

WORLD TRADE ORGANIZATION

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Council for Trade in Goods

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THE E-CUSTOMS EXPERIENCE OF THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

The following communication, dated 25 November 2002, has been received from the Permanent Mission of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

1. Introduction

With the rapid pace of globalization and growth of international trade, WTO Members will no doubt face two major problems: a) the demand for rapid cargo movement from trade communities and b) the concerns of border securities. Further, trade facilitation has become an issue of great importance to the WTO. In this connection, the Council for Trade in Goods has conducted many heated discussions on this matter to review Article V, VIII and Article X of the GATT 1994 pursuant to the Work Programme contained in the Doha Ministerial Declaration.

To cope with the increasing volume of trade, and to meet the needs of the trade community, our Customs has no option but to enforce comprehensive improvements in the field of trade related administration and operations. It goes without saying that Customs plays an important role in trade facilitation. In the last ten years, Customs has devoted itself to strengthening its automation, facilitation, and transparency. Our hard work has borne fruit.

2. The Infrastructure of Customs Automation

Computer Upgrades for Cargo and Risk Management

In order to ensure the success of facilitation and risk management, the Customs administration must build a sturdy infrastructure. An infrastructure is a foundation that underpins the progress of an organization or project development, just as transportation, communication, public utilities, education, etc., act as a foundation to economic development. The Customs' computer system is used to expedite clearance, as well as to provide prompt querying and analytical functions for risk management. As such, a computer system with a large capacity and prompt response is required.

Our Customs began implementing air cargo clearance automation and ocean-going cargo clearance automation in 1992 and 1994, respectively. However, by the year 2000, its original computer capacity could no longer meet the needs of the Customs Service. As a result, with a total budget of US\$ 5 million, we upgraded our air cargo clearance automation system in 2000. Now we are planning to set up a similar system for ocean-going cargoes, which is expected to be finished in 2004 with a total budget of about US\$6.5 million.

Establishing Internet Declaration Environment and Application Services Provider (ASP)

Our Customs has established an Internet Declaration Environment and ASP, which will offer multiple channels for Customs clients filing declarations to obtain access to Customs. In addition to the cargo clearance network, importers or their brokers can also file their declarations directly with Customs via the Internet. This will help in reducing transmission fees, facilitating clearance processing and promoting trade competitiveness. These projects involve:

1. Setting XML (Extensible Mark Up Language) standards and creating XML message interchanges and a processing system;
2. Setting up ASP for air cargo declarations;
3. Setting up ASP for ocean-going cargo declarations;
4. Setting up duty-paying system on the Internet.

Establishing a Computer Gateway

A computer gateway has been created for promptly providing import and export information to relevant government agencies, as a reference for decision-making, thus increasing government efficiency as a whole.

3. Cargo Clearance Facilitation

Over the past few years, Customs has implemented many trade facilitating measures, such as clearance automation, risk management, and paperless operations, greatly expediting Customs clearance. Currently, the average clearance time for ocean-going cargo and air cargo has been reduced to 1.95 hours and 0.38 hours, respectively. In addition, we are carrying out various supplementary measures, so as to fulfill a round-the-clock (24/7) clearance service. Some of these measures are as follows:

Pre-Entry Clearance

Importers may declare imported goods to Customs prior to the arrival of the goods if the means of transportation has left the last foreign air/sea port and the carrier has transmitted the manifests to Customs. By applying automatic duty payment mechanisms, such as post-release duty payment or the on-line duty payment system, these cargoes, if selected as bypassed shipments, will be released before arrival and can be claimed immediately upon entry without being warehoused.

Simplified Express Consignment Clearance

Based on WCO's Customs guidelines for Express Consignments, our Customs have categorized express consignment as follows:

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|---------|--|
| Import: | X1 (Letters/Documents) |
| | X2 (Low-value, Non-dutiable, DPV under US\$ 87) |
| | X3 (Low-value, Dutiable, DPV:US\$ 87-US\$ 1,450) |
| | X4 (High-value, Dutiable, DPV over US\$ 1,450) |
| Export: | X6 (Letters/Documents) |
| | X7 (Low-value, FOB no more than US\$ 1,450) |
| | X8 (High-value, FOB over US\$ 1,450) |

Items within the categories X1, X2, X3, X6 and X7 can enjoy simplified, paperless clearance, in which cargo manifest information and import/export declaration information are combined as one declaration, and clearance types are reduced from C1 (bypass), C2 (document review), and C3

(document review and goods examination) to only C1 and C3. Their examination rate has been reduced to the level of under 5 per cent.

