

I. Overview of China Customs

China Customs is a government agency that supervises and manages all arrivals in and departures from the Customs territory of the mainland of the People's Republic of China. It exercises a centralized management structure. The mission of China Customs is to guard the national gateway and provide services. Its essential tasks are Customs control, revenue collection, fighting smuggling and foreign trade statistics compilation. Its specific responsibilities include revenue collection, fighting smuggling, Customs control, supervision and management of bond operations for processing trade, foreign trade statistics compilation, audit-based control and risk management, and port management.

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. The Customs regions report to the General Administration of Customs instead of to local governments. It is composed of 16 departments and 6 directly subordinated service or coordinating functions, manages 4 associations (i.e. Customs Institute of China, Customs Brokers Association of China, Port Society of China, and Association of Bonded Areas and Export

Processing Zones of China), and has posted representative offices in the European Union, the Russian Federation, and the United States of America. 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.

China Customs has a total of 46 Customs regions or organizations of the same level (i.e. Guangdong Sub-Administration of Customs that is in charge of the 7 Customs regions located in Guangdong Province, 2 Supervising Offices that are located in Tianjin and Shanghai respectively, 41 Customs regions and 2 Customs educational institutions), 568 Customs houses or offices and nearly 4000 Customs clearance control stations. Its staff is numbered at around 50,000 (including Customs anti-smuggling police).

The incumbent head of China Customs is Minister Sheng Guangzu.

The working guidelines upheld by China Customs are to "exercise law-based administration, keep 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. Its spirit is “be loyal and upright to revitalize the Customs and rejuvenate China”.

China Customs adopts a Customs rank system. 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

II. Customs Revenue Collection

Customs revenue collection means that Customs levies duties and taxes on goods permitted to be imported & exported and articles permitted for entry & exit in accordance with the Customs Law of the People’s Republic of China and the import & export tariff schedule. Currently, the revenue collected by China Customs mainly includes Customs duties, import VAT, consumption tax and vessel tonnage tax. Customs revenue serves as a crucial source to the national fiscal revenue,

especially the fiscal revenue of the central government, a leverage for national macro-control and an important tool to protect and promote the sound development of domestic industries. After China's accession to the World Trade Organization (WTO), China Customs has been working earnestly to honor related commitments that the Chinese government undertook. We have adopted fair, unified and transparent tariff policies across the Customs territory in accordance with the principle of non-discrimination, fully implemented the WTO Customs Valuation Agreement, and have taken concrete measures to phase in the tariff reduction plan. The overall tariff level has been reduced from 15.6% (2000) to 9.8% (2008); The average tariff level for agricultural products totals about 15.2%, while that of industrial goods is 8.9% in 2008.

Hinging on the revenue collection, China Customs has put in a lot of efforts to improve the integrated revenue collection framework, enhance its ability to collect and manage duties and taxes and establish a long-term revenue collection mechanism. As a result, the quality and amount of the revenue collected by China Customs has reached an unprecedented level and size. In the five –year period from 2003 to 2007, the net annual Customs revenue submitted to the national treasury hit RMB 2742.347 billion, RMB 1762.878 billion more than the last five-year

period, up 180%, accounting for 30% of the budgetary revenue of the central government. In 2007, the net annual Customs revenue submitted to the national treasury for the first time in history exceeded RMB 700 billion, standing at RMB 758.463 billion, 2.9 times of that of 2002, which is a record high both in terms of the amount of the revenue submitted to the national treasury yearly and the increase margin of the revenue collected. In the past 5 years, China Customs fully implemented the preferential policies promulgated by the State and granted a total of RMB 505.2 billion of duty reduction or exemption. What's more, China Customs also took an active part in the FTA negotiations, especially in the talks which define the place of origin of the goods, well-protecting the national interests.

III. Cracking Down on Smuggling

Anti-smuggling means the enforcement behavior of China Customs when it makes use of both criminal and administrative law enforcement means to curb, repress and dispose of smuggling activities and crimes at Customs control areas and prescribed coastal or border areas which are near the places with Customs office's presence. Its essential purpose is to safeguard national economic interests and import & export trade order. China Customs is the competent anti-smuggling authority of the

Chinese government, which takes up most, if not all, of the responsibilities for combating smuggling. Since 1998, China has established a Customs anti-smuggling police force, which is under dual-leadership of the General Administration of Customs and the Ministry of Public Security, with Customs taking the major leading role. China has adopted a counter-smuggling mechanism, whereby smuggling activities are combated through joint efforts by all the relevant authorities, all smuggling cases are disposed of by China Customs following a unified procedure, and smuggling problems are dealt with in an integrated manner.

