

## **Brief Introduction to China Customs**

China Customs is a government agency that supervises and manages all arrivals in and departures from the Customs territory of the People's Republic of China. China Customs exercises a vertical and three-tiered management structure. The top tier is the General Administration of Customs (i.e. the headquarters in Beijing). The middle tier is composed of the Guangdong Sub-Administration of Customs (in charge of 7 Customs regions located in Guangdong Province), two (2) Supervising Offices (located in Tianjin and Shanghai respectively), 41 Customs regions and two (2) Customs educational institutions. The third tier refers to the 562 Customs houses or offices under those 41 Customs regions. In addition, it has posted overseas offices or officials in Brussels, Moscow, Washington D.C. and Hong Kong. Its staff is numbered at over 48,000 (including Customs anti-smuggling police).

Currently China Customs operates at 253 first-class ports (including airports, sea ports and land passes) approved by the central government and around 200 second-class ports approved by provincial governments.

The General Administration of Customs is the headquarters of China Customs. It is a full-ministerial-level government agency that directly reports to the State Council of the People's Republic of China and manages all the Customs regions nationwide, which reports to it instead of to local governments. It is composed of 15 departments and manages 6 directly subordinated service or coordinating functions, 4 associations and 3 overseas rep offices. The CPC Central Commission for Discipline Inspection and the Ministry of Supervision stationed the Discipline Inspection Office and the Discipline Inspection Bureau respectively in the General Administration of Customs.

The incumbent head of China Customs is Minister Mu Xinsheng.

According to the Customs Law of the People's Republic of China and other relevant laws and regulations, China Customs mainly undertakes 4 essential tasks:

- ◎To control inward and outward means of transportation, goods and articles;
- ◎To collect Customs duties, taxes and related charges;
- ◎To combat smuggling;
- ◎To compile Customs statistics and handle other Customs matters.

Accordingly, China Customs mainly performs 7 functions: clearance operation, revenue collection, processing trade and bond operation, Customs statistics compilation, audit-based control, counter-smuggling and port management.

The working guideline upheld by China Customs is to "exercise law-based administration, safeguard the national gateway, serve the national economic interests and promote social development". Its team-building principle is to make Customs personnel "politically staunch, professional and reliable".

China Customs adopts a Customs rank regime. The Customs ranks are divided into 5 levels and 13 classes, which include:

- ◎ Customs Commissioner-General and Deputy Customs Commissioner-General;
- ◎ Customs Commissioner First Class, Second Class and Third Class;
- ◎ Customs Supervisor First Class, Second Class and Third Class;
- ◎ Customs Superintendent First Class, Second Class and Third Class;
- ◎ Customs Inspector First Class and Second Class.

### **Customs Control**

China Customs commits itself to striking a balance between strict control and efficient operations. In 2004 Customs clearance formalities have been further consummated and standardized with:

- The national H2000 Clearance System successfully retooled and upgraded
- Trial spots at 14 regional Customs on Customs Supervision Toll-gate Control points
- Introduction of the Network Management Sub-system and increased random selected inspection mechanism

By actively deploying the Integrated Clearance Project, Customs clearance speed has been further boosted and the clearance processes further streamlined. The E-port Project has made new progress by joining the data network with the related units affiliated to the State Council. The construction of the regional E-port has developed rapidly.

In 2004, China Customs cleared 2.1 billion tons of import & export cargo consignment – a 21.2% increase on 2003; the value of import & export goods exceeded 1 thousand billion US dollars with the total of 1154.7 billion US dollars, increasing 35.7%. Import value was 561.4 billion US dollars and the export value 593.4 billion US dollars.

In accordance with the objective of sustaining development and piloting the retooling and up-gradation of processing trade, China Customs is establishing a processing trade and bond control regime with China Customs characteristics. 1490 large enterprises running processing businesses for which import & export value accounts for 40% of the total volume of the processing trade, participate in the network online supervision. 33 of 39 export processing zones warranted by the State Council have been checked and accepted to operate in this regime. The trial on “the unified bonded zone and port” and the bonded logistic center has commenced. Additionally, bonded warehouses and export warehouses processes are constantly being improved and standardized.

In the practical Customs control process, hi-tech equipment is widely used at every step of the Customs clearance control, which not only improves the efficiency of the hi-tech equipment but also reduces the enforcement and integrity risk. Until now, 49 large-scale container scanning inspection units, 372 electronic load-meters, 189 electronic vehicle plate identification systems, 488 electronic gates and 40 container number identification system are installed and used nationally by China Customs.

