

# **Reform of Classified Customs Clearance in Shanghai**



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## Overview of Shanghai Customs

- ❖ **Shanghai Customs was established in North Song Dynasty (1113) with a history of about 900 years.**
- ❖ **The Qing Dynasty established River Customs in Shanghai in Kangxi 24th year (1685) .**
- ❖ **River Customs was officially renamed as Shanghai Customs of P.R.C. on February 16th, 1950.**

# Overview of Shanghai Customs



- Land area: 6350 square kilometers
- 49 institutions, including 7 dispatch institutions, 15 subordinate customs, 6 other institutions and 1 temporary institution
- 3300 customs staff, accounting for 6% of the national total.

# Business Characteristics - Comprehensive and Busy

- ❖ **Control areas: ports and bonded areas**
- ❖ **Control targets: crossborder transportation tools, cargoes and articles**
- ❖ **Trade type under control: general trade, processing trade and entrepot trade**
- ❖ **Transportation type under control: ocean, air, land, mail, etc.**
- ❖ **Major business indicators are among the top of the national**

<b>counterparts:</b>	2009	January to March, 2010
Import and export cargo value (100 million US\$)	<b>5154.9</b>	<b>1449.8</b>
Import and export container value (10,000 container times)	<b>1768</b>	<b>461</b>
Port tax flow (100 million RMB)	<b>2355.7</b>	<b>810.45</b>



# Business Characteristics-Focusing on Ocean and Air Transportation with Strong Trickle-down Effect

- ❖ Since 2005, the cargo throughput at Shanghai port has been No. 1 in the world and the container throughput ranked No.2 in the world in 2007 and 2008.
- ❖ There are 47 ocean transportation control docks, 7 concentrated control areas for dispatch cargoes imported via ocean shipping and 7 yards outside the ocean ports.
- ❖ The cargoes exported by companies outside Shanghai through Shanghai port have accounted for 50% of the export value of the port.



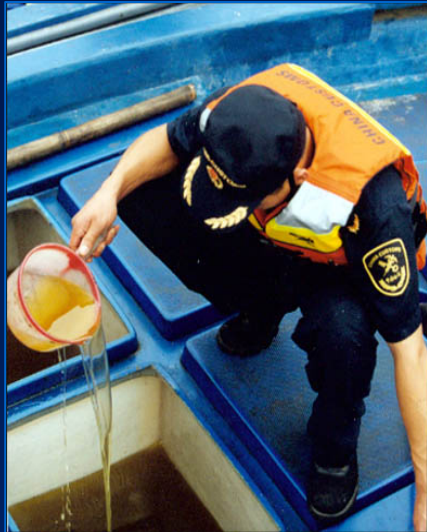
# Business Characteristics-Diverse Special Zones

## ❖ **There are 10 special zones of 5 categories in Shanghai**

- 1 bonded area (Waigaoqiao Bonded Area)
- 6 export processing zones (Songjiang, Jinqiao, Qingpu, Caohejing, Minhang and Jiading export Processing Zones)
- 1 bonded logistic park (Waigaoqiao Bonded Logistic Park)
- 1 bonded port (Yangshan Bonded Port)
- 1 comprehensive bonded area (Pudong Comprehensive Bonded Area, approve



# Business Characteristics-Safe, Convenient and Modern



- Declaration in advance
- Fast clearance at special zones
- “5+2 days” clearance



- working schedule
- Paperless clearance





# Business Characteristics-Active International Cooperation and Exchanges

- ❖ **Actively learn from international customs about their advanced management experience and technologies**
- ❖ **Organized APEC Customs Valuation Conference, WCO IP Protection Regional Forum, China-New Zealand FTA Negotiations, WCO Senior Strategic Group Meeting and other large international conferences.**
- ❖ **Established APEC Shanghai Demonstrative Clearance Point, implemented Sino-USA Container Safety Initiative, USA “Large Port Plan” and other major international cooperation projects.**







