

### THE ENTERPRISE CUSTOMS IN CHINA

*У статті, зосереджено увагу на концепції створення митниць на підприємствах Китаю. Аналізується бізнес-орієнтована урядова теорія розвитку митниці Китаю та окреслюється теоретична основа створення подібних митниць на підприємствах. У статті надається порівняльний аналіз діяльності традиційних митниць і тих, що створюються на великих підприємствах. Також досліджується питання придатності використання митниць на підприємствах у загальній системі сучасної митної служби Китаю.*

*В статье рассматривается концепция создания таможи на предприятиях Китая. Анализируется бизнес-ориентированная правительственная теория развития таможи Китая и обозначается теоретическая основа создания подобной таможи на предприятиях. В статье подаётся сравнительный анализ деятельности традиционной таможи и той, которая создаётся на больших предприятиях. Также исследуются вопросы пригодности использования таможи на предприятиях в общей системе современной таможенной службы Китая.*

*The thesis mainly focuses on concept and construction of enterprise-based customs in China and represents. Firstly, based on full analysis of business-oriented governmental theory of China customs' characteristics. The thesis draws out enterprise customs theoretical system framework including the concept of enterprise-based customs as well as features. The thesis compares enterprise-based customs with traditional Customs; and finds out building enterprise-based Customs in China. As well as thesis studies the applicability of enterprise customs theory in China customs nowadays.*

#### Introduction

##### *Problem statement in general*

Shanghai has started to build International Shipping Center, of the same time, it also faces severe and complicated economic situation. Import and export companies are focused on business operating costs, customs clearance efficiency, service environment.

Customs clearance performance and efficiency of customs clearance of goods have been paid more attention. Nowadays the production and delivery of the modern business environment and trade require customs authorities to provide faster and more predictable time of goods release. Customs is one of the most important governmental departments, that plays a key role in the release of the goods, therefore customs' efforts should be induced to reduce the complicated customs clearance procedure.

© Rong Hu, 2010

With the growing import and export trade, the Customs is facing:

1. The growing import and export cargo volume limited customs officers' resources.

Customs officers lag far behind the growth in the proportion of foreign trade growth rate, Customs officers are at overload state, which brings high risks to the customs supervision. Table 1 Shanghai Customs import and export value vs the number of Customs officers.

Table 1

**Shanghai Customs import and export value vs the number of Customs officers**

Item	2002	2003	2004	2005	2006	2007	2008
Import and Export cargo value hundred billion	1425	2012	2826	3507	4288	5209	6065
Number of officers	2404	2512	2660	2815	2984	3190	3398

Data resource: Shanghai Customs annual report (2002-2008)

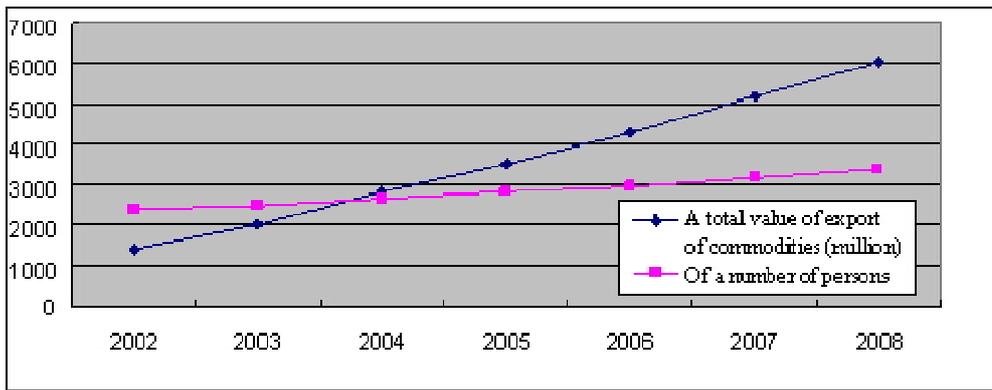


Chart 1. Shanghai Customs import and export value vs the number of Customs officers

### Problem statement

Since ocean is the main transportation mode for the import and export cargo, and Chinese customs's main function is to collect tax which mainly happened in import cargo, the article studies import ocean cargo customs clearance which is typical and universal.

