

I. Overview of China Customs

China Customs is a government agency that supervises and manages all arrivals in and departures from the Customs territory of the mainland of the People's Republic of China. It exercises a centralized management structure. Its essential tasks are entry and exit control, revenue collection, fighting smuggling and foreign trade statistics compilation. It also shoulders such major responsibilities as duty collection, Customs control, supervision and management of bond operations, foreign trade statistics compilation, audit-based control, Customs intellectual property rights protection, anti-smuggling, and port management.

The General Administration of Customs is the headquarters of China Customs. It is a full-ministerial-level government agency that directly reports to the State Council of the People's Republic of China and manages all the Customs districts nationwide. The Customs districts report to the General Administration of Customs instead of the local governments. The General Administration of Customs is composed of 17 departments and 6 directly subordinated service or coordinating functions, manages 4 associations (i.e. Customs Institute of China, Customs Brokers Association of China, Port Society of China, and Association of Bonded Areas and Export Processing

Zones of China), and has posted representative offices in the European Union, the Russian Federation, and the United States of America. The CPC Central Commission for Discipline Inspection and the Ministry of Supervision stationed the Discipline Inspection Office and the Discipline Inspection Bureau respectively in the General Administration of Customs.

China Customs has a total of 46 Customs districts or agencies and offices at the same level (i.e. Guangdong Sub-Administration of Customs that is in charge of the 7 Customs districts located in Guangdong Province, 2 Supervising Offices that are located in Tianjin and Shanghai respectively, 41 Customs districts and 2 Customs educational institutions), 580 Customs houses or offices and nearly 4000 Customs clearance control stations. Its staff is numbered at around 50,000 (including Customs anti-smuggling police).

The incumbent Director of the Board and Minister of the General Administration of Customs of China is Mr. Sheng Guangzu.

The working guidelines upheld by China Customs are to "exercise law-based administration, keep the national gateway, serve the national economic interests and promote social

development". Its team-building principle is to make Customs personnel "politically staunch, professional and reliable". Its spirit is "be loyal and upright to revitalize the Customs and rejuvenate China".

China Customs adopts a Customs rank system. The Customs ranks are divided into 5 levels and 13 classes, which include:

- > Customs Commissioner-General and Deputy Customs Commissioner-General;
- > Customs Commissioner First Class, Second Class and Third Class;
- > Customs Supervisor First Class, Second Class and Third Class;
- > Customs Superintendent First Class, Second Class and Third Class;
- > Customs Inspector First Class and Second Class

China Customs continuously improves its clearance model, control system, management mechanism and workforce competence. China Customs,

--aiming at raising efficiency, has adopted a multi-level clearance model in conformity with the credit ratings and law-compliance degree of enterprises;

--eyeing on effectiveness, is going to build up a holistic Customs

control system through more cooperation and communication with other departments, a system which is geared to the Integrated Clearance Project, features the functions of frontline control, follow-ups management and combating smuggling, defines clearly the 3-level duties among the General Administration of Customs, the Customs districts at local levels and the Customs houses which are affiliated to the Customs districts.

--has established an orderly, well-functioned and forceful management mechanism to optimize its work on decision-making, organization and coordination, supervision and enforcement, evaluation and assessment, monitoring and review as well as accountability defining.

--has put in a lot of efforts to enhance the sense of duty, capability and risk-controlling ability of its workforce, helping them cope with complicated situations, guard against risks and solve problems.

II . Customs Revenue Collection

Customs revenue collection means that Customs levies duties and taxes on goods permitted to be imported & exported and articles permitted for entry & exit in accordance with the Customs Law of the People's Republic of China and the import & export tariff schedule. Currently, the revenue collected by

China Customs mainly includes Customs duties, import VAT, consumption tax and vessel tonnage tax. Customs revenue serves as a crucial source to the national fiscal revenue, especially the fiscal revenue of the central government, a tool for national macro-control and also an important tool to protect and promote the sound development of domestic industries. After China's accession to the World Trade Organization (WTO), China Customs has been working earnestly to honor related commitments that the Chinese government undertook. We have adopted fair, unified and transparent tariff policies across the Customs territory in accordance with the principle of non-discrimination, fully implemented the WTO Customs Valuation Agreement, and have taken concrete measures to phase in the tariff reduction plan. The overall tariff level has been reduced from 15.6% (2000) to 9.8% (2009); The average tariff level for agricultural products totals about 15.2%, while that of industrial goods is 8.9% in 2009.

