputing, cloud computing).[89] Many of the fields and subfields on the NSTC lists mirror those on other countries' strategic technology lists, including those of Japan, the European Union, and China. While this list does not detail HS codes related to these fields and subfields, it provides useful guidance in identifying broad economic sectors that might be considered strategic. This should inform product-level HS code analysis.

5. **CISA Critical Infrastructure Sector List**

The U.S. Cyber and Infrastructure Security Agency's (CISA) Critical Infrastructure Sector List details 16 sectors "whose assets, systems, and networks" are "considered so vital to the United States that their incapacitation or destruction would have a debilitating effect" on American society. These sectors include the chemical sector, communications sector, and emergency services sector. This list does not provide specific HS codes of products that fall under each sector, but the list nonetheless provides useful guidance for determining what sectors constitute vital U.S. infrastructure. This should inform product-level HS code analysis.[90]

6. **U.S. Commerce Department's IPEF Supply Chain Agreement List**

In August 2024, the U.S. Department of Commerce released a list of critical sectors to consider for cooperation under the Indo-Pacific Economic Framework for Prosperity's (IPEF) Supply Chain Agreement.[91] This agreement is intended to bolster supply chain resilience, sustainability, and diversification. The sectors highlighted in the report should aid policymakers in conceptualizing which goods are strategic to the U.S. economy. The broad sectors listed in the report include: agriculture, chemicals, consumer goods, critical minerals and mining, energy and environmental industries, health industries, information and communication technology products, and transportation and logistics. More specific categories of goods are also listed within each sector.

7. **USGS Critical Minerals List**

The U.S. Geological Survey's (USGS) Critical Minerals List details 50 critical minerals, including aluminum, cobalt, graphite, lithium, neodymium, and titanium.[92] In June 2024, the House Committee on Natural Resources also advanced legislation to fully enumerate and consolidate a definitive list of critical minerals, elements, substances, and materials to use across agencies, which would also be useful in designing a new tariff column.[93]

8. **Commerce Control List**

The Commerce Department's Commerce Control List (CCL) provides a detailed list of dual-use products and technologies that are potentially subject to U.S. export controls. Each specific product or technology on the CCL receives its own Export Control Classification Number (ECCN).

Companies exporting products that fall under an ECCN must determine if they need a license to sell that product abroad.[94] Unfortunately, ECCNs are distinct from HS codes, but the CCL can nevertheless be used as a guide to identify dual-use goods.

9. **U.S. Munitions List**

The U.S. Munitions List contains "articles, services, and related technical data designated as defense articles or defense services pursuant to sections 38 and 47(7) of the Arms Export Control Act."[95] The goods on the list range from missile systems to firearms to personal protection equipment (PPE). Importing most of the goods on this list from China should be banned outright, but should also receive a default rate of 100% in the HTS.[96]

International Lists

1. **China**

Chinese lists are also helpful guides. China's Made in China 2025 (MIC 2025) policy lists ten key sectors for the contemporary economy, including biotechnology, railway equipment, and power generation equipment.[97] Separately, China's Strategic Emerging Industries (SEI) strategy lists out key sectors for the future of the economy (so-called "industries of the future"). SEI strongly overlaps with MIC 2025 and focuses on nine industries, five targeted for immediate action (information technology, high-quality industrial equipment, biotechnology and pharmaceuticals, new energy vehicles and clean energy, and digital media) and four targeted for long-term action (space and ocean exploration, information networks, life sciences, and nuclear technology).[98] The main difference between the two plans appears to lie in their intent. MIC 2025 largely targets industries and capabilities already well established in other developed countries and aims to establish Chinese domestic companies in these sectors. SEI focuses on up-and-coming sectors and technologies where Chinese companies can be the first mover in the market.[99] China's most recent strategy, the Innovation-Driven Development Strategy (IDDS), targets three core technological capabilities that the Chinese government believes will form the bedrock of future economic competitiveness: telecommunications, artificial intelligence, and data processing.[100]

2. **Japan**

In 2022, the Japanese government enacted the Economic Security Protection Act (ESPA). ESPA provides government support for key supply chains that are: 1. Essential for the survival of Japan; 2. Currently predominately imported into Japan; 3. Might be subject to supply chain disruptions; and 4. Require government funds to maintain stable domestic supply.[101] As of July 2023, 11 goods have been listed as meeting these criteria: semiconductors, rare earths, medical supplies, fertilizers, ship parts, liquefied natural gas, aircraft parts, cloud applications, antimicrobials, storage batteries, industrial robots, and machine tools.[102] As part of the ESPA's implementation, the Japanese government has also created a list of "critical technologies" similar to the White House's NSTC list. This list details broad industries with strategic importance like biotechnology, medical and public health technology, and artificial intelligence. Finally, the ESPA implementation process also involved listing categories of Japanese critical infrastructure that need to be protected from foreign interference. Infrastructure sectors of concern include electricity distribution, gas pipelines, railways and cargo transport, air transport and airports, telecommunications, terrestrial broadcasting, postal services, banking, insurance, financial markets, and payment systems.[103]

3. **The European Union**

In partnership with the United States, the EU has developed a list of military and dual-use goods as part of its efforts to limit inadvertent European support for Russia's war in Ukraine. This list details products at the six-digit HS code level in the chemicals, machinery, electronics, and vehicle categories. This EU list is designed to help suppliers screen their supply chains for Russian sanctions-evasion schemes that seek to procure goods from European companies through third-country intermediaries.[104]

Applying the Strategic/Non-Strategic Distinction to the Harmonized Tariff Schedule

Policymakers must implement their definition of "strategic" goods by classifying each eight-digit subheading in the Harmonized Tariff Schedule as strategic or non-strategic. Appendix I provides a walkthrough of how policymakers should further categorize beyond the four-digit level by analyzing one full chapter of the HTS. Appendix II to this paper offers a "head start" on analyzing the entire HTS by highlighting all four-digit chapter headings that contain strategic goods. Appendix III contains the HTS codes listed in the government reports on strategic goods mentioned above.

Fully analyzing the Harmonized Tariff Schedule at the eight-digit level is a serious task, as there are over 10,000 HS subheadings at that level. While full analysis of the HTS at the eight-digit level is outside the scope of this paper, it could be accomplished by congressional staff with reference to the reports listed above and input from the public and the executive branch, or by the executive branch with specific delegated authority from Congress. After nearly 100 years, reassessing the HTS with an eye toward resetting U.S. non-MFN rates for strategic goods is long overdue.

Setting a Tariff Rate

The appropriate tariff rate for each category depends on a policymaker's goals. The higher the rates, the less competitive tariffed goods will be in the U.S. economy compared to domestically produced goods and non-tariffed imports. To reduce American dependence on China, a tariff rate of 25% for non-strategic goods and 100% for strategic goods represents a sensible approach. These rates should establish a new baseline and should not displace any additional tariffs levied under other provisions in existing trade law in response to specific trade abuses, such as Section 301, 232, and 201 tariffs or anti-dumping/countervailing duties.

Implementing a 25% tariff on non-strategic goods will create a partial decrease in reliance on Chinese goods in this category while having the added benefit of generating substantial revenue. Though independence in strategic sectors is the more urgent goal, broader diversification throughout supply chains remains highly desirable as well. A 100% tariff for strategic goods, meanwhile, is likely to eliminate or radically reduce U.S. dependence on China for the goods that fall under that category.[105]

Three tariff programs provide a helpful guide for anticipating the effects of different tariff rates. First, the Section 301 China tariffs applied 25% and 7.5% tariffs on over $350 billion worth of Chinese imports.[106] These rates were calculated to impose a reciprocal cost on Chinese imports equivalent to the economic costs of the unfair Chinese trade practices described in the Section 301 report justifying the tariff action.[107] The 25% Section 301 duties created a significant decline in imports of tariffed goods from China and are currently generating around $77 billion annually from imports that remain.[108] According to the International Trade Commission, in 2021 imports of semiconductors from China declined by 72%, auto parts by more than 50%, and electrical equipment by 40% due to the Section 301 tariffs.[109]

Second, the Section 232 tariffs on steel and aluminum, which applied to Chinese and non-Chinese goods, imposed 25% tariffs on imported steel products and 10% tariffs on imported aluminum. These tariffs were explicitly designed to keep domestic steel and aluminum mills running at a roughly 80% minimum capacity. By 2021, the Section 232 tariffs on steel caused a 17.2% decrease in steel imports, and the Section 232 tariffs on aluminum caused a 19% decrease in aluminum imports.[110]

Third, a variety of anti-dumping or countervailing duties (AD/CVDs) impose high duties on specific imports that benefit from foreign subsidization or below-cost pricing used to establish market dominance. The effects of these duties—detailed every five years in International Trade Commission "sunset reviews"—provide important insights into the effects of tariffs greater than 25%. AD/CVD duty reviews are therefore helpful references for determining the level at which tariffs nearly or entirely eliminate import dependence.[111] For instance:

- **Biodiesel**

  In 2017, the United States imposed anti-dumping duties on biodiesel from Argentina. Imports from LDC Argentina S.A. received a rate of 60.44%, imports from Vicentin S.A.I.C. received a rate of 86.41%, and all other imports from Argentina received a rate of 74.73%.[112] The 2023 sunset review found that these tariffs caused imports of biodiesel from Argentina to decline 100% from 289 million gallons to none.[113]

- **1,1,1,2 Tetrafluoroethane**

  In 2017, the United States imposed a 167.02% anti-dumping duty on Chinese producers of 1,1,1,2 Tetrafluoroethane producers, with slightly lower 148.79% rates for select Chinese companies.[114] As a result, imports declined by roughly 92.7%, from 25,451 short tons in 2016 to 1,859 in 2021.[115]

- **Low Melt Polyester Staple Fiber**

  In 2018, the United States imposed 49.93% anti-dumping duties on "low melt polyester staple fiber" from Taiwan.[116] In 2023, the ITC's five-year sunset review found that between 2018 and 2022, imports of goods subject to the anti-dumping duties declined by 96.5%, from roughly 1.5 million pounds to 52,000 pounds.[117]

- **Hardwood Plywood**

  In 2017, the United States imposed anti-dumping duties on all Chinese hardwood plywood producers at a rate of 183.36% with countervailing duty rates ranging from 22.98% to 194.90% depending on the producer.[118] As a result, five years later, imports from China declined 75%, from 1.37 billion square feet to 341 million.[119]

- **CTL Plates**

  In 2017, the United States imposed anti-dumping duties of 74.52% on all Brazilian producers of certain carbon and alloy steel cut-to-length plate (CTL plate).[120] As a result, by 2021, imports declined 99.66% from 7,442 short tons to 25.[121]

The Section 301 and 232 tariff programs offer recent evidence that 25% tariff rates generally caused significant diversification in the source countries for tariffed goods,[122] while tariff rates around or above 100% under AD/CVD actions generally resulted in dramatic or near-total reduction in importation of the relevant goods. Based on this evidence, a 25% tariff rate provides a reasonable baseline for a new Column 3's treatment of *non-strategic goods*. This rate would help reduce dependence on China for all products in the U.S. economy, while limiting the temporary economic effects born by importers and consumers.

Studies on the price effects of recent Section 301 and 232 tariff actions support this conclusion. Section 301 duties raised the average U.S. tariff on Chinese goods from 3.1% to 21%.[123] Despite this increase, analysis of the effects of the Section 301 tariffs on China from the pro-trade Peterson Institute for International Economics found that, at most, those tariffs only resulted in a one-time 0.26 percentage point increase in U.S. prices.[124] The International Trade Commission's analysis of the Section 232 duties, meanwhile, found that those tariffs led to a 2.4% increase in steel prices and a 1.6% increase in aluminum prices.[125]

The overall price effects of tariffs are almost always much smaller than the tariff rates themselves, and these effects continue to decline over time as supply chains shift and new factories open. Other analysts, such as Michael Stumo of the Coalition for a Prosperous America,[126] Alan Tonelson of *RealityChek*,[127] and American Compass chief economist Oren Cass[128] have likewise noted that Trump's Section 301 tariffs had negligible effects on consumer prices.

For *strategic goods*, tariff rates must be set higher to eliminate China as a significant supplier. The review of AD/CVD rates suggests that for some products like biodiesel, tariffs between 60 and 80% eliminated all or almost all import trade while, for others like hardwood plywood, tariffs of nearly 200% still left one-quarter of trade volume intact. Given this variation, a Column 3 tariff rate of 100% for strategic goods represents a reasonable starting point, but tariff rates should be evaluated every five years to ensure they are successfully helping reduce U.S. supply chain dependence on China.

Phase-ins and Exemptions

Another major decision left for Column 3 designers is whether to phase in the new Column 3 tariffs or provide temporary exemptions. The longer the phase-in or more frequent the use of exemptions, the longer American dependence on China will persist. With a shorter phase-in or fewer exemptions, businesses have less time to shift their supply chains out of China while minimizing economic disruption.

Phase-ins and exemptions are not novel in U.S. trade policy. Since 1947, tariff cuts from trade agreements have typically been phased in over scheduled periods. Tariff increases have been phased in as well. List 3 of the Section 301 tariffs imposed on China during the Trump administration, for instance, started at 10% and eventually rose to 25%. The Trump administration also used a limited, temporary exemption process for some goods, which allowed interested parties to petition the U.S. Trade Representative (USTR) for an exemption from Section 301 tariffs. In evaluating these petitions, USTR considered the availability of the product in question from non-China sources, attempts by the importer to source the product from the United States or third countries, the extent that Section 301 tariffs would cause severe economic harm to the importer or other U.S. interests, and the strategic importance of the product to "Made in China 2025" or other Chinese industrial policy programs.[129]

A five-year phase-in would give businesses time to adjust to the new tariff programs. This could be done on a graduated basis, with tariffs on strategic goods increasing to 10% after one year, 25% after two, 40% after three, 65% after four, and 100% after five years. For non-strategic goods, the rate could simply increase by 5% each year. This phase-in would give importers time to reshore or find alternative sources and should be implemented *without exemptions*. There has been bipartisan agreement for years that the United States cannot remain dependent on China, and businesses have already had six years since the Trump administration first imposed tariffs on China to evaluate their supply chains.

