

How to Benefit from Preferential Tariff Rates under the FTA CH-CH?

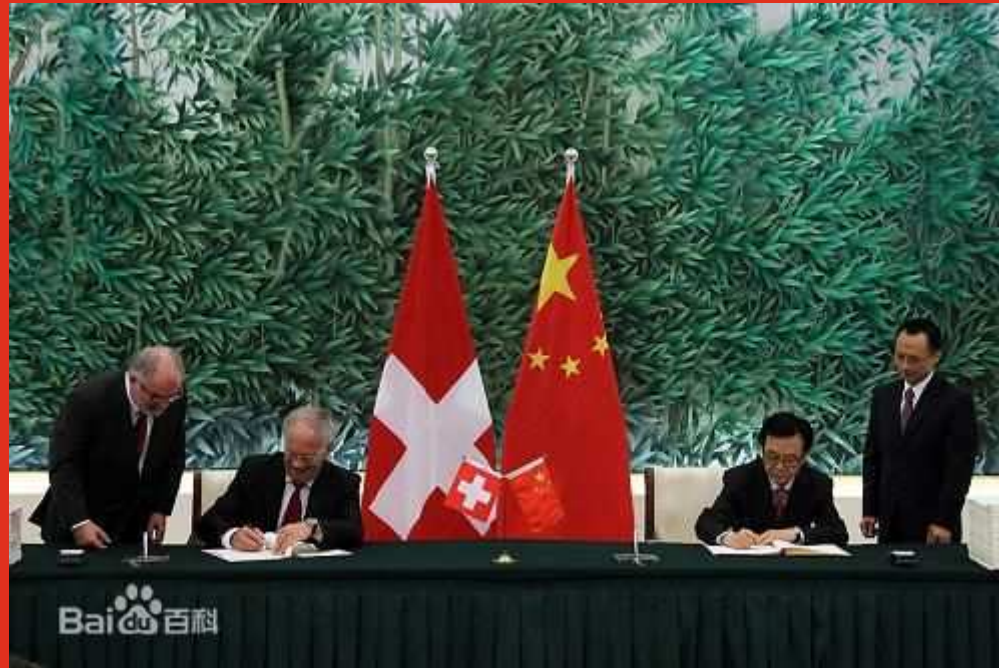
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Swiss-Chinese Chamber of Commerce
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Topics

1. Tariff Elimination/Reductions under Agreement in Trade in Goods (Chapter 2)
2. Rules of Origin and Implementation Procedures (Chapter 3)
3. Customs Procedures and Trade Facilitation (Chapter 4)
4. How to Benefit from Preferential Tariff Rates under the FTA CH-CN?

1. Tariff Elimination/Reductions under Agreement on Trade in Goods (Chapter 2)



1.1. Overview of FTA CH-CN

- First FTA b/n China and a Continental European country
- Features:
 - High quality: wide coverage of products subject to zero or lower tariffs (Switzerland: 99.99%; China: 96.5%)
 - Comprehensive: 16 Chapters, including such new issues as government procurement, environment, cooperation on labor and employment, intellectual property and competition (first timers or more detailed obligation)
 - Win-win: balance of each Party's interests and commensurate to respective level of development

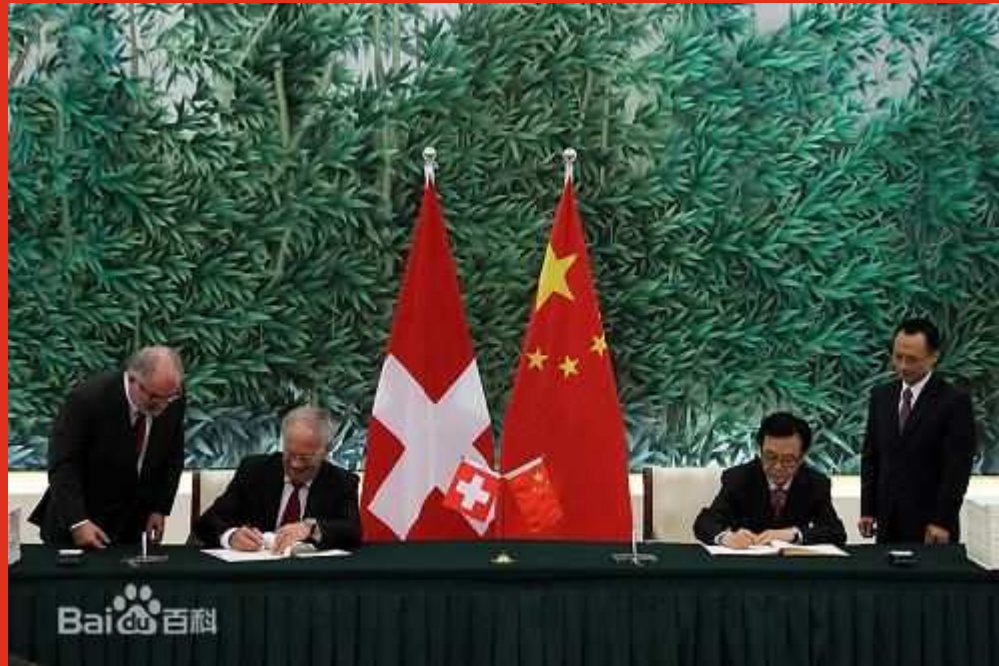
1.2 Tariff Elimination/Reductions under Agreement on Trade in Goods (Chapter 2) – by overall %

