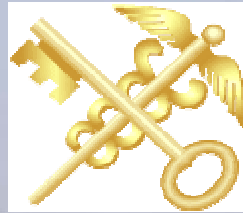


The Implementation of Risk Management in China Customs



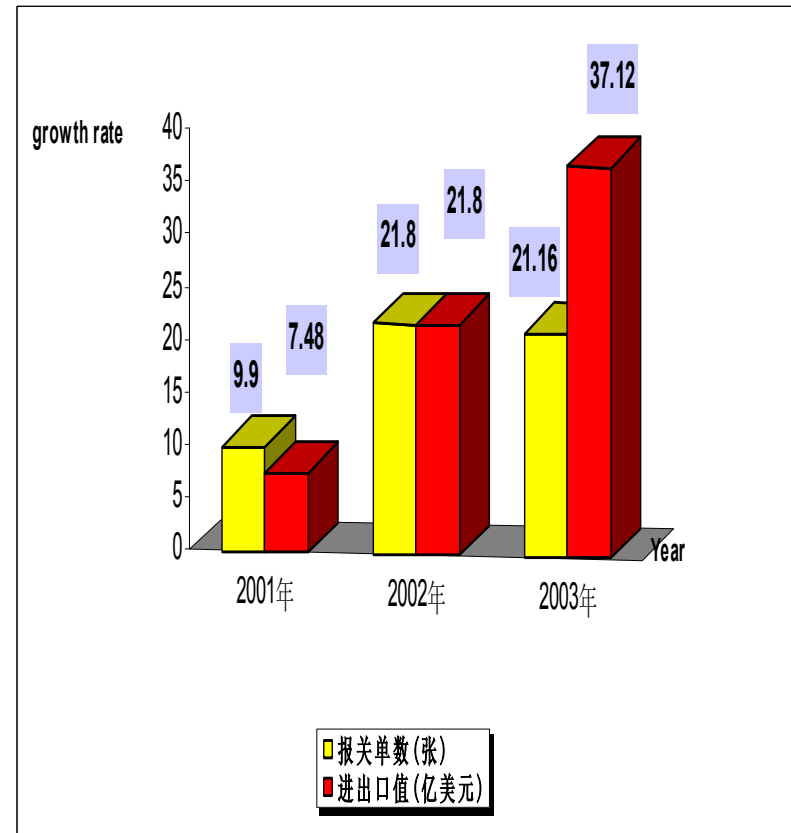
By Renxiang GAO

2005.6.7

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- Rapidly increasing workload with little or no increase in resources

Year	Number of Entry	Value (Billions)
1990	4,190,000	\$115
2002	23,940,000	\$621
2003	29,000,000	\$851
2004	34,640,000	\$1155





- **Review of China customs risk management**
- **Risk management philosophy**
- **Customs risk management pattern**
- **Risk management tool / information system**
- **Strategic plan for the future**

Review of China Customs Risk Management

- The introduction phase (1994-1997)**
- The practice phase (1998-2002)**
- The further development phase (2003-2010)**

Review of China Customs Risk Management

The introduction phase (1994-1997)

- Post-clearance auditing system**
- Customs Data Inquiry & Analysis System (CTA)**
- Two level Data analysis departments**

Review of China Customs Risk Management

The practice phase (1998-2002)

- Automation of clearance processing**
- Risk Profiling & Targeting Management System**
- A series of computer aided management tools**

Review of China Customs Risk Management

The further development phase (2003-2010)

- the strategic plan(2004-2010) for the fully implementation of risk management**
- application of Risk Management Platform**

Review of China Customs Risk Management

- developing the Intelligent Risk Identification & Selectivity System / Clients compliance Measurement System**
- a mechanism of routinely analyzing and monitoring to prevent and control the risks of our key objects in management**

Risk Management Philosophy

- Take a scientific risk management concept and way of conduct**
 - Control the key risks**
 - melting risk management into daily operations**

Risk Management Philosophy

- **Take consideration of risk management levels**
 - **tactics level / field level**
 - **strategic level / management level**

Risk Management Philosophy

- Combine information technology with construction of mechanism**
 - share information and avoid information isolation**
 - mechanism to ensure the harmonization of every aspect and every department in the management**

