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GLOBAL FACTS!

China CIQ Update - January 14, 2011

- **Liberty's partner in China has developed a logistics service option to assist factories** who are unable to ship imitation jewelry due to implementation of the new rule. For more information, contact Danielle Conboy at dconboy@libertyint.com.
- **Liberty's primary partner in Shanghai, Dimerco Express, is now fully licensed with China CIQ.** This added to their existing Class A Customs Brokerage license makes them 1 of only 8 Class A China Customs and China CIQ licensed forwarders in Shanghai (there are an estimated 30,000 forwarders in Shanghai).
- **We are hearing reports that China Customs is beginning to enforce intellectual property rights.** In some cases factories are being asked to provide proof of authorization to reproduce brand logos and/or licensed merchandise. This rule has been in effect for several years without enforcement and is valid for the whole of China. If requested, a letter or licensing agreement copy must be provided as proof of authorization to manufacture the goods for export. Generally, we are seeing this request only for very well known multi-national brands.
- Several of our clients have asked whether their products are subject to the imitation jewelry requirement for China CIQ. Commodities that may be construed as jewelry such as key chains and money clips are some of the items that have been questioned. **China CIQ will define imitation jewelry according to the HS code used for export.** Please check with your factory. If they are using the following HS codes for export clearance, your goods are subject to the new CIQ inspection rule: 71171100 cuff-links and studs of base metal, whether or not plated with precious metal, 71171900 imitation jewelry of base metal, whether or not plated with previous metal, 71179000 imitation jewelry of other materials.
- **Many clients are asking whether an inspection certificate that was secured for a shipment may be used if the mode of transportation for that shipment is changed.** For example, if cargo was booked to move via ocean, can the inspection certificate be used to move the goods via air instead. Unfortunately, China CIQ is requiring a new certificate as the transport document is one of the documents provided when requesting inspection approval. We have learned, however, that Qingdao Airport Customs has been very lenient in these cases. To date, we have been able to use the inspection certificate from shipments changed from ocean or sea/air (considered the same as ocean - goods leave from Qingdao seaport) to air without requesting a new document. Seaport Customs, however, has strictly enforced this rule and is requiring a new certificate if goods are switched from air to ocean (or sea/air). Our sources advise that Qingdao Airport Customs will likely begin to enforce this rule in the near future as well.
- We have received confirmation that the cutoff for moving samples without CIQ inspection is 30 kgs and \$300 USD in value.
- **Our colleagues at the FJATA have confirmed China's testing requirements.** Fashion jewelry will be classified into adult and children's jewelry categories first. As previously reported, the testing requirements will then be based on the destination country's guidelines. If the destination country (e.g. some Latin American

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countries) does not have specific testing requirements, the item will be tested against China regulation GB11887-2008. Other countries like the US with existing standards are detailed in a testing requirements table. In order to facilitate the test, CIQ prefers the factory to send the raw materials for testing. The process in each China city may be a little different. Local CIQ can be contacted to provide detailed requirements and procedures. Please contact Danielle Conboy at dconboy@libertyint.com for a complete table of the testing requirements.

- **Our colleagues at the FJATA have confirmed the factory certification process for CIQ.** Factories will be graded into 4 groups against 9 points. It is recommended that the factory conduct a self audit before the official CIQ factory inspection. CIQ will then use 5 different monitoring models against the factory grade and product risk level to determine the factory's future quality system check. Normally no product inspection is needed, but CIQ will determine this against the factory's risk level/"factory grade". Contact Danielle Conboy at dconboy@libertyint.com for a copy of the Factory Grade table and CIQ factory inspection process.

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