Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution
Date: 11/2/2001
GAIN Report #CH1067

China, People's Republic of

Food and Agricultural Import Regulations and Standards

Import Procedures

2001

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Report Highlights:
This report provides information regarding import procedures for the People's Republic of China. Exporters should carefully discuss regulations and their application with Chinese importers to ensure that their interpretation of the regulations is accurate.

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

Summary
This report was submitted by the USDA FAS ATO Shangai in 1999. This text provides an outline of import procedures for goods into China. Along with explaining some of the requirements, the text provides further insight and recommendations regarding some aspects of Chinese business culture.

Import Procedures

In China a network of good relationships, or *guanxi*, is important to ensure a business encounters as few difficulties as possible. This philosophy applies to every aspect of the business world, including clearing a product through customs. Many foreign companies find it worthwhile to hire one person to deal with customs officers full-time. For firms in which business volume does not justify hiring a dedicated person, using the same personnel all the time for customs matters is a good idea. This way, the person has a chance to get to know the customs officers and to develop a good relationship with them. In general, importers report a gradual improvement in customs clearance times.

Prior to customs clearance, imported products go through the following:

1. Verification of the consignee's import license.
2. Verification of the documents of goods entitled for tax exemption.
3. Verification of the packing list, commercial invoices, and shipping documents.
4. China Commodity Inspection Bureau (CCIB) inspects products for quality, quantity and weight.
5. Health Quarantine Bureau (HQB) tests for pesticides, antibiotics, or any other manifest and non-manifest problems. (The Bureau administers and approves products labeling for processed food products).
6. Animal and plant products quarantine inspection is required (imported animal and plant product must comply with the Law of the People's Republic of China on Animal and Plant Entry and Exit Quarantine). This was formerly conducted by the Ministry of Agriculture's Animal & Plant Quarantine Bureau (CAPQ), but this unit is now a part of China Customs.

Note: At present, the above mentioned three Chinese authorities (4,5,6) have been merged into one new organization called the State Administration of Entry & Exit for Inspection & Quarantine of the People's Republic of China (AQSIQ).

General Operating Procedures for Importing Food Products are as follows:

1. Possess sufficient quota and foreign currency amount;
2. Apply to the local Import/Export Commodity Inspection Bureau and Sanitary Quarantine Bureau for approval and records regarding quality, time, and source of food import (requires 2 to 3 days);

3. Apply to the local Planning Commission and Foreign Trade Department for import license covering the quantity and price of food products to be imported (requires 2 weeks to 3 months; average time is 1 month);
4. If authorized, make direct purchase from abroad or use an authorized company as an import agent; when using an import agent, the import license and needed quota and foreign currency shall be transferred to the agent (requires commission in accordance with type of goods);
5. Upon arrival of imported goods, apply to the Commodity Inspection Bureau (CCIB) and Animal & Plant Quarantine Bureau (CAPQ) for inspection and submit certificates issued by commodity inspection and animal and plant quarantine authorities of exporting area (takes 1 to 2 days for fresh food; 1 week or longer for canned food and requires inspection fee from 0.1% to 0.5% based on type of good);
6. Upon completion of inspection, submit Customs declaration (takes 1 to 2 days and requires 0.5%-1% cargo value);
7. Pay import duties and clear goods.

Imported packaged foods will face a checkpoint at the border. The Chinese Import/Export Commodity Inspection Bureau and the local Health Quarantine Bureau are responsible for examining packaged food labels in compliance with the "General Standard for Food Labeling."

Firms that desire official pre-approval of their labels can apply to the same agencies responsible for approving temporary labels that were accepted before the September 1, 1996 deadline (the Health Quarantine Bureau of the People's Republic of China and the Secretariat of the National Foodstuff Industry Standardization Technology Commission). The Agricultural Trade Office in Shanghai recommends a less formal course of action, however. Formal pre-approval is not required and the Chinese bureaucracy is not well-equipped to manage the inter-agency communication necessary to make pre-approval effective. Pre-approval itself is likely to be lengthy and uncertain, and probably will not expedite the inspection process when packaged foods arrive at the border.

The local bureau of technical supervision and the local health quarantine bureau are responsible for enforcing food labeling standards in the marketplace. Local bureaus of technical supervision often entrust separate state-owned inspection enterprises to monitor retail markets at irregular intervals. Inspectors usually visit stores 3 to 4 times per year, examining select product categories for compliance with any number of standards – including the Food Labeling Law. Examinations and particular emphasis are often driven by consumer complaints. Although food enterprises may make complaints against their competitors to solicit market examinations, this rarely occurs in practice.

China is lowering tariffs in an attempt to qualify for membership of the WTO. The average import tariff level was reduced in September 1997 to 23 percent (down from 43 percent in 1992), and the government is publicly committed to lowering average tariffs on about 6,300 items. At present, tariffs on materials and industrial supplies are lowest (less than 20 percent in most cases) relative to consumer and agri-foods, that are generally subject to rates of 30-60 percent. However, as discussed below, few companies actually pay the full official rates on their imports.

Since 1984, foreign businesses have been able to import through specialized state-owned Foreign Trade Corporations (FACs). The FACs (also known as import/export companies) then deal with wholesalers. Without the direct contact with wholesalers, foreign companies often have trouble controlling the distribution of their products. With this channel, it is also difficult to understand why your product is or is not selling.

However, as the traditional way of importing goods to China, this method has the benefit of relatively easy customs clearance and expedient government approval.

According to the current import administrative system in China, import goods fall into three major categories. Class I includes products such as cars, steel, and grain that are controlled by the central government. The quantity and value of their imports must be approved on a case-by-case basis by the State Planning Commission and the Ministry of Foreign Trade & Economic Cooperation (MOFTEC). Class II are products that need licenses issued by the Special Representative Office of MOFTEC stationed at major port cities. Class III are products that are subject to approval by local planning authorities and foreign trade departments for a case-by-case basis. Foodstuff falls into the third category. MOFTEC also issues import licenses to manufacturers in China with export values exceeding US$ 1 million annually. Foreign-trade licenses are available to firms with annual exports over US$ 10 million. MOFTEC may also grant a foreign-trade license to wholesalers, retailers and chains stores with annual business volumes of RMB 1 billion or more. Occasionally, a research institute or high-tech company can win import-export company status if their trade volume is more than US$ 300,000 for at least two years consecutively.

The most common method that foreign companies use to import goods into China is through a third party import-export company based in Hong Kong. The import-export company oversees and manages the customs clearances and arranges the distribution of products through their affiliate in China.

Import-export companies save foreign firms customs hassles, logistical difficulties and distribution challenges. Unfortunately, many of these companies use grey channels to import the foreign goods that circumvent Chinese tariff and VAT requirements. These channels include:

1. Smuggling;
2. Making use of special tax reduction quotas intended for other purposes;
3. Fake joint ventures with hotels;
4. Under reporting invoice prices to reduce duty;
5. Obtaining false documentation reporting full duty and /or VAT paid.

For companies serious about long-term business in the Chinese market, this strategy has a number of negative implications. Even if foreign suppliers sell their products to a trading company in Hong Kong, the supplier may be held responsible if improper means are used to import and distribute their products in China. Foreign suppliers can be found guilty of acting in concert with the distributor and may be severely fined by the Chinese Customs Authorities.

Another disadvantage of using a third party importer is the lack of control over products. Some products never get to the China market. Foreign companies are misled into selling their products cheap and the products end up “transhipped” and resold for many times the original price in North America or elsewhere. Products that do end up sold in the China market are sold at prices that are set at the discretion of the distributor and retailer. Foreign companies do not have any control over this process.