



Customs in the 21st Century

By Hulan

Director of Multilateral Relations,
International Cooperation, General
Administration of Customs of the People's
Republic of China

hulan@customs.gov.cn

Main Content



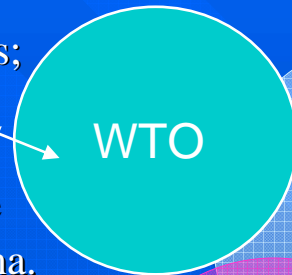
I . Multilateral Cooperation Framework of Customs

II . Customs in the 21st Century

I . Multilateral Cooperation Framework of Customs



CCV and CRO under WTO,
responsible for TF negotiations;
General Administration of
Customs and Ministry of
Commerce, P.R.C. responsible
for the TF negotiations of China.



WCO

International Intergovernmental
Organization,
176 members, responsible for 98% of
international trade; the WCO Council is
highest decision-making body.

SCCP, responsible for implementing CAP and
TFAP2; General Administration of Customs of
P.R.C. hosted APEC Customs Year and established
Shanghai Demonstrative Customs Clearance Point.

APEC

ASEM

Commissioners Meeting and Working
Group Meeting;
General Administration of Customs of
P.R.C. hosted the first ASEM
Commissioners Meeting in 1996 and
proposed the Initiative to Secure and
Facilitate Global Trade in the 2008
Summit.

■ General Administration of Customs of P. R. C. (GAC) and WCO



- ✓ Established Customs Department in Brussels in 1982 (4 working staff now)
- ✓ Joined WCO on July 18th, 1983
- ✓ Worked as regional vice chairman twice (1993-1995; 2004-2006)
- ✓ Actively sends personnel to WCO (one to WCO Secretariat; one to WCO Regional Capacity Building Office; will send 1-2 technical staff to WCO)
- ✓ Active attention to and participation in WCO environmental protection and IPR activities and other international or regional joint law execution activities in non-traditional customs sectors.
- ✓ Organized RILO and RTC
- ✓ Won many WCO awards (by the end of 2009, 55 Chinese customs staff won WCO Secretariat awards for their outstanding achievements in trade facilitation, IPR protection and fight against drug trafficking, etc. In 2007, GAC won the WCO Anti-Counterfeiting & Piracy Special Contribution Award)
- ✓ Joined 9 WCO conventions;
The only candidate in the Asian Pacific Region for the position of Director General of Law Conformance and facilitation, WCO.

II. Customs in the 21st Century



(I) Main them: to promote trade security an facilitation

(II) Current hot issues

1. Expansion of non-traditional functions of customs
2. Globally Networked Customs
3. Better coordinated border management
4. Customs and business trade parternership

Customs in the 21st Century

Main Theme



- **Promotion of trade security and facilitation**
 - Tax security and supply chain security
 - Security guarantees facilitation, which in turn is the sublime result of security.
 - The Initiative to Secure and Facilitate Global Trade was passed at the 2008 ASEM Summit.
 - Direct Result: development of WCO Framework of Standards to Secure and Facilitate Global Trade.

Framework of Standards to Secure and Facilitate Global Trade, SAFE



Background:

- The necessity in securing and facilitating international trade supply chain.
- The special role of customs in securing and facilitating international trade supply chain.
- Framework of Standards to Secure and Facilitate Global Trade passed by WCO 105/106 annual Council Meeting in June 2005



Core Factors



4 core factors



Pillars of Framework of Standards to Secure and Facilitate Global Trade



Framework of Standards to Secure and Facilitate Global Trade



Two Pillars



■ Customs to Customs Cooperation

1. Integrated supply chain management
2. Goods inspection authority
3. Modern inspection equipment
4. Risk management system
5. High-risk goods or containers
6. Early electronic information
7. Control and communication
8. Performance management measures
9. Border security assessment
10. Working staff probity
11. Export security inspection