China customs has always carried out a heavy-handed policy on fighting against smuggling and effectively put a curb on the development momentum of the large-scale smuggling activities in terms of adopting both criminal and administrative law enforcement means, launching special actions and cross-sector operations, and promoting the comprehensive anti-smuggling campaign. In the past 5 years, a total of 55,400 smuggling cases were ferreted out, involving a value of RMB 49.58 billion, and mandatory measures were imposed on 14,700 smuggling criminal suspects according to law. All together, 3228.9 kilograms of drugs and 22.42 millions of contraband

publications and audio-visual products were seized.

IV. Customs Control

Customs control means the process where Customs inspects, verifies and examines inward and outward means of transport, goods, personal articles as well as mails and parcels according to law to ensure the implementation of national laws and regulations concerning entry and exit of means of transport, goods, personal articles as well as mails and parcels through declarations registration, acceptance of declarations, documents inspection, examination and release, post-clearance management, violations disposal and other related management institutions and procedures.

China Customs has introduced a series of reforms to perfect customs inspection and supervision, which include reform of regional clearance, speedy clearance, convenient clearance, paperless clearance, selective inspection, logistics supervision, and reform on passengers' personal articles and express mails supervision and inspection. By doing this, China Customs has fully implemented the foreign trade policies and measures of the state, helped improve the management of enterprises and bettered its work on customs audit-based control. Under the

guideline of “supervise closely, operate effectively”, China Customs has made remarkable achievements on customs control: in the past 5 years, China Customs processed 1.51 billion entries and exits of passengers and their personal articles, and exerted control over 10.478 billion tons of import & export goods, which were valued at USD 7.36 trillion, strongly accelerating the development of foreign trade. The average growth rate of foreign trade of China for the past 5 years hit 26.4%, making China the third in the world rankings in terms of total trade volume.

V. Customs Control over Bond Operations

Customs control over processing trade and bond operations is a new Customs management model which means that, after getting promise from enterprises that there will be no loss of national revenue, Customs does not levy duties on their import goods but exerts control over the whole process of processing until the processed goods are re-exported. Since the reform and opening-up in China, Processing trade has witnessed the development from “three processing and one compensation” (i.e. processing with customer-supplied materials ,assembling customer-supplied parts, processing in according with

customer-supplied samples and compensation trade) to processing materials supplied by foreign businessmen and processing imported materials, from processing enterprises, bonded warehouses and bonded factories that do not operate within specifically prescribed areas to bonded areas, export processing zones and various other special Customs control areas that are set up solely for the purpose of processing trade. The emergence of this new Customs management model has greatly promoted the development of processing trade, making it occupy half of the import and export value of the whole country for many years in a row. After China's accession to the WTO, to adapt to the changed situations, China Customs expanded bond operations from single bonded processing to bonded logistics, giving a further impetus to the development of China's vibrant international logistics industry. Currently, bond operation has become an important control model for China Customs, which reflects most directly the impetus given by a Customs management regime to the development of productive forces.

China Customs takes an active part in the formulation and implementation of the policies and regulations relevant to processing trade, strives to establish itself as a good initiator and coordinator entrusted by the State Council in the inter-ministry coalition meeting, and makes arduous efforts to develop various

kinds of special Customs control areas and bonded places. All these have served as a strong positive force to the transformation and upgrading of processing trade and the development of bonded logistics. In the past 5 years, China Customs has verified and submitted to the State Council for approval 58 Customs special control areas, out of which 55 have gone through examination and been put into operation.

VI. Audit-based Customs Control

Audit-based Customs control means that, within 3 years upon release of import & export goods or within the time limit of Customs control over bonded goods or goods with import duties reduced or exempted, Customs verifies the account books, accounting documents, declaration documents, other related documents and relevant import & export goods of the legal entities under Customs control, so as to supervise the truthfulness and legitimacy of their import & export activities. The priority of audit-based control is to regulate enterprises' import & export behavior, guide them towards compliance and self-discipline and find smuggling or violation clues through auditing duty-paid goods under the item of normal trade, goods under the item of processing trade whose handbooks have been verified and cancelled as well as goods whose duty reduction or

exemption has been approved.