In addition, this Administration implemented the Duties and Taxes Bond System in September 2002. As a result, a duty receipt can be issued at the time when express consignments are released, which enables express carriers to collect pre-paid duties and taxes from consignees while delivering express consignments. This system not only facilitates the clearance of express consignments, but also reduces express carriers' cost.

Paperless Clearance Procedures

To expedite clearance and save both Customs and relevant parties' resources, the following items have become paperless:

1. Bypassed import/export declarations
2. Simplified express consignment declarations
3. Import/export manifests
4. Import/export release notice
5. Warehousing certificates of export goods
6. Statements of the goods in warehouses
7. Statements of the goods released from warehouses
8. Customs notice of cargo examination
9. Customs General Discharging Permits/Special Permits

Computer Interface between the Customs and Licensing Agencies

Customs computers are linked to those of licensing agencies, so that the licensing write-off operations can be done electronically, and more shipments can be bypassed without physical examination and document review accordingly.

Advance Ruling of Classifications

Prior to importation, importers or the parties entrusted may apply to port Customs for advance classification by submitting a required form (it can be downloaded from the Customs website), samples, catalogues and other related information.

Consolidated Clearance Operations for Transit and Trans-shipment Cargo

Imported shipments in transit through Science-based Industrial Parks or Export Processing Zones may be cleared at the port of entry, and then directly transported to their destinations without having to go through Customs clearance procedures again. As to trans-shipped cargo, regardless of whether it is imported to a seaport and then re-exported via an airport, or vice versa, it can also be cleared at the port of entry, without having to go through Customs clearance procedures again at the port of re-exportation.

Establishment of Strategic Partnerships with Stakeholders

To facilitate the movement of import/export goods, Customs has established strategic partnerships with reputable firms including carriers, warehouses and express operators (See Annex: Basic Requirement and Preferential Treatment Applied to Firms Engaged in Strategic Partnership with Customs Administration.) Firms having strategic partnerships with Customs work closely with Customs in combating smuggling. In return, they enjoy privileges such as a lower cargo examination rate, and waivers of cargo-escorting and the unloading of goods from containers for examination.

Intensified Post-Clearance Auditing

In order to speed up Customs clearance through the use of bypassed declarations, Customs has adopted a post-clearance audit system. Currently about eighty percent of air cargo and sixty percent of ocean-going cargo are exempted from document review and physical examination. As a result, the average clearance time for ocean-going cargo and air cargo has been greatly reduced to 1.95 hours and 0.38 hours, respectively.

Duty Payment Facilitation

(i) Post-Release Duty Payment

Under the post-release payment system, a guaranty in lieu of cash payment or a cash deposit may be furnished to Customs, in advance, in order to obtain the release of imported goods before duty payment. The amount of guaranty is recyclable and may be decided by the duty-payer or Customs broker according to the estimated duty payable in a period.

(ii) On-Line Duty Payment

By placing a deposit in the bank, the duty payer can use a computer to conduct on-line duty payments instead of going to the bank to make the payment in person.

(iii) Consolidated Duty Payment

Instead of paying duties for individual declarations on a daily basis, the duty payer may choose to pay duties at the beginning of each month, but only for shipments declared in the preceding month. This measure simplifies payment procedures, defers duty payment, and thus reduces business costs for importers.

Stronger Risk Management and Lower Examination Rate

Divisions of Information Collection, and Cargo Selectivity and Entry Summary have been established. They are for screening high risk groups, eliminating ineffective and non-useful selectivity criteria, narrowing the focus and bringing the examination rate down to less than 5 per cent.

