

Navigating yesterday today

Much is still wrong in trade compliance
management

Trade Intelligence Asia Pacific
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Trade Intelligence Asia Pacific seeks to capture the essence of selected issues that are of particular interest to clients of PwC. Our regional network of customs and international trade consultants routinely gather, analyse and disseminate information and knowledge to our clients. Based on studies as well as meetings and discussions that take place across the region with various trade and customs officials, we consolidate our findings into Trade Intelligence Asia Pacific.

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Navigating yesterday today

Much is still wrong in trade compliance management

In the first of this two-part series we look at what were perhaps the more surprising lessons coming out of our recent Festival. The next article will discuss some less conventional but practical ideas for future customs and trade management.

If you are a frequent reader of our Trade Intelligence publication or follow us on LinkedIn, you would not have missed the PwC Global Festival of Customs and International Trade that we hosted between 12 April and 7 May 2021. All in all, it was a very successful event. We ended up running **110 sessions** adding up to nearly **50 hours** of content, spread over **257 speakers** from over **40 different countries**. There were 15 global webcasts, as well as 56, 24 and 15 regional sessions from Asia, EMEA and the Americas respectively. A true testament to not only the breadth and width of our network, but its willingness to come together for our clients' benefit.

If you missed out or would like to replay some of the sessions, you may find them by signing up to our [GlobalCustomsOnline](#). There you will also find additional content in the form of thought leadership, news alerts, brochures, etc. It will also allow you up-to-date access to new developments in the customs and trade regulatory space and our initial views on them on an ongoing basis.

From an audience perspective, we presented to over **1,000 attendees**, spread over all geographies and industries, from both private and public sector, and ranging from junior trade

clerks in SMEs to CEOs of large multinationals. Clearly the field of international trade and customs is not just alive and kicking, but also high on the radar screen in the world out there. Gone are the days that customs managers could hide in their back office and limit themselves to providing technical support to colleagues in their organisation as and when they asked for it. It is clear from our Festival that many are now in the front line, and not necessarily armed adequately for such a role.

A recap of what we covered during the festival

We split the festival in three broad themes that are distinct yet closely related and very relevant in the world of customs and international trade: finding cash, staying compliant, and managing the function.

During our first week, we covered the topic of **cost optimisation**, deep diving into various trade facilitation options and the ways they can be applied for a more efficient supply chain even in a volatile economic climate. We focused and discussed where businesses can and should look to find cash in their supply chain. As many of us know, there are plenty of trade facilitative measures and options available in Asia Pacific, such as Free Trade Agreements (FTAs), Free Trade Zones (FTZs), Bonded Facilities and Schemes, duty exemptions or suspensions, Authorised Economic Operator (AEO) and similar programs, just to name a few.



In the second week, we shifted our attention to the topic of **risk mitigation**, shedding light on the ways businesses can be prepared in the event of customs challenges arising from both tariff and non-tariff measures. We observed that COVID-19 temporarily halted Customs' activities in quite a few territories, partially due to a lack of technological infrastructure to support remote working and to conduct virtual audits. However, on the back of the temporary audit respite, when authorities in many territories were focusing on keeping trade flowing and adapting to new ways of working, we are seeing signs of them becoming more ready and willing to engage in more intrusive, effective and remote audits. So even if you have been getting through the crisis relatively 'scratch free' from a compliance perspective, we learned that it is critical to not underestimate compliance risk and understand that medium and long term challenges remain. Our panel discussions on how to defend your customs values, managing customs audits post COVID-19 and on export control compliance gave a flavour on how companies can be better equipped to navigate and manage customs challenges in the region.

In the third week, we focused on **how to manage customs and trade within an organisation**. Based on our experience, there can often be a gap between theory and practice when it comes to managing a customs and trade function. The function is often viewed as a secondary necessity outside a firm's primary value chain activities, which often leads to action being taken after mistakes have been made. It also tends to be broken down in closely related constituent pieces that are then spread out between a variety of employees that do not communicate, or at least not well. Thus, we shared our insights into the importance of trade readiness across all levels of the organization as well as our expectations on the post-COVID-19 landscape to realise business continuity. Finally, we touched on the topic of digitalisation, the key challenges customs administrations face these days, and how technology could help to solve them.

From the feedback we received from attendees, many appreciated the insights shared and felt they learned a lot from it. We ourselves also learned quite a few things from bringing the network together. Clearly, too much to write about everything. In this article, therefore, we want to focus on some things that surprised us, not in a good way. We will focus on our specific ideas of what we believe companies should do and think about going forward that go beyond "the usual" in the next lead article of Trade Intelligence.

What surprised us?

Unsurprisingly, perhaps, a large proportion of the Festival's content was not surprising, at least to us. That is not to say that it was not worth attending - far from it. What it means is that many of the main themes around customs valuation, tariff classification, use of preferential trading regimes and trade facilitation options, preparation for customs audits and so on and so forth remain as relevant today as they have been for a while. And although the underlying legislation and regulations are broadly consistent and in line with global arrangements such as the WTO's Valuation Agreement or the Revised Kyoto Convention, a thorough understanding of territory-by-territory interpretation and implementation of these is crucial to effective management of customs and trade compliance. Balancing the basic underlying global consistency with the inevitable national diversity will continue to be one of the main challenges for companies engaged in cross-border trade to get their heads around.

Having said all that, there were also quite a few sessions in our festival that made us look up and think again, as they were perhaps less intuitive or expected. Below are some of the key ones, and the lessons we learned.

Customs vs importers - who will win the race in technology adoption?

While it has always been quite obvious that customs authorities will eventually advance their digital capabilities and get on board on the digital transformation journey that we hear so much about these days, progress over the last decade has been slow. However, what we have seen in the past year is that COVID-19 has changed this equation dramatically. Triggered by social distancing requirements and the focus on health and safety of customs officials, the pandemic has accelerated the pace of technological uptake by customs authorities. The faceless assessment in India, acceptance and issuance of electronic documents, virtual audits and the increased use of data analytics by the authorities in a significant number of territories in the region are just some examples.

The knock-on effect from this may have gone under the radar for most, but the speed with - and way in - which customs authorities are showing a propensity to adopt and find new ways of working to be more effective has really surprised us. Admittedly it is still early days, but customs authorities are demonstrating they are adapting quickly. Their digital infrastructure will likely be scaled from here, which over time will give them greater visibility and means to assess companies' customs compliance. Subsequently they will be able to challenge companies with the relevant and most up to date information. It may also lead to more integration and exchange of data between tax and customs officials in the region. This can open a can of worms of potential challenges to related party transactions.

So how can and should companies respond? It could be argued that there is an uneven landscape between Customs and businesses when it comes to compliance. The authorities





only have to find one error, while businesses must get it right all the time. Digital transformation further skews the disadvantage towards businesses in regard to customs challenges, especially those lacking automated solutions. A lot of information is publicly available these days on the internet. Even if Customs do not necessarily have access to your internal information, they have abundant resources to compare your activities with those of similar companies, which they will be prepared to use when it comes down to a challenge. Keep in mind that customs authorities have their own targets of key performance indicators to meet, which means they are increasingly aggressive on collecting more revenue to hit their own targets. For example, China Customs has further advanced data mining capabilities enabling them to vet through enormous amounts of company importation and exportation data, sometimes even before companies present or submit their own information. In this respect China is well ahead of the curve, but others are likely to realise the advantage and go down a similar path sooner rather than later.

With all these forces at play, it is clear that businesses must surpass or at least match the pace of Customs and further streamline their own operations. Using data analytics and visualisation to plan, monitor and review the relevant customs and trade data is a great starting point and should be considered by everyone that is still relying on manual processes.

The Butterfly Effect - small missteps, large consequences

By now, most of us have grown accustomed to hearing phrases such as “getting HS classification correct”, “declaring the right value” or “make sure you have the correct origin listed”. You would be surprised to know that these fundamental areas of trade compliance still account for a generous amount of customs disputes. More often than not we see disputes arising from the most fundamental areas of trade compliance, contrary to the assumption that the main problem areas arise from the more sophisticated aspects.

In some ways this may be nothing new. But what was clear from a number of our regional sessions during the festival is the rate at which recurring ‘simple’ mistakes, minor inconsistencies or irregularities can lead to substantial non-compliance costs and supply chain disruptions to businesses. Often these appear to be smaller non-compliance issues at first, but over time they can create substantial exposure in the form of back duties, interest, fines and/or penalties, if not addressed appropriately. From listening to our colleagues in the region when sharing their experiences, it is clear we are seeing this more and more all across the region. You would assume that the increased availability of information alongside greater expertise overtime would entail smoother customs clearance processes. However, the continuation of this problem suggests that significant struggles still remain in the basic “technical” aspects of trade compliance, being the basic declaration of the ‘what’, ‘from where’ and ‘how much’.

What's more, and even more surprising, is how many companies do not learn from their past mistakes, even when they lead to an audit assessment and penalties. Rest assured that Customs **will** be back. And if the necessary improvements have not been implemented when they do, penalties **will** be higher.

Perhaps, a key message that needs to be reiterated is that these technical details, no matter how trivial they may seem, must be at the top of mind for all importers and exporters. The initial work required will likely always be tedious and largely administrative, requiring stringent attention to detail and heightened accuracy. What changes as a business expands is the increased amount of compliance aspects to manage. This places an efficient management system at the forefront of coping with tedious tasks. In other words, technical details do not become more redundant overtime, rather, they become more integral.

As such, they should also be communicated clearly, to third party vendors, distributors, customers and departments within the same organisation alike. Understanding the risk factors and their overarching impact on a companies' bottom-line by all

of those parties is one of the most fundamental yet frequently overlooked areas of trade compliance that will help to drive long-term cost-savings or avoid substantial costs when implemented appropriately.

What's more, the ever changing landscape of trade regulation makes the task more demanding. For example, in the past year, we have witnessed trade wars, political upheaval, export restrictions on medical equipment, and protectionist policies dominate the discourse of global trade. From a business perspective, this inevitably requires heightened awareness to remain customs and trade compliant. Additionally, if a business has current trade facilitation programs in place, maintaining a favorable trade compliance status still requires the same level of attention as would be required for a new trader. Knowledge on trade affairs coupled with visibility on one's internal operations can be the necessary leverage to curtail the incidence of negative audit outcomes.

To touch on another practical example, one of the most essential requirements for a company to safeguard against these risks lie in its ability to understand its own operations more than a third-party would. It is therefore equally surprising to us how many companies continue to have a tendency to dismiss its customs and trade function as an auxiliary activity. They often rely on their contracted brokers to deal with any situations whenever they arise. It is ultimately the company's responsibility to understand how various regulations apply to its own business when it comes to a customs audit. During an audit, time is truly of the essence. The longer the turnaround time to respond to a challenge, the more time is given to authorities to further investigate, find further issues, or start losing confidence in the company's ability to handle such matters adequately. As such, it is never a loss to equip your internal staff members with the core skills needed to understand, implement, and respond to any trade inquiries that could ultimately reduce your company's overall risk exposure.

Compliance and efficiency - two sides of the same coin?

Towards the end of the festival (week 4) our focus was to speak to our clients and companies to get their feedback, share our insights and listen to their unique experiences. One surprising observation to come out of this is that many companies still seem to think routine compliance activities are the source of delayed processes and thus a hindrance to their operational efficiency. For example, at first glance, it may seem that taking time to determine the accurate HS classification for different product mix or implement added measures to study the detailed procedures and requirements of operating any bonded facilities at foreign locations is a stumbling block to efficiency. However, when we consider the potential challenges that could have arisen if such compliance steps were foregone, the increased risk exposure leads to greater likelihood of getting entangled in a dispute. This example illustrates how compliance and efficiency may be viewed as adversaries. But compliance will always have a fundamental role to play in operating an efficient supply chain.

