China’s Experience on Customs to Business Partnerships and AEO

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Department of Audit-based Control and Risk Management of GACC
Main Contents

- Background
- China’s Experience
- Future Plan
Background
Two Main challenges

1. Increasing of trade volume but not enough of human resource.

2. Requirements of supply chain security and facilitation of legitimate trade.
Key Settlement to the Challenges

- Customs to Business Partnership
- Win-win relationship:
  - To Customs: increasing management efficiency by focusing on high risk companies and goods.
  - To traders: getting benefits from Customs by being a trusted trader
China’s Experience
1. Implement AEO program

Chinese national regulation

AEO

Concept, Standard, Essential requirement, Facilitation measures, Verification procedure, Security
1. Implement AEO program

National legislation about AEO Program

I. Legislations:
A. Measures on Classified Management of Enterprises (MCME, Decree No. 170 of GACC, April 1st, 2008)
B. Revised MCME, Decree No. 197 of GACC, January 1\textsuperscript{st}, 2011

II. Bulletin of GACC NO.78 of 2010, Annexes of MCME

III. Customs internal documents
A. Measures Catalog for MCME, April 1st, 2008
B. Operating rules for MCME, January 1\textsuperscript{st}, 2011
C. Working Standards of verification Audit, July 1\textsuperscript{st}, 2010
1. Implement AEO program

Enterprise categories

- **Class AA**: highly trusted class, AEO of China Customs
- **Class A**: trusted class, preliminary AEO
- **Class B**: normal class
- **Class C**: untrusted class
- **Class D**: highly untrusted class
1. Implement AEO program

Class AA enterprise must meet criteria based on the enterprise’s current business situation:

- Compliance with Customs law and requirements
- Internal control procedures
- Accuracy of declarations
- Compliance with other government agencies
- Records of trade and transportation
- Financial solvency
- Security
- Compliance with other government agencies

Criteria
1. Implement AEO program

- Benefits for AA companies
- Trust release
- Not operating Bank Guarantee Deposit Account
- Priority to clearance formalities
- Priority to handling urgent customs clearance formalities
- Lower Customs inspection rate
## Import and Export Statistics (by Dec 2013)

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2. Other Measures

- Establish daily communication mechanism for Customs-Business Partnership.
  - Seminars
  - On site visit
2. Other Measures

- Establish daily communication mechanism for Customs-Business Partnership.
  - Website communication platform
  - Hotline of Customs Service “12360”
2. Other Measures

- Establish Account Manager System
  - To provide Tailor-made service for AEO companies;
  - To monitor AEOs to ensure they meet the criteria continuously;
  - To cultivate potential companies to become AEO.
2. Other Measures

- Cooperation with other government agencies and exchange credit data of companies
  - Industrial and commercial bureau,
  - Tax bureau
  - Bank
  - Foreign exchange bureau
  - Quarantine bureau
3. AEO MRA Negotiation

- MRA signed:
  - Singapore, June 2012
  - Korea, June 2013
  - Hongkong China, October 2013

- Under negotiation:
  - EU
  - USA
  - Chinese Taipei
3. AEO MRA Negotiation

- **MRA benefits:**
  - Reduce inspections rates;
  - Simplify verification of declaration documents;
  - Prioritize clearance of cargo;
  - Designate customs officials in charge of communication in order to resolve problems encountered by authorized companies during customs clearance;
  - Prioritize measures in urgent cases.
Future Plan
Future Plan

1. Improve AEO program

- Streamline Criteria, simplified authorization procedures, expand benefits, to make the AEO program more feasible, and effective.
- Ensure the facilitation measures can be really implemented, especially automatically implemented by computer.
Future Plan

- 2. Sign more MRAs with other trade partners
  - EU, USA, Chinese Taipei, Kazakhstan, Israel, India, Switzerland...
Future Plan

3. Establish AEO Annual Conference mechanism

To introduce latest Customs policies and legislations, and provide different training courses, and receive consultation from potential AEOs.
4. Improve Account Manager System

- To train more Customs Account Managers
- To found an expertise center to support the Account Managers.
5. Introduce third parties to help improve the level of compliance and security of the companies for customs.

- Accounting firms,
- Law firms
- Authorization firms
THANK YOU
FOR YOUR ATTENTION

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