Developments and Future of the TFA

Mr. Shujie ZHANG
WCO Accredited Expert
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Personal touch with TF!

Incheon Int’l Airport: winner of the Airport of the Year title at the World Airport Awards

No. 3 in 2017
Outline

1. Re-exploring TF assumptions
2. Charting the Roadmap
3. Linking with RTAs
4. Looking into the Future
Changing Landscape: Government to Governance

- Demarcation of the responsibility of government, market and social sectors
- Government is the key part of policy network but not the only one
- Stakeholders are mobilized to solve “complex and vicious public problem”
- TF is a typical “complex and vicious public problem”
What is TF: assumptions

• **Integral part of national competitiveness and development strategy**
  - Taking advantage of globalization
  - Creating conducive environment for business

• **Governance reform**
  - Collaborative management on complex issues
  - Hardware + software
  - Back to principles: transparency, predictability…
  - Holistic approach to the supply chain and service chain

• **Public-Private Partnership in a broad sense**
  - Customs-business partnership promoted by the WCO
Phase Approach in the WCO Mercator Program

Phase I
Diagnostic assessment:
- self-assessment
- categorization
- validation of findings

Phase II
Planning & Implementation:
- developing/reviewing Strategic/Action Plan(s)
- Provision of TA/CB

Phase III
Monitoring & Evaluation:
- Monitoring implementation
- use of the TRS

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Timeline for China TFA Implementation!

- **July 30, 2014**: Notification of Category A provisions (9th out of 83)
- **Sept. 4, 2015**: Notification of the acceptance of the Protocol of Amendment (16th of 79)
- **March 27, 2016**: Inter-ministerial Conference Mechanism for Trade Facilitation Work
Category B Previsions notified by China

• Article 7.6: Establishment and Publication of Average Release Times
• Article 10.4: Single Window
• Article 10.9: Temporary Admission of Goods and Inward and Outward Processing
• Article 12: Customs Cooperation
Latest talk in CBC meeting: stakeholder engagement

- Mapping stakeholders
- National Policy dialogues
- Stakeholder engagement strategy
- Enhancing the mechanism on NCTF
Operating the National Committee on TF(NCTF) in China

- Inter-ministerial Conference Mechanism for Trade Facilitation (China National TF Committee) in March 27, 2016

Main Responsibilities:
- strengthening general guidance on trade facilitation, exploring policy and measures to improve trade facilitation
- coordinating trade facilitation policy among different ministries
- providing guidance on the implementation of the agreement, coordinating and solving major problems in the implementation of the agreement
- summarizing and promoting trade facilitation experience, making overall planning of international cooperation and exchange in trade facilitation.
Organization Structure:

- **16 members:** Ministry of Commerce, National Development and Reform Commission, Ministry of finance, Ministry of Communications, General Administration of Customs (GACC), General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), ...

**Chair:** Vice Premier of the State Council

**Vice Chair:** heads of Ministry of Commerce, GACC and AQSIQ and Deputy Secretary-General of the State Council
- Cont.

- Customs and Trade Facilitation Committee within the framework of China International Chamber of Commerce on June 14, 2016
- Parallel forum on TF joined by business stakeholders
Incorporating TF into national strategy

• Decision of the Central Committee of the Communist Party of China Concerning Comprehensively Deepening the Reform (2014-2020)

• The 13th Five-Year Strategic Plan for Economic and Social Development
Broader TF: One Belt One Road (OBOR) Initiative

Launched by the Chinese Central Government in 2013
- Silk Road Economic Belt and 21st-Century Maritime Silk Road
- Connectivity: policy, infrastructure, trade, finance and culture
- OBOR Customs Forum in 2015
Case: Shanghai Pilot Free Trade Zone

- National strategy for new-round reform and opening (TPP, TTIP)
- Key initiative for Shanghai to establish its as the economic, logistics, financial and innovation hubs
- Covering 28.78 sq. km
- TF is at the core of innovation of trade processing and regulation
- 11 TF reform measures implemented by border agencies
## China Customs Reform: looking back

