



4 April 2013

RPT 13/042

Minister of Customs

NEW ZEALAND-CHINA FREE TRADE AGREEMENT: BONDED-STORAGE – CHINA PILOT

Purpose

- 1 This report is to:
 - inform you of the new procedures which China Customs intends to pilot. These will allow New Zealand goods cleared from bonded-storage in China to benefit from lower tariff rates under the Free Trade Agreement, and
 - bring to your attention New Zealand Customs is working with China Customs to develop a joint media release about this pilot.

Executive summary

- 2 China Customs has responded positively to issues New Zealand raised concerning wine cleared from bonded-storage in China not obtaining preferential tariff rates.
- 3 China Customs is to trial new procedures to address New Zealand's concerns. The trial is to cover all New Zealand goods (except certain dairy lines). China Customs has indicated they intend to start the trial during the second half of 2013.
- 4 This trial is a very positive response from China Customs exclusively to New Zealand's concerns. It is a reflection of the excellent relationship New Zealand has developed with China Customs.
- 5 There is potential for these procedures to be very beneficial to New Zealand traders. This will encourage greater certainty of preferential market access for goods which are partially cleared from bonded-storage.
- 6 A draft statement to promote the pilot has been agreed for joint release by the two customs administrations on Monday, 8 April 2013.

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Recommendations

7 I recommend that you:

- 1 **Note** the contents of this report on New Zealand-China Free Trade Agreement: bonded storage – China pilot

Noted/Please Discuss

- 2 **Note** that New Zealand Customs and China Customs will release a joint statement on the pilot on Monday, 8 April 2013.

Noted/Please Discuss

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Date

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BACKGROUND AND ANALYSIS

Background

- 8 The General Administration of China Customs (China Customs) provides a facility to allow imported goods to be placed into customs' bonded-storage ahead of release into domestic consumption. Tariff and other duties are paid upon clearance from this bonded-storage. Under this storage arrangement, China Customs only has a facility to allow one clearance of goods to claim preferential rates of duty (as agreed under Free Trade Agreement). Any subsequent clearances of the consignment are not able to claim the preferential rate.

The Issue

- 9 Early in the implementation of the Free Trade Agreement (FTA), an issue arose with importers in China placing a consignment of New Zealand wine into bonded-storage. Importers were only able to claim the preferential tariff rate under the FTA once, and not on any second or subsequent clearances from the storage facility.
- 10 It appears that China Customs had no system to allow multiple clearances of a consignment against the certificate of origin presented by the importer (in support of their claim of New Zealand preference).
- 11 The trial procedures developed by China Customs will allow multiple releases of a single consignment to qualify for preferential access, against a single certificate of origin. The system to be trialled will cover all New Zealand goods qualifying for FTA preference (other than certain dairy products subject to safeguard measures).

Positive Outcome

- 12 This exclusive trial for New Zealand goods demonstrates the positive relationship New Zealand Customs has built with China Customs. This shows China is willing work with New Zealand to find solutions to procedural issues which arise under the FTA.
- 13 This trial is also very positive for New Zealand Customs' reputation with our traders. The trial is the result of the wine industry contacting New Zealand Customs with concerns about utilisation of the FTA, and New Zealand Customs taking the initiative to address these concerns jointly with China Customs.

Potential Benefits

- 14 The trial procedures have the potential to be very beneficial to New Zealand traders. The new procedures will provide greater certainty of preferential market access for the full consignment of goods. This could also promote greater utilisation of the FTA.
- 15 Importers of New Zealand goods in China will receive the same lower tariff rate for the entire shipment regardless of multiple partial clearances from bonded-storage. As a result, a shipment of wine, for example, could save the importer up to 14 percent duty across the whole consignment.

The Pilot Trial – Joint Release

- 16 China Customs intends to pilot the new procedures over a 12-month period at six Special Customs Controlling Areas at the ports of Guangzhou, Nanjing, Qingdao, Shanghai, Shenzhen and Tianjin. The twelve month trial will commence during the second half of 2013.

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- 17 The two customs administrations will jointly release a statement on the pilot on Monday, 8 April 2013. A copy of the agreed media release is attached for your information. The release will alert Chinese importers and our exporters to the pilot, and encourage traders to gain benefits from the FTA.
- 18 We will keep you informed of progress with the trial through the weekly report.

Outreach

- 19 We will be issuing further information on the trial in Customs Release and via the Customs' website to advertise it to New Zealand exporters. The Ministry of Foreign Affairs and Trade has agreed to advertise the trial in its Business Link publication and on its ChinaFTA website.

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