

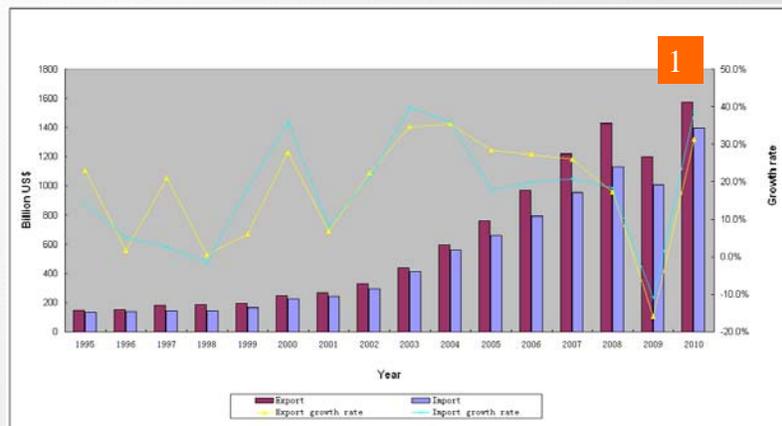
# China's Practice in Statistics of Goods for Processing

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Regional Seminar on International Trade statistics, Oct 24-26 2011, Beijing

## China's Trade Development, 1995-2010



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## High Proportion of Inward Processing Trade

Proportion in Total Export												
Customs Regimes	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Inward Processing	50%	55%	55%	55%	55%	55%	55%	53%	51%	47%	49%	47%
Ordinary Trade	48%	42%	42%	42%	42%	41%	41%	43%	44%	46%	44%	46%
Other	2%	3%	3%	3%	3%	4%	4%	4%	5%	7%	7%	7%
Proportion in Total Import												
Customs Regimes	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Inward Processing	44%	41%	39%	41%	39%	40%	42%	41%	38%	33%	32%	30%
Ordinary Trade	33%	44%	47%	44%	45%	44%	42%	42%	45%	51%	53%	55%
Other	23%	14%	15%	15%	15%	16%	16%	17%	17%	16%	15%	15%



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## 1. Definition Inward Processing



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## WCO Definition

- the International Convention on the simplification and harmonization of customs procedures( Kyoto Convention)
- “Inward processing” means the Customs procedure under which certain goods can be brought into a Customs territory conditionally relieved from payment of import duties and taxes, on the basis that such goods are intended for manufacturing, processing or repair and subsequent exportation



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## UN recommendation of IMTS 2010

- *Goods for processing* are goods sent abroad or brought into a country, under a specific arrangement between the involved parties (which may or may not include the **change of ownership**) and for a specific operations as defined by the statistical authorities of the compiling country.
- *It is recommended* that in all cases goods for processing, as well as goods resulting from the processing are to be included in the merchandise exports and imports of the countries, as applicable, at their full (gross) value.



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## UN recommendation of MSITS 2010

- **Manufacturing services on input owned by others** – new service component in Balance of Payment statistics and in Trade in services statistics
- Manufacture Service on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods concerned..



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## Definition of Inward processing in China Merchandise Trade Statistics

- *Inward Processing* is the Customs procedure under which certain goods can be brought into China Customs territory for manufacturing or processing with subsequent exportation
- Type I: (Customs Regime 14)  
The imported inputs remain the property of the foreign supplier.
- Type II: (Customs Regime 15)  
The ownership of imported inputs are transferred to Chinese producers



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## Other regimes related to Inward Processing

- Merchandise statistics
  - import of equipment invested by Foreign invested enterprises (regime 25)
  - import of equipment for processing Trade (regime 20)
- Separate information
  - to be declared for home use
  - to be declared for further steps of processing



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## 2. Administration Procedure



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## Policy

- Areas/Places:
  - Special Customs Control Area  
( Bonded Areas, Export processing Areas etc.)
  - Processing factories in other places
- Benefits from conditional duties and tax relief (bonded system)
- There is difference in domestic tax administration (VAT) between inward processing of type I and Type II in earlier on 1980s-90s.