## Close Cooperation among Central Asian Customs

- ❖ **For the past 9 years of cooperation, certain progress has been made among the central Asian customs in terms of the development of organizational framework, identification of priority areas and conduction of training and workshops. Mutual understanding has been strengthened. All this has laid down a solid foundation for further cooperation.**
- ❖ **Since 2003, GAC has held or participated in a lot of Central Asian customs cooperation forums and workshops, so has Shanghai Customs and Shanghai Customs College In-depth discussions were held on topics such as trade facilitation, risk management and information exchange mechanism and good results have been achieved.**



## Economic and Trade Interactions

- ❖ **The cargoes imported from and exported to CAREC regions through Shanghai port are increasing year on year.**
- ❖ **In 2009, the total import and export value between Shanghai port and CAREC countries reached 551 million US\$.**
- ❖ **From January to April, 2010, the total import and export value between Shanghai port and CAREC countries reached 333 million US\$, an increase of 114.1% thanks to gradual international economic recovery.**

# Reform of Classified Clearance

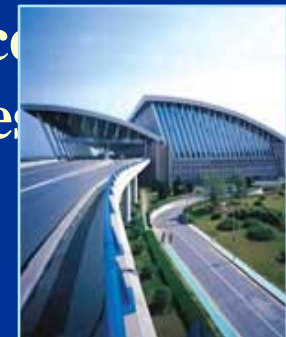
- ❖ **Part One: Background**
- ❖ **Part Two: Content**
- ❖ **Part Three: Initial Results**





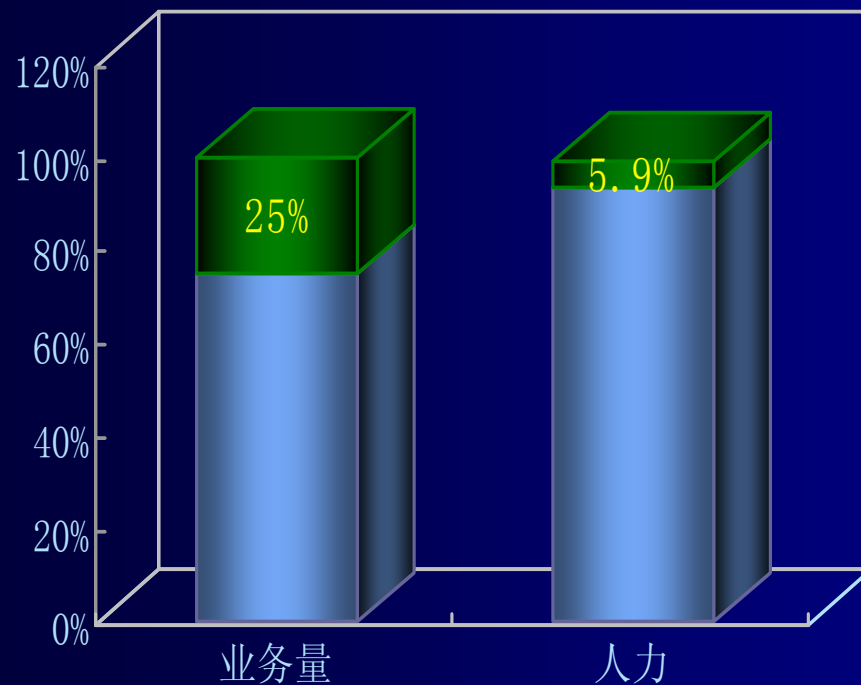
# Part One: Background-External Environment

- ❖ **Higher requirements on customs from the central government and the State Council**
- ❖ **Higher requirements on customs due to complicated and variable economic situation**
- ❖ **Higher requirements on customs as a result of rapid development of Shanghai port**
- ❖ **Higher requirements on customs with the emergence of new production modes**



# Background-Internal Environment

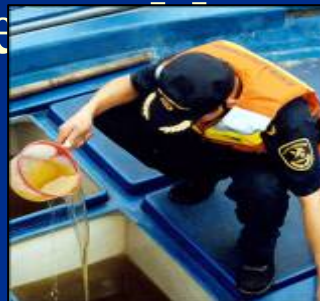
- **The aggravated conflict between rapid growth of import and export volume and relative shortage of customs management resources**



- *The main business workload accounts for 25% of the national total, while the manpower only 5.9%.*
- *Daily per capita document checking workload at certain export points has exceeded 800 copies; 1200 copies at the peak.*

# Background-Internal Environment

- The traditional supervision and control concepts and methods of customs do not meet the development needs and requirements of modern customs.
- The overall supervision and control capacity of customs must be strengthened in order to keep up with economic development. The current management methods are outdated.