## **Collection of Customs Duties and Taxes**

Customs revenue serves as both a crucial source to the national fiscal revenue and as an important leverage for national macro-economic control. After China's accession to the WTO, China Customs has been working in good faith to honor the commitments the Chinese government made by adopting fair, unified and transparent tariff policies in accordance with the principle of non-discrimination. China Customs has also been fully implementing the WTO Valuation Agreement and taking concrete measures to phase in the tariff reduction plan. By 2005, China will honor its commitments to reducing the average tariff rates gradually from 15.6% in 2000 to around 9.7%. Simultaneously, China Customs recognizes revenue collection is its core objective and continues to improve the quality of its work in this area with the implementation of legal, scientific and comprehensive revenue collection frameworks. Customs revenue has increased consistently and greatly, reaching 474.4 billion Yuan in 2004. This is 103.2 billion Yuan more than in 2003 reflecting a 27.8% increase. Within the Customs revenue of 474.4 billion, there is Customs duty of 104.4 billion Yuan and internal tax collected by Customs of 370 billion Yuan. Customs revenue made a crucial contribution to the central fiscal resources by collecting 100 billion Yuan more than expected every year for the past successive two years.

## **Cracking Down on Smuggling**

China Customs is the governing unit of intercepting smuggling in China. In 1999 China Customs set up an anti-smuggling Police Force and established the Anti-Smuggling Bureau (ASB) respectively in the GAC and at the regional Customs level. China Customs has counter-smuggling mechanism, whereby smuggling activities are combated through joint efforts, smuggling cases are settled with a unified procedure and smuggling problems are dealt with in an integrated manner. China Customs is responsible for organizing, coordinating and managing counter-smuggling initiatives and disposing of seizure cases.

In 2004 China Customs carried out the working guidelines to combat smuggling of "strike while prevent, comprehensive dispose, emphasis-focus, unremitting". Using both criminal and administrative law enforcement means with an emphasis on counter price fraud, China Customs conducted a series of special operations on the smuggling of refined petroleum oils, automobile parts & accessories and frozen meat or edible offal of the poultry. By putting a heavy hand on arms and drugs smuggling, China Customs has protected the national security and provided social stabilization. By using risk management methods, China Customs focused on conducting specific data monitoring and risk analysis. In conducting trade survey and enterprise audit, business and enterprise processes have been standardized. Customs role in protecting on Intellectual Property Rights achieved and accomplished a number of outcomes. In 2004, China Customs detected 17,700 smuggling cases with an estimated value 7.8 billion Yuan. This involved 1,068 criminal smuggling cases with a value of 7.3 billion Yuan and compelling measures against 2,945 criminal suspects. Furthermore, 806 kg drugs were detected. The joint exhibition "In the Name of the Gate of the State-Efforts Exhibition of the National Counter-Smuggling" conducted by China Customs, Ministry of the Public Security and the State Administration for Industry and Commerce gained extraordinary social effects, which further announced to the public a great resolution of cracking

down on smuggling of the new Central Governmental Leading Group cored by the General Secretary HU Jintao.

### **Customs Statistics**

Customs statistics is defined as the trade statistics on imported and exported goods and they are an essential component of the overall national economic statistics. Under the principles of “providing accurate, rational, complete, internationally comparable statistics in a timely fashion, being service-oriented, and exercising supervision”, China Customs compiles statistics by conducting surveys and analyses of all the goods that moves in and out of the Customs territory of China. This then reflect the trend of foreign trade scientifically and accurately and also provides timely statistical information and consultancy services with effective statistics supervision.

The General Administration of Customs, renowned for its world-best record in speed data release, issues basic statistical data of China’s foreign trade monthly and reports periodically to the UN Statistics Division, the International Monetary Fund (IMF), the WTO and other relevant international organizations about the monthly and yearly statistics data of China’s foreign trade. Moreover, it also provides information on statistical data to different sectors of the society.

In 2004, China Customs statistics has been consolidated continually; data quality has been improved constantly; the enforcement evaluation system has made extraordinary outputs; the function of the Customs statistics has been fully embodied; and the Import & Export Alert Monitoring System has been smoothly implemented.

### **Customs Legal System Establishment**

China Customs has already developed its legal framework with the Customs Law of the People’s Republic of China at the core and also accompanying with the Regulations on Import & Export Tariff of the People’s Republic of China, Regulations of the People’s Republic of China on Origin of Import & Export goods, Implementing Regulations of the People’s Republic of China on Customs Administrative Penalty, other administrative laws, and Customs standard operational rules.

On one hand, China Customs seeks to improve officers’ basic legal awareness however on the other hand it needs to promote compliance with strict enforcement procedures and Customs formalities. This requires impartial, transparent, stable and simplified procedures together with promotion of enforcement efficiency.

