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Working Paper

An Evaluation of the Need and Cost of Selected Trade Facilitation Measures in China: Implications for the WTO Negotiations on Trade Facilitation

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An Evaluation of the Need and Cost of Selected Trade Facilitation Measures in China -- Implications for the WTO Negotiations on Trade Facilitation

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Executive Summary

In 2004, China became the third largest trading economy in the world. Although official overall average import tariff rate was reduced to 9.9% as of January 2005, actual tariff rates are likely much lower. Although further tariff reductions may lead to renewed and expanded global trade growth, trade facilitation will play an increasingly important role in promoting global trade.

The Chinese government has made great efforts in trade facilitation and huge investments in related infrastructure, mainly as part of its “Fast Customs Clearance System”. However, some areas still require improvement. Nearly 40% of Chinese enterprises surveyed in this study identified “technical or sanitary requirements” as the most problematic trade facilitation related issue, 25% chose “customs valuation” and “payment of fees and penalties”, and 12.5% chose “obtaining an import license”.

Based on private sector needs and China’s actual achievements, the following issues should be at the top of the trade facilitation measures considered for inclusion in the WTO trade facilitation agreement: improvement of coordination between relevant agencies; timely and comprehensive publication and dissemination of trade rules and regulations; reduction and simplification of the documentation requirements for import and export procedures; and improvement in customs inspection and control procedures.

Costs associated with implementation of trade facilitation measures may be classified into four categories: new regulations, institutional changes, training, and equipment and infrastructure. The study was generally not able to determine costs of specific trade facilitation measures in China. However, Customs and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) are the two government departments that are most deeply involved in trade facilitation, and a review of their expenditures in this field provides useful information on equipment/infrastructure costs that may be associated with implementing modern trade facilitation systems. The Customs and AQSIQ inputs in computerization in 2005/06 are estimated to be RMB 1420 million (about USD 176 million) and RMB 510 million (about USD 63 million), respectively. Major information projects conducted by Customs and AQSIQ in 2005/06 are estimated, respectively, to be RMB 5.888 million (about USD 731 thousand) and RMB 4.386 million (about USD 544 thousand).

Several Chinese trade facilitation reforms are linked to the Asia-Pacific Economic Cooperation (APEC) trade facilitation framework. Under this framework, when setting the APEC Bogor Goals of trade liberalization and trade facilitation, the APEC leaders agreed to two separate timetables, 2010 for developed members and 2020 for developing members. In 2001, the APEC leaders agreed to lower transaction costs by 5% within 5 years. In trade facilitation negotiation and implementation within the WTO framework, the study recommends that APEC methods may be considered by the trade facilitation negotiating group in order to lay a foundation for the smooth implementation of multilaterally agreed upon trade facilitation measures.

I. Introduction

With the rapid development and increasing openness of the Chinese economy, China's trade volume has grown at a very rapid pace. In 2004, China ranked as the third largest trading economy in the world. Voluntarily lowering its tariff rate and implementing its World Trade Organization (WTO) commitments, China's overall level of import duty was lowered to 9.9% as of January 1, 2005. The import duty on agricultural products was lowered to 15.3% and that of the industrial products to 9.0%. Actual tariff rates are likely to be lower than the nominal 9.9% due to the use of various preferential policies on import duties in different enterprises. As a trade-oriented economy, China's economic growth relies to a large extent on its exports growth; yet, as an emerging economy, China demands significant imports. Although further tariff reductions may lead to renewed global trade growth, the scope for such reduction is limited, leaving trade facilitation to play an increasingly important role in promoting global trade.

Thus, trade facilitation has emerged as a critical element of multilateral as well as regional cooperation. An efficient trade facilitation mechanism holds the potential to further reduce and eliminate barriers limiting the free flow of production factors across borders and lower transaction costs. China's active involvement in trade facilitation stems from its commitments under the APEC cooperation framework, leading the country to significant accomplishments in this field. Nevertheless, as a developing country with burdensome capital and capacity constraints, China still has further to achieve regarding implementation of trade facilitation measures. Effectively responding to and solving this problem will help promote China's trade growth. And given China's economic characteristics, the benefits gained from trade growth will have spillover effects on the overall economy.

II. Trade facilitation in China

1. Review of literature

Although a relative new comer to the WTO, China has been an APEC member for over a decade, with a demonstrated history implementing trade facilitation measures (one of the three pillars of APEC). Most of the existing literature on China's progress in trade facilitation focuses on the achievements made under the APEC trade facilitation framework such as the Individual Action Plan.

In China's trade facilitation menu of actions and measures submitted to APEC, 66 actions and measures are included (about 68% of all the 97 actions and measures in the APEC trade facilitation menu), covering all 4 categories of trade facilitation: movement of goods, standards, business mobility, and electronic commerce. Elements of the APEC Trade Facilitation Action Plan correspond to but also go beyond the three GATT articles on trade facilitation. If judged by the provisions of the three GATT articles, the category of "movement of goods" might fall into the GATT Articles VIII and X, but no specific measures or actions match that of GATT Article V. "Movement of goods" consists of 11

aspects with a total of 60 items, as follows:

1. Public Availability of Information on Customs and Other Trade-related Laws and Regulations.
2. Appropriate, Transparent and Predictable Trade-related Procedures.
3. Harmonization of Tariff Structure with the HS Convention.
4. Simplification and Harmonization on the Basis of the Kyoto Convention.
5. Paperless and/or Automation of Trade-related Procedures.
6. Adoption of Standard Electronic Format and Harmonized Data Elements.
7. Adoption of the Principles of the WTO Valuation Agreement.
8. Clear Appeals Provision.
9. Risk Management.
10. Guidelines for Express Consignments Clearance.
11. Provisions for Temporary Importation, e.g. Acceding to the A.T.A. Convention or the Istanbul Convention.

Accordingly, many trade facilitation measures connected with GATT articles VIII and X have already been implemented in China, although full implementation in some cases remains. In the category of movement of goods, 45 of the total 60 items have been implemented by China, accounting for three-fourth of the total.

2. Major on-going capacity building projects

Recent measures have been developed to increase the efficiency of port management, accelerate the speed of goods clearance, and facilitate trade, such as China's General Administration of Customs (GAC). Together with other concerned Ministries, the GAC seeks to establish a modern customs system with reforms in clearance handling as a chief priority.

In 1998, China's GAC initiated establishment of a modern customs system with a two-part timeline: to establish by 2002 the basic modern customs framework across the nation, and to realize by 2010 the second-phase strategic objective of modern customs system construction. Seven basic principles were developed:

- Establish the working guidance as "to administer according to the laws, to protect the country's border, and to serve economic development".
- Strengthen legal construction, and enhance the predictability and transparency of customs policies.
- Promote risk management and law abiding enterprises.
- Combat illegal smuggling, protect national interests and create a favorable administrative environment.
- Promote the application of information technology in order to accelerate customs clearance procedures, and enhance management efficacy.
- Strengthen customs staff training and expertise.
- Develop interactive relations with enterprises.

Following these principles, the Chinese Customs implemented extensive customs clearance reforms and innovations. Breakthrough developments have been made in customs clearance reforms including completion of a new management modality, and increased uniformity and standardization of procedures. The following summarizes the key developments in customs clearance:

- Adoption of information technology to transfer customs clearance-related legal, regulatory, systematic and operational procedures into computer instructions or variables, so as to formalize bill inspection;
- Screening of various ports, supervision and administration authorities,, standardization of goods transportation enterprises management and transportation vehicles, and use of advanced-technology equipment in some key ports customs;
- Near completion of fast customs clearance in ports, minimizing time spent in customs supervision and administration, and accelerating the movement of goods;
- Nationwide use of fast customs-transfer operation, and incorporation of the “one-stop, single-window” approach to customs-transfer between inland and ports or between different customs;
- Joint selection by China’s General Administration of Customs and Ministry of Commerce of “facilitative customs”, strongly supporting the export of large-scale high-technology enterprises;
- Piloting of a “paperless customs clearance” project;
- Implementing of the “E-customs Project” network connecting national customs, increasing customs administration effectiveness;
- Provision via the “E-ports Project” of data-exchange and networked joint inspection between different government departments and different regions, enhancing overall performance in ports administration and the efficiency of import and export procedures for enterprises.

The implementation of the above measures helped Chinese customs to preliminarily achieve the first-phase strategic objective of modern customs system construction. In 2003, Chinese Customs initiated implementation of the Second-Phase Development Strategic Planning of the Modern Customs System to be undertaken between 2004 and 2010. This phase aims to establish a “smart” Customs based on risk management best practices, to build the customs into a scientifically managed, highly efficient and uncorrupted modern system.

The following are three key aspects of China’s efforts to conform to regulations in this area.

(1) Adoption of the WTO valuation agreement principles

Starting January 1, 2002, the Chinese Customs began full implementation of the WTO valuation agreement. To conform to the regulations of the agreement and to enhance the professional level of the Customs staff, China has carried out a training series of Customs officials at all levels. New Customs valuation and rules of origin regulations are revised and published accordingly with international practices and China’s real circumstances. In order to better implement these regulations, the internal division of duties and operational procedures within Customs are accordingly readjusted. Adoption of these principles makes China’s customs valuation and rules of origin procedures

consistent with the WTO rules.

On November 23, 2003, the State Council issued the Import and Export Duty Statute of the People's Republic of China, effective as of January 1, 2004, in order to readjust and improve the customs valuation system. China's Customs will continue to review the current valuation procedures and modify the current regulations on tariffs in order to meet the WTO valuation codes. Significant efforts in capacity building are also being undertaken to make the Customs and private sectors effectively and consistently implement the statute. A series of related documents have been translated and published in Chinese including the Customs Valuation Agreement and other important publications by the WTO and the World Customs Organization (WCO). Training courses targeting officials from major local Customs offices have been organized by the General Administration of Customs to further familiarize staff with the Agreement and to ensure uniform implementation of domestic regulations. A series of seminars with similar aims has also been held. As a result the publicity campaign and training for enterprises and customs declarers have strengthened. The best international customs management practices have been studied and introduced to guarantee the levy of duty and taxation as well as the effective and smooth enforcement of anti-fraud laws.

(2) The utilization of automation and information technology in Customs clearance

Supported by the Chinese government, the Chinese Customs has increased the use of technology for administrative management and customs clearance supervision. Three key projects have been developed and put into practice: "Electronic Customs", "Electronic General Administration of Customs" and "Electronic Ports". Through these three projects, customs implemented the network-connected-application of computers, and the "electronic execution system in ports".

(a) The H2000 Customs Clearance Management System has been widely utilized across the nation since 2004, having excellent functionality and operational convenience. The H2000 specifically adds risk management and operational data analysis functions, increasing the effectiveness of customs management and standardizing execution. The integrated H2000 database contains all relevant information for enterprises such as registered information and examination records, contract materials, license, customs clearance forms, shipping bills, tax reduction or exemption forms and risk information. The database thus saves unnecessary data transmission and reporting between different regions. Enterprises can complete the customs procedures over the internet including declaration for customs clearance, submission for examination, verification and writing off of settlement and sales of exchange, and export refund. Today, 90% of the export declarations for customs clearance can be completed within 1 day, and 80% of the import declarations for customs clearance can be completed within 2 days.

