A Study on the Role of Customs in International Trade Security and Facilitation based on the AEO System

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Abstract. The aims of the Authorized Economic Operator (AEO) are to establish an international corporate identity system and encourage supply chain enterprises to maintain high degrees of security and facilitation in their international trading. This paper conducts an study on the role of customs regarding the AEO system and explores its implementation and integration with common practices of international customs standards and fulfilling the requirements of any international obligations. The customs will need to work with enterprises on developing basic conditions for AEO certification, while recognizing and dealing with problems as they arise yet seeking to maintain the facilitation of customs clearance to excise law-abiding and sustainable trade routes and ensure security.

Introduction

With the repaid growth in import and export trade volume and the existence of abundantly processed trade and tax reduction and exemption, illegal activities still exist in the import and export channels. There are few actual changes of the status of integrity in society. Because of increasing trade volume and limited management resources, the growing inconsistencies between strict customs execution and their highly efficient operation become more and more severe. Furthermore, it is a critical problem for customs to confront. This is why China wants to build a modern customs system with Chinese characteristics, and this is also the case with the international customs. The traditional way of relying on personnel input to improve the customs control ability does not suit the new situation. Since the 1990s, world customs have surged with the new wave of reform and modernization in regard to adjusting management functions, reforming the management system, innovating management technologies and implementations as well as shifting the management philosophy to adapt to the continuing change of the current situation.

AEO system: the Base of International Trade Security and Facilitation

Trade facilitation and security have always been the two major themes for the reformation and development of the world customs. In June 2005, China Customs signed “The Framework of Standards to Secure and Facilitate Global Trade”, which is advocated by WCO. The rate of the smuggling cases remains high in many parts of the world in the trade processing in those customs surveillance zones which are not connected to the e-control networks. There is a stable ratio of smuggling cases in processing trade compared to commercial frauds. Therefore, with the help of e-control networks, the customs management procedures are being simplified to improve clearance efficiency. In the meantime, the security and authenticity of the data exchanged among regional customs in processing trade are ensured. The essence of the modern customs system is to build a mutually beneficial cooperative customs-to-business partnership. The Customs Authority, as a government administration, needs to build a new mode of management and a set of operational mechanisms to cultivate and maintain the relationship with their business partners. The cooperation is based on the promissory obligations between customs and businesses, aiming to allow business partners to abide by the rules which customs should administrate according to national law and regulations. With the principle of “facilitation for the law-abiding enterprises and punishment for any dishonest ones”, customs may guide the enterprises to be honest and law-abiding so as to
standardize import and export operations. Strengthening the authorization of AEO is the basis for realizing the security and facilitation of international trade.

The AEO program under the ‘Framework of Standards to Secure and Facilitate Global Trade’ promoted by WCO requires Customs to grant the authentication to the enterprises which have been members of the international supply chain, including: manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors according to the WCO standards or equivalent supply chain security standards. An international corporate identity system should be established, covering the private businesses which offer a high degree of security guarantees with respect to their role in the supply chain. These business partners should receive tangible benefits from such partnerships in the form of expedited processing and other measures. The implementation of the AEO program secures the successful realization of the facilitation and security in international trade.

In the 21st century, global advocacy and practice to construct the customs network provide a great opportunity for customs to establish friendly partnerships with businesses. Because trade frictions and protectionism in international trade not only exacerbated the decline in global trade but the associated adverse impact on the supply chain may also quickly spread throughout international trade. The building of a new customs-business partnership can make the efficiency of international interoperability become probable and pave the way for realizing the global supply chain security and trade facilitation. In practice, a variety of measures were established to promote trade facilitation, which has been reflected in the program. A predictable environment and a simplified, coordinated, transparent system has also been created through coordination of applicable laws and regulations as well as the standardization and improvement of infrastructure. Therefore, the content of trade facilitation involves very extensive meanings, including almost all aspects of business processes and customs and cross-border system, in addition to transport, licensing, quarantine, electronic data transfer, financial requirements, business information and so on.

After the events of 9-11, the United States and developed countries and regions, such as Europe, are increasingly paying attention to the safety of international logistics. In response to these developments, customs and relevant regional organizations urgently desire to implement cooperation with the international safeguards for the convenient and unobstructed flow of goods, and see the achievement of an actual safeguard as the core of customs management functions for the new system. In Kyoto Convention, partnerships between customs and business are described as effective communication between the "customs and the business community, and consultation and cooperation with the perfect balance is also critical to achieving effective regulation and convenience. In this process, customs authorities will be law-abiding traders as partners.” 2005. The partnership between customs and the business community was looked as the Global Framework of Standards to Secure and Facilitate Trade. As one of the two pillars, the standard framework for customs partner - certified operators (AEO) were clearly defined which requires all enterprises to be AEO must meet minimum standards and can obtain benefits. In 2008, the 21st Century customs’ documents made it clear that in the 21st century Customs should establish strategic partnerships with trusted operators, and make the mutually beneficial outcome its ultimate goal.

With the full launch of the Doha Round, WTO started to promote cooperation between the WCO, customs and the business community. Their positive interaction will become an integral part of the legal framework for international trade content with which to improve the overall business management of customs by actively carrying out routine inspection, special and verification inspection, and finally realizing the scientific customs supervision.

