Distinguished guests,

Ladies and Gentlemen:

It is my honor to be invited to deliver a speech here. First of all, on behalf of Shanghai Customs, I would like to extend congratulations to Shanghai’s debut host for successfully organizing the Seminar on Trade Facilitation in East Asia. The theme of the seminar is: Customs role in international trade facilitation. The discussion, I believe, will contribute to the promotion of international trade facilitation, pressing ahead with sustainable and healthy trade development in East Asia. Next, please allow me to share my thoughts on this issue with you on behalf of Shanghai Customs.

Trade facilitation is always a new topic. With the development of economic globalization and regional economic integration, particularly the rapid growth of international business and emergence of new logistics modes, voices for improving the efficiency of logistics are getting increasingly strong. Trade facilitation has gradually become an issue of common concern.
In the context of economic globalization, security and facilitation of international trade is exerting a profound influence on the stability and progress of the international community. In international trade activities, security underpins the realization of facilitation. Without security, trade facilitation cannot be achieved in a real sense whereas without trade facilitation, security will lose its essence. Security and facilitation are interdependent and complementary. In other words, they exist in an inseparable whole that none of them can be dispensed with. With this, having regarded security and facilitation as two major tasks of world’s Customs administrations, Customs must attach great importance to both by taking effective measures to ensure their realizations and at the same time strike a balance between the two.

In recent years, Shanghai, an important open city along the coast, is paving its way towards the ultimate goal of developing into an international economic, finance, trade and shipping centre.

Shanghai foreign trade has been presenting a good momentum of continuous and rapid growth. The manifestation of the scale of staggering growth has provided new challenges to international trade facilitation.
Let us pause here for a moment and take a brief look at a group of figures in the Shanghai area. Five years ago, in 1998, the container throughput reached 3.07 million TEU, ranking it the 10th largest port worldwide compared to a break record high 11.28 million TEU in 2003, ranking it the third after only Hong Kong and Singapore.

Five years ago, the total value of imports and exports amounted to 63.6 billion US dollars, which has now risen to 202 billion US dollars. Five years ago, the number of means of transport supervised by Shanghai Customs totaled 40,000, it now exceeds 90,000. Likewise, Customs declaration form volume has climbed to 6.81 million in comparison with the 2.02 million of 1998. From these figures, it can be seen that the import and export trade volume through Shanghai Port has grown exponentially, and Customs operations volume has increased arithmetically year after year.

From January till November of this year, the total volume of import and export goods under Shanghai Customs supervision and control reached 207 billion US dollars, representing a 43% increase over the same period of last year. Of this figure, imports and exports constituted 90.5 billion US dollars and 115.9 billion US dollars, up 42.6% and 43% respectively. Customs duty collected hit 78.5 billion RMB, an increase of 28% over the previous year.
At present, there are 41 offices in the Shanghai Customs district, 41 sea wharfs under Customs supervision, and 38 operation sites totaling 76 business points. Presently Shanghai Customs has 2,834 officials and employees.

Since 1998, the average growth rate of Customs operation volume has been 43% while the growth rate of human resources is merely 6%. In this sense, with the rapid growth of import and export trade, limited or stretched Customs resources have become a bottleneck in the process of promoting trade facilitation.

As the quantity of international trade has risen, its character has changed. With China’s reform and opening-up drive, plus the further promotion of economic globalization and regional economic integration, modern logistics, e-commerce, plus the idea of Just-in-time and zero-inventory are being introduced. Over 300 of the fortune 500 companies have invested in Shanghai. The new modes of production, marketing, management and transportation have new challenges to Customs practices.

China Customs follows the guideline: ‘Perform duties according to the law, control import and export in the national interest, provide quality services in support of economy and be a promoter of economic development.’ This
guideline is in line with the WCO’s mission ‘Need more efficient and
effective Customs’.

Following this guideline, while confronting the tremendous challenges and
pressures of globalization and modernized production, Shanghai Customs
has exerted its efforts to promote international trade facilitation practices
with the assistance of technology so as to bring into full play the double
functions of security and facilitation. We have taken the following five
measures:-

First, Enhancing enforcement transparency - All administrative rules
concerning traders’ rights and obligations are made known to the public
one-month in advance of implementing them. In addition, online
publication, public board and briefings are provided to help traders better
understand, master and apply Customs rules. We have also taken steps to
further strengthen the availability of administrative information. Top
Customs officials meet business people every Thursday to answer questions.
A ‘guaranteed satisfactory solution system’ has been set up as a rule to
facilitate clearance.

Second, Promoting ‘E-Port’ project- The utilization of information
technology is essential to the promotion of trade facilitation. China Customs
has taken an active role in the construction of the China ‘e-port’ project since 1999. Taking advantage of modern information technology, the network of the Customs, entry-exit commodity inspection and quarantine administration, industrial and commercial administration and such relevant departments as those engaged in international trade, tax, foreign exchange and transportation can now be interconnected. On 25th of October 2004, China Customs signed an MOU regarding the construction of Shanghai E-port, with Shanghai municipal government formally commencing Shanghai e-port. This has been a valuable step in the promotion of trade facilitation.