# The Reform Roadmap

- ❖ The reform plan was approved by the Party Group Meeting of GAC on October 8<sup>th</sup> 2007.
- ❖ The pilot reform started from Pujiang Customs Export Point on December 27<sup>th</sup> 2007 and the reform was gradually extended to all the other export points.
- ❖ GAC extended the reform to 15 subordinate customs and Shanghai Customs was listed into the first batch of customs to practice import reform this May.
- ❖ Pudong Customs and Wusong Customs started pilot import reform on September 15<sup>th</sup> and October 15<sup>th</sup> this year.



## Part Two: Content of the Reform

**General Philosophy:** To effectively increase the overall management efficiency by using the concept of risk management and the management method of “company classification+differentiated control”, which is to practice classified management against the imported and exported cargoes based on their credibility and risk level with both the companies and the goods taken into account. Paperless clearance or rapid clearance are practiced for the imported and exported cargoes of most credible companies. Strengthened examination and inspection are practiced for the imported and exported cargoes of companies under strict supervision and control, fully demonstrating the management principle of “Facilitating law conformance and punishing violations”.

# Content of the Reform-Major Steps

- ❖ **Scientific risk identification**
- ❖ **Reasonable classified  
supervision and management**
- ❖ **Effective and comprehensive  
prevention and control**







# Content of the Reform-Scientific Risk Identification

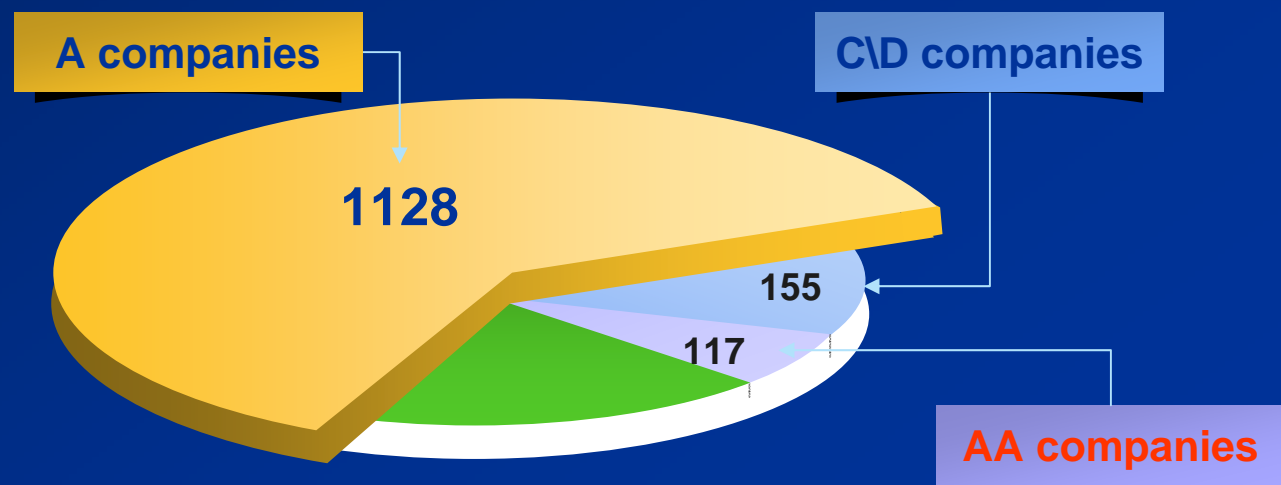
## ❖ Continuously increase risk analysis capacity