Non-compliance will always raise alarm bells with Customs and result in companies having to spend even more unnecessary time and resources divulging information that could have been prevented if extra care had been taken to start with. Additionally, it is in any companies' best interest to ensure that good track records are established with Customs, as having a good track record will contribute to greater efficiencies. This is especially true when we consider the many authorities in Asia preferring

face-to-face processes, where you will likely be working with the same Customs official more than once. This emphasizes the need to maintain a trusted and therefore favourable status and understand the local environment when dealing with local officers.

In order to truly contribute to a harmonised global trade environment, companies are not yet doing their part well enough to ensure they are getting compliance right. Customs officials perceive that abundant trade facilitation programs may be interpreted as offering too much of a free-pass for companies. Yet it remains those companies' responsibility to respect this privilege and remain compliant with the facilities they have been accorded. Having a holistic understanding of the forces shaping the global trade environment enables business leaders to understand how to prioritize compliance, as they are ultimately an efficiency driver rather than a supply chain burden. As such, compliance should be viewed as a driver for greater efficiency as the success of a consistent and predictable customs clearance process is more often than not a result of working appropriately within regulatory parameters.



All technology is good technology

Many sessions of our Festival looked at technology and automation. Clearly, this is on pretty much everyone's radar screen. As is so often the case in this arena, the number of tools and systems that are "out there" is bewildering. The number of companies that have implemented, are implementing, or are planning to implement one or more of them is significant. The number of companies disappointed at the effort required and value achieved is equally significant.

What appears to be missing in many cases is an appropriate understanding of what a company needs, what the various available tools offer, and how to match the two. Given the amount of money and other resources required for a successful implementation of any new technology tool, that should be surprising.

The fact that the marketing and advertising of most if not all such tools is confusing and creates unrealistic expectations should not be a surprise - that is the nature of marketing and advertising. That does not mean it is inevitable though. By asking the right questions and pushing the right buttons (so to speak), much can be learned about the adequacy of a tool for any particular organisation.

And that, it seems, is where the key challenge lies: too many companies do not do their homework well enough. Many do not thoroughly evaluate their needs. Some do not even know their needs, other than a vague sense of having to do better in order to keep up with the competition. In many cases any investment in technology is deemed to be money well spent, possibly even supported by government grants, regardless of the value it provides in the medium to long term. In many other cases, prejudices over the power and appropriateness of certain tools over others is deeply ingrained.

Additionally, many would-be buyers appear to conveniently glance over the challenges: validating claims made by the technology provider, assessing efforts required to implement, particularly on data requirements, customisation and communication with existing systems, likely effort required to maintain and run, quantification of value achieved and so on and so forth. Most are reluctant to spend money or time on such tasks, perhaps worrying that the outcome of their efforts is that no technology (as yet) will help them achieve their objectives. Or that it will require significant and sustained effort to do so, rather than through some sort of simple turnkey.

From bad to good surprises

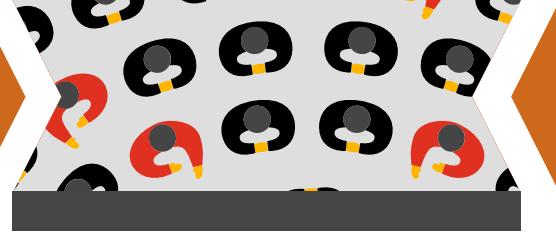
We always remind our readers that being proactive, in control and prepared is key to operating an efficient and best in class trade function. But from reading this article, it may be apparent that we are in a time where the ability of companies to get the basics right while at the same time moving with the times is under enormous pressure. At the same time, the authorities have stepped up their game significantly.

So what can or should you do today to be ready for the future? First and foremost, you need to get the basics right. There really is no excuse for basic repetitive mistakes. Processes to ensure that declared tariff classifications, customs values and countries of origin are supportable are a must. As are appropriate structures to manage trade facilitation privileges. Not all of this requires massive investment or fancy technology. It does however start with a realisation that it is deserving of the necessary resources and attention, and willingness to stand up and fight the corner.

Having the basics covered will then allow for more time to be spent on the more ambiguous and debatable aspects of customs and trade management. Especially if you want to be a leader in your field, deliver sustainable value for your company, and perhaps even create a more exciting career for yourself. Our thoughts on some practical ideas that may push the envelope and help you get and stay ahead of the game, focusing on KPIs, technology, data and teams, will be discussed in our next lead article of Trade Intelligence.



Export controls



The EU adopts revised rules on dual-use export controls

As mentioned in the previous edition of Trade Intelligence, the EU Parliament voted and approved an updated version of the dual-use export controls regulations. This regulation was formally adopted on 10 May 2021 by the EU Member States.

The new regulation aims to tighten controls and enhance compliance across new and emerging dual-use and cyber-surveillance technologies. The regulation also strives to encourage greater cooperation between EU and partner countries in the promotion of international security, as well as producers and exporters who are further obligated to comply with the new due diligence requirements.

The new regulation can be found at this [link](#).

China release guidelines on export controls compliance

China's Ministry of Commerce (MOFCOM) released through Announcement No. 10 of 2021 new export control guidelines known as the "Internal Compliance Guidelines on the Export of Dual-Use Items". The guidelines are related to China's new Export Control Law (ECL) which entered into force in December 2020, improves upon the earlier Announcement of the Ministry of Commerce [2007] No. 69 (2007 Guiding Opinions), and includes detailed references and practical guidance for exporters.

The new guidelines highlight nine key components that are necessary for an effective export compliance programme:

1. Formulate a key policy statement;
2. Establish an organisational structure;
3. Establish a comprehensive risk assessment;
4. Establish review procedures;
5. Formulate emergency response measures;
6. Appropriate training and education;
7. Internal compliance audits;
8. Compliant recordkeeping and data management; and
9. Prepare export controls related management manuals.

The guidelines also showcase practical examples of how the above elements can be achieved and provide general recommendations to entities establishing export compliance programmes.

To promote and encourage companies to implement more effective export compliance programmes, the Chinese government has committed to provide streamlined customs processes and procedures such as swifter approvals and issuances of export licenses. Another promotional measure introduced is to allow exporters to mitigate administrative penalties when taking the initiative to address any export controls violations committed.

For specific details, refer to the Guiding Opinions of the Ministry

of Commerce on the Establishment of Internal Compliance Mechanisms for Export Control by Exporters of Dual-use Items (Announcement of the Ministry of Commerce [2021] No.10) available in Chinese [here](#).

Malaysia introduces New Strategic Trade (Strategic Items) List

The Ministry of International Trade and Industry (MITI) of Malaysia published a new Strategic Trade (Strategic Items) list in 2021 to replace the 2018 strategic item list. This new list entered into effect from 26 April 2021.

The release of the new Strategic Trade (Strategic Items) List aims to provide better clarity on item descriptions of the goods and technology that are controlled under the Strategic Trade Act (STA) 2010.

The complete Strategic Trade (Strategic Items) list for 2021 can be found at MITI's website at the following [link](#).

Additional sanctions and restrictions against Myanmar

Multiple governments in the West have imposed additional sanctions and/or restrictions on Myanmar following the military coup and subsequent handling of demonstrations and protests by the Myanmar police and military. Additional sanctions imposed by the US, UK, EU and Switzerland are detailed below.

US sanctions on Myanmar

1. US Commerce Department's Bureau of Industry and Security (BIS) added Myanmar to the list of countries subject to the Export Administration Regulations' Military-Intelligence End-Use and End-User Controls. As a result, a BIS license is now mandatory for the trade or transfer of **any** items, even those not subject to the EAR, that may be intended for military-intelligence end-use or to an end-user in Myanmar.
2. The US government also imposed specific economic sanctions on two Myanmar military-affiliated conglomerates, "Myanmar Economic Corporation Limited" and "Myanmar Economic Holdings Public Company Ltd". These two companies were added to the BIS' Entity List and also designated as Specially Designated Nationals under the US Treasury Department's Office of Foreign Assets Control, essentially restricting any persons from trading or conducting business with these companies. These measures include an asset freeze on all assets owned by the aforementioned entities in the US.

UK sanctions on Myanmar

The UK government added “Myanmar Economic Holdings Public Company Ltd” to the Global Human Rights financial sanctions regime, UK Sanctions List and UK’s Office of Financial Sanctions Implementation’s consolidated list of financial sanction targets. These measures include a similar asset freeze as the US’ Sanctions as mentioned above on the assets, holdings, subsidiaries and funds owned by the entity in the UK.

EU sanctions on Myanmar

The EU, similar to the US and the UK, imposed similar sanctions on “Myanmar Economic Corporation Limited” and “Myanmar Economic Holdings Public Company Ltd”, to align with the economic sanctions as mentioned above by both the US and the UK.

Swiss sanctions on Myanmar

Switzerland imposed similar sanctions on Myanmar as the EU on 22 May 2021. These restrictions include (i) trade embargoes, specifically export restrictions on equipment, technologies and software; (ii) financial sanctions, including asset freezes and disallowing financing of specific Myanmar entities; and (iii) general travel bans.

Thailand export control: The draft notification on Catch-All Control (CAC)

Related to the Export Control Act of January 2020, the Ministry of Commerce (MOC) published a draft notification on the controlling measures of goods that may relate to the proliferation of weapons of mass destruction (WMD).

The draft notification explains the key criteria, conditions and procedures which the Department of Foreign Trade (DFT) will use to investigate and apply catch-all control (CAC) measures to any red-flag transactions that relate to the export of potential dual-use items (DUI) to high-risk end-users abroad.

With reasonable grounds and sufficient evidence, e.g. based on the exporter's and end-user's name and address, logistics route information, DUI code and technical specifications of the product in question, DFT will investigate the risk based on the following three criteria:

1. The activities are related to the export, re-export, transit or transhipment of goods considered DUI under DFT's control.
2. Persons related to such activities are on watchlists that may relate to the proliferation of WMDs.
3. The exporting company does not operate under a DFT-certified internal compliance programme, or it has not sufficiently proven to DFT's satisfaction that the shipment is not related to the proliferation of WMD.

If risks are found, CAC measures will be implemented on that specific shipment and DFT will issue a CAC summons to the company for further investigation. During that time, export activities will be suspended until the issue is resolved. However, an affected company may appeal the CAC implementation within 30 days of receiving the DFT's letter.

Please note that this draft contains no specific timeline for the investigation or reconsideration period. As such, we recommend you closely monitor the progress of the draft notification for any further revisions and amendments, looking out for any sub-regulations, updates or guidance relating to CAC implementation.



FTA focus

Agreement entered into force	Date
India-Mauritius CECPA	01 April 2021

Agreement signed	Date
Korea-Israel FTA	12 May 2021

India-Mauritius CECPA enters into force

On 1 April 2021, the India and Mauritius Comprehensive Economic Partnership Agreement (IMCECPA) entered into force. Despite its name, the agreement is a limited agreement, which will cover trade in goods, rules of origin, trade in services, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, dispute settlement, movement of natural persons, telecom, financial services, customs procedures and cooperation in certain other areas.

Following the entry into force of the agreement, the electronic platform for issuing Preferential Certificates of Origin (COs) for exports from India has been expanded to include application of Preferential COs under the India-Mauritius CECPA with effect from 1 April 2021.

Members of AANZFTA eyeing upgrade of trade deal

During the 12th meeting of the joint commission on AANZFTA (ASEAN-Australian-New Zealand FTA) in April 2021, officials who participated in the event are reportedly considering modernising the multilateral agreement to keep up with developments on non-tariff measures, rules of origin, certification of origin, self-certification, customs procedures and trade facilitation, trade in services and investment (e-commerce, telecommunication and financial services), state procurement, trade competition, consumer protection, sustainable trade and development.

Also acknowledged during the meeting was Chile's interest to join AANZFTA. However, as the agreement does not contain procedures for adding a new member, the existing members decided to move the proposal to a later date.

China and Singapore hold 1st round of follow-up negotiations for CSFTA

On 25-31 March 2021, China and Singapore held their first round of negotiations to discuss the rules of cross-border trade in services, investment and telecommunication. Based on the Upgrade Protocol announced in December 2020, both parties agreed to conduct follow-up negotiations further to enhance bilateral trade and investment liberalisation and facilitation.

