

Minister's Message

2013 is the first year for us to fully implement the general guidelines put forward in the Eighteenth National Congress of the Central Committee of the Communist Party of China (CPC) , and also an important year linking the preceding and the following of the Twelfth Five-Year Plan implementation. It is the year when China Customs witnessed more achievements. Under the guidance and with the support of the CPC Central Committee and the State Council, China Customs reached all the goals set for the year by earnestly putting into practice the general guidelines of the Eighteenth National Congress of CPC, implementing the strategies of the State Council and pushing forward with all the arrangements made in the National Customs Heads Conference held at the beginning of the year. In 2013, China's total import and export value stood at RMB 25.8 trillion (equivalent to USD4.2 trillion) with a year-on-year growth of 7.6%. Customs administrations throughout the country exercised control over 3.6 billion tons of inward and outward goods and 32.81million of inward and outward vehicles (flights, vessels). We collected RMB 1664.102 billion of net Customs revenue that were submitted to the national treasury. We filed for investigation 2,061smuggling cases which involved a value of RMB 40.41 billion and an evaded revenue of RMB7.72 billion, playing an important role in maintaining market order and social stability. We enhanced Customs statistics' role of monitoring and early-warning, providing a reliable reference for national macro-decision making. In 2013, following the

eight-point code to cut bureaucracy and maintain close ties with the people by the CPC, Customs officers took an active part in the Mass Line Campaign. The General Administration of Customs, which has adopted a “25+10” measures- scheme to reject extravagance and improve work style, was picked as one of the eight models in the first batch to share its best practices with the other units(all together, there are 274 units which were mobilized to join the Campaign in the first batch). Keeping in mind the philosophy that “People’s Customs shall work for the people”, China Customs made every effort to forge a para-military workforce by asking its staff to follow strict disciplines and translating into practice the core values of Customs. Thanks to the efforts that have been made, in 2013, Customs officers, who stayed highly motivated and energetic throughout the year, made new progresses and added new vigor into the Customs undertaking.

President Xi Jinping himself sent New Year’s greetings to Customs officers upon the arrival of the 2014 New Year. Premier Li Keqiang gave written instructions on Customs work, commending Customs officers for their achievements made in 2013 and expressing his expectations to Customs for 2014. Vice Premier Wang Yang, after listening to the Customs work report, endorsed its work and put forward higher and specific work standards. These greetings and instructions, which display the great attention and definite approval paid and given to Customs work by the CPC central Committee and the State Council, constitute solicitude,

encouragement and high expectations for Customs officers. Customs officers throughout the country shall make earnest efforts to study and internalize these remarks by the State leaders so as to develop a higher level of sense of honor, sense of mission and sense of duty for our work. Focusing on our major responsibilities, we will rise up to the challenges with lifted spirits and tackle the difficulties with resolution, thus meeting the general work requirements of “*safeguarding national gateway, providing quality services, preventing potential risks and building qualified forces*”.

2014 is the year for us to start to implement the guiding principles outlined in the Third Plenary Session of the Eighteenth CPC Central Committee and also the “year for reform” identified in the Central Economic Work Conference. Faced with the new situations, China Customs will fully implement the guidelines put forward in the Eighteenth National Congress of the CPC, the Second and Third Plenary Session of the Eighteenth CPC Central Committee, carry out the plans developed in the Central Economic Work Conference, put into practice the overall requirements of “*safeguarding national gateway, providing quality services, preventing potential risks and building qualified forces*” and push forward the building of a learning-based, service-oriented, law-observing, corruption-free and innovation-driven Customs, all of which are done to support its reform efforts. Keeping in mind that both the starting point and the goal are to enforce laws for the people, Customs

officers will work together to improve Customs services in a steady way. Centering on such key programs as China (Shanghai) pilot Free Trade Zone and Regional Clearance Integration, China Customs will strive to enhance its governance ability through reform and innovation, more efficient use of resources and mechanism optimization. We will underline discipline tightening and take the building of a para-military workforce a step forward so as to make contributions to the economic transformation and upgrading as well as the economic development in a steady and healthy way.

