

China Customs' reform: approaches to improving the professionalism of customs clearing agents to enhance trade facilitation

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Abstract

A professional approach to customs service by a range of stakeholders is essential to the efficient and effective provision of that service and to enhance trade facilitation. This paper presents a case study on the role of customs clearing agents (clearing agents) in China Customs' reform where proactive measures are implemented in line with the World Customs Organization's (WCO) conventions, standards and acknowledged best practices. However, it is noted that the regulation of clearing agents differs from country to country even though those agents are playing a key role in facilitating global trade. This paper contends that improving the professionalism of clearing agents through training and licensing programs will add value to their role as reliable stakeholders in customs reform and identifies approaches that have been implemented by China Customs to achieve this.

1. Introduction

The World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) contains provisions for expediting the movement, release and clearance of goods, including goods in transit. In the context of implementing this new Agreement, both Customs and business recognise the important need for a partnership where they know each other and work together to achieve secure customs transactions. This is particularly true where increased regulatory and business complexities necessitate such an alliance, which is emphasised in the World Customs Organization's (WCO) Revised Kyoto Convention (RKC) and instruments such as the WCO Time Release Study.²

Reports from WCO working committee meetings demonstrate that much has been done to enhance customs professionalism and modernisation by the worldwide customs community together with international organisations and donors. However, to achieve effective and efficient border management, considerable effort and investment should be devoted to improving the competence and compliance of customs clearing agents (also referred to as 'clearing agents'),³ a key group of stakeholders in customs administrations, through knowledge-based partnerships. Further, a key message from PICARD Conferences⁴ is that customs administrations should play a role in promoting professional standards for all customs practitioners and in fostering collaborative training programs with business to contribute to world trade facilitation.

Indeed, the WCO and the worldwide customs community are playing a leading role in working together with business, for instance, in building customs professionalism through joint investment in training workshops and seminars; in enhancing compliance awareness via partnership initiatives such as Authorised Economic Operator (AEO) programs; in strengthening synergies for risk management; and cracking down on illegal trade activities.

Taking account of the possible scope of this study, this paper narrows its focus to examine partnerships with clearing agents and what Customs can do to support their professionalism.⁵ It analyses practices that were introduced as part of China Customs' reform. Generally, customs professionalism is acquired through learning, training and practising the relevant skills. This can be demonstrated by reliable performance in the workplace or (in some countries) accreditation by complying with a certain set of regulations/standards. The following sections explain why clearing agents' professional standing is critical in strengthening customs service for trade facilitation (section 2); discuss what approaches are being practised by China Customs in professionalising clearing agents (section 3); and highlight ways for decision makers to strengthen professional partnerships with clearing agents to support the facilitation of cross-border trade (section 4).

2. Why clearing agents? An overview of their key role and relevant regulations

2.1 The evolving trade landscape requires professional performance by clearing agents

Briefly considering some emerging trade trends and business models in global supply chains helps us to understand the important role of clearing agents as key facilitators in world trade and key partners in assisting Customs to guarantee a nation-state's revenue collection and other priorities.

Global production specialisation has advanced, particularly in manufactured goods. There are some prominent features of this situation: the share of manufactured goods in world merchandise trade has grown significantly in both developed and developing countries; intra-firm trade, that is, trade within the same multinational company and/or its affiliates, has become a widespread phenomenon; cross-border trade has multiplied through Regional Trade Agreements (RTAs); and exported goods contain a significant portion of imported intermediate inputs.⁶

This implies that the global supply chain is increasingly important for economic competitiveness. Intermediary economic operators, particularly clearing agents, are playing critical roles in the area of logistics, for instance, to achieve timely clearance of goods at borders and reliable delivery of intermediate consignments for cost-efficient production. As well, increasing international trade has intensified the need for regulatory agencies to establish partnerships with reliable economic operators to carry out effective and efficient service at borders.