(b) The General Administration of Customs has established 41 electronic port data branch centers in its directly subordinated customs. The number of enterprises joining the electronic port system exceeds 200,000, and the number of daily electronic bills transactions 500,000. The portal website boasts a daily click rate of over 4.3 million. A total of 30 application projects have been completed or are currently under development. Among these 30 projects, 24 have already been developed and put into use, including nationwide projects. These provide

networked connection for many systems including the following: import exchange payment verification, export exchange receipt verification, import value-added taxes verification, declaration forms, export tax refund, customs clearance form, and on-the-web taxation payment.

Also included are regional projects such as the fast customs clearance system in the Shenzhen land port and the verification system of the CEPA¹ certification of origin. Four projects have already been developed and will soon be put into use, while two more projects remain in early stages of development. Three additional projects are under consultation with other related ministries. Among the 12 initiated Ministries for electronic ports systems, 8 have completed the networked application. Those joining the electronic ports system include: the China Council for the Promotion of International Trade (CCPIT), Hong Kong Trade and Industry Department, Macao Economic Bureau and 13 commercial banks including the Bank of China, Industrial and Commercial Bank of China, China Agriculture Bank, China Bank of Communication, and the China Merchants Bank. In 2004, the “electronic ports” processed a total of RMB 21.1 billion duties and taxes paid on the website², 15 million bills of declaration for imported and exported goods customs clearance, and a daily average rate of 22,000 export refund bills. The time for transmission of electronic data from customs to taxation departments has also been reduced from 1 month to 24 hours.

(c) Paperless clearance was first carried out on trial in Shanghai Customs beginning in February 1, 2001. The paperless clearance procedures have been very successful and have been expanded to most Customs Districts of the General Administration of Customs. The minimum time spent for exported goods is 5 minutes, and the maximum is 2.85 hours, while the minimum time spent for imported goods is 3 hours with a maximum of 32.25 hours. The paperless process greatly increased the speed of customs clearance.

(d) In January 1, 2005, the computer operation platform of China’s inspection and quarantine, the CIQ 2000 system, was updated to version 2.4. One important feature of this updated version is in the statistical system: the statistical recording time has been changed from the time of information gathering to the time when the quarantine and inspection has been completed.

The CIQ 2000 system is the first nationally integrated quarantine and inspection operation management system. The system implemented the computerized network management in inspection submission, fees and charges, quarantine and inspection, issuance of certification for customs clearance and statistics. It also has the functions of electronic declaration, electronic bill transfer and electronic customs clearance. These functions accelerate the speed of customs clearance, enhance efficiency, save costs and allow the quarantine and inspection agency to offer more customer-oriented services. Electronic declaration provides data interaction between enterprises and the quarantine

¹ CEPA is the acronym for the Closer Economic Partnership Agreement. This represents two FTA-like agreements between Mainland China and its Hong Kong and Macao Special Administrative Regions.

² The exchange rate of USD to RMB is about 1:8.28 before July 21, 2005, and has since witnessed a 2.1% revaluation. The current exchange rate is 1:8.06 as of February 6, 2006.

and inspection agency, improving the convenience of inspection submission for enterprises and alleviating the pressure on the working sites of the quarantine and inspection agency. Electronic bills transfer facilitates the data interaction and sharing between quarantine and inspection agencies in different locations, and accelerates the speed in certification change, examination and issuance. Electronic customs clearance assists the data interaction between customs and the quarantine and inspection agency. The CIQ 2000 system helps establish a fast customs clearance mechanism among customs, enterprises and the quarantine and inspection agency via the “port electronic management and execution system”, which accelerates the speed of customs clearance and better serves trading enterprises.

(3) Training provided to Customs staff

With the overall aim of increasing customs clearance efficiency, the Chinese customs has been aiming to develop high-quality customs staff and enhance their professional and managerial skills. Currently, training has been carried out among all levels of customs officials to ensure familiarization with the WTO rules and reinforce management skills. Such training also aims to help customs staff more effectively allocate customs resources and analyze conditions after China’s accession to WTO. Currently, Chinese Customs widely employs new tools such as IT and the internet to create more favorable conditions for enhancing Customs staff quality, and to make ordinary officials more experienced and knowledgeable. Chinese Customs is also accelerating its pace in fostering a fairly large team of high quality experts in classification, valuation, law and technology.

3. Major government initiative and institutions involved

At the Central Economic Working Conference in 2001, China’s former Premier Zhu Rongji introduced the concept of a “Fast Customs Clearance” system.³ Aiming to enhance port operating efficiency and port management regulation, the State Council authorized in 2001 the establishment of the Port Liaison and Coordination Mechanism headed by the General Administration of Customs (GAC). The GAC also engages the Ministry of Public Security, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC, the predecessor of the current MOFCOM—Ministry of Commerce), the Railway Ministry, the Ministry of Communications, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), and the General Administration of Civil Aviation.

The member Ministries of the Port Liaison and Coordination Mechanism have collaborated closely to strengthen their communication. Based on the platform provided by this mechanism, the Ministries have made fruitful accomplishments in pushing forward the establishment of a nationwide fast custom clearance system. For instance:

(1) Information direct reporting spots have been set up in all parts of China, and a nationwide port information feedback mechanism has been established.

³ The literal meaning of this term in Chinese is “Great Customs Clearance.” It embodies many of the procedures aimed at fast customs clearance. This concept is translated in this paper as “Fast Customs Clearance.”

(2) Using the Manzhouli railway port as a breakthrough example, implementation of the construction of railway port information platforms has already produced first stage results.

(3) Through a series of joint investigations in key ports such as Shanghai, Guangzhou, Shenzhen and Manzhouli, among others, major port operation problems have been discovered, drawing up many useful experiences and practices.

(4) Seven coordinator meetings were held among the member Ministries for the Port Liaison and Coordination Mechanism.

(5) The cooperation mechanism between GAC and AQSIQ was launched, and the two Ministries have reached consensus on cooperation details put into effect by the “Memorandum of Cooperation”.

(6) The GAC launched the project to study how to strengthen the port management mechanism and enhance the efficiency of port operation. After detailed and painstaking studies, the Guiding Scheme to Strengthen the Port Management Mechanism between 2004 and 2010 was worked out.

To facilitate and serve China’s economic development strategy, the GAC has been actively promoting the Fast Customs Clearance system. At the regional level, the Fast Customs Clearance system is usually led by local governments and then carried out through the lower level governments, nearly 90% of which are headed by province governors or city mayors. Interregional cooperation modalities have also been developed, for example, between Shanghai City and Suzhou City, between Ningbo City and Jinhua City, and between Chongqing City and Pingxiang City. Mutual cooperation has been established by signing Fast Customs Clearance agreements and establishing joint working groups.

Construction of a fast customs clearance system has enhanced the management level and working efficiency of related government departments. After China implemented the “Fast Customs Clearance” system, the traditional port management modality was changed and new port management and operation mechanisms were established. As a result, customs clearance efficiency has been greatly improved. Before the reforms, the average time spent in customs clearance was 2.2 days, but after the reforms, the time spent was reduced to 1.5 days; similarly, the average time spent in customs clearance in the Shenzhen land port for each vehicle transferred to other customs was 30 minutes, but after the reforms, it was reduced to 1 minute; after the reforms of express customs transfer in the Yangtze River Valley, the number of procedures of customs clearance for exported goods was reduced to 5 from 8, and that for imported goods was reduced to 4 from 11, and the number of items for which fees are charged has been reduced to 1 from 3.⁴

The implementation of electronic inspection and quarantine has further helped increase the management level and working efficiency of the relevant government departments. After implementing electronic monitoring, electronic records and archives have been established, and a product quality credit grading system and risk evaluation

⁴ *The Customs actively promote trade facilitation in China*, <http://www.china.org.cn/baodao/china/hm/2001/2001-21/21-1.htm>

system has been adopted. Using these new management approaches and systems, supervision and inspection authorities inspect the exported goods from the manufacturers, especially by conducting detailed inspections in key controlling points in the manufacturing process. Inspecting the complete process from manufacturing techniques to products packaging helps supervision and inspection authorities receive comprehensive data. Based on a related evaluation from related data, product quality examination procedures can be completed before the products leave the factories. This in turn reduces time spent on inspection and quarantine. The volume of Chinese exports and imports has been rapidly increasing in recent years, but inspection and quarantine staff numbers have not seen corresponding changes. The main reason for this is the accelerated speed of inspection and quarantine by utilizing information technology. After implementing electronic inspection and quarantine, the time spent on the release of eligible goods has been reduced by 1 hour⁵.

Through the implementation of trade facilitation, some advanced technologies have been applied to related customs clearance procedures. These stricter IT measures (known as the “golden-series projects”, including the “golden customs project”, and the “golden quarantine and inspection project”) have helped increase tax revenue and reduce the number of smuggling cases. As demonstrated in a customs working report⁶, after the customs and the foreign-exchange authorities have conducted the networked inspection and supervision on import as stipulated in the declaration bills, the inflow of illegitimate foreign exchanges have been largely prevented consequently reducing smuggling activities. Legitimate import volumes have increased resulting in customs tax revenue growth. For example, the RMB 2.12 billion value of smuggling in 1998 was reduced to RMB 310 million in 1999 and to zero in 2000 after implementation of the networked inspection and supervision on import declaration bills. The customs tax revenue has consequently increased, with a total value of RMB 259.057 billion in 2002, RMB 9.825 billion more than that of 2001.

III. Assessment of the trade facilitation situation in China

The research team attempted to acquire China’s responses to the WTO-WCO Self-Assessment Check List directly from the concerned departments in the General Administration of Customs (GAC). However, the GAC officials refused to release any information directly. We understand this not as an indication of the Customs’ lack of transparency but rather, as the GAC explained, as demonstrative of the fact that their check list responses have not yet been finalized, preventing its distribution to external reviewers. While conducting our research, the team has additionally found that China’s situation is in fact too complex for the simple two-answer check list.

Under the circumstances, the team elected to finish the check list under its own efforts. The team tried to probe responses and answers from their interviews with

⁵ Speech by AQSIQ representative delivered at the 2005 APEC Paperless Trade High-level Seminar.

⁶ The Effectiveness of the “Golden-series Projects”, see <http://www.tcx.com.cn/xxh/xxhyw7.htm>

enterprises, chambers and industrial associations, as well as with customs officials. (A key difficulty was that interviewed officials usually did not provide direct answers, thus leaving the team to develop responses to the checklist reflecting a combination of knowledge from the team and what the officials commented on.) In addition to the research team's knowledge and limited inferences from interviews, we collected secondary information from journal and periodical publications.

1. GATT Article X:

(1) Publication and Availability of Information

China's customs seeks to increase the transparency of customs procedures, laws and regulations and to allow the private sector and other actors to obtain this information from multiple channels.

Standardized Customs documentations will be subscribed to and issued by the head of General Administration of Customs after they have been reviewed and cleared. The Customs regulations will be issued in the form of Orders of the General Administration of the Customs, with the following key elements clearly recorded: serial numbers, title, date reviewed and cleared by Customs, abolition of related regulations, date of entry into force, signature of the Head of the General Administration of the Customs and date of issuance. Other standardized documentations made by the General Administration of Customs and lower levels customs will be issued in the form of public notices. The standardized documentations which are not made public should not be employed as the basis of the Customs' execution of their authority.

