



USA & China Initiatives

January 1, 2011 Regulations

Liberty International, Inc
The Power Of Choice

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Today's Topics

- China “C.I.Q” regulations
 - Not just imitation jewelry
- Intellectual Property Rights
- Increased cooperation with Chinese government
 - Best foot forward





“CIQ” Defined

On January 1, 2011 the China Inspection & Quarantine Agency implemented new procedures requiring imitation jewelry manufacturers to secure an inspection certificate, “**merchandise inspection certificate**” prior to export of goods.

- Not a new regulation.
- The current focus is on the export of imitation jewelry, however, this could be just the beginning of testing of other commodities as well.
 - Toys, pens, key chains to name a few...
- This new regulation caught everyone off guard, including local China Customs offices.
- Be prepared

How Does My Vendor Certify?

- Certification occurs prior to export, add 1-2 days to the export cycle
- Registration and application process MUST be handled by the shipper/ factories. (Forwarding Companies and Brokers cannot process)
- Inspection certificates are valid for 2 months
- Many commodities in China require inspection, so vendors should be familiar with the general principles
- Fee for certification is approximately \$90 - \$100 if factory has their own export license and up to \$500.00 if they do not
 - Factories that do not have an export license must apply through a 3rd Party Trading Company, increasing their cost
- For a complete list of required documents, send email request to dconboy@libertyint.com



Something To Think About



- There are three main Customs agencies within China.
- Qingdao (northern), Shanghai (central) and Shenzhen (southern) are located within these regions.
- Each office is tasked with managing the same processes, probably in a different way.

Qingdao China

- Qingdao China has fully enforced CIQ regulations
- Dimerco Qingdao - Roland Zhu – roland_zhu@dimerco.com
 - Telephone: 011 86 532 84710521
- Apply online at www.eciq.cn
 - Once the application is approved, the factory will need to go in person to CIQ to present documentation
 - List of documents can be obtained by calling the CIQ telephone number in Qingdao
- Testing site – Shandong Inspection & Quarantine Technical Center
 - Beginning February, CIQ will begin to request that only the above nominated testing lab be used. Due to initial volume of inspection, CIQ has been accepting test reports from other testing facilities.
 - Fees to complete testing have not been published - Estimated 1.5% of invoice value + additional handling fees
- Testing can take up to 11 days, depending on the export country's rules and the products being shipped
- It is recommended that factories apply for the commodity inspection at least 7 days prior to required ship date. Remember: The testing report must be submitted prior to submitting the MIC to CIQ office
- CIQ is working on a grading system for factories as A, B, C or D ratings