Indonesia-EFTA CEPA closer to entry into force

The Indonesia - European Free Trade Association Comprehensive Agreement (IE-CEPA), signed on 16 December 2018, is now pending the signature of Indonesia's president after the Indonesian parliament approved the agreement in April 2021. Separately, the IE-CEPA received a green light from Switzerland after referendum results favoured the agreement. While Switzerland had already ratified the agreement in 2019, the opposition called for a referendum mainly due to the reduction of import duties on palm oil and its sustainability. The referendum was conducted on 7 March 2021, with 51.65% in favour of the CEPA.

Under the agreement, Switzerland offered a reduced import duty for Indonesian palm oil ranging from 20-40% within a limited import quota will be reduced by around 20 to 40 percent. In addition, importers who wish to obtain duty preferences for this product must prove that the palm oil meets specific standards.

The agreement covers trade in goods, trade in services, investment, intellectual property rights, government procurement, competition, trade and sustainable development and cooperation.

India-EU trade and investment negotiations to restart soon

Hopes are high for India and the EU after both parties agreed to restart the negotiations of the trade and investment deal, which had hit an impasse in 2013. The announcement to restart negotiations was released on 8 May 2021 during the virtual meeting between India's Prime Minister and the 27 leaders from the EU bloc.

The trade and investment agreement negotiations between India and the EU started in 2007 and hit a roadblock after eight years and 15 rounds of negotiations. The resumption of the formal talks with the EU is a welcome development for stakeholders in India to minimise the loss of potential opportunities following India's withdrawal from the Regional Comprehensive Economic Partnership (RCEP). As RCEP is projected to enter into force early next year, India is keen to secure a deal with the EU as soon as possible.

Japan Diet approves RCEP

In April 2021, Japan's Diet gave the green light to the Regional Comprehensive Economic Partnership (RCEP), which was signed by Japan and other parties in November 2020. Once the Japanese government has completed its remaining internal procedures, the ratification instrument will be deposited to the ASEAN Secretariat so that Japan can join other parties who have already ratified the agreement.

RCEP is Japan's first trade deal with China and Korea.

Philippines aims to ratify RCEP in June 2021

The Philippines' Department of Trade and Industry (DTI) announced that the Philippines aims to ratify the RCEP in June 2021. The request to ratify the agreement is expected to be submitted to the President in the same month.

RCEP ratification progress

RCEP is a Free Trade Agreement (FTA) between China, Japan, South Korea, Australia, New Zealand and the 10 ASEAN member states of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. This agreement, signed on 15 November 2020, will enter into force 60 days after at least six ASEAN member states and at least three out of five ASEAN FTA partners ratify the agreement.

Member	Status	Date
China	Ratification instrument deposited with the ASEAN secretary-general	15 April 2021
Japan	Ratified agreement, pending submission of ratification instruments	---
Singapore	Ratification instrument deposited with the ASEAN secretary-general	09 April 2021
Thailand	Ratified agreement, pending submission of ratification instruments	---

South Korea and Israel ink free trade agreement

Three years after South Korea and Israel kicked off negotiations for a trade deal, the two parties officially signed their bilateral free trade agreement on 12 May 2021. When it enters into force, South Korea will become the first Asian country to sign a trade agreement with Israel.

In terms of value, the agreement will remove tariffs on 95.1% of tariff lines for Korean originating goods, and 95.2% tariff lines for products originating from Israel. Specifically, the trade agreement will bring the Israeli 7% tariff on cars, 6-12% tariff on auto parts, 6% tariff on textile products, and 12% tariff on cosmetics

down to zero upon entry into force of the agreement. Israel's major exports to South Korea include machinery and electrical equipment, fertiliser, medical equipment, plastics, metals, fruit juices and wines.

Officials from Korea expect the FTA to boost its presence in Israel and pave the way for further cooperation with other economies in the region such as UAE and Bahrain. Based on reports, Israel is in talks with China, India and Vietnam for a similar trade deal.

Thailand and UK prepare the groundwork for a bilateral FTA

On 29 March 2021, Thailand's Commerce Minister and the UK's secretary of state signed an MoU to set up a Joint Trade Committee on Commerce and Economic Cooperation to promote economic cooperation and investment in various sectors, including agriculture, food, finance and health. The MoU is seen to pave the way for a bilateral free trade agreement between the two parties.

Thai products imported into the UK include motorcycles and their components, rubber products, automobiles, electronics, and machinery. The UK's main exports to Thailand include chemicals, machines and their components, and pharmaceutical products.

UK to commence formal negotiations to join CPTPP

On 2 June 2021, the United Kingdom received the nod of approval from the Comprehensive and Progressive Agreement members for Trans-Pacific Partnership to allow it to start the negotiations process for joining the trade block. The UK's formal request to join the agreement was lodged in February 2021.

The UK's admission to the agreement could strengthen the country's economic relationship around the region and could allow it to tap into the growing economies of Mexico, Malaysia and Vietnam. The CPTPP, which came into force on 30 December 2018, is currently composed of the following members: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

As of this writing, the timeline for the negotiation process has not yet been announced.



Territory reports

Australia

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Australia Federal Budget 2021-22

On 11 May 2021, the Australian Government released the 2021-22 Budget which included, among other things, the following trade related measures.

1. Initiatives to support trade and supply chains

The Government has identified a range of enhanced support measures:

- Funding of AUD 98.8 million over four years (and AUD 4.9 million ongoing per year from 2025-26) to establish the Office of Supply Chain Resilience to provide ongoing capacity to monitor and coordinate the Government's policies such as boosting supply chain resilience.
- Allowing eligible entities to claim a tariff concession of up to 5% on the value of imports used for automotive research and development in Australia through the extension of the automotive research and development tariff concession for a further four years until 30 June 2025.
- Allocation of AUD 3.2 million in 2021-22 to design and deliver up to three pilot projects with highly compliant entities to test end-to-end biosecurity risk management across importer supply chains.
- Extension of the International Freight Assistance Mechanism (IFAM) until 30 September 2021 to continue to secure vital air freight capacity for Australian exporters, which is still constrained due to the impact of COVID-19.

2. Australian exports

The Government has identified enhanced support for global trade with the aim of export market diversification as a key priority for the 2021-22 budget. This includes:

- Enhanced trade capabilities to maximise economic opportunities and diversify export markets totalling AUD 192.2 million over four years.
- Further support for food and agriculture exporters to maintain, diversify or expand their global markets through an Agri Business Expansion Initiative totalling AUD 72.7 million over three years.
- New funding to develop a comprehensive Global Resource Strategy to support export market diversification for Australian resources sector totalling AUD 20.1 million over two years.

3. Border, trade & supply chain system modernisation

The Government has elected to invest in a range of measures aimed at improving the efficiency of Australian supply chains to reduce costs for importers and exporters and improve biosecurity and other border risk management outcomes. The key measures include:

- Strengthening of partnerships with importers, producers and the community to enhance pre, at and post border biosecurity outcomes with a further AUD 231.9 million.
- Modernisation of biosecurity ICT systems, technology and data analytics through investment of AUD 80.9 million over the next two to four years.
- Support further analysis by way of review of regulatory processes and ICT systems to modernise and enhance Australia's trade system worth AUD 37.4 million.
- Support freight operations, infrastructure and transport investment decisions and performance evaluation through funding the establishment of a National Freight Data Hub worth AUD 16.5 million over four years.

4. Anti-dumping reform

The Government will invest AUD 5 million over four years as part of ongoing reforms to Australia's anti-dumping regime with the aim to further simplify and streamline the system for businesses. The key reforms include:

- Funding of AUD 4.7 million to the Anti-Dumping Commission to provide increased support and guidance to importers and local manufacturers in determining dumping duty liability.
- Funding totalling AUD 0.3 million to increase flexibility to apply different rates of duties for particular variants of imported goods, to ensure fairer outcomes for importers and consumers.
- Funding of AUD 0.1 million to the International Trade Remedies Advisory Service to assist small and medium enterprises with the anti-dumping merits review process.
- In addition, the Government will streamline existing processes and reduce compliance costs by allowing eligible importers to claim a Tariff Concession Order based exemption from anti-dumping duties at the time they clear goods via the import declaration process.

Simplified rules for export grants

The Australian Government has announced further reforms to the Export Market Development Grants (EMDG) Scheme. The EMDG Scheme is a financial assistance program that helps small to midsize enterprises (SMEs) increase their marketing and promotional activities in international markets.

The changes to the EMDG Scheme will come into effect from 1 July 2021, with the key goal of the reform to increase the ease and export grant funding certainty for eligible Australian exporters. This will include a simpler application process requiring less documentation, the ability to apply for two to three year grants only once (rather than annually), and upfront communication from Austrade of the grant amount. The simplified rules build on EMDG reforms announced in December 2020.

Launch of the Australia India Business Exchange

The Australian Government has launched the Australia India Business Exchange (AIBX) with an aim to improve and build on the trade and investment relationship between the two countries. Through the multi-year AIBX program, businesses are provided with access to virtual events, in-market activities and online resources with the aim of providing insights into the latest industry trends and opportunities, an understanding of India's business climate, and assistance to access India's e-commerce channels. The AIBX was established to support businesses to build connections and partnerships, and help exporters compete and succeed in the Indian market.





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Internal compliance programme for export control

On 28 April 2021, the Ministry of Commerce issued guidance on implementing an internal compliance programme to manage export control compliance. Refer to our Export Controls section for more information.

Preferential tax policies for a range of imported goods

The Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and other relevant departments recently issued several notices on preferential tax policies for imported goods. The following are the key highlights.

(a) New display industries

Preferential policy	Import tariff exemption for key raw materials, consumables, clean room supporting systems and production equipment parts and accessories. Import VAT for new equipment may be paid in instalments for 6 years.
Execution time	1 January 2021 to 31 December 2030
Eligible entities	Listed new display device manufacturers and key raw materials and spare parts manufacturers for the new display industry
Product conditions	1. Import commodities that are used for manufacturing (including R&D) that cannot be produced domestically, or are not available in sufficient quantities. This may be materials, consumables, etc. 2. The eligible product list will be issued by authorities.
Notices	Cai Guan Shui [2021] No. 19

(b) Aviation equipment used for civil aviation maintenance

Preferential policy	Import tariffs exempted for key raw materials, consumables, ancillary equipment and spare parts. Import VAT for new equipment may be paid in installments for 6 years.
Execution time	27 July 2020 to 31 December 2030
Eligible entities	Listed integrated circuit and software companies
Product conditions	1. Import commodities that are used for manufacturing (including R&D) that cannot be produced domestically, or are not available in sufficient quantities. This may be materials, consumables, etc. 2. The eligible product list will be issued by authorities.
Notices	Cai Guan Shui [2021] No. 4



(c) Integrated circuit industry and software industry

Preferential policy	Import tariffs exempted for key raw materials, consumables, ancillary equipment and spare parts. Import VAT for new equipment may be paid in installments for 6 years.
Execution time	27 July 2020 to 31 December 2030
Eligible entities	Listed integrated circuit and software companies
Product conditions	1. Import commodities that are used for manufacturing (including R&D) that cannot be produced domestically, or are not available in sufficient quantities. This may be materials, consumables, etc. 2. The eligible product list will be issued by authorities.
Notices	Cai Guan Shui [2021] No. 4

Food safety management and registration of overseas food manufacturers

On 12 April 2021, the General Administration of Customs issued administrative measures to strengthen rules on import/export food safety management (Measures) and on the registration of overseas manufacturers of imported food products (Provisions). Both will enter into effect on 1 January 2022. A summary has been provided below.

Import and export food safety management

- Improved control measures**
 - Specify the methods and applicable situations of conditional restrictions on imports, suspension or prohibition of imports.
 - Customs may adopt control measures (eg, suspension or prohibition of import) for imported foods found to be contaminated by pathogens of infectious diseases, or are mediums of infectious diseases.
- Clarify the content of import and export food supervision, and on-site inspection of imported food**
- Simplify regulatory framework for food safety supervision.** The Measures integrate content across 5 food regulations (meat products, aquatic products, dairy products, honey inspection, quarantine supervision, and management measures). Other matters requiring further clarification will be released.

