

Minister's Message

The year 2014 is an important year in China's reform process. China Customs, based on the overall situations and customs reality, actively served the overall interests of the country by earnestly applying the strategies devised by the central government and the State Council and adapting to the changed situations brought by the economic globalization. Customs officers, who truthfully fulfilled their responsibilities, comprehensively deepened reforms, and forcefully enhanced the team-building efforts, reached all the goals set for the year with new breakthroughs achieved in reform and innovation, new headways made in customs control and port management, new progresses reported in law-based customs building and in science and technology, a new look taken up by the workforce, and a new stage of cooperation gone through in customs international exchanges. Our work last year was recognized and approved by people from all walks of life.

The year of 2015 will be crucial for comprehensively deepening reform and also the first year for fully advancing the law-based governance of the country. China Customs will shoulder greater responsibilities, take up heavier tasks and meet higher standards in customs work, as the international situation continues to experience profound and complex changes. Faced with the new situations, we will push forward the building of a learning-based, service-oriented, law-observing, corruption-free and innovation-driven Customs that works on the basis of

a practice of the general requirements of “doing a good job at four aspects” (safeguarding national gateway, providing quality services, preventing potential risks and building qualified forces) , with special efforts made to fully implement the strategies developed by the central government and the State Council, apply the spirit set forth in CPC General Secretary Xi Jinping's important speeches, follow closely the strategic blueprint of “Four Comprehensives” (i.e. comprehensively build a moderately prosperous society, comprehensively deepen reform, comprehensively implement the rule of law and comprehensively strengthen Party discipline), and master the “new normal” theory to actively fit in its framework. Adhering to the general work guideline of making progress while maintaining stability, Customs officers, who are full of confidence and daring to commit themselves, are ready to make new contributions to serving the national interests and promoting social stability and harmonization.

China Customs will comprehensively deepen the reforms with “three mutuals” (mutual exchange of information, mutual recognition of controls and mutual assistance of enforcement) scheme and the integrated clearance project as the priority. Focuses will be put on putting into practice The Belt and Road Initiative, expanding the clearance integration reform program, popularizing the pilot of “Single Window” in International Trade, enhancing Customs-CIQ cooperation on “three singles” (single declaration, single inspection and single release),

adopting the “one-stop” work approach, advancing the paperless clearance reform, supporting pilot Free Trade Zones construction, accelerating the integration and optimization of customs special control areas, reforming the taxation models and rationalizing the national ports layout. In all, Customs officers will try their best to support the country’s all-round opening up and promote trade security and facilitation, making customs services accessible in a far more larger area.

China Customs will build a law-based administration with coordinated development between rule of law and relevant reforms made as the key. We will build a law-based customs administration featuring advanced streamlined administration, more effective power delegation to the lower levels, more standardized discretion, and enhanced unified law enforcement. We will do better at our groundwork with attempts made to accelerate the establishment of an enterprises credibility management system, improve our services and the customs control methods with more IT application as a support, clear up fees collected for services provision in the import and export processes, reduce enterprises’ burden, keep the public informed of customs matters backed by an improved information disclosure mechanism, give full play to market entities, and create an environment where fair competition is encouraged. In the meantime, we will improve the effectiveness of customs control, take a tougher stance on smuggling and enhance customs enforcement of intellectual property rights so as to keep the import and export order.

China Customs will continue to serve the national economic development with the innovation-driven strategy as our guiding principle. We will take measures to support the development of such new types of business and new business models as cross-border e-commerce, promote the upgrading and transformation of processing trade, and enhance customs statistical analysis, trying to become a more supportive force behind the steady growth and restructuring of foreign trade. We will enhance international cooperation accordingly with efforts made to push forward such key cooperation programs as the “Authorized Economic Operators” (AEO), Smart and Secure Trade Lanes (SSTL), Green Lane, Joint Law Enforcement and FTAs based on a more extensive participation into various international customs affairs and taking on the fulfillment of international obligations. Also, the promotion and the encouraging of the building of international logistics gateways, connectivity with other countries, clearance facilitation and helping enterprises going global are on top of our agenda, as part of our endeavors to seek win-win cooperation with our counterparts.

China Customs will build a competent workforce with the importance of making comprehensive efforts for strict administration of the CPC highlighted. Adhering to the requirements of strictly governing the Party in accordance with rules, China Customs will further enhance the exemplary and vanguard role of the customs Party organizations backed

by a Party work accountability mechanism. We will educate Party members and cadres to cherish the Party's ideals and beliefs, uphold the Party's spirit, follow the Party's work style and value customs professional ethics, so that they, remaining highly cohesive, will have a better understanding of the idea that "people's Customs shall work for the people". Based on the concept of "lean at the top and strong at the bottom", we will do better at human resources allocation and daily management to improve the basic and professional competence of our workforce. Also, in the year, special efforts will be made to continuously improve work style, discipline acceptance and "two responsibilities" scheme implementation to advance further the building of a clean and honest administration and the anti-corruption work.