Two Pillars



■ Customs to Business Cooperation

1. Partnership (AEO should secure the containers and goods.)
2. Security (AEO should integrate security practices into their business activities.))
3. Authorisation and certification (Customs and businesses jointly develop qualification standards.)
4. Technologies (use modern technologies to guarantee integrity of goods and containers)
5. Communication (promote minimum security standards and best practices)
6. facilitation (Customs should work with AEO to provide maximum security and facilitation)

Latest Development of Framework of Standards to Secure and Facilitate Global Trade



- Newly added documents: Trade Restoration Guide, AEO Implementation Guide and AEO Application Manual
- 157 members indicated their willingness in implementing Framework of Standards to Secure and Facilitate Global Trade.
- 115 members asked WCO to provide support for capacity building.
- 110 members completed customs status-quo diagnosis.
- 76 members developed action plans on implementing Framework of Standards to Secure and Facilitate Global Trade and started to implement it.

GAC and Framework of Standards to Secure and Facilitate Global Trade



- Submitted Letter Of Intent for implementation in June, 2005
- Launched diagnosis action, studied the current situation and potential problems of GAC for implementaing Framework of Standards to Secure and Facilitate Global Trade and started to develop action plan based upon this in March 2006.
- Completed development of the action plan with assistance from WCO experts in May, 2007.
- Started to implement the action plan in September, 2007.

Current Hot Issues



I . Expansion of non-traditional functions of customs

- Important guiding document of WCO and its members for responding to 21st century challenges and developing work plans.
- ✓ Customs in the 21st Century -Enhancing Growth and Development through Trade Facilitation and Border Security

Customs in the 21st Century



Background

- Complex, variable and sensitive global trade
- Increased security threats and organized crimes
- Emergence of new border management approaches
- Challenges of the new situation to governments
- Redefined state and government responsibilities

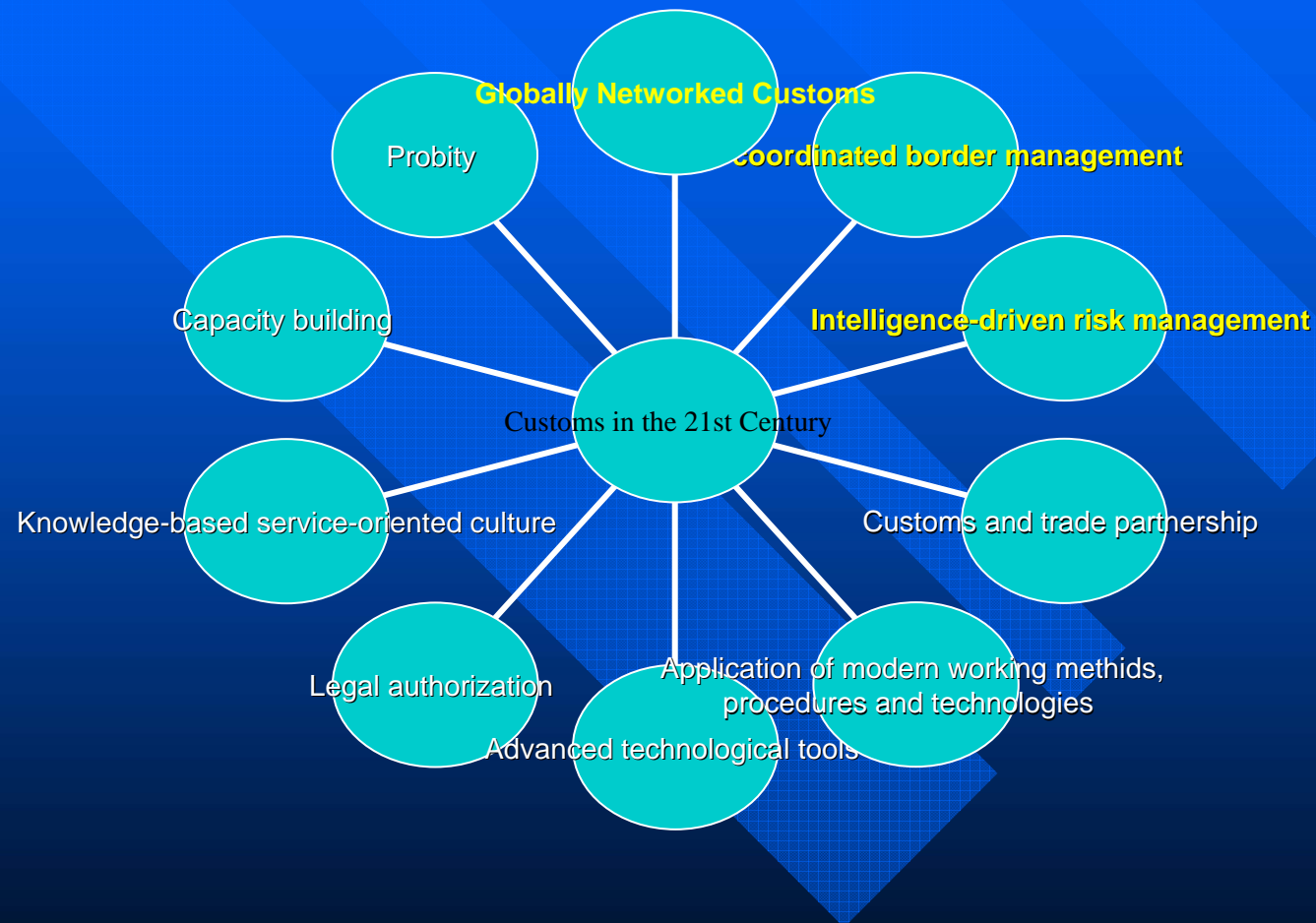
 Passed at the WCO Annual Council Meeting in June, 2008.