Registration of overseas food manufacturers

- Definition of overseas manufacturers of imported food.** The Provisions define overseas production, processing and storage enterprises that export food to China as overseas manufacturers of imported food. Production, processing and storage enterprises of food additives and food-related products are excluded from the definition. The GAC is responsible for the registration and management of overseas manufacturers of imported food.
- Registration requirements.** Registration requirements for overseas manufacturers of imported food must meet the following four points:
 - The food safety management system of the country/region must pass the equivalence assessment and review of the GAC;
 - The manufacturer is established with the approval of the competent authority of the country/region where it is located and is under its effective supervision;
 - There is an effective food safety and sanitation management and protection system. The manufacturer must legally produce and export, and guarantee that the food exported meets relevant Chinese laws and regulations, and national food safety standards; and
 - The manufacturer complies with the relevant inspection and quarantine requirements negotiated by the GAC and the competent authority of the country/region where it is located.
- Registration method**
 - The registration method of an overseas manufacturer of imported food includes registration recommended by the competent authority of the country/region where it is located, and an application registration by the enterprise.
 - The GAC determines the registration method and application materials for overseas manufacturers based on the analysis of raw material sources, production and processing process, food safety historical data, consumer groups, eating methods and other factors, combined with international practices.
- Registration validity period.** The registration validity period of an overseas manufacturer of imported food is 5 years. If an overseas manufacturer needs to renew its registration, it must apply to the GAC through the application registration channel within 3 to 6 months before the expiration of the registration validity period.

For details, refer to the Administrative Provisions of the People's Republic of China on Registration of Overseas Manufacturers of Imported Food ([Order of the General Administration of Customs No. 248](#)) and Administrative Measures of the People's Republic of China for Safety of Imported and Exported Food ([Order of the General Administration of Customs No. 249](#)).

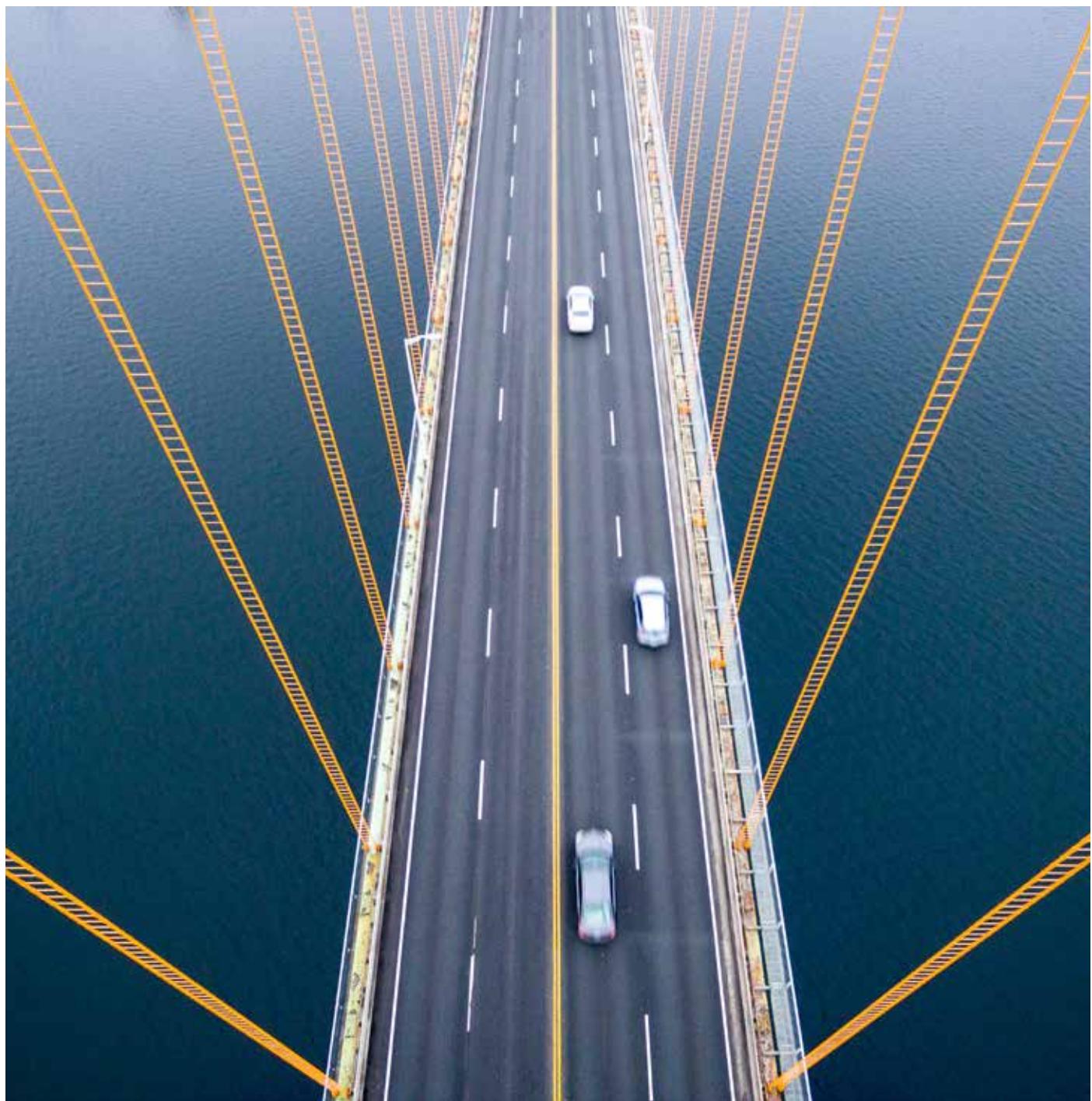
Tariffs adjustment and tax rebates cancellation for certain steel products

From 1 May 2021, the Customs Tariff Commission of the State Council, the Ministry of Finance, and the State Administration of Taxation, adjusted the tariffs of certain steel products and canceled export tax rebates of certain steel products.

The following implementation measures are intended to reduce import costs, expand imports of steel resources, support domestic production of crude steel, guide the steel industry to reduce total energy consumption, and promote the transformation and upgrading of the steel industry.

- Implement zero import provisional tariff rates on pig iron, crude steel, recycled steel raw materials, ferrochrome and other products;
- Increase existing export tariffs of ferrosilicon, ferrochrome, high-purity pig iron and other products by 5%;
- Cancel export tax rebates for 146 items of steel products including alloy steel powder, silico-manganese steel wire, stainless-steel flanges, etc.

For details, refer to the Announcement of the Customs Tariff Commission of the State Council on Adjusting the Tariff Rates on Certain Steel Products ([Announcement of the Customs Tariff Commission \[2021\] No.4](#)) and Announcement of the Ministry of Finance and State Taxation Administration on Cancelling the Export Tax Rebate of Certain Steel Products ([Announcement of the Ministry of Finance and the State Taxation Administration \[2021\] No.16](#)).





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Extension of Foreign Trade Policy 2015-20

The validity of the Foreign Trade Policy 2015-20 and Handbook of Procedures 2015-20 has been further extended till 30 September 2021. This implies that all the policies and procedures specified therein will continue to be in force till the specified period.

Refer to [Notification No. 60/2015-20](#) and [Public Notice No. 48/2015-20](#) dated 31 March 2021 for further details.

Acceptance of undertaking in lieu of bond

The Government has restored the facility to submit an undertaking in lieu of bond until 30 June 2021. This is to avoid delays or disruption in export-import trade due to the COVID-19 pandemic. Refer to [Circular No.09/2021-Customs](#) dated 8 May 2021 for further details.

Extension of exemption from IGST and compensation cess

In an earlier notification, Export Oriented Units (EOU) and Software Technology Park (STP) exporters importing under the Export Promotion Capital Goods (EPCG) or Advance Authorisation (AA) schemes were exempted from payment of Integrated GST and compensation cess on supplies up till 31 March 2021. This period of exemption has been extended till 31 March 2022.

Refer to [Notification No. 19/2021-Customs](#) dated 30 March 2021 and [Notification No. 23/2021-Customs](#) dated 31 March 2021 for further details.



Import/export restrictions

Particulars	Measures introduced	Reference
Oxygen concentrators as gifts	Import of goods as gifts through post or courier is generally prohibited with certain exceptions. An exception has been introduced for oxygen concentrators imported for personal use. The exception will be effective till 31 July 2021.	Notification No. 4/2015-20 , dated 30 April 2021
Injection Remdesivir and Remdesivir APIs	Exports of Injection Remdesivir and Remdesivir Active Pharmaceutical Ingredients (API) falling under HSN 293499 and 300490 are prohibited.	Notification No. 1/2015-2020 , dated 11 April 2021

Digitisation initiatives

Initiative	Details	Reference
Non-SCOMET export authorisation	With effect from 17 May 2021, paperless applications for issuance and amendment/re-validation of export authorisations are now mandatory for restricted items.	Trade Notice No. 3/2021-22 , dated 10 May 2021
Advance Authorisation	An online system to handle the Advance Authorisation Scheme has been introduced. Authorisation holders must file closure/redemption applications including for surrender, duty paid regularisation, bond waiver, etc. online. Detailed procedure is specified in the trade notice.	Trade Notice No. 49/2020-21 , dated 30 March 2021

Initiative	Details	Reference
Electronic non-preferential COs	<p>The existing electronic platform (https://coo.dgft.gov.in) for Certificates of Origin (COs) has been expanded from Preferential COs to also include non-preferential COs.</p> <p>From 15 April 2021, exporters can submit online applications for issuance of non-preferential COs. A transition period of up till 31 July 2021 has been implemented, meaning exporters can continue to rely on paper-based applications till the end of July or till further orders are given.</p> <p>Applications are based on exporter self-declarations. While documents will not be scrutinised at time of application, they are open to examination at a later stage.</p>	Trade Notice No. 48/2020-2021 , dated 25 March 2021

Registration of electronic circuits and parts

A new import policy known as Chip Monitoring System (CHIMS) has been announced. It will be available on a trial basis via www.imports.gov.in with effect from 1 May 2021. No registration fees will be required during the trial. The actual operationalisation of CHIMS is set for 1 August 2021.

Under CHIMS, the following goods will require mandatory registration:

HS code	Item description
85423100	Electronic integrated circuits: - -Processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits
85423200	Electronic integrated circuits: - -Memories
85423300	Electronic integrated circuits: - -Amplifiers
85423900	Electronic integrated circuits: Other
85429000	Parts

Key features to take note of include:

- An advance notification must be filed by the importer online for goods importation.
- Registration is required after payment of applicable fees. This must be done between 60 days before the expected date of arrival of goods till the date of arrival of goods.
- Registration number and validity must be quoted in the Bill of Entry for clearance and such registration will remain valid for 75 days.

Refer [Notification No. 05/2015-20](#) dated 10 May 2021 for further details.

Import monitoring system for aluminium and copper

Following the import monitoring system for steel and coal launched a few months back, the Government has now introduced a mechanism to monitor imports of aluminium and copper.

As a result, amendments have been made to the import policy for specified copper and aluminium items falling under Chapter 74 and 76 from "free" to "free with compulsory registration" under the Non-Ferrous Metal Import Monitoring System (NFMIMS). The key features of this system are:

- An advance notification must be filed by the importer online for goods importation.
- Registration is required after payment of applicable fees. This must be done between 60 days before the expected date of arrival of goods till the date of arrival of goods.
- Registration number and validity must be quoted in the Bill of Entry for clearance and such registration will remain valid for 75 days. The system will be effective for Bill of Entries filed on or after 12 April 2021.

The facility of online registration of NFMIMS is available on www.imports.gov.in with effect from 5 April 2021.

Refer to [Notification 61/2015-2020](#) dated 31 March 2021 for further details.



Duty exemptions and reductions for COVID-19 relief

In view of the global pandemic, the Government has adopted various duty reduction or exemption measures for the import of certain goods.