Targeting Tariff Evasion

Chinese producers will attempt to avoid tariffs through fraudulent transshipment, minor modifications or assembly, or cross-border production. Though commonly conflated, these three practices are distinct trade behaviors that can determine applicable tariff rates. Fraudulent transshipment refers to a form of country-of-origin manipulation, wherein a producer ships finished goods through a third country before shipping them on to the United States, presenting them as originating from the third country rather than from the actual country of origin to avoid higher tariffs. This action can result in import duty evasion due to declaring an incorrect country of origin.

With that said, minor modifications that occur in the third country are sometimes sufficient to comply with a traditional trade rules that define a product's country-of-origin as the last place in which it underwent a "substantial transformation."[130] In certain cases, these small modifications may undermine tariff actions by providing a legal loophole for goods that are largely composed of Chinese inputs and require little manufacturing to qualify for a change in country of origin.

"Cross-border production" is a separate practice involving more substantial manufacturing activities. To engage in cross-border production, a Chinese company could open a new factory in a third country that in fact produces goods for export to the United States, perhaps acquiring components from China before substantially transforming them in the third-country factory. Those goods are considered, for tariff purposes, to be imported into the United States from the third country because they underwent a substantial transformation there. U.S. Customs and Border Protection (CBP) issues product-specific rulings as to when a product has sufficiently transformed to be considered a product originating from a country for tariff purposes.

Chinese companies are already engaging in these practices to skirt existing U.S. tariffs. To avoid tariffs on solar panel products, for example, Chinese producers are circumventing AD/CVD duties by assembling Chinese inputs into final products in Cambodia, Malaysia, Thailand, and Vietnam, according to the U.S. Department of Commerce.[131] To avoid electric vehicle tariffs, meanwhile, Chinese auto companies are planning to open new cross-border production facilities in Mexico, where they could sell vehicles tariff-free into the U.S. market without further U.S. action.[132] While the U.S.-Mexico-Canada Agreement (USMCA) roughly requires that 75% of auto parts be locally sourced, many Chinese auto part providers are already moving to Mexico, and little can be done under USMCA to prevent the Chinese companies from subsidizing subsidiaries in third countries.[133]

At minimum, the United States should better fund the detection, investigation, and prosecution of customs fraud and trade crimes. While CBP has the authority to combat fraudulent transshipments and duty circumventions, detection is difficult as the U.S. government has limited insight into supply chains in countries like Vietnam, Malaysia, and Thailand where Chinese producers are active. Deterrence is also important: large U.S. companies that knowingly or repeatedly import goods with a fraudulent country of origin should face steep fines and criminal prosecution.

Another useful approach would be to allow the Commerce Department to determine when Chinese economic activity in a given sector of a third country (e.g., Vietnamese solar panels) is "pervasive" or "substantial." In such cases, CBP could then treat goods in that sector imported from a third country as Chinese for tariff purposes, unless an importer can conclusively prove their products are *not* substantially produced with Chinese capital or content. CBP or the Department of Commerce could then adjudicate claims that an importer's products have no connection to China through an audit of financial documents and production facilities, similar to those conducted in anti-dumping investigations. Any company importing goods from that third-country sector would have to either pay the higher tariff rate or prove that their goods have no connection to China or Chinese-controlled entities.

To further ensure Chinese cross-border production is "legally" practiced and doesn't threaten U.S. national or economic security, the United States should continue to monitor for goods with explicit security concerns to completely ban, such as Chinese hardware (e.g., Huawei and ZTE). The United States should also address instances of strategic U.S. trade dependence on any country with extensive ties to China through the "anti-monopoly tools" proposed in the final section of this report. The United States should continue to monitor for direct subsidization and dumping across trading partners, with a closer eye on partners with deeper trade ties to China.

Lastly, the United States should apply Column 3 tariff rates to goods produced by Chinese-owned and -controlled entities in third countries. A 2024 bill proposed by Sen. Josh Hawley (R-MO), for instance, would apply higher automobile tariffs to any car made by a Chinese automaker regardless of where the car is manufactured.[134] A bill offered by Sen. Marco Rubio (R-FL), similarly, would treat motor vehicles produced by a foreign adversary or its controlled entities as originating in the territory of the foreign adversary.[135] PNTR legislation could build off of the logic of these bills and apply Column 3 tariff rates to any goods made in China, made by a China-based company anywhere in the world, or made by a company substantially controlled by a China-based entity anywhere in the world—at least for goods deemed strategic to U.S. national and economic security. This would represent a substantial shift in U.S. trade strategy and require significantly altering and renegotiating other trade agreements with third countries, including the USMCA and commitments under the WTO agreement.[136] While bold, such measures may be necessary to ensure U.S. dependence on China does not continue through production based in third countries.

IV: Further Policy Considerations

Designing, enacting, and implementing a Column 3 will not resolve all trade issues with China. A host of ancillary trade tensions outside the scope of what a new Column 3 can address will persist, and new ones will arise as Chinese producers seek to skirt the new tariff schedule. The following problems should be considered by policymakers and solutions incorporated into legislation to rescind PNTR where possible.

Retaliation

In response to the revocation of PNTR and the implementation of a new Column 3 tariff schedule for Chinese imports, the Chinese government will likely retaliate with new tariffs and import restrictions on U.S. producers. For example, during the Trump administration, China responded to each tranche of Section 301 tariffs by increasing equivalent tariffs on U.S. goods. Between 2018 and 2020, the average Chinese tariff on U.S. goods increased from 8% to 21.8%.[137] While Chinese retaliation was limited by the fact that U.S. exports to China are much lower than Chinese imports to the United States, and by China's own import dependencies, China nonetheless designed its retaliation to create maximal political pain, targeting agricultural goods in Republican states and other products in swing states. As discussed below under "Use of Revenue," addressing this reality should be a consideration for policymakers in determining how to deploy funds raised from new Column 3 tariff rates.

Interaction with Other Tariff Programs

Once a new Column 3 comes into effect, some officials may be tempted to remove the Section 301 tariffs already placed on China. That would be a mistake. The Section 301 duties were designed as a penalty to offset specific unfair Chinese trading practices like intellectual property theft and forced technology transfer. These practices impose costs on American society distinct from the broader costs a Column 3 are designed to address; namely, the costs and vulnerabilities associated with U.S. general dependence on Chinese goods. Removing the Section 301 duties in conjunction with the implementation of a Column 3 tariff schedule would thus conflate two distinct sets of problems and solutions.

Furthermore, other existing trade remedies that are more targeted in their approach will remain essential tools of the U.S. trade policy arsenal, especially in cases where the new base tariff rates under Column 3 still leave U.S. industries vulnerable to predatory trade practices.[138]

Trade Loopholes

Chinese companies could also skirt new Column 3 tariffs by exploiting existing trade loopholes like *de minimis*. Presently, foreign vendors can export packages to the United States without paying tariffs or filing basic customs forms if they merely allege that the value of the package is under $800, as valued in their country. This is the highest threshold in the world: the EU's *de minimis* threshold is around $200 and China's is a mere $8.[139] Chinese companies like Shein and Temu exploit this loophole to sell goods tariff-free into the American market to great effect. In 2022, nearly half a billion packages from China were imported into the U.S. tariff-free under this exemption.[140] The federal government also makes little effort to track the cumulative value of these shipments, which is not included in calculations of the U.S. trade deficit. The Coalition for a Prosperous America estimates their annual value at $128 billion.[141]

Legislation that establishes a Column 3 should, at minimum, limit eligibility for the *de minimis* exemption to nations in Column 1. Congress should also reduce the *de minimis* threshold for Column 1 countries to a significantly lower threshold, which would further reduce the opportunity for Chinese companies to exploit *de minimis* customs treatment by transshipping goods through third countries like Vietnam and Mexico. As it stands today, the $800 *de minimis* threshold is akin to a free trade deal with the entire world for which the United States received no concessions in return.[142]

Critical Minerals and Other Key Inputs

China currently produces a decisive share of a number of key industrial inputs, including critical minerals. Some may argue that these goods should receive an exemption from tariffs or a longer phase-in timeline. While the transition away from Chinese sources may be temporarily disruptive, our dependence on China for critical goods indicates a need for drastic action rather than a prolonged continuation of the status quo. The United States should immediately alter its approach to sourcing critical minerals and other inputs through decisive investment in these sectors domestically, perhaps in large part from revenue raised by the Column 3 tariffs, and deregulation, not extend its reliance on Chinese supply chains.

Use of Revenue

Between 2018 and June 2024, tariffs imposed under the Trump and Biden administrations have raised over $240 billion, including over $221 billion from the Section 301 tariffs on China.[143] Total revenue from a new Column 3 would depend upon the selected rates and the response from importers over time. For instance, categories facing the highest tariffs might ultimately generate the least revenue, as the goal is to substantially reduce those imports from China. But even assuming that imports from China fall by more than half and the remaining volume of trade occurs entirely at the 25% tariff level, the U.S. Treasury would receive more than $50 billion annually.

Some of this revenue could offset relief or support for industries affected by retaliation or newly restricted market access.[144] Any such support should phase out after five years, as no U.S. sector should be reliant on demand from China for its long-term stability or profitability. Revenue could also go directly towards reducing the ever-growing federal deficit.[145] The rest should be used to underwrite domestic production incentives or to finance a national development bank, fund advanced and applied research & development, or address other trade-related challenges that withdrawal of PNTR cannot address by itself.

Further Questions

WTO Rules?

Some will question where this change would leave the U.S. with respect to WTO rules. As mentioned above, in 2022 the U.S. and other nations suspended PNTR with Russia. The United States defended this action on national security grounds, citing the essential security exception in Article XXI of the GATT. This provision allows members to implement measures inconsistent with the WTO agreement to safeguard "essential security interests."[146] China would likely object to the U.S. using this provision, but both the Trump and Biden administrations have blocked appointments to the WTO's Appellate Body since December 2019—largely due to concerns about American sovereignty—effectively rendering that body defunct.[147] The U.S. should continue to assert that "essential security" determinations are a matter of national sovereignty over which an international trade organization bears no authority.[148, 149]

Furthermore, the U.S.-China trade relationship has already largely existed outside of the WTO since 2018, when President Trump used Section 301 to impose tariffs without first seeking recourse through the World Trade Organization. Since that time, "legacy" WTO cases have been won and lost by both the U.S. and China, but they have had little bearing on the larger trade relationship. Neither the U.S. nor China currently feel constrained by the WTO.

To Ban?

Some existing tariff proposals to counter Chinese dominance increase tariffs far beyond 100%.[150] The key question for policymakers is whether the intention is to prohibit the import of Chinese goods no matter the cost, or to leave open a safety valve where Chinese supply is indispensable and preferred even at double the cost. If a prohibition is the goal, policymakers should employ an import ban rather than choosing an arbitrarily high tariff rate that in practice seeks to ensure no import occurs. This would build on the Trump administration's executive orders that restricted the use of Chinese technology in the U.S. telecommunications and information technology systems.[151] Products like railway and power plant equipment, certain electronics, and advanced aerospace and automotive parts may be candidates for this approach going forward.

Anti-Monopoly Tools?

As proposed in American Compass's report, "A Hard Break from China," Congress should authorize the Commerce Department and USTR to conduct "market power analysis comparable to that used for antitrust in the domestic context...identifying situations where Chinese imports dominate a market...and to impose tariffs targeting those products until market share of Chinese imports falls to an acceptable level." This would strengthen the United States' existing trade tools and complement this paper's proposal, creating a failsafe for cases in which even a 100% tariff does not sufficiently shift behavior. This tool is best suited for case-by-case correctives and would not be enough to reset U.S. supply chains on its own.[152] As noted above, non-MFN tariff rates for strategic goods should also be evaluated every five years to ensure rates are set at an appropriate level to achieve supply chain independence.

Audit Authority?

A Column 3 bill might also seek to develop an audit authority for the U.S. government to screen select U.S. companies for their supply chain exposure to China. This authority would build on recent bills and policies enacted for the defense industrial base. Section 867 of the 2024 National Defense Authorization Act, for example, established a pilot program to analyze and monitor the supply chains for key weapons programs.[153] Section 868 of that bill required the Defense Department to study their dependence on foreign entities for certain end items and components.[154]

Geopolitical Considerations?

Rescinding China's PNTR status may trigger a global reordering of trade routes. Tensions between the United States and Russia during the conflict in Ukraine have already cemented new trade ties between China, Russia,[155] India,[156] Saudi Arabia,[157] and Brazil.[158] China has also put economic pressure on its neighbors to the south, including Australia,[159] in response to actions it has perceived as hostile, and has made major investments along trade routes in Southeast Asia, Africa, Latin America, and the Middle East under its Belt and Road Initiative.[160] The United States should target opportunities for greater economic influence, especially throughout the Western Hemisphere, and seek to displace China's influence where possible while still aiming to eliminate its persistent trade deficit.

