

Minister's Message

As an important transitional year for the Twelfth Five-Year Plan's implementation, 2012 witnessed the Eighteenth National Congress of the CPC. Under the guidance of the Central Committee of the Communist Party of China (CPC) and the State Council, China Customs has achieved a lot thanks to the joint efforts and resolution of all customs officers, by following the theme of China's Twelfth Five-Year Plan and the four requirements for China Customs, namely, *“safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce”* .

In 2012, China Customs paid more attention to the effectiveness of customs control, which was manifested by the 3,447.159 million tons of goods we exercised control over. We have been very successful in the national anti-smuggling campaign “National Shield”, fulfilling the mission of safeguarding the national gateway. We have reinforced our role as a service provider by employing a full range of measures on boosting the foreign trade development. The year witnessed China's total import and export value of USD 3,866.76 billion for which China Customs' 16 policies on maintaining and promoting foreign trade growth and its action taken to help enterprises cut cost and increase

profitability could be seen as an important driving force. We have established a more effective anti-smuggling framework in which one of the cornerstone mechanisms described as “dual investigations for one case” was highly approved by the leaders of the Central CPC Committee. We have launched the activity called “Customs Culture Year”, in which a number of excellent cultural works were promoted. Among them the TV play *Gateway Heroes* has won the “Five-One Project” Award given by the Publicity Department of the CPC Central Committee. Meanwhile, we have gained great achievements in science and technology marked by the breakthroughs made in 6 major anti-smuggling quay construction projects and in such upgrading projects as advanced anti-smuggling boats building and H986. In 2012, China Customs took a series of steps to build a more competent workforce by encouraging its officers to meet the four requirements of China Customs, namely, “*safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce*”.

2013 is the year when China Customs will witness more achievements. Following the principles put forward at the Eighteenth National Congress of the CPC and facing the new situation, the management board of China Customs has put forward the customs guidelines for

2013 as follows: applying the guiding principles of the Eighteenth National Congress of the CPC, keeping in mind the Scientific Outlook on Development, following the themes of the Twelfth Five-Year Plan and the decisions made at the country's Central Economic Work Conference, improving work effectiveness meeting the general requirements of “*safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce*” , , staying energetic, cohesive, and innovative, solving all possible problems, improving the work style ,building learning-based, service-oriented, law-observing, corruption-free and innovation-driven customs and maintaining the sustainable development of China Customs.

By upholding principles put forward at the Eighteenth National Congress of the CPC, we will be aware of the new situation and our direction. In 2013, we will shoulder a greater responsibility in promoting economic, political, cultural, social, and ecological progress, face more challenges in our service for the growth of the foreign trade, encounter even more difficult tasks in our innovation and reform and meet higher standards in our workforce building. Meanwhile, we will continue to meet the general requirements of “*safeguarding the national gateway, providing quality*

service, preventing potential risks and building a qualified workforce’ ,and build learning-based, service-oriented, law-observing, corruption-free and innovation-driven customs .

10% of planning plus 90% of implementation equals accomplishment of tasks. Customs officers throughout the country should, under the guidance of the management board of the General Administration of Customs of China, make effort to improve customs control effectiveness, optimize comprehensive revenue collection, fight against smuggling, provide quality services to maintain the growth of foreign trade, innovate and reform key areas, and enhance workforce building control over risk, and logistics support.

We have recognized our mission this year. Let us rally closely around the Party Central Committee with Comrade Xi Jinping as General Secretary, apply the guiding principles of the Eighteenth National Congress of the CPC, promote the scientific development of Customs and make even greater contributions to China’s steady and rapid economic development as well as to the social stability and harmony.

I Overview of China Customs

China Customs is a government agency with centralized management that supervises and manages all arrivals in and departures from the customs territory of the mainland of the People's Republic of China. . It has such essential tasks as customs control, revenue collection, smuggling fighting and foreign trade statistics compilation, as well as such major responsibilities as duty collection, customs control, supervision and management of bonded operations, foreign trade statistics compilation, audit-based control, customs intellectual property rights protection, smuggling combating, and port management.

