



China cuts import tariffs on almost 200 consumer goods

Ensign At A Glance

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- China is cutting **import tariffs** on almost 200 types of consumer goods in a bid to encourage domestic consumption. The new tariff is effective from December 1, 2017, according to an announcement by the Customs Tariff Commission of the State Council.
- After the reductions, the average import tariff for these products will be cut from an **average of 17.3 per cent to 7.7 per cent** on products including food, health products, medicines, clothes, shoes and hats as well as other daily goods. Among the changes, the tariff rates for milk powders and diapers, which are in high-demand in China, will be reduced from 20 percent and 7.5 percent, respectively, to zero percent.
- The tariff reduction will **greatly benefit foreign businesses looking to sell their products in China**, as they will now be cheaper and more competitive compared to domestic alternatives. The development also marks another step in China's restructuring from a 'manufacturing and exports' economy to a 'services and consumption' economy.

- Products with reduced tariffs

According to the announcement, the tariff reductions **cover 187 eight-digit HS Codes**, including food, health supplements, pharmaceuticals, cleaning products, clothing, footwear, home appliances, and other household goods.

**A full list of the tariff reductions can be found [here](#) (in Chinese).

- **Significant changes include:**

Infant milk formulas reduced from 20 percent to zero percent;

Diapers reduced from 7.5 percent to zero percent;

Certain cosmetics, such as lipstick, eye shadow, and perfume, reduced from 10 percent to five percent;

Electric razors and electric toothbrushes reduced from 30 percent to 10 percent;

Coffee machines and smart toilet covers reduced from 32 percent to 10 percent;

Mineral water reduced from 20 percent to 10 percent; and

Oral hygiene products such as toothpaste and dental floss reduced from 10 percent to five percent.

Key highlights about China Import & Export

- **Both exports and imports maintain positive year-on-year growth in October**

China's exports rose by 6.6% yoy in 3Q17, posting positive year-on-year growth for three consecutive quarters. Among China's major trading partners, China's exports to the US registered a relatively strong growth in 1-3Q17. China's exports to the US gained 11.5% yoy in 1-3Q17. Meanwhile, China's exports to the EU, Japan and the ASEAN expanded by 8.8% yoy, 4.7% yoy and 8.3% yoy respectively over the same period. China's exports to some commodity-exporting emerging countries posted double-digit growth in 1-3Q17: exports to Brazil, Russia and India increased by 34.3% yoy, 17.0% yoy and 16.5% yoy respectively in 1-3Q17.

The growth rate for China's imports stayed high at 14.5% yoy in 3Q17, compared to 14.4% yoy in 2Q17. The **strong import growth figure** shows that the **domestic demand for imported goods have remained robust**. Overall, in 1-3Q17, China's imports totalled US\$ 1,336.9 billion, up by 17.3% yoy.

In 3Q17, China's exports increased by US\$ 25.8 billion from the previous quarter, while imports rose at a faster pace, by US\$ 29.5 billion. Consequently, China's trade surplus dropped slightly to US\$ 114.9 billion in 3Q17 from US\$ 118.6 billion in 2Q17.

China's quarterly foreign trade data, 4Q16 to 3Q17

USD billion (yoy growth)

	Imports		Exports		Trade Balance
FY16	1,587.50	(-5.5%)	2,097.40	(-7.7%)	510
4Q16	448.6	-2.70%	579.5	(-5.3%)	130.9
1Q17	417.8	-24.20%	480	-7.60%	62.2
2Q17	444.8	-14.40%	563.4	-8.60%	118.6
3Q17	474.3	-14.50%	589.2	-6.60%	114.9

In October, China's exports and imports maintained the pace of growth: China's exports gained 6.9% yoy, while China's imports increased by 17.2% yoy in the month.

China's monthly foreign trade data, November 2016 to October 2017

USD billion (yoy growth)

	Imports		Exports		Trade Balance
November 2016	150.5	-5.50%	193.6	(-1.5%)	43.1
December	169.5	-3.60%	209.1	(-6.3%)	39.6
Jan-17	131.9	-17.20%	181.6	-7.20%	49.7
Feb-17	129.5	-38.40%	119.1	(-2.1%)	-10.4
Mar-17	156.4	-20.10%	179.3	-15.60%	22.9
Apr-17	141.5	-11.60%	178.2	-6.90%	36.7
May-17	149.5	-14.20%	189.6	-7.90%	40.1
Jun-17	153.8	-17.20%	195.6	-10.80%	41.8
Jul-17	147	-11.10%	192.4	-6.50%	45.4
Aug-17	157.5	-13.50%	198.6	-5.10%	41
Sep-17	169.8	-18.70%	198.3	-8.10%	28.5
Oct-17	150.8	-17.20%	189	-6.90%	38.2

