



## **PEOPLE'S REPUBLIC OF CHINA CUSTOMS OPERATION REFORM<sup>1</sup>**

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## **CHINA CUSTOMS OPERATION REFORM**

As we know, after China adopted Open-up policy, its economy experienced dramatic growth, especially after China's entry into WTO, which also posed new tasks and challenges to China Customs. In order to adapt to the new situation, China Customs started the Fast Customs Operation Reform, which has been proved to be very successful.

Now I would like to take this opportunity to introduce China customs operation reform----that is the Fast Customs Operation Reform.

### **Why China customs decided to implement FCOR on the national level?**

#### **1) With rapid growth of economy, customs supervision faces new tasks & challenges**

China Customs' main task is to create and maintain a sound environment for state economy and domestic enterprises to keep in pace with the fast development our foreign trade and economy.

China has entered into WTO, not only the enterprises, but also the government departments need to face challenges come from international level. Our customs declaration efficiency once faced tough tests, most enterprises—especially high-technology companies lodged complains against our customs' low efficiency, which also caught great attention of our government. Even though customs declaration speed is affected by many factors, but being the government department mainly in charge of import and export, China Customs has already been dragged into the storm center of this problem. At that time, we were facing the problem of how to increase our working efficiency, facilitate customs declaration procedures, reduce enterprises' trade costs and maintain a simply and convenient customs declaration environment on the basis of effective customs supervision.

#### **2) Western development strategy calls for FCOR**

In our government's ninth five-year-plan, developing china's vast middle and western regions has been finalized as our country's long-term strategy. Because all of these regions are located in inland, import and export of all materials have to be done by customs transit. Therefore, it calls for China customs to deepen our reform, simplify all transit procedures so as to support the open-up policy of these regions.

#### **3) Strengthening effective customs supervision, cracking down smuggling**

With the development of foreign trade and economy, import and export transit cargoes also witnessed high increasing rate. According to statistics, totally 16 billion tons of cargoes and 35 million TEU containers have been imported and exported under customs supervision in the year 2002, among them 40% are transit cargoes. In this case, how to strengthen the supervision over transit cargoes to reach our target "effective supervision and efficient operation" became our main task.

Due to the large quantity of transit cargoes, customs transit became a high-risk procedure, smuggling and other illegal acts take place during the customs transit. In this case, we must take every advanced technology and measure to control the customs transit

risks, reinforce the supervision, crack down smuggling, safeguard our country's interests and maintain the good reputation of China Customs.

### **Main points of FCOR:**

#### **Pre-arrival Declaration, foundation of FCOR**

Being the foundation of FCOR, Pre-arrival declaration can lead to the speedup of customs declaration. It consists of two parts:

##### **1) pre-arrival declaration**

Includes pre-arrival declaration of freight inventory and customs declaration sheet. Pre-arrival declaration of freight inventory is the precondition of pre-arrival declaration of customs declaration sheet, which can make an early documentary check, verification, duty collection, risk analysis and other customs procedures possible. Cargoes will be released immediately after they arrived at the port of entry, which increases customs declaration efficiency.

##### **2) early involvement of supervision departments**

First, customs supervision departments analyses risk level according to the data obtained from pre-declaration entry; second, after documentary verification, logistics supervision department carries out risk control according to the risk analysis and site examination.

### **Effective Supervision, precondition and guarantee of FCOR**

FOCR must be based on strengthening the supervision, we shouldn't bring about new supervision risks because of fastening customs operation.

##### **1) strengthening risk management**

Fast customs operation must strengthen the system of risk management. We should ensure the duties of every department in the risk management and connect the risk analysis, controlling effects of each department and customs official with their performance assessment in order to form a effective risk management system.

Setting up an effective risk management system. The system is the premise for the effective operation of the organism. Risk management system is to be conducted by the risk management departments, fulfilling the responsibilities of each department, carrying out cooperative control, exerting the collective power changing the low-efficient situation, which is attributed to the separated control.

##### **2) strengthening enterprise management**

Customs operation risk management also includes the management of the Enterprise. The enterprises not only include trade companies and customs declaration agents, but also include transportation corporations, entity operators under customs supervision. The management scope not only includes the management of enterprise customs declaration but also includes the management of the production process, continuous management after customs clearance and credit management, which is a comprehensive and dynamic management.

