



## Automatic Import Licenses Go Paperless in China

Since August 11, 2014, economic operators are exempted from submitting tangible automatic import licenses to China Customs for the import declaration of their goods, and accordingly no more remarks will be made by Customs authorities on paper licenses. Instead, Customs will verify the required licenses electronically, which is supported by a network weaving together different government agencies involved in controlling foreign trade. The procedure of license application remains unchanged.

Currently, the trade facilitation policy is exclusively tested in Shanghai Free Trade Zone. Shipments arriving in other ports of entry are not eligible for the policy. With respect to the goods subject to automatic import license administration, crude oil and fuels are reserved for traditional license control.

Trade controls take many forms in China, for instance, licenses, quotas, quality supervision and inspection etc., they all play important roles in controlling the import to and the export from China.

In practice, the Ministry of Commerce and its local agencies issue a license while the Customs Administrations examine the license when the relevant import or export is declared, a separation of power adopted by many countries. However, the separation may cause problems

when the disparity in modernization between government agencies becomes significant.

Compared with other government agencies, China Customs was a pioneer in exploring and utilizing information technologies for efficiency. As early as in 1988, China Customs finished developing the first indigenous IT system, and officially named it as H883. It then took the organization several years to deploy the system nationwide and harness its power in operation.

Traditionally, economic operators in China needed to physically present themselves at a Customs establishment, and submit their declarations for import/export manually. All the information pertaining to the declaration was transmitted in the form of paper sheet, including the Customs declaration form, commercial invoice, contract and many other supporting documents.

Since 1995, with the functioning of H883 in all Customs districts across the country, China began to pilot electronic declaration in its territory while the hard copies were still reserved as an authentic proof and a reliable backup.

Today H883 has been replaced by H2000, an upgraded system with risk management features such as profiling and targeting. In developing and running these systems, China Customs has accumulated sufficient knowledge and experience, and become more confident in



IT solutions.

On August 1, 2012, China Customs decided to go green, and launched the “Paperless Customs Clearance Reform”, which aimed to transform all the paper documents required in Customs clearance process into electronic ones by 2015. A headache confronted by the organization was the shipments subject to license administration because most licenses are issued physically by other government agencies and supposed to be manually examined by Customs officers against the shipments. A compromise made by China Customs was to extend the traditional clearance mode for the license-controlled shipments and leave them untouched by the reform process.

To fulfill its commitment to the paperless clearance, China Customs has recognized the importance to communicate and coordinate its efforts with other government agencies. In collaboration with the Ministry of Commerce, China Customs started a pilot project to test the feasibility of on-line verification of automatic import licenses in January through June 2013. The test was parallel to the manual licensing system and resulted in a positive conclusion. Now the two regulatory bodies want to push the test one step further, drop the manual system and go electronic completely. In order to minimize the impact and control the risks of reform, the test run has restrictions on both the ports of entry and the type of goods.

China has a number of licenses imposed on foreign trade, and automatic import license is

relatively an easy one. It will take much more time and efforts to computerize all the trade controls. However, to accomplish the last mile of paperless Customs clearance will have a profound impact on the trade efficiency, the industrial competitiveness, the economy and the environment.