The General Administration of Customs of the People's Republic of China (GACC) is the headquarters of China Customs. It is a full-ministerial government agency that directly reports to the State Council of the People's Republic of China and manages all Customs across the country. It is composed of 18 departments, 6 directly subordinated service or coordinating functions, 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 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 also have their Discipline Inspection Office and Supervision Bureau respectively in the General Administration of Customs.

There are 47 customs agencies under the GACC (i.e. Guangdong Sub-Administration of Customs especially set up for coordinating customs matters among 7 Customs districts in Guangdong Province, 2 Supervising Offices located in Tianjin and Shanghai respectively, 42 Customs districts and 2 customs educational institutions), 612 Customs houses and dispatched offices and nearly 4,000 customs clearance control stations. The staff of China Customs number around 50,000 (including anti-smuggling customs police officers).

As mentioned above, China Customs' general requirements are *“safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce”*. Its work guideline is *“exercising law-based administration, safeguarding the national gateway, serving the economic interests and promoting social development”*. Its workforce building principle is to make customs personnel *“politically committed, professionally qualified and fully dependable”*. With its pledge as *“being loyal and impartial, and revitalizing Customs and rejuvenating China”*, it pursues values of

“patriotism, virtue, integrity, innovation and dedication”. It adopts a rank system for its staff.

Mr. Yu Guangzhou is the incumbent Director of the Board and Minister of the General Administration of Customs of China .

II Customs Revenue Collection

Currently, the revenue collected by China Customs mainly includes customs duties, import VAT, consumption tax and vessel tonnage tax. As early as 2008, China fulfilled its promise of tariff reduction upon its accession to the WTO, reducing the average arithmetic tariff rate from 15.3% (before its accession to the WTO) to 9.8%. Given the fact that some goods are imported duty-free in accordance with relevant laws and regulations, the actual tariff rate for imported goods is even lower than 9.8% due to some other factors.

Customs revenue is a tool both for the national macro-control and for the protection and promotion of the healthy development of domestic industries. China Customs, following the State’s tariff policies, has carried out the structural tax deduction measures, and the preferential duty scheme for free trade areas, and made special efforts in

implementing the State's import expansion strategy.

In 2013, China Customs will continue to optimize its comprehensive revenue collection system. We will: a) spare no efforts to fight against tax evasion and tax dodging, trying to reach the desirable quantity, quality and effectiveness of revenue collection; b) improve the management over revenue collection; c) introduce an enhanced supervision system to make revenue collection assessment more rational; d) do better in customs valuation, classification, origin defining; e) strengthen the supervision and control over key commodities; f) provide policy consulting service of higher quality; g) carry on with the structural tax deduction measures and implement the preferential duty scheme for free trade areas; h) research into differential collection policies and complementary collection policies for customs special control areas.

III Smuggling Combating

China Customs is the competent anti-smuggling authority of the Chinese government, taking up most, if not all, of the responsibilities for smuggling combating. As early as 1998, China established a customs anti-smuggling police force, which is under dual-leadership of

the GACC and the Ministry of Public Security, with the former taking the major role. The country has adopted a smuggling-combating mechanism, where smuggling is combated through joint efforts of all the relevant authorities, smuggling cases handled by China Customs following a unified procedure, and smuggling problems solved in an integrated manner.

In 2012, China Customs launched a national anti-smuggling campaign codenamed “National Shield” , focusing on the fight against smuggling of drugs and guns, pornographic and illegal publications, hazardous solid waste, and unapproved foods and medicines, illegal export of the mineral products as well as smuggling in places where there is no customs presence. The fight has produced impressive results. Some 80 cases involving the unpaid duty of over 10 million were intercepted in the 19 special operations in the framework of the campaign. In 2012, we reaped substantial gains through the comprehensive anti-smuggling program: fraudulent tax refunds of exports and group trafficking at key ports by “Shuikou” (smugglers disguised as passengers that commute between the mainland of China and the Hong Kong and Macao SAR, carrying over-numbered articles for sale) were combated more effectively, and major progress was made in the cracking down on the smuggling alongside the Beilun

River in Guangxi Province as well as around the Pearl River estuary where there is no customs presence. In 2012, we cracked the largest number of smuggling cases in the past decade, curbing the growth of the crime. We have obtained our goal of “pursuing excellence by cracking major cases of smuggling”.

