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An Analysis of Import-Export Procedures and Processes in China

Bala Ramasamy

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Acronyms

APEC	Asia-Pacific Economic Cooperation
ARTNeT	Asia-Pacific Research and Training Network on Trade
ASEAN	Association of Southeast Asian Nations
BPA	Business Process Analysis
BtB	Behind-the-border
BRIC	Brazil, Russia, India and China
CEIBS	China Europe International Business School
CFTEC	Committee of Foreign Trade and Economic Cooperation
CIF	Cost, Insurance and Freight
FOB	Free on Board
ICT	Information and communications technology
IDRC	International Development Research Centre
LC	Letter of Credit
LPI	Logistical Performance Index
NTB	Non-tariff barrier
OEM	Original Equipment Manufacturer
OECD	Organisation for Economic Co-operation and Development
RMB	Chinese Yuan
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USA	United States of America
USD	United States Dollars
WB	World Bank
WTO	World Trade Organization

Executive Summary

Recent research by various international organizations indicates that customs and administrative procedures have substantial effects on trade flows between countries. These procedures and practices can act as significant barriers to international trade and it is not surprising that these have become the focus of attention, now that tariff and other quantitative barriers have been reduced.

Since becoming a fully fledged member of the World Trade Organization, recognizing trade facilitation as necessary to increase trade, China has made significant progress in the trade liberalization process. In particular, China has made improvements to procedures behind-the-border.

The objective of this study was to evaluate in detail the procedures involved in the export and import of goods. The study used the Business Process Analysis method to trace all the steps and procedures involved in the export and import processes and consider the time and cost involved in each of these steps. The study examined China's export and import processes for four products (garments, electronic products, textiles and automobile parts) and with two countries (Japan and Thailand).

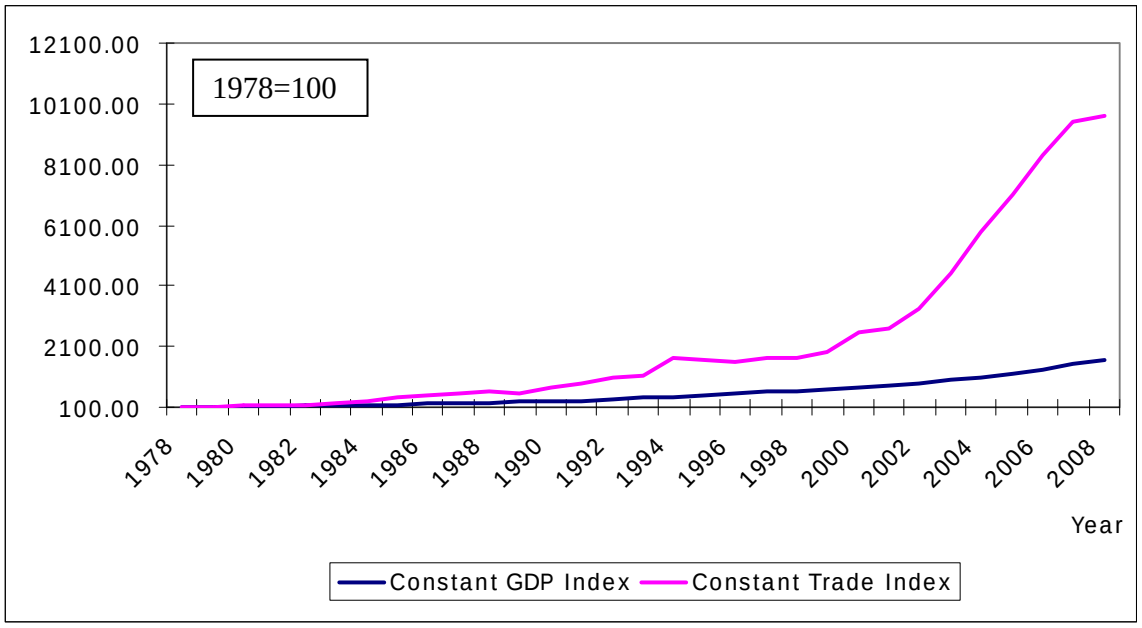
The World Bank (WB) Doing Business Report 2010 ranks China at number 47 out of 183 countries with regard to Trading Across Borders. According to the Doing Business Report, it takes between 21 and 24 days to export/import from/to China, involving between six and seven documents at a cost of between 500 and 545 United States Dollars. While days to trade and the number of documents are close to the East Asia average, the cost in China is about 55 per cent of the average East Asia cost.

The findings of this study are somewhat different from those of the World Bank. The numbers of days for the export and import processes are markedly lower than those in the World Bank report. This study found that the export and import processes take between nine and 14 days, while the WB report found that these processes takes between 21 and 24 days. This study found a higher number of documents involved in the process than reported in the WB report; as many as 17 compared to only seven reported in the WB study. This study also found the costs to be marginally lower than those reported by the WB. These differences are attributed partly to the nature of the study respondents, who have long term relationships with the buyers/sellers, which results in time and cost savings. Furthermore, the use of freight forwarders and customs brokers, who are very familiar with the various processes and customs officials, reduces the time required to complete the import and export processes.

I. Trade Facilitation in China

In the fourth quarter of 2009, the Chinese economy grew at a pace of 10.7 per cent and the growth rate for the year was 8.7 per cent. International trade, which has been an engine of growth of the Chinese economy since the beginning of the economic reforms in 1979, was significantly slower in 2009 than in 2008 (exports and imports decreased by16 per cent and 11.2 per cent, respectively).[1] By November 2009, trade had rebounded, however. See Figure 1. In December 2009, trade increased by more than 30 per cent.

Figure 1: China's growth in output and trade, 1978-2008



Source: China Statistical Yearbook, various years

Trade facilitation is defined by the World Trade Organization (WTO) as "the simplification and harmonization of international trade procedures", covering the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade".[2] In an age of international production networks and the globalization of markets, inefficient behind-the-border (BtB) activities could increase the cost of goods by between 2 and 15 per cent.[3] Furthermore, Duval and Utoktham (2009) found that a 5 per cent decrease in the cost of importing in the importing country can increase bilateral imports by 1.5 per cent, while a similar reduction in the cost of exporting can increase bilateral exports by 4.2 per cent. Similarly, Wilson (2007) found that a 10 per cent reduction in time at the

[1] China National Bureau of Statistics.
[2] OECD (2005), p. 2.
[3] Ibid.

border of the importer can increase trade by 6.3 per cent, while a 10 per cent reduction in the number of documents required by the importer could generate an 11.1 per cent increase in trade. Similar studies further confirm this relationship.[4] More generally, the benefits of reforms in trade facilitation have outweighed the costs and are often characterized by a relatively short term payback period.[5]

The activities undertaken to reduce and streamline BtB activities depend on the specific circumstances, needs and capacities of individual implementing countries. Nevertheless, trade facilitation measures that can be implemented in any country include simplifying and standardizing border procedures, managing the risks of border control violation more efficiently and closer co-operation among customs authorities. These can result in significant reductions in the cost of doing international trade.

In China, the removal of trade restrictions in the 1980s and further liberalization of the trade sector in the 1990's culminated with membership of the WTO in 2001. A quick look at the rate at which China has decreased its tariff barriers (Table 1) is a sign of China's commitment to increased trade. From as high as 42.9 per cent in the 1980s and early 1990s, tariff barriers dropped to less than 10 per cent in 2005. This is lower than in any of the other large emerging economies in the BRIC (Brazil, Russia, India and China) group. In terms of non-tariff barriers (NTBs), significant efforts were made in the 2000s to liberalize trading rights and remove quotas, specific tendering arrangements and price controls, such that China's border barriers were reduced to South-East Asian levels.[6]

Table 1. Simple applied average tariffs in China, 1992-1998; 2001-2007

	All products	Agricultural	Industrial
	%	%	%
1992	42.9	36.2	44.9
1993	39.9	33.3	41.8
1994	36.3	32.1	37.6
1996	23.6	25.4	23.1
1997	17.6	17.9	17.5
1998	17.5	17.9	17.4
2001	15.6	23.2	14.3
2002	12.2	17.9	11.1
2003	11.1	16.3	10.1
2004	10.2	15	9.3
2005	9.7	14.6	8.9
2007	9.7	14.5	8.8

Source: Ianchovichina and Martin, 2001; Trade Policy Review 2006, 2008

[4] See Appendix 1 for other studies and key findings.
[5] Engman, 2005.
[6] Erixon, et. al. 2008.

No observer can deny the speed and depth of the trade liberalization process that China has been engaged in over the past 40 years. Nevertheless, opportunities for further improvements remain. As the volume and number of players in the trading scene increase, so will the complexity of transactions. To ensure the trade engine is functioning smoothly, trade facilitation, with its focus on rationalizing procedures, is necessary, and there is an imperative "need for policy makers to look beyond at-the-border trade procedures and into regulations affecting existing and potential importers and exporters within the broader domestic business environment".[7]

A snap-shot of China's position in the World Bank's Doing Business 2010 ranking indicates improvement in the trading across borders category, with China moving up five positions to 44 in this category in 2010. In 2010, the number of documents involved, and the time and costs of China's trade were better or equivalent to the East Asia and Pacific averages. See Table 2. A comparison with the leader of the rankings in Asia (Singapore) indicates further potential for improvement, however, particularly in the time involved in BtB activities.

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able 2. Trading across borders 2010, China, East Asia & Pacific, and OECD

Indicator	China	East Asia & Pacific	OECD Average
Documents to export(number)	7	6.7	4.3
Time to export(days)	21	23.1	10.5
Cost to export(US$ per container)	500	909.3	1,089.70
Documents to import(number)	5	7.1	4.9
Time to import(days)	24	24.3	11
Cost to import(US$ per container)	545	952.8	1,145.90

Source: World Bank (2010a).

The figures indicate, however, that China reached a saturation level in 2007 with the number of documents and time to import and export remaining stagnant since then.[8] See Table 3.

[7] Duvall and Utoktham (2009), p.2.

[8] Although the cost to export and import show an upward trend, this may be due to the general increase in price levels rather than due to an increase in costs.

Table 3. Trading across borders ranking, China, 2006-2010

Year		2006	2007	2008	2009	2010
Ease of Doing Business Rank					86	89
Trading Across Border	Rank				49	44
	Documents to export(number)	6	7	7	7	7
	Time to Export(days)	18	21	21	21	21
	Cost to export(US$ per container)	335	390	390	460	500
	Documents to import(number)	11	6	6	6	6
	Time to import(days)	24	24	24	24	24
	Cost to import (US$ per container)	375	430	430	545	545

Source: World Bank (2010a).

Another World Bank study that provides some indications of China's trade performance is the Logistical Performance Index (LPI). This index is based on surveys conducted among logistics professionals and "provides a comprehensive picture of supply chain performance—from customs procedures, logistics costs, and infrastructure quality to the ability to track and trace shipments, timeliness in reaching destination, and the competence of the domestic logistics industry".[9]

Table 4 reports the performance of China vis-à-vis other selected countries, as measured by the LPI. On the whole, China's performance is below the regional average (3.31 compared to 2.58). China's has the worst performance in customs procedures but China's scores are marginally better than other large emerging economies, India and Indonesia.

[9] World Bank (2010b).

Table 4: Logistics performance index, 2010

Country	LPI	Customs	Infrastructure	International shipment	Logistics quality & competence	Tracking& tracing	Timeliness
Malaysia	3.44	3.11	3.5	3.5	3.34	3.32	3.86
Thailand	3.29	3.02	3.16	3.27	3.16	3.41	3.73
China	3.49	3.16	3.54	3.31	3.49	3.55	3.91
Vietnam	2.96	2.68	2.56	3.04	2.89	3.1	3.44
Indonesia	2.76	2.43	2.54	2.82	2.47	2.77	3.46
India	3.12	2.7	2.91	3.13	3.16	3.14	3.61
Sri Lanka	2.29	1.96	1.88	2.48	2.09	2.23	2.98
Cambodia	2.37	2.28	2.12	2.19	2.29	2.5	2.84
Bangladesh	2.74	2.33	2.49	2.99	2.44	2.64	3.46
Nepal	2.2	2.07	1.8	2.21	2.07	2.26	2.74
Note:1-very low; 5-very high							
Source: World Bank (2010a).							

A previous LPI survey, conducted in 2007, as shown in Table 5, indicates that the bottleneck seems to be in the area of customs procedures. In particular, respondents to this survey raised issues concerning the transparency of customs clearance, with only about a third agreeing that such activities are transparent. In addition, the quality of service provided by customs brokers, transport associations and shipping agencies was considered to be low. The majority of those surveyed agreed, however, that improvements had been made since 2005 with regards to customs clearance procedures.

Table 5: Logistics performance index China – survey results, 2007

	China
Level of Fees and Charges	
Based on your experience in international logistics, please select the options that best describe the operational logistics environment in your country of work	% of respondents answering high/very high
Port charges are	38.10%
Airport charges are	23.81%
Road transport rates are	23.81%
Rail transport rates are	16.67%
Warehousing/transloading charges are	20%
Agent fees are	33.33%
Quality of Infrastructure	
Evaluate the quality of trade and transport related infrastructure (e.g. ports, roads, airports, information technology) in your country of work	% of respondents answering low/very low
Ports	0
Airports	4.76%

Roads	31.82%
Rail	55.00%
Warehousing/transloading facilities	33.33%
Telecommunications and IT	31.82%
Competence and Quality of Services	
Evaluate the competence and quality of service delivered by the following in your country of work	% of respondents answering high/very high
Road	19.05%
Rail	14.29%
Air transport	42.86%
Maritime transport	52.38%
Warehousing/transloading and distribution	19.05%
Freight forwarders	47.62%
Customs agencies	**23.53%**
Quality/standards inspection agencies	**14.29%**
Health/SPS agencies	**14.29%**
Customs brokers	**9.52%**
Trade and transport associations	9.52%
Consignees or shippers	9.52%
Efficiency of Processes	
Evaluate the efficiency of the following processes in your country of work	% answering often or nearly always efficient
Clearance and delivery of imports	57.14%
Clearance and delivery of exports	76.19%
Transparency of customs clearance	**35.29%**
Provision of adequate and timely information on regulatory changes	28.57%
Expedited customs clearance for traders with high compliance levels	29.41%
Sources of Major Delays	
How often in your country of work, you experience	% answering often or nearly always
Compulsory warehousing/transloading	0
Pre-shipment inspection	5.26%
Maritime transshipment	5.26%
Criminal activities (e.g. stolen cargo)	0
Solicitation of informal payments	6.67%
Changes in the Logistics Environment Since 2005	
Since 2005, have the following factors improved or worsened in your country of work	% answering improved or much improved
Customs clearance procedures	**68.42%**
Other official clearance procedures	**52.63%**
Trade and transport infrastructure	84.21%
Telecommunications and IT infrastructure	78.95%
Private logistics services	83.33%

Regulation related to logistics	68.42%
Incidence of corruption	33.33%

Source: World Bank (2007).

An earlier ARTNeT study by Chen and Li (2006) on trade facilitation in China found that the three most important areas for improvement in trade, as ranked by the private sector, were: 1) the elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods; 2) the completion of clearance of goods before they have arrived physically in the customs area; and 3) poor coordination between relevant agencies, particularly on documentation requirements. The problems faced behind-the-border differ in some ways between foreign firms and local firms, however. Greene and Tsai (2008) found that clear and transparent rules for customs procedures, predictable and impartial procedures as well as pressures for illegal payments were more of an issue for foreign firms than for their local counterparts.

Recognizing these issues, there have been improvements in customs clearance procedures as well as pilot projects on the use of information and communications technology (ICT) to speed up and standardize the relevant procedures. These include paperless customs clearance; the one declaration, one inspection and one clearance process to facilitate the movement of goods between inland cities and ports; e-customs, which facilitates networking among national customs authorities; and the e-ports project, which promotes joint inspection and data exchange between various government departments.[10]

[10] Chen, Wenjing (2005); Jiao, Jjianqun. (2008).

II. Study method

The objective of the current study was to examine, in detail, the processes involved in the export and import of goods. By employing the Business Process Analysis (BPA) methodology, this study was able to trace all the steps and procedures involved in the export and import processes and consider the time and cost involved in each step.

A BPA is carried out using a case study approach, which allows for an in-depth analysis of the process and challenges faced by firms behind the border. In this way, the researcher is able to "follow" goods and documents from one stakeholder to another, i.e. from the warehouse of the exporter to the warehouse of the exporter. On completion of the mapping of the trade process, one is then able to identify areas where bottlenecks and duplication occur and propose possible solutions.[11]

The study identified four products (garments, electronics, textiles and automobile parts) and two countries (Japan and Thailand) for the in-depth analysis. For export procedures, the study focused on garment and electronic exports from China to Japan and Thailand, while for imports, textiles and automobile parts from Japan were the focus of analysis.

Japan is a leading export destination for China's garments, along with the United States of America (USA), as shown in Table 6. In 2009, Japan was the destination of nearly 17 per cent of total garment exports of China. Being a developed market, Japan is an attractive destination for both small and large Chinese enterprises.

Table 6. Top 5 garment export destinations of China, 2005-2009

2005	Japan	USA	Hong Kong SAR	Germany	Russia
	21.48%	17.79%	9.73%	4.16%	3.99%
2006	Japan	USA	Hong Kong SAR	Romania	Germany
	17.12%	16.01%	9.78%	5.60%	3.68%
2007	USA	Japan	Hong Kong SAR	Russia	Germany
	15.36%	14.62%	8.19%	7.77%	4.02%
2008	Japan	USA	Hong Kong SAR	Germany	Russia
	15.02%	14.47%	6.47%	5.21%	4.71%
2009	USA	Japan	Hong Kong SAR	Germany	United Kingdom
	17.98%	16.72%	6.69%	5.81%	4.29%

Source: UN Comtrade

Since 2005, Japan has also been the leading source of textiles imports, followed by the Republic of Korea. In 2009, Japan accounted for over 15 per cent of China's total imports of textiles (Table 7).

[11] United Nations Network of Experts for Paperless Trade in Asia and the Pacific, United Nations Economic and Social Commission for Asia and the Pacific and United Nations Economic Commission for Europe (2009).

Table 7. Top 5 Sources of textile imports into China, 2005-2009

Import of textiles (HS code 50-60, 57 not included)					
2005	Japan	Rep. of Korea	USA	Australia	Hong Kong SAR
	16.42%	12.69%	9.53%	6.12%	0.05%
2006	Japan	USA	Rep. of Korea	Australia	Hong Kong SAR
	14.53%	12.39%	10.85%	5.69%	4.87%
2007	Japan	Rep. of Korea	USA	Australia	Hong Kong SAR
	14.72%	10.89%	10.18%	7.07%	4.78%
2008	Japan	USA	Rep. of Korea	Australia	India
	15.32%	11.23%	10.50%	6.57%	5.25%
2009	Japan	Rep. of Korea	USA	Australia	Pakistan
	15.19%	10.76%	8.38%	6.26%	4.69%

Source: UN Comtrade

Japan is an important source of automobile parts. In 2008, more than 40 per cent of China's imports of automotive products came from Japan; more than a third have come from Japan since 2005 (Table 8).

Table 8. Automotive products – China's main import sources, 2005-2008

	Japan	Germany	Rep. of Korea	Other Asia	France	Sweden	Australia	Canada	Brazil	Italy
2005	37.85%	26.02%	18.61%	3.06%	2.97%	2.37%	1.42%	1.14%	0.66%	0.61%
	Japan	Germany	Rep. of Korea	France	Other Asia	Sweden	Slovakia	Mexico	Canada	Austria
2006	34.57%	33.50%	13.77%	3.74%	2.08%	2.05%	1.38%	1.29%	1.21%	0.96%
	Japan	Germany	Rep. of Korea	Slovakia	France	Sweden	Other Asia	Mexico	Canada	Austria
2007	37.96%	33.52%	10.65%	2.97%	2.88%	2.13%	1.33%	1.08%	1.06%	0.98%
	Japan	Germany	Rep. of Korea	Slovakia	France	Sweden	Austria	Other Asia	Italy	Mexico
2008	41.06%	34.26%	8.78%	3.26%	1.92%	1.78%	1.02%	0.98%	0.87%	0.85%

Source: UN Comtrade

In the case of electronics, although China exports less than 1 per cent of its electronic products to Thailand, Thailand is a fairly important export destination for these goods in the South-East Asian region (Table 9). Thailand was included in the study due to the recent establishment of the Free Trade Agreement between China and the Association of Southeast Asian Nations (ASEAN) countries, which came into effect on 1 January 2010.

Table 9: China's exports of electronics to Southeast Asia, proportion of total exports

Export of electronics				
	2005	**2006**	**2007**	**2008**
Thailand	0.98%	0.98%	0.88%	0.90%
Malaysia	1.53%	1.51%	1.61%	1.50%
Indonesia	0.66%	0.64%	0.71%	0.93%
Philippines	0.86%	0.76%	0.73%	0.72%
Viet Nam	0.21%	0.29%	0.47%	0.57%
Singapore	3.86%	4.25%	3.48%	2.97%

Source: UN Comtrade

A total of four case studies were carried out in this study. Both large and small exporters/importers were included in the study and three companies were interviewed. The trade processes were also discussed with a forwarding agency and a customs broker. The three companies that were interviewed were: Company X (which exports garments to Japan and imports textiles from Japan), Company M (which exports electronic goods to Thailand) and Company P (which imports automobile parts from Japan). A summary of the case studies is provided in Table 10.

Table 10. Case studies, exports and imports, Japan and Thailand

Trade Direction	**Products**	**Japan**	**Thailand**
Exports	Garments	Company X	
	Electronics		Company M
Imports	Automotive Parts	Company P	
	Textiles	Company X	

Brief profiles of the three companies interviewed for this study are provided below.

- Company X

This is a garment company located in Pinghu, Zhejiang Province. Established in 1997, its main products are casual suits and sporting garments. The current export volume is above 6 million United States Dollars (USD), mainly to Japan, America and Europe. The company employs more than 2,800 people and utilizes over 3,000 sets of equipment. It has a production capacity exceeding six million pieces. The company has the ISO 14000 and ISO 9000 accreditation and was awarded as one of the "National top 500 private enterprises".

- Company M
-

This is China's leading electronic appliance company and is based in Guangdong Province. Its main products are air-conditioners, refrigerators and microwaves. In mid-2009, the top 10 largest shareholders owned 58.7 per cent of the total shares with a majority being funds, including a well-known university in the United States (US). The net profit in the first three quarters of 2009 was nearly 405 million Chinese Yuan (RMB).

Revenue from international markets makes up more than a third of its total revenue. The company exports its products with own brand in Asia and Europe but is classified as an Original Equipment Manufacturer (OEM) in the US market. It is a main supplier of K-Mart, Home-Depot and Sears. In 2007, the company opened its first overseas base in Viet Nam. Company X has been exporting to Japan since 1992, and exports 1,000 20-foot container loads worth of garments to Japan per year, on average.

- Company P

This is an automobile parts producer located in YangZhou, JiangSu Province. Established in 1993, its main products are power metal mechanical parts. The company is a joint venture between a Chinese power metal company and a Taiwanese group. Annual sales are about RMB 800 million. Its main customers are automobile OEMs and first tier component providers, such as Ford, Volkswagen and Magna. The company has the ISO 14000, ISO 9000 and TS 16949 accreditation and was awarded the "National Top Hi-tech Enterprise".

Nearly all the companies approached (including those not interviewed for this study) reported that using freight forwarders and custom brokers is common in China. According to a customs broker, nearly 95 per cent of China's trade goes through forwarders and brokers. The use of these "go-betweens" helps to facilitate the process of inspection and customs clearance. Thus, the companies are able to "outsource" the task of dealing with the various government agencies, and concentrate on what they do best, i.e. produce. The activities carried out by these brokers remain a black box, however. That is, their activities are a domain that is only known by the brokers and the customs officers and therefore opportunities for corrupt practices abound. The companies interviewed for this project, particularly the smaller ones, had little knowledge as to what exactly happens after documents are handed over to the customs broker. Nevertheless, the services provided by the brokers are invaluable.