A summary is provided below:

Measures	Affected goods
Reduced Integrated GST (IGST) rate from 28% to 12% till 30 June 2021	Oxygen concentrators imported for personal use (HS heading 9804)
Customs duties exempted till 31 July 2021 and Exemption of IGST, provided certain conditions are met *	<ul style="list-style-type: none">Various types of oxygen generating/storing/transporting etc. machines, such as oxygen concentrators, canisters, storage tanks, etcDifferent types of ventilatorsSpecified COVID-19 vaccines
Customs duties exempted till 31 October 2021 and Exemption of IGST, provided certain conditions are met *	<ul style="list-style-type: none">Remdesivir Active Pharmaceutical IngredientsBeta Cyclodextrin used in the manufacture of Remdesivir, provided the importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017Injection RemdesivirInflammatory Diagnostic (marker) kits, namely- IL6, D-Dimer, CRP(C-Reactive Protein), LDH (Lactate De-Hydrogenase), Ferritin, Pro Calcitonin (PCT) and blood gas reagents

* The conditions pertain only to IGST exemption. They are:

- Goods are imported free of cost for the purpose of COVID relief by a State Government or any entity, relief agency or statutory body authorised by a State Government;
- Goods are received from abroad for free distribution in India for COVID relief, and a certificate from nodal authorities stating this is presented by the importer before goods clearance; and
- A statement containing details of the goods imported free of cost is produced by the importer before the specified Commissioner within 6 months from the date of import or such extended period not exceeding 9 months.

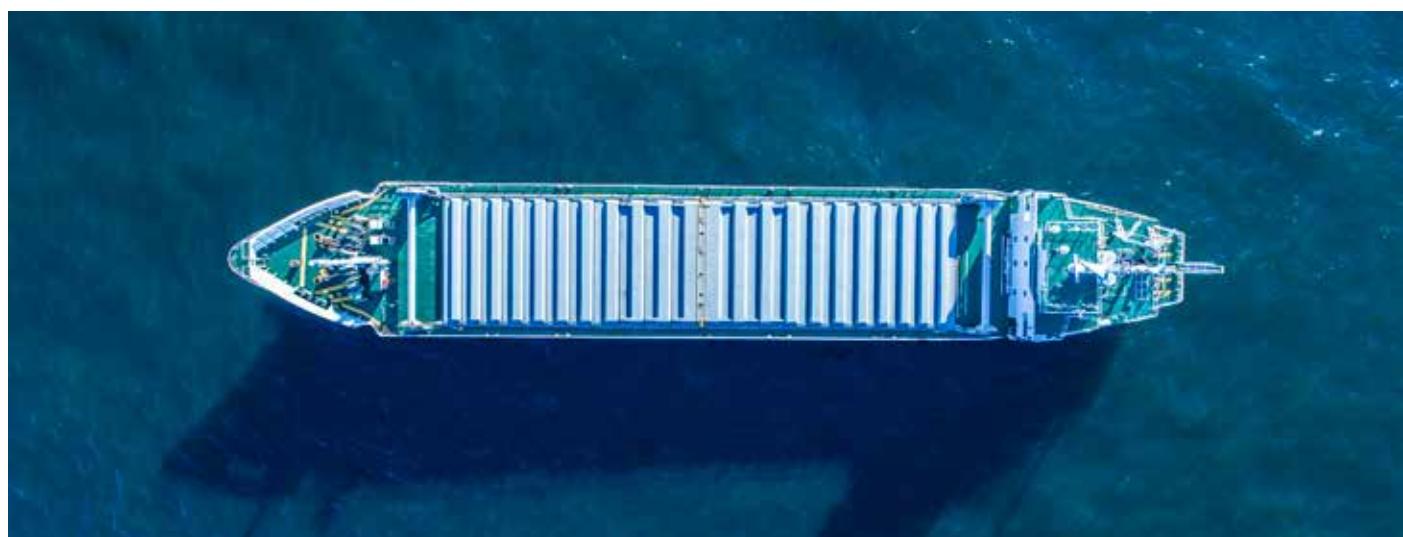
Refer to [Notification No. 27/2021-Customs](#) dated 20 April 2021, [Notification No. 28/2021-Customs](#) dated 24 April 2021, [Notification No. 29/2021-Customs](#) dated 30 April 2021, [Notification No. 30/2021-Customs](#) dated 1 May 2021, [Ad hoc Exemption Order No. 4/2021-Customs](#) dated 3 May 2021, and [Instruction No. 9/2021-Customs](#) dated 3 May 2021 for further details.

Dispensation of RCMCs extended

Due to the lockdown imposed on account of COVID-19, the DGFT had for the past year waived the requirement to furnish Registration cum Membership Certificates (RCMCs) while seeking authorisations or scrips under the FTP 2015-20. RCMCs are certificates issued by Export Promotional Councils or Commodity Boards of India.

In view of the current situation, the DGFT has further extended the waiver till 30 September 2021 for instances where the RCMC has expired on or before 31 March 2021.

Refer to [Trade Notice No. 4/2021-22](#) dated 10 May 2021 for further details.





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Amendments to the taxation, customs and excise treatment for companies in Special Economic Zones

After the issuance of Government Regulation no. 40 year 2021 regarding the implementation of Special Economic Zones (SEZ), the Ministry of Finance (MOF) issued an amendment regulation 33/PMK.010/2021 amending the prior regulation numbered 237/PMK.010/2020 concerning Tax, Customs and Excise Treatment in SEZs. The amendment is intended to provide legal certainty regarding the special treatments obtained by companies in SEZs, including the installation of an IT Inventory System as a mandatory requirement to enjoy SEZ facilities.

The IT inventory System tracks goods received by companies up till the point whereby these goods are processed and sold to other parties. Such systems have been a necessary prerequisite for bonded stock-pile companies with bonded warehouses or companies located within bonded zones.

In addition, MOF grants import incentives such as import duty exemptions on consumer goods to companies within SEZs and operating in certain industries. With this amendment, the industries that can enjoy the import incentives under the SEZ scheme are as follows:

1. Tourism;
2. Production and processing;
3. Logistics and distribution;
4. Research, digital economy, and technology development;
5. Energy development;
6. Education;
7. Health;
8. Sports;
9. Financial services;
10. Creative industry;
11. KEK development and management;
12. Provision of KEK infrastructure; and/or
13. Other sectors (based on Government decision).

Do note that SEZ schemes are not available to each and every industry.

This amendment is effective starting 1 April 2021. The detailed regulations are available [here](#).

Introduction of 'Good Reputable Status' Certification

Indonesia's economy has been significantly hit due to the outbreak of COVID-19. The Indonesian government has prepared four economic policies serving as a second stimulus to further encourage import and export activities. One of the four new policies came in the form of the Ministry of Trade's (MOT) regulation, number 17 year 2021, concerning certified importers and exporters with good reputable status. Companies that meet the good reputation requirements based on various conditions will be able to enjoy greater convenience when obtaining import and export permits.

The requirements to get the certification of good reputable status are provided within the regulations. To note, any importer who would like to obtain the certification must have an Importer Identification Number as a manufacturer or producer. The MOT will also grant the certification to any importer and/or exporter who has obtained an Authorised Economic Operator (AEO) or Customs Main Partner (MITA) status. However, it is unclear whether an importer holding an Importer Identification Number as a trader and AEO/MITA status can obtain this certification or not.

The application submitted by the importer and/or exporter will be assessed by a team consisting of representatives from the Directorate General of Foreign Trade, the Directorate General of Consumer Protection and Trade Order, and the Directorate General of National Export Development.

Should an applicant not meet the criteria or is in the middle of an investigation due to suspicion of criminal activity related to their trades, the certificate will be suspended. The suspension can also occur when reputable exporters and importers are sanctioned by the Directorate General of Customs. During any suspension, the importer and/or exporter will not enjoy any expedited licensing processes.

The detailed regulations can be found via this [link](#).





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Guidance on appropriate use of customs valuation

Japan Customs has posted an English version of its customs valuation Q&A on its website. While new guidance has not been provided, this is the first time Japan Customs has published the Q&A in English. The Q&A provides a broad overview of Japanese customs valuation rules, including situations in which transaction value cannot be used (e.g., imports by non-residents) and other methods that can be applied when transaction value is unavailable.

The Q&A is available [here](#).



Malaysia

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Imposition of anti-dumping duties on imports of polyethylene terephthalate and cold rolled stainless steel

Following the expiry of the provisional anti-dumping duties imposed on 24 April 2021, MITI announced that anti-dumping duties will continue to be imposed for imports of cold rolled stainless steel from 27 April 2021 to 23 April 2026, except those for [polyethylene terephthalate](#).

The affected tariff codes and countries of export are as follows:

Tariff codes	Description of goods	Country of export	Rates of anti-dumping duties
7219.31.00 00	Cold rolled stainless steel in coils, sheets or any other form with the thickness of not more than 6.5 millimeters excluding	Indonesia	8.80% or 34.82%
7219.32.00 00	-		
7219.33.00 00			
7219.34.00 00			
7219.35.00 00	(i) cold rolled stainless steel with bright annealed (BA), No.8 (Mirror Finish), embossed, rigidised, etched or coloured finishes; or	Vietnam	7.81% or 23.84%
7220.20.10 00			
7220.20.90 00	(ii) cold rolled stainless steel with hard-ness value of more than 250HV.		

The Customs (Anti-Dumping Duties) Order 2021 can be accessed [here](#).

Updates on approved major exporter scheme for sales tax

In April 2021, Malaysia Customs announced that traders and manufacturers enjoying sales tax exemption under the Approved Major Exporter Scheme (AMES) are required to prepare the following reports:

(i) For traders of sales tax exempted goods

- [AMES-03](#) (Monthly statement for movement of taxable goods by trader under AMES)

(ii) For manufacturers of sales tax exempted goods

- [AMES-04](#) (Monthly statement for movement of raw materials, components, packing and packaging materials)

- [AMES-04A](#) (Monthly statement for export / local sales of exempted finished goods)

AMES is a full sales tax exemption scheme for traders and manufacturers in Malaysia with certain eligibility conditions, such as the requirement of meeting a minimum of 80% of annual sales value being exported.

This regulation came into effect to introduce a specific format for traders and manufacturers to report on monthly statements which was previously not provided. Based on the latest announcement, approved traders or manufacturers must comply with the aforementioned reporting formats provided by Customs. Affected companies must prepare and keep their monthly statements at their premises and only submit upon request by Customs.

The announcement with the report templates can be accessed [here](#).



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Secure Exports Scheme

In 2004, New Zealand Customs Service (NZCS)'s Secure Exports Scheme (SES) was set up to help businesses export products through secure supply chains. As approved SES partners, businesses are recognised as exporting through approved and audited secure supply chains. The SES is a voluntary scheme.

As at February 2021, 133 partners, 481 sites and 143 transport operators manage their exports through a secure supply chain approved by SES. This means that these products are exported with the approved SES seal.

NZCS are in the process of increasing their SES partners to support businesses exporting to partner territories (currently Australia, China, Canada, Korea, Hong Kong, Singapore, United States, Taiwan ROC and Japan). The scheme's goal is to streamline exports, reduce exporter transaction and compliance costs, and assist businesses with COVID-19 recovery by reducing the compliance burden associated with exports.

The benefits of being a SES partner include:

- No joining fee
- International recognition of exports via a secure supply chain
- Less documentation checks and inspection interventions
- Reduced export entry fees for partners
- Customs support available in Los Angeles, Washington DC, Virginia, Bangkok, Beijing, Hong Kong, Jakarta, Kuala Lumpur, Brussels, London, Canberra, and the Pacific. They help SES members interpret trade agreements, non-tariff barriers and help with clearance issues.

The time required to become an SES partner varies depending on the supply chain complexity. The four key areas that will be assessed include product storage, container packaging, transport, and export loading.





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Customs audit amid COVID-19

The Bureau of Customs' audit team reported a revenue of 287 million pesos (approx. USD 6M) for the first quarter of 2021.