E-commerce is increasing rapidly, particularly in express cargo. The use of information and communications technology (ICT), such as sophisticated forms of internet communication, has made cross-border activities easier. In this context, all parties concerned need to demonstrate high performance in terms of punctuality, rapidity and reliability in addition to the traditional criteria of business cost and predictability. As a result, importers and exporters, including large numbers of SMEs, tend to pay increasing attention to who actually supplies the service with secure and additional value. In this regard, competent clearing agents (most of which are SMEs) are expected to be reliable business partners of both regulatory agencies and consigners/consignees to fulfil clearance procedures for those time-sensitive consignments in a fast and reliable manner.

Concern about supply chain security remains a big issue. Considering recent natural, criminal, political and technological disruptions to international supply chains, the demand for security has increased so as to ensure *getting the right product to the right place at the right time without compromising the national security*. In other words, any security effort might be in vain if a party in the supply chain fails to achieve a minimum level of professional integrity. In addition, illegal trade and commercial fraud tend to increase

side-by-side with large volumes of goods moving across borders. This increases concern on the part of both border regulatory agencies and legitimate traders as normal business always demands protection from unfair international trading practices such as smuggling of goods, under-invoicing, origin fraud, tariff misclassification and intellectual property rights (IPR) infringements.

In this context, Customs must work effectively and efficiently, and take a pivotal role in developing a professional Customs-Business partnership in order to secure and facilitate global supply chains. In fact, many customs administrations are taking the initiative to maintain partnerships with compliant and competent economic operators although the process of building trust between Customs and business appears to be a thorny path.

2.2 Clearing agents play a key role in customs transactions

With the advances in digital communication technologies and the demand for efficient use of resources to accelerate product life cycles, importers and exporters can potentially use standardised electronic platforms such as single window and other client-orientated service facilities to declare their consignments. However, in fact, most importers and exporters, whether a multinational corporation or an SME, do not establish a dedicated in-house customs department because it is not easy to handle sophisticated customs techniques and the complexity of data requirements for regulatory purposes. They prefer to use an external brokerage service and in this way, clearing agents are expected to assist clients to comply with customs procedures and regulations, and declare goods in a professional and cost-efficient way.

On examining WCO Members' websites, it is apparent that almost 100% of customs transactions in South America, Africa and in most Asian countries are performed by clearing agents who work as customs brokers, freight forwarders, and carriers. In Europe, Oceania and North America, a high percentage of customs transactions are still completed in agent declarations. According to a study conducted by the Federation of Freight Forwarders' Associations in India (FFFAI), 'it is estimated that 95 percent of international trade is handled by international freight forwarders/customs brokers' (*FFFAI News* 2012). These clearing agents gather, organise and manage the commercial and trade data in fulfilment of all customs formalities related to the international movement of goods on behalf of their clients. This situation helps to explain why clearing agents are generally under strict controls in respect of professional licence and market access in making declarations on behalf of other economic operators.

The WCO RKC acknowledges the importance of using clearing agents in dealing with customs transactions. Chapter 8 of the RKC ('Relationship between Customs and Third Parties') provides standards on how to work with clearing agents and other service providers. The introduction to this chapter recognises that the use of a customs specialist can speed up the passage of goods through customs controls:

Importers and exporters are able to employ specialists to deal with complicated and detailed Customs procedures that may be unfamiliar to them and who can act on their behalf at times and places which they themselves would find inconvenient. Carriers and delivery services are able to expedite the movement of goods in their charge through Customs controls and to service the steadily growing proportion of time-sensitive consignments. **Customs are able to more steadily and predictably clear goods, thereby better managing their own resources and the release times for the trade. In some countries, Customs also benefit from dealing with agents and brokers who are often more expert at handling the requirements for Customs procedures than some of their customers** [*emphasis added*] (WCO Revised Kyoto Convention 1999, General Annex Guidelines Ch. 8, p. 1).