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. Its essential tasks are Customs control, revenue collection, fighting smuggling and foreign trade statistics compilation. It shoulders 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, fighting smuggling, 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-level government agency that directly reports to the State

Council of the People's Republic of China and manages all the Customs administrations nationwide. It is composed of 19 departments and 8 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 also station the Discipline Inspection Office and the Discipline Inspection Bureau respectively in the General Administration of Customs.

China Customs has a total of 47 Customs districts or agencies (i.e. Guangdong Sub-Administration of Customs that is in charge of coordinating the 7 Customs districts located in Guangdong Province, 2 Supervising Offices that are located in Tianjin and Shanghai respectively, 42 Customs districts and 2 Customs educational institutions), 673 Customs houses or offices and nearly 4,000 Customs clearance control stations. It has a staff force of more than 50,000 (including Customs anti-smuggling police).

China Customs' general work requirements are *"safeguarding national gateway, providing quality services, preventing potential risks and building qualified forces"*. Its work guideline is *"exercising law-based*

administration, safeguarding national gateway, serving 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 commitment 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 tariff rate for imported goods in real terms is even lower than 9.8%, allowing for the above mentioned and some other factors..

In 2013, the net annual Customs revenue submitted to the national treasury stood at RMB1664.102 billion, among which Customs duties collected were RMB 263.046 billion and import VAT was RMB1401.056

billion. Customs revenue is a tool both for the national macro-control and for the protection and promotion of the healthy development of domestic industries.

In 2014, China Customs will take the following steps to enhance its work on Customs revenue collection : a) to launch a pilot project on regional Customs revenue collection integration, supported by an assessment mechanism using revenue flow as the base and quality control as the evaluation method; b) to establish a quality control system for documents examination and trial the cross-Customs documents examination management model and the long-distance examination by experts model; c) to start to use on a trail basis in the Pearl River Delta area as well as in Beijing and Tianjin the work model that features the coordination of the 3 processes of documents examination, Customs valuation and classification among different regions; d) to intensify its efforts on the execution of the reform programs on collective Customs revenue collection and paperless tax bill; e) to study further the tax policies and implement the structural tax reduction measures so as to support the key industries, projects and the development of the key areas; and f) to take an active part in the rule making process for the WCO coordination mechanism to assist in the interests defending and the development of domestic industries.

III Customs Anti-smuggling

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.

In 2013, China Customs held an inter government agencies liaison meeting on combating smuggling and a conference attended by the directors of the Coordination Office for Anti-smuggling Program of all the provinces (autonomous regions, municipalities directly under the Central Government), trying to encourage local governments to play a leading role in solving the problem of smuggling in places where there is no Customs presence. We have made impressive progresses in cracking big smuggling cases and smashing gangs through mounting a “massive special campaign and joint operation” on 11 key fronts together with 10 other departments. We continued to take alternate actions to combat smuggling along the Beilun River in Guangxi Province. Thanks to these endeavors, in 2013, we filed for investigation of 2,061 smuggling cases

which involved a value of RMB 40.41 billion and an evaded revenue of RMB 7.72 billion, a year-on-year increase of 10.7%, 4.8% and 11.3% respectively. Among them, 84 were those big cases with the unpaid duty exceeding RMB 10 million. In 2013, we also beef up our efforts to fight against terrorism and ensure stability at the borders by taking stern measures on stopping smuggling of nuclear and chemical subsistence, drugs, weapons and ammunition. Throughout the year, 465 drug trafficking cases involving the seizure of 5.1 tons of drugs were intercepted and 50 weapons and ammunition smuggling cases were broken, increasing by 16.3% comparing to that of last year.