- Core element of the Agreement on Trade in Goods under the FTA CH-CN.
- Goods from China to Switzerland:
 - 99.99% of products subject to duty elimination or reduction
 - 99.7% of products subject to zero tariff (on “Day one” of implementation)
- Goods from Switzerland to China:
 - 96.5% of products subject to duty elimination or reduction
 - 84.2% of products subject to zero tariff (with delay periods b/n 5-10 years for certain products)

1.2 Tariff Elimination/Reductions under Agreement on Trade in Goods (Chapter 2+Annex I) – by Products

- Goods from China to Switzerland:
 - Zero tariff for 6958 products on “Day one” of implementation
 - Tariff reductions on 619 products (by 0%-50%)
 - No reduction (exceptions) on 254 products
- Good from Switzerland to China
 - Zero tariff for 1803 products on “Day one” of implementation
 - Zero tariff for 5495 with delay periods (5-10 years, with “first fast then slow” reduction model for 165 products, e.g. watches and parts - 18% during first year and 9% for each of the rest of the years)
 - Tariff reductions on 168 products (by 60%)
 - No reduction on 457 products

2. Rules of Origin and Implementation Procedures (Chapter 3)



2.1 Role of ROO in FTA CH-CN

- ROO determine the nationality/originating status of a product and hence the qualification of the product for benefiting from preferential tariff rates under the FTA CH-CN.
- No uniform ROO, depending on each FTA negotiated
- What does not confer origin (examples)?
 - Working or processing not meeting origin criteria
 - Selling or shipping non-originating product simply through a Swiss or a Chinese middleman.
- Both origin criteria and implementation procedures are put into place to ensure preference granted and “free riding” prevented

2.2 ROO under CH- FTA: Structure

- Chapter 3 Rules of Origin and Implementation Procedures
 - Section 1 Rules of Origin
 - Section 2 Implementation Procedures

- Annex II Product Specific Rules (PSR)

- Annex III Certificate of Origin
 - Appendix 1. CN CO
 - Appendix 2. CH CO

- Annex IV Declaration of Origin

2.3 ROO under FTA CN-CH :New Features

- Chapter + Annexes for ROO
- RVC criteria:
 - VNM
 - Ex-works price
- PSR:
 - Alternative criteria: not across-the-board
 - Specific criteria: liberal v.s. stringent
 - Note for Chapters 27 to 40:
 - › molecule, cell culture, fermentation
 - › chemical reaction, mixtures and blends, purification, change in particle size, standards materials, isomer separation
 - PSR for coffee, watches, etc.
- Principle of territoriality
- More flexible Direct Transport rule: split of consignment
- Proof of origin:
 - COO: different formats for CH and CN
 - Declaration of origin by approved exporter

2.4 .1 Origin Criteria under FTA CH-CN

- Used to define what a Swiss or Chinese product is

- Wholly obtained / produced (WO)**

 - Article 3.3

- Substantial transformation**

 - Regional Value Criterion (RVC):

 - “VNM%” denotes the maximum % of the value of non-originating materials allowed in relation to the ex-works price of the product. For example, “VNM 60%” indicates that the VNM does not exceed 60 percent of the ex-works price of the product:

 - 30% to 60% \approx 70% to 30% value added

 - Change in tariff classification (CC, CTH, CTSH)

 - All non-originating materials used in the production of the product have undergone a change in tariff classification at the chapter (2 digit), heading (4 digit) or subheading (6-digit) level of the HS;

 - Specific Process of Manufacturing

2.4.2 Origin Criteria under FTA CH-CN: Examples

ex Chapter 9	Coffee, tea, mate and spices; except for:	WO	
0901.21	Coffee, roasted, not decaffeinated	VNM 30% and manufacture from raw coffee beans including roasting	
0901.22	Coffee, roasted, decaffeinated	VNM 30% and manufacture from raw coffee beans including roasting	