General import customs clearance procedure includes the following steps: electronic declaration, System automatically check, Documentation dept. check, Onsite Customs officer check documentation, Print clearance sheet, Import Tax payment and cargo inspection.

Now, customs clearance procedure looks like "olive". All works are finished within limited time and spaces. Customs officers have to check declaration data one by one, which makes officers distribute their resources on all declaration averagely. The risk management rule can not be implemented. Take Shanghai Pu Jiang customs branch for example, customs officers need check 18 kinds of documents, 30 types of monitoring certificates and stamp 6 times each declaration. During peak-season, Shanghai customs officer will check more than 1200 declaration per day. Customs officers have to work under pressure long time. China is customs faces more critical challenges.

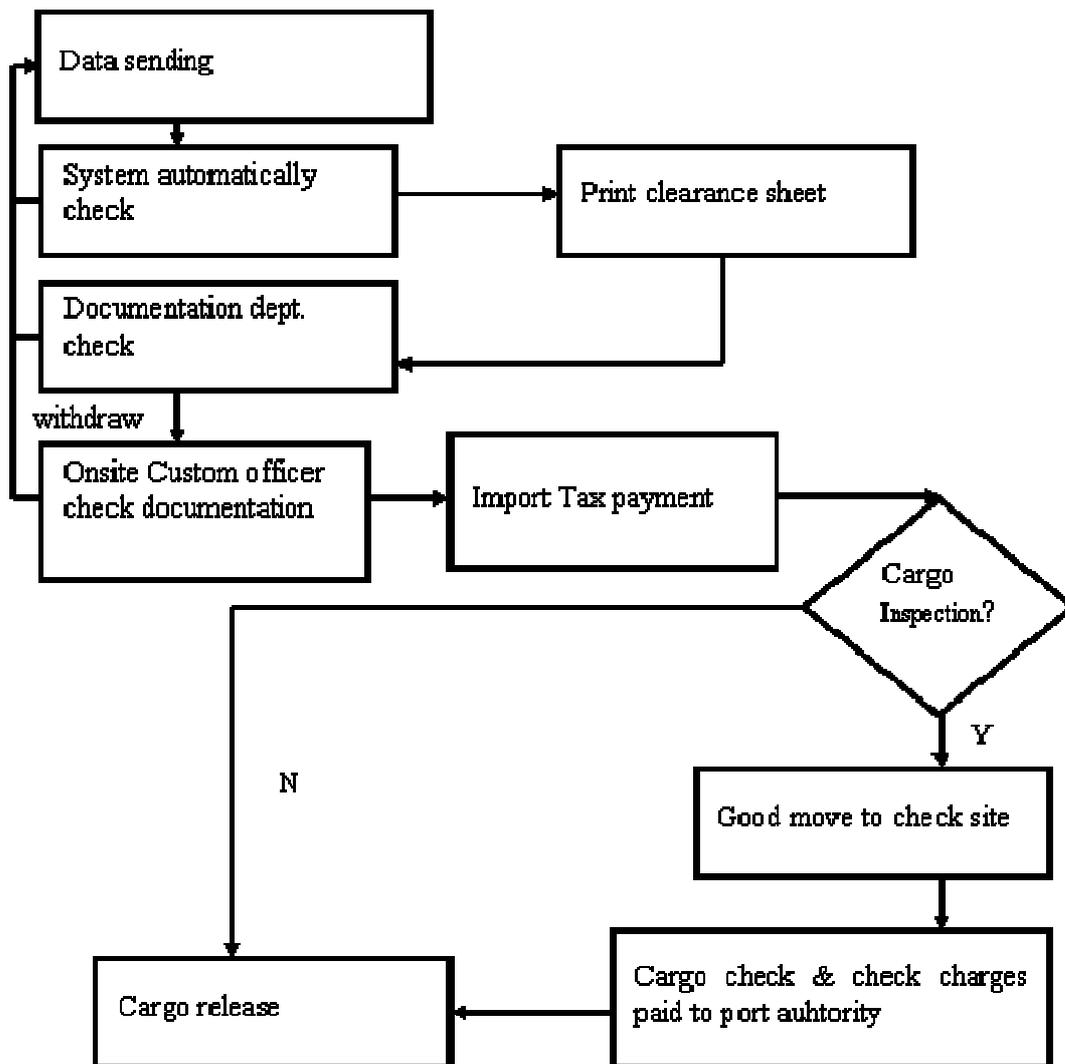


Chart 2. Import ocean cargo customs clearance procedure  
resource: china customs internal operation manual (customs clearance part)

There are repeated procedures for documentation: onsite, auto checking. The current procedure is low efficient.

