TOWARDS AN ENABLING

ENVIRONMENT FOR PAPERLESS TRADE

China E-Port Towards a Single Window Trading Environment



UNNEXT

C ince adopting a policy of "Reform and Opening Up" in the late 1970s, China has witnessed rapid economic growth driven by an export-oriented development strategy in a globalized world. To meet the imperatives of effective facilitation and seamless control of international trade, China Customs (GAC) has spearheaded the creation of "China E-Port" which functions as its national Single Window trading environment, harnessing information and communication technology (ICT) to catalyze the transformation and modernization of its customs system into an integrated information platform focusing on clearance management and enforcement. This brief reviews the evolution of customs reform in China that has led to E-Port, and aims to share relevant insights into the Chinese Single Window experience for policymakers in other countries.





I. Customs Automation in China:

the Evolution of E-Customs

After embarking on a national policy of "Reform & Opening Up" in 1978, China has experienced rapid economic growth and tremendous increases in foreign trade volumes. This prompted the inception of a Customs reform and modernization program, and the subsequent development of its Single Window trading environment. As the ministerial-level government agency responsible for supervising and controlling import and export, China's General Administration of Customs (China Customs or GAC) has undertaken Customs modernization in three phases (UNDP, 2006)¹ : the initial phase, which involved the preliminary work on a legal and regulatory frame work for GAC; the second phase, focused on improving legislation, transparency, and accountability for trade efficiency; and the third phase, which was triggered by China's accession to the WTO in 2001 and led to more legislation and regulatory reforms to meet China's WTO commitments.

Within this broad portfolio of e-Government initiatives charted by the Chinese Central Government, information and communication technology (ICT) has played a critical role in catalyzing GAC's modernization into a "smart" Customs that leverages technology to reduce the time, cost and complexities of international trade. This is embodied by three "Es" (see Figure 1): (a) China E-Port, which acts as a Single Window system for trade documents; (b) E-Customs, which handles border clearance control through the H2010 Customs Clearance System; and (c) E-General Administration, which enables better [vertical] administrative decision making through the H2012. Customs Internal Administration System².

Figure 1: The Three "Es" of GAC

E-General Administration

Scientific management, monitoring & analysis (for vertical decision-making)

E-Customs Integrated clearance management system (for trade procedures)



E-Port Data exchange between agencies & companies (for information)

Source: Adapted from Wang, 2009

¹UNDP (2006). China Customs Modernization for Trade Facilitation and Equitable Development.

²See Zhang and Zhao (2009). The Implication of Customs Modernization on Export Competitiveness in China.

http://www.unescap.org/tid/publication/tipub2543_zhang.pdf. Note that the terms "E-Customs" and "E-General Administration" are referred to as "e-processing" and "e-headquarters" respectively in this publication.

The Five Phases of China Customs Reform

GAC initiatives can be informally traced back as early as 1978, and have been divided into five broad phases of reform by Tang $(2008)^3$:

Phase 1: Automation Initiation (1978-1988)

1978 can be seen as the starting point for GAC in the journey to automation, where innovations such as computers to calculate the tariff on passenger luggage and computer programs for duty and tax collection and trade statistics compilation were engineered and introduced into the trading system.

Phase 2: Computer System Application (1988–1998)

After nearly a decade of developing computer programs to improve trade procedures, GAC decision makers realized that separate programs without systemwide application would not be enough to handle China's increasingly more complex trading information management needs. At this stage, a milestone project was launched in March 1988 to develop the National Customs Clearance Management System (originally called H883), which aimed at automating many of GAC's trade processing procedures. H883 eventually replaced many manual operations with computerized trade processing for procedures such as vehicle monitoring, trade-related certificate verification, processing trade management, licence management, and tariff exemption.

