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Report Name: Impact of RCEP on US Agricultural Exports to China

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Report Highlights:

On November 15, China joined 14 Asia-Pacific countries in signing the Regional Comprehensive Economic Partnership (RCEP) agreement. This is the first trade agreement between China and Japan. The implementation of the RCEP agreement is unlikely to change China's trade in agricultural products in the Asia-Pacific region and will have a minor impact on U.S. agricultural exports to China in the near future.

Background

The RCEP symbolizes the formation of the world largest regional free trade area. The 15 member countries consist of 10 members from the Association of Southeast Asian Nations (ASEAN), including Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Brunei, Cambodia, Myanmar, and Laos, as well as 5 countries in the Asia-Pacific region, namely Australia, China, Japan, South Korea, and New Zealand. The RCEP will take effect after at least six ASEAN countries and three non-ASEAN countries have ratified the agreement. It is expected that the RCEP will take effect in Mid-2021.

Impact of RCEP on China's Agricultural Trade

The RCEP is expected to have a limited impact on China's agricultural imports in the immediate future, since China has already reached bilateral free trade agreements (FTA) with New Zealand (2008), ASEAN (2010), Australia (2015), and South Korea (2015). Under the RCEP China continues to exempt sensitive items like certain grains, sugar, and cotton products from tariff reductions. China's tariffs on most agricultural imports from 10 ASEAN member countries and New Zealand have been eliminated. In addition, tariffs for most agricultural products from Australia and South Korea will eventually be eliminated in the next 5 years. In the long term, the RCEP will benefit China under more favorable country of origin rules effectively extending China's agricultural value chain.¹ Additionally, accelerated commitments by RCEP members on investment policies further support China's national strategy of direct investment in agricultural production outside its borders.

The signing of the RCEP symbolizes the first trade agreement between China and Japan. The agreement will benefit certain fishery exports from Japan to China, such as inshell shrimp and prawns for which the 2 percent to 5 percent tariffs will be eliminated. In 2019, Japanese agricultural products accounted for less than 1 percent of China's total agricultural imports.

The RCEP provides China with expanded access for agricultural exports to Japan. For example, under the RCEP Japan agreed to gradually reduce tariffs on approximately 50 percent of agricultural products from China. The agreement provides for the elimination of tariffs on vegetable and fish products over the next 10 to 20 years. Chinese exports of these products are expected to steadily increase once the RCEP goes into effect. Certain sensitive products such as rice, wheat, sugar, dairy, poultry, beef and pork are excluded from Japan's tariff reduction schedule for all RCEP members. Japan is one of China's largest export markets for agricultural products. In 2019, Japan accounted for 13 percent of China's total agricultural exports, according to China Customs data.

¹ See RCEP, Article 2.6

Impact of RCEP on US agricultural exports to China

Table 1: U.S. Agricultural Exports to China in 2019

Agricultural Product	Value (US\$ Million)	Percentage Share
Bulk Commodity	9,088.5	55.8
Intermediate Products	1,615.0	9.9
Consumer Oriented products	3,156.5	19.4
Other agricultural related products (Distiller Spirits, Forest, and Fish Products)	2,417.4	14.9
Total	16,277.3	100.0

Source: BICO, U.S. Census Bureau Trade Data

Bulk Agricultural Products

The RCEP will have a minor impact on U.S. agricultural exports to China. Using data for 2019, nearly 56 percent of U.S. agricultural exports to China are bulk commodities. For those products that receive preferential treatment under RCEP, such as soybeans, no Asia-Pacific economies compete with the United States. Alternatively, corn, wheat, rice, and cotton, fall under China's tariff rate quota regime that supersedes any RCEP tariff reductions.

Consumer Oriented Products

Most RCEP members already receive low or zero tariff rates under bilateral FTAs for consumer-oriented products. Japan, the only RCEP member that has not previously signed an FTA with China, is not a major competitor with the United States for most consumer-oriented agricultural products. In food preparations, for which Japan does compete with the United States, the RCEP provides gradual elimination of tariffs (between 10 to 15 years). For this reason, in the short to medium term, Japan's exports to China will not change significantly.