The authors thank Jamieson Greer, Stephen Vaughn, and Charles Dubois for sharing their perspectives during the drafting of this paper. No endorsement of this paper's content is implied.

Endnotes

1 This paper starts from the assumption that the reader favors resetting our economic relationship with China. We have made the case for this posture more extensively in our reports, "A Hard Break from China" and "The Balancing Act," among others.

2 This paper uses "rescind PNTR" to mean the revocation of China's Most Favored Nation (MFN) status, which the United States calls Normal Trade Relations (NTR). As a technical matter, Congress could rescind the *permanence* of China's Normal Trade Relations without rescinding Normal Trade Relations itself—say, by subjecting NTR status to an annual vote. However in common parlance "PNTR" and "NTR" are often used interchangeably. In this paper "rescind PNTR" is meant as synonymous with "rescind NTR" and "rescind MFN." See 19 U.S.C. § 2481, which says "normal trade relations (known under international law as most-favored-nation treatment)."

3 "2024 Republican Party Platform," *Republican National Committee* (July 8, 2024).

4 "Reset, Prevent, Build: A Strategy to Win America's Economic Competition with the Chinese Communist Party," *The Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party* (December 12, 2023).

5 "2022 Report to Congress," *U.S.-China Economic and Security Review Commission* (November 2022).

6 Sen. Tom Cotton, "China Trade Relations Act of 2023," S.125, *118th Congress* (January 26, 2023).

7 Sen. Josh Hawley, "Ending Normal Trade Relations with China Act of 2023," S.906, *118th Congress* (March 21, 2023).

8 Rep. Kevin Hern, "Countering Communist China Act," H.R.7476, *118th Congress* (February 29, 2024).

9 Morgan Phillips, "Republicans propose bill that would double tariffs on Chinese imports and end favored trade status," *Fox News* (September 26, 2024).

10 See "The Balancing Act" and "A Hard Break from China."

11 Specifically, by the International Convention on the Harmonized Commodity Description and Coding System (1988).

12 "Tariff Schedules," *Office of the United States Trade Representative* (2017).

13 "Harmonized Tariff Schedules of the United States Annotated for Statistical Reporting Purposes (36th Edition)," *U.S. International Trade Commission* (2024).

14 "Determining Duty Rates," *U.S. Customs and Border Protection* (March 6, 2024).

15 A report by the U.S. International Trade Commission notes, "The signing of the GATT in 1947 arguably represents the high water mark for the MFN clause; both in terms of its intended scope and the level of support it enjoyed from participating countries. The United States was an especially strong proponent of the general and unconditional wording of GATT's MFN clause (Gardner, 1956). Prior to 1923, the US had used a conditional form of MFN. Under conditional MFN, if a country grants a preferential tariff rate to another country, then it must extend the same rate to its MFN partners only if they "pay" for it with reciprocal tariff cuts. Under the unconditional MFN in GATT, no such reciprocity is required." Pinar Cebi and Rodney Ludema, "The Rise and Fall of the Most-Favored-Nation Clause," *U.S. International Trade Commission* (June 2002).

16 For perspective, the U.S has one of the lowest average weighted tariff rates in the world at around 1.5%. See World Bank Group.

17 America could, however, renegotiate its bound tariff rates under Article XXVIII of the WTO agreement.

18 See United States of America, Tariff Profiles, World Trade Organization.

19 "Most-Favored-Nation Status of the People's Republic of China," *Congressional Research Service* (July 25, 2001).

20 Considering the imbalances in U.S. trade with China—and many other countries—it is worth questioning whether policymakers should continue to refer to the current U.S. trade regime as "normal." Defaulting again to a conceptual "MFN" framework would better recognize the U.S.'s right—and policymakers' responsibility—to determine which nations deserve favorable trade status in accordance with the interest of the nation, its industries, and its citizens. It would also better recognize policymakers' latitude to respond when U.S. trading partners do not grant it favorable treatment in return.

21 "Principles of the Trading System," *World Trade Organization*.

22 Vladimir N. Pregelj, "Most-Favored-Nation (Normal-Trade-Relations) Policy of the United States." *Congressional Research Service* (September 17, 1999).

23 Maria A. Blackwood, Cathleen D. Cimino-Isaacs, and Liana Wong, "The Jackson-Vanik Amendment and Permanent Normal Trade Relations," *Congressional Research Service* (December 20, 2023).

24 Ibid.

25 Ibid.

26 Ibid.

27 A summary of congressional votes on this matter can be found here. In some years, the resolution of disapproval of the president's waiver passed the House of Representatives, but none became law.

28 The legislative history is summed up neatly here.

29 President Bill Clinton: "The United States doesn't lower any tariffs. We don't change any trade laws. We do nothing. They have to lower tariffs. They open up telecommunications for investment. They allow us to sell cars made in America in China at much lower tariffs. They allow us to put our own distributorships over there. They allow us to put our own parts over there. We don't have to transfer technology or do joint manufacturing in China anymore. This is a hundred-to-nothing deal for America when it comes to the economic consequences." President Bill Clinton, "Comments on U.S.-China Relations," *Clinton White House* (March 29, 2000). Secretary of State Madeleine Albright: "Economically, America gives nothing in this deal—or to quote the President, 'nada, zip, zilch'... All we agree to do is maintain the same open markets and policies toward the Chinese products that have already expanded choices and lowered prices for U.S. consumers." Secretary of State Madeleine Albright, "Permanent Normal Trade Relations for China," *Clinton White House* (April 6, 2000); Gene Sperling, Director of the National Economic Council: "When it comes to market opening, the agreement we negotiated with China is a one-way deal." Gene Sperling, "Permanent Normal Trade Relations and the Potential for a More Open China," *Clinton White House* (May 12, 2000).

30 China first applied for admission to the GATT in 1986. See the Office of the United States Trade Representative.

31 Steve Charnovitz, "Mapping the Law of WTO Accession," *George Washington University Law School Scholarly Commons* (2013).

32 Invoking Article XIII, which offers an "opt-out" mechanism from the WTO's principle of nondiscrimination as applied to specific countries as they enter the WTO, was an option available to and debated by American lawmakers, though it is rarely used. To date, it has been invoked in 12 instances but subsequently withdrawn in ten. See the World Trade Organization.

33 Mark Leonard, "The road obscured," *Financial Times*, (July 8, 2005).

34 Robert Zoellick, "Whither China? From Membership to Responsibility," Remarks to the National Committee on U.S.-China Relations (September 21, 2005).

35 "U.S.-China Bilateral WTO Agreement," *Clinton White House* (November 15, 1999).

36 See American Compass, "Wrong All Along."

37 "On April 25, 138 economists, including 13 Nobel Laureates, released a joint letter to the American people strongly supporting China's accession to the WTO on the terms that we negotiated last fall. It has sometimes been remarked that asking five economists a question will generate ten different answers. On this issue there has been only one answer: that welcoming China into the global economic system is right for the American economy and for the global economy." Lawrence Summers, Secretary of the Treasury, *The Wall Street Journal* (2000). See more examples in American Compass, "Wrong All Along."

38 David Autor, David Dorn, and Gordon Hanson, "On the Persistence of the China Shock," *National Bureau of Economic Research* (October 2021).

39 "Securing Defense-Critical Supply Chains," *U.S. Department of Defense* (February 2022).

40 Jing Zhang and Jennifer Parry, "Administration Releases Supply Chain Reports, Expresses Intent to Reduce Dependence on China," *Mayer Brown* (March 29, 2022).

41 "America's Strategy to Secure the Supply Chain for a Robust Clean Energy Transition," p. 13, *U.S. Department of Energy* (February 24, 2022).

42 "Mineral Commodity Summaries 2024," *U.S. Geological Survey* (2024).

43 Philip Andrews-Speed and Anders Hove, "China's Rare Earths Dominance and Policy Responses," *Oxford Institute for Energy Studies* (June 2023).

44 "Assessment of the Critical Supply Chains Supporting the U.S. Information and Communications Technology Industry," *U.S. Department of Commerce and U.S. Department of Homeland Security* (February 24, 2022).

45 "Policy Considerations to Prevent Drug Shortages and Mitigate Supply Chain Vulnerabilities in the United States," *U.S Department of Health and Human Services* (April 2, 2024).

46 Chairman Gary Peters, "Short Supply: The Health and National Security Risks of Drug Shortages," *United States Senate Committee on Homeland Security and Governmental Affairs* (March 2023).

47 "Supply Chain Assessment of the Transportation Industrial Base: Freight and Logistics," *U.S. Department of Transportation* (February 2022).

48 USDA Agri-Food Supply Chain Assessment: Program and Policy Options for Strengthening Resilience," *U.S. Department of Agriculture* (February 2022).

49 According to the Congressional Research Service, "Section 301 of the Trade Act of 1974 grants the Office of the United States Trade Representative (USTR) a range of responsibilities and authorities to investigate and take action to enforce U.S. rights under trade agreements and respond to certain foreign trade practices. Prior to the Trump Administration and since the establishment of the World Trade Organization (WTO) in 1995, the United States used Section 301 authorities primarily to build cases and pursue dispute settlement at the WTO. Former President Trump was more willing than previous officials to act unilaterally under these authorities."

50 Zachary Basu, "U.S. to warn China is not complying with Trump's Phase One trade deal," *Axios* (October 4, 2021).

51 "2022 Report to Congress," *U.S.-China Economic and Security Review Commission* (November 2022).

52 Senator Marco Rubio, "Foreword: On Resilience," *American Compass* (May 4, 2020).

53 A "non-market economy" is defined under in 19 USC § 1677(18)(A) as "any foreign country that the administering authority determines does not operate on market principles of cost or pricing structures, so that sales of merchandise in such country do not reflect the fair value of the merchandise." Factors that are used to make this determination include: "(i) the extent to which the currency of the foreign country is convertible into the currency of other countries; (ii) the extent to which wage rates in the foreign country are determined by free bargaining between labor and management, (iii) the extent to which joint ventures or other investments by firms of other foreign countries are permitted in the foreign country, (iv) the extent of government ownership or control of the means of production, (v) the extent of government control over the allocation of resources and over the price and output decisions of enterprises, and (vi) such other factors as the administering authority considers appropriate." China warrants consideration under each of these criteria.

54 Charles Benoit, "Congress Must Undo its Permanent Normal Trade Relations Votes for Russia, and China," *Coalition for a Prosperous America* (February 24, 2022).

55 Ibid.

56 "Crude Oil Price Today," *Business Insider* (August 26, 2024).

57 Ed Gresser, "Trade Fact of the Week: America's 'non-MFN' tariffs on natural resources are usually low," *Progressive Policy Institute* (March 9, 2022).

58 "Russia Column 2 Rates of Duty," U.S. Customs and Border Protection (August 3, 2024).

59 "Invasion of Ukraine: Russia's Trade Status, Tariffs, and WTO Issues," *Congressional Research Service* (March 18, 2022); "Russia's Invasion of Ukraine: New Financial and Trade Sanctions," *Congressional Research Service* (March 4, 2022); "U.S. Government Issues New U.S. Sanctions and Export Controls Targeting Russia and Belarus for Continued Aggression Against Ukraine; Update on European Sanctions Developments," *Covington* (June 18, 2024).

60 "U.S.-North Korea Relations," *Congressional Research Service* (March 26, 2024).

61 Kyle Handley and Nuno Limao, "Policy Uncertainty, Trade, and Welfare: Theory and Evidence for China and the United States," *The American Economic Review*, Vol 107, No. 9 (September 2017).

62 Section 301 of the Trade Act of 1974 allows the U.S. Trade Representative to address unfair trade practices using targeted tariffs.

63 The ITC's model "estimates that for every 1% increase in these tariffs, imports from China of products covered by the tariffs have decreased by about 2% in value and quantity. Notably, the magnitude of this response has slowly increased over time, likely because U.S. importers have adjusted and found new sources... Across all sectors that include products covered by section 301 tariffs, the Commission's model estimates that tariffs decreased imports from China by 13% on average during 2018 to 2021. Meanwhile, the tariffs increased the price of domestically produced products and the value of domestic production by 0.2% and 0.4% on average, respectively, during the period." See the United States International Trade Commission.

64 Chad Bown, "Four years into the trade war, are the US and China decoupling?" *Peterson Institute for International Economics* (October 20, 2022).

65 See also, "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," p. 52, *Office of The United States Trade Representative* (May 14, 2024).

66 In general, trading partners employ a "non-market economy" (NME) distinction to use stricter pricing determinations in anti-dumping investigations. The United States currently lists 12 countries as NMEs, including China, Russia, and Vietnam. WTO rules do not generally acknowledge NMEs, as the original rules were designed to apply to Soviet monopolies with few equivalents in today's economy. With that said, China's WTO accession agreement included a clause in Section 15 that allows closer scrutiny of Chinese pricing. This clause had 15-year sunset provision that ended in 2016, but some argue it can still be partially invoked by China's trade partners under WTO rules. See Linklaters.

67 Resetting rates would also offer a higher point of leverage for any future trade negotiations.

68 "International Trade in Goods and Services," *U.S. Bureau of Economic Analysis* (September 4, 2024).

69 Caroline Freund, Aaditya Mattoo, Alen Mulabdic, and Michele Ruta, "Is US Trade Policy Reshaping Global Supply Chains?" *World Bank Group* (May 2023).

70 Hunter Clark and Anna Wong, "Did the U.S. Bilateral Goods Deficit With China Increase or Decrease During the US-China Trade Conflict?" *Board of Governors of the Federal Reserve System* (June 21, 2021).

