

# Warehousekeepers: bridges connecting Customs and small and medium-sized enterprises (SMEs)

*Dafang Liu*

## Abstract

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Warehousekeepers are professionals who cooperate with Customs on the one hand and importers and exporters on the other. As far as small and medium-sized enterprises (SMEs) are concerned, the assistance and support that warehousekeepers provide are crucial to their trade. This includes a wide range of commodity classification and nomenclature, customs valuation, trade control measures, customs security, logistical support and knowledge of foreign customs procedures. As far as customs administrations are concerned, warehousekeepers can objectively explain customs' intention and opinion to SMEs and, at the same time, reflect the wishes and demands of SMEs to Customs. In effect, therefore, warehousekeepers are bridges connecting Customs and SMEs, thereby facilitating trade.

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## 1. SMEs play active roles in both national and global economies

It is widely accepted that small and medium-sized enterprises (SMEs) are essential to national economies. Although they do not account for as vast a volume of international trade as large transnational companies, SMEs are the major employers and play a leading role in technological innovation and social responsibility, both of which are crucial to sustainable development at the national and global levels.

Taking China as an example, by the end of September 2010 the number of registered SMEs was more than 10 million, which represented more than 99% of the total number of enterprises operating in China. SMEs employ over 80% of all labour in China and hold over 65% of all patents for inventions.<sup>1</sup> SMEs are persuasively active in other developing countries of East Asia too, especially in helping economies recover from the financial crisis of the late 1990s.<sup>2</sup> SMEs are also very important to developed countries: the SMEs established in Silicon Valley, for example, are leading the way in developing advanced technology.

However, there have not been any in-depth studies into the role SMEs play in international trade. As a result, customs procedures cannot reflect their special needs and this, together with other negative factors, has a progressively detrimental effect on international trade conducted by SMEs.

## 2. SMEs need help in carrying out customs procedures

At first glance, SMEs do not appear to play an important role in international trade. However, in reality, they are integral to that trade by supplying key technologies and spare parts to the business giants and have significant potential to promote trade. Therefore, they should be encouraged in their attempts to develop new markets in other countries because this often leads to SMEs growing into large, successful enterprises with significant jobs opportunities. Given the size of SMEs, what they need is assistance and support from both customs authorities and professional enterprises engaged in customs procedures

(EEICPs). Most SMEs lack knowledge of customs procedures (especially those in foreign countries), and most cannot afford to employ experts who deal solely with those procedures.

Worse still, customs rules and procedures do not yet take the needs of SMEs sufficiently into account because not all governments are prepared to grant foreign SMEs access to their domestic market. Furthermore, not all customs authorities possess sufficient resources to control the imports and exports of SMEs owing to the great increases in the volume of international trade. It makes more sense to concentrate their resources in large companies considering that they are the major importers, exporters and contributors of customs revenues. Therefore, the only choice open to SMEs is to seek professional assistance and support from EEICPs.

There are several reasons why EEICPs represent an important resource which can help SMEs participate in international trade. First, EEICPs are located in different countries and are therefore familiar with their customs procedures. Their knowledge of the regulatory and information requirements enables them to advise their clients effectively. This, in turn, enables their clients to avoid making mistakes or submitting excessive or irrelevant information (which is inefficient for both Customs and SMEs). Some skilful and experienced EEICPs can even advise SMEs on how to lodge customs declarations effectively, thereby saving both time and money.

Second, EEICPs know and understand the demands of SMEs because they themselves are private enterprises. Accordingly, they are in a position to understand the needs of SMEs and communicate with them easily. Furthermore, they are located in the same markets the SMEs wish to enter and so they may be able to anticipate any problems the SMEs may encounter.

Third, greater assistance from EEICPs means more workplaces. Since SMEs far outnumber large multinational companies, EEICPs need more people to communicate with them. Moreover, considering that some SMEs are foreign companies, the employees of EEICPs need the skills to communicate with them effectively and accurately. In the author's view, recognition of this fact will increase the demand for skilled and experienced practitioners and may lead to the creation of other businesses such as training institutions. Of course, there is every reason to promote such development.

Fourth, greater assistance from EEICPs will generate trade in services. Of interest to SMEs are services relating to foreign law and practice provided by foreign or local EEICPs. However, local EEICPs will still have to obtain the information SMEs need from their foreign counterparts. In reality, therefore, services in trade can match or even exceed progress in negotiations concerning trade in services between and amongst countries.

