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# Overview of China Customs



**History of China  
Customs**

**Administrative  
Management System  
of China Customs**

**Missions and Work  
Guidelines of China  
Customs**

# History of China Customs

**In the 11<sup>th</sup> Century B.C., land frontier passes emerged in China, which can be said as the embryo form of customs later.**

**In 714, there emerged an important agency dedicated to the management of maritime trade, the Department of Maritime Trade (along with the development of customs) .**

**The Chinese government attaches great importance to building a well-developed legal framework for customs. The Regulation on Taxes and Charges on Maritime Trade enacted at the end of the 13<sup>th</sup> century is the most well-developed customs law enacted in ancient times now well preserved.**

**In 1685, management agencies in charge of maritime foreign trade emerged in China, which were named after “customs”, i.e. Yue (abbreviation for Guangdong) Customs, Min (abbreviation for Fujian) Customs, Zhe (abbreviation for Zhejiang) Customs and Jiang (abbreviation for Jiangsu) Customs.**

**With the aggression of the western imperialist powers, after 1840, China lost its sovereignty over customs and China Customs degraded into a semi-colonial customs. ---The twists and turns in the development of China**

## **Customs**

**Loss of independent duty collection and management powers**

**In 1843, the first China-UK unfair agreement was signed, i.e. the Customs Tariff Schedule.**

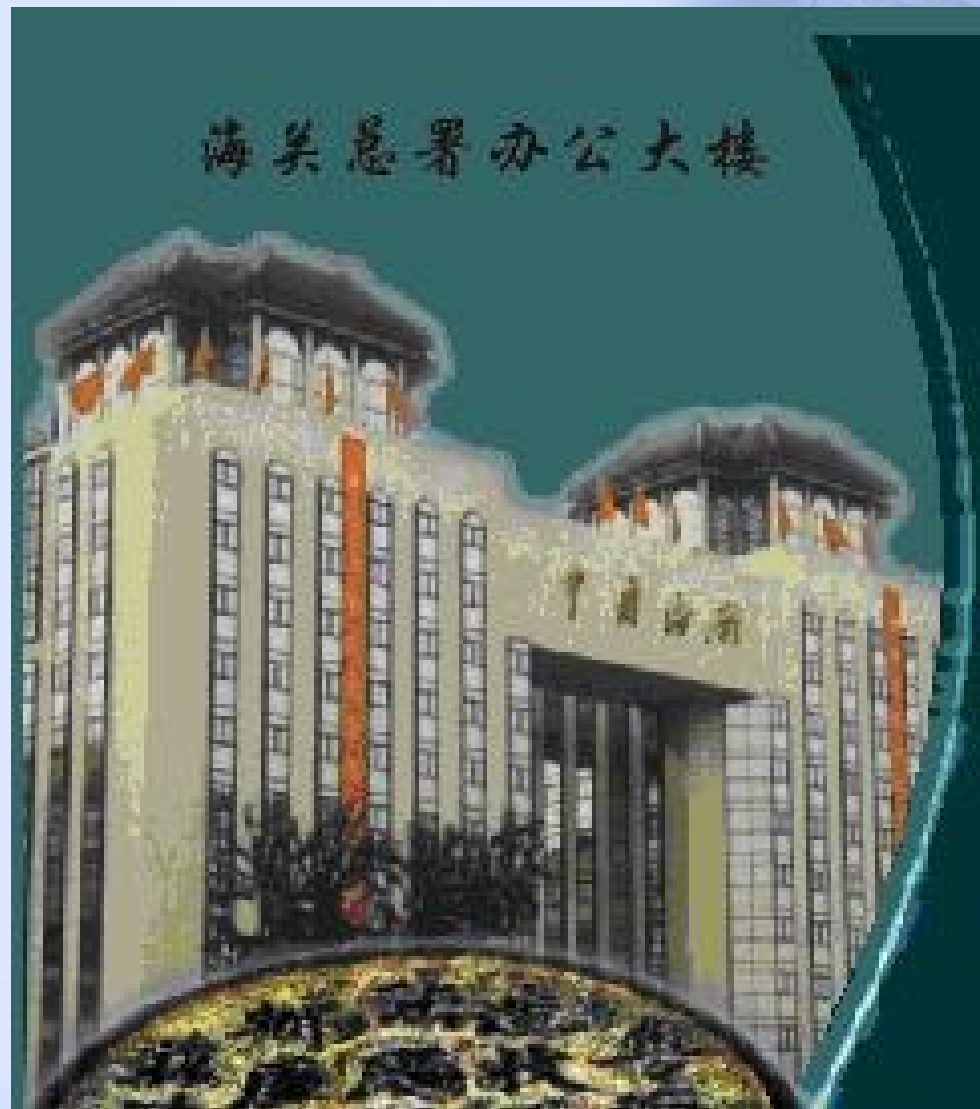
**Loss of administrative management powers over customs**