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 against 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 customs control, Customs enforcement of intellectual property rights, fighting against 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 and offices at the same level (i.e. Guangdong Sub-Administration of Customs that is in charge of 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), 697 Customs houses or offices and nearly 4,000 Customs clearance control stations. It has a staff force of around 60,000 (including Customs anti-smuggling police).

China Customs' general work 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

Customs revenue collection is an important part of the nation's tax collection work. It also serves as a vital tool for national macro-control. Currently, the revenue collected by China Customs mainly includes customs duties, import VAT, consumption tax and vessel tonnage tax. The Chinese government has been working earnestly to honor its tariff reduction commitments made upon China's accession to the World Trade Organization (WTO), and lowered its tariff rate year by year. By 2010, China has fulfilled all its tariff reduction obligations, reducing its

average arithmetic tariff rate from 15.3% (before the accession to the WTO) to 9.8%.

In 2014, faced with the grave situation in revenue collection, China Customs, which adopted a responsible attitude, rose up to the challenges and has employed effective measures to prevent loss or theft of the revenue based on a law-based administration over revenue collection. Customs officers trialed the pilot program on regional revenue collection integration and the mechanism for coordinating the processes of document examination, customs valuation, classification and place of origin identification among different regions, pushed forward on the execution of such reform programs as centralized taxation and paperless tax bill to change the ways of revenue collection and further improved the revenue collection evaluation mechanism. Thanks to the efforts that have been made, we successfully achieved the budget targets set for the year. The net annual customs revenue submitted to the national treasury in 2014 stood at RMB1726.856 billion, a year-on-year increase of 3.77%. Also in last year, China Customs made a special effort to implement the Free Trade Zone strategy which could be manifested by our participation in and the efforts made to support the conclusion of the substantial negotiation of the Sino-Australia and Sino-Korea free trade agreements. By 2014, China has granted RMB33.33 billion worth of preferential duty to USD77.75 billion worth of goods which were imported under the 15

preferential trade arrangements implemented by the country, up 16.7% and 14.3% respectively.

In 2015, China Customs will take the comprehensive revenue collection management improvement a step further. Keeping in mind the overall interests of the whole China Customs, we will take effective measures to fight against tax evasion and tax dodging based on a law-based administration over revenue collection and a zero tolerance of the over collection of revenue. We will support the import expansion of such items as advanced technologies and equipment, key components and parts, crude oil and airplanes by further studying the tax policies and earnestly implementing the State's measures on promoting the steady growth of foreign trade. We will outline a plan on establishing revenue collection centers in the country, as part of the preparation work for a specific national layout. We will promote the centralized taxation model, the paperless tax bill model and other reform measures to change the way of revenue collection, trying to establish revenue collection and management systems that can fit the needs of the new clearance models. Also, we will do better on risk prevention and control and improve quality assessment methods to secure both tax paying conveniences and taxation safety.

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 relevant authorities, all smuggling cases are disposed of by China Customs following a unified procedure and are dealt with in an integrated manner.

In 2014, China Customs, focusing on solving the overarching smuggling problems that might be a threat to national economic development and people's life, launched a series of special operations and enhanced its efforts on administrating in an integrated way. The broad spectrum of efforts made by Customs officers reaped real anti-smuggling results with the major case handling indicators pointing up to hit a record high. In 2014, we filed for investigation 2,275 criminal smuggling cases which involved a value of RMB66.984 billion and evaded revenue of RMB12.458 billion, a year-on-year increase of 10.4%, 65.5% and 61.4% respectively. We cracked 170 big criminal cases with the evaded revenue exceeding RMB10 million in our endeavors to fight against the smuggling of such key and sensitive commodities as agricultural products, automobiles and refined oil, an increase of 110% comparing to that of last

year. We seized 4.4 tons of drugs, identified 192,000 tons of hazardous wastes shipped from overseas(a year-on-year increase of 230%), and intercepted 165 tons of smuggled Red sandalwood, ivory and antelope horns, in our hard work to combat such illegal activities as drug trafficking, weapons/ammunition smuggling, hazardous wastes smuggling and endangered species smuggling. Customs officers have made great contributions to safeguarding national security and protecting people's interests with the arduous anti-smuggling efforts.