90% of the revenue was from voluntary settlement of importers with deficient payment of import taxes under the prior disclosure program. Not all disclosures though have been successful, as there are cases that lead to full audit investigation.

The remaining revenue was generated from completed audits, mainly consisting of additional import taxes and penalties collection, such as surcharge and interest.

Customs audit activities slowed down last year due to COVID-19 but resumed in the first quarter of this year. We expect to see more companies to be audited in the coming months as the BOC is continually pressed to increase its revenue collection. All companies engaging in import or export activities are candidates for a customs audit and must take proactive measures to be prepared. Recommended activities include an internal compliance assessment or reviewing intercompany transactions and operations from a trade compliance perspective.

Philippine tax incentive amendments

On 26 March 2021, the Republic Act no. 11534 for the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law and took effect on 11 April 2021.

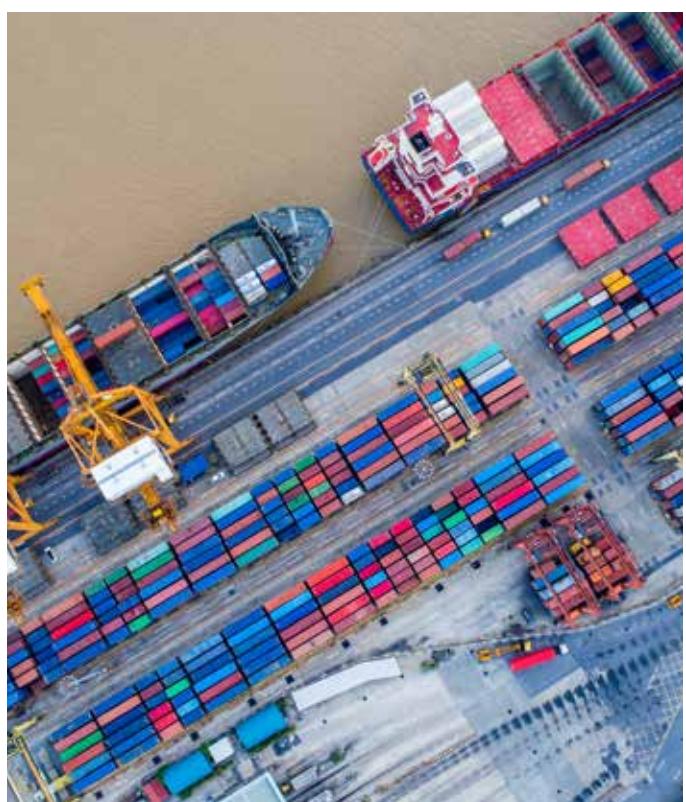
The CREATE law contains amendments to several provisions of the tax code of the Philippines, primarily on the reduction of the corporate income tax (CIT) rate and an update on tax incentives. The trade related provision of the CREATE law are as follows:

- The CIT rate will be reduced from 30% to 25% and 20% for companies and small/ medium/micro enterprises, respectively.
- The effective date of the VAT exemption on the sale or importation of medicines for cancer, mental illness, tuberculosis, and kidney diseases was moved to 1 January 2021 from 1 January 2023.
- VAT exemption on COVID-19 health related materials and drugs will be effective from 1 January 2021 to 31 December 2023. This includes capital equipment, its spare parts and raw materials for production of personal protective equipment components such as coverall, gown, surgical cap, surgical mask, N95 mask, scrub suits, goggles and face shields or surgical gloves, dedicated shoes and shoe covers for COVID-19 prevention. All COVID-19 drugs, vaccines and medical devices including drugs for clinical trials and raw materials for its production are also included
- Exemption from customs duties and VAT for importation of COVID-19 vaccines.

- Introduction of new fiscal incentives to eligible companies, which are mostly given to export-oriented enterprises operating inside economic zones, free ports and BOIs. The fiscal incentives are:
 - Income tax holiday (ITH) to new registered enterprises for a period of 4 years to 7 years followed by the special corporate income tax rate of 5% on gross income earned for 5 to 10 years. The incentive period varies depending on which area the registered project or activity will be located.
 - Customs duty exemption for importation of capital equipment, raw materials, spare parts or accessories directly used in the registered activity.
 - VAT exemption for importation and VAT zero rating on local purchases of services and goods directly and exclusively used in the registered project or activity.
- Companies with existing ITH or currently availing of the 5% special corporate income tax will continue to be given the same incentives for the next ten years. After the lapse of this ten year period, companies may apply for registration to enjoy the new fiscal incentives under CREATE if they have a new activity that qualifies for the incentives. However, incentive grants will not be extended for the same activities that were previously registered.

For the complete copy of CREATE law, refer to the links below:

- [Republic Act no. 11534](#)
- [Veto message](#)



Temporary tariff reduction for rice and pork

Import duty rates for rice and pork were reduced temporarily for a period of one year to try and keep their prices stable in the Philippines. The following are the effective duty rates for rice and pork:

	Normal duty rate (MFN)	Temporary duty rate (MFN)	
		1st month to 3rd month	4th month to 12th month
Pork	30% (in-quota) 40% (out-quota)	10% (in quota) 20% (out quota)	15% (in quota) 25% (out quota)
Rice	40% (in-quota) 50% (out-quota)	35%	

The duty reduction was authorised under executive orders (EO) number 134 and 135, which were both signed on 15 May 2021. These EO's can be accessed using the following links:

- [EO 134](#)
- [EO 135](#)

New guidelines on suspensions of and penalties on importer's misuse of customs accreditation

The BOC issued a memo consolidating guidelines on penalties relating to the accreditation of importers. Key details have been summarised below.

An importer's accreditation may be suspended for a period of 90 days based on the following offences:

- importation of regulated or prohibited goods without prior import permit or clearance from the concerned regulating agency (even for first offense);
- forfeiture of shipment due to violations of customs laws and regulations within the period of one year;
- other circumstances under which the BOC Commissioner finds it reasonable to suspend an accreditation. No examples or further guidance on what this means have been provided at the moment.

Importers or customs brokers whose accreditation have been suspended may still process the clearance and release of shipment in transit or that has arrived prior to the suspension of accreditation on the approval of the BOC Commissioner. However, shipment will be required to undergo 100% physical examination.

The BOC will notify importers of the suspension of accreditation and schedule an administrative hearing. After due process, the BOC will decide on an applicable penalty according to the severity of offence:

1. Light infractions - suspension of accreditation for 1 to 6 months for offences such as:
 - Erroneous information on documents ('not substantial in nature');
 - Inability to report to Customs the changes of company information after the approval of accreditation;
 - Other violations such as late submission of import permit and clearances issued by regulating agencies.
2. Less grave infractions - suspension of accreditation for 6 months to twelve months for offences such as:
 - Not providing full description of imported goods on import entry declarations;
 - Misinterpretation or submission of false information and documents such as false identification cards or having no existing business operations in a given business address.
3. Grave infractions - cancellation of accreditation for offences such as:
 - fraudulent cases or assisting or abetting importation or exportation of prohibited goods;
 - misrepresentation or submission of false information or documents such as but not limited to fictitious company officers, fake tax identification number, or fictitious office address;
 - other violations such as:
 - importation and exportation of prohibited goods;
 - misdeclaration or undervaluation of goods resulting in revenue loss (unspecified percentage % of revenue loss).

Note that importers, its principals and responsible officers that are listed on accreditation applications may be blacklisted or disqualified from re-applying for accreditation under a new business name. Aforementioned parties will also be barred from entering customs premises.

A motion for reconsideration may be filed by the importer within 15 days from the date of decision.

For more details, Customs Memorandum Order 12-2021 is available [here](#).



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KCR comes into effect in Singapore

From 01 July 2021, the Known Consignor Regime (KCR) will come into effect in Singapore. The KCR is a security measure regime to enhance air cargo security on commercial aircrafts against global terrorist threats. Under this regime, cleared goods from KCR shippers will be protected from unlawful interference or contamination until the goods are loaded onto the aircraft. The implementation of KCR is a requirement from the International Civil Aviation Organization (ICAO).

In Singapore, this is a voluntary program. Consignors who do not wish to apply as a Known Consignor (KC) can continue with their current operations. However, any exports would be considered from an Unknown Consigner and would be subject to full application of security measures (100% inspections) at the airfreight terminals. The KCR only regulates air exports. Imports into Singapore, and exports by land and sea are not regulated.

To qualify as a KC in Singapore, a company must:

1. be a legal entity registered in Singapore;
2. have a security programme in place which details the security measures and procedures across the entire supply chain, including the manufacturing, packing, storage, and transportation of cargo; OR the company is currently under any of the following industry recognised security programmes:
 - a. Singapore Customs – Secure Trade Partnership (STP) / Secure Trade Partnership Plus (STP-Plus);
 - b. Transported Asset Protection Association (TAPA) – Air Cargo Security Standards Level 1;
 - c. United States – Customs-Trade Partnership Against Terrorism (C-TPAT) Tier 2 or Tier 3.

The application guideline and more details can be found at the following [link](#).





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Dealing with one-time transfer pricing adjustments

In the past, companies had to apply to the Taipei Internal Revenue Service (IRS) on a case-by-case basis to seek their approval to make a transfer pricing adjustment. Late last year, the Ministry of Finance set clear regulations permitting a one-off transfer pricing adjustment. The applicable tax items include various taxes such as business tax, goods tax, and customs duties.

While the regulations took effect this year, we are seeing companies fail in their transfer pricing adjustment attempts. This is mainly due to the lack of supporting documentation, and because they fail to notify Customs at the point of import. Companies should therefore take note of the following key points.

Three conditions must be met for a company to make a one-off transfer pricing adjustment before the fiscal year is settled. IRS will coordinate the tax adjustment provided:

1. Parties have a contract as proof. Parties must state in advance in the contract the conditions on which transactions are based, and all factors that may affect the price. To adjust the price, an explanation of the changes to the factors is required;
2. Adjustment of the account books is completed; and
3. All participants of the controlled transaction have been adjusted.

The Customs Affairs Department has also pointed out that the following items should be filled in the relevant import declaration:

1. Fill in the code "138" in the field of special relationship.
2. Fill in "65" (estimated tax) in the column of tax method.
3. Mark the column of other declaration items with "Handle the one-off transfer and pricing operation for the fiscal year; the fiscal year period from "year, month, date" to "year, month, date".

The estimated commercial invoice, application for the release of imported goods, and the price declaration should be attached. A deposit should also be made. The transfer pricing adjustment application, together with supporting documents, must be submitted to Customs between 1 January and 31 January of the following year.

Refer to the following link for [details](#).



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New industrial standards announced

During April and May 2021, the Thai Industrial Standards Institute (TISI) released many new industrial standards. These standards cover a variety of products in different industries, such as agricultural products, food stuffs, vehicles, electronic devices, chemicals, scientific equipment, steel items and medical devices.

Most of the newly added industrial standards are not mandatory but offer general product guidance for manufacturers. However, some standards are mandatory, and manufacturers are required to fully comply with their processes. For example, importing goods without an appropriate TISI licence may lead to forced surrender of the goods or a fine (calculated based on the cost, insurance and freight [CIF] value) according to customs case settlement criteria.

To mitigate non-compliance risks, importers of industrial products are recommended to assess if their imported products are subject to the new mandatory industrial standard requirements and obtain any necessary licenses before importation.

Customs duty surcharge reduced to 0.25% for companies making a self-disclosure

The Ministerial Regulation regarding Criteria of Duty Surcharge Reduction (No. 2) B.E. 2564 has been effective to reduce the impact of the pandemic to business sectors. Previously, in case of a self-disclosure, the duty surcharge was calculated at 0.25 - 1% of the duty shortfall per month (not exceeding the duty shortfall itself). With this new regulation, the duty surcharge is temporarily capped at 0.25% per month.

This should encourage importers and exporters to perform a self-disclosure and complete the payment process by 30 September 2021. Note that importers should carefully consider which issues need to be disclosed to Customs and review their import and export operations before making any final decision.