Based on the First-step Development Strategy, China Customs began to push on in an all-round way the Second-Step Development Strategy for Building a Modern Customs Regime with risk management improvement as the core. As a result, the development of risk management in China Customs has embarked on a new stage: a new risk management platform and a workforce management data system have been put into use and 3 sub data centers in Qingdao, Shanghai and Huangpu have been established and began to function properly.

VII. Customs Statistics

As part of the national economic statistics, Customs statistics is China's official external merchandise trade statistics compiled by customs in accordance with law. The standard concepts and definitions recommended by the United Nations have been adopted in the statistics practices, thus enabling its international comparability. The original information of customs statistics are drawn from import and export declaration forms and other relevant documents verified by customs. The statistics items include the information about the imported and exported goods, namely, the description and code, quantity (weight) and value,

trading enterprises, trade mode, mode of transport, trading partners and domestic locations, etc. Customs publishes the main statistics on external trade to the public periodically, and provides user-tailored statistical information and consultancy service. The reliability, timeliness and completeness of customs statistics is among the world-best.

In addition to compiling and disseminating the statistics, China customs analyses the trade data and has realized real-time monitoring, fast response, reasonable anticipation and dynamic early-warning on foreign trade; compiles customs performance statistics and carries out statistical supervision on customs enforcement by means of the Customs Enforcement Assessment System; conducts international statistical cooperation and exchange with the Russian Federation, Hong Kong SAR and other countries and regions. Customs statistics has been playing a positive and important role in facilitating the decision-making in the national macro economy, promoting the development of the foreign trade and enhancing the customs administrative capability.

VIII.Port Management

Port management means the process where Customs, according to the State Council's requirements of promoting the Integrated Clearance Project, gives full play to its functions of port management, enhances the overall coordination and management of ports, and formulates a sound plan for the opening of ports. Currently, there are 253 first-class ports across the country, whose opening must get approval of the central government.

China Customs has made every effort to promote the Integrated Clearance Project, established and fully capitalized on the liaison and coordination mechanism concerning port management. As a result, most of the ports have witnessed constantly raised clearance efficiency, especially those important ones. According to the statistics of the Integrated Clearance Project (involving such nodes as Customs, quarantine, shipment, loading and unloading), ocean-going imports and exports can usually be released within 24 hours, air freight around a dozen hours and emergency goods such as fresh and living commodities several hours on average. For vehicles and passengers traveling between Guangdong and Hong Kong SAR as well as between Guangdong and Macao SAR, the overall normal clearance time is no more than 1 hour for vehicles and

no more than 30 minutes for passengers.

After intensive research and extensive ideas solicitation, China Customs has formulated and applied all together 126 opinions and 468 concrete measures relevant to the Western Development, the Revitalization of the North-east Old Industrial Bases, the Rising-up of Central China, the development and opening-up of the Tianjin Binhai New Area (the TBNA), the further opening-up of Hainan province, the development and opening-up of the Cao Fei Dian New Area in Hebei province, the Regional Co-operation of the Pan-Pearl River Delta and the exemplary development of the east part of the Yangtze River Delta Region. These measures have gained approval from the Party and government agencies as well as from different sectors of the society.

IX. Customs Modernization Drive

China Customs has been committed to its modernization drive since 1994. In 1998, the General Administration of China Customs made the decision to establish a modern Customs system and outlined a two-step approach to achieve the

objective. By 2003, the goals of the 1st-step development strategy, which began with the clearance operation reform, had been substantially realized. In 2004, China Customs formulated the Outline of the Second-Step Development Strategy for the Building of the Modern Customs System (2004-2010).

X. Customs Legal Framework

The legal framework of China Customs is an important component of the legal system of the State, its own working basis and the fundamental guarantee for improving its law-based administration level. Work related to the legal framework includes improving various Customs laws and regulations, conducting education for Customs officers regarding those laws and regulations, training law enforcement personnel and conducting research on Customs legal theories. At present, China Customs legal framework has been substantially set up, enforcement procedures and the enforcement supervision and inspection system have been further improved, enforcement work has gradually been standardized, and law-based administration level has been greatly raised.

China Customs has strengthened its legal work in an all-round way. In the past 5 years, China Customs has assisted the National People's Congress and the State Council in

promulgating 7 laws and policies, 68 regulations and 337 announcements, making it possible for China Customs to rectify all of its policies and regulations thoroughly. China Customs has made remarkable achievements on popularizing laws and improving customs officers' legal awareness. Efforts have been made on accelerating the reform on the administrative examination and approval system, which has resulted in the initial establishment of a mechanism for investigating and processing law enforcement improprieties and more standardized proceedings on responding to the quests of administrative review. In 2007, China Customs also strengthened the building of an open administration and has attained a lot of progress.

