

ANNEX 3: Mid-Term Review Mechanism

1. Following the application of the scheduled tariff reduction in 2013 of this Agreement and before the scheduled tariff reduction in 2014, the Committee on Trade in Goods shall conduct a review pursuant to Article 14 to determine whether increased imports as a result of the tariff reductions implemented under this Agreement to that point have caused an overall negative impact on the Chinese dairy industry.

2. The following factors should be considered in the review:

- (a) Changes to the volume and growth rate of imports of the specified products from New Zealand in 2008 to 2012. This import data shall be sourced from China Customs' import statistics and can be cross-referenced against New Zealand export statistics sourced from Statistics New Zealand.
- (b) China's domestic dairy production in 2008 to 2012. This data shall be sourced from the National Bureau of Statistics of China.
- (c) Dairy consumption in China in 2008 to 2012. Consumption shall be calculated as equal to total production plus total imports less total exports. Import and export data shall be sourced from China Customs' statistics and can be cross-referenced against statistics sourced from the relevant importing and exporting countries.
- (d) New Zealand's market share in 2012, expressed as New Zealand imports as a percentage of total dairy consumption and as a percentage of total dairy production in China in that year.
- (e) Changes in New Zealand's market share as defined above from 2008 to 2012.
- (f) Changes to China's share in the increased volume of New Zealand dairy exports in 2008 to 2012, expressed as increased volume of New Zealand dairy exports to China as a percentage of increased volume of total New Zealand dairy exports. This export data shall be sourced from New Zealand export statistics sourced from Statistics New Zealand and can be cross-referenced against China Customs' import statistics.
- (g) Comparison of the price of imports of the specified products from New Zealand and the price of fresh milk and milk powders in China.
- (h) Changes in net dairy farming household income and net dairy farm income in China, both based on the profit per cow.

- (i) Changes in the total number of dairy cows and the number of dairy cows in milk in China.

3. The data for the final 3 criteria shall be sourced by agencies authorised by the National Bureau of Statistics of China. Data on all the above criteria shall be made available to either Party upon request of the other Party.

4. All volume figures shall be expressed in terms of Liquid Milk Equivalents using the following conversion ratios. These ratios come from China's standard GB6914/86 for qualification for raw and fresh milk received from farms, produced by the Standardization Administration of China. These ratios will be reviewed at the time of the Mid-Term Review based on China's actual milk solids data at that time.

Product	Conversion Ratio
Skim Milk Powder	1 : 8.45
Whole Milk Powder	1 : 8.67
Whey Powder	1 : 8.80
Butter	1 : 7.55
Cheese	1 : 6.14

5. If the Committee determines that an overall negative impact has occurred, the following tariff reduction schedule and quantity trigger level of the special safeguard measures for the products of HS Codes 04021000, 04022100, 04022900 and 04029100 shall apply for the following years:

**Tariff Reduction Schedule of the Products of HS Codes
04021000, 04022100, 04022900 and 04029100**

HS Code	Description of Product	2013	2014	2015	2016	2017	2018	2019	2020
04021000	Milk & cream in solid forms of ≤1.5% fat	5	5	4.2	3.3	2.5	1.7	0.8	0
04022100	Milk & cream in solid forms of >1.5% fat, unsweetened	5	5	4.2	3.3	2.5	1.7	0.8	0
04022900	Milk & cream in solid forms of >1.5% fat, sweetened	5	5	4.2	3.3	2.5	1.7	0.8	0
04029100	Concentrated milk & cream, unsweetened (excl. in solid form)	5	5	4.2	3.3	2.5	1.7	0.8	0

Quantity Trigger Level of Basket 2 (tonnes)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
121,247	121,247	127,309	133,675	140,358	147,376	154,745	162,482	170,606	179,137	188,094	197,498

6. Such a determination shall not be made unless the review demonstrates, on the basis of objective evidence, the existence of a causal link between tariff reductions under this Agreement, increased imports of the products concerned from New Zealand and the overall negative impact on China's dairy industry.