**The establishment of the system that appoints foreigners as Chief of Customs**

**Loss of powers over Customs revenue storage and expenditures**

**In 1911, U.K., Germany and Russia founded the Joint Committee on Banks of Nations in China, which established the international joint management system for the customs revenue and expenditures of China.**

On October 25, 1949, the General Administration of Customs was founded in Beijing, declaring the collapse of the semi-colonial customs and the birth of the socialist customs-----The new developments of China Customs.



# Administrative Management System of China Customs



## I. Nature of China Customs

**A. Definition:** The Customs of the People's Republic of China is a governmental organization responsible for supervision and control over all arrivals in and departures from the Customs territory (hereinafter referred to as the territory) of the country. ( Article 2, Chapter I, Customs Law of the People's Republic of China )

### B. Nature of China Customs

- a. China Customs is a national administrative organization  
---nature of a governmental organization

**b. China Customs is a national administrative organization that performs control functions--- nature in terms of its functions**

**The scope under which a Customs performs control functions is the Customs territory of a State.**

**( 1 ) Definition of customs territory: territory applicable by the customs law of a State.**

**( 2 ) Scope of customs territory: it includes territorial waters, land and air space, being a three-dimensional concept.**

**( 3 ) Customs territory does not equate the national territory of a country.**

**Generally, the customs territory of a country equates its national territory.**

**Two exceptions: customs territory larger than national territory; customs territory smaller than national territory.**

**( 4 ) PRC's customs territory---all the territory and territory in the extended sense, i.e. the Chinese vessels engaged in international travelling and civil aircrafts, of the People's Republic of China, excluding the separate customs territories.**

**c. China Customs is a State administrative enforcement agency---nature in terms of its behavior.**

**( 1 ) Customs, in terms of its supervision and management activities, has specific basis of administrative enforcement, i.e. the laws, regulations and rules.**

**Customs Law of the People's Republic of China and other relevant laws;  
Administrative regulations enacted by the State Council of China;  
Administrative rules enacted by the General Administration of Customs or those enacted by other government agencies in collaboration;  
Relevant international conventions and treaties.**

( 2 ) China Customs has a criminal law enforcement unit and personnel dedicated to this purpose.

### C. Characteristics of the work of China Customs

- a. **Specific provisions:** the three-tiered legal framework with the Customs Law at the core.
- b. **Specific objects of customs control:** inward and outward means of transport, goods, articles and activities of relevant persons.
- c. **Specific control areas:** customs territory.
- d. **Having its own management system:** centralized, vertical management structure.



## **II. Centralized and Vertical Management Structure**

**A. Legal basis.** The Customs Law provides in explicit terms:

**“The State Council sets up the General Administration of Customs, which is charged with the responsibility of carrying unified administration of all the customs offices throughout the country. Customs offices are set up by the State at ports of entry open to foreign trade and at places and regions that require concentrated Customs operations. The subordination of one Customs office to another shall not be restricted by administrative divisions. The Customs offices exercise their functions and powers independently in accordance with the law and are accountable to the General Administration of Customs.”** These provisions have established the legal basis of the centralized and vertical management structure of China Customs.