Document withdraw not only wastes customs resources but also burdens more on import and export companies. The main reason for documentation withdraw is error in classification and valuation [1].

#### *Customer and Service*

Import and export companies are customs's outdoor client who requests high customs efficiency and service level. However, current procedure is customs monitoring focused but not service.

In current customs clearance processes, each operator is only concerned about their own needs. Different sectors are prone to work on their own responsibility and to evade responsibility.

#### *Cost and Benefit*

Ignore administrative cost and benefits in customs clearance procedure. Pay more attention to customs transactional affairs which spend lots of human resources of specialists of all kinds, which wastes lots of resources in customs clearance procedure.

Don't consider external cost of customs clearance, especially in cargo inspection step. Lacking of quantitative research between customs declaration efficiency and social cost, results in customs clearance processes difficult to measure the external costs.

#### *Clearance and monitoring*

Customs control mainly focuses on cargo monitoring and management, ignoring the supervision and management of the import and export enterprises. Business conditions and credit records of compliance are not linked into the customs clearance processes, which is difficult to reflect the Compliance and Facilitation, as well as the principles of law enforcement discipline.

Customs clearance information technology can not be fully exerted. Although Chinese customs has implemented H2000 customs management system, there is a big gap between current status and e-customs.

Chart 3 shows information exchange in import and export cargo customs declaration procedure. Each authority needs companies to send documentation. Though these documents may be the same, there is no data sharing in the current procedure. Error and repeatance often happen in the existing procedure.

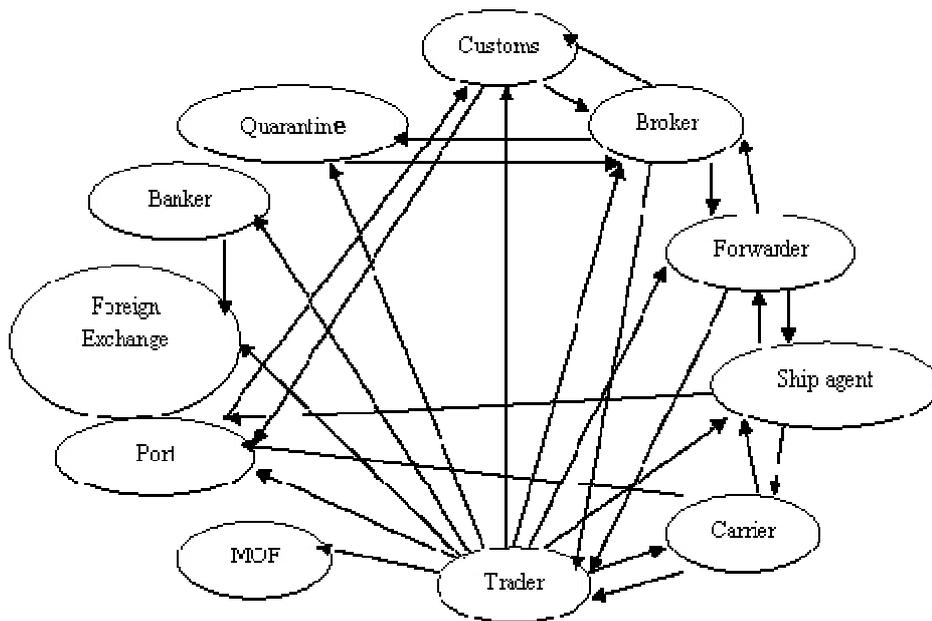


Chart 3. Traditional customs clearance information chart

#### Research results

Enterprise customs comes from enterprise government. See below chart for the logic relationship. According to Ted Gaebler and Gabler's book "Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector".