4. Customs Clearance Transparency

To give importers and exporters a clear picture of declaration processing and to prevent fraud by unworthy brokers or Customs officers, Customs has created a mechanism that allows them to check with clearance units by calling the ombudsman at the clearance site or by browsing the Customs website for information. For this purpose, the Customs home-page provides the following key information:

Inquiry on Customs Clearance Database

The Customs clearance database provides in-time information on warehousing, declaration registrations, manifest write-offs, classifications and valuations, cargo examinations, duty payments, cargo releases, etc. Importers and exporters may check such information by keying in Customs declaration numbers (or bills of lading in the case of air cargo) and fully monitoring the flow of cargo clearance, thus expediting cargo clearance and increasing their competitive edge in international markets.

Customs Tariffs and Duty Rates Inquiries

A full text of Customs tariffs is posted on the Customs website to answer any inquiries regarding current tariff classifications, duty rates, trade control codes, etc. Such information may be downloaded to avoid the trouble of having to purchase the latest version of tariff schedules whenever tariffs are revised.

Advance Tariff Rulings Inquiries

This website function provides importers with access to tariff rulings and tariff rates for the cargo they want to import. They can therefore assess their import costs in advance. The search function also helps to enhance the transparency of clearance procedures, reducing the incidence of disputes between Customs and importers, and accelerating the clearance process. Before importing their cargo, importers or their agents can fill out an application form (which can be downloaded from the Customs website). Attached are samples, original catalogues, as well as relevant documents applying to the Import Division of district Customs for tariff rulings, which having been made will be posted on the Customs website for inquiries.

Trade Statistics Inquiries

Import and export statistics are available on the website. Any individual or firm involved in international trade is able to access the site, and find out about import and export values and trends for all industries. This can serve as a reference source for future investments and cuts out the necessity to visit Customs office or make telephone inquiries. This represents major savings in terms of the time and cost previously associated with the gathering and buying of statistical publications.

Full Text Searches of Customs Information

By using the Customs information full text search, visitors to the website can help themselves with an easy, interactive and flexible service. The search facility includes such topics as Customs laws and regulations, executive orders, declaration manuals, clearance codes, and news bulletins. It reduces time spent browsing the website, allowing users to find the clearance information they need quickly.

Single Window Service for Clearance Problems

If the information on the website cannot fully answer the questions being sought, users may dial the single window service number for the Customs clearance units. Staff of the units will answer such supplementary questions. The website also provides an up-to-date directory.

5. Conclusions

To expedite clearance operations without any national security risks has become one of the greatest challenges for Customs. However, based on experience gained over the last ten years, we have managed to overcome the challenge by carefully considering the following areas:

(i) Risk management

Customs services around the world today cannot carry out their mission successfully without deploying risk management techniques, especially in view of the amount of commercial fraud and smuggling. By targeting high-risk consignments for physical examination and using risk assessment techniques, not only can Customs ensure the normal flow of legitimate goods and passengers, but also

effectively crack down on the illegal trading practices. We strongly recommend that the WTO promotes the use of risk management techniques in Customs enforcement.

(ii) *Automation*

Over the past decade, with the burgeoning development of international trade, Customs has become faced with a tremendous workload. To process the ever-increasing amounts of cargo and passengers, it is essential for Customs to embrace information technology in order to intensify the level of enforcement. In this area, Customs has developed a cargo clearance automation system that is achieving excellent results. As a member of the international Customs community, we are very willing to share our experience with other Customs administrations. We would like to propose to the WTO that it should consider developing an assistance programme to help other countries who do not possess an efficient or effective automated clearance system.

(iii) *Pre-arrival processing*

To facilitate the smooth execution of international trade, Customs operates a pre-arrival process. This enables importers to file their entries prior to the arrival of merchandise at the port of entry. Importers may claim their goods immediately after importation if they are not selected for document review or physical examination. With the just-in-time inventory system been widely used in the trading and business community, we would urge the WTO to give further promotion to the pre-arrival processing approach among its Members.

Over the past decade, we have simplified Customs formalities, automated Customs operations and prevented illegal trade practices. As a member of the international Customs family, we would be happy to exchange our experiences with other Customs administrations, and we hope that a more favourable international trade environment can be created under the auspices of WTO in the future.

