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ATO Guangzhou facilitates U.S. Cooperators and Shenzhen Customs Summit

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Report Highlights:

Building on the positive working relationship cultivated between ATO Guangzhou and Shenzhen Customs, on July 12 in Qingyuan, Post initiated the third phase of a communication platform whereby a select group of U.S. producer associations raised concerns to Shenzhen Customs on import taxation practices. As a result of this meeting, U.S. producer associations have a richer understanding of price valuation procedures that impact taxation rates for their respective commodities in Mainland China; and Shenzhen Customs has a direct line of communication to consult with U.S. producer associations when there are price discrepancies or irregularities that tend to overcharge imported U.S. agricultural products. The United States is a major supplier of a number of U.S. agricultural products and this meeting established a new interactive scheme that relies on input and cooperation from U.S. producer associations. ATO Guangzhou's method of cooperation is a model that Shenzhen Customs exclusively has for U.S. agricultural producer associations.

General Information:

Background: In China, the Duty Collection Administration of China Customs designated six offices to manage tariff valuations which are used for setting import tax rates. Shenzhen Customs was appointed to be the lead on valuations on HS codes for chapters 1-24 (virtually all agricultural products fall under these Chapters). That is to say, the Valuation Office of Shenzhen Customs is responsible for creating reference prices and setting tax rates on all of these products for all ports in China. Shenzhen Customs is the office that references the latest prices on record to all other Customs branch offices in Mainland China. They are also responsible for training Customs China branch offices on conducting price valuations.

Over the past two years, ATO Guangzhou Director and staff have invested considerable time and resources in building an effective working relationship with Shenzhen Customs. The local trade had reported to ATO Guangzhou an onslaught of issues concerning unjustifiably higher tariff rates on a number of U.S. agricultural products imported into Mainland China. ATO Guangzhou has elicited a larger number of U.S. agricultural producer associations to help mitigate this problem. ATO Guangzhou has consulted with Shenzhen Customs on a number of product categories including hard and soft woods as well as dried fruit with some initial successful outcomes (CH11867). On July 12, ATO Guangzhou facilitated the third and largest tranche of multiparty discussions between Shenzhen Customs and U.S. producer associations on July 12 in Qingyuan.

Verification of price irregularities: Since 2011, when Shenzhen Customs spots any irregular fluctuation in prices for a commodity falling between HS Chapters 1-24, they have been instructed by China Customs to send out notices to all ports in China to verify the reason for this change. When verifying these rates in the past, Shenzhen Customs has relied on pricing information based on internet research and previously registered prices. This means that if a price was entered incorrectly in the past, this sometimes has become the reference for future inaccurate taxation rates. Such was the case with U.S. dried prunes. If the product was imported under a different name or category, this too, can create significantly higher tax rates. Such was the case with U.S. dried cranberries. Therefore these meetings were of vital importance to the smooth importation of U.S. agricultural exports.

The Summit: ATO Guangzhou's previous successful resolution of U.S. dried fruit rates served as a model for this first multilateral engagement. Shenzhen Customs obliged ATO Guangzhou's proposal to establish a pilot program to revise tax rates with ten additional U.S. producer associations. China Customs is undergoing a national level review of all import taxes in order to reduce errors, inconsistencies across ports, and increase transparency, objectivity and predictability on import taxation. The meeting consisted of two parts with a morning session focusing on factors that impact product prices. In the afternoon, each one of the U.S. producer association representatives met with a Customs official with a particular expertise in their commodity. Depending on the complications of the product issues, one-on-one meetings lasted about an hour.

Shenzhen Customs was appreciative of the opportunity of being able to meet with so many U.S. producer associations in one setting under the theme of joint cooperation. Shenzhen Customs is under great pressure from China Customs headquarters that is requiring them to provide analysis and input on sudden price fluctuations in any given port in Mainland China and Hong Kong almost overnight. Shenzhen Customs was grateful that they now know who to reference for accurate agricultural product information and ATO Guangzhou will oversee this relationship and monitor improvements to the

importation process. High tariff rates have been identified by a number of U.S. producer associations and local traders as the most threatening barrier into market entry.

Outcomes: Each of the participating U.S. producer representatives had an opportunity to engage Customs officials responsible for their products. They all exchanged product information and raised concerns over Customs policies and concerns. A long term communication channel was set up with each cooperator regarding Customs issues. We expect less confusion in handling U.S. agricultural products and both clearer and predictable prices and tariffs for importers. ATO Guangzhou would maintain its effective working relationships with the Shenzhen Customs ensuring smooth and transparent communication for importers and exporters.

A direct result of the effective relationship building with Shenzhen Customs and arranging this meeting, Post was notified by an orange importer that won a case of pricing dispute after ATO Guangzhou's three-week intervention. Whereas in the past, traders had no established avenue to challenge Customs duties, **ATO Guangzhou's work has created a new effective mechanism to reach out to one office (Shenzhen Customs) and fix the problem expeditiously and at a savings to importers.** Import prices for three containers of U.S. navel oranges were allowed to declare at the appropriate transaction price instead of the high quoted rate from a satellite port under the jurisdiction of another Customs authority saving the local importer an estimated \$60,000. Similar successes will be recorded in the future.

U.S. Cherries could be taxed at the transaction prices soon. As agreed during the meeting, Northwest cherries are reporting latest sales prices of U.S. cherries to Shenzhen Customs every Tuesday. Currently, the cherries were evaluated at \$60 per carton. However, the actual transaction prices were between \$38 to \$40. Shenzhen Customs would revisit their taxation scheme and adjust prices for cherries at about 30 percent lower.

Participated Cooperators

Alaska Seafood Marketing Institute

California Table Grape Commission

California Wine Institute

Northwest Cherries

Pear Bureau North West

Sunkist Growers

U.S.A. Poultry & Egg Export Council

U.S. Dairy Export Council

U.S. Grain Council

U.S. Wheat Associates