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China, Peoples Republic of

Tobacco and Products

Chinese Import Procedures for Tobacco

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Report Highlights:

Although the Chinese market has been recently opened to U.S. tobacco leaf, the procedures for importing tobacco remain extremely complex. This report outlines those procedures.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1], CH

New market, old procedures

The recent announcement of import procedures for U.S. tobacco leaf has created new opportunities for U.S. tobacco exporters. However, the process for importing tobacco remains unchanged, and clearly owes its pedigree to the era of the planned economy. It is subject to numerous and extremely onerous controls, and is extremely complex. Businesses wishing to export to China will need to learn how this process works. Following is a short outline, as laid out by the Chinese government.

Can you say arcane?

China's State Tobacco Monopoly Administration (STMA) has designated the China National Tobacco Import and Export Corporation (CNTIEC) as the sole agent for importation of all tobacco leaf. Any tobacco leaf exporters that plan to sell to China must first contact CNTIEC's General Business Department in order to start the procedure. This procedure involves the submission of samples and price quotes. Samples are passed along to the China National Leaf Tobacco Corporation (CNLTC), which assigns codes to the various samples, which are then presented to the buyers. Samples are marked only with the code, grade and price, with no reference to the country of origin or producer. Cigarette manufacturers are then required to submit an application to import the tobacco, listing the type and grade they plan to import. This application must be submitted by November, and must cover the cigarette manufacturer's entire needs for the following calendar year. STMA then checks the applications against the cigarette company's production quota (assigned by STMA's Economic Operations Dept.) to assure that they are not importing more than their production quota will allow for. Once STMA verifies the quota, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) must approve import quotas for the purchase. Only after this procedure has been completed, will CNTIEC purchase and import the tobacco.

Cigarette manufacturers' sole opportunity to view and test samples of foreign tobacco is at two purchasing conferences. One is held in March for Brazilian tobacco, and one in July for tobacco from Zimbabwe. No date has been set for a purchasing conference for U.S. tobacco as of yet. Though CNTIEC is the sole purchaser of the tobacco, the cigarette companies typically send representatives to the country of origin once to monitor the production process, then again to inspect the final product prior to shipment. According the CNTIEC, a number of U.S. companies have already contacted them to express their interest in exporting. However, CNTIEC expects that the high price of U.S. tobacco relative to Zimbabwe and Brazil will price them out of the market. Rumors within the industry, however, indicate that the Yunnan Hongta Group, one of China's largest manufacturers, is considering purchase of an unknown quantity of U.S. flue-cured tobacco.