China Customs attaches great importance to and is strengthening Customs protection of intellectual property rights (IPR) through legislation and process management, having gradually set up a working mechanism featuring unified coordination, high efficiency and well-targeted measures. This includes carrying out a series of special operations to fight against infringements

on imports and exports, which have effectively standardized and rectified entry and exit processes and safeguarded fair competition, thus winning full recognition and wide praise from different sectors at home and abroad.

In 2004 China Customs has implemented the Administrative Licensing Law and has achieved the goals of promoting the officers' enforcement consciousness, collating project files, improving the supporting measures and ensuring stable transition. The Customs enforcement proof has been optimized by the promulgation of a series of laws and regulations, such as Implementing Regulations of the People's Republic of China on Customs Administrative Penalty, Regulations of the People's Republic of China on Origin of Import & Export goods, etc.

### **Customs Modernization Drive**

Since 1994, China Customs has been dedicated to developing a modern Customs regime. In 1998, GAC released "The Resolution of Developing a Modern Customs Regime" which outlined the basic framework and set forth the two-step development strategy for building the modern Customs framework. The first-step development objective was been substantially accomplished by 2003. To adapt the development of the international situation and the overall strategic objectives of the national macroeconomic, China Customs then implemented "2004-2010 Second-Step Development Strategy for Modern Customs Regime". In accordance with the strategy, China Customs pursuits to establish a new management mechanism with risk analysis as core element, with processing trade and other 5 reforming as key fields, with capacity building and other 5 supporting measures as main contents. By 2010, a modern Customs regime will be set up to confirm to the national mission of developing a fairly well-off society, adapted to the already developed socialist market economy and integrated with international customary practices. This will then provide a balance between strict supervision and efficient operation to bring China's modernization drive onto the new track of making China Customs "scientifically-based, progress-oriented, efficiency-focused and integrity-minded".

At present, the overall framework of risk management as the core element has been introduced with the risk management concepts implemented strongly by Customs officers. Risk management expertise has been used in every day work; and the outcomes are evident. In 2004, directly through risk management platform, China Customs detected 5,820 smuggling and Customs offence cases, with the value of 6.4 billion Yuan, imposing Customs evasion duty of 0.36 billion Yuan. The research and implement of every sub-topic and reform projects of the second-step development strategy for building a modern Customs regime have been carried out on a smooth way.

### **Customs International Cooperation**

With China getting more extensively and intensively integrated into economic globalization, China Customs has engaged itself more and more internationally and is playing and increasingly important role in world economy and trade.

China Customs plays an important role on the China final accession to the WTO and coping with the challenge on external economy and trade by participating in WTO negotiations and implementing WTO committed responsibilities.

Since China became a full member of the World Customs Organization (WCO) in 1983, China Customs has actively participated in the activities of the WCO Permanent Technical Committee, Enforcement Committee, HS Committee, Technical Committee on Customs Valuation, Technical Committee on Rules of Origin and the Sub-Committee on Automatic Data Processing, and taken an active part in the revision of the Kyoto Convention and the Nairobi Convention, the review of the Harmonized System (2002) and the formulation of rules of origin. From 1993 to 1995, China Customs served as WCO regional representative for Asia-Pacific (now called WCO Vice Chair for A/P). During its term, China Customs successfully hosted the 32nd Session of the Policy Commission, the 5th Asia-Pacific Customs Commissioners' Meetings and the 4th Regional Liaison Officers' Meeting of Asia-Pacific.

Up to now, China Customs has established friendly and cooperative relations with Customs administrations of 75 countries and regions and has maintained long-standing cooperation with a dozen of them through annual exchanges of top-level visits, regular working-level meetings and Commissioner-level border meetings. By fully using bilateral mutual administrative agreements, China Customs enhances the cooperation with the foreign Customs in the fields of legal system, combating smuggling, Customs tariff, IPR protection, external trade statistics, trade facilitation and counter-terrorism.

In 2004, China Customs was elected as the WCO Vice Chair (A/P) and began to earnestly host the Regional Intelligence Liaison Office for Asia & Pacific (RILO A/P), with Shanghai Customs College being chosen as one of the WCO Asia Pacific Training Centres. Furthermore, China Customs hosted WCO Regional Forum on Protection of Intellectual Property Rights and released the Shanghai Declaration, which has made positive impacts internationally.

The new term negotiation on WTO trade facilitation, which was union-initiated by the General Administration of Customs and Ministry of Commerce, has begun. Cooperation with the USA, EU, ASEAN, the Shanghai Cooperation Organization, middle Asia on Customs affairs has been further enhanced.