71 David P. Goldman, "The great re-shoring charade," *Asia Times* (April 6, 2023).

72 James Kynge, Jude Webber, and Christine Murray, "China's new back doors into western markets," *Financial Times* (September 5, 2024).

73 "Identify and Apply Rules of Origin," *U.S. Department of Commerce, International Trade Association*.

74 "Create Demand for Domestic Manufacturing," *American Compass*.

75 "Foster Large-Scale Industrial Innovation," *American Compass*.

76 "Promote Non-College Career Pathways," *American Compass*.

77 "Channel Investment to National Priorities," *American Compass*.

78 "Let America Build Again," *American Compass*.

79 "Financialization," *American Compass*.

80 "The Theft of American International Property: Reassessment of the Challenge and United States Policy," *Commission on the Theft of American Intellectual Property* (February 2017).

81 Some products currently receive specific tariffs rather than ad valorem tariff rates; such goods should receive an equivalent tariff rate tailored to a minimum valuation. All goods currently subject to a tariff rate quota should also remain under a quota system, with new 25% and 100% equivalent thresholds phased in over five years. Any goods that currently receive a tariff rate greater than a 25% under Column 1 should still receive that higher rate under Column 3.

82 Robert Lighthizer, "Testimony of Robert Lighthizer," pp. 20–22, Hearing before the *House Select Committee on Strategic Competition between the United States and the Chinese Communist Party* (May 17, 2023).

83 Two examples of "critical good" legal definitions can be found here and here.

84 "Draft List of Critical Supply Chains," *U.S. Department of Commerce International Trade Administration*.

85 "Requests for Comments: Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Regulations.gov* (June 20, 2018).

86 "President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices," *Biden White House* (May 14, 2024).

87 "Section 232 Investigations: The Effect of Imports on the National Security," *Bureau of Industry and Security*.

88 "Critical and Emerging Technologies List Update," *National Science and Technology Council* (February 2022).

89 Ibid.

90 "Critical Infrastructure Sectors," *Cybersecurity and Infrastructure Security Agency*.

91 "U.S. Identifies Critical Sectors and Key Goods for Potential Cooperation under the IPEF Supply Chain Agreement," *U.S. Department of Commerce* (August 23, 2024).

92 "Critical Mineral Resources: National policy and Critical Minerals List," pp. 12–13, *Congressional Research Service* (April 8, 2024).

93 "Committee Advances Bills Supporting Critical Mineral Development," *House Committee on Natural Resources* (June 4, 2024).

94 There are two main types of export control restrictions in the United States. First, the Commerce Department imposes country-wide export controls that ban the non-licensed sale of specific ECCNs (or broader CCL categories) to a given foreign country. Second, the Commerce Department imposes end-use specific export controls that ban the non-licensed sale of given ECCNs (or broader CCL categories) when the exported product or technology will be used for certain restricted purposes (e.g., military end use) or will be used by certain restricted entities (e.g., companies on the Entity List). Importantly, the Commerce Department also treats any sharing of technical information related to a dual-use technology on the CCL as an export for export control purposes. This is called a "deemed" export. Companies can engage in a "deemed" export either by sending technical information abroad or by sharing technical information with foreign nationals within the United States.

95 "Introduction to the U.S. Munitions List," *22 Code of Federal Regulations 120.10* (September 6, 2022).

96 "The United States Munitions List," *22 Code of Federal Regulations Part 121* (May 13, 2024).

97 "Notice of the State Council on the Publication of Made in China 2025," *Center for Security and Emerging Technology* (May 8, 2015).

98 Barry Naughton, "The Rise of China's Industrial Policy – 1978 to 2020," pp. 76, *Universidad Nacional Autonoma de Mexico* (2021).

99 Often it is assumed that because SEI was released in the Hu-Wen era that Made in China 2025 was Xi Jinping's renamed version of SEI; however, it seems this is not the case. Made in China 2025 was released in 2015, and though SEI originally was released in 2010, it was amended in 2016 with a new five-year plan. Barry Naughton, "The Rise of China's Industrial Policy – 1978 to 2020," pp. 75, *Universidad Nacional Autonoma de Mexico* (2021); "Made in China 2025," *Center for Strategic and International Studies* (June 1, 2015).

100 Barry Naughton, "The Rise of China's Industrial Policy – 1978 to 2020," pp. 70-74, *Universidad Nacional Autonoma de Mexico* (2021).

101 "Japan's Economic Security Legislation," *European Parliament* (July 13, 2023).

102 Ibid.

103 Ibid.

104 "Economically Critical Goods List," *European Commission* (October 18, 2023).

105 Note: There may be instances when a "specific" or "mixed" tariff may need to be used to ensure market independence from China. In the case of electric vehicles, for example, China has subsidized the industry to such an extent that a 100% tariff might still not place it at a significant market disadvantage. See press release from Sen. Marco Rubio.

106 Pablo Fajgelbaum and Amit Khandelwal, "The Economic Impacts of the US-China Trade War," *National Bureau of Economic Research* (December 2021).

107 "Investigation: Technology Transfer, Intellectual Property, and Innovation," *Office of the United States Trade Representative*.

108 Erica York, "Tariff Tracker: Tracking the Economic Impact of the Trump-Biden Tariffs," *The Tax Foundation* (June 26, 2024).

109 Robert Lighthizer, "The United States Must Strategically Decouple from China," pp. 17–18, Written Testimony to the *House Select Committee on Strategic Competition Between the United States and the Chinese Communist Party* (May 17, 2023); "Economic Impact of Section 232 and 301 Tariffs on U.S. Industries," pp. 151, 153, and 159, *United States International Trade Commission* (March 2023).

110 "Economic Impact of Section 232 and 301 Tariffs on U.S. Industries," pp. 79–80, *United States International Trade Commission* (March 2023). Note that across-the-board tariffs tend to cause smaller declines in affected import levels relative to targeted tariffs because there is no ability to substitute non-tariffed imports from other countries. In these examples, when U.S. importers were forced to choose between domestic producers or continued imports subject to the Section 232 tariffs, many still chose the latter option.

111 Note that the U.S. government often imposes different AD/CVD tariff rates on different companies from the same country.

112 "Biodiesel From Argentina and Indonesia: Antidumping Duty Orders," *Federal Register* (April 26, 2018).

113 "Biodiesel from Argentina and Indonesia," pp. I–14, *U.S. International Trade Commission* (June 2023).

114 "1,1,1,2 Tetrafluoroethane (R-134a) from the People's Republic of China: Antidumping Duty Order," *Federal Register* (April 19, 2017).

115 "1,1,1,2-Tetrafluoroethane (R-134a) from China," pp. I–15, *U.S. International Trade Commission* (October 2022).

116 "Low Melt Polyester Staple Fiber from the Republic of Korea and Taiwan: Antidumping Duty Orders," *Federal Register* (August 16, 2018).

117 "Low Melt Polyester Staple Fiber from South Korea and Taiwan," pp. I–14, *U.S. International Trade Commission* (December 2023).

118 "Hardwood Plywood from China," pp. I–3, *U.S. International Trade Commission* (May 2023).

119 "Hardwood Plywood from China," pp. I–21, *U.S. International Trade Commission* (May 2023).

120 "Certain Carbon and Alloy Steel Cut-to-Length Plate From Brazil, South Africa, and the Republic of Turkey: Antidumping Duty Orders," *Federal Register* (February 1, 2017).

121 "Carbon and Alloy Steel Cut-to-Length Plate from Austria, Belgium, Brazil, China, France, Germany, Italy, Japan, South Africa, South Korea, Taiwan, and Turkey," pp. IV–3, *U.S. International Trade Commission* (January 2023).

122 Omri Nahmias, "Reality Check: Deglobalization," *MIT Sloan Management Review*, Volume 65, Issue #3 (March 11, 2024)

123 David Autor, Anne Beck, David Dorn, and Gordon Hanson, "Help for the Heartland? The Employment and Electoral Effects of the Trump Tariffs in the United States," p. 4, *NBER Working Paper Series*, Working Paper 32082 (January 2024).

124 Megan Hogan and Yilin Wang, "To Fight Inflation, Cutting Tariffs on China is Only the Start," *Peterson Institute for International Economics* (June 3, 2022).

125 "Economic Impact of Section 232 and 301 Tariffs on U.S. Industries," p. 117, *United States International Trade Commission* (March 2023).

126 Michael Stumo, "Trump is Right: Tariffs Are Not Raising Consumer Prices," *Coalition for a Prosperous America* (June 12, 2019).

127 Alan Tonelson, "(What's Left of) Our Economy: No Signs of Tariff-Led Consumer Price Inflation, Either," *WordPress* (October 12, 2018).

128 Oren Cass, "Cutting China tariffs will offer no respite from rising prices," *Financial Times* (May 1, 2022).

129 "Section 301 Tariff Exclusions on U.S. Imports from China," *Congressional Research Service* (May 13, 2024).

130 The ITA notes, "Substantial transformation means that the good underwent a fundamental change in form, appearance, nature, or character. This fundamental change normally occurs as a result of processing or manufacturing in the country claiming origin. Additionally, this change adds to the good's value at an amount or percentage that is significant, compared to the value which the good (or its components or materials) had when exported from the country where it was first made or grown."

131 Spencer Kimball, "Solar Manufacturers Petition U.S. to Impose Tariffs on Imports from Four Southeast Asian Nations," *CNBC* (April 24, 2024).

132 "China Building Factories in Mexico to Cash in on Biden's EV Mandates," *American Energy Alliance* (February 23, 2024).

133 Kenneth Rapoza, "China's Auto Sector Is Moving to Mexico; 29 New Manufacturing Plants Set Up Since June 2022," *Coalition for a Prosperous America* (July 11, 2024).

134 Sen. Josh Hawley, "Hawley Introduces New Bill to Raise Tariffs on Chinese EVs, Protect American Autoworkers," *Press Release* (February 28, 2024).

135 Sen. Marco Rubio, "Rubio Introduces Bills to Prevent China from Flooding U.S. Auto Markets," *Press Release* (March 5, 2024).

136 Kenneth Rapoza, "China's Auto Sector Is Moving to Mexico; 29 New Manufacturing Plants Set Up Since June 2022," *Coalition for a Prosperous America* (July 11, 2024).

137 David Autor, Anne Beck, David Dorn, Gordon Hanson, "Help for the Heartland? The Employment and Electoral Effects of the Trump Tariffs in the United States," p. 4, *NBER Working Paper Series*, Working Paper 32082 (January 2024).

138 For example, Section 201 is used to "safeguard" specific domestic industries suffering from short-term import surges. Section 232 is used to protect industries of key strategic interest to U.S. national security, usually in areas related to defense and critical infrastructure. Section 337 can be used to block imports of products that infringe on intellectual property rights. Section 731 and 702 of the Tariff Act of 1930 can be used to respond to dumping of goods sold at less than fair value and goods that have been subsidized by foreign governments.

139 "De Minimis Value - Express Shipment Exemptions," *International Trade Administration*.

140 Josh Zumbrun, "How a Trade Loophole May Be Letting in Chinese Imports Made With Forced Labor," *The Wall Street Journal* (May 26, 2023).

141 Jeff Ferry, "The Trade Deficit is Worse Than We Thought: De Minimis Hides $128 Billion of U.S. Imports," *Coalition for a Prosperous America* (January 26, 2022).

142 In September 2024, the Biden administration announced its intention to issue rules denying *de minimis* treatment to goods tariffed under Section 232 of the Trade Expansion Act of 1962 or Sections 201 or 301 of the Trade Act of 1974, a policy change substantially similar to the approach taken by *The End China's De Minimis Abuse Act* passed by the House of Representatives Ways and Means Committee on April 19, 2024. This progress is another indication of the shifting consensus on trade with China.

143 Erica York, "Americans Are Still Paying for the Trump-Biden Tariffs," *Tax Foundation* (April 16, 2024).

144 Such support could come in the form of export-based support, like preferential export financing, which helps firms in retaliation-affected industries sell their goods to other countries. It could also come in the form of direct purchases, which the U.S. government could either use, sell domestically, or export abroad. There is precedent for these policies under President Trump's Food Purchase and Distribution Program and the Defense Production Act (pp. 10–11).

145 "Budget Model: First Edition," *American Compass* (June 5, 2024).

146 "Russia's Trade Status, Tariffs, and WTO Issues," *Congressional Research Service* (April 11, 2022).

147 The Appellate Body is the ultimate arbiter of trade disputes under the WTO's dispute settlement system. Since December 2019, the body has lacked a quorum to arbitrate appeals and issue reports. In addition to infringing on U.S. sovereignty, the United States has also criticized the Appellate Body for its "disregard for the mandatory 90-day deadline for appeals, unauthorized review of panel factual findings (including on domestic law), issuance of advisory opinions on issues not necessary to resolve a dispute, treatment of prior Appellate Body reports as precedent, and unapproved extension of Appellate Body members' service beyond established terms." For more on the WTO's dispute settlement system, see "The World Trade Organization at Twenty-Five and U.S. Interests" and the Congressional Research Service.

148 Katherine Tai, "Remarks by Ambassador Katherine Tai on the World Trade Organization and the Multilateral Trading System," *Office of the United States Trade Representative* (September 2023).

149 If the WTO's dispute settlement system were fully functional and the Appellate Body ruled against the United States—finding that it was not justified in suspending its WTO obligations to China under Article XXI—the United States would be ordered to reverse its policy, pay compensation for the tariffs, or forfeit concessions to China under the WTO agreement. Were the United States not to comply (as it should not), China would be able to "legally" retaliate and deny the U.S. MFN status in return. There would be no additional economic "penalty" beyond China's retaliation. (See Articles 21-23 of the WTO's "Understanding on rules and procedures governing the settlement of disputes.") Therefore, the main question for policymakers is whether the authority of a defunct international trade organization should outweigh the authority of lawmakers to determine what is in the security interests of its people.