China Customs has improved its performance on taxes and duties management within the Integrated Revenue Collection Framework in the way of establishing a long-term revenue collection mechanism. As a result, the quality and amount of the revenue collected by China Customs has reached an unprecedented level and size. In 2008, the net annual Customs

revenue submitted to the national treasury stood at RMB 916.11 billion, RMB 157.644 billion more than in the previous year, up by 20.8%, serving as a positive force for the growth of state revenue and national taxes.

In 2009, China Customs makes efforts to consolidate the success it has gained on revenue collection, measures are as follows:

1. Full implementation of Value-added Tax Reform and the management of the commodities whose processing is prohibited or subject to restrictions, enhancing the follow-up control on duty-reduction or exemption and checking up on the fundamentals of the revenue collection work.
2. intensifying the control on logistics by reforming the management system of the bills, regulating work at control stations, strengthening manual inspection and improving all-the-way monitoring of the bonded goods.
3. comprehensive application of such means as revenue analysis control of risk management and enforcement assessment to guard against possible revenue collection risks in key industries, enterprises and commodities.
4. preventing and cracking down on commercial frauds through revenue auditing on priority customs administrations and

commodities.

5. carrying out nation-wide Customs revenue collection verification on important sectors and sensitive commodities and key areas at the period of policy adjustments.

III Cracking Down on Smuggling

Customs anti-smuggling is the Customs law enforcement using both criminal and administrative law enforcement means to curb, repress and dispose of smuggling activities and crimes at Customs control areas and prescribed coastal or border areas where Customs office is established. Its essential purpose is to safeguard national economic interests and import & export trade order. China Customs is the competent anti-smuggling authority of the Chinese government responsible for the combating of smuggling. Since 1998, China has established a Customs anti-smuggling police force, which is under dual-leadership of the General Administration of Customs and the Ministry of Public Security, with Customs taking the major leading role. China has adopted a counter-smuggling mechanism, whereby smuggling activities are combated through joint efforts by all the relevant authorities, all smuggling cases are disposed of by China Customs following a unified procedure, and smuggling

problems are dealt with in an integrated manner.

China customs carries out a heavy-handed policy on fighting against smuggling. China customs has effectively curbed the development momentum of the large-scale smuggling activities through adopting both criminal and administrative law enforcement means, launching special actions and cross-sector operations as well as pushing forward with force comprehensive anti-smuggling campaigns. In 2008, a total of 9,790 smuggling cases were ferreted out, involving a value of RMB 8.25 billion, mandatory measures were imposed on 2,901 smuggling criminal suspects according to law and all together 774 kilograms of drugs were seized, safeguarding effectively the economic order and social stability.

In 2009, China Customs enhances the coordination and cooperation with relevant agencies to guard against fraudulent export tax refunds. It has also established a strict port monitoring system and an anti-terrorist, anti-riot, stability-keeping oriented emergency mechanism to guide and steer the national comprehensive anti-smuggling campaigns.

IV. Customs Control

Customs control is the process where Customs inspects, verifies and examines inward and outward means of transport, goods, personal articles as well as mails and parcels according to the law to ensure the implementation of national laws and regulations concerning entry and exit of means of transport, goods, personal articles as well as mails and parcels through acceptance of declarations, document inspection, examination and release and other related management systems and procedures.

China Customs has introduced a series of reforms to improve customs inspection and supervision, which include reform of regional clearance, classified clearance, management of manifest and etc. Under the guideline of “supervise closely, operate effectively”, China Customs has made remarkable achievements on customs control: in 2008, China Customs processed 361 million entries and exits of passengers and their personal articles, exerted control over 2.425 billion tons of import & export goods valued at USD 2.56 trillion, strongly accelerating the development of foreign trade as well as cultural and technological exchange. Last year, China Customs participated actively in the relief work of the “5.12” earthquake

in Shichuan province. Frontier officers worked 24 hours per day in shifts behind green channels and dedicated counters set up especially for relief work and released a total of 505 batches of relief materials which involved duty-reduction or exemption of more than RMB 500 million. Another spotlight in the 2008 was the Customs Olympic Security and Service Work. China Customs, as an important backup and service department of 2008 Beijing Olympic Games and Paralympic Games, has created a quality and safe clearance environment. Great success has been gained on the Customs Olympic Security and Service Work.