To ensure further publicity and transparency in the Customs' execution of its authority, and for the convenience of obtaining the Customs standardized documentation, the Management Measures on the Formulation of the Customs Standardized Documentations were issued. According to this document, regulations (including laws, administrative statutes, and rules) will be published through the following channels:

1. The Gazette of the State Council.

This gazette is published by the State Council, with the Customs-related laws, administrative statutes and rules included.

2. The Gazette of the General Administration of Customs of the People's Republic of China.

This gazette is published by the General Administration of Customs, consisting of Customs laws, administrative statutes, rules, administrative rulings, explanations of the regulations and other information for stakeholders.

To ensure transparency the State Council endorsed designation of The Gazette of the Foreign Trade and Economic Cooperation as the sole publication for trade related regulations and administrative rules.

3. Public Notice Boards at the Customs sites.

Currently, all provincial-level and lower-level customs have established customs

public notice boards and information consultation desks in order to provide information and suggestions to the private sector. Most customs have published the administrative complaint telephone numbers and business consultation hotlines so as to process complaints from the enterprises and provide consultative services in a timely manner. Most customs have also implemented the guideline that “the first being asked will be responsible”, that is, the first customs official contacted by enterprises with a query has the obligation to undertake the work and then divide it internally within the customs.

4. Website of the General Administration of Customs.

The existing Customs laws, regulations, procedures and news updates can all be obtained from a single website (<http://www.customs.gov.cn>). According to the General Administration of Customs, it has already established its legal database with all laws, regulations and other related information, regularly performing updates. Not all information, however, has been translated into English. According to GAC, more information will be translated into English with 2020 as the deadline for completion of all translations. The aim is to enhance the transparency and predictability of related procedures for both domestic and foreign enterprises. The website of China’s Ministry of Commerce (<http://www.mofcom.gov.cn>) also provides significant trade-related information, and more English translations can be obtained from here.

5. Press media.

6. The official publication or dissemination materials by the General Administration of Customs.

7. Electronic displays and computers at Customs working sites.

8. Consultation services at Customs sites.

Customs also continues its customs affairs publicity policy, and has implemented the Basic Standards of the Publicity of the Customs Affairs in Customs Clearance Spots. Accordingly, so as to meet review from society, the following information should be made available to the public: the Customs execution basis, operation procedures and time limits, duties of customs staffs, measures curbing customs corruption, and the forms and means to protect the legal interests of enterprises. The Customs Suppressing-smuggling Police also implements publicity of police affairs.

To sum up, the Chinese customs is currently actively improving and perfecting the publication system of policies, laws and regulations, and is enforcing transparency in the Customs’ administration.

(2) Time Period between Publication and Implementation

Generally speaking, a specific date of enforcement of the new laws, statutes or rules is defined to leave enough time for the preparation of the enforcement. For instance, except in special conditions, the Customs regulations come into enforcement 30 days after their publication.

(3) Consultation and Commenting on New or Amended Rules

The Chinese Customs publishes and makes available proposed new laws, statutes or rules, and changes to existing ones, to interested parties (mainly enterprises and the relevant government departments) prior to their entry into force, leaving ample time for public comments and suggestion before publication and enforcement. Thus, interested parties and key stakeholders have the opportunity to contribute and influence the proposed changes or new requirements.

The Chinese Customs has also maintained regular contact and dialogue with the private sector, with customs staff dispatched on a common consultative basis to enterprises for investigation and research to solve difficulties and problems faced in customs clearance. Various meetings are also held between Customs and enterprises to introduce Customs policies, operation and practices. Customs has signed with enterprises, industrial associations and trade administrations Memorandums of Understanding to strike smuggling and promote self-discipline of the enterprises.

(4) Appeal Procedures

Importers and exporters can apply for appeals and reviews of the administrative decisions by the Customs; if still unsatisfied with the results, they have a final right of appeal to a judicial authority. With the increase of administration appeal cases, Customs and other trade-related government departments have amended some key measures and approaches to protect the interests of affected enterprises and peoples, with the aim of making more effective and reasonable decisions in appealed cases. Currently, customs has widely disseminated laws and regulations on administrative appeals, including procedures, rights and interests of applicants, resulting in increased transparency of the appeals process. Customs officials across the country have received relevant training in this respect as well as new software to manage the system of administrative appeals. In addition, nationwide investigation and research on administrative appeals is being carried out. The enforcement of the new Customs Law from January 1, 2001 created the legislative basis to implement the WTO rules and other international customs conventions, and also strengthened the supervision and binding of customs officials.

2. GATT Article VIII

(1) Fees and Charges Connected with Importation and Exportation

China has met the requirement in fees and charges connected with importation and exportation as indicated in GATT Article VIII 1 (a), *“All fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article III) imposed by contracting parties on or in connection with importation or exportation shall be limited in amount to the approximate cost of services rendered and shall not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes.”*

For example, the major Customs-related items of fees and charges connected with importation and exportation include the following: charges for vehicles that exceeded the time in inspection spots, storage fee for goods and luggage, intellectual property rights

(IPR) protection recording fee, commission charge for supervision beyond the supervision area, registration fee for declaring companies, commission charge for supervision of goods in the warehouse for export, and vehicle inspection fee. The nine land ports in China (Manzhouli, Suifenhe, Erlianhaote, Pingxiang, Dongxing, Wanding, Ruili, Hekou and Shenzhen) will charge the passing vehicles a “port management fee”.

The major AQSIQ-related items of fees and charges connected with importation and exportation include the following: cross-border sanitary and phytosanitary fee, assessment fee, examination and inspection fee, registration fee, certification and authentication fee, approval fee, animal and plant laboratory quarantine fee, and appraisal commission charges.

(2) Formalities Connected with Importation and Exportation

1. On the eve of accession to the WTO, China merged the CIQ-SA and CSBTS into the General Administration for Quality Supervision, Inspection and Quarantine of the People’s Republic of China (AQSIQ) at the request of the WTO members. AQSIQ has a mandate for assessing conformity of both domestic and imported products. This is part of the major institutional restructuring undertaken by China to adapt to the demands posed by WTO obligations and accession commitments.

2. The Chinese customs has reviewed and simplified the customs and other trade-related duties and tax refund procedures. It is clearly stipulated in the No. 11 Public Notice of the General Administration of Customs of the People’s Republic of China (2002): The over-charged taxes should be immediately refunded by the Customs once the overcharge is found; taxpayers have the right to ask for the refund from the Customs within one year after paid tax payment.

3. As a signatory party to the revised Kyoto Convention, the Chinese government has taken measures to simplify customs procedures for consistency with the Convention and WCO rules. Currently, such measures have been carried out on a pilot basis in some major customs. For example, some customs have issued 4 categories of management according to the operations, declaration and law-abiding conditions of the enterprises. For Category A enterprises, customs provides special windows and processes the goods declaration, examination and release procedures on a preferential basis. These enterprises also enjoy preferential customs clearance measures such as pre-valuation, pre-classification, annual auditing, and can also be put on record in other cities. For Category B enterprises, the customs carries out standard control procedures. For Categories C and D enterprises, the customs carries out emphatic supervision measures, including concentrated checks and examinations, verification of import and export bills, and documentations.

4. On December 1, 2004, China’s General Administration of Customs implemented simplified procedures related to recording declarations at different customs locations and annual auditing. Enterprises now, contrary to previous practices, need not notify all related customs, numbering up to 20 or 30, for simple changes in a single item of datum. For instance, if a Guangdong trading enterprise has already registered in Guangdong Province, it can directly carry out the customs clearance procedures in customs in other provinces or cities, such as Ningbo Customs, Nangjing Customs or Shanghai Customs.

The simplification of these procedures not only reduces human and capital resources, but also avoids the enterprises' economic loss due to noncompliance with procedures.

An example in the Dalian port further illustrates the cost reductions for enterprises. The Dalian Customs and Dalian E-port Data Center signed a "paperless customs clearance" agreement with Dalian Huafeng Furniture Company, providing integrated procedures for bills processing. These measures reduced the number of times the company commuted between customs locations, and lowered operating costs. Previously it took 3 hours and about RMB 200 to transfer from the enterprise to the customs location. After the inspection and quarantine authorities completed the related procedures, customs can complete all clearance procedures on non-inspected goods without need for the presence of company staff or the goods. This assured that all the related customs clearance procedures on each batch of goods can be completed within 10 minutes, with some completed within 5 minutes. Such measures have saved human resources and capital expenditures for the enterprises. They have not only satisfied the enterprise's demand for zero-inventory, but also cut costs on declaration, storage, containers renting, demurrage charge, and loading.

(3) Border agency coordination

As previously mentioned, border agency coordination has already been implemented in China with the introduction of the "Fast Customs Clearance" system in 2001, involving 12 government ministries via the Port Liaison and Coordination Mechanism. As the single platform for "Fast Customs Clearance", the China Electronic Port has invited 230,000 enterprises to join the network and 32 application projects are in use. Among the 32 projects, 17 are intra-government department networked projects between the customs and other concerned departments.

For instance, in Ningbo, every port-related department has more than one application project on the electronic port platform where these departments can coordinate on customs clearance matters, and all enterprises joining the network can enjoy the services in the core parts of the "Fast Customs Clearance". After Ningbo Electronic Port implements the online customs clearance services, trading logistics enterprises will save RMB 150 million each year, 2-4 hours of customs clearance time for each batch of exports, and 7-10 hours of customs clearance time for each batch of imports. By 2005, a total of 19 Electronic Port platforms similar to that of the Ningbo Electronic Port were put into use, including Shanghai, Guangzhou, Shandong, Shenzhen, Tianjin, and Chongqing. The Shanghai electronic port, the earliest electronic port established, also exemplifies the potential of information integration and coordination among different departments. Currently, a total of 46 main application projects are being utilized, involving 16 concerned departments and 11 commercial banks.

In addition to coordination among different departments in the same electronic port, China also conducts coordination among different regions. Since June 15, 2005, a new customs clearance modality, the "Declaration at the region of location, and release at the ports," was carried out on a pilot basis in the Guangzhou Customs and Huangfu Customs. Enterprises can now submit their declarations at the customs where they are located, and the goods can be released at the exports ports. After the successful implementation of this

new modality on a pilot basis, it has been quickly extended across China. By November 2005, eight customs ports had joined the scheme in the Pan-Pearl River Delta region.

The integrated regional customs clearance in the Yangtze River Delta was officially launched in December 1, 2005. Through application of information technology, 4 customs ports, including Shanghai, Nanjing, Hangzhou and Ningbo, implemented the integrated customs clearance in the Yangtze River Delta. Under the previous modality, enterprises would take at least half a working day to complete the procedures, but enterprises can now clear customs procedures within one hour. It has greatly simplified the customs clearance procedures and enhanced processing efficiency.

In November 2005, Tianjin Customs signed the Memorandum of Cooperation in Regional Customs Clearance with 11 inland customs ports including Shijiazhuang, Taiyuan, Zhengzhou and Huhehaote. Goods from enterprises in these inland regions can directly be transported to Tianjin Port for exportation after declaration and release in the inland customs, with no need to submit paper bills for customs transfer to Tianjin Customs. This modality means export enterprises can complete all the customs clearance procedures in one-go at the inland customs, extending the portal functions into these areas.