### **B. Three-tiered Administrative Management Structure**

**General Administration of Customs (GACC)-----Regional  
Customs-----Customs Houses or Customs Offices**

### **III. Administrative Bodies of China Customs**

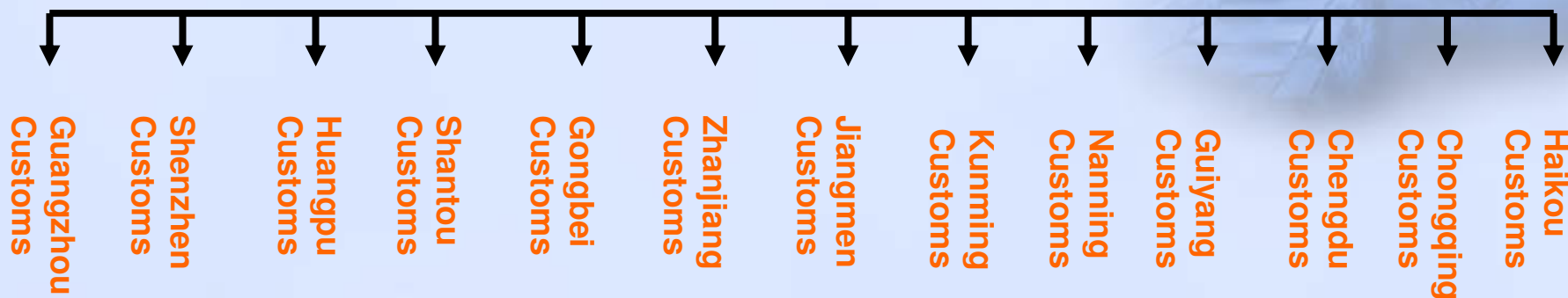
#### **A. General Administration of Customs (GACC):**

**Directly reports to the State Council. Top leading body of China Customs.**

**Its fundamental mission is to, under the leadership of the State Council, leads and organizes efforts by customs across the country to implement correctly the Customs Law of the People's Republic of China and other relevant national laws, regulations and rules, in a bid to promote and protect the realization of the socialist modernization drive.**

## B. Units Posted by GACC

### ( 1 ) Guangdong Sub-Administration



**Responsible for: (1) the checks of and supervision over the enforcement behavior of the 13 regional Customs within its jurisdiction; (2) supervision over the management boards, would-be director-generals (DG) and deputy DGs (DDGs) and other officials that fall within its jurisdiction in the 13 regional customs, especially in terms of their integrity; (3) organization of experience sharing among different regional customs and coordination of relations among the 13 regional customs and relations between the 13 customs and the local governments; (4) handling other matters instructed by the headquarters (GACC).**

## ( 2 ) Shanghai Supervisory Office

- Shanghai Customs College
- Changsha Customs
- Lhasa Customs
- Wuhan Customs
- Xi'an Customs
- Xi'Ning Customs
- Qingdao Customs
- Nanchang Customs
- Xiamen Customs
- Fuzhou Customs
- Hefei Customs
- Ningbo Customs
- Hangzhou Customs
- Nanjing Customs
- Shanghai Customs

## ( 3 ) Tianjin Supervisory Office

- Qinhuangdao Customs School
- Dalian Customs
- Shenyang Customs
- Changchun Customs
- Ha'erbin Customs
- Urumqi Customs
- Yinchuan Customs
- Lanzhou Customs
- Manchuria Customs
- Huhhot Customs
- Taiyuan Customs
- Zhengzhou Customs
- Shijiazhuang Customs
- Tianjin Customs
- Beijing Customs

## **C. Regional Customs:**

Directly reports to the GACC. Responsible for management of customs matters of a certain region. **[Article 100 of the 2000 Customs Law]**

## **D. Customs Houses**

Directly report to its regional customs headquarters. Operational. Responsible for handling specific customs matters. **[Article 100 of the 2000 Customs Law]**

**Local customs houses are the basic implementation units for performing the customs functions of supervision and control over all arrivals in and departures from the Customs territory, which are usually set up at ports and places which call for concentrated customs operations.**

**E. Units posted by customs: customs operating offices and customs control stations**

**F. Anti-smuggling Bureau**

## IV. Overview of the Setting up of Local Customs in China

**A. Principles** Article 3 of the Customs Law of the People's Republic of China stipulates: “**Customs offices are set up by the State at ports of entry open to foreign trade and at places and regions that require concentrated Customs operations. The subordination of one Customs office to another shall not be restricted by administrative divisions.**”

### B. General Picture

**46** regional customs or customs institutions at the same level. **562** local customs houses or customs offices at the same level.

