2025 CIIE

LEGAL SERVICES IN GLOBAL COMMERCES COOPERATION

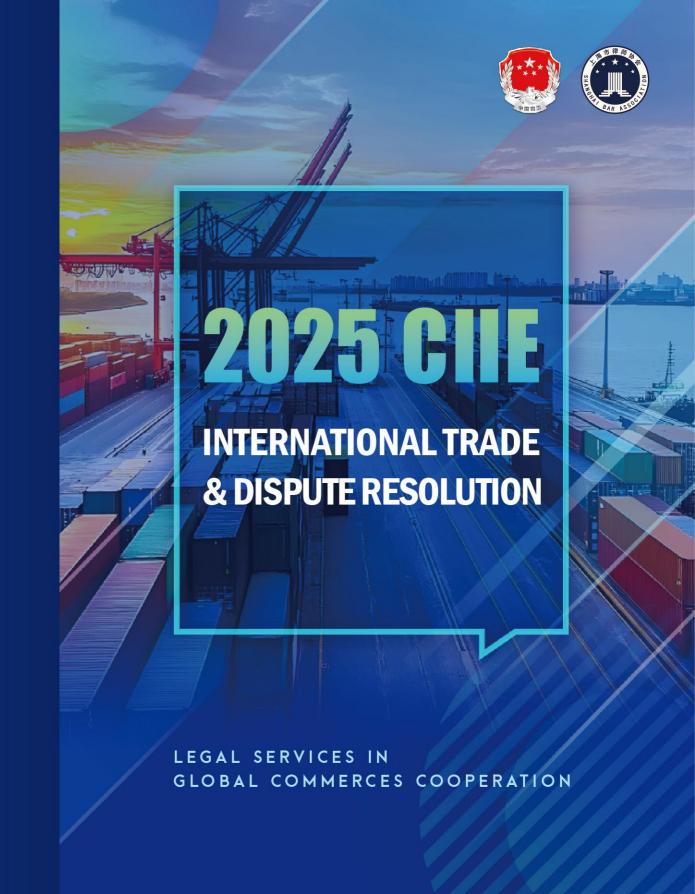


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Which year it was when the latest version of "International Rules for the Interpretation of Trade Terms" (Incoterms) was released?

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The International Chamber of Commerce (ICC) published the "International Rules for the Interpretation of Trade Terms 2020" (Incoterms®2020) on September 10, 2019, which was implemented globally on January 1, 2020. ICC issued the first version of Incoterms in 1936; after that, in order to keep up with the continuous development of international trade practice, Incoterms were respectively revised in 1953, 1967, 1976, 1980, 1990, 2000, 2010. The latest version is the eighth revision of the original version.

It should be noted that the publication of Incoterms®2020 does not mean that the original Incoterms®2010 can no longer be applied. The parties shall specify in the contract the trade terms they agree to use + a clear location/port + the specific version of Incoterms (for example Incoterms®2020). If the foreign trade personnel cannot get familiar with the 2020 General Regulations in a short period of time, they can simply indicate the specific version of Incoterms in the contract, so that there will be no transaction inconvenience due to the effectiveness of INCOTERMS®2020. In addition, to adopt a particular trade term does not mean that the rights and obligations of both parties shall thus be in full accordance with the agreed trade term. The buyer and the seller may modify the standard trade term to fit special demands of either party or specific transaction in the contract, or may exclude specific provisions on certain rights and obligations.

02 What are "international trade terms"?



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"International trade terms" refer to the international business practice formed in international trade for a long time, usually expressed in abbreviations, describing specifically the value composition of commodities, risks bearing, and the burdens of various costs upon buyers and sellers and their respective responsibilities in transactions. It is not a legislative document and does not have general legal binding force, until both parties choose to apply in international trade transactions. To determine the rights and obligations of both parties in this way is mainly for the purpose of simplifying transaction process, shortening negotiation time, and saving transaction costs.

03 What are the contents of "international trade terms"?



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Trade terms mainly stipulate the following contents:

- (1) Place of delivery;
- (2) The time of risk transfer (namely the risk of damage or loss of the subject matter);

- (3) The obligatory party that signs the transport contract, pays the freight, and pays the premium of insurance (only part of the trade terms involved);
- (4) The obligatory party responsible for the export and import customs clearance and expenses;
- (5) The mode of transportation to which this trade term applies (INCOTERMS®2020 specifies 11 trade terms, in which 7 terms are applicable to any mode of transportation, only 4 trade terms are applicable to water transportation).

The rights and obligations agreed in the transport contract and insurance should match the trade terms chosen by the parties. International trade terms do not refer to the contract value, remedies for breach, dispute resolution, and applicable laws.

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What does FOB mean? What are the respective rights and obligations of each party when adopting this term?

This term means "Free on Board (...named port of shipment)". It means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment. When the goods are on board the vessel, the buyer shall bear all costs, risks, loss or damage to the goods. The seller shall clear the goods for export. This term applies to sea or inland water transportation.

What does CFR mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Cost and Freight (...named port of destination)". It means that the seller must pay for the expenses and freight to transport the goods to the named port of destination. However, when the goods are on board the vessel, the risk of loss or damage to the goods, and the additional expenses incurred in any accident, are borne by the buyer. In addition, the seller is required to clear the goods for export. This term applies to sea or inland water transportation.

What does CIF mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Cost, Insurance and Freight (...named port of destination)". It means that in addition to the seller's obligations of CFR, the seller also needs to contract and pay for marine insurance. This term applies to sea or inland water transportation.

What does EXW mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Ex Works (...named place)". It means that the seller delivers when it places the prepared goods at the disposal of the buyer at the seller another named location, namely works, factories, warehouses, etc., but it is usually not responsible for loading the goods on the collecting vehicle or clearing the goods for export. The buyer bears all costs and risks involved in transporting the goods from the seller's location to the intended destination.

8 What does FCA mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Free Carrier (...named place)". It means that the seller shall be responsible to deliver the goods to the carrier or another person nominated by the buyer at the named place, after clearing the goods for export, According to business practice, the seller may sign a contract with the carrier when required to cooperate, if the buyer bears all risks and costs. This term applies to any mode of transportation.

In Incoterms® 2020, on the issues about bills of lading, the FCA terminologies section introduced a new additional mechanism, i.e., an additional option has been added in A6/B6, according to which the buyer and the seller can make an agreement thatthe seller is obliged to submit the bill of lading to the buyer (usually through the bank) the only after the buyer instructs its carrier to issue a on board bill of lading to the seller after the shipment of goods.

What does FAS mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Free Alongside ship (...named port of shipment)". It means that the seller delivers when the goods are placed alongside of the vessel(on a quay or barge) at the named port of shipment. From then on, the buyer must bear all the costs and risks of loss or damage to the goods, and clear the goods for export. This term applies to sea or inland water transportation.

What does CPT mean? What are the respective rights and obligations of each party when adopting this term?

This term means "Carriage Paid to (...named place of destination)". It means the seller shall pay the costs of carriage to transport the goods to the named place of destination. The risk of loss or damage to the goods and any additional costs incurred shall be borne by the buyer after the goods have been delivered to the carrier. In addition, the seller must clear the goods for the export. This term applies to all modes of transportation, including multimodal transportation.

In order to meet the need for CIF (cost plus insurance plus freight) to be more widely applied for maritime bulk commodity trade and CIP (freight and insurance paid to) to be applied more widely for manufactured goods as a multimodal transport term, In Incoterms® 2020, the different insurance coverage for CIF and CIP has been adjusted, i.e., according to the adjusted CIP insurance clause, CIP coverageshall comply with the one stipulated in clause (A) (i.e., "all risk insurance", excluding exclusions) of the Association Cargo Insurance Provisions, while the insurance obligation for CIF terms still remains as it was, i.e., the default clause (C).

What does CIP mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Carriage and Insurance Paid to (...named place of destination)". It means that seller needs to contract and pays for insurance cover against the risk of loss or damage to the goods that the buyer should bear during the transportation, in addition to the seller's same obligations as the term CPT. This term applies to any mode of transportation.

In order to meet the need for CIF (cost plus insurance plus freight) to be used more for maritime bulk commodity trade and CIP (freight and insurance paid to) to be used more for manufactured goods as a multimodal term, Incoterms® 2020 adjusts the different insurance coverage for CIF and CIP, i.e., the CIP insurance clause is adjusted to the coverage that must comply with clause (A) (i.e., "all risks", excluding exclusions) of the Association Cargo Insurance Provisions, while the insurance obligation for CIF term remains as it is, i.e., the default clause (C).



12 What does DAF mean? What are the respective rights and obligations of each party when adopting this term?

This term means "Delivered at Frontier (...named place)". It means that the seller undertakes the obligations to transport the prepared goods to a named place on the border, clear the goods for export, and deliver the goods before the customs border of the neighboring country. This term mainly applies to goods transported by rail or road, or other modes of transportation.

What does DES mean? What are the respective rights and obligations of each party when adopting this term?



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This term means "Delivered Ex Ship (...named port of destination)". It means that the seller fulfills the obligations to deliver the prepared goods to the buyer on the ship's deck at the named port of destination without clearing the goods for import. The seller shall bear all costs and risks, including the transportation of the goods to the named port of destination. This term only applies to sea or inland water transportation.

What does DEQ mean? What are the respective rights and obligations of each party when adopting this term?



This term means "Delivered Ex Quay (Duty Paid) (...named port of destination)". This term means that the seller fulfills the obligations to deliver the goods to the buyer at the named port of destination after clearing the import goods, and bear all risks and expenses, including tariffs, taxes and other costs incurred in delivery. This term applies to sea or inland water transportation.

What does DDU mean? What are the respective rights and obligations of each party when adopting this term?



This term means "Delivered Duty Unpaid (...named place of destination)". It means that the seller shall deliver the prepared goods to the buyer at the place named in the importing country, and bear all the costs and risks of the goods thus incurred (excluding tariffs, taxes and other official importing expenses). Costs and risks of

going through customs procedures. The buyer shall bear the additional costs and risks caused by the failure to complete the customs clearance of the goods in time. This term applies to all modes of transportation.

What does DDP mean? What are the respective rights and obligations of each party when adopting this term?

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This term means "Delivered Duty Paid (...named place of destination)". It means that the seller delivers goods at the named place in the importing country, and bears all the costs and risks of transporting the goods to the named place, and has the obligation to clear the goods for both export and import. This term can be applied to various modes of transportation.

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1 INTERNATIONAL TRADE CLEARANCE



17 | May an enterprise declare at the customs by itself?

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According to Article 9 of the Customs Law of People's Republic of China, "Unless otherwise provided for, the declaration of import or export goods and the payment of duties and taxes may be completed by the consignees or consignors on their own, and such formalities may also be completed by their entrusted customs declaration enterprise registered with the customs." Therefore, unless otherwise specified, an enterprise may, on its own, complete the declaration on goods and payment of duties and taxes thereon. Of course, an enterprise may also entrust a customs declaration enterprise to complete such customs formalities. Where an enterprise entrusts a customs declaration enterprise to make customs declaration and tax formalities on behalf of itself, it shall fill in the national standardized "Power of Attorney for Customs Declaration" to clarify the legal statuses of both parties and their respective responsibilities. "Power of Attorney for Customs Declaration" can be provided by the China Customs Brokers Association to enterprises or be printed by enterprises in standard form on blank A4 paper for their own use.

18 What is a supplementary declaration?

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The term "supplementary declaration" means that the consignee or consignor of import/export goods orthe entrusted customs declaration enterprise thereof, in accordance with the requirements of the relevant administrative rules and regulations, submits electronic and paper supplementary declaration forms in addition to the Customs of P.R.C Declaration Form for the Import/Export of Goods to declare further to customs to assess the dutiable value, commodity classification and place of origin of goods. The supplementary declaration provided in the Provisions of the Customs of the People's Republic of China on the Administration of Preferential Origins of Import and Export Goods (Order No.181 of General Administration of Customs) does not fall within the scope of the "supplementary declaration" described herein and shall be handled in accordance with the said order.

If the consignor, consignee or the customs declaration enterprise thereof deems it necessary to make an active supplementary declaration to the customs before the completion of customs formalities of import or export goods, the customs may accept its supplementary declaration, handle it in the way of declaration modification procedure and request the declarer to provide a written explanation; after the declaration of import or export goods and before the completion of document receiving and checking, the customs may require the consignor, consignee or the customs declaration enterprise thereof to supplement the declaration in the form of electronic data at the professional document examination stage and on-site document receiving stage.

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How could a consignee, consignor or a customs declaration enterprise thereof make a supplementary declaration?

A consignee, consignor or a customs declaration enterprise thereof could input the electronic data of the supplementary declaration form via the Supplementary Declaration Management System (hereinafter referred to as "System") to make a supplementary declaration to the customs along with the electronic data of the declaration form, if it deems necessary to do so. At the same time, the consignee, consignor or the customs declaration enterprise thereof shall get relevant supporting documents ready (stamped with the official seal of the consignee, consignor or the entrusted customs declaration enterprise) and fill in the column of "Marks, Notes and Remarks" of the declaration form. The contents of the supplementary declaration are an effective supplement to the declaration contents and shall not conflict with the contents of the declaration forms.

If the customs house deems it necessary to make a supplementary declaration, the consignee, consignor or the customs declaration enterprise thereof will be required to go through the supplementary declaration procedure within 5 working days from the date of receipt of the Customs Notice, unless otherwise provided by the customs administrative rules and regulations. Where the consignee, consignor or the customs declaration enterprise thereof fails to make the supplementary declaration as required within the prescribed time limit, the customs may, based on the available information, assess the dutiable value, commodity code and place of origin of import or export goods in accordance with relevant provisions.

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20 What is a centralized declaration?

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According to the Administrative Measures of the Customs of the People's Republic of China on the Centralized Declaration of Import and Export Goods, the term "centralized declaration" means such a special customs clearance method by which a consignee or consignor of import or export goods who intends to import or export goods within the specified scope (including goods such as books, newspapers, periodicals and other publications that have a limitation of time; dangerous goods or fresh goods, perishable goods, goods that are easy to lose efficacy and other goods that are not suitable for long-term storage; and bonded goods exited or entered via road ports) in several batches at one port upon archival filing at the customs house, may declare the import or export of goods upon the strength of the List of the

Customs of the People's Republic of China on the Centralized Declaration of Import Goods or the List of the Customs of the People's Republic of China on the Centralized Declaration of Export Goods, and then go through customs formalities in a centralized manner upon the strength of customs declaration forms.

In addition, goods entering and leaving areas under special customs supervision and supervised bonded places in other parts of China may be handled in accordance with the above-mentioned provisions, unless otherwise provided by the customs.

Therefore, "centralized declaration" can only be used as a special declaration method to deal with special circumstances and shall not be expanded at will.

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How to handle the archival filing formality of a centralized declaration?

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A consignee or consignor shall handle the archival filing formality of centralized declaration at the customs house where the goods are placed, and an enterprise of processing trade shall handle the archival filing formality of centralized declaration at the competent customs.

If a consignee or consignor applies for the archival filing formality of centralized declaration, he shall submit the Archival Filing Form on the Application of the Method of Centralized Declaration for Customs Clearance, and simultaneously provide the security consistent with the requirements of the customs house, and the validity term of security shall not be less than three months. If a consignee and consignor, who is suspected of smuggling or wrongdoing and is being put on files by the customs house for investigation, is subject to administrative penalties due to the import and export of goods infringing on intellectual property rights, the method of centralized declaration for customs clearance shall not be applied.