(4) Release and Clearance of Goods

Starting in August 2001, the Chinese Customs has been extending reforms, establishing the national fast clearance system, and implementing the “one-stop, single-window” modality. The management modality of “one-stop, single-window” has been developed to simplify the customs clearance procedures between different customs. The customs has used pre-arrival clearance procedures, i.e., the customs accepts import and export shipping bill declaration and customs clearance declaration prior to the goods arrival, and it calculates the related duty and taxes in advance. When the customs deems it necessary, it will examine these goods after their arrival. Vehicle staying time in supervised sites has been reduced, enhancing customs clearance efficiency. Risk management has been strengthened by use of technological means such as EDI or bar code bills and electronic vehicle license plate.

The utilization of electronic tools such as computers, communication networks, container inspection devices, GPS, electronic weighbridge, and electronic strobe and video monitors, has significantly accelerated the pace of customs clearance. As of now, 49 large-scale container scanning inspection units, 372 electronic load meters, 189 electronic vehicle plate identification systems, 488 electronic gates and 40 container number identification systems have been installed and used nationally by China Customs. Clearance of goods has been expedited to a significant extent. The operations at two ports, Shenzhen and Huangfu are typical of such efficiency enhancement. Shenzhen is the land port linking mainland China and the Hong Kong Special Administrative Region. Today, under normal conditions, a vehicle crosses the Shenzhen land port through the electronic operation every 3-5 seconds. In Huangfu customs, it only takes 7 minutes for a vehicle to complete the inspection and release procedures after it drives into the inspection sites, compared with the previous 30 minutes. China is actively promoting the construction of “electronic execution systems in ports” and implementing the “declaration via the web” mechanisms for enterprises.

In cooperation with the Ministry of Commerce, Customs initiated 10 measures in 2001 to facilitate the export of products by large-scale and high-tech enterprises. The “Green Channel” was adopted for faster exports clearance. Any enterprise engaged in the production of high-tech products having achieved an annual export value of over US\$100 million may apply to Customs for the following facilitation measures: pre-arrival declaration, on-line declaration, fast transit procedure, checking and release at the premises of exporters, urgent clearance, release with deposit and prioritized consultation.

Customs has also implemented the express consignment clearance system. This system has 12 functions—bill verification, customs clearance form management, shipping bill management, risk monitoring, inspection, batch transfer between customs, taxation management, bill and documentation management, inquiry counting, parameter inventory management, release, and risk management—and is equipped with advanced technology. In terms of security, it adopted technologies such as Integrated Circuit (IC) card identification authentication, Secure Configuration Assistant (SCA) data encryption and digital signature, as well as the Certificate Authority (CA) authentication system of China’s electronic ports.

The customs clearance declaration and inquiry tools with the application of the Internet and server-to-server data interchange technology and security functions provided the express consignment enterprises with a secure and convenient approach for customs clearance. So far, 9 customs (Shanghai, Beijing, Tianjin, Dalian, Qingdao, Guangzhou, Shenzhen, Gongbei and Huangfu) have already used the express consignment clearance system, and a total of 82 express consignment companies have used this system for customs clearance declaration of their express consignment. The current daily number of declarations using this system averages over 2,000. Since the application of the express consignment clearance system, obvious results have been achieved: firstly, the procedures of customs clearance have become more simplified; secondly, the efficiency of the customs clearance has been significantly increased; and thirdly, with the application of this system, the express consignment supervision system with integrated flows of logistics and information has been preliminarily established which has dramatically enhanced the supervision efficiency.

(5) Tariff Classification

On January 1, 2002, China started implementation of the 2002 Harmonized System (HS) version, and the existing tariffs and nomenclature have since been transformed into the new HS version.

Beginning with the 1992 adoption of the Harmonized System, and continued on in the 1996 and 2002 versions, the Harmonized System Notes were translated into Chinese, for ease of understanding of the private sector and customs operations staff. To fully implement the rules in the Harmonized System Convention and the updated contents of the 2002 version, the Chinese Customs has organized and carried out nationwide training of customs officials.

The General Administration of Customs issued on June 3, 2002, the Commodities Classification Decisions of the General Administration in order to further facilitate understanding by import and export enterprises and their agents of the Harmonized

System classification and goods clearance procedures. Formulated and published based on the harmonized system commodities classification stipulated by the WCO before 2001, it serves as one of the legal bases of tariff or statistical classification.

Based on the written application from importers and exporters, Customs will make administrative rulings on goods classification in advance. The administrative rulings will be published and apply equally to imported and exported goods.

To make the Advanced Classification Ruling system (ACR) adaptable and acceptable in customs departments, specific statutes on implementing the ACR have been established. The existing tariff line classification databases were updated to ensure that all customs in China can effectively utilize these databases and coordinate and harmonize standards. To appropriately and effectively classify goods and employ the classification databases, the management capacities of the customs laboratories and officials will be further enhanced through training and regularly organized symposia. Additionally, customs plans to introduce risk management approaches in goods classification in the coming years.

3. GATT Article V

For goods in transit, the Chinese customs has the following requirements:

(1) Goods from countries that sign agreements on goods in transit, or from/to those countries that sign agreements on joint railway transportation, are allowed to be transited according to the related agreements. For those goods from countries that have not yet signed the above-mentioned agreements, they should be approved by national transportation administration and registered to customs of the destination before it can be transited through China.

(2) After goods in transit enter China and before departing, they belong to the category of goods supervised and controlled by customs. Without customs approval, no unit or individual may open, pick up, deliver, forward, change, repack, mortgage, transfer or change the identification marks on goods under customs control.

(3) The transportation facilities of the goods in transit should have affixed to them Customs-approved authorizations. When customs considers it necessary, it can enseat the transportation vehicles or other transportation facilities of the goods in transit. Persons in charge of the means of transport shall have the obligation to maintain the integrity of the customs seal, which may not be opened or broken by any person without customs authorization.

(4) Whenever customs considers it necessary, it can examine the goods in transit. When customs checks the goods in transit, the person in charge of the means of transport shall be present, and should move the goods, open or reseal the package of the goods at the request of the customs, and sign the examination records of the customs.

(5) If the goods in transit remain undeclared to customs for over 3 months after entering China, the customs has the right to dispose of them according to related regulations in Article 30 of the Customs Law of the People's Republic of China.

(6) Goods in transit must leave Chinese territory within 6 months of customs

declaration. Under special circumstances, an extension of at most three months may be granted by customs. If the goods in transit do not leave Chinese territory within the required time limit, the Customs should dispose of the goods according to the related regulations in Article 11 of the Rules for the Implementation of Administration and Penalties under the Customs Law of the People's Republic of China. (Paragraph 7 of Article 11 states: “In case of the following action, a fine of not more than the equivalent value of the goods and articles concerned or up to two times the Customs duties payable shall be imposed: Failure to transport the transit goods, trans-shipment goods or through-shipment goods out of the country within the required time period but instead keeping such goods inside the country without authorization.”)

(7) Transited goods needing discharge for storage because of changes in means of transport after they enter China require customs approval and are to be moved only under customs supervision and only into customs-designated or customs-agreed warehouses or sites.

(8) If transited goods are affected by “acts of God” or other incidents and are forced to change means of transport, the person in charge of the means of transport should declare to customs the location of the goods for customs inspection.

(9) If transit goods fully or partly disappear (except with regards to “acts of God”), the person in charge of the means of transport should reapply to customs from the consignment place to initiate import taxation procedures.

(10) Goods that are not allowed transit through Chinese territory by the Chinese government shall not be allowed entrance.

IV. Trade Facilitation Needs and Priorities of the Private Sector

As the direct beneficiary from trade facilitation, feedback from the private sector on the harmonized private sector survey instrument is important for understanding the needs and priorities of implementing trade facilitation. A total of 150 surveys were sent by mail to private sector actors. The enterprises were randomly selected, with different locations in over 20 provinces, different types of operation, and various scales. The selected enterprises are primarily trade-related companies, either pure trading companies or manufacturing companies with trading rights and records. A total of 32 enterprises responded to the survey instruments, resulting in a drawback rate of 21%.⁷ These 32 enterprises include enterprises in 21 provinces, both in the developed Eastern Coastal provinces and in the relatively less developed Western provinces.

According to the research team’s investigation, three central factors appeared to have prevented the enterprises from active cooperation. First, believing that such surveys bear no direct benefits for them, enterprises found little incentive to respond. Second, most

⁷ Before November 2005, 100 surveys were sent to enterprises, but only 12 enterprises responded; from November 2005, 50 additional surveys were sent due to the low rate of feedback for the first batch of survey samples. For this second batch of enterprises, the research team maintained more frequent contacts with them and pressed for their feedback. 20 enterprises responded for the second batch.

Chinese enterprises tend not to comment on government departments due to concerns that their feedback may bring negative effects on their business. Third, some enterprises were not clear how the results would be used and did not want to contribute to negatively impacting China's image as a result of their answers. Intending to acquire further information on the needs and priorities of trade facilitation for the private sector, the research team also conducted several discussions with some chambers or industry associations, but this yielded scarce results.

The remainder of this section discusses the survey results.

1. Perceived Level of Trade Facilitation and Implementation of GATT Articles V, VIII, and X

The first part of the survey aims to capture the perceived level of trade facilitation implementation. The results of the private sector survey in this area, compared with the team's own assessment based on interviews of officials and secondary information, are presented in Table 1.

The enterprises seemed to generally agree with the following statements: "Computerization and automation of customs and trade procedures have noticeably reduced average time of clearance" (87.5%); "Vehicles in transit are allowed to use the most convenient routes to their destination" (87.5%); "Penalties and fines for minor breaches of customs regulation (e.g., due to typing mistakes) are small and reasonable" (87.5%); "A formal and effective private sector consultation mechanism exists, allowing traders to comment on proposed changes to regulations and procedures before they are issued and implemented" (75%); "An effective advance ruling system is in place" (75%); and "Treatment of goods and vehicles in transit is non-discriminatory" (75%). Seventy five percent (75%) of enterprises also disagree that "Irregular and arbitrary payments are often required to expedite release of goods from customs".

The enterprises are also satisfied in the following sectors (although the level of satisfaction is lower than in the above mentioned areas): "Trade and customs procedures and regulations are publicly available and easily accessible" (62.5%); "Regulation and procedures for goods in transit are clearly defined and widely available" (62.5%); "Laws, regulations and judicial decisions are applied in a uniform, impartial, and reasonable manner" (50%); and "On average, fees and charges levied on export and import are reasonable" (50%).

The enterprises are dissatisfied in three areas. Eighty-seven and half per cent of the surveyed enterprises agree that "Documentation requirements for import/export are excessive and time consuming"; 62.5% disagree that "An independent system to appeal trade and/or customs authorities' decisions is available and operates effectively"; and 50% disagree that "Submitting required trade documentation to trade/customs authorities for approval is easy". This demonstrates that the "appeal mechanism", "documentation submission" and "documentation requirement" need to be further improved. However, this result is quite different from the government responses.

