

## State Council Circular on the 4th Time Promoting PFTZ Experience Nationwide

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On May 23, 2018, the State Council promulgated the “Circular on the 4th Time Promoting PFTZ Experience Nationwide” (Guofa [2018] No.12, hereinafter, “Circular No.12”), in which it was announced that the experience gained through the fourth batch of reform and innovation initiatives in 11 pilot free trade zones (PFTZs) such as Shanghai will be promoted nationwide.

### 1. Background of the policies

The promotion of “replicable initiatives” is one of the missions the State Council expects of PFTZs. Since the establishment of the Shanghai PFTZ in 2013, 123 items for pilot reform and innovation have been promoted nationwide or in specific regions. In recent years, the PFTZs continue to release pilot initiatives and announce their effects. In light of this, Circular No. 12 announced that initiatives which demonstrated a certain effect and for which risks can be controlled will be promoted nationwide or in specific regions.

### 2. Details of the policies

It was announced that the scope of application will be expanded for a total of 30 pilot reform and innovation items. The list includes 17 items which have been promoted in seven new PFTZs such as Liaoning.

Among the 30 items, the scope of application will be expanded nationwide for 27, consisting of five items involving the opening up of the service industry such as “broadening areas for establishing partnership-type law firms jointly owned by partners from the Chinese mainland, Hong Kong and Macau” and “further opening up in areas of international shipping services,” six items in the area of investment management such as “three-in-one shipping certificates,” “two-in-one filing of foreign trade business operator status and certificates of origin,” and “one enterprise, one license for industrial manufacturing permits,” nine items in the area of trade facilitation such as “cross-department one-time joint inspections,” and seven items regarding in-process and ex-post facto supervisory measures.

The remaining three pilot reform items will be promoted in specific regions, consisting of the two items of “four initiatives and one streamlining for supervisory reform in customs special supervision areas” and “supervisory reform for bonded mixed ore” for customs special supervision areas, and “entry first, declare later” for customs special supervision areas and bonded logistics centers (type B).

The list of tasks for each department of the State Council has been released, and each department will further subdivide its tasks and advance the promotion of pilot operations.

[Fig. 1] Pilot items set for promotion (excerpt)

Items for pilot reform and innovation	Detailed contents (created based on public information)
A mechanism for sharing information with enterprises	The State Administration for Market Regulation and the People's Court share data stored on the credit information platform, for the purpose of enhancing efficiency by effectively promoting data consistency and sharing between judicial affairs and government affairs.
Three-in-one shipping certificates	Three certificates, consisting of Certificate of Nationality, Minimum Safe Manning Certificate, and a certificate of insurance for Civil Liability for Oil Pollution Damage or other financial guarantee, can be handled simultaneously.
Two-in-one filing of foreign trade business operator status and certificates of origin	<ul style="list-style-type: none"> <li>➤ After the registration of foreign trade business operator status at the Ministry of Commerce (MOFCOM), the department in charge of inspection and quarantine is able to directly use the verification results from MOFCOM and grants enterprises permission to file for certificates of origin.</li> <li>➤ The procedures for registration of applicants for the certificate of origin is regarded as complete when the Foreign Trade Operator Filing Registration, which contains the registration information on enterprises applying for the certificate of origin, is issued at MOFCOM's customer center.</li> </ul>
Cross-departmental one-time joint inspections	Based on the principle that a joint inspection, if possible, is conducted in the cases where two or more port inspections would be conducted on the same cargo for import or export, a cross-departmental one-time joint inspection is conducted in consideration of reasonable time and area. The inspection is completed in one session.
A model which allows the contents of customs declaration forms to be modified after the completion of clearance procedures	<ul style="list-style-type: none"> <li>➤ If they meet the supervisory requirements of Customs, enterprises can modify their customs declaration forms even after the completion of clearance procedures.</li> <li>➤ The modification procedures shall be completed within three days.</li> </ul>
A new model which unifies cargo certificates for rail transport	The same customs declaration form can be used, unifying multiple cargo certificates issued to import cargo with the same product name, specifications, contract form, and enterprise name.
New model for coordinating inspection and quarantine of imported bulk commodities	Quarantine processes at ports will only be conducted on the exterior surface of containers for import commodity ores and electronic equipment. The containers will be opened for inspection and quarantine at the place of use.
Four initiatives and one streamlining for supervisory reform in customs special supervision areas	Filing of forms, decision on write-off periods, reporting and overdue tax payment at companies' initiative, and a streamlined approval process
"Entry first, declare later" for customs	Enterprises are able to complete the declaration process for import cargo within a specified period after completing entry procedures into Customers special supervision areas with import cargo certificates.

One enterprise, one license for industrial manufacturing permits	<ul style="list-style-type: none"><li>➤ When a manufacturing enterprise with a business license applies simultaneously for a variety of products on management lists for manufacturing permits, the audit authority conducts a simultaneous audit and grants a single manufacturing permit.</li><li>➤ The names of the approved products are specified on the copy.</li></ul>
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### 3. Impact on enterprises

The pilot policies whose nationwide promotion was announced in this circular are broad in scope and include contents regarding the opening up of the service industry and the promotion of trade convenience. This reform focuses on the shipping service industry, bonded fuel oil, industrial and commercial administrative procedures, and the simplification of inspection, quarantine and customs procedures. Among which, the opening-up and expansion of the shipping service industry will be effective in promoting trade convenience and the construction of free-trade ports, while the simplification of procedures is expected to reduce the operational burden on enterprises. Aiming for nationwide promotion, while the deadline for response by authorities has not yet been specified, it was stressed that local governments must focus on the nationwide promotion of pilot tasks. Relevant departments of the State Council are also projected to promulgate corresponding policies and clarify the specific methods to execute each measure. We will continue to follow up on relevant information and share it as appropriate.

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