## **C. Extension of the geographical locations where customs units may be set up.**

On July 29, 2003, customs authorities of China and the U.S. signed the Declaration of Principles concerning their cooperation in Container Security Initiative (CSI), by which the two sides may post customs officers at each other's ports that have joined the pilot.

## **D. Customs of Separate Customs Territories**

Hong Kong Customs

Macao Customs

Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

# Missions and Work Guidelines of China Customs



## I. Fundamental Missions of China Customs

### A. Legal Basis

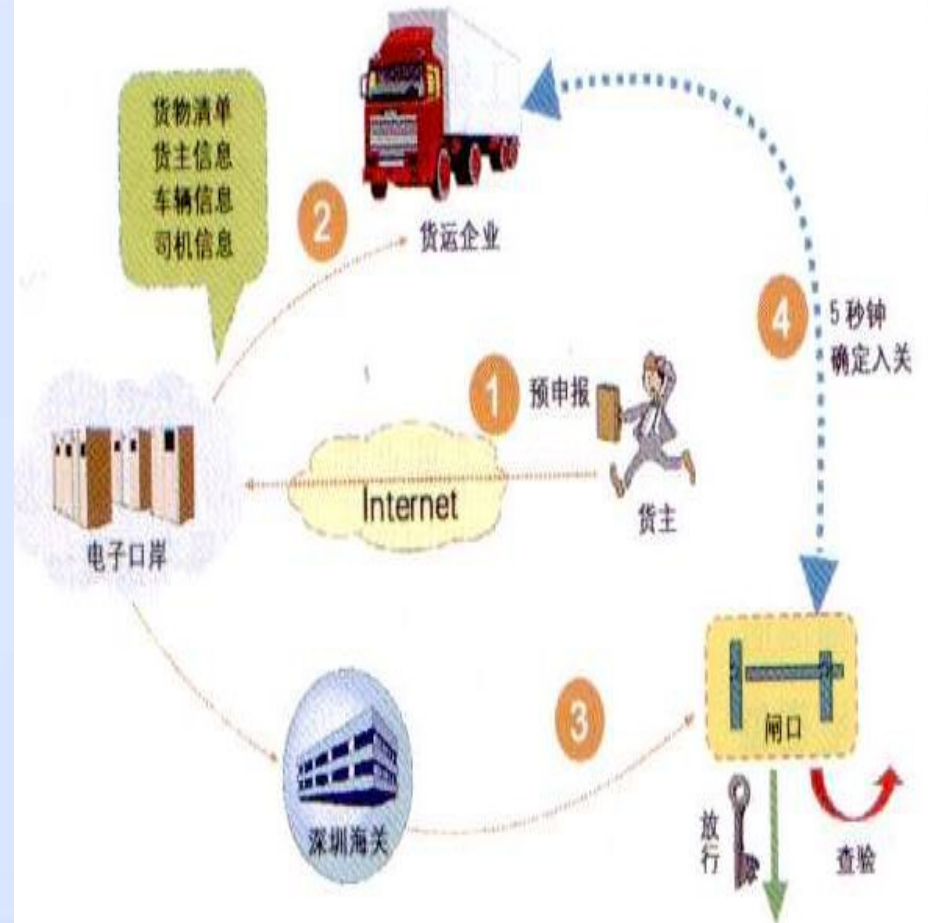
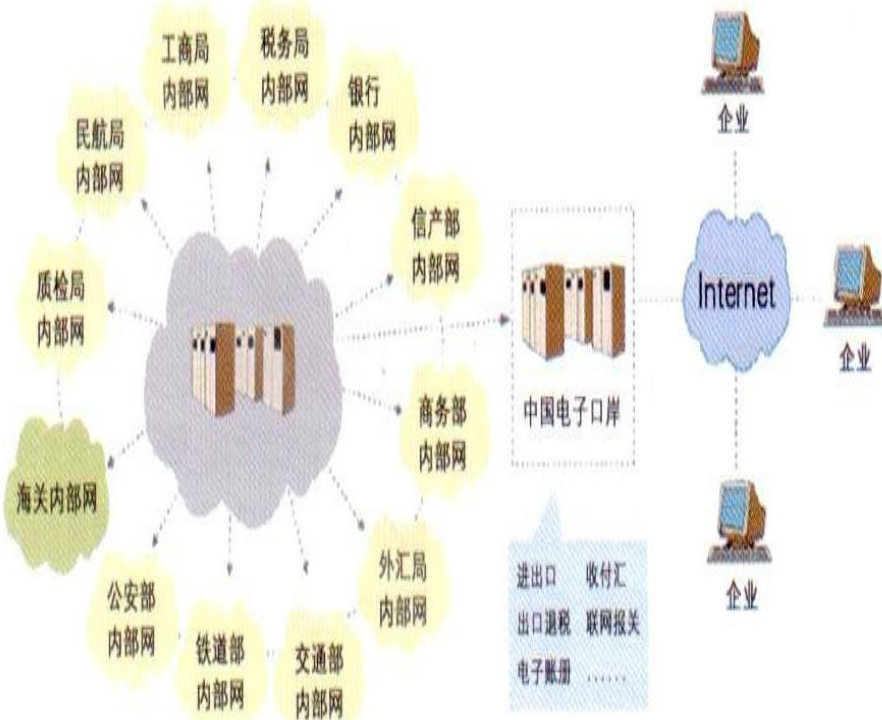
Article 2 of the Customs Law of the People's Republic of China stipulates the missions of China Customs: **to exercise control over means of transport, goods, travellers' luggage, postal items and other articles entering or leaving the territory, collect Customs duties and other taxes and fees, prevent and combat smuggling, compile Customs statistics and handle other Customs operations.**