Table 1: Comparison of Survey Results from Private and Government Sector

Issue	Private sector		Government
	Yes	No	Yes(1)/ No (0)
Trade and customs procedures and regulations are publicly available and easily accessible	62.5	12.5	1
Information about changes in regulations and procedures are made available promptly and conveniently to the public	37.5	25.0	1
Laws, regulations and judicial decisions are applied in a uniform, impartial, and reasonable manner	50.0	12.5	1
An independent system to appeal trade and/or customs authorities' decisions is available and operates effectively	37.5	62.5	1
A formal and effective private sector consultation mechanism exists, allowing traders to comment on proposed changes to regulations and procedures before they are issued and implemented	75.0	25.0	1
An effective advance ruling system is in place	75.0	25.0	1
Documentation requirements for import/export are excessive and time consuming	87.5	12.5	0
On average, fees and charges levied on export and import are reasonable	50.0	37.5	1
Penalties and fines for minor breaches of customs regulation (e.g., due to typing mistakes) are small and reasonable	87.5	12.5	1
Irregular and arbitrary payments are often required to expedite release of goods from customs	0.0	75.0	0
Submitting required trade documentation to trade/customs authorities for approval is easy	37.5	50.0	1
Computerization and automation of customs and trade procedures have noticeably reduced average time of clearance	87.5	0.0	1
Treatment of goods and vehicles in transit is non-discriminatory	75.0	0.0	1
Goods in transit are subject to unreasonable transit duties or transit charges	12.5	50.0	0
Regulation and procedures for goods in transit are clearly defined and widely available	62.5	25.0	1
Vehicles in transit are allowed to use the most convenient routes to their destination	87.5	0.0	1

Note: The sum of choosing Yes and No does not equal 100%, because some enterprises chose the option of “no opinion”.

As for the most problematic areas in trade facilitation, the only item that no enterprise selected is “Identification of origin of the goods”. All the other seven items are selected although they have differing importance to different enterprises. No enterprises gave the rank of 1 (i.e., “the most problematic”) to “tariff classification”, “submission of documents for clearance”, and “inspection and release of goods”. The ranking of these problematic areas are listed below.

Table 2: The Most problematic areas in trade facilitation

The Most problematic areas in trade facilitation	Rank
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Technical or sanitary requirements	1
Customs valuation	2
Obtaining an import license	3
Payment of fees and penalties	4
Tariff classification	5
Submission of documents for clearance	6
Inspection and release of goods	7
Identification of origin of the goods	8

Note: The ranking of these areas is calculated based on the average priorities received by each area. For example, 37.5% of the surveyed enterprises chose “technical or sanitary requirements” as the most problematic area (choosing “1”). 25% of the surveyed enterprises chose “customs valuation” and “payment of fees and penalties” as the most problematic area; 12.5% of the surveyed enterprises chose “obtaining an import license” as the most problematic area. See Annex 2.

2. Trade Facilitation Priorities of the Private Sector

The priorities of implementing trade facilitation measures are analyzed based on the feedback from private enterprises. Out of the 14 measures considered in the survey, 12 received an average score of 3 (3=high priority) or above. This suggests that the surveyed enterprises found almost all measures of trade facilitation to be high priority (see Table 3).

Table 3: Level of Priority Reflected from the Survey

Issues	Average
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	Score
2.13 Elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods	4.63
2.6 Beginning and, if possible, completing clearance of goods before they have arrived physically in the Customs territory (based on advance submission of good declaration and other documents)	4.38
2.10 Improvement of coordination between relevant agencies, particularly on document requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents	4.25
2.1 Timely and comprehensive publication and dissemination of trade rules and regulations (e.g., through the Internet)	3.88
2.5 Establishment (or improvement in the effectiveness) of an advance ruling system, which allows the importer, in advance of trade, to obtain binding rules in certain specific areas (e.g., tariff classification, customs valuation, origin)	3.88
2.11 Computerization and automation of trade procedures, e.g., online submission and approval of customs declarations, cargo manifests, including electronic payment of fees and customs duties.	3.88
2.4 Establishment (or improvement in the effectiveness) of an appeal mechanism outside of the authority of customs or related agencies for traders to dispute customs and other authorities' decisions	3.88
2.8 Reduction and simplification of the documentation requirements for import and export procedures	3.63
2.12 Improvement in customs inspection and control procedures, e.g., systematic use of risk analysis to determine which good should be examined, clearer criteria for "green" and "red" channels and special channels for authorized traders and express shipments	3.63
2.7 Separating release from clearance procedures, i.e., allowing goods to be released before all clearance formalities have been completed (this may be subject to providing a financial guarantee to customs and/or post-release audit)	3.63
2.3 Establishment (or improvement in the effectiveness) of a consultation mechanism through which traders can provide inputs on proposed new or amended rules and regulations	3.50
2.9 Harmonization and standardization of documentation requirements based on international standards	3.25
2.14 Implementation of international and regional transit systems based on international standards and practices	2.88
2.2 Establishment (or improvement in the effectiveness) of enquiry points and/or call centers for up-to-date information on trade procedures	2.75

(0 = lowest priority; 1 = low priority; 2 = medium priority; 3 = high priority; 4 = very high priority; 5 = highest priority)

Three points should be noted. First, because of the enterprises' differences in competitiveness and nature (i.e., some are trading companies, some are manufacturing

companies, etc.), they might hold different views on the same issue. Second, because China is a large country with 313 local-level customs with different performance levels across different regions, enterprises may also express different opinions depending on location. Thirdly, it is not impossible that the opinions reflected may be biased.

The priorities discussed below are the most representative ones:

- **Elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods**

This priority figures as the highest priority among the surveyed enterprises. However, this does not measure the seriousness of the corrupt practices. Instead, it may only represent the opinion of the surveyed enterprises' concerning this issue.

- **Beginning and, if possible, completing clearance of goods before they have arrived physically in the Customs territory (based on advance submission of good declaration and other documents)**

China has already carried out measures to improve capacity in this area, but due to the constraint of human and capital resources, pre-arrival clearance has not been applied to all enterprises. Currently, such measures are conducted on a pilot basis. Only enterprises that qualify as state-encouraged industries with large-scale trade volume and a good law-abiding record enjoy these rights. The priorities raised here demonstrate that more enterprises wish to be involved.

- **Improvement of coordination between relevant agencies, particularly on document requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents**

Trade facilitation covers very broad areas, and many government departments are involved in this process. Although China has endeavored to establish an effective and efficient coordination mechanism, such as the e-port projects, this has not yet been carried out nationwide. In some provinces, the performance is good, but performance in the whole country still needs to be further improved.

- **Timely and comprehensive publication and dissemination of trade rules and regulations**

Although the Chinese government has already accomplished significant work on these issues, the enterprises still demonstrate great concern. On the one hand, the priority it receives explains that more work should still be done. On the other hand, it demonstrates that with the enhancement of transparency, enterprises have further demands in this field. This may be due to recognition of the importance of this issue and the important roles transparency and predictability have played in their business operations.

- **Establishment (or improvement in the effectiveness) of an advance ruling system, which allows the importer, in advance of trade, to obtain binding rules in certain specific areas (e.g., tariff classification, customs valuation, origin)**

- **Computerization and automation of trade procedures, e.g., online submission and approval of customs declarations, cargo manifests, including electronic payment of fees and customs duties.**

Such measures have been carried out, but different regions witness different rates of progress. It is unsurprising that enterprises not enjoying these services outside the 19 Electronic Ports will regard this issue as a key priority.

- **Establishment (or improvement in the effectiveness) of an appeal mechanism outside of the authority of customs or related agencies for traders to dispute customs and other authorities' decisions**

This reflects the enterprises' worry on the possible biased or unequal treatment in the current administrative system.

- **Reduction and simplification of the documentation requirements for import and export procedures**

China's Electronic Port Platform as well as other projects under the "Fast Customs Clearance System" have been targeting this issue. Different regions also experience different rates of progress.

- **Improvement in customs inspection and control procedures, e.g., systematic use of risk analysis to determine which goods should be examined, clearer criteria for "green" and "red" channels and special channels for authorized traders and express shipments**

China has already carried out such measures but the number of enterprises enjoying such rights is still quite limited. This remains so not because few enterprises meet the criteria, but due to human and capital resources constraints and the role of China's industrial policies. With further capital inputs from the government and more experiences drawn from these pilot enterprises, more enterprises will likely enjoy such fast clearance.

- **Separating release from clearance procedures, i.e., allowing goods to be released before all clearance formalities have been completed (this may be subject to providing a financial guarantee to customs and/or post-release audit)**

- **Establishment (or improvement in the effectiveness) of a consultation mechanism through which traders can provide inputs on proposed new or amended rules and regulations**

This reflects the willingness of the enterprises to be more involved in the process of rules and regulation making.

- **Harmonization and standardization of documentation requirements based on international standards**

V. Costs of Implementing Trade Facilitation Measures in China

When enterprises enjoy the benefits of trade facilitation, they also inevitably bear

the related costs. However, no enterprise holds specific records on the costs of implementing trade facilitation measures. The expenditures on hardware or human resources and other aspects are not solely spent on trade facilitation. Consequently it is difficult to estimate a concrete figure of the enterprises' trade facilitation costs. This challenge notwithstanding, it should not be understood that the enterprises bear no trade facilitation costs.

Additionally, government departments, in comparison with the costs of enterprises, bear most of the financial burden in implementing trade facilitation measures. Without significant support from the government in finance, technology and human resources, no accomplishments could be made in trade facilitation.

OECD (2005) classified the costs into four categories: new regulation, institutional changes, training, and equipment and infrastructure. This report will take this method as guideline.

Regulatory Costs

As OECD (2005) argues, regulatory costs may require new legislation or amendment of existing laws involving time and staff. However, the Chinese economy has experienced dramatic changes since adopting liberalization reform policies in 1978. During the 15 years of China's WTO accession process that began in 1986, and especially since the completion of the process, China has passed hundreds of laws and regulations that have increasingly opened its economy to the world. As a result, regulatory authorities have already been highly developed and consequently, no additional costs in this respect are needed.

Institutional Costs

Institutional costs involve the establishment of new units, such as a post-clearance team, a risk management team, or a central enquiry point, which may mobilize additional human and financial resources. In China, establishment of new units is usually achieved by redeploying existing staff instead of acquiring new recruits. Some necessary training is needed for these staff, but such costs are listed as routine expenditures instead of specifically as institutional or training costs. Many Chinese government departments have shifted their roles from administration and control to service provision. Customs, for example, has repositioned itself as not only a revenue collection authority, but also as a service agency for enterprises and a border authority to protect the interests of China and the people of China. Hence, no specific costs such as information publication (laws, regulations and notifications) and maintenance of web pages can be obtained.

Training Costs

The quality of personnel in government departments plays a key role in guaranteeing the development of trade facilitation. Training is a very important aspect of enhancing personnel quality, and can be generally classified as on- or off-the-job training. Additionally there is the option of recruiting new and expert staff, but this phenomenon is quite rare. On-the-job training in China requires relatively little cost expenditure. By contrast, off-the-job training, although difficult to precisely pin-point, requires huge

costs. China's General Administration of Customs, for example, has 41 directly controlled customs and 313 local customs, with a total staff of 48,000. Off-the-job training can be undertaken in many forms: lower-level staff can go to higher-level customs to receive training, or receive special training at external institutions. The related costs of off-the-job training cover communication and transportation expenditures, accommodation costs and compensation during the training period. Such expenditures are usually not specifically recorded as costs of off-the-job training. As a result, it is highly difficult to get an accurate estimate of off-the-job training costs. However, this challenge notwithstanding, it should be noted that training comprises an important part in the costs of implementing trade facilitation measures.