In 2015, following the overall plan for promoting economic, political, cultural, social, and ecological progress, China Customs will continue to maintain a tough stance on smuggle activities. We will do the following: a) to launch 5 special operations to fight strongly against the smuggling of agricultural products (such as grain, cotton, sugar, edible oil and frozen products) , the smuggling of key dutiable items, the smuggling of drugs and guns, the smuggling of overseas wastes and the smuggling of endangered species(such as ivory) ; b) to push forward on the “two improvements” scheme which aims at strengthening the combat of the smuggling along the principal border areas through secret transportation and the circulation of smuggled goods based on a close cooperation with local governments and related government departments; and c)to consolidate the role of smuggling combating as a supportive force to the social and economic development in a harmonious and steady way by comprehensively deepening reforms, encouraging innovations, advancing

standardization of anti-smuggling law enforcement and improving anti-smuggling combating and administration ability.

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 2014, China Customs made great progress in reforming customs control models. For example, over 80% of the declarations out of the nation's total were processed under the integrated clearance model since the model had been trialed in Customs administrations in Beijing-Tianjing-Hebei area, the Yangtze River Economic Belt and in Guangdong Province; all the Customs administrations and Entry-Exit Inspection and Quarantine administrations in the country started to use the Customs-CIQ 3-singles model (which means single declaration, single inspection and single release for the same consignment of goods based on the close Customs-CIQ cooperation); and the paperless clearance model was popularized to be employed by all the customs control venues in every customs operation throughout the country.

At the mean time, China Customs made a special effort to enhance custom control, which could be manifested by the 5.6% of the average inspection rate and the 6.6% of the seizure rate over the imports and exports achieved in the year backed by the preliminary establishment of a workload classification and channeling customs control mechanism and the setting of more reasonable inspection evaluation standards, the substantial progresses made in the construction of the customs control demonstration areas, the promotion and popularization of the management system for inward/outward transportation means and manifests, the reinforcement of the role of Customs in border protection, the optimization of the customs control models over passenger luggage and postal items, the consolidation of the gains made from the previous endeavors on addressing the problem 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 by the deeper involvement of armed police force into customs work.

In 2014, we successfully finished our customs control tasks. Figures were as follows:

--exercising control over 3.891 billion tons of inward and outward goods with a year-on-year increase of 8.1%;

--exercising control over 32.7754 million inward and outward vehicles (flights, vessels) with a year-on-year decrease of 0.1%.

--exercising control over 48.602 million tons of imported solid wastes with a value of USD28.45 billion;

--exercising control over 939.1205 million tons of goods with a value of RMB8849.603 billion and processing 16.6622 million declarations under the regional integrated clearance model;

--processing 58.9769 million paperless declarations which takes up 82.99% of the nation's total.

In 2015, China Customs will continue to encourage the efforts in introducing and deepening reforms. We will accelerate the execution of the reform program on national clearance integration to make cross-Customs clearance and logistics easier and smoother. Drawing upon the successful experiences gained from the regional clearance integration program carried out in 2014 in the Customs districts in Beijing-Tianjin-Hebei area, the Yangtze River Economic Belt and in Guangdong Province, we will promote the clearance integration model to be used by all Customs districts in the country backed by an improved internal cooperation and mutual recognition mechanism. We will enhance the Customs-CIQ 3-Singles Cooperation which features the synchronized processing of the transportation means and goods by different port agencies to make possible the overall popularization of the one-stop work approach. We will push Customs administrations to employ the paperless clearance model in all customs control venues in the country in every customs operation. We will optimize the composition and the submitting way of the attached documents needed for customs formalities to adapt to the national use of the paperless

clearance model. Also, we will launch programs to trial the “separate processing for one declaration” model.

Meanwhile, China Customs will take the following steps to enhance the groundwork: a) to push forward on customs control mechanism innovation and optimization, customs control demonstration area construction and logistics monitoring system improvement; b) to make innovations on customs control models for Multimodal Transportation; c) to establish a unified logistics monitoring system that connects the port agencies and customs special control areas; d) to deepen the reform on customs control over postal items and passenger luggage; e) to protect the environment with greater force by enhancing customs’ efforts on radiation detection and blocking the inflow of nuclear items, chemical items, explosive materials and other dangerous goods; f) to intensify customs control to stop the bringing in and out of illegal publications and unauthorized materials; g) to include the addressing of the problem of “Shuike” as part of customs work routine; h) to build a national management system for postal items and luggage control; i) to make customs management “smarter” with greater IT application as the base by employing cutting-edge technologies and using machines to do more of the work that used to be done by man; and j) to improve the long-term mechanism on armed police force’s involvement into customs work.