Within the validity term of archival filing, a consignee or consignor may apply the method of centralized declaration for customs clearance. The validity term of archival filing shall be verified according to the validity term of security provided by the consignee or consignor. In case of any changes in the goods for which the method of centralized declaration for customs clearance is applied or the change in the security, etc., the consignee or consignor shall file a written application for alteration with the original archival filing customs house. If the validity term expires, and the consignee or consignor needs to continuously adopt the method of centralized declaration for customs clearance, he shall, ten days before expiration of the validity term of archival filing, file a written application for extension with the original archival filing customs house.

22 What is inspection of import and export goods?

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The "inspection of import/export goods" means the law enforcement act in which the customs house carries out actual verification of import and export goods so as to determine whether the contents declared by the consignee or consigner of import or export goods conform to the actual situation of imported and exported goods or to determine the classification, price and place of origin of commodities.

The purpose of inspection is to check whether the actual import and export goods are consistent with the contents reported in the declaration forms, whether there are any misdeclarations, omissions, incomplete declarations or false declarations, etc., whether the import and export of goods are legal, and to determine the physical and chemical properties of goods. All import and export goods shall be subject to customs examination except those exempted from inspection by the General Administration of Customs.

When carrying out the inspection, the customs house may conduct either thorough inspection or selective inspection. The inspection may, in light of operational methods, be divided into manual inspection and machine inspection, and the former includes the exterior inspection and the inspection by package opening. The customs house may, in light of the situation of goods and the actual requirements for law enforcement, determine the specific inspection methods.

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What are the requirements for the places of inspection by the customs?

The inspection shall be conducted within the customs supervisory areas, such as port, railway or highway station, airport, border pass or international postal matter exchange station and other places approved by customs.

Where the inspection is unfit to be conducted within the customs supervisory area because the goods can be easily affected by the temperature, static electricity, dust or any other natural factor, or the inspection needs to be conducted outside the customs supervisory area due to any other special factor, the customs house may assign officials to carry out inspection outside the customs supervisory area upon written application of the consignor or consignee of import or export goods or the agent thereof.

As to import or export of bulk goods, dangerous goods, fresh goods, goods of barge transport, the customs may also inspect and release the goods at the site upon application of the consignee or consignor of import or export goods.

As to those goods that are dangerous, fresh and live, decayable, perishable, or likely to lose efficacy or deteriorate and are not suitable for long-time storage and goods for which an urgent inspection and clearance is required due to any other special circumstances, the customs may arrange inspection with priority upon application of the consignee or consigner of import or export goods or the agent thereof.

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24 | Is there any fee for inspection?



Customs shall not charge any inspection fee when it carries out the inspection within the customs control area. Where customs affixes customs seals to containers, container trucks or other goods, it may collect the sealing cost for the production of the seals in accordance with relevant provisions.

The fees incurred from moving, opening or resealing of packages of import or export goods due to the inspection shall be borne by the consignee or consigner of import or export goods.

Where goods are inspected outside the customs control area, the consignee or consigner of import and export goods or the agent thereof shall pay fees to customs in accordance with the relevant provisions.

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How to define the obligatory customs duty payers? How to apply if there are both most-favored-nation tariff rate and temporary tariff rate?

The consignees of import goods, the consignors of export goods and the owners of entry articles are obligatory customs duty payers.

Where a temporary tariff rate is set up for the import goods, to which the most-favored-nation tariff rate applies, the temporary tariff rate shall prevail.

Where a temporary tariff rate is set up for the import goods, to which the conventional tariff rate or the preferential tariff rate applies, the lower one shall prevail.

Where the most-favored-nation tariff rate and the conventional tariff rate are applied, if there is any stipulation in the convention, the convention shall apply; if there is no stipulation in the convention, the lower one shall prevail.

With regard to the import goods to which the general tariff rate applies, the temporary tariff rate shall not apply. Where a temporary tariff rate is set up for the export goods, to which the export tariff rate applies, the temporary tariff rate shall prevail.

How to assess the tax rate and exchange rate for customs declaration of import goods transited between customs offices?

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With respect to the import goods which are to be transited between customs offices, the tax shall be levied on the basis of the tax rate and exchange rate on the day when the goods arrive at the customs at the place of destination. Where the party concerned has declared at the customs in advance, the applicable tax rate and exchange rate shall be those on the day when the customs at the place of destination receives the information on transition and release transmitted by the customs at the place where the goods enter the territory. In case of major adjustment with the tax rate or exchange rate during the transportation of the goods, the tax shall be calculated on the basis of the tax rate and exchange rate on the day when the goods transited between customs offices arrive at the customs at the place of destination.

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27 What is dutiable value?



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Dutiable value means the taxable value used by the customs in levying duties. The dutiable value of import goods shall be assessed by the customs on the basis of the transaction value of those goods, and shall include the freight, relevant expenses and insurance premiums of the goods before they are transported to and unloaded at the import place within the People's Republic of China.

The following taxes and expenses listed in the price of import goods may not be included in the dutiable value of such goods:

- (a) expenses for construction, installment, assemblage, maintenance and technical services for the workshops, machines and equipment, etc. after they are imported;
- (b) freight and relevant expenses and insurance premiums for the import goods after they are transported to and unloaded at the import place within China;
- (c) import duties and other domestic taxes.

The dutiable value of export goods shall be assessed by the customs on the basis of the transaction value of those goods and the freight, relevant expenses and insurance premiums of those goods before they are transported to and loaded at the export place within the People's Republic of China. The transaction value of export goods means the total amount of value to be received directly and indirectly by the seller for the export of the goods to the buyer at the time of export. Export duties shall not be included into the dutiable value.

28

How to deal with the price doubt brought forward by the customs about undervalue of commodities declared by importers?

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Importers shall, within the prescribed time limit, submit documents to prove the authenticity and accuracy of the value upon request of the customs, and shall conduct value consultations with the customs according to law if there is any objection to the value doubt raised by the customs.

The customs is entitled to examine the price. Where the customs has doubts about the truth or accuracy of the declared value, or considers the special relationship between the buyer and the seller did influence the transaction value, the customs shall issue Notice to Query Declared Value by Customs of the People's Republic of China and notify the duty payer or his agent of the grounds for doubts in written form. The duty payer or his agent shall, within 5 working days as of the date of receipt of the notice, provide related documents or other evidence in written form demonstrating the truth or accuracy of the declared value or the declared value not being influenced by the special relationship between the buyer and seller.

If having due cause for not being able to provide the above-mentioned information within the time limit, the duty payer or his agent may, in written form, apply to the customs for extension prior to the expiration of the time limit. Except under special circumstances, the extension shall not exceed 10 working days.

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What is value consultation? Do the enterprises have to accept the price assessed by the customs?

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Value consultation means that when applying the valuation methods other than the transaction value method, on the basis of keeping commercial secret confidential, customs offers to exchange information and data with the obligatory duty payer for the purpose of assessment of the dutiable value.

The purpose of value consultation is not to reach a price acceptable to both the customs and tax payers, but rather a process of fully exchanging information of the trade statuses, transaction conditions and goods details of import goods with the tax payer in order to obtain an applicable price basis.

The enterprises shall actively furnish the customs within the time limit with evidence demonstrating the authenticity, integrity and accuracy of the transaction and declared value upon receipt of the Notice to Query Declared Value, and communicate with the customs to assist in examining and verifying the dutiable value of import goods. In this

International Trade Clearance >>>

process, enterprises can and should safeguard their legitimate rights and interests in accordance with the law, if necessary, with the assistance of professional third parties, to fully express their views. Therefore, enterprises don't have to "accept the price assessed by the customs".

Under what circumstances the consignee or consignor is required to submit certificate of origin to the customs?

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In the preferential rules of origin, the certificate of origin submitted by the consignee or consignor is the basic requirement for declaration, that is to say, certificate of origin issued by designated agencies must be submitted for import/export goods and the applicable preferential tax rate under the corresponding convention must be declared, otherwise the corresponding tax preference will not be available; however, in the non-preferential rules of origin, the consignee or consignor only needs to submit the certificate of origin as required by the customs, and no submission is required in other cases. Under the current management measures, the case where the certificate of origin is needed in the non-preferential rules of origin refers mainly to the implementation of anti-dumping and countervailing measures and safeguard measures of import/export goods.

A certificate of origin can only correspond to one customs declaration form and cannot be reused and deducted gradually. As to the special case where multiple certificates of origin that have been networked electronically correspond with a batch of goods, the declaration shall be made separately.

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31 What are the common methods of settlement for international trades?

In international trades, the selection of a right settlement method is key to ensuring a smooth transaction. Common settlement methods mainly include:

(1) Wire transfer (T/T)

Wire transfer means the direct transfer of payment for goods from the buyer to the seller's account through a bank, which is usually finished through a global interbank wire transfer network (e.g. SWIFT). With its simplicity and speed, wire transfer is suitable for trading partners with a high degree of trust, but for the seller, there is a risk of delayed or refused payment from the buyer.

(2) Letter of credit (L/C)

A letter of credit is a contractual commitment to the payment of goods made by an importer's bank after the exporter has shipped the goods and submitted the required documents to the exporter's bank as proof. This trade financing instrument aims at protecting the interests of exporters and importers, which can effectively reduce the transaction risks for both the buyer and the seller, and is particularly suitable for transactions under insufficient trust or a politically and economically unstable environment. However, the formalities for letters of credit are rather complicated and relatively costly, which may affect the efficiency of the transaction. When using a letter of credit, the seller should meticulously review the terms of the letter of credit to ensure that all documents and terms are strictly matched in case the bank refuses to pay.

(3) Collection

Collection is a settlement business for the exporter to collect the payment from the importer through a foreign collecting bank in import and export trades after the goods are loaded for shipment and the exporter issues documents and commissions a bank with its export commercial documents and financial instruments for submission. Collections have two forms, which means documents against payment (D / P) and documents against acceptance (D / A). The advantage of collection lies in its simple procedures and low costs, but there is a rather large risk to the seller. If the buyer refuses to pay or accept, the seller may not be able to recover the payment for the goods.

Different settlement methods have their own specialties that suit different business situations, and the specific choice often depends on the background of the two parties to the transaction, the level of trust, the nature of the goods, market conditions and the foreign exchange policies of the countries involved. To minimize risk, increase transaction flexibility and meet the needs of both parties, there may be a flexible combination of multiple settlement methods in the same transaction in practice.

What are the factors for consideration when micro, small and medium-sized enterprises (MSMEs) choose settlement methods for international trades?

Credit risk: Credit risk is a risk that cannot be ignored in international trades, and MSMEs should, in particular, carefully assess the creditworthiness of their counterparties and gain an in-depth understanding of their past transaction records, financial status and reputation in the commercial field. When facing a counterparty with high credit risk, in order to minimize the risk, an enterprise may prefer to choose settlement methods with greater security, such as letters of credit.

Transaction costs: The costs involved vary with the settlement methods, such as the issuance costs of letters of credit, formality fees in the collection process, etc. The funds of MSMEs are usually limited, so they need to carefully weigh the costs and risks and adopt a settlement method that is more suitable for them.

Needs for working capital: If the funds of MSMEs are relatively tight, and there is an urgent need to recover funds as soon as possible, then they may prefer methods like prepayment, or on-demand payment in the documentary collection.

Stability of trading partnerships: When dealing with long-term stable and well-established partners, enterprises may feel more comfortable choosing relatively flexible settlement methods, such as credit sales.

The market situation of goods: if the goods in the market are very popular and undersupplied, enterprises often have more initiative in the choice of settlement; but if the market performance of goods is poor, enterprises may need to be more cautious when they select the settlement method, in which case, the letter of credit or prepayment is a more secure way of settlement.

National policies, laws and regulations: To avoid potential legal risks, enterprises should fully understand the trade policies, foreign exchange control regulations and other laws and regulations of the relevant countries to ensure that the settlement method they select is legal and compliant.

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What are the modes of transportation commonly used in international trades of goods, their scope of application, and their advantages and disadvantages?

The main modes of transportation mainly include sea, air, land, pipeline and inland waterway transportation.

Sea transportation is suitable for bulk cargo, large volume and heavy weight commodities. The advantages are strong carrying capacity, suitability for long-distance transportation and low unit cost. The disadvantages are long transportation time and great influence from weather and sea conditions.

Air transportation is suitable for high-value, time-sensitive goods. The advantages are fast transportation speed, suitability for urgent cargo transportation, and high security. The disadvantages are high transportation costs, limited capacity, and greater restrictions on the weight and volume of goods.

Ground transportation is suitable for the transportation of goods overland in close proximity or across borders. The advantages are high flexibility, suitability for short-distance and regional transportation, and convenience for door-to-door service. The disadvantages are that it can be easily affected by geographical conditions and traffic conditions, and the cost of long-distance transportation is relatively high.

Pipeline transportation is suitable for long-distance transportation of liquids or gases. The advantages are stable transportation, less influence from weather, and suitability for large-scale continuous transportation. The disadvantages are high construction costs, poor flexibility and limited types of cargo.

Using inland rivers and waterways for cargo transportation, inland waterway transportation is suitable for the transition between sea and land transportation. The advantage is that it is suitable for the transportation of goods in inland areas, with lower transportation costs and also conforms to environmental protection rules. The disadvantages are that it is greatly influenced by the water level and seasonal changes, and the transportation speed is relatively slow.

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How to solve the risks during the transportation of goods in international trades?



A series of comprehensive measures are required to deal with the risks during the transportation of goods in international trades, including but not limited to:

- (1) Risk assessment and contingency plan: identify and assess the risks that may be faced during the transportation of goods, including political and economic risks, natural disasters, transportation accidents or the like, and formulate a contingency plan to deal with emergencies, such as damage to the goods, loss of the goods, or delays in their transportation;
- (2) Insurance: by purchasing proper insurances like cargo transportation insurance and trade credit insurance, mitigate losses due to damage, loss or delay of goods;
- (3) Contractual terms: the responsibility for the transportation of goods, the timing of risk transfer, and insurance liability shall be clearly specified in the contract, e.g., specify the responsibility of each party by using Incoterms;

- (4) Supply Chain Management: establish and maintain a robust supply chain, including the selection of reliable logistics service providers and partners;
- (5) Cargo tracking: monitor the status of cargo transportation in real time and find and solve problems in time by using technical means, such as GPS tracking;
- (6) Packaging and marking: ensure that the goods are properly packaged to reduce the risk of damage during transportation, and are properly marked to avoid confusion and errors;
- (7) Compliance check: ensure that the goods and their transportation comply with all relevant laws and regulations and international standards.

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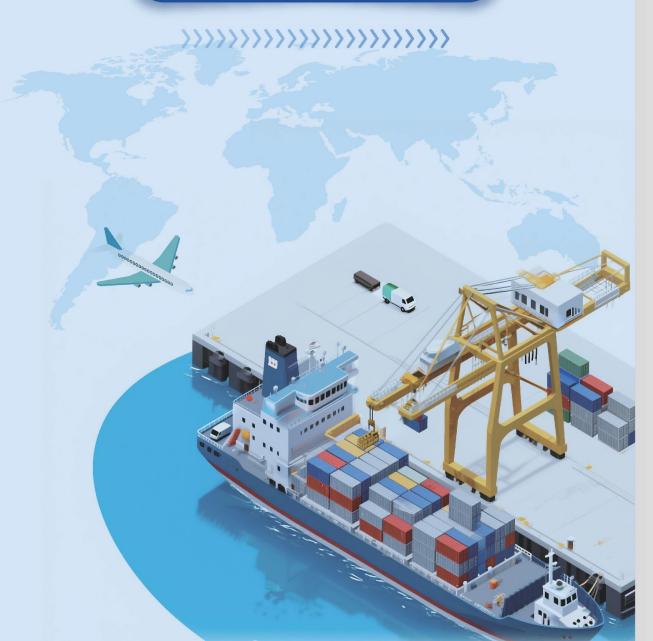
How to deal with the damages or loss of goods in international trades?