Equipment/Infrastructure Costs

Information application is an important part of trade facilitation. China's "Fast Customs Clearance" project will result in vast hardware and technologies inputs. Tables 4-9 summarize the costs of the Customs and General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in hardware and technologies. These figures do not cover all related costs in this field undertaken by all concerned government departments. However, as the Customs and inspection and quarantine authorities are the two government departments that are most deeply involved in trade facilitation, their expenditures in this field are indicative of equipment/infrastructure costs. The Customs and AQSIQ inputs in computerization in 2005/06 are estimated to be RMB 1420 million (about USD 176 million) and RMB 510 million (about USD 63 million), respectively. These inputs include costs in hardware and software products, and IT service and consultation. Major information projects conducted by Customs and AQSIQ in 2005/06 are estimated to be RMB 5.888 million (about USD 731 thousand) and RMB 4.386 million (about USD 544 thousand), respectively.

The information projects implemented by these two agencies are different. For example, the projects in Customs are: Customs Supervision System on Logistics, Fast Customs Clearance System, Electronic Account Book System, H2000 Customs Clearance System, Internet Application and Infrastructure Network. The projects in the AQSIQ are: AQSIQ Infrastructure network, AQSIQ Operation Application System, AQSIQ Information Service System, OA System, Internet Application and AQSIQ Database.

Table 4: The Customs Inputs in Computerization

Unit: RMB Million*

	2004	05/06 (e)	Growth rate
Total	1260	1420	12.7%
Of which: Hardware products	820	830	
Software products	250	360	
IT Service and Consultation	190	230	

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

*The USD:RMB exchange rate was about 1:8.06 as of February 6, 2006, and 1:8.28 in 2004.

Table 5: Major Information Projects Conducted by Customs in 2004

Unit: RMB 10,000

	Average capital input on each project
Ports Electronic Administration System	235.8
H2000 Customs Clearance System	221.6
Infrastructure Network	101.4
OA System	95.4
Internet Application	55.6
Subtotal	709.8

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

Table 6: Major Information Projects Conducted by Customs in 2005/06

Unit: RMB 10,000

	Average capital input on each project
Customs Supervision System on Logistics	123.5
Fast Customs Clearance System	113.8
Electronic Account Book System	98.9
H2000 Customs Clearance System	92.6
Internet Application	91.6
Infrastructure Network	68.4
Subtotal	588.8

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

Table 7: The AQSIQ Inputs in Computerization

Unit: RMB Million

	2004	05/06 (e)	Growth rate
Total	430	510	18.6%
Of which: Hardware products	290	320	
Software products	90	120	
IT Service and Consultation	50	70	

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

Table 8: Major Information Projects Conducted by AQSIQ in 2004

Unit: RMB 10,000

	Average capital input on each project
AQSIQ Infrastructure network	89.1
AQSIQ Database	73.4
OA System	66.4
AQSIQ Operation Application System	62.1
AQSIQ Information Service System	58.4
Internet Application	46.2
Subtotal	395.6

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

Table 9: Major Information Projects Conducted by AQSIQ in 2005/06

Unit: RMB 10,000

	Average capital input on each project
AQSIQ Infrastructure network	82.1
AQSIQ Operation Application System	82.1
AQSIQ Information Service System	78.4
OA System	66.4
Internet Application	66.2
AQSIQ Database	63.4
Subtotal	438.6

Source: *IT Application Trend 2005-2006*, A report by CAITEC, MOFCOM

VI. Implications for the WTO Negotiations on Trade Facilitation

As argued earlier, foreign trade plays a significant role in China's overall economic development. Although China has endeavored to foster its internal demand markets, it has to rely heavily on external demands in the medium-to-short term. Implementing trade facilitation measures will be a new approach to enhance the competitiveness of the Chinese enterprises and boost export performance. Through trade facilitation, China has increased the transparency and predictability of its laws and policies which will help enterprises operate in a better environment. The application of IT in the process of trade facilitation will help enterprises get the latest commercial and trading information and accurately grasp market opportunities, and enhance the capability of decision making. Additionally, it will assist enterprises to broaden their trading networks. Since Chinese enterprises have already experienced the benefits of trade facilitation from China's on-going measures, notably those under the "Fast Customs Clearance" system, they will have more incentive and desire to further implement these measures.

For such a large developing country as China, successful implementation of trade facilitation measures not only requires support and cooperation from enterprises but more importantly a favorable central government attitude. Government is the main designer and regulator in trade facilitation implementation. The government's recognition of the needs of trade facilitation will be the driving force for its development and success. The Chinese government has realized the significance of trade facilitation and China's "Fast Customs Clearance System" has already become the direction and objective of various government ministries, including the GAC, AQSIQ, MOFCOM, among others. Through the implementation of trade facilitation measures, time spent on customs procedures as well as the transaction costs of the enterprises has been sharply reduced. Since implementing, for example, the electronic quarantine and inspection framework, the costs saved by enterprises from paperless trading were about RMB 100 million per year. After China implemented electronic declaration, time spent on each batch of goods has been reduced by 30 minutes⁸.

China has implemented trade facilitation measures on a voluntary basis, and at a

⁸ Speech by AQSIQ representative at the 2005 APEC Paperless Trading High-Level Seminar.

much faster pace than many other members. China's positive performance in trade facilitation is further reflected in Table 10 and ANNEX 1.

Table 10: Status of Trade Facilitation Measures in China and WTO TF Proposals (TN/TF/W/43/Rev.5)

Main Areas Covered	Groups of Measures Falling Under Those Areas	Status in China	
A. PUBLICATION AND AVAILABILITY OF INFORMATION	1. Publication of Trade Regulations	√	
	2. Publication of Penalty Provisions	√	
	3. Internet Publication	√	
	(a) Internet "publication" of the elements set out in Article X of GATT 1994	√	
	(b) Internet "publication" of specified information setting forth the procedural sequence and other requirements for importing goods into a Member's territory	√	
B. TIME PERIODS BETWEEN PUBLICATION AND IMPLEMENTATION	4. Notification of Trade Regulations	√	
	5. Establishment of Enquiry Points /SNFP/ Information Centers	√	
	1. Interval between Publication and Entry into Force	√	
	C. CONSULTATION AND COMMENTING ON NEW AND AMENDED RULES	1. Prior Consultation and Commenting on New and Amended Rules	√
		2. Information on Policy Objectives Sought	√
D. ADVANCE RULINGS	1. Provision of Advance Rulings	√	
E. APPEAL PROCEDURES	1. Right of Appeal	√	
	2. Release of Goods in Event of Appeal	X	
F. OTHER MEASURES TO ENHANCE IMPARTIALITY AND NON-DISCRIMINATION	1. Uniform Administration of Trade Regulations	√	

Main Areas Covered	Groups of Measures Falling Under Those Areas	Status in China
	<p>2. Maintenance and Reinforcement of Integrity and Ethical Conduct Among Officials</p> <p>(a) Establishment of a Code of Conduct</p> <p>(b) Computerized System to Reduce/Eliminate Discretion</p> <p>(c) System of Penalties</p> <p>(d) Technical Assistance to Create/Build up Capacities to Prevent and Control Customs Offences</p> <p>(e) Appointment of Staff for Education and Training</p> <p>(f) Coordination and Control Mechanisms</p>	<p></p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>
<p>G. FEES AND CHARGES CONNECTED WITH IMPORTATION AND EXPORTATION</p>	<p>1. General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation</p> <p>(a) Specific Parameters for Fees/Charges</p> <p>(b) Publication/Notification of Fees/Charges</p> <p>(c) Prohibition of Collection of Unpublished Fees and Charges</p> <p>(d) Periodic Review of Fees/Charges</p> <p>(e) Automated Payment</p> <p>2. Reduction/Minimization of the number and Diversity of Fees/Charges</p>	<p></p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>
<p>H. FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION</p>	<p>1. Disciplines on Formalities/ Procedures and Data /Documentation Requirements Connected with Importation and Exportation</p> <p>(a) Non-discrimination</p> <p>(b) Periodic Review of Formalities and Requirements</p> <p>(c) Reduction/Limitation of Formalities and Documentation Requirements</p> <p>(d) Use of International Standards</p> <p>(e) Uniform Customs Code</p> <p>(f) Acceptance of Commercially Available Information and of Copies</p> <p>(g) Automation</p> <p>(h) Single Window/One-time Submission</p> <p>(i) Elimination of Pre-Shipment Inspection</p> <p>(j) Phasing out Mandatory Use of Customs Brokers</p>	<p></p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>
<p>I. CONSULARIZATION</p>	<p>1. Prohibition of Consular Transaction Requirement</p>	<p>√</p>

Main Areas Covered	Groups of Measures Falling Under Those Areas	Status in China
J. BORDER AGENCY COOPERATION	1. Coordination of activities and requirements of all border agencies	√
K. RELEASE AND CLEARANCE OF GOODS	1. Expedited/Simplified Release and Clearance of Goods (a) Pre-arrival Clearance (b) Expedited Procedures for Express Shipments (c) Risk Management /Analysis, Authorized Traders (d) Post-clearance Audit (e) Separating Release from Clearance Procedures	√ √ √ √ √
	2. Establishment and Publication of Average Release and Clearance Times	√
	L. TARIFF CLASSIFICATION	1. Objective Criteria for Tariff Classification
M. MATTERS RELATED TO GOODS TRANSIT	1. Strengthened Non-Discrimination	√
	2. Disciplines on Fees and Charges (a) Publication of Fees and Charges and Prohibition of Unpublished ones (b) Periodic Review of Fees and Charges (c) More effective Disciplines on Charges for Transit (d) Periodic Exchange between Neighbouring Authorities	√ √ √ √
	3. Disciplines on Transit Formalities and Documentation Requirements (a) Periodic Review (b) Reduction/Simplification (c) Harmonization/ Standardization (d) Promotion of Regional Transit Arrangements (e) Simplified and Preferential Clearance for Certain Goods (f) Limitation of Inspections and Controls (g) Sealing (h) Cooperation and Coordination on Document Requirements (i) Monitoring (j) Bonded Transport Regime/Guarantees	√ √ √ √ √ √ √ √ √ √ √
	4. Improved Coordination and Cooperation (a) Amongst Authorities (b) Between Authorities and the Private Sector	√ √

China has also actively participated in the trade facilitation negotiation process. So far, China submitted three proposals on these trade facilitation articles.