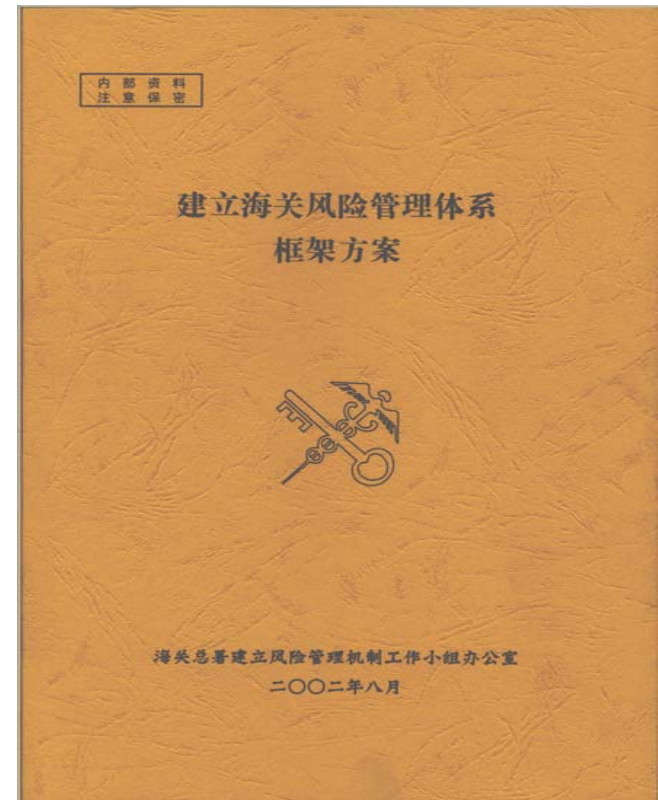
Risk Management Pattern

- ❑ **Risk management strategic plan(2004-2010)**
- ❑ **Risk management organizational structure/two-level center for risk analysis & monitoring**



Risk management strategic plan(2004-2010)

- Completed in the end of 2001, modified in 2004
- Drawing out enforcement options in details





Risk management strategic plan(2004-2010)

Strategic object:

- One system: Importer/exporter Credit Measurement/Compliance Assessment system
- One mechanism: Risk Management Coordination Mechanism within Customs Management
- One platform: Customs Risk Management Platform



Risk management strategic plan(2004-2010)

- promote clients classification**
 - instead of targeting high risk consignments customs shall target high risk clients**

Risk management strategic plan(2004-2010)

- ▣ establish a routine risk analysis mechanism**
 - pre-clearance analysis / post clearance audit**
 - focus on key clients , industry , goods**

Risk management strategic plan(2004-2010)

- introduce tax security system**
 - have the risks taken by market, and facilitations given to low risk clients**

Risk management strategic plan(2004-2010)

- ▣ set up a two-level risk analysis and control center**
 - In the headquarters / in the field**
 - nation wide harmonization to make sure the same treatment of same risks**

Risk management strategic plan(2004-2010)

- ▣ intensify communication and cooperation with all related parties, to promote comprehensive risk treatment.**
 - share clients compliance record**
 - restrictions on non comply clients**

Risk management strategic plan(2004-2010)

- ▣ improve risk analysis methods and techniques**
 - a national risk management platform**
 - integrate computer aided operation tools**

Risk management strategic plan(2004-2010)

- ▣ build up a trans-level and trans-division team of risk management specialists**
 - reasonable classified position and training systems suitable to risk management**
 - professional and qualified risk management team**