In 2014, China Customs will combat smuggling with more concrete, targeted and effective efforts, enshrining the principles developed in the Conference on National Anti-smuggling Program held by the State Council in 2013. Calling upon its entire workforce, China Customs will carry forward the “massive anti-smuggling special campaign and joint operation”. Through breaking big and key cases as well as dismantling gangs and networks, we will crack down especially on dutiable items smuggling and the industry smuggling (fraudulent activities across the industry) of other items, erect a shield against the unauthorized inflow and outflow of agricultural products through a national anti-smuggling campaign codenamed “Green Wind”, take forceful measures to combat the illegal bringing in and out of such sensitive products as grain, sugar and frozen products and make intensive efforts to stop the trade of the contrabands, for example, drugs, weapons and ammunition and overseas

wastes. This year, we will further improve the “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. A long-term anti-smuggling method build on the concept of “joint efforts” will be produced and used to solve the prominent problems which cannot be dealt with effectively without cooperation with other government agencies, such as the smuggling alongside Beilun River and the Pearl River Delta where there is no Customs presence and the circulation of smuggled goods.

IV Customs Control

Customs control is the process in which Customs examines, inspects, and verifies 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 2013, China Customs exercised control over 3.6 billion tons of inward and outward goods and 32.81 million vehicles (flights, vessels), a year-on-year increase of 4.4% and 2.0% respectively. We also inspected 55.389 million tons of imported solid wastes with a value of USD 34.1

billion. Last year when the national campaign codenamed “Green Fence” (a special operation mounted to stop the inflow and outflow of overseas wastes) was well under way, Customs officers had detected 1,090 circumstances that involved the smuggling of imported solid wastes at various Customs control venues in the country. China Customs’ strong will to reject the products that will harm the country’s environment and cause damage to people’s health was evidenced by the seizure of the 883,000 tons of goods valued at USD 3.83 billion in these circumstances. For Customs control of goods, We took the regional clearance reform a step further which could be manifested by the launch of the clearance model of “declare at home, release at home” (a model under which the AA enterprises can firstly declare to the Customs administrations which they have registered with and then clear their goods from) and expanding the “declare at home, release at port” clearance model. Under the regional clearance framework, a total of 261 million tons of goods valued at USD 841.6 billion, 10.58 million of declarations and RMB 163.1 billion of Customs revenues were cleared, processed and collected in the year 2013. As for the control of passenger luggage and postal items, we focused on fighting relentlessly the hiding of exceeding amount of cash in luggage. 12,988 such cases which involved a value of RMB 1.877 billion were intercepted, increasing by 170.1% and 44.8% respectively. As for the control along the borders adjacent to Hong Kong and Macao SARs, we made great progress in addressing the problems of “Shuikou” (smugglers disguised as passengers that commute between the mainland of China and

the Hong Kong and Macao SARs, carrying over-numbered articles for sale) and launched a 3-month-long inspection program to enhance the control over the passenger vehicles with dual license plates(authorized vehicles that can travel between mainland China and Hong Kong as well as between mainland China and Macao SARs). 125,000 vehicles had been inspected and 3,414 smuggling circumstances had been spotted under the program, leading the efforts of managing these vehicles to a more standardized way. We optimized the Customs control and inspection schemes with the inspection rate and seizure rate over the imports and exports reaching 6.06% and 17.85% respectively. We reaped substantial gains from the paperless clearance reform. Among all the declarations we processed last year, 31.891 million were paperless, taking up 46.9% of the total. We accelerated the pilot project implementation on Customs-CIQ 3 “once-and-for-all” cooperation by expanding the trial from covering 1 province to 17 Customs districts in 8 provinces, and thus improving Customs control efficiency and facilitating clearance. In 2013, aiming at building a long-term mechanism to regulate the administration of Customs control venues, we did all we could to find out all about the 1,875 Customs control venues throughout the country which are currently under operation and checked some of them. The operators of those 95 which were below the standards were required to fix the problems within a prescribed period of time, laying a solid foundation for Customs officers to enhance the actual Customs control over the goods. We also reinforced our role as a fighter against terrorism at the border, which was

shown by the seizure of 103,400 unauthorized publications, 426,350 religious pamphlets (leaflets) for distribution, over 5,900 guns and more than 30,000 bullets.