Forestry and Fish Products

The RCEP does not include tariff reduction schedules for most forestry products. Under the RCEP, Japan will receive reduced tariffs on fish products. However, since tariffs are scheduled to be reduced over 10 to 15 years, the impact of these reductions is expected to be minimal for the near term. Remaining RCEP members already export fish products to China at zero tariff rates due to bilateral FTAs.

Intermediate Products

The RCEP will have little effect on U.S. exports of hides and skins, hay (alfalfa), and feed products to China. Specifically, U.S. competitors in the Asia-Pacific region, such as Australia, New Zealand, and

Vietnam already export these products at zero or very low tariffs under bilateral FTAs. In addition, import tariffs for U.S. products are already low at 2 percent to 7 percent (see Table 2).

Table 2: China's Tariff Rate on Major Agricultural Imports from the U.S. in 2020

Product	MFN	U.S.*	ASEAN	Japan	South Korea	Australia	New Zealand
Bulk commodity (selected items)							
Soybeans (HS120190)	3%	3%	0%	3%	0%	U**	0%
Wheat (HS100199)	1% (in-quota) 65% (out-quota)	1% (in-quota) 65% (out-quota)	5%	1% (in-quota) 65% (out-quota)	U	U	U
Corn (HS100590)	1% (in-quota) 65% (out-quota)	1% (in-quota) 65% (out-quota)	50%	1% (in-quota) 65% (out-quota)	U	U	U
Cotton (HS520100)	1% (in-quota) 40% (out-quota)	1% (in-quota) 40% (out-quota)	5%	1% (in-quota) 40% (out-quota)	U	U	U
Coarse Grains (ex. corn) (HS100790)	2%	2%	0%	0%	0%	0%	0%
Intermediate Products (selected items)							
Hides & Skins (HS410150)	5%	5%	0%	5%	0%	0%-2.1%	0%
Hay (HS121490)	7%	7%	0%	7%	0%	0%	0%
Feeds & Fodders (HS230110)	2%-5%	2%-5%	0%	2%-5%	0%	0%	0%
Planting Seeds (HS120925)	0%	0%	U	0%	U	U	U
Vegetable Oil (HS151790, 151590, 151800)	10%-25%	10%-25%	0%	10%-15%	7%-12%	0%	0%
Consumer Oriented Products (selected items)							
Pork & Pork Products (HS020329, 020649)	8%-12%	33%-37%	0%	8%-12%	4.8%	0%	0%
Tree Nuts (HS080251, 080211)	5%-10%	20%-25%	0%	5%-10%	4%-9.6%	0%	0%

Dairy Products (HS040410, 190110)	2%-5%	2%-5%	0%	2%-5%	2%- 5%	0%	0%
Prepared Food (HS210690, 200410)	0%-12%	0%-12%	0%	0%-12%	0%- 24.5%	0%	0%
Fresh Fruit (HS080929)	10%	25%	0%	10%	4%	0%	0%
Agriculture-related Products (selected items)							
Forest Products (HS440791, 440399)	0%	0%	U	U	U	U	U
Fish Products (HS030339, 030312)	7%	7%	0%	7%	4%	0%	0%

Source: China Customs

Note:

*Import tariffs for U.S. products include retaliatory 232 tariffs but not retaliatory Section 301 tariffs which were exempted under China's tariff exclusion process as of March 2, 2020 (see GAIN report [CH2020-0017](#)). Importers may apply for tariff exclusions which are approved on a case-by-case basis. Please refer to FAS GAIN report [Updated Guidance on China's Retaliatory Tariffs and Tariff Exclusions Process for US Products](#) for more information on the exclusion process.

**Indicates that no specific tariff schedule is available in the FTA and MFN rate shall apply.

Attachments:

No Attachments.