The role of the broker will continue as long as the inspection and customs clearance processes require the approval of the customs officer in charge. In China, these processes are still people-based rather than system based. Although an increasing number of documents will go electronic and this will increase the speed of the import and export processes, in the end these online documents still have to be printed out and then signed and stamped. That face-to-face encounter can still result in corrupt practices.

III. Business process analysis of trade processes in China

1. Export process analysis

1.1. Export of garments to Japan

This study examined the process of exporting garments to Japan by a medium-sized company, Company X.

The study found that the process involves 11 distinct steps:

1. Buy:

This step involves the activities between Company X and the Japanese client required to buy the product. The procedures involve providing samples of the product and negotiation of price and payment terms e.g. Cost, Insurance and Freight (CIF) or Free on Board (FOB). Upon acceptance by both parties, the sample garment is confirmed and a contract is signed. The entire process can be done electronically. Due to the long-term relationship that Company X has with its Japanese client, the process generally takes no more than a day. From the time the contract is signed to the preparation of the shipment of goods, it may take one to six months, depending on the volume of the shipment and complexity of the product.

2. Arrange transport:

When the order is close to completion, shipping arrangements need to be confirmed. The company uses a customs broker to liaise with the shipping company. The company provides the broker with some basic information, including the destination, quantity and date of shipment. When a suitable vessel has been found, the broker makes a booking request and confirms the shipping details and shipping cost. Finally, a shipping order is issued. The fee charged by the broker, including arranging transport, inland transport, customs documentation fee is between RMB 2,000 and RMB 3,000. A higher fee may be charged during peak periods or if the shipment is subject to extensive inspections. The entire process takes between two and three days, depending on the availability of the vessel. Communications are electronic.

3. Arrange for inspection:

Company X now requests an inspection of its garments by the local Entry-Exit Inspection and Quarantine Bureau (or Commercial Inspection Bureau). This step may take up to 2 days, although the inspection itself is done within half a day. The inspection focuses on issues such as quality, safety and toxicity of goods. Eight documents need to be provided, following which an inspection schedule is confirmed. Among the documents is a customs declaration form, which is downloaded online. This must be completed by Company X or by the customs broker based on the information provided by the company. The approval of the customs declaration form is also done online. This form must then be printed for the inspection. The export registry book (referred to as the “blue book”) records all inputs that have been imported and utilized for the manufacture of the export shipment. Since the import of inputs for export purposes is duty free, the company needs to show that all imported inputs have been utilized to produce final goods for export. Any surplus in imported inputs would either be charged the prevailing duty or confiscated by the customs department at the end of a specified period. The components card comprises a sample of

all inputs (fabric, buttons, zippers etc) that have been used in the manufacture of the exported shipment. A copy of the Letter of Credit (LC) is also provided if the payment is through an LC. For orders from long term clients, telegraphic transfers can also be used. The inspection is done randomly (but there are times when approval is given without inspection) and a fee of 0.15 per cent of the total value of the goods is charged. A certificate of commodity inspection is issued and the customs declaration form is stamped by the local inspection bureau.

4. Obtain cargo insurance:

Information regarding the market value of goods and shipping information is provided so that insurance cover can be secured. The premium ranges between 0.3 and 0.5 per cent of the sum insured. This process is completed within a day. Company X has a long term relationship with the insurance agent, so insurance covers all shipments over one year, rather than per shipment.

5. Collect empty container from yard:

On the day that the goods are to be loaded into the container, the customs broker will instruct the internal transportation company to pick the container from the yard. The shipping company is informed and the assigned container is made available to the internal transportation company.

6. Stuff the container:

Goods are loaded on to the container within one day.

7. Transportation to port of departure:

The sealed container is transported to the port, and is checked by the shipping company at the entrance to the port. Company X uses the Shanghai Port, which is about one and a half hours away from the warehouse. The container is docked at the required site for inspection.

8. Customs inspection and clearance:

The container undergoes scanning and, upon the request of the customs officers, the container is opened for examination. Having cleared this process, the relevant documents are verified. In addition to the documents mentioned earlier, Company X must provide a letter authorising the customs broker to act on its behalf. If the inspection and documents are approved, a green light note is issued. This process takes no longer than one day.

9. Container handling:

The green light note is then passed to the shipping company or its agent, who will then make a plan on where the container will be stowed. The port authority will then stow the container according to this plan.

10. Prepare documents for the importer:

Upon the receipt of the Bill of Lading, together with the Commercial Invoice and Finished Goods Inspection Certificate (by third Party, or sometimes by Company X), the documents are mailed to the Japanese client.

11. Pay:

All documents required for the LC (Invoice, Packing List, Bill of Lading etc.) are submitted to the bank. The bank charges the company 0.1 per cent of the LC amount. Collecting all necessary documents for the payment application takes less than a day but it may take up to 15 days to receive payment.

The processes, actors and documents involved are shown in Table 11.

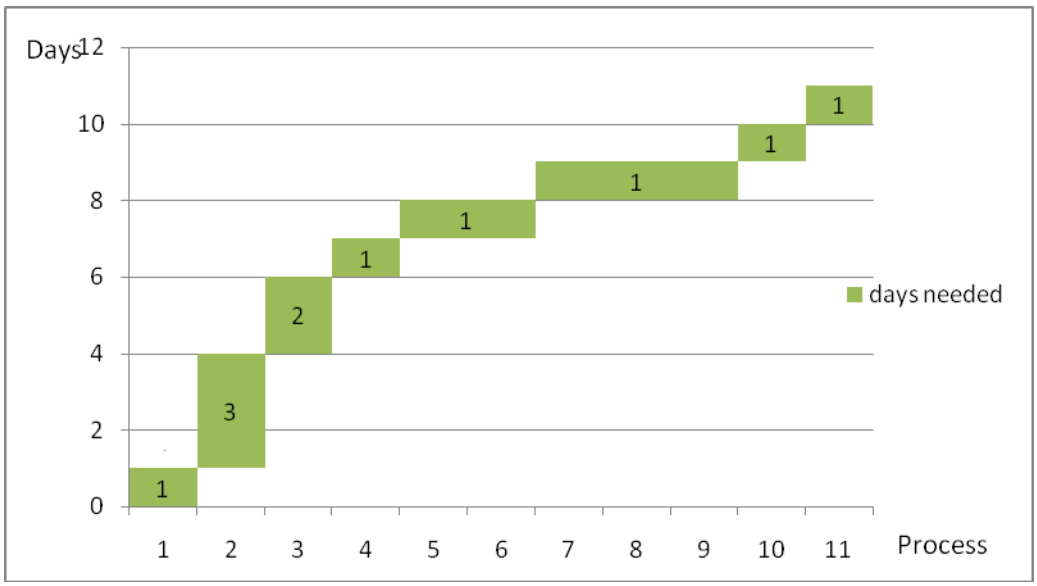
Table 11. Process of exporting garments to Japan – Company X

Major Steps	Documents	Actors	Days
Buy	• Sales contract	• Importer and Exporter	1
Arrange transport	• Shipping Order	• Exporter • Shipping Company • Customs Broker（报关行）	3
Arrange inspection	• Commercial Invoice • Customs declaration • Export Register Book • Components card • Packing List • Letter of Credit • Wash label • Sales Contract	• Exporter • Commodity Inspection Bureau(进出口商品检验局)	2
Obtain cargo insurance	• Commercial Invoice	• Exporter • Insurance Company	1
Collect empty containers from yard	• Shipping Order	• Exporter • Shipping Company, Transportation company • Customs Broker	1
Stuff containers	• Packing List	• Exporter • Transportation company	
Transfer to port of departure		• Transportation company • Shipping Company	1
Clear goods through customs	• Commercial Invoice • Exporter Register Book • Customs declaration Certificate of commodity inspection • Packing List • Declaration Certificate of Entrustment	• Customs Broker • Shipping Company • Customs Department	
Handle containers and stow on vessel	• Dock Receipt • Bill of Lading	• Customs Department • Customs Broker • Shipping company • Port Authority（港务局）	
Prepare documents for importer	• Commercial Invoice • Bill of Lading • Goods Inspection Result	• Exporter	1

Prepare documents for payment	• Commercial Invoice • Bill of Lading • Packing List • Letter of Credit	• Exporter • Importer • Exporter's bank • Importer's bank	1

The study found that a total of 15 documents are required and a cost between RMB 2,000 and 3,000 is incurred (not including shipping costs). Company X requires a total of 10.5 days to complete the export process, plus one day for finalizing the contract and about 15 days for payment to be received. Figure 2 summarizes the number of days each procedure takes. The complete process of exporting garments to Japan is shown in Annex 2.

Figure 2: Time-procedure chart for the export of garments from China to Japan



1 Buy
2 Arrange transport
3 Arrange inspection
4 Obtain cargo insurance
5 Collect empty container from yard
6 Stuff the container
7 Transfer to port of departure
8 Clear goods through customs
9 Handle containers and stow on vessel
10 Prepare documents required by importer
11 Prepare documents for payment

1.2. Export of electronic products to Thailand

This study examined the export activities of a large Chinese electronics manufacturer, Company M. The company exports its own brand name product to Thailand. Because Thailand is not a significant market for Company M, the company often uses a freight forwarder or customs broker to handle customs issues relating to this destination.

The following steps are involved in the process of exporting electronic goods to Thailand.

1. Buy:

The client places an order via email, which is then entered into Company M's E-system. A pro-forma invoice is provided to the client. Once the order is approved by the relevant managers, the manufacturing process starts. Alternatively, if stocks are available, the goods are prepared for shipment. This step can take between two and three days.

2. Arrange export permit:

The exporting company applies for an export permit online. To obtain the permit, the company provides the necessary information (destination port, unit numbers, gross weight etc.) and a permit is issued when approved. According to Company M, this step takes between four to seven days to complete. Since the company is large exporter, the inspection of goods takes place even before manufacture is complete. For mature products, the inspection is undertaken once every three or four months by the Commodity Inspection Bureau; while for new products inspection is undertaken once every one or two months. Officers from the Bureau will randomly select some products for quality and safety inspection, which takes place either at the company's premises or the Bureau's laboratories. Thus, the inspection is not based the order, rather it is done randomly.

3. Arrange sea transport:

Booking the vessel for the transportation of the goods to Thailand should be done two to seven days in advance. This is done simultaneously with the export permit application.

4. Inspection by the client:

In some cases, inspection of the goods is required by the client. This is either done by the client's branch office in China or by a third party. Inspection will take a day, and an inspection certificate is issued to the company if all requirements have been met.

5. Prepare customs declaration documentation:

Company M needs to prepare the packing list, shipping order, purchase order, inspection certificate, the HS Code and the invoice.

6. Collect empty container:

The company informs the inland transportation company to collect the empty container that has been assigned by the shipping company. This is done on the same day as the stuffing and customs clearance.

7. Stuff container:

The container is loaded and a packing list is provided to ensure all goods have been loaded.

8. Transport to port:

Company M uses two ports – Shenzhen and Foshan. The choice of port depends on where the ship is berthed. Shipments to Europe and the US are mainly through Shenzhen Port. For smaller shipments, Foshan is used. The necessary documents are given to the inland transportation company (truck driver).

9. Customs inspection and clearance:

As the company is large exporter, the customs clearance procedure is done within a day. The container is scanned and if required, it is opened for closer scrutiny. The necessary documents are verified, and a green light note is issued.

10. Handle container and stow on vessel:

The green light note is then passed to the shipping company or its agent, who will then make a plan on where the container will be stowed. The port authority will then stow the container according to this plan.

11. Obtain cargo insurance:

Insurance is applied for online. Payment for insurance cover is made every six months by Company M, rather than per shipment.

12. Prepare documents for the client:

Among the documents prepared for the client is the Verification Certificate, which is a copy of the Electric Products Safety Certificate issued by various third party certification authorities. These certificates are applied for the whole range of products. A copy of the certificate is given to the client when required.

13. Prepare documents for payment:

The necessary documents are prepared to be submitted to the exporter's bank to enable payment. This process does not take more than half a day.

14. Pay:

The client pays Company M according to the contract.

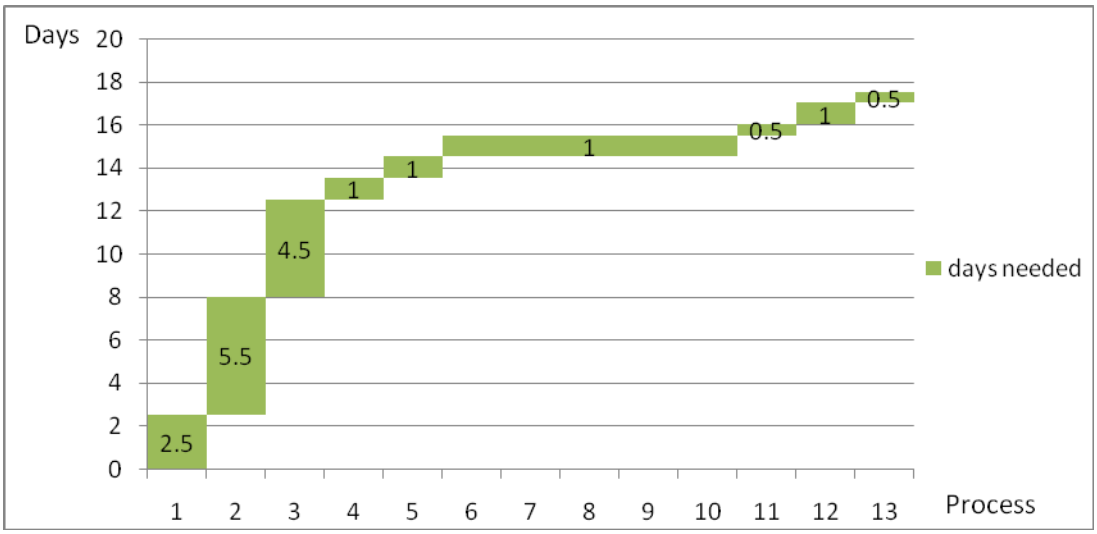
The procedures, actors and documents involved in the export of electronic products by Company M are shown in Table 12.

Table 12. Process of exporting electronic products to Thailand – Company M

Major Steps	Documents	Actors	Days
Buy	• Pro-forma invoice • Sales Contract	• Importer and Exporter	2.5
Obtain export permit	• Export Permit	• Exporter • Commodity Inspection Bureau(进出口商品检验局)	5.5
Arrange transport	• Shipping Order	• Exporter • Shipping Company	4.5
Arrange inspection	• Commercial Invoice • Customs declaration • Export Register Book • Packing List • Sales Contract	• Exporter • Importer • Private inspection institute or client's branch in China	1
Prepare customs declaration	• Packing List • Shipping Order • Purchase Order • Inspection Certificate • Sales Contract • Commercial Invoice	• Exporter	1
Collect empty containers from yard	• Shipping Order • Packing List	• Exporter • Transportation Company • Shipping Company	1
Stuff a container	• Packing List	• Exporter • Transportation Company	
Transfer to port of departure		• Exporter • Transportation Company	
Clear goods through customs	• Commercial Invoice • Export Register Book • Customs declaration • Inspection Certificate • Packing List • Sales Contract • Shipping Order • HS code	• Transportation Company • Exporter • Shipping Company • Customs Department	
Handle containers and stow on vessel	• Dock Receipt • Bill of Lading	• Customs Department • Shipping company • Port Authority（港务局）	
Obtain cargo insurance	• Commercial Invoice	• Exporter • Insurance company	0.5
Prepare documents for payment	• Bill of Lading • Commercial Invoice	• Exporter • Importer • Exporter's bank • Importer's bank	0.5
Pay		• Exporter • Importer • Exporter's bank • Importer's bank	Based on contract

The study found that a total of 17 documents are required for the export of electronic appliances from China to Thailand, and a cost of between RMB 2,000 and 3,000[12] per container shipment is incurred (not including shipping costs). Company M requires 14 days for the process of exporting goods to Thailand (not including the time spent on finalizing contracts and payment period). The time taken to receive payment for goods exported depends on the contract and credit terms. Figure 3 summarizes the number of days each procedure takes. A complete illustration of this export process is provided in Annex 3.

Figure 3: Time-procedure chart for the export of electronic appliances from China to Thailand



1	Buy	8	Transport to port of departure
2	Obtain export permit	9	Clear goods through customs
3	Arrange transport	10	Handle containers and stow on vessel
4	Arrange inspection	11	Obtain cargo insurance
5	prepare customs declaration	12	Prepare documents required by importer
6	Collect empty containers from yard	13	Prepare documents for payment
7	Stuff container		

2. Import process analysis

2.1. Import of textiles and automobile components from Japan

As the processes for the imports of textiles and auto components are similar, a single explanation for the two case studies is provided here. In order to analyse the process of importing textiles from Japan, information was collected from Company X as it imports significant textile inputs from Japan. In particular, the company sources fabric

[12] At the exchange rate of USD 1 = RMB 6.8264, the amount ranges from USD 293 to 440 per container shipment.

and accessories such as zippers from Japanese suppliers. To analyse the process of importing automobile parts from Japan, information was collected from Company P.

The import process involves 8 distinct steps:

1. Buy:

The process of finalizing the order takes place within a day for both companies. Upon confirming the terms, a sales contract is drawn up. The Japanese sellers will then get the goods ready for shipment.

2. Obtain import permit:

Based on the information in the purchasing order and the OEM contract, the company fills an online application form for the Customs Department and the Committee of Foreign Trade and Economic Cooperation (CFTEC). The Customs Department will take two to three days to verify the information and will provide an online approval. The online approval is printed for a verification stamp by the CFTEC, which can be done in half a day. The stamped certificate is passed to the State Administration of Taxation for final approval and stamping.

3. Document preparation:

The exporter sends seven documents to the importing company (Companies X and P in this case). These documents include the Bill of Materials, Bill of Lading, the Purchase Order, the invoice, the packing list and a certificate of non-wood packing. These documents, plus the registry book, a declaration of entrustment and an entrustment declaration for commodity inspection, are then handed over to the customs broker/freight forwarder. The preparation of these additional certificates will take the company half a day.

4. Switching of delivery order:

The customs broker switches the Bill of Lading with a Delivery Order issued by the shipping company. The shipping company charges about RMB 200 per Bill of Lading. This is a quick process as no government agency is involved.

5. Inspection of goods:

The customs broker makes an application for customs clearance on behalf of the company. Inspection by the Commodity Inspection Bureau is random. If the goods are approved without inspection, the process can be done in half a day. If an inspection is required, however, the process can take between one and five days (the higher end for auto products). The fee charged for the inspection is 0.15 per cent of the value stated in the invoice. However, Company P reports that an import duty of between 8 and 10 per cent may be charged.

6. Clear goods through customs:

The inspection certificate, the declaration of entrustment and the registry book are forwarded to the Customs Department for customs clearance. The clearance can be done in half a day.

7. Transport from dock to warehouse:

The certificate of customs clearance, the delivery order and the packing list are given to the transportation company to get approval for the release of the goods from the port.

8. Pay:

Payment for the imported goods is made according to the contract. Since both Company X and P have long term relationships with the Japanese sources of the imported products, payments are made on a regular basis rather than per shipment. If the consignment is based on an OEM contract, the company makes no payment to the exporter. If there is a need to prepare documents for the payment procedures, both Company P and X spend about half a day on this.

The procedures, actors and documents involved in the import of textiles and auto parts from Japan are shown in Tables 13 and 14.

Table 13. Process of importing textiles from Japan – Company X

Major Steps	Documents	Actors	Days
Buy	• Purchase Order	• Importer and Exporter	1
Obtain import permit	• Purchase Order • OEM Contract • Import Permit	• Importer • Customs Department • Committee of Foreign Trade and Economic Cooperation(对外贸易经济合作局) • State Administration of Taxation（国家税务局）	3.5
Prepare documents for import	• Bill of Material • OEM Contract • Purchase Order • Commercial Invoice • Packing List • Bill of Lading • Export Register Book • Packing List • Certificate of non-wood packing • Declaration certificate of entrustment • Commodity inspection of entrustment • Import Permit	• Import • Export • Customs Broker/Freight Forwarder（报关行/货代)	1
Switch for Delivery Order	• Bill of Lading • Delivery Order	• Shipping Company • Customs Broker/Freight Forwarder	0.5
Inspect the goods	• Commercial Invoice • Customs declaration • Export Register Book • Packing List • Bill of Lading • Certificate of non-wood packing	• Importer • Customs Broker/Freight Forwarder • Commodity Inspection Bureau	1.25

	• Declaration certificate of entrustment • Entrustment for Commodity inspection • Delivery Order		
Clear goods through customs	• Customs declaration • Declaration certificate of entrustment • Export Register Book • Certificate of Inspection	• Importer • Customs Broker/Freight Forwarder Company • Customs Department	0.5
Transport from dock to warehouse	• Delivery Order • Packing List • Customs declaration	• Shipping Company • Transportation company • Customs Broker/Freight Forwarder	1
Preparation of Payment	• Commercial Invoice • L/C • OEM Contract	• Importer • Exporter • Importer's Bank • Exporter's Bank	0.5

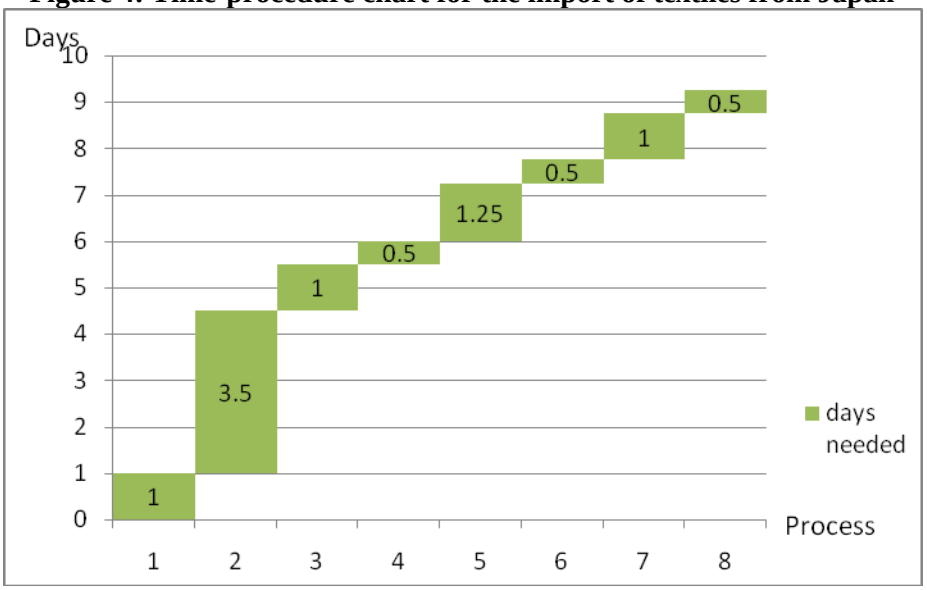
Table 14. Process of importing auto parts from Japan – Company P

Major Steps	Documents	Actors	Days
Buy	• Purchase Order	• Importer and Exporter	
Obtain import permit	• Purchase Order • OEM Contract • Import Permit	• Importer • Customs Department • Committee of Foreign Trade and Economic Cooperation(对外贸易经济合作局) • State Administration of Taxation（国家税务局）	
Prepare documents for import	• Bill of Material • OEM Contract • Purchase Order • Commercial Invoice • Packing List • Bill of Lading • Export Register Book • Packing List • Certificate of non-wood packing • Declaration certificate of entrustment • Commodity inspection of entrustment • Import Permit	• Importer • Exporter • Customs Broker/Freight Forwarder（报关行/货代)	
Switch for Delivery Order	• Bill of Lading • Delivery Order	• Shipping Company • Customs Broker/Freight Forwarder	
Inspect the goods	• Commercial Invoice • Customs declaration • Export Register Book • Packing List • Bill of Lading • Certificate of non-wood packing • Declaration certificate of entrustment	• Importer • Commodity Inspection Bureau • Customs Broker/Freight Forwarder Company • Customs Department	

	• Entrustment for Commodity inspection • Delivery Order		
Clear goods through customs	• Customs declaration • Declaration certificate of entrustment • Export Register Book • Certificate of Inspection	• Importer • Customs Broker/Freight Forwarder Company • Customs Department	
Transport from dock to warehouse	• Delivery Order • Packing List • Customs declaration	• Shipping Company • Transportation company • Customs Broker/Freight Forwarder	
Preparation of Payment	• Commercial Invoice • L/C • OEM Contract	• Importer • Exporter • Importer's Bank • Exporter's Bank	0.5

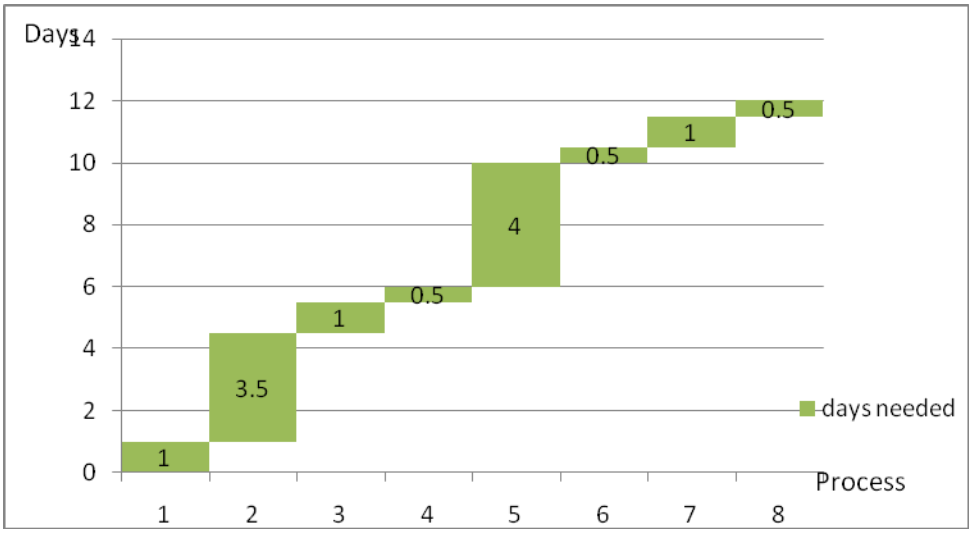
The study found that 13 documents are required to import goods from Japan, and the cost is between USD 293 and 440 (RMB 2,000-3,000), not including shipping costs. It takes an average of 8.75 days for Company X and 11.5 days for Company P to complete the process of importing goods from Japan (not including the waiting period for the payment to be made). Figures 4 and 5 summarize the number of days each step takes. The detailed steps involved in the processes for importing textiles and auto parts are illustrated in Annex 4 and Annex 5.

