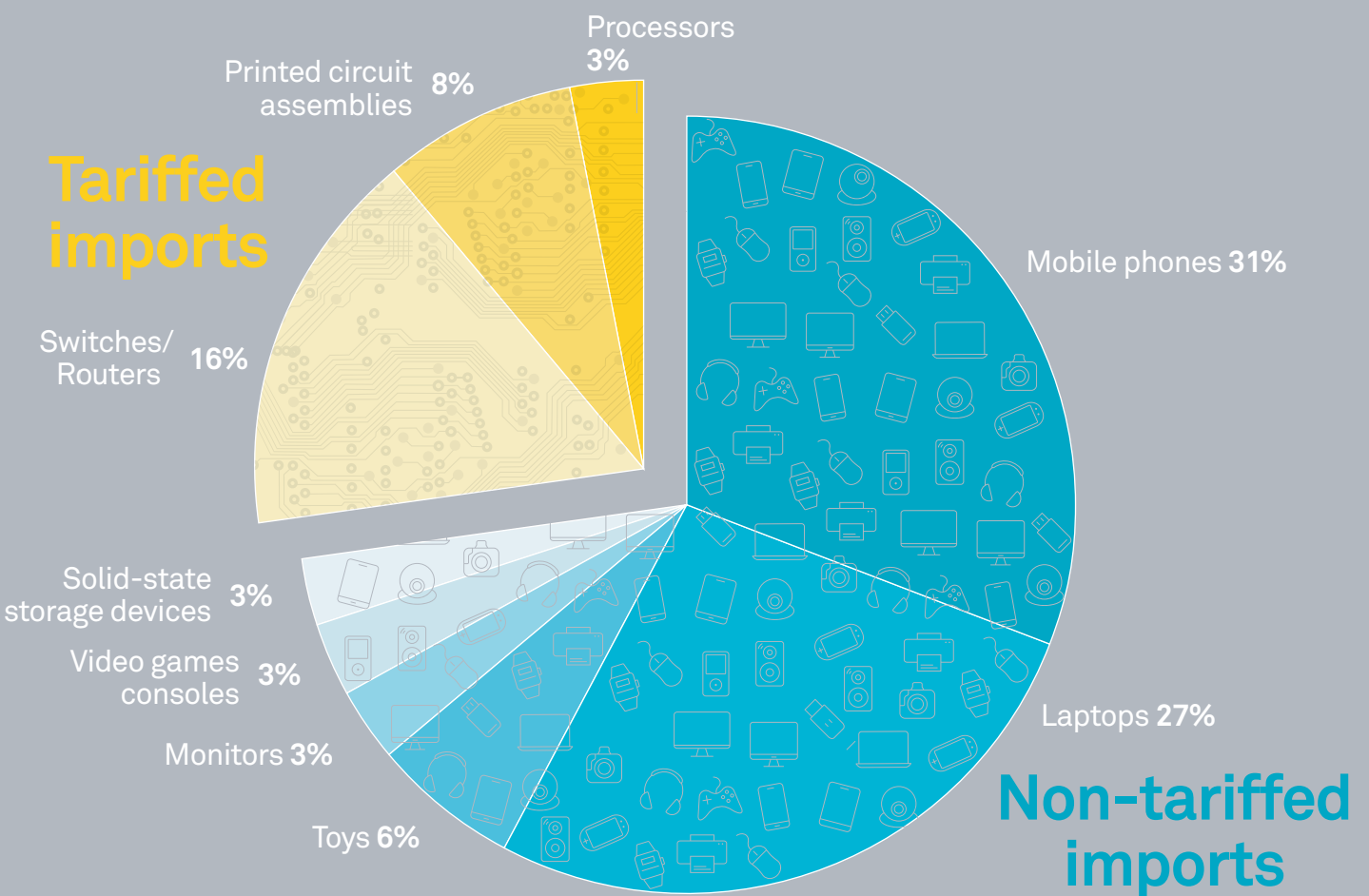


# Decoding U.S. tariff targets



Many popular Chinese tech and high-end consumer products remain tariff free in the U.S.