150 For example, some tariffs under Sen. Rubio's bill on critical minerals reach 800%. See press release from Sen. Marco Rubio.

151 "Executive Order Addressing the Threat Posed By Applications and Other Software Developed or Controlled By Chinese Companies," *Trump White House* (January 5, 2021).

152 "A Hard Break from China," *American Compass* (June 8, 2023).

153 Jessica Curyto and Ed Shapiro, “NDAA Continues Trend of Supply Chain Vigilance to Reduce Reliance on China,” *National Defense* (September 26, 2023).

154 Ibid.

155 Clara Fong and Lindsay Maizland, “China and Russia: Exploring Ties Between Two Authoritarian Powers,” *Council on Foreign Relations* (March 20, 2024).

156 “The epic bust-up between China and India could be ending,” *The Economist* (July 18, 2024); Karishma Mehrotra, “India’s growing reliance on China poses challenge for U.S. trade strategy,” *Washington Post* (September 2, 2024).

157 Christopher S. Chivvis, Aaron David Miller, and Beatrix Geaghan-Breiner, “Saudi Arabia in the Emerging World Order,” *Carnegie Endowment for International Peace* (November 6, 2023).

158 “Brazil’s Lula nods to ‘long-term partnership’ with China,” *Reuters* (August 14, 2024).

159 Ben Westcott, “Australia angered China by calling for a coronavirus investigation. Now Beijing is targeting its exports,” *CNN* (May 27, 2020).

160 James McBride, Noah Berman, and Andrew Chatzky, “China’s Massive Belt and Road Initiative,” *Council on Foreign Relations* (February 2, 2023).

Appendix

Appendix I: A Step-by-Step Guide to Identifying Strategic HTS Goods

There are currently 99 Harmonized Tariff Schedule (HTS) "chapters" at the two-digit level, 1,281 "chapter headings" at the four-digit level,[1] and around 13,000 "subheadings" at the eight-digit level. For ease of use, this appendix will refer to eight-digit subheadings simply as "goods," since tariff rates are set at this eight-digit level.[2]

Every item within the U.S. HTS is categorized with an eight-digit code that allows users to identify the duty imposed on that item.

02 – Chapter (e.g., Meat and edible meat offal).

0203 – Chapter Heading (e.g., Meat of swine, fresh, chilled, or frozen).

0203.12 – Subheading (e.g., Hams, shoulders, and cuts thereof, with bone in).

0203.12.10 – Subheading (e.g., Processed). *The U.S. customs duty rate is generally established at this level.*

This appendix is intended to demonstrate how lawmakers can apply the methodology recommended in this paper to determine which goods are "strategic" under the Harmonized Tariff Schedule. It analyzes one of the 99 two-digit level HTS chapters, showing how existing government lists that already use HTS codes to identify strategic goods can be used to streamline the exercise, and how broader resources that more generally identify strategic sectors can then be used to inform policymakers' prudential judgments about additional goods. Harmonized Tariff Schedule Chapter 87, covering "vehicles other than railway or tramway rolling stock, and parts and accessories thereof," has been selected due to its complexity and political relevance.

As discussed in the body of this paper, several U.S. and foreign government reports aimed at supply chain security offer helpful examples and parameters for determining which goods are strategic. Some of them already categorize goods by HTS code, offering policymakers a ready-made starting place for constructing a new Column 3. A synthesis of these reports results in a definition of "strategic" that sweeps in four kinds of imports: 1. Military or obviously "dual-use" goods; 2. Advanced technology-related goods related to important industries; 3. Goods critical for American infrastructure, including the U.S. energy, public health, and transit sectors;[3] and 4. Key inputs for goods in the prior three categories, including commodities and basic manufactured goods. These four categories offer useful contours for a "Rule of Decision" in distinguishing between strategic and non-strategic goods.[4]

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1 "Commodity Description Lookup," *Dataweb.usitc.gov*.

2 Some goods are classified further at the ten-digit subheading level for statistical purposes, but all goods under the same eight-digit subheading receive the same tariff rates.

3 Two examples of "critical good" legal definitions can be found here and here.

4 Classifying goods as strategic under this rubric is a matter of policymakers' judgment. This appendix leans towards an expansive application in this instance of Chapter 87, for two reasons: 1. To the extent China has targeted these industries as strategic, it has and will subsidize these industries in an attempt to establish market dominance where China does not already enjoy it; and 2. The proposed Column 3 rates would be specific to China, not global, and United States will still be able to source strategic goods from many other countries that still enjoy MFN tariff rates. Putting higher tariffs on Chinese goods will incentivize U.S. importers to source goods domestically or from alternative countries, increasing demand for production domestically and in those alternative countries.

Introduction to HTS Chapter 87[5]

As noted above, a two-digit chapter code is the broadest categorization level in the U.S. Harmonized Tariff Schedule. This appendix will analyze Chapter 87, covering “vehicles other than railway or tramway rolling stock, and parts and accessories thereof.”

Chapter 87 contains sixteen four-digit *chapter headings*:

- 8701 – Tractors (other than tractors of heading 8709)[6]
- 8702 – Motor vehicles for the transport of ten or more persons, including the driver
- 8703 – Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars
- 8704 – Motor vehicles for the transport of goods
- 8705 – Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, wreckers, mobile cranes, firefighting vehicles, concrete mixers, road sweepers, spraying vehicles, mobile workshops, mobile radiological units)
- 8706 – Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705[7]
- 8707 – Bodies (including cabs), for the motor vehicles of headings 8701 to 8705
- 8708 – Parts and accessories of the motor vehicles of headings 8701 to 8705
- 8709 – Works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short-distance transport of goods; tractors of the type used on railway station platforms; parts of the foregoing vehicles
- 8710 – Tanks and other armored fighting vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles
- 8711 – Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without sidecars; sidecars
- 8712 – Bicycles and other cycles (including delivery tricycles), not motorized[8]
- 8713 – Carriages for disabled persons, whether or not motorized or otherwise mechanically propelled
- 8714 – Parts and accessories of vehicles of headings 8711 to 8713
- 8715 – Baby carriages (including strollers) and parts thereof
- 8716 – Trailers and semi-trailers; other vehicles, not mechanically propelled; and parts thereof

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5 “2024 Harmonized Tariff Schedule Revision 8,” *United States International Trade Commission* (2024).

6 The HTS notes, “For the purposes of this chapter, ‘tractors’ means vehicles constructed essentially for hauling or pushing another vehicle, appliance or load, whether or not they contain subsidiary provision for the transport, in connection with the main use of the tractor, of tools, seeds, fertilizers or other goods.” It also notes, “Road tractors, trailers and semi-trailers remain separately classified in headings 8701 and 8716, respectively, even when entered together.”

7 The HTS notes, “Motor chassis fitted with cabs fall in headings 8702 to 8704, and not in heading 8706.”

8 The HTS notes, “Heading 8712 includes all children’s bicycles. Other children’s cycles fall in heading 9503.”

Step One: Consulting Existing Lists to Identify Entirely Strategic 4-Digit Chapter Headings

The first step in further analyzing these chapter headings is to check which goods are listed in the government reports identified by this paper, which already identify strategic goods by their specific HTS codes. This is the easiest and most convenient step, as these reports offer ready-made HTS lists which policymakers can directly cite. Goods under Chapter 87 appear in the Commerce Department's International Trade Administration's draft list of products in four critical supply chains (*ITA List*)[9]; List 1 of the Trump administration's Section 301 tariffs (*Trump 301 List*)[10]; the Biden administration's Section 301 tariff list (*Biden 301 List*)[11]; and the Commerce Department's Section 232 report on the effect of imports of automobiles and automobile parts on national security (*232 Autos List*).[12]

- **Draft List of Critical Supply Chains**

  Pursuant to the Biden administration's Executive Order 14017, the Commerce Department's International Trade Administration (ITA) published a draft list of products in four critical supply chains: public health and biological preparedness, information and communications technology (ICT), energy, and critical minerals.[13] The ITA list offers a strong start in a few sectors, but more analysis remains needed. Four subheadings under Chapter 87 are on this list.

- **Section 301 Tariff Lists**

  The U.S. Trade Representative's Section 301 tariff lists for Chinese products identified, in part, products involved in Chinese industrial policy. In particular, List 1 of the Section 301 tariffs issued against China in 2018 aimed to target products supported by the Chinese government's "Made in China 2025" industrial policy. That list contained 40 goods under Chapter 87.[14] The most recent Section 301 tariff list, issued by the Office of the U.S. Trade Representative Katherine Tai in May 2024 and finalized in September 2024, calls for even higher tariffs on a variety of products, including eight of the 40 Chapter 87 goods tariffed under List 1.[15] Like the ITA list, these Section 301 lists cover many—though not all—strategic goods.

- **Section 232 Tariff Lists**

  Since 2017, the Commerce Department has conducted eight Section 232 investigations. Each of these investigations studies the national security risks of U.S. import dependence for a category of products. At the conclusion of the investigation, the Commerce Department

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9 "Draft List of Critical Supply Chains," *International Trade Administration*.

10 "China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Regulations.gov* (April 6, 2018).

11 "Request for Comments on Proposed Modifications and Machinery Exclusion Process in 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," *Office of the United States Trade Representative* (2024).

12 This investigation was initially completed in February 2019 and published in a Federal Register Notice in November 2021.

13 "Draft List of Critical Supply Chains," *International Trade Administration*.

14 "Requests for Comments: Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," *Regulations.gov* (June 20, 2018).

15 "President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices," *Biden White House* (May 14, 2024).

releases a report summarizing its findings and recommending next steps to remedy any national security risks it finds, including tariffs. The Section 232 report on automobiles and automobile parts lists 19 goods under Chapter 87.

When classifying goods in Chapter 87, policymakers should also be informed by other lists that do not explicitly list HTS codes but outline strategic economic sectors the U.S. should protect. Especially relevant to HS Chapter 87 are the CISA Critical Infrastructure Sector List (*CISA List*), the U.S. Commerce Department's IPEF Supply Chain Agreement List, the U.S. Munitions List, and China's Made in China 2025 (*MIC 2025*) plan and Strategic and Emerging Industries List (*SEI List*).

- **CISA Critical Infrastructure Sector List**

  The U.S. Cyber and Infrastructure Security Agency's Critical Infrastructure Sector List details 16 sectors "whose assets, systems, and networks" are "considered so vital to the United States that their incapacitation or destruction would have a debilitating effect" on American society. These sectors include: transportation systems, food and agricultural, health care and public health, critical manufacturing, and emergency services. Each of these sectors is significantly dependent on vehicles and vehicle components under Chapter 87.[16]

- **U.S. Commerce Department's IPEF Supply Chain Agreement List**

  In August 2024, the U.S. Department of Commerce released a list of critical sectors to consider for cooperation under the Indo-Pacific Economic Framework for Prosperity's (IPEF) Supply Chain Agreement.[17] The agreement is intended to bolster supply chain resilience, sustainability, and diversification. The sectors highlighted in the report should aid lawmakers in conceptualizing which goods are strategic to the U.S. economy. Transportation and logistics are among those key sectors, more specifically automative parts (particularly electronic components, sensors, engines, transmissions, and electric motors used in vehicles); cargo handling equipment (particularly cranes) and the movement of shipping containers; heavy/medium duty trucks, including parts and materials; and mass transit equipment, including transit buses, motor coaches, and rail passenger cars.

- **U.S. Munitions List**

  The U.S. Munitions List contains "articles, services, and related technical data designated as defense articles or defense services pursuant to sections 38 and 47(7) of the Arms Export Control Act."[18] The goods on the list range from missile systems to firearms to personal protection equipment (PPE). Importing most of the goods on this list from China should be outright banned, but any remaining goods listed in the HTS should receive a default rate of 100%. Under Chapter 87, tanks are included on this list.[19]

- **Made in China 2025 and China's Strategic and Emerging Industries List**

  China's Made in China (MIC) 2025 policy lists ten key sectors for the contemporary economy, including new generation IT, high-end CNC machines and robots, energy saving and new energy vehicles, agricultural machinery and equipment, and new materials.[20] Separately, China's Strategic Emerging Industries strategy lists key sectors for the future

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16 "Critical Infrastructure Sectors," *Cybersecurity and Infrastructure Security Agency*.

17 U.S. Identifies Critical Sectors and Key Goods for Potential Cooperation under the IPEF Supply Chain Agreement," *U.S. Department of Commerce* (August 23, 2024).

18 "Introduction to the U.S. Munitions List," *22 Code of Federal Regulations 120.10* (September 6, 2022).

19 "The United States Munitions List," *22 Code of Federal Regulations Part 121* (May 13, 2024).

20 "Made in China 2025," *Center for Security and Emerging Technology* (May 8, 2015).

of the economy (so-called "industries of the future").[21] The SEI List strongly overlaps with MIC 2025 and focuses on nine industries, including information technology, high-quality industrial equipment, new energy vehicles and clean energy, and new materials.[22] MIC 2025 largely targets industries and capabilities already well established in other developed countries and aims to establish Chinese domestic companies in these sectors. SEI focuses on up-and-coming sectors and technologies where Chinese companies can be the first mover in the market. Both strategies have implications for U.S. vehicle and vehicle parts industries and should inform what policymakers consider "leading-edge industries."

