

CHAPTER 4 CUSTOMS PROCEDURES AND TRADE FACILITATION

Article 46

General Principles

1. The Parties recognise their common objectives of serving the interests of their respective business communities and creating a trading environment allowing them to take advantage of the opportunities offered by this Agreement.
2. The Parties agree that the following principles, *inter alia*, are the basis for the development and administration by competent authorities, of trade facilitation measures:
 - (a) transparency, efficiency, simplification, harmonisation and consistency of trade procedures;
 - (b) promotion of international standards;
 - (c) consistency with multilateral instruments;
 - (d) the best possible use of information technology;
 - (e) high standard of public service in the interest of their respective business communities;
 - (f) governmental controls based on risk management principles;
 - (g) co-operation within each Party among customs and other border authorities;
 - (h) consultations with their respective business communities; and
 - (i) assurance of trade security and facilitation.

Article 47

Co-operation

While recognising the need for strengthening co-operation in multilateral fora and for applying the procedures in the major instruments governing trade facilitation to which both Parties are signatories, the Parties affirm their commitment to the use of efficient trade procedures aiming to reduce costs and unnecessary delays in the trade between them.

Article 48

Transparency

1. Each Party shall promptly publish on the Internet, as far as practicable in English, all laws, regulations and rules of general application relevant to trade in goods between the Parties.

2. Each Party shall establish inquiry points for customs and other matters covered under this Chapter that may be contacted as far as practicable in English via the Internet.
3. The Parties shall consult their respective business communities on their needs with regard to the development and implementation of trade facilitation measures, noting that particular attention should be given to the interests of small and medium-sized enterprises.
4. Each Party shall publish in advance, and in particular on the Internet, draft laws and regulations of general application relevant to international trade, with a view to affording the public, especially interested persons, an opportunity to provide comment on them.
5. Each Party shall ensure that a reasonable interval is provided between the publication of laws and regulations of general application relevant to international trade in goods and their entry into force.
6. Each Party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, rules and administrative decisions relevant to international trade in goods.

Article 49

Advance Rulings

1. Each Party shall in a reasonable, time-bound manner, upon written request, issue a binding, written advance ruling, which contains all information necessary to an importer, exporter or producer that has registered with the Party's customs administration as required by its domestic laws, before the date of importation of a product , with regard to:
 - (a) tariff classification of the product;
 - (b) the rules of origin that the Party will apply to the product; and
 - (c) such other matters as the Parties may agree.
2. A Party that declines to issue an advance ruling shall promptly notify the requesting importer, producer or exporter in writing, setting forth the basis for its decision.
3. Each Party shall provide that advance rulings take effect on the date they are issued, or on another date specified in the ruling, provided that the facts or circumstances on which the ruling is based remain unchanged.
4. Each Party may limit the validity of advance rulings to a period determined by domestic legislation.
5. Each Party shall endeavour to make information on advance rulings, which it considers to be of significant interest to other traders, publicly available, taking into account the need to protect confidential information.

Article 50

Customs Valuation

The Parties shall apply Article VII of the GATT 1994 and the Agreement on Implementation of Article VII of the General Agreement on Tariff and Trade 1994 to goods traded between them.

Article 51

Tariff Classification

The Parties shall apply the International Convention on the Harmonised Commodity Description and Coding System to goods traded between them.

Article 52

Simplification of Customs Procedures

1. Each Party's customs procedures shall be simple, reasonable, objective and impartial.
2. Each Party shall adopt or maintain simplified customs procedures for the efficient release of goods in order to facilitate trade between the Parties.
3. The Parties shall limit controls, formalities and the number of documents required in the context of trade in goods between the Parties to those necessary and appropriate to ensure compliance with legal requirements and thereby simplify to the greatest extent possible the respective procedures.
4. Pursuant to paragraph 3, each Party shall adopt or maintain procedures that:
 - (a) provide for advance electronic submission and processing of information before the physical arrival of goods subject to the satisfaction of certain conditions or requirements, to expedite their clearance;
 - (b) may allow importers to obtain the release of goods prior to meeting all import requirements of that Party if the importer provides sufficient and effective guarantees and where it is decided that neither further examination, physical inspection nor any other submission is required. A Party is not required to release goods where the Party's legitimate import requirements have not been satisfied; and
 - (c) provide for a guarantee to be discharged without delay once it is no longer required.
5. Each Party shall base its procedures for trade in goods and related services to the greatest extent possible on internationally agreed standards that are applied by each Party respectively, aiming to reduce costs and unnecessary delays in trade between them, in

particular the standards and recommended practices of the World Customs Organisation (hereinafter referred to as “the WCO”), including the principles of the revised International Convention on the Simplification and Harmonisation of Customs Procedures (Revised Kyoto Convention).