In 2007, China Customs has taken 8,508 actions on IPR protection, detained infringing goods for 7,476 times, and seized 330 million infringing items involving a value of more than RMB 400 million, a year on year increase of 41%, 33%, 61% and 55% respectively. China Customs has enhanced its cooperation on co-investigation of the infringing cases, identification of the suspected infringing items and enforcement information sharing with other relevant departments, such as the

administration for industry and commerce, the intellectual property office and the public security department, which, has produced positive results. In April 2007, Customs heads of China, Japan, and Korea decided to co-establish a working group on IPR protection in a high-level meeting; in May, the General Administration of China Customs and the Customs and Border Protection (CBP) of the United States signed the Memorandum on Enhancing IPR Protection around Boundaries.

XI.Science and Technology

Work related to the application of science & technology is an important basis of Customs operations. China Customs has deeply engrained the strategy of “building a smart Customs with science & technology” in its day-to-day work, pays great attention to raising the management level by using science & technology and the effectiveness of science & technology applications, gives full play to the fundamental and vanguard role of Customs science & technology applications, and have basically established E-Customs, E-Port and E-General Administration application systems. These systems are providing strong technical support for networked Customs clearance operations, smart control, digitized management and sound administrative decisions.

In recent years, China Customs has upgraded the H2000 system(Customs Clearance System) featuring the double-center back-up operation, and effectively enlarged the capacity of Customs network. Efforts have also been made to further develop the E-ports which now can connect more departments and local authorities. HB 2004, the Customs E-governance office automation system, has been rolled out in Customs houses nationwide. What's more, China Customs' gateway website has taken initial form.

XII. Building a Paramilitary Customs Force

The overall objective of building a paramilitary Customs force with discipline is, in light of the nature, tasks and characteristics of Customs work and the experience of the People's Liberation Army in revolution, modernization and standardization, to forge a "politically staunch, professional and reliable" high-quality Customs force with working ethics and ability internally and uniform neat and spruce image externally, who can sustain all kinds of tests and ups and downs.

The launching of building a paramilitary workforce program symbolizes that customs workforce nurturing has entered into a new stage. Under the guideline of "spruced up externally, strong and capable internally", China Customs has gained remarkable

achievements on human resource management. The political awareness and administration skills of the management board of the customs at all levels have been greatly improved; the reform on human resource management mechanism has been accelerated, with a more standardized customs civil servant management system taking shape; customs education has been enhanced, and a accumulation of 465,000 people have been trained in the past 5 years; and Shanghai Customs College has been upgraded into Shanghai Customs Institute. China Customs' efforts on grass-root work, political work and primary-level party organization construction have produced positive effects. "How to refine customs' spirit and build customs' soul" has become a hotly debated issue, and customs workforce took on a brand-new look with the rolling out of the discussion. In the past 5 years, there are all together 246 pre-eminent groups and 172 individuals being commended by the ministerial-level and local-level government agencies. These people are great models and set good examples for customs officers across the country.

XIII. International Cooperation

With China getting more extensively and intensively integrated

into economic globalization, China Customs has engaged itself in more and more international affairs and is playing an increasingly important role in world economy and trade.

Through participating in WTO negotiations and honoring commitments to the WTO, China Customs played an important part in China's accession to the WTO and in successfully meeting the challenges to China's foreign trade brought about by the entry into the WTO. 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, Harmonized System (HS) Committee, Technical Committee on Customs Valuation, Technical Committee on Place 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 and the formulation of rules of origin.

China Customs actively engaged itself into the multilateral, regional, and bilateral customs mutual administrative assistance and cooperation. Through drawing on the advanced experience and methods adopted by the international Customs community, China Customs has become more adaptive with the international Customs practices. What's more, China Customs has displayed a

great more initiative in carrying out international cooperation in traditional, non-traditional and untapped fields, for example, China Customs has implemented the “China-EU Pilot Project on Smart and Secure Trade Lanes” and other pragmatic cooperation programs. Thanks to all these, China Customs has now become a more skillful and influential player who enjoys higher status in the international customs community. By far, China Customs has established friendly relations with customs administrations of 117 countries and regions and signed 42 inter-governmental customs mutual assistance agreements.