In summary, SMEs need the advice and help in international trade that EEICPs can provide. Cooperation between SMEs and EEICPs should therefore be encouraged and the prospects of this happening are promising.

### **3. Enterprises managing customs warehouses can provide assistance to both Customs and SMEs**

There are different types of EEICPs including customs brokers, trading companies focusing on international trade, and freight forwarders. Enterprises managing customs warehouses (warehousekeepers) are one type of EEICP. It is not easy to define warehousekeepers because other types of EEICPs can also manage customs warehouses. According to the Guidelines to Specific Annex D of the Revised Kyoto Convention, 'customs warehousing procedure' means the customs procedure under which imported goods are stored under customs control in a designated place (a customs warehouse) without payment of import duties and taxes.<sup>3</sup> Customs warehouses open to any person having the right to dispose of

their goods<sup>4</sup> are called public customs warehouses—in contrast to private customs warehouses, which only store goods for the keepers themselves. We can deduce from this that a customs warehouse is a warehouse under customs control, regardless of whether it is run by Customs or not. Actually, in China, customs warehouses are run by enterprises, many of which are private enterprises. Anyone can use public customs warehouses for legal purposes. The enterprises running customs warehouses not only manage various types of businesses concurrently as trading companies but also specialise in running customs warehouses as well. This paper uses the term ‘customs warehouse’ synonymously with ‘public customs warehouse’. Accordingly, when reference is made to enterprises managing customs warehouses (that is, warehousekeepers), the author is referring to those which are focused on or at least mainly engaged in running public customs warehouses.

A closer examination of warehousekeepers and customs warehouses may reveal the reasons for and benefits of promoting the ability of SMEs to trade and facilitate a working relationship between Customs and the private sector.

### **3.1 Customs warehousekeepers are different from other types of EEICPs**

Although warehousekeepers are inextricably linked to other types of EEICPs, they also have their own distinctive features. First, they differ from customs brokers who are parties essentially concerned with presenting and processing customs documentation on behalf of importers or exporters.<sup>5</sup> While customs brokers are mainly responsible for customs declarations, warehousekeepers are more concerned with storing goods. SMEs can utilise storage to extend their supply chain to the door of their clients. In this way, warehousekeepers can expand their services beyond the confines of their warehouses.

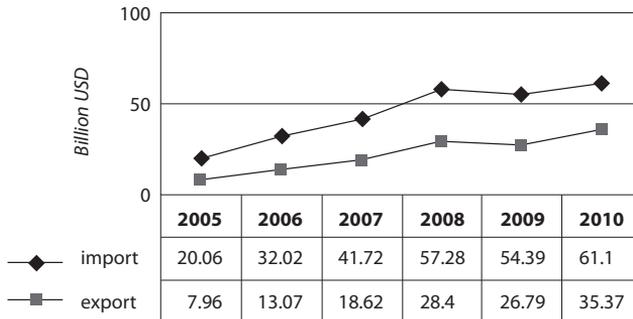
Second, warehousekeepers are also distinct from those companies which run their own trading operations. Although some traders have their own customs warehouses, they run them for their own purposes. Generally speaking, SMEs are reluctant to store their goods in a warehouse run by a trading company because they are concerned to protect trade secrets. They tend only to store their goods at companies which they also represent. Warehousekeepers are independent third parties which boast professional skills in warehouse management and obviously have trade secrets to protect. Warehousekeepers are also more trustworthy and reliable as far as stock-keeping and accounting are concerned.

Third, warehousekeepers are distinguished from freight forwarders, who may also run customs warehouses. Compared with the customs warehouses run by warehousekeepers, theirs are more suitable for very short terms of storage which enable brokers to prepare for the impending customs declaration and inspection. If their customs warehouses are suitable for stock-keeping then they can even take the place of warehousekeepers. However, not every forwarder has the capacity and professional knowledge to run a customs warehouse—either for its own business operations or those of others.