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## Authorization before goods can be placed under the inward processing procedure

- Application for an authorization from the administration body of commerce in local city, bonded areas, export processing zones etc.  
processing qualification certificate, correctly processed product, intended duration, etc.
- Customs authorization :customs account book for each inward operation contract
- Bank account : as security for customs duty



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## Customs monitoring on the processing operation

- Declaration to Customs by lodging Goods declaration (each import/export transaction )
- Registry in the customs account book, (each import/export transaction )
- Specific Customs monitoring and periodical audit
- Information exchange between customs, bank and foreign exchange administration



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## 3.Measuring inward processing goods in External Trade Statistics



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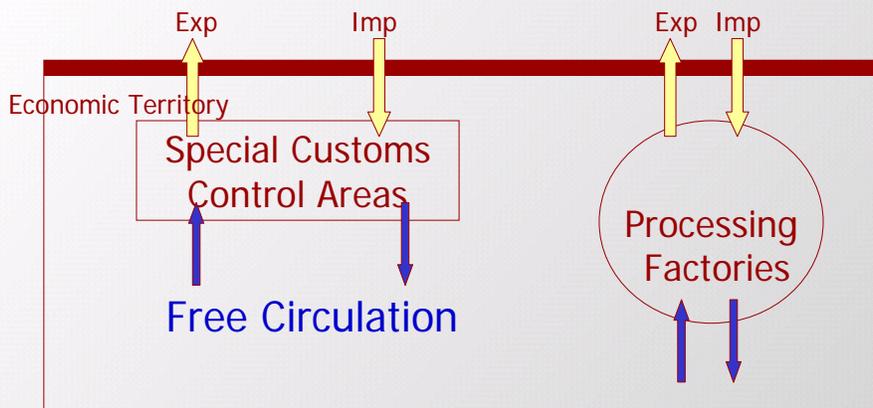
## Information collected

- Based on customs import and export declaration form
- -General Trade Systems
- -Enterprise transaction level
- -Special customs regimes
  - ( type I – without change of ownership, and type II- with change of ownership)
- -partner countries/areas, country of origin for import, and country of final destination for export
- -Commodity (HS)
- -Customs value



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## Record in Trade Statistics



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## Valuation

- Import: CIF
  - Type I: cost of material, parts, components
  - Type II: transaction value of the material, parts, components
- Export: FOB
  - Type I: cost of material + cost of labor
  - Type II: transaction value



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## Partner Country/Area

- Import goods
  - Country of Origin
  - Preferential Rule of Origin
  - Non-preferential Rule of Origin of China
    - wholly produced goods
    - substantial transformation (HS4 change, 30% value added)
- Export goods
  - Country of final Destination
  - the Rule of Origin for export goods is same as for import goods
  - Country of origin is not required to declared to China Customs for export goods
  - Origin certificate is needed when it is required by the importing partner



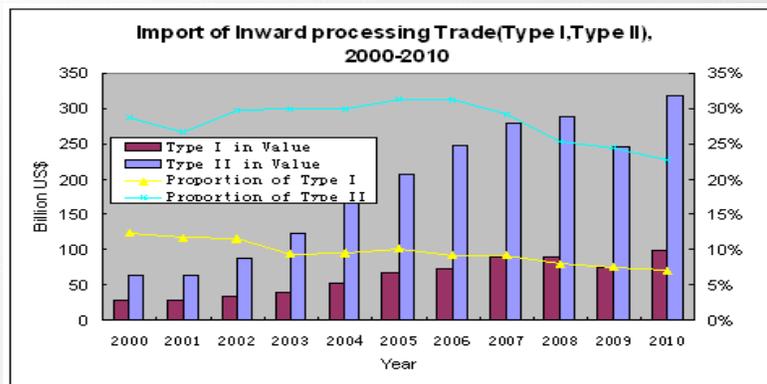
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## 4.Trade statistics on goods for inward processing



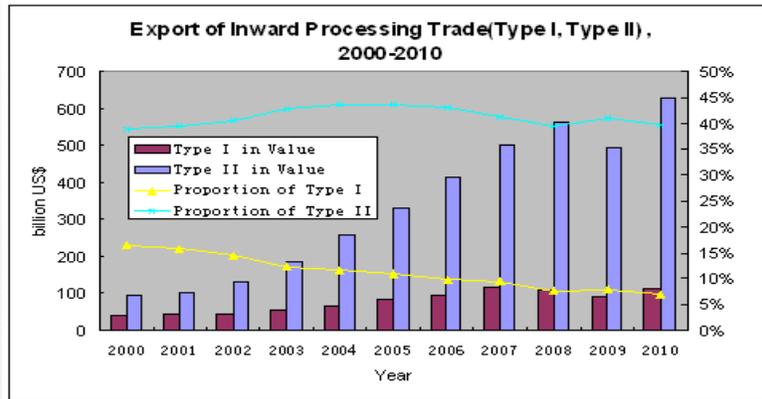
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## Import of Inward processing Trade