Well-organized exposition of several principles appears to offer hope for renewal in an era of government decline. The characteristic of enterprise is "catalytic", "mission-driven", "customer-driven", "anticipatory", "market-oriented", etc.

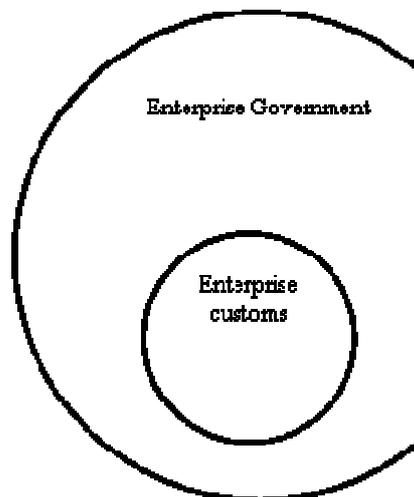


Chart 4. Enterprise government and Enterprise customs logical chart

In one word, enterprise customs is customer oriented, using all kinds of resources, fulfilling efficient and effective target. Enterprise customs differs from traditional customs. Its core is innovation and being customer focused.

Enterprise customs' characteristic is to balance service and monitoring, balance trade facilitation and security.

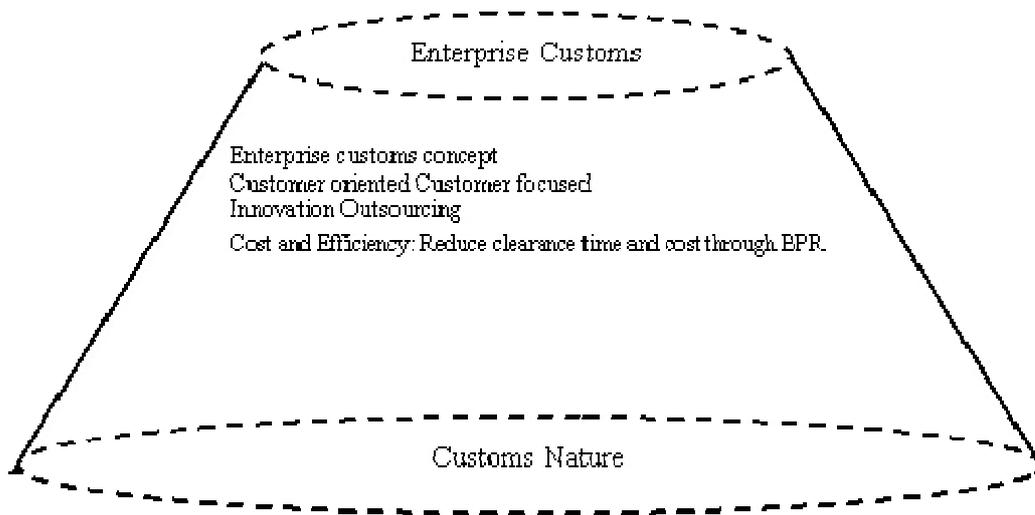


Chart 5. Enterprise customs concept

Table 2

**Traditional customs vs. enterprise customs**

Comparison Item	Traditional Customs	Enterprise Customs
Monitoring focused	Yes	Yes
Service focused	No	Yes
Traditional function objected	Yes	Yes
Non-traditional function objected	No	Yes, balance trade security and trade facilitation
Management style	Order-Obey	Communication-Cooperation
Monitoring means	Empirical	Intelligent
Efficient-Cost	Ignore	KPI management
Customs clearance characteristic	Focused on monitoring and ignoring service	Customer oriented(Multiple customer); balance monitoring and service, High efficient and innovative

Enterprise customs governance concept comes from enterprise government process from government to governance. Traditional customs monitoring reflects government.

China enterprise customs governance means that enterprise customs in the scope of laws, use the authority under the law, maintain import and export of the economic order, to enhance, including national, local government, business (import and export customs consignor or consignee, and professional enterprises) and other organizations' (third sector, the public) interest.

