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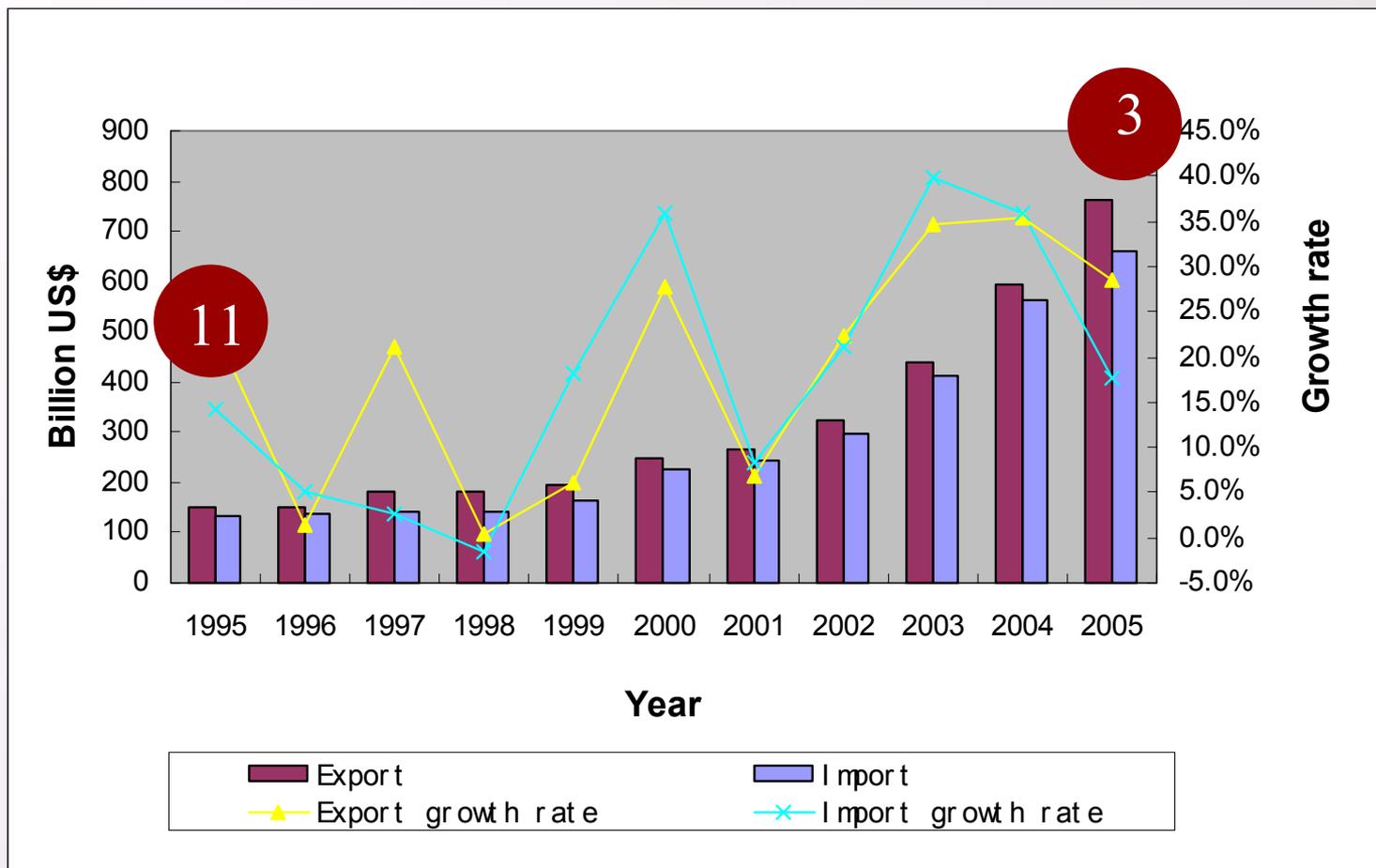
China's Practice in Statistics of Goods for Processing

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China's Trade Development, 1995-2005



High Proportion of Inward Processing Trade

Proportion of Total Export											
Customs Regimes	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Processing Trade	50%	56%	55%	57%	57%	55%	55%	55%	55%	55%	55.00%
Ordinary Trade	48%	42%	43%	40%	41%	42%	42%	42%	42%	41%	41%
Other	2%	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%
Proportion of Total Import											
Customs Regimes	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Processing Trade	44%	45%	49%	49%	44%	41%	39%	41%	39%	40%	42%
Ordinary Trade	33%	28%	27%	31%	40%	44%	47%	44%	45%	44%	42%
Other	23%	27%	23%	20%	15%	14%	15%	15%	15%	16%	16%



