

# Announcement of the Customs Tariff Commission of the State Council on Reducing Import Tariffs on Nondurable Consumer Goods

As the latest sign of a thaw in trade frictions with the United States, China issued a series of cut tariffs on consumer goods. The most recent one is the “Announcement of the Customs Tariff Commission of the State Council on Reducing Import Tariffs on Nondurable Consumer Goods”(May 31, [2018] No.4 hereinafter “Announcement”). It said, “To further meet the people’s need for a better life, promote supply-side structural reform and actively expand openness, the most-favored-nation tariffs on some imported nondurable consumer goods, involving 1449 tax codes, will be reduced beginning from July 1, 2018.”

In short, the average tariff falls from 15.7 percent to 6.9 percent. Some of the 1,449 categories of goods slated for tariff cuts involve food products from other countries, like fish, olives and grilled seaweed (from 15.9 to 7.1 percent on average). Other categories include makeup and healthcare goods, (from 8.4 to 2.9 percent), home appliances (from 20.5 to 8 percent) and low-value garments (from 15.2 to 6.9 percent) which typically made in factories that have already been shifting from China to lower-wage competitors in South East Asia.

## 1. Background of the Policy

Policy makers in China have flagged their intention to open the nation’s vast internal market further to outsiders since 2012, when former Premier Wen Jiabao held the executive meeting of the State Council for researching policies to promote and strengthen the balance in foreign trade development. The meeting decided to reduce import tariffs on energy materials, daily necessity, and the key components required by strategic emerging industries that were not domestically-produced, by adapting Conventional tariff rates, which implementation has been lower than most favored countries.

Thus, the Ministry of Finance announced several adjustment of tariffs on imported products in 2013, 2015, 2016, 2017 and 2018. The import tariff rate has fallen by a large margin. The products subject to the tariff reduction are mostly consumer goods, which were decided by selecting items that people have great needs for based on recent nationwide customs import and export data, and conducting interviews in the industry association and with related companies.

In addition to benefit the people by encouraging imports of distinctive products, the government also aimed to provide import products a fair competition platform by making the cost of import products close to the domestic products. Beijing’s ultimate goal is to further open the Chinese market and strengthen its position as the world’s largest consumer market. The shift that may now additionally have the side-effect of helping to defuse tensions with the Trump administration over the trade imbalance.

## 2. Details of the Policy

Please refer to Fig. 1 below for the products subject to the tariff reduction and the tariff rates before and after the adjustment.

## 3. Impact on Enterprises

Foreign businesses already exporting to China or looking to enter the market, especially those selling to China via cross-border e-commerce can keep down import cost and enjoy the benefit of the tariff reduction announced. Meanwhile, consumers in China, who will be able gain better access to products which are not widely manufactured in domestic realm. Chinese companies doing domestic business, competition may intensify because of narrowed price gap between import and domestic goods, as the categories the Chinese Finance Ministry selected for tariff cuts appeared to be targeted at China’s goal of developing sophisticated industries rather than low-value mass manufacturing.

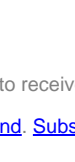
[Fig. 1] Products subject to the tariff reduction

