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China Imposes Additional Tariffs on Selected U.S.-Origin Products

Report Categories:

Trade Policy Monitoring

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Report Highlights:

On April 2, 2018, China's State Council Tariff Committee (SCTC) announced that additional tariffs on 128 U.S.-origin products would be implemented, effective immediately. These tariffs were proposed by China's Ministry of Commerce (MOFCOM) on March 23, 2018 in response to the U.S. 232 Trade Action. These tariffs will impact roughly \$2 billion in U.S. food and agricultural exports. U.S. exporters of fruit (fresh and dried), tree nuts (shelled and in-shell), wine, ginseng, denatured ethanol, and pork and pork products should be aware of these new tariffs effective April 2, 2018.

This GAIN report contains a summary of three separate announcements relating to these additional tariffs: (1) an announcement by SCTC, (2) an announcement by the Ministry of Finance (MOF), and (3) a statement by the MOFCOM Spokesperson. This report also includes a table of the new tariff schedule that reflects the additional tariffs. Finally, this report contains unofficial translations of these announcements.

General Information:

Introduction: This report summarizes three separate announcements from the Government of China relating to China's implementation of additional tariffs in response to the 232 Trade Action announced by the United States. These announcements were all made public on April 2, 2018.

Links:

Announcement by the State Council Tariff Committee

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201804/t20180401_2857769.html

Announcement by the Ministry of Finance

http://gss.mof.gov.cn/zhengwuxinxi/gongzuodongtai/201804/t20180401_2857770.html

Statement from the MOFCOM Spokesperson

<http://www.mofcom.gov.cn/article/ae/ag/201804/20180402726864.shtml>

Disclaimer: This summary is based on an initial review of the announcements and therefore should not, under any circumstances, be viewed as a definitive reading of the measures in question, or of its implications for U.S. agricultural trade interests. In the event of a discrepancy between this summary and the announcements as published in Chinese, the latter shall prevail.

Executive Summary:

On April 2, 2018, SCTC, MOF, and MOFCOM each released a public announcement stating that effective immediately, China would be levying additional tariffs on selected U.S.-origin products in retaliation for the U.S. 232 Trade Action. Earlier on March 26, MOFCOM had initially proposed implementing the additional tariffs in tranches, but on April 2, China implemented additional tariffs on all 128 products. MOFCOM reported that this decision was based on its determination that China was unlikely to reach a consensus with the United States in the WTO and because of numerous comments received from Chinese citizens supporting these retaliatory tariffs.

China stated that these additional tariffs target \$3 billion in U.S. goods to balance the losses caused to Chinese steel and aluminum interests. China stated that taking this action was justified under the World Trade Organization (WTO) Agreement on Safeguard Measures. Of the 128 products targeted, 84 were food and agricultural products, including fruit (fresh and dried), tree nuts (shelled and in-shell), wine, ginseng, denatured ethanol, and pork and pork products—totaling approximately \$2 billion in U.S. exports.

U.S. exporters of these commodities should be aware of the new tariffs effective April 2 and check with their local importer to verify changes in their tariff treatment.

Product Scope:

On March 23, 2018, MOFCOM announced a proposal to levy retaliatory tariffs on certain U.S.-origin products in response to the U.S. 232 Trade Action.¹ The proposed tariff increases identified 128 products by their HS-8 tariff codes and accounted for approximately \$3 billion in U.S. exports. The majority of the targeted products were food and agricultural products, totaling 84 out of the 128 tariff codes and accounting for approximately \$2 billion.

MOFCOM's initial announcement divided the products into two tranches. The first tranche included 120 products with a proposed additional tariff of 15 percent and a second tranche of 8 products with a proposed additional tariff of 25 percent.

Timing:

In the March 23 announcement, MOFCOM stated that the first tranche would be implemented if the United States and China could not reach an agreement on trade compensation. MOFCOM also stated that after this first tranche, it would further evaluate the situation and then implement the second tranche, if necessary.