Figure 4: Time-procedure chart for the import of textiles from Japan



1	Buy	5	Inspect the goods
2	Obtain import permit	6	Clear goods through customs
3	Prepare documents for import	7	Transport from dock to warehouse
4	Switch for delivery order	8	Preparation for payment procedures

Figure 5: Time-procedure chart for the import of auto parts from Japan



1	Buy	5	Inspect the goods
2	Obtain import permit	6	Clear goods through customs
3	Prepare documents for import	7	Transport from dock to warehouse
4	Switch for delivery order	8	Preparation for payment procedures

IV. Conclusions and discussion

A detailed analysis of the steps involved in the processes of importing and exporting the selected goods enabled the measurement of the length of time, costs (to a certain extent) and number of documents required.

A comparison of the results of this study and the figures provided by the World Bank (WB) in the Doing Business reports indicates differences between the findings. See Table 15a and Table 15b.

Table 15a. Days, cost and documents required for importing

	Import		
	WBDB2010	**Company X (textile-fabric and accessories)**	**Company P (auto parts)**
No. of days			
Documents Preparation	15	5.5	5.5
.. Obtain import permit		3.5	3.5
.. Prepare docs for imports		1	1
.. Switch delivery order		0.5	0.5
.. Preparation for payment		0.5	0.5
Customs Clearance	4	1.75	4.5
.. Clear goods through customs		0.5	0.5
.. Commodity Inspection		1.25	4
Ports and terminal handling	2	n.a.	n.a.
Inland transportation and handling	3	1.5	1.5
.. Arrange for inland transportation		0.5	0.5
.. Inland transportation		1	1
Total No. of Days	24	8.75	11.5
Costs (USD per container)	*545*	*366-440*	*293-440*
No. of documents (Electronic)	5	13(4)	13(4)

Table 15b. Days, cost and documents required for exporting

	Export		
	WBDB2010	**Company X (textile and garments)**	**Company M (electronics appliances)**
No. of days			
Documents Preparation	14	2.5	7
.. Obtain export permit		n.a.	5.5
.. Prepare docs for customs clearance		*0.5*	1
.. Prepare docs for importer		1	0.5
.. Preparation for payment		1	n.a.
Customs Clearance	2	2.3	1.2
.. Clear goods through customs		0.3	0.2
.. Commodity Inspection		2	1
Ports and terminal handling	2	0.3	0.2
.. Handle cargo and stowage		0.3	0.2
Inland transportation and handling	3	5.4	5.6
.. Arrange for inland transportation		3	4.5
.. Obtain Cargo Insurance		1	0.5
..Collect and stuff container		1	0.4
.. Inland transportation		0.4	0.2
Total No. of Days	21	10.5	14
Costs (USD per container)	*500*	*293-440*	*293-440*
No. of documents (Electronic)	7	15(3)	17(7)

The differences in the figures of this study and the WB report could be due to the following:

a. The respondent companies in this study have long term relationships with buyers/sellers and due to the nature of long term contracts, import/export permits are obtained on a contract rather than a consignment basis, thus reducing the time and cost of the procedures. These companies have also been in the business for a long time and, as such, they are familiar with the process and may be able to clear the obstacles involved in the process in a shorter period of time.
b. The WB study may have only considered the number of documents handled by the freight forwarder. This study also included those documents that are handled by the buyer/seller.
c. All of the respondent companies in this study use freight forwarders/customs brokers. These entities are able to speed up the process of customs clearance because of the close connections and experience with the government agencies.

The findings of the study indicate that the trade processes in China are comparatively efficient. The number of documents involved is large, but given the widespread use of information technology and the frequency of these procedures, the documentation requirements do not seem to be of concern to firms. The number of documents increases the probability of errors, however, and therefore increases the likelihood of the rejection of an application. Reducing the number of documents would therefore be beneficial for companies. Furthermore, this would encourage firms to handle inspection and customs clearance on their own, without the need for the services of brokers.

The findings of this study are subject to several limitations. First, the findings are based on only a handful of case studies so these findings cannot be generalized to reflect all import and export procedures in China. The types of importers and exporters vary based on factors such as size, ownership and trading partners, and the challenges faced by these traders differ. Furthermore, the companies in this study use Shanghai and Shenzhen as their main ports. The procedures at the other major ports (e.g. Tianjin) in China may be different. In addition, this BPA analysis relies on the input provided by staff and executives who are involved in the relevant trade procedures. It is likely that both the researchers and the respondents might have overlooked some documents or costs involved in the process due to the repetitive nature of these procedures. Nevertheless, it is hoped that the findings of this study contribute in a small way towards facilitation of trade for businesses in China.

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Appendix 1: The impact of trade facilitation on trade flow

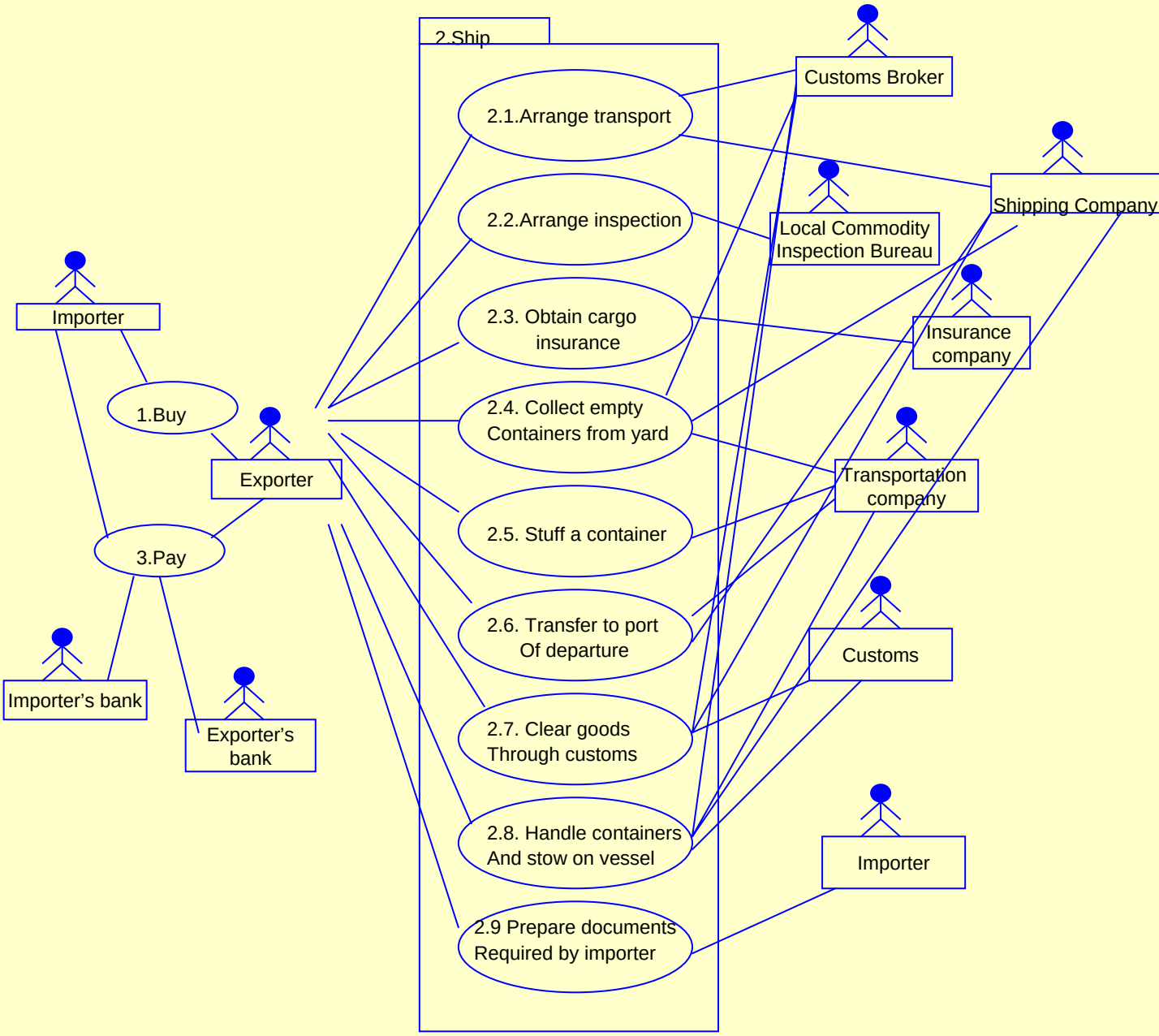
Author (year)	Key findings
APEC (2004a)	Based on a *gravity model* exercise for Asia-Pacific Economic Cooperation (APEC) economies, the authors find that improving trade facilitation by 10 per cent boots intra-APEC imports by a minimum of 0.5 per cent in the area of customs procedures.
Dollar et al. (2004)	Based on survey results from 7,302 companies in eight developing economies (including Brazil, China and India), the authors find that "customs clearance times…are key determinants of…export status." Maximum Likelihood estimates show that lengthy customs clearance times for both imports and exports have a significant negative effect on exportation.
Kim et al. (2004)	Based on a *gravity model* exercise for APEC economies, the authors conclude that an improvement in customs procedures performance by 50 per cent would increase imports by 1.7-3.4 per cent in industrialised APEC economies, 2.0-4.5 per cent in newly industrialised APEC economies, and 7.7-13.5 per cent in industrialising APEC economies.
Wilson et al. (2004)	Based on a gravity model exercise for 75 countries, the authors find that improvements in port efficiency and customs administration for below-average efficient countries half-way up to the global average would increase trade flows by USD 107 billion and USD 33 billion respectively. Improvements in customs administration would benefit all regions, but would particularly benefit developing country importers. Port efficiency improvement would also greatly benefit developing countries.
Batra et al. (2003)	Based on survey results from 8,560 companies in some 80 countries, customs/foreign trade regulations were identified as the most serious "tax and regulatory constraint" on operations and business growth/trade in Latin America, Africa, Developing East Asia and the Middle East. In 44 per cent of non-OECD countries, half or more of the companies reported that “customs/foreign trade regulations” were moderate or major obstacles to operations and business growth/trade. Small and medium-sized enterprises were particularly affected.
Fox et al. (2003)	Based on GTAP-model estimates, the authors conclude that a removal of the frictions in border crossing (delays) between Mexico and the United States would lead to a USD 7 billion rise in trade, with southbound trade estimated to increase by USD 6 billion and northbound trade by USD 1 billion. Welfare would increase by USD 1.8 billion in Mexico and by USD 1.4 billion in the United States.
Wilson et al. (2003)	Based on a gravity model exercise for APEC economies, the authors find that enhanced port efficiency has a large and positive effect on trade. Improvements in customs significantly expand trade but to a lesser degree than the effects of ports improvements. If port efficiency and custom environment in below-APEC-average members were brought half-way to the initial APEC-average, intra-APEC trade is estimated to increase by 11.5 per cent. A 9.7 per cent gain (USD 117 billion) is expected from increased port efficiency and 1.8 per cent (USD 22 billion) from an improved customs environment.
Hummels (2001)	The author estimated that each additional day spent in transportation reduces the probability that the US will source from the country by 1-1.5 per cent for manufactured goods, while no effect is found for commodities. Each day saved in shipping time is worth 0.8 per cent *advalorem* for manufactured goods.
APEC (1999)	Based on CGE analysis, the authors find that a 1 per cent reduction in import prices (from reduced trade transaction costs) for the industrial and newly industrialising countries of Korea, Chinese Taipei and Singapore, and a 2 per cent reduction for the other developing countries yields an increase in APEC merchandise trade of 3.3 per cent.

Source: Engman (2005)

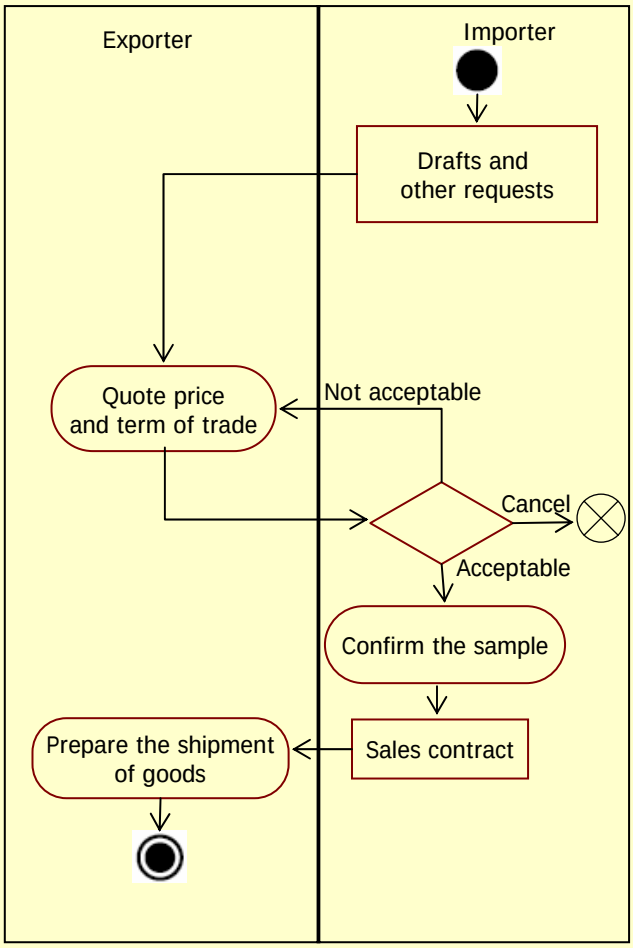
Annexes: BPA Diagrams

Appendix 2

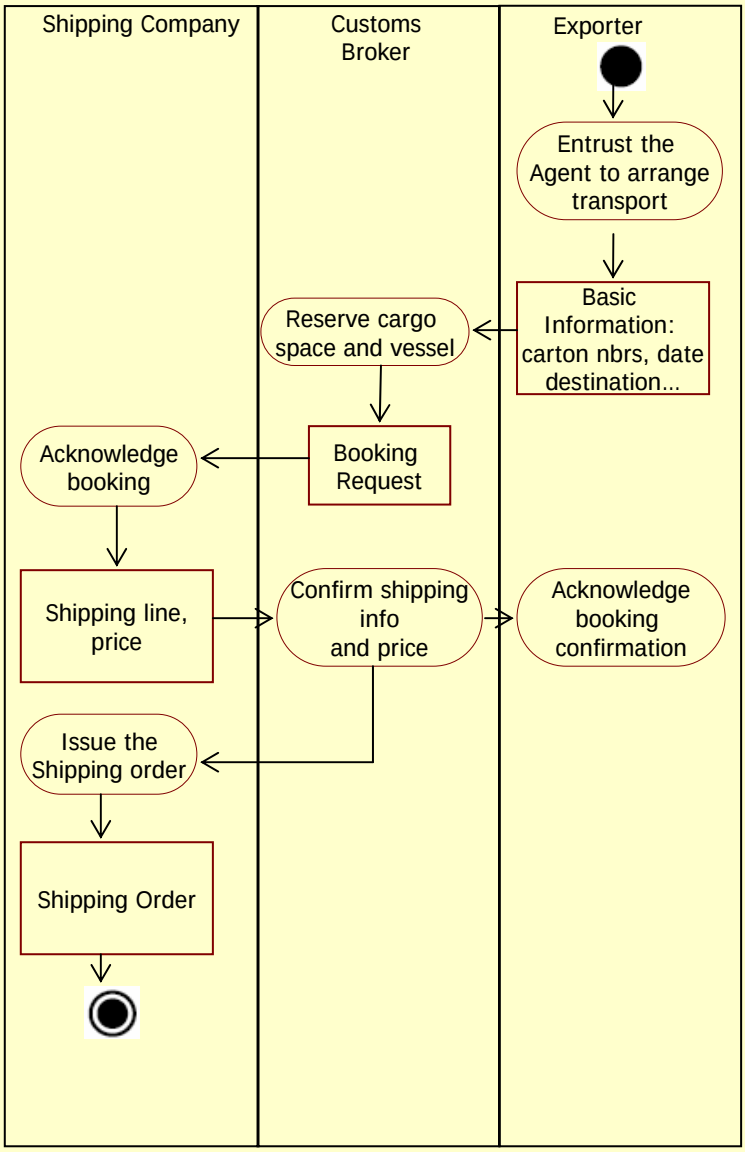
Business Processes of Garments Export from China


2.Ship
Customs Broker
2.1.Arrange transport
Shipping Company
2.2.Arrange inspection
Local Commodity Inspection Bureau
Importer
2.3. Obtain cargo insurance
Insurance company
1.Buy
2.4. Collect empty Containers from yard
Exporter
Transportation company
2.5. Stuff a container
3.Pay
2.6. Transfer to port Of departure
Customs
Importer's bank
Exporter's bank
2.7. Clear goods Through customs
2.8. Handle containers And stow on vessel
Importer
2.9 Prepare documents Required by importer

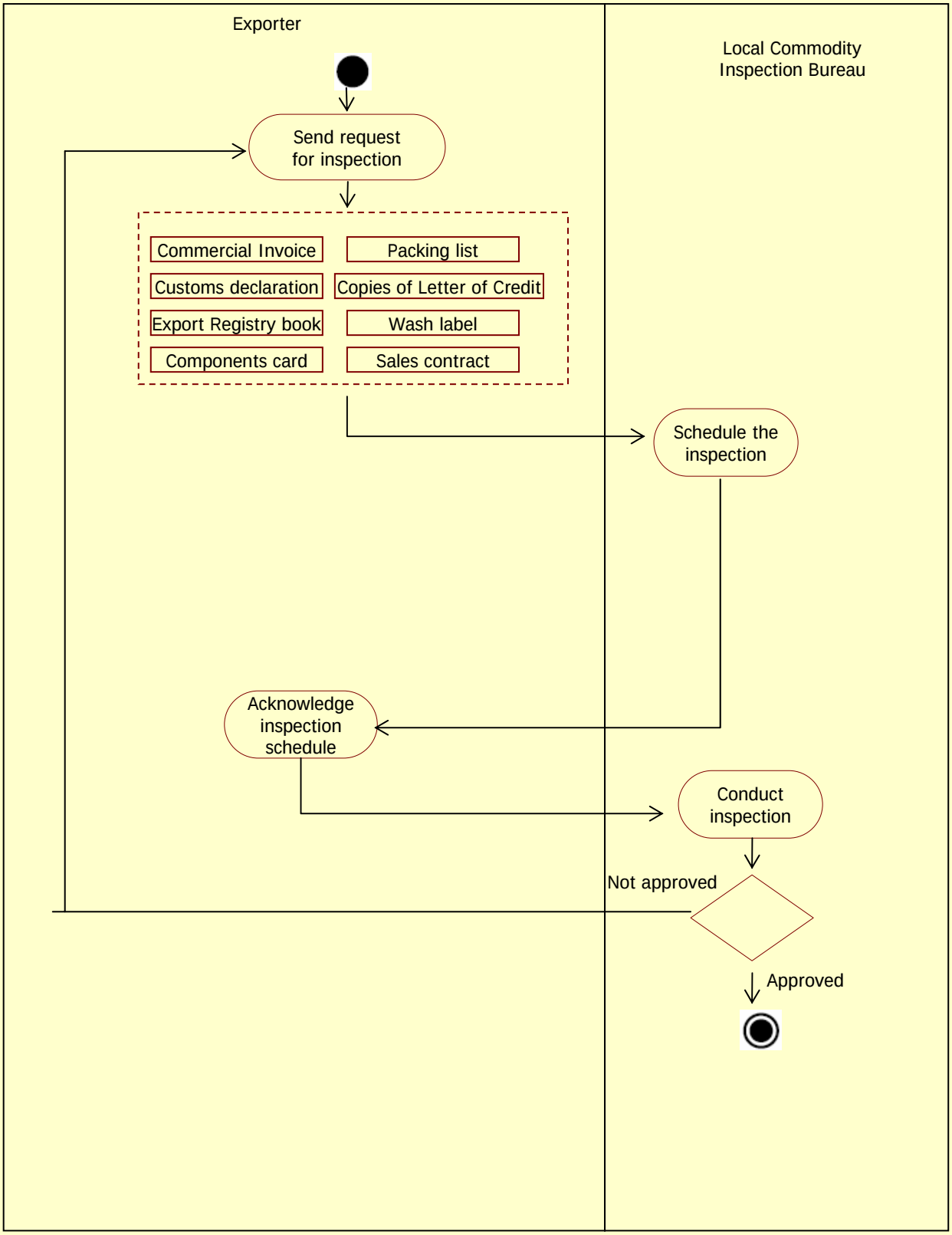
1.Buy


Exporter
Importer
Drafts and other requests
Quote price and term of trade
Not acceptable
Cancel
Acceptable
Confirm the sample
Sales contract
Prepare the shipment of goods