The Role of Customs in International Trade Security and Facilitation

Protecting International Trade Security and Facilitation

The nature of the market economy requires the government administration to serve rather than control in its basic form. Thus, the starting point of the government's duty must be social, business, and civic wishes and requirements. Social, business, and civic responsibilities are the objectives of
both the administrative management and service. The convenience of the community, business, and civic duty of the government is the main objective. Therefore, as a national law enforcement agency, customs must vigorously carry out the work of information technology, the implementation of online work, online consulting, red and green channels, convenient customs clearance and other measures to further enhance service awareness of the customs team, and improve their working style to improve the effectiveness of customs in building a convenient and efficient service-oriented administration. Therefore, implementation of the “promote the development and integrity of management” is to adapt to the new era of regional development customs essential management concepts. Embodied in this system are “three changes”. First, the traditional management philosophy changes to the “service concept”. Customs shall establish a regional economic initiative to adapt to the concept of enterprise development, take business from the traditional sense of the work whereby the objective becomes clients, promote and build partnerships with clients, with regional economic development as its mission to promote the regional market free flow and efficient allocation of resources and accelerate the process of regional economic integration. The second is to change from "fragmented” to “mutually beneficial” cooperation. Regional economic integration is to maximize the pursuit of common interests within the region to maximize the impact of the elimination of administrative divisions of economic development in the region to achieve efficient allocation of factors of production and the efficient flow of resources to maximize the market mechanism. Customs should establish a regional customs cooperation concept, the idea of the concept of regional economic interests, adapted to regional economic development, to break off zone barriers.

**Collecting Import and Export Taxes**

Customs tax work is related to tariffs, customs departments, supervision, inspection, anti-smuggling, etc., to strengthen the links between the various departments join forces to improve tax with the fundamental guarantee. Faced with the current first-line supervision, follow-up management and the fight against smuggling and other three forces not being closely interrelated, as well as issues of the overall force not being obvious, it is necessary to establish a sound, long-term mechanism for the tax collection target to the "optimal allocation of complementary advantages and the depth of integration" to require full use of risk assessment and enforcement systems management platform, so that the actual pre-regulation in place, highlighting the strengthening of the subsequent management and risk management, the formation of information exchange, management compatibility, and dispatched to achieve risk analysis and evaluation, pre- close supervision and efficient operation, the organic unity and depth of the follow-up inspection and standardize the behavior of fusion forming a chain of interaction management. Second, establish a sound system of differentiated business management unit, focusing on sensitive commodities as an object, from capital flow, information flow, goods flow to the hands of the end user, and actively explore new ideas and new methods of trade investigations to crack down on commercial frauds, achieve "the investigation of a commodity to find out one kind of market as an industry norm, and promote law-abiding purposes. Third, the effective use of risk management tools and technical equipment, increase international cooperation in intelligence analysis and law enforcement efforts to build regional customs, regional customs risk analysis and prevention and control centers as an opportunity to promote scientific and solid risk management, intensive, standardized development, and the good of the country, effectively anti-good regulatory risks; attention to the establishment of civil intelligence network, especially in the coastal areas there are no local customs informer, preservation tax mobilize all forces to prevent and combat all kinds of policy, industry, tend to commercial fraud, strengthen the focus on commodity tax special audit and strengthen "the country's shield" operation results.

**Supporting the Innovative and Intelligent world**

In today's knowledge economy, the new impetus of efforts to enhance innovation-driven development of the National Customs Administration is to support their own, highly cultivated brand starting by strengthening border protection awareness of intellectual property rights of
domestic enterprises, encourage enterprises to actively participate in IPR customs protection; played Intellectual Property customs Protection of the dual role of promoting the fight against infringements by legitimate businesses to provide services and support for domestic enterprises to independent innovation, promote domestic enterprises to continue to increase market share and competitiveness in international markets. Stir in the world "wisdom of the Earth", the wave of large-scale development of things, the urgent need to continue to strengthen our networking customs infrastructure to enhance the application of RFID technology as the representative level, things speed up customs information, standardization, intelligence process, building an intelligent customs supervision system platform, customs declaration, customs clearance, inspection, supervision and customs services of information, intelligence, technology innovation to make things customs supervision model to improve customs clearance speed, simplify and improve the regulatory process under customs supervision application information service levels and other aspects of fully reflected, customs law enforcement more open, more democratic decision-making, management more scientific, while expanding relative to management ’s right to know and the community, to participate, to reduce and eliminate corruption.

Conclusion
History and practice have proved that the government often with nothing to do with bad, social autonomy, market regulation and government administration, should be the mechanism to run the country. As far as customs is concerned, it cannot conquer the world. Companies should respect the autonomy of decision-making, market mechanisms, and industry self-rule law, give full play to the role of social intermediary organizations, foster the ability of social autonomy to correctly understand and deal with national and local, the overall relationship with local interests standardize the behavior of law enforcement and customs services to build a moderately prosperous society and make due contributions.

In the long run, the concern over trade security should be highlighted. The scope of the customs service should be extended to the main players in the international supply chain. The needs of SMEs should be addressed. Risk management should be further incorporated into the AEO system. The existing preferential or facilitative measures should be integrated and streamlined. All the AEOs can enjoy the uniform treatments nationwide and worldwide.

References