The following steps can be taken to deal with the damages or loss of goods in international trades:

- (1) Timely communication: as soon as damage or loss of goods is discovered, communicate with transportation companies, insurance companies, and trading partners immediately to understand the situation and seek solutions;
- (2) Insurance check: if any insurance is purchased, please contact the insurance company to make a claim;
- (3) Evidence collection: keep all relevant evidence such as photos, videos, shipping documents, etc;
- (4) Liability determination: determination of the responsible party, which may involve the seller, the buyer, the transportation company or the insurance company;
- (5) Legal approaches: if the negotiation fails, consider resolving the dispute through legal approaches;
- (6) Preventive measures: to avoid future risks, preventive measures should be taken, such as using the right packaging materials, ensuring that the goods are properly loaded, and choosing a reputable logistics company;
- (7) Understanding compensation policies: different logistics companies may have different compensation policies and standards;
- (8) Customs and tax issues: If the damage or loss of goods is related to customs clearance or taxation issues, they shall be resolved in a timely manner to avoid further losses:
- (9) Records and filing: For lost or damaged goods, the problem should be filed locally as soon as it is discovered and all relevant filing information and evidence should be retained.

1 INTERNATIONAL DISPUTE RESOLUTION



What is CISG? What kinds of international trade apply to the CISG?

The United Nations Convention on Contracts for the International Sale of Goods (hereinafter referred to as "CISG") is developed by the United Nations Commission on International Trade Law, with a purpose to provide a uniform regime for contracts for the international sale of goods. China acceded to the CISG in 1986.

The CISG applies to contracts of sale of goods between parties whose places of business are in different states. CISG didn't give a clear definition of "goods". However, it is generally considered to refer to tangibles, movables (including documents representing goods such as bills of lading), but exclude services, technologies and intellectual properties. CISG is more concerned with the places of business of the parties than with the nationalities. The parties shall have their places of business in different states at the conclusion of the contract. The standard of a permanent and fixed place to do business shall be applied in the judgement of place of business; if a party has more than one place of business, the place of business is that which has the closest relationship to the contract and its performance.

37 What transactions (sales) do not apply to the CISG?

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According to Article 2 of the CISG, this Convention does not apply to sales:

- (a) of goods bought for personal, family or household use, unless the seller, at any time before or at the conclusion of the contract, neither knew nor ought to have known that the goods were bought for any such use;
- (b) by auction;
- (c) on execution or otherwise by authority of law;
- (d) of stocks, shares, investment securities, negotiable instruments or money;
- (e) of ships, vessels, hovercraft or aircraft;
- (f) of electricity. In short, the act of buying or selling forpersonal use (judged from whether the seller knew or ought to have known about such purpose at the conclusion of the contract) or special transaction method or special type of goods (considering that different laws in different countries differ in provisions on these issues) is excluded from CISG.

38 How to prevent telecom frauds in international trade?

Both the buyer and seller shall make credit investigations and provide documents such as business license, Legal Representative Authorization Letter, telephone number, fax number and designated e-mail to each other, and shall contact via designated e-mail, IM software and fax number, etc. Moreover, one party shall inform the other party that the company account will not change and relevant authorizers will confirm with the other party in a couple of ways in case of change.

As to fraud that has occurred, the enterprise shall report to the police timely and resort to the police or court for a judicial freezing of the remaining funds; track the goods, exercise control over the goods to suspend transport or return load. (depending on the records of the bills of lading and the laws of the port of destination).

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How could the exporters deal with the risk of non-taking delivery of goods?



- (a) Make a credit investigation of the buyer to see whether there is a bad record, if the credit is not good, try to receive payments before delivery.
- (b) Understand the laws of the port of destination, if the laws of the port of destination rule that goods can be auctioned without taking delivery in 30 days or a short period of time, it is recommended to collect payments before the arrival of goods at the port of destination.
- (c) Issue a correct order bill of lading, try not to issue anorder bill of lading if it is not a mandatory provision of the laws of the port of destination, as it may get the shipping company confused on the identity of the consignee at the port of destination, and thus unable to contact the consignee for disposal of the goods. As a result, it can only claim the port of destination storage fees and other costs from the exporter's carrier.
- (d) Track the goods timely, limit the time of payment of the buyer and ask the client to clear off all payments before the arrival of goods at the port of destination.
- (e) Make full use of the export credit insurance to spread the risk around.

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What is the risk of cash on delivery in international trade and how to prevent the risk?



Cash on delivery is a type of transaction wherethe exporter delivers the goods first and the importer pays to the exporter upon receipt of the goods. Cash on delivery can also be divided into consignment and sold up. There are subtle differences between the two at the time of payment, but they are both unilateral financing channels provided by the exporter to the importer and the exporter has to bear the risk of the importer's refusal to pay.

Ways to prevent risks:

- (a) In the practice of international trade, the way of sold up is frequently used, that is, the buyer and seller sign a contract specifying that the importer shall make a full payment to the exporter via wire transfer immediately upon receipt of goods.
- (b) The way of remittance against documents is recommended. The importer remits the payment to the paying bank and instructs the paying bank to pay the exporter based on certain specified documents and shipping documents provided by the exporter. Therefore, remittance against documents is safer to the importer compared to the general ways of remittance, and the exporter can also collect the full payment as long as he delivers the goods and documents on time.

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What are the differences between arbitration and litigation in international trade disputes?



Arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to an arbitration institution to make an award before or after a dispute. Arbitration is widely selected due to the features of confidentiality, procedural flexibility, single and final award, convenience and efficiency. The commencement of arbitration proceedings is conditional on the establishment of valid arbitration clauses by the trading parties involved. However, arbitration might have drawbacks. Although a single and final award is timesaving and efficient, it will lose access to upward relief. Parties involved have to carry some risks. Also, the property preservation procedure in arbitration is burdensome and the cost of arbitration is higher than litigation.

Litigation is one of the most important ways of dispute resolution for the parties of international trade. In international trade, if the trading parties fail to reach a negotiation and mediation and there's no arbitration clause, the party claiming any right or interest may bring a lawsuit to the court of competent jurisdiction. The features of litigation are low cost, universal jurisdiction, and an access to upward relief ensured by the trial grade system. Compared to arbitration, litigation is more rigid and burdensome, the trial time limit is long and the confidentiality is low.

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How to determine the jurisdiction if the parties fail to choose a court in a international trade litigation?

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If the parties of an international trade do not agree on a clear jurisdictional court, the jurisdiction shall be determined in accordance with the applicable law of contract and relevant laws and regulations.

If the applicable law of contract refers to the laws and regulations of the People's Republic of China, where an action is instituted against a defendant without a domicile within the territory of the People's Republic of China concerning a dispute over a contract or rights and interests in property, if the contract was executed or performed within the territory of the People's Republic of China, or the subject matter of the action is located within the territory of the People's Republic of China, or the defendant has seized property within the territory of the People's Republic of China, or the defendant maintains a representative office within the territory of the People's Republic of China, the action may come under the jurisdiction of the people's court of the place where the contract was executed, the place where the contract was performed, the place where the subject matter of action is located, the place where the seized property is located, the place where the tort was committed or the place where the representative office is domiciled.

In addition, the civil procedure laws in different countries generally stipulate that the court at the place of domicile of the defendant has jurisdiction.

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What are the limitation periods specified in Chinese laws for the arbitration and litigation in international trade disputes?



Any provisions of law regulating the limitation period for arbitration shall be followed; in the absence of such provisions, the provisions on limitation period for litigation provided herein shall be applied mutatis mutandis.

According to the provisions of the Civil Code of China, an action instituted in a people's court for protection of civil rights is prescribed by three years, except as otherwise prescribed by any law. The limitation period shall be calculated from the day when the obligee knows or should have known that his or her right has been infringed upon and who the obligor is. As a special case, the limitation period for filing a lawsuit or applying for arbitration on a dispute arising from a contract for international sale of goods and a contract for the import and export of technology is four years. In addition, according to the Civil Procedure Law of China, the limitation period may be interrupted or suspended under special circumstances.

Of special note is the people's court shall not offer protection if 20 years have elapsed since the infringement; but under special circumstances, the people's court may decide to extend the limitation period upon application of the obligee.

When the limitation period expires, the obligor may use the expiration of litigation as a case for defense. However, a people's court shall not apply the provisions on expiration of litigation of its own motion.

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Which parties to cross-border litigations may enjoy the online case docketing services of the people's courts?

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Parties to cross-border litigations include foreigners, residents of the Hong Kong Special Administrative Region and the Macao Special Administrative Region (hereinafter referred to as "Hong Kong and Macao SARs"), residents of Taiwan Region, citizens of the Chinese mainland who habitually reside abroad or in Hong Kong. Macao and Taiwan, and enterprises and organizations registered abroad or in Hong Kong, Macao and Taiwan. The people's courts shall provide online case docketing services for parties to cross-border litigations through the China Mobile Micro Court. The scope of online case filing services forparties to cross-border litigations includes the civil and commercial prosecution of the first instance. Where parties to cross-border litigations apply for online case docketing for the first time, the courts with which lawsuits are filed shall conduct identity verification first. Identity verification shall be conducted mainly in the manner of online verification based on the exit-entry certificate identification platform of the National Immigration Administration, among others. Where online verification is impossible, the courts with which lawsuits are filed shall conduct online manual verification of the parties' identity documents as well as identification documents notarized, authenticated, forwarded and sent for verification, among others. Identity verification results shall be notified online to parties to cross-border litigations within three working days.

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To complete identity verification for online case filing, what materials shall be submitted if the parties to cross-border litigations are foreigners, foreign enterprises and organizations (which are not residents, incorporated enterprises or organizations in HK, Macao and Taiwan Regions)?

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(a) Foreigners shall submit passports and other documents proving their identity; and enterprises and organizations shall submit identification documents and certification documents proving that the persons participating in litigation on behalf of the

enterprises and organizations have the right to participate in litigation as representatives. Certification documents shall be legalized by notary offices in countries where they are domiciled or located, and be authenticated by the Chinese embassies or consulates stationed in those countries. If the country where a foreigner or a foreign enterprise or organization is domiciled or located has not established a diplomatic relationship with the People's Republic of China, the certification document may be legalized by a notary office in that country, be authenticated by an embassy or consulate of a third country which has a diplomatic relationship with the People's Republic of China stationed in that country, and then be authenticated by the Chinese embassy or consulate stationed in the third country. If the certification formalities have been specifically provided for by any international treaty or convention concluded or acceded to by the People's Republic of China and the country where a foreigner or a foreign enterprise or organization is domiciled or located, such provisions shall prevail, with the exception of the clauses on which the People's Republic of China has declared reservations.

(b) Residents of the Chinese mainland who habitually reside abroad or in Hong Kong, Macao or Taiwan shall submit the resident identity cards made and issued by public security organs in China, household registration booklets or ordinary passports and other certificates proving their identity, and provide work visas and permanent residence permits and other documents proving that they have resided in foreign countries or Hong Kong, Macao or Taiwan for more than one year legally and continuously.

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What is an ad hoc arbitration? Are there relevant rules as a basis for this and are there applicable cases in China and Shanghai?



Ad hoc arbitration is a form of arbitration. It is an arbitration activity through an arbitral tribunal formed by the parties themselves without recourse toan arbitration institution. An ad hoc arbitration mainly focuses on the rapid resolution of foreign-related maritime affairs and maritime commerce disputes.

Ad hoc arbitration has a longer history than institutional arbitration. Despite the rapid development of institutional arbitration after its emergence in the mid-19th century, ad hoc arbitration still shows a strong sign of thriving. In addition to its professionalism, efficiency, and confidentiality, ad hoc arbitrations are more competitive in the fields of maritime affairs and maritime commerce because of its lower price and higher level of satisfaction.

On March 18, 2022, the China Maritime Law Association (CMLA) and the China Maritime Arbitration Commission (CMAC) jointly issued the CMLA Ad Hoc Arbitration

Rules. In December 2023, the Standing Committee of the Shanghai Municipal People's Congress considered and passed the "Regulations on Advancing the Construction of International Commercial Arbitration Center in Shanghai", which was the first in China to introduce the arbitration systems and rules that are in line with theprevailing internationalrules about arbitration places and ad hoc arbitrations. On June 13, 2024, the Shanghai Municipal Bureau of Justice issued the "Measures for Advancing Foreign-related Commercial and Maritime Ad Hoc Arbitration in Shanghai (for Trial Implementation)". On June 24, 2024, the Higher People's Court in Shanghai issued the Rules on Centralized Jurisdiction of Judicial Arbitration Cases Involving Ad Hoc Arbitrations on "Three Specific Occasions" and "Overseas Arbitration Business Institutions". On August 1, 2024, the Shanghai Arbitration Association issued the Provisional Arbitration Rules of the Shanghai Arbitration Association, with five chapters and 58 articles.

In early August 2024, the award for the first foreign-related maritime ad hoc arbitration case in China was made in Shanghai, where two enterprises registered in Shanghai agreed to choose Shanghai as the place of arbitration and Hongkou North Bund as the venue of the hearing. They independently agreed on the specific arbitration proceduresand jointly chose an international shipping expert to be the arbitrator, on August 15, 2024, a well-known British industry association and a shipping company in Pudong signed an ad hoc arbitration agreement, and the arbitration proceedings of the case formally started; the parties had originally agreed thatthe arbitration would be held in London, but they finally chose an ad hoc arbitration in Pudong; this was the first case in which a foreign party applied for an ad hoc arbitration being conducted in China.

"Ad hoc arbitration" has gained more and more popularity in China and Shanghai, and the relevant rules, systems, and judicial practices are developing rapidly.

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What are the main advantages of ad hoc arbitration over institutional arbitration?

Compared with an institutional arbitration, an ad hoc arbitration has unique advantages such as cost-effectiveness, convenience, and efficiency.

An ad hoc arbitration can save arbitral institution fees, which are based on the workload and the hourly rate of the arbitrator. Some arbitration institutions charge fees based on the amount in dispute, so ad hoc arbitration may be a better option in cases where the subject of the disputesisof a high value and the disputes are simple, or where there is a possibility of settlement between the parties during the arbitration process.

The arbitral tribunal is the master of the arbitral process, and an experienced

arbitrator shall beable to handle the administration of arbitration easily without assistance from an arbitral institution. Moreover, due to the flexible nature of the arbitral process, the guidance based onthe rules of an institution may have limited applicabilityin certain circumstances, while an ad hoc arbitration allows for more flexibility in matters to be processed.

Ad hoc arbitration is not only the original form of arbitrationbut also the mainstream type for arbitrations in western countries such as the United States, the United Kingdom and Sweden. When drafting arbitration provisions, the name of the institution shall be clearly mentioned if an arbitration institution is selected, otherwise, they may be interpreted as provisions for ad hoc arbitrations.

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What are the materials needed on the entrustment of agents as litigation representatives by parties to cross-border litigations who are foreigners, foreign enterprises and organizations (which are not residents, incorporated enterprises or organizations in HK, Macao and Taiwan Regions)?