Prohibition of plastic scrap import into free zones

The Thai Customs Department recently issued a new Notification (CN) No. 59/2564 to amend Clause 1 of the CN No. 114/2561 by adding another type of goods that is prohibited from entering a free zone.

The notification added a ban on plastic scraps classified under tariff heading 39.15 (waste, parings and scrap, of plastics regardless of their usage conditions) being imported into a free zone. However, there is an exemption for plastic scraps that are imported by an authorised free zone entity. This entity must have a factory license based on the Factory Act B.E. 2535 to operate

a business in a free zone that uses plastics in the production of plastic products or products incorporating plastics.

The conditions for importing such plastics into a free zone are:

1. They must be separable into categories and can be brought directly into the production process without having to go through a cleaning process first.
2. They must be imported to be used for further processing into goods for export purposes only; and
3. The imported amount of such plastic scraps must not exceed the production capacity of plastic and/or plastic-related products requested by the business operator and approved by Thai Customs each year.

This notification will be in effect from 9 August 2021 onwards.

Customs focuses more on the use of FTA privileges

Thai Customs is currently focusing on companies enjoying Free Trade Agreement (FTA) duty privileges. They plan to conduct post-entry audits to specifically review companies' transactions relating to the use of FTAs. Potential issues they will be looking out for include compliance on using a third country's invoicing scheme, using a third country invoicing together with a back-to-back certificate of origin and qualifying local contents. There are approximately 40 companies on the audit list and Customs is currently trying to expedite the sending of notification letters to each company.

Companies using FTA duty privileges are encouraged to conduct a self-review to identify any potential risks. If issues or uncertainties are found, companies can either do a self-disclosure before receiving an audit notification from Customs or build a defence file, as appropriate. However, as there are certain conditions for self-disclosure, it is best to have a discussion with a Customs officer on a no-name basis to ensure that the company's case meets these self-disclosure requirements. If the nature of the disclosure does not meet the strict rules then the more traditional method at the port(s) of entry may be necessary. Either way, self-disclosure will mitigate exposures as duty fines could be waived.

Draft notification on Catch-All Control

The Minister of Commerce published a draft notification on catch-all control measures as it relates to the Export Control Act of January 2020. Refer to the [Export Controls section](#) for details.

Customs clearance on goods exempt from import duty for the treatment, diagnosis and prevention of COVID-19

On 28 April 2021, Thailand's Ministry of Finance released its third notification declaring duty exemption of goods imported for the treatment, diagnosis and prevention of COVID-19. To comply with this, Thai Customs has issued a notification (Customs Notification No.68/2564) that these types of goods, as described by the Ministry of Public Health, would be exempted from import duty. However, Customs will require that importers:

- comply with all customs clearance procedures prescribed by the Customs Director General, and
- prepare import entries in compliance with the customs standard, stating 'CV3' in the customs privilege column.

This notification is effective from 1 April 2021 to 31 March 2022.

Department of Industrial Works's draft notification on the updated hazardous substance list

The Department of Industrial Works (DIW) provided a draft notification specifying an updated list of hazardous substances which applies to import, export, transit, possession and manufacturing in Thailand. The update is related to three groups of chemical substances:

1. Perfluorooctanoic acid (PFOA) and its related salts and compounds
2. Triethanolamine
3. Benzyl cyanide.

In this update, the DIW added PFOA to its hazardous substance list type 3 (registration and license required), for when the intended use meets DIW's conditions, e.g. photolithography or etching processes of compound semiconductors. It was also added to hazardous substance list type 4 (prohibiting import, export, manufacture and possession of the substances), for when it's used beyond the conditions specified under type 3. The new enforcement affects numerous sectors as PFOA is widely used in several industries, such as cosmetics, lubricants and cloth.

Eight PFOA substances were added under the DIW's control.

Substance name	CAS no.
Perfluorooctanoic acid (PFOA)	335-67-1
Ammonium perfluorooctanoate	3825-26-1
Sodium perfluorooctanoate	335-95-5
Potassium perfluorooctanoate	2395-00-8
Silver perfluorooctanoate	335-93-3
Perfluorooctanoyl fluoride	335-66-0
Methyl perfluorooctanoate	376-27-2
Ethyl perfluorooctanoate	3108-24-5

In addition, there are potential changes on the following substances:

- Triethanolamine (CAS no.102-71-6) will be subject to type 3 requirements if it has a 30% concentration by weight and more than 1,000 kilograms of it is imported, exported or manufactured per year.
- Benzyl cyanide (CAS no. 140-29-4) will be subject to type 3 requirements.

The updates are expected to take effect one to 30 days after the announcement date. We recommend all importers, exporters and manufacturers of these chemical substances closely monitor for any amendments to the draft notification. In the meantime, we suggest reviewing the chemical compositions and substances contained or used for manufacturing of products which may be subject to the DIW's new requirements. Early preparation of supporting documents may help reduce the approval and licensing processing time.





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Customs procedure codes on customs e-system

On 18 May 2021, the General Department of Customs issued Official letter 1357/QD-TCHQ regulating the customs procedure codes applicable to the import and export of goods declared on the customs e-system (i.e. VNACCS system).

There are currently 24 different customs procedure codes, with the requirements subject to the new regulations requiring more detailed information in the descriptions of the codes compared to that of the previous regulation (i.e Official letter no. 2765/TCHQ-GSQL).

When performing customs procedures, companies should refer to this Official letter to ensure compliance and apply the appropriate code for each import-export shipment that reflects the actual import-export purpose.

The Official letter 1357 took effect from 1 June 2021, replacing Official letter no. 2765/TCHQ-GSQL dated 1 April 2015.

More details can be found [here](#).



Special Preferential Import-Export Tariff under the UKVFTA

Recently, the Vietnamese Government issued [Decree 53/2021/ND-CP](#) dated 21 May 2021 on the implementation of a special preferential import-export tariff under the UK - Vietnam Free Trade Agreement (UKVFTA) in 2021 and 2022.

For exported goods listed under Appendix I of the Decree, special preferential export duty rates can be applied within the first year from the registered date of export declaration, given the following conditions are met:

- The exports are designated for the UK or Northern Ireland;
- Submission of a copy of the Bill of lading showing the destination is UK/North Ireland; and
- Exporter to submit the import declaration provided by the importer in UK/North Ireland to Vietnam Customs.

Imported goods listed under Appendix II of the Decree can benefit from the special preferential import duty rates under the UKVFTA if the below requirements are met:

- The goods are imported into Vietnam from either:
 - the UK or Northern Ireland; or
 - Designated for import into an export processing zones (EPZ) located in Vietnam.
- The goods meet the qualifying rules of origin under the UKFTA and are accompanied by a valid proof of origin.

Decree 53 will take effect immediately. Vietnam Customs will review the duty refund application for overpaid duties for shipments imported or exported from 01 January 2021 to 21 May 2021 (effective date of this Decree), provided that all of the requirements mentioned above are met, and that the importer/exporter applied and paid the respective MFN rate and duty for affected goods.

Around the world

APEC trade ministers meeting

Trade ministers from the 21 Asia-Pacific Economic Cooperation (APEC) member economies attended a virtual meeting from 4-5 June 2021. A [joint statement](#) was issued following the meeting, highlighting initiatives in 3 key areas. We have summarised some of the key points under each area.

1. Using trade as a tool to respond to COVID-19
 - Recognise the need to accelerate the production and distribution of COVID-19 vaccines, as well to ensure widespread and equitable access to such vaccines and related goods.
 - Release of a statement on **COVID-19 Vaccine Supply Chains** ([Annex 1](#)) and the **Best Practice Guidelines** for APEC Customs Administrations. Refer to the update in the next article for details.
 - Release of a statement on **Movement of Essential Goods** ([Annex 2](#)) to support services trade during the COVID-19 pandemic, in particular freight and logistics suppliers. Updates will be provided to the ministers annually.
 - Prioritise the identification and removal of **unnecessary barriers to trade in services**, particularly those services that expedite and facilitate the flow of essential goods.
2. Supporting a rules-based multilateral trading system
 - Urgent and proactive work to support text-based discussions in the WTO, including for a **temporary waiver of certain intellectual property protections** on COVID-19 vaccines by the 12th WTO Ministerial Conference (MC12).
 - Agreement that **emergency measures** adopted must be consistent with WTO rules. That is, targeted, proportionate, transparent, and temporary.
 - Support for necessary reform to improve the WTO's functioning, including commitment to frank and constructive discussions on **WTO's negotiating and dispute settlement functions**.
 - Review and update of the **APEC List of Environmental Goods 2012** to include new goods, technologies and innovations, as well as HS tariff classifications for reference purposes.
 - Halt introduction of new **inefficient fossil fuel subsidies** that distort the market and encourage wasteful consumption for members that are in a position to do so. Progress will be reported during the APEC Ministerial Meeting in November 2021.
3. Shaping future prosperity
 - Accelerate progress on the APEC **Internet and Digital Economy Roadmap** work programme.
 - Accelerate the implementation of the **WTO Trade Facilitation Agreement**, specifically articles relating to use of digitalisation for border processes; pre-arrival processing of electronic declarations; electronic documents, electronic certification, electronic payments; expedited shipments; and border agency cooperation. Updates will be provided in the APEC Ministerial Meeting in November 2021.

APEC statement on COVID-19 Vaccine Supply Chains

Following the conclusion of the APEC Trade Ministers Meeting on 4-5 June 2021, the ministers issued a [statement on COVID-19 Vaccine Supply Chains](#), which forms Annex 1 to the joint statement. In this statement, the ministers agreed to the following key outcomes:

- Agreement to use and reference the WCO-WHO list of COVID-19 vaccines and related goods, and to expedite the movement of such goods through air, sea and land ports. For example through advance electronic submission and processing to enable immediate release upon arrival.
- Advance the implementation of the [Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods](#). The guidelines serve as operational guides to national customs administrations, and were endorsed on 12 May 2021.
- Evaluate the necessity of export restrictions and prohibitions of COVID-19 vaccines and related goods to ensure they are not creating unnecessary barriers to trade.
- Consider voluntary actions to reduce the cost of COVID-19 vaccines and related goods, such as charges levied at borders.
- Adopt measures to prevent criminal exploitation of supply chains.

As a review mechanism, a summary report on actions undertaken by member economies on the above will be produced by the APEC Secretariat. The report will be shared prior to the APEC Ministerial Meeting in November 2021, and updated annually till COVID-19 is no longer a public health emergency of international concern.