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 to adapt to the changed situations, giving a further impetus to the development of China's international logistics industry.

In 2014, China Customs, using China (Shanghai) Pilot Free Trade Zone as a test bed for customs control innovations, launched 23 facilitative measures and successfully replicated and promoted 14 of them nationwide. Also, in the year, our endeavor to optimize the layout and integrate the customs special control areas showed results, which was well-evidenced by the outlining of a itinerary reform plan and the execution of the pilot reform programs agreed by all the concerned parties.

For the whole year of 2014, China Customs worked hard to promote the steady growth of foreign trade based on an active pursuance of truly outstanding performance, especially excellent services. We tried harder to translate into practice the gains we had made from our previous efforts to upgrade and transform the processing trade. We supported the development of the demonstration areas and the pilot cites for processing trade upgrading and transformation and popularized the successful

experiences we gained from our trials. We made great progress in the construction of the Hengqin New Development Zone and Pingtan Comprehensive Pilot Zone through vigorously making innovations on customs control models. Even CPC General Secretary Xi Jinping praised highly customs work when he was visiting Pingtan Comprehensive Pilot Zone on November 1, 2014, saying that the management model in Pingtan was “unique in the country and deserved further exploration”. Also, in the year, we made a special effort to do a good job on the examination, applying for approval and approval of the customs special control areas and bonded zones, which could be manifested by the opening of another 9 customs special control areas approved by the State Council and the approval of the opening of 22 bonded logistics centers.

In 2015, we will try to create a drive for customs reform and innovation by continuing to launch, replicate and promote the facilitative customs control schemes proposed especially for China(Shanghai) Pilot Free Trade Zone, supporting the constructions of the pilot free trade zone in Guangdong, Tianjin and Fujian, and playing a vanguard role in trialing various reform measures. We will accelerate the optimization and integration of the customs special control areas and implement the “Belt and Road” strategy backed by the customs special control area platform. Also, in the year, we will reform our systems on managing unit consumption.

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 the period of three years from the date of release of import and export goods or within the period when the bonded goods, goods with import duties reduced or exempted are subject to customs control and of three years thereafter, Customs verifies the account books, accounting documents, declaration documents, and other related documents as well as the relevant import & export goods of the enterprises and institutions directly related to import and export, 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, 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 credibility and services for declaration making, will have positive effect on every link of customs control.

In 2014, China Customs conducted audits over 10,472 enterprises, and completed 14,224 verifications of bonded operations, with RMB4.678 billion of duties and taxes turned in to State coffers and 6,118 problems and situations of various kinds identified as a result of those audits and verifications, 1,714 of which were clues to smuggling and other violations, involving RMB1.515 billion of duties and taxes and RMB18.732 billion of cargo value. By the end of 2014, the total number of high-credibility enterprises (enterprises with advanced certifications and those with general certifications) had reached around 41,000. The audit-based control mechanism had been further optimized, leading to more effective post-clearance control. A new enterprise credibility management scheme was established, and the scope of international cooperation for “Authorized Economic Operator” (AEO) gradually

expanded. The classified clearance model had been continuously improved, and the application and practice of risk management optimized.

In 2015, China Customs will focus on the development of “one center, two systems” to establish a two-level risk prevention and control center, and push forward on the development of the post-clearance control system and the enterprise credibility management system. By the end of 2015, the plan for the construction of the risk prevention and control center will be formulated to specify the overall layout across the country. “All-in-one” integrated audits and verifications will be implemented, and the scheme for “voluntary disclosure” by enterprises will be established. Comprehensive efforts will be made to push ahead the development of the risk management system, the integrated business management platform will be improved, and the establishment and application of the Credibility Database for Import & Export Enterprises will be accelerated. Explorations will be made to implement flexible audits, and the coordinator scheme to better serve enterprises will be comprehensively rolled out.

VII Customs Statistics

Customs statistics are statistics of trade in goods imported into and exported out of China, which represent an important component of the

statistics of the national economy. Following the principle of making the producing process and the statistics “accurate, timely, scientific, complete and internationally comparable”, and comprehensively applying the statistical standards recommended by the United Nations, China Customs studies, analyses, monitors and conducts early warning over China’s imports and exports through statistics production to fully and accurately reflect the faring tendency of foreign trade. China Customs produces and issues monthly in both Chinese and English various statistical materials, holding a leading position in the world in terms of timely data release. It provides periodically to the United Nations Statistics Division (UNSD), the WTO and other relevant international organizations the statistics of China's foreign trade, and has conducted extensive exchanges and cooperation with its counterparts in countries and regions which are China’s major trading partners, for example, the U.S.A, the E.U., Russia, Korea and Hong Kong SAR.