- (a) The powers of attorney signed by foreigners and the representatives of foreign enterprises and organizations outside China shall be legalized by the notary offices of the countries where they are domiciled or located, and be authenticated by the Chinese embassies or consulates stationed in those countries; if the countries where they are domiciled or located have not established a diplomatic relationship with the People's Republic of China, the powers of attorney may be legalized by notary offices in those countries, be authenticated by the Chinese embassies or consulates of third countries which have a diplomatic relationship with the People's Republic of China stationed in those countries, and then be authenticated by the Chinese embassies or consulates stationed in the third countries; the signing of powers of attorney signed inside China shall be witnessed by judges, or the powers of attorney shall be legalized by notary offices in the mainland; and where the certification formalities have been specifically provided for by any international treaties or conventions concluded or acceded to by the People's Republic of China and countries where foreigners or foreign enterprises or organizations are domiciled or located, such provisions shall prevail, with the exception of the clauses on which the People's Republic of China has declared reservations:
- (b) Where a citizen of the Chinese mainland whose place of habitual residence is located abroad posts a power of attorney or delivers through another person a power of attorney to China, the power of attorney shall be certified by the Chinese embassy or consulate stationed in that country. If there is no such an embassy or consulate in

that country, the power of attorney shall be first certified by an embassy or consulate of a third country which has a diplomatic relationship with the People's Republic of China stationed in that country and then be certified by the Chinese embassy or consulate stationed in the third country or be certified by the local patriotic overseas Chinese organization.

What are the features of the newly established Shanghai International Commercial Court?

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With the approval of the Supreme People's Court and the Shanghai Municipal Committee, the Shanghai International Commercial Court was established on December 30, 2024. As a key innovation in China's judicial system, the Shanghai International Commercial Court possesses the following characteristics.

(1) Centralized jurisdiction and professional trial

The Shanghai International Commercial Court has centralized jurisdiction over the former foreign-related commercial cases, arbitration judicial review cases and foreign-related mediation agreement confirmation cases of the Shanghai First Intermediate People's Court and Shanghai No. 2 Intermediate People's Court to develop a professional trial system.

(2) Digitalization and intelligence construction

The Shanghai International Commercial Court has established the intelligent trial management system to promote the digitalization of foreign-related trials, and released documents such as the Regulations of the Shanghai International Commercial Court (Trial) to improve the efficiency and transparency of trials. In addition, the "Shanghai Court International Commercial One-Stop Dispute Resolution Platform" has integrated 27 dispute resolution institutions to create a "one-stop" system for international commercial disputes, offering online diversion to litigation, arbitration, and mediation, alongside services like translation and notarization.

(3) International mechanism innovation

The Shanghai International Commercial Court (SICCO) officially began operations on January 1, 2025 and conducted China's first use of the United Nations Convention on Contracts for the International Sale of Goods (CISG) as a reference for advisory opinions in a commercial case and the legal acknowledgement and enforcement of judgments from Singaporean courts, showcasing its international judicial standards. These actions highlight Shanghai's commitment to promoting its role as a preferred location for cross-border dispute resolution.

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What are the ways of service provided by Chinese laws to serve procedural documents on a party without a domicile within the territory of the People's Republic of China in international trade disputes?



- (a) service in the way specified in an international treaty concluded between or acceded to by the state of the person to be served and the People's Republic of China;
- (b) service through diplomatic channels;
- (c) where the person to be served is a national of the People's Republic of China, entrustment of the embassy or a consulate of the People's Republic of China in the state where such person is located with service on its behalf;
- (d) service on the agent ad litem appointed by the person to be served and authorized to accept service on his or her behalf;
- (e) service on the representative office, or the branch or business agent authorized to accept service, established within the territory of the People's Republic of China by the person to be served:
- (f) service shall be made by post if it is permitted by the law of the State of the person to be serviced. If the acknowledgment of service is not returned within three months after the date of posting, and various circumstances justify the assumption that the document has been served, the document shall be deemed to have been served on the date of expiry of the time limit;
- (g) service by facsimile, e-mail and any other means through which the receipt of the document may be acknowledged; or
- (h) where a document cannot be served by any of the above means, it shall be served by public announcement. The documents shall be deemed to have been served after three months from the date of the public announcement.

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What's an arbitration agreement in written form? Is an oral arbitration agreement a valid arbitration agreement?



An arbitration agreement shall include arbitration clauses stipulated in the contracts and agreements of submission to arbitration that are concluded in other written forms before or after disputes arise. The Arbitration Law of the People's Republic of China, the New York Convention and the Civil Procedure Law of the People's Republic of China all require the arbitration agreement to be reached in written form. Therefore,

the parties shall conclude the foreign-related arbitration agreements in written form, and the oral arbitration agreements reached by the parties shall have no legal effect. Written form refers to a form such as a written contractual agreement, letter, telegram, telex and fax that can tangibly express the contents contained therein, as well as electronic data text such as electronic data exchange and e-mail that can tangibly express the contents contained therein and may be picked up for reference and use at any time. Therefore, an arbitration agreement reached in the above-mentioned ways is an arbitration agreement in written form.

May the parties require the court to hear the case after an agreement on arbitration? What's the effectiveness if the parties concerned agree that they may either resort to arbitration or bring a lawsuit to court?

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If the parties only agree in the contract that the dispute in question may be brought to arbitration after the occurrence of the dispute, and if a party resorts to arbitration after the dispute has occurred, the people's court shall not accept the case if the other party brings a lawsuit as long as a clear arbitration institution has been stipulated. Where the parties concerned agree that they may either apply to the arbitration institution for arbitration or bring a lawsuit with people's court for settlement of dispute, the agreement for arbitration shall be ineffective, unless after one party applies to the arbitration institution for arbitration, the other party fails to raise challenge prior to the arbitration tribunal's first hearing. This shows that according to the Chinese law, the legal consequence of the parties effectively agreeing on arbitration is to exclude the jurisdiction of the court. Therefore, an arbitration agreement is ineffective if the parties agree that they may either apply to arbitration or litigation.

What happens if the arbitration institution agreed upon by the parties does not exist?

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According to the Arbitration Law of China and relevant judicial interpretations, if the parties have agreed on an arbitration institution in the arbitration agreement, but the arbitration institution does not actually exist, with no supplementary agreement concluded, the arbitration agreement shall be deemed null and void. Where the parties agree that the dispute shall be arbitrated by a branch of an arbitration institution

that does not actually exist, the people's court shall not determine that the dispute shall be arbitrated by such arbitration institution and the arbitration agreement shall be deemed null and invalid. If an arbitration agreement contains no or unclear provisions concerning the arbitration commission, but the true intents expressed by the parties can be otherwise inferred, for example, the name of a certain arbitration institution is incorrect but it is what the parties agreed to referred to, the arbitration agreement shall be valid.

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How does an arbitration institution in China apply the law in an foreign-related arbitration?



- (a) The parties may select a substantive law of the arbitration in compliance with the following requirements:
- (1) it shall not violate the basic principles of the laws and regulations and compulsory stipulations of our countryand the social public interests;
- (2) have a certain connection with the disputed case;
- (3) it shall be agreed upon by the parties and shall be in written form.
- (b) If the parties concerned do not choose the applicable substantive law, the arbitral tribunal usually follows the following two methods in determining the applicable substantive law:
- (1) determine the substantive law according to the conflict rules. The arbitral tribunal may, in light of the actual needs of the disputed case, apply either the applicable substantive law determined by the conflict rules of the state of the place of arbitration or the most significant relationship rule to determine the applicable substantive law;
- (2) determine the applicable substantive law directly according to close relationship. There are two specific approaches: one is the method of comparison, that is, the arbitral tribunal directly determines the applicable substantive law by analyzing and comparing the rules of the substantive laws of the states involved in the disputed cases; the other is the method of most significant relationship, that is, the arbitral tribunal determines the applicable substantive law of the state most closely connected with the disputed case by analyzing and comparing various factors relevant to the disputed case.
- (c) If the states of the parties to the dispute acceded to a common international convention or treaty, or if a bilateral treaty or agreement has been concluded between the states of the parties, such international treaty or convention may be directly applied.

55 How to select arbitrators for the parties concerned?

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The arbitration shall be conducted in accordance with the arbitration rules of the arbitration institution in the following ways:

- (a) Within the time limit specified in the acceptance notification from the arbitration commission or the Notice of Arbitration, the parties shall nominate one arbitrator from the panel of arbitrators respectively. If the parties fail to nominate an arbitrator in accordance with the aforementioned provisions, the arbitrator shall be appointed by the head of the arbitration institution.
- (b) The parties shall jointly choose one arbitrator from the panel of arbitrators to be the presiding arbitrator of the arbitration tribunal within the time limit specified in the acceptance notification from the arbitration commission or the Notice of Arbitration. The parties may also nominate respectively one to three arbitrators from the panel of arbitrators as candidates for presiding arbitrators within the time limit specified in the acceptance notification from the arbitration commission or the Notice of Arbitration. Where there is one common candidate on either parties' list of nomination, such candidate shall be the presiding arbitrator jointly nominated by both parties; where two or more candidates are the same, the head of the arbitration institution shall, taking into consideration the specific circumstances of the case, determine one of them as the presiding arbitrator. It the parties fail to nominate the presiding arbitrator jointly in accordance with the aforementioned provisions, the presiding arbitrator shall be appointed by the head of the arbitration institution.

56 How the foreign arbitral awards are enforced within China?



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According to the provisions of Civil Procedure Law of China and relevant judicial interpretations, if an award made by a foreign arbitration institution must be recognized and executed by a people's court of the People's Republic of China, the party concerned shall directly apply to the intermediate people's court of the place where the party subject to execution is domiciled or where his property is located. The people's court shall handle the matter pursuant to international treaties concluded or acceded to by the People's Republic of China or in accordance with the principle of reciprocity. For cases relating to the effect of a maritime dispute arbitration agreement, a maritime court in the place where the arbitral institution as stipulated in the arbitration agreement is located, or where the arbitration agreement is entered into, or in the place of domicile of the applicant or the respondent, shall have jurisdiction;



or in the absence of a maritime court in the aforesaid place, it shall be determined based on the jurisdiction of the nearest maritime court. If the people's court accepted the application decides to grant a recognition and enforcement, the rule shall be made within two months from the date of acceptance of the application and the enforcement shall be finished within 6 months after the ruling except in special circumstances; if it decides not to grant a recognition and enforcement, it shall submit to the higher people's court with jurisdiction for examination before it rules not to enforce or refuse to a recognition and enforcement; the higher people's court agreeing on the ruling not to enforce or refuse to a recognition and enforcement shall submit its examination opinions to the Supreme People's Court; the ruling not to enforce or refuse to a recognition and enforcement shall be made after the Supreme People's Court makes a reply.

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57 How much do you know about the New York Convention?

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the New York Convention, was adopted on 10 June 1958 in New York. The Convention lays a solid foundation for the recognition and enforcement of international commercial arbitration in another country. In the absence of the limited grounds for refusal enumerated in the Convention, the courts of contracting states shall recognize and enforce the arbitral awards rendered by other states when accepting applications for recognition and enforcement. The New York Convention entered into force on 7 June 1959 and has been ratified by 172 states. Nowadays, the New York Convention has become an important document for international arbitration that "has strengthened respect for binding commitments, inspired confidence in the rule of law and ensured fair treatment in the resolution of disputes arising over contractual rights and obligations". In 1986, the 18th session of the Standing Committee of the 6th National People's Congress determined to accede to the New York Convention. On 22 January 1987, China submitted its instruments of ratification and

What institutional members does the Shanghai Arbitration Association have currently?

made two reservations: the reciprocity reservation and commercial reservation. It

became effective in China on 22 April 1987.

Established in 2019, the Shanghai Arbitration Association is the first local arbitration association initiated and promoted by a provincial judicial administrative organ, which

is a professionalized non-profit social organization legal person established pursuant to the law. The Shanghai Arbitration Association aims to enhance self-governance in the arbitration industry, promote exchanges, advance research, develop arbitration services and safeguard the legitimate rights and interests of its members and the order of fair competition.

The website of the Shanghai Arbitration Association is at http://sharbitration.org.cn, consisting of three institutional members for now, which are:

- (1) Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center), with its website at https://www.shiac.org/pc/SHIAC.
- (2) Shanghai Arbitration Commission, with its website athttp://www.accsh.org/.
- (3) China Maritime Arbitration CommissionShanghai Headquarters, with its website at http://www.cmac.org.cn/.

How can Shanghai promote its role as a preferred location for international commercial mediation?

As a significant means to optimize the business environment, commercial mediation serves as a "pressure relief valve" for resolving commercial disputes, a "stabilizer" for maintaining the market order, and a "soft power" for enhancing the core competitiveness of a city. Centering on the service construction of "Five Centers" and the enhancement of "Four Major Functions", great efforts are made to cultivate a number of commercial mediation organizations with core competence and strong international reputation in the fields such as finance, science and technology innovation, shipping, intellectual property, investment, and data transfer, striving to build Shanghai into a preferred location for international commercial mediation.

- (1) Institutional Guidance: Efforts will be made to launch local provisions specifically regulating international commercial mediation, iterate, optimize and perfect policy measures and build a legal ecosystem for international commercial mediation in several aspects such as guiding the establishment of international commercial mediation organization, reinforcing demonstration and guidance as well as improving self-governance in the industry. Meanwhile, commercial mediation organizations are encouraged to carry out international commercial mediation activities and enhance the international competitiveness, so as to promote the development of international commercial mediation in a market-oriented, standardized and orderly manner.
- (2) Professional Cluster: Efforts will be made to cultivate specialized, large-scale and comprehensive international commercial mediation institutions with core competitiveness and strong international reputation, and to formulate international mediation rules in alignment with international common rules, through benchmarking against



international commercial disputes.

What is the role of international commercial mediation in facilitating international trades?

Time-saving and cost-effective: International trade disputes often involve complex processes and interests of different parties, and litigation and arbitration procedures are cumbersome and time-consuming, while international commercial mediation can exactly resolve international trade disputes more efficiently. Based on the voluntary choice of the parties in dispute, the mediation procedures can be quickly launched, the mediators will quickly identify the core of the problem, and work out a solution within a relatively short period of time. A reasonable division of the interests among the parties can greatly reduce the costs of time, so that international trades can return to normal as soon as possible.

Maintaining cooperative relations: In view of the the international situation and the rise of trade protectionism, international trading partners usually prefer to maintain long-term and stable cooperation, and the settlement of disputes through a peaceful and amicable way, i.e. an international commercial mediation can minimize the damage caused by discrepancies and conflicts to the cooperative relations of the parties, and lay the foundation for the continuation of cooperation in the future.

Maintaining commercial secrets: international trades often involve the core commercial secrets and sensitive business information of enterprises. The mediation process is strictly confidential, which avoids public disclosure of such information and effectively protects the reputation and competitive advantage of enterprises.

In conclusion, international commercial mediation is an important way to resolve international trade disputes, save costs for enterprises, and solve disputes efficiently and professionally. It has literally contributed to the prosperous development of international trades.

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60 What is international commercial mediation?

International commercial mediation is a non-litigation dispute resolution mechanism applicable to commercial disputes arising from(including without limitation) international trades, transportation and maritime affairs. Usually when a dispute arises, the dispute will be submitted to an international commercial mediation institution if both parties are willing to negotiate a solution, where professionals with rich experience and professional knowledge in the fields of law, international trade, commerce and other fields will act as mediators to communicate with the parties in dispute, determine the issue of the dispute on the basis of clarifying the rights and obligations of both parties, and distribute the disputable interests between the parties appropriately so as to reasonably assist the parties in reaching a settlement agreement to solve the dispute.

high-standard international economic and trade rules. Meanwhile, policy support will

be offered in terms of talent gathering, attraction and cultivation, while great efforts will

be spared to cultivate and introducetalents in foreign-related commercial mediation, who have an international perspective, have a good knowledge of international economic and trade rules and are equipped with professional capabilities of resolving

(3) Intelligent Engagement: Efforts will be made to innovate new models of commer-

cial mediation services and build a digital and intelligent platform for cross-border

commercial mediation. Highlighting the subjects demands and application scenario

needs of international commercial mediation and carrying out the research and devel-

opment and application promotion of legal technology products of "Intelligent AI+

International Commercial Mediation", innovative solutions will be offered to efficiently

handle international commercial disputes, so as to continuously improve the respon-

siveness, accuracy and convenience of international commercial mediation services.