Inward Processing



Definition of Inward processing

- 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, more commonly FIEs

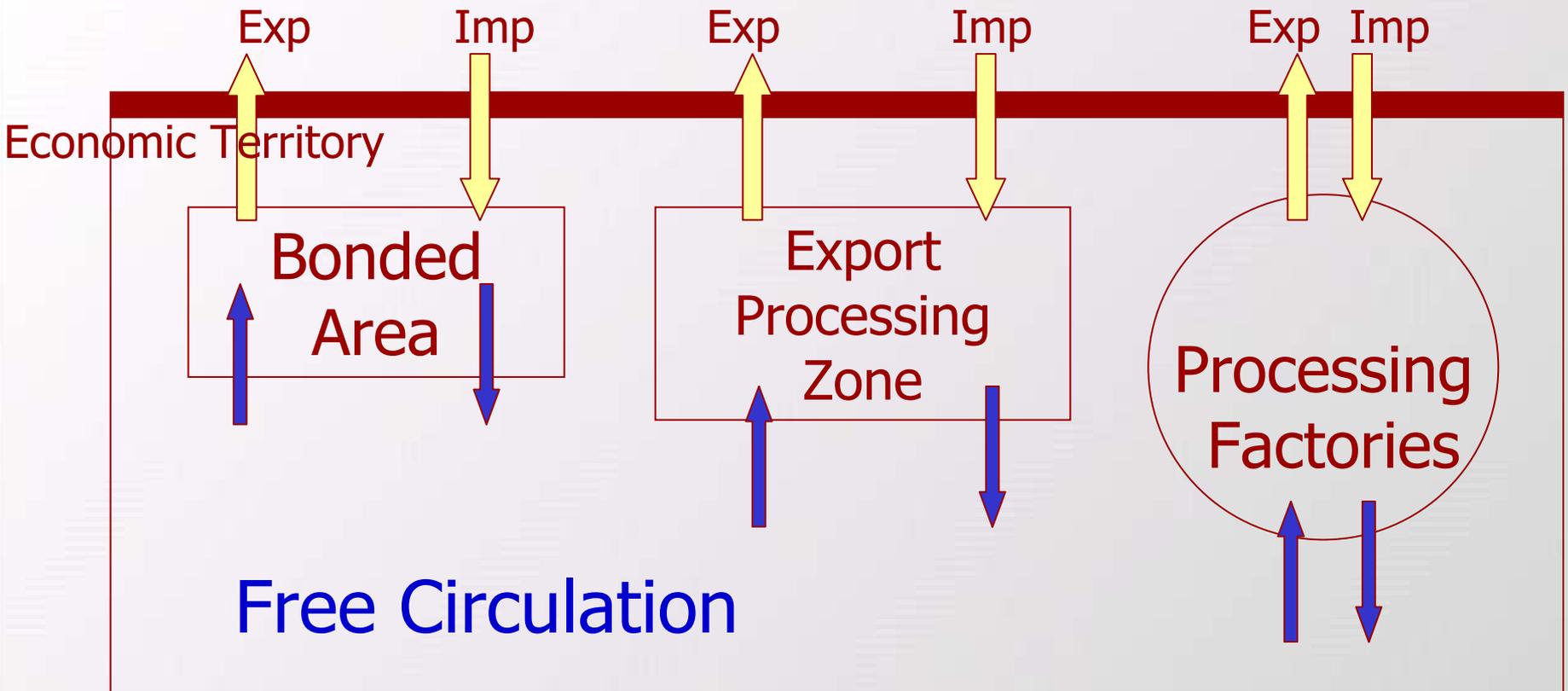


Customs Control

- Bonded Areas
- Export processing Areas
- Processing factories in other places
- Benefits from duties and taxes exemptions
- Processing trade network control system
- Pre-classification for inward processing goods



Record in statistics



Valuation

- Import: CIF

Type I: cost for the material, parts, components

Type II: transaction value for the material, parts, components

- Export: FOB

Type I: cost of material + cost of labor

Type II: transaction value



Country of origin

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



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
 - Processing material, processed products into free circulation
 - Processing material, processed products into 2nd step processing
 - Processing equipment into free circulation, etc.



Outward processing



- The Customs procedure under which goods in free circulation in China Customs territory may be temporarily exported for manufacturing, processing abroad and then re-imported.
- Customs regime 27- outward processing good
- Valuation:
export:value of material,
import:value of material + processing cost
- Country of origin
- Small proportion in China total trade,60 million US\$ in 2005, 0.004 %



Problems and Difficulties on Inward Processing Statistics



China made products are re-imported

- 55.1 billion US\$ in 2005, 8.3% of total imports
- 95.2% from Hong Kong
- 70% imported by Guangdong
- 73.5% as inward processing materials



Reasons:

- Geographic and logistic convenience of Guangdong with Hong Kong
- Business management for multinational enterprises, distribution center in Hong Kong
- Inward processing supervision system
- Other reasons



Problems with the data quality

- Poor declaration on final destination of exported good of inward processing – one of the causes for the difference on merchandise trade statistics between China and its trade partners.
- Affiliated trade may have influence on the value of processing goods
- Warehousing trade



- Type I and II inward processing may be mixed up for 2 or more steps of inward processing.
- Domestic material may be mixed with imported material in the final exported products, still under the Customs procedure of inward processing goods.
- May be mixed with goods for repair



Thank you !