In 2014, China Customs statistical analysis and report compilation scored remarkable results. Centering around China’s foreign trade situation, China Customs strengthened its analytical studies and statistical monitoring to timely reflect the dynamic changes in foreign trade, and released RMB-denominated statistics and China’s Export Leading Indicator. In 2014 alone, three press conferences were held by China Customs at the State Council Information Office to announce and brief on import and export situations of China. High-quality information and

reports were submitted to the General Offices of the CPC Central Committee and the State Council, on which 292 written instructions and comments were given by national leaders.

In 2015, China Customs will strengthen policy research to realize research synergy and support the national macro-level decision-making, and actively participate in the formulation of the “13th Five-Year Plan” of the country. Research will be conducted to further develop the customs statistic system, improve statistic methods, explore the establishment of big data application mechanism, and improve fast notification mechanism once any anomaly is identified through data analysis. Efforts will be intensified to study the trends and signs of change of foreign trade, so as to provide timely and accurate statistic information as well as profound and forward-looking reports and better serve the decision-making by the central government, relevant departments and enterprises.

VIII Port Management

Port management refers to the process in which Customs, according to the State Council’s requirements of promoting integrated clearance (involving such different steps of the value chain 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

a total of 288 ports approved by the State Council for opening to the outside world.

In 2014, China Customs took the lead in conducting a “Single Window” pilot for international trade in China (Shanghai) Pilot Free Trade Zone, and was active in replicating the pilot experience by launching preparatory work for expanding the pilot to 10 coastal provinces and 5 municipalities with independent planning status. A national port management conference was successfully held, which was addressed by Vice Premier Wang Yang, who made important instructions about the directions and tasks for port management for a period of time to come. China Customs promoted the establishment of an inter-agency coordination meeting mechanism on port management, giving further play to the leading role of the National Port Administration Office and representing a new stride in developing harmonious ports. New clearance arrangements were realized at ports in Zhuhai and Macau SAR. In addition, the layout of ports has been gradually optimized, with 20 ports approved for opening or further opening in 2014. Port infrastructure was improved, resulting in gradually elevated throughput capacity. International exchanges and cooperation have also been gradually deepened, with much progress made in cooperation programs with multiple countries and regions, ranging from the establishment of long-term port cooperation mechanisms, the facilitation of opening of key ports, to promotion of clearance facilitation.

In 2015, China Customs will continue performing its port management functions seriously. Efforts will be made to promote the further development of integrated clearance through implementing the “three mutuals”, with a focus on execution of plans. A breakdown of tasks and assignments will be made, with clearly defined schedules and timelines. Fully implementing the Opinions of the State Council on Strengthening and Improving Port Management, China Customs will take the lead in formulating the “13th Five-Year Plan” on Port Development and the national standard on port inspection infrastructure, conduct innovations in port inspection mechanism and a pilot on joint law enforcement involving other port agencies, and deepen international port cooperation with Russia, Kazakhstan, Mongolia and Vietnam. It will also actively expand the international trade “single window” pilot to all sea ports in coastal areas by the end of 2015.

IX Customs Legal Framework

The year of 2015 marks the first year of the all-round efforts to promote rule of law. China Customs, as a competent authority for supervising and managing entries and exits, is committed to law-based administration, deeming it a fundamental requirement and principle for customs work. In keeping the national gateway and providing services, we will bear in mind our belief in rule of law, strengthen awareness, approach everything according to law, carry out law enforcement in the interests of the people,

make coordinated efforts for rule of law and relevant reforms, strike a balance between efficiency and fairness, discharge the due responsibilities of Customs mandated by law, safeguard the dominant position of the people in rule of law, and fulfill the goals and tasks of building a law-based customs administration. Meanwhile, Customs offices, as a window of the government, should always answer correctly the question of whose interests shall be the first to consider by streamlining administration, delegating more power to lower levels and deepening the administrative review and approval reform. We should try to build an upright Customs which focuses on “control, reduction, simplification and facilitation” to transform its functions towards creating an enabling environment for development, providing quality public services, and maintaining social fairness and justice.

In 2014, China Customs made down-to-earth efforts to promote rule of law. It sticks to the scientific and democratic approach to legislative work, with 28 customs rules either formulated or amended in 2014. Great efforts were made to standardize discretions, resulting in more standardized administrative discretions in key law enforcement areas and more unified law enforcement. Steady progress was made in terms of responses to administrative reviews, development of a team of public office lawyers, and dissemination of legal knowledge. Remarkable results were scored in customs enforcement of intellectual property rights.