Cross-referencing the initial set of lists with explicit HTS codes reveals that three of Chapter 87's sixteen chapter headings are *entirely* made up of goods these lists already identify as strategic: 8702, 8709, and 8713. All goods under these chapter headings should be considered strategic and receive a 100% tariff rate in Column 3. One additional chapter heading (8710, tanks) contains only one (clearly strategic) good which should not be imported from China at all, at any tariff rate.

Chapter Heading 8702: Motor vehicles for the transport of ten or more persons, including the driver

Contains ten goods (i.e., eight-digit subheadings)

All the subheadings under chapter heading 8702, covering motor vehicles for the transportation of ten or more persons, are included on the Trump and/or Biden Section 301 Lists. Each should be considered strategic and receive a 100% tariff rate in Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale[23]	Categorization	Column 3 Rate
8702.10.31	Motor vehicles for the transport of ten or more persons; diesel; designed for the transport of 16 or more persons	Trump 301 List	**3**	**Strategic**	**100%**
8702.10.61	Motor vehicles for the transport of ten or more persons; diesel; other	Trump 301 List	**3**	**Strategic**	**100%**
8702.20.31	Motor vehicles for the transport of ten or more persons; diesel and electric hybrid; designed for the transport of 16 or more persons	Trump 301 List	**3**	**Strategic**	**100%**
8702.20.61	Motor vehicles for the transport of ten or more persons; diesel and electric hybrid; other	Trump 301 List	**3**	**Strategic**	**100%**
8702.30.31	Motor vehicles for the transport of ten or more persons; non-diesel and electric hybrid; designed for the transport of 16 or more persons	Trump 301 List	**3**	**Strategic**	**100%**
8702.30.61	Motor vehicles for the transport of ten or more persons; non-diesel and electric hybrid; other	Trump 301 List	**3**	**Strategic**	**100%**

21 "New Chinese Ambitions for 'Strategic Emerging Industries,' Translated," *Center for Security and Emerging Technology* (September 29, 2020).

22 Barry Naughton, "The Rise of China's Industrial Policy – 1978 to 2020," p. 76, *Universidad Nacional Autonoma de Mexico* (2021).

23 "Rationale" refers to which of the four types of imports this paper considers "strategic" for purposes of designing a Column 3: 1. Military or obviously "dual-use" goods; 2. Advanced technology-related goods related to important industries; 3. Goods critical for American infrastructure, including the U.S. energy, public health, and transit sectors; and 4. Key inputs for goods in the prior three categories.

8702.40.31	Motor vehicles for the transport of ten or more persons; electric; designed for the transport of 16 or more persons	Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8702.40.61	Motor vehicles for the transport of ten or more persons; electric; other	Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8702.90.31	Motor vehicles for the transport of ten or more persons; other; designed for the transport of 16 or more persons	Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8702.90.61	Motor vehicles for the transport of ten or more persons; other; other	Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**

Chapter Heading 8709: Works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms; parts of the foregoing vehicles

Contains three goods (i.e., eight-digit subheadings)

All three subheadings under chapter heading 8709, covering work trucks and their parts, are included on the Trump 301 List and should receive the 100% tariff rate for strategic goods.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8709.11.00	Works trucks; electrical	Trump 301 List	**2, 3**	**Strategic**	**100%**
8709.19.00	Works trucks; other	Trump 301 List	**2, 3**	**Strategic**	**100%**
8709.90.00	Works trucks; parts	Trump 301 List	**2, 3**	**Strategic**	**100%**

Chapter Heading 8710: Tanks and other armored fighting vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles

Contains one good (i.e., eight-digit subheading)

Chapter heading 8710 contains only one subheading and covers tanks and other armored vehicles, which the U.S. does not currently import from China. Tanks and military vehicles are included in Category VII of the U.S. Munitions Import List and subject to import controls under Section 38 of the Arms Export Control Act of 1976.[24] This chapter heading is a useful example of a good for which an outright import ban is appropriate as discussed in the "Further Policy Questions" section of this paper. With that in mind, it should still receive a default 100% tariff rate as an item on the Harmonized Tariff Schedule.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8710.00.00	Tanks and other armored fighting vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles	U.S. Munitions Import List	**1**	**Strategic**	**100%**

Chapter Heading 8713: Carriages for disabled persons, whether or not motorized or otherwise mechanically propelled

Contains two goods (i.e., eight-digit subheadings)

Chapter heading 8713 contains two subheadings and covers carriages for disabled persons (wheelchairs). Both subheadings were included on the ITA List under the category of public health, should be considered strategic, and should receive a 100% tariff rate under Column 3. Wheelchairs are a useful example of goods that may not immediately strike an observer as strategic, but which have been subject to painful supply chain disruptions due to dependence the ITA rightly considers a meaningful vulnerability. In the event of another pandemic, emergency, or war, the United States should not be reliant on China for essential medical devices.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8713.10.00	Carriages for disabled persons, not mechanically propelled:	ITA List	**3**	**Strategic**	**100%**
8713.90.00	Carriages for disabled persons, mechanically propelled:	ITA List	**3**	**Strategic**	**100%**

24 "The United States Munitions List," *22 Code of Federal Regulations Part 121* (May 13, 2024).

Step 2: Consulting Existing Lists to Target Further Analysis

Twelve of Chapter 87's 16 chapter headings remain for analysis. While none of these chapters are *entirely* comprised of goods on existing reference lists that identify goods by HTS code, ten of them *contain* goods that appear on these lists: 8701, 8703, 8704, 8705, 8706, 8707, 8708, 8711, 8714, and 8716. Policymakers thus know that each of these chapter headings will contain *at least some* strategic goods and can then focus their attention on analyzing the rest of the goods in these chapter headings.

For goods not explicitly identified by eight-digit HTS code in the listed reports, policymakers must apply judgement. Congress should finalize its Column 3 strategic/non-strategic lists in conversation with appropriate agencies and other relevant experts, but referencing the broader body of material identified in this paper regarding what sectors should be considered strategic provides a strong starting place.

Chapter Heading 8701: Tractors (other than tractors of heading 8709)

Contains 18 goods (i.e. eight-digit subheadings)

Only two (8701.10.01 and 8701.30.10) of the 18 eight-digit subheadings in this chapter heading are explicitly listed in the HTS-specific reference reports cited above. These goods, "single-axle tractors" and "track-laying tractors suitable for agricultural use," are on List 1 of the Trump administration's Section 301 tariffs, which was largely determined based on industries supported by China under its MIC 2025 policy.

The remaining 16 goods contain road tractors for semi-trailers, track-laying tractors for non-agricultural use (mainly used in construction), and other tractors not included in these categories (for both agricultural and non-agricultural use). How to classify these goods is a matter of judgement. MIC 2025 specifically targets "agricultural machinery and equipment" as a sector for strategic market dominance,[25] and agriculture generally is a critical U.S. economic sector,[26] which could not operate without modern machinery like tractors. To the extent such equipment will also continue to drive and benefit from innovation, it is also in the interest of the U.S. to detach itself from reliance on MIC 2025 industries.

Given that the goods under each of these subheadings are essential to many transportation and logistics, construction, and agricultural needs of the United States, we would recommend all subheadings under chapter heading 8701 be considered strategic and receive a 100% tariff rate.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8701.10.01	Single axle tractors	Trump 301 List	**3**	**Strategic**	**100%**
8701.21.00	Road tractors for semi-trailers; diesel	*n/a*	**3**	**Strategic**	**100%**
8701.22.00	Road tractors for semi-trailers; diesel and electric hybrid	*n/a*	**3**	**Strategic**	**100%**
8701.23.00	Road tractors for semi-trailers; non-diesel and electric hybrid	*n/a*	**3**	**Strategic**	**100%**
8701.24.00	Road tractors for semi-trailers; electric	*n/a*	**2, 3**	**Strategic**	**100%**
8701.29.00	Road tractors for semi-trailers; other	*n/a*	**3**	**Strategic**	**100%**

25 "Made in China 2025," *Center for Security and Emerging Technology* (May 8, 2015). "Made in China 2025 and the Future of American Industry," *U.S. Senate Committee on Small Business & Entrepreneurship* (February 12, 2019).

26 Food and Agriculture Sector, *Cybersecurity & Infrastructure Security Agency*.

8701.30.10	Track-laying tractors; suitable for agricultural use	Trump 301 List	**2, 3**	**Strategic**	**100%**
8701.30.50	Track-laying tractors; other	*n/a*	**3**	**Strategic**	**100%**
8701.91.10	Tractors; other, of an engine power not exceeding 18kW; for agricultural use	*n/a*	**2, 3**	**Strategic**	**100%**
8701.91.50	Tractors; other, of an engine power not exceeding 18kW; other	*n/a*	**3**	**Strategic**	**100%**
8701.92.10	Tractors; other, of an engine power exceeding 18kW but not 37 kW; for agricultural use	*n/a*	**2, 3**	**Strategic**	**100%**
8701.91.50	Tractors; other, of an engine power exceeding 18kW but not 37 kW; other	*n/a*	**3**	**Strategic**	**100%**
8701.93.10	Tractors; other, of an engine power exceeding 37kW but not 75kW; for agricultural use	*n/a*	**2, 3**	**Strategic**	**100%**
8701.93.50	Tractors; other, of an engine power exceeding 37kW but not 75kW; other	*n/a*	**3**	**Strategic**	**100%**
8701.94.10	Tractors; other, of an engine power exceeding 75kW but not 130kW; for agricultural use	*n/a*	**2, 3**	**Strategic**	**100%**
8701.94.50	Tractors; other, of an engine power exceeding 75kW but not 130kW; other	*n/a*	**3**	**Strategic**	**100%**
8701.95.10	Tractors; other, of an engine power exceeding 130kW; for agricultural use	*n/a*	**2, 3**	**Strategic**	**100%**
8701.95.50	Tractors; other, of an engine power exceeding 130kW; other	*n/a*	**3**	**Strategic**	**100%**

Chapter Heading 8703: Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars

Contains 15 goods (i.e. eight-digit subheadings)

Thirteen of the 15 eight-digit subheadings under chapter heading 8703 are included in the Trump 301 List, Biden 301 List, or the Commerce Department's 232 Autos List. The two remaining subheadings cover snowmobiles (8703.10.10) and golf carts (8703.10.50), which are mainly used for recreation and can therefore reasonably be considered non-strategic. These two non-strategic goods should receive the non-strategic 25% tariff rate under Column 3, and the remaining goods under chapter heading 8703 should receive the 100% rate for strategic goods.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8703.10.10	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars; vehicles specially designed for traveling on snow	*n/a*	*n/a*	*Non-strategic*	*25%*
8703.10.50	Motor cars and other motor vehicles principally designed for the transport of persons; other (golf carts)	*n/a*	*n/a*	*Non-strategic*	*25%*
8703.21.01	Motor cars and other motor vehicles principally designed for the transport of persons; non-diesel; of a cylinder capacity not exceeding 1,000 cc	Trump 301 List	**3**	**Strategic**	**100%**

8703.22.01	Motor cars and other motor vehicles principally designed for the transport of persons; of a cylinder capacity exceeding 1,000 cc but not exceeding 1,500 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.23.01	Motor cars and other motor vehicles principally designed for the transport of persons; non-diesel; of a cylinder capacity exceeding 1,500 cc but not exceeding 3,000 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.24.01	Motor cars and other motor vehicles principally designed for the transport of persons; non-diesel; of a cylinder capacity exceeding 3,000 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.31.01	Motor cars and other motor vehicles principally designed for the transport of persons; diesel; of a cylinder capacity not exceeding 1,500 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.32.01	Motor cars and other motor vehicles principally designed for the transport of persons; diesel; of a cylinder capacity exceeding 1,500 cc but not exceeding 2,500 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.33.01	Motor cars and other motor vehicles principally designed for the transport of persons; diesel; of a cylinder capacity exceeding 2,500 cc	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.40.00	Motor cars and other motor vehicles principally designed for the transport of persons; non-diesel and electric hybrid, other than those capable of being charged by plugging to external source of electric power	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8703.50.00	Motor cars and other motor vehicles principally designed for the transport of persons; diesel and electric hybrid, other than those capable of being charged by plugging to external source of electric power	Trump 301 List	**3**	**Strategic**	**100%**
8703.60.00	Motor cars and other motor vehicles principally designed for the transport of persons; non-diesel and electric hybrid, capable of being charged by plugging to external source of electric power	232 Autos List, Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8703.70.00	Motor cars and other motor vehicles principally designed for the transport of persons; diesel and electric hybrid, capable of being charged by plugging to external source of electric power	232 Autos List, Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8703.80.00	Motor cars and other motor vehicles principally designed for the transport of persons; electric	232 Autos List, Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**
8703.90.01	Motor cars and other motor vehicles principally designed for the transport of persons; other	232 Autos List, Trump 301 List, Biden 301 List	**2, 3**	**Strategic**	**100%**

Chapter Heading 8704: Motor vehicles for the transport of goods

Contains 15 goods (i.e. eight-digit subheadings)