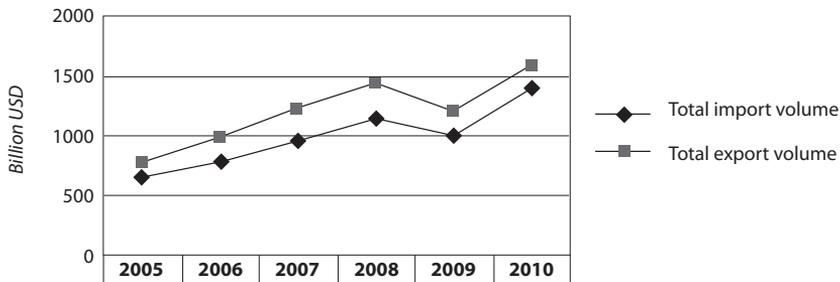
Fourth, the successful operation of customs warehouses in times of economic crisis has underscored the importance of warehousekeepers. For example, in China, the volume of trade managed by customs warehouses fell just a little compared with the sharp decline in the volume of trade and in the world economy in 2008. This shows that customs warehouses can cushion the effect of sharp fluctuations in international trade. This is crucial for SMEs which are vulnerable when exposed to risks in international trade and the global economy.

The three graphs below show this cushioning function performed by customs warehouses in Chinese foreign trade.

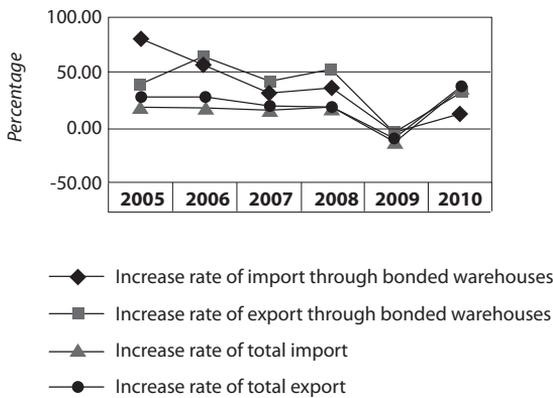
Trade volume through bonded warehouses



Total import and export volume in the same year



Comparison of increase rate



Data source: The General Customs Administration of the People's Republic of China, [www.customs.gov.cn/publish/portal0/](http://www.customs.gov.cn/publish/portal0/).

The graphs illustrate that supporting and developing warehousekeepers is a way of not only promoting partnership between Customs and the private sector but also increasing workplaces. Therefore, developing warehousekeepers to promote international trade and create more job opportunities is feasible and indisputable.

### **3.2 Investors in customs warehouse operation can be diverse**

The Revised Kyoto Convention provides that public customs warehouse may be managed by Customs and other authorities as well as by natural or legal persons.<sup>6</sup> In the author's opinion, regardless of who runs a customs warehouse, it should be independent from both Customs and traders. This prerequisite represents a fundamental principle of the management of customs warehouses. 'Independent from Customs' does not mean any challenge to Customs: on the one hand, a customs warehouse is consistently under customs control and, on the other, some goods can be authorised by Customs to be stored or detained if necessary. Rather, 'independent from Customs' reflects the fact that running a customs warehouse is a business; the managers and operators are not customs officials, nor agents of Customs. Accordingly, their decision on whose goods they wish to store is not dictated by Customs but by business considerations. They should remember that a customs warehouse represents a component of the supply chain and that an enterprise-managed bonded warehouse (EMBW) is a private legal entity which sometimes represents its client. Accordingly, warehousekeepers are independent from Customs. Similarly, the managers and operators should also be independent from their client insofar as they are bound to refuse a client's request if it is illegal. Furthermore, they should treat all clients equally and not favour some clients over others.

To maintain independence, the author believes that investors from the private sector are to be preferred.

Investors can also be from foreign countries if this is permitted by domestic law. Foreign investors may present an opportunity to cooperate with warehousekeepers or EEICPs in other countries, ultimately benefitting SMEs both at home and abroad. As far as foreign investors are concerned, they are pioneers developing services in trade. In this respect, the author believes that, unlike the strict limitation on investment in forwarding and customs broker industries, (local) government can safely encourage investment in customs warehouses because it will do little harm to domestic industry. On the contrary, it will benefit numerous SMEs. For example, in China, an EMBW called Jiangsu Xinning Modern Logistics Co. Ltd (located in Jiangsu Province), was established in 1997 and listed in 2009. One of its investors is from Singapore,<sup>7</sup> despite the fact that the free trade agreement between China and Singapore was not concluded until 2008. Without government permission and encouragement, few would have risked investment in 1997, the year the Southeast Asian financial crisis broke out.