Article 53

Risk Management

1. In the application of customs control, the Parties shall use risk management. Each Party shall determine which persons and which goods, including means of transport, should be examined, and the extent of the examination based on current risk assessments. The Parties shall adopt a compliance measurement strategy to support risk management. This shall not preclude the Parties from conducting quality control and compliance reviews which may require more extensive examinations.
2. Each Party shall focus measures of control on high-risk goods and facilitate the clearance of low-risk goods in administering customs procedures.
3. Each Party’s customs procedures, including its documentary examinations, physical examinations or post-audit examinations, shall not be more onerous than necessary to limit the Party’s exposure to the risks referred to in paragraph 2.

Article 54

Application of Information Technology

The Parties shall apply information technology to support customs operations, where it is cost-effective and efficient, particularly in the paperless trading context, taking into account developments in this area within the WCO.

Article 55

Authorised Economic Operator System

A Party operating an Authorised Economic Operator System or security measures affecting international trade flows shall:

- (a) afford the other Party the possibility to negotiate a mutual recognition of authorisation and security measures for the purpose of facilitating international trade while ensuring effective customs control; and
- (b) draw on relevant international standards, in particular the WCO Framework of Standards.

Article 56

Temporary Admission of Goods

1. Each Party shall facilitate temporary admission of goods in accordance with its domestic laws and regulations and international standards that are applied by each Party respectively.
2. For the purposes of this Article, “temporary admission” means customs procedures under which certain goods may be brought into a customs territory conditionally relieved from payment of customs duties. Such goods shall be imported for a specific purpose, and shall be intended for re-exportation within a specified period and without having undergone any change except normal depreciation due to the use made of them.

Article 57

Review and Appeal

Each Party shall ensure that importers, exporters and producers have the right to at least one level of independent administrative review and judicial appeal in accordance with its domestic legislation.

Article 58

Border Agency Co-operation

Each Party shall ensure co-operation and co-ordination in the procedures of its authorities and agencies involved in border enforcement and import and export controls in order to facilitate trade.

Article 59

Confidentiality

All information provided in relation to importation, exportation or other related matters shall be treated as confidential by the Parties and shall be covered by the obligation of professional secrecy, in accordance with the respective laws of each Party. Such information shall not be disclosed by the authorities of a Party without the express permission of the person or authority providing the information.

Article 60

Consultation

1. Either Party may request consultations on matters arising from the operation or implementation of this Chapter. Such consultations shall be conducted through the relevant contact points, designated by the Parties. Information on contact points shall be provided to the other Party, who shall be notified promptly of any amendments of the said information.

2. With the objective of developing further steps to facilitate trade under this Agreement, the Parties shall establish and notify each other, as appropriate, identify and submit, for the consideration of the FTA Joint Commission established under Chapter 10, further measures aimed at facilitating trade between the Parties, such as, *inter alia*, the following:

- (a) general measures to facilitate trade;
- (b) official controls;
- (c) transport;
- (d) the promotion and use of standards;
- (e) the use of computers and EDI;
- (f) the availability of information;
- (g) customs operations in general;
- (h) customs and other official procedures concerning means of transport and transport equipment, including containers;
- (i) official requirements for imported goods;
- (j) customs clearance of exports;
- (k) the origin of goods;
- (l) transshipment of goods;
- (m) goods in international transit;
- (n) commercial trade practices;
- (o) advance rulings;
- (p) customs brokers;
- (q) payment procedures; and
- (r) such other matters as the Parties may agree.

3. The FTA Joint Commission will review relevant international initiatives on trade facilitation, to identify areas where further joint action would promote their common objectives.

Article 61

Definitions

For the purposes of this Chapter:

- (a) “customs administration” means:
 - (i) in relation to China, the General Administration of Customs, the People’s Republic of China; and
 - (ii) in relation to Iceland, the Directorate of Customs, Iceland.
- (b) “customs law” means the statutory and regulatory provisions of a Party relating to the importation, exportation, movement or storage of goods, the administration and enforcement of which are specifically charged to the Customs, and any regulations made by the Customs under their statutory powers;
- (c) “customs procedures” means the treatment applied by the customs administration of a Party to goods and the means of transport that are subject to that Party’s customs law; and
- (d) “means of transport” means various types of vessels, vehicles, aircraft and pack-animals which enter or leave the territory carrying persons, goods or articles.