Table 11: China’s Proposals on Trade Facilitation

Symbol	Title	Sponsor(s)
TN/TF/W/26	Proposal on Clarification and Improvement of GATT Article X	China
TN/TF/W/29	A Proposal on Identifying Trade Facilitation Needs and Priorities	China and Pakistan
TN/TF/W/49	Clarification and Improvement of GATT Article VIII – Applying Risk Management	China and Korea

The Chinese government has made significant efforts in trade facilitation and invested large inputs into infrastructure, mainly through its “Fast Customs Clearance System”, which serves as the foundation to achieve trade facilitation objectives under the WTO framework. China’s “Fast Customs Clearance System” is a very comprehensive system in trade facilitation, covering many areas in the three GATT articles. However, this is not fully representative as some projects within this system are conducted only on a pilot basis, such as the “one-stop, single window” service, risk management, and information utilization projects. Some pilot projects are conducted in specific regions, while others are conducted among limited qualified enterprises. Currently, enterprises with a good record of credit and legal operation have the opportunity to enjoy some preferential policies. There thus remains some further space for China to actively participate in cooperation and negotiation under the WTO framework.

Although China has achieved great accomplishments in many aspects of trade facilitation, as a developing country limited by its capital input and capacity, there are still some aspects to be further perfected. For example, in the fields of publication and availability of information, gaps with the WTO trade facilitation proposals persist. This is reflected in two aspects: first, although all laws and regulations can be obtained from publications such as journals and periodicals, not all such information has been published over the internet. Second, not all information has been translated into foreign languages. Although the GAC is determined to translate all available relevant information into English by 2020, in reality there has been little progress in this field, as exemplified by the lack of useful information in English on the GAC’s website.

Issues of prioritization and sequencing

Through China’s “Fast Customs Clearance System”, many aspects in the three GATT articles have been implemented. However, most are still carried out on a pilot basis, both with regards to geographical limitations and the scope of beneficiaries. The best practices of the “Fast Customs Clearance System” need to be extended to more enterprises. All the fields receiving above-average scores of priorities in the private sector survey should be carefully considered by China in its future work. Based on the private sector needs and China’s actual achievement, the following four aspects should be priority trade facilitation measures considered for inclusion in the WTO trade facilitation agreement:

- 1) Improvement of coordination between relevant agencies, particularly on document

requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents.

2) Timely and comprehensive publication and dissemination of trade rules and regulations.

3) Reduction and simplification of the documentation requirements for import and export procedures.

4) Improvement in customs inspection and control procedures, e.g., systematic use of risk analysis to determine which good should be examined, clearer criteria for “green” and “red” channels and special channels for authorized traders and express shipments.

APEC Approach to Trade Facilitation:

The APEC trade facilitation differs from the WTO trade facilitation with respect to their scopes of coverage and methodologies.

Regarding the coverage scope, as earlier mentioned, some of the APEC trade facilitation measures go beyond that of the WTO. If judged by the provisions of the three GATT articles, the category of “movement of goods” might fall into the GATT Articles VIII and X, but no specific measures or actions match that of GATT Article V.

Regarding differences in methodology, APEC members generally implemented trade facilitation on a voluntary basis. APEC leaders had stipulated the Bogor Goal of Trade Liberalization and Trade Facilitation in 1994, according to which developed members and developing members should complete trade liberalization and trade facilitation by 2010 and 2020, respectively. Under this overarching goal, each APEC member could adopt its specific trade facilitation actions on a voluntary basis. A more concrete APEC Trade Facilitation was made in 2002, and the APEC members have since had a more specific guideline for their respective trade facilitation strategies.

The APEC trade facilitation modality does not require each member to achieve any specific targets each year, but rather uses the benchmark years of 2010 and 2020 as the final deadlines for completing the trade facilitation. Each country chooses the actions and measures that best fit their needs and circumstances. In the 2001 Shanghai APEC Summit, the leaders set up another objective for the APEC trade facilitation: the Shanghai Accord. The Shanghai Accord mandated all APEC members to realize a significant reduction in transaction costs by endeavoring to reduce them by 5 percent across APEC region by 2006. This APEC approach of concrete trade facilitation measures and specific timetable along with flexible implementation methods could be used as reference for the WTO trade facilitation negotiation.

VII. Conclusions

China’s trade facilitation implementation can be classified into three categories: the domestic level of “Fast Customs Clearance System”, the regional level in the APEC, and the multilateral level in the WTO. In fact, China has gone ahead of many countries in

implementing trade facilitation. Since it has already recognized and gained benefits from trade facilitation, China will support trade facilitation negotiation and promote its development. If consensus has been reached on the WTO trade facilitation negotiation, China will be a strong supporter and strict follower under the WTO framework.

As a developing country member, China's experience in trade facilitation might prove useful for other WTO developing members, especially its "Fast Customs Clearance" Project. Judging from China's experience, infrastructure building, technology equipment and personnel training are the most important issues for developing country members to successfully implement with regards to trade facilitation. In China today, 90% of the export declarations for customs clearance can be completed within 1 day, and 80% of the import declarations for customs clearance can be completed within 2 days. This demonstrates the effectiveness and potential of government inputs into infrastructure building and computerization projects that other developing countries could hope to implement.

While it is important for governments to recognize the importance and benefits of trade facilitation, it might be even more useful to make the private sector realize its significance in order to make trade facilitation programmes more effective. Enterprises are direct beneficiaries of trade facilitation, but they tend not to willingly cooperate in early stages if they do not see the direct benefits. Hence, initial education and training may be needed to incentivize the private sector.

After the 9/11 terrorist attacks, security has become of great concern to all WTO members, particularly the largest trading nations. While some security measures might hinder trade facilitation, all WTO members should be clear that security issues cannot justify new barriers to trade facilitation.

All WTO members should be serious in the negotiation of trade facilitation measures as this holds the potential to benefit all members if multilateral talks are successful. The outcome of the multilateral negotiations on trade facilitation will indeed be useful in helping governments institutionalize the trade facilitation measures in the form of domestic laws, so as to create a sound trade facilitation environment with institutional guarantees. Clear progress should be made in implementing trade facilitation measures across the WTO membership, even if some special and differential treatment is allowed in the process. Developed countries should provide more technical assistance and capacity building to developing countries in order to alleviate high costs and incentivize participation.

The WTO is an organization with 150 members. To make progress in trade facilitation negotiation, constructing pragmatic and reachable targets is important. The scope of the three key GATT Articles is adequate enough. However, a different time framework could be considered borrowing from the beneficial experiences of the APEC model. In the APEC Bogor Goals of trade liberalization and trade facilitation, the APEC leaders have agreed to two timetables, 2010 for developed members and 2020 for developing members. Additionally, in 2001, the APEC leaders agreed to lower the transaction costs by 5% within 5 years. In trade facilitation negotiations and implementation within the WTO framework, such methods can be included in the work agenda so as to lay a foundation for smooth multilateral trade facilitation. This might be of interest to developing country members both in negotiations and implementation.

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Annex I: Annotated WTO WCO Self-Assessment Check List

	Question	Response	Comments
		[Yes=1; No=0]	
	Questions/Issues related mainly to Article X		
	PUBLICATION/AVAILABILITY OF INFORMATION		
1	Is any of the following published?		
	laws	1	
	regulations	1	
	documentary requirements	1	
	standard operating practices	1	
	standard processing times	1	Usually in newspapers
	specific customs procedures	1	
	tariff classification	1	
	valuation	1	
	exemptions, prohibitions, restrictions	1	
	duty & tax rates	1	
	fees and charges	1	
	administrative arrangements & requirements	1	
	management plans	1	
	rulings	1	
	judicial decisions	1	
	agreements with other countries	1	
	other?	1	
2	Is relevant Customs and trade related information made available via the internet?	1	
3	Is relevant Customs and trade related information made available in:		
	Customs offices	1	
	embassies	1	
	consulates	1	
	trade missions/offices	1	
	government buildings/offices	1	
	public buildings/offices	1	
	other?	1	
4	Is relevant information made available in English, French or Spanish?	1	Some in English
5	Does Customs charge for information provided?	1	Not all information are charged
6	When charges are made, are costs limited to only the service provided?	1	

7	Is information relevant to any proposed changes or new requirements made available sufficiently in advance for interested parties to take account of them?	1	30 days in advance
8	Does Customs publish all proposed changes or new requirements in advance of the entry into force?	1	
9	Do stakeholders have the opportunity to contribute/develop/influence/question all proposed changes of new requirements in advance of the entry into force?	1	Not in all cases
10	Does Customs invite comments from the public and trade on all proposed changes or new requirements in advance of the entry into force?	1	Not in all cases
11	Has Customs established information services such as:		
	client/help desk	1	
	enquirey point	1	
	customer/trader contacts	1	
	call center	1	
	other?	1	Some very specific information are at request
	Rulings		
12	Does a system exist of national legislation establishing appropriate provisions for binding rulings by Customs?	1	
13	Does national legislation provide for Customs to furnish rulings within a specified period?	1	
14	Are ruling processes established with specific time limits?	1	
15	Do ruling procedures provide the opportunity for appeal with review and/or judicial process	1	
16	Does the administration provide binding rulings for:		
	valuation	1	
	classification	1	
	origin	1	
	other Customs purposes?	1	
	Appeals and Review		
17	Are internal appeal and review mechanisms established?	1	
18	Are internal appeal and review mechanisms independent?	1	
19	Are provisions established for an initial appeal to Customs?	1	
20	Are provisions established for a further appeal to an authority independent of Customs?	1	

21	Are provisions established for a final right of appeal to a judicial authority?	1	
22	Do appeal processes have specific time limits?	1	
23	Are goods released pending the outcome of an appeal?	0	
24	Is a security of other form of guarantee required?	1	
	Management		
25	Are systems in place to monitor and evaluate the performance of Customs against established standards and/or indicators?	1	
26	Are training programmes established for Customs clearance procedures	1	
27	Are all Customs staff given training on integrity matters?	1	
28	Has a Code of Conduct/Code of Ethics been developed and implemented by Customs?	1	
	Systems and Procedures		
29	Is the customs automated?	1	
30	Is electronic filing of entry documents provided for?	1	
31	Do customs and other agencies share information electronically?	1	Through many projects, such as the “Fast Customs Clearance” and “Electronic Ports”
32	Are pre-arrival clearance procedures used?	1	
33	Does the administration grant immediate release/clearance procedures to any category of goods?	1	
34	Does the administration specify a minimum value/minimum amount of duties and taxes below which no duties and taxes will be collected?	1	
35	Do you have separate expedited procedures for express consignment shipments?	1	
36	Can data be submitted prior to arrival of the goods?	1	
37	Can goods be released prior to completion of all clearance formalities?	1	
38	Do you have weight or value restrictions for express consignment shipments?	1	
39	Does the administration use risk analysis to determine which goods should be examined?	1	
40	Do Customs control systems include audit based controls?	1	
41	Does the Customs administration authorize persons with an appropriate compliance record for simplified and special procedures	1	