Abolishing restrictions relating to investors' background lowers the threshold of market access, and ensures that encouraging the development of warehousekeepers offers a more practical way of helping SMEs.

### **3.3 Warehousekeepers can provide support throughout customs procedures**

Goods stored in customs warehouses are intended for various uses: they may be transported to other countries, re-exported or just imported once a client has been found. Accordingly, the goods under customs control may be assigned to different customs procedures. Due to the fact that they deal with such procedures every day, warehousekeepers can provide SMEs with professional advice, some logistics support and knowledge of foreign customs procedures.

#### **3.3.1 Professional advice**

Warehousekeepers are familiar with customs rules and procedures; moreover, they also possess knowledge of goods and customs affairs. Their opinions and explanations are easily accepted by both

SMEs and Customs. On the one hand, SMEs view them as third parties and so communicating with them is not confrontational as it can be with Customs; on the other hand, Customs does not view warehousekeepers as importers or exporters, so they can be objective when determining what Customs wants and can explain, impartially, to Customs the wishes and demands of the importers and exporters. They can provide advice on commodity classification and nomenclature, customs valuation, and other trade control measures.

A skilful EMBW knows the nature of the goods stored and gives precise advice on commodity classification and nomenclature (thereby preventing errors in customs declarations), which enables SMEs to save both time and money. For example, declaring a wooden screen as wood would entail import duty; however, by declaring the product as a handicraft article, the importer may avoid duties altogether.

Customs valuation is another field where warehousekeepers can give professional advice. It is well known that some factors should be included or excluded from transaction prices. However, because they are not trained to recognise such factors, SMEs tend either to declare a higher transaction value than is really the case or fail to include something in the declared value. An experienced EMBW, on the other hand, knows the right price to declare to Customs and can advise SMEs on how to present the individual components of transaction prices in a way that avoids extra duties (for example, separating the actual price from buying commissions in order to avoid paying duties on these commissions). SMEs cannot be expected to have such knowledge and experience nor can they acquire it within a short period of time.

Only those dealing with trade measures on a daily basis can clearly and precisely identify the controls that a commodity is subject to. SMEs are often confused by the measures because they are always changing, which often causes dissatisfaction among importers and exporters. From an SME's point of view, it costs too much to appoint one person to deal exclusively with these measures and there is also the risk that a change is not noticed in time (for example, compliance with extra security inspections that may have been unnecessary only a few days ago).

### 3.3.2 Logistics support

Besides advice, warehousekeepers can provide SMEs with logistical support. Inventory hub service and customs security are two typical types of such support.

Inward processing is encouraged in almost every country (whether developed or developing) by means of preferential customs procedures. In China, imported raw materials, parts and components (IRPCs) for inward processing are in bond and under customs control. During the course of processing, IRPCs are transported from one manufacturer to another. When all the IRPCs and semi-products that consist of IRPCs are gathered in front of an assembly factory, customs warehouses which can act as inventory hubs are needed.

On one hand, many IRPCs are manufactured by SMEs. From their point of view, it makes economic sense to sell their products to large assembly factories. Given the fact that their raw materials, parts and components are imported, both assembly factories and SMEs are willing to keep IRPCs in bond by Customs. On the other hand, the assembly factories prefer to let the suppliers of IRPCs not only hold the inventory but also supply IRPCs on a just-in-time basis (that is, supply the assembly factories around the clock). A customs warehouse built near the assembly factories is well located to meet the requirements of both parties. To realise the full potential of customs warehouses, Chinese Customs even allows warehousekeepers to supply the assembly factories at any time and make an aggregate declaration to Customs every 10 or 15 days.<sup>8</sup>

In the case where extra customs procedures are applied to products made from IRPCs which are returned owing to defects, a customs warehouse can offer additional inspection and other services to IRPCs during storage. This saves time in comparison to carrying out inspections in assembly factories. With the permission and support of Customs, maintenance work on equipment can be carried out in a customs

warehouse or samples presented. Customs appears to support the future development of maintenance services.<sup>9</sup>

During its development, an SME may have more than one client and must therefore supply its products to different clients simultaneously. If its clients are in the same region or same foreign country and require the same products, it would be better for the SME to send the goods in one shipment to a customs warehouse in that region or foreign country. By storing products in a customs warehouse, the SME can reduce its transportation costs and ensure the flexibility of its distribution system if production is limited and it has to meet client orders simultaneously. Due to the fact that the SME owns the products stored in the customs warehouse, Customs will register them as the SME's IRPCs. Accordingly, the SME can produce the distribution plan based on the quantity of its products stored in the customs warehouse. This can avoid the problem of oversupplying one client and undersupplying another.