Governance theory deems administration government is not the only nation's authority centre, all kinds of organization can be authorities' centre (Gerry Stoker 1999). Enterprise customs divides customs work into monitoring parts and service parts. For these service issues can be fulfilled by professional organizations, governance theory forms the theoretical basis for customs service outsourcing.

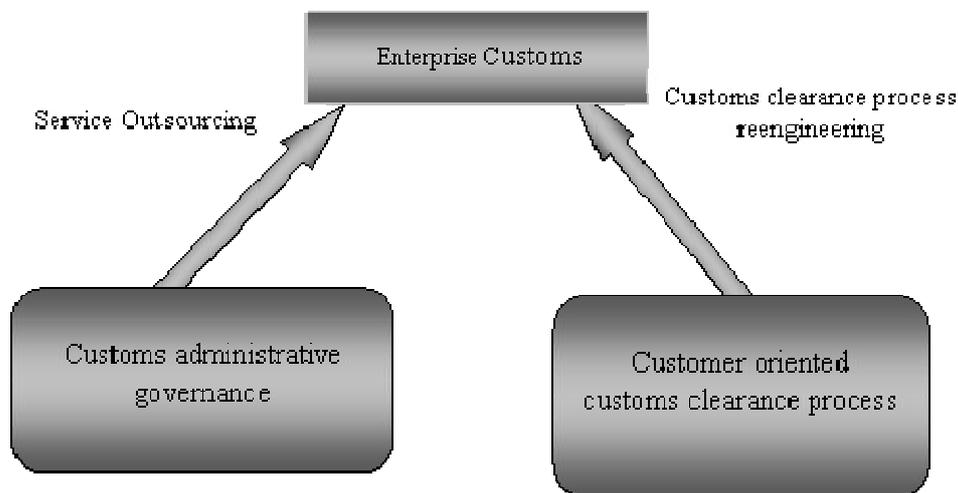
Customs service issues need quite a lot of professional knowledge. For example, the commodities classifications and valuations. There can be other organizations in addition to customs that can be the qualified implementers

According to WCO SAFE, customs should set up equality relationship with companies. Enterprise customs can outsource these service functions to CCBA (China Customs Brokers Association) who takes over the overall classification and valuations.

Enterprise customs should provide multiple service organizations. According to import and export companies' credit, enterprise customs will offer different customs monitoring services. The customer oriented customs clearance is flexible and can be adjusted easily based on companies' credit.

Compare enterprise-based customs clearance process reengineering and traditional control-based process reengineering customs clearance, we will find the following characteristics:

Firstly, enterprise customs procedure reengineering is customer oriented while traditional one is monitoring focused.



Secondly, enterprise customs procedure reengineering totally reorganizes the customs clearance procedure. Before declaration, there will be pre-classification and after declaration, there will be follow-up inspection.

Thirdly enterprise customs reengineering reforms the customs' management methods. Enterprise customs will use company based in stead of cargo based mode to monitoring customs clearance procedure. Set up cooperation within all Chinese customs. Establish equal business partnership.

Lastly, enterprise customs renews the customs management tools. Data sharing and single window technology will be implemented in the enterprise China customs

Chart 6. The path to set up enterprise customs

### Conclusion

At present, Chinese Customs clearance process problems mainly reflect the following aspects. Firstly, low efficiency and no value-added. Error in commodity classification led to declaration sheet withdrawing, which waste customs resource and reduce clearance efficiency. Secondly, traditional procedure is monitoring oriented but not customer oriented. Thirdly, Customs service issues, like classification and valuation, spend too much customs human resources. Lastly. Current customs clearance management focused on cargo instead of companies, which can not reflect risk management principles.

Based on research, the paper obtained the following conclusions:

Propose enterprise customs theory. Based on enterprise government theory, the article explores the establishment of customer-oriented, regulatory and service both balanced, taking into account the traditional functions and non-traditional functions using "dialogue – cooperation" and intelligent management tools, focusing on customs clearance efficiency and cost innovative, efficient Customs. Customs clearance services outsourcing and customer-oriented process reengineering are the building path to set up enterprise customs

### Reference

1. Wang Wei. Why withdraw or revise customs sheet. *China Customs* / Wang Wei. – 2009. – № 10. – P. 36–38.