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October AgChem Notes

General Update

Ambassador Tai made a speech on Monday, October 4, where she noted that the Administration has completed its review of the trading relationship with China. The real "short term news" was her promise to re-open the exclusion request process. She provided no further details.

However, attached please find a copy of the Federal Register Notice specifically related to reinstituting previous extended exclusions. There is no invitation to discuss a request for new exclusions included in this announcement. At this point, it is doubtful that there will be another Federal Register Notice on this topic, without Congressional action. If you are importing a product from China that was subject to an exclusion extension (especially Paraquat), you are strongly urged to reply to this notice within the specified time limit.

We can provide a complete list of the materials that are subject to this action upon request.

Note – there is very limited retroactivity in this release. If they agree to re-instate a previously granted exclusion, it would only be retroactive to October 12, 2021. Therefore, especially for materials that have been subject to a previous exclusion, storage in a bonded warehouse remains your best option.

She also announced that she will shortly be engaging with her Chinese counterpart to re-inforce the need for China to adhere to the commitments in the phase one agreement. This is the starting point thought there was no indication that she would be aggressively pursuing a "phase 2" agreement.

Clearly, the tariffs are here to stay for the foreseeable future.

Further, she emphasized that the path forward for the US is in President Biden's "build back better" plan to put the U.S. in a stronger position to compete with China. As you know, this plan is in trouble in Congress.

She also emphasized several sectors were the U.S. feels that China's government support for industrial sectors' has caused problems all over the world, since they joined the WTO. We'd be pleased to provide a copy of her remarks.

The clear intent is to work with a multilateral coalition to try to "discipline" China's trading practices on a "labor focused" trade agenda.

The rest of this edition will be mostly be a repeat of last month's edition, since little has happened in Washington impacting the trade agenda. The House of Representatives is now on a two week recess, so nothing can happen on the MTB or GSP until they return. Therefore, if you need these details repeated, please reference our May report, or we'd be pleased to discuss in detail at your convenience.

Once again, and especially if you are in process of importing inventories for next season, unless they are due to be processed or sold onward shortly after they arrive, you should consider placing incoming imports of China Surtax-able items into a bonded warehouse. Since President Trump imposed these levies by Executive Order, they can be reversed by another Executive Order on very short notice. If this were to occur, you could end out with a warehouse full of very expensive inventory, with little or no chance of receiving any refunds of surtaxes previously paid. This has happened in several instances where similar tariffs were removed against the EU, including over the Boeing/Airbus dispute.

Other issues that need to be considered, include:

- **Trade Promotion Authority**: Appears to be dead for the foreseeable future, but there has been movement on this agenda item as several members of congress believe it is vitally important that this legislation be renewed so that the U.S. can effectively negotiate trade deals with our international trading partners. Unfortunately, Senator Portman of Ohio has called for tying this issue together with MTB and GSP. We can hope that this does not happen.

- **China Surtax Lawsuit**: This action has now been assigned to a three-judge panel in DC. An order has been issued to require Customs not to liquidate entries that are subject to this suit. The Administration continues to defend the Trump Administrations actions in this area.

- **Department of Defense list of companies dominated by the Chinese Military**: There has been a significant change in this agenda item. The Biden Administration has revamped the Trump Administration's actions in this area. The result is that neither Sinochem nor ChemChina, or their parent organization SASAC – State-Owned Asset Supervision and Administration Commission - are subject to trading or investment restrictions in the U.S.

  Therefore, at this point in time, it would appear that if they wanted to float all or part of the upcoming Syngenta IPO in the USA or if a USA based company or person wished to invest in the IPO, they would be free to do so under this Executive Order.

  It needs to be noted that since they are planning to float significantly less than a controlling interest in Syngenta, it would still be subject to the rules and regulations that many of the world's leading economies apply to a State-Owned Company.

- **Taiwan TIFA**: The Biden Administration has had their first meeting with Taiwan to restart these negotiations to complete a Trade and Investment Treaty with Taiwan. The U.S. has such treaties with many countries. Taiwan made it plain that they hope that this effort will result in a full-fledged free trade agreement between the U.S. and Taiwan. The launching of this negotiation is perceived to be a provocative act by China.

General observation: We noted a significant up-tick in activity in March. The number of "lines" added to this report was significantly larger than the previous months. August continues this trend. Perhaps March of 2021 marked the turning point for the agrochemical industry. Please see additional details below in the notes section under "the Index".

The Index: The update version of the "Index" which includes import details for all formulated Agrochemical imports in 3808.91, 3808.92 and 3808.93 for August is attached. August continues to show across the board improvements.

Below, please find value information for the month of August as well as the first eight month totals for four years. Except for herbicides, things are definitely improving for the industry. (In the case of herbicides, reclassifying 62% Glyphosate from 3808.93 to 2931.39 may actually explain part of the reduction.)

It is important to observe, that the value figures are "customs value" which would include materials entered into Free Trade Zones, but not China surtaxes.

August 2021 details are as follows (000):

	8/2018	8/2019	8/2020	8/2021
3808.91 – insecticides	$34,615	$15,666	$17,432	$33,914
3808.92 – fungicides	$21,372	$15,262	$25,469	$35,049
3808.93 – herbicides	$43,244	$13,460	$26,042	$50,877

Totals for the first 8 months (000) are shown below:

	2018	2019	2020	2021
3808.91 – insecticides	$314,701	$233,098	$218,999	$301,218
3808.92 – fungicides	$298,713	$208,225	$309,939	$494,678
3808.93 – herbicides	$481,081	$318,454	$323,711	$342,887

Please let us know how we can best be of service.

Very truly yours,

Jim

V.M. (Jim) DeLisi

VMJD: me