In 2013, China Customs will intensify its efforts in fighting against smuggling, drawing upon successful experiences it has gained from the campaign of “National Shield”. We will consolidate our gains from the campaign by taking stern measures against fraudulent activities by freight, whole-broken-into-parts smuggling through baggage and postal service, false declaration and concealment at export as well as other illegal activities in high risk areas. We will mount out a 10-month-long special operation codenamed “Green Fence” to enhance control over solid waste and stop illegal inflow of hazardous waste. We will intensify the fight against smuggling in the places where there is no customs presence (for example, at the Beilun River in Guangxi Province) and against the smuggling of prohibited and restricted articles (for example, drugs, guns and ammunition). We will create a new work mechanism which features the use of intelligence and information and popularize the online anti-smuggling module. We will bring

our places of enforcement, systems and assessment tools up to the standard while implementing the local government liability system, trying to stop crime in the places where it is first committed.

IV Customs Control

Customs control is the process in which Customs inspects, verifies and examines inward and outward means of transport, goods, personal articles as well as mails and parcels according to laws to ensure the implementation of relevant national laws and regulations, through acceptance of declarations, documents examination, inspection and release, and other related management institutions and procedures.

In 2012, China Customs paid more attention to the effectiveness of customs control, which was manifested by the year-on-year 3.8% increase(covering over 3,447.159 million tons of goods the whole year.)We have carried out three comprehensive programs and two special inspection ones and set up a rudimentary logistics monitoring system that integrates the supervision of transportation means, declaration documents, and inspection venues and customs control. Substantial gains have been achieved in such trial projects as paperless clearance, differentiated customs control module,

single examination of the declaration and recording documents, Customs-CIQ 3 “once-and-for-all” cooperation, and new customs control model for Hengqin New Development Zone and Pingtan Comprehensive Pilot Zone. We enhanced the control over express mails and parcels while making the follow-up control more rational by pushing forward the integration of three audit-based verifications into one.

In 2013, China Customs will continue to improve its efficiency by focusing on the following 3 aspects:

-- Customs Control Improvement

We will enhance the control over inward and outward goods by implementing customs control policies in a down-to-earth way, exercise stricter on-board checking, prohibit in and outflow of contraband publications as well as audio and video products, tighten control over the exceeding amount of cash taken out by passengers, and strengthen customs IPR enforcement.

-- Customs Control Mechanism Improvement

We will accelerate the establishment of a logistics monitoring system by expanding the pilot project on manifests management, and optimize the express mail control system by introducing new control models.

--Follow-up Management Improvement

We will meet higher standards for enterprises customs auditing by employing a differentiated audit-based customs control model, enhance risk analysis ability by popularizing a comprehensive management platform, and step up the establishment of an enterprise creditability system by perfecting the category management mechanism.

In 2013, China Customs will keep deepening the reform in key areas. We will innovate on the customs control model in which the projects of integrated customs control system, modern customs control venue construction, two-step declaration, centralized revenue collection module and cross-boundary e-commerce will be given full consideration and a trial. We will optimize the complementary policies outlined especially for the categorized clearance reform and expand the pilot projects concerning paperless clearance and Customs-CIQ 3 “once-and-for-all” cooperation. We will do better in performance assessment by introducing a rational evaluation system featuring efficient procedures, reliable indicators and improved category-based guidance. Besides, through rational and efficient money allocation, we will enhance financial control to achieve maximum returns on

investment.

V Customs Control over Bonded Operations

Customs control over processing trade and bonded operations supports the development of processing trade, making such trade take up half of the import and export value of the whole country for many years in a row. After China's entry into the WTO, China Customs expanded bonded operations from single bonded processing to bonded logistics, giving a further impetus to the development of China's international logistics industry.