In 2009, China Customs puts in efforts to adopt a comprehensive management on the self-compliance of the enterprises, promotes the classified clearance system and implements the measure of “declare at home, release at port” (a cross- Customs districts clearance model under which qualified enterprises can firstly declare to the Customs house with which they have registered and then have the goods released at the ports where the actual in and outflows of goods take place.) as well as the measure of helping goods transfer among different Customs districts. It improves its administration over bonded

logistics and makes the clearance processes of Customs special control areas, bonded areas and frontline checking spots gear up to each other. Besides, Customs officers further engage themselves in the Integrated Clearance Project and the E-port construction and get fully prepared for the clearance work of the 2010 Shanghai World Expo as well as the 2010 Guangzhou Asian Games.

V. Customs Control over Bond Operations

Customs control over processing trade and bond operations is a new Customs management model which means that, after getting promise from enterprises that there will be no loss of national revenue, Customs does not levy duties on their import goods but exerts control over the whole process of processing until the processed goods are re-exported. Since the reform and opening-up in China, processing trade has witnessed the development from “three processing and one compensation” (i.e. processing with customer-supplied materials, assembling customer-supplied parts, processing in accordance with customer-supplied samples and compensation trade) to processing with materials supplied by foreign businessmen and processing with imported materials and from processing enterprises, bonded warehouses and bonded factories that do not operate within specifically prescribed areas to bonded areas,

export processing zones and various other special Customs control areas that are set up solely for the purpose of processing trade. The emergence of this new Customs management model has greatly promoted the development of processing trade, making it take up half of the import and export value of the whole country for many years in a row. After China's accession to the WTO, to adapt to the changed situations, China Customs expanded bond operations from single bonded processing to bonded logistics, giving a further impetus to the development of China's vibrant international logistics industry. Currently, bond operation has become an important control model for China Customs, which reflects most directly the impetus given by the Customs management regime to the development of productive forces.

China Customs took an active part in the formulation and implementation of the policies and regulations relevant to processing trade, giving strong impetus to the transformation and upgrading of processing trade and the development of bonded logistics. To put into practice the state's overall strategy on regional development, China Customs integrated various Customs special control areas which include bonded areas, export processing zones, bonded logistics parks, and etc. In 2008, there were 94 Customs special control areas, which

realized an import and export value of USD 299.4 billion, a year-on-year increase of 17%.

In 2009, China Customs exerts itself in extending the functions of export processing zones, encouraging enterprises to establish Hi-tech R&D centers, product inspection and maintenance centers, logistics centers and regional operation settlement centers in the bonded areas, helping them produce products with higher added value in a much expanded industry chain. In this way, China Customs tries to accelerate the reform on reshaping the control process of the bonded processing.

VI. Audit-based Customs Control

Audit-based Customs control means that, within 3 years upon release of import & export goods or within the time limit of Customs control over bonded goods or goods with import duties reduced or exempted, Customs verifies the account books, accounting documents, declaration documents, other related documents and relevant import & export goods of the legal entities under Customs control, so as to supervise the truthfulness and legitimacy of their import & export activities. The priority of audit-based control is to regulate the importation

and exportation of the enterprises, guide them towards compliance and self-discipline and find smuggling or violation clues through post auditing on goods of normal trade, auditing on goods under processing trade, the handbooks of which have been verified and cancelled, and auditing on goods whose duty reduction or exemption has been approved.

In 2009, China Customs enhances its audit-based Customs control and the management of enterprises, promoting the establishment of closer partnership between Customs and law compliant enterprises so that more and more compliant enterprises can enjoy quality and highly effective services of the Customs.

VII. Customs Statistics

Customs statistics refers to the process where Customs conducts statistics compilation and comprehensive analysis of such items as the description, quantity, weight, price, country (region) of origin, legal entity, domestic destination, domestic place of origin, trade method, transport means and relevant Customs districts (houses) of the import and export goods by collecting, sorting and processing import & export declarations or other

documents verified and approved by Customs so as to reflect comprehensively and accurately the faring tendency of foreign trade, conduct early-warning import & export monitoring and provide information services for national macro-economic decision-making and the development of foreign trade. Customs statistics is one of the categories of State statistics prescribed by law. The General Administration of Customs issues monthly basic statistical data of China's foreign trade and provides statistical data and consultancy services. It provides periodically monthly and yearly statistics data of China's foreign trade for the United Nations Statistics Bureau, the International Monetary Fund (IMF), the WTO and other relevant international organizations. China Customs is renowned for its timely data release, which is among the world-best.