In 2014, China Customs shall,

----promote with force the cooperation on regional clearance to make possible the integration into one of the differentiated clearance processes among various Customs districts and the cross-Customs “obstacle-free” clearance, which means meaningful progress shall be made on the merging of the clearance proceedings between Beijing and Tianjin, the “declare at home, release at port” model shall be extended to be used by all the export-oriented manufacturing-based enterprises which have the credit rating of “B”, and the “declare at home, release at home” model shall be used by all the A enterprises.

----encourage the use of paperless clearance model, turning 70-80% of all the declarations into paperless ones by the end of the year.

----launch a pilot project on “two-steps declaration”.

----consolidate our gains from the work done to achieve the inspection rate and seizure rate of 2013 by exploring the means to give corresponding guidance based on the distinct Customs control facts of different areas and making the actual seizure as the main criterion to assess the performance.

----push forward on the building of a new logistics monitoring system, accelerate the establishment of the Modern Customs Control

Demonstration Venue on a trial basis, innovate the control model for passenger luggage and postal items, and make more efforts to address the problem of “Shuikē”.

----continue to improve Customs officers’ awareness of fighting against terrorism and pay special attention to those items which might be used in terrorist activities when exercising Customs control.

----enhance Customs control over such items as nuclear, chemical and explosive materials, weapons and ammunition, drugs, unauthorized publications, overseas wastes as well as intellectual property rights infringing items.

----expand the Customs-CIQ 3 “once-and-for-all” cooperation based on the review and assessment of the pilot project, trying to popularize this cooperation scheme throughout the country by the end of the year and bring benefits to more enterprises.

----optimize the Customs control and clearance procedures for cross-border e-commerce and outline the related convenient measures by introducing novel Customs control ideas and improving Customs control models, which are both backed by information sharing.

----maintain a tough stance against terrorism by intensifying anti-terrorism and stability ensuring efforts at the border based on the well-received notion that “safeguarding national gateway” is the principal political mission of Customs.

V Customs Control over Bonded Operations

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

In 2013, China Customs made the following efforts : a) outlining 18 measures to support the establishment of China (Shanghai) Pilot Free Trade Zone with the support of the novel Customs control ideas, mechanisms and methods following the principle of “open the first line and control the second line” ; b) developing the Hierarchical Customs Control Measures for Hengqin New Development Zone and Pingtan Comprehensive Pilot Zone; c) accelerating the development of the cross-border e-commerce by starting a pilot project in 5 cities; d) promoting the integration of Customs Special Control Areas and presenting a more optimized layout of these areas by opening another 5 bonded areas approved by the State Council in the year; e) improving Customs control over bonded operation with special efforts being made to assist in the upgrading and transformation of the processing trade as well as the interaction between the inland and coastal areas; and f) approving the opening of 3 bonded logistics centers (type B).

In 2014, China Customs will innovate the control scheme for China (Shanghai) Pilot Free Trade Zone with the help of an IT-driven, security-oriented, law-based, convenience-focused and intelligence-centered management program on reforming and upgrading 3 complementary elements(i.e. personnel, equipment and information system). We will take the integration of Customs Special Control Areas a step further and continue to improve the overall layout of these areas. In 2014, we will adopt measures to promote the development of processing trade : for the processing trade in the eastern part of the country, we shall upgrade the current operation by encouraging processing enterprises to concentrate their business in Customs Special Control Areas and to produce products with higher added value in a much expanded industry chain; meanwhile, taking into consideration that both inland areas and border areas are required to open wider to the outside world, we will open more Customs Special Control Areas and bonded zones in such places to help them get ready for the gradient relocation of the processing industry. In this year, efforts will also be made to create a bonded operation management mechanism that builds on the concept of “Part Number Administration”, to upgrade the systems to control unit consumption, to encourage the practice of doing bonded operations in a paperless way, and to speed up the building of a monitoring system over the bonded operations.

VI Audit-Based Customs Control

Audit-based Customs Control mainly involves 3 aspects, namely, audit-based control over enterprises, risk management and management over enterprises.