World Customs Organisation (WCO)

Title	Description
Customs training program by Seoul National University	On 6 April 2021, participants from 12 territories attended the 7th Executive Programme in Customs & Business Administration run by the Seoul National University in Korea. Territories that participated include Bangladesh, Bhutan, Cambodia, India, and Pakistan. The program seeks to provide international trade and business management theoretical frameworks to management-level officials in Customs administrations from developing territories to equip them to address Customs matters in a more holistic and systematic manner. The program also includes practical information on the Trade Facilitation Agreement; Authorised Economic Operator; and Free Trade Agreements.
Lao Customs receive advanced customs valuation training	In late March 2021, customs officials from Lao Customs attended an advanced training on customs valuation conducted by members of the WCO Secretariat and other trainers. Participants examined the practical application of the transaction value method, related adjustments and alternative valuation methods; learnt about the tools and instruments developed under the Revenue Package; and examined practical cases and specific valuation issues encountered in daily practice.
Asia Pacific customs officers attend workshop on data analytics	Officers from 21 customs administrations in the Asia Pacific region attended a virtual workshop on data analytics. The workshop was held by the Customs Cooperation Fund-Korea, and focused on areas such as Big Data Analytics and practical guiding principles to develop a capacity building framework. Leading customs administrations in this area (Australia, China, Hong Kong, Indonesia, Japan and Korea) shared their experience, initiatives and practices. Participants were informed of the WCO capability building initiatives, such as the plan for technical assistance and training courses to build data science capabilities, including machine learning applications and programming skills.
Asia Pacific workshop on the Trade Facilitation Agreement	From 19-21 April 2021, Asia Pacific customs administrations participated in an online workshop on the WTO Trade Facilitation Agreement. This was the first of three rounds of regional workshops. The workshop examined the success stories and challenges faced by Members, support provided through the WCO Mercator Program and tools such as the Time Release Study. Key takeaways were the need for partnerships among customs administrations, with other government agencies, and with the private sector; maintenance of the accelerated pace of automation brought about by COVID-19; and enhanced collaboration with the National Committees on Trade Facilitation.
European workshop on disruptive technologies	European customs administrations attended the second WCO regional experience-sharing workshop on disruptive technologies from 17-19 May 2021. Such workshops are intended to highlight how technology solutions can help in trade facilitation and control of cross-border movement of goods. Participants discussed latest technologies such as blockchain, artificial intelligence and Internet of Things, their ongoing projects, as well as potential solutions for the future.
Practical Guidance on Free Zones	From 26-28 April 2021, Asia Pacific customs administration attended an online regional workshop on free zones (FZs). This is the first in a series that aims to ensure the WCO Practical Guidance on Free Zones (FZ Guidance) is efficiently and effectively implemented. The FZ Guidance was endorsed by the 2020 December Council. Topics discussed included Customs involvement in FZs; Customs control such as onsite checks and audits; intellectual property right protection; origin determination of goods produced in FZs; use of data and technologies; and expanding the concept of AEOs in FZs.
Accreditation workshop on free zones	An online workshop on free zones was held from 17-21 May 2021. The workshop is part of WCO's objective of establishing a pool of accredited experts who are capable of leading capacity building missions on free zones. Successful participants will need to go through the next stage of the expert accreditation process before they are fully accredited. China and Japan were participants.
5th Global AEO Conference	The 5th WCO Global Authorised Economic Operator (AEO) Conference was held from 25-27 May 2021 in Dubai. The conference sought to shape the future of AEO programs. The importance and success of the SAFE Framework of Standards (FoS) was highlighted as the number of AEO programs has grown from 45 to 97, and 17 to 91 for mutual Mutual Recognition Arrangements/Agreements (MRAs). Discussions were also had on emerging supply chain security threats; role of technologies in promoting supply chain renewal; risk management; best practices; and partnership and capacity building activities.

Title	Description
New advisory opinions on royalties and licence fees, and trademarks	<p>From 17-19 May 2021, the Technical Committee on Customs Valuation adopted two instruments.</p> <ul style="list-style-type: none"> Advisory Opinion 4.18 concerning the treatment of income tax deriving from royalties paid to tax authorities in the territory of importation; and Advisory Opinion 24.1 concerning treatment of imported goods bearing a buyer's own trademark and provided free-of-charge to a seller for use in production of the imported goods. <p>Advisory Opinion 4.18 confirms that it is the gross royalty payment that forms part of the dutiable value of the importation, whilst Advisory Opinion 24.1 confirms that a purchase of trademarked goods where the importer owns the trademark does not require an adjustment as no royalty was paid</p> <p>These instruments are not formally adopted yet. They will need to be approved by the WCO Council before they are published in the WCO Customs Valuation Compendium.</p>
Asia-Pacific Customs heads discuss COVID-19	<p>On 6-7 April 2021, the Directors General of Customs of the Asia Pacific region had a virtual meeting to discuss regional priorities and collaboration. Participants shared and discussed their experiences dealing with COVID-19 including facilitation of cross-border movement of COVID-19 vaccines; passenger facilitation and control; and electronic Certificates of Origin.</p>
Regional workshops to address counterfeit COVID-19-related goods	<p>On 8 April 2021, the WCO held its first series of regional workshops to enhance customs administrations' awareness of counterfeit COVID-19-related goods. It reiterated that Customs needs to balance the facilitation of vaccine movement, with the protection of individuals from counterfeit and illicit vaccines.</p>
COVID-19 vaccine equity	<p>The World Trade Organisation (WTO) held various meetings on vaccine equity and trade-related complexities as territories look to scale-up vaccine production and distribution. Key vaccine supply chain challenges include the time- and temperature-sensitive nature of vaccines; the high demand and limited supply; and the unprecedented scale of distribution. Issues relating to intellectual property, access and innovation were also raised. Customs administrations were reminded to prioritise customs clearance and limit physical inspections; ensure supply chain security; and streamline border processes. The WCO also emphasised the need for export and other restrictions to be temporary and rescinded when they are no longer required. Other relevant sources here and here.</p>
Updated guidance on cross-border movement of vaccines	<p>On 28 May 2021, the WCO issued an updated Secretariat Note on the role of customs in facilitating and securing cross-border movement of situationally critical medicines and vaccines. It contains practical implementation and operational guidance. The first version was released on 25 February 2021.</p>
SAFE Framework of Standards 2021	<p>From 14-16 April 2021, the WCO SAFE Working Group held its 25th meeting where it concluded the SAFE Review Cycle 2021 and endorsed the SAFE Framework of Standards (FoS) 2021. In this 2021 edition, a fifth core element - promoting closer collaboration between Customs and other government agencies - was introduced. Other amendments were also introduced to address smart security devices, mutual recognition, regional AEO programs, plurilateral MRAs, and the reporting mechanism under the SAFE FoS.</p>
Draft Performance Measurement Mechanism for customs administrations	<p>On 22 April 2021, the WCO Working Group on Performance Management held its third meeting relating to the establishment of the WCO Performance Measurement Mechanism (PMM). The PMM is a methodology for measuring the performance of customs administrations. The Working Group examined draft key performance indicators and expected outcomes.</p>
Updates from the Data Model Projects Team	<p>The Data Model Projects Team met virtually from 26-29 April 2021. There were various breakout sessions and a joint session. Among other agenda items, the team continued work on railway data harmonisation, and alignment on standards with the Universal Postal Union.</p>
Jamaica accedes to Revised Kyoto Convention	<p>On 7 May 2021, Jamaica officially became the 128th Contracting Party to the Revised Kyoto Convention.</p>

World Trade Organisation (WTO)

Topic	Description
Webinar on use of trade preferences	<p>A webinar on trade preferences was held on 19 May 2021. WTO members and public and private sector representatives talked about the challenges and opportunities facing businesses when it comes to use of trade preferences.</p> <ul style="list-style-type: none"> Particular attention was paid to the growing complexity of product origin requirements under preferential trading arrangements, as recent agreements have relied on tailor-made, specific, and tighter rules of origin (ROOs). This has increased trade costs and diminished the appeal of such agreements. Government officials also shared how to help exporters benefit from preferential trading arrangements, for instance by awareness raising and training. A joint proposal for enhancing transparency in non-preferential ROOs was also discussed. It looks to introduce a template for notification of ROOs used in application of MFN treatment and other non-preferential commercial policy instruments. The chair noted that a common understanding is not far away.
WTO Trade Cost Index	<p>A new WTO database - WTO Trade Cost Index - has been launched. The index illustrates the evolution of trade costs over time; the incidence of trade costs across economies and sectors; its impact on different household income groups, gender, firm size and skill groups; and the main determinants of trade costs. Its main findings include:</p> <ul style="list-style-type: none"> A 15% decline in global trade costs between 2000-2018; Trade costs for services are higher than those for agricultural goods. Trade costs for manufactured goods are the lowest; Trade policy barriers and regulatory differences account for at least 14% of trade costs in all sectors. This includes tariff and non-tariff barriers, regulatory differences and other policies covered by trade agreements (eg, lack of investment facilitation or intellectual property protection); Transport and travel costs, as well as information and transaction costs are the largest share of trade costs for high-income economies. <p>Further updates are expected to be made to the index to capture the cost of uncertainty in the global market.</p>
Registration for 2021 Public Forum open	<p>Online registration for the 2021 Public Forum is open till 6 September 2021. The theme of the Forum is “Trade beyond COVID-19: Building Resilience”. It will be held from 28 to 30 September 2021. The precise format (virtual and/or in-person) is expected to be confirmed later in June 2021.</p>
E-commerce: Updates on progress made	<p>Several meetings and negotiations on e-commerce were held. Progress made by the small group discussions to finalise text proposals in areas such as open internet access, open government data, online consumer protection, and paperless trading was shared. The co-convenors of the negotiations also stated that they believe a clean text on open government data, e-contracts, online consumer protection, and paperless trading were achievable by the summer break. Participants at the meeting also delved deeper into data flow issues</p> <p>The group has so far managed to finalise two negotiating texts. The first relates to unsolicited messages (ie, spam), which was reported in our February-March 2021 edition. The second negotiating text on electronic signatures and authentication was finalised on 20 April 2021, and looked to protect the value or legal effect of e-signatures.</p>
New General Council ePortal	<p>A new General Council ePortal (GCeP) has been launched, making it easier to access documents on deliberations that have taken place within the General Council. It includes deliberations on all matters since 1995.</p>
World trade continues to recover	<p>The WTO Goods Trade Barometer indicates recovery in global trade and accelerating growth across all component indices.</p>
Update on implementation of TFA	<p>On 22-23 April 2021, the WTO announced that 70.1% of WTO members have implemented their TFA commitments. This is expected to rise to 83% by 2023 based on notifications submitted by members.</p>

Topic	Description
Potential MC12 deliverables	On 3 May 2021, heads of WTO member delegations identified issues to which concrete agreements could likely be reached by the 12th Ministerial Conference (MC12), and steps needed for such agreements to eventuate. The 3 agreements relate to harmful fisheries subsidies; agriculture/food security; and equipping the WTO for future health crises.
Updates from working group on small businesses	The Informal Working Group on Small and Medium-sized Enterprises discussed during a meeting the joint Ministerial Declaration it planned to deliver at MC12. The group also progressed with the implementation of the package of declarations and decisions adopted in December 2020.
Updates from the Customs Valuation Committee	The Committee on Customs Valuation met on 27 May 2021. As an encouraging sign, more territories have been notifying the Committee on their customs valuation legislative framework and any changes made to their laws and regulations. The Committee also examined the issue of pre-shipment inspections (PSI), with a goal to conclude the triennial review of the PSI Agreement by October 2021.
Concerns over failure to submit subsidies notifications	On 27 April 2021, the Committee on Subsidies and Countervailing Measures highlighted that members were still failing to submit their subsidies notifications. Such notifications are intended to outline subsidies provided to local enterprises. These missing notifications relate to subsidies from 2015, 2017 and 2019.
Review of anti-dumping notifications	On 28 April 2021, the Committee on Anti-Dumping Practices reviewed new and amended anti-dumping laws and regulations as well as reports on anti-dumping actions.
TBT results on standards and regulations	On 10 May 2021, a new booklet on the Technical Barriers to Trade (TBT) Agreement was launched. It outlines 10 key results from the last annual review of the Agreement, and member's compliance with notification requirements under the TBT Agreement as well as concerns raised in the TBT Committee.
Proposals on special and differential provisions	On 27 April 2021, WTO members discussed proposals tabled by a group of developing and least-developed territories. The proposals relate to operationalising existing special and differential provisions to make them more precise and effective. For instance, access to technical assistance activities and longer transition periods for implementation of agreements.
Trade-related policy briefs for LDCs	The Enhanced Integrated Framework released 3 policy briefs recommending measures least-developed countries (LDCs) could take at policy and institutional levels to improve trading opportunities.
Updates on disputes brought by or against Asian territories	Australia called for the establishment of a WTO dispute panel in response to China's imposition of anti-dumping duties and countervailing duties on Australian barley.
	Malaysia requested for a dispute panel to rule on measures imposed by France and Lithuania on palm oil and palm oil crop-based biofuels.



Contact details



Worldtrade Management Services (WMS) is the global customs and international trade consulting practice of PwC. WMS has been in Asia since 1992 and is a regionally integrated team of full-time specialists operating in every location. Our team is a blend of Asian nationals and expatriates with a variety of backgrounds, including ex-senior government officials, customs officers, lawyers, accountants, and specialists from the private sector who have experience in logistics, customs and international trade.

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PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 208,000 people in 157 territories in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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