China Customs Alert

(15 November 2024)

China imposes anti-dumping measure on EU brandy

On 8 October 2024, China's Ministry of Commerce (MOFCOM) announced a temporary anti-dumping measure on brandy from the European Union (EU). This announcement followed soon after the EU's decision on 30 October 2024 to levy anti-subsidy tariffs on China-made electric vehicles (EVs).

The new measure requires importers to place a 30.6% to 39% deposit ad valorem for all EU-made brandy. It covers EU companies under three classifications:

- Three (3) "*sampled companies*": Martell & Co is assessed with a dumping ratio of 30.6%, Jas Hennessy & Co of 39.0%, and E. Remy Martin & Co of 38.1%;
- Sixty-one (61) "*cooperative companies*": They are assessed with a dumping ratio of 34.8%; and
- "*Other EU companies*" (without names) with a dumping ratio of 39%.

China's move was met with an outcry from the French Cognac industry and a visit by France's trade minister, Sophie Primas, who met with China's commerce minister, Wang Wentao, in Shanghai in early November.

On 11 November 2024, MOFCOM issued a supplementary notice to adjust slightly the mandate, allowing the deposit to be submitted by cash or a guarantee letter, effective from 15 November 2024.

China's deposit measure on EU brandy is billed as "*temporary*" implying a pending decision that might lead to an anti-dumping tariff.

The story goes on

The development is likely to have broader implications for China-EU trade tension. China has also opened an anti-dumping and anti-subsidy probe into European dairy and pork products and is studying the need to raise tariffs on large-engine capacity cars.

What to prepare for?

To effectively navigate the complexities of the evolving trade landscape between China and the EU, the following preparations are advised:

1. **Monitor Developments:** Stay informed about the latest developments in anti-dumping measures in both China and the EU. This includes understanding the justifications for any appeals and how they might impact your business.
2. **Engage with Chinese Partners:** Initiate discussions with your Chinese partners (importers, logistic firms, brokers and agents) to address the implications of anti-dumping measures.
3. **Assess transfer pricing:** Assess the potential impacts on sales and explore necessary adjustments to transfer pricing and contracts to accommodate changes.
4. **Adjust Supply Chain:** Evaluate and implement diversification and adjustments (e.g. nearshoring or lean supply chain) for products that are vulnerable to forthcoming anti-dumping measures. This can help mitigate risks and ensure a more resilient supply chain.

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