

Date: August 26, 2019

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Dear Valued Customer,

On Friday of last week, the Office of the United States Trade Representative (USTR), in response to China's announcement of additional tariffs on \$75 billion worth of American Goods, said that the United States would increase existing tariffs on Chinese goods by 5%. According to the release, for the 25% tariffs on approximately \$250 billion worth of Chinese imports, USTR will begin the process of increasing the tariff rate to 30%, effective October 1 following a notice and comment period. For the 10% tariffs on approximately \$300 billion worth of Chinese imports that the President announced earlier this month, the tariffs will now be 15%, effective on the already scheduled dates for tariff increases on these imports.

Both sides are now reporting seeking a solution but with the situation being fluid we want to ensure you have the latest information. Lists 1, 2, and 3 below cover the \$250B in products that will move to 30% and cover many electronic components. List 4 comprises the remaining \$300B products that will go into effect on December 15th at 15% and primarily impacts consumer, farm, and agriculture products. The \$75B in China's tariffs has been reported to primarily impact US agricultural and US farm products imported to China. We are working on a detail list of these products.

List 1: <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%201.pdf>

List 2: <https://ustr.gov/sites/default/files/enforcement/301Investigations/List%202.pdf>

List 3: https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf

List 4: https://ustr.gov/sites/default/files/enforcement/301Investigations/84_FR_22564.pdf

With continued positive development with Mexico on replacing NAFTA with the United States-Mexico-Canada Agreement (USMCA) and the fluidity of the China tariffs, we see this as an opportunity to continue to leverage SMTC's Mexico footprint to benefit our customers.

We will continue to update you as information becomes available.

Chuck