In 2015, China Customs will continue following the spirit of the 4th Plenary Session of the 18th CPC Central Committee, earnestly implement the guiding opinions of the management board of the General Administration of Customs on strengthening rule of law, enhance its capacity in solving problems with the mindset and approach of rule of law, and carry out rule of law thoroughly in every aspect of customs work.

Strengthening legislative work. Efforts will be made to accelerate the legislative process on matters related to audit-based control, port management and anti-smuggling. Legal provisions related to comprehensively deepening reforms will be improved, customs rules and regulatory documents will be sorted and cleared up, and a long-term mechanism for “legislation, amendment, abolishment, interpretation” will be established to strengthen the completeness, consistency and operability of the legal framework.

Streamlining administration and delegating powers. Efforts will continue to be made to cancel as many items for administrative review and approval as possible and delegate more power to lower levels. China Customs will comprehensively clear up unnecessary administrative review and approval requirements, and eliminate unnecessary internal verification and approval formalities as well as management requirements which clearly show an unnecessary review and approval nature. Efforts will also be made to standardize and improve administrative review and

approval behavior and prohibit setting review and approval requirements illegally or in a disguised manner, so as to substantially elevate the level of management of administrative review and approval services.

Improving the decision-making mechanism. Rules of procedure for decision-making will be improved to define the scope and procedure of deliberation. The review mechanism for legality of administrative decisions will be improved and major decisions will be tracked for feedback.

Standardizing law enforcement behavior. Law enforcement procedure and methods will be improved. Explorations will be made to establish the system of recording the whole process of law enforcement. Efforts will continue for promoting uniformity of law enforcement. For administrative discretions in key law enforcement areas, China Customs will formulate the benchmark and standardizing measures for discretions. We will also establish a case guidance system and an administrative enforcement announcement system.

Strengthening the basis for rule of law. China Customs is adopting a legal advisor system to build a team of legal professionals for service provision. It will also do more in keeping the public informed of customs matters by improving the information disclosure mechanism and getting the 12360 hotline more effectively used. The responsibility mechanism of “whoever

enforces the law should popularize the law” will be implemented to have more intensive education and outreach programs and raise people’s legal awareness within and outside China Customs.

X Science and Technology

China Customs, having engrained the strategy of “building a smart Customs through science and technology” into 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 2014, China Customs adopted more innovations in science, technology and equipment. The Golden Customs Project (Phase II) entered the stage of full implementation, and the level of management using ICT technologies was further enhanced, thus providing better technical support for key reform projects. Pilots were conducted for application of such state-of-the-art technologies as IoT (Internet of Things), unified communications technology, and virtualization of computer equipment. In 2014, China Customs newly deployed or updated 22 sets of H986 container inspection systems, over 1,300 sets of various other control and inspection equipment, 781 sets of video command devices of various kinds, 1,485 sets of single-policeman digital equipment and 1,096 single-soldier devices.

In 2015, centering around the core functions of customs, China Customs will accelerate the application of innovations in science and technologies by seizing the historic opportunities presented by such new technologies as big data and adopting the Internet thinking. Efforts will be intensified to push ahead the overall progress of Golden Customs Project (Phase II), and the information security management system and protection capacity will be strengthened to guarantee smooth operations and maintenance under the new model of cross-region integrated customs clearance and fully support the implementation of the “12th Five-Year Plan” on E-Port Development. Research on the next-generation IT platform for clearance will be launched. Internal and external resources in science and technologies will be mobilized to provide technical support for comprehensively deepening reforms.

XI International Cooperation

Since China joined the World Customs Organization (WCO) in 1983, keeping in mind the over-all situation of the country’s diplomatic needs and foreign trade growth, China Customs has been enhancing international exchanges and cooperation, playing an active role in the decision making and rule making processes 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

international ones and taking part in various WCO affairs, such as running for WCO senior official positions, trade facilitation, enforcement and compliance, capacity building and human resources development. Meanwhile, China Customs has assumed the role as a maker of multilateral rules of trade facilitation, which could be manifested by its participation into the trade facilitation negotiations and consultations under the framework of the World Trade Organization (WTO) and the positive contributions it has made to the conclusion of the “WTO Agreement on Trade Facilitation”. In addition, to support the national free trade area strategy, China Customs has been very active in the negotiations of customs chapters of free trade agreements (FTAs) and the implementation thereof. 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), BRICS, China-ASEAN cooperation, Shanghai Cooperation Organization (SCO), Central Asia Regional Economic Cooperation (CAREC) and Great Mekong Sub-region (GMS) cooperation, making positive progress on such fronts as trade security and facilitation, capacity building, social and environmental protection.

