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China Responds to U.S. Section 301 Trade Action Announcement

Report Categories:

Trade Policy Monitoring

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Report Highlights:

On April 4, 2018, the People's Republic of China's Ministry of Commerce (MOFCOM) and Ministry of Finance (MOF) separately announced a proposal to levy retaliatory tariffs of 25 percent impacting approximately \$16.5 billion in Chinese imports of agricultural and food products from the United States. The announcement is in response to the recent U.S. announcement of proposed U.S. tariffs on Chinese imports as a result of the U.S. 301 Investigation into the forced transfer of U.S. technology and intellectual property. China's proposed tariff increases in response to the U.S. 301 Trade Action target U.S. soybeans, corn and corn products, wheat, sorghum, cotton, beef and beef products, cranberries, orange juice, and tobacco and tobacco products. The announcement did not include a comment period and does not indicate a date of implementation.

This GAIN report contains unofficial translations of announcements from MOFCOM and the Ministry of Finance, including a translated table of the products subject to these proposed tariff increases.

Executive Summary:

On April 4, 2018, at 3:45pm 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 safeguard China's "legitimate rights and interests." Soon after, China's Ministry of Finance stated the manner in which duties on certain U.S. products would be calculated.

Product Scope

The proposed tariff increases will impact approximately \$16.5 billion in Chinese agriculture and food imports from the United States, identified by their HS-6 digit tariff codes. Approximately one-third of the products targeted by China are food and agricultural products, totaling 33 out of 106 tariff codes, primarily targeting soybeans, corn and corn products, wheat, sorghum, cotton, beef and beef products, cranberries, orange juice, and tobacco and tobacco products.

The MOFCOM announcement states that they are retaliating against \$50.0 billion in U.S. tariffs proposed as a result of the findings of the USTR 301 investigation into the forced transfer of U.S. technology and intellectual property.

Timing

In the April 4, 2018 announcement, MOFCOM did not state when the additional tariffs will enter into force.

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. Department of Treasury is the Ministry of Finance. Additional information can be found at: <http://www.mof.gov.cn/>

Introduction: This report provides unofficial translations of two announcements. The first titled "2018 No. 34 Announcement of the Ministry of Commerce of the People's Republic of China" published on the MOFCOM's website on April 4, 2018. The second titled "The State Council Tariff Committee (SCTC) Notice on Imposing Additional Tariffs on Certain Imported Commodities Originating from the United States" published on the Ministry of Finance's website on April 4, 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 regulation

in question, 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 regulation or announcement as published in Mandarin, the latter shall prevail.

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Ministry of Commerce

On April 3, 2018, U.S. time, based on the results of the unilateral findings of the 301 investigation, the U.S. government announced that it would impose a 25 percent tariff on imported products origin from China. Approximately US\$50 billion of Chinese exports to the United States is involved. The U.S. measure clearly violates the relevant rules of the World Trade Organization, seriously violates China's legitimate rights and interests under the rules of the World Trade Organization, and threatens China's economic interests and security.

In response to the emergency caused by the U.S. violation of international obligations to China, and in order to safeguard China's legitimate rights, the Chinese government will equivalently take measures to impose additional tariff on imported products origin from the United States, including agricultural products such as soybean, automobiles, chemicals, airplanes, etc. in accordance with laws and regulations of the Foreign Trade Law of the People's Republic of China and other basic principles of international law. The duty rate is 25 percent. Approximately \$50 billion of China's imports from the United States in 2017 will be involved (see attachments for details).

The final measure and effective date will be announced separately.

Attachment: <http://images.mofcom.gov.cn/www/201804/20180404161059682.pdf>

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**China's Announcement on Proposed Tariffs on U.S. Exports of Agriculture and Food Products
Announced on April 4, 2018**

Serial No.	HS Code	Mandarin Product Description	Commodity Product Description ¹	Current Tariff (MFN) (%)	Proposed New Applied Tariff (%)
1	12019010	黄大豆	Yellow soybeans	3	28
2	12019020	黑大豆	Black soybeans	3	28
3	10059000	其他玉米	Other corn	1 (in-quota), 65 (out-quota)	26 (in-quota), 90 (out-quota)
4	11022000	玉米细粉	Corn flour	9 (in-quota), 40 (out-quota)	34 (in-quota), 65 (out-quota)
5	52010000	未梳的棉花	Cotton, not carded or combed	1 (in-quota), 40 (out-quota)	26 (in-quota), 65 (out-quota)
6	14042000	棉短绒	Cotton linters	4	29
7	10079000	其他高粱	Other grain sorghum	2	27
8	23033000	酿造及蒸馏过程中的糟粕及残渣	Brewing or distilling dregs and waste ²	5	30
9	10011900	其他硬粒小麦	Other durum wheat	1 (in-quota), 65 (out-quota)	26 (in-quota), 90 (out-quota)
10	10019900	其他小麦及混合麦	Other wheat and meslin	1 (in-quota), 65 (out-quota)	26 (in-quota), 90 (out-quota)
11	02011000	整头及半头鲜、冷牛肉	Meat of bovine animals, carcasses and half-carcasses, fresh or chilled	12	37
12	02012000	鲜、冷的带骨牛肉	Meat of bovine animals, other cuts with bone in, fresh or chilled	12	37
13	02013000	鲜、冷的去骨牛肉	Meat of bovine animals, boneless, fresh or chilled	12	37
14	02021000	冻的整头及半头牛肉	Meat of bovine animals, carcasses and half-carcasses,	12	37

