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China Targets U.S. Agriculture in Response to U.S. Trade Actions

Report Categories:

Trade Policy Monitoring

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Report Highlights:

On March 23, 2018, the People's Republic of China's Ministry of Commerce (MOFCOM) announced a proposal to levy retaliatory tariffs impacting approximately \$2.0 billion in U.S. food and agricultural exports to China in response to the recent U.S. 232 Trade Action on steel and aluminum. The products subject to this proposed increase in tariffs include pork and pork products, horticultural products, wine, American ginseng, and denatured ethanol. Interested domestic parties have until March 31, 2018 to comment or submit additional information to MOFCOM's Trade Relief and Investigation Bureau regarding these countermeasures.

This GAIN report contains unofficial translations of the MOFCOM announcement, including a translated table of the products subject to these proposed tariff increases, and a statement from the MOFCOM Spokesperson concerning the announcement.

General Information:

Introduction: This report summarizes an announcement titled “Notice by the Ministry of Commerce on Public Consultation regarding the U.S. 232 Measures on Imported Steel and Aluminum Products and Chinese Countermeasures” published on the People’s Republic of China’s MOFCOM website on March 23, 2018.

Announcement Link: <http://www.mofcom.gov.cn/article/au/ao/201803/20180302722670.shtml>

Disclaimer: This summary is based on a cursory review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the MOFCOM announcement, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete announcement as published in Mandarin, the latter shall prevail.

Executive Summary:

On March 23, at 7:00 am local time, China’s Ministry of Commerce (MOFCOM) published a proposal to increase tariffs on a targeted set of U.S. exports. MOFCOM stated that these tariffs were intended to balance the losses caused to Chinese interests as a result of the U.S. 232 Trade Action on steel and aluminum. MOFCOM stated that it proposed these measures based on the World Trade Organization (WTO) Agreement on Safeguard Measures and the Foreign Trade Law of the People’s Republic of China.

MOFCOM announced that it is soliciting written opinions and suggestions from “relevant domestic departments, local governments, business associations, companies, and citizens” regarding both the U.S. 232 Trade Action and China’s proposed countermeasures. This solicitation period is scheduled to end on March 31, 2018.

Product Scope:

The proposed tariff increases will impact approximately \$2.0 billion in U.S. food and agricultural exports to China, identified by their HS-6 digit tariff codes. The majority of the products targeted by China are food and agricultural products, accounting for 105 out of the 128 tariff codes; specifically targeted in this announcement are pork and pork products, horticultural products such as fruit (both fresh and dried) and tree nut products, American ginseng, wine, and denatured ethanol.

MOFCOM’s announcement divides the products into two groups. The first group includes 120 products and the proposed additional tariff is 15 percent. The second group includes another 8 products and the proposed additional tariff is 25 percent. (See the attached list.)

These tariffs will be applied in addition to existing tariffs on an ad valorem basis for cost of goods, insurance, and freight (CIF) values. (For example, if Product A is in the first group, with a

current tariff level of 10 percent, the proposed tariff level after this increase would be 25 percent.)

Timing:

In the March 23, 2018 announcement, MOFCOM did not specifically state when it will begin applying these additional tariffs. It is important to note that the application of these additional tariffs is not necessarily dependent on MOFCOM's solicitation for comments. China's General Administration of Customs will also make a public announcement indicating when the additional tariffs will enter into force.

See the translated remarks from a MOFCOM Spokesperson at the end of this report.

For More Information, Please Email: AgBeijing@usda.gov

Useful Government of China Web Sites: China's equivalent of the U.S. Department of Commerce is MOFCOM. Additional information can be found at:

<http://english.mofcom.gov.cn/>.

China's equivalent of the U.S. Customs and Border Protection Service is the General Administration of Customs. Additional information can be found at:

<http://english.customs.gov.cn/>.

BEGIN UNOFFICIAL TRANSLATION

Notice by the Ministry of Commerce on Public Consultation regarding the U.S. 232 Measures on Imported Steel and Aluminum Products and Chinese Countermeasures

On March 8, 2018, U.S. President Trump signed an announcement confirming that imported steel and aluminum products threaten U.S. national security. He decided to impose a tax on all imported steel and aluminum products (i.e., 232 measures) beginning March 23. The tax rates are 25% and 10%, respectively. The U.S. measures violate the relevant WTO rules and do not satisfy the requirements of the "national security exemption." It actually constitutes a protectionist trade measure and seriously violates the interests of China.