In 2012, China Customs acted as a driving force in the issuing of the *Guiding Opinions of the State Council on Promoting the Rational Development of Customs Special Control Areas*. As the State Council has approved the opening of 11 new bonded areas, China Customs has got a more optimized layout of customs special control areas. In 2012, we took a full range of measures to support local economic development, which include: providing services for the local principal projects, accelerating the upgrading of processing trade in the two pilot cities of Dongguan and Suzhou, and helping the inland cities selected for the relocation of the processing industries (for example, Chongqing, Chengdu, Zhengzhou, Xi'an and Yinchuan) make new progress in

industrial reconstruction and foreign trade development. Another focus of China Customs in 2012 was to promote the development of national export-oriented economy. We launched customs-province cooperation and cross-departmental cooperation, which was manifested in the signing of a whole bunch of memorandums in 2012. We implemented the strategy of developing free-trade areas and led 20 negotiations on bilateral/multilateral free trade agreement, preferential trade arrangements and rules of origin.

In 2013, China Customs will: a) research into differential collection policies and complementary collection policies for customs special control areas; b) implement the *Guiding Opinions of the State Council on Promoting the Rational Development of Customs Special Control Areas*; c) support the opening-up and development of Hengqin New Development Zone and Pingtan Comprehensive Pilot Zone; and d) accelerate the upgrading and transformation of processing trade by encouraging manufacturers to relocate their processing industry in inland areas and produce high-end products.

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 authenticity and legitimacy of their import & export.

In 2012, China Customs pushed forward the construction of the Operational Risk Steering and Coordination Center, accelerated the categorized clearance reform by assessing in advance the risk levels of the enterprises, and supported the establishment of a national credit system.

VII Customs Statistics Compilation

Customs statistics compilation refers to the process in which Customs compiles and analyses statistics related to actual import and export goods' variety, quantity, weight, price, country (region) of origin, legal entity, domestic destination, domestic place of origin, trade method, transport means and Customs district (house) where the declaration is filed, by collecting, sorting and processing import and export declarations or other documents verified and approved by Customs, so as to comprehensively and accurately reflect the faring tendency of foreign trade, conduct monitoring and early-warning on import and

export, and provide high-level information services for national macro-economic decision-making and development of foreign trade. Customs statistics compilation falls into the categories of State statistics prescribed by law. The GACC issues basic statistical data of China's foreign trade monthly and provides statistical data and consulting services. It reports periodically to the United Nations Statistics Bureau, the International Monetary Fund (IMF), the WTO and other relevant international organizations about the monthly and yearly statistics data of China's foreign trade. China Customs is renowned for its record in timely data release.

In 2012, China's import and export totaled USD 3,866.76 billion with a year-on-year growth of 6.2%. China's export was USD 2,048.93 billion and its import USD 1,817.83 billion, up by 7.9% and 4.3% respectively. China Customs did well in data analysis as well as early warning and supervision. Its periodical assessment of the faring tendency of foreign trade based on the statistics compilation reflected in timethe impact of important events on the country's import and export.

In 2013, China Customs will intensify its monitoring and early-warning as well as analysis by using customs statistical

resources. We will improve the accuracy of periodical assessment of the tendency of foreign trade to make it an effective tool for the country's macro economic decision-making. We will issue the leading export index while trying to establish a new customs statistic compiling system based on our improved fundamental statistics compilation.

VIII Port Management

Port management refers to the process in which Customs, according to the State Council's requirements of promoting the Integrated Clearance Project (involving such nodes as Customs, quarantine, shipment, loading and unloading), 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 283 first-class ports across the country, whose opening has been based on the approval of the central government. According to statistics of the Integrated Clearance Project, ocean-going imports and exports can usually be released within 24 hours, for instance, air freight, around a dozen hours and emergency goods such as fresh and live commodities, several hours on average. The overall normal clearance time is no more than one hour and no

more than 30 minutes respectively for vehicles and passengers traveling between Guangdong and the Hong Kong and Macao SAR.