Third, Implementing the ‘Integrated Clearance System’ project- Customs has established a coordinating mechanism with the quarantine bureau, the port authority, shipping and airfreight agents, and forwarding and warehouse enterprises in 2001, realizing one stop service for enterprises. As a result, clearance efficiency and its effectiveness have been substantially improved.

Shanghai Customs has introduced ‘5 plus 2’ days rule (5 week days plus 2 weekends) to make sure goods clearance takes place 24/7 in a real sense. With this step, Shanghai port has become a sleepless port.
Fourth, Reforming clearance mode- In the context of simplification and optimization of customs procedures and processes, we have fully implemented a new mode, namely ‘advance declaration, goods release upon arrival’ by setting up a centralized declaration point at the Shanghai International Shipping Center. Since February 2002, Shanghai Customs has started to implement a system for EDI paperless clearance. Taking advantage of information and networking technologies, all electronic data are processed automatically. High-tech enterprises are offered facilitative measures. Fast clearance is granted for particular areas such as the free trade zone and the export processing zone.

Fifth, Ensuring security of international trade- security is the guarantee of trade facilitation. While improving trade efficiency, we have tightened our supervision and control over import and export goods. Global Positioning System has been installed in all Customs supervised vehicles, controlling vehicles routes and schedule in a real-time manner. H986 large scale container scanning equipment has been introduced, allowing the inspection of imports and exports in a non-intrusive way. Particular areas such as the free trade zone and the export processing zone have their own special arrangement based on the formula ‘enclosed area management, 24-hour vigilance supervision and control at checkpoints with localized patrols’. Shanghai Customs has also introduced a new measure called ‘goods arrival
report provided by the port authority which ensures the smooth implementation of Declaration of Principles of Sino-US Container Security Initiative Cooperation.

Yesterday Mr. Hofman from World Bank mentioned that Customs clearance time for export at Shanghai Port is 4 days at the moment. We have attached great importance to this issue. After the opening session, we had a private talk with Mr. Hofman and exchanged views on it. Here I would like to elaborate on this issue:

As for the port clearance time, it contains the whole time that is necessary for going through all the procedures including quarantine, tally, customs clearance, duty payment, uploading goods, goods pickup and transportation etc. At present, in terms of our sampling survey, the average port clearance time for the imports is 4.3 days, in which the customs clearance part takes up 0.73 days, comprising 17% of the total.

The average port clearance for the exports is 1.47 days, in which the customs part covers 0.2 days or 14% of the total.

Since the implementation of EDI paperless clearance in 2002, the average customs clearance time for the imports and exports have been shortened to
0.66 days and 0.03 days, down by 10% and 85% respectively.

After years of effort, Shanghai Customs has made significant progress in the area of trade facilitation promotion. However, from the development of international trade perspective, particularly the trade at Shanghai port, we still have a long way to go. Customs is facing severe challenges in respect to trade facilitation. With this in mind, we will continue our efforts in the following five areas:

First, continuing to press ahead with the progress of information based customs clearance
We will endeavor to promote network data exchange with relevant port authorities and enterprises and improve related functions of China e-port. Consequently the automatic clearance data processing capability will be further upgraded.

Second, introducing risk management ideas and advancing Customs modernization
As Mr. Tadatsugu said that risk management has been unanimously considered as one of the approaches to securing the smooth flow of international trade. Similarly, we will realize Customs reform based on the risk assessment of traders and commodities. Reform tends to raise the
capacity and capability of automatic data processing, so goods from credible enterprises will be allowed to flow smoothly without hindrance.

Third, promoting administrative openness, enhancing Customs enforcement transparency
We aim to make our requirements more predictable, our public operating procedure more tractable. In addition to a website and other media, we are planning to intensify our training assistance to the enterprises, teaching them how to deal with Customs procedures better.

Fourth, paying attention to trade security, ensuring the safe running of international business
We will take participation in the container security initiative as an opportunity, improving risk management, developing method of risk analysis and modes of thoughts required to identify high risk goods associated with terror threats and raising our capability for non-intrusive goods inspection. We will maintain our central focus on the supervising of imported and exported goods while strengthening cooperation and mutual administrative assistance with international Customs bodies.

Fifth, establishing strategic partnership with the business community
We will enhance cooperative dialogue with intermediary agencies such as
traders and industry associations in such forms as MOU to advance business community involvement in trade facilitation.

Ladies and gentlemen, China is aware of the trend to economic integration, further accelerated by China’s own accession to the WTO, and is confident about participating in the economic globalization process and international competition, both broadly and deeply. This is not just a matter of narrow competition between enterprises, products and markets, but also competition among administrative capability of government sectors. It has been noted that ‘administrative capacity building’ has been widely touched upon by many representatives of this workshop.

Last but not the lest, China Customs will also work resolutely to augment its capabilities in the interest of domestic and international development, trade facilitation and security.

Thank you!