Customs also needs customs warehouses because some customs procedures apply during the transportation of IRPCs in order that they remain under customs control. Establishing a customs warehouse is more viable than establishing a free trade zone because the local customs authorities in China have the authority to approve an application for establishing a customs warehouse, no matter whether it is large or small.

Chinese Customs encourages enterprises equipped with computerised systems to manage their own production and provide it with the necessary data which permits an effective control of IRPCs. However, not all SMEs operate systems which satisfy the standards stipulated by Customs. Indeed, some of them even lack employees who are qualified to operate such systems. In these cases, customs warehouses act as bridges between Customs and SMEs: the warehousekeepers can directly interface their IT systems (which meet the necessary standards) with those of Customs.

As a result, the need for customs warehouses is one shared by SMEs, assembly factories and Customs. In addition, these warehouses perform a crucial role in processing.

Another important service that warehousekeepers can provide is helping SMEs meet the standards of security demanded by various customs administrations. It is self-evident that keeping up with the frequently changing security standards and applying for certification as an Authorised Economic Operator (AEO) consumes a great deal of time and energy. In particular, an SME cannot afford to hire people to deal with such issues. One alternative may be to have their goods inspected and packed into cargo units at a customs warehouse. A professional warehousekeeper will be familiar with the latest security requirements and possess the necessary expertise to correctly inspect and examine imports and exports. The warehousekeeper can guarantee to Customs that the goods inspected and packed in the warehouse are secure. This will enable SMEs to save both time and money. By applying simplified procedures to those goods inspected and packed in customs warehouses, Customs can facilitate import and export by SMEs. Some SMEs may also find it difficult to pay a security fee because they do not always have property which can be used as collateral. Warehousekeepers, on the other hand, can often submit guarantees which can help SMEs overcome such problems.

Chinese customs law states that a guarantor may provide security by Chinese Yuan (Renminbi) and other convertible currencies, banker's draft, cashier's cheque, cheque, bond and certificate of deposit, letter of guarantee issued by the bank or other financial institutions, other property and rights ratified by Customs according to law. Most Chinese SMEs do not have sufficient cash; property and rights ratified by Customs are rare; and banks or other financial institutions are often reluctant to provide them with a letter of guarantee and even if they do, the cost will be prohibitively high.

A warehousekeeper, on the other hand, can provide the SME with the necessary assets to obtain a letter from banks or other financial institutions. Alternatively, it can submit its own letter of guarantee to Customs, or simply submit its own draft, cashier's cheque, cheque, bond and certificate of deposit to Customs as a security for an SME. Of course, the SME will use its goods stored in customs warehouse as counter security.

To summarise, such support from warehousekeepers reduces the burden on SMEs and also enables Customs to facilitate trading by accommodating the procedures of customs warehouses. Efforts from all sides serve to promote the partnership between Customs, warehousekeepers and SMEs.

### 3.3.3 Knowledge of foreign customs procedures

Through communication and cooperation with foreign warehousekeepers, a local warehousekeeper can pass on knowledge about foreign customs procedures to its domestic clients. This will assist local SMEs to explore overseas markets. Since the warehousekeepers (whether operating at home or abroad) are professionals, they can easily understand each other. This will reduce the need for local SMEs to learn the relevant regulations and procedures of foreign customs authorities. When a local SME has trouble understanding foreign customs regulations, it can simply request a warehousekeeper in the same country to explain them. The warehousekeeper will then consult with its foreign counterpart in order to provide reliable information.

Such communication and cooperation are bilateral in nature. When foreign SMEs intend to enter the domestic market, domestic warehousekeepers can explain local customs regulations to their foreign counterparts. Obtaining information about domestic customs will allow foreign SMEs to reduce their expenses and thereby avoid the risks of violating foreign customs regulations. For example, in Shanghai, a local warehousekeeper called Shanghai Sky Trans Logistic Co. Ltd established a relationship with its counterparts in the United States, Japan and Chinese Taipei to help SMEs both at home and abroad obtain knowledge and information about customs procedures. On occasion, they have even jointly issued advice and plans on how to deal with the whole supply chain which spans several countries.