- **Integration of functional resources:** *establish Risk Analysis and Monitoring Center . Taking the opportunity of establishing “GAC Shanghai Risk Parameter Maintenance Management Subcenter”, gradually develop a parameter operation monitoring mechanism according to the principle of “concentrated management, uniform loading and joint monitoring”.*
- **Integration of system resources:** *Integrate various monitoring system functions based on the risk management platform developed by GAC to independently study and develop risk analysis handling and decision-making support system.*
- **Integration of information resources:** *Integrate the scattered data and information in different departments and systems of the customs and from other relevant management departments to make risk management more scientific by using data model.*

# Content of the Reform-Scientific Risk Identification

## ❖ Optimize classified company management

- ❑ *Based on Classified Company Management Method*
- ❑ *Develop and specify **22** company classification reference standards*
- ❑ *Study and develop company management information system*
- ❑ ***117** Grade AA companies, **1128** Grade A companies, **155** Grade C,D companies*



# Content of the Reform-Scientific Risk Identification

## ❖ Innovate risk management methods and approaches

- Take advantage of the GAC Selection and Examination System and the Shanghai Customs Risk-assisted Decision-making System
- Identify the risks of all imported and exported cargoes
- Carry out manifest risk analysis before cargo delivery

□ *H2000 Selection and Examination System*

□ *Risk-assisted Decision-making System*



□ **Risk Analysis System**

# Content of the Reform- *Reasonable Classified Handling*

## Scientific Risk Identification

- Company classification must be scientific and reasonable.
- Concentrated management and dynamic maintenance of the risk parameters
- Carry out manifest risk analysis before cargo delivery

Risk Identification

Risk Analysis System

## Reasonable Classified Handling

Credible Companies

Paperless/guaranteed inspection and clearance

Low Risk

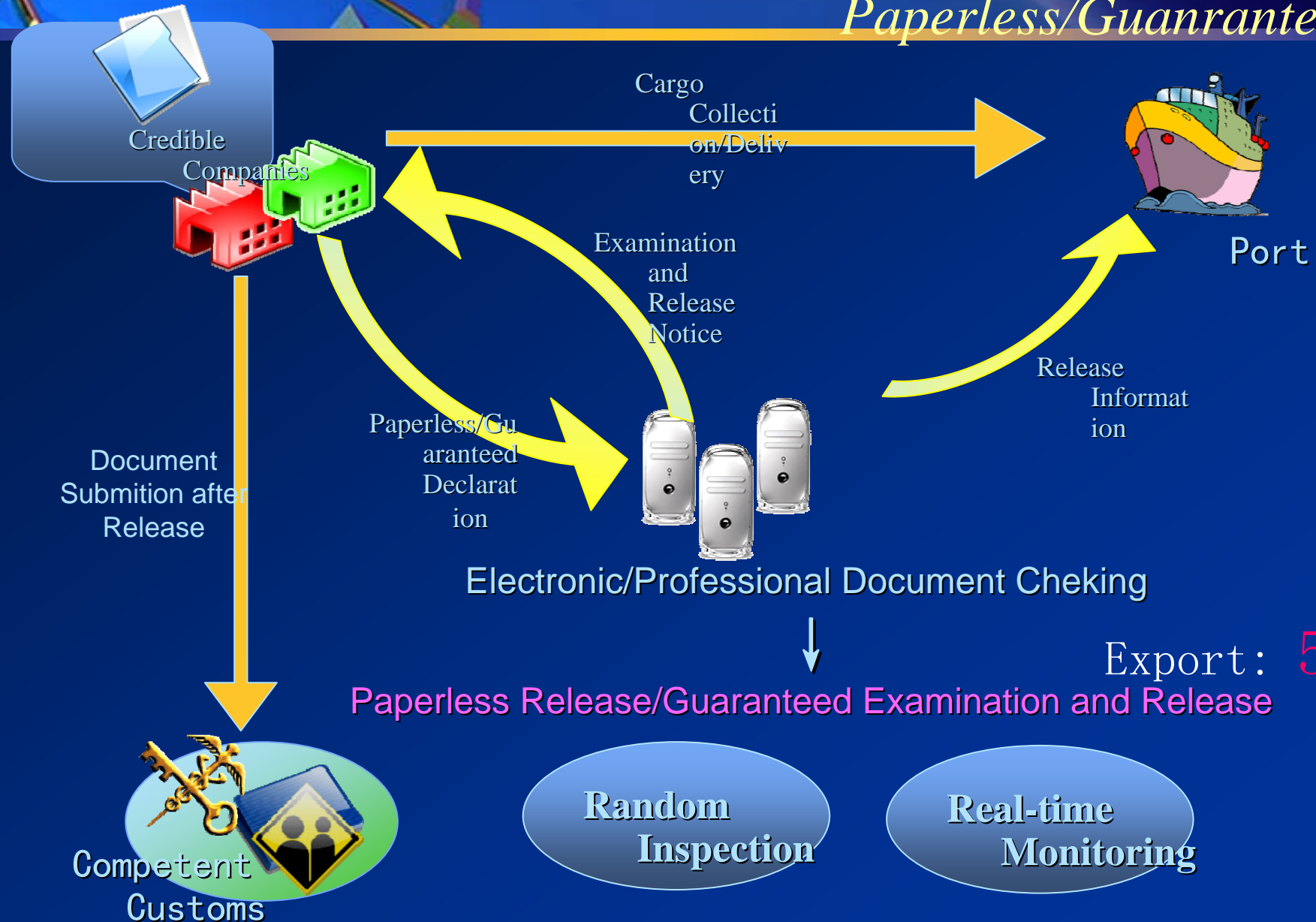
Low risk rapid clearance: *Mechanically*  
Low risk single document checking: *Manually*