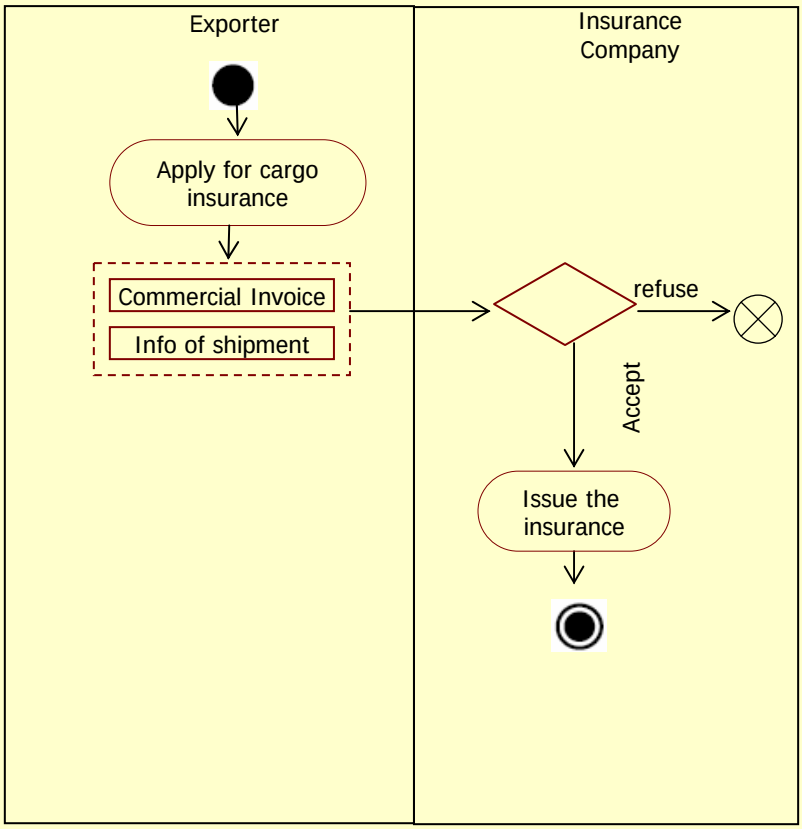
2.1 Arrange transport



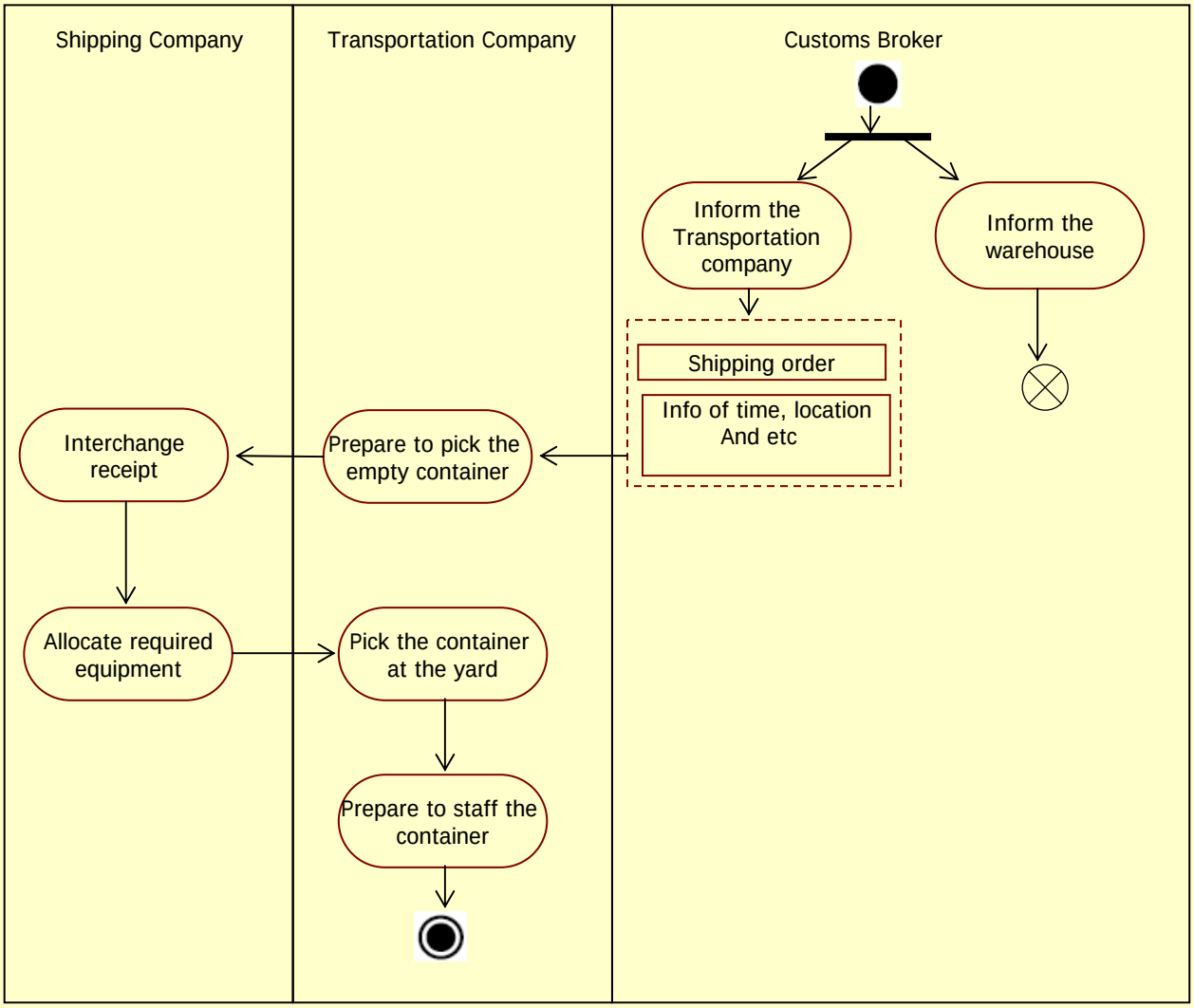
2.2 Arrange the inspection



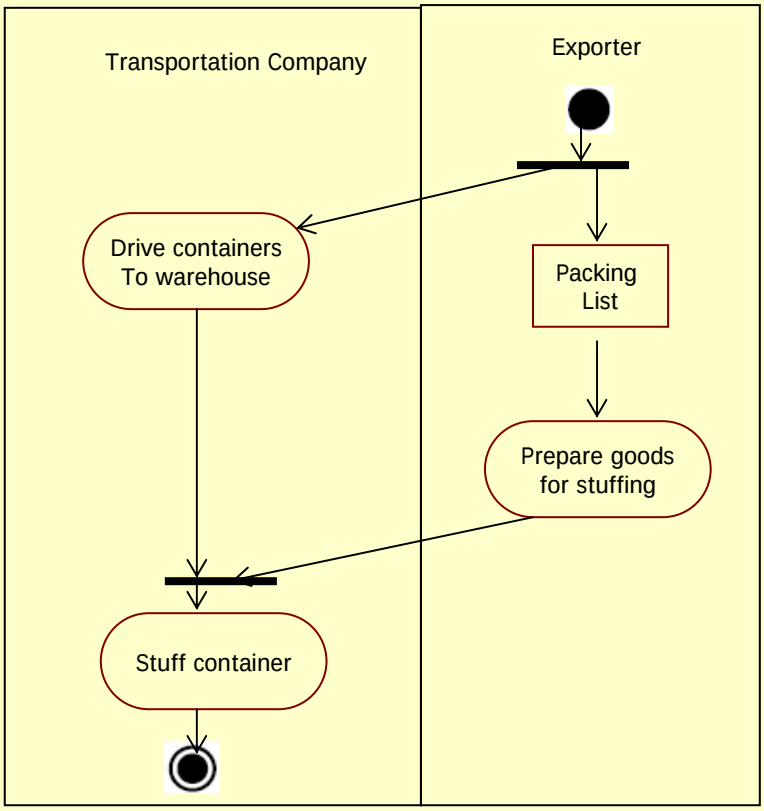
2.3 Obtain cargo insurance



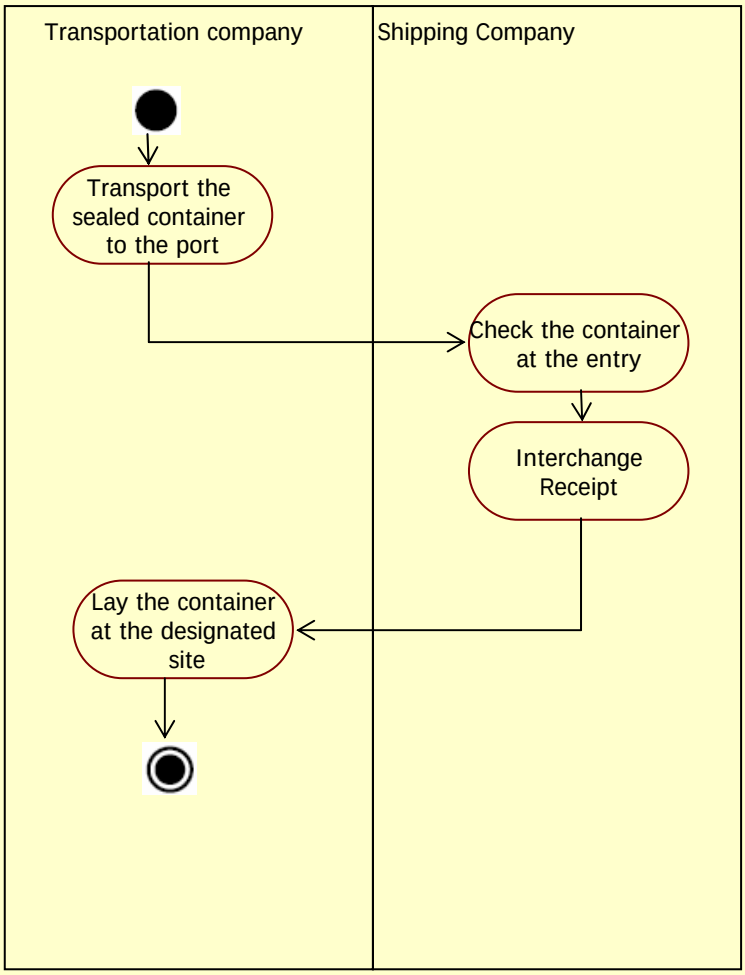
2.4 Collect empty container(s) from yard



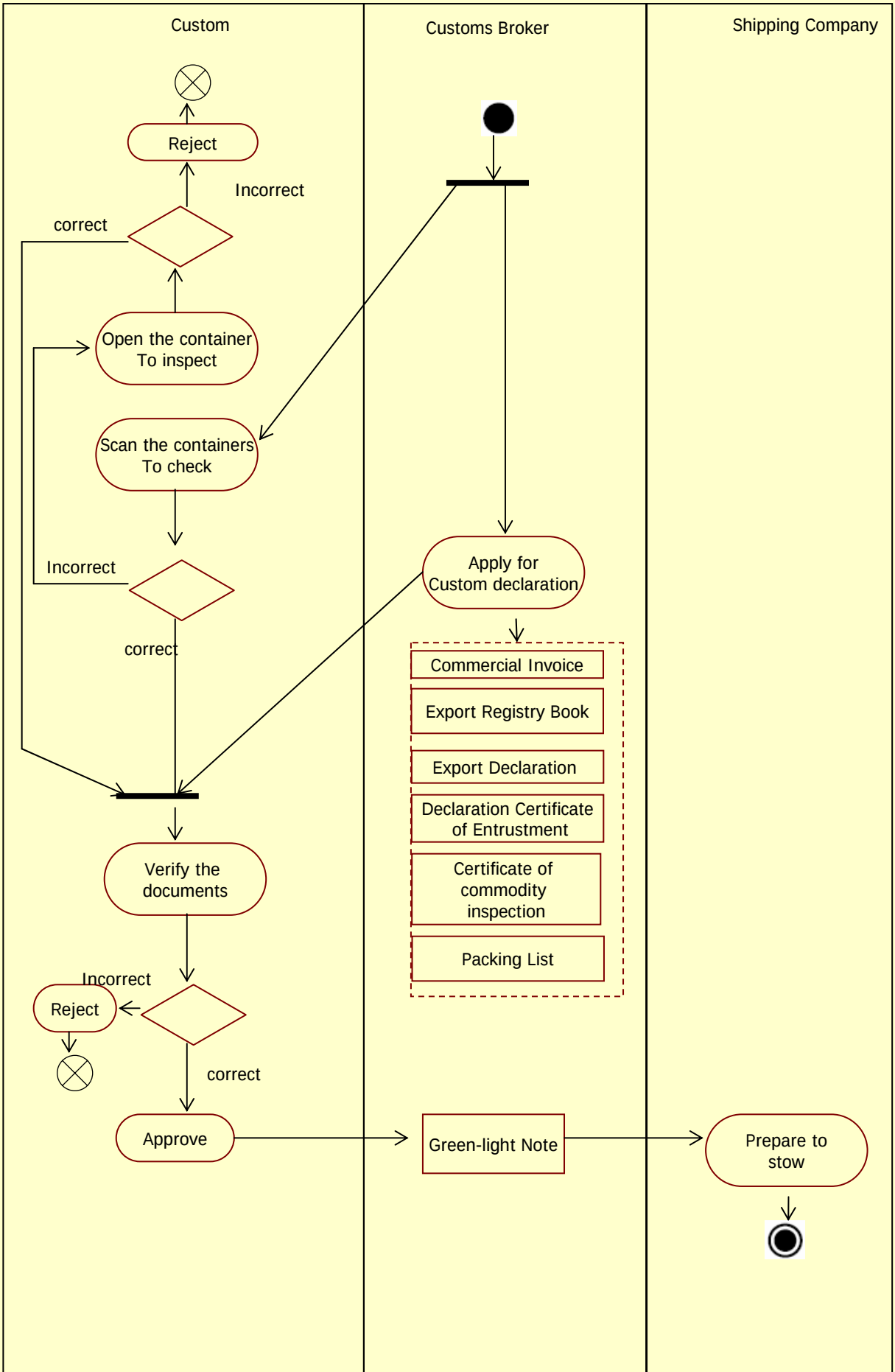
2.5 Stuff a container



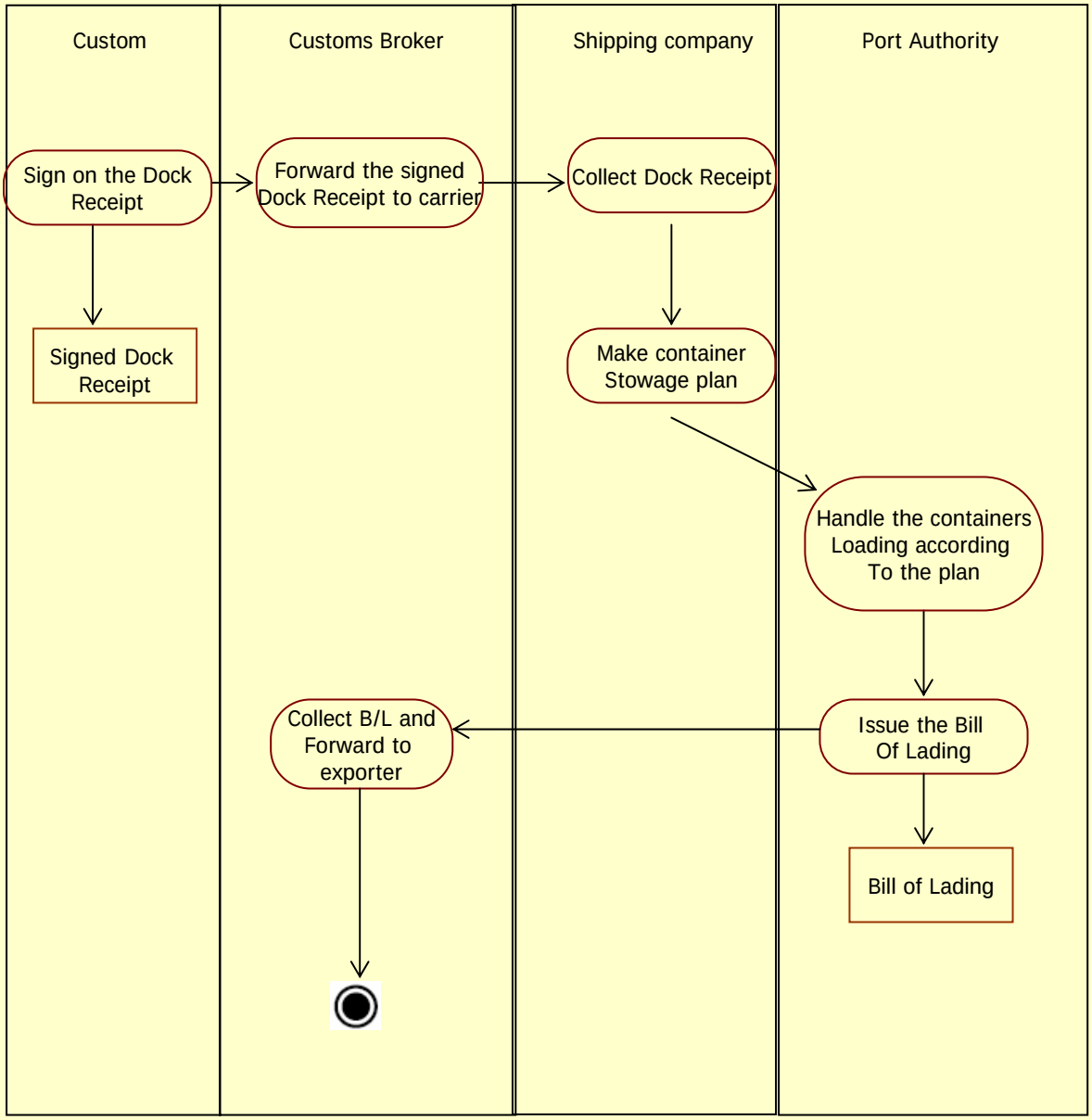
2.6 Transport to Port of Departure



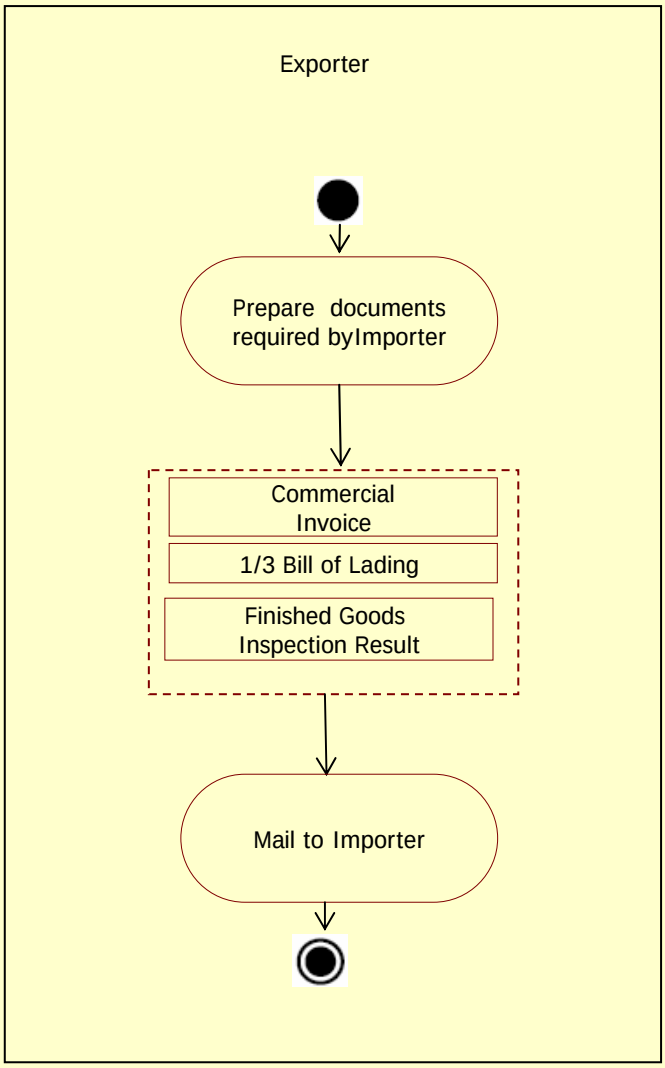
2.7 Clear goods through customs

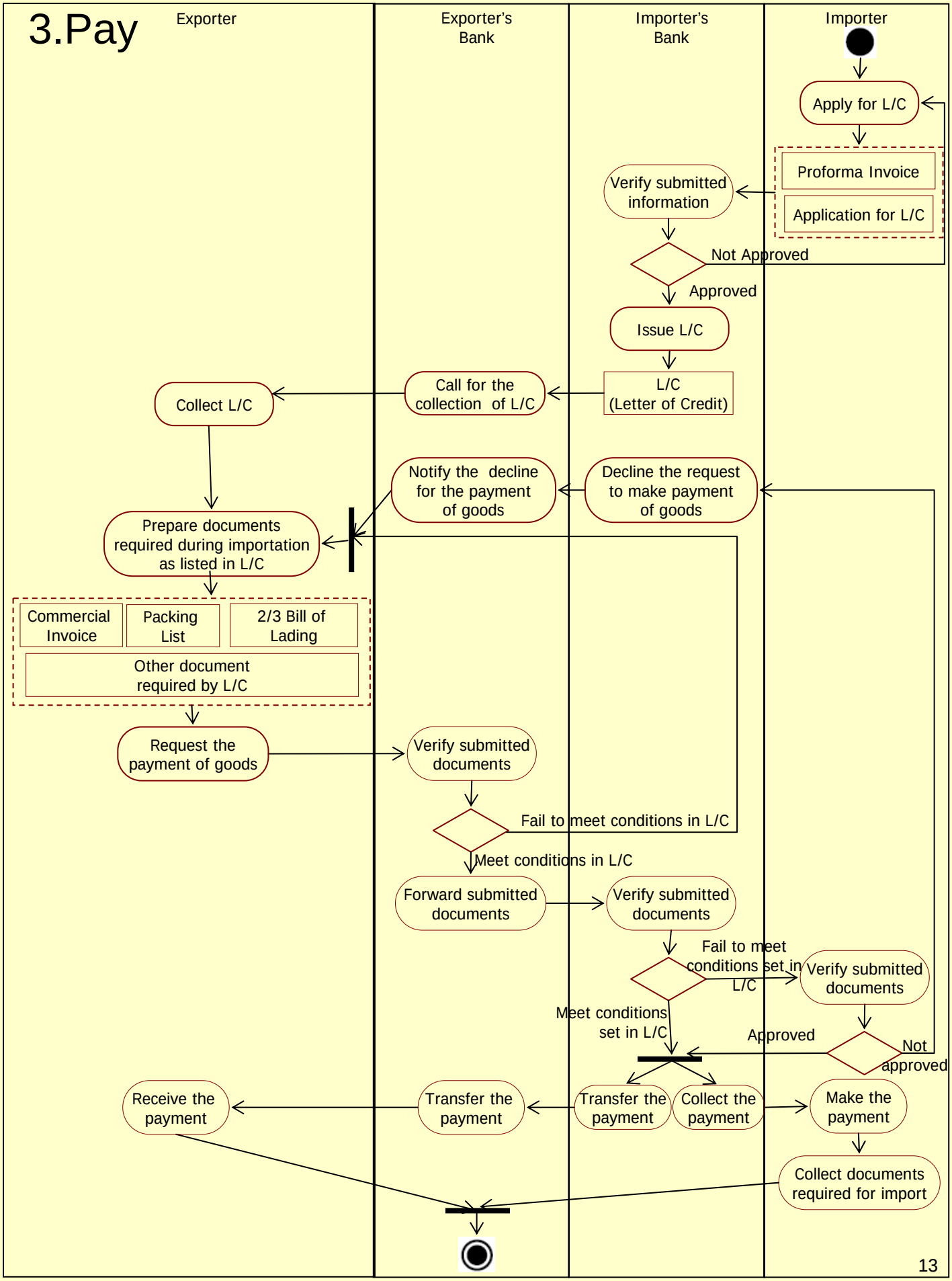


2.8 Handle container and stow on vessel



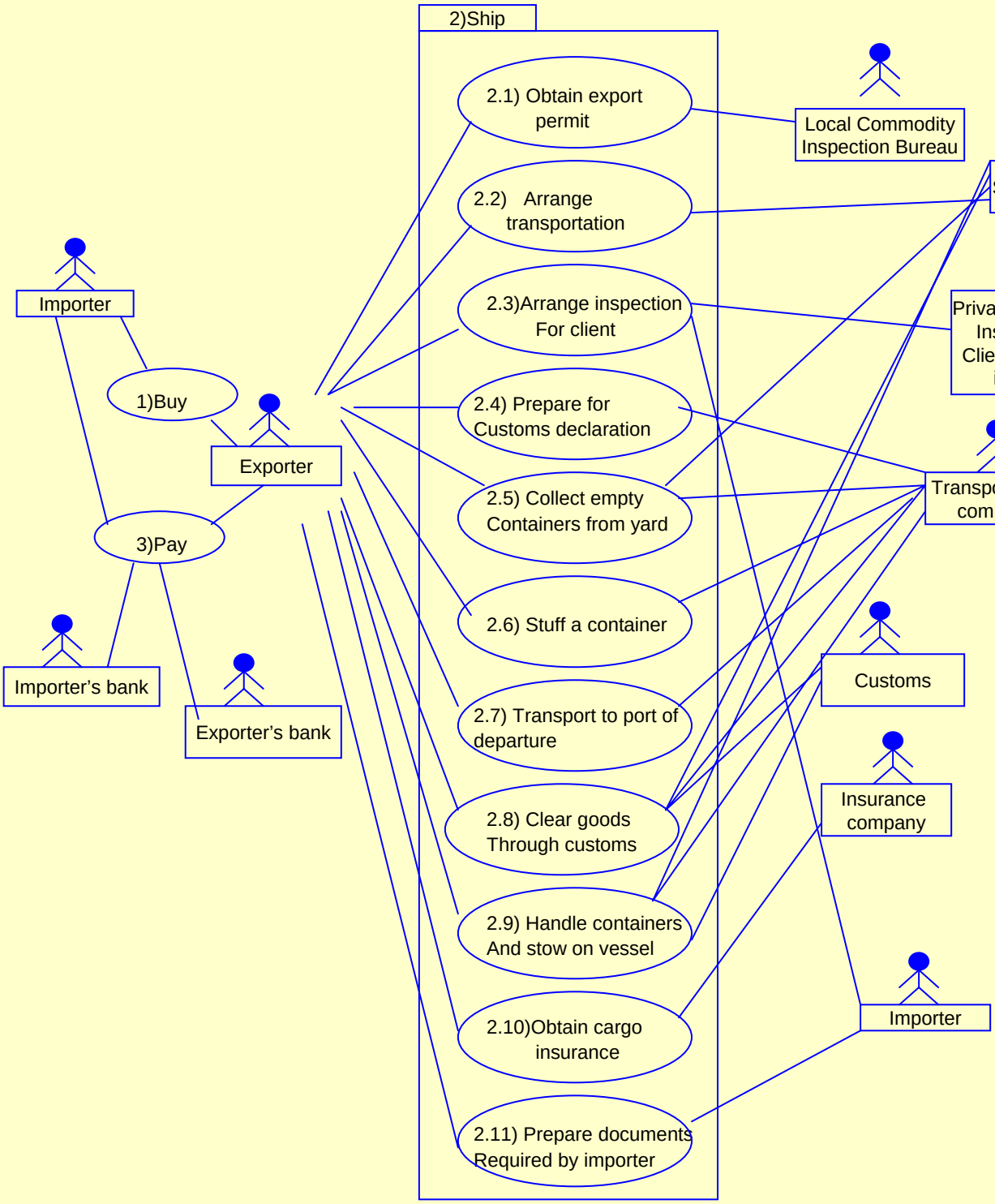
2.9 Prepare documents required by importer



