Customs

China Rolls Out New Standardized Customs System

Snapshot
• China moving to countrywide standardized system
• New mechanisms will be faster but more complex
• Companies should prepare for change

By John Butcher

July 18 — A new standardized customs system being rolled out across China will bring challenges and opportunities to companies, according to customs analysts in China.

The automated customs system, which is due to be implemented across the country by 2020, is designed to standardize and automate customs procedures. It also will move the traditional customs focus on tax out of clearance into a second post-clearance phase so that the initial part of the process can concentrate on safety risks and supply chain security.

"Companies should be prepared," said Kae-por Chang, managing director of Amber Road China, a trade management solutions company, for what he called a "paradigm shift" in Chinese customs. Currently, there are five customs regions in China, each operating separately. This leads to a number of issues, including competition between customs regions, disagreements over the classification and valuation of goods, even within the same region, and port shopping, where companies look for the most favorable customs region to bring their goods in or out.

"Now China is going to take it to the next level on a national basis," said Chang, a move that will create opportunities for companies that are prepared.

Customs clearance will become faster and equal across all regions, benefitting supply and inventory management, and it will end disagreements between customs regions over issues such as the classification of goods, he said.

Still Challenges
But there will be challenges, too, Chang said, including increased complexity in making customs declarations, before and after submission to customs.

According to Harry Zhang, vice president of China customs consulting and compliance at Sandler, Travis & Rosenberg P.A., there also will be issues implementing the system. Zhang is a former Chinese customs officer.

"I think it will be difficult to do by 2020," said Zhang, citing the scale, system and structure of China customs as reasons. The current structure creates competition between customs regions and leads to local practices that favor some goods over others, he said. Customs revenue is tied to import and

export declarations, rather that the port handling the goods. This results in customs often prioritizing goods they are making revenue from over others, he said, and breaking this kind of behavior could be an issue.

"As long as each regional customs has its own budget, there will be problems," Zhang said.
Once implemented, the new system will give companies more flexibility when building up their supply chains, he said, and they will be able to approach customs in any region more easily.

Shift From Enforcement
The biggest challenge for companies will be consistency, he said. Companies "need to be prepared for a more international consistency and coordination of all documents and information in terms of trade compliance management," Zhang said.

To do this, he advised setting up strong internal communication channels that can ensure customs preparation across a company is standardized.

The driving forces behind the change are resources, an examination of best practice in the U.S. and EU, greater technology allowing for a more risk-based approach and a desire to assist trade, according to Chang.

"The mindset is changing from 100 percent enforcement to a trade facilitation role and enforcement," he said. "They want to make it easier for companies with demonstrated compliance records, to help China maintain a competitive edge."

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