ANNEX

BASIC REQUIREMENT AND PREFERENTIAL TREATMENT APPLIED TO FIRMS ENGAGED IN STRATEGIC PARTNERSHIP WITH CUSTOMS ADMINISTRATION

Basic Requirement:

1. A reputable firm having been established for at least 10 years, and having been evaluated and approved by the Customs Administration for no violation of customs laws and regulations within the latest 5 years (minor violations excluded).
2. A firm operating normally, having personnel management systems regarding employee recruitment, performance evaluation, and training program, and not hiring people with criminal record. If any employee deals in smuggling or tax evasion activity, the firm will replace or punish him immediately.
3. A reputable firm having installed special computer system to check if its name has been illegally used for making entries; and also having designated a specific person to conduct checking on daily basis. If any irregularity has been found, the firm will inform the Customs immediately to jointly crack down on the smuggling and tax evasion attempts.
4. A firm whose import and export raw materials, components, and finance are managed by computer system, which has the crosscheck or audit function.
5. A firm being able to inform Customs office of any irregularities discovered during documentation process or when its name has been illegally used for making entries.
6. A firm being able to inform Customs office when it discovers other peer firms are importing the goods not normally needed in the domestic market, or are carrying on unusual operations, or are suspected of smuggling.
7. A firm being able to assist Customs to identify the products related to its business field, and able to provide relevant preventive technique and information to the Customs.
8. A firm being able to provide relevant documents to the Customs and to accept post-audit when deemed necessary by the Customs.
9. A firm being able to assist customs officers to survey the crew and the loading/unloading operations of the vessels nearby when discharging cargoes from self-owned wharf and to inform Customs of any suspected smuggling activity.
10. A firm being able to engage reputable, well-managed customs brokers, with employees well behaved and without criminal record, to handle import/export cargo clearance on its behalf. If any suspicion arises, the firm will immediately conduct proper investigation and make replacement whenever necessary.
11. A firm being able to apply pre-entry tariff classification according to Regulations Governing the Implementation of Advanced Ruling System for Tariff Classification to accelerate cargo clearance.
12. A firm being able to educate its employees on customs practice, laws and regulations, penalty of Customs fraud when holding on-the-job training, and to arrange classes on risk management, preventive concept and techniques.

13. A firm being able to evaluate and exchange viewpoints on cargo clearance with Customs at irregular intervals and to provide constructive suggestions.
14. A firm being able to exchange management experience with Customs so as to jointly uplift administrative efficiency and service quality.
15. A firm being able to set up a contact unit and assign an authorized person to take charge of informational communication to and from Customs.

Preferential Treatment Accorded by the Customs Administration

1. In case the firm has certain emergency import/export goods, Customs may grant facilities of 24 hours cargo clearance if such goods are other than C2 (document scrutiny needed) entries.
 2. The Customs shall consider lowering down the examination rate of the import/export goods. Basically, "Simplified Examination" will apply if import goods are to be examined by the computer random choice. If export goods are to be examined when selected by computer, Customs may waive the examination or empower the firm to check on its own, or conduct post-audit if necessary.
 3. Import cargo clearance will be based on "Post-release Checking" except for those requiring Import Permit or letter of concurrence from competent authorities. Customs may also waive the escort of goods, which might be needed if goods belong to the firms other than Customs strategic partner.
 4. Export cargo clearance declaration will be accepted by the Customs without having to check the computer message of "goods warehoused" in advance.
 5. Customs sets up "Single Business Window for Handling Cases of Unreleased Goods," to answer inquiries and solve problems regarding customs procedure. If the difficulties of cargo clearance result from regulatory provisions of competent authorities, Customs will help to negotiate and solve the problem.
 6. If a firm has self-owned cargo discharge wharf, Customs shall allow the firm to designate specific person to issue "Container/Cargo Note" (Wharf Entry/Exit Permit) and allow cargoes to be examined and released at its own premises.
 7. Customs shall continually provide training and information regarding the prevention of narcotics, arms, ammunition, and environmentally hazardous and IPR infringing goods. Training and information on interdiction of endangered species and identification of goods commonly involved in smuggling or tax evasion are also provided.
 8. Upon request, Customs may dispatch officers to popularise laws and regulations and disseminate anti-smuggling technique in the firm's training program.
 9. Customs shall provide the latest information on laws and regulations to the firm, and take the firm's opinions and viewpoints into consideration when revising the relevant laws and regulations.
 10. Other convenient services approved by the Customs Administration.
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