With its voluntariness, flexibility and confidentiality features, international commercial mediation is more flexible and efficient than traditional dispute resolution methods such as litigation and arbitration. In international commercial disputes, the ever-changing markets and the business strategies of commercial entities have prompted the subjects of the disputes to choose a more efficient way to resolve disputes, and the initiation of the mediation process, the selection of mediators and the solutions in an international commercial mediation can be customized based on the needs and specificsituations of the parties for a simple, flexible and diverse mediation. Meanwhile, confidentiality is also one of the essential principles of an international commercial mediation, only the mediator and the parties in dispute will participate in the mediation process, and the disputed information and commercial secrets involved in the mediation will be kept strictly confidential.

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What are the obstacles to cross-border enforcement of international commercial mediation agreements and measures to resolve them?

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While international commercial mediation has the advantages of efficiency and confidentiality, there are disadvantages when it comes to the validity of the mediation agreement reached after an international commercial mediation, and the difficulty of cross-border enforcement.

At present, only the mediation agreements formed through court mediations have direct enforceability and finality in China. The nature of international commercial mediation agreements is more similar to civil contracts, which can only become judicial confirmation instruments with enforceability after being examined and

confirmed by the court. The court will substantially examine the reasonableness of the international mediation agreements and determine whether they are detrimental to the interests of a third party, thus the efficiency advantage of mediation over litigation and arbitration may be greatly reduced.

The Singapore Convention on Mediation (the full name of which is the United Nations Convention on International Settlement Agreements Resulting from Mediation) is an international convention considered and adopted by the United Nations General Assembly session in December 2018 to address the cross-border enforcement of settlement agreements reached in international commercial mediations, which has already been signed by China but has not entered into force for the time being as domestic approval formalities have not been finished yet.

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How to access to and inquire about the Shanghai Oriental Foreign Law Discerning Center and the Guide for Overseas Service Outlets of Shanghai Law Firms (Yellow Pages)?

(1) Please see the following ways to contact the Shanghai Oriental Foreign Law Discerning Center:

Option 1: Visit the official website of the Shanghai Oriental Foreign Law Discerning Center: http://www.ofld.com.cn/. Please click on the "Online Inquiry Application", fill in the information as per the prompts and submit the application.

Option 2: Query via the court platform. After logging in to the Online Litigation Service Platform of Shanghai Courts: https://www.hshfy.sh.cn/, select the "Online Entrustment" at the "Shanghai International Commercial One-Stop Dispute Resolution Platform", and submit the application to the "Shanghai Oriental Foreign Law Discerning Center" from the "Entrusted Acceptance Agencies".

(2) Please see the following ways to inquire about the Guide for Overseas Service Outlets of Shanghai Law Firms (Yellow Pages):

Option 1: Online inquiry

Please visit the Shanghai Lawyers' Overseas Legal Service Platform, and you can search specific information on law firm branches by the country or region name in the "Guide for Overseas Service Outlets of Shanghai Law Firms (Yellow Pages)" section.

Option 2: Offline inquiry

Please visit the Shanghai Bar Association, with address at 33F 789 Zhaojiabang Rd. Shanghai, and telephone number of 021-64030000.

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How to deal with international trade disputes through professional mediation institutions?

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Handling of international trade disputes through professional mediation institutions generally includes the following steps: firstly, selection of the mediation institution. The parties in dispute will, based on the nature of the dispute and the needs of the parties, choose an appropriate mediation institution; secondly, submission of an application for mediation. The parties in dispute will submit an application for mediation to the selected mediation center, and the application should contain a detailed explanation of the basic information of the parties, a detailed description of the dispute, the demands of both parties and the desired mediation objectives; thirdly, selection of mediators, after the mediation institution reviews and accepts the application for mediation, depending on the nature and complexity of the dispute, the two parties will mutually decide after negotiation, or the organization will designate mediators with both legal, international trade and commercial expertise and rich commercial experience, and determine the time, place and manner of the mediation meeting; fourth, mediation. The mediators will arrange a full communication and consultation between the parties, and if the parties agree on the result after mediation, they will sign a mediation agreement that can be applied for enforcement after confirmation through the court. If the mediation is unsuccessful, the parties may choose to resolve the dispute through arbitration or litigation afterward. To protect the privacy and interests of the parties, the information disclosed during the mediation process usually has no legal effect in the subsequent procedures.

Professional mediation is playing an ever-important role in international trade dispute resolution as a strong legal safeguard for enterprises' cross-border operations.

What are the main points to note in terms of pre-event prevention and in-event control of the international trade?

Risk management in international trade cannot be done once for all but is a dynamic and systematic process running through the full life cycle of transactions instead. International Trade Enterprises are suggested to build the first line of defense for pre-event prevention, covering credit investigation, compliance review, contract design, robust intellectual property protection, structure optimization and insurance arrangement, and construct the second barrier for in-event control, involving performance monitoring, payment management, logistics tracking, objection handling and risk early warning mechanisms. Pre-event prevention and in-event control are not separate but complementary, with thorough planning enabling prompt responses to emerging challenges. The international trade business is like a cross-border voyage, where both opportunities and risks coexist. With the establishment of a systematic risk prevention and control system, international trade enterprises would make great efforts in the two key stages, focusing on proactive pre-event prevention and responsive in-event control, (just as the best doctors can prevent diseases before they occur). This means that they are able to nip in the bud or defuse risks promptly when the risksemerge for the first time, so as to effectively safeguard stability and earnings in the international trade. Meanwhile, international trade players are recommended to seek full protection from professionals throughout the process, such as international trade lawyers.

(I) Pre-event prevention

- (1) Trading Counterparty Credit Investigation: This involves verifying a counterparty's official information (including but without limitation of registered address, registered capital, business scope, tax number and official email), assessing their operational status, performance capacity and credit record through professional agencies, and confirming the identity and authority of their agent.
- (2) Overseas Laws and Country Risk Assessment: Businesses should use professional platforms to understand a target country's trade, intellectual property, data privacy, cybersecurity, anti-monopoly, and anti-unfair competition regulations, along with its technical trade measures and rules of origin, with key steps such as promptly registering trademarks and patents abroad, creating a compliance classification system, screening for embargoed entities, and implementing measures to control compliance risks.
- (3) Contract Clauses Drafting: A comprehensive international trade contract with clear rights and responsibility should be drafted, focusing on the clauses related to delivery conditions (like FOB or CIF), payment methods and terms, dynamicprice





A Pre-event prevention and in-event control of the international trade >>>

adjustment mechanism, quality standards and inspection procedures, intellectual property protection, force majeure clauses, liability and scope of compensation and dispute resolution.

(4) Rational Insurance Allocation: This involves selecting basic and additional cargo insurance based on the goods' nature, transport method, and destination risk, while adhering to specific trade terms. Simultaneously, businesses are suggested to prudently evaluate a trading partner's creditworthiness and purchase export credit insurances tomitigate commercial and political risks so as to safeguard the business.

(II) In-event control

- (1) Monitor Contract Performance: Businesses must meticulously preserve all core transaction documents, including contracts, amendments, and payment youchers. and maintain a complete record of all written communications. Concurrently, they should utilize a logistics tracking system to monitor the real-time movement of goods and establish a process to promptly contact trading partners upon port arrival to ensure timely cargo pickup and prevent the costly issue of abandoned goods.
- (2) Logistics Management:Businesses should select reliable carriers and clarify delivery and transportation responsibilities. They should cooperate with reliable freight forwarders and strengthen the management of bills of lading, preventing freight forwarders from telex release bill of loading without authorization. Also, they should be cautious with straight bills of lading, to avoid a scam where a seller fraudulently changes a consignee on a bill of lading (B/L) after shipment.
- (3) Customs Clearance Management: This involvesprocessing imported and exported goods by ensuring that accurate commodity classification and declaration information aligns with actual goods and customs requirements, in compliance with regulations. For specially regulated commodities, it is essential to obtain the required import or export licenses from relevant government agencies in advance of the shipment.
- (4) Avoid Letter of Credit Risks: When using a letter of credit (LC) for settlement, it is crucial to conduct a thorough document review after receiving the LC to ensure its terms align with the underlying contract and to identify and prevent any ambiguous or problematic "soft terms" that could lead to payment refusal by the bank.
- (5) Handling of Overdue Payment for Goods: It is suggested to send an immediate and polity reminder email and request a written explanation for the delay, stating a specific date and amount for the payment.
- (6) Handling of Quality Objection: In the event of a quality objection, businesses should promptly collect and document all evidence related to the quality objection, and require the trading counterparty to have an independent, third-party inspection agency re-inspect the disputed goods and issue the inspection report. During the

re-inspection period, businesses can require the counterparty to pay for the portion of the contract that is not in dispute, so as to reduce the overall capital recovery risk.

- (7) Handling of Cargo Damage Risks: In a cargo damage dispute, businesses must promptly negotiate and take immediate steps to minimize further loss (negotiating the insurance claim or transferring the claim to a third party).
- (8) Resolution of Sudden Disputes: The shipments should be suspended. The parties should set up the emergency response team without delay to promote settlement via negotiations and strive for continued cooperation.

0 6 WTO AND CHINA



What's WTO? What are the differences between WTO and GATT?

WTO is short for World Trade Organization. According to the Agreement Establishing the World Trade Organization reached in the 8th round of multilateral trade negotiations (the Uruguay Round) underthe General Agreement on Tariffs and Trade (GATT), WTO came into being on 1 January 1995 with the headquarter in Geneva, and is an international organization managing the multilateral trading system.

The differences between WTO and GATT are:

- (a) the nature of institution: WTO is a permanent international organization with complete qualifications as a subject of international law. GATT, however, as the predecessor of WTO, is not qualified as a subject of international law and exists as a provisional multilateral trade agreement.
- (b) scope of jurisdiction: WTO covers trades in goods, services and intellectual properties related to trades and has established a more complete system of rules whereas GATT only covers trades in goods.
- (c) dispute settlement: WTO adopts the principle of reverse consensus in four aspects: panel establishment, panel adoption, appellate body report and the request for trade retaliation authorization. The matter is adopted unless there is a consensus of the members against adoption. This enhances the mandatory nature of the dispute settlement mechanism and ensures the implementation of the panel report or the appellate body report. GATT, however, follows the principle of consensus, does not set a schedule for dispute settlement and the implementation of decisions is poor.

67 What are the main functions of WTO?

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The main functions of WTO are:

- (a) Primary function: to administer and manage the Agreement Establishing the World Trade Organization and multilateral trade agreements, meanwhile, to provide a framework for the implementation, administration and operation of the multilateral trade agreements;
- (b) to promote negotiations of international free trade;
- (c) to resolve trade disputes among member states;
- (d) to monitor trade policies of member states;
- (e) to cooperate with other international economic organizations such as IMF;
- (f) to provide technical assistance and training to developing and least developed economies.

68 What are the fundamental principles of WTO?

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- (a) Principle of non-discrimination: comprised of most-favored-nation treatment and national treatment. Most-favored-nation treatment means the treatment granted to other members by one member in the area of trades in goods and part of services shall be no less favorable than the preferential treatment granted to any third country (whether a WTO member or not) at present or in the future. National treatment means the preferential treatment no less favorable than that of the member country's own nationals.
- (b) Principle of free trade: lower tariffs, reduce non-tariff trade barriers and expand market admission in services trade.
- (c) Principle of transparency: WTO members shall publish the trade measures formulated and implemented and the changes thereof, and notify WTO and its members. Unpublished measures may not be implemented.
- (d) Principle of fair competition: WTO members shall avoid to take measures that could distort market competitions and maintain an open, fair and impartial market environment.
- (e) Principle of economic development: encourage economic development and reforms of the developing members, transition members and new members, and provide incentives such as special concessional arrangements, transition periods, technical support and training.
- (f) Other principles include principle of proper protection, principle of stable trade development, principle of regional trade and principle of exception and exemption.

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What rights and commitments does China have and make after its accession to WTO?



The rights China are entitled to include participate fully in the multilateral trading system, enjoy non-discrimination treatment and rights of developing countries, obtain a transition period to open market and adjust laws, reserve state trading mechanism, provide necessary support to domestic industries, maintain state stipulated pricing, reserve rights to collect export taxes and conduct statutory inspection to import and export commodities, and open up service trades and carry out the approval and administration thereof step by step in a planned manner.

China's WTO accession commitments include the integrity and transparency in trade

policies, trade mechanism reform, opening-up of the service trades, intellectual property protection and judicial review system improvement. Take trade mechanism reform for example, it includes liberalizing the right to trade step by step, regulating state trade and stipulating trade systems, removing non-tariff measures step by step, regulating the system of licenses for the import and export of goods, promoting a market-oriented pricing mechanism, subsidy restraint measures, no export subsidy for agricultural products and implementing the Agreements on Trade-Related Investment Measures.

70 What are the challenges of WTO? How will China respond?



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At present, the WTO multilateral trading system is in trouble, such as the collapse of the appellate body of dispute settlement mechanism, and it is difficult for members to claim for justice in international trade. There are also difficulties in reaching multilateral agreements on the function of trade negotiations.

The year 2024 marks the 23th anniversary of China's accession to the World Trade Organization and is also a critical year for the implementation of China's 14th Five-Year Plan. Since its accession to WTO, China has become the world's second largest economy, making important contributions to promote global trade and sustainable economic development. China supports the WTO reform and has put forward three basic principles and five proposals to enhance the authority and effectiveness of WTO.

Within the overall framework of the multilateral trading system, free trade arrangements among members are a useful complement to and a positive driving force for the multilateral trading system. In recent years, China has accelerated the layout to participate actively in regional economic integration. For instance, on 15 November 2020, ten ASEAN countries and China, Japan, South Korea, Australia and New Zealand officially signed the Regional Comprehensive Economic Partnership (RCEP); on 16 September 2021, China officially applied to join the high standard international trade rules, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). On January 1, 2022, the Regional Comprehensive Economic Partnership (RCEP) entered into force for implementation; on June 2, 2023, with the inclusion of the Philippines, all of the 15 member states had completed the procedures for effect and implementation of RCEP. With their implementation of tariff concessions to each other, the RCEP entered a new phase of full implementation.

What are the stages of the Integrated development of the Yangtze River Delta Strategy?

- (a) Policy presentation stage: On 5 November 2018, General Secretary Xi Jinping announced at the first CIIE that China will support the integrated development of the Yangtze River Delta region and make it a national strategy.
- (b) Top-level design stage: In May 2019, General Secretary Xi Jinping presided over the meeting of the Political Bureau of the CPC Central Committee and deliberated the Outline of the Yangtze River Delta Regional Integrated Development Plan. The meeting noted that the integrated development of the Yangtze River Delta would play an exemplary and leading role in the region, we need to drive the development of the entire Yangtze River Economic Belt and East China and form regional clusters of high-quality development through focusing on major work of integrated and high-quality development.
- (c) Phased planning implementation stage: On 13 May 2021, the Executive Committee of the Demonstration Area for the Integrated Development of the Yangtze River Delta organized a press conference for the Three-year Action Plan for the Major Construction Projects of the Demonstration Area for the Eco-friendly and Integrated Development of the Yangtze River Delta (2021-2023) (hereinafter referred to as Three-year Action Plan). The Three-year Action Plan includes the "one hall and three areas" centralized demonstration and ecological environmental protection, facility interconnection, industrial innovation and livelihood services that are classified and demonstrated in 5 major sectors and 18 major actions. On August 22, 2022, the Action Plan for Three Provinces and One City to Build the Yangtze River Delta Scientific and Technological Innovation Community (2022-2025) was released, proposing that by 2025, theinnovation and origination capacity of the Yangtze River Delta Scientific and Technological Innovation Community will need to be comprehensively improved, with a number of advantageous industries accelerating their progress towards world-class clusters. A series of supportive policies will also be launched.On July 25, 2024, the Three-Year Action Plan for the Integrated Development of the Yangtze River Delta (2024-2026) was formally released, which puts forward a total of 165 key tasksinnine aspects such asstrengthening cross-regional synergy in scientific and technological innovation and industrial innovation, accelerating the improvement of the institutional mechanism for integrated development, actively promoting high-level synergistic opening-up, strengthening the ecological environment and joint protection and governance, and focusing on enhancing the capacity of safe development, etc..







