

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary - Public

**Date:** 12/1/2017

**GAIN Report Number:** CH 17064

## **China - Peoples Republic of**

**Post:** Beijing

### **Christmas Comes Early as China Announces Annual Tariff Reductions on Select Consumer Products**

**Report Categories:**

Trade Policy Monitoring

**Approved By:**

Michael Ward

**Prepared By:**

Abraham Inouye

**Report Highlights:**

China announced its annual tariff revisions a month early this year, with tariff reductions on select commodities set to become effective on December 1, 2017, instead of the usual January 1, 2018 timeline. Further tariff revisions for 2018 are not anticipated at this time. In addition to the earlier timing, this year's revisions were notable in that they primarily focused on middle-class consumer products, such as processed cheese, fresh and dried fruits, nuts, and certain types of infant formula.

This GAIN report contains an unofficial translation of the State Council Duty Committee (SCDC) announcement, including a translated table of the tentative import tariffs for the agricultural commodities included in the announcement.

**Background:**

The SCDC unilaterally makes product specific reductions to China's MFN applied rate tariffs on an annual basis.<sup>1</sup> These reductions are temporary and can be adjusted back up to the MFN bound rate unilaterally by China. The scope of these reductions is defined by the eight-digit HS code.

On November 22, 2017, the SCDC published 187 tariff revisions for the coming 2018 calendar year, 33 of which pertain to food and agricultural commodities. Notably, the tariff reductions will take effect on December 1, 2017, which is a month earlier than usual. Further tariff revisions for 2018 are not anticipated at this time.

On November 25, 2017, China's Ministry of Finance announced the tariff revisions, stating that the average import tariff rate for the products affected will decrease from 17.3 percent to 7.7 percent as a result. Chinese economists have publically called the move an affirmation of the government's determination to open up and transition the economy from an export-oriented economy to one driven by domestic consumption of consumer goods.

The reduced tariffs will be welcome news for U.S. exporters of affected products. However, other regulatory barriers, like registration, remain in place. Exporters should remain vigilant and aware of market access requirements (Post has covered these requirements in multiple GAIN reports).

### **Summary of Reductions:**

Notable tariff reductions announced in this notification are as follows. The products eligible for tariff reductions are strictly defined by the listed codes (using the HS-8 level) and the Mandarin commodity description used in the SCDC announcement.

#### *Continued Seafood Reductions*

Broadening the temporary reductions made in 2017 on frozen and fresh king crab, China reduced the import tariffs for all "other frozen crab" and "other live crab" (HS 03061490 and 03063399) to 5 and 7 percent, respectively. In addition, certain shrimp tariffs were reduced (HS 03063190) for a second year, from 10 percent (2017) to 5 percent (2018). Frozen salmon, frozen capelin, and live abalone also saw tariff reductions.

#### *Limited Processed Cheese Reductions*

Roughly half of imported U.S. cheese (by value) saw tariff reductions from 12 to 8 percent. "Grated or powdered cheese, of all kinds" (HS 04062000) accounts for about 40 percent of U.S. cheese exports. This class of cheese is mainly consumed by the Chinese food industry as an ingredient in baking or other food processing. "Other cheese" (HS 04069000) accounts for roughly 20 to 25 percent of U.S. cheese exports. "Processed cheese, not grated or powdered" (HS 04063000) accounts for roughly 2-5 percent of U.S. cheese exports. These three classes saw reductions from 12 percent to 8 percent.

---

<sup>1</sup> See GAIN Reports CH 16067 and CH 15004 for previous reports on annual reductions.

The other tariff reduction applied to blue-veined cheese (HS 04063000) which is not currently exported by the United States. The main class of U.S. cheese exports is “Fresh Cheese” (HS 04061000) and was not reduced this round.

#### *Infant Formula Reductions*

The U.S. infant formula industry exports a wide variety of products to China, across a number of tariff classes. One of the largest classes (by value), “Other preparations for infant use, put up for retail sale” (HS 19011090), saw its tariff reduced from 15 percent to 2 percent.

The import tariff for certain “Special infant milk powders” (HS 21069090) was lowered from 20 percent to zero. In this case, the entire 8-digit tariff class was not reduced—only products within that class and described as hydrolyzed, amino acid, or lactose-free formulations are reduced. Since it is unclear how China intends to implement this reduction, Post is unable to determine the total amount of trade that this reduction may affect.

#### *Further Tree Nut Reductions*

In January 2017, the import tariff on in-shell cashews was reduced from 20 to 10 percent. The tariff was further reduced to 7 percent during this round. The tariff on shelled cashews was reduced from 10 (MFN rate) to 7 percent.