Audit-based control over enterprises means that, within 3 years upon the 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 activities.

Risk management means Customs officers, using science-based approaches, first identify the key factors that need to be “inspected” and “controlled” after gathering as much information(both internal and external) as possible, and then finish such Customs processes as frontline Customs control, follow-up control, anti-smuggling and case investigation with full consideration being given to such factors to allocate resources more effectively, to inspect and exercise Customs control with more accuracy and thus to achieve utmost efficiency in Customs work.

Enterprise Management means Customs, acting in line with its mandate

to exercise control over inward and outward goods, administrates the parties or their agents to make sure their import and export activities, the other activities that are related to import and export and their internal management are done in accordance with Customs laws and regulations. Management over enterprises, which mainly includes management over enterprise registration, enterprise classification and services for declaration making, will have positive effect on every link of Customs control.

In 2013, China Customs audited 11,202 enterprises, carried out inspection over bonded operation for 19,780 times, collected RMB 4.18 billion of evaded revenue and regulated the import and export activities of more than 3,800 enterprises, fulfilling its responsibilities as the leading supervisor for AA enterprises and thus improving the effectiveness of Customs control. We enhanced risk assessment based on a further developed risk information study mechanism, supporting with force the classified clearance reform and the paperless clearance reform. Last year, through the advance of the reform program of classification management over enterprises and the efforts to establish a long-term mechanism on Customs-business cooperation, we assisted the enterprises in their efforts to build complaint and self-disciplined entities for more clearance convenience and preferences given by Customs.

In 2014, we will do the following: a) to push forward the comprehensive

reform and innovation on audit-based Customs control; b) to make special efforts to create a synergic and effective follow-ups management model ; c) to develop further the Customs management system over enterprises' credibility; and d) to try to establish a highly efficient work mechanism to manage risks.

VII Customs Statistics

Customs statistics compilation refers to the process in which Customs produces China's import and export statistics. It is an important part of the national economic statistics production. Following the principle of making the producing process and the statistics "accurate, timely, scientific, complete and internationally competitive", China Customs, which employs the statistical standards recommended by the United Nations, studies, analyses, monitors and conducts early warning over China's imports and exports in term of statistics production to fully and precisely reflect the faring tendency of foreign trade. China Customs, a world leader on timely data release, produces and issues monthly in both Chinese and English various statistical materials. It reports periodically to the United Nations Statistics Bureau, the WTO and other relevant international organizations about statistics of China's foreign trade and exchanges as well as cooperates extensively with its counterparts in the countries and regions which are China's major trading partners, for example, U.S.A, E.U., Russia, Korea and Hong Kong SAR.

In 2013, China Customs improved steadily the quality of the statistical data through a much enhanced ground work. We carefully conducted research and early warnings, assessed periodically the macro economic situation and the tendency of foreign trade, and submitted timely the analysis reports to the higher authorities. Our endeavors also included making suggestions to promote the steady growth of foreign trade with a lot of them being approved and accepted by the State Council, for example, the one to expand the import of certain goods.

In 2014, China Customs will adopt a whole range of measures to improve its statistical work, which include, to establish a Renminbi-denominated quality control and issuing system on Customs statistical data based on the more optimized and upgraded statistical principles and methods, trying to do a better job on data release and data-related policy explanation; to officially issue the China Export Leading Indicator by doing a lot more on information studying and in-depth analysis; to fully develop a contingency mechanism to support the constant early-warning and surveillance over import and export activities; to reinforce Customs statistics' role of monitoring and surveillance; and to serve more effectively national macro-economic decision-making by making a special effort to study the principal, hot issues and those difficult, overarching problems and by providing timely, accurate and authentic statistical information and reports with insights and perspectives.

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 285 first-class ports across the country, whose opening are required to be approved by the central government. According to the statistics produced under the framework of the Integrated Clearance Project, ocean-going imports and exports can usually be released within 24 hours, air freight cargo 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 SARs.