Seven of the 15 subheadings under chapter heading 8704, vehicles for transporting goods, are included on the Trump 301 List or 232 Autos List: 8704.10.10, 8704.10.50, 8704.21.01, 8704.22.11, 8704.22.51, 8704.31.01, and 8704.32.01. These goods should receive the tariff rate for strategic goods. The remaining eight codes cover motor vehicles for the transport of goods under the following categories: with diesel engines weighing more than 20 metric tons and hybrid engines of varying weights. These goods could all be considered "heavy/medium duty trucks," as included in the Commerce Department's IPEF List, and are all essential to many transportation, logistics, and construction needs of the United States. We recommend all subheadings under chapter heading 8704 be considered strategic and receive a 100% tariff rate.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8704.10.10	Motor vehicles for the transport of goods; dumpers designed for off-highway use; cab chassis	Trump 301 List	**3**	**Strategic**	**100%**
8704.10.50	Motor vehicles for the transport of goods; dumpers designed for off-highway use; other	Trump 301 List	**3**	**Strategic**	**100%**
8704.21.01	Motor vehicles for the transport of goods; other, diesel, not exceeding 5 metric tons	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8704.22.11	Motor vehicles for the transport of goods; other, diesel; exceeding 5 metric tons but not exceeding 20 metric tons; cab chassis	Trump 301 List	**3**	**Strategic**	**100%**
8704.22.51	Motor vehicles for the transport of goods; other, diesel; exceeding 5 metric tons but not exceeding 20 metric tons; other	Trump 301 List	**3**	**Strategic**	**100%**
8704.23.01	Motor vehicles for the transport of goods; other, diesel; exceeding 20 metric tons	*n/a*	**3**	**Strategic**	**100%**
8704.31.01	Motor vehicles for the transport of goods; other, non-diesel; not exceeding 5 metric tons	232 Autos List, Trump 301 List	**3**	**Strategic**	**100%**
8704.32.02	Motor vehicles for the transport of goods; other, non-diesel; exceeding 5 metric tons	Trump 301 List	**3**	**Strategic**	**100%**
8704.41.00	Motor vehicles for the transport of goods; other, diesel and electric hybrid; not exceeding 5 metric tons	*n/a*	**3**	**Strategic**	**100%**
8704.42.00	Motor vehicles for the transport of goods; other, diesel and electric hybrid, exceeding 5 metric tons but not exceeding 20 metric tons	*n/a*	**3**	**Strategic**	**100%**
8704.43.00	Motor vehicles for the transport of goods; other, diesel and electric hybrid; exceeding 20 metric tons	*n/a*	**3**	**Strategic**	**100%**
8704.51.00	Motor vehicles for the transport of goods; other, non-diesel and electric hybrid; not exceeding 5 metric tons	*n/a*	**3**	**Strategic**	**100%**
8704.52.00	Motor vehicles for the transport of goods; other, non-diesel and electric hybrid; exceeding 5 metric tons	*n/a*	**3**	**Strategic**	**100%**

8704.60.00	Motor vehicles for the transport of goods; other, electric	*n/a*	**2, 3**	**Strategic**	**100%**
8704.90.01	Motor vehicles for the transport of goods; other	*n/a*	**2, 3**	**Strategic**	**100%**

Chapter Heading 8705: Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, wreckers, mobile cranes, fire fighting vehicles, concrete mixers, road sweepers, spraying vehicles, mobile workshops, mobile radiological units)

Contains five goods (i.e., eight-digit subheadings)

Chapter Heading 8705 contains five subheadings covering special purpose vehicles. Three subheadings covering fire fighting vehicles (8705.30.00), concrete mixers (8705.40.00), and medical vehicles (8705.90.00) are included on the Trump 301 List or the ITA List. The other two subheadings covering mobile cranes (8705.10.00) and mobile drilling derricks (8705.20.00) are not included in the lists above, but should be considered under the Commerce IPEF List (cargo handling equipment). These goods are also essential to construction and infrastructure, emergency response, and energy projects, and should therefore be considered strategic. Therefore, all subheadings under chapter heading 8705 should receive 100% tariff rates under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8705.10.00	Special purpose motor vehicles; mobile cranes	*n/a*	**3**	**Strategic**	**100%**
8705.20.00	Special purpose motor vehicles; mobile drilling trucks	*n/a*	**3**	**Strategic**	**100%**
8705.30.00	Special purpose motor vehicles; fire fighting vehicles	Trump 301 List	**3**	**Strategic**	**100%**
8705.40.00	Special purpose motor vehicles; concrete mixers	Trump 301 List	**3**	**Strategic**	**100%**
8705.90.00	Special purpose motor vehicles; other (mobile radiological units and mobile medical clinics)	ITA List	**3**	**Strategic**	**100%**

Chapter Heading 8706: Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705

Contains six goods (i.e., eight-digit subheadings)

Chapter heading 8706 covers chassis for vehicles under chapter headings 8701-8705. Two of the six subheadings under this chapter heading (8706.00.25, for vehicles of heading 8705, and 8706.00.30, for agricultural tractors) are included on the Trump 301 List. The remaining four subheadings are not included on the lists mentioned in this report but are essential components of goods under chapter headings above (8701–8704). Since all subheadings under chapter headings 8701, 8702, and 8704 are strategic, and almost all subheadings under chapter headings 8703 are strategic, the chassis for these vehicles should also be considered strategic and receive a 100% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate

8706.00.03	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; for vehicles of subheading 8701.21, 8701.22, 8701.23, 8701.24 or 8701.29 or heading 8702 or 8704; for vehicles of subheading 8704.21 or 8704.31	*n/a*	**4**	**Strategic**	**100%**
8706.00.05	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; for vehicles of subheading 8701.21, 8701.22, 8701.23, 8701.24 or 8701.29 or heading 8702 or 8704; other	*n/a*	**4**	**Strategic**	**100%**
8706.00.15	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; for vehicles of heading 8703	*n/a*	**4**	**Strategic**	**100%**
8706.00.25	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; for vehicles of heading 8705	Trump 301 List	**4**	**Strategic**	**100%**
8706.00.30	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; for other vehicles, tractors suitable for agricultural use	Trump 301 List	**4**	**Strategic**	**100%**
8706.00.50	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; other vehicles, other	*n/a*	**4**	**Strategic**	**100%**

Chapter Heading 8707: Bodies (including cabs), for the motor vehicles of headings 8701 to 8705

Contains three goods (i.e., eight-digit subheadings)

There are three subheadings under chapter heading 8707, covering bodies (including cabs) for motor vehicles under chapter headings 8701–8705. This and chapter heading 8708 below offer examples of where policymakers should use discretion informed by the reports that do not list specific HTS codes. Given that vehicle bodies comprise a substantial portion of overall motor vehicles and are essential to their function, and given that most motor vehicles listed under chapter headings 8701–8705 are strategically important to the U.S. economy, including agricultural tractors, all three subheadings under chapter heading 8707 should be listed as strategic.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8707.10.00	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705; for vehicles of heading 8703	*n/a*	**4**	**Strategic**	**100%**
8707.90.10	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705; other; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8707.90.50	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705; other	*n/a*	**4**	**Strategic**	**100%**

Chapter Heading 8708: Parts and accessories of the motor vehicles of headings 8701 to 8705

Contains 85 goods (i.e. eight-digit subheadings)

Of the 85 goods under chapter heading 8708, covering auto parts for most passenger vehicles, seven are included on one of the lists mentioned in this report. One of the subheadings (8708.22.00, covering vehicle windows and windshields) is included on the ITA List; the other six (covering gear boxes, gear box parts, and clutches of non-agricultural vehicles) are listed on the 232 Auto List. Given that all of the parts under this chapter heading are essential to a vehicle's function, and given that most motor vehicles listed under chapter headings 8701–8705 are strategically important to the U.S. economy, including agricultural tractors, all of the subheadings under chapter heading 8708 should be listed as strategic and receive a 100% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8708.10.30	Parts and accessories of the motor vehicles of headings 8701 to 8705; bumpers	*n/a*	**4**	**Strategic**	**100%**
8708.10.60	Parts of bumpers	*n/a*	**4**	**Strategic**	**100%**
8708.21.00	Safety seat belts	*n/a*	**4**	**Strategic**	**100%**
8708.22.00	Front windscreens (windshields), rear windows and other windows	ITA List	**4**	**Strategic**	**100%**
8708.29.15	Door assemblies	*n/a*	**4**	**Strategic**	**100%**
8708.29.21	Body stampings for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.29.25	Other body stampings	*n/a*	**4**	**Strategic**	**100%**
8708.29.51	Other parts and accessories of bodies	*n/a*	**4**	**Strategic**	**100%**
8708.30.10	Brakes and servo-brakes; parts thereof; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.30.50	Brakes and servo-brakes; parts thereof; for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.40.11	Gear boxes for vehicles of subheading 8701.21, 8701.22, 8701.23, 8701.24 or 8701.29 or heading 8702, 8703 or 8704	232 Autos List	**4**	**Strategic**	**100%**
8708.40.30	Gear boxes for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.40.50	Gear boxes for other vehicles	232 Autos List	**4**	**Strategic**	**100%**
8708.40.60	Gear box parts of tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.40.65	Gear box parts of other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.40.70	Gear box parts of cast iron	232 Autos List	**4**	**Strategic**	**100%**
8708.40.75	Gear box parts, other	232 Autos List	**4**	**Strategic**	**100%**

8708.50.11	Drive-axles with differential, whether or not provided with other transmission components, and non-driving axles; for tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.50.31	Drive-axles and non-driving axles; for other tractors	*n/a*	**4**	**Strategic**	**100%**
8708.50.51	Drive-axles and non-driving axles; for vehicles of heading 8703	*n/a*	**4**	**Strategic**	**100%**
8708.50.61	Drive-axles for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.50.65	Non-driving axles for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.50.70	Drive-axle and non-driving axle parts; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.50.75	Drive-axle and non-driving axle parts; for other tractors	*n/a*	**4**	**Strategic**	**100%**
8708.50.79	Drive-axle and non-driving axle parts for vehicles of heading 8703; parts of non-driving axles	*n/a*	**4**	**Strategic**	**100%**
8708.50.81	Drive-axle and non-driving axle parts for vehicles of heading 8703; of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.50.85	Drive-axle and non-driving axle parts for vehicles of heading 8703; half-shafts	*n/a*	**4**	**Strategic**	**100%**
8708.50.89	Drive-axle and non-driving axle parts for vehicles of heading 8703; other	*n/a*	**4**	**Strategic**	**100%**
8708.50.91	Drive-axle and non-driving axle parts for other vehicles; parts of non-driving axles	*n/a*	**4**	**Strategic**	**100%**
8708.50.93	Drive-axle and non-driving axle parts for other vehicles; of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.50.95	Drive-axle and non-driving axle parts for other vehicles; half-shafts	*n/a*	**4**	**Strategic**	**100%**
8708.50.99	Drive-axle and non-driving axle parts for other vehicles; other	*n/a*	**4**	**Strategic**	**100%**
8708.70.05	Road wheels and parts and accessories thereof; for tractors; for tractors suitable for agricultural use; road wheels	*n/a*	**4**	**Strategic**	**100%**
8708.70.15	Road wheels and parts and accessories thereof; for tractors; for tractors suitable for agricultural use; parts and accessories	*n/a*	**4**	**Strategic**	**100%**
8708.70.25	Road wheels and parts and accessories thereof; for tractors; for other tractors; road wheels	*n/a*	**4**	**Strategic**	**100%**
8708.70.35	Road wheels and parts and accessories thereof; for tractors; for other tractors; parts and accessories	*n/a*	**4**	**Strategic**	**100%**
8708.70.45	Road wheels and parts and accessories thereof; for other vehicles; road wheels	*n/a*	**4**	**Strategic**	**100%**
8708.70.60	Road wheels and parts and accessories thereof; for other vehicles; parts and accessories	*n/a*	**4**	**Strategic**	**100%**
8708.80.03	Suspension systems and parts thereof (including shock absorbers); suspension systems for tractors suitable for agricultural use; McPherson struts	*n/a*	**4**	**Strategic**	**100%**

8708.80.05	Suspension systems and parts thereof (including shock absorbers; for tractors suitable for agricultural use; other	*n/a*	**4**	**Strategic**	**100%**
8708.80.13	Suspension systems and parts thereof; suspension systems for other vehicles; McPherson struts	*n/a*	**4**	**Strategic**	**100%**
8708.80.16	Suspension systems and parts thereof; suspension systems for other vehicles; other	*n/a*	**4**	**Strategic**	**100%**
8708.80.51	Suspension systems and parts thereof; suspension system parts of tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.80.55	Suspension systems and parts thereof; suspension systems parts of other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.80.60	Suspension systems and parts thereof; suspension systems parts of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.80.65	Suspension systems and parts thereof; other suspension systems parts	*n/a*	**4**	**Strategic**	**100%**
8708.91.10	Radiators for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.91.50	Radiators for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.91.60	Radiator parts for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.91.65	Radiator parts for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.91.70	Radiator parts for other vehicles of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.91.75	Radiator parts for other vehicles; other	*n/a*	**4**	**Strategic**	**100%**
8708.92.10	Mufflers and exhaust pipes for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.92.50	Mufflers and exhaust pipes for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.92.60	Muffler and exhaust pipe parts for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.92.65	Muffler and exhaust pipe parts for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.92.70	Muffler and exhaust pipe parts for other vehicles; of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.92.75	Muffler and exhaust pipe parts for other vehicles; other	*n/a*	**4**	**Strategic**	**100%**
8708.93.15	Clutches and parts thereof; for tractors suitable for agricultural use; clutches	*n/a*	**4**	**Strategic**	**100%**
8708.93.30	Clutches and parts thereof; for tractors suitable for agricultural use; other	*n/a*	**4**	**Strategic**	**100%**
8708.93.60	Clutches and parts thereof; for other vehicles; clutches	232 Autos List	**4**	**Strategic**	**100%**
8708.93.75	Clutches and parts thereof; for other vehicles; other	232 Autos List	**4**	**Strategic**	**100%**