Category	Chapter( First two number of HS code)	No. on the announcement	Product	Most favored nation's tariff rate before the reduction (%)	Temporary tariff rate after the reduction (%)
Section 1; Live Animals; Animal Products	03	1-221	Fish and crustaceans, molluscs and otheraquatic invertebrates	16, 15, 12, 10	Mostly 7, some 10
Section 4; Prepared Foodstuffs; Beverages, Spirits And Vinegar, Tobacco And Manufactured Tobacco Substitutes	16, 20, 22	222-349	Preparations of meat, vegetables, fruit;	30, 25, 23, 15, 10	Mostly 5, some 10
		350-388	Beverages, spirits and vinegar	35, 32, 28, 21, 20, 19, 18, 15, 10	Mostly 5, some 12
Section 6; Products Of The Chemical Of Allied Industries	30, 32, 33, 34, 36	389-415	Chinese medicine; Penicillin, Insulin, Vitamin and other pharmaceutical products	6, 5, 4, 3	0
		416-418	Pigment; inks	10, 6.5	6.5, 5
		419-440	Perfumery, cosmetic or toilet preparations	15, 10, 9, 6.5	Mostly 3, some 5 and 1
		441-451	Soap, clean supply and polishing agent	15, 10, 9	6.5
		453-457	Candle and combustible preparations	10, 9	6.5, 6
Section 7; Plastics And Articles Thereof; Rubber And Articles Thereof	39, 40	458-471	Plastics and articles thereof	10	6.5
		472-475	Vulcanized rubber product	18, 15	10
Section 8; Raw Hides And Skins, Leather, Fursk-Ins And Articles Thereof; Saddlery And Harness; Travel Goods, Handbags And Similar Containers; Articles Of Animal Gut (Other Than Silk-Worm Gut)	42, 43	476-504	Saddlery, articles of leather, Furskins and artificial fur, handbag	23, 20, 18, 12	10, 8, 6
Section 9; Wood And Articles Of Wood; Wood Charcoal; Cork And Articles Of Cork; Manufactures Of Straw, Of Esparto Or Of Other Plaiting Materials; Basketware And Wicker-Work	44, 46	505-530	Articles of wood; Manufactures of straw	10, 9	7
Section 10; Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Recovered (Waste And Scrap)Paper Or Paperboard; Paper And Paperboard And Articles Thereof	48, 49, 57,	531-555	Paper products, card, calendar	7.5	Mostly 5, some 6
Section 11; Textiles And Textile Articles	58, 59, 61, 62, 63	556-587	Carpet	16, 14, 12, 10	Mostly 4, some 6
		588-867	Coat, suit, pant, sock, sportswear and other clothing	20, 17.5, 16, 14,	Mostly 6, some 8, 10 and 12
		868-886	Handkerchief, scarf	16, 14,	6
		887-960	Blanket, bedsheet, napkin, towel, curtain and other articles of apparel and clothing accessories	16, 14, 12, 10	Mostly 4, some 6
		961-989	Camping goods, and other made up textile articles	16, 14	6
Section 12; Footwear, Headgear, Umbrellas, Sun Umbrellas, Walking-Sticks, Seat, Sticks, Whips, Riding-Crops And Parts Thereof; Prepared Feathers And Articlesmade Therewith; Artificial Flowers; Articles Of Human Hair	64, 65, 66, 67	990-1032	Footwear; gaiters and the like; parts of such	24, 15, 10	14, 12, 10, 8
		1033-1045	Headgear	24, 22, 20, 10	10, 8, 4
		1046-1051	Umbrellas, whips	14, 10	6, 4
		1052-1062	Articles made of feathers or of down; artificial flowers; articles of human hair	25, 24, 20, 10	6, 8, 4
Section 13; Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials; Ceramic Products; Glass And Glassware	69, 70	1063-1093	Ceramic products, glass and glasswar	24.5, 15, 10, 8	7
Section 14; Natural Or Cultured Pearls, Precious Or Semi-Precious Stones, Precious Metals, Metals Clad With Precious Metal, And Articles Thereof; Imitation Jewellery; Coin	71	1094-1111	Pearls, precious stones and metals, imitation jewellery	35, 20	18, 10
Section 15; Base Metals And Articles Of Base Metal	73, 74, 76, 82, 83, 84	1112-1121	Articles of iron or steel, Copper	23, 21, 25, 10	7
		1122-1138	Sanitary ware and parts thereof, of iron or steel, aluminium and articles thereof	30, 25, 20, 18, 15, 10	7
		1139-1155	Knife, cutlery of base metal	18, 14, 12, 10.5	6
		1156-1165	Miscellaneous articles of base metal	14, 10.5, 10, 8	7
		1166-1203	Machinery and mechanical appliances	35, 30, 21, 20, 17.5, 15, 10.5, 10	9, 8, 7, 6
Section 16; Machinery And Mechanical Appliances; Electrical Equipment; Parts Thereof; Sound Recorders And Reproducers; Television Image And Sound Recorders And Reproducers, And Parts And Accessories Of Such Articles	85	1204-1267	Primary batteries, electrical machinery and equipment	32, 30, 20, 15, 14, 10	8, 7, 5
Section 17; Vehicles, Aircraft, Vessels And Associated Transport Equipment	87	1268-1276	Bicycles and carriages	23, 20, 13	7, 6, 5
		1277-1292	Optical and photographic instruments	25, 20	7
Section 18; Optical, Photographic, Cinematographic, Measuring, Checking, Precision, Medical Or Surgical Instruments And Apparatus; Clocks And Watches; Musical Instruments; Parts And Accessories Thereof	90, 91, 92, 94, 95, 96	1293-1317	Clocks and watches	23, 20, 16, 15, 12.5, 12, 11, 3	15, 10, 8, 2
		1318-1332	Musical instruments	30, 22, 21, 20, 17.5	12, 10
		1333-1350	Furniture, mattresses, cushions and similar stuffed furnishings; lamps and lighting fittings	20, 17.5, 16, 10	10, 8, 6, 5
Section 20; Miscellaneous Manufactured Articles	97	1351-1379	Toys, games and sports requisites	21, 15, 14, 12	6
		1380-1419	Carved articles, brooms and brushes, hand sieves, travel sets, sewing, button sets, pencils	25, 23, 21, 20, 17.5, 15, 12	12, 10, 8, 6
		1419-1441	Stamps, lighter, pipes, combs, sprays, vacuum flasks, tailors' dummies	25, 24, 21, 18, 15, 14, 10, 7.5	10, 8, 6, 4
		1441-1449	Original prints, sculptures, revenue stamps	14, 12, 9, 8	8, 6, 4, 1
Section 21; Works Of Art, Collectors' Pieces And Antiques					

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