In 2013, by following the national plan for port development, China Customs intensified its efforts on examining port opening applications. Also, a "Green Channel" was opened last year to facilitate the clearance of agricultural products across the Sino-Kazakhstan border.

In 2014, through the perfection of the Enforcement Coordination Mechanism for Ports and resource integration, China Customs will

promote the clearance cooperation between the ports in coastal areas and those in inland areas and in border areas as well to support the further opening of the inland and border areas. We will launch a pilot project on “Single Window”, aiming at pushing through among different border agencies the 3M framework (i.e. mutual recognition of controls, mutual administrative assistance and mutual exchange of information).

IX Customs Legal Framework

In our country, laws reflect people’s wills. China Customs, as the competent authority that supervises and manages all arrivals in and departures from the country, is committed to law-based administration, to a standardized, impartial and culturally-advanced law enforcement, as well as to fairness and justice, which, in our consideration, is the most effective way of showing people’s will and the most compelling evidence of law enforcement in the interests of the people. Meanwhile, Customs officers, who are all serving in a public service unit, shall always answer correctly the question of who’s interest shall be the first to consider by streamlining administration, delegating more power to lower levels and deepening the reform of the system concerning matters subject to government examination and approval. We shall try to build an upright Customs which focuses on “control, reduction, simplification and facilitation” to make itself better perform its functions of creating a favorable environment for development, providing quality public services, and maintaining social fairness and justice.

In 2013, China Customs promulgated 8 regulations and amended another 23 in support of the reform of the system concerning matters subject to government examination and approval. We strived to achieve a higher degree of consistency in law enforcement by the perfection of the relevant mechanisms and supplementary systems, the addressing of the 12 prominent problems of inconsistency in law enforcement and the outlining of the *Measures on Standardizing the Discretion*. We mounted the operation codenamed “Clearance Sale” to auction and dispose the confiscated items (assets, money) according to law, improving the management over such items.

In 2014, we will develop a long-term management mechanism on matters requiring administrative examination and approval to limit the number of such matters. We will outline a long-term scheme to ensure there will be greater consistency in law enforcement. Through the steady advancement of the measures, we will standardize the use of discretion continuously with such key fronts as commodity classification, unit consumption management and administrative penalty as the main targets. We will intensify the law-making efforts on the principal fronts, with equal attention being paid to the enactment, amendment and repeal, to pave the way for the deepening of the reform in terms of legal support. Moreover, we will encourage the innovation of the work mechanism governing such legal remedies as administrative review and Customs Intellectual

Property Rights Enforcement with the support of the much more intensive education programs launched by Customs on increasing public awareness of law.

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.

In 2013, China Customs made great progress in developing science and technology, making them a more prominent supportive force behind the service improvement for enterprises, closer Customs control and the upgrading of clearance environment. Last year, we started the Stage II of Golden Customs Project after finishing the applying process for its initiation. We took forceful measures to encourage the use of the fruits of the H2010 project and completed successfully the optimization and upgrading of the E-clearance system of the project, supporting such reform programs as paperless clearance and regional clearance. Also, following the Twelfth Five-year Plan for E-ports, we sped up the building of the E-port system both for the central and local governments, pushed forward the pilot service program on cross-border e-commerce and accelerated the pilot project on Customs-CIQ 3 “once-and-for-all”

cooperation.

In 2014, we will continue to support the various reforms on Customs operation through technological innovation. Pooling the efforts of Customs administrations throughout the country, we will solidly advance the construction of the Stage II of Golden Customs Project under which 12 key sub systems (for example, the National Customs Monitoring and Steering System and the Credibility Management System for Import and Export Enterprises) will be built through top-level design and technological innovation backed by such cutting-edge technologies as internet of things and cloud computing. With the support of the Stage II of Golden Customs Project, we will try to establish a comprehensive modern Customs clearance management system featuring the integration of operation, technologies and administration as well as the ever wiser use of technology to back especially such principal projects as China (Shanghai) Pilot Free Trade Zone, cross-border e-commerce platform and clearance integration between Beijing and Tianjin. Meanwhile, following the directions given by the State Council, we will expand the pilot project on cross-border e-commerce and promote information sharing on export enterprises credibility, which, will be done under the framework of the E-port system. In the year, efforts will also be made to trial the pilot project on “Single Window” and to push through among different border agencies the 3M framework (i.e. mutual recognition of controls, mutual administrative assistance and mutual exchange of information), aiming at

facilitating trade.