Key Content



- ✓ Describes the brand new role of customs in the 21st century. The role of customs has been transformed from collecting tax to support state treasury to serving much more broader government goals. Customs not only manages trade but also owns special knowledge to carry out crisis management related to transnational movement of goods.
- ✓ Identifies the new strategic orientation of customs in the 21st century : ten building blocks.

Ten Building Blocks



➤ Customs in the 21st Century: Brand new and vital customs



- It has become an issue of common interest of international customs nowadays to protect the national and social security and protect the environment we live on.
- ✓ Security is one of the core themes of WCO Framework of Standards to Secure and Facilitate Global Trade.
- ✓ TRP after the terrorist attack was an important item on the APEC SCCP 09 working agenda.
- ✓ Customs and the Environment-Protecting Our Cultural Wealth was the theme of 2009 WCO Day of Customs.
- ✓ Protecting the society and the environment has been identified by the ASEM Commissioners Meeting as one of the four major working tasks of ASEM member customs.



With continuous development and changes of the international situation, the non-traditional functions of customs will be further expanded.

Current Hot Issues



II. Globally Networked Customs (GNC)

Definition:

An information sharing system among customs, designed to support and increase international trade efficiency, propel international economic development and guarantee social security and tax collection and management. This system will support the construction of the 10 modules specified in Customs in the 21st Century, reduce business cost of law conformance and increase customs law execution efficiency through information sharing. At the same time, GNC will serve the two pillars in Framework of Standards to Secure and Facilitate Global Trade and first of all cooperation among customs.

Working Group:

GNC Working Group, established in June, 2009, providing guidance for WCO affairs, carrying out feasibility study and proposing suggestions on capacity building.

Globally Networked Customs (GNC)



Progress:

1. 3 Working Group meetings in November 2009, January and March, 2010.

2. Near-mid-long-term objectives:

Near-term: Promote customs cooperation as specified in Framework of Standards to Secure and Facilitate Global Trade based upon WCO customs law execution network

Mid-term: Work for the whole Framework of Standards to Secure and Facilitate Global Trade and integrate supply chain security into the working agenda.

Long-term: Work for all the tasks outside Framework of Standards to Secure and Facilitate Global Trade and integrate trade and customs declaration information into the working agenda.