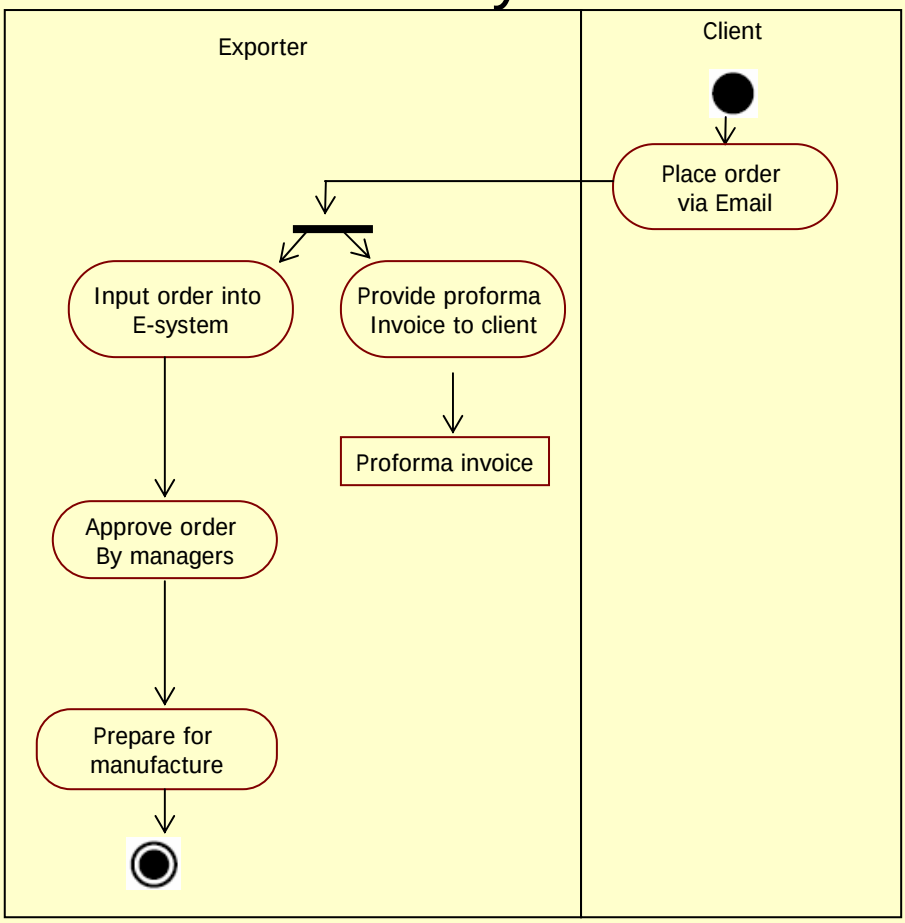

3.Pay
Exporter
Exporter's Bank
Importer's Bank
Importer
Apply for L/C
Proforma Invoice
Application for L/C
Verify submitted information
Not Approved
Approved
Issue L/C
L/C (Letter of Credit)
Call for the collection of L/C
Collect L/C
Notify the decline for the payment of goods
Decline the request to make payment of goods
Prepare documents required during importation as listed in L/C
Commercial Invoice
Packing List
2/3 Bill of Lading
Other document required by L/C
Request the payment of goods
Verify submitted documents
Fail to meet conditions in L/C
Meet conditions in L/C
Forward submitted documents
Verify submitted documents
Fail to meet conditions set in L/C
Verify submitted documents
Meet conditions set in L/C
Approved
Not approved
Receive the payment
Transfer the payment
Transfer the payment
Collect the payment
Make the payment
Collect documents required for import

Appendix 3

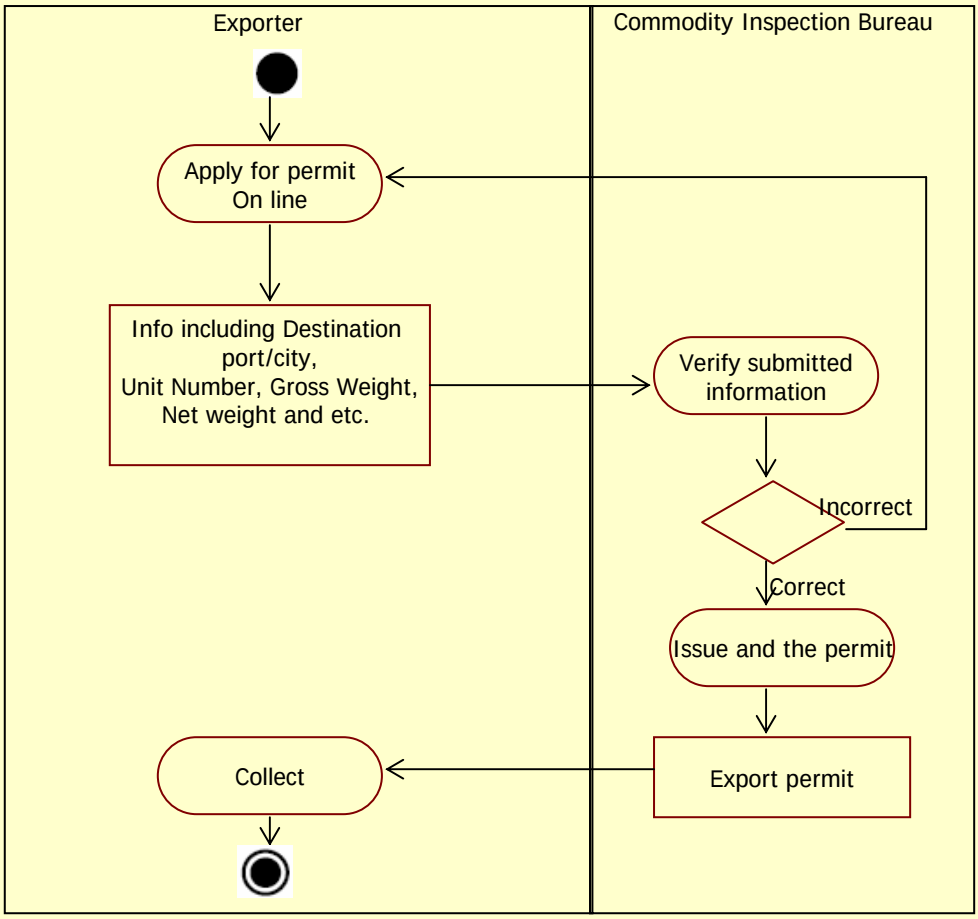
Business Processes of Electronic Appliances Export from China


2)Ship
2.1) Obtain export permit
2.2) Arrange transportation
2.3)Arrange inspection For client
2.4) Prepare for Customs declaration
2.5) Collect empty Containers from yard
2.6) Stuff a container
2.7) Transport to port of departure
2.8) Clear goods Through customs
2.9) Handle containers And stow on vessel
2.10)Obtain cargo insurance
2.11) Prepare documents Required by importer
Local Commodity Inspection Bureau
Shipping Company
Private inspection Institution or Clients' branch in China
Transportation company
Customs
Insurance company
Importer
Importer
1)Buy
Exporter
3)Pay
Importer's bank
Exporter's bank

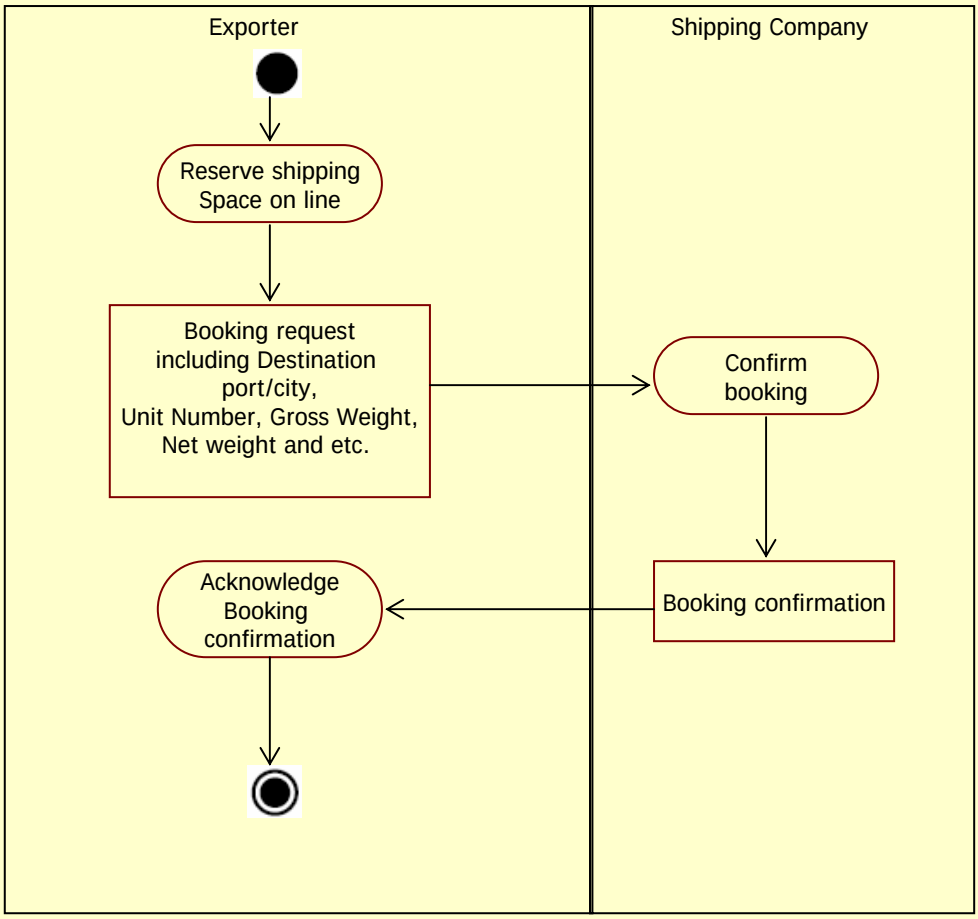
1.Buy


Exporter
Client
Place order
via Email
Input order into
E-system
Provide proforma
Invoice to client
Proforma invoice
Approve order
By managers
Prepare for
manufacture