			frozen		
15	02022000	冻的带骨牛肉	Meat of bovine animals, other cuts with bone in, frozen	12	37
16	02023000	冻的去骨牛肉	Meat of bovine animals, boneless, frozen	12	37
17	02062900	其他冻牛杂碎	Other edible offal of bovine animals, fresh, chilled or frozen	12	37
18	20089300	用其他方法制作或保藏的蔓越橘	Cranberry (Vaccinium macrocarpon vaccinium oxycoccos, vaccinium vitis-idaea)	15	40
19	20091100	冷冻的橙汁	Orange juice/frozen	7.5	32.5
20	20091200	非冷冻的, 白利糖度值不超过 20 的橙汁	Orange juice/Not frozen, of a Brix value not exceeding 20	30	55
21	22083000	威士忌酒	Whiskies	10	35
			Unmanufactured tobacco; tobacco refuse		
			-tobacco, not stemmed/stripped		
22	24011010	未去梗的烤烟	Not stemmed/stripped Tobacco/flue-cured	10	35
23	24011090	其他未去梗的烟草	Not stemmed/stripped Tobacco/other	10	35
24	24012010	部分或全部去梗的烤烟	Flue-cured tobacco	10	35
25	24012090	部分或全部去梗的其他烟草	Flue-cured tobacco/other	10	35
26	24013000	烟草废料	Tobacco, refuse	10	35
			Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes		
27	24021000	烟草制的雪茄烟	Cigars, cheroots and cigarillos containing tobacco	25	50
28	24022000	烟草制的卷烟	Cigarettes containing tobacco	25	50
29	24029000	烟草代用品制的雪茄烟及卷烟	Other tobacco	25	50
			Other manufactured tobaccos or tobacco substitutes; homogenized or reconstituted tobacco; tobacco extracts and		

			essences		
30	24031100	本章子目注释所述的水烟料	Water pipe tobacco specified in subheading Note to this chapter	57	82
31	24031900	其他供吸用的烟草	Other tobacco	57	82
32	24039100	“均化”或“再造”烟草	“Homogenized” or “Reconstituted” tobacco		
	24039100*10		Reconstituted tobacco	40	65
	24039100 90		Homogenized tobacco	57	82
33	24039900	其他烟草及烟草代用品的制品;烟草精汁	Other tobacco	57	82

Notes:

¹Commodity descriptions are for reference only. Please refer to corresponding HS codes in the Customs Import and Export Tariff of P.R. China for specific commodity scope.

² U.S. brewing or distilling dregs and waste products are subject to additional anti-dumping duties ranging from 42.2 to 53.7 percent and countervailing duties ranging from 11.2 to 12 percent by exporter.

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Ministry of Finance

The State Council Tariff Committee (SCTC) Notice on Imposing Additional Tariffs on Certain Imported Commodities Originating from the United States

On April 4, 2018, the United States government released a list of commodities subject to additional tariffs, imposing 25-percent additional tariffs on our 1,333 items of [Chinese] commodities worth 50 billion U.S. dollars exported to the United States. This U.S. measure violates WTO rules, seriously infringes China’s legitimate rights, and threatens our country’s development interests.

According to our rights and obligations under the WTO, and relevant provisions of the People’s Republic of China’s Foreign Trade Law and the People’s Republic of China’s Import and Export Tariff Regulations, upon the State Council approval, the State Council Tariff Commission decided to impose a 25-percent additional duty on 106 items within 14 categories of commodities originated from the United States, including soybeans, automobiles, and chemical products.

Relevant matters are as follows:

1. The commodities subject to additional tariff are 106 items in 14 categories including soybeans, automobiles, chemicals etc. The scope of taxation is detailed in the attached table.

2. For the imported products listed in the attached form originating in the United States, a 25-percent tariff shall be imposed on the basis of the current taxation method and the applicable tariff rate. The current policy on bonded and tax-exemption shall not change (The tariff imposed shall not be waived).

3. The import tax calculation formula after imposing additional tariffs:

Tariff = duty paid price × (current applicable tariff rate + imposed additional tariff rate)

Import consumption tax on value based tariff commodity = import consumption tax calculation price × consumption tax proportional tax rate

Import consumption tax on compound based tariff commodity = import consumption tax calculation price × consumption tax proportional tax rate + import quantity × consumption fixed tax rate

Import consumption tax price on value based tariff commodity = (tariff duty price + tariff) ÷ (1 - consumption proportional tax rate)

Import consumption tax price on compound based tariff commodity = (tariff duty price + tariff + import quantity × consumption tax fixed tax rate) ÷ (1 - consumption proportional tax rate)

Import VAT = Import VAT price × import VAT tax rate

Import VAT taxation price = Duty paid price + Customs Duty + Import consumption tax

4. The implementation time will be announced separately.

Attachment: List of commodities originating in the U.S. that are subject to additional duties

[Link:

<http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201804/P020180404563987180985.xlsx>]

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