In order to effectively protect China's interests, China intends to suspend substantive equivalent concessions and other obligations to the United States, in accordance with the relevant provisions of the WTO Agreement on Safeguard Measures and the Foreign Trade Law of the People's Republic of China, that is, to add tariffs on certain products imported from the United States in order to balance the losses to our country caused by the 232 measures (list of products attached). Relevant domestic departments, local governments, business associations, companies, and citizens who have opinions and suggestions on the U.S. 232 measures and China's proposed countermeasures, should please provide relevant written materials to the Trade Remedy and Investigation Bureau of the Ministry of Commerce before March 31, 2018.

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Attachment: [Suspended Concessions Product List](#)

Group One		
Serial No.	HS Code	Commodity
Category I. Fresh fruits, dry fruits and nuts products		
1	08011100	Desiccated coconut
2	08011200	Coconuts, in the inner shell
3	08011990	Coconuts, other
4	08012100	Brazil nuts, in shell
5	08012200	Brazil nuts, shelled
6	08013100	Cashew nuts, in shell
7	08013200	Cashew nuts, shelled
8	08021100	Semen amygdalae, in shell

9	08021200	Semen amygdalae, shelled
10	08022100	Hazelnuts, in shell
11	08022200	Hazelnuts, shelled
12	08023100	Walnuts, in shell
13	08023200	Walnuts, shelled
14	08024110	Chinese chestnuts, in shell
15	08024290	Chestnuts, other
16	08025100	Pistachios, in shell
17	08025200	Pistachios, shelled
18	08026190	Macadamia nuts in shell, other
19	08026200	Macadamia nuts, shelled
20	08028000	Areca nut
21	08029030	Pine nuts, shelled
22	08029090	Other, unlisted fresh or dry nuts
23	08031000	Plantains, fresh or dried
24	08039000	Other bananas, fresh or dried
25	08041000	Dates, fresh or dried
26	08042000	Figs, fresh or dried
27	08043000	Pineapples, fresh or dried
28	08044000	Avocados, fresh or dried
29	08045010	Guavas, fresh or dried
30	08045020	Mangoes, fresh or dried
31	08045030	Mangosteens, fresh or dried
32	08051000	Oranges, fresh or dried
33	08052190	Other mandarins (including tangerines and satsumas)
34	08052200	Clementines
35	08052900	Other wilkings and similar citrus hybrids
36	08054000	Grapefruit, including pomelos
37	08055000	Lemons and limes
38	08059000	Other unlisted citrus fruits
39	08061000	Grapes, fresh
40	08062000	Grapes, dried
41	08071100	Watermelons, fresh
42	08071910	Hami melons, fresh
43	08072000	Papayas, fresh
44	08081000	Apples, fresh
45	08083010	Ya pears and snowy pear white, fresh
46	08083090	Other pears, fresh
47	08092100	Sour cherries, fresh
48	08092900	Other cherries, fresh
49	08093000	Peaches, including nectarines, fresh
50	08094000	Plums and sloes, fresh
51	08101000	Strawberries, fresh

52	08102000	Raspberries, blackberries, mulberries and loganberries, fresh
53	08104000	Cranberries, bilberries and other fruits of the genus, fresh
54	08105000	Kiwifruit, fresh
55	08106000	Durian, fresh
56	08107000	Persimmons, fresh
57	08109010	Lychee, fresh
58	08109030	Longan, fresh
59	08109040	Rambutan, fresh
60	08109050	Sugar apple, fresh
61	08109060	Carambola, fresh
62	08109070	Wax apple, fresh
63	08109080	Dragon fruit, fresh
64	08109090	Other unlisted fresh fruits
65	08111000	Strawberries, frozen
66	08112000	Raspberries, blackberries, mulberries , loganberries and gooseberries, frozen
67	08119090	Other unlisted frozen fruits and nuts
68	08121000	Cherries, provisionally preserved
69	08129000	Other provisionally preserved fruits and nuts
70	08131000	Apricots, dried
71	08132000	Prunes, dried
72	08133000	Apples, dried
73	08134010	Longans and longan pulps, dried
74	08134020	Persimmons, dried
75	08134030	Red jujubes, dried
76	08134040	Preserved litchi
77	08134090	Other unlisted dried fruits
78	08135000	Mixtures of nuts or dried fruits
Category II Wine		
79	22041000	Sparkling wine
80	22042100	Other wine or grape must with fermentation prevented or arrested by the addition of alcohol in containers holding 2L or less
81	22042200	Other wine or grape must with fermentation prevented or arrested by the addition of alcohol in containers holding more than 2L but not more than 10L
82	22042900	Other wine or grape must with fermentation prevented or arrested by the addition of alcohol in containers holding more than 10L
83	22043000	Other grape must
Category III Modified ethanol		
84	22072000	Ethyl alcohol and other spirits, denatured, of any strength
Category IV American Ginseng		
85	12112010	American ginseng
86	12112091	Other fresh ginseng
87	12112099	Other unlisted ginseng