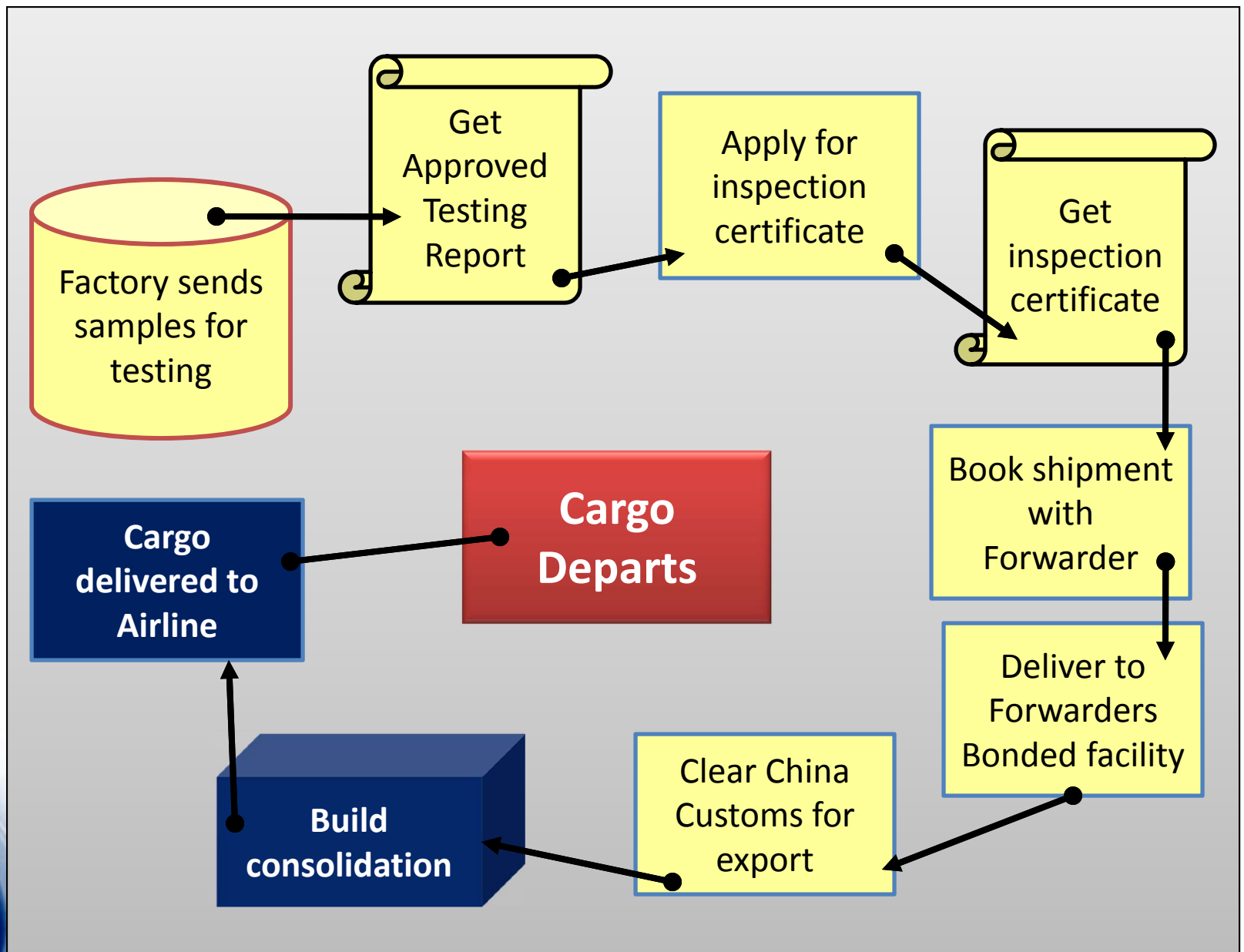
Shanghai China

- Shanghai China has recognized the new regulations, but have not fully advised how they are handling enforcement
 - Factories, must be certified and follow regulations prior to export.
- Dimerco Shanghai - Eddie Lin – roland_zhu@dimerco.com
 - Telephone: 011 86-21-5133-6588 ext. 6760
- Telephone number in Yiwu for CIQ: 86-0579-81579008
official website: <http://www.yw.ziq.gov.cn/dqj/yiwu/>
- Shanghai testing site is not confirmed – Shanghai Customs is still in the application phase. Factories are using local testing sites to obtain testing reports
- YiWu factories have special challenges and often require use of 3rd party trading companies
- Dimerco Shanghai obtains CIQ license



Southern China & Hong Kong

- Southern China and Hong Kong Customs have recognized the new regulations, but have not begun implementation or enforcement.
- Dimerco Hong Kong - Ricks Wan – ricks_wan@dimerco.com
 - Telephone: 011(852) 3762 7070
- Apply online at www.eciq.cn
 - Factories must have a legal business license and export license to apply
 - Most of the vendor in southern China do not hold proper licenses
 - To apply, a trading company needs to apply at increased costs
- The Consumer Product Safety Commission (CPSC) announced it signed an MOU (memorandum of understanding) with Hong Kong to improve product safety, opening a line of communication on topics related to recalled products, consumer product regulations, product testing requirements and product safety "campaigns".



Testing Guidelines

- Jewelry broken into adult and children's jewelry categories
- Testing standards for the destination country will apply
 - If there are no set standards (South Africa / Latin America), China will apply local standards
- FJATA (Fashion Trade & Accessories Trade Association) provided a list of standards. To request the list, email dconboy@libertyint.com
- To facilitate testing, CIQ prefers the factory to send the raw material for testing.
- Contact local CIQ office for specific questions
- Chinese manufacturers are prohibited from using cadmium or cadmium alloy
 - Other heavy metals are being reviewed {lead (Pb), mercury (Hg), arsenic (As)} may also become subject for inspection and be prohibited in future as well



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AVOIDING PITFALLS

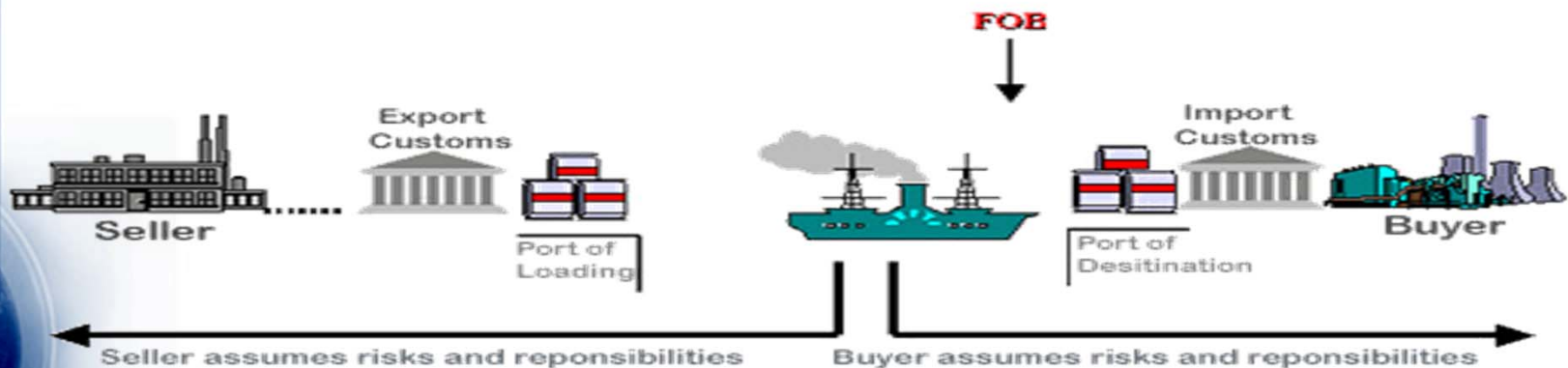


- Help locate Trading Company
- Help explain the process
- Help determine the status of manufacturers
- Help move shipments that are “stuck”. Multiple options can be reviewed
- Put plans in place now with your factories