XI International Cooperation

Since China became a full member of the World Customs Organization (WCO) in 1983, China Customs has been increasing its presence in the high-level dialogues and exchanges, playing an active role in the decision making and rule making process for international Customs affairs, holding important WCO conferences and activities, establishing regional WCO institutions, presenting to the world the achievements China has made in its reforms, encouraging the integration of the ideas and practices for promoting the country's modernization with those international ones and taking part in various WCO affairs, such as human resource development and capacity building. Meanwhile, keeping in mind the over-all situation of the country's international exchanges and foreign trade, China customs has assumed the role as a maker for multilateral rules of trade facilitation which could be manifested by its participation into the trade facilitation negotiations and discussions under the framework of the World Trade Organization (WTO) and the useful contributions it has made to the reaching of the "World Trade Organization (WTO) Agreement on Trade Facilitation". What's more, China Customs has taken part in a pragmatic way into the cooperation on Customs affairs under the framework of Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM) and BRICS, making positive progress on such fronts as trade facilitation and security,

capacity building, social protection and the environmental protection.

In 2013, China Customs took the following steps to expand international cooperation:

--making a proposal for and initiating on the international arena the joint Customs Operation codenamed DEMETER III targeting illegal maritime shipments of hazardous and other wastes, and signing several bilateral agreements against such a background;

--expanding cooperation on the international programs of China-U.S. Customs-Trade Partnership Against Terrorism, Authorized Economic Operator (AEO) and EU-China Pilot Project on Secure and Smart Trade Lanes;

--carrying out the cooperation with the Customs with a step-by-step approach along the Chongqing-Xinjiang-Europe and Zhengzhou-Europe rail route for freight transport;

--promoting in a pragmatic way the cooperation on Customs affairs under the framework of Greater Mekong Subregion Economic Cooperation (GMS), the Shanghai Cooperation Organization (SCO) and Central Asia Regional Economic Cooperation (CAREC);

--supporting the State's strategy of free trade zones by participating in the negotiations for such issues as rules of origin, Customs procedures and trade facilitation concerning Sino-Iceland Free Trade Agreement, Sino-Swiss Free Trade Agreement, China-Japan-South Korea Free Trade Agreement and Regional Comprehensive Economic Partnership.

In 2014, China Customs, focusing on safeguarding interests of the country's international exchanges, foreign trade and the key Customs reform programs, will enhance international cooperation with a pragmatic attitude by devising carefully the plans on bilateral and multilateral cooperation with major trading partners and neighboring countries, promoting trade facilitation, giving impetus to the building of the Silk Road economic belt and the 21st-century maritime Silk Road as well as helping the enterprises in their efforts to “go global”. On the international arena, we will intensify bilateral cooperation between regional Customs, Customs at the borders, and between the ports expand enforcement and capacity building cooperation and take an active part in the rule making process for international trade and Customs operation through drawing on the advanced experiences adopted by the international Customs community. This year, aiming at making new contributions to the country's economic upgrading and social development, we will try every means to have a bigger say in such multilateral mechanism as the WTO and WCO, and to make the relevant APEC conferences (which will be held by China Customs in 2014) a complete success.

XII Building a Para-military Customs Force

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 para-military 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 stand all tests as well as ups and downs.