The important role of clearing agents is also reflected in the WCO *Framework of Standards to Secure and Facilitate Global Trade* (SAFE Framework) (WCO 2012a). An important component of the SAFE Framework is the AEO⁷ program which has become a paradigm to enhance Customs-Business partnerships in facilitating legitimate trade. According to the WCO (2014a), 88% of operational and

to-be-launched AEO programs have incorporated clearing agents as potential AEOs, including customs brokers, warehouse operators, freight forwarders and carriers (the remainder of the AEO programs cover either importers or exporters exclusively or cover both importers and exporters). This demonstrates that most AEO programs attach great importance to clearing agents who are expected to act as professional promoters and responsible 'filters' in cross-checking customs declaration data to ensure that business partners are reliable and secure within the supply chain at national and international levels.

2.3 Achieving levels of professionalism in clearing agents through formal examinations

There have been concerns from both the public and private sectors that the complexity of the documentation to be submitted to Customs with regard to the clearance of goods often leads to an incorrect compilation of information, with data frequently missing, so slowing down the entire clearance process. The International Federation of Customs Brokers and Customs Representatives (CONFIAD) observed that opening up the possibility for any person without the necessary professionalism to act as clearing agents would increase the risk of damages stemming from inaccurate declarations or incorrect fulfilment of formalities and wrong calculations of duties and excise due on the merchandise. CONFIAD (2007) citing the joint report of the International Finance Corporation and the World Bank, 'Reforming the Regulatory Procedures for Import and Export', noted that the lack of training and professionalism by all those intermediaries who deal with customs formalities is one of the major sources of serious clearance delays:

The lack of training and professionalism by the Customs broker/clearing agent can frequently be a source of serious clearance delays in the preparation of the Customs goods declaration. Lack of knowledge regarding the clearance process, its document requirements, where and how to obtain necessary certificates, insufficient technical knowledge on how to determine the classification of goods, can all contribute to unnecessary errors and significant delays in preparing an error-free goods declaration for Customs and having it accepted as correct. It is critical that any Customs reform/modernization and trade facilitation develop a strategy to improve the professionalism and conduct of the customs brokers and clearing agents. This can be addressed through professional training and licensing programs (possibly even requiring retraining and relicensing of existing brokers/agents), and the application of sanctions, temporary suspension or permanent revocation of licenses when brokers/agents are deemed to be unprofessional, non-performing, or involved in a customs fraud or other corrupt practice (International Finance Corporation 2006, p. 77).

It should be noted that the newly adopted European Union Customs Code (Article 18) stipulates that 'Member States may determine, in accordance with Union law, the conditions under which a customs representative may provide services in the Member State where he or she is established'. The Customs Code emphasises the 'conditions' in providing services as a third party, when compared with the current Modernised (European) Community Customs Code which stipulates: 'It will be no longer national restrictions on customs representation but possible conditions and common criteria to be fulfilled by those persons who want to act as representatives in other Member States'.

In the same vein, this paper draws attention to the WCO RKC Standards and the WTO TFA. Chapter 8 of the RKC ('Relationship between Customs and Third Parties') provides that:

Persons concerned shall have the choice of transacting business with the Customs either directly or by designating a third party to act on their behalf (Standard 8.1).

National legislation shall set out the conditions under which a person may act for and on behalf of another person in dealing with Customs and shall lay down the liability of third parties to the Customs for duties and taxes and for any irregularities (Standard 8.2).

Accordingly, in terms of using customs brokers, Article 10 of the WTO TFA requires that:

Without prejudice to the important policy concerns of some Members that currently maintain a special role for customs brokers, from the entry into force of this agreement Members shall not introduce the mandatory use of customs brokers. ... With regard to the licensing of customs brokers, Members shall apply rules that are transparent and objective.


It is fair to say that neither the WCO nor WTO support the mandatory use of clearing agents, but do require conditions/rules that are transparent and market-orientated when regulating clearing agents.

In respect of licensing clearing agents, the International Federation of Customs Brokers Association (IFCBA) advocates that customs brokers should be licensed by following a standard rule. The IFCBA believes that education and training of customs brokers and other clearing agents is the cornerstone of building a private sector that can be a reliable partner of Customs in managing security and facilitation.