Raising customs control effectiveness and efficiency to strike a good balance between strict control and efficient operations.

Sci-tech Innovations

中国电子口岸结构图



## E-Customs

### Realized networked clearance operations for customs across the country

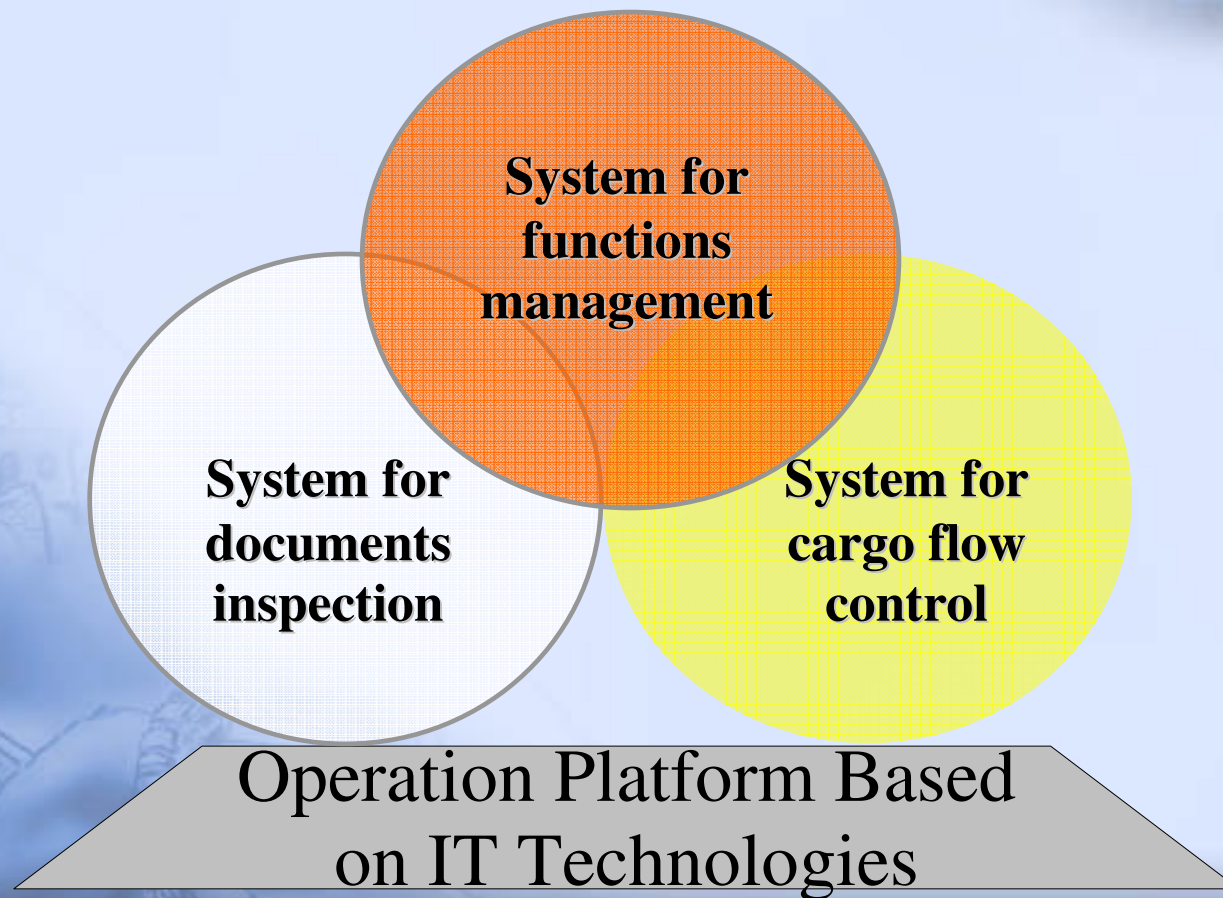
Utilizing the State Public Telecom Networks, established a three-tiered virtual network dedicated to Customs use, connecting the GACC, 46 regional customs institutions and over 700 customs operations sites, operable among the different nodes of the operational clearance sites , between the operational sites and regional customs, between different regional customs.