→ Conduct feasibility study from two aspects: exchange of supervision and law execution data and exchange of commerce and trade data.

3. Relevant issues

1) Basis of data exchange: WCO Data Model 3.0

2) Data exchange protocol and rule: Framework of Standards to Secure and Facilitate Global Trade+successful cases of inter-member data exchange

3) Legal issues of data exchange: amended Kytocol Convention+relevant international organizations' study findings on establishing Single Window.

4) Full use of existing cooperation resources: AEO mutual recognition, case investigation, joint law execution activities, data exchange, etc.

Globally Networked Customs (GNC)



GNC influence on customs

- Data coordination and standardization; customs modernization
- Supervision results and AEO mutual recognition; information exchange and customs daily work.

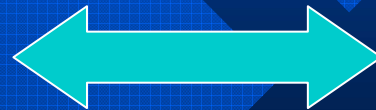
Globally Networked Customs (GNC)



Work of GAC

- Secure and Smart Trade Line Pilot Program (SSTL)
- Signed joint declaration in 2006, official implementation on November 19th, 2007

- Overall objectives: security measures, mutual recognition of supply chain security measures, mutual



SSTL



Shenzhen port,
China



Rotterdam, the
Netherlands



Felixstowe, UK

SSTL



■ Latest progress

- 6 Chinese and 6 European companies participated in it (including 5 Chinese export companies and 1 import enterprise)
- Basic agreement on core issues such as business certification, mutual recognition of supervision results, smart container application and utilization of common risk indicators.
- 1499 declaration documents of export goods, 3566 standard export containers; 396 standard import containers by October 30th ,2009.
- 23 data exchange items identified.
- AEO mutual visit and certification observation from March to June, 2009.
- The 13th working group meeting was held on November 25-26, 2009, when Shanghai, China, Belgium, Germany, France, Spain and Italy were selected to participate in the second phase pilot program.

SSTL



■ Prospect

- Complete appointment of new members and port application and acceptance and determine participation of new European members in the ports by the first half of 2010.
- Hold working group meeting in Hague, the Netherlands in June 2010 to discuss the second phase pilot work.
- Regularly submit pilot program reports and working suggestions to the working group of WCO Framework of Standards to Secure and Facilitate Global Trade and GNC working group.

Current Hot Issues



III. Better coordinated border management (CBM)

■ Concept

Promote coordination and cooperation among all those institutions that need to control and supervise transborder passengers, goods and transportation tools. Adopting the concept of Single Window to allow a trader to submit all necessary information and documents one stop. The purpose is to maximally facilitate trade while guaranteeing security and safety. According to UN Trade Facilitation Framework, customs are best positioned to comprehensively handle goods at entry point.

■ Core of CBM

Single Window

➤ Single Window



Four core elements:

- ✓ One-stop declaration: trade operation companies only need to submit relevant information and documents to trade administration once;
- ✓ One-facility declaration: this facility has a uniform platform or computer interface to have one-time handling of the information and data submitted by companies.
- ✓ Use standardized dataset: the data submitted by trade operation companies should be standardized data;
- ✓ Meet the needs of government departments and companies



➤ Single Window (Continued)

Operation model:

- ✓ Single-institution: one single institution coordinates and executes all supervision matters related to border crossing, e.g. Sweden;
- ✓ Single system: one single system integrates, collects, uses and distributes all international trade electronic data related to border crossing, e.g. USA;
- ✓
- ✓ Public platform: traders can use one public platform to have one-stop declaration to different supervision institutions, which electronically send the handling results to the traders, e.g. Singapore.