Shipping Terms / Helping Vendors

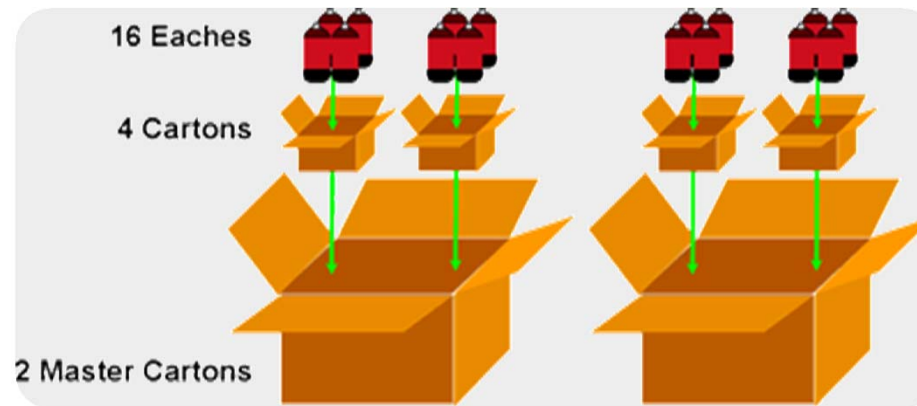
- Ex-works shipments - Be Careful
 - Does factory have export license
 - How large is the shipment
 - Manage minimums
 - Train your purchasing staff and china buyers
- Recommend: Copies of all documents, especially MIC, be presented prior to pick up for freight moving under ex-works terms
- Include process in your vendor guides
- Dimerco as a resource

FOB Trade Term Flow Chart



Carton Certification

- Highlighted with recent CIQ certification requirements
- Provided by the packaging factory to the factory
- The packaging factory that manufactures the boxes will secure the inspection certificate and will provide it to the factory
- Under CIQ regulations, jewelry factories must include in their paperwork to obtain their merchandise inspection certificate
- Outer, master cartons only
- Inspection is not required for retail packaging
- Process occurs behind the scenes and most likely invisible to importers



Intellectual Property Rights

- Foreign governments are pushing China to assist in stopping illegal imports of foreign brands, while China is hoping to create a better investment climate for foreign companies
- For ALL products manufactured in China that are produced or sold with a recognizable trademark
 - Gucci, Louis Vuitton, Coach, Juicy Couture, Kenneth Cole
- Have a corporate plan in place
 - Copies of licensing agreements, or letter on TM company letterhead showing permission to import under their license
 - Some companies have open licensing agreements, but be careful and make sure you research and understand their requirements
 - Be careful on what is placed on packing, iPod compatible, UL Approved
 - You may not hold the agreement
 - Packaging importers may need letter for their customers confirming their right to import licensed products
- Documents do not have to be provided until requested by China Customs
- Meet the requirements up front
 - Delay, potential seizure on ether side of the ocean



USA & Hong Kong Memorandum of Understanding

- US and Hong Kong have agreed to share information and do a better job of protecting US Brands
- What does this mean for U.S. Importers?
 - Expect more questions prior to shipment
 - Request for licensing agreements / proof of permission to reproduce brands / marks
- ALL Commodities
- Work to put formal systems in place regarding recalled products, consumer product regulations, product testing requirements and product safety "campaigns".
- The MOU's are the first step toward the two countries working on compatible safety standards.



Frequently Asked Questions

- Do the new regulations apply for air and ocean cargo?
 - Yes
- Does the Testing Report for CIQ satisfy US requirements?
 - No
- Can multiple MIC be combined under one housebill?
 - Yes
- Do IPR regulations apply to cards and tickets?
 - Yes
- How does my vendor apply for an export license:
 - Long Process
 - Apply to multiple China government agencies
 - Factory needs to present a minimum of RMB 500,000.00 of registered capital for a single license
 - Impractical for most manufactures
- Does the same process apply for sample shipments?
 - No, samples are considered any shipment that is less than 30 kilos and less than \$300 in commercial value (Be Careful)
- What if the piece count does not match between the invoice and the MIC?
 - The commercial invoice cannot list more pieces than the MIC

Liberty is Here and There for You

- Navigating pitfalls
- Partnerships
 - Dimerco, CONECT, FJATA (Fashion Trade & Accessories Trade Association)
- Using our expertise and global reach
- Receive Global Facts



Liberty International Inc.

www.libertyint.com

THANK YOU

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