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Profile of China's Processing Trade Policies

(Lei Jianzhong, Department of Mechanic, Electronic and
Hi-Tech Industry Department, Ministry of Commerce)

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1. China's background of formulating processing trade policies

The launching of reform and opening-up policy stimulates the need to attract foreign capital, develop “two ends out” policy (raw materials and sales market are all overseas), and improve the technical and managerial performance (labor employment was not the main cause then).

2. Content and management policies of processing trade policies

Description: imported materials and component parts are put as bonded goods and finished products are exported;

Forms: processing with imported materials and buyer-supplied materials;

License: the management of (majority of) import license can be exempted;

Classification: the classification management on enterprise and commodity

3. Operational procedures of processing trade

Basic requirements for enterprise: export & import operation right (apply to Ministry of Commerce), certificate of production capacity (to be provided by the commercial administration at the location of the enterprise's business), the import (export) contract of enterprise (the agreement on commissioned processing shall be offered if the enterprise does not conduct processing itself)

Application procedures for enterprise:

--apply (via computer management system) to the department of commercial administration at the location of the enterprise's business, get the business approval certificate (along with the listing of imported material and component parts as well as the listing of exported finished products) upon the examination and approval. Special goods shall, in accordance with the requirement, be provided with import or export license.

--Report to the customs with approval certificate. Upon the

double examination and approval of the customs, the enterprise's application would be accepted and kept in the customs' record. In some cases, the enterprise shall pay the guarantee funds to the appointed banks in terms of its enterprise classification and commodity type. Afterwards, the enterprise shall be entitled the right to import the raw materials (some may need import approval license, which conforms to the requirements of commercial administration or the customs) to operate business.

--Non-price setting equipment. Without the machinery condition for production, the Chinese party shall use the equipment provided free of charge by foreign party to produce the goods the foreign party needs. No equipment cost shall be paid back.

--To change the content of the kept record, the enterprise shall apply to the commercial administration, get the approval and then apply to the customs for the change.

--For the after-writing-off record-keeping business of exported finished products, some of them may change to domestic sale as a common import trade. Under such circumstance, the enterprise shall apply to the department of commercial administration, and then pay the supplementary

tariff and value-added tax of bonded materials and components as well as overdue fine to the customs (the period after the bonded import is counted as the loan-time from the bank, thus the overdue loan interests shall be paid).

4. Government departments concerning the formulation of processing trade policies:

Ministry of Commerce, General Administration of Customs, State Administration of Taxation, State Administration of Foreign Exchange, China Banking Regulatory Commission, Bank of China, General Administration of Quality Supervision, Inspection and Quarantine, State Environmental Protection Administration, Ministry of Finance, National Development and Reform Commission, Ministry of Land and Resources.

5. Special zones and favorable policies:

Bonded zone, export processing zone, bonded port zone and bonded logistics zone.