Single Window (Continued)



Promotion of Single Window by the international community

- ✓ **UN:** Trade Facilitation and Electronic Commerce Center ((UN/CEFACT) passed Proposal on Developing Single Window (NO.33) in September 2004, suggesting that governments develop Single Window as an important measure to accelerate trade facilitation process.
- ✓ **WTO:** an important topic of WTO trade facilitation negotiations. Proposals on Single Window accounts for 10% of all the proposals.
- ✓ **WCO:** an important content of Framework of Standards to Secure and Facilitate Global Trade and Customs in the 21st Century, working guide developed;
- ✓ **APEC:** Established Single Window working group, the purpose of which is to establish and implement a Single Window management model among the economies; the long-term goal is to establish a transnational Single Window among the economies.
- ✓ **ASEAN:** Passed and implemented the proposal on Single Window in 2003; signed the Agreement on Establishing and Implementing ASEAN Single Window in December 2005. The data content as required by government departments, data standard and format have been identified. Technological design of the system prototype and legal assessment of various countries have been completed. Countries have started to prepare for legal amendment.



➤ Influence on Customs Work

- ✓ External motivation for better coordinated border management ;
- ✓ New requirements and challenges for modern border development (utilization of international tools and standards)

Coordinated Border Management of GAC



Customs Clearance
(led by GAC)

Border Management Departments

(Customs, Foreign Economic and Trade, Inspection
and Quarantine, Taxation, Banking, Port)

Border Service Departments

(Ship agency, Forwarders, Customs Clearance,
Goods Checking, Transportation, Storage)