High Risk

Strengthened Control



# Reasonable Classified Handling - *Paperless/Guaranteed*

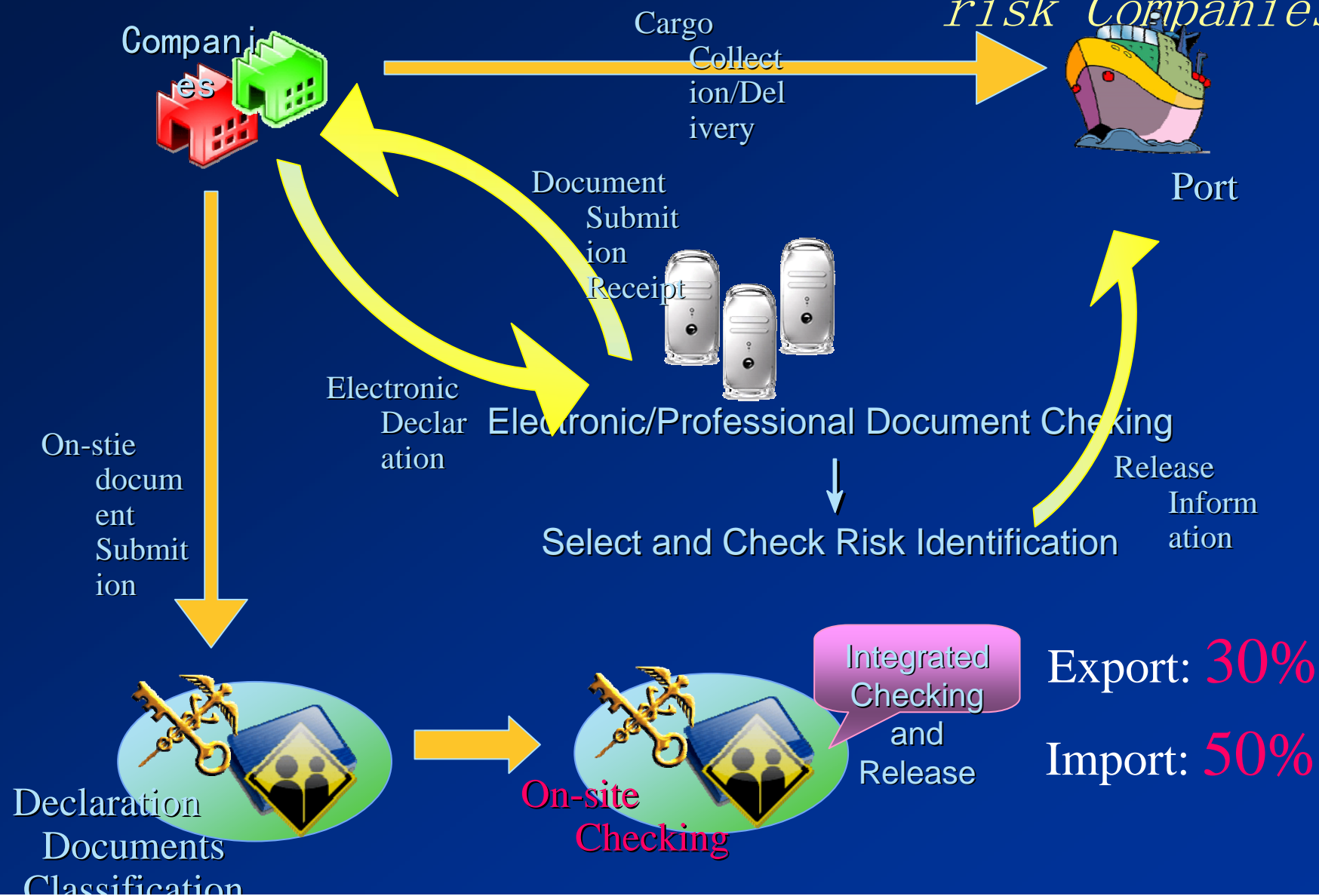


# Reasonable Classified Handling-*Rapid* *Checking and Release against Low-risk*

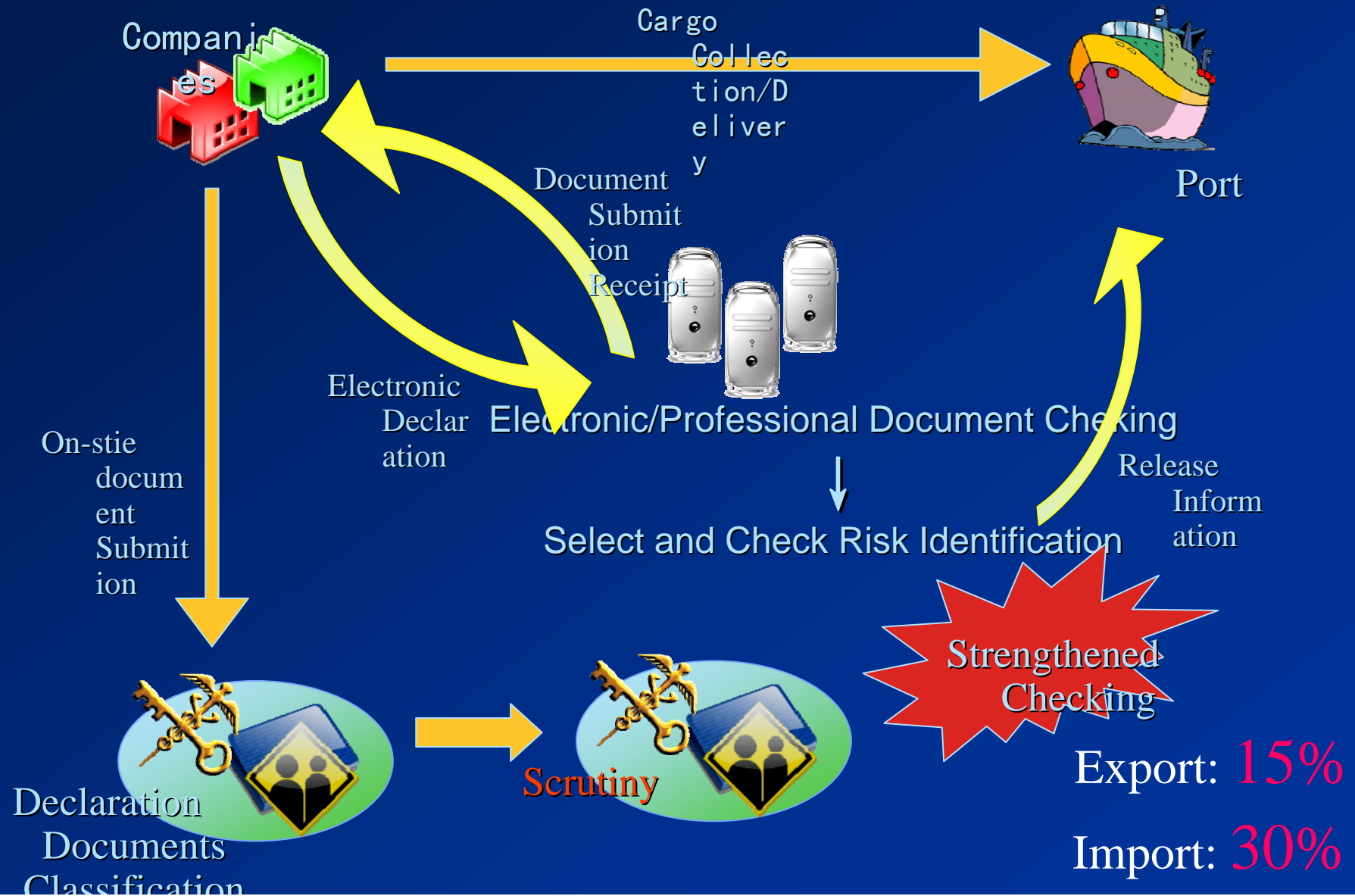


# Reasonable Classified Handling- *Manual Checking and Release against Low-*

*risk Companies*



# Reasonable Classified Handling- Strengthened Checking and Release Against High Risk Companies







## Content of the Reform-*Effective and Comprehensive Prevention and Control*

- ❖ **Random Checking**
- ❖ **On-site random checking of declaration documents and post-declaration batch rechecking**
- ❖ **Strengthen data quality monitoring**
  - *use monitoring analysis system*
  - *Establish Companies Declaration quality evaluation analysis system*
  - *Use customs anti-corruption risk warning Response System*
- ❖ **Strengthen company audit and checking**
  - *Establish 3 mobile audit and checking squads*
  - *Practice taxpayers management system and company responsible people system*
  - *Regularly carry out risk measurement and evaluation against credible companies*