Category V Seamless steel pipes

88	73041110	
89	73041120	
90	73041130	
91	73041190	
92	73041910	
93	73041920	
94	73041930	
95	73041990	
96	73042210	
97	73042290	
98	73042310	
99	73042390	
100	73042400	
101	73042910	
102	73042920	
103	73042930	
104	73043110	
105	73043120	
106	73043190	
107	73043910	
108	73043920	
109	73043990	
110	73044110	
111	73044190	
102	73044910	
103	73044990	
104	73045110	
105	73045120	
106	73045190	
107	73045910	
108	73045920	
109	73045990	
110	73049000	
111	73043910	

112	73043920	
113	73043990	
114	73044110	
115	73044190	
116	73044910	
117	73044990	
118	73045110	
119	73045120	
120	73045190	
Group Two		
Category VI Pork and pork products		
121	02031200	Hams, shoulders and cuts thereof, with bone in, fresh or chilled
122	02031900	Other meat of swine, fresh or chilled
123	02032190	Other meat of swine, carcasses and half-carcasses, frozen
124	02032200	Hams, shoulders and cuts thereof, with bone in, frozen
125	02032900	Other meat of swine, frozen
126	02064100	Livers, frozen
127	02064900	Other edible offal of swine, frozen
Category VII Recycled aluminum		
128	76020000	

Statement by the Ministry of Commerce Spokesperson on China's release of the list of suspended concessions in response to U.S. 232 measures on imported steel and aluminum products

Mandarin link: <http://www.mofcom.gov.cn/article/ae/ag/201803/20180302722664.shtml>

On March 23, 2018, the Ministry of Commerce issued a list of suspended concessions in response to U.S. 232 measures on imports of steel and aluminum products and solicited public opinion regarding the intention to impose tariffs on certain products imported from the United States, in order to balance the losses to Chinese interests from the tariffs imposed on aluminum. The Ministry of Commerce Spokesperson made the following statement:

This list tentatively contains 7 categories and 128 taxed products. Based on 2017 statistics, this list involves U.S. exports to China of about \$3 billion USD. The first part (of the list) covers a total of 120 taxed products involving \$977 million USD in U.S. exports to China, including fresh fruit, dried fruit and nut products, wine, denatured ethanol, American ginseng, and seamless steel pipes, and is anticipated to be levied an additional 15% tariff. The second part covers a total of eight taxed products involving \$1.992 billion USD of U.S. exports to China, including pork and pork products, recycled aluminum, etc., and is anticipated to be levied an additional 25% tariff.

The United States imposition of 25% and 10% tariffs on imported steel and aluminum products on the grounds of “national security” actually constitutes a protectionist trade measure. In accordance with the relevant provisions of the WTO Agreement on Safeguard Measures, China has formulated a list of suspended concessions. If China and the United States fail to reach an agreement on trade compensation within a specified time, China will exercise its right to suspend concessions on the first part of the product (list); China will implement the second part of the list after further evaluating the impact of the U.S. measures on China. China reserves the right to adjust measures based on actual conditions and will implement the necessary procedures in accordance with relevant WTO rules.

The United States' action of restricting imports based on "national security" has severely damaged the multilateral trade system represented by the WTO and seriously interfered with the normal international trade order. This action has been opposed by many WTO members. The Chinese side has also negotiated with the United States through multiple levels and channels, and will take legal actions under the WTO framework with other WTO members to jointly maintain the stability and authority of the multilateral trade rules.

As the world's two largest economies, the only correct choice is cooperation between China and the United States. China hopes that both sides proceed from the overall interests of China and the United States, work toward each other, focus on cooperation, control differences, and jointly promote the healthy and stable development of China-U.S. economic and trade relations. China urges the United States to resolve China's concerns as soon as possible, resolve differences through dialogue and consultation, and avoid harming the overall situation of China-U.S. cooperation.

END UNOFFICIAL TRANSLATION