42	For authorized persons * Can goods be released on the provision of minimum information with full clearance being finalized subsequently-can goods be cleared at the declarant's premises	1	
	* other		
Questions/Issues related mainly to Article VIII (Fees and Formalities connected with importation/exportations)			
43	Does the administration charge for the provision of information to the trade?	1	Usually such information is free. For those information which needs to be processed and classified, it is charged.
44	Do fees for customs processing reflect the cost of services rendered?	1	
45	Are fees published?	1	
	the amount?	1	
	time due?	1	
	entity assessing the fee?	0	
	how payment can be made?	1	
46	Are fee amounts published on the internet?	0	
Questions/Issues related mainly to Article V (Freedom of Transit)			
General			
47	Have international transit systems been implemented?	1	
48	Have regional transit systems been implemented?	1	
49	Is the Customs territory a landlocked country?	0	
50	Are transit corridors established within the Customs territory?	1	
51	Are transit routes prescribed?	1	
52	Are transit routes agreed in consultation with trade operators?	1	
53	Is abuse of the Customs transit system a concern in the Customs territory?	1	
54	Is a strict route stipulated for all high risk goods?	1	
55	Is Customs escort required for all high risk goods?	1	
56	Are time limits imposed for transit goods?	1	
57	Are current border posts and Customs offices suitably located for effective transit operations within the Customs territory?	1	
58	Are operating hours coordinated with other Customs administrations?	1	
59	Are controls and responsibilities at border posts coordinated with other border agencies?	1	
60	Are controls and responsibilities at border posts coordinated with other country's Customs administrations?	1	

	Documentation		
61	Is a Goods declaration required for all goods in transit?	1	
62	Is a standardized Customs transit declaration/document in use?	1	
63	Have documentary requirements for transit coordinated with other border agencies?	1	
64	Are documentary requirements for transit coordinated with other border agencies?	1	
65	Are simplified transit declarations in use?	1	
	Securities and Guarantees		
66	Are goods in transit relieved of the payment of duties and taxes?	1	
67	Are any fees and charges levied in connection with Customs transit?	1	
68	Has an international guarantee system been implemented?	1	
69	Are securities and/or guarantees required for all goods in transit?	1	
70	Are cash deposits required for goods in transit?	0	
71	Are securities and/or guarantees discharged as soon as the obligations have been fulfilled?	1	
	Examination		
72	Are examinations for goods in transit based on the application of risk assessment?	1	
	Authorized Trades		
73	Are simplified procedures established for authorized consignors involved in the transit procedure?	1	
	Seals and Fastening		
74	Are seals and identification marks affixed by foreign Customs accepted for Customs transit operations?	1	

This Questionnaire was developed by the WTO based on the WCO Self Assessment Check List

Annex II: Statistical Summary of the Private Sector Survey Result

1. Perceived level of implementation of GATT Articles V, VIII, and X by the private sector in China

Issues	Average score
Irregular and arbitrary payments are often required to expedite release of goods from customs	2.1
Goods in transit are subject to unreasonable transit duties or transit charges	3.1
An independent system to appeal trade and/or customs authorities' decisions is available and operates effectively	3.6
Submitting required trade documentation to trade/customs authorities for approval is easy	3.9
On average, fees and charges levied on export and import are reasonable	4.3
Regulation and procedures for goods in transit are clearly defined and widely available	4.3
An effective advance ruling system is in place	4.4
Information about changes in regulations and procedures are made available promptly and conveniently to the public	4.5
Laws, regulations and judicial decisions are applied in a uniform, impartial, and reasonable manner	4.5
A formal and effective private sector consultation mechanism exists, allowing traders to comment on proposed changes to regulations and procedures before they are issued and implemented	4.6
Trade and customs procedures and regulations are publicly available and easily accessible	5.1
Documentation requirements for import/export are excessive and time consuming	5.1
Penalties and fines for minor breaches of customs regulation (e.g., due to typing mistakes) are small and reasonable	5.6
Computerization and automation of customs and trade procedures have noticeably reduced average time of clearance	5.8
Treatment of goods and vehicles in transit is non-discriminatory	5.8
Vehicles in transit are allowed to use the most convenient routes to their destination	6.0

Note: The score is out of 7, which 1=Strongly disagree, 2=disagree, 3=slightly disagree, 4=No opinion, 5=slightly agree, 6=agree, and 7= Strongly agree

Issue	Yes	No	No opinion
Trade and customs procedures and regulations are publicly available and easily accessible	62.5	12.5	25.0
Information about changes in regulations and procedures are made available promptly and conveniently to the public	37.5	25.0	37.5
Laws, regulations and judicial decisions are applied in a uniform, impartial, and reasonable manner	50.0	12.5	37.5
An independent system to appeal trade and/or customs authorities' decisions is available and operates effectively	37.5	62.5	0.0
A formal and effective private sector consultation mechanism exists, allowing traders to comment on proposed changes to regulations and procedures before they are issued and implemented	75.0	25.0	0.0
An effective advance ruling system is in place	75.0	25.0	0.0
Documentation requirements for import/export are excessive and time consuming	87.5	12.5	0.0
On average, fees and charges levied on export and import are reasonable	50.0	37.5	12.5
Penalties and fines for minor breaches of customs regulation (e.g., due to typing mistakes) are small and reasonable	87.5	12.5	0.0
Irregular and arbitrary payments are often required to expedite release of goods from customs	0.0	75.0	25.0
Submitting required trade documentation to trade/customs authorities for approval is easy	37.5	50.0	12.5
Computerization and automation of customs and trade procedures have noticeably reduced average time of clearance	87.5	0.0	12.5
Treatment of goods and vehicles in transit is non-discriminatory	75.0	0.0	25.0
Goods in transit are subject to unreasonable transit duties or transit charges	12.5	50.0	37.5
Regulation and procedures for goods in transit are clearly defined and widely available	62.5	25.0	12.5
Vehicles in transit are allowed to use the most convenient routes to their destination	87.5	0.0	12.5

2. The Most problematic areas in trade facilitation

	The ratio of selecting 1 as the degree (%)	The ratio of selecting 2 as the degree (%)	The ratio of selecting 3 as the degree (%)	The ratio of selecting 4 as the degree (%)
a) Obtaining an import license	12.5	12.5	25.0	12.5
b) Tariff classification	0.0	25.0	0.0	25.0
c) Submission of documents for clearance	0.0	0.0	37.5	0.0
d) Identification of origin of the goods	0.0	0.0	0.0	0.0
e) Payment of fees and penalties	25.0	0.0	0.0	12.5
f) Customs valuation	25.0	0.0	37.5	25.0
g) Technical or sanitary requirements	37.5	25.0	0.0	25.0
h) Inspection and release of goods	0.0	25.0	0.0	0.0

Note: Each enterprise is required to select the 4 most problematic areas and then rank them from 1 to 4 [1 = most problematic; 4= least problematic]

The Most problematic areas in trade facilitation	Rank
Technical or sanitary requirements	1
Customs valuation	2
Obtaining an import license	3
Payment of fees and penalties	4
Tariff classification	5
Submission of documents for clearance	6
Inspection and release of goods	7
Identification of origin of the goods	8

3. Level of priority should be accorded by the Government to each of the following measures to facilitate international trade and reduce your cost of doing business
(Please read through the entire list of measures once before deciding on the level of priority for each: 0 = lowest priority; 1 = low priority; 2 = medium priority; 3 = high priority; 4 = very high priority; 5 = highest priority)

Issues	Average Score
2.13 Elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods	4.63
2.6 Beginning and, if possible, completing clearance of goods before they have arrived physically in the Customs territory (based on advance submission of good declaration and other documents)	4.38
2.10 Improvement of coordination between relevant agencies, particularly on document requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents	4.25
2.1 Timely and comprehensive publication and dissemination of trade rules and regulations (e.g., through the Internet)	3.88
2.5 Establishment (or improvement in the effectiveness) of an advance ruling system, which allows the importer, in advance of trade, to obtain binding rules in certain specific areas (e.g., tariff classification, customs valuation, origin)	3.88
2.11 Computerization and automation of trade procedures, e.g., online submission and approval of customs declarations, cargo manifests, including electronic payment of fees and customs duties.	3.88
2.4 Establishment (or improvement in the effectiveness) of an appeal mechanism outside of the authority of customs or related agencies for traders to dispute customs and other authorities' decisions	3.88
2.8 Reduction and simplification of the documentation requirements for import and export procedures	3.63
2.12 Improvement in customs inspection and control procedures, e.g., systematic use of risk analysis to determine which good should be examined, clearer criteria for "green" and "red" channels and special channels for authorized traders and express shipments	3.63
2.7 Separating release from clearance procedures, i.e., allowing goods to be released before all clearance formalities have been completed (this may be subject to providing a financial guarantee to customs and/or post-release audit)	3.63
2.3 Establishment (or improvement in the effectiveness) of a consultation mechanism through which traders can provide inputs on proposed new or amended rules and regulations	3.50
2.9 Harmonization and standardization of documentation requirements based on international standards	3.25
2.14 Implementation of international and regional transit systems based on international standards and practices	2.88
2.2 Establishment (or improvement in the effectiveness) of enquiry points	2.75

and/or call centers for up-to-date information on trade procedures	
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Survey Results from Private Sector: Identifying TF Needs and Priorities (percentage)

	Highest priority	Very high priority	High priority	Medium priority	Low priority	Lowest priority
Timely and comprehensive publication and dissemination of trade rules and regulations (e.g., through the Internet)	50.0	12.5	12.5	25.0	0.0	0.0
Establishment (or improvement in the effectiveness) of enquiry points and/or call centers for up-to-date information on trade procedures	0.0	37.5	25.0	25.0	0.0	12.5
Establishment (or improvement in the effectiveness) of a consultation mechanism through which traders can provide inputs on proposed new or amended rules and regulations	12.5	50.0	12.5	25.0	0.0	0.0
Establishment (or improvement in the effectiveness) of an appeal mechanism outside of the authority of customs or related agencies for traders to dispute customs and other authorities' decisions	25.0	37.5	37.5	0.0	0.0	0.0
Establishment (or improvement in the effectiveness) of an advance ruling system, which allows the importer, in advance of trade, to obtain binding rules in certain specific areas (e.g., tariff classification, customs valuation, origin)	37.5	12.5	50.0	0.0	0.0	0.0
Beginning and, if possible, completing clearance of goods before they have arrived physically in the Customs territory (based on advance submission of good declaration and other documents)	50.0	37.5	12.5	0.0	0.0	0.0
Separating release from clearance procedures, i.e., allowing goods to be released before all clearance formalities have been completed (this may be subject to providing a financial guarantee to customs and/or post-release audit)	12.5	37.5	50.0	0.0	0.0	0.0
Reduction and simplification of the documentation requirements for import and export procedures	37.5	12.5	37.5	0.0	12.5	0.0
Harmonization and standardization of documentation requirements based on international standards	25.0	12.5	37.5	12.5	12.5	0.0
Improvement of coordination	50.0	25.0	25.0	0.0	0.0	0.0

between relevant agencies, particularly on document requirement, e.g., through the establishment of a single window for one-time submission and collection of all trade documents						
Computerization and automation of trade procedures, e.g., online submission and approval of customs declarations, cargo manifests, including electronic payment of fees and customs duties.	37.5	12.5	50.0	0.0	0.0	0.0
Improvement in customs inspection and control procedures, e.g., systematic use of risk analysis to determine which good should be examined, clearer criteria for “green” and “red” channels and special channels for authorized traders and express shipments	12.5	75.0	0.0	0.0	0.0	12.5
Elimination of bribery and other corrupt practices of officials involved in the clearance and release of imported goods	62.5	37.5	0.0	0.0	0.0	0.0
Implementation of international and regional transit systems based on international standards and practices	0.0	50.0	25.0	0.0	12.5	12.5