2.4.2 Origin Criteria under FTA CH-CN: Examples

ex Chapter 17	Sugars and sugar confectionery; except for:	CC	
17.01	Cane or beet sugar and chemically pure sucrose, in solid form	WO	
17.04	Sugar confectionery (including white chocolate), not containing cocoa	CTH and VNM 50%	
ex Chapter 18	Cocoa and cocoa preparations; except for:	CTH and VNM 50%	
18.01	Cocoa beans, whole or broken, raw or roasted	WO	

2.4.2 Origin Criteria under FTA CH-CN: Examples

ex Chapter 37	Photographic or cinematographic goods; except for:	CTH	VNM 60%
37.01	Photographic plates and film in the flat, sensitized, unexposed, of any material other than paper, paperboard or textiles; instant print film in the flat, sensitized, unexposed, whether or not in packs	CTH and where the product is coated with an emulsion or another coating solution, this emulsion or other solution shall be manufactured within the Party and the processes of drying, coating, cutting and packaging, if required, also take place within the Party.	
37.02	Photographic film in rolls, sensitized, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitized, unexposed	CTH and where the product is coated with an emulsion or another coating solution, this emulsion or other solution shall be manufactured within the Party and the processes of drying, coating, cutting and packaging, if required, also take place within the Party.	
ex Chapter 38	Miscellaneous chemical products; except for:	CTH	VNM 60%
38.25	Residual products of the chemical or allied industries, not elsewhere specified or included; municipal waste; sewage sludge; other wastes specified in Note 6 to this Chapter	WO	

2.4.2 Origin Criteria under FTA CH-CN: Examples

HS code	Description of product	Working or processing, carried out on non-originating materials, which confers originating status	
(1)	(2)	(3)	or (4)
Chapter 84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	VNM 50%	
Chapter 85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	VNM 50%	

2.5 Supplementary rules

- Accumulation: bilateral only
- Minimal Operations or Processes: freezing, packaging, slaughtering of animals
- De Minimis: $\leq 10\%$ of the ex-works price
- Unit of Qualification
- Accessories, Spare Parts and Tools
- Neutral Elements
- Fungible Materials
- Principle of territoriality

2.6 Direct Transport

1. Preferential tariff treatment under this Agreement shall only be granted to originating products which are transported directly between the Parties.

2. Originating products which are transported through the territories of nonparties may still be considered as being transported directly between the Parties, provided that:

(a) they do not undergo operations other than unloading, reloading, or any operation confined to preserve them in good condition; and

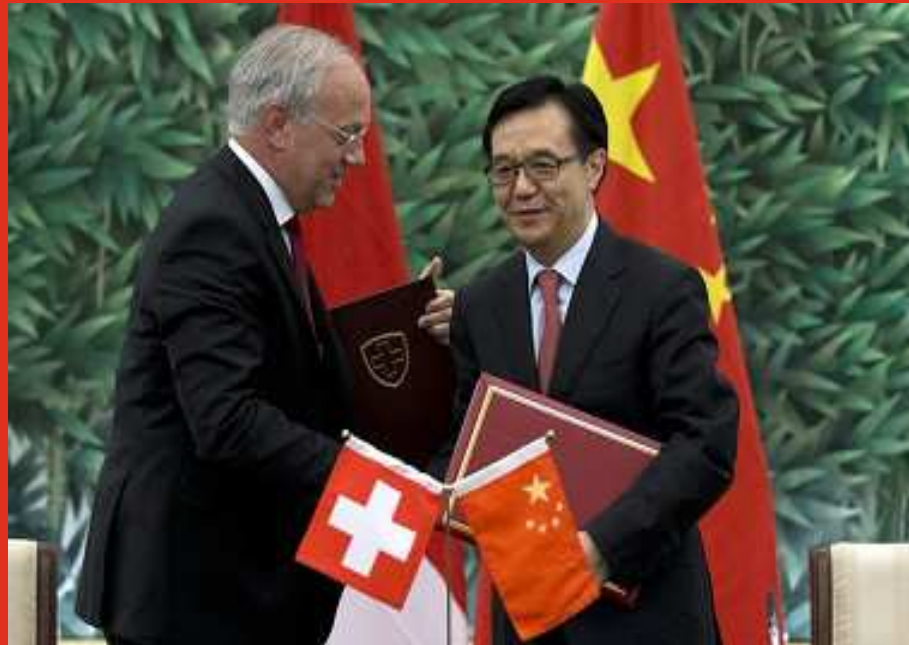
(b) they remain under customs control in those nonparties.

Consignments of originating products may be split up in nonparties for further transport subject to the fulfillment of conditions listed in subparagraphs (a) and (b).