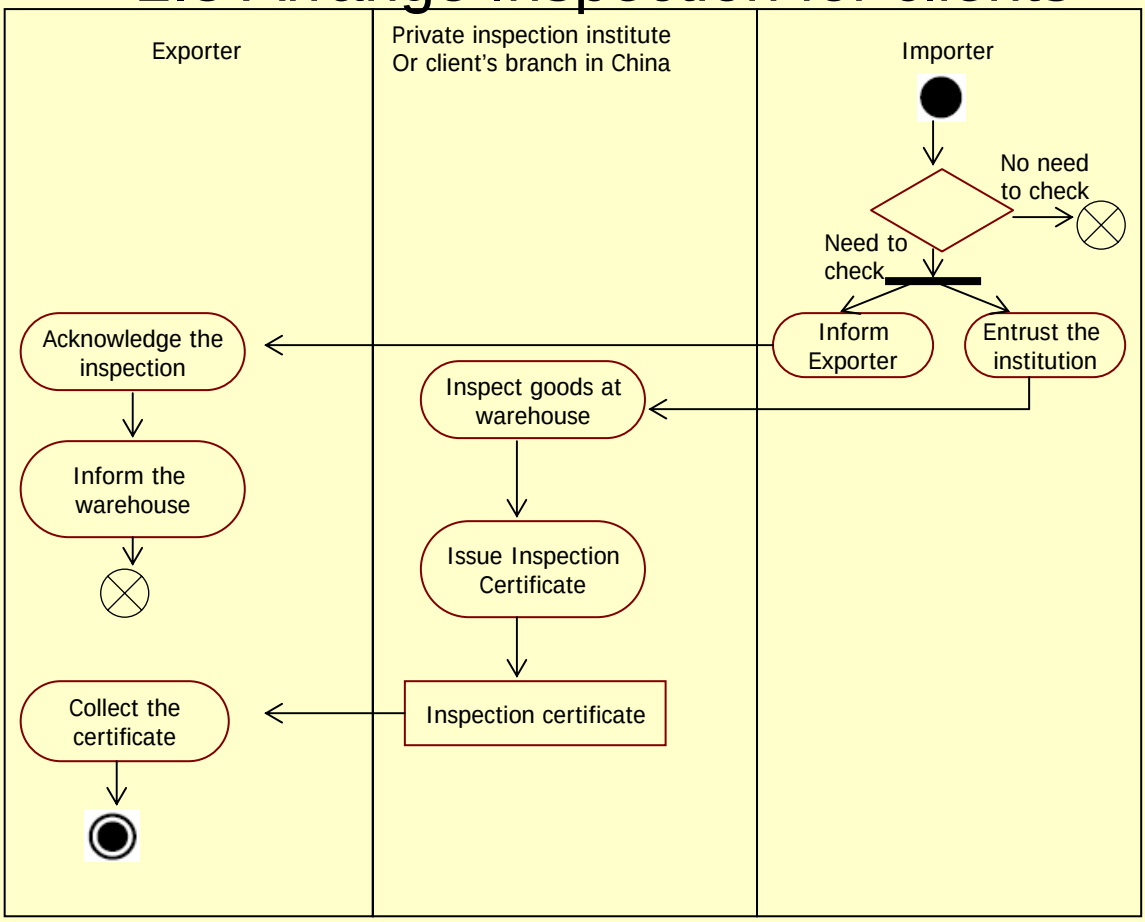
2.1 Obtain export permit



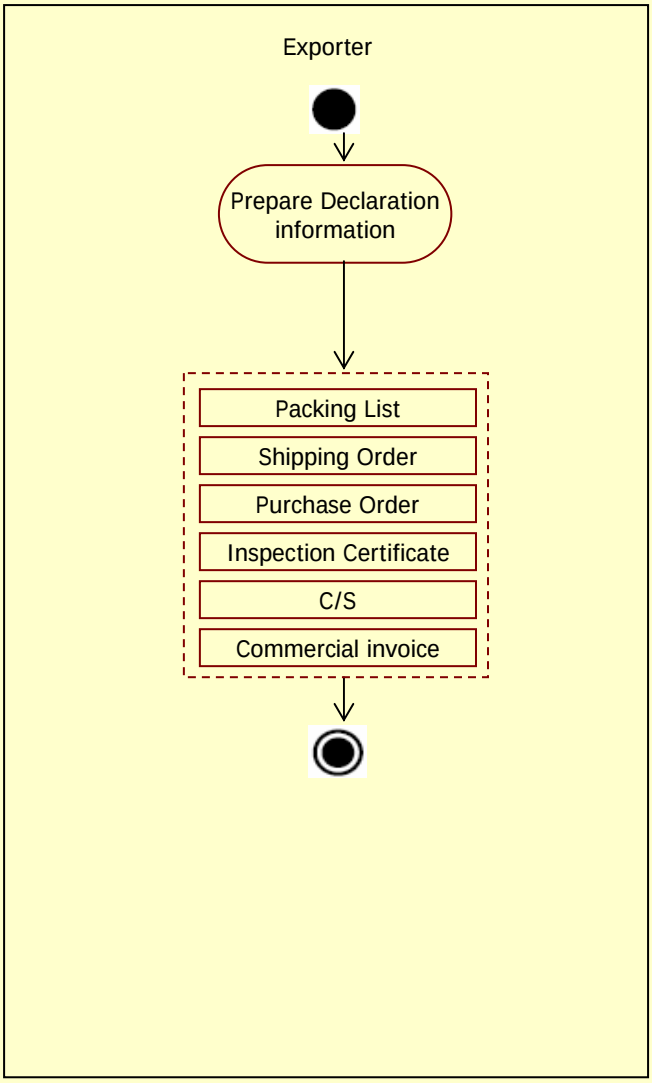
2.2 Arrange transport



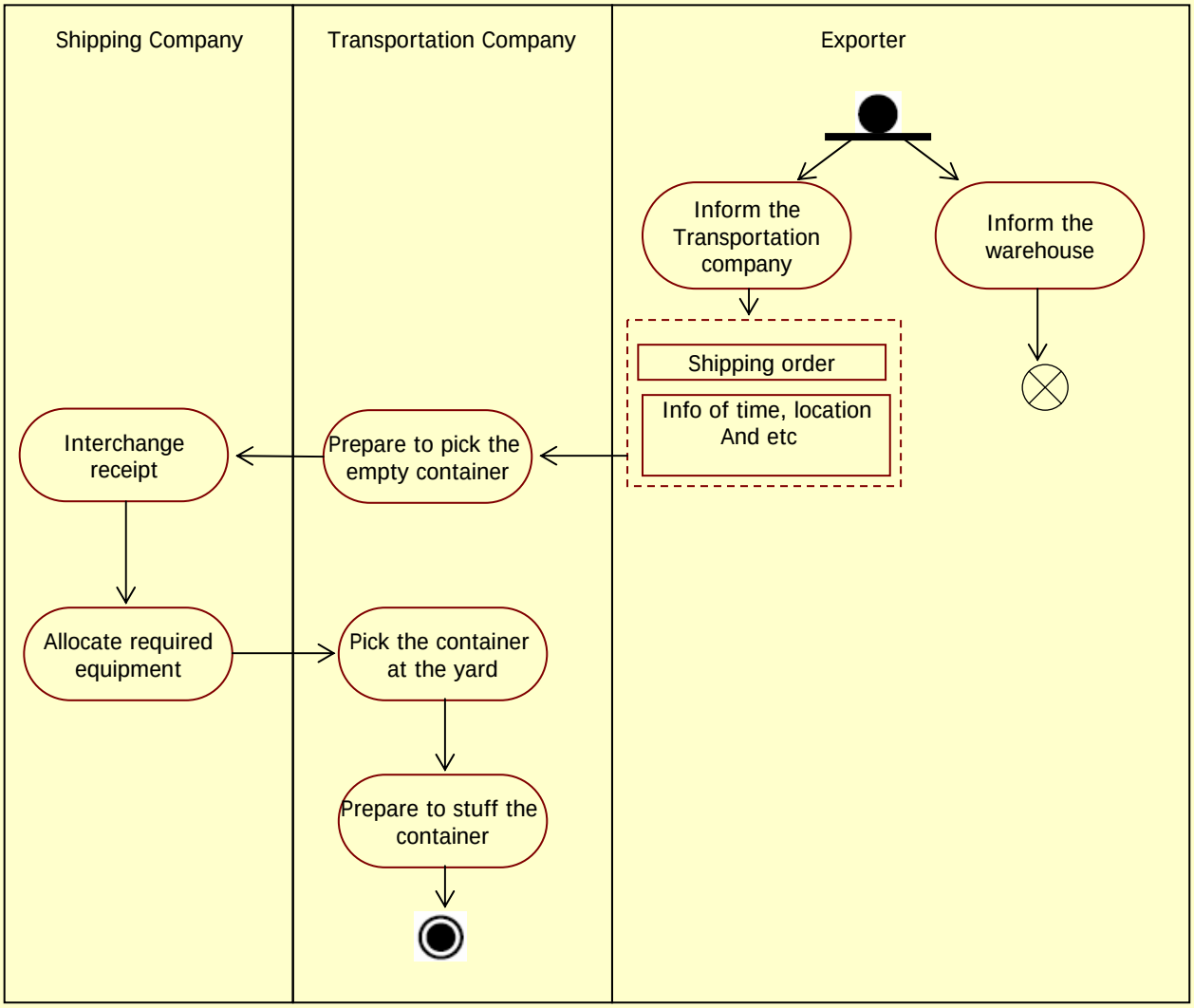
2.3 Arrange Inspection for clients



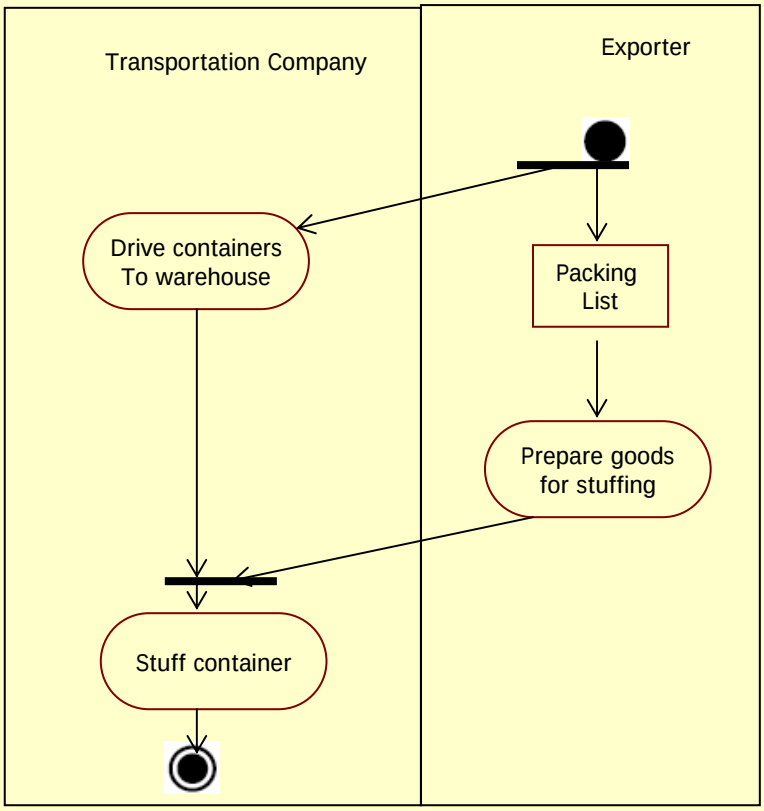
2.4 Prepare customs declaration



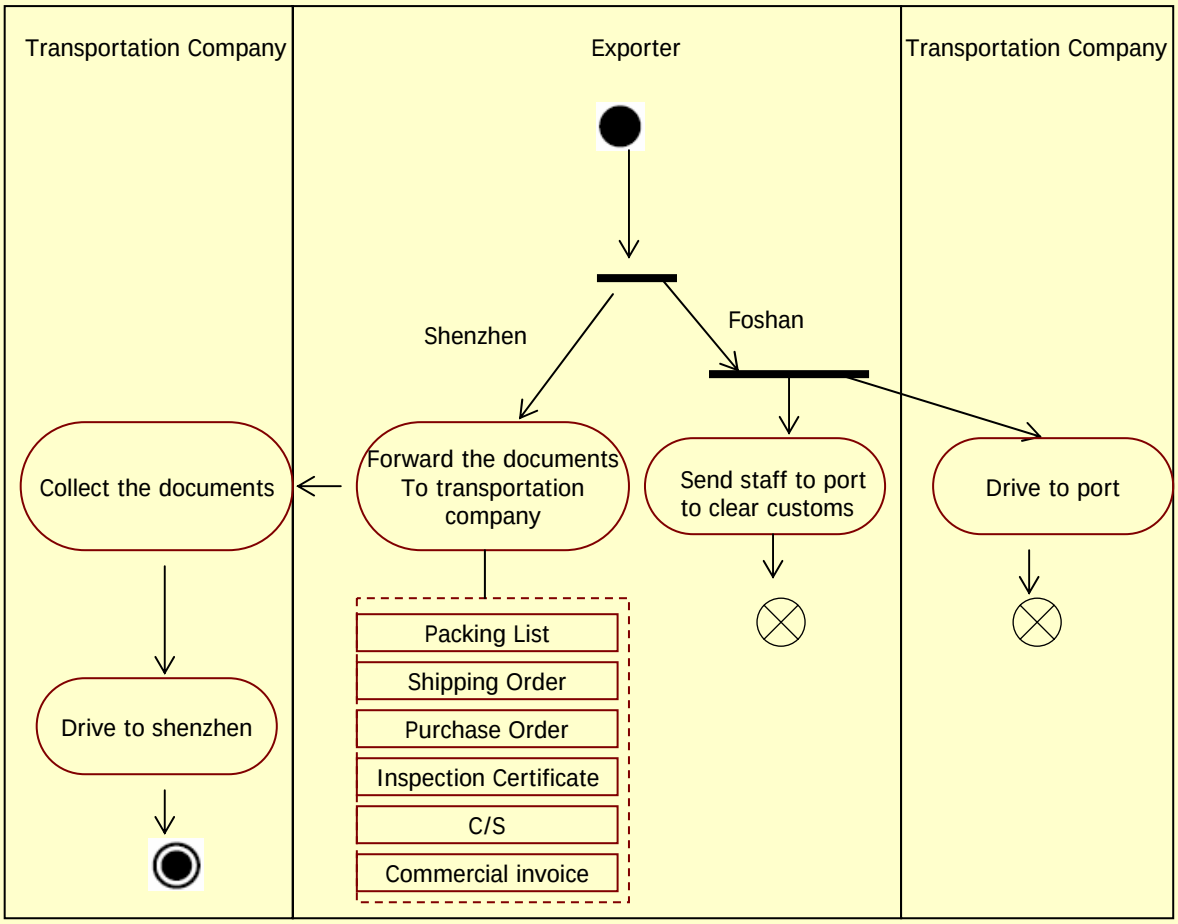
2.5 Collect empty containers from yard



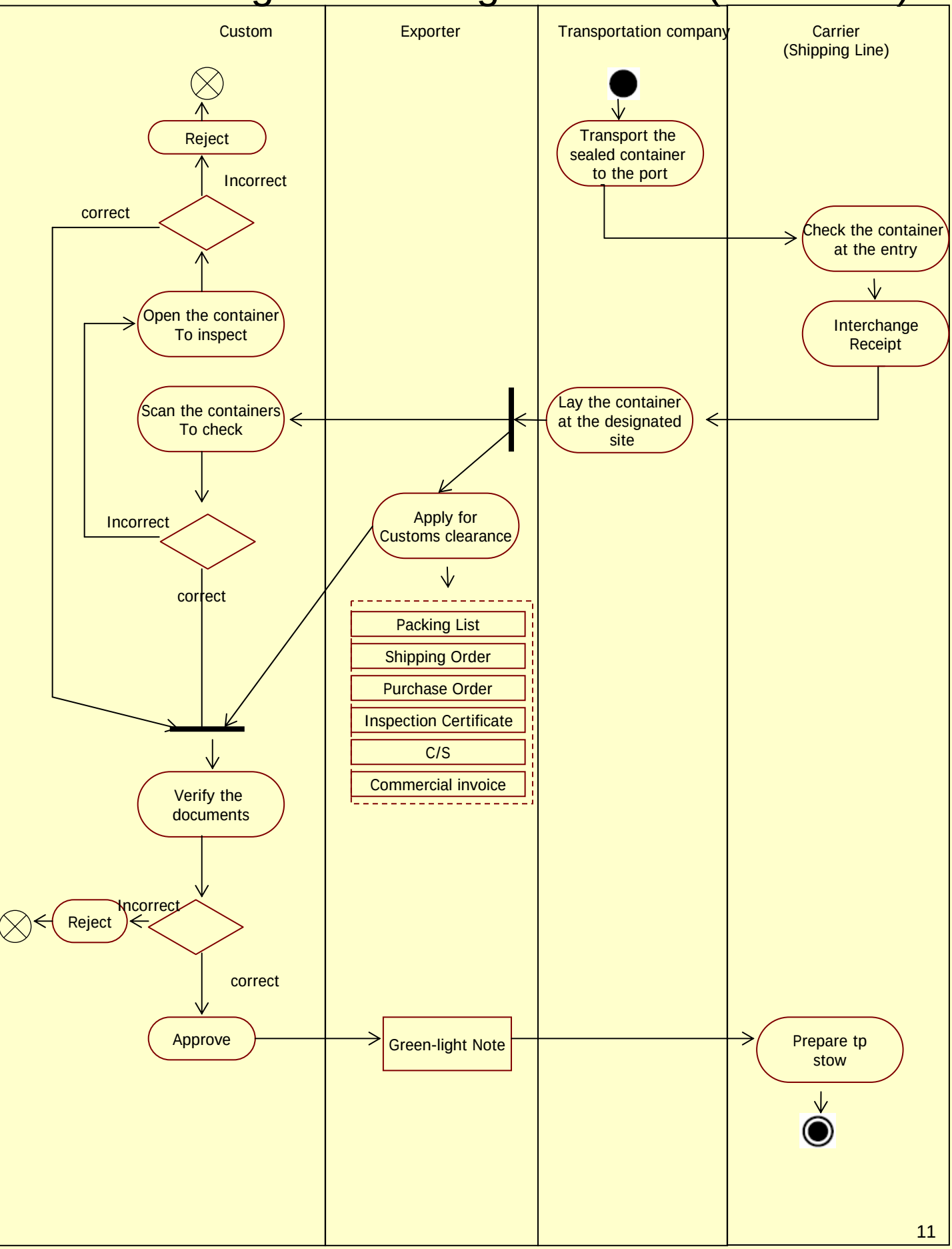
2.6 Stuff a container



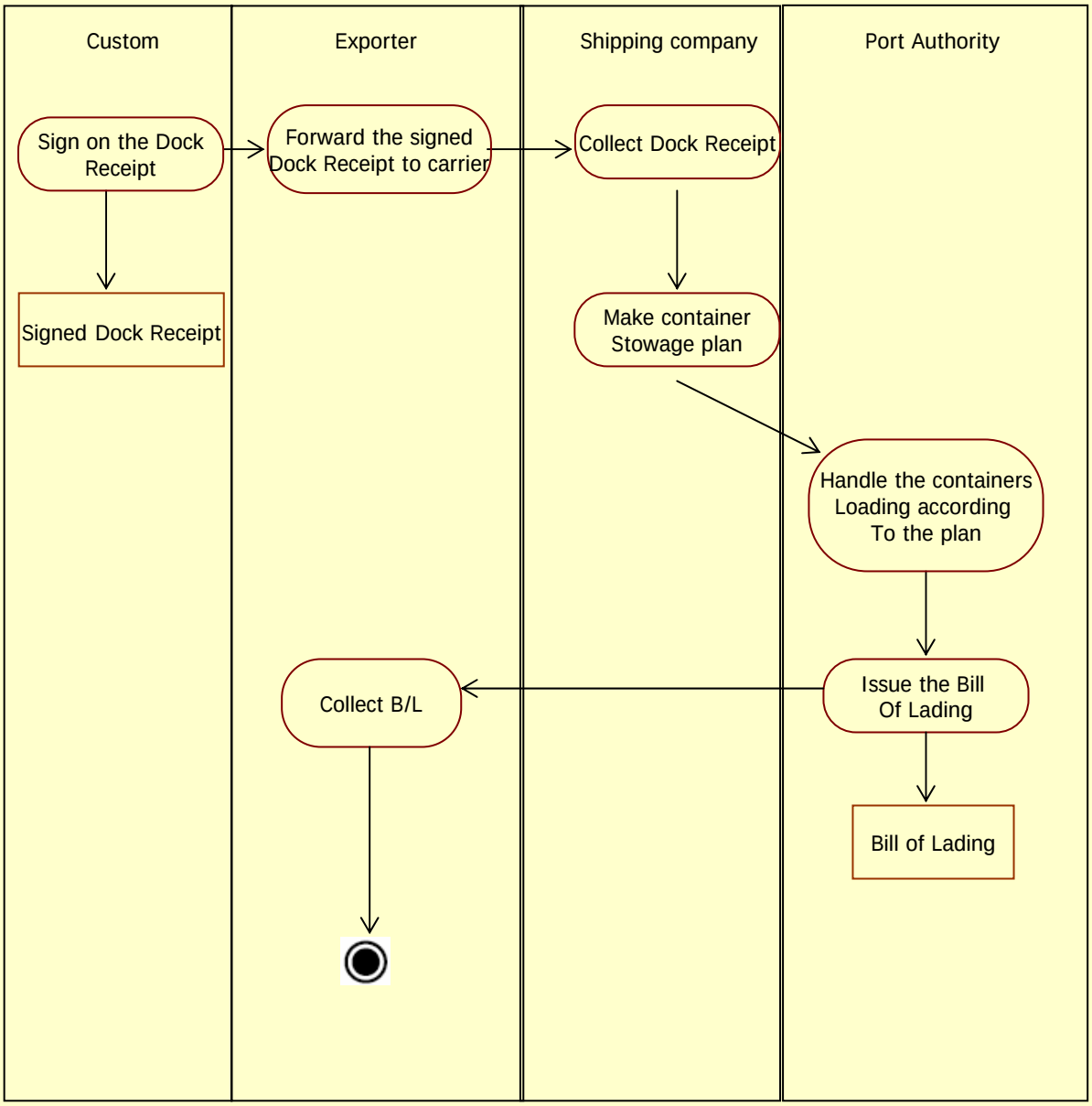
2.7 Transport to port of departure



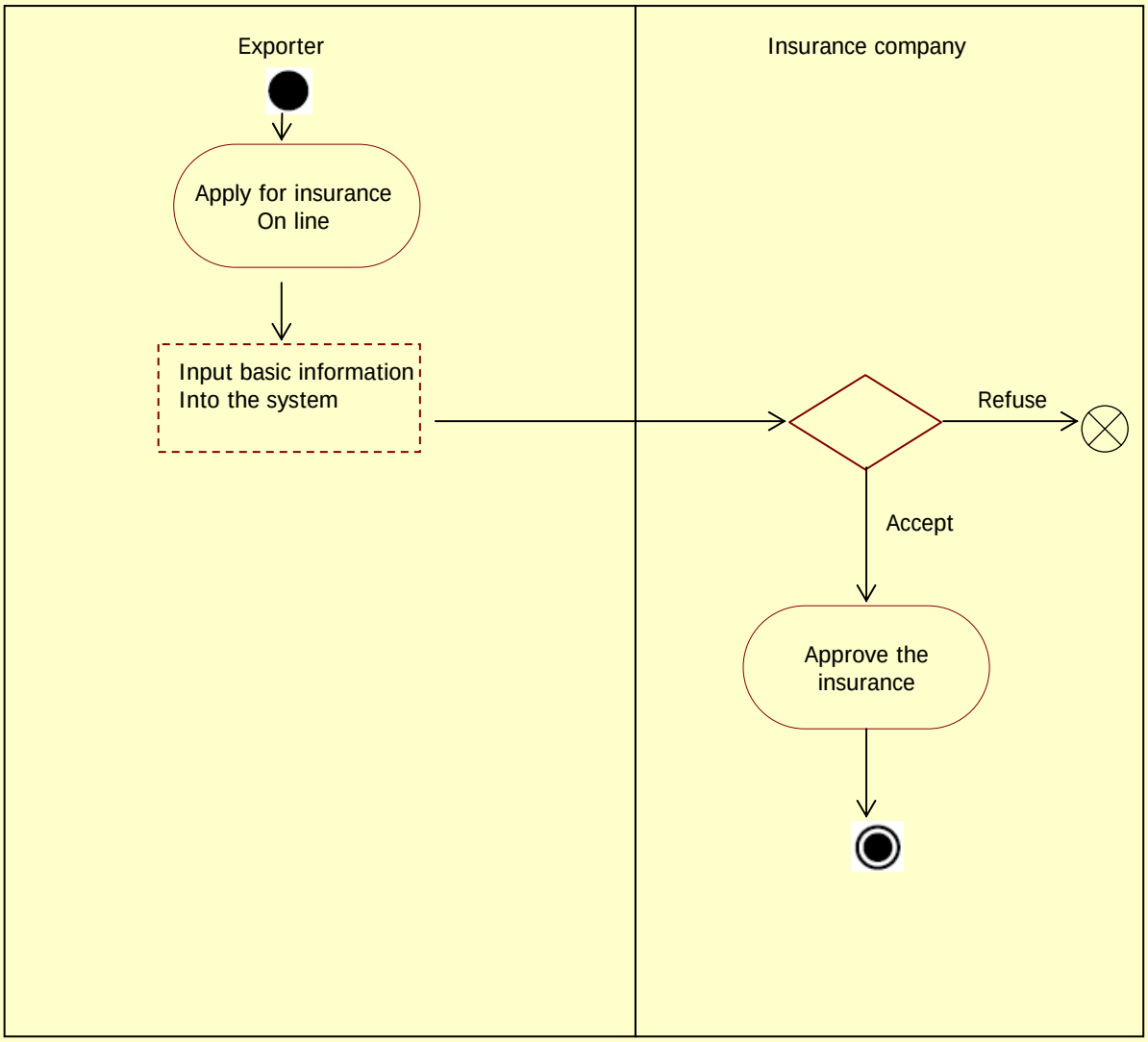
2.8 Clear goods through customs (container)



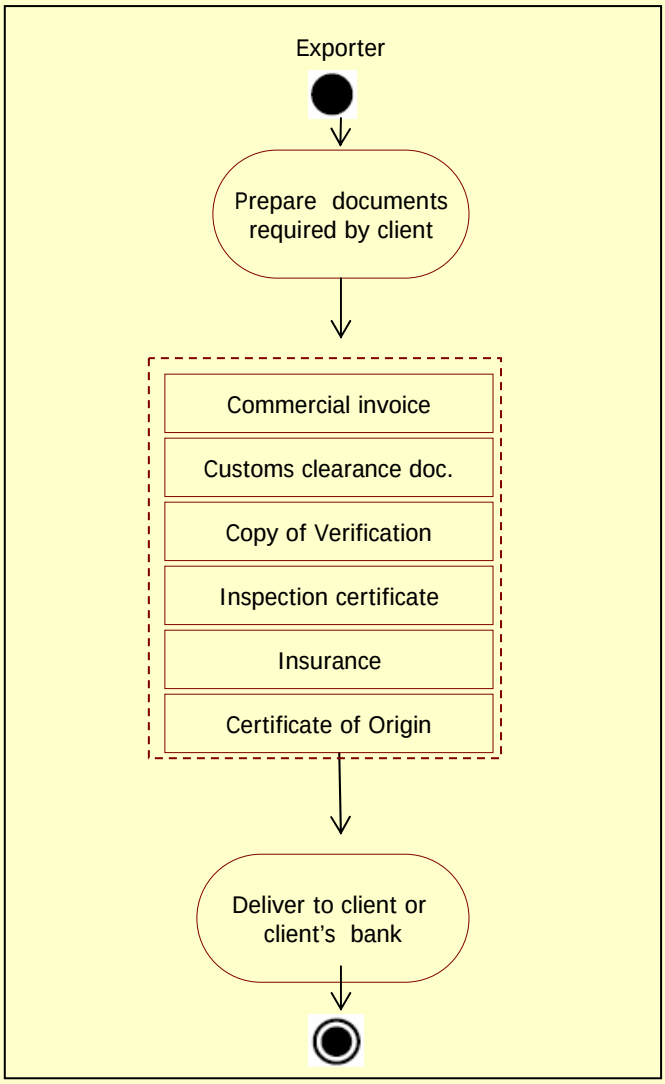
2.9 Handle container and stow on vessel



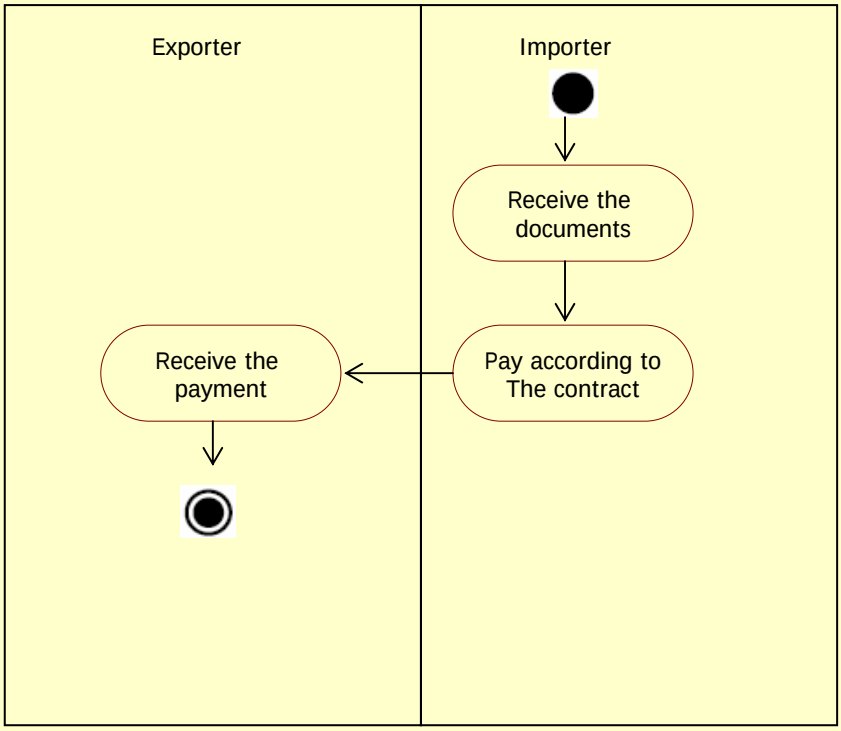
2.10 Obtain cargo insurance



2.11 Prepare documents required by importer

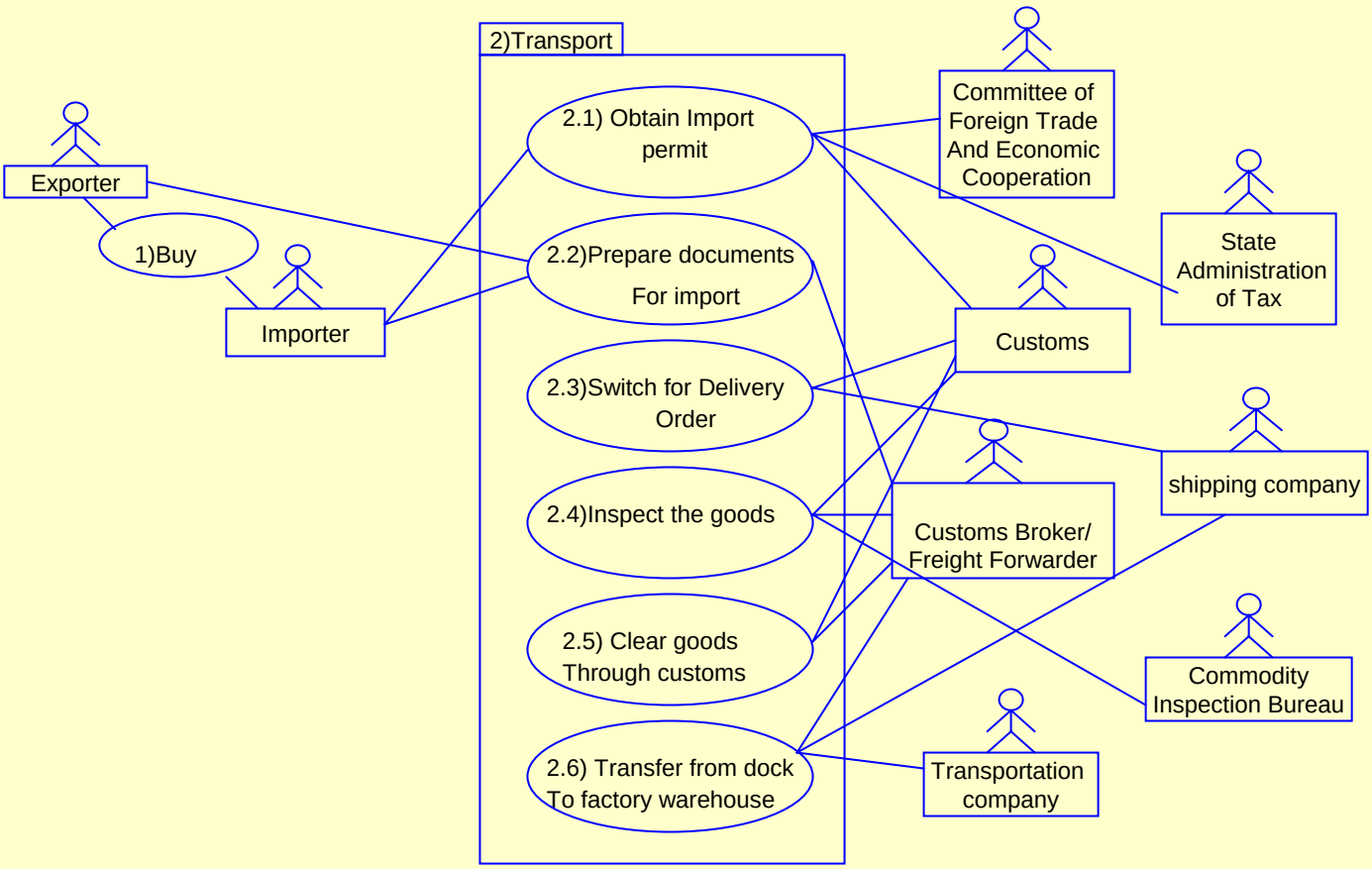


3. Pay

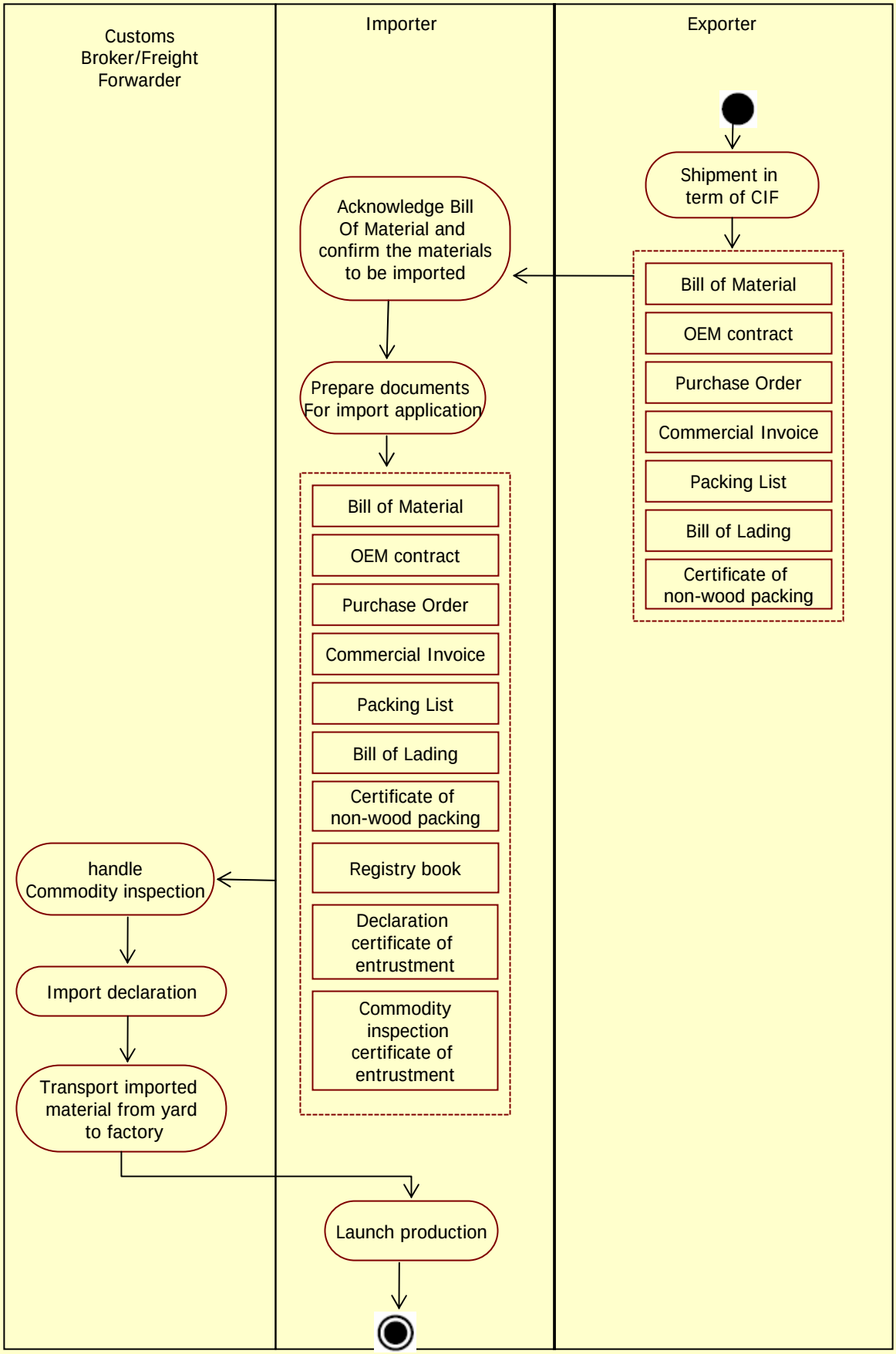

Exporter
Importer
Receive the documents
Pay according to The contract
Receive the payment

