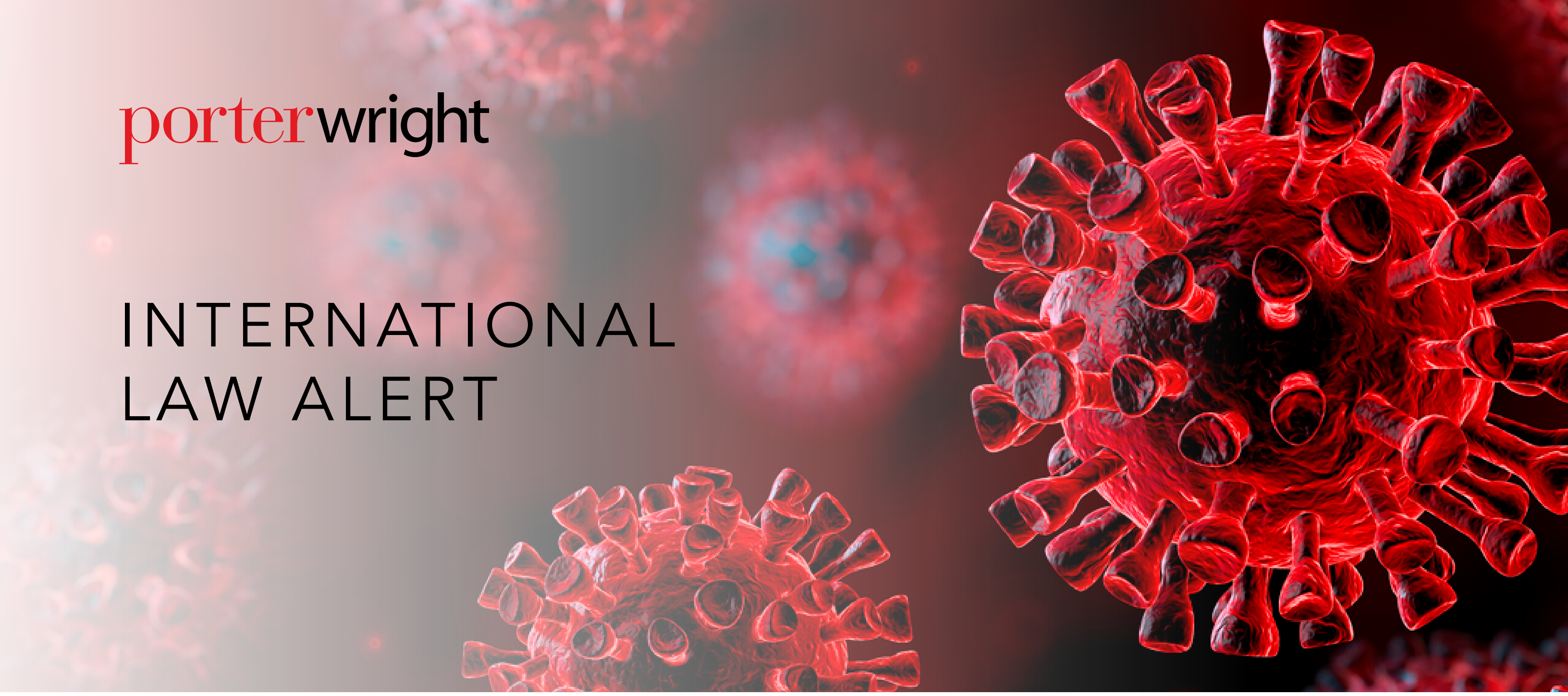

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Yuanyou (Sunny) Yang
412.235.1484
yyang@porterwright.com

China further exempts products of U.S. origin from retaliatory tariffs amid coronavirus

As part of the Phase I trade agreement between the U.S. and China, China has committed to increase its purchases of U.S. goods and services by $200 billion over two years. The recent coronavirus outbreak has raised concerns about China's ability to meet the purchasing targets set forth in the trade agreement. Despite that, in early February, White House adviser Larry Kudlow said that Chinese President Xi Jinping informed U.S. President Donald Trump that China will still meet its Phase I trade deal purchasing targets. China additionally made the announcements outlined below in this post as part of its efforts to implement the Phase I trade agreement and encourage the purchase of specific U.S. goods related to the ongoing coronavirus outbreak. Those announcements bring potential good news for U.S. companies with Chinese business connections.

China halting $75 billion in tariffs on products of U.S. origin

The Chinese Ministry of Finance announced in early February that it would halve additional tariffs on $75 billion of products of U.S. origin imposed late last year, one of the first signs that China will continue to implement the Phase I trade agreement with the U.S. despite the coronavirus outbreak. As part of the Feb. 14 announcement China reduced a 10 percent retaliatory tariff to five percent, and a five percent retaliatory tariff to 2.5 percent. Additionally, China has removed its import ban on all U.S. poultry products. With a continuing threat brought by the H5N1 bird flu, China has been unable to meet its domestic poultry demands.

China now accepts retaliatory tariff exemption applications for 696 U.S. products

As of March 2, importers can now apply for exemption from the additional retaliatory tariffs for 696 products of U.S. origin, the most substantial tariff relief offered thus far. Once approved, the tariff exemption will be valid for one year.

China is accepting exemption applications for 696 products of U.S. origin, from agricultural products such as soybeans, pork and beef, to liquefied natural gas and crude oil, which have all been drawn into the tariff battle between the world's two largest economies. This also includes dozens of types of medical equipment (such as thermometers) and pharmaceutical products (such as recombinant human insulin and antibiotics), which are vital to help contain the coronavirus. Metals such as copper ore and concentrates, copper scrap and aluminum scrap are also subject to exemption.

China subsequently announced an additional product list exempt from retaliatory tariffs

As of Feb. 28, the Chinese Ministry of Finance further exempted additional U.S. origin products from the retaliatory tariffs imposed during the U.S. and China trade war. Specifically, the tariff exemption for this batch of goods is implemented in two lists. The first list involves a total of 55 products, mainly including wood, aircraft components, medical equipment components and instruments. These products are exempt from China's retaliatory tariffs against the U.S. 301 tariffs between Feb. 28, 2020 and Feb. 27, 2021. The tariffs that have been levied will be refunded, and the relevant import enterprises shall apply to the customs within six months from the announcement date of the exclusion list. The second list includes 10 products, mainly including medical research equipment. Unlike the products in the first list, the products involved in the second list have already been levied customs duties and the tax is not refundable. The State Council Customs Tariff Commission will also continue to publish the exclusion list for subsequent batches.

The above announcements seem to indicate that China is still willing to abide by the Phase I trade agreement, despite the economic impact of the coronavirus outbreak. Lower tariffs may encourage the import of more U.S. products and offer business opportunities for U.S. companies interested in the Asian market. Of course with any new market strategy, U.S. companies should carefully analyze their supply chains as well as potential disruptions when considering their strategies.

For more information please contact Yuanyou (Sunny) Yang or any member of Porter Wright's International Business & Trade Practice Group.