In practice, Customs must pay attention not only to validation of the applicant’s qualifications beforehand and auditing of their performance thereafter, but also set out operational standards and training criteria to ensure their ongoing regulatory compliance and professional standing. Further, when managing or employing others, clearing agents are obliged to set good examples by acting lawfully and competently at all times.

However, in referring to websites of WCO Members, market access control for clearing agents is seen as a complex issue subjected to regulations that differ from country to country (see Table 1).

Table 1: Example of diverse regulatory modes for clearing agents

Level of Restriction	Regulations on Access to Customs Declaration of Goods’ Importation or Exportation		Example of Countries
	No prerequisites, and liberty on market competition.	No qualifying requirement necessary for both self and agent declarations (including agent declarations by means of direct and indirect representatives*).	Germany, the UK
	No licence is required on self declarations fulfilled by traders themselves.	Licence is required for agent declarations in direct representative, but without tailored requirement on professional examination.**	Some countries in Africa
		Licence is required for agent declarations.	Most southern and eastern European countries
		Both qualifying and professional examinations are required in licensing clearing agents as third parties.	Australia, Canada, Japan, Republic of Korea, Russian Federation, the US
	Licence is required on both self and agent declarations pragmatically.	Both qualifying and professional examinations are required in licensing clearing agents to make either self or agent customs declarations (if beyond a certain minimum customs duty).	Brazil, Mexico, the Philippines
High	Licence is required and agent declaration is mandatory.	Both qualifying and professional examinations are required in use of licensed clearing agents.	Some countries in Africa and South America

Source: Compiled by the author.

* According to the current EU Modernized Community Customs Code, ‘direct representative’ means a customs declaration in the name of and on behalf of another person; ‘indirect representative’ means a customs declaration in its own name but on behalf of another person.

** Here ‘qualifying examination’ means the licensing process conducted by customs administrations in evaluating the applicants’ eligibility in terms of citizenship, compliance and credibility; ‘professional examination’ means

the professional exam relating to trade regulatory rules, customs procedures and declaration skills, etc. (it is also termed ‘licensure examination’ in countries like the Republic of Korea and the US, according to their relevant regulations). In practice, passing the professional examination is the prerequisite to qualifying for a licence to conduct customs brokerage services.

3. Approaches practised by China Customs in promoting trade facilitation through professionalising clearing agents

As a member of the WCO, China Customs at various levels is taking the initiative and working with the private sector to develop training programs that apply WCO conventions and instruments in a bid to ensure service-orientated organisations and good governance. These programs include seminars, workshops, formal consultative committee meetings and/or *ad hoc* round-table consultations to keep the private sector, especially clearing agents, informed of customs policies, regulations and new management mechanisms. Frequently, clearing agents are also invited to participate in the discussions in forums such as the APEC Customs-Business Dialogue and the WCO World Customs and Trade Forum, in a bid to optimise channels to listen to suggestions from frontline business.

The following three sub-sections describe other approaches being practised by China Customs and their outcomes. It should be noted that they are introduced for illustrative purposes and do not prescribe how a customs administration should act.

3.1 Enhance professional integrity through market competition and partnership with trade associations

In most WCO member countries, clearing agents and their commercial entities are obliged to be registered with Customs under national law. This is perceived as a professional permit for clearing agents to provide service as a third party. However, in the context of ever-increasing demand for reliable performance and to address the bottlenecks in trade facilitation initiatives, China Customs is aware of the importance of customs professionalism in partnering with reliable clearing agents. From the beginning, China Customs has noticed that qualifying examinations for clearing agents are not sufficient to guarantee high levels of professionalism. For instance, around 100,000 practitioners have passed the examination and qualified as licensed customs brokers but less than 50% are in active operation in the customs brokerage market.

To address risks of low professionalism (and low professional integrity), China Customs revised the licensing system in 2014, giving freedom to market competition in respect of the use of reliable clearing agents. Consequently, Customs Brokers Associations nationwide are commissioned to regulate the brokerage market and manage the professional examinations in a bid to facilitate market-orientated competition to ensure a high level of reliable performance on the part of clearing agents.