In 2013, we presented to the public a para-military image with improved morale based on the earnest learning of the essence and soul of the People’s Liberation Army. We have taken a full range of measures to build a more competent workforce:

--contributing to the accumulation of “positive energy” in the society by launching the campaign of following the role models selected as “good people” among Customs officers, for example, Liu Peng;

--intensifying the scientific-based management over personnel by improving the structure of the management board, enhancing the work of personnel exchanges, making progress on the pilot project on selecting and hiring Customs specialists, standardizing the administration size control and personnel training regulation, paying more attention to the supervision of officials and pushing through the scheme on defining the career maps for the associated public units;

--implementing in a down-to-earth manner the liability system to build a clean and honest administration by using more effectively the “dual investigations for one case” module and upgrading the Customs anti-corruption rules and disciplines;

-- outlining the “25+10” measures scheme to reject extravagance and improve work style under which the undesirable work styles of formalism,

bureaucracy, hedonism and extravagance were being fought in right earnest through finding over 1100 related problems, the outlining of the over 2,600 regulation measures, the launch of the over 500 special regulation programs, the completion of the over 1,600 regulation projects, the removal or the handing down of the power of 7 administrative items as well as the repeal of the 512, the amendment of the 702 and enacting of the 394 laws and regulations; and

--enhancing the role of the hotline “12360” as an instant service provider by giving answers to people who had raised relevant questions for over 1 million shifts in the year.

In 2014, China Customs will take the following steps to enhance its team building work.

(a) We will adopt an array of measures to continue to educate its workforce, which include asking Customs officers to advance the learning and implementation of the guiding principles articulated in the series of speeches made by president Xi Jinping, launching programs to help Customs officers get a much more profound understanding of the idea of building a socialist society with Chinese characteristics and realizing the Chinese Dream, giving emphasis to the study efforts made by the Central Group of the management board (party committee) of Customs administrations at all levels, initiating special rotational training programs for Customs officials at or above the director level and starting normal training courses for all of the Customs officers.

(b) Drawing upon the successful experiences we have gained in the campaign for the first batch of government agencies, we will take an active part in the Mass Line Campaign for the second batch, trying to fight the 4 undesirable styles in work place (i.e. formalism, bureaucracy, hedonism and extravagance), build the image as an attentive public services provider based on the idea that “people’s Customs shall work for the people”, and solve the problems that are most disgusting to the people.

(c) We will strive to improve our work on cadre assessment and appointment by encouraging all the Customs administrations to meet the overall requirements of “*safeguarding national gateway, providing quality service, preventing potential risks and building qualified forces*” , perfecting cadre assessment mechanism, making progress on selecting officers as “backup” officials, further developing the system of selecting senior officials from the primary level and from frontier officers, improving the mechanism on personnel exchanges based on the advance of the cross-sector exchange program and the internal exchanges program as well as expanding the pilot project on Appointing Customs Specialists and on the administration over the civil servants who are qualified to be “Customs Professionals”.

(d) Following the principle of “reducing the number of staff who work in the office while increasing the number of those who work as frontier

officers”, we will use human resources more effectively in a quality-focused way based on the notion that “need-driven posts shall have their perfect match”. The General Administration of Customs will lead the way by picking up cadres and encouraging them to work in the regional administrations in various ways; while the directly affiliated Customs districts shall follow by supporting officers who originally work in the office to do the frontier jobs.

(e) We will intensify our efforts on the building of a para-military workforce by developing stronger self discipline among Customs officers, promoting good practices in daily work in a continuous way and carrying out on-the-job training programs in right earnest for the acquiring of basic skills.

(d) Through exposing and popularizing the stories of the role models found in local Customs administrations, we will foster greater respect of Customs core values and give stronger impetus to the translation into practice of such values.

Major Operational Statistical Data of China Customs in 2013

58,6700 arriving and departing airplanes

48,6800 arriving and departing vessels

24,149,400 arriving and departing vehicles

3,600,000,000 tons import and export goods

US\$4160.31 billion worth of import and export goods
314,475,400 inward and outward postal items and luggage
1,833,621,500 inward and outward items through express
mail service
68,022,500 import and export declarations
2,998,000 declarations of goods inspected
18,920 smuggling cases ferreted out involving a value of
RMB 40.875 billion
4,565 persons imposed mandatory measures
RMB 1664.102 billion net Customs revenue