China Customs has improved its work on statistics compilation steadily. It has realized real-time monitoring, fast response, scientific anticipation, and dynamic early warning over imports and exports. The work has gained wide attention from the society. The enforcement assessment system adopted by China Customs has also produced positive effects, playing a very important role in the promotion of China's foreign trade and the

improvement of Customs management. In 2008, Customs statistics provided timely and reliable information services for the macro economic control and the development of foreign trade. Its role of surveillance and early warning has been reinforced.

In 2009, China Customs improves its work on the analysis and early-warning of macro economic tendencies and deepens its study of the changes in China's foreign trade pattern against the backdrop of the global financial crisis in an effort to provide on its own initiative references and basis for the decision making of the central government and the operations of the enterprises.

VIII.Port Management

Port management means the process where Customs, according to the State Council's requirements of promoting the Integrated Clearance Project, gives full play to its functions of port management, enhances the overall management of ports, and formulates a sound plan for the opening of ports. Currently, there are 253 first-class ports across the country, the opening of which must be approved by the central government.

China Customs is making every effort to promote the Integrated

Clearance Project, establishing and giving a full play to the liaison and coordination mechanism concerning port management. As a result, most ports, especially those key ones, have witnessed constant improvement of clearance efficiency. According to the statistics of the Integrated Clearance Project (involving such nodes as Customs, quarantine, shipment, loading and unloading), the clearance time for import and export sea cargoes is usually about 24 hours, for air freight around a dozen hours and for emergency goods such as fresh and live commodities several hours on average. For vehicles and passengers traveling between Guangdong and Hong Kong SAR as well as between Guangdong and Macao SAR, the overall normal clearance time is no more than 1 hour for vehicles and no more than 30 minutes for passengers.

After intensive research and extensive view solicitation, China Customs has formulated and put into practice 126 overall suggestions and 468 concrete measures relevant to the Customs support of the Western Development, the Revitalization of the North-east Old Industrial Bases, the Rising-up of Central China, the development and opening-up of the Tianjin Binhai New Area (the TBNA), the construction of economic zones on the west coast of the Taiwan Straits, the further opening-up of Hainan province, the development and opening-up of the Cao

Fei Dian New Area in Hebei province, the Regional Co-operation of the Pan-Pearl River Delta and the pilot development of the east part of the Yangtze River Delta Region. These suggestions and measures have received full affirmation from the local governments and different sectors of the society. In 2008, China Customs signed successively memoranda of understanding with Guangdong province, Chongqing municipality, which is under direct jurisdiction of the Central government, and Sichuan province, aiming at rationalizing the opening of ports and giving more support to the development of the ports in central and western part of China. China Customs is now working to further promote the Integrated Clearance Project and E-port construction, creating a more optimal port clearance environment.

IX. Holistic Customs Control System

To build an effectiveness-oriented, risk management-centered, integrated functions-focused Holistic Customs Control System that takes comprehensive Customs control as the basic working method and the formulation of integrated function as the basic requirement is an important way for Customs to further improve its control and management mechanism and meet the requirements of the Scientific Outlook on Development.

The tasks of the Holistic Customs Control System include: to realize more reasonable allocation of power and duty among the General Administration of Customs, Customs districts and Customs houses which are affiliated to the Customs districts; to define more clearly the power and accountability in the four areas of actual Customs control, functional management, internal supervision, logistics and backup; to achieve synergy in the five “players” of logistics control, document inspection and processing, Customs control over bond operations, audit-based Customs control over enterprises and combat against smuggling; to make sure the management mechanism work more smoothly; to reach higher degree of harmony in cooperation with other government agencies and implementation of comprehensive administration.

X. Customs Legal Framework

The legal framework of China Customs is an important component of the legal system of the State, the basis of the Customs work and the fundamental guarantee for improving its law-based administration level. Work related to the legal framework includes improving various Customs laws and

regulations, conducting education for Customs officers regarding those laws and regulations, training law enforcement personnel and conducting research on Customs legal theories. At present, China Customs legal framework has been basically set up, enforcement procedures and enforcement supervision and inspection system have been further improved, enforcement work has been gradually standardized, and law-based administration level has been outstandingly raised.