In 2014, China Customs further strengthened its international cooperation to serve the needs of diplomacy and foreign trade growth of China. It actively participated in major diplomatic events and high-level dialogues, and signed 37 international cooperation agreements, 12 of which were

signed under the witness of national leaders. To serve the overall needs of APEC China 2014, China Customs hosted 5 customs-related conferences, put forward the APEC Customs 3M Strategic Framework, and promoted its incorporation into the outcome document of the APEC Ministerial Meeting of Foreign Affairs and Trade Ministers as an independent annex, whose core spirit was incorporated into the 22nd APEC Economic Leaders' Declaration. Under the framework of the WCO, we established the first Customs cooperation fund founded by a developing member administration, and were elected as the chair of the WCO Enforcement Committee for the first time in history. Regarding the WTO affairs, meticulous efforts were made to prepare for the implementation of the WTO Agreement on Trade Facilitation. As the leading agency on the Chinese side for customs chapters of FTAs, China Customs completed the negotiations of those chapters of the FTAs with Korea and Australia, and promoted the consultations on China-ASEAN FTA (upgraded version), Regional Comprehensive Economic Partnership (RCEP), China-Japan-Korea FTA and China-Sri Lanka FTA so as to serve enterprises going global. China Customs is also actively promoting the sharing of customs culture with other countries and regions. We have established cooperative relationships with Customs administrations of 130 countries and regions. New achievements have been made in bilateral, multilateral and regional customs cooperation as well as the cooperation with Hong Kong, Macau and Taiwan Customs administrations.

In 2015, China Customs will expand and deepen its international cooperation. Support will be given to major diplomatic events and high-level dialogues, and cooperation with Customs administrations of key partners, neighboring countries as well as Hong Kong, Macau and Taiwan regions will be pushed ahead. Advocating and practicing the international customs cooperation concept of “mutual recognition of controls, mutual assistance of enforcement and mutual exchange of information” (3Ms), China Customs will actively engage in cooperation of connectivity with Customs administrations of countries along the Belt and Road, and in a pragmatic manner, push forward such key cooperation programs as the “Authorized Economic Operator” (AEO), Smart and Secure Trade Lanes (SSTL), Green Lane, and Joint Law Enforcement. Efforts will be made to do a good job at legislative amendments, pilot measures and outreach programs related to the implementation of the WTO Agreement on Trade Facilitation. As the leading agency on the Chinese side for customs chapters of FTAs, China Customs will do its best for negotiations and implementation of the FTAs in order to provide quality clearance services for enterprises going global so they can secure their market shares, branding positions and competitive edges.

XII People Management

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 2014, China Customs scored remarkable results in the education and practice of the mass line (doing everything for the masses, relying on them in every task, carrying out the principle of “from the masses, to the masses”). The spirit of the eight rules set by the CPC Central Committee was strictly followed, and focuses were put on identification of “four major problems” related to work styles (formalism, bureaucratism, hedonism and extravagance). Once there was such a problem identified, corrective actions would be taken immediately. All CPC members and cadres received a profound education on Marxist mass viewpoint and the CPC mass line. Cadres’ work styles have had an obvious change, and their understanding of the CPC party spirit was significantly enhanced. The “four major problems” related to work styles and the infamous “three difficulties” (difficulty in stepping into the doors of a government office, difficulty in seeing a smiley face of civil servants, and difficulty in getting things done) in terms of access to public services by citizens have been strongly rectified. These education campaigns and practices have been fully recognized by relevant departments of the CPC Central Committee and the State Council.

Leadership nurturing and cadres development efforts were further strengthened. Thematic concentrated training was conducted for over 5,500 cadres at or above the deputy-director level in a rotational manner. Following the Ordinance on Selecting and Appointing Party and Government Leading Cadres, people were selected and appointed in accordance with the criteria of "good cadres". Rotation of cadres to different places and functions was carried out in a multi-faceted way at multiple levels, which made the leadership structure further optimized. Implementation of the concept of "lean at the top and strong at the bottom" enabled the optimization of organizational and staffing resources. The pilot for differentiated and classified management of civil servants with specialized professional skills was jointly conducted with other agencies, and the pilot of the customs specialists system was expanded. Remarkable results were made in supervision over cadres, and experience was shared at the National Conference on Cadre Supervision.

Efforts to develop a disciplined para-military customs force made progress in an orderly fashion, with a dedicated document on implementation of such efforts issued. Party-related work in Customs was strengthened. Customs culture continued to flourish. Efforts to ensure devotion and dedication of Customs personnel registered remarkable results, with a number of role-model units and individuals rewarded and their stories shared across China Customs. The customs force is full of enthusiasm in general.