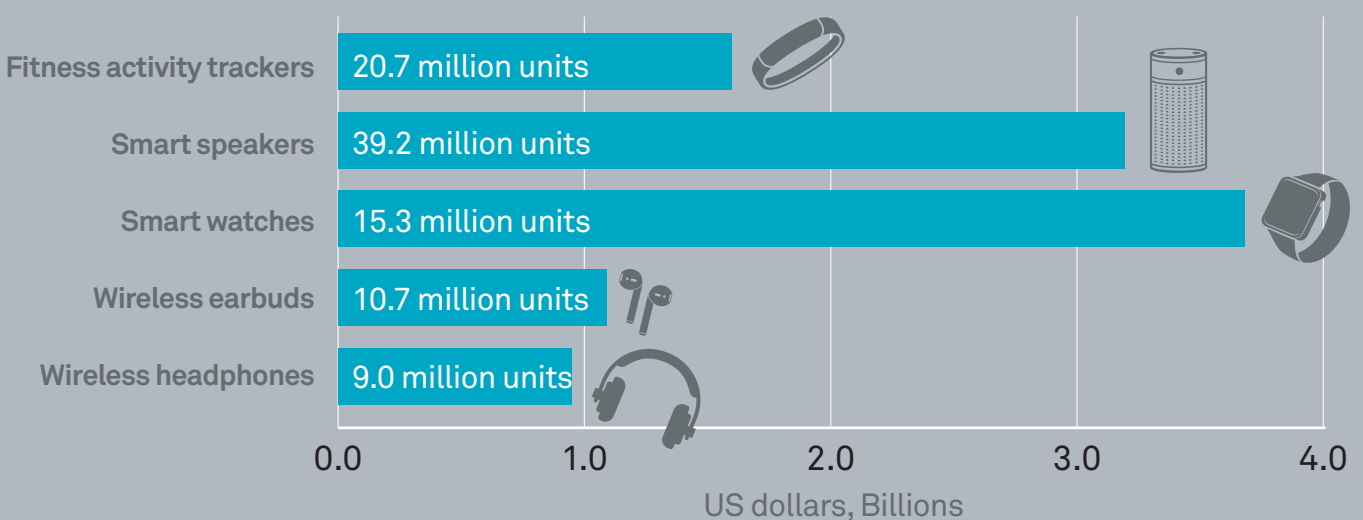
## LARGEST U.S. IMPORTS FROM CHINA AND THEIR TARIFF STATUS



Source: US Census Bureau: Economics Indicators Division, as of 31 Dec 2018. Measured in 2017 US Customs Value.

... and a significant number of consumer goods have been removed from tariff lists

## KEY ITEMS REMOVED FROM 2018's \$200 BILLION TARIFF LIST ON CHINESE IMPORTS



Source: Sage Chandler, Consumer Technology Association, 'Understanding Trump's \$200 Billion Tariffs' 24 September 2018.

Regardless of how much of a dent U.S. tariffs put in China's economic machine, the tariff back-and-forth in 2018 and early 2019 revealed important fault lines between the two countries. We believe where the tariffs were targeted—and where they were not—may help us identify what sectors are most likely to be in the crosshairs of this tension over the next several years.

After speaking to a variety of industry experts and diving into primary source materials, we believe the tariffs issued by the United States were not random or broadly instituted. Rather, in our opinion, they were targeted in order to challenge different aspects of China's quest to upend U.S. hegemony in certain important sectors.

To our thinking, products that never made a list—some, like smartphones, are among the highest-value Chinese products the US imports—have the lowest near-term risk of being disrupted by trade tensions. Price jumps on these consumer products, we note, are ones average Americans would most likely notice. This is a signal to us that direct-to-consumer imports (though not necessarily their component parts) are as sheltered as products can be in this turbulent standoff.

Conversely, many products stayed on the \$200 billion tariff list despite industry pressure. This included but was not limited to switches and routers, printed circuit assemblies and processors. We note these products are weighted toward security-sensitive networking equipment and believe these products and sectors are most likely to remain in the tariff war crosshairs going forward.

*Jack Encarnacao and Raphael J. Lewis, Research Analysts at Mellon, a BNY Mellon company*

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Charts are provided for illustrative purposes.

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