Risk Management Organization

The Council of National Customs Risk Management

**National Coordination Office for
Customs Risk Management**

**National Center for Customs Risk
Analysis & Monitoring (NCRA&M)**

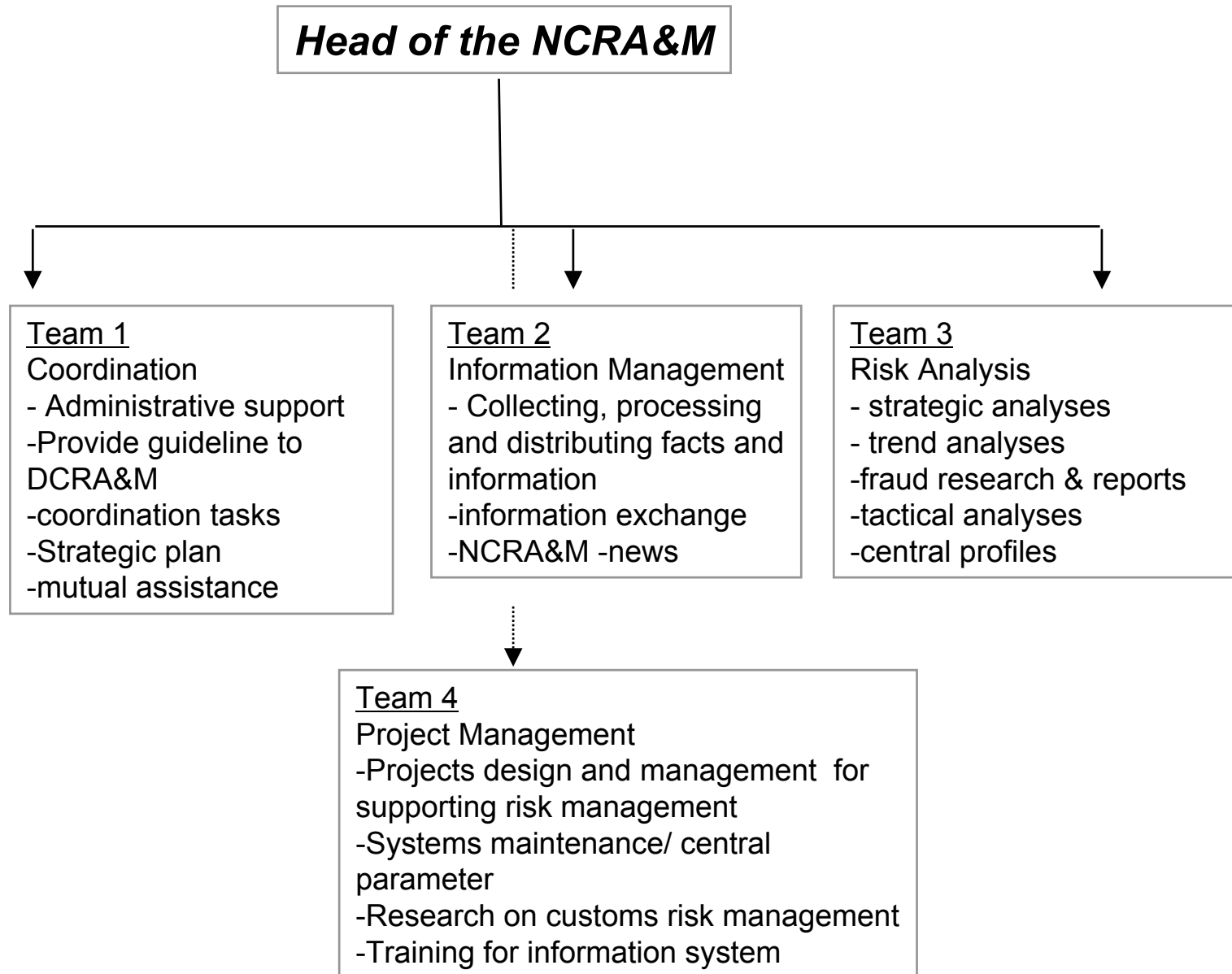
**Risk Analysis & Monitoring Team
Within 11 Management Departments**

42 District Center for Customs Risk Analysis & Monitoring (DCRA&M)

**Risk Analysis & Monitoring
Team within about 350 or more
Customs Houses**

NCRA&M - The most important tasks

- **To function as a central unit for processing risk information**
- **Collecting, processing and distributing facts and information**
- **Carrying out risk analysis for the strategic, tactical levels**
- **To monitor specific risk faced with customs**
- **To develop & maintenance risk management information system**



Risk Management Tool

- Channel Decision-making System**
- Risk Profiling and Targeting System**
- Law-enforcement Evaluation System**
- Tariff Analysis and Control system**
- Customs Risk Management Platform**

Channel decision-making system

- ❑ **developed at the beginning of 1998**
- ❑ **Basing on 3 channel standards, the declaration data can be distributed to different channels**



Three types of entry procedure channel

- Red**

- Verification by means of actual physical inspection

- Orange**

- Global checkup & verification by means of electronical data with the possibility of actual physical inspection

- Green**

- General verification with the possibility of further verification by means of documents and electronical data