Such communication and cooperation can also relay the needs of foreign SMEs and successful practice of foreign customs to the domestic customs authority which, in turn, promotes cooperation between Customs and the private sector. If such communication and cooperation results in alliances of warehousekeepers across countries, domestic warehousekeepers can help their clients prepare the customs declaration documents both at home and abroad, greatly improving efficiency in customs clearance and storage.

## 3.4 Warehousekeepers can be authorised by Customs to assist in customs controls

Nowadays, the enormous increase in international trade means that ports are filling up with ever more freight, thereby challenging the capacity of Customs to control imports. The customs authority in China has adjusted its mode of control to match this great change. It has improved the efficiency of customs clearance by introducing a pre-arrival declaration procedure and examining goods outside ports.

Customs warehouses are appropriate sites for performing examination outside ports. Customs officials can examine freight in customs warehouses. Since customs warehouses are located near the final receivers of inward freight and consignors of outward freight, customs officials can examine freight in customs warehouses as it is being loaded or unloaded. Given the fact that monitors and other equipment are already installed in warehouses in the interests of customs control and security, it will not cost too much to install extra monitors and equipment. Once connected to customs IT systems, they can 'relay' the loading and unloading of freight.<sup>10</sup> Customs officials can then watch or examine freight in different customs warehouses, simultaneously. Moreover, by recording loading and unloading for subsequent examination, customs officials can examine freight at any time. With the permission of Customs, warehousekeepers can load and unload inward and outward freight around the clock, thereby extending the opening times of customs offices. This saves the time and expense of waiting for the declaration and examination at ports and is therefore important for all importers and exporters, especially SMEs.

## 4. Proposed support for customs warehouse operation

Customs warehouses can assist both Customs and SMEs. However, warehousekeepers themselves need help insofar as they frequently experience the following problems.

### 4.1 Restriction on establishment

It seems that in some regions, the number of customs warehouses is limited despite warehousekeepers' strong desire to establish more warehouses. This is arguably the fault of Customs which has to give its approval before a customs warehouse can be established. The possibility for warehousekeepers to open branches of customs warehouses on the premises of SMEs is also restricted and they need comparatively high registered capital to do so.

According to the rules issued by China's General Customs Administration regulating customs warehouses, the minimum registered capital for a warehousekeeper is 3 million Renminbi Yuan, while the minimum registered capital provided by China's Company Law is only 30 thousand Renminbi Yuan. The minimum area for storage is 2,000 square metres<sup>11</sup> and warehousekeepers are prohibited from opening branches of customs warehouses.<sup>12</sup> In this regard, only big enterprises are qualified to manage customs warehouses. It is not possible for newly established warehousekeepers to open a smaller customs warehouse. It is also illegal for a warehousekeeper to establish a branch in an SME's factory.

These restrictive rules may be explained by Customs' fear of possible disorder resulting from a large number of competing warehousekeepers, which would jeopardise their control over IRPCs. However, in the author's view, although raising thresholds for establishing a customs warehouse may reduce risks, it also limits the opportunities for providing warehousing services to SMEs, and prevents SMEs from managing their own customs warehouses. Considering that a large number of factories involved in inward processing are firmly under customs control, it is unlikely that IRPCs and products will veer out of control and in any case, this is unheard of in practice. Therefore, the author proposes relaxing these restrictions.

### 4.2 Restriction on maintenance for home-use products

Customs warehouses perform a vital role in facilitating international trade, but this could also be true in relation to domestic trade, for example, by providing support to maintain products intended for domestic use. At present, however, such business is prohibited in China. The Customs Rules of the People's Republic of China on Customs Warehouses and Goods Storage expressly provide that only foreign products can be stored in customs warehouses.<sup>13</sup>

This results in the problem that when a manufacturer is located in a free trade zone or export processing zone, their products are not allowed to return to such zones for repair, despite the obvious need for this. One way of solving the problem would be to repair these products in customs warehouses which are physically separated from manufacturers. The duties on the spare parts would be collected in customs warehouses so that new spare parts and replacement parts would not mix with the spare parts being manufactured. Of course, the rule should be amended.