In the April 2 announcement, MOFCOM states that on March 26, China submitted a trade compensation consultation request to the United States through the WTO. MOFCOM further states that on March 29, China determined that it was unlikely to reach consensus with the United States and decided to impose the tariffs immediately.

In its April 2 announcement, MOFCOM also reports that it received numerous comments from Chinese citizens expressing their support for the retaliatory tariffs and agreement that China should take measures to safeguard the interests of the state and the industry. This comment period ended on March 31, 2018, and two days later MOFCOM implemented the tariffs.

Table of New Tariff Rates:

FIRST TRANCHE (ADDITIONAL 15 PERCENT TARIFF)				
Serial No.	HS Code	Commodity	Current tariff	New Applied Tariff
Category I. Fresh Fruits, Dry Fruits and Nut Products				
1	08011100	Desiccated coconut	7	22
2	08011200	Coconuts, in the inner shell	12	27
3	08011990	Coconuts, other	12	27
4	08012100	Brazil nuts, in shell	7	22
5	08012200	Brazil nuts, shelled	7	22

¹ See FAS GAIN Report CH18012 for more information about the March 23, 2018 MOFCOM proposal.

6	08013100	Cashew nuts, in shell	7	22
7	08013200	Cashew nuts, shelled	7	22
8	08021100	Almonds, in shell	10	25
9	08021200	Almonds, shelled	10	25
10	08022100	Hazelnuts, in shell	25	40
11	08022200	Hazelnuts, shelled	10	25
12	08023100	Walnuts, in shell	25	40
13	08023200	Walnuts, shelled	20	35
14	08024110	Chestnuts, in shell	25	40
15	08024290	Chestnuts, shelled	20	35
16	08025100	Pistachios, in shell	5	20
17	08025200	Pistachios, shelled	5	20
18	08026190	Macadamia nuts, in shell	12	27
19	08026200	Macadamia nuts, shelled	12	27
20	08028000	Areca nuts	10	25
21	08029030	Pine nuts, shelled	25	40
22	08029090	Pecans, whether shelled or not	7	22
23	08031000	Plantains, fresh or dried	10	25
24	08039000	Other bananas, fresh or dried	10	25
25	08041000	Dates, fresh or dried	15	40
26	08042000	Figs, fresh or dried	30	45
27	08043000	Pineapples, fresh or dried	12	27
28	08044000	Avocados, fresh or dried	7	22
29	08045010	Guavas, fresh or dried	15	30
30	08045020	Mangoes, fresh or dried	15	30
31	08045030	Mangosteens, fresh or dried	15	30
32	08051000	Oranges, fresh or dried	11	26
33	08052190	Other Chiao-Kan	12	27
34	08052200	Clementines	12	27
35	08052900	Other clementines	12	27
36	08054000	Grapefruit, including pomelos	12	27
37	08055000	Lemons and limes	11	26
38	08059000	Other unlisted citrus fruits	30	45
39	08061000	Grapes, fresh	13	28
40	08062000	Grapes, dried	10	25
41	08071100	Watermelons, fresh	25	40
42	08071910	Hami melons, fresh	12	27
43	08072000	Papayas, fresh	25	40
44	08081000	Apples, fresh	10	25
45	08083010	Ya pears and snowy pearwhite, fresh	12	27
46	08083090	Other pears, fresh	10	25
47	08092100	Sour cherries, fresh	10	25
48	08092900	Other cherries, fresh	10	25
49	08093000	Peaches, including nectarines, fresh	10	25