### 3) strengthening supervision over transit cargoes

Strengthening the management of the transportation corporations. Strengthening the supervision over cargoes during customs transit is the most important part of strengthening supervision. In order to reinforce the supervision over the transit cargoes, the basic step is to strengthen the management of transportation corporations. In the process of customs transit, transportation corporations are the carriers who hold practical control capability. Therefore only by forming a set of efficient management system, clarifying the legal responsibilities of the transported corporations, improving their sense of law and providing them credit privilege, can China customs strengthens the supervision over transit cargoes fundamentally and lowers the customs supervision risk.

Strengthening the supervision over the transportation vehicles. On the base of strengthening the enterprise management, we also need other related methods. While strengthening the management of transportation vehicles is one of the most important steps. Through the reform of the sealing tools(such as the introduction of electronic seal, reticular seal etc.) and improving containers' shipping condition we can finally realize the purpose of strengthening supervision.

Making full use of the means of high technology. Through comprehensive use of high technologies such as electronic vehicle license, electronic loadometer (gradually realize the transmission of vehicle data through internet), GPS(IC card) scanning system and so on to realize the supervision over cargoes during the whole course of customs transit and lower the supervision risks. If possible, we are considering to set up a passage for the exclusively use of cargo transit.

#### Quick Verification and Release

Quick Verification and Release aims to enhance the efficiency of logistics, which is implemented by the below measures:

##### 1.Simplifying procedures

Simplifying procedures by coordinated operation. After the data of custom declaration sheet pass the electronic verification, declaration acceptance as well as centralized verification, supervision departments take an early involvement and analyses the risk with certain focus. The traditional serial procedure is transformed into parallel ones by simplifying unnecessary procedures.

##### 2.Passage release

By implementing passage electronic vehicle license identifying system or IC card and bill of document bar-code etc., we can immediately verify and release those cargoes unnecessary to be checked, which account for more than 90 percent of all cargoes customs declaration privileges.

Customs declaration credit privileges can be granted to those large enterprises with good

credit status. In order to assure fairness, precision and efficiency in the supervision, we introduced the computerized credit system to track and manage large enterprises dynamically.

### 3. Various treatments

Implementing various treatments is the most effective measure to realize fast customs declaration. It includes two levels: first, fast customs transit between customs of entry and customs of destination, also fast customs clearance between the two; second, fast distributary at customs of entry and fast release at customs of destination.

### Coordination and Cooperation

#### 1) Strengthening cooperation within customs departments

Departments in China customs must strengthen cooperation. Strengthen the coordination between mutual functional departments and make it systemized by the aid of constant-improving regulation.

#### 2) Strengthening cooperation with other government departments

Strengthening the connections between China custom and society, creating the social understanding about the customs and striving for the supports from the society and government. Emphasizing the connections between the customs and local port administration departments as well as foreign trade department of government. Strongly guarding our country gate by Information-share system and close coordination.

#### 3) Strengthening cooperation with customs of various countries and regions

4) Strengthen the cooperation with neighboring countries' customs, through cooperation and sharing information, as an aid to customs supervision, we can speed up the custom declaration.

### **Achievements of FCOR ---- customs duty clarified, risk control reinforced**

Through the reform, the efficiency of the customs operation is improved. At the same time the validity of supervision is strengthened. Especially in the aspects of duty and risk control, it becomes clearer than before.

Before the FCOR, the phenomena of duty confusion existed, for example: customs of entry and customs of destination both have rights to examine cargoes, which brings about the problems of repetition and unclear duties for the supervision of the transportation vehicles. After the reform, all duties of customs of entry and destination have been clearly specified. It also enhances the legal responsibilities of transportation corporations and import and export corporations.

Secondly, in the aspect of risk control, according to the weak points before FCOR, the reform takes measures such as the automatic collection of electronic data, automatic

transference of cargo, vehicle data, IC card and so on, strengthening the valid control over the risks.

FCOR has been proven to be very successful after its implementation. All circles including the related municipal governments, departments and foreign trade corporations express their high recognition to FCOR. They believe the establishment of FCOR not only reached its targeted object "effective supervision and efficient operation", but also is China customs' most powerful support to China's deep reform, western development strategy and opening-up policy!

This is the end of my introduction of Fast Customs Operation Reform.