### Digitized control over cargo flow

Realized incessant real-time monitoring over inward and outward means of transport and goods throughout the whole process and from all dimensions .

# Innovations in Systems

**Build a new model of clearance management**



# Rolling out fast clearance

Declaration at the customs located at the same area with the factory. Examined and released at port of export.

Examination upon declaration, release upon examination, prior examination and release, appointment clearance, deadline service hour commitment and one-stop services.

**Cross-region clearance**

**Fast track of clearance**

Prior declaration, online declaration, bonded release, door-to-door examination and release, and emergency clearance.

**Models of facilitated clearance**

# Tariff Rates Adjustment and Duty Collection

**Reduce tariff rates  
on its own initiative**

1992

**42.5%**

2006

**9.9%**

Developed  
Countries

**3%**

WTO  
Members

**6%**

## Successive Growth of Revenue by a large margin

Year	Duties (Unit: 100 Million RMB)	Customs Revenue (Unit: 100 Million RMB)	National Financial Revenue (Unit: 100 Million RMB)	Proportion of Duties in the National Financial Revenue	Proportion of Customs Revenue in the National Financial Revenue
2000	750.5	2242.2	6968	10.74	32.08
2001	840.6	2492.3	8583	9.79	29.04
2002	705.0	2590.7	10389	6.79	24.94
2003	923.2	3711.8	11850	7.79	31.32
2004	1043.7	4744.2	15082	6.92	31.46
<b>2006</b>		<b>6104.23</b>			
2005	1066.6	5278.4	17260	6.18	30.58
<b>2007</b>		<b>7584.6</b>			

## Established the Customs Anti-smuggling Police to adopt a new anti-smuggling mechanism

“Fight smuggling through joint efforts. Unify the disposal of smuggling cases as well as smuggled goods and articles. Integrate ways to improve the anti-smuggling situation.” Thanks to these principles, over the past 8 years, customs revenue grew by RMB 520 billion yuan.

### Compilation of Customs Statistics

#### Principles

**Accurate & Timely.**

**Scientific & Complete.**

**Internationally Comparable.**

**Subject to Service Supervision.**

### Regulation of the People's Republic of China on Customs Statistics ( 2006.11.1 )

★ **Explicates that the scope of customs statistics covers** goods that have physically entered or left the customs territory and as such resulted in increase or decrease of the stock of materials within the customs territory, and articles that should be covered by customs statistics according to law.

★ Lists 12 items of goods and 6 items of articles that are not covered by customs statistics, mainly: transit goods, transshipped goods and through goods; temporarily admitted imports and exports; currency in circulation used as means of international payments and gold used as currency, etc.

★ Establishes the **statistics release and service system**, and prescribes different scope and means of release for different receivers.