What are the unique advantages of the Integrated Development of the Yangtze River Delta?

(a) The Yangtze River Delta (YRD) region is the leading area of China's advanced real economy. In terms of production, gross regional production in the YRD region, which accounted for about 1/4 of the country's economic aggregate for 6 consecutive years, reached up to RMB 3.05 trillion in 2023. In 2023, the production of new energy automobile industry in the YRD regiontotaled 3,417,800 units,accounting for 36.2% of the total production in China, and shipbuilding completion accounted for 73.2% of the total production in China in the first half of 2023, with the shipbuilding industry developed strongly; in terms of companies, the number of listed companies in the YRD region accounted for 38% that of the country in 2023; in terms of trade, the total import and export value of the three provinces and one city in YRD region in 2023 amounted to RMB 15.17 trillion, which was a new record high and a 37.3% increase compared with that of five years ago. It accounted for 36.3% of the country's import and export. As the most dynamic area of China's economy, the YRD region has become the leader of China's opening to the outside world and radiation at home.

- (b) The YRD region has a large and balanced economy. Jiangsu, Zhejiang and Anhui occupied 42 seats in the latest ranking of the Top 100 Counties of China. The strong county economy has laid a good foundation for regional cooperation.
- (c) The YRD region possesses intensive scientific and technological innovation resources. In the Regional Science and Technology Innovation Evaluation Report in China in 2023 released by China Academy of Science and Technology for Development, Shanghai, Jiangsu and Zhejiang ranked respectively No.1, No.5 and No.6, Anhui ranked NO.9based on the comprehensive scientific innovation index released by the Ministry of Science and Technology of China. National Innovation Ability Supervision Report on Innovation-oriented Cities in 2023 showed that 30 cities of the YRD region ranked TOP 100, including 10 YRD cities that ranked TOP 30, including Shanghai, Suzhou, Hangzhou, Hefei, Nanjing, Wuxi, Changzhou, Ningbo, Jiaxing, and Wuhu. The YRD region is playing an increasingly prominent role in leading scientific and technological development and innovation.

73 What is the YRD international trade "single window"?

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In order to implement the decision of the national strategy of Integrated Development of the Yangtze River Delta, optimize port business environment constantly and enhance trade facilitation, Shanghai, Zhejiang, Jiangsu and Anhui signed jointly the Co-construction Cooperation Agreement on the Yangtze River Delta International Trade "Single Window", together to build the YRD international trade "Single Window". Since its official launch on June 18, 2014, the Shanghai International Trade "Single Window" has become a local International Trade "Single Window" with the largest data processing capacity in the world. It special service area of the YRD "Single Window" is based on information sharing and serves the integration of trade clearance in the Yangtze River Delta. Furnishing enterprises with real-time announcements, information and news, has realized the functions of order tracking, release search, new manifest search, arrival search, loading condition search and tally report search; also, it actively converges the YRD "Single Window" featured application, promotes the YRD "customs clearance + logistics" one-stop network check, such as trial operation of mutual transfer of work order informationwith Zhejiang and Jiangsu "Single Window", exploring a new mode of YRD"Single Window" operation and maintenance integration; itpromotes cross-border trade declaration, provides trade facilitation services for ships entering and exiting ports and goodsimportation/exportation of in the YRD; and it promotes the electronic release of containers, covering nearly 100 yards of YRDterminals and 900 freight forwarding enterprises.

What are the impacts and meanings of Yangshan Port in the integrated development of the Yangtze River Delta?

- (a) It is favorable to push forward the respective geographical advantages of the YRD region in terms of logistics resources and information sharing and optimization. Yangshan Port has good infrastructure, a collecting and distributing corridor connected with the outside and experience in freight handling, storage, custody and multimodal transport. The port is located at the node of the logistics center, which can integrate transshipment, warehousing, manufacturing, circulation as well as the information, so as to build a comprehensive logistics service platform and expand the space of "value-added services".
- (b) It is favorable to promote the formation of emerging industries and bring along the overall development of the regional economy of the YRD region. Yangshan Port is positioned as a bonded zone, an export processing zone and a bonded logistics park. The port can make a positive effect on the different emerging industries with its different functions. It will further drive the overall economic development of the YRD region through the formation and development of the emerging industries.
- (c) It is favorable to develop the advantages of tourism resources, improve ecological environment and build a "Marine Garden" of the YRD region. It will make the YRD region become a strong marine economic area with developed marine industry and unique features, and become an advanced manufacturing base and modern marine economic zone with distinctive characteristics in the YRD region.

- How can Shanghai Port coordinate regional development of the river-sea through transport?
- (a) Promote the resource integration of port and shipping industry, improve the integration development mechanism, create a general pattern centered around Shanghai Port and Ningbo-Zhoushan Port, with the backbone of Nanjing, Hangzhou, Suzhou, Zhenjiang, Wuhu, Nantong, Xuzhou, Wuxi, Huai'an, Lianyungang, Wenzhou, Jiaxing inland river, Huzhou, Hefei, Ma'anshan and Anqing, and the common development of other ports.
- (b) Strengthen the function of international shipping hub port. Implement the Six Action Plans for the Integrated Development of the Port and Shipping in the Yangtze River Delta, promote coordinated development of the regional port and shipping. Advance railway access to the Waigaoqiao Port and put forward the development of sea-railway through transport. Promote the establishment of the comprehensive logistics service platform for the carrier river-sea through transport of the Yangtze River.
- (c) In terms of deepening internal and external opening-up and inter-connection and boosting jointly a new pattern of all-round opening-up, Shanghai Port promotes the construction of customs clearance integration of the YRD ports, improves the interconnection mechanism for the data of the YRD international trade "single window", opens the function of information search for the enterprise evaluation results of Shanghai Port and promotes to achieve the peer-to-peer data sharing of "clearance logistics" between Shanghai Port and key port of the YRD region.

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What are the strategic meanings of the construction of Hongqiao International Hub for Opening Up?



On 3 March 2021, Shanghai government held a press conference in which unveiled the implementation of the Overall Plan for the Construction of Hongqiao International Hub for Opening Up. The construction of Hongqiao International Hub for Opening Up has three strategic meanings:

(a) Accelerate the concentration and improvement of the core functions of Shanghai City, thereby enhance the weight of ripple effects to the YRD region produced by Shanghai. The core functions of Shanghai City include global resource allocation function, scientific and technological innovation commencement function, leading high-end industry function and international opening-up hub function.



Integrated Development of the Yangtze River Delta Serves International Trade >>>

- (b) Enhance the hub connection between Shanghai and the YRD region, and further connect closely the advantages of opening-up and the construction as a bridgehead in the Belt and Road Initiative of Shanghai with the advantages of national circulation and open economy of the YRD region, accelerate to shape a new pattern of development.
- (c) Through the construction of cross-administrative region hub, aggregate the advantageous resources of Shanghai, Suzhou, Jiaxing and even that of Shanghai, Jiangsu, Zhejiang and Anhui, build a larger and stronger central hub for the accelerated establishment of a world-class industrial cluster, shape an in-depth radiate driving force, improve infrastructure connectivity, make resource factors move freely and construct and share public services jointly.

What's the significance of Shanghai Oriental Hub's construction to international trades?

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(1) Facilitating international business exchanges

Enhancement of international cooperation and international business opportunities: convenient business exchange conditions and an efficient exchange environment, willattractmore international enterprises and investors, promote cross-border cooperation and trade exchanges, bring in new international markets and business opportunities, and converge global factors for the improvement and development of a supply chain system that suits the development trend of international trades.

(2) Serving high-end international exhibition events

Promotion of exhibition economy and economic and trade activities: High-end international brand exhibitions and economic and trade activities will attract global enterprises and professionals to join and visit, which will boost the development of the exhibition economy and also promote the development of relevant economic and trades.

(3) Enhancing the quality of training services

Cultivation of internationalized talents and promotion of soft power exchanges: High-quality training services, exchange of knowledge, technologies and management experiences are conducive to cultivating more talents with international vision and ability to provide high-quality human resource support for enterprises, and enhance the core competitiveness of them, especially in the fields like large-scale medical equipment and aviation flight simulation.

(4) Perfecting supporting service measures

Facilitation of convenient trades: Improvement of supporting software and hardware facilities will reduce barriers to trade activities, simplify processes and improve overall efficiency.

Integrated Development of the Yangtze River Delta Serves International Trade >>>

Enhancement of the internationalized trade in services: Introducing high-quality service industries by expanding the scope of market access for overseas trade in services.

(5) Improving management efficiency and convenience

Improvement of the management efficiency of personnel and goods: The optimization of formalities for the entry and exit of economic and commercial personnel, the simplification of the import and export process of international goods, and the strengthening and upgrading of the capacity of logistics and information flow will greatly spur international trade, and the facilitation measures will attract more international enterprises to take advantage of the international business cooperation zones.



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Who brought forward the Belt and Road Initiative? What does it stand for?

When Chinese President Xi Jinping visited Central Asia and Southeast Asia in September and October of 2013, he raised the initiative of jointly building the "Silk Road Economic Belt" and the "21st-Century Maritime Silk Road" and began to be referred to as the "Belt and Road Initiative". On 28 March 2015, the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, jointly issued the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road; In May 2017, Office of the Leading Group for Promoting the Belt and Road Initiative announced Building the Belt and Road: Concept, Practice and China's Contribution. In these years, over 100 countries and international organizations have responded and supported in this initiative. Resolutions passed by the UN General Assembly and Security Council contain reference to it on many occasions. The vision of the Belt and Road Initiative is becoming a reality. The Belt and Road Initiative is becoming the broadest platform for international cooperation in keeping with the trend of economic globalization and to the greater benefit of all our peoples. The Belt and Road Initiative is short for the "Silk Road Economic Belt" and the "21st-Century Maritime Silk Road".

What are the five principles of jointly building the Belt and Road Initiative?

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- (a) The Belt and Road Initiative is in line with the purposes and principles of the UN Charter. It upholds the Five Principles of Peaceful Coexistence: mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, peaceful coexistence, and equality and mutual benefit.
- (b) The Initiative is open for cooperation. It covers, but is not limited to, the area of the ancient Silk Road. It is open to all countries, and international and regional organizations for engagement, so that the results of the concerted efforts will benefit wider areas.
- (c) The Initiative is harmonious and inclusive. It advocates tolerance among civilizations, respects the paths and modes of development chosen by different countries, and supports dialogues among different civilizations on the principles of seeking common ground while shelving differences and drawing on each other's strengths, so that all countries can coexist in peace for common prosperity.

- (d) The Initiative follows market operation. It will abide by market rules and international norms, give play to the decisive role of the market in resource allocation and the primary role of enterprises, and let the governments perform their due functions.
- (e) The Initiative seeks mutual benefit. It accommodates the interests and concerns of all parties involved, and seeks a conjunction of interests and the "biggest common denominator" for cooperation so as to give full play to the wisdom and creativity, strengths and potentials of all parties.

What are the cooperation priorities of the Belt and Road Initiative?

The "Belt and Road Initiative" should promote policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds as major goals.

Policy coordination: We should promote intergovernmental cooperation, build a multilevel intergovernmental macro policy exchange and communication mechanism, expand shared interests, enhance mutual political trust, and reach new cooperation consensus.

Facilities connectivity: On the basis of respecting each other's sovereignty and security concerns, countries along the Belt and Road should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all subregions in Asia, and between Asia, Europe and Africa step by step.

Unimpeded trade: We should strive to improve investment and trade facilitation, and remove investment and trade barriers for the creation of a sound business environment within the region and in all related countries. We will discuss with countries and regions along the Belt and Road on opening free trade zones so as to unleash the potential for expanded cooperation.

Financial integration: We should deepen financial cooperation, and make more efforts in building a currency stability system, investment and financing system and credit information system in Asia.

People-to-people bond: We should carry forward the spirit of friendly cooperation of the Silk Road by promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to win public support for deepening bilateral and multilateral cooperation.

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81 What are the areas of cooperation of the Belt and Road Initiative?

Promoting connectivity of infrastructure and facilities: Boosting infrastructure development to enhance transnational and cross-regional connectivity is a priority area for cooperation. Enhancing economic and trade cooperation: China attaches importance to furthering such ties to bring benefits to all, and building a more balanced, equal and sustainable

Expanding production capacity and investment cooperation: Cooperation in production capacity and equipment manufacturing and mutual investment are two more priority areas of cooperation among the Belt &Road countries.

Expanding financial cooperation: Further cooperation in finance, unimpeded currency circulation, and stronger financing will create a stable financial environment for the Belt and Road Initiative. This will play a positive role in guiding various sources of capital to engage in developing the real economy, in value chain creation, and in promoting the healthy growth of the global economy.

Strengthening cooperation on ecological and environmental protection: China is committed to building a green Silk Road. It applies a green development philosophy to B&R cooperation activities, shares China's newest ideas, technologies, and practices in the areas of ecological progress, environmental protection, pollution prevention and control, ecological restoration, and circular economy, and actively fulfills its responsibilities on critical issues such as climate change.

Promoting orderly maritime cooperation: The building of the 21st-Century Maritime Silk Road relies on maritime cooperation - the development of maritime trade, economy and connectivity, the building of a number of ports, and the maintenance of a safe and smooth sea passage.

Strengthening cooperation and exchanges in cultural, social and other fields: The Belt and Road, which would have been impossible without the concerted efforts of people from all participating countries, will bring opportunities for trade, tourism, cultural and educational exchanges, and ensure friendly relationships between the countries.

What are the guiding principles on financing the development of the Belt and Road?

(a) Adhere to the inclusive principle of seeking common ground while putting aside differences: the first and most important task for the design of the guiding principles on financing the development of the Belt and Road is to comprehensively consider the characteristics of different systems and different cultural backgrounds of the countries along the Belt and Road, and seek a common system of rules abided by countries along the Belt and Road under mutual understanding and respect.

- (b) Adhere to the equitable principle of openness and transparency: we should uphold the equitable principle of openness, fairness and transparency. Each project participant is required to make information disclosure and decision-making transparent, so as to avoid conflicts of interest and intensifications caused by information asymmetry.
- (c) Adhere to the relevant principle to take diversified service measures according to local conditions: "location" means characteristics of the geographical environment, cultural environment, economic environment and political environment in the construction of the Belt and Road. This requires considering the relevance, effectiveness and sustainability of the policy and system design for the purpose of practice.
- (d) Adhere to the flexible principle of innovation and diversification; the international rule of innovation and integration is the key to the establishment of the new system of investment and financing of the Belt and Road. On one hand, we should innovate the modes of financial services, ensure the quality of services and improve the efficiency of services. On the other hand, we should innovate the supplies of financial products, actively bring in social capital, build a bond of cooperation between government and social capital, and release the vitality of social capital.

What are the common economic risks of international engineering projects? How to deal with the risks?

International project investment also faces many economic risks, common economic risks include raw material price increase risk, inflation risk and fluctuation risk of foreign exchanges.

To deal with raw material price increase risk, enterprises need to do "prick locking" for the upstream and downstream supplies in advance, look for alternative raw materials for emergency use, and integrate resources and centralize procurement.