In 2012, China Customs improved its performance as a port manager by putting into practice the national port development layout in the framework of the Twelfth Five-year Plan. The customs administration established the inter-ministry conference system so as to better fulfill the duty of port management. We have helped to accelerate the approval and opening of the ports by taking the leading role in drawing up the *National Port Development Layout (2011-2015)* in the framework of the Twelfth Five-year Plan while implementing the integrated clearance project by using the liaison mechanism. Besides, we started to formulate the Twelfth Five-year Plan for E-ports.

In 2013, by following the national plan for port development, China Customs will continue to push on the approval and opening of the ports. We will enhance our coordination and cooperation with other relevant departments, trying to create a harmonious environment at the border. Meanwhile, we will implement the Twelfth Five-year Plan for E-ports.

IX Customs Enforcement of Intellectual Property Rights

Customs Enforcement of Intellectual Property Rights (IPR) means that Customs adopts measures to stop, according to laws, the import and export of the IPR infringing goods. Enforcement of IPR, as one of the non-traditional functions of China Customs, has become an important part in the framework of national IPR protection.

In 2012, in pursuit of the principle of “understanding, observing and enforcing laws”, China Customs improved its legal framework. Against this backdrop, we took measures to protect the intellectual property rights of Chinese enterprises, and to stop the trade of infringing drugs and foods. The hard work of customs officers led to positive results. In 2012, we intercepted 15,000 consignments of infringing products.

In 2013, China Customs will adopt policies to improve customs control and services. We will take a series of measures to support the development China’s businesses , which include: supporting small and medium-sized companies’ development, helping companies to innovate and go global, adjusting criteria for corporation classification and assisting companies in establishing

their own brands.

X Science and Technology

China Customs, having engrained the strategy of “building smart Customs through science and technology” in its day-to-day work, pays great attention to the improvement of its scientific and technological management and the effectiveness of scientific and technological application. It has established an application pattern of E-Customs (an information management system that features the internet-based clearance services and the smart control of logistics and a system that covers all customs procedural operations based on a network between different customs departments and districts) , E-Port (a cross-departmental, cross-industrial and inter-regional information system that combines the functions of customs enforcement management and logistics service and a system for clearance-related data sharing and online verification exchange among different port authorities of the State Council), and E-General Administration (an information system for the digitization of the administrative management and the macro-level decision-making of the GACC and its subordinate Customs Districts, through the collection, sorting, monitoring and analysis of the customs operational data nation-wide).

In 2012, China Customs gained great achievements in science and technology. We finished the H2010 project successfully. Stage I of Golden Customs Project has gone through the State's examination and approval and Stage II of the project has been initiated by the State. In the same year, we also made breakthroughs in 6 major anti-smuggling quay construction projects and in such key upgrading projects as advanced anti-smuggling boats building and H986.

In 2013, China Customs will accelerate the implementation of the Golden Customs Project Stage II by introducing such cutting-edge technologies as internet of things and cloud computing, and 5 principal systems (i.e. China Customs monitoring and direction system, import and export enterprises credibility management system, bonded customs control system, logistics control system and paperless clearance system).

XI International Cooperation

Since China became a full member of the World Customs Organization (WCO) in 1983, China Customs has been participating in such activities of the WCO's Permanent Technical Committee,

Enforcement Committee, Harmonized System (HS) Committee, Technical Committee on Customs Valuation, Technical Committee on the Rules of Origin and the Sub-Committee on Automatic Data Processing, and has taken an active part in the revision of the *Kyoto Convention* and the *Nairobi Convention*, the review of the Harmonized System, the formulation of the rules of origin, and the discussion of the international customs valuation issues.

In 2012, China Customs participated in the important decision-making of WCO and rules making for multilateral trade. We signed 28 customs cooperation agreements, trying to be an active player in international customs cooperation. We also initiated a global enforcement campaign codenamed “Skynet”.