- ★ Provides where concerned parties fail to declare the items that are required by law to be declared, or declare untruthfully, which affects the accuracy of customs statistics, the customs shall order them to make corrections and, if it deems it necessary to impose on them administrative penalties, it shall impose penalties or **a fine between 1,000 and 10,000 RMB yuan, to ensure the accuracy of statistics.**



# II. Extension of the Functions of China Customs

## A. Evolving tendency of international customs functions

### ① Organizational Restructuring

- In 2003, U.S. set up the Bureau of Customs and Border Protection.
- Also in 2003, in its reform efforts, Dutch Customs reduced its management tiers from 5 to 3, abolished customs directorates and basic-level customs offices, and reduced regional Customs from 7 to 4.
- Australian Customs Service and New Zealand Customs Service have moved their control over inward and outward passengers a couple of steps earlier, with customs and immigration services presenting one face at the frontline of borders while maintaining their division of responsibilities for primary-line and secondary-line operations respectively.

## ② The trend is towards comprehensive border protection.


The WCO proposes to “establish customs as the first and foremost management agency in ensuring national border security”. 75% of its members hold that border security will present a major challenge for future customs work. Based on this concept, customs of different countries are beginning to shift their priorities from import and export control to comprehensive border protection. Currently border protection has been expanded from the traditional area of economic security to such new areas as national security, social security, financial security, international trade supply chain security and public health safety.

③ Focal point of customs functions is going to be striking a balance between trade security and facilitation.

In the wake of September 11<sup>th</sup>, international trade security began to become a priority for customs. In June 2005, the WCO adopted the Framework of Standards to Secure and Facilitate Global Trade. 132 countries have committed themselves to making efforts to safeguard international trade security and facilitation". Previous world of paying more attention to either trade security or trade facilitation will gradually evolve towards one that attach equal importance to both. The U.S., Australia and some other developed countries have formulated "Customs-Trade Partnership Against Terrorism", "Client Accreditation Plan" and similar programs to ensure that a balance be stricken between the security and facilitation of the supply chain.

## ④ Performance of functions is evolving towards unified border enforcement.

The dual requirements of trade security and facilitation have given expression to the various problems of port agencies working on their own. Both the need for effective and efficient effort for safeguarding border security and the need for raised service efficiency to promote trade facilitation call for unified border enforcement. Thanks to the important and unique position of customs in border enforcement, many countries have chosen customs to be the unified enforcer at borders. The U.S., Canada, Australia, Singapore and some other countries have realized “one face at border” by customs.

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- ⑤ Realization of missions calls for mutually beneficial cooperation between customs and the trade.

**Coupled with organizational restructuring and function readjustment, customs administrations worldwide now have an enhanced awareness of service providing, and have come to realize the importance of having the trade participate in the process of enforcement activities for raising the effectiveness and efficiency of customs enforcement. Therefore, in recent years, many customs administrations have committed themselves to changing the traditional one-way administrative enforcement model by establishing a new partnership with the business community to expand the information sources and extend the enforcement space for customs.**

## B. Expansion of Functions of China Customs

**Traditional Functions of China Customs :**

**Non-traditional (new) functions of China Customs :**

- ❖ Customs protection of IPR
- ❖ Border protection
- ❖ Promoting international trade facilitation
- ❖ Establishing new partnerships with the trade
- ❖ Port management

## Customs Protection of IPR

1994—2007 (First Half)