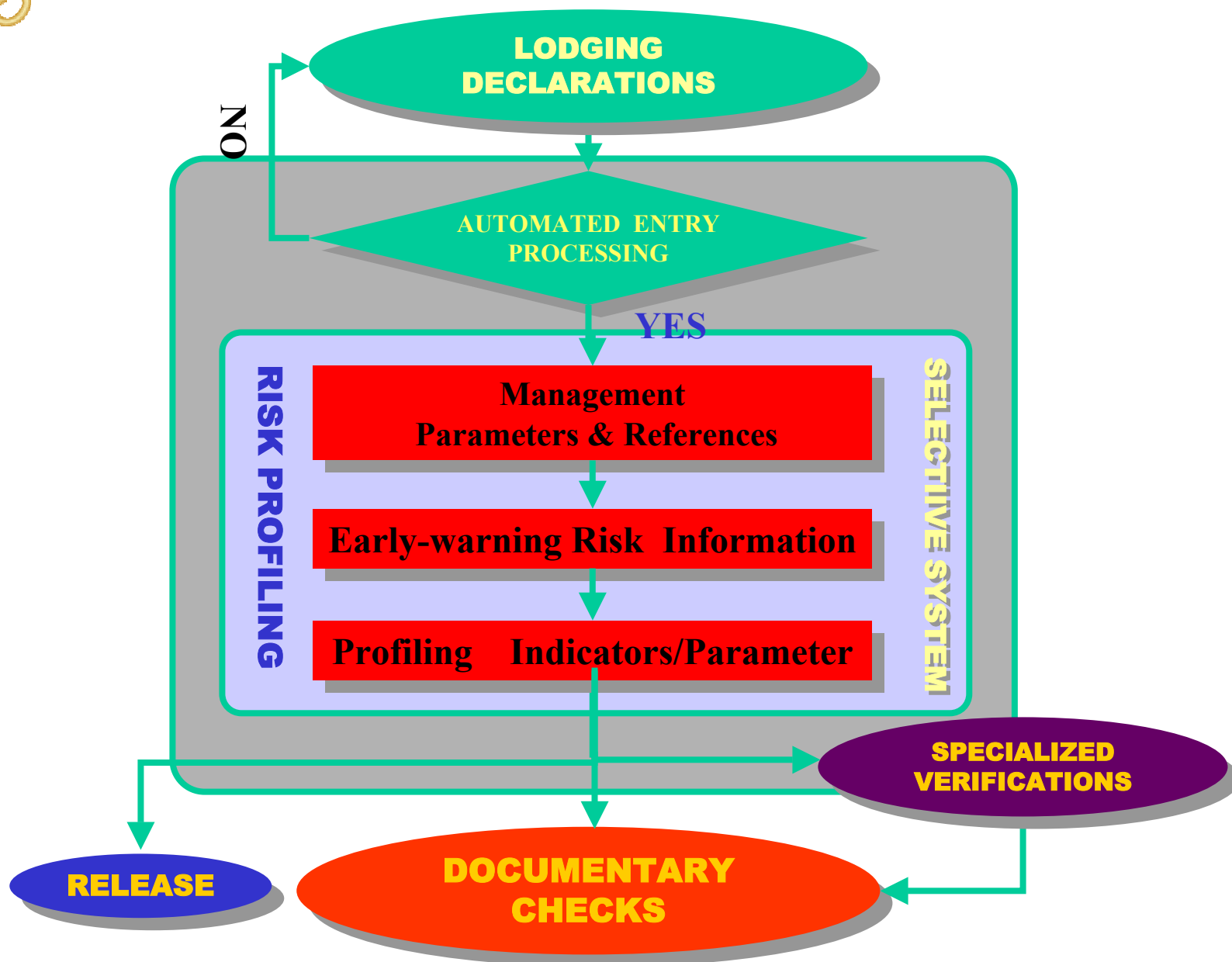


Risk Profiling and Targeting System

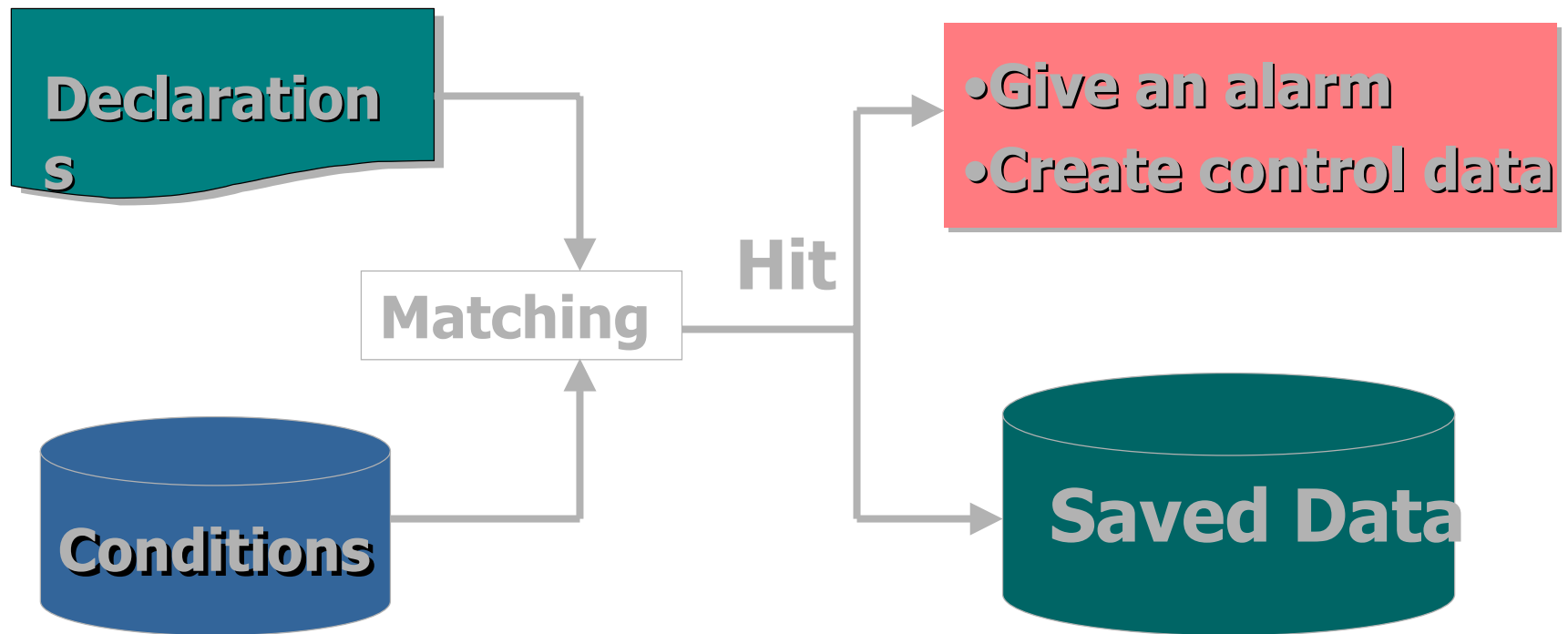
- ▣ developed at the beginning of 1998
- ▣ Through application of RPS, we can reach that the operations specialists provide guidance to site operations officer on duty for treatment



AUTOMATED ENTRY PROCESSING



Auto Targeting



Law-enforcement evaluation system

- ❑ **developed at the beginning of 1999**
- ❑ **conduct quantitative evaluation and macro-analysis on smuggling scale, quality of duty collection, control level**
- ❑ **the clues can be spotted for risk identification and analysis**

Tariff analysis and control system

- ❑ developed at the end of 1999
- ❑ analyze the structure of the imported good, tariff sources and duty collection and etc, evaluate the law enforcement level of duty collection and customs evaluation
- ❑ find out price fraud information of the imported goods

Customs Risk Management Platform

- developed at the end of 2002
- consists of two modules:
“information management” module
and “data application” module



“information management” module

- **a website of risk management of China Customs similar to such websites as “Sina” and “Sohu”**
- **serves the information promulgation, experience exchanges, business training relevant to risk management and the collaboration and coordination in risk analysis and risk treatment**

“information management” module

- includes:**

- risk information processing**
- processing of risk analysis and treatment**
- risk management communication**