## 5. Conclusions

Trade facilitation is an important aim that the customs authorities of many countries are working hard to achieve. Warehousekeepers and their warehouses play a vital role in promoting the relationship between Customs and SMEs, and are the most suitable intermediaries between Customs and SMEs. By supporting the development of warehousekeepers, Customs can make a substantial contribution to facilitation and effectively enforce customs law. In this respect, customs warehouses are capable of

performing many different functions which deserve further exploration in the future. Warehousekeepers can help private sector stakeholders, such as SMEs, deal efficiently with customs procedures. Regardless of competition with other customs brokers, the future of warehousekeepers and customs warehouses looks very promising.

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## Notes

- 1 See the announcement by Mr Li Zibing, Chairman, China Association of Small and Medium Enterprises, [http://news.xinhuanet.com/fortune/2010-05/14/c\\_12102294.htm](http://news.xinhuanet.com/fortune/2010-05/14/c_12102294.htm). See also the announcement by Mr Zhu Hongren, General Engineer, State Department of Industry and Information, <http://finance.people.com.cn/GB/12824562.html>.
- 2 See the study by Charles Harvie in 2003.
- 3 Article 3 of Chapter 1 of Guidelines to Specific Annex D, Revised Kyoto Convention.
- 4 Article 4.2 of Chapter 1 of Guidelines to Specific Annex D, Revised Kyoto Convention.
- 5 See Article 1 of Chapter 8, Revised Kyoto Convention, concerning the relationship between Customs and third parties.
- 6 Article 4.2, paragraph 5 of Chapter 1 of Guidelines to Specific Annex D, Revised Kyoto Convention.
- 7 The information was originally published on the company's website, just a few days before this article was completed; the information is now missing. The author can only cite the information from other reliable sources. See <http://app.finance.ifeng.com/data/stock/gsjj.php?symbol=300013>.
- 8 According to reports from China's General Customs Administration, when an EMBW starts its VMI service, the inward and outward volume increases 50 times as compared with the same month the year before, [www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/51196/mid/93164/Default.aspx?ContainerSrc=\[G\]Containers/\\_default/No+Container](http://www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/51196/mid/93164/Default.aspx?ContainerSrc=[G]Containers/_default/No+Container).
- 9 According to reports from China's General Customs Administration, it has permitted the establishment of customs warehouses specifically designed for maintenance ([www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/184046/mid/93164/Default.aspx?ContainerSrc=\[G\]Containers/\\_default/No+Container](http://www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/184046/mid/93164/Default.aspx?ContainerSrc=[G]Containers/_default/No+Container)). Also according to reports from China's General Customs Administration, a customs warehouse was established in Yiwu city, a small city in Zhejiang province of China, for display. It facilitates the buyers and sellers to buy IRPCs and sell products ([www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/188270/mid/93164/Default.aspx?ContainerSrc=\[G\]Containers/\\_default/No+Container](http://www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/188270/mid/93164/Default.aspx?ContainerSrc=[G]Containers/_default/No+Container)).
- 10 According to the reports from China's General Customs Administration, such monitoring systems are installed in some customs warehouses, [www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/65575/mid/93164/Default.aspx?ContainerSrc=%5bG%5dContainers%2f\\_default%2fNo+Container](http://www.customs.gov.cn/tabid/39267/ctl/InfoDetail/InfoID/65575/mid/93164/Default.aspx?ContainerSrc=%5bG%5dContainers%2f_default%2fNo+Container).
- 11 Articles 8 and 9, Customs Rules of the People's Republic of China on Customs Warehouses and Goods Stored.
- 12 Article 14, Customs Rules of the People's Republic of China on Customs Warehouses and Goods Stored.
- 13 Article 5, Customs Rules of the People's Republic of China on Customs Warehouses and Goods Stored.

**Dafang Liu**



Dafang Liu, an Associate Professor at Shanghai Maritime University and PhD candidate, is currently studying Customs Law in China. Having been a customs official at China's Customs Department in Shanghai for eight years and a teacher at Shanghai Customs College for four years, Dafang has a rich experience in customs research and practice. In 2009 he published the second edition of his textbook, Customs Law of China. His research is now focusing on introducing measures which facilitate trade between and among small and medium-sized enterprises as well as the application of processes for customs guarantees and the establishment of customs warehouses.

