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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 |

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|--------------------------|----------|--|----|----|
| 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 |

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|---|----------|---|-----|------|
| 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 | | | |

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|-----|----------|--|--|--|
| 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 | | | |
|-----|----------|--|--|--|

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