50	08094000	Plums and sloes, fresh	10	25
51	08101000	Strawberries, fresh	14	29
52	08102000	Raspberries, blackberries, mulberries and loganberries, fresh	25	40
53	08104000	Cranberries, bilberries and other fruits of the genus, fresh	30	45
54	08105000	Kiwifruit, fresh	20	35
55	08106000	Durian, fresh	20	35
56	08107000	Persimmons, fresh	20	35
57	08109010	Lychee, fresh	30	45
58	08109030	Longan, fresh	12	27
59	08109040	Rambutan, fresh	20	35
60	08109050	Sugar apple, fresh	20	35
61	08109060	Carambola (star fruit), fresh	20	35
62	08109070	Wax apple, fresh	20	35
63	08109080	Dragon fruit, fresh	20	35
64	08109090	Other unlisted fresh fruits	20	35
65	08111000	Strawberries, frozen	30	45
66	08112000	Raspberries, blackberries, mulberries , loganberries and gooseberries, frozen	30	45
67	08119090	Other unlisted frozen fruits and nuts	30	45
68	08121000	Cherries, provisionally preserved	30	45
69	08129000	Other provisionally preserved fruits and nuts	25	40
70	08131000	Apricots, dried	25	40
71	08132000	Prunes, dried	25	40
72	08133000	Apples, dried	25	40
73	08134010	Longans and longan pulps, dried	20	35
74	08134020	Persimmons, dried	25	40
75	08134030	Red jujubes, dried	25	40
76	08134040	Preserved litchi	25	40
77	08134090	Other unlisted dried fruits	25	40
78	08135000	Mixtures of nuts or dried fruits	18	33
Category II. Wine				
79	22041000	Sparkling wine	14	29
80	22042100	Other wine or grape must with fermentation prevented or arrested by the addition of alcohol in containers holding 2L or less	14	29
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	20	35
82	22042900	Other wine or grape must with fermentation prevented or arrested by the addition of alcohol in containers holding more than 10L	20	35

83	22043000	Other grape must	30	45
Category III. Modified Ethanol				
84	22072000	Ethyl alcohol and other spirits, denatured, of any strength	5	20
Category IV. American Ginseng				
85	12112010	American ginseng	7.5	22.5
86	12112091	Other fresh ginseng	20	35
87	12112099	Other unlisted ginseng	20	35
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			

SECOND TRANCHE (ADDITIONAL 25 PERCENT TARIFF)

Category VI. Pork and Pork Products

121	02031200	Hams, shoulders and cuts thereof, with bone in, fresh or chilled	20	45
122	02031900	Other meat of swine, fresh or chilled	20	45
123	02032190	Other meat of swine, carcasses and half-carcasses, frozen	12	37
124	02032200	Hams, shoulders and cuts thereof, with bone in, frozen	12	37
125	02032900	Other meat of swine, frozen	12	37
126	02064100	Livers, frozen	20	45
127	02064900	Other edible offal of swine, frozen	12	37

Category VII. Recycled Aluminum

128	76020000			
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BEGIN UNOFFICIAL TRANSLATIONS

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Link: http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201804/t20180401_2857769.html

Notice from the State Council Tariff Committee on Suspending Tariff Reduction Obligations on Select U.S.-Origin Commodities

Tariff Committee (2018) Number 13

China Customs:

In order to safeguard China's interests and balance the losses caused by the United States adding tariffs (that is, the 232 measures) to imported steel and aluminum products, the State Council Tariff Committee decided to suspend tariff reduction obligations on certain imported products originating in the United States. The relevant issues are hereby notified as follows:

1. To suspend tariff reduction obligations on 120 imported commodities such as fruits and products originating in the United States and impose additional tariffs on the basis of the current applicable tariff rates, and impose a tariff rate of 15%.
2. To suspend tariff reduction on imported pork and pork products originating in the United States and impose additional tariffs on the basis of the current applicable tariff rates, and impose a tariff rate of 25%.
3. The current policy of taxation, tax relief and tax exemption remains unchanged.
4. After adding tariffs, the relevant formula:

$$\text{Tariff} = \text{duty paid price} \times (\text{current applicable tariff rate} + \text{imposed tariff rate})$$

$$\text{Import Consumption Tax} = \text{Consumption Tax Calculated Price of Import} \times \text{Consumption Tax Rate of Import}$$

$$\text{Import consumption tax price} = (\text{customs dutiable value} + \text{tariff}) / (1 - \text{import consumption tax rate})$$

$$\text{Import Value added tax} = \text{Import Value-added tax price} \times \text{Import VAT Tax rate}$$

$$\text{Import VAT tax price} = \text{Customs Duty paid price} + \text{Customs duty} + \text{Import consumption tax}$$

5. This Circular shall be implemented as of April 2, 2018.

Notice is hereby given.