This modification of regulations requires close partnership between customs authorities, clearing agents and the Customs Brokers Associations. To avoid commercial fraud and potential collusion for illegal gains, such trade associations are not permitted to be directly involved in customs transactions; they cannot act as gatekeepers of the market and possible poachers. Their mandate is on monitoring, training, and bridging dialogue channels in the interests of both customs administrations and clearing agents. This is coincidentally consistent with the recommendation being highlighted by the WCO Capacity Building Committee that ‘Customs administrations require organized partners and business associations to deal with in training and capacity building’.⁸

To enhance professional integrity and good governance, Customs Brokers Associations are mandated by the customs authority to take, *inter alia*, the following proactive measures:

- host ‘Customs Clearing Agents’ Professional Examination Committees’ at national and regional

levels, comprised of customs officials, association specialists, representatives of importers/exporters and senior clearing agents

- unify training materials and examination criteria nationwide
- unify the electronic declaration platform and operational process through paperless declarations, a key step towards establishment of a single window environment
- organise competitive campaigns nationwide every three years to select the top 100 customs brokerage companies and clearing agents respectively, based on their record of performance and compliance in customs transactions, accountability, etc.

Experience attained

Professional integrity is of critical importance for trade facilitation and business competitiveness. However, building business professionalism will be unlikely to have good results in governance if they do not align with the strategies and efforts of the customs authority and other government departments. Thus, professional partnerships in which trade associations act as neutral intermediaries between the customs authority, clearing agents and civil society can provide legitimacy of training and fair competition for professionalism, for projects that strengthen customs integrity and good governance.

This regulatory innovation introduces a win-win situation into the customs brokerage market. Knowledge and intelligence are well explored and motivated through the synergy of trade associations; meanwhile, customs administrations are significantly relieved of the burden of training and monitoring of legal liabilities in market regulation.

According to the latest survey report by China Customs Brokers Association (CCBA 2013), some trends have been appearing in business partnerships and advancing towards a more efficiently regulated brokerage service. For instance, training projects that ‘train the trainer’ have enhanced professional sustainability and achieved significant results with relatively small financial resources. Selected reliable clearing agents are playing an exemplary role nationwide in accurate declarations and data security; and SMEs are enthusiastic to join the Customs Brokers Association, and to assign their in-house customs professionals to attend formal training courses.

3.2 Promote trade facilitation through clearing agents’ expertise

Against the backdrop of increasing global trade, there is an increased expectation on clearing agents to help their clients comply with customs rules and regulations in view of their experience in dealing with local customs procedures associated with goods classification and valuation of consignments, etc. For this reason, clearing agents play an essential intermediary role in consultations between importers/exporters and customs administrations, and are typically the main points of contact in customs transactions.

In China, Customs is rolling out a professionalism-orientated approach to certify ‘Customs Specialists in Goods Classification’⁹ in line with the WCO Standards on Advance Rulings and the SAFE Framework, advocating ‘compliance for trade facilitation’. Customs administrations grant expedited clearance of consignments declared by those specialised clearing agents who must be employed by a credible categorised brokerage company under the AEO program and declare goods on behalf of an AEO company or at least a credible categorised operator. For instance, they can declare goods at a local customs house where they are registered and obtain clearance from any customs house, that is, a consignment can be declared at a ‘home’ customs house when it is to be imported or exported at other ports without any further customs declarations; they can submit one declaration form to both Customs and Quality Inspection and Quarantine services in Shanghai and Zhejiang province in eastern China, by applying the WCO Data Model which is a foundation for interoperability among border agencies’ reporting requirements.

In practice, the specialised clearing agents are obliged to be:

- attentive in plausibly examining trade documents throughout the supply chain to safeguard the interests of trade partners and their own professional integrity profile
- alert in reporting to Customs any potential illegal or illegitimate activities and suspicious transactions such as fraudulent goods classifications, under-valuation, origin fraud, IPR infringement
- proactive in the education of SME partners by developing a Code of Conduct and a set of Risk Indicators.

