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Auto parts tariff ruling upheld



A mini-van on display at an international auto exhibition, which opened yesterday in Harbin, Heilongjiang province. About 600 companies are participating in the event. [Xinhua]

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The World Trade Organization (WTO) has ruled that China's tariff on imported auto parts goes against the organization's rules. This is the first time China has lost a trade dispute in the WTO since joining the organization in 2001.

According to WTO regulation, China can still appeal against the verdict. But if it loses, which experts say is the most likely scenario, China will have to remove the current measures.

But even if Beijing lowers the tariff over some auto parts as per the ruling, analysts say the effect on the domestic auto industry would be minimal.

"Many international assemblers have already localized car parts manufacturing, and changing the tariffs won't make any major difference," said Zhong Shi, an independent auto analyst.

According to a report by Galaxy Securities, most multinational carmakers have already started making more car parts in China to cut costs. Honda and Volkswagen, for instance, make over 80 percent of their components in China.

Jack Perkowski, CEO of ASIMCO Technologies Ltd, one of China's major auto parts makers, said the ruling will not make a big difference to China's auto parts industry because of the country's price competitiveness. For foreign carmakers, localization of auto parts in China brings down prices of vehicles and help them make bigger profits, said Perkowski.

A WTO dispute panel on Saturday confirmed an interim judgment in February which upheld complaints by the US, EU and Canada that China was violating fair trade rules by discriminating against imported parts.

Under the current regulation, Beijing taxes imported auto parts at the same rate as completed automobiles if more than 60 percent of parts of the finished vehicles are imported. Tariff on the whole car is 28 percent, while that on auto parts ranges from 10 to 14 percent.

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