Exports by category, 2016 and 1-3Q17**Imports by category, 2016 and 1-3Q17**

yoy growth (%) of export value, calculated in USD	2016	1-3Q17	yoy growth (%) of import value, calculated in USD	2016	1-3Q17
Textile materials and products	-4.1	2.9	Cereal and cereal flour	-39.3	7.6
Garments and clothing accessories	-9.6	-0.4	Soybean	-2.3	21.3
Footwear	-12.1	4.9	Iron ore	0.5	41.9
Toys	17.4	43.3	Crude oil	-13.3	42.9
Coal	39.8	88.3	Refined oil	-21.8	27.1
Crude oil	-39	104.6	Steel	-8.2	14
Refined oil	1.5	32.4	Textile yarns, fabric and textile products	-12.2	3.7
Steel	-13.4	0.2	Vehicles and vehicle chassis	-0.5	14.8
Mechanical and electrical products	-7.7	8.2			

China's trading partners, 1-3Q17

Country/Region	Trade value (USD billion)	Share of total trade (%)	Export value (USD billion)	Import value (USD billion)	yoy growth (%)		
					Total trade	Exports	Imports
EU	450.5	15.2	270.7	179.9	11.8	8.8	16.6
US	422.6	14.2	309.1	113.5	13.7	11.5	19.8
ASEAN	366	12.3	199.1	166.9	14.2	8.3	22.1
Japan	220.1	7.4	99.3	120.7	10.1	4.7	15
Brazil	66.5	2.2	21	45.5	28.4	34.3	25.9
Russia	61.4	2.1	31.4	30	22.4	17	28.5
India	62.5	2.1	50.6	11.9	20.5	16.5	41

China's trading partners, comparing growth rates for 2016 and 1-3Q17

yoy growth (%)

Country/Region	Total Trade		Imports		Exports	
	2016	1-3Q17	2016	1-3Q17	2016	1-3Q17
EU	-3.1	11.8	-0.4	16.6	-4.7	8.8
US	-6.7	13.7	-9.1	19.8	-5.9	11.5
ASEAN	-4.2	14.2	0.9	22.1	-7.8	8.3
Japan	-1.3	10.1	1.9	15	-4.7	4.7
Brazil	-5.3	28.4	3.7	25.9	-19.9	34.3
Russia	2.2	22.4	-3.1	28.5	7.3	17
India	-2.1	20.5	-12	41	0.2	16.5

Source: China Custom

Ensign Insights

- **Stimulating domestic consumption in China**

The announcement was made shortly after US President Donald Trump visited China. Foreign governments and business groups have frequently complained that China's high tariffs on foreign goods represented an unfair trade barrier. The latest reductions aim to meet the **increasing demands of Chinese consumers for imported goods** and **escalate China's domestic market by introducing foreign competitors**. The tariff reduction means consumers can buy imported goods with lower prices, which will **directly boost corresponding imports, especially via cross-border e-commerce**.

- With the rise of cross-border e-commerce and e-tailing – retail with e-commerce embedded – and the emergence of 'experience shopping', flagship brick-and-mortar stores will need to convert to more integrated experienced-based strategies to replace traditional retail.
- For foreign brands, the move will surely prove a boon. The import tariffs will open the domestic Chinese market to more international brands — which will be able to reduce their retail price in China.

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- Importing goods into China can be complex without the right expertise and resources. Our experienced import team provides a complete range of logistical services and solutions to our international partners importing into China, ideal for international customers that require a responsive import agent that can deal with problems.
- **Ensign as an Import Agency in China –**
From your dock to your customer's door, Ensign and our international partners can handle any and every part of your international distribution strategy. As a licensed import agency, we assist customers successfully navigate the complex requirements of global commerce by staying on top of current regulations, minimizing paperwork, anticipating and preventing delays, expediting transit and lowering shipping costs.



Ensign Logistics and Warehouse Services (in China, Hong Kong, Singapore Region)

- From our logistics and warehouse services, we can arrange packing, breakdowns and pallet building.
- For your reference, an introduction of 'Logistics and Warehouse Services in China, Hong Kong and Singapore Region' can be found [here](#)



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For assistance with *China business issues or investments into China*, please contact Ensign's Specialists today.

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