Experience attained

This measure provides opportunities for clearing agents to demonstrate their professional expertise in conformity with regulations and standards applicable to international trade. What is inspiring is that they can be motivated as facilitators to strengthen customs service; be ‘filters’ to assist Customs to target high risk consignments more effectively, and be professional integrity promoters to secure the interests of stakeholders. On the other hand, it is hard to imagine that a person without the necessary specialised knowledge in customs operations would be able to assist Customs and carry out services with due diligence and reliability.

This measure has led to the shift of customs enforcement focus from individual consignment-based checking to brokerage company-based auditing. The specialised clearing agents are able to enjoy benefits such as expedited clearance procedures, periodic audits and reputable business opportunities. It also demonstrates that the vast majority of SMEs benefit when their customs transactions are conducted by these clearing agents. Such specially certified clearing agents voluntarily operate closely with the regulators to prevent potential commercial fraud. They have become a key group in assisting Customs to secure supply chains and act as market ‘filters’ to expose informal and non-compliant brokerage activity such as ‘One-Broker-Shop’ businesses (such service is often offered by a broker at an attractive price by shortcutting regulatory requirements).

3.3 Maintain effective performance measurement that integrates the customs authority’s regulatory and business operations

In the context of China Customs’ reform for better trade facilitation, Customs is required to be highly capable in ‘risk management, post-clearance auditing and efficient management of enterprises’. These are perceived as new challenging functions in terms of customs professionalism, which are highlighted in the Second-Phase Strategy of China Customs’ Modernization in a bid to build an *intelligent Customs system with smart ears and eyes*. To achieve this strategy, China Customs pays particular attention to partnerships with stakeholders based on their professionalism, in particular with clearing agents considering that more than 85% of large customs transactions are conducted by means of agent declarations. In this regard, China Customs actively manages the implementation of its AEO program through its Interim Regulations on Categorised Management of Enterprises’ Credibility¹⁰ (China Customs Decree No. 225, 2014). One of the outstanding features of this program is that enterprises are regulated based on their performance at borders and their professional standing in respect of knowledge of customs regulations, goods classifications, etc. Specific measures are defined relating to the performance of clearing agents with particular emphasis on being:

- time-valid (to keep track of business performance in areas such as possible smuggling; erroneous declarations)
- consistent with other performance indicators (to keep track of clearing agents’ performance recorded by other border regulatory departments in a bid to eradicate illegal activities, commercial fraud, and fraudulent use of credible economic operators’ names)

- conscious of good governance (to be committed to all-round communication with partners, invite clearing agents to actively participate in the discussions about optimising the AEO program to safeguard the credibility of that program and better guide professional development of the brokerage market nationwide)
- consistent in developing professional integrity (by designating direct contact points between customs officials and clearing agents of AEO companies to motivate business to voluntarily invest in professionalism, and to keep them addressing professional integrity issues that are relevant to their business activities and core competencies).

Until now, only around 200 clearing agents' companies are registered as Highly Credible Authorised Operators (these are AEO companies validated by China Customs), which is a small number when compared with the large number of enterprises registered with the customs authority (there are around 342,600 registered enterprises, 98.32% of which are ordinary SMEs). Conversely, in 2012, around 800 clearing agents' companies rated as Credible Operators and Operators were demoted to a questionable class, 320 of which were deprived of the right to customs brokerage business (CCBA 2013).

Experience attained

With the AEO program and its practical implementation, trust is being fostered between customs officials and reliable clearing agents in a manner of equal social status instead of the outdated paradigm of the 'cat-and-mouse game' at borders. As an outcome, customs officers are frequently invited by business to attend workshops and thus gain more accurate knowledge of the products subject to goods classification, and vice versa, clearing agents are encouraged to attend workshops organised by Customs to update their compliance awareness of new regulations, new tariff rules, etc.