Inflation risk refers to the risk of currency depreciation caused by price rises in the host country. To cope with the risk, enterprises may avoid the risk by means of capital preservation through investment, signing long-term purchase contracts with customers and acquiring long-term liabilities.

Fluctuation risk of foreign exchanges refers to the potential rising or falling risk of the cost, profit, cash flow or market value of the investment enterprises caused by the fluctuation of foreign exchange rate of the host country. In the face of foreign exchange risk, enterprises may select contract currency and add an exchange rate proviso clause and the way to adjust prices or interest rates in the contract. In addition, attention should also be paid to the host government's foreign exchange control policies, which may result in the conversion failure into U.S. Dollars remitted abroad

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84 What is a Pilot Free Trade Zone?

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A Pilot Free Trade Zone is a specific multifunctional zone set up within the territory but outside the customs zone, with preferential tax and special customs supervision policies as the main means and trade liberalization and facilitation as the main purpose. A Pilot Free Trade Zone is a testing ground for comprehensively deepening reform and expanding opening up. In a Pilot Free Trade Zone, a basic system and regulatory model based on the prevailing international rules is formed forthe connection with the prevailing rules of international investments and trades, which prompts the systems to become more mature and more established and also transforms the system advantages into governance effectiveness. By advancing the modernization of the governance system and the governance capacity, the business environment will be further optimized, which will stimulate market vitality for building a new open economy of a higher level.

Since 2013, 22 Pilot Free Trade Zones have successively been set up in in Shanghai, Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi, Hainan, Shandong, Jiangsu, Guangxi, Hebei, Yunnan, Heilongjiang, Beijing, Hunan, Anhui and Xinjiang provinces in China, which formed an innovative pattern of reform and opening-up spanning the east, west, south, north and middle, and with overall coverage for the coastal, inland and border areas. Over the past ten years, the Pilot Free Trade Zones have connected with the international rules in areas like trade, investment, finance, shipping, and talents, launched a large number of fundamental and pioneering reform and opening-up measures, formed a number of typical and leading institutional innovations, and fostered a number of internationally competitive industrial clusters. Standing at the forefront of China's high-level opening-up to the outside world, they are also actively serving the major regional strategies, the strategy of regional coordinated development and the joint construction of the "Belt and Road".

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What are the differences among Pilot Free Trade Zones, Special Customs Supervision Zones and Bonded Zones?

Pilot Free Trade Zones, Special Customs Supervision Zones, and Bonded Zones are all specific zones set up to promote investment and trade facilitation, but the three differ in terms of the purpose of their establishment, the functional orientation and policy preferences.

A PFTZ >>>

A Pilot Free Trade Zone (FTZ) is a testing ground for comprehensively deepening reform and expanding opening-up, with system innovation as the core, it establishes an investment and trade system that connects with the prevailing international rules. By deepening financial openness and innovation, it accelerates the transformation of governmental functions and construction of a new open economy system. A Pilot Free Trade Zone includes both Special Customs Supervision Zones and Special Zones not under Customs Supervision. Some of the Pilot Free Trade Zones include Special Customs Supervision Zones or Bonded Zones as a part of it, creating a policy synergy effect. Taking China (Shanghai) Pilot Free Trade Zone as an example, its scope covers five Special Customs Supervision Zones, namely Shanghai Waigaoqiao Bonded Zone, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port Zone, Shanghai Pudong Airport Comprehensive Bonded Zone, and Jingiao Export Processing Zone, as well as two zones, namely, Zhangjiang High-Tech Park and Lujiazui Financial and Trade Zone. As economic functional zones regulated by the customs as per national regulations, Special Customs Supervision Zones are approved by the State Council to be set up within customs areas in the People's Republic of China, including Bonded Zones, export processing zones, bonded logistics parks, cross-border industrial zones, bonded port zones and comprehensive Bonded Zones that implement special tax policies and import and export management policies, and has processing and manufacturing, international trade, logistics distribution, bonded warehousing, testing and maintenance, R&D and design, commodity display and other functions. Enterprises in Special Customs Supervision Zones can enjoy policies such as bonded tax, tax exemption and tax refund. Bonded Areas are areas set up by a country's customs or registered with the approval of the customs and subject to the supervision and management of the customs where goods can be stored for a longer period of time. As the earliest special customs supervision zone in China, the functions of Bonded Zones are positioned as "bonded warehousing, export processing and re-export trade". There are special arrangements implemented for tariffs, import and export taxes as well as some supervisory measures, and they are now gradually transforming and upgrading into comprehensive Bonded Zones.

86 What is a Free Trade Account (FT Account)?

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A Free Trade Account (FT Account) is a local and foreign currency account opened by financial institutions based on the client's needs in the Free Trade Accounting Units and under unified rules, which is independent of the existing traditional account system as a special account under the account system of the central bank. FT Account is a tool for realizing the "liberalization of the first line, control of the second line and limited infiltration" of the funds. The "liberalization of the first line" refers to the free transfer of funds among FT accounts (including residents and non-residents), overseas accounts, and non-resident accounts within the territory but outside the customs zone. "Control of the second line" means that the flow of funds between FT accounts and non-FT accounts shall be considered as cross-border businesses for handling and the flow of funds needs to comply with the relevant regulations. "Limited penetration" means that for some of the businesses of the same non-financial institution entity in the Pilot FTA, its fund transfers under the same account name and its other cross-border transactions that meet the regulations can all be handled between its FT account and other bank settlement accounts based on the regulations.

There are five main types of free trade accounts: Free Trade Individual (FTI), Free Trade Foreigners (FTF), Free Trade Enterprise (FTE), Free Trade Non-resident (FTN), and Free Trade Accounting Unit (FTU).

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What are the open arrangements in the "negative list" of the Pilot Free Trade Zones?

The negative list is an internationally recognized approach to managing foreign

investments, a list of industries in which a country prohibits foreign investment or limits the proportion of foreign investment. More than 70 countries in the world have adopted the management models of pre-establishment national treatment and negative list. On this list, the country clearly lists the areas which deny foreign investment or are subject to restrictive requirements, while areas outside the list are fully opened up and enjoy pre-establishment national treatment. From 2015 to 2020, China has revised the negative list for foreign investment access in the Pilot Free Trade Zones more than once, reduced the number of special management measures on the negative list for foreign investment access to 30 items, and launched a number of major opening-up measures in the areas of finance and automobiles, etc. In 2021, the negative list for foreign investment access in the Pilot Free Trade Zones was further reduced to 27 items, which were an improvement of the management system and an enhancement of precision. It helped boost market vitality and encouraged fair competition. For example, items for manufacturing industry are cleared; in the field of market research, foreign access restrictions are abolished, except for radio and television listening and viewing surveys, which must be controlled by the Chinese party; in the field of social surveys, foreign investments are permitted, provided that the Chinese

party's shareholding ratio is not less than 67% and the corporate representative

should have Chinese nationality. On March 22, 2024, the Ministry of Commerce

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issued for the first time the "Special Administrative Measures on Cross-border Trade in Services in the Pilot Free Trade Zone (Negative List)". On March 22, 2024, the Ministry of Commerce issued for the first time the Special Administrative Measures for Cross-border Trade in Services in Pilot Free Trade Zones (Negative List), which came into effect on April 21, 2024, and made liberalization arrangements in the fields of professional qualifications for natural persons, professional services, finance, and culture, and promoted the expansion of liberalization in cross-border services in an orderly manner.

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What is the coverage of the China (Shanghai) Pilot Free Trade Zone?



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Located in Pudong, China (Shanghai) Pilot Free Trade Zone (PFTZ) is a regional free trade zone set up by the Chinese government in Shanghai and is a free trade zone in China. On September 29, 2013, China (Shanghai) Pilot Free Trade Zone (PFTZ) was formally established, with a total area of 28.78 square kilometers covering four Special Customs Supervision Zones including Waigaogiao Bonded Zone, Waigaogiao Bonded Logistics Park, Yangshan Bonded Port Zone and Shanghai Pudong Airport Comprehensive Bonded Zone in Shanghai. On December 28, 2014, the National People's Congress (NPC) Standing Committee authorized the State Council to expand the area of China (Shanghai) Pilot Free Trade Zone to 120.72 square kilometers. The expanded area includes Lujiazui Financial Zone, Jingiao Development Zone and Zhangjiang High-Tech Park. Among them, Lujiazui Financial Zone covers 34.26 square kilometers in total. It extends from Jiyang Road, South Pudong Road, Longyang Road, Jinxiu Road and Luoshan Road in the east to the Middle Ring Road in the south, and from Huangpu River in the west to Huangpu River in the north. Jinqiao Development Zone covers 20.48 square kilometers in total, from the Outer Ring Green Belt in the east to East Jinxiu Road in the south, Yanggao Road in the west and Jufeng Road in the north. Zhangjiang High-Tech Park covers 37.2 square kilometers, east to the Outer Ring Road and Shenjiang Road, south to the Outer Ring Road, west to Luoshan Road, north to Longdong Avenue. On August 6, 2019, the Lingang Section of China (Shanghai) Pilot Free Trade Zone was formally established. According to the principle of "overall planning and step-by-step implementation", the first start-up area is 119.5 square kilometers, covering Nanhui New Town, Lingang Equipment Industry Zone, Xiaoyangshan Island, and the south side of Pudong Airport.

New offshore international trades mean the trades that occur between residents and non-residents of China, in which the goods involved in the transactions do not enter or leave China's first-line customs area or are not included in China's customs statistics, including, but not limited to, offshore resales, global procurement, commissioned offshore processing, and offshore purchase of goods for contracted works.

On January 24, 2022, the Notice on Issues Related to Supporting the Development of New Offshore International Trades issued by the People's Bank of China and the Foreign Exchange Bureau was officially implemented. The main contents include supporting new offshore international trade businesses based on the needs of innovation and development of the real economy, and realizing integrated management of local and foreign currency for relevant cross-border fund settlement; encouraging banks to improve internal management by implementing client classification, optimizing self-reviewing, and leveling up the services, so as to facilitate cross-border fund settlement for genuine and compliant new offshore international trades, and strengthen risk monitoring and management to prevent the risks from cross-border fund flow.

In June 2023, the Shanghai Pudong New Area Commerce Commission and the Finance Bureau promulgated the "Implementation Rules for Special Development Funds to Support the Development of New Offshore International Trades in China (Shanghai) Pilot Free Trade Zone", which set out specific measures to provide financial support for the enterprises, and clearly defined that the enterprises carrying out new offshore international trade businesses whose place of incorporation and tax residency are all in the Pilot Free Trade Zone are the targets of support, and that certain support will be provided to them based on the degree of their comprehensive contribution to Shanghai in respect of their new offshore international trade businesses.

In February 2024, the Ministry of Finance and the State Administration of Taxation promulgated the Notice on Pilot Implementation of Preferential Policies on Stamp Duty for Offshore Trades in China (Shanghai) Pilot Free Trade Zone and Lingang Section, which exempted the enterprises incorporated in China (Shanghai) Pilot Free Trade Zone and the Lingang Section from stamp duties on their sale and purchase contracts for carrying out offshore resale transactions.

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What are the innovative measures in the Lingang Section of China (Shanghai) Pilot Free Trade Zone for promoting international trades?

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The Lingang Section of China (Shanghai) Pilot Free Trade Zone (PFTZ) has implemented a series of innovative measures to promote international trades in the recent years, aiming to motivate the development of domestic and foreign trades and raise competitiveness in the international market.

In terms of foreign investment system innovation, the New Area has taken the initiative in expanding the investment and opening-up in the areas of finance, value-added telecommunications and cross-border data flow through the implementation of the first Negative List for Trade in Services in China, which has attracted the implementation of well-known projects such as the Tesla project. In addition, the New Area becomes a pilot zone in the country to cancel the special account for foreign direct investment in RMB capital to promote the free flow of cross-border funds, and has issued the Action Plan for Accelerating the Development of Emerging Financial Industry in Lingang Section to comprehensively facilitate the financial opening-up and innovation. In terms of innovation in the management of cross-border data flow, the New Area has actively explored the cross-border data flow system and built a data security highland. Through the "Four Ones" promotion mechanism, the New Area has built a series of infrastructures and public service platforms to support the security assessment of cross-border data flow for enterprises. It has also enhanced the capacity of submarine fiber-optic cables to support cross-border data flow.

In terms of digital service platforms, the New Area has set up the country's first "Going Global" public service office, which provides comprehensive services such as cross-border finance, foreign-related insurance and legal services. In addition, the New Area has launched the "New Area Cross-border Pass" platform to support offshore trades, trade in services and digital trades, which are greatly conducive to trade facilitation.

In July 2024, Lingang Section launched the Ten Measures to Further Support the Development of Foreign Investment, spanning a high level of openness, nice ecology for foreign-invested industries, support for elements of foreign investment development, and optimization of foreign investment services, etc. It seeks to create a more open, transparent and predictable business environment to build the Lingang Section into a first choice for international trades and foreign investments.

Through these innovative measures, Lingang Section has not only made remarkable progress in enhancing the facilitation and liberalization of international trades, but also become a useful model and reference for the opening up and innovation of other free trade zones across the country.

What functions does the Shanghai international trade "One-window" have with its electronization?

Since its official launch on June 18, 2014, the Shanghai International Trade "One-Window" has become the local international trade "One-Window" with the largest data processing capacity in the world. At present, Shanghai International Trade "One-Window" has formed 16 major functional modules and 66 special applications about "customs clearance + logistics", "regulation + service" and "foreign trade + finance", which realized full coverage of the procedures for customs clearance and regulation at ports, promoted complete inclusion of international trade-related business processing, served more than 600,000 enterprises, and supported the processing of more than 1/4 of the country's import/export trade volume data; it has engaged with 30 relevant departments and institutions including customs, commerce, transportation, public security, immigration management, market supervision, taxation, ecological environment, trade promotion, the People's Bank of China, foreign exchange management, with 875 items of service functions in 23 major categories. With its one-stop comprehensive service capability, it has basically realized full coverage of law enforcement service functions at ports, and become a digital base for optimizing the business environment of the ports in Shanghai.

The main functions of "One-Window" include, but are not limited to:

- (1) submission of commercial and transport documents;
- (2) submission of customs declaration forms and application for clearance;
- (3) application for business licenses, permits and authorizations;
- (4) application for veterinary, sanitary and phytosanitary certificates;
- (5) application for technical standard certificates;
- (6) application for certificates of origin;
- (7) arrangement for collection and delivery of goods;
- (8) electronic payment;
- (9) digital client service desk;
- (10) connection to other international trade information portals.

10 RCEP AND CHINA



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Regional Comprehensive Economic Partnership Agreement(RCEP) is a large-scale regional trade agreement jointly promoted by ASEAN and its free trade partners, including China, Japan, South Korea, Australia, New Zealand, etc. RCEP was initiated by ASEAN in 2012, and after a total of 31 rounds of formal negotiations over 8 years, the 15 members finally reached an agreement and signed the RCEP on November 15, 2020. On January 1, 2022, the RCEP officially came into force for implementation in Brunei, Cambodia, Laos, Singapore, Thailand, and Vietnam, i.e.the six ASEAN member states, and China, Japan, Australia, and New Zealand, i.e.the four non-ASEAN member states; on February 1, 2022, RCEP entered into force for implementation in South Korea, on March 18, 2022, the RCEPentered into force for implementation in Malaysia; on May 1, 2022, the RCEPentered into force for implementation between China and Myanmar; on January 2, 2023, the RCEPentered into force for implementation in Indonesia; on June 2, 2023, the RCEP entered into force in the Philippines, bringing the RCEP into full force for all of the 15 signatory countries.