Attached: List of Commodities Concerning suspension of Tariff Reduction and Tariff Increase

State Council Tariff Committee

April 1, 2018

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Link: http://gss.mof.gov.cn/zhengwuxinxi/gongzuodongtai/201804/t20180401_2857770.html

China to Suspend Tariff Reduction Obligations on Select U.S.-Origin Commodities Beginning April 2, 2018

April 1, 2018, Tariff Department

As approved by the State Council, the State Council Tariff Committee has decided to suspend tariff reduction obligation on selected U.S.-origin commodities beginning April 2, 2018.

On March 23, 2018, U.S. President Trump signed an order maintaining that imported steel and aluminum products are threatening the U.S. national security, and that additional tariffs would be imposed on imported steel and aluminum products as of March 23 (known as 232 Measures). The 232 measures have violated the WTO rules and did not apply to “security exceptional” provisions. The measures have effectively constituted safeguard measures. These measures went into force on March 23, which have severely hurt China’s interests. In an effort to protect China’s interests and balance the losses (to China’s interests) caused by the U.S. 232 measures, China will suspend tariff reduction obligation on 128 items of import commodities under 7 categories of the U.S. origin as of April 2, 2018 and additional tariffs will be applied on top of the currently applied tariffs. Specifically, an additional 15 percent tariff will be imposed on 120 items of import commodities including fruit and fruit products and an additional 25 percent tariff will be imposed on 8 items of import commodities including pork and pork products. The current in-bond tariffs and tariff-reduction (exemption) policies will remain unchanged.

China advocates and supports multi-lateral trade system. The suspension of tariff reduction obligation against the United States is a righteous action taken by China, which is in line with WTO rules and for the purpose of protecting China’s interests.

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Link: <http://www.mofcom.gov.cn/article/ae/ag/201804/20180402726864.shtml>

Spokesman of the Ministry of Commerce makes remarks on China's decision to impose tariffs on certain products imported from the United States

The State Council Tariff Committee decided to impose tariffs of 15% or 25% on 128 products imported from the United States starting April 2, 2018. The spokesperson of the Ministry of Commerce made a statement on this.

The Ministry of Commerce issued a list of discontinued concessions against the U.S. Section 232 measures for imported steel and aluminum products and solicited public comments on March 23, 2018. The comment period ended on March 31. Via telephone, email, etc., a large number of people expressed their support to the measures and the product lists during the comment period, and agreed that the government should take measures to safeguard the interests of the state and the industry. Some people even suggested to increase the intensity of the measures. After evaluation, it was decided to implement the above mentioned measures on the 128 products imported from the United States.

The Chinese side believes that the U.S. side adopts 232 measures on imported steel and aluminum products and abuses the "safety exception" clause of the WTO, which in essence constitutes a safeguard measure. Moreover, its measures are only targeted at a few countries, which seriously violate the principle of non-discrimination - the cornerstone of the multilateral trade system, and seriously infringed the Chinese interests. In accordance with the WTO "Agreement on Safeguards", the Chinese side submitted a trade compensation consultation request to the United States on March 26, and the United States refused to response. In view of the lack of possibility for both sides to reach consensus, on March 29, China informed the WTO of the discontinuation concessions list and decided to impose tariffs on certain products imported from the United States to balance the losses to Chinese interests as a result of the U.S. 232 measures.

As a member of the WTO, it is China's legitimate right to suspend its implementation of part of its obligations on the United States. It is our hope that the United States would withdraw the measures that violate the rules of the WTO as soon as possible, so that the trade of related products between China and the United States will return to normal track. As the world's two largest economies, it is the only correct choice for China and the United States to cooperate with each other. The two sides should resolve their concerns through dialogue and negotiation, achieve common development, and avoid subsequent actions that will cause greater damage to the overall China-U.S. cooperation.

END UNOFFICIAL TRANSLATIONS