2.7 Implementation Procedures

- Documentary Evidence of Origin
 - C/O:
 - Appendix 1. CN CO
 - Appendix 2. CH CO - Movement Certificate EUR.1
- Declaration of Origin by Approved Exporter
 - How it works?
 - Exchange of info and electronic system of exchange of info
- Retention of documents: subject to domestic legislation
- Requirements regarding importation: request/claim for pref. at time of importation
- Waiver of documentary evidence of origin: ≤\$600
- Origin verification: by exporting party upon request of importing party
- Denial of preferential tariff treatment: not meeting requirements
- Products transported en route after exportation
- Sub-Committee on implementation of origin matters

3. Customs Procedures and Trade Facilitation (Chapter 4)



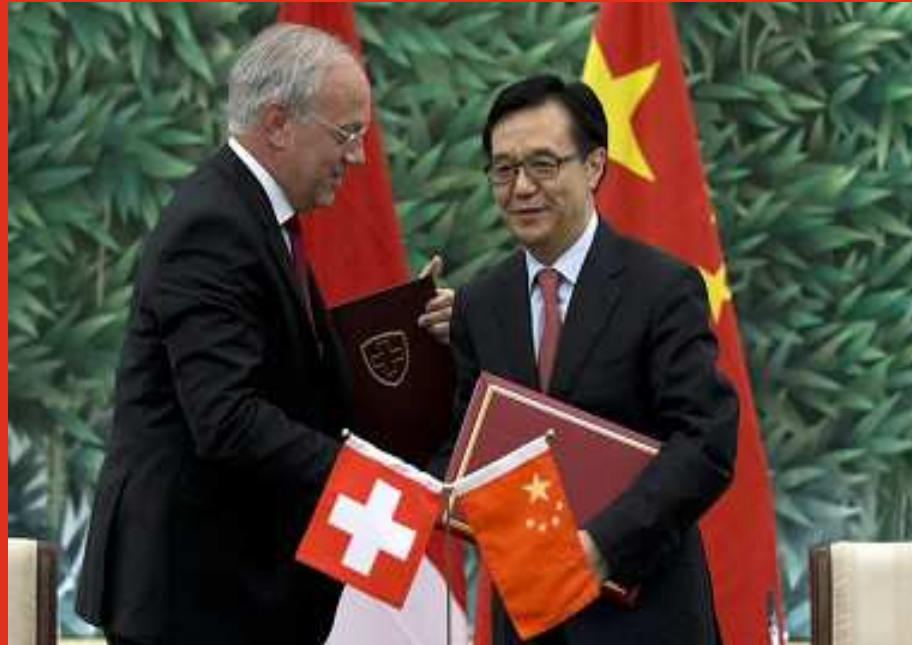
3.1 In general...

- Broader disciplines to ensure the effect of duty elimination or reductions is not impaired by undesirable delays in the clearance of goods at the border.
- FTA v.s. TFA
- Most comprehensive Chapter in China's FTAs
- 23 Articles on simplification, lowering cost, expeditious clearance, consistency, transparency and higher standards of public service

3.2 In detail...

- Transparency and cooperation
- Advanced ruling
- Simplification of international trade procedures
- Risk management and customs audit
- AEO
- Customs brokers
- Fees and charges
- Consular transaction
- Temporary admission
- Border agency cooperation
- Review and appeal
- Sub-Committee on Customs Procedures and Trade Facilitation

3. How to Benefit from Preferential Tariff Rates under the FTA CH-CN?



4.1 How to approach it?

- Know the preference and associated rules and procedural requirement
- Cost-benefit analysis
 - Is your product covered by the FTA?
 - What is the margin of preference and actual amount of duty savings that can be achieved?
 - Does the product satisfy the rules of origin?
- Get the details (esp. implementation procedures) right to avoid delays and denial of preference
- In case of problems, contact the competent authorities

4.3 Utilization Rate of RTA and COO

- China FTA utilization rate has not been high compared with other countries' TFAs
- Multiple factors affecting utilization rate
 - Attractiveness of tariff concessions: difference btn RTA rate and MFN rate
 - Economic operations' awareness of preference and required procedures
 - ROO, procedures for providing proof of origin, customs clearance and cost

4.2 Enhancing Utilization Rate of FTA CH-CN

- Defining UR:

UR= share of total imports actually granted preference
in
total dutiable imports entitled to be granted preference

- Need for exchange of data on:
 - COO issued by issuing bodies and origin declarations made by approved exporters
 - actual FTA exports by country of exportation
 - actual FTA imports by country of importation
- analysis of actual FTA utilization rate based on complete data set
- Current situation: data hard to get or huge discrepancy for various reasons

01 July, 2014
Can FTA CH-CN set an example?

Thank you!