Appendix 4

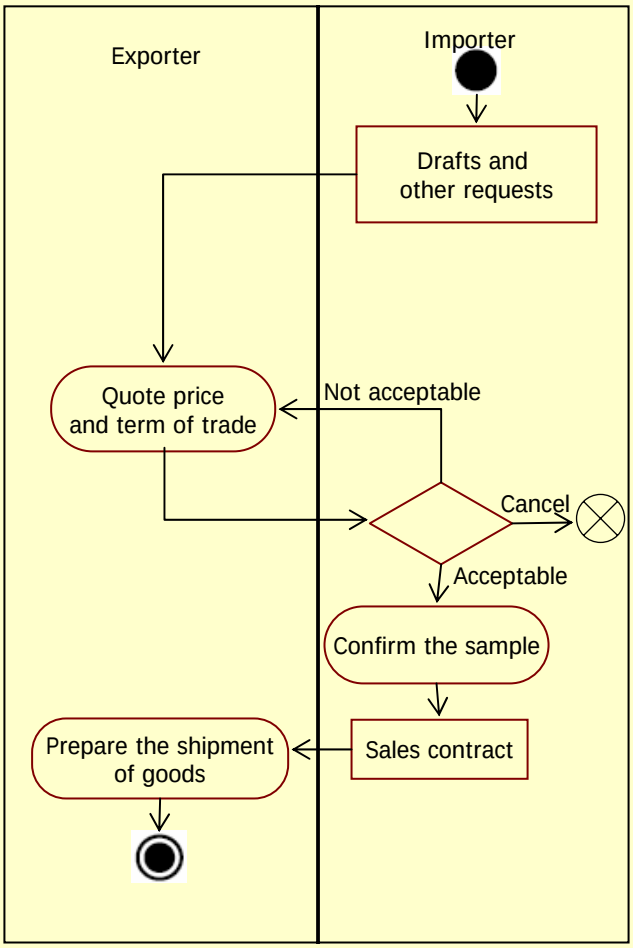
Business Processes of Textile Import from Japan


2)Transport
Exporter
1)Buy
Importer
2.1) Obtain Import permit
2.2)Prepare documents For import
2.3)Switch for Delivery Order
2.4)Inspect the goods
2.5) Clear goods Through customs
2.6) Transfer from dock To factory warehouse
Committee of Foreign Trade And Economic Cooperation
State Administration of Tax
Customs
shipping company
Customs Broker/ Freight Forwarder
Commodity Inspection Bureau
Transportation company

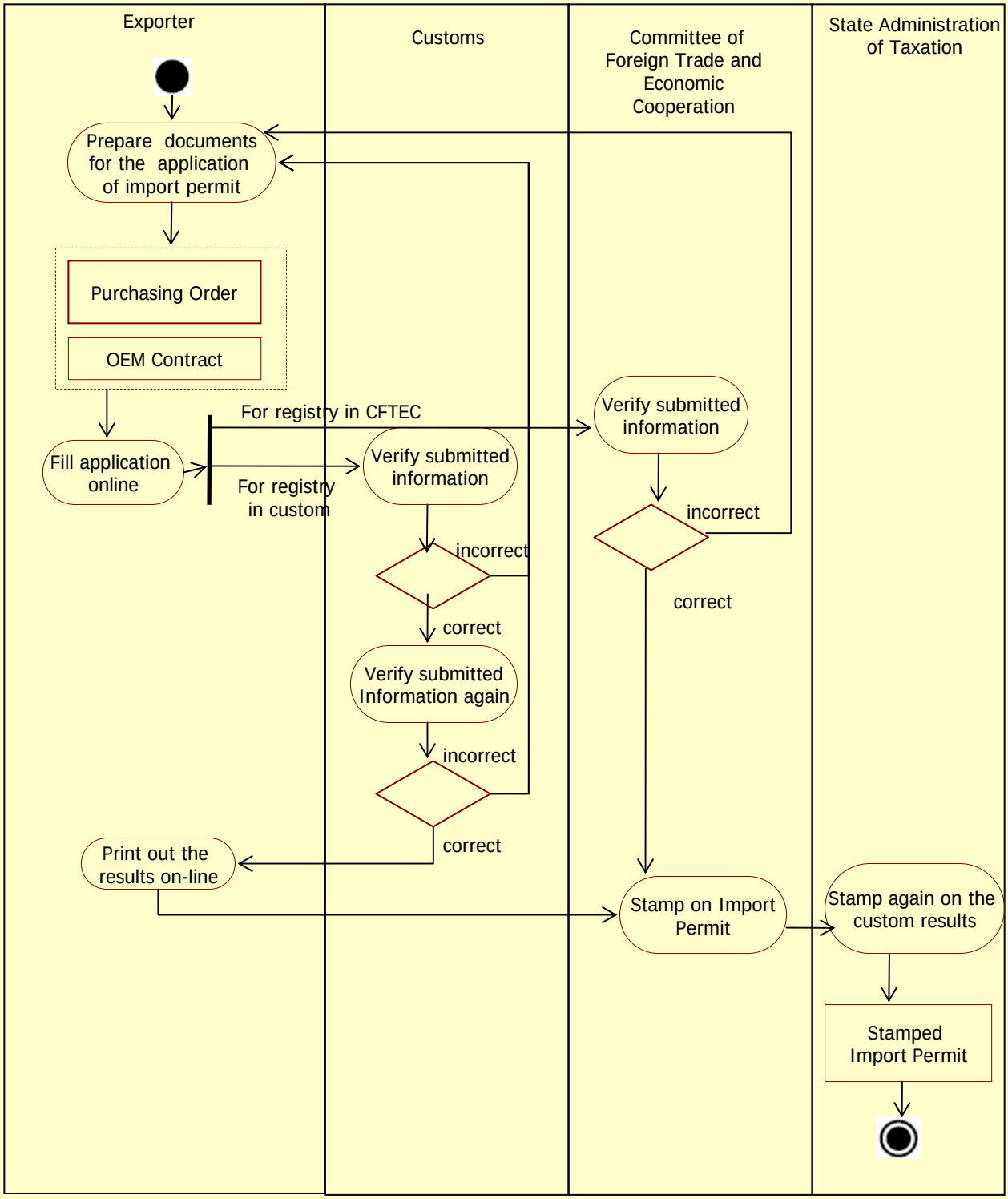
Overview of OEM import flow via agency



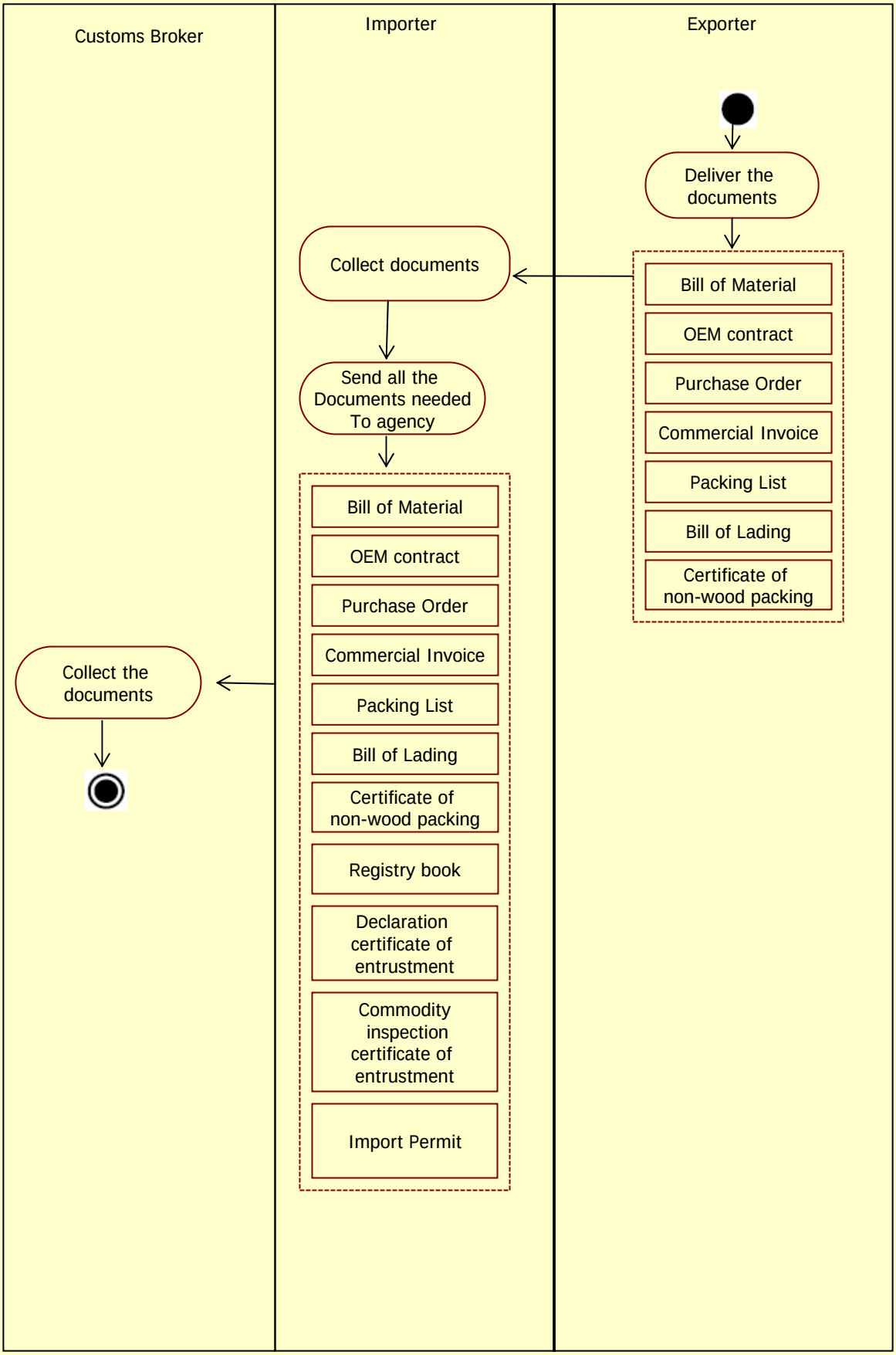
1.Buy


Exporter
Importer
Drafts and other requests
Quote price and term of trade
Not acceptable
Cancel
Acceptable
Confirm the sample
Sales contract
Prepare the shipment of goods