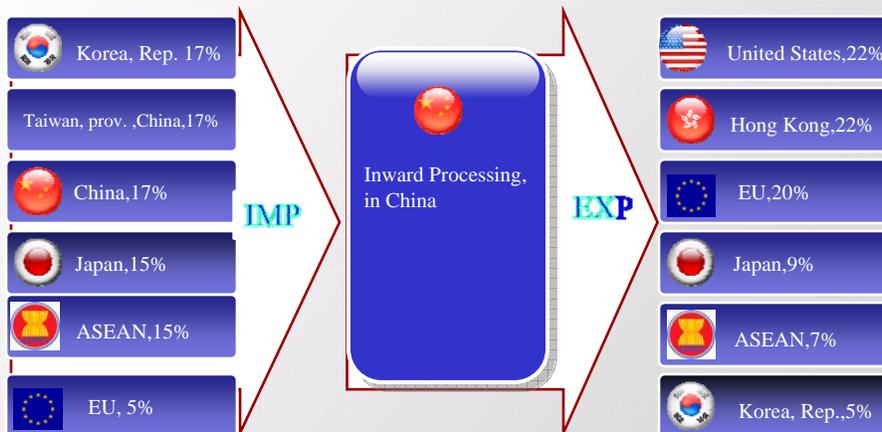
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## Export of Inward Processing Trade



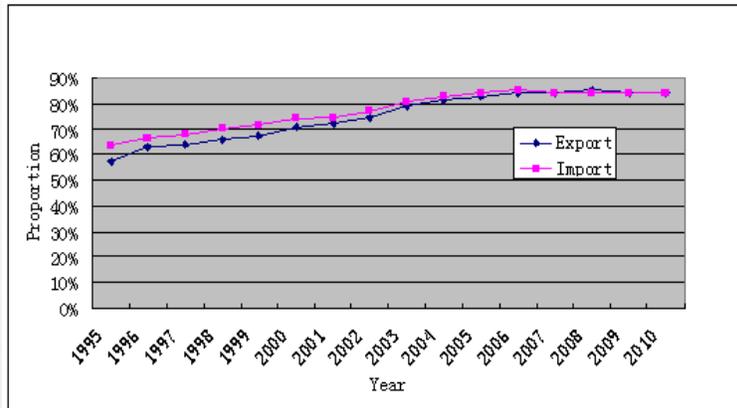
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## Major Trade Partner



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## Foreign Invested Enterprises play an important role



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## Major Import and Export Commodities

Major Import Commodities, 2010			Major Export Commodities, 2010		
HS2	IMP (M US\$)	Proportion	HS2	EXP (M US\$)	Proportion
85	187,142	45%	85	261,885	35%
90	51,602	12%	84	213,470	29%
84	37,029	9%	89	38,662	5%
39	26,902	6%	90	35,918	5%
27	14,477	3%	95	16,569	2%
74	10,154	2%	39	15,286	2%
72	9,196	2%	62	12,920	2%
29	7,438	2%	40	11,112	2%
40	5,879	1%	64	10,866	1%
52	4,855	1%	94	9,411	1%
TL		85%	TL		85%



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## Enterprise level

Customs Code for Import and Export Enterprise, 10 digits  
(General Administration of Customs of China)



Unique National Organization Code, 9 digits  
(National Administration for Code Allocation to  
Organization)



Enterprise Code according to Industrial Classification for  
national economic activity, 12 digits  
(National Bureau of Statistics)



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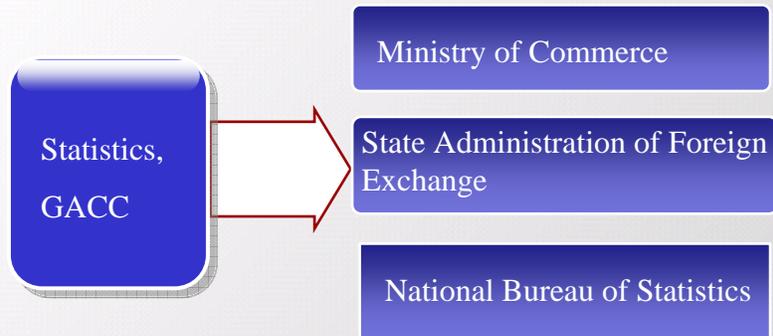
## Example:

- QINGDAO HAIER ELECTRONIC CO.,LTD
- Customs ID: 370295001X
- National enterprise ID: 71370700X
- Taxation enterprise ID: 37021271370700X



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## Institutional arrangements



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Thank you !



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