In respect of promoting customs professionalism, those clearing agents employed by Credible Operators and higher class companies (for example, AEOs) are taking the initiative to protect their corporate brand image by advocating knowledge-based company ethics, voluntarily protecting their accreditation status as well as the interests of trade stakeholders to ensure sustainable partnerships. In fact, these clearing agents are playing an exemplary role in assisting Customs to do more with less.

This experience reflects the principles of the WCO's 'Performance Measurement Contracts Guide':¹¹

Performance measurement and contracts make it possible to enter a virtuous cycle of reform. ... Since the evaluation of the performance of each entity is openly shared (at least internally), each entity will want to be assessed as accurately or positively as possible. This leads it to share information related to the difficulties and constraints it has encountered when carrying out its activities. This "forced" feedback feeds the debate on the reform with more accurate information, thus leading to a more realistic evaluation of the modernization process (WCO 2014b, p. 13).

4. Conclusions

In support of the implementation of the WTO TFA and as a result of other changes, the WCO is making a considerable investment in upholding its determination to serve its Members and upgrading customs professionalism through WCO instruments, standards, and tools including the newly launched Mercator Programme.

Moreover, the WCO pays great attention to promoting professionalism through partnering with stakeholders. As is mentioned in the WCO 'Orientation Package for Decision Makers':

Now, more than ever before, there is a need for Customs administrations to be more effective and efficient in order to achieve the objectives set by policymakers. This requires investment in either significant reform and modernization or continuous improvements. This in turn requires the support

of a broad base of stakeholders, including decision makers in Government, other government agencies, ... and a range of private sector actors (WCO 2012b, p. 1).

Generally, customs authorities are expected to comprehend precisely the environment and invest in capacity building for efficient and effective administration but this paper demonstrates that they also need to invest in their partnerships with business. In this connection, it is the responsibility of Customs to take initiatives in setting professional standards and performance guidelines to motivate reliable clearing agents to comply with regulatory rules and thus motivate them to play an exemplary role for SMEs in respect of professional competence and regulatory compliance.

In the context of China Customs' reform, the authority pays particular attention to the professional standing of clearing agents who are key partners in the provision of service and key stakeholders in achieving the Second-Phase Strategy of China Customs' Modernization. The approaches discussed in this paper have proved successful in strengthening customs professionalism through partnerships on a structured basis in addition to *ad hoc* cooperation, and have led to a win-win environment for the three parties: the Customs administration, importers/exporters, and reliable clearing agents. Consequently, knowledge and intelligence are better shared, and reliable clearing agents who have succeeded through market selection are obliged to shoulder due responsibilities in such areas as accurate declarations, data security, IPR protection, etc. Some of these approaches, though still nascent, are being practised in the context of China Customs' reform. Much work relating to trade facilitation, professional integrity, and capacity building is ongoing to secure greater participation of other regulatory departments; however, it will take some time before this is fully achieved.