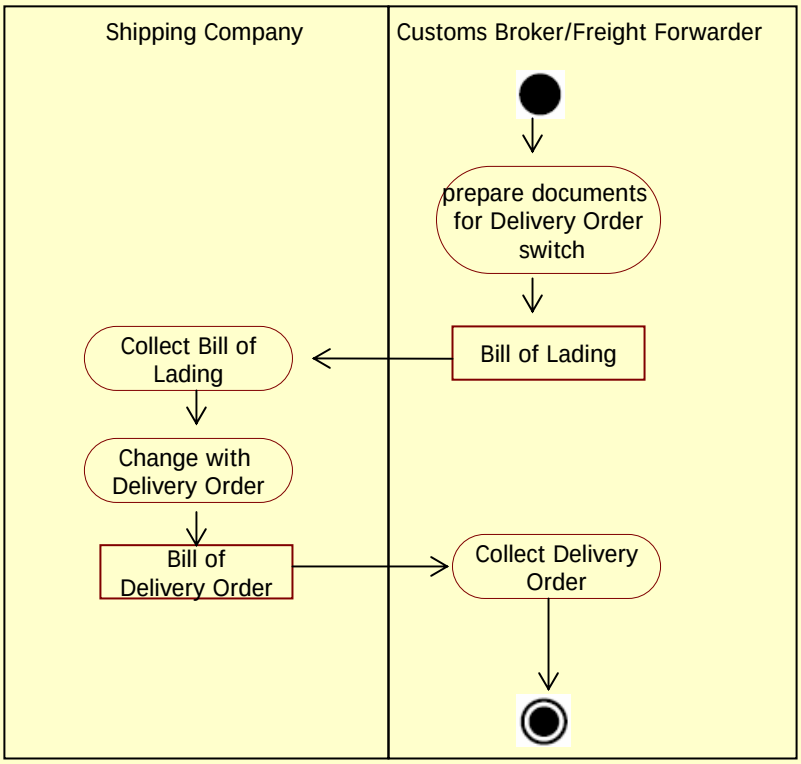
2.1 Obtain Import Permit



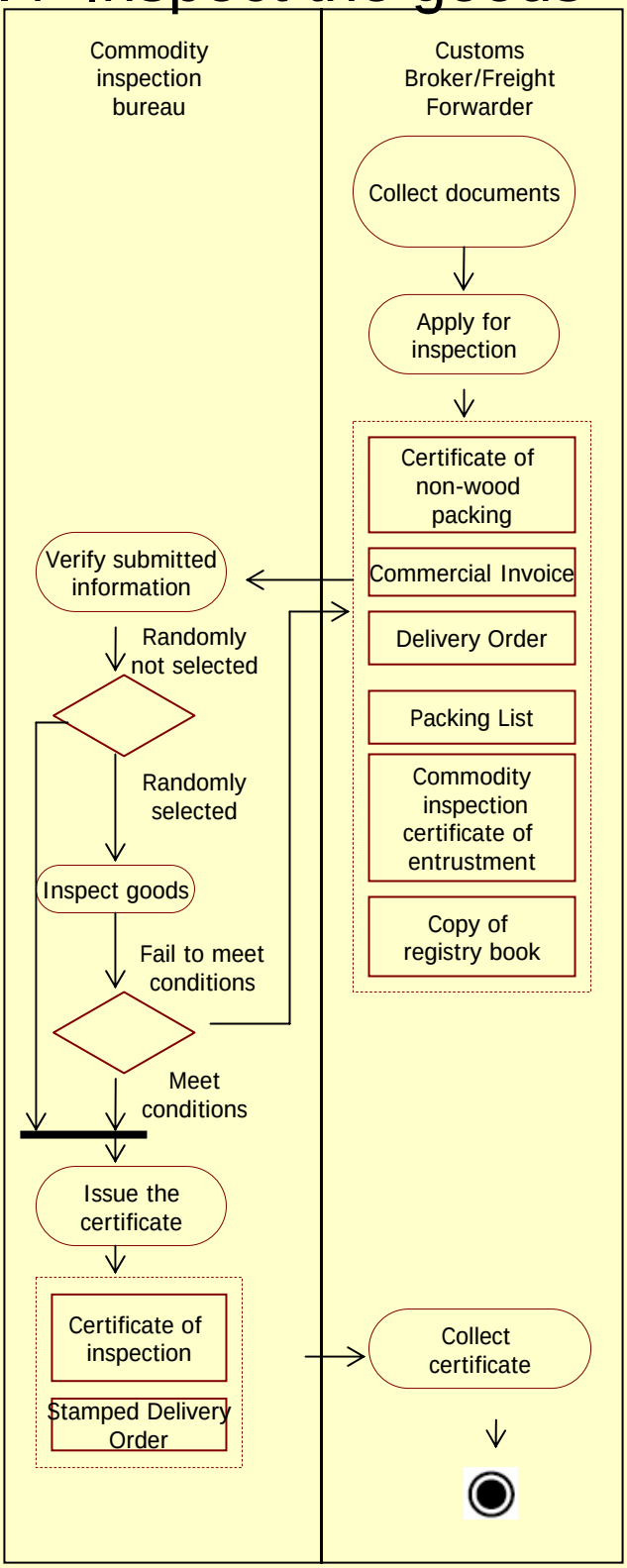
2.2 Prepare documents



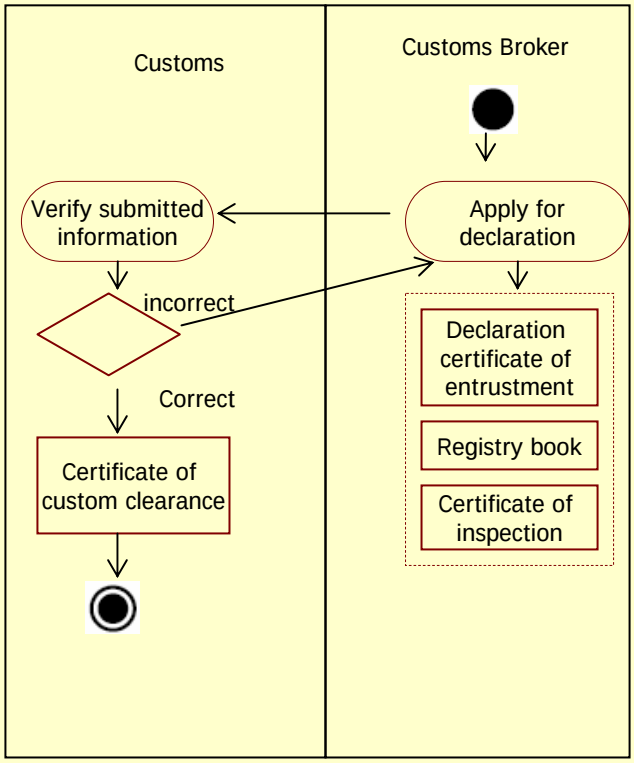
2.3 Switch for Delivery Order



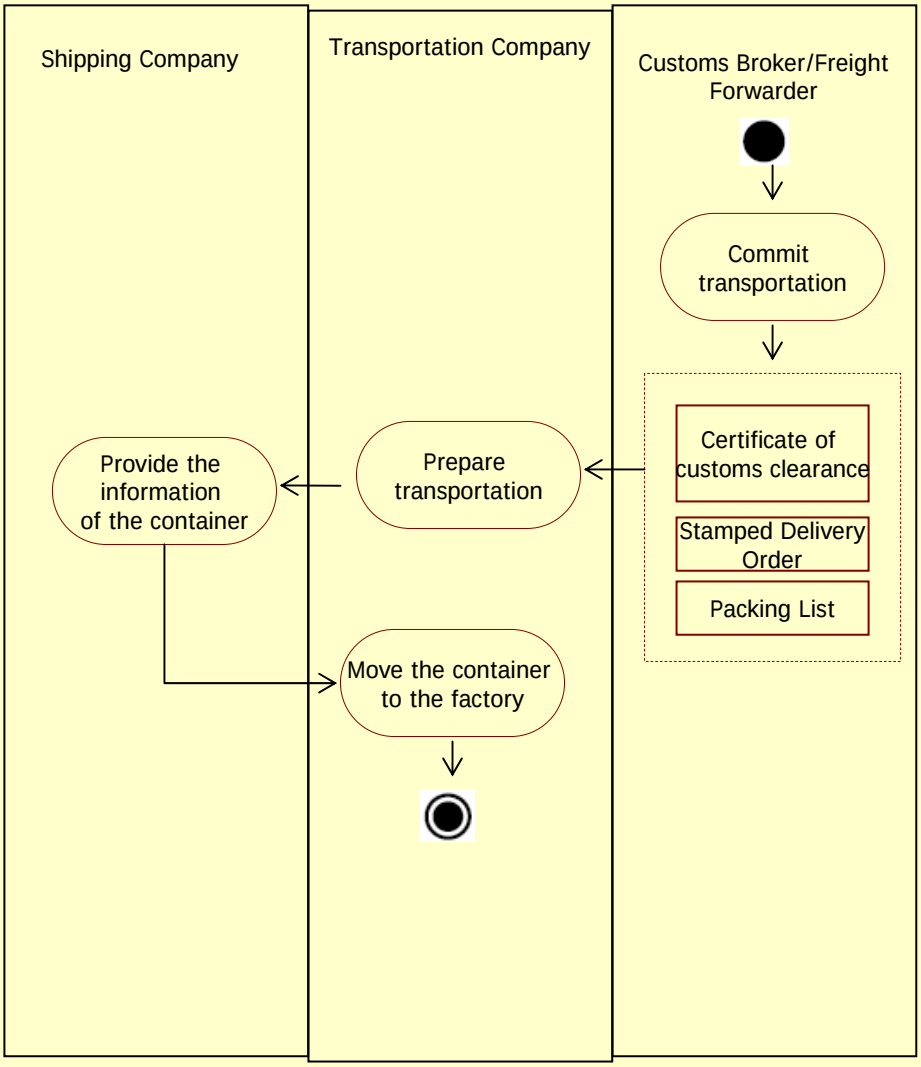
2.4 Inspect the goods



2.5 Clear goods through customs

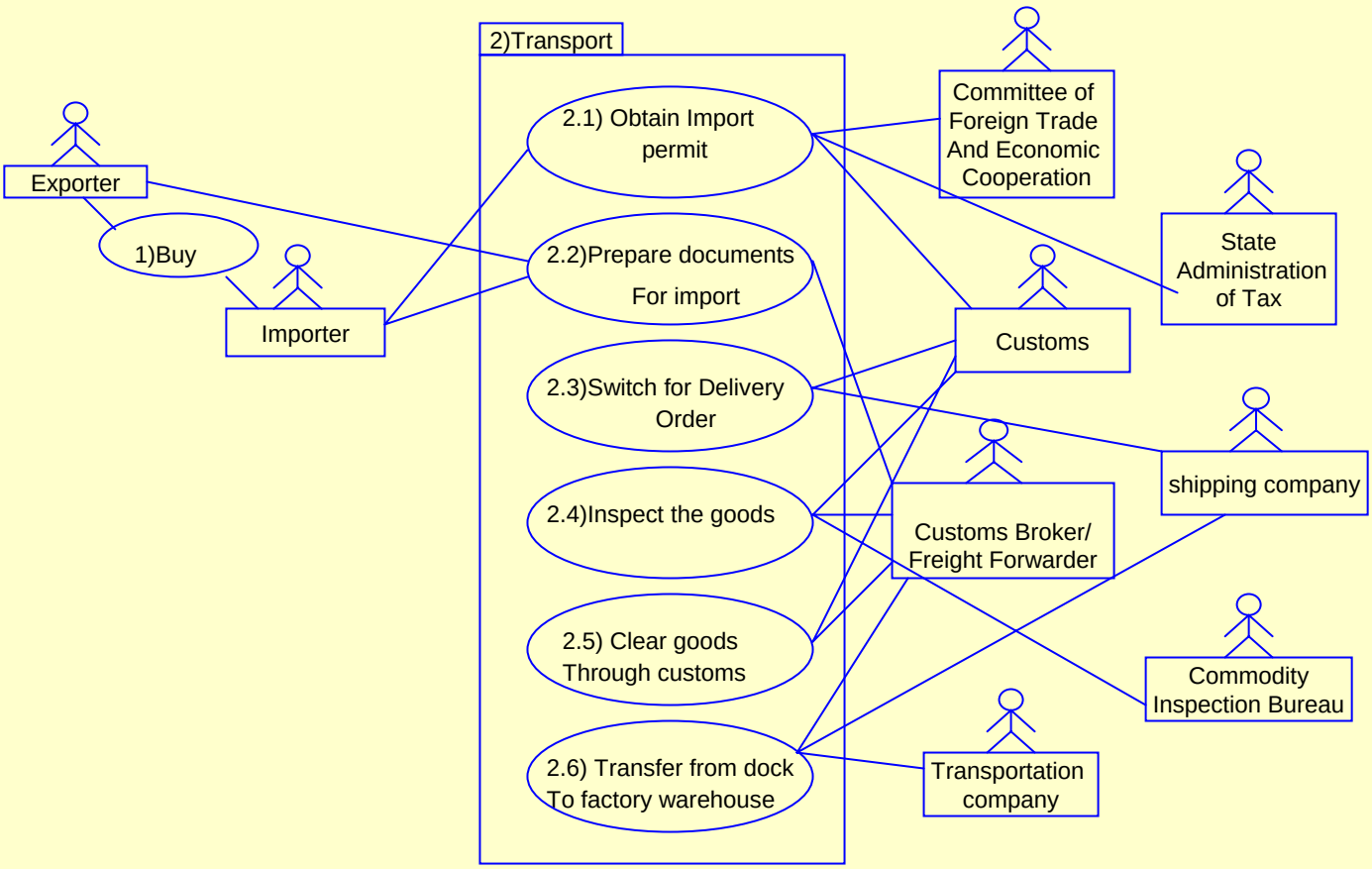


2.6 Transport from dock to factory warehouse

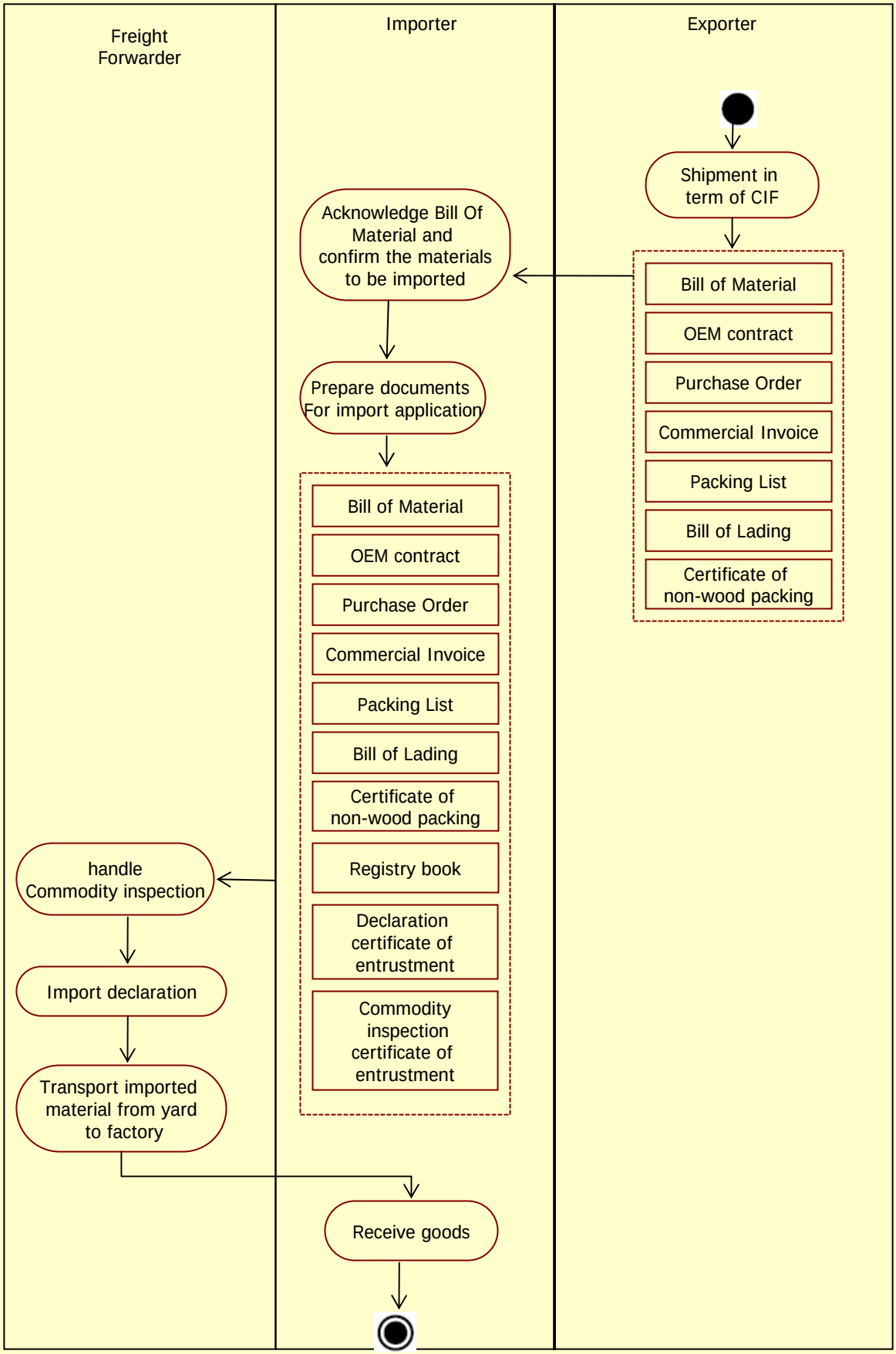


Appendix 5

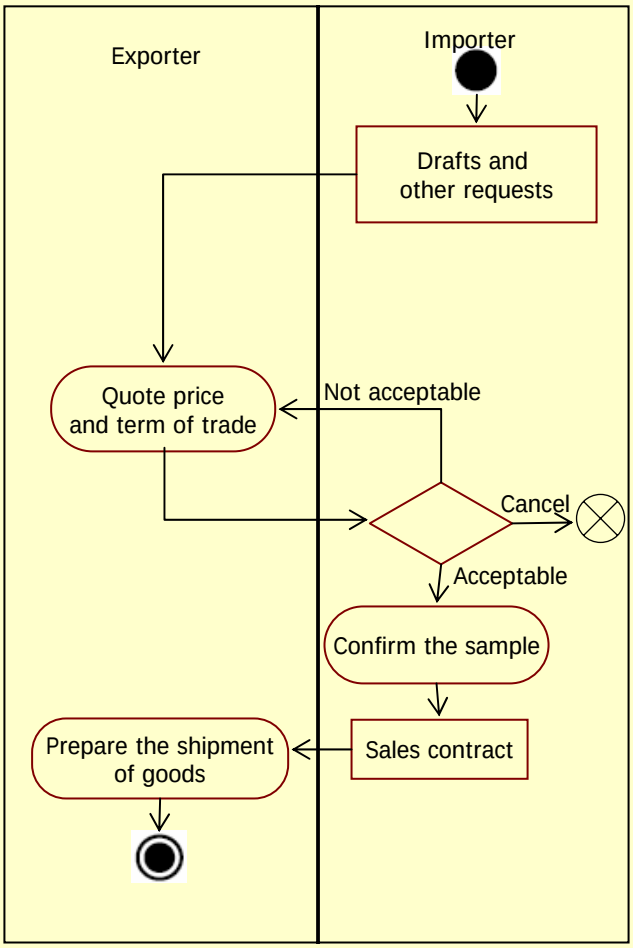
Business Processes of Auto Parts import from Japan


2)Transport
Exporter
1)Buy
Importer
2.1) Obtain Import permit
2.2)Prepare documents For import
2.3)Switch for Delivery Order
2.4)Inspect the goods
2.5) Clear goods Through customs
2.6) Transfer from dock To factory warehouse
Committee of Foreign Trade And Economic Cooperation
State Administration of Tax
Customs
shipping company
Customs Broker/ Freight Forwarder
Commodity Inspection Bureau
Transportation company

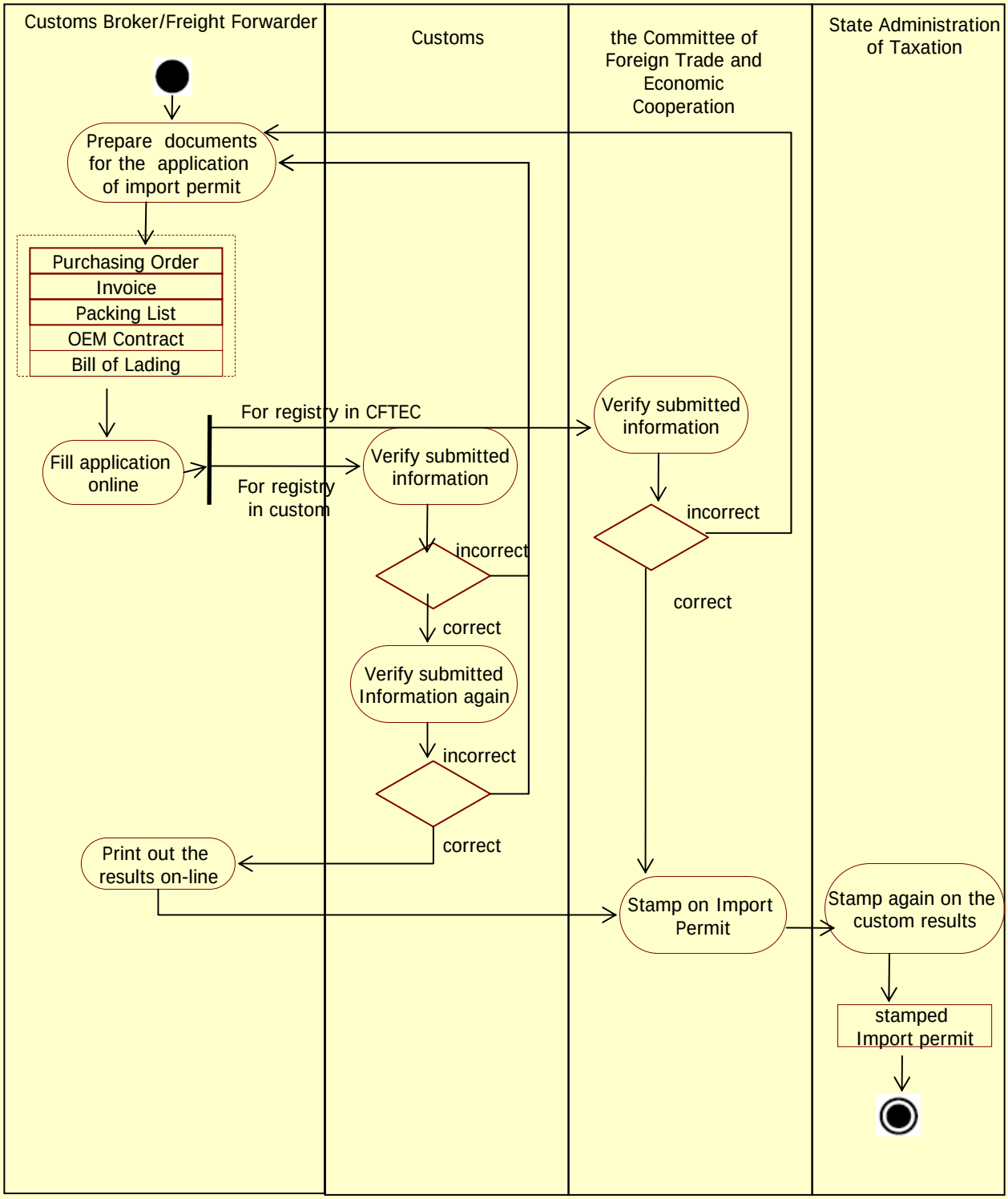
Overview of OEM import flow via Freight Forwarder



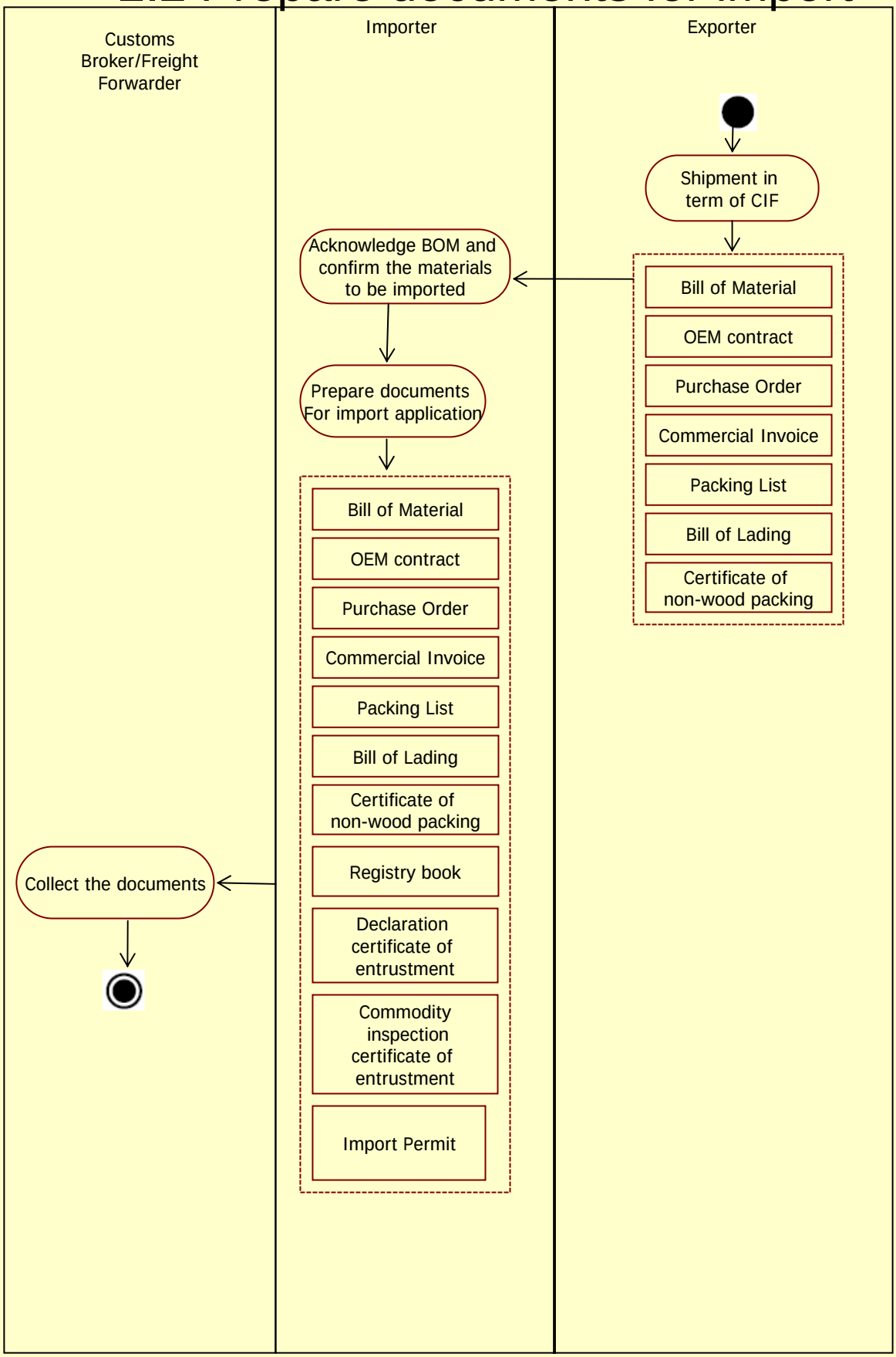
1.Buy


Exporter
Importer
Drafts and other requests
Quote price and term of trade
Not acceptable
Cancel
Acceptable
Confirm the sample
Sales contract
Prepare the shipment of goods

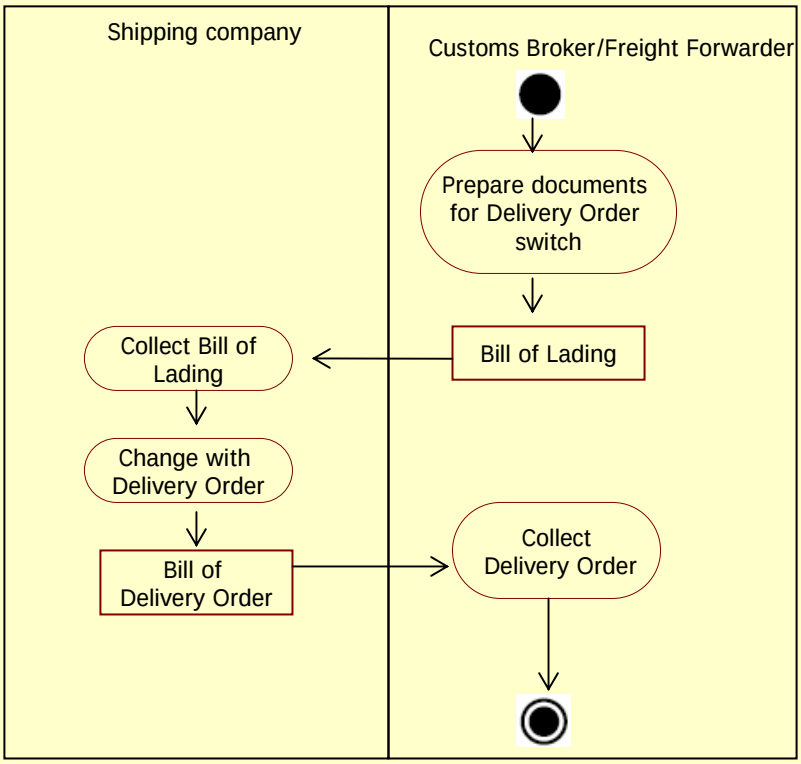
2.1 Obtain Import Permit



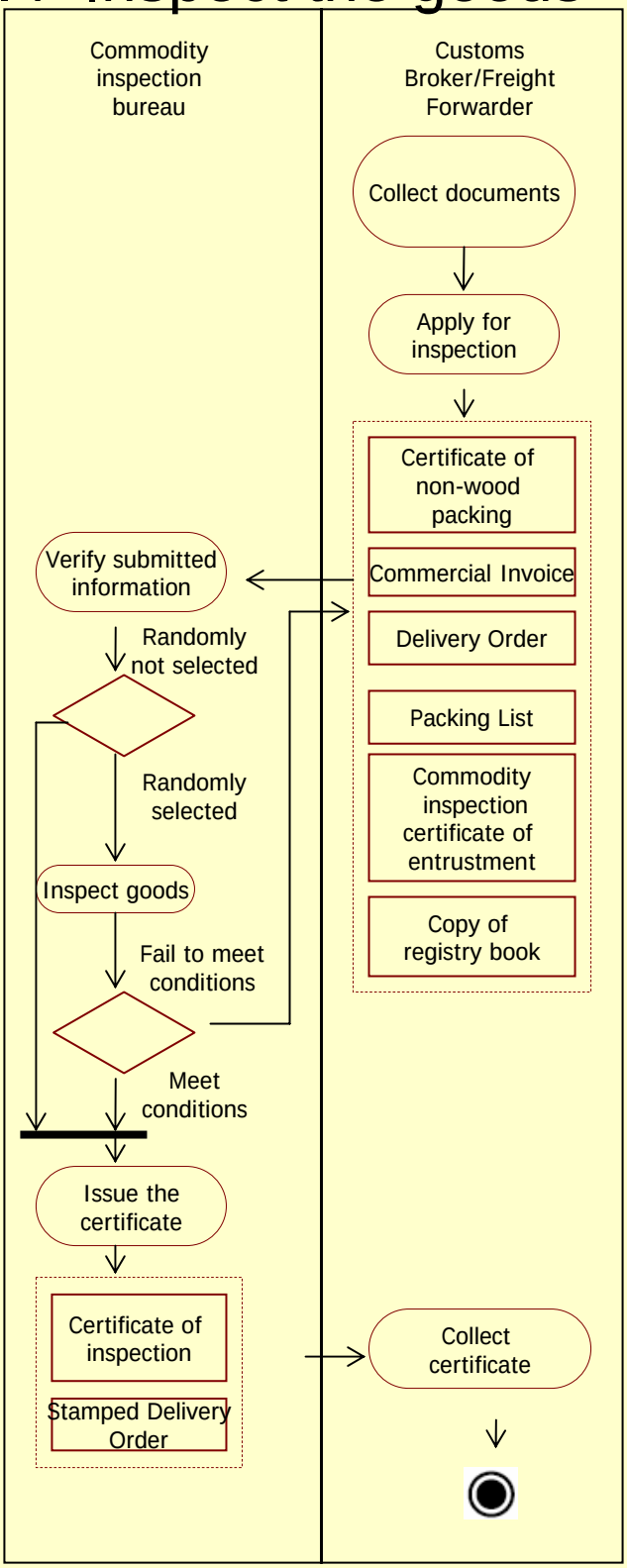
2.2 Prepare documents for import



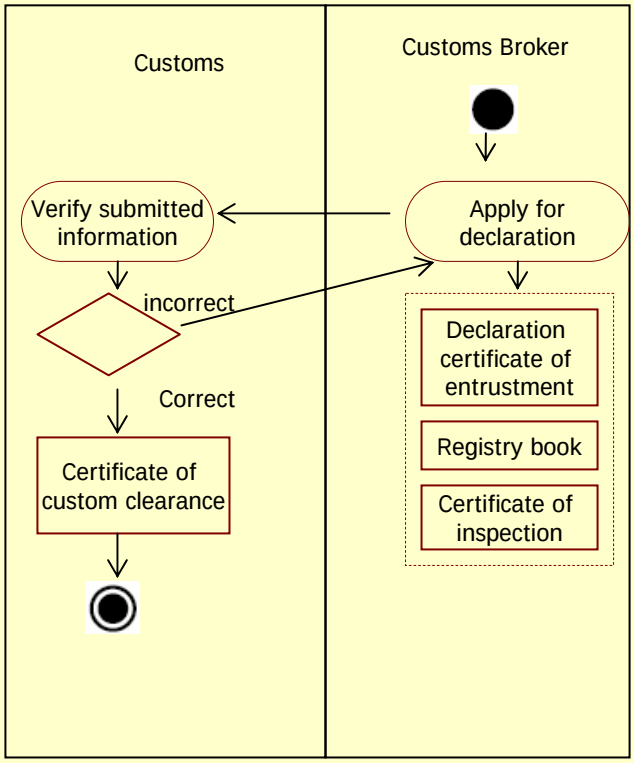
2.3 Switch for Delivery Order



2.4 Inspect the goods



2.5 Clear goods through customs



2.6 Transport from dock to factory warehouse