Overall picture of China Customs' efforts to protect IPR

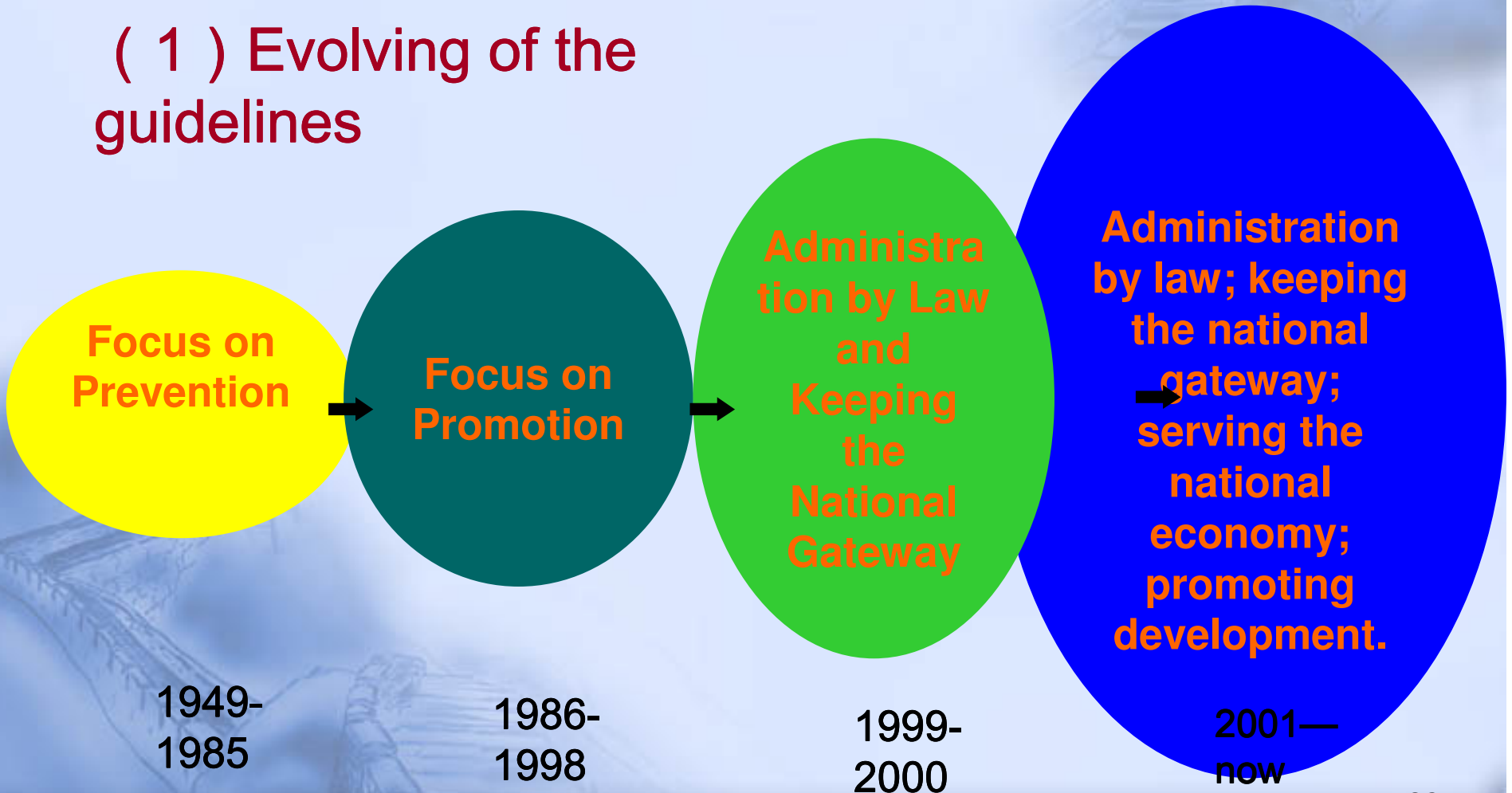
Number of infringement cases that have been ferreted out	Value	Average growth rate per annum
9227	>1 billion RMB yuan	30% ( figures around 2000 )

Thanks to the remarkable achievements scored by GACC in IPR protection, the Global Anti-Counterfeit Organization commended GACC by the Global Award of 2005 Outstanding Government Agency in Combating Counterfeit”.

In June 2007, China Customs won the Award of Special Contributions to Anti-counterfeit and IPR Protection issued by the WCO for the first time.

# III. Work Guidelines of China Customs

## ( 1 ) Evolving of the guidelines





( 2 ) Proposition of the Current Guideline

( 3 ) Meanings of the Current Guideline

Put forward in 2001. Set as guidelines in Jan. 2002 when the National DGs Meeting was held.

“Administration by law” is the fundamental guideline, a manifestation of the national strategy of “rule of law”.

“Keeping the national gateway” and “Serving the national economy” are two fundamental requirements of the country for customs

Keeping the gateway

Providing services



“Promoting development” is the ultimate purpose of all customs work

( 4 )

## Awareness required for implementation of the new guidelines