Phase 3: Nationwide–Linked Customs Computerized System (1998–1999)

Given the adverse impacts of the 1998 Asian financial crisis and an increasing trend of foreign exchange (forex) fraud, GAC began exploring an inter-agency verification system of electronic ledger (e-Ledger). E-Ledger was based on the extranet of the original Customs information platform and developed in partnership with the State Administration of Foreign Exchange. It was the first effort to deploy networked application to jointly monitor the trade supply chain. E-Ledger eventually formed the core application of a new system called E-Port, which is now an integrated trade and logistics information management platform based on telecommunication companies' Public Switched Telephone Networks (PSTNs). In 1998, GAC also commenced a two-step reform strategy, characterized by "Customs Clearance Reengineering" in the first step and the establishment of a risk management system in the second step.

Phase 4: Cross-sector Connected System (1999-2001)

Between 1998 to 2000, E-Ledger services was deployed quickly to other enforcement functions such as license verification and tax refunds for processing trade. In July 2000, the State Council appointed the GAC as the lead agency of eleven (11) other ministries to jointly establish the **Steering Committee of Port E-Enforcement System Coordination** which formed the prototype of the later **E-Port Committee.** The main task of the Committee was to push forward data sharing between the involved government agencies and private stakeholders at the levels of central and local governments. By 2001, development had started on a new system that later aimed at improving general administrative functions in GAC.

Phase 5: E-Customs as Decisionmaking Support System (2001-present)

In 2003, GAC began refocusing its streamlining efforts on risk management systems, and updated its clearance management system from H883 to H2000, which enabled national customs authorities to process trade and conduct enforcement in a uniform and consistent way. The goal of cross-Customs district information management was realized, and the system was named and persists to be called - "E-Customs" (Wu, 2011).4 In 2004, the E-General Administration system was rolled out to give "smart" administrative support to GAC's highly vertical management structure. By 2008, E-Customs was using clearance management system version H2010 as the further updated version of H2000 (see Figure 2). H2010 covers all business functions of China Customs and connects the GAC with customsdistricts and customs houses across China. providing electronic operations like document inspection, inspection, duty collection, release and cargo flow monitoring, and performing the functions of managing manifests, licenses, business compliance, intellectual properties rights (IPR) and rules of origin.

³Tang (2008). Application of Information Technology in China Customs & Development of E-Port. China-ASEAN Seminar on Customs Automation.

⁴Wu (2014). China Customs Information Processing System and E-Port. Shanghai Customs College.

Figure 2: Components of E-Customs System in China



Source: Wei, 2013⁵

GAC has since built a three-tier Customs virtual private network (VPN), which connects them with 42 Customs districts, 614 Customs houses and over 4,000 Customs check points.

⁵Wei (2009). Development and Application of E-Port in China. Shanghai Customs College.http://www.carecprogram.org/ru/uploads/events/2009/ Single-Window-Workshop/Day2-PRC1-E-Port -Development.pdf

II. E-Port as a National Single Window

Since 1998 and after over 15 years development, E-Port has truly become a highly-integrated trade and logistics information management platform linking multiple ministries, government sectors, banks, traders and other stakeholders together. It represents a highly-modernized, fully-functioning National Single Window system that can effectively cope with the demands of China's flourishing commercial participation in global trade. Likewise, cases of counterfeit documents or seals have decreased significantly and customs revenue has increased gradually.

LAW OR REGULATION	DESCRIPTION
Provision on electronic data of China Customs Law 2000	In July 2000, the National People's Congress amended the "Customs Law", Chapter 3, Article 25 of which stipulates that "the customs declaration of goods for import and export procedures, shall be made in paper and electronic data declarations in the form of declarations." The corresponding legal responsibility is provided in Chapter 8.
E-Signature Law 2004	E-Signature Law addresses the qualification of institutions that provide third-party authentication services. In this regard, E-Port can apply for the CA license to exchange e-document with authenticated signatures, which is the legal base for electronic transactions.
State Council Guidelines on E-Port 2006, 2012	The central government promulgated respectively in 2006 and 2012 the policy guidelines on E-Port's development. In 2006, it focused on the basic coordination mechanism and responsibility of the stakeholders, while in 2012 it highlighted the strategic goal of E-Port in the next 5 years.
Customs Regulation on E-Customs and E-Port	This contains information on E-Port's daily operations, such as software upgrading, maintenance, and IC card authentication.