The fight against corruption and integrity building was advanced to a deeper level. Party boards (committees) at all levels actively discharged their management responsibilities and discipline-inspection and supervision units their oversight responsibilities. The reform of institutional mechanisms for investigating corruption cases was piloted with the accountability mechanism strengthened, not only holding the person concerned accountable but also the leaders who fail to undertake the oversight responsibilities, which is called “one case, dual investigations”. In 2014 alone, a total of 134 cases were filed, 39 leading cadres and 7 management teams held accountable. Discipline inspections mainly looked at "four major focuses", and oversight became more effective.

In 2015, highlighting the importance of making comprehensive efforts for strict administration of the CPC, China Customs will give full play to its advantages in political work to improve people management.

Fulfillment of work responsibilities will be assessed more strictly to ensure accountabilities in management and oversight. Adhering to the requirements of strictly governing the Party in accordance with rules, China Customs will take the Party work results as a most important achievement, with Party-related work and customs operations planned, deployed and assessed together. A national customs Party work leadership mechanism will be established and improved, and the

grassroots Party work accountability mechanism will be put into practice. A working mechanism will be established so that Party work results will be an important indicator in work reports, peer reviews, performance evaluation, and selection and appointment of cadres, and a pilot on this working mechanism will be conducted. Ideological education will be conducted more strictly. Customs officers will be organized to learn and practice the spirit set forth in the series of important speeches delivered by CPC General Secretary Xi Jinping. Thematic education on the “three stricts and three down-to-earths” (strict self-cultivation, strict use of power, strict self-discipline; down-to-earth in planning, down-to-earth in pioneering work, and down-to-earth in code of conduct) will be conducted. Core socialist values and core customs values will be advanced and enriched, with efforts intensified in sharing role-models’ stories. A wide range of mass cultural activities will be conducted to explore the development of customs culture with its unique characteristics. Organizational management will be stricter. There will be stricter requirements to strengthen right work styles. The achievements in the education and practice of the CPC mass line will be cemented and expanded, with continuous efforts to carry out the spirit of the eight rules set by CPC Central Committee and rectify the “four major problems” related to work styles. The arduous working spirit will be carried forward, and more frugality will be observed. Efforts to build a para-military

customs force will be deepened with continuous discipline education and rectification, daily routine of sanitation tasks, and check of unhealthy tendencies and malpractices. In accordance with the general requirements of “doing a good job at four aspects” (safeguarding the national gateway, providing quality service, preventing potential risks and building a qualified workforce), different units will organize job-specific training and skill competitions, and ensure officers sitting behind the counters (as a window to customs) will present a nice image of a service-oriented customs authority. Stricter discipline will be followed to build an honest Customs administration.

The Ordinance on Selecting and Appointing Party and Government Leading Cadres will be strictly implemented, and the concept of “lean at the top and strong at the bottom” will be adhered to for optimized allocation of human resources. A good job will be done for the pilot of the customs specialists system, the pilot for differentiated and classified management of civil servants with specialized professional skills, and the pilot for formative (as in contrast to “summative”) performance evaluation for civil servants. Innovations will be made in education and training models, with training in practical skills further strengthened. There will be more oversight and guidance for meetings of self-criticism and peer reviews. A new round of supervisory inspections will be

conducted for selection and appointment of cadres. The system and rules for political life within the CPC will be strictly followed to rectify the “7 problems” (nepotism, formation of cliques and factions, anonymous slandering, buying popularity and votes, promise of positions and other favors for personal gains, overtly agreeing and covertly opposing, and erroneously criticizing the CPC Central Committee while thinking one is too big to fail), mentioned by General Secretary Xi Jinping at the second meeting of the 4th Plenary Session of the 18th CPC Central Committee. Efforts will be intensified to fight corruption with a tougher stance and high-handed measures, and integrity building and anti-corruption work will be pushed ahead steadily and effectively.

Major Operational Statistical Data of China Customs in 2014

644,048 arriving and departing airplanes
474,968 arriving and departing vessels
24,532,200 arriving and departing vehicles
3,891,000,000 tons of import and export goods
US\$4303.037 billion worth of import and export goods
97,905,000 TEUs
409,046,900 inward and outward postal items and luggage
246,409,400 inward and outward items through express
mail service

71,074,300 import and export declarations

20,713 smuggling cases filed

The filed smuggling cases involved a value of RMB 67.786
billion

4,580 persons imposed mandatory measures

RMB1726.856 billion net Customs revenue