RCEP is a modern, comprehensive, high-quality and mutually beneficial large-scale regional free trade agreement consisting of a preamble, 20 chapters (including Initial Provisions and General Definitions, Trade in Goods, Rules of Origin, Customs Procedures and Trade Facilitation, Sanitary and Phytosanitary Measures, Standards/Technical Regulations and Conformity Assessment Procedures, Trade Remedies, Service Trades, Temporary Movement of Natural Persons, Investment, Intellectual Property Rights, Electronic Commerce, Competition, SMEs, economic and Technological Cooperation, Government Procurement, General Provisions and Exceptions, Institutional Provisions, Dispute Settlement, and Final Clauses), and 4 sections of Market Admission Annexes with 56 commitment forms (including tariff commitment forms, specific service commitment forms, commitment forms on investment reservations and measures of nonconformity, and commitments forms on temporary movement of natural persons). The RCEP has expanded the scope of the original "10+1" free trade agreement by including issues such as intellectual property rights, e-commerce, competition, and government procurement as a part of it, as well as by setting forth regulations to enhance cooperation in areas such as small and medium-sized enterprises (SMEs) and economic and technological cooperation. Through wider and deeper opening-up and cooperation, RCEP will promote the steady development of regional economic integration and make greater contributions to regional economic growth and global economic and trade development.

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93 What is the meaning and role of RCEP?

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In terms of population and economic aggregates, and total trade in goods, the scale of RCEP members is larger than that of regional trade blocs such as the EU and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The RCEP, which includes the major economies of East Asia as well as the countries with emerging markets, will promote an integrated large market covering about one-third of the world's economy, which will become a strong boost to the growth of the regional and global economy.

For China, the establishment of the RCEP free trade zone is a significant progress in the implementation of the free trade zone strategy under the guidance of Xi Jinping's thought on socialism with Chinese characteristics for a new era. After the RCEP came into effect, China's trade in goods with the RCEP members has grown significantly, and with the improvement of RCEP's systems, the formation of a regional integrated large market will unleash a greater market potential, promote China's opening up and further optimize China's foreign trade and investment layout, and thus will become an important platform for expansion of China's opening up in the new era. RCEP will promote various industries in China to participate more fully in market competition, enhance China's ability to allocate resources in both international and domestic markets, accelerate the formation of new advantages in international economic competition and cooperation, and help China form a new domestic and international double-cycle development pattern. After the signing of the RCEP. China has increased the number of free trade zones and free trade partners, and for the first time signed a free trade agreement with Japan, one of the world's top ten economies. This is a major breakthrough in China's implementation of the free trade zone strategy, and will significantly enhance the "leverage" of China's free trade zone network.

For the East Asia region, the RCEP will play an important role in promoting economic growth, and the establishment of the RCEP free trade zone sends a strong signal that opposes unilateralism and trade protectionism while supporting free trade and maintaining the multilateral trading system, which will help boost the confidence of all parties in economic growth. The RCEP will significantly optimize the overall business environment in the region. By increasing economic and technical assistance to developing and least developed economies, it will gradually decrease the differences in the level of development among the members and significantly enhance the level of regional economic integration in East Asia. The RCEP will further expand market admission in the fields like goods, services and investments among the members, and promote the free flow of economic factors, which will also facilitate the integration and development of the regional industrial chain, supply chain and value chain.

94 What are the rules of origin of RCEP?

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The rules of origin are the standards and methods for determining the origin of imported and exported goods, and are the combination of relevant laws, regulations and rules of a country (region) on the origin of goods. The main contents of rules of origin of RCEParereflected in Chapter 3 of the RCEP, which consists of a total of 35 articles and 2 annexes that stipulate the substantive criteria for determining the eligibility of goods to obtain the origin qualification, and a complete set of provisions on determining the eligibility of goods to obtain the origin qualification from the criteria of origin and the supplemental rules. A set of provisions on determining the eligibility of goods to obtain the origin qualification have been set. The rules of origin of RCEP are mainly used to determine whether the goods have the eligibility of RCEP origin, and thus whether they can enjoy the preferential tariff treatment of RCEP.

The following three categories of goods can be considered as "goods from the origin":

- (1) goods obtained or produced completely in a contracting party, for which the RCEP specifies 10 cases;
- (2) goods produced completelywithmaterials from origins, in which all raw materials and components used in the production of the final product have obtained the origin qualification:
- (3) goods produced by some materials which are not from origins but comply withall the relevant requirements of the corresponding tariff codes listed in the "Rules about Specific Origins of Products" of Annex 1 of the RCEP. The determination of origin qualification of goods also includes some supplementary and auxiliary principles, such as the accumulation rules, minor processing and treatment, minor content, and direct transportation for determination of the origin qualification of goods under the specific circumstances of production and transportation.

In order to enjoy the benefits of tariff concession, trade ingoods under REEP has to pass the "three procedures". First, the trade goods shall be within the scope of products on the RCEP tariff concession list; second, the trade goods must gain RCEP origin qualification; third, the trade goods must meet the procedural requirements for enjoying the benefits of RCEP, including the issuance of certificates of origin, customs requirements for import clearance, and so on.

95 What are the investment rules of RCEP?

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The RCEP investment rules are mainly reflected in the Investment chapter of the RCEP, which is the largest investment agreement in the Asia-Pacific region at present,

and is a comprehensive integration and upgrading of the investment rules from the original "5 ASEAN 10+1 Free Trade Agreements (FTAs)". It has realizedshared investment rules and market admission policies. The Investment chapter (Chapter 10) of the RCEP consists of 18 articles and 2 annexes (customary international laws and imposition), which cover the rules and disciplines on the form and scope of investment, treatment of investors, performance requirements, transfers, imposition, compensation, as well as investment promotion, investment facilitation or the like. It has also stipulated the opening-up commitment of each country's investment fields, which provides a more comprehensive and systematic guarantee to the investors for their investment activities in the RCEP regions.

Through the pre-admission national treatment + negative list, indirect imposition, and prohibition of performance requirements in the RCEP investment rules, more value has been added based on the existing investment agreements among members, which reflects the development trend of high-level international investment agreements. At the same time, the RCEP investment rules have taken into account the differences in the economic development levels of the members and the specific concerns of some members through various ways, such as the prudent establishment of transition periods and reservations for countries, which reflect the flexibility and inclusiveness of the rules.

With regard to the investment dispute settlement mechanism, Chapter 19 (Dispute Settlement) of the RCEP shall apply to disputes between member states arising out of investment matters under the Agreement (SSDS). With respect to investment disputes between investors and host countries (ISDS), Article 18 of theInvestment chapter in RCEP provides that "the contractingparties shall hold discussions no later than two years after the date of entry into force of RCEP, and conclude the discussion within three years fromits commencement." In other words, there is currently no specific ISDS provision in the RCEP investment rules, which will be discussed later.

96 What are the service trade rules of RCEP?

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The Service Tradechapter is the eighth chapter of the RCEP, which includes 25 articles and three annexes, which are financial services, telecommunication services and professional services respectively, as well as the opening-up commitments of each member in the field of service trade. The Service Tradechapter of the RCEP mainly sets out the regulations on national treatment, most-favored-nation (MFN) treatment, market admission, local presence, domestic regulations ofservice trades, as well as specific commitments for the elimination of restrictive and discriminatory measures on the opening-up of the services sector, which created conditions for the expansion of service trades among member states. In terms of market opening-up commitments, the modes of service trade opening-upare divided into positive and negative lists. All of the 15 member states under RCEP have made opening-up commitments that are higher than the level of the WTO and their respective original "10+1"free trade agreements. The Financial Services Annex represents China's highest level of commitments in the financial sector, which introduced for the first time the rules on new financial services, self-regulatory organizations, and the transfer and processing of financial information, as well as a high-level commitment on transparency in financial regulation. The Telecommunications Annex establishes rules for the non-discriminatory use of the respective telecommunications-related infrastructure and the provision of telecommunications services, and for the first time includes a number of provisions to promote fair competition and protect consumer interests better. The Professional Services Annex makes arrangements for exchanges among RCEP members on the issue of professional qualifications, including strengthening the dialogue among the bodies responsible for recognition of professional qualifications, encouraging consultation among the parties on the qualification, licensing or registration of professional services of common interest, and encouraging the development of shared standards.

What important consensus has been reached on market opening in RCEP?

About trade in goods, after the RCEP comes into force, the tariff for more than 90% of the trade in goods within the regions will eventually be lowered to zero, which mainly includes an immediate reduction to zero and a reduction to zero within 10 years. It is foreseeable that with the implementation of uniform rules like rules of origin, customs procedures, inspection and quarantine, technical standards and other rules, the synergy from elimination of tariffs and non-tariff barrier effect will gradually release RCEP's trade creation effect and significantly reduce intra-regional trade costs and product prices.

About service trades, in terms of the level of opening-up, all of the 15 members have made opening-up commitments higher than the level of their respective "10+1"free trade agreements. China's opening-up commitments in service trades have reached the highest level among its existing free trade agreements. On top of the about 100 sectors in China's WTO accession commitments, 22 services sectors have been further increased in the RCEP commitment, including R&D, management consulting, manufacturing-related services and air transport. Besides, the level of commitments



in 37 sectors, such as finance, law, construction, and shipping has also been raised. Other members have made high levels of opening-up commitments in service sectors such as construction, medical care, real estate, finance and transport, which are of key concern to China.

About the investment, all 15 parties have adopted the negativelist approach to fulfill high-level opening-up commitments in the areas of manufacturing, agriculture, forestry, fisheries and mining, which has significantly enhanced the transparency of their policies. China's negative investment list reflects the latest progress of domestic reforms, and it is also the first time for China to make commitments in the form of a negative list in the field of investment under a free trade agreement, which is of great significance to improving the domestic pre-admission national treatment and negative list management systemfor foreign investment.

In the area of movement of natural persons. The parties have committed that the investors, personnel transfer within the companies, contractual service providers, accompanying spouses and family members, and other types of business people who meet the conditions and are from countries within the regionwill be granted a certain level of stay permit and enjoy visa conveniences to carry out a wide range of trade and investment activities. Compared with previous agreements, the RCEP extends the coverage of the commitments to all categories of natural persons who may move across borders as provided in the RCEP, such as investors, accompanying spouses and family members other than service providers. The overall level of commitments largely exceeds the level of commitments made by members in the contracting practices of existing free trade agreements.

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What are the provisions on intra-regional trade facilitation Q under RCEP?

(a) Adhere to the inclusive principle of seeking common ground while putting aside Trade facilitation measuresunder RCEPmainly include customs procedures and measures on trade facilitation, sanitary and phytosanitary measures, and measures about standards, technical regulations and conformity assessment procedures.

In terms of customs procedures and trade facilitation, the RCEP simplifies customs clearance procedures, adopts pre-determination, pre-arrival processing,information technology and other means to promote the efficient management of customs procedures, and where possible, seeks to release the goods like express cargo and perishable goodswithin six hours of their arrival, which facilitates the development of new types of cross-border logistics such as express delivery, and promotes the rapid customs clearance of fruits and vegetables and meat, eggs, dairy products and other

fresh products, as well asthe growth in their trades. The overall level has exceeded that of the Trade Facilitation Agreementof WTO.

In terms of sanitary and phytosanitary measures, a series of measures have been formulated to protect life or health of human, animal or plant, and to ensure that these measures do not, to the greatest extent, cause restrictions on trade and do not unreasonably discriminate against other RCEP members. Based on the Agreement on the Application of Sanitary and Phytosanitary Measures, the RCEP has strengthened the implementation of rules on risk analysis, examination, certification, import inspections, and emergency measures.

In terms of standards, technical regulations and conformity assessment procedures, the RCEPhas promoted the reduction of unnecessary technical trade barriers in the recognition of standards, technical regulations and conformity assessment procedures, and encouraged the standardization bodies of all parties to strengthen the information exchange and cooperation on standards, technical regulations and conformity assessment procedures. These measures will facilitate the intraregional trade of goods within the regions, reduce trade costs, shorten logistics period, and further promote the formation of a regional integrated market.

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What are the measures to promote the e-commerce development included in RCEP?

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The RCEP E-commerce chapter is the first full-coverage and high-level multilateral e-commerce rules achieved in the Asia-Pacific region. The chapter covers a wealth of contents related to the promotion of e-commerce usage and cooperation, which mainly include rules to facilitate paperless trade, promote electronic authentication and electronic signatures, protect the personal information of e-commerce users, protect the rights and interests of online consumers, and strengthen regulatory cooperation for unsolicited commercial electronic messages. In these rules, the RCEP promotes the implementation of paperless trade, and requires that the parties shall endeavour to accept trade administration documents submitted in electronic form as they have the same legal effects as paper versions, as well as the cooperation at the international level to enhance acceptance of electronic versions of trade administration documents. With respect to electronic signatures, RCEP requires that, unless otherwise provided by law or regulation, the legal effect of such a signature shall not be denied solely on the basis that the signature is electronic. The RCEP also permits the parties to determine appropriate electronic authentication technologies and implementation models, and does not have restrictions on the recognition of electronic authentication technologies and implementation models for electronic transactions.

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It also allows the parties a chance to certify that their electronic transactions comply with laws and regulations relating to electronic authentication, and encourages the use of electronic authentication that supports interoperable functions. These requirements not only help to increase the transparency of cross-border transactions, but also contribute to the improvement of efficiency and reduction of transaction costs.

In addition, the parties have also reached an important consensus on cross-border information transmission and information storage in the RCEP, which conditionally allowed the free flow of cross-border data and provided a new impetus for the development of cross-border e-commerce in the regions. Meanwhile, it has stipulated exception clauses for public policy objectives and basic security interests, which have increased policy flexibility and retained more regulatory space. This is conducive to the protection of the security of important data and information. These contents will provide institutional guarantees for members to strengthen cooperation in the field of e-commerce, and add to the creation of a favorable environment for the development of e-commerce. It will enhance mutual trust in policies, mutual recognition of regulations and interconnection of enterprises in the field of e-commerce among members, and will also strongly promote the development of e-commerce in the regions.

Does the RCEP preferential tariff treatment apply automatically?

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No. At present, China's preferential tariffs mainly include most-favored-nationtreatment tariffs, preferential tariffs under agreements and specific preferential tariffs, and the RCEP tariff preferential treatment is a kind ofpreferential tariff under agreement. Free Trade Agreements are contracts that grant preferential tariffs on imported goodsbetween countries, and the tariff concessions therein are usually larger than those under WTO most-favored-nation treatment. In contrast to the automatic application under a WTO most-favored-nation treatment, preferential tariffs under free trade agreements do not definitely apply automatically.

According to RCEP rules, if the traded goods are within the scope of products on the RCEP tariff concession list, the importing party shall grant preferential tariff treatment to the goods from the origin based on the certificate of origin. In other words, products produced in China or other RCEP member countries will not be automatically qualified for the RCEP tariff rates. Within the scope of RCEP member countries, exporters shall, by following RCEP rules of origin, determine whether the goods have RCEP origin qualification and whether they can enjoy RCEP preferential tariff

treatment. Specifically, the following three categories of goods can be regarded as "goods from the origin":

- (1) goods obtained or produced completely in a contracting party, for which the RCEP specifies 10 cases;
- (2) goods produced completelywithmaterials from origins, in which all raw materials and components used in the production of the final product have obtained the origin qualification:
- (3) goods produced by some materials which are not from origins but comply withall the relevant requirements of the corresponding tariff codes listed in the "Rules about Specific Origins of Products" of Annex 1 of the RCEP. On the contrary, in the case where the exporter has not applied for RCEP preferential tariff treatment, the customs of the importing country will automatically apply WTO most-favored-nation treatment if all RCEP members involved are WTO members.



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