Similarly, in January 2017, the import tariffs for both in-shell and shelled macadamia nuts were lowered from 24 percent to 19 percent. The tariffs were further lowered to 12 percent during this round.

The import tariffs for in-shell and shelled pecans (HS 08029090) will be lowered from 24 percent to 7 percent. Notably, the United States is the largest exporter (by far) of pecans to the China market.

The United States does not regularly export Brazil nuts (HS 08012100 and 08012200).

#### *Fresh and Dried Fruit Reductions*

The import tariff for dried cranberries (HS 08134090) was lowered from 25 percent to 15 percent. The United States is a major exporter of dried cranberries to China.

In addition, the import tariff for avocados (HS 08044000) was lowered from 25 percent to 7 percent. However, the United States does not currently have market access for fresh avocados to China.

#### *Sausage Reductions*

Although two classes of sausages containing meat (HS 16010010 and 16010020) saw tariff reductions during this round, the United States is currently unable to export sausages containing meat due to China’s facility registration requirements.

Please visit the following website for SCDC’s official announcement and a complete list of tariff adjustments (in Mandarin Chinese):

[http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201711/t20171123\\_2755506.html](http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201711/t20171123_2755506.html)

**BEGIN TRANSLATION**

**Notification of the State Council Duty Committee on Adjustment of Import Duty for Certain Consumer Products**

No.25 (2017)

November 22, 2017

The General Administration of Customs,

This is to inform that the import tariffs for certain consumer products will be lowered in the form of tentative duty rates that will take effect on December 1, 2017. Refer to attached appendix for detailed HS codes and adjusted duty rates.

The State Council Duty Committee

**Appendix: Table on Tentative Import Tariffs for Certain Consumer Products**

**Table: Tentative Import Tariffs for Certain Consumer Products (limited to agricultural products)**

Serial No.	EX <sup>2</sup>	HS Code	Commodity	2017 MFN rate (%)	Tentative duty rate as of Dec. 1, 2017 (%)
1		03031300	Frozen Atlantic salmon and Danube salmon	10	5
2	ex	03035900	Frozen capelin, excluding edible remnants	10	5
3		03061490	Other frozen crab	10	5
4		03061612	Frozen <i>pandaius borealis</i>	5	2
5		03061719	Other frozen shrimp	5	2
6		03063190	Other live, fresh, or cold reef shrimp and shrimp	15	5
7		03063399	Other live, fresh, or cold crab	14	7
8		03078190	Other live, fresh, or cold abalone	14	7
9		04062000	Grated or powdered cheese, of all kinds	12	8
10		04063000	Processed cheese, not grated or powdered	12	8
11		04064000	Blue-veined cheese and other cheese containing veins produced by <i>Penicillium roqueforti</i>	15	8
12		04069000	Other cheese	12	8
13		08011100	Desiccated coconut	12	7
14		08012100	In-shell Brazil nuts, fresh or dried	10	7
15		08012200	Shelled Brazil nuts, fresh or dried	10	7
16		08013100	In-shell cashew nuts, fresh or dried	20	7
17		08013200	Shelled cashew nuts, fresh or dried	10	7
18		08026190	In-shell macadamia nuts (not for seed), fresh or dried	24	12
19		08026200	Shelled macadamia nuts, fresh or dried	24	12
20	ex	08029090	Pecan	24	7
21		08044000	Avocados, fresh or dried	25	7
22	ex	08134090	Dried cranberries	25	15
23		16010010	Sausages of meat, meat-offal, or blood, with a natural casing	15	8
24		16010020	Sausages of meat, meat-offal, or blood, with	15	8

<sup>2</sup> Note: “ex” indicates that goods applicable to provisional tax rate should be within the scope of the harmonized schedule tariff code and should be determined by the specific product description.

			other casings		
25		19011090	Other preparations for infant use, put up for retail sale	15	2
26		19021900	Other uncooked pasta, not stuffed or otherwise prepared	15	8
27		20071000	Cooked homogenized fruit preparations	30	15
28		21069050	Seal oil capsules	20	10
29	ex	21069090	Special infant milk powder with milk protein partial (or deep) hydrolysate formula, amino acid formula, or lactose-free formula	20	0
30		22011010	Mineral waters	20	10
31		22051000	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, in containers holding 2L or less	65	14
32		22082000	Spirits obtained by distilling grape wine or grape marc	10	5
33		22083000	Whiskies	10	5

**END TRANSLATION**