In 2013, China Customs will have more involvement in decision-making of WCO and rules making for multilateral trade. We will continue to promote the trade facilitation cooperation among different national customs while enhancing our cooperation with customs administrations in Hong Kong and Macau SAR and implement the *Cross-strait Customs Cooperation Agreement*. We will also dispatch customs attachés to work overseas when necessary.

XII Customs Team Building

In light of the nature, tasks and characteristics of customs work and learning from the experience of the People's Liberation Army in its effort of revolution, modernization and standardization, the overall objective of the paramilitary customs force building is to forge a "politically committed, professionally qualified and fully dependable" high-quality customs force with good internal quality and external image who can sustain all tests of ups and downs.

In 2012, to build a more competent workforce, China Customs:

- popularized the campaign of "Excellence among CPC Organizations and Members";
- put into practice China Customs' general requirements of "safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce";
- paid more attention to service and building up of the image as a great service provider that will offer the utmost convenience;
- accomplished all the tasks prescribed in the action plan for "Primary Party Organizations' Year";
- launched the campaigns of following the example of Lei Feng and

Guo Mingyi and set up other role models for customs officers to follow;

--improved the structure of the management board;

--made breakthroughs in selecting officials to take up higher positions through competition and selecting officials from grass-root level;

--increased satisfaction over personnel management (we had a score which was 2.11 higher than that of 2011 over personnel management satisfaction);

--started the pilot project in the areas of science and technology development, revenue collection and statistics compilation to select “experts” out of qualified customs officers;

--enhanced training and customs college and institution building;

--managed to do better in retired employees’ management;

--carried out all the programs of the “Customs Culture Year”, including care-showing projects to customs administrations in remote and border areas, creation of great customs culture works, and supporting customs-made TV drama with the name “Gateway Hero” to win the “Five-One Project” award given by Department of Publicity, Central Committee of Communist Party of China.

--made new progress in the one-to-one assistance project to those customs administrations at the lowest level or those located in the remote areas or with tough conditions.

In 2013, by following the decisions made at the Second Plenary Session of the CPC Central Commission for Discipline Inspection, China Customs shall make unremitting efforts to combat corruption and stay vigilant against degeneration. We shall: a) outline the opinions on establishing a mechanism to combat corruption for the next five years to build completely clean and honest Customs; b) take an array of measures to implement in a down-to-earth way the liability system to build a clean and honest administration, which include: using more effectively the “dual investigations for one case” module, carrying on corruption prevention and control through modern information technologies, improving the educational program and anti-corruption regulations, avoiding the collision of interests, guarding against civil servants’ neglect of duties and infringing upon others’ rights, and shooting the prominent problems relating to work style of the government and to the common practice of the industries; c) enhance internal control by devising an overall work plan, strengthen scrutiny in “key issues, principal official appointment and removal, important project investment and the use of large amount of money”, and carry out power cleaning-up and identification; d) give full play to discipline inspectors’ role of supervision by translating their findings into practice; e) improve the 3-level interactive inspection and supervision

system and reinforce supervision over the decision-making process concerning key issues; f) standardize quantitative evaluation of auditing; and g) require leading officials at all levels to observe the code of conduct on clean governance and to report all facts concerned based on an optimized accountability system.

We shall continue to put into practice the general requirements for all the customs officers(i.e. “ *safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce*”) , for these standards follow the current trends and embody the guiding principles of Eighteenth CPC National Congress. We shall keep enriching our requirements and make them more inclusive by learning from our experience, to make new, substantial and remarkable progress by further encouraging officers to meet the requirements. We shall turn the requirements into code of conduct and work standards by improving the relevant mechanisms and finish all tasks by upgrading the evaluation and assessment frameworks. In conclusion, to do better in 2013, we shall present to the public an image which is more “para-military”, which means we shall continue to learn the essence and soul of the People’s Liberation Army and the People’s Armed Police Force to improve our morale and ability. We shall do our work with more prudence and make steady

progress based on the building of learning-based, service-oriented, law-biding, corruption-free and innovation-driven Customs that meets the four general requirements mentioned above.