In 2008, China Customs seized 3297 IPR infringement cases. Special efforts were put in to crack down on the infringement upon the exclusive rights of Olympic symbols. By the end of the 2008 Beijing Olympic Games, China Customs processed 130 registration applications submitted by the BOCOG (Beijing Organizing Committee for the XXIX Olympic Games) for Customs IPR protection to protect the Olympic symbols and seized 230 batches of Olympic symbol infringement goods which involved a value of RMB 3.4 million, ensuring a good protection of the legitimate rights of the International Olympic Committee and the BOCOG and the creation of a favorable external environment for this “exceptional and high-level” Olympic Games. Apart from that, Customs offices throughout the country strengthened the protection on the intellectual

property rights owned by the domestic enterprises and have gained positive results.

In 2009, China Customs enhances the Customs protection of domestic self-owned intellectual property rights and supports the export of superior enterprises and products in an effort to promote the development of enterprises who have established their own brands. In addition, China Customs strives to improve its level of administration under the rule of law and is keen on using such means as arbitration and mediation to settle the administrative and enforcement disputes smoothly.

XI.Science and Technology

The application of science & technology is an important basis of Customs operations. China Customs, having deeply engrained the strategy of “building a smart Customs with science & technology” in its day-to-day work, pays great attention to the improvement of its scientific and technological management and the effectiveness of scientific & technological application, gives full play to the fundamental and vanguard role of Customs scientific & technological application, and has established basically an application pattern of E-Customs, E-Port and E-General Administration, providing strong technical support

for networked Customs clearance operations, smart control, digitized management and sound administrative decisions. China Customs is trying its best to build the E-port into a “single window” for national foreign trade administration and services.

In 2008, 8 new E-port programs including the verification system of export settlement of exchange was put into operation, making the number of the programs in use under the E-port reach 61. At present, a total of 472,000 enterprises are using the E-port system, among which 72,000 were newly connected to the network in 2008 and the processing capacity of the system reaches 1.2 million electronic bills per day. In 2008, the E-port systems in Zhejiang, Ningbo and Shanghai were connected to share information and the system in Liaoning and Dalian were integrated.

XII. International Cooperation

With China’s more extensive and intensive integration into the economic globalization, China Customs is getting more and more involved in international affairs and is playing an increasingly important role in world economy and trade.

Through participating in WTO negotiations and honoring commitments to the WTO, China Customs played an important part in China's accession to the WTO and in successfully meeting the challenges to China's foreign trade brought about by the accession. Since China became a full member of the World Customs Organization (WCO) in 1983, China Customs has been participating actively in such activities of the WCO as Permanent Technical Committee, Enforcement Committee, Harmonized System (HS) Committee, Technical Committee on Customs Valuation, Technical Committee on the Rules of Origin and the Sub-Committee on Automatic Data Processing, and has taken an active part in the revision of the Kyoto Convention and the Nairobi Convention, the review of the Harmonized System and the formulation of the rules of origin.

China Customs engages itself actively in the multilateral, regional, and bilateral customs mutual administrative assistance and cooperation. Through drawing on the advanced experience and methods adopted by the international Customs community, China Customs has become more adaptive to the international Customs practices. China Customs is also exploring actively international cooperation in non-traditional fields and has implemented a series of pragmatic cooperation programs such as the "China-EU Pilot Project on Smart and Secure Trade Lanes".

Thanks to all those efforts, China Customs has seen a higher initiative of international cooperation, more extended fields of cooperation, much improved ability of cooperation and a higher status in the international Customs community. By far, China Customs has established friendly relations with Customs administrations of 117 countries and regions and signed 42 inter-governmental customs mutual assistance agreements.

XIII. Building a Paramilitary Customs Force

The overall objective of building a paramilitary Customs force with discipline is, in light of the nature, tasks and characteristics of Customs work and learning from the experience of the People's Liberation Army in its effort of revolution, modernization and standardization, to forge a "politically staunch, professional and reliable" high-quality Customs force with good internal quality and external image, who can sustain all kinds of tests and ups and downs. In 2008, the work on building a paramilitary Customs force was further strengthened with progresses being made in on-the-job training and comprehensive capacity building.

By upholding the principle of placing equal emphasis on anti-corruption work and Customs operations, focusing on both

punishment and prevention of corruption, fighting corruption in pace with the fight against smuggling and synchronizing the implementation of integrity responsibility system with enforcement accountability system, China Customs has effectively guarded against the risks in the law enforcement and integrity.