<table>
<thead>
<tr>
<th>Step</th>
<th>Core element</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernization Strategy Phase I: 1998-2003</td>
<td>Reengineering Customs clearance and processing system</td>
<td>Well functional in “limbs”</td>
</tr>
<tr>
<td>Modernization Strategy Phase II: 2004-2010</td>
<td>Establishing and enhancing risk management</td>
<td>Smart in “mind”</td>
</tr>
</tbody>
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* Every initiative has set clearer
## Comprehensive Reform on TF: Two Key Policy Decisions

<table>
<thead>
<tr>
<th>Date</th>
<th>Document</th>
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<tbody>
<tr>
<td>2014. Nov</td>
<td>Master Plan for Comprehensive Reform of China Customs</td>
</tr>
<tr>
<td>2015 Feb</td>
<td>Master Plan for Enhancing Integrated Customs Clearance under the Principle of 3M</td>
</tr>
</tbody>
</table>
Revolutionary shift for Customs Clearance

First step:
Regional Integrated Customs Clearance
- Beijing-Tianjin-Hebei
- Yangtze River Delta
- Pearl River Delta

Second step:
Nationwide Integrated Customs Clearance
Institutional Arrangement for China Customs Reform

Revenue Collection Center

Risk Prevention and Targeting Center
TFA and Regional Trade Agreements (RTAs): Convergence

Chart 1: Number of active RTAs notified to the WTO


Source: Calculations by the author based on information contained in the WTO's RTA database.
Chart 2: RTAs containing Trade Facilitation components (in percentage of total Agreements)

- 1970s: 14%
- 1980s: 50%
- 1990s: 92%
- 2000 - mid-2013: 95%

Source: Calculations by the author based on information contained in the WTO's RTA database.

Launch of WTO Negotiations on TF
Chart 3: RTAs with TF components

Launch of WTO negotiations on Trade Facilitation

Source: Calculations by the author based on information contained in the WTO's RTA database.
Implementing TFA collaboratively

• China-EU Secure and Smart Trade Lane Project (SSTL) from 2006
• One-Stop Customs Inspection between Hongkong and Mainland Customs
• Ongoing negotiation on data exchange on certificates of origin between China and Korea
Faster is better?
Facilitation & Security: Back and Forth

RKC: Simplification and harmonization

SAFE: Security and Facilitation

Customs in 21st Century: 10 building Blocks

2008 financial crisis: reemphasizes of revenue collection

WTO Agreement on Trade Facilitation: facilitation

Customs Changing Role: Spectrum

**Revenue collection**
- Developing country
- Affiliated to Ministry of Finance
- Revenue Authority

**Contingencies: Evolutionary or Revolutionary**
- Stage and structure of economic development
- Political tradition
- Administrative tradition and reform
- Priorities of international Customs community
- Key unexpected events

**Border Protection**
- Developed members
- Integrated with border protection agencies
GNC & CBM: Key Building Blocks for future Customs

Customs in the 21st Century

- Integrity
- Capacity Building
- Professional Service Culture
- Enabling powers
- Enabling technology
- Modern methods
- Co-ordinated border mgt
- Intelligenece driven Risk-Mgt
- Customs-Trade partnership
What about the other 1/3 WTO members?

All 164 Members must ratify obligations commence from date of deposit of instrument of acceptance
Full Compliance and Implementation?

• The timeline varies member by member
• S&D Treatment: two-blade sword
• Moving to the high end of the TF spectrum for each TFA substantive measure
  - Single window, TRS
• Going beyond the TFA
• Embracing new horizons in international trade:
  - Fragmentation incurred by cross-border e-commerce
  - Service trade
Let’s join to Take Forward Action!
THANKS!

Mr. Shujie ZHANG
Acting Director, Department of Training,
Shanghai Customs College
Mail: shujie2010@hotmail.com
Mobile: 86 18221122029