Import
export
inspection

Declaration

Tax Payment
and Rebate

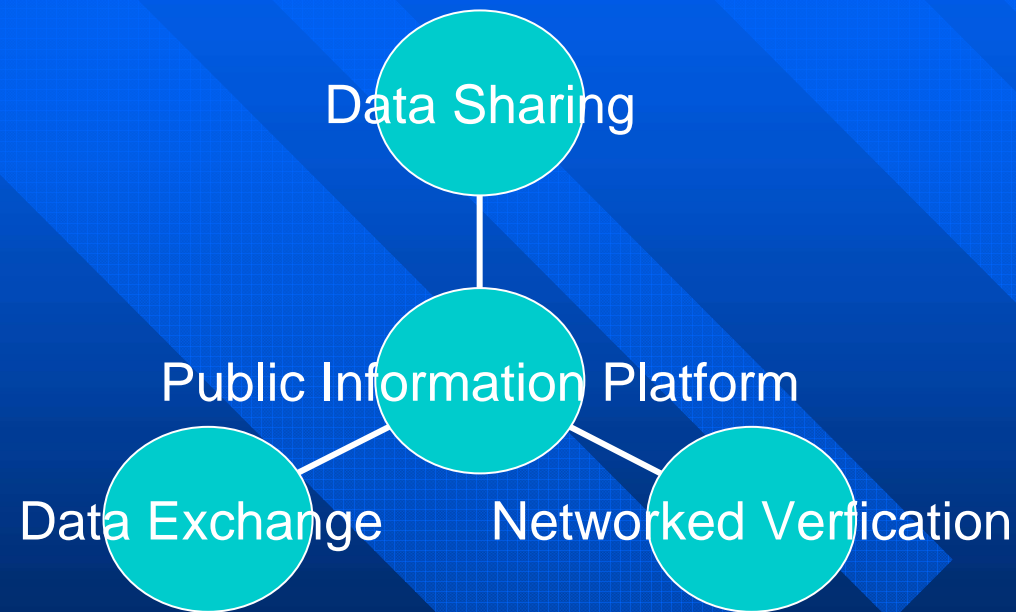
Foreign
Currency
Reception and
Payment

Goods
Checking

Loading and
unloading

Goods
Collection

Coordinated Border Management of GAC Operation Model



One-Point Connection, One-stop Declaration for companies

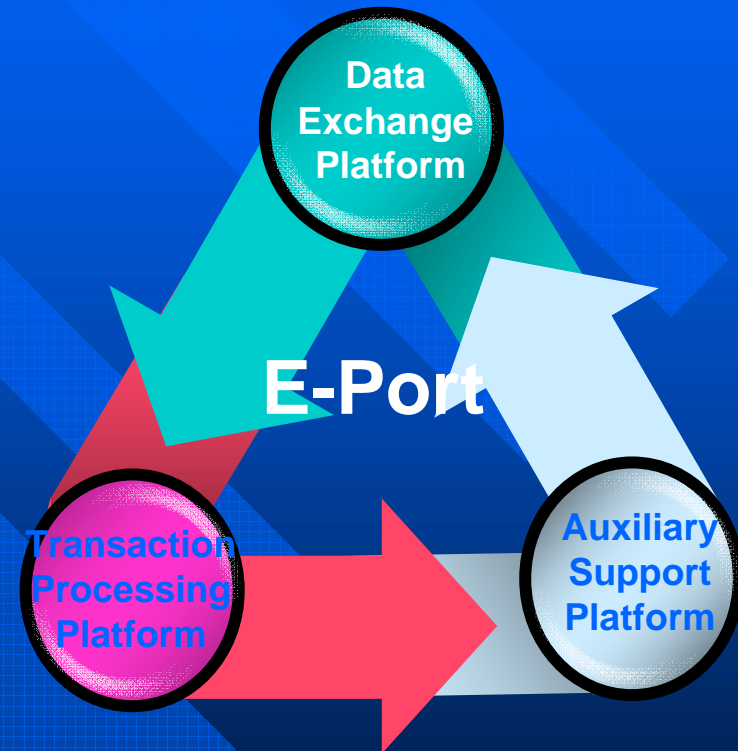
Public Information System: E-PORT



Architecture of E-Port (Established since 1999)

E-Port comprises three components

Data Exchange Platform	Data Exchange Platform oriented towards government agencies
Transaction Processing Platform	Transaction Processing Platform oriented towards companies, which offers a Single Window to them
Auxiliary Support Platform	Auxiliary Support Platform



E-PORT Organizational Structure



Progress



- ✓ 11 ministries
- ✓ 480,000 companies
- ✓ 14 banks
- ✓ 53 projects
- ✓ 35 local operating E-ports
- ✓ 7 million daily clicks of portal website

Current Hot Issues



IV. Customs and Business Trade Partnership

- Theme of 2010 Day of Customs: Customs and Business-Partnership for Excellence
- Basic Principle: Law Conformance Facilitation based on Risk Management
- Direct result: AEO (Authorized Economic Operators)

AEO

(Authorized Economic Operators)



■ Concept

- Any stakeholder involved in international movement of goods that comply with WCO or supply chain security standards, including producers, importers, exporters, declaration agencies, shippers, tally men, middlemen, border and airport personnel, goods station operators, comprehensive operators, storage operators and distributors.

AEO (Authorized Economic Operators)



■ Work done by the international community

- WTO: an important topic of WTO trade facilitation negotiations
- WCO: AEO introduced into Framework of Standards to Secure and Facilitate Global Trade and Customs in the 21st Century, AEO working guide developed, suggestions raised on AEO application, certification and facilitation
- APEC: AEO working groups established at SCCP, which will develop relevant standards.
- ASEM: Incorporation of active response to Summit initiatives and promotion of member and business trade partnership into 2009 Commissioners Meeting declaration and into the future 2-year trade facilitation working agenda.

AEO (Authorized Economic Operators)



■ Work done by GAC

- Integrated AEO system into domestic legislation; Implemented PRC Customs Companies Classification Management Method and corresponding regulations on April 1st, 2008 ; integrated AEO systems on law conformance, security and customs business partnership, trade facilitation measures and certification procedures into laws and regulations; classified import and export goods consigners and receivers into AA, A, B, C, D. The standards and conditions of AA companies are consistent with WCO requirements. 1577 AA companies have been approved by March 2010.
- Verifies and audits AEO companies. Verifies the trade security of company applicants according to WCO Standard Framework and develops relevant audit and verification methods and standards; comprehensive promotion of verification and auditing is the best demonstration of the implementation of AEO system in China.



Thank you for your kind attention.