8708.94.10	Steering wheels, steering columns, and steering boxes for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.94.50	Steering wheels, steering columns, and steering boxes for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.94.60	Steering wheel, steering column, and steering box parts for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.94.65	Steering wheel, steering column, and steering box parts for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.94.70	Steering wheel, steering column, and steering box parts for other vehicles; of cast iron	*n/a*	**4**	**Strategic**	**100%**
8708.94.75	Steering wheel, steering column, and steering box parts for other vehicles; other	*n/a*	**4**	**Strategic**	**100%**
8708.95.05	Safety airbags with inflater system; parts thereof: inflaters and modules for airbags	*n/a*	**4**	**Strategic**	**100%**
8708.95.10	Safety airbags with inflater system; other, for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.95.15	Safety airbags with inflater system; other, for other tractors	*n/a*	**4**	**Strategic**	**100%**
8708.95.20	Safety airbags with inflater system; other, for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.99.03	Vibration control goods containing rubber; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.99.06	Double flanged wheel hub units incorporating ball bearings; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.99.16	Other parts for power trains; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.99.23	Other parts; for tractors suitable for agricultural use	*n/a*	**4**	**Strategic**	**100%**
8708.99.27	Vibration control goods containing rubber; for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.99.31	Double flanged wheel hub units incorporating ball bearings; for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.99.41	Other parts for power trains; for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.99.48	Other parts; for other tractors (except road tractors)	*n/a*	**4**	**Strategic**	**100%**
8708.99.53	Parts of cast iron for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.99.55	Vibration control goods containing rubber; for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.99.58	Double flanged wheel hub units incorporating ball bearings; for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.99.68	Other parts for power trains; for other vehicles	*n/a*	**4**	**Strategic**	**100%**
8708.99.81	Other parts; for tractors suitable for other vehicles	*n/a*	**4**	**Strategic**	**100%**

Chapter Heading 8711: Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without sidecars; sidecars

Contains eight goods (i.e., eight-digit subheadings)

Only one subheading (8711.50.00) under chapter heading 8711, covering motorcycles, was included on the Trump 301 List. Though motorcycles constitute a significant industry in the United States, they are not structurally important to the economy or national security. We therefore recommend the remaining seven subheadings be considered non-strategic and receive a 25% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8711.10.00	Motorcycles; with internal combustion piston engine of a cylinder capacity not exceeding 50 cc	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.20.00	Motorcycles; with internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.30.00	Motorcycles; with internal combustion piston engine of a cylinder capacity exceeding 250 cc but not exceeding 500 cc	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.40.30	Motorcycles; with internal combustion piston engine of a cylinder capacity exceeding 500 cc but not exceeding 700 cc	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.40.60	Motorcycles; with internal combustion piston engine of a cylinder capacity exceeding 700 cc but not exceeding 800 cc	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.50.00	Motorcycles; with internal combustion piston engine of a cylinder capacity exceeding 800 cc	Trump 301 List	**3**	**Strategic**	**100%**
8711.60.00	Motorcycles; with electric motor for propulsion	*n/a*	*n/a*	*Non-strategic*	*25%*
8711.90.01	Motorcycles; other	*n/a*	*n/a*	*Non-strategic*	*25%*

Chapter Heading 8714 – Parts and accessories of vehicles of headings 8711 to 8713

Contains 24 goods (i.e. eight-digit subheadings)

Chapter heading 8714 covers parts and accessories for vehicles of headings 8711–8713 (motorcycles, bicycles, and carriages for disabled persons). None of the 24 subheadings under this chapter heading are listed in the reports mentioned in this paper, but subheading 8714.20.00 covers wheelchair parts. Given that wheelchairs are included on the ITA List, their components should also be considered strategic and receive a 100% tariff rate under Column 3. The remaining 23 subheadings should be considered non-strategic and received a 25% tariff rate.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8714.10.00	Parts and accessories of vehicles of headings 8711 to 8713; of motorcycles	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.20.00	Parts and accessories of vehicles of headings 8711 to 8713; of carriages for disabled persons	*n/a*	**4**	**Strategic**	**100%**
8714.91.20	Parts and accessories of vehicles of headings 8711 to 8713; frames, valued over $600	*n/a*	*n/a*	*Non-strategic*	*25%*

8714.91.30	Parts and accessories of vehicles of headings 8711 to 8713; frames, other	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.91.50	Parts and accessories of vehicles of headings 8711 to 8713; forks, steel tubing for bikes	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.91.90	Parts and accessories of vehicles of headings 8711 to 8713; forks; other	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.92.10	Parts and accessories of vehicles of headings 8711 to 8713; wheel rims	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.92.50	Parts and accessories of vehicles of headings 8711 to 8713; spokes	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.05	Parts and accessories of vehicles of headings 8711 to 8713; hubs, aluminum alloy hubs with hollow axle and lever-operated quick release mechanism	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.15	Parts and accessories of vehicles of headings 8711 to 8713; hubs, three speed	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.24	Parts and accessories of vehicles of headings 8711 to 8713; hubs, two-speed	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.28	Parts and accessories of vehicles of headings 8711 to 8713; hubs, other	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.35	Parts and accessories of vehicles of headings 8711 to 8713; hubs, without gear changing mechanisms	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.93.70	Parts and accessories of vehicles of headings 8711 to 8713; free-wheel sprocket-wheels	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.94.30	Parts and accessories of vehicles of headings 8711 to 8713; drum brakes, caliper and cantilever bicycle brakes, and coaster brakes; parts thereof (including cable or inner wire therefor, fitted with fittings)	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.94.90	Parts and accessories of vehicles of headings 8711 to 8713; brakes, other	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.95.00	Parts and accessories of vehicles of headings 8711 to 8713; saddles	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.96.10	Parts and accessories of vehicles of headings 8711 to 8713; pedals	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.96.50	Parts and accessories of vehicles of headings 8711 to 8713; cotterless-type crank sets and parts thereof	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.96.90	Parts and accessories of vehicles of headings 8711 to 8713; other crank-gear and parts thereof	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.99.10	Parts and accessories of vehicles of headings 8711 to 8713; other, click twist grips and click stick levers	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.99.50	Parts and accessories of vehicles of headings 8711 to 8713; other, derailleurs and parts thereof	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.99.60	Parts and accessories of vehicles of headings 8711 to 8713; trigger and twist grip controls, handlebar stems	*n/a*	*n/a*	*Non-strategic*	*25%*
8714.99.80	Parts and accessories of vehicles of headings 8711 to 8713; other	*n/a*	*n/a*	*Non-strategic*	*25%*

Chapter Heading 8716: Trailers and semi-trailers; other vehicles, not mechanically propelled; and parts thereof

Contains 10 goods (i.e. eight-digit subheadings)

Chapter heading 8716 covers trailers and semi-trailers, other vehicles not mechanically propelled, and their parts. A range of products are covered under these subheadings, some of which are strategic and others non-strategic. We would classify the following as strategic: 8716.20.00 (self-loading or self-unloading trailers and semi-trailers for agricultural purposes) and 8716.31.00, 8716.39.00, 8716.40.00 (other trailers and semi-trailers for the transport of goods), due to their strategic use in agriculture, energy, transportation, and logistics. They should receive a 100% tariff rate under Column 3.

The remaining six subheadings, in our view, do not play a key strategic role in the economy and are not essential to national security: 8716.10.00 (trailers and semi-trailers for housing or camping); 8716.80.10, 8716.80.50, 8716.90.10, 8716.90.30, and 8716.90.50 (other vehicles, such as wagons and carts, and their parts). These should receive a 25% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8716.10.00	Trailers and semi-trailers; other vehicles, not mechanically propelled; and parts thereof; for housing or camping	*n/a*	*n/a*	*Non-strategic*	*25%*
8716.20.00	Self-loading or self-unloading trailers and semi-trailers for agricultural purposes	*n/a*	**4**	**Strategic**	**100%**
8716.31.00	Tanker trailers and semi-trailers	*n/a*	**4**	**Strategic**	**100%**
8716.39.00	Other trailers and semi-trailers for the transportation of goods	*n/a*	**4**	**Strategic**	**100%**
8716.40.00	Other trailers and semi-trailers	*n/a*	**4**	**Strategic**	**100%**
8716.80.10	Farm wagons and carts	*n/a*	*n/a*	*Non-Strategic*	*25%*
8716.80.50	Industrial hand trucks, portable luggage carts, other	*n/a*	*n/a*	*Non-strategic*	*25%*
8716.90.10	Parts of farm wagons and carts	*n/a*	*n/a*	*Non-strategic*	*25%*
8716.90.30	Castors, other than those of subheading 8302	*n/a*	*n/a*	*Non-strategic*	*25%*
8716.90.50	Other parts (wheels and axles)	*n/a*	*n/a*	*Non-Strategic*	*25%*

Step 3: Analyzing Apparently Non-Strategic 4-Digit Headings

Two four-digit chapter headings remain for analysis. These two chapter headings contain no goods specifically identified by their eight-digit HTS code in the above reference lists. The contents of each must be analyzed in turn.[27]

Chapter Heading 8712: Bicycles and other cycles (including delivery tricycles), not motorized

Contains six goods (i.e., eight-digit subheadings)

Chapter heading 8712 covers bicycles and other cycles. No subheadings under this chapter heading have been included in lists of strategic HTS goods sectors of the U.S. economy, nor does review of broader reports and sources that define "strategic" suggest that bicycles are strategically vital sector of the U.S. economy. We therefore recommend the subheadings under chapter heading 8711 be considered non-strategic and receive a 25% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8712.00.15	Bicycles; having both wheels not exceeding 63.5 cm in diameter	*n/a*	*n/a*	*Non-strategic*	*25%*
8712.00.25	Bicycles; having both wheels exceeding 63.5 cm in diameter, weighing less than 16.3 kg	*n/a*	*n/a*	*Non-strategic*	*25%*
8712.00.35	Bicycles; having both wheels exceeding 63.5 cm in diameter, other	*n/a*	*n/a*	*Non-strategic*	*25%*
8712.00.44	Bicycles having a front wheel exceeding 55 cm but not exceeding 63.5 cm in diameter and a rear wheel exceeding 63.5 cm in diameter, weighing less than 16.3 kg	*n/a*	*n/a*	*Non-strategic*	*25%*
8712.00.48	Other bicycles	*n/a*	*n/a*	*Non-strategic*	*25%*
8712.00.50	Other cycles	*n/a*	*n/a*	*Non-Strategic*	*25%*

Chapter Heading 8715: Baby carriages (including strollers) and parts thereof

Contains one good (i.e., eight-digit subheading)

Chapter heading 8715 contains one subheading covering baby carriages. This subheading has not been included in reports on strategic sectors of the U.S. economy. We therefore recommend the subheading under chapter heading 8715 be considered non-strategic and receive a 25% tariff rate under Column 3.

8-Digit Subheading	Type of Good	Reference List	Rationale	Categorization	Column 3 Rate
8715.00.00	Baby carriages (including strollers) and parts thereof	*n/a*	*n/a*	*Non-strategic*	*25%*

27 Policymakers should resist the temptation to pre-emptively write off whole four-digit chapter headings as obviously non-strategic. To take an example from another part of the HTS, the four-digit chapter heading 3923 concerns "articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics." It may be tempting to dismiss this chapter heading as entirely non-strategic without further analysis—but it includes an eight-digit subheading (3923.10.20) for "boxes and similar articles for the conveyance or packing of semiconductor wafers, masks or reticles."

Appendix II: Four-digit HTS Chapter Headings Containing Strategic Goods

This Appendix analyzes the Harmonized Tariff Schedule's 1,281 four-digit chapter headings to identify chapter headings that *contain* at least one strategic good at the eight-digit level. This will afford policymakers a starting point for applying the methodology outlined in Appendix I across the HTS.[28]

This appendix classifies 440 four-digit chapter headings as containing strategic goods because six- or eight-digit level HS codes within those chapter headings were specifically identified as strategic by government strategic supply chain lists or reports that use HTS codes to identify goods (i.e. the ITA Draft Critical Supply Chain List, Section 232 and 301 investigations, et al).

The remaining chapter headings were then reviewed for four-digit chapters that could reasonably be considered to contain strategic goods, based on analysis informed by the other lists and resources cited in this paper which broadly define "strategic" sectors. A further 90 chapter headings are classified as containing strategic goods on this basis. For instance, the code 8800 consists of "civilian aircraft, engines, and parts." Products within this category are potential dual-use goods that can be used in military aerospace platforms.

After these two rounds of review, 751 four-digit chapter headings remain. For instance, the four-digit chapter heading 0706 consists of "carrots, turnips, salad beets, salsify, radishes and similar edible roots, fresh or chilled." While food products generally are essential to an economy, these root vegetables did not appear by HS code in our reference lists, nor did they meet this paper's broader proposed definition of a strategic good.

The online version of this paper will link to a downloadable spreadsheet which lists and describes 4-digit codes containing strategic goods.

Appendix III: Consolidated Government Lists by HS Code

As a resource to policymakers, Appendix III consolidates the lists cited in this paper that identify strategic goods by their HS Code, including the ITA's Draft Critical Supply Chains list, the Trump Section 301 (List 1) and Biden Section 301 tariff lists, the Section 232 investigation tariff lists, as well as the joint European Union-United States list of miliary and dual-use goods developed in response to Russia's invasion of Ukraine.

The online version of this paper will link to a downloadable spreadsheet which contains these consolidated lists of goods.

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28 Note: This does not mean that *every* eight-digit HS code under that four-digit chapter heading is strategic by this paper's definition.

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