

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 2/1/2013

**GAIN Report Number:** CH11867

## China - Peoples Republic of

**Post:** Guangzhou

### **ATO Guangzhou assists industry in lowering tariffs for U.S. dried fr**

**Report Categories:**

Dried Fruit

Market Development Reports

Food Processing Ingredients

**Approved By:**

Jorge Sanchez

**Prepared By:**

Ursula Chen

**Report Highlights:**

**Summary:** On January 18, 2013, ATO Guangzhou led representatives from the U.S. Cranberry Marketing Committee and the California Prune Board to meetings with Shenzhen Customs officials to discuss the irregularly high tariff rates on a number of U.S. dried fruits being imported into Mainland China due to a tariff misclassification. As a result of this meeting and subsequent follow up with the two trade associations and Ocean Spray regional representatives, Shenzhen Customs agreed the tariff classification for U.S. dried cranberries will be revised down to 15 percent instead of the 30 percent used in the past three years. Because of ATO Guangzhou's candid and ongoing communication with Shenzhen Customs, officials took the time to provide guidance to the California Prune Board on the procedures to apply for lower duty rates through the China Customs' Rules Committee. ATO Guangzhou's intervention saved local importers and the U.S. cranberry industry additional costs that impacted the sale of these products in China.

## **General Information:**

### **Tariff issues impacting U.S. dried fruit trade**

**Cranberry Marketing Committee (CMC):** For the past three years, U.S. sweetened and dried cranberries exports to China were charged a 30 percent duty rate since these were being classified under the HS code 0813.20, although the products should fall under the HS code 2008.93 similar to other countries such as the European Union, United States and Canada (where many of these dried fruits have been produced and consumed). U.S. exporters contented that China Customs should only apply a 15 percent duty rate to U.S. sweetened and dried cranberries, and requested ATO Guangzhou's assistance in promptly resolving this issue.

**California Prune Board (CPB):** For over four years, the United States has been a reliable supplier of U.S. prunes to Mainland China. Under the most-favored-nation (MFN) category, the import duty designated to dried plums or prunes is 25 percent; although, Chilean prunes (U.S.' major competitor) enjoys a 5 percent duty rate following the ratification of the China-Chile Free Trade Agreement (China currently has free trade agreements with ten countries). Furthermore, effective January 1, 2015, Chilean prune imports will enjoy an adventitious 0 percent duty rate. The CPB would like to obtain an "Interim Duty Rate" for dried plums or prunes (HS Code 0813.2000) from China Customs that adequately and fairly classifies U.S. prunes in a lower tariff rate category.

### **Background**

**ATO Guangzhou weighs in:** A number of U.S. agricultural exports to Mainland China are being taxed at higher duty rates, thus raising the costs to the trade who is forced to pass this cost on to consumers. As a result, the higher market price makes a number of U.S. agricultural exports less competitive in the local market. Shenzhen Customs is responsible for tariff Chapters 1 to 24 and Chapters 44 to 46- essentially all agricultural products. Since early 2012, ATO Guangzhou Director has arranged eight meetings with Shenzhen Customs to build an effective working relationship and systematically resolve tariff classification and fair price valuation issues. The meetings started as government to government effect, though ATO Guangzhou has now involved four USDA Cooperators (American Hardwood Export Council, American Soft Woods, CMC, and the CPB) and major importers to connect with key Customs officials. Post has also carefully listened to Customs' needs and has provided follow-up and assistance to then after these meetings. Upon learning of the two duty rate cases involving U.S. dried fruit exports, ATO Guangzhou immediately requested a meeting with Shenzhen Customs that included the CMC Executive Director, the Greater China Regional Manger of Ocean Spray and the China in-country CPB representative. Present in the meetings from the Shenzhen Customs side were officials from the Pricing Division and the Classification Division.

### **Results/outcomes**

**U.S. Prunes:** China has a tariff classification system known as the "Interim Duty Rate" (IDR). The IDR has a lower threshold than the MFN rate system and is typically granted to technologically advanced items, environmentally friendly products, energy saving equipment, etc. that meet public health needs as designated by the central government authorities. Prunes are not grown in China, so their presence in the marketplace does not have any potentially adverse effect to local interests. Unbeknownst to ATO Guangzhou prior to our engagement with Shenzhen Customs, every year China Customs announces the opportunity for businesses to apply for duty rate reviews. Shenzhen Customs advised U.S. exporters to

work with local importers to prepare detailed applications for duty rate reviews. The application process is similar to preparing a marketing research brief, but with a focus on import volumes and values, and highlighting the benefits (to China) of importing a particular U.S. agricultural product. These benefits include establishing that U.S. prunes have a long history of having a reliable production cycle with stable pricing, that they are a nutritious ingredient in demand by the local food processing industry, and add detailed information about the nutritional benefits of U.S. prune consumption.

Shenzhen Customs further offered CPB direct assistance if required during the application process. The China CPB in-country representative mentioned their interest in following up on this kind offer and will be notifying the U.S. prune industry for assistance on collecting the required information.

**U.S. Sweetened and Dried Cranberries:** Prior to the meeting, ATO Guangzhou forwarded translated production information to Shenzhen Customs. During the meeting, Customs officials ruled that U.S. sweetened and dried cranberries could be classified under the HS code 2008.93, based on all the documentation submitted by U.S. exporters. Shenzhen Customs pointed out that it was critical for local importers to provide a clearer description of new-to-market products to avoid similar confusions in the future. In the case of U.S. sweetened and dried cranberries, the tariff determination of a product's duty rate lies in the processing techniques used by the industry. CMC and Ocean Spray will be discussing these product descriptions with local importers in China to provide and coordinate more explicit descriptions of U.S. cranberry products on China Customs duty declaration forms. With adequate documentation provided, duty rates for U.S. sweetened and dried cranberries can be cut in half from 30 percent to 15 percent effective immediately. **ATO Guangzhou's intervention saved importers and the U.S. cranberry industry additional costs that impacted the sale of these products in China.**