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Notes

- 1 The views and opinions presented in this paper are those of the author and do not necessarily reflect the views or policies of the WCO or WCO Members.
- 2 Delays in the release of goods are very often attributed to the procedural and documentary requirements of Customs. Therefore, the time required to release goods has increasingly become the measure by which the international trading community assesses the effectiveness of a customs administration. This explains why Article 7 'Release and clearance of goods' of the WTO TFA encourages members 'to measure and publish their average release time of goods periodically and in a consistent manner, using tools such as, *inter alia*, the WCO Time Release Study (TRS)'. According to the 'Guide to measure the time required for the release of goods, Version 2' (WCO 2011), activities that relate to the calculating and recording of the time needed by Customs to release goods can provide pertinent information to guide any necessary process improvements or identify desirable regulatory changes to ensure the effective facilitation of trade. The Guide highlights that the involvement of customs brokers (associations) is indispensable to undertake the TRS, as they may be able to provide Customs with the necessary data for the TRS which the customs administration does not have. The TRS would be a typical area where Customs, other border agencies and business can work together for mutual benefit. Details are available at: www.wcoomd.org/en/topics/facilitation/instrument-and-tools/tools/pf_tools_time_release.aspx.
- 3 A 'customs clearing agent', in the WCO 'Glossary of International Customs Terms', is defined as a person who carries on the business of arranging for the customs clearance of goods and who deals directly with Customs for and on behalf of another person. In this paper, 'customs agents' refers to customs brokers, forwarders, shipping agents, other customs intermediary operators and in-house customs professionals of import/export companies; whereas 'customs practitioners' generally includes all those involved in customs service including customs agents and customs administration officials.
- 4 Since 2006, the WCO has successfully held nine PICARD (Partnership in Customs Academic Research and Development) Conferences in association with the INCU (International Network of Customs Universities), where participants can exchange experiences and customs-related research for customs professionalism, and enjoy the opportunity to interact with their government, commercial and academic counterparts from around the world. See: www.wcoomd.org/en/topics/capacity-building/activities-and-programmes/cb_picard_overview.aspx.
- 5 This study perceives that 'customs professionalism' includes knowledge, skills, attitude and professional integrity relevant to customs service. Here 'professional integrity' includes two key components: professional competence and regulatory compliance, both of which entail reliability and responsibility to business partners in the global supply chain. It differs from 'personal integrity' in that personal integrity does not have 'company' or 'client' as the main driver in providing customs service. Professional integrity, however, is probably not easy to claim if one does not have personal integrity. This is because a lot of what is considered professional integrity is actually an extension of personal integrity into the workforce.
- 6 According to the WTO Trade Report 2013, 'Preliminary estimates of trade measured in value-added terms show that almost 30 per cent of total trade consists of re-exports of intermediate inputs, thus indicating increased international interdependence through international production chains. ... Economies import more and more intermediate goods and services to produce both for the domestic market and for exports. A positive correlation has been found between access to imported inputs and export performance – the more an economy integrates into international supply chains, the more its exports grow. Efficient access to imports of intermediate inputs improves the capacity of firms to increase their productivity and remain competitive in an interconnected world' (WTO 2013b, p. 6).
- 7 AEO is defined in the WCO SAFE Framework as 'a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards' (WCO SAFE Framework 2012a, p. I/1).
- 8 This recommendation was stressed in the second session of the WCO Capacity Building Committee document, 'Working with the private sector to build customs capacity', that '... A second issue to be explored is the creation of national business associations or the evaluation of existing associations to provide advice and support to become more effective and efficient.

Customs administrations require organized partners in business to deal with'. The purpose of this document was to outline how the WCO proposes building on the Customs-Business building block of the Customs in the 21st Century policy paper to enhance capacity building activities. The document suggested that a Business-Business approach would complement the Customs-Customs and Customs-Business approaches.

- 9 There are prerequisites for this certification: the applicant must be a licensed customs broker; have a minimum of five years working experience in customs brokerage service; be a graduate with a tertiary college education and above; a certificate holder of the training program organised by the regional Customs Brokers Associations on goods classification and customs tariff regulations; and have no record of violation of customs regulations within the last two years.
- 10 The newly promulgated Interim Regulations on Categorized Management of Enterprises' Credibility (an upgraded version of the previous Measures on Categorized Management of Enterprises issued in April 2008) stipulates that all enterprises registered with Customs are verified based on their credibility and announced to the public for transparency, monitoring and dynamic management. Enterprises are certified into four categories: High Credible Authorised Operators (AEO companies), Credible Operators, Ordinary Operators, and Questionable Operators. High Credible Authorised Operators and Credible Operators are granted respective clearance facilitation permission, while Ordinary Operators will be subject to regular enforcement and Questionable Operators are subject to strict customs controls. Its main goals are to enhance credible performance of enterprises, promote compliance management for the security and facilitation of global trade, and improve the effective performance measurement of both the customs authorities and business companies.
- 11 According to the Guide, 'In this document: "Measuring performance" means that the customs authority regularly analyses data extracted from automated Customs clearance systems to describe and understand the activities and practices of a specific entity (frontline Customs officers, importers, etc.) in connection with Customs procedures' (WCO 2014a, p. 6).

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