Table 1: Major Acts and Policies to Support E-Port

2.1 Legal Framework for E-Port

The establishment of E-Port is well supported by a range of laws and regulations (see Table 1), especially two in particular: 1) the revised **China Customs Law in 2000** adopts international best practices for ICT applications and permits electronic declaration, and 2) the **E-Signature Law** provides a legal basis of identity authentication. The State Council Guidelines on E-Port are also important policy documents that define its major institutional arrangements and chart its future direction.

2.2 Application at central and local government levels Architecturally, China E-Port is operated at both central and local government levels. In 2002, the State Council officially named E-Port as the public platform for its Integrated Customs Clearance Initiative, and demanded that provincial governments construct E-Port facilities at local government level. The E-Port has eventually developed from a pure extranet of China Customs information system into a partially public platform. To manage E-Port's operations, the GAC established the China E-Port Data Centre, and since 2002 each provincial government has established its own branch of this office creating a two-tier E-Port operation model at the central and local levels. By the end



of 2014, all the provincial governments had signed MOUs with the GAC on provisions for cooperation, financing and operational models in jointly constructing E-Port facilities.

2.3 Integrated platform for one-stop service

In 2006, the State Council promulgated a policy to strengthen E-Port construction nationwide. The central government detailed the principles of E-Port and its major tasks and coordination mechanisms from 2006 to 2011. The policy goal included the one "gateway" network, an authentication center, and "one-stop" services. The E-Port was designed to be an integrated information system of port enforcement and logistics business to further strengthen Chinese international competitiveness at ports of entry (see Figure 3). At present, China E-Port is connected to 14 other government agencies. Through this expanded network, the E-Port system gradually implements "one-stop clearance" at ports of entry nationwide. By the end of 2010, the network covered all the provincial capitals and municipalities of China, and its backbone network availability reached 99.94% (State Council of P.R.C, 2012). Domestically and internationally, China E-Port has successfully connected 13 main ports, 15 commercial banks, the Hong Kong Trade and Industry Department, the Macao Economic Services, and the European Union (EU) Directorate General for Taxation and the Customs Union (see Figure 4).⁶ The system uses 23 electronic applications and services approximately 664,000 registered online enterprises (State Council of P.R.C, 2012).

⁶From 2006, GAC and the EU Commission have been jointly working on a Smart and Secure Trade Lanes (SSTL) pilot project to strengthen end-to-end supply chain security based on multi-layered risk management using the E-Port platform. http://ec.europa.eu/taxation_customs/common/international_affairs/third_countries/china/index_en.htm

Figure 4: Operation Model of China E-Port



2.4 Governance of China E-Port

The National Steering Committee on E-Port Construction (E-Port Committee) consists of 15 major ministries handling trade and port management, headed by the Deputy Secretary-General of the State Council. With the GAC as its secretariat, the E-Port Committee is responsible for implementing the State Council's decisions on E-Port initiatives and planning its long-term development strategy and annual goals (See Figure 5).

Figure 5: E-Port Governance at the Central Government Level



Apart from the coordination mechanism at central government level, local governments also manage E-Ports under provincial and municipal leadership. Currently, there are 39 local E-Port leading institutions (including provincial and sub-provincial level and below), covering 31 provinces, municipalities and autonomous regions. The format of coordination mechanisms include 1) the Leading Working Group in government (adopted by most provinces), and 2) the Joint Meeting (adopted by Shanghai Municipality) or Local E-Port Steering Committee.

The local lead agency of E-Port is usually the vice governor of the province, or (deputy) mayor of the municipality. A leading group office (secretariat) is set up, composed of concerned departments and units, including the General Office, Business Bureau, Port, Bureau of Foreign Trade, Exchange Commission, Department of Transport, Information Committee, Customs and other departments.

Moreover, at the implementation level, the local lead

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