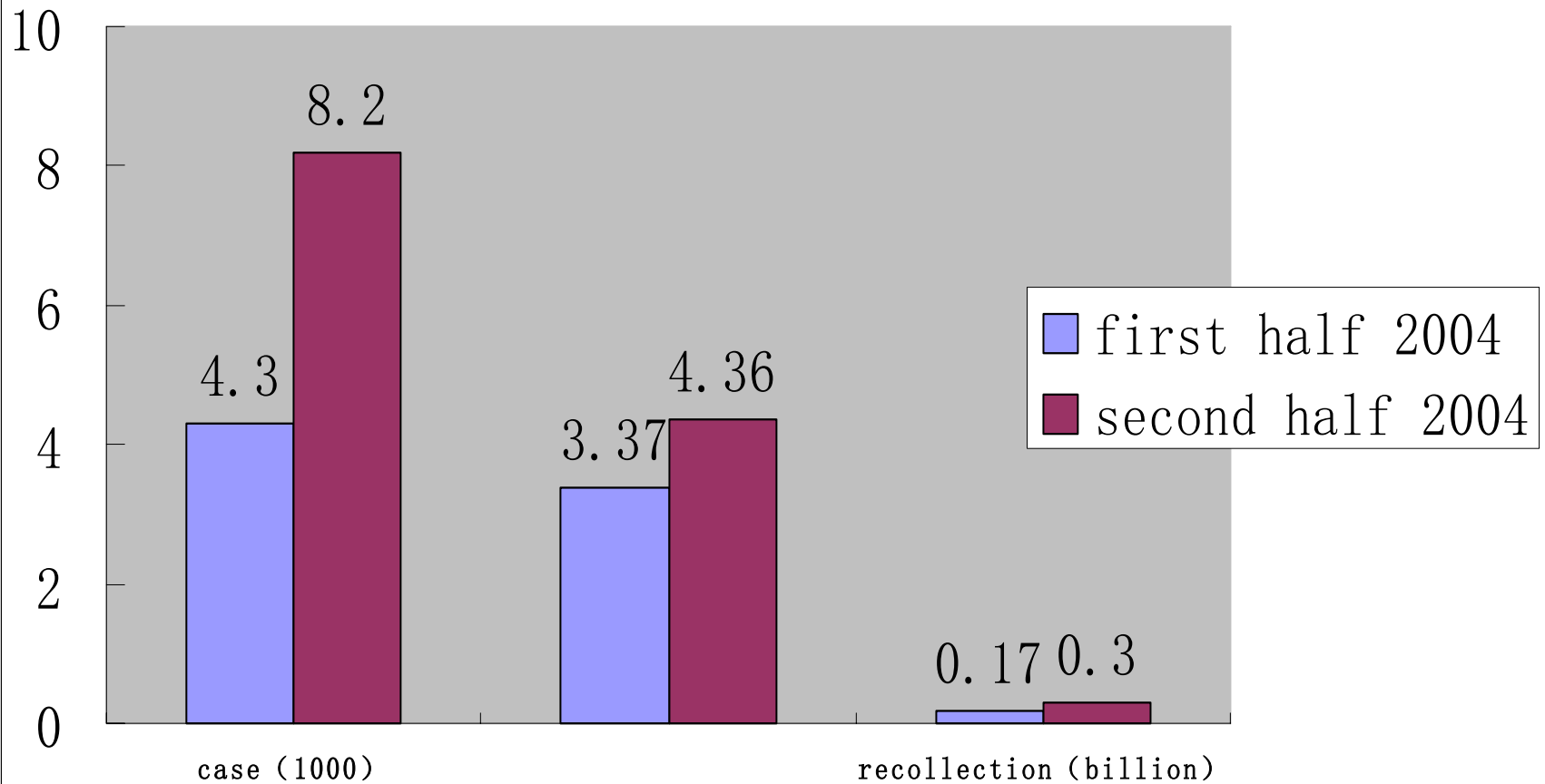
“data application” module

- **serves as a tool for users to enquiry data and conduct risk analysis online**

“data application” module

- includes:**
 - report & graph analysis**
 - trader information enquiry & analysis**
 - customs operation /risk monitoring,**
 - online data analysis**
 - risk profiling and targeting monitoring**
 - performance evaluation**
 - synthetic data enquiry**

Seizure Report by Using of CRMP in 2004





THANKS FOR YOUR ATTENTION



- STEERING OFFICE OF THE CUSTOMS OPERATIONAL REFORM
- GENERAL ADMINISTRATION OF CUSTOMS
- OCTOBER, 2000, CHINA