



## FANWOOD CHEMICAL, INC.

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### **September Agrochemical Notes**

Please excuse the fact that this report is a few days late. I attended the Specialty and Agrochemicals America Show in Charleston, September 8,9, & 10. It was great to see friends and colleagues for the first time in over 18 months! I gave two presentations, one on trade issues impacting the business of chemistry, and then Alex Polinsky and I will be making presentation directly targeting issues impacting agrochemicals. Please let me know if you would like copies of the slides.

Special note: Some of the data points in this report are only available from the US Census statistical database. Since the temporary duty suspensions/reductions expired, there will be less “granularity” to these details until this benefit is re-instituted.

### **General Update**

This edition will be mostly a repeat of last month’s edition, since little has happened in Washington impacting the trade agenda since for the most part, they have been on vacation and there has been little or no movement on the MTB, GSP, “China Tariff Exceptions” or any of the other China trade issues. Therefore, if you need these details repeated, please reference our May report, or we’d be pleased to discuss in detail at your convenience.

The promised review of the “China trade relationship” has still not been completed. The White House is also apparently doing a full review of the Trump Administrations use of sanctions in general. This too has not yet been completed. Therefore, it remains clear that the status quo, will be maintained for quite a while concerning the US’s bilateral relationship with China.

Over the last few days, there has been “chatter” in DC that they may actually open a Special 301 investigation on another group of Chinese materials where production is dominated by the State. As part of this review, they likely will also look at reinstating some form of exceptions procedures.

Therefore, 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.
- **China Surtax Lawsuit**: This action has now been assigned to a three-judge panel in DC. We're not sure if this a positive, negative, or neutral sign of the future. 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, 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. July 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 update version of the “Index” which includes import details for all formulated Agrochemical imports in 3808.91, 3808.92 and 3808.93 for July is attached. July show across the board improvements. Below, please find value information for the month of July as well as the first seven-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.

July 2021 details are as follows (000):

7/2018	7/2019	7/2020	7/2021
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3808.91 – insecticides	\$30,231	\$21,416	\$22,333	\$30,515
3808.92 – fungicides	\$25,768	\$19,619	\$27,146	\$41,696
3808.93 – herbicides	\$28,082	\$14,037	\$13,444	\$34,297

Totals for the first 7 months (000) are shown below:

	2018	2019	2020	2021
3808.91 – insecticides	\$280,086	\$217,432	\$201,567	\$267,304
3808.92 – fungicides	\$277,411	\$192,963	\$274,443	\$459,629
3808.93 – herbicides	\$437,837	\$304,994	\$297,669	\$292,010

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

Very truly yours,

*Jim*

V.M. (Jim) DeLisi

VMJD: me