- ❖ **Conduct pilot evaluation of comprehensive business performance**

# Content of the Reform-*Overall Framework*

## Scientific Risk Identification

- Company classification must be scientific and reasonable.
- Concentrated management and dynamic maintenance of the risk parameters
- Carry out manifest risk analysis before cargo delivery

Risk Identification

Clearance Risk Analysis System

Paperless or Guaranteed Checking and Release

## Reasonable Classified Handling

### Credible Companies

#### Low Risk

Without certificate or tax:  
Mechanical checking, rapid release  
With certificate and tax:  
Manual checking and release

#### High Risk

Scrutiny before release

## Effective and Comprehensive Prevention and Control

- Random Checking
- Random checking of declaration documents and post-declaration batch rechecking
- Data quality monitoring
- Daily company monitoring
- Comprehensive performance evaluation

Whole-process monitoring, timely feedback, dynamic adjustment

## Content of the Reform- *Facilitate Reform of the Working Mechanism*

- ❖ Horizontally, established Shanghai Customs Classified Clearance Reform Committee and 3 Sub-committees on classified company evaluation, risk parameter management and business system operation .
- ❖ Vertically, make full use of GAC Shanghai Risk Parameter Maintenance Management Subcenter to form an effective closed supervision circuit.





## Part Three: Initial Results Achieved

### ❖ Strengthened supervision and control efficiency

*-The hit rate of export inspections has increased by 45% and the hit rate of import inspections has also increased to certain extent.*

### ❖ Further enhanced clearance efficiency

*-The customs document processing speed has doubled.*

### ❖ Further optimized allocation of human resources

*-The average per capita document checking workload has declined from 800 copies down to 380 copies after the reform.*

### ❖ Further strengthened risk prevention and control capacity







## Next-step work plan

- ❖ **Expand the covery of the pilot reform**
- ❖ **Optimize the process of classified clearance**
- ❖ **Improve the operation and management model of the reform**

Thanks a lot.

