The Role of Customs in Trade Facilitation and The Efforts of China Customs

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Definition?

WTO Definition of trade facilitation:
"the simplification and harmonization of international trade procedures"

"activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade"
The Positive Impacts of Trade Facilitation on International Trade

- expediting trade flow by simplifying trading formalities and procedures
- reducing transaction costs by eliminating unreasonable fees and charges
- increasing government revenue by making duty collection easier
- attracting foreign direct investment by providing a more reliable and predictable business environment...
I. The Role of Customs in Trade Facilitation

Trade Facilitation: a win-win action to both public sector and private sector

- Saving Transaction Costs and Time
- Increasing Enterprises’ Profits & Spurring Commercial Activities
- Boosting Prosperity of National Economy
- Win of Commercial Industry esp. SMEs
- Win of Government

Image of China Customs logo
Trade Facilitation vs. SMEs

Some figures of SMEs in China

✓ account for over 90% of the total amount of trading entities (export volume in excess of $15 million)
✓ provide over 75% employment
✓ contribute to over 60% of the national economy
The Role of Customs in Trade Facilitation

Customs: a central role player

TRADE
TRANSPORT & LOGISTICS
PUBLIC HEALTH & SECURITY
ENVIRONMENT
HERITAGE

REVENUE & TAX
STATISTICS
INTELLECTUAL PROPERTY
AGRICULTURE
ENDANGERED SPECIES

China Customs
Key importance of customs

Over 98% of the goods in global trade are subject to customs control.
Contributions of International Customs Communities to Trade Facilitation (WCO)

- Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention)
- Framework of Standards to Secure and Facilitate Global Trade
- Guidelines for Risk Management
- WCO Data Model
- Time Release Study (TRS)
- Application of information and telecommunication technologies
- Other legal instruments and recommended practice
- … …
WTO Trade Facilitation Negotiations

- Clarifying and improving relevant aspects of Article V, VIII and X of the GATT (1994):
- Further expediting the movement, release and clearance of goods, including goods in transit
- Enhancing technical assistance and support for capacity building in this area
- Providing for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues

**Expectations**

reaching a binding multilateral agreement on trade facilitation
The Efforts of China customs in trade facilitation
About Us

✓ a ministerial administration subordinated to the State Council

✓ a centralized administrative structure

✓ 16 inner headquarter departments, 1 sub-administration, 41 customs districts, 568 customs houses or offices, 4 overseas representations, 2 educational institutions

✓ over 50,000 staff
The Efforts of China Customs in Trade Facilitation

changes:

Roadmap of Chinese economy in the past 3 decades since opening up and reform

- Ranked world’s No.3 in terms of foreign trade value 2007
- An increase of 84.3X in 2006
- No.22 in 1981

Staffing scale 人员规模 1998 → 2008

- 海关官员 Customs officers • 2.5X
- 进出口总值 I/E total value • 74X
- 监管进出境运输工具 In&Outward Transport Vehicles • 43X
- 进出境旅客 In&Outward Passengers • 42.8X
- 进出口货物 I/E total volume • 29X
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Changes:
Expansion of Responsibility Scope

Integrated Border Management,
Anti-terrorism and Border Protection,
Supply Chain Security,
IPR Protection,

... ...

Duty Collection,
Customs Control,
Trade Statistics,
Anti-smuggling
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Challenges to Us:

- rapid increase in business operation vs. limited administrative resources
- newly emerging requirements vs. fulfilling traditional missions
- new environments and situations vs. conventional managerial modes
- supporting to the development of local economy vs. maintaining consistency of law enforcement nationwide
- Expediting trade flow vs. maintaining effective customs control
- ... ...
The Efforts of China Customs in Trade Facilitation

Customs Modernization and Reform:

✔ a solution to address the challenges
✔ an approach to trade facilitation
Modernization Process of China Customs:

1998    building-up a modern customs regime initiated
2003    the first phase of customs modernization accomplished
2004    the strategy for the second phase of customs modernization formed
2010    scheduled to be accomplished
The Strategy for Customs Modernization

objectives: technology-based, service-oriented, efficiency-focused, integrity-minded

Core: application of risk management

Support: comprehensive reform measures affiliated
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Main Approaches to Trade Facilitation

- Improvement of Transparency in Law Enforcement
  *e.g. internet publication, unified implementation of laws & regulations*

- Procedure Optimization
  *e.g. cross-region clearance*

- Integrated Border Management
  *e.g. national border management office*

- Information Technique Application
  *e.g. E-ports, E-customs, E-administration*

- International Communication & Cooperation
  *e.g. bi&multi-lateral negotiations, customs cooperative programs, capacity building*
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Example 1: Risk Management Mechanism

Information Collection
IT System Process
Statistical Analysis
Empirical Judgement

Identification of Risks

Documentation Examination Physical Inspection
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Example 2: cross-region clearance
II. The Efforts of China Customs in Trade Facilitation

Example 3: E-port, E-customs, E-Administration

- **E-Port** connecting the physically dispersed operational sectors and local administrations within China Customs through its inner network.
- **E-Customs** enabling the electronic data exchange and online query of documents among administrative departments at the ports of entry.
- **E-Administration** composed of administrative systems for sectoral functions to improve the capacity of enforcement and decision making.
Example 4: participation in the WTO NGTF

- Leading role played in the domestic coordination
- Assessment on needs and priorities & capacity building
- Textual proposals
- Communications with other members
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A Package of Measures that China Customs Takes to Address the Economic Crisis

- providing as much convenience as possible in customs clearance to minimize time and costs of traders
- releasing goods on the provision of security
- providing most compliant traders with measures such as lowering physical inspection rate on their goods, offering appointed or pre-processing of declarations
- simplifying the approval procedures for transferring inward-processing goods to domestic use
- Further strengthening IPR Protection
- redoubling cracking down on smuggling to maintain an orderly trading environment
- .......
CONCLUSIONS

- Trade facilitation is of key importance to the promotion of trade development, especially in times of economic crisis.
- Customs plays an indispensable role in the promotion of trade facilitation.
- Trade facilitation is one of the focus under many international frameworks.
- Great efforts are being made by China Customs towards the trade facilitation objectives.
CONCLUSIONS

Much still remains to be